Compensation Discussion and Analysis

Executive Summary

Named Executive Officers

This Compensation Discussion and Analysis provides a discussion and analysis of our compensation program for our named executive officers (''NEOs''). For the 2018 fiscal year ended February 2, 2019, the NEOs were:

Name	Title
W. Rodney McMullen	Chairman and Chief Executive Officer
J. Michael Schlotman	Executive Vice President and Chief Financial Officer
Michael J. Donnelly	Executive Vice President and Chief Operating Officer
Christopher T. Hjelm	Executive Vice President and Chief Information Officer
Robert W. Clark	Senior Vice President

Summary of Key Compensation Practices

What we do:	What we do not do:
✓ Align pay and performance	✘ No employment contracts with executives
✓ Significant share ownership guidelines of 5x salary for our CEO	✘ No special severance or change in control programs applicable only to executive officers
✓ Multiple performance metrics under our short- and long-term performance-based plans discourage excessive risk taking	✘ No tax gross-up payments for executives
✓ Balance between short-term and long-term compensation to discourage short-term risk taking at the expense of long-term results	✘ No re-pricing or backdating of options
✓ Engagement of an independent compensation consultant	✘ No guaranteed salary increases or bonuses
✓ Robust clawback policy	✘ No payment of dividends or dividend equivalents until performance units are earned
✓ Ban on hedging, pledging and short sales of Kroger securities	✘ No single-trigger cash severance benefits upon a change in control
✓ Limited perquisites	

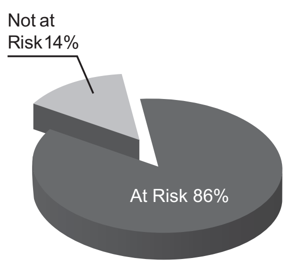
Summary of Fixed and At-Risk Pay Elements

The fixed and at-risk pay elements of NEO compensation are reflected in the following table and charts.

	Element	Form	Description	
ANNUAL / SHORT-TERM INCENTIVE	Base Salary	Cash	• Attract, incentivize, retain talented executives • Benchmarked to peer group • Fixed cash component • Board reviews annually • No automatic or guaranteed increases • Based on individual performance & experience	FIXED
ANNUAL / SHORT-TERM INCENTIVE	Other Benefits	Retirement & Limited Perquisites	• Kroger maintains several defined benefit and defined contribution retirement plans for its employees, in addition to an executive deferred compensation plan and The Kroger Co. Employee Protection Plan • Executives receive limited perquisites because the Compensation Committee does not believe it is necessary for the attraction or retention of executive talent	FIXED
ANNUAL / SHORT-TERM INCENTIVE	Annual Incentive Plan	Cash Bonus	• Metrics and targets align with annual business goals; payout depends on actual performance against each goal • Rewards and incentivizes Kroger employees, including NEOs, for annual performance on key financial and operational measures • Benchmarked to peer group median	VARIABLE / AT-RISK
LONG-TERM INCENTIVE	Long-Term Incentive Plan	Performance Units Long-Term Cash Bonus	• Drive profitability and growth, create shareholder value, foster executive retention, and align executive and shareholder interests • All components paid in performance-based long-term cash bonuses and performance units to align executive and shareholder interests; vesting over a 3-year period • Rewards and incentivizes approximately 140 key employees, including NEOs, for long-term performance on key financial and operational measures	VARIABLE / AT-RISK
LONG-TERM INCENTIVE	Time-Based Awards	Restricted Stock Stock Options	• Stock options and restricted stock for NEOs vest over 4 years; exercise price of stock options is closing price on day of grant • Provides direct alignment to stock price appreciation and rewards executives for the achievement of long-term business objectives and providing incentives for the creation of shareholder value	VARIABLE / AT-RISK

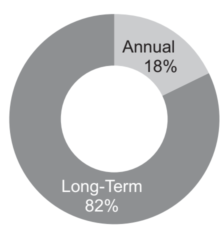
The amounts used in the charts below are based on the amounts reported in the Summary Compensation Table for 2018, excluding the Change in Pension Value and Nonqualified Deferred Compensation Earnings column.

CEO



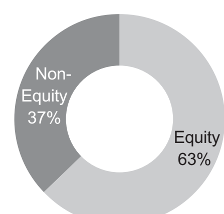
86% of CEO pay is At Risk

CEO



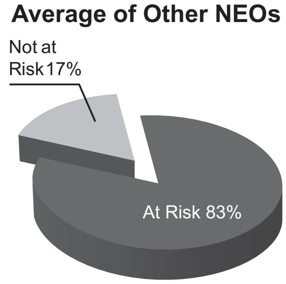
82% of CEO pay is Long-Term

CEO



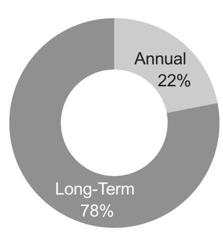
63% of CEO pay is Equity

Average of Other NEOs



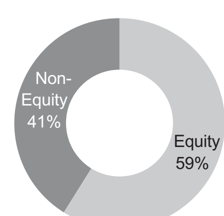
83% of Other NEO pay is At Risk

Average of Other NEOs



78% of Other NEO pay is Long-Term

Average of Other NEOs



59% of Other NEO pay is Equity

Realignment of Performance-Based Pay to Restock Kroger for 2018 and Beyond

Restock Kroger

In October 2017, we announced *Restock Kroger,* our plan to redefine the food and grocery customer experience in America and to create value for our shareholders. We developed the plan because, though we are proud of our long history of success and our strengths, we recognize that what got us here will not get us where we want to be in the future. *Restock Kroger* has four main drivers:

1. **Redefine the Food and Grocery Customer Experience**: Focus on data and personalization, digital, space optimization, Our Brands, and smart pricing
2. **Expand Partnerships to Create Customer Value**: Focus on front end transformation, technology innovation, cost reduction, and alternative profit streams
3. **Develop Talent**: Accelerate high-performance leadership culture through future talent development, training, and a rebalancing of pay and benefits
4. **Live Kroger's Purpose**: Meet Zero Hunger | Zero Waste targets and achieve 2020 sustainability goals

The three-year *Restock Kroger* plan is fueled by capital investments, cost savings, and Restock cash flow.[1] As a result of our plan, over the three-year time period 2018 – 2020, we expect to generate:

- $400 million in incremental FIFO operating profit, and
- $6.5 billion of Restock cash flow before dividends.

We have prioritized our estimated $9 billion in capital investments to support *Restock Kroger* over the three-year time period. We are looking first for sales-driving and cost-savings opportunities across both brick-and-mortar and digital platforms; followed by investments in logistics and technology platforms; and finally, capital for storing activity.[2]

Our Compensation Committee is Focused on Pay for Performance

The Compensation Committee has long maintained a strong pay for performance philosophy. Compensation must align the interests of our NEOs with the interests of our shareholders and must create incentives to achieve the annual business plan targets and longer term company objectives.

We implemented a long-term performance-based bonus program available to Kroger executives at the level of Vice President and above more than ten years ago, and the metrics were tailored to our long-term measures at that time. As our business objectives have shifted, the Compensation Committee is focused on ensuring performance metrics are aligned with our long-term strategy.

Our Long-Term Compensation Program: Align with Restock Kroger

We made new commitments to shareholders on a three-year time horizon under *Restock Kroger.* We believe that the success of *Restock Kroger* depends on the focused attention of our leadership team and associates on the goals of *Restock Kroger* and that it is essential to implement new performance metrics that mirror these new commitments. Accordingly, in 2018, we made changes to our program to align with *Restock Kroger*.

Our 2018 three-year long-term plan (2018 – 2020) has performance metrics tied entirely to *Restock Kroger* goals*: Restock* cash flow and cost savings included in FIFO operating profit growth, with a return on invested capital modifier. We implemented a metric based on the cost savings imbedded in the achievement of operating profit growth, because cost savings is essential to fund the strategic projects that will produce the operating profit growth. We believe it is a more meaningful metric than operating profit growth itself, because it forces us to focus on the savings that we need to support sustainable incremental operating profit growth.

Since we grant a new three-year long-term incentive plan each year, at any one time, there are three outstanding plans. Because the 2016-2018 and 2017-2019 long term plans were mid-cycle, we felt strongly that we should focus on *Restock Kroger* metrics rather than having competing priorities. As a result, in setting 2018

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[1] Restock cash flow is an adjusted free cash flow measure calculated as net cash provided by operating activities minus net cash used by investing activities plus or minus adjustments for certain items.

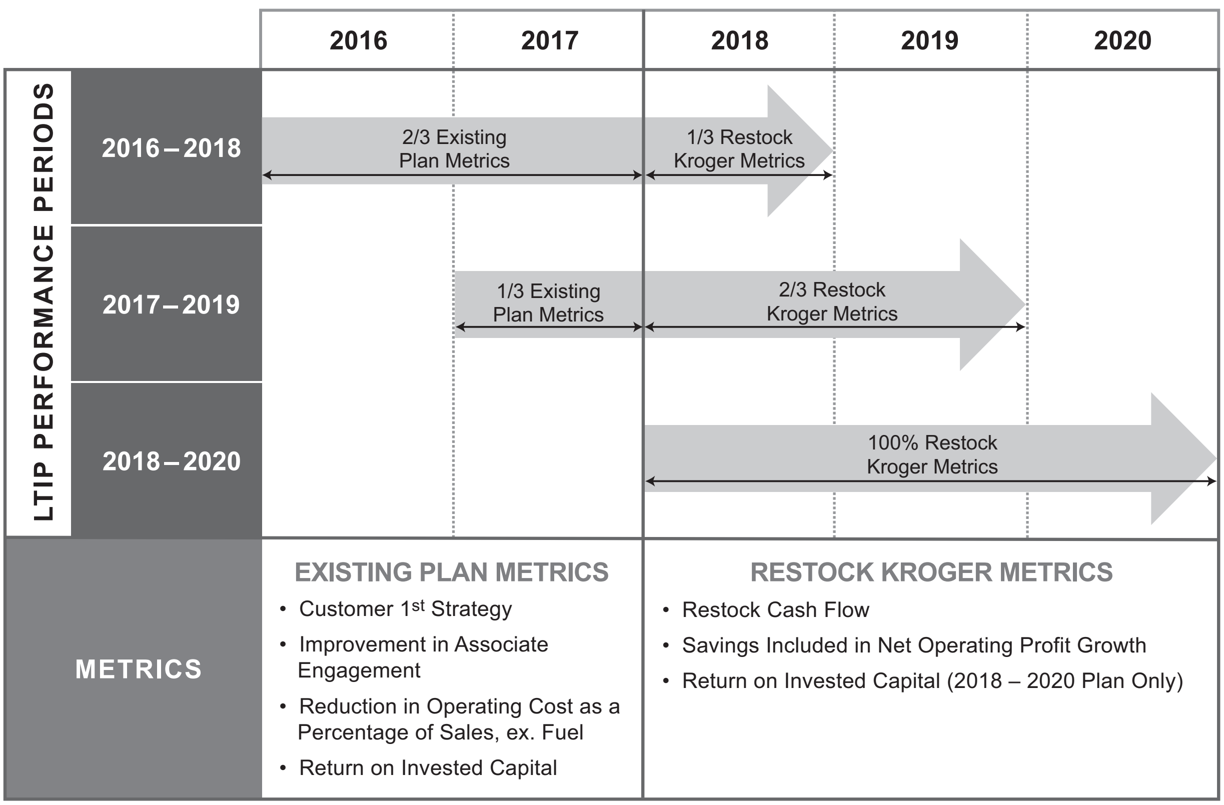
[2] For important risk, uncertainties and other factors relating to these forward-looking statements, see the Risk Factors in our Annual Report on Form 10-K that accompanies this proxy statement.

compensation, the Compensation Committee determined that the metrics of the two mid-cycle plans should be modified to align with *Restock Kroger* and the payouts for the then current NEOs should be addressed as described below.

