KROGER CO
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

THE KROGER CO.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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Notice of 2018 Annual Meeting of Shareholders

Fellow Kroger Shareholders:

It is our pleasure to invite you to join our Board of Directors, senior leadership, and other Kroger associates at The Kroger Co. Annual Meeting of Shareholders.

When:	Thursday, June 28, 2018, at 11:00 a.m. eastern time.
Where:	Music Hall Music Hall Ballroom 1241 Elm Street Cincinnati, OH 45202
Items of Business:	1. To elect 11 director nominees. 2. To approve our executive compensation, on an advisory basis. 3. To approve an amendment to our Regulations to adopt proxy access. 4. To approve an amendment to our Regulations to permit Board amendments in accordance with Ohio law. 5. To ratify the selection of our independent auditor for fiscal year 2018. 6. To vote on three shareholder proposals, if properly presented at the meeting. 7. To transact other business as may properly come before the meeting.
Who can Vote:	Holders of Kroger common shares at the close of business on the record date May 2, 2018 are entitled to notice of and to vote at the meeting.
How to Vote:	Your vote is important! Please vote your proxy in one of the following ways: 1. *Via the internet*, by visiting www.proxyvote.com. 2. *By telephone*, by calling the number on your proxy card, voting instruction form or notice. 3. *By mail*, by marking, signing, dating and mailing your proxy card if you requested printed materials, or your voting instruction form. No postage is required if mailed in the United States. 4. *In person*, by attending the meeting in Cincinnati.
Attending the Meeting:	Shareholders holding shares at the close of business on the record date, or their duly appointed proxies, may attend the meeting. If you plan to attend the meeting, you

must bring either: (1) the notice of meeting that was separately mailed to you or (2) the top portion of your proxy card, either of which will be your admission ticket. You must also bring valid photo identification, such as a driver s license or passport. We reserve the right to exclude any person who cannot provide an admission ticket and valid photo identification.

Webcast of the Meeting: If you are unable to attend the meeting, you may listen to a live webcast of the meeting by visiting ir.kroger.com at 11:00 a.m. eastern time on June 28, 2018.

We appreciate your continued confidence in Kroger, and we look forward to seeing you at the meeting.

May , 2018	By Order of the Board of Directors,
Cincinnati, Ohio	Christine S. Wheatley, Secretary

Proxy Statement

May , 2018

We are providing this notice, proxy statement and annual report to the shareholders of The Kroger Co. (Kroger , we , us , our) in connection with the solicitation of proxies by the Board of Directors of Kroger (the Board) for use at the Annual Meeting of Shareholders to be held on June 28, 2018, at 11:00 a.m. eastern time, at the Music Hall Ballroom, Music Hall, 1241 Elm St., Cincinnati, Ohio 45202, and at any adjournments thereof.

Our principal executive offices are located at 1014 Vine Street, Cincinnati, Ohio 45202-1100. Our telephone number is 513-762-4000. This notice, proxy statement and annual report, and the accompanying proxy card were first furnished to shareholders on May , 2018.

Who can vote?

You can vote if, as of the close of business on May 2, 2018, you were a shareholder of record of Kroger common shares.

Who is asking for my vote, and who pays for this proxy solicitation?

Your proxy is being solicited by Kroger s Board of Directors. Kroger is paying the cost of solicitation. We have hired D.F. King & Co., Inc., 48 Wall Street, New York, New York, a proxy solicitation firm, to assist us in soliciting proxies and we will pay them a fee estimated not to exceed $17,500.

We also will reimburse banks, brokers, nominees, and other fiduciaries for postage and reasonable expenses incurred by them in forwarding the proxy material to beneficial owners of our common shares.

Proxies may be solicited personally, by telephone, electronically via the Internet, or by mail.

Who are the members of the Proxy Committee?

Robert D. Beyer, W. Rodney McMullen, and Ronald L. Sargent, all Kroger Directors, are the members of the Proxy Committee for our 2018 Annual Meeting.

How do I vote my proxy?

You can vote your proxy in one of the following ways:

1. *Via the internet,* by visiting www.proxyvote.com.

2. *By telephone,* by calling the number on your proxy card, voting instruction form, or notice.

3. *By mail,* by marking, signing, dating and mailing your proxy card if you requested printed materials, or your voting instruction form. No postage is required if mailed in the United States.

4. *In person,* by attending the meeting in Cincinnati.

What do I need to attend the meeting in person in Cincinnati?

If you plan to attend the meeting, you must bring either: (1) the notice of meeting that was separately mailed to you or (2) the top portion of your proxy card, either of which will be your admission ticket. You must also bring valid photo identification, such as a driver s license or passport. We reserve the right to exclude any person who cannot provide an admission ticket and valid photo identification.

Can I change or revoke my proxy?

The common shares represented by each proxy will be voted in the manner you specified unless your proxy is revoked before it is exercised. You may change or revoke your proxy by providing written notice to Kroger s Secretary at 1014 Vine Street, Cincinnati, Ohio 45202, in person at the meeting or by executing and sending us a subsequent proxy.

How many shares are outstanding?

As of the close of business on May 2, 2018, the record date, our outstanding voting securities consisted of common shares.

How many votes per share?

Each common share outstanding on the record date will be entitled to one vote on each of the 11 director nominees and one vote on each other proposal. Shareholders may not cumulate votes in the election of directors.

What voting instructions can I provide?

You may instruct the proxies to vote For or Against each proposal, or you may instruct the proxies to Abstain from voting.

What happens if proxy cards or voting instruction forms are returned without instructions?