For the outstanding 2016 – 2018 long-term plan, fiscal year 2016 and 2017 performance was measured on the pre-existing plan metrics and was applied to two-thirds of the previously granted cash and performance unit bonus target amounts. Fiscal year 2018 performance was measured on the *Restock Kroger* metrics of Restock cash flow and savings included in FIFO operating profit growth, and was applied to one-third of the previously granted cash and performance unit bonus target amounts.

Similarly, for the outstanding 2017 – 2019 long-term plan, fiscal year 2017 performance will be measured on the pre-existing plan metrics and will be applied to one-third of the previously granted cash and performance unit bonus target amounts. Fiscal year 2018 and 2019 performance will be measured on the *Restock Kroger* metrics of Restock cash flow and cost savings included in FIFO operating profit growth, and will be applied to two-thirds of the previously granted cash and performance unit bonus target amounts.

With respect to the mid-cycle plans for the then current NEOs, we did not adjust the cash bonus potentials or re-issue previously issued performance unit grants, we did not allow the re-earning of cash and performance units that were not earned in the completed year(s) of the outstanding plans, and we did not change the timing of the payout under the outstanding plans. Mr. Clark, who was not a named executive officer at the time the 2016 plan was modified, was eligible for a different plan as described below. These plan updates are illustrated below.



Our Annual Cash Bonus Program: Based on Meeting Financial Goals

We also redesigned the performance-based annual cash bonus plan to better align with our financial goals of *Restock Kroger* and to simplify the way we reward our associates. The 2018 annual plan had the following metrics:

1. ID supermarket sales
2. Earnings per share
3. Kroger Way Plans – strategic business plans that support *Restock Kroger*

To further support the cost saving focus of *Restock Kroger,* for any payout under the Kroger Way Plans metric, the Company must have met its cost savings goals for 2018.

Our Compensation Philosophy and Objectives

As one of the largest retailers in the world, our executive compensation philosophy is to attract and retain the best management talent as well as motivate these employees to achieve our business and financial goals. Kroger's incentive plans are designed to reward the actions that lead to long-term value creation. The Compensation Committee believes that there is a strong link between our business strategy, the performance metrics in our short-term and long-term incentive programs, and the business results that drive shareholder value.

We believe our strategy creates value for shareholders in a manner consistent with our core purpose: To Feed the Human Spirit.

To achieve our objectives, the Compensation Committee seeks to ensure that compensation is competitive and that there is a direct link between pay and performance. To do so, it is guided by the following principles:

- A significant portion of pay should be performance-based, with the percentage of total pay tied to performance increasing proportionally with an NEO's level of responsibility.
- Compensation should include incentive-based pay to drive performance, providing superior pay for superior performance, including both a short- and long-term focus.
- Compensation policies should include an opportunity for, and a requirement of, equity ownership to align the interests of NEOs and shareholders.
- Components of compensation should be tied to an evaluation of business and individual performance measured against metrics that directly drive our business strategy.

The Compensation Committee has three related objectives regarding compensation:

- First, the Compensation Committee believes that compensation must be designed to attract and retain those individuals who are best suited to be an officer at Kroger.
- Second, a majority of compensation should help align the interests of our NEOs with the interests of our shareholders.
- Third, compensation should create strong incentives for the NEOs to achieve the annual business plan targets established by the Board, and to achieve Kroger's long-term strategic objectives.

Components of Executive Compensation at Kroger

Compensation for our NEOs is comprised of the following:

- Annual Compensation:
  - Salary
  - Performance-Based Annual Cash Bonus
- Long-Term Compensation:
  - Performance-Based Long-Term Incentive Plan (consisting of a long-term cash bonus and performance units)
  - Non-qualified stock options
  - Restricted stock
- Retirement and other benefits
- Limited perquisites

The annual and long-term performance-based compensation awards described herein were made pursuant to our 2014 Long-Term Incentive and Cash Bonus Plan, which was approved by our shareholders in 2014.

Annual Compensation – Salary

Our philosophy with respect to salary is to provide a sufficient and stable source of fixed cash compensation. All of our compensation cannot be at-risk or long-term. It is important to provide a meaningful annual salary to attract and retain a high caliber leadership team, and to have an appropriate level of cash compensation that is not variable.

Salaries for the NEOs (with the exception of the CEO) are established each year by the Compensation Committee, in consultation with the CEO. The CEO's salary is established by all of the independent directors. Salaries for the NEOs were reviewed in June of 2018.

The amount of each NEO's salary is influenced by numerous factors including:

- An assessment of individual contribution in the judgment of the CEO and the Compensation Committee (or, in the case of the CEO, of the Compensation Committee and the independent directors);
- Benchmarking with comparable positions at peer group companies;
- Tenure in role; and
- Relationship to other Kroger executives' salaries.

The assessment of individual contribution is a qualitative determination, based on the following factors:

- Leadership;
- Contribution to the officer group;
- Achievement of established objectives;
- Decision-making abilities;
- Performance of the areas or groups directly reporting to the NEO;
- Increased responsibilities;
- Strategic thinking; and
- Furtherance of Kroger's core values.

Annual Compensation – Performance-Based Annual Cash Bonus

The NEOs participate in a performance-based annual cash bonus plan. The amount of annual cash bonus that the NEOs earn each year is based upon Kroger's performance compared to goals established by the Compensation Committee and the independent directors based on the business plan adopted by the Board of Directors. A minimum level of performance must be achieved before any payouts are earned, while a payout of up to 200% of target bonus potential can be achieved for superior performance. There are no guaranteed or minimum payouts; if none of the performance goals are achieved, then none of the bonus is earned and no payout is made.

The annual cash bonus plan is designed to encourage decisions and behavior that drive the annual operating results and the long-term success of the Company. Kroger's success is based on a combination of factors, and accordingly the Compensation Committee believes that it is important to encourage behavior that supports multiple elements of our business strategy.

Establishing Annual Cash Bonus Potentials

The Compensation Committee establishes annual cash bonus potentials for each NEO, other than the CEO, whose annual cash bonus potential is established by the independent directors. Actual payouts represent the extent to which performance meets or exceeds the goals established by the Compensation Committee. Actual payouts may be as low as zero if performance does not meet the goals established by the Compensation Committee or as high as 200% of the potential bonus amount if the performance far exceeds these pre-established goals.

The Compensation Committee considers multiple factors in making its determination or recommendation as to annual cash bonus potentials:

- The individual's level within the organization, as the Compensation Committee believes that more senior executives should have a more substantial part of their compensation dependent upon Kroger's performance;

- The individual's salary, as the Compensation Committee believes that a significant portion of a NEO's total cash compensation should be dependent upon Kroger's performance;
- The individual's level in the organization and the internal relationship of annual cash bonus potentials within Kroger;
- Individual performance;
- The recommendation of the CEO for the other NEOs; and
- The compensation consultant's benchmarking report regarding annual cash bonus potential and total compensation awarded by our peer group.

2018 Annual Cash Bonus Plan Metrics

The annual cash bonus plan is a broad-based plan used across the Kroger enterprise. Approximately 41,000 associates receive bonus payouts based all or in part on the bonus plan described below. The 2018 annual cash bonus plan had the following measurable performance metrics, all of which are interconnected:

Metric	Weight	Rationale for Use
ID Supermarket Sales	Combined 67%, based on a grid	• ID Supermarket Sales represent sales, without fuel, at our supermarkets that have been open without expansion or relocation for five full quarters. • We believe this is the best measure of the real growth of our supermarket sales across the enterprise. A key driver of our model is strong ID Supermarket Sales; it is the engine that fuels our growth.
Earnings Per Share		• In previous years, we used Net Operating Profit as a performance metric as it allowed us to evaluate our earnings from operating the business; we cannot achieve solid Net Operating Profit without a strong operating model. • During the first year of *Restock Kroger*, our business plan anticipated a reduction in Net Operating Profit, so we substituted Earnings per Share for the 2018 annual bonus plan to better motivate our associates across the enterprise to increase this measure of earnings growth as Earnings Per Share were expected to grow in 2018.
Kroger Way Plans	33%	• Each major business line and department created a Kroger Way Plan – a strategic business plan to directly support one of the four pillars of *Restock Kroger*. • Each proprietary Kroger Way Plan outlines both the resource allocation and the return commitment for that plan. Combined, these plans form the basis for achieving the three-year *Restock Kroger* commitments. • Because cost savings is foundational to the success of Re*stock Kroger*, no payout can be earned under the Kroger Way Plan metric without the Company achieving 2018 cost savings of $950 million – regardless of the extent of the progress on the Kroger Way Plans.
Total of 3 Metrics	**100%**	

Results of 2018 Annual Cash Bonus Plan

The 2018 goals established by the Compensation Committee, the actual 2018 results, and the bonus percentage earned for each of the performance metrics of the 2018 annual cash bonus plan were as follows:

Payout Matrix		**ID Supermarket Sales**			
ID Sales and EPS for 2018 Fiscal Year		1%	1.65%	2%	3%
	$1.73	0%	1.3 %	2%	4%
EPS	$1.90	10%	50 %	75%	100%
	$2.06	50%	100 %	125%	175%
	$2.11	75%	125 %	150%	200%

Performance Metrics	**Result**	**Payout Percentage (A)**	**Weight (B)**	**Amount Earned (A) x (B)**
ID Sales/EPS	ID Sales = 1.22% EPS = $2.11	91.76%[1]	67%	61.48%
Kroger Way Plans	(2)	90%	33%	29.71%
Total Earned				91.18%

(1) See grid above.

(2) The Company achieved cost savings of $1.10 billion, which is an amount in excess of the savings threshold of $950 million. Because the threshold was achieved, it was possible to earn a payout on this metric. The Kroger Way Plan measures were approved by the Compensation Committee but are not disclosed as they are competitively sensitive.

Following the close of the year, the Compensation Committee reviewed Kroger's performance against each of the metrics outlined above and determined the extent to which Kroger achieved those objectives. Due to our performance when compared to the goals established by the Compensation Committee, the payout on the 2018 annual bonus was 91.18% of the participant's bonus potential.

In 2018, as in all years, the Compensation Committee retained discretion to reduce the annual cash bonus payout for all executive officers, including the NEOs, if the Compensation Committee determined for any reason that the bonus payouts were not appropriate given their assessment of Company performance – however, no adjustments were made in 2018 that affected NEO bonuses. The independent directors retained that discretion for the CEO's bonus. The Compensation Committee and the independent directors also retained discretion to adjust the goals for each metric under the plan should unanticipated developments arise during the year.

The actual annual cash bonus percentage payout for 2018 reflects strong performance on adjusted earnings per share and performance below business plan objectives on identical supermarket sales. The strong link between pay and performance is illustrated by a comparison of earned amounts under our annual cash bonus plan in previous years, such as 2009, 2016, and 2017, when payouts were particularly low. In those years, we failed to achieve many of our business plan objectives. A comparison of actual annual cash bonus percentage payouts this year and in prior years demonstrates the variability of annual cash bonus incentive compensation and its strong link to our performance:

Fiscal Year	**Annual Cash Bonus Payout Percentage**
2018	91.2%
2017	3.8%
2016	19.9%
2015	126.7%
2014	121.5%
2013	104.9%
2012	85.9%
2011	138.7%
2010	53.9%
2009	38.5%
2008	104.9%

As described above, the annual cash bonus payout percentage is applied to each NEO's bonus potential, which is determined by the Compensation Committee, and the independent directors in the case of the CEO. The actual amounts of performance-based annual cash bonuses paid to the NEOs for 2018 are reported in the Summary Compensation Table in the ''Non-Equity Incentive Plan Compensation'' column and footnote 3 to that table.