If you are a registered shareholder and you return your proxy card without instructions, the Proxy Committee will vote in accordance with the recommendations of the Board.

If you hold shares in street name and do not provide your broker with specific voting instructions on proposals 1, 2, 3, 4, 6, 7, or 8, which are considered non-routine matters, your broker does not have the authority to vote on those proposals. This is generally referred to as a broker non-vote. Proposal 5, ratification of auditors, is considered a routine matter and, therefore, your broker may vote your shares according to your broker s discretion.

The vote required, including the effect of broker non-votes and abstentions for each of the matters presented for shareholder vote, is set forth below.

What are the voting requirements for each of the proposals?

Proposal No. 1 Election of Directors An affirmative vote of the majority of the total number of votes cast For or Against a director nominee is required for the election of a director in an uncontested election. A majority of votes cast means that the number of shares voted For a director nominee must exceed the number of votes Against such director. Broker non-votes and abstentions will have no effect on this proposal.

Proposal No. 2 Advisory Vote to Approve Executive Compensation Advisory approval by shareholders of executive compensation requires the affirmative vote of the majority of shares participating in the voting. Broker non-votes and abstentions will have no effect on this proposal.

Proposal No. 3 Vote to Approve Amendment to Regulations to Permit Proxy Access An affirmative vote of the majority of the outstanding shares is required to amend the Regulations to permit proxy access. Broker non-votes and abstentions will have the same effect as a vote against this proposal.

Proposal No. 4 Vote to Approve Amendment to Regulations to Permit Board Amendments in Accordance with Ohio Law An affirmative vote of 75% of the outstanding shares is required to amend the Regulations to permit Board amendments of certain provisions. Broker non-votes and abstentions will have the same effect as a vote against this proposal.

Proposal No. 5 Ratification of Independent Auditors Ratification by shareholders of the selection of independent public accountants requires the affirmative vote of the majority of shares participating in the voting. Abstentions will have no effect on this proposal.

Proposal Nos. 6, 7, and 8 Shareholder Proposals The affirmative vote of the majority of shares participating in the voting on a shareholder proposal is required for such proposal to pass. Accordingly, broker non-votes and abstentions will have no effect on these proposals.

How does the Board of Directors recommend that I vote?

Proposal	For More Information	Board Recommendation
Item No. 1 Election of Directors	See page 5	**FOR**
Item No. 2 Advisory Vote to Approve Executive Compensation	See page 56	**FOR**
Item No. 3 Amendment to Regulations to Permit Proxy Access	See page 56	**FOR**
Item No. 4 Amendment to Regulations to Permit Board Amendments in Accordance with Ohio Law	See page 59	**FOR**
Item No. 5 Ratification of Independent Auditors	See page 60	**FOR**
Item Nos. 6, 7, and 8 Shareholder Proposals	See page 63	**AGAINST**

Important Notice Regarding the Availability of Proxy Materials for the Shareholder

Meeting to be Held on June 28, 2018

The Notice of 2018 Annual Meeting, Proxy Statement and 2017 Annual Report and the means to vote by internet are available at www.proxyvote.com.

Kroger s Corporate Governance Practices

Kroger is committed to strong corporate governance. We believe that strong governance builds trust and promotes the long-term interests of our shareholders. Highlights of our corporate governance practices include the following:

Board Governance Practices

- Strong Board oversight of enterprise risk.
- All director nominees are independent, except for the CEO.
- All five Board committees are fully independent.
- Robust code of ethics.
- Annual evaluation of the Chairman and CEO by the independent directors, led by the independent Lead Director.
- Annual Board and committee self-assessments.
- Commitment to Board refreshment and diversity.
- Regular executive sessions of the independent directors, at the Board and committee level.
- Strong independent Lead Director with clearly defined role and responsibilities.
- High degree of Board interaction with management to ensure successful oversight and succession planning.

Shareholder Rights

- All directors are elected annually with a simple majority standard for all uncontested director elections and by plurality in contested director elections.
- No poison pill (shareholder rights plan).
- Shareholders have the right to call a special meeting.

Regular engagement with shareholders to understand their perspectives and concerns on a broad array of topics, including corporate governance matters.

Responsive to shareholder feedback.

Compensation Governance

Pay program tied to performance and business strategy.

Majority of pay is long-term and at-risk with no guaranteed bonuses or salary increases.

Stock ownership guidelines align executive and director interests with those of shareholders.

Prohibition on all hedging, pledging and short sales of Kroger securities by directors and executive officers.

No tax gross-up payments to executives.

Proposals to Shareholders

Item No. 1. Election of Directors

You are being asked to elect 11 director nominees for a one-year term. The Board of Directors recommends that you vote FOR the election of all director nominees.

As of the date of this proxy statement, Kroger s Board of Directors consists of 11 members. All nominees, if elected at the 2018 Annual Meeting, will serve until the annual meeting in 2019, or until their successors have been elected by the shareholders or by the Board pursuant to Kroger s Regulations, and qualified.

Kroger s Articles of Incorporation provide that the vote required for election of a director nominee by the shareholders, except in a contested election or when cumulative voting is in effect, is the affirmative vote of a majority of the votes cast for or against the election of a nominee.

The experience, qualifications, attributes, and skills that led the Corporate Governance Committee and the Board to conclude that the following individuals should serve as directors are set forth opposite each individual s name. The committee memberships stated below are those in effect as of the date of this proxy statement.