Long-Term Compensation

The Compensation Committee believes in the importance of providing an incentive to the NEOs to achieve the long-term goals established by the Board. As such, a majority of compensation is conditioned on the achievement of the Company's long-term goals and is delivered via four long-term compensation vehicles: long-term cash bonus, performance units, stock options, and restricted stock. Long-term compensation promotes long-term value creation and discourages the over-emphasis of attaining short-term goals at the expense of long-term growth.

The Compensation Committee considers several factors in determining the target value of long-term compensation awarded to the NEOs or, in the case of the CEO, recommending to the independent directors the amount awarded. These factors include:

- Individual performance;
- The NEO's level in the organization and the internal relationship of long-term compensation awards within Kroger;
- The compensation consultant's benchmarking report regarding long-term compensation awarded by our peer group; and
- The recommendation of the CEO, for the other NEOs.

Long-term incentives are structured to be a combination of performance- and time-based compensation that reflects elements of financial and common shares performance to provide both retention value and alignment with company performance. Long-term cash bonus and performance unit payouts are contingent on the achievement of certain strategic performance and financial measures and incentivize recipients to promote long-term value creation and enhance shareholder wealth by supporting the Company's long-term strategic goals. Stock options and restricted stock are linked to common shares performance creating alignment between the NEOs and our shareholders' interests. Options have no initial value and recipients only realize benefits if the value of our common shares increases following the date of grant.

A majority of long-term compensation is equity-based (performance units, stock options, and restricted stock) and is tied to the future value of our common shares, further aligning the interests of our NEOs with our shareholders. All four components of long-term compensation are intended to focus executive behaviors on our long-term strategy. Each component is described in more detail below.

Amounts of long-term compensation awards issued and outstanding for the NEOs are set forth in the Executive Compensation Tables section.

Long-Term Incentive Plan Design

In recent years, we have adopted a new Long-Term Incentive Plan each year, which provides for overlapping three-year performance periods. The Long-Term Incentive Plans adopted in 2016 and 2017, which consist of a performance-based long-term cash bonus and performance units, have the following characteristics:

- The long-term cash bonus potential is equal to the participant's salary at the end of the fiscal year preceding the plan effective date (or for those participants entering the plan after the commencement date, the date of eligibility for the plan).
- In addition, a fixed number of performance units based on level and individual performance is awarded to each participant at the beginning of the performance period (or for those participants entering the plan after the commencement date, the date of eligibility for the plan). The earned awards are paid out in Kroger common shares based on actual performance, along with a cash amount equal to the dividends paid during the performance period on the number of issued common shares ultimately earned.
- The actual long-term cash bonus and number of performance units earned are each determined based on our performance against the metrics established by the Compensation Committee (the independent directors, for the CEO) at the beginning of the performance period.

- Performance at the end of the three-year period is measured against the baseline of each performance metric established at the beginning of the performance period.
- The payout percentage, based on the extent to which the performance metrics are achieved, is applied to both the long-term cash bonus potential and the number of performance units awarded.
- Actual payouts cannot exceed 100% of the long-term cash bonus potential or 100% of the number of performance units awarded.

The Compensation Committee anticipates adopting a new Long-Term Incentive Plan each year, measuring improvement over successive three-year periods

2016 and 2017 Long-Term Incentive Plan Metrics

The following table summarizes the metrics applied to fiscal years 2016 and 2017 and the payout percentages:

Metric	Rationale for Use
Customer 1st Strategy	• Kroger's Customer 1st Strategy is the focus, in our decision-making, on the customer. This proprietary metric measures the improvement in how Kroger is perceived by customers in each of People, Products, Shopping Experience and Price. • 4% payout per unit of improvement.
Improvement in Associate Engagement	• Kroger measures associate engagement in an annual survey of associates. • 4% payout per unit of improvement.
Reduction in Operating Costs(1) as a Percentage of Sales, without Fuel	• An essential part of Kroger's model is to increase productivity and efficiency, and to take costs out of the business in a sustainable way. • 0.50% payout per 0.01% reduction in operating costs.
ROIC(2)	• Part of our long-term growth strategy is to make substantial capital investments over time. This measure is intended to hold executives accountable for the returns on the capital investments. • 1% payout per 0.01% improvement in ROIC.

(1) Operating Costs is a non-GAAP measure and is calculated as the sum of (i) operating, general and administrative expenses, depreciation and amortization, and rent expense, without fuel, and (ii) warehouse and transportation costs, shrink, and advertising expenses, for our supermarket operations, without fuel. Operating costs will exclude one-time expenses incurred in lieu of future anticipated obligations. Future expenses that are avoided by virtue of the incurrence of the one-time expense will be deemed to be total operating costs in the year in which they otherwise would have been incurred.

(2) Return on invested capital is a non-GAAP measure and is calculated by dividing adjusted operating profit for the prior four quarters by the average invested capital. Adjusted operating profit is calculated by excluding certain items included in operating profit, and adding our last-in, first out (''LIFO'') charge, depreciation and amortization, and rent. Average invested capital will be calculated as the sum of (i) the average of our total assets, (ii) the average LIFO reserve, (iii) the average accumulated depreciation and amortization, and (iv) a rent factor equal to total rent for the last four quarters multiplied by a factor of eight; minus (i) the average taxes receivable, (ii) the average trade accounts payable, (iii) the average accrued salaries and wages, and (iv) the average other current liabilities, excluding accrued income taxes.

As described above, under ''Realignment of Performance-Based Pay to Restock Kroger for 2018 and Beyond'' the metrics listed above for the 2016 and 2017 plans will be used to measure performance through 2017 and will be applied to the previously granted cash and performance unit bonus targets on a prorated basis. Performance for 2018 and 2019 will be measured on the *Restock Kroger* metrics of free cash flow and cost savings included in FIFO operating profit growth and will also be applied to bonus targets on a prorated basis.

Results of 2016 Long-Term Incentive Plan

The 2016 Long-Term Incentive Plan, which measured performance over the three-year period from 2016 to 2018, paid out in March 2019. The 2016 plan was modified during 2018 as described above with respect to the then current named executive officers and was calculated in two parts as follows:

Part 1: Fiscal year 2016 and 2017 performance was measured on the existing plan metrics and was applied to two-thirds of the previously granted cash and performance unit bonus target amounts.

Metric	Baseline	Result	Improvement (A)	Payout per Improvement (B)	Percentage Earned (A) x (B)
Customer 1st Strategy(1)	*	*	No improvement	4.0%	0.0%
Improvement in Associate Engagement(1)	*	*	No improvement	4.0%	0.0%
Reduction in Operating Cost as a Percentage of Sales, without Fuel	26.16%	26.95%	No improvement	0.5%	0.0%
Return on Invested Capital	13.73%	11.14%	No improvement	1.0%	0.0%
Total					0.0%

(1) The Customer 1st Strategy and Improvement in Associate Engagement components were established by the Compensation Committee at the beginning of the performance period, but are not disclosed as they are competitively sensitive.

Part 2: Fiscal year 2018 performance was measured on the *Restock Kroger* metrics of Restock cash flow and savings included in FIFO operating profit growth, with each metric accounting for 50% of the payout. The payout percentage was applied to one-third of the previously granted cash and performance unit bonus target amounts.

	Cut in = 50% Payout	Goal = 100% Payout	Result	Payout Percentage	Weight	Payout Amount
Savings included in FIFO operating profit growth	$0.950B	$1.016B	$1.100B	100%	50%	50%
Cumulative Free Cash Flow	$1.200B	$1.860B	$1.907B	100%	50%	50%
Total Payout						100%

Accordingly, no payout was earned on 2/3rds of the bonus target and 100% payout was earned on 1/3rd of the bonus target, resulting in a 33% overall payout. The then current NEOs received long-term cash bonus payments in an amount equal to 33% of that executive's long-term cash bonus potential and were issued the number of Kroger common shares equal to 33% of the number of performance units awarded to that executive, along with a cash amount equal to the dividends paid on that number of common shares during the three year performance period. Mr. Clark, who was not a named executive officer at the time the 2016 plan was modified, received a 0% payment with respect to 2016 and 2017 performance and received a 100% payout with respect to 2018 performance on the full amount of his bonus target. The cash payout and dividends paid on common shares earned under the 2016 Long-Term Incentive Plan are reported in the ''Non-Equity Incentive Plan Compensation'' and ''All Other Compensation'' columns of the Summary Compensation Table and footnotes 4 and 5 to that table, respectively, and the common shares issued under the plan are reported in the 2018 Option Exercises and Stock Vested Table and footnote 2 to that table.

2018-2020 Long-Term Incentive Plan Design

The Long-Term Incentive Plan adopted in 2018, which consists of a performance-based long-term cash bonus and performance units, has the following characteristics:

- The long-term cash bonus potential is set by the Compensation Committee, and the independent directors in the case of the CEO.
- In addition, a fixed number of performance units is awarded to each participant at the beginning of a three (3) year performance period (or for those participants entering the plan after the commencement date, the date of eligibility for the plan). The earned awards are paid out in Kroger common shares based on actual performance, along with a cash amount equal to the dividends paid during the performance period on the number of issued common shares ultimately earned.

- The actual long-term cash bonus and number of performance units earned are each determined based on our performance against the metrics established by the Compensation Committee (the independent directors, for the CEO) at the beginning of the performance period.
- The payout percentage, based on the extent to which the performance metrics are achieved, is applied to both the long-term cash bonus potential and the number of performance units awarded.
- Actual payouts cannot exceed 120% of the long-term cash bonus potential or number of performance units awarded.

Each of the following plan components account for 50% of the potential payout.

Plan Component	2018-2020
Cumulative Savings Included in Net Operating Profit Growth	
Cut in = 50% payout	$3.0B
Goal = 100% payout	$4.450B
Cumulative Free Cash Flow	
Cut in = 50% payout	$4.875B
Goal = 100% payout	$6.5B

After the calculation of the two metrics above, a Return on Invested Capital multiplier is applied, as follows:

ROIC Modifier Component	
ROIC Results	**Payout Modifier**
Less than 12.24%	80%
12.24% - 12.44%	100%
Greater than 12.44%	120%

Stock Options and Restricted Stock

Stock options and restricted stock continue to play an important role in rewarding NEOs for the achievement of long-term business objectives and providing incentives for the creation of shareholder value. Awards based on Kroger's common shares are granted annually to the NEOs and a large number of other employees. Kroger historically has distributed time-based equity awards widely, aligning the interests of employees with your interest as shareholders.

The options permit the holder to purchase Kroger common shares at an option price equal to the closing price of Kroger common shares on the date of the grant. Options are granted only on one of the four dates of Board meetings conducted after Kroger's public release of its quarterly earnings results.

The Compensation Committee determines the vesting schedule for stock options and restricted stock. During 2018, the Compensation Committee granted to the NEOs stock options and restricted stock, each with a four-year vesting schedule, with the exception of a restricted stock grant awarded to Mr. Clark, which vests 25% on each of the first two anniversaries of the grant date and 50% on the third anniversary of the grant date.

As discussed below under Stock Ownership Guidelines, covered individuals, including the NEOs, must hold 100% of common shares issued pursuant to performance units earned, the shares received upon the exercise of stock options or upon the vesting of restricted stock, except those necessary to pay the exercise price of the options and/or applicable taxes, until applicable stock ownership guidelines are met, unless the disposition is approved in advance by the CEO, or by the Board or Compensation Committee for the CEO.

Retirement and Other Benefits

Kroger maintains several defined benefit and defined contribution retirement plans for its employees. The NEOs participate in one or more of these plans, as well as one or more excess plans designed to make up the shortfall in retirement benefits created by limitations under the Internal Revenue Code (the "Code") on benefits to highly compensated individuals under qualified plans. Additional details regarding certain retirement benefits available to the NEOs can be found below in footnote 4 to the Summary Compensation Table and the 2018 Pension Benefits Table and the accompanying narrative.

Kroger also maintains an executive deferred compensation plan in which some of the NEOs participate. This plan is a nonqualified plan under which participants can elect to defer up to 100% of their cash compensation each year. Additional details regarding our nonqualified deferred compensation plans available to the NEOs can be found below in the 2018 Nonqualified Deferred Compensation Table and the accompanying narrative.

Kroger also maintains The Kroger Co. Employee Protection Plan (''KEPP''), which covers all of our management employees who are classified as exempt under the federal Fair Labor Standards Act and certain administrative or technical support personnel who are not covered by a collective bargaining agreement, with at least one year of service. KEPP provides for severance benefits and extended Kroger-paid health care, as well as the continuation of other benefits as described in the plan, when an employee is actually or constructively terminated without cause within two years following a ''change in control'' of Kroger (as defined in KEPP). Participants are entitled to severance pay of up to 24 months' salary and target annual bonus. The actual amount is dependent upon pay level and years of service. KEPP can be amended or terminated by the Board at any time prior to a change in control.

Performance-based long-term cash bonus, performance unit, stock option, and restricted stock agreements with award recipients provide that those awards ''vest,'' with 50% of the long-term cash bonus potential being paid, common shares equal to 50% of the performance units being awarded, options becoming immediately exercisable, and restrictions on restricted stock lapsing upon a change in control as described in the grant agreements.

None of the NEOs are party to an employment agreement.

Perquisites

Our NEOs receive limited perquisites because the Compensation Committee does not believe that it is necessary for the attraction or retention of management talent to provide executives a substantial amount of compensation in the form of perquisites. In 2018, some NEOs received premiums paid on life insurance policies. Further details on these benefits can be found in footnote 6 to the Summary Compensation Table.

Process for Establishing Executive Compensation

The Compensation Committee of the Board has the primary responsibility for establishing the compensation of our executive officers, including the NEOs, with the exception of the CEO. The Compensation Committee's role regarding the CEO's compensation is to make recommendations to the independent members of the Board; those members of the Board establish the CEO's compensation.

The Compensation Committee directly engaged Korn Ferry as a compensation consultant to advise the Compensation Committee in the design of compensation for executive officers, through the 2018 compensation planning cycle.

Korn Ferry conducted an annual competitive assessment of executive positions at Kroger for the Compensation Committee. The assessment is one of several bases, as described above, on which the Compensation Committee determines compensation. The consultant assessed:

- base salary;
- target performance-based annual cash bonus;
- target annual cash compensation (the sum of salary and annual cash bonus potential);
- annualized long-term compensation, such as performance-based long-term cash bonus potential and performance units, stock options and restricted stock; and
- total direct compensation (the sum of target annual cash compensation and annualized long-term compensation).

In addition to the factors identified above, the consultant also reviewed actual payout amounts against the targeted amounts.

The consultant compared these elements against those of other companies in a group of publicly traded companies selected by the Compensation Committee. For 2018, our peer group consisted of:

Best Buy	Home Depot	Target
Cardinal Health	Johnson & Johnson	TJX Companies
Costco Wholesale	Lowes	Wal-Mart
CVS Health	Procter & Gamble	Walgreens Boots Alliance
Express Scripts	Sysco	

The make-up of the compensation peer group is reviewed annually and modified as circumstances warrant. The Compensation Committee modified the peer group in 2016 because of industry consolidation and other competitive forces. Previously, the Compensation Committee used a primary peer group consisting only of food and drug retailers. In addition, the Compensation Committee considered data from "general industry" companies provided by its independent compensation consultant, a representation of major publicly-traded companies of similar size and scope from outside the retail industry. This data provided reference points, particularly for senior executive positions where competition for talent extends beyond the retail sector. The modified peer group includes a combination of food and drug retailers, other large retailers based on revenue size, and large consumer-facing companies. Median 2018 revenue for the peer group was $91.47 billion, compared to our 2018 revenue of $121.16 billion.

Considering the size of Kroger in relation to other peer group companies, the Compensation Committee believes that salaries paid to our NEOs should be competitively positioned relative to amounts paid by peer group companies for comparable positions. The Compensation Committee also aims to provide an annual cash bonus potential to our NEOs that, if achieved at superior levels, would cause total cash compensation to be meaningfully above the median. Actual payouts may be as low as zero if performance does not meet the baselines established by the Compensation Committee.

The independent members of the Board have the exclusive authority to determine the amount of the CEO's compensation. In setting total compensation, the independent directors consider the median compensation of the peer group's CEOs. With respect to the annual bonus, the independent directors make two determinations: (1) they determine the annual cash bonus potential that will be multiplied by the annual cash bonus payout percentage earned that is applicable to the NEOs and (2) the independent directors determine the annual cash bonus amount paid to the CEO by retaining discretion to reduce the annual cash bonus percentage payout the CEO would otherwise receive under the formulaic plan.

The Compensation Committee performs the same function and exercises the same authority as to the other NEOs. In its annual review of compensation for the NEOs the Compensation Committee:

- Conducts an annual review of all components of compensation, quantifying total compensation for the NEOs on tally sheets. The review includes a summary for each NEO of salary; performance-based annual cash bonus; long-term performance-based cash and performance unit compensation; stock options; restricted stock; accumulated realized and unrealized stock option gains and restricted stock and performance unit values; the value of any perquisites; retirement benefits; company paid health and welfare benefits; banked vacation; severance benefits available under KEPP; and earnings and payouts available under Kroger's nonqualified deferred compensation program.
- Considers internal pay equity at Kroger to ensure that the CEO is not compensated disproportionately. The Compensation Committee has determined that the compensation of the CEO and that of the other NEOs bears a reasonable relationship to the compensation levels of other executive positions at Kroger taking into consideration performance and differences in responsibilities.
- Reviews a report from the Compensation Committee's compensation consultant reflecting a comprehensive review of each element of pay mix, both annual and long-term and comparing NEO and other senior executive compensation with that of other companies, including both our peer group of competitors and a larger general industry group, to ensure that the Compensation Committee's objectives of competitiveness are met.
- Takes into account a recommendation from the CEO (except in the case of his own compensation) for salary, annual cash bonus potential and long-term compensation awards for each of the senior officers including the other NEOs. The CEO's recommendation takes into consideration the objectives established by and the reports received by the Compensation Committee as well as his assessment of individual job performance and contribution to our management team.

The Compensation Committee does not make use of a formula, but both qualitatively and quantitatively considers each of the factors identified above in setting compensation.

Shareholder Engagement & the 2018 Advisory Vote to Approve Executive Compensation

At the 2018 annual meeting, we held our eighth annual advisory vote on executive compensation. Over 90.94% of the votes cast were in favor of the advisory vote in 2018. In 2018, we also requested meetings with shareholders representing nearly 50% of our outstanding shares during the proxy season and off season engagement and ultimately engaged with shareholders representing over a third of our outstanding shares. Conversations with our shareholders in these meetings included discussions of our compensation program, with our shareholders providing feedback that they appreciate the pay for performance nature of our program's structure. In light of this feedback and the strong support for our executive compensation program at the 2018 annual meeting, the Compensation Committee made no material changes in the structure of our compensation programs for 2018.

Stock Ownership Guidelines

To more closely align the interests of our officers and directors with your interests as shareholders, the Board has adopted stock ownership guidelines. These guidelines require non-employee directors, executive officers, and other key executives to acquire and hold a minimum dollar value of Kroger common shares as set forth below:

Position	Multiple
Chief Executive Officer	5 times base salary
President and Chief Operating Officer	4 times base salary
Executive Vice Presidents and Senior Vice Presidents	3 times base salary
Group Vice Presidents, Division Presidents, and Other Designated Key Executives	2 times base salary
Non-employee Directors	5 times annual base cash retainer

All covered individuals are expected to achieve the target level within five years of appointment to their positions. Until the requirements are met, covered individuals, including the NEOs, must hold 100% of common shares issued pursuant to performance units earned, shares received upon the exercise of stock options and upon the vesting of restricted stock, except those necessary to pay the exercise price of the options and/or applicable taxes, and must retain all Kroger common shares unless the disposition is approved in advance by the CEO, or by the Board or Compensation Committee for the CEO.

Executive Compensation Recoupment Policy (Clawback)

If a material error of facts results in the payment to an executive officer at the level of Group Vice President or higher of an annual cash bonus or a long-term cash bonus in an amount higher than otherwise would have been paid, as determined by the Compensation Committee, then the officer, upon demand from the Compensation Committee, will reimburse Kroger for the amounts that would not have been paid if the error had not occurred. This recoupment policy applies to those amounts paid by Kroger within 36 months prior to the detection and public disclosure of the error. In enforcing the policy, the Compensation Committee will take into consideration all factors that it deems appropriate, including:

- the materiality of the amount of payment involved;
- the extent to which other benefits were reduced in other years as a result of the achievement of performance levels based on the error;
- individual officer culpability, if any; and
- other factors that should offset the amount of overpayment.

Compensation Policies as They Relate to Risk Management

As part of the Compensation Committee's review of our compensation practices, the Compensation Committee considers and analyzes the extent to which risks arise from such practices and their impact on Kroger's business. As discussed in this Compensation Discussion and Analysis, our policies and practices for compensating employees are designed to, among other things, attract and retain high quality and engaged employees. In this process, the Compensation Committee also focuses on minimizing risk through the implementation of certain practices and policies, such as the executive compensation recoupment policy, which is described above under ‘‘Executive Compensation Recoupment Policy (Clawback)’’. Accordingly, we do not believe that our compensation practices and policies create risks that are reasonably likely to have a material adverse effect on Kroger.

Prohibition on Hedging and Pledging

After considering best practices related to ownership of company shares, the Board adopted a policy prohibiting Kroger directors and executive officers from engaging, directly or indirectly, in the pledging of, hedging transactions in, or short sales of, Kroger securities.

Section 162(m) of the Internal Revenue Code

Prior to the effective date of the Tax Cuts and Jobs Act of 2017, Section 162(m) of the Code generally disallowed a federal tax deduction to public companies for compensation greater than $1 million paid in any tax year to specified executive officers unless the compensation was ‘‘qualified performance-based compensation’’ under that section. Pursuant to the Tax Cuts and Jobs Act of 2017, the exception for ‘‘qualified performance-based compensation’’ under Section 162(m) of the Code was eliminated with respect to all remuneration in excess of $1 million other than qualified performance based compensation pursuant to a written binding contract in effect on November 2, 2017 or earlier which was not modified in any material respect on or after such date (the legislation providing for such transition rule, the ‘‘Transition Rule’’).

As a result, performance based compensation that the Compensation Committee structured in previous years with the intent of qualifying as performance-based compensation under Section 162(m) that will be paid after January 1, 2018 may not be fully deductible, depending on the application of the Transition Rule. The committee will—consistent with its past practice—continue to retain flexibility to design compensation programs that are in the best long-term interests of the company and our shareholders, with deductibility of compensation being one of a variety of considerations taken into account.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with Kroger’s management the Compensation Discussion and Analysis contained in this proxy statement. Based on its review and discussions with management, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in Kroger’s proxy statement and incorporated by reference into its Annual Report on Form 10-K.