Nominees for Directors for Terms of Office Continuing until 2019

Nora A. Aufreiter Age 58 Director Since 2014 *Committees:* Financial Policy Public Responsibilities	Ms. Aufreiter is a Director Emeritus of McKinsey & Company, a global management consulting firm. She retired in June 2014 after more than 27 years with McKinsey, most recently as a director and senior partner. During that time, she worked extensively in the U.S., Canada, and internationally with major retailers, financial institutions and other consumer-facing companies. Before joining McKinsey, Ms. Aufreiter spent three years in financial services working in corporate finance and investment banking. She is a member of the Board of Directors of The Bank of Nova Scotia, The Neiman Marcus Group, and Cadillac Fairview, one of North America s largest owners, operators and developers of commercial real estate. Ms. Aufreiter also serves on the boards of St. Michael s Hospital and the Canadian Opera Company, and is a member of the Dean s Advisory Board for the Ivey Business School in Ontario, Canada. Ms. Aufreiter has over 30 years of broad business experience in a variety of retail sectors. Her vast experience in leading McKinsey s North American Retail Practice, North American Branding service line and the Consumer Digital and Omnichannel service line is of particular value to the Board. She also brings to the Board valuable insight on commercial real estate.

Robert D. Beyer
Lead Director

Age 58

Director Since 1999

Committees:
Corporate Governance*
Financial Policy

Mr. Beyer is Chairman of Chaparal Investments LLC, a private investment firm and holding company that he founded in 2009. From 2005 to 2009, Mr. Beyer served as Chief Executive Officer of The TCW Group, Inc., a global investment management firm. From 2000 to 2005, he served as President and Chief Investment Officer of Trust Company of the West, the principal operating subsidiary of TCW. Mr. Beyer is a member of the Board of Directors of Leucadia National Corporation. In the past five years he also served as a director of The Allstate Corporation.

Mr. Beyer brings to Kroger his experience as CEO of TCW, a global investment management firm serving many of the largest institutional investors in the U.S. He has exceptional insight into Kroger s financial strategy, and his experience qualifies him to serve as a member of the Board. While at TCW, he also conceived and developed the firm s risk management infrastructure, an experience that is useful to Kroger s Board in performing its risk management oversight functions. His abilities and service as a director were recognized by his peers, who selected Mr. Beyer as an Outstanding Director in 2008 as part of the Outstanding Directors Program of the Financial Times. His strong insights into corporate governance form the foundation of his leadership role as Lead Director on the Board.

Anne Gates

Age 58

Director Since 2015

Committees:
Audit
Public Responsibilities

Ms. Gates was President of MGA Entertainment, Inc., a privately-held developer, manufacturer and marketer of toy and entertainment products for children, from 2014 until her retirement in 2017. Ms. Gates held roles of increasing responsibility with The Walt Disney Company from 1991-2012. Her roles included executive vice president, chief financial officer for Disney Consumer Products, managing director for Disney Consumer Products Europe and Emerging Markets, and senior vice president of operations, planning and analysis. Prior to joining Disney, Ms. Gates worked for PepsiCo and Bear Stearns. She is currently a director of Tapestry, Inc. (formerly known as Coach, Inc.) and Raymond James Financial, Inc.

Ms. Gates has over 25 years of experience in the retail and consumer products industry. She brings to Kroger financial expertise gained while serving as President of MGA and CFO of a division of The Walt Disney Company. Ms. Gates has a broad business background in finance, marketing, strategy and business development, including international business. Her expertise in toy and entertainment products is of particular value to the Board. Ms. Gates has been designated an Audit Committee financial expert.

* Denotes Committee Chair

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Susan J. Kropf

Age 69

Director Since 2007

Ms. Kropf was President and Chief Operating Officer of Avon Products Inc., a manufacturer and marketer of beauty care products, from 2001 until her retirement in January 2007. She joined Avon in 1970 and, during her tenure at Avon, Ms. Kropf also served as Executive Vice President and Chief Operating Officer, Avon North America and Global Business Operations from 1998 to 2000 and President, Avon U.S. from 1997 to 1998. Ms. Kropf was a member of Avon s Board of Directors from 1998 to 2006. She currently is a director of Avon Products, Inc., Tapestry, Inc. (formerly known as Coach, Inc.), and Sherwin Williams Company. In the past five years she also served as a director of MeadWestvaco Corporation.

Committees:
Compensation
Corporate Governance

Ms. Kropf has unique and valuable consumer insight, having led a major, publicly-traded retailer of beauty and related consumer products. She has extensive experience in manufacturing, marketing, supply chain operations, customer service, and product development, all of which assist her in her role as a member of Kroger s Board. Ms. Kropf has a strong financial background, and has significant boardroom experience through her service on the boards of various public companies, including experience serving on compensation, audit, and corporate governance committees. She was inducted into the YWCA Academy of Women Achievers. Ms. Kropf received recognition from the National Association of Corporate Directors as an NACD Directorship 100 Class of 2016 member.

W. Rodney McMullen
Chairman and Chief Executive Officer

Age 57

Mr. McMullen was elected Chairman of the Board in January 2015 and Chief Executive Officer of Kroger in January 2014. Mr. McMullen served as Kroger s President and Chief Operating Officer from August 2009 to December 2013. Prior to that role, Mr. McMullen was elected to various roles at Kroger including Vice Chairman in 2003, Executive Vice President in 1999 and Senior Vice President in 1997. Mr. McMullen is a director of Cincinnati Financial Corporation and VF Corporation.