Compensation Committee:

Clyde R. Moore, Chair
Susan J. Kropf
Jorge P. Montoya
James A. Runde

Executive Compensation Tables

Summary Compensation Table

The following table and footnotes provide information regarding the compensation of the NEOs for the fiscal years presented.

Name and Principal Position(1)	Fiscal Year	Salary ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
W. Rodney McMullen	2018	$1,311,984	$4,999,996	$2,367,858	$2,692,833	$ 335,955	$329,246	$12,037,872
Chairman and Chief	2017	1,318,752	5,166,317	2,700,116	359,806	1,690,923	298,463	11,534,377
Executive Officer	2016	1,251,781	5,125,034	2,699,044	719,945	3,139,537	282,051	13,217,392
J. Michael Schlotman	2018	907,292	2,350,843	752,700	1,374,160	295,994	91,133	5,772,122
Executive Vice President	2017	898,316	1,973,228	1,040,846	207,136	873,808	242,637	5,235,971
and Chief Financial Officer	2016	850,360	1,973,247	1,040,436	372,855	1,436,752	141,427	5,815,077
Michael J. Donnelly	2018	885,677	2,355,780	769,118	1,344,160	205,544	133,014	5,693,293
Executive Vice President	2017	817,967	2,230,028	780,637	183,832	1,032,483	247,149	5,292,096
and Chief Operating Officer	2016	757,036	1,480,011	780,323	341,308	2,207,236	188,569	5,754,483
Christopher T. Hjelm	2018	751,673	2,142,600	364,751	1,145,133	228	112,118	4,516,503
Executive Vice President	2017	744,245	1,480,025	780,637	173,536	520	190,917	3,369,880
and Chief Information Officer	2016	706,567	1,480,011	780,323	326,280	832	151,201	3,445,214
Robert Clark	2018	473,958	2,625,003	374,947	905,900	284,854	102,653	4,767,315
Senior Vice President								

(1) Amounts reflect the grant date fair value of restricted stock and performance units granted each fiscal year, as computed in accordance with FASB ASC Topic 718. Because Mr. Clark was not a NEO at the time the existing long-term plans were modified, he received additional grants which are reflected in the table. The following table reflects the value of each type of award granted to the NEOs in 2018:

Name	Restricted Stock	Performance Units
Mr. McMullen	$2,368,205	$2,631,791
Mr. Schlotman	$1,454,505	$ 896,338
Mr. Donnelly	$1,480,788	$ 874,992
Mr. Hjelm	$1,400,004	$ 742,596
Mr. Clark	$1,500,002	$1,125,001

The grant date fair value of the performance units reflected in the stock awards column and in the table above is computed based on the probable outcome of the performance conditions as of the grant date. This amount is consistent with the estimate of aggregate compensation cost to be recognized by the Company over the three-year performance period of the award determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. The assumptions used in calculating the valuations are set forth in Note 12 to the consolidated financial statements in Kroger's Form 10-K for fiscal year 2018.

Assuming that the highest level of performance conditions is achieved, the aggregate fair value of the 2018 performance unit awards at the grant date is as follows:

Name	Value of Performance Units Assuming Maximum Performance
Mr. McMullen	$3,158,150
Mr. Schlotman	$1,075,605
Mr. Donnelly	$1,049,990
Mr. Hjelm	$ 891,115
Mr. Clark	$1,200,001

(2) These amounts represent the aggregate grant date fair value of option awards computed in accordance with FASB ASC Topic 718. The assumptions used in calculating the valuations are set forth in Note 12 to the consolidated financial statements in Kroger's Form 10-K for fiscal year 2018.

(3) Non-equity incentive plan compensation earned for 2018 consists of amounts earned under the 2018 performance-based annual cash bonus plan and the 2016 LTIP.

Name	Annual Cash Bonus	Long-Term Cash Bonus
Mr. McMullen	$2,279,500	$413,333
Mr. Schlotman	$1,094,160	$280,000
Mr. Donnelly	$1,094,160	$250,000
Mr. Hjelm	$ 911,800	$233,333
Mr. Clark	$ 455,900	$450,000

In accordance with the terms of the 2018 performance-based annual cash bonus plan, Kroger paid 91.18% to the NEOs. These amounts were earned with respect to performance in 2018 and paid in March 2019. See "Results of 2018 Annual Cash Bonus Plan" in the CD&A for more information on this plan.

The long-term cash bonus awarded under the 2016 LTIP is a performance-based bonus plan designed to reward participants for improving the long-term performance of the Company. See "Results of 2016 LTIP" in the CD&A for more information on this plan.

(4) For 2018, the amounts reported consist of the aggregate change in the actuarial present value of each NEO's accumulated benefit under a defined benefit pension plan (including supplemental plans), which applies to Messrs. McMullen, Schlotman, Donnelly, and Clark, and preferential earnings on nonqualified deferred compensation, which applies to Messrs. McMullen, Donnelly, and Hjelm. Neither Mr. Schlotman nor Mr. Clark participate in a nonqualified deferred compensation plan.

Name	Change in Pension Value	Preferential Earnings on Nonqualified Deferred Compensation
Mr. McMullen	$224,954	$111,001
Mr. Schlotman	$295,994	—
Mr. Donnelly	$199,248	$ 6,296
Mr. Hjelm	—	$ 228
Mr. Clark	$284,854	—

Change in Pension Value. These amounts represent the aggregate change in the actuarial present value of accumulated pension benefits. Pension values may fluctuate significantly from year to year depending on a number of factors, including age, years of service, average annual earnings and the assumptions used to determine the present value, such as the discount rate. The increase in the actuarial present value of accumulated pension benefits for 2018 compared to 2017 is due to additional benefits accrued, as applicable. Please see the 2018 Pension Benefits section for further information regarding the assumptions used in calculating pension benefits.

Preferential Earnings on Nonqualified Deferred Compensation. Messrs. McMullen, Donnelly and Hjelm participate in The Kroger Co. Executive Deferred Compensation Plan (the "Deferred Compensation Plan"). Under the plan, deferred compensation earns interest at a rate representing Kroger's cost of ten-year debt, as determined by the CEO and approved by the Compensation Committee prior to the beginning of each deferral year. For each participant, a separate deferral account is created each year and the interest rate established for that year is applied to that deferral account until the deferred compensation is paid out. If the interest rate established by Kroger for a particular year exceeds 120% of the applicable federal long-term interest rate that corresponds most closely to the plan rate, the amount by which the plan rate exceeds 120% of the corresponding federal rate is deemed to be above-market or preferential. In fifteen of the twenty-four years in which at least one NEO deferred compensation, the rate set under the plan for that year exceeds 120% of the corresponding federal rate. For each of the deferral accounts in which the plan rate is deemed to be above-market, Kroger calculates the amount by which the actual annual earnings on the account exceed what the annual earnings would have been if the account earned interest at 120% of the corresponding federal rate, and discloses those amounts as preferential earnings. Amounts deferred in 2018 earn interest at a rate higher than 120% of the corresponding federal rate; accordingly, there are preferential earnings on these amounts.

(5) Amounts reported in the ''All Other Compensation'' column for 2018 include the dollar value of premiums paid by the Company for life insurance, Company contributions to defined contribution retirement plans, dividend equivalents paid on earned performance units, and dividends paid on unvested restricted stock. The following table identifies the value of each benefit.

Name	Life Insurance Premiums	Retirement Plan Contributions[a]	Payment of Dividend Equivalents on Earned Performance Units	Dividends Paid on Unvested Restricted Stock	Other[b]
Mr. McMullen	$94,560	—	$35,953	$198,734	—
Mr. Schlotman	—	—	$12,899	$ 78,234	—
Mr. Donnelly	—	$45,534	$ 9,675	$ 77,805	—
Mr. Hjelm	—	$40,831	$ 9,675	$ 61,612	—
Mr. Clark	$18,454	$34,509	$ 7,086	$ 42,604	—

(a) *Retirement plan contributions.* The Company makes automatic and matching contributions to NEOs' accounts under the applicable defined contribution plan on the same terms and using the same formulas as other participating employees. The Company also makes contributions to NEOs' accounts under the applicable defined contribution plan restoration plan, which is intended to make up the shortfall in retirement benefits caused by the limitations on benefits to highly compensated individuals under the defined contribution plans in accordance with the Code. The aggregate amounts in the table above represent the following contributions for 2018:

- Mr. Donnelly – a $13,750 matching contribution to the Dillon Companies, Inc. Employees' Profit Sharing Plan and a $31,784 matching contribution to the Dillon Companies, Inc. Excess Benefit Profit Sharing Plan;
- Mr. Hjelm – a $13,750 matching contribution and a $2,000 automatic company contribution to The Kroger Co. 401(k) Retirement Savings Account Plan and a $25,081 contribution to The Kroger Co. 401(k) Retirement Savings Account Restoration Plan; and
- Mr. Clark – a $13,750 matching contribution to the Dillon Companies, Inc. Employees' Profit Sharing Plan and a $20,759 matching contribution to the Dillon Companies, Inc. Excess Benefit Profit Sharing Plan.

(b) *Other.* For each of the NEOs the total amount of other benefits was less than $10,000.

2018 Grants of Plan-Based Awards

The following table provides information about equity and non-equity incentive awards granted to the NEOs in 2018.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units (#)[4]	All Other Option Awards: Number of Securities Underlying Options (#)[5]	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards
		Target ($)	Maximum ($)	Target (#)[3]	Maximum (#)[3]				
W. Rodney McMullen		$2,500,000[1]	$5,000,000[1]						
		$2,631,800[2]	$3,158,160[2]						
	7/13/2018					84,428			$2,368,205
	7/13/2018						349,293	$28.05	$2,367,858
	7/13/2018			93,825	112,590				$2,631,791
J. Michael Schlotman		$1,200,000[1]	$2,400,000[1]						
		$ 896,350[2]	$1,075,620[2]						
	7/13/2018					51,854			$1,454,505
	7/13/2018						111,034	$28.05	$ 752,700
	7/13/2018			31,955	38,346				$ 896,338
Michael J. Donnelly		$1,200,000[1]	$2,400,000[1]						
		$ 875,000[2]	$1,050,000[2]						
	7/13/2018					52,791			$1,480,788
	7/13/2018						113,456	$28.05	$ 769,118
	7/13/2018			31,194	37,433				$ 874,992
Christopher T. Hjelm		$1,000,000[1]	$2,000,000[1]						
		$ 742,600[2]	$ 891,120[2]						
	7/13/2018					49,911			$1,400,004
	7/13/2018						53,806	$28.05	$ 364,751
	7/13/2018			26,474	31,769				$ 742,596
Robert W. Clark		$ 500,000[1]	$1,000,000[1]						
		$1,350,000[2]	$1,440,000[2]						
	7/13/2018					53,476			$1,500,002
	7/13/2018						55,310	$28.05	$ 374,947
	7/13/2018			40,107	42,781				$1,125,001

(1) These amounts relate to the 2018 performance-based annual cash incentive bonus plan. The amount listed under ''Target'' represents the annual cash incentive bonus potential of the NEO. By the terms of the plan, payouts are limited to no more than 200% of a participant's annual cash incentive bonus potential; accordingly, the amount listed under ''Maximum'' is two times that officer's annual cash incentive bonus potential amount. The amounts actually earned under this plan were paid in March 2019 and are included in the Summary Compensation Table for 2018 in the ''Non-Equity Incentive Plan Compensation'' column and are described in footnote 4 to that table.

(2) These amounts relate to the long-term cash incentive potential under the 2018 Long-Term Incentive Plan, which covers performance during fiscal years 2018, 2019 and 2020. By the terms of the plan, payouts are limited to no more than 120% of a participant's long-term cash incentive potential; accordingly, the amount listed under ''Target'' is the participant's long-term cash incentive potential. The amount listed under ''Maximum'' is 120%.