Director Since 2003

Mr. McMullen has broad experience in the supermarket business, having spent his career spanning over 38 years with Kroger. He has a strong background in finance, operations, and strategic partnerships, having served in a variety of roles with Kroger, including as our CFO, COO and Vice Chair. His service on the compensation, executive, and investment committees of Cincinnati Financial Corporation and the audit and nominating and governance committees of VF Corporation adds depth to his extensive retail experience.

Jorge P. Montoya

Mr. Montoya was President of The Procter & Gamble Company s Global Snacks & Beverage division, and President of Procter & Gamble Latin America, from 1999 until his retirement in 2004. Prior to that, he was an Executive Vice President of Procter & Gamble, a provider of branded consumer packaged goods, from 1995 to 1999.

Age 71	Mr. Montoya is a director of The Gap, Inc.
Director Since 2007 *Committees:* Compensation Public Responsibilities*	Mr. Montoya brings to Kroger s Board over 30 years of leadership experience at a premier consumer products company. He has a deep knowledge of the Hispanic market, as well as consumer products and retail operations. Mr. Montoya has vast experience in marketing and general management, including international business. He was named among the 50 most important Hispanics in Business & Technology, in *Hispanic Engineer & Information Technology Magazine*.

* Denotes Committee Chair

Clyde R. Moore Age 64 Director Since 1997 *Committees:* Compensation* Corporate Governance	Mr. Moore was the Chairman of First Service Networks, a national provider of facility and maintenance repair services, until his retirement in 2015. Prior to his retirement, he was Chairman and Chief Executive Officer of First Service Networks from 2000 to 2014. Mr. Moore has over 30 years of general management experience in public and private companies. He has sound experience as a corporate leader overseeing all aspects of a facilities management firm and numerous manufacturing companies. Mr. Moore s expertise broadens the scope of the Board s experience to provide oversight to Kroger s facilities, digital and manufacturing businesses. Additionally, his expertise and leadership as Chair of the Compensation and Talent Development Committee is of particular value to the Board.
James A. Runde Age 71 Director Since 2006 *Committees:* Compensation Financial Policy*	Mr. Runde is a special advisor and a former Vice Chairman of Morgan Stanley, a financial services provider, where he was employed from 1974 until his retirement in 2015. He was a member of the Board of Directors of Burlington Resources, Inc. prior to its acquisition by ConocoPhillips in 2006. Mr. Runde serves as a Trustee Emeritus of Marquette University and the Pierpont Morgan Library. Mr. Runde brings to Kroger s Board a strong financial background, having led a major financial services provider. He also has served on the compensation committee of a major corporation.
Ronald L. Sargent Age 62 Director Since 2006 *Committees*: Audit* Public Responsibilities	Mr. Sargent is the former Chairman and Chief Executive Officer of Staples, Inc., a business products retailer, where he was employed from 1989 until his retirement in January 2017. Prior to joining Staples, Mr. Sargent spent 10 years with Kroger in various positions. He is a director of Five Below, Inc. and Wells Fargo & Company. In the past five years he was a director of Staples, Inc. Mr. Sargent has over 35 years of retail experience, first with Kroger and then with increasing levels of responsibility and leadership at Staples, Inc. His efforts helped carve out a new market niche for the international retailer. His understanding of retail operations, consumer insights, and e-commerce are of particular value to the Board. Mr. Sargent has been designated an Audit Committee financial expert.

Bobby S. Shackouls Age 67 Director Since 1999	Mr. Shackouls was Chairman of the Board of Burlington Resources Inc., a natural resources business, from July 1997 until its merger with ConocoPhillips in 2006 and its President and Chief Executive Officer from December 1995 until 2006. Mr. Shackouls was also the President and Chief Executive Officer of Burlington Resources Oil and Gas Company (formerly known as Meridian Oil Inc.), a wholly-owned subsidiary of Burlington Resources, from 1994 to 1995. Mr. Shackouls is a director of Plains GP Holdings, LLC and Oasis Petroleum Inc. In the past five years, Mr. Shackouls was a director of PNGS GP LLC, the general partner of PAA Natural Gas Storage, L.P. Mr. Shackouls previously served as Kroger s Lead Director.
Committees: Audit Corporate Governance	Mr. Shackouls brings to the Board the critical thinking that comes with a chemical engineering background, as well as his experience leading a major natural resources company, coupled with his corporate governance expertise.

* Denotes Committee Chair

Mark S. Sutton Age 56 Director Since 2017 *Committees:* Audit Public Responsibilities	Mr. Sutton is Chairman and Chief Executive Officer of International Paper, a leading global producer of renewable fiber-based packaging, pulp and paper products. Prior to becoming CEO, he served as President and Chief Operating Officer with responsibility for running the company s global business. Mr. Sutton joined International Paper in 1984 as an electrical engineer. He held roles of increasing responsibility throughout his career, including mill manager, Vice President of corrugated packaging operations across Europe, the Middle East and Africa, Vice President of corporate strategic planning, and Senior Vice President of several business units, including global supply chain, before being named CEO in 2014. He serves on the boards of the American Forest & Paper Association, the Business Roundtable, the International Advisory Board of the Moscow School of Management Skolkovo, Memphis Tomorrow and the New Memphis Institute. Mr. Sutton has over thirty years of leadership experience with increasing levels of responsibility and leadership at International Paper. He brings to the Board the critical thinking that comes with an electrical engineering background as well as his experience leading a global company. His strong strategic planning background and supply chain experience are of particular value to the Board. Mr. Sutton has been designated an Audit Committee financial expert.

The Board of Directors Recommends a Vote <u>For</u> Each Director Nominee.

Diversity of Background

Our director nominees possess relevant experience, skills and qualifications that contribute to a well-functioning Board that effectively oversees the Company s strategy and management. Listed below are the skills and experience that we consider important for our directors in light of our current business, strategy and structure:

	Nora Aufreiter	Robert Beyer	Anne Gates	Susan Kropf	Rodney McMullen	Jorge Montoya	Clyde Moore	James Runde	Ronald Sargent	Bobby Shackouls	Mark Sutton	Total (of 11)
Business Management	🌑	🌑	🌑	🌑	🌑	🌑	🌑	🌑	🌑	🌑	🌑	11
Retail	🌑		🌑	🌑	🌑	🌑			🌑			6
Consumer	🌑		🌑	🌑	🌑	🌑			🌑			6

Financial Expertise		🌑	🌑	🌑	🌑		🌑	🌑	🌑	🌑	🌑	9
Risk Management		🌑			🌑			🌑	🌑	🌑	🌑	6
Operations &Technology	🌑		🌑	🌑	🌑	🌑	🌑		🌑	🌑	🌑	9
Sustainability	🌑		🌑	🌑		🌑			🌑		🌑	6
Manufacturing			🌑	🌑			🌑				🌑	4

Information Concerning the Board of Directors

Board Leadership Structure and Lead Independent Director

The Board is currently composed of ten independent non-employee directors and one management director, Mr. McMullen, the Chairman and CEO. Kroger has a governance structure in which independent directors exercise meaningful and vigorous oversight.

As provided in Kroger s *Guidelines on Issues of Corporate Governance* (the *Guidelines*), the Board has designated one of the independent directors as Lead Director. The Lead Director works with the Chairman to share governance responsibilities, facilitate the development of Kroger s strategy and grow shareholder value. The Lead Director serves a variety of roles, consistent with current best practices, including:

- reviewing and approving Board meeting agendas, materials and schedules to confirm that the appropriate topics are reviewed, with sufficient information provided to directors on each topic and appropriate time is allocated to each;
- serving as the principal liaison between the Chairman, management and the independent directors;
- presiding at the executive sessions of independent directors and at all other meetings of the Board at which the Chairman is not present;
- calling meetings of independent directors at any time; and
- serving as the Board s representative for any consultation and direct communication, following a request, with major shareholders.

The Lead Director carries out these responsibilities in numerous ways, including:

- facilitating communication and collegiality among the Board;
- soliciting direct feedback from non-employee directors;
- overseeing the succession process, including site visits and meeting with a wide range of employees including corporate and division management associates;
- meeting with the CEO frequently to discuss strategy;

- serving as a sounding board and advisor to the CEO; and

- discussing Company matters with other directors between meetings.

Unless otherwise determined by the independent members of the Board, the Chair of the Corporate Governance Committee is designated as the Lead Director. Robert D. Beyer, an independent director and the Chair of the Corporate Governance Committee, is currently the Lead Director. Mr. Beyer is an effective Lead Director for Kroger due to, among other things:

- his independence;
- his deep strategic and operational understanding of Kroger obtained while serving as a Kroger director;
- his insight into corporate governance, his experience as the CEO of a global investment management firm;
- his experience on the boards of other large publicly traded companies; and
- his engagement and commitment to carrying out the role and responsibilities of the Lead Director.

With respect to the roles of Chairman and CEO, the *Guidelines* provide that the Board will determine whether it is in the best interests of Kroger and our shareholders for the roles to be combined. The Board exercises this judgment as it deems appropriate in light of prevailing circumstances. Upon retirement of our former Chairman, David B. Dillon, on December 31, 2014, the Board determined that it is in the best interests of Kroger and our shareholders for one person to serve as the Chairman and CEO, as was the case from 2004 through 2013, with another individual serving as independent Lead Director. The Board believes that this leadership structure improves the Board s ability to focus on key policy and operational issues and helps the Company operate in the long-term interest of shareholders. Additionally, this structure provides an effective balance between strong Company leadership and appropriate safeguards and oversight by independent directors. The Board believes that the structure of the Chairman and independent Lead Director position should continue to be considered as part of the succession planning process.

Annual Board Evaluation Process

The Board and each of its committees conduct an annual self-evaluation to determine whether the Board is functioning effectively both at the Board and at the committee levels. As part of this annual self-evaluation, the Board assesses whether the current leadership structure and function continues to be appropriate for Kroger and its shareholders. The *Guidelines* provide the flexibility for the Board to modify our leadership structure in the future as appropriate. We believe that Kroger, like many U.S. companies, is well-served by this flexible leadership structure.

The Board recognizes that a robust evaluation process is an essential component of strong corporate governance practices and promoting Board effectiveness. The Corporate Governance Committee oversees an annual evaluation process led by the Lead Independent Director (who also serves as Chair of the Corporate Governance Committee).

Each director completes an annual self-evaluation of the Board and the committees on which he or she serves. These self-evaluations are designed to help assess the skills, qualifications, and experience represented on the Board and its committees, and to determine whether the Board and its committees are functioning effectively. The results of this annual self-evaluation are discussed by the full Board and each committee, as applicable, and changes to the Board s and its committees practices are implemented as appropriate.

Committees of the Board of Directors

To assist the Board in undertaking its responsibilities, and to allow deeper engagement in certain areas of company oversight, the Board has established five standing committees: Audit, Compensation and Talent Development (Compensation), Corporate Governance, Financial Policy and Public Responsibilities. All committees are composed exclusively of independent directors, as determined under the NYSE listing standards. The current charter of each Board committee is available on our website at ir.kroger.com under Investors Governance Committee Composition.