(3) These amounts represent performance units awarded under the 2018 Long-Term Incentive Plan, which covers performance during fiscal years 2018, 2019 and 2020. The amount listed under ''Maximum'' represents the maximum number of common shares that can be earned by the NEO under the award or 120% of the target amount. This amount is consistent with the estimate of aggregate compensation cost to be recognized by the Company over the three-year performance period of the award determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. The grant date fair value reported in the last column is based on the probable outcome of the performance conditions as of the grant date. The aggregate grant date fair value of these awards is included in the Summary Compensation Table for 2018 in the ''Stock Awards'' column and described in footnote 1 to that table.

(4) These amounts represent the number of shares of restricted stock granted in 2018. The aggregate grant date fair value reported in the last column is calculated in accordance with FASB ASC Topic 718. The aggregate grant date fair value of these awards is included in the Summary Compensation Table for 2018 in the ‘‘Stock Awards’’ column and described in footnote 1 to that table.

(5) These amounts represent the number of stock options granted in 2018. Options are granted with an exercise price equal to the closing price of Kroger common shares on the grant date. The aggregate grant date fair value reported in the last column is calculated in accordance with FASB ASC Topic 718. The aggregate grant date fair value of these awards is included in the Summary Compensation Table for 2018 in the ‘‘Option Awards’’ column.

The Compensation Committee, and the independent members of the Board in the case of the CEO, established the incentive potential amounts for the performance-based annual cash incentive awards (shown in this table as ‘‘Target’’), the number of performance units awarded (shown in this table as ‘‘Target’’), and the bonus potential amounts for the long-term cash incentive awards (shown in this table as ‘‘Target’’). Amounts are payable to the extent that Kroger’s actual performance meets specific performance metrics established by the Compensation Committee at the beginning of the performance period. There are no guaranteed or minimum payouts; if none of the performance metrics are achieved, then none of the award is earned and no payout is made. As described in the CD&A, actual earnings under the performance-based annual cash incentive plan may exceed the target amount if the Company’s performance exceeds the performance goals, but are limited to 200% of the target amount. The performance units and the long-term cash incentive potentials awarded under the 2018 LTIP are more particularly described in the CD&A.

The annual restricted stock and nonqualified stock options awards granted to the NEOs vest in equal amounts on each of the first four anniversaries of the grant date, so long as the officer remains a Kroger employee. Mr. Clark’s July 13, 2018 restricted stock award of 26,738 shares were special awards that vest 25% on each of the first two anniversaries of the grant date, and 50% on the third anniversary of the grant date. Any dividends declared on Kroger common shares are payable on unvested restricted stock.

2018 Outstanding Equity Awards at Fiscal Year-End

The following table provides information about outstanding equity-based incentive compensation awards for the NEOs as of the end of 2018. The vesting schedule for each award is described in the footnotes to this table. The market value of unvested restricted stock and unearned performance units is based on the closing price of Kroger's common shares of $28.07 on February 1, 2019, the last trading day of fiscal 2018.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
W. Rodney McMullen	130,000	—	$11.17	6/25/2019	22,500[6]	$ 631,575		
	140,000	—	$10.08	6/24/2020	34,438[7]	$ 966,675		
	182,880	—	$12.37	6/23/2021	60,033[8]	$1,685,126		
	194,880	—	$10.98	7/12/2022	130,891[9]	$3,674,110		
	194,880	—	$18.88	7/15/2023	84,428[10]	$2,369,894		
	240,000	60,000[1]	$24.67	7/15/2024				
	141,249	94,166[2]	$38.33	7/15/2025			84,492[13]	$2,505,197
	143,236	214,855[3]	$37.48	7/13/2026			90,916[14]	$2,702,036
	114,625	458,502[4]	$22.92	7/13/2027				
	—	349,293[5]	$28.05	7/13/2028				
J. Michael Schlotman	50,000	—	$10.08	6/24/2020	6,000[6]	$ 168,420		
	91,280	—	$12.37	6/23/2021	15,444[7]	$ 433,513		
	109,280	—	$10.98	7/12/2022	23,692[8]	$ 665,034		
	109,280	—	$18.88	7/15/2023	51,656[9]	$1,449,984		
	64,000	16,000[1]	$24.67	7/15/2024	51,854[10]	$1,455,542		
	63,918	42,613[2]	$38.33	7/15/2025				
	55,215	82,823[3]	$37.48	7/13/2026			29,429[13]	$ 872,573
	44,186	176,744[4]	$22.92	7/13/2027			30,964[14]	$ 935,075
	—	111,034[5]	$28.05	7/13/2028				
Michael J. Donnelly	40,000	—	$10.08	6/24/2020	4,500[6]	$ 126,315		
	70,720	—	$12.37	6/23/2021	11,819[7]	$ 331,759		
	50,720	—	$10.98	7/12/2022	17,770[8]	$ 498,804		
	50,720	—	$18.88	7/15/2023	38,744[9]	$1,087,544		
	48,000	12,000[1]	$24.67	7/15/2024	21,203[11]	$ 595,168		
	35,957	23,972[2]	$38.33	7/15/2025	52,791[10]	$1,481,843		
	41,411	62,117[3]	$37.48	7/13/2026			22,074[13]	$ 654,481
	33,139	132,559[4]	$22.92	7/13/2027			30,227[14]	$ 898,346
	—	113,456[5]	$28.05	7/13/2028				
Christopher T. Hjelm	16,000	—	$11.17	6/25/2019	4,500[6]	$ 126,315		
	24,000	—	$10.08	6/24/2020	11,584[7]	$ 325,163		
	40,576	—	$12.37	6/23/2021	17,770[8]	$ 498,804		
	50,720	—	$10.98	7/12/2022	38,744[9]	$1,087,544		
	50,720	—	$18.88	7/15/2023	49,911[10]	$1,401,002		
	48,000	12,000[1]	$24.67	7/15/2024				
	47,938	31,960[2]	$38.33	7/15/2025			22,074[13]	$ 654,481
	41,411	62,117[3]	$37.48	7/13/2026			25,653[14]	$ 762,416
	33,139	132,559[4]	$22.92	7/13/2027				
	—	53,806[5]	$28.05	7/13/2028				
Robert W. Clark	21,500		$10.08	6/24/2020	2,700[6]	$ 75,789		
	7,000		$10.94	9/16/2020	5,213[7]	$ 146,329		
	22,500		$12.37	6/23/2021	11,115[8]	$ 311,998		
	10,000		$11.76	12/8/2021	24,566[9]	$ 689,568		
	16,000		$10.98	7/12/2022	26,738[10]	$ 750,536		
	25,000		$15.75	3/14/2023	26,738[12]	$ 750,536		
	30,000		$18.88	7/15/2023			12,808[15]	$ 373,467
	24,000	6,000[1]	$24.67	7/15/2024			12,955[14]	$ 385,010
	17,982	11,988[2]	$38.33	7/15/2025				
	22,811	34,219[3]	$37.48	7/13/2026				
	21,014	84,060[4]	$22.92	7/13/2027				
		55,310[5]	$28.05	7/13/2028				

(1) Stock options vest on 7/15/2019.

(2) Stock options vest in equal amounts on 7/15/2019 and 7/15/2020.

(3) Stock options vest in equal amounts on 7/13/2019, 7/13/2020, and 7/13/2021.

(4) Stock options vest in equal amounts on 7/13/2019, 7/13/2020, 7/13/2021, and 7/13/2022.

(5) Stock options vest in equal amounts on 7/13/2019, 7/13/2020, 7/13/2021, and 7/13/2022.

(6) Restricted stock vests on 7/15/2019.

(7) Restricted stock vests in equal amounts on 7/15/2019 and 7/15/2020.

(8) Restricted stock vests in equal amounts on 7/13/2019, 7/13/2020, and 7/13/2021.

(9) Restricted stock vests in equal amounts on 7/13/2019, 7/13/2020, 7/13/2021, and 7/13/2022.

(10) Restricted stock vests in equal amounts on 7/13/2019, 7/13/2020, 7/13/2021, and 7/13/2022.

(11) Restricted stock vests 33% on 12/7/2019 and 67% on 12/7/2020.

(12) Restricted stock vests 25% on each of 7/13/2019, 25% on 7/13/2020, and 50% on 7/13/2021.

(13) Performance units granted under the 2017 long-term incentive plan are earned as of the last day of fiscal 2019, to the extent performance conditions are achieved. Because the awards earned are not currently determinable, in accordance with SEC rules, the number of units and the corresponding market value reflect performance through 2018, including cash payments equal to projected dividend equivalent payments.

(14) Performance units granted under the 2018 long-term incentive plan are earned as of the last day of fiscal 2020, to the extent performance conditions are achieved. Because the awards earned are not currently determinable, in accordance with SEC rules, the number of units and the corresponding market value reflect performance through 2018, including cash payments equal to projected dividend equivalent payments.

(15) Performance units granted under the 2018 – 2019 long-term incentive plan are earned as of the last day of fiscal 2019, to the extent performance conditions are achieved. Because the awards earned are not currently determinable, in accordance with SEC rules, the number of units and the corresponding market value reflect performance through 2018, including cash payments equal to projected dividend equivalent payments.

2018 Option Exercises and Stock Vested

The following table provides information regarding 2018 stock options exercised, restricted stock vested, and common shares issued pursuant to performance units earned under long-term incentive plans.

	Option Awards[(1)]		**Stock Awards**[(2)]	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
W. Rodney McMullen	130,000	$1,528,800	163,526	$4,560,593
J. Michael Schlotman	—	—	55,948	$1,543,895
Michael J. Donnelly	—	—	48,916	$1,361,803
Christopher T. Hjelm	—	—	40,731	$1,124,299
Robert W. Clark	14,500	$ 259,402	31,722	$ 843,380

(1) Stock options have a ten-year life and expire if not exercised within that ten-year period. The value realized on exercise is the difference between the exercise price of the option and the closing price of Kroger’s common shares on the exercise date.

(2) The Stock Awards columns include vested restricted stock and earned performance units, as follows:

Name	Vested Restricted Stock		Earned Performance Units	
	Number of Shares	Value Realized	Number of Shares	Value Realized
Mr. McMullen	139,068	$3,955,257	24,458	$605,336
Mr. Schlotman	47,173	$1,326,714	8,775	$217,181
Mr. Donnelly	42,335	$1,198,923	6,581	$162,880
Mr. Hjelm	34,150	$ 961,419	6,581	$162,880
Mr. Clark	18,353	$ 512,497	13,369	$330,883

Restricted stock. The table includes the number of shares acquired upon vesting of restricted stock and the value realized on the vesting of restricted stock, based on the closing price of Kroger common shares on the vesting date.

Performance Units. Participants in the 2016 LTIP, as modified, were awarded performance units that were earned based on performance criteria established by the Compensation Committee as described on page 19 of the CD&A. Actual payouts were based on the level of performance achieved and were paid in common shares. The number of common shares issued, and the value realized based on the closing price of Kroger common shares of $24.75 on March 14, 2019, the date of deemed delivery of the shares, are reflected in the table above.

2018 Pension Benefits

The following table provides information regarding pension benefits for the NEOs as of the last day of fiscal 2018.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments during Last fiscal year ($)
W. Rodney McMullen	Pension Plan	33	$ 1,478,015	—
	Excess Plan	33	$14,735,498	—
J. Michael Schlotman	Pension Plan	33	$ 1,601,117	—
	Excess Plan	33	$ 7,632,275	—
Michael J. Donnelly	Pension Plan	39	$ 841,548	—
	Excess Plan	39	$ 6,072,232	—
Christopher T. Hjelm	Pension Plan	—	—(2)	—(2)
Robert W. Clark	Pension Plan	34	$ 314,368	—
	Excess Plan	34	$ 1,521,638	—

(1) The discount rate used to determine the present values was 4.22% for each of The Kroger Consolidated Retirement Benefit Plan Spin Off (the ''Pension Plan'') and The Kroger Co. Consolidated Retirement Excess Benefit Plan (the ''Excess Plan''), which are the same rates used at the measurement date for financial reporting purposes. Additional assumptions used in calculating the present values are set forth in Note 15 to the consolidated financial statements in Kroger's 10-K for fiscal year 2018.

(2) Mr. Hjelm does not participate in the Pension Plan or the Excess Plan.

Pension Plan and Excess Plan

In 2018, Messrs. McMullen, Schlotman, Donnelly, and Clark were participants in the Pension Plan, which is a qualified defined benefit pension plan. Messrs. McMullen, Schlotman, Donnelly, and Clark also participate in the Excess Plan, which is a nonqualified deferred compensation plan as defined in Section 409A of the Code. The purpose of the Excess Plan is to make up the shortfall in retirement benefits caused by the limitations on benefits to highly compensated individuals under the qualified defined benefit pension plans in accordance with the Code.

Although participants generally receive credited service beginning at age 21, certain participants in the Pension Plan and the Excess Plan who commenced employment prior to 1986, including Messrs. McMullen, Schlotman and Clark, began to accrue credited service after attaining age 25 and one year of service. The Pension Plan and the Excess Plan generally determine accrued benefits using a cash balance formula but retain benefit formulas applicable under prior plans for certain ''grandfathered participants'' who were employed by Kroger on December 31, 2000. Each of Messrs. McMullen, Schlotman, Donnelly and Clark are eligible for these grandfathered benefits.

Grandfathered Participants

Benefits for grandfathered participants are determined using formulas applicable under prior plans, including the Kroger formula covering service to The Kroger Co. and the Dillon formula covering service to Dillon Companies, Inc. As ''grandfathered participants,'' Messrs. McMullen, Schlotman, Donnelly, and Clark will receive benefits under the Pension Plan and the Excess Plan, determined as follows:

- 1½% times years of credited service multiplied by the average of the highest five years of total earnings (base salary and annual cash bonus) during the last ten calendar years of employment, reduced by 1¼% times years of credited service multiplied by the primary social security benefit;
- normal retirement age is 65;
- unreduced benefits are payable beginning at age 62; and
- benefits payable between ages 55 and 62 will be reduced by ⅓ of one percent for each of the first 24 months and by ½ of one percent for each of the next 60 months by which the commencement of benefits precedes age 62.

In 2018, we announced changes to these company-sponsored pension plans. The Company will freeze the compensation and service periods used to calculate pension benefits for active employees who participate in the affected pension plans, including the NEO participants as of December 31, 2019. Beginning January 1, 2020, the affected active employees will no longer accrue additional benefits for future service and eligible compensation received under these plans.

In the event of a termination of employment other than death or disability, Messrs. McMullen, Schlotman, and Donnelly currently are eligible for a reduced early retirement benefit, as each has attained age 55. If a ''grandfathered participant'' becomes disabled while employed by Kroger and after attaining age 55, the participant will receive the full retirement benefit. If a married ''grandfathered participant'' dies while employed by Kroger, the surviving spouse will receive benefits as though a retirement occurred on such date, based on the greater of: actual benefits payable to the participant if he or she was over age 55, or the benefits that would have been payable to the participant assuming he or she was age 55 on the date of death.

Offsetting Benefits

Messrs. Donnelly and Clark also participate in the Dillon Companies, Inc. Employees' Profit Sharing Plan (the ''Dillon Profit Sharing Plan''), which is a qualified defined contribution plan under which Dillon Companies, Inc. and its participating subsidiaries may choose to make discretionary contributions each year that are allocated to each participant's account. Participation in the Dillon Profit Sharing Plan was frozen in 2001 and participants are no longer able to make employee contributions, but certain participants, including Messrs. Donnelly and Clark, are still eligible for employer contributions. Participants elect from among a number of investment options and the amounts in their accounts are invested and credited with investment earnings in accordance with their elections. Due to offset formulas contained in the Pension Plan, Messrs. Donnelly and Clark's accrued benefits under the Dillon Profit Sharing Plan offset a portion of the benefit that would otherwise accrue for him under the Pension Plan for his service with Dillon Companies, Inc. Messrs. Donnelly and Clark also participate in the Dillon Companies, Inc. Excess Benefit Profit Sharing Plan (''Dillon Excess Profit Sharing Plan'') which provides Company contributions in excess of the qualified plan limits. The Dillon Excess Profit Sharing Plan is offset by Messrs. Donnelly and Clark's benefit from the Excess Plan. The offsets are reflected in the Pension Benefits table above.

2018 Nonqualified Deferred Compensation

The following table provides information on nonqualified deferred compensation for the NEOs for 2018. Messrs. Schlotman, Hjelm and Clark do not participate in a nonqualified deferred compensation plan.

Name	Executive Contributions in Last FY	Aggregate Earnings in Last FY(1)	Aggregate Balance at Last FYE(2)
W. Rodney McMullen	$131,544(3)	$666,069	$10,563,424
J. Michael Schlotman	—	—	—
Michael J. Donnelly	$ 91,916(4)	$ 36,245	$ 668,829
Christopher T. Hjelm	—	$ 12,294	$ 272,006
Robert Clark	—	—	—

(1) These amounts include the aggregate earnings on all accounts for each NEO, including any above-market or preferential earnings. The following amounts earned in 2018 are deemed to be preferential earnings and are included in the ''Change in Pension Value and Nonqualified Deferred Compensation Earnings'' column of the Summary Compensation Table for 2018: Mr. McMullen, $111,001; Mr. Donnelly, $6,296; and Mr. Hjelm, $228.

(2) The following amounts in the Aggregate Balance column were reported in the Summary Compensation Tables covering fiscal years 2006 – 2017: Mr. McMullen, $3,102,637; Mr. Donnelly, $232,576; and Mr. Hjelm, $149,370.

(3) This amount includes the deferral of $59,583 of his salary in fiscal 2018; this amount is included in the ''Salary'' column of the Summary Compensation Table for 2018. This amount also includes the deferral of $57,600 of his 2015 Long-Term Incentive Plan cash incentive earned for performance over the three year period 2015 to 2017 and paid in March 2018 and the deferral of $14,361 of his 2017 performance-based annual cash incentive plan earned in 2017 and paid in March 2018; these amounts are included in the ''Non-Equity Incentive Plan Compensation'' column of the Summary Compensation Table for 2017.

(4) This amount includes the deferral of $79,548 of his 2015 Long-Term Incentive Plan cash incentive earned for performance over the three year period 2015 to 2017 and paid in March 2018; this amount is included in the ''Non-Equity Incentive Plan Compensation'' column of the Summary Compensation Table for 2018 and the deferral of $12,368 of his 2017 performance-based annual cash incentive plan earned in 2017 and paid in March 2018.

Executive Deferred Compensation Plan

Messrs. McMullen, Donnelly and Hjelm participate in the Deferred Compensation Plan, which is a nonqualified deferred compensation plan. Participants may elect to defer up to 100% of the amount of their salary that exceeds the sum of the FICA wage base and pre-tax insurance and other Code Section 125 plan deductions, as well as up to 100% of their annual and long-term cash bonus compensation. Kroger does not match any deferral or provide other contributions. Deferral account amounts are credited with interest at the rate representing Kroger's cost of ten-year debt as determined by Kroger's CEO and approved by the Compensation Committee prior to the beginning of each deferral year. The interest rate established for deferral amounts for each deferral year will be applied to those deferral amounts for all subsequent years until the deferred compensation is paid out. Amounts deferred in 2018 earn interest at a rate of 3.6%. Participants can elect to receive lump sum distributions or quarterly installments for periods up to ten years. Participants also can elect between lump sum distributions and quarterly installments to be received by designated beneficiaries if the participant dies before distribution of deferred compensation is completed.

Participants may not withdraw amounts from their accounts until they leave Kroger, except that Kroger has discretion to approve an early distribution to a participant upon the occurrence of an unforeseen emergency. Participants who are ''specified employees'' under Section 409A of the Code, which includes the NEOs, may not receive a post-termination distribution for at least six months following separation. If the employee dies prior to or during the distribution period, the remainder of the account will be distributed to his or her designated beneficiary in lump sum or quarterly installments, according to the participant's prior election.

Potential Payments upon Termination or Change in Control

Kroger does not have employment agreements or other contracts, agreements, plans or arrangements that provide for payments to the NEOs in connection with a termination of employment or a change in control of Kroger. However, KEPP, award agreements for stock options, restricted stock and performance units, and the long-term cash bonus plans provide for certain payments and benefits to participants, including the NEOs, in the event of a termination of employment or a change in control of Kroger, as defined in the applicable plan or agreement. Our pension plan and nonqualified deferred compensation plan also provide for certain payments and benefits to participants in the event of a termination of employment, as described above in the 2018 Pension Benefits section and the 2018 Nonqualified Deferred Compensation section, respectively.

The Kroger Co. Employee Protection Plan

KEPP applies to all management employees who are classified as exempt under the federal Fair Labor Standards Act and to certain administrative or technical support personnel who are not covered by a collective bargaining agreement, with at least one year of service, including the NEOs. KEPP provides severance benefits when a participant's employment is terminated actually or constructively within two years following a change in control of Kroger, as defined in KEPP. The actual amount of the severance benefit is dependent on pay level and years of service. Exempt employees, including the NEOs, are eligible for the following benefits:

- a lump sum severance payment equal to up to 24 months of the participant's annual base salary and target annual bonus potential;
- a lump sum payment equal to the participant's accrued and unpaid vacation, including banked vacation;
- continued medical and dental benefits for up to 24 months and continued group term life insurance coverage for up to 6 months; and
- up to $10,000 as reimbursement for eligible outplacement expenses.

In the event that any payments or benefits received or to be received by an eligible employee in connection with a change in control or termination of employment (whether pursuant to KEPP or any other plan, arrangement or agreement with Kroger or any person whose actions result in a change in control) would constitute parachute payments within the meaning of Section 280G of the Code and would be subject to the excise tax under Section 4999 of the Code, then such payments and benefits will either be (i) paid in full or (ii) reduced to the minimum extent necessary to ensure that no portion of such payments or benefits will be subject to the excise tax, whichever results in the eligible employee receiving the greatest aggregate amount on an after-tax basis.

Long-Term Incentive Awards

The following table describes the treatment of long-term incentive awards following a termination of employment or change in control of Kroger, as defined in the applicable agreement. In each case, the continued vesting, exercisability or eligibility for the incentive awards will end if the participant provides services to a competitor of Kroger.