Name of Committee, Number of Meetings, and Current Members	Committee Functions
Audit Committee **Meetings in 2017: 5** **Members:** Ronald L. Sargent, *Chair* Anne Gates Bobby S. Shackouls Mark S. Sutton	Oversees the Company s financial reporting and accounting matters, including review of the Company s financial statements and the audit thereof, the Company s financial reporting and accounting process, and the Company s systems of internal control over financial reporting Selects, evaluates and oversees the compensation and work of the independent registered public accounting firm and reviews its performance, qualifications, and independence Oversees and evaluates the Company s internal audit function, including review of its audit plan, policies and procedures and significant findings Oversees risk assessment and risk management, including review of cybersecurity risks as well as legal or regulatory matters that could have a significant effect on the Company Reviews and monitors the Company s compliance programs, including the whistleblower program
Compensation Committee **Meetings in 2017: 5** **Members:** Clyde R. Moore, *Chair* Susan J. Kropf Jorge P. Montoya James A. Runde	Recommends for approval by the independent directors the compensation of the CEO, and approves the compensation of other senior management Administers the Company s executive compensation policies and programs, including determining grants of equity awards under the plans Has sole authority to retain and direct the committee s compensation consultant Assists the full Board with senior management succession planning

Corporate Governance Committee	Oversees the Company s corporate governance policies and procedures
Meetings in 2017: 2	Develops criteria for selecting and retaining directors, including identifying and recommending qualified candidates to be director nominees
Members: Robert D. Beyer, *Chair* Susan J. Kropf Clyde R. Moore Bobby S. Shackouls	Designates membership and Chairs of Board committees
	Reviews the Board s performance and director independence
	Establishes and reviews the practices and procedures by which the Board performs its functions

Name of Committee, Number of Meetings, and Current Members	Committee Functions
Financial Policy Committee	Reviews and recommends financial policies and practices
Meetings in 2017: 2	Oversees management of the Company s financial resources
Members: James A. Runde, *Chair* Nora A. Aufreiter Robert D. Beyer	Reviews the Company s annual financial plan, significant capital investments, plans for major acquisitions or sales, issuance of new common or preferred stock, dividend policy, creation of additional debt and other capital structure considerations including additional leverage or dilution in ownership
	Monitors the investment management of assets held in pension and profit sharing plans administered by the Company
Public Responsibilities Committee **Meetings in 2017: 2**	Reviews the Company s policies and practices affecting its social and public responsibility as a corporate citizen, including: community relations, charitable giving, supplier diversity, sustainability, government relations, political action, consumer and media relations, food and pharmacy safety and the safety of customers and employees
Members: Jorge P. Montoya, *Chair* Nora A. Aufreiter Anne Gates Ronald L. Sargent Mark S. Sutton	Reviews and examines the Company s evaluation of and response to changing public expectations and public issues affecting the business

Director Nominee Selection Process

The Corporate Governance Committee is responsible for recommending to the Board a slate of nominees for election at each annual meeting of shareholders. The Corporate Governance Committee recruits candidates for Board membership through its own efforts and through recommendations from other directors and shareholders. In addition, the Corporate Governance Committee has retained an independent search firm to assist in identifying and recruiting director candidates who meet the criteria established by the Corporate Governance Committee.

These criteria are:

- demonstrated ability in fields considered to be of value to the Board in the deliberation and long-term planning of the Board and Kroger, including business management, public service, education, technology, law and government;

- highest standards of personal character and conduct;

- willingness to fulfill the obligations of directors and to make the contribution of which he or she is capable, including regular attendance and participation at Board and committee meetings, and preparation for all meetings, including review of all meeting materials provided in advance of the meeting; and

- ability to understand the perspectives of Kroger s customers, taking into consideration the diversity of our customers, including regional and geographic differences.

The Corporate Governance Committee also considers the specific experience and abilities of director candidates in light of our current business, strategy and structure and the current or expected needs of the Board in its identification and recruitment of director candidates.

Board Diversity and Succession Planning

Our director nominees reflect a wide array of experience, skills and backgrounds. Each director is individually qualified to make unique and substantial contributions to Kroger. Collectively, our directors diverse viewpoints and independent-mindedness enhance the quality and effectiveness of Board deliberations and decision making. Our Board is a dynamic group of new and experienced members, providing an appropriate balance of institutional knowledge and fresh perspectives about Kroger due to the varied length of tenure on the Board. This blend of qualifications, attributes and tenure results in highly effective board leadership.

The Corporate Governance Committee considers racial, ethnic and gender diversity to be important elements in promoting full, open and balanced deliberations of issues presented to the Board. The Corporate Governance Committee considers director candidates that help the Board reflect the diversity of our shareholders, associates, customers and the communities in which we operate. Some consideration also is given to the geographic location of director candidates in order to provide a reasonable distribution of members from Kroger s operating areas.

Board succession planning is an ongoing, year-round process. The Corporate Governance Committee recognizes the importance of thoughtful Board refreshment, and engages in a continuing process of identifying attributes sought for future Board members. The Corporate Governance Committee takes into account the Board and committee evaluations regarding the specific qualities, skills, and experiences that would contribute to overall Board and committee effectiveness, as well as the future needs of the Board and its committees in light of Kroger s current and long-term business strategies, and the skills and qualifications of directors who are expected to retire in the future.

Shareholder Engagement

Maintaining ongoing relationships with our shareholders, and understanding our shareholders views, is a priority for both our Board and management team. We have a longstanding history of engaging with our shareholders through our investor relations team s year-round outreach program. At the direction of our Board, we expanded our shareholder engagement program in 2016 to include outreach to our largest shareholders governance teams. In 2017, we requested meetings with shareholders representing nearly 40% of our outstanding shares and ultimately engaged with shareholders representing over a third of our outstanding shares.

During these engagements, we discussed and solicited feedback on a range of topics, including business strategy, corporate governance, executive compensation and sustainability. In addition, we attended industry events to further engage with shareholders and subject matter experts. These conversations provided valuable insights into our shareholders perspectives and their feedback was shared with, and considered by, our full Board.

Candidates Nominated by Shareholders

The Corporate Governance Committee will consider shareholder recommendations for director nominees for election to the Board. If shareholders wish to nominate a person or persons for election to the Board at our 2019 annual meeting, written notice must be submitted to Kroger s Secretary, and received at our executive offices, in accordance with Kroger s Regulations, not later than March 31, 2019. Such notice should include the name, age, business address and residence address of such person, the principal occupation or employment of such person, the number of Kroger common shares owned of record or beneficially by such person and any other information relating to the person that would be required to be included in a proxy statement relating to the election of directors. The Secretary will forward the information to the Corporate Governance Committee for its consideration. The Corporate Governance Committee will use the same criteria in evaluating candidates submitted by shareholders as it uses in evaluating candidates identified by the Corporate Governance Committee, as described above. See Director Nominee Selection Process.

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If Item No. 3 on proxy access is approved by the requisite vote at the 2018 Annual Meeting, eligible shareholders will have the ability to submit director nominees for inclusion in our proxy statement for the 2019 annual meeting of shareholders. As described in more detail in Item No. 3, to be eligible, shareholders must have owned at least 3% of our common shares for at least three years. Up to 20 shareholders will be able to aggregate for this purpose. Nominations must be submitted to our Corporate Secretary at our principal executive offices no earlier than December , 2018 and no later than January __, 2019.

Corporate Governance Guidelines

The Board has adopted the *Guidelines on Issues of Corporate Governance*, which includes copies of the current charters for each of the five standing committees of the Board. The *Guidelines* are available on our website at ir.kroger.com under Investors Governance Guidelines on Issues of Corporate Governance. Shareholders may also obtain a copy of the *Guidelines* by making a written request to Kroger s Secretary at our executive offices.

Independence

The Board has determined that all of the non-employee directors have no material relationships with Kroger and satisfy the criteria for independence set forth in Rule 303A.02 of the New York Stock Exchange Listed Company Manual. Therefore, all non-employee directors are independent for purposes of the NYSE listing standards. The Board made its determination based on information furnished by all members regarding their relationships with Kroger and its management, and other relevant information. The Board considered, among other things, that

- the value of any business transactions between Kroger and entities with which the directors are affiliated falls below the thresholds identified by the NYSE listing standards, and

- none had any material relationships with Kroger other than serving on our Board.

Audit Committee Expertise

The Board has determined that Anne Gates, Ronald L. Sargent and Mark S. Sutton, independent directors who are members of the Audit Committee, are audit committee financial experts as defined by applicable SEC regulations and that all members of the Audit Committee are financially literate as that term is used in the NYSE listing standards and are independent in accordance with Rule 10A-3 of the Securities Exchange Act of 1934.

Code of Ethics

The Board has adopted *The Kroger Co. Policy on Business Ethics*, applicable to all officers, employees and directors, including Kroger s principal executive, financial and accounting officers. The *Policy* is available on our website at ir.kroger.com under Investors Governance Policy on Business Ethics. Shareholders may also obtain a copy of the *Policy* by making a written request to Kroger s Secretary at our executive offices.

Communications with the Board

The Board has established two separate mechanisms for shareholders and interested parties to communicate with the Board. Any shareholder or interested party who has concerns regarding accounting, improper use of Kroger assets or ethical improprieties may report these concerns via the toll-free hotline (800-689-4609) or email address (helpline@kroger.com) established by the Board s Audit Committee. The concerns are investigated by Kroger s Vice President, Chief Ethics and Compliance Officer and the Vice President of Internal Audit and reported to the Audit

Committee as deemed appropriate.

Shareholders or interested parties also may communicate with the Board in writing directed to Kroger s Secretary at our executive offices. Communications relating to personnel issues or our ordinary business operations, or seeking to do business with us, will be forwarded to the business unit of Kroger that the Secretary deems appropriate. All other communications will be forwarded to the Chair of the Corporate Governance Committee for further consideration. The Chair of the Corporate Governance Committee will take such action as he or she deems appropriate, which may include referral to the full Corporate Governance Committee or the entire Board.

Attendance

The Board held six meetings in fiscal year 2017. During fiscal 2017, all incumbent directors attended at least 75% of the aggregate number of meetings of the Board and committees on which that director served. Members of the Board are expected to use their best efforts to attend all annual meetings of shareholders. All 11 members attended last year s annual meeting.

Independent Compensation Consultants

The Compensation Committee directly engages a compensation consultant to advise the Compensation Committee in the design of Kroger s executive compensation. The Committee retained a consultant from Mercer Human Resource Consulting (Mercer) from 2001 through December 2017. Retained by and reporting directly to the Compensation Committee, Mercer provided the Committee with assistance in evaluating Kroger s executive compensation programs and policies.