Triggering Event	Stock Options	Restricted Stock	Performance Units	Performance-Based Long-Term Cash Bonus
Involuntary Termination	Forfeit all unvested options. Previously vested options remain exercisable for the shorter of one year after termination or the remainder of the original 10-year term.	Forfeit all unvested shares	Forfeit all rights to units for which the three year performance period has not ended	Forfeit all rights to long-term cash bonuses for which the three year performance period has not ended
Voluntary Termination/ Retirement **- Prior to minimum age and five years of service[1]**	Forfeit all unvested options. Previously vested options remain exercisable for the shorter of one year after termination or the remainder of the original 10-year term.	Forfeit all unvested shares	Forfeit all rights to units for which the three year performance period has not ended	Forfeit all rights to long-term cash bonuses for which the three year performance period has not ended
Voluntary Termination/ Retirement **- After minimum age and five years of service[1]**	Unvested options held greater than 1 year continue vesting on the original schedule. All options are exercisable for remainder of the original 10-year term.	Unvested shares held greater than 1 year continue vesting on the original schedule	Pro rata portion[2] of units earned based on performance results over the full three-year period	Pro rata portion[2] of long-term cash bonuses earned based on performance results over the full three-year period
Death	Unvested options are immediately vested. All options are exercisable for the remainder of the original 10-year term.	Unvested shares immediately vest	Pro rata portion[2] of units earned based on performance results through the end of the fiscal year in which death occurs. Award will be paid following the end of such fiscal year.	Pro rata portion[2] of long-term cash bonuses earned based on performance results through the end of the fiscal year in which death occurs. Award will be paid following the end of such fiscal year.
Disability	Unvested options are immediately vested. All options are exercisable for remainder of the original 10-year term.	Unvested shares immediately vest	Pro rata portion[2] of units earned based on performance results over the full three-year period	Pro rata portion[2] of long-term cash bonuses earned based on performance results over the full three-year period
Change in Control[3]	Unvested options are immediately vested and exercisable	Unvested shares immediately vest	50% of the units granted at the beginning of the performance period earned immediately	50% of the bonus granted at the beginning of the performance period earned immediately

(1) The minimum age requirement is age 62 for stock options and restricted stock and age 55 for performance units and the long-term cash bonus.

(2) The prorated amount is equal to the number of weeks of active employment during the performance period divided by the total number of weeks in the performance period.

(3) These benefits are payable upon a change in control of Kroger, as defined in the applicable agreement, with or without a termination of employment.

Quantification of Payments upon Termination or Change in Control

The following table provides information regarding certain potential payments that would have been made to the NEOs if the triggering event occurred on the last day of the fiscal year, February 2, 2019, given compensation, age and service levels as of that date and, where applicable, based on the closing market price per Kroger common share on the last trading day of the fiscal year ($28.07 on February 1, 2019). Amounts actually received upon the occurrence of a triggering event will vary based on factors such as the timing during the year of such event, the market price of Kroger common shares, and the officer's age, length of service and compensation level.

Name	Involuntary Termination	Voluntary Termination/ Retirement	Death	Disability	Change in Control without Termination	Change in Control with Termination
W. Rodney McMullen						
Accrued and Banked Vacation	$653,934	$ 653,934	$ 653,934	$ 653,934	$ 653,934	$ 653,934
Severance	—	—	—	—	—	7,631,808
Continued Health and Welfare Benefits(1)	—	—	—	—	—	25,337
Stock Options(2)	—	—	3,718,393	3,718,393	3,718,393	3,718,393
Restricted Stock(3)	—	—	9,327,380	9,327,380	9,327,380	9,327,380
Performance Units(4)	—	1,511,079	1,511,079	1,511,079	3,051,377	3,051,377
Long-Term Cash Bonus(5)	—	1,415,406	1,415,406	1,415,406	1,935,900	1,935,900
Executive Group Life Insurance	—	—	1,973,850	—	—	—
J. Michael Schlotman						
Accrued and Banked Vacation	$445,773	$ 445,773	$ 445,773	$ 445,773	$ 445,773	$ 445,773
Severance	—	—	—	—	—	4,246,512
Continued Health and Welfare Benefits(1)	—	—	—	—	—	25,313
Stock Options(2)	—	—	966,932	966,932	966,932	966,932
Restricted Stock(3)	—	—	4,172,493	4,172,493	4,172,493	4,172,493
Performance Units(4)	—	526,083	526,083	526,083	1,052,639	1,052,639
Long-Term Cash Bonus(5)	—	663,997	663,997	663,997	855,120	855,120
Executive Group Life Insurance	—	—	1,384,875	—	—	—
Michael J. Donnelly						
Accrued and Banked Vacation	$173,813	$ 173,813	$ 173,813	$ 173,813	$ 173,813	$ 173,813
Severance	—	—	—	—	—	4,202,520
Continued Health and Welfare Benefits(1)	—	—	—	—	—	12,229
Stock Options(2)	—	—	725,808	725,808	725,808	725,808
Restricted Stock(3)	—	—	4,121,434	4,121,434	4,121,434	4,121,434
Performance Units(4)	—	396,927	396,927	396,927	890,956	890,956
Long-Term Cash Bonus(5)	—	591,401	591,401	591,401	761,250	761,250
Executive Group Life Insurance	—	—	1,351,875	—	—	—
Christopher T. Hjelm						
Accrued and Banked Vacation	$ 5,884	$ 5,884	$ 5,884	$ 5,884	$ 5,884	$ 5,884
Severance	—	—	—	—	—	3,529,800
Continued Health and Welfare Benefits(1)	—	—	—	—	—	55,345
Stock Options(2)	—	—	724,615	724,615	724,615	724,615
Restricted Stock(3)	—	—	3,438,828	3,438,828	3,438,828	3,438,828
Performance Units(4)	—	395,402	395,402	395,402	824,711	824,711
Long-Term Cash Bonus(5)	—	551,974	551,974	551,974	710,500	710,500
Executive Group Life Insurance	—	—	1,147,350	—	—	—
Robert W. Clark						
Accrued and Banked Vacation	$ 5,769	$ 5,769	$ 5,769	$ 5,769	$ 5,769	$ 5,769
Severance	—	—	—	—	—	2,000,016
Continued Health and Welfare Benefits(1)	—	—	—	—	—	32,916
Stock Options(2)	—	—	454,415	454,415	454,415	454,415
Restricted Stock(3)	—	—	2,724,755	2,724,755	2,724,755	2,724,755
Performance Units(4)	—	—	155,010	155,010	375,268	375,268
Long-Term Cash Bonus(5)	—	—	210,968	210,968	506,518	506,518
Executive Group Life Insurance	—	—	750,000	—	—	—

(1) Represents the aggregate present value of continued participation in the Company's medical, dental and executive term life insurance plans, based on the premiums payable by the Company during the eligible period. The eligible period for continued medical and dental benefits is based on the level and length of service, which is 24 months for all NEOs. The eligible period for continued executive term life insurance coverage is six months for the NEOs. The amounts reported may ultimately be lower if the NEO is no longer eligible to receive benefits, which could occur upon obtaining other employment and becoming eligible for substantially equivalent benefits through the new employer.

(2) Amounts reported in the death, disability and change in control columns represent the intrinsic value of the accelerated vesting of unvested stock options, calculated as the difference between the exercise price of the stock option and the closing price per Kroger common share on February 1, 2019. A value of $0 is attributed to stock options with an exercise price greater than the market price on the last day of the fiscal year. In accordance with SEC rules, no amount is reported in the voluntary termination/retirement column because vesting is not accelerated, but the options may continue to vest on the original schedule if the conditions described above are met.

(3) Amounts reported in the death, disability and change in control columns represent the aggregate value of the accelerated vesting of unvested restricted stock. In accordance with SEC rules, no amount is reported in the voluntary termination/retirement column because vesting is not accelerated, but the restricted stock may continue to vest on the original schedule if the conditions described above are met.

(4) Amounts reported in the voluntary termination/retirement, death and disability columns represent the aggregate value of the performance units granted in 2017 and 2018, based on performance through the last day of fiscal 2018 and prorated for the portion of the performance period completed. Amounts reported in the change in control column represent the aggregate value of 50% of the maximum number of performance units granted in 2017 and 2018. Awards under the 2016 Long-Term Incentive Plan were earned as of the last day of 2018 so each NEO age 55 or over was entitled to receive (regardless of the triggering event) the amount actually earned, which is reported in the Stock Awards column of the 2018 Stock Vested Table.

(5) Amounts reported in the voluntary termination/retirement, death and disability columns represent the aggregate value of the long-term cash bonuses granted in 2017 and 2018, based on performance through the last day of fiscal 2018 and prorated for the portion of the performance period completed. Amounts reported in the change in control column represent the aggregate value of 50% of the long-term cash bonus potentials under the 2017 and 2018 Long-Term Incentive Plans. Awards under the 2016 Long-Term Incentive Plan were earned as of the last day of 2018, so each NEO age 55 or over was entitled to receive (regardless of the triggering event) the amount actually earned, which is reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table for 2018.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information regarding the ratio of the annual total compensation of our Chairman and CEO, Mr. McMullen, to the annual total compensation of our median employee.

As reported in the Summary Compensation Table, our CEO had annual total compensation for 2018 of $12,037,872. Using this Summary Compensation Table methodology, the annual total compensation of our median employee for 2018 was $24,912. As a result, we estimate that the ratio of our CEO's annual total compensation to that of our median employee for fiscal 2018 was 483 to 1.

This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll records and the methodology described below. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios. Therefore, the estimated pay ratio reported above may not be comparable to the pay ratios reported by other companies and should not be used as a basis for comparison between companies.

We identify the "median employee" from our employee population on the last day of our 11th fiscal period (December 8, 2018), which included full-time, part-time, temporary, and seasonal employees who were employed on that date. The consistently applied compensation measure we used was "base salary/wages paid," which we measured from the beginning of our fiscal year, February 4, 2018, through February 2, 2019; and we multiplied the average weekly earnings during this period of each full-time and part-time permanent employee by 52, which was the number of weeks in fiscal 2018. We annualized the earnings of all permanent employees who were on a leave of absence or were new-hires in 2018. We did not make any other adjustments permissible by the SEC nor did we make any other material assumptions or estimates to identify our median employee. The median employee did not change from the prior year. There were no changes in our employee population or compensation arrangements that would have significantly affected our pay ratio calculation.

Once the median employee was identified, we then determined the median employee's annual total compensation using the Summary Compensation Table methodology as detailed in Item 402(c)(2)(x) of Regulation S-K and compared it to the annual total compensation of Mr. McMullen as detailed in the ''Total'' column of the Summary Compensation Table for 2018, to arrive at the pay ratio disclosed above.

Item No. 2 Advisory Vote to Approve Executive Compensation

You are being asked to vote, on an advisory basis, to approve the compensation of our NEOs. The Board of Directors recommends that you vote FOR the approval of compensation of our NEOs.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we give our shareholders the right to approve, on a nonbinding, advisory basis, the compensation of our NEOs as disclosed earlier in this proxy statement in accordance with the SEC's rules.

As discussed earlier in the CD&A, our compensation philosophy is to attract and retain the best management talent and to motivate these employees to achieve our business and financial goals. Our incentive plans are designed to reward the actions that lead to long-term value creation. To achieve our objectives, we seek to ensure that compensation is competitive and that there is a direct link between pay and performance. To do so, we are guided by the following principles:

- A significant portion of pay should be performance-based, with the percentage of total pay tied to performance increasing proportionally with an executive's level of responsibility;
- Compensation should include incentive-based pay to drive performance, providing superior pay for superior performance, including both a short- and long-term focus;
- Compensation policies should include an opportunity for, and a requirement of, equity ownership to align the interests of executives and shareholders; and
- Components of compensation should be tied to an evaluation of business and individual performance measured against metrics that directly drive our business strategy.

The vote on this resolution is not intended to address any specific element of compensation. Rather, the vote relates to the compensation of our NEOs as described in this proxy statement. The vote is advisory. This means that the vote is not binding on Kroger. The Compensation Committee of the Board is responsible for establishing executive compensation. In so doing, the Compensation Committee will consider, along with all other relevant factors, the results of this vote.

We ask our shareholders to vote on the following resolution:

''RESOLVED, that the compensation paid to the Company's NEOs, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and the related narrative discussion, is hereby APPROVED.''

The next advisory vote will occur at our 2020 annual meeting.

The Board of Directors Recommends a Vote For This Proposal.