In fiscal 2017, Kroger paid Mercer $361,147 for work performed for the Compensation Committee. Kroger, on management s recommendation, retained the parent and affiliated companies of Mercer to provide other services for Kroger in fiscal 2017, for which Kroger paid $8,394,369. These other services primarily related to insurance claims (for which Kroger was reimbursed by insurance carriers as claims were adjusted), insurance brokerage and bonding commissions provided by Marsh USA Inc., and pension plan compliance and actuary services provided by Mercer Inc. Kroger also made payments to affiliated companies for insurance premiums that were collected by the affiliated companies of Mercer on behalf of insurance carriers, but these amounts are not included in the totals referenced above, as the amounts were paid over to insurance carriers for services provided by those carriers. Neither the Compensation Committee nor the Board expressly approved the other services provided by Mercer. After taking into consideration the NYSE s independence standards and the SEC rules, the Compensation Committee determined that the Mercer consultant was independent and Mercer s work has not raised any conflict of interest because:

- the Mercer consultant was first engaged by the Compensation Committee before he became associated with Mercer;

- the Mercer consultant works exclusively for the Compensation Committee and not for our management;

- the Mercer consultant does not benefit from the other work that Mercer s parent and affiliated companies perform for Kroger; and

- neither the Mercer consultant nor the Mercer consultant s team perform any other services for Kroger.

In July 2017, the Committee invited proposals from other executive compensation consulting firms. Following consideration of several firms, in December 2017, the Committee engaged Korn Ferry Hay Group (Korn Ferry) as its executive compensation consultant. Due to the timing of the engagement, Korn Ferry did not have an opportunity to assist the Committee with the design and development of the executive compensation programs for fiscal 2017, other than assisting in the final determination of fiscal 2017 payouts.

After taking into consideration the NYSE s independence standards and the SEC rules, the Compensation Committee determined that the Korn Ferry consultant was independent and Korn Ferry s work has not raised any conflict of interest.

The Compensation Committee may engage an additional compensation consultant from time to time as it deems advisable.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee was an officer or employee of Kroger during fiscal 2017, and no member of the Compensation Committee is a former officer of Kroger or was a party to any related person transaction involving Kroger required to be disclosed under Item 404 of Regulation S-K. During fiscal 2017, none of our executive officers served on the board of directors or on the compensation committee of any other entity that has or had executive officers serving as a member of Kroger s Board of Directors or Compensation Committee of the Board.

Board Oversight of Enterprise Risk

While risk management is primarily the responsibility of Kroger s management team, the Board is responsible for strategic planning and overall supervision of our risk management activities. The Board s oversight of the material risks faced by Kroger occurs at both the full Board level and at the committee level.

The Board receives presentations throughout the year from various department and business unit leaders that include discussion of significant risks as necessary. At each Board meeting, the Chairman and CEO addresses matters of particular importance or concern, including any significant areas of risk that require Board attention. Additionally, through dedicated sessions focusing entirely on corporate strategy, the full Board reviews in detail Kroger s short- and long-term strategies, including consideration of significant risks facing Kroger and their potential impact. The independent directors, in executive sessions led by the Lead Director, address matters of particular concern, including significant areas of risk, that warrant further discussion or consideration outside the presence of Kroger employees. At the committee level, reports are given by management subject matter experts to each committee on risks within the scope of their charters.

The Audit Committee has oversight responsibility not only for financial reporting of Kroger s major financial exposures and the steps management has taken to monitor and control those exposures, but also for the effectiveness of management s processes that monitor and manage key business risks facing Kroger, as well as the major areas of risk exposure, and management s efforts to monitor and control the major areas of risk exposure including cybersecurity risk. The Audit Committee incorporates its risk oversight function into its regular reports to the Board and also discusses with management its policies with respect to risk assessment and risk management.

Management provides regular updates throughout the year to the respective Board committees regarding management of the risks they oversee. For example, our Vice President, Chief Ethics and Compliance Officer provides regular updates to the Audit Committee on our compliance risks and actions taken to mitigate that risk; and our Executive Vice President and Chief Information Officer and our Chief Information Security Officer provide regular updates on our cybersecurity risks and actions taken to mitigate that risk to the Audit Committee. The Audit Committee reports on risk to the full Board at each regular meeting of the Board.

We believe that our approach to risk oversight, as described above, optimizes our ability to assess inter-relationships among the various risks, make informed cost-benefit decisions, and approach emerging risks in a proactive manner for Kroger. We also believe that our risk structure complements our current Board leadership structure, as it allows our independent directors, through the five fully independent Board committees, and in executive sessions of independent directors led by the Lead Director, to exercise effective oversight of the actions of management, led by Mr. McMullen as Chairman and CEO, in identifying risks and implementing effective risk management policies and controls.

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Director Compensation

2017 Director Compensation

The following table describes the 2017 compensation for non-employee directors. Mr. McMullen does not receive compensation for his Board service.

Name	Fees Earned or Paid in Cash	Stock Awards[1]	Option Awards[2]	Change in Pension Value And Nonqualified Deferred Compensation Earnings[3]	Total
Nora A. Aufreiter	$ 86,371	$ 165,872			$ 252,243
Robert D. Beyer	$ 127,016	$ 165,872		$10,185	$ 303,073
Anne Gates	$ 96,532	$ 165,872			$ 262,404
Susan J. Kropf	$ 88,062	$ 165,872			$ 253,934
Jorge P. Montoya	$ 101,613	$ 165,872			$ 267,485
Clyde R. Moore	$ 106,694	$ 165,872		$149,496	$ 422,062
Susan M. Phillips[4]	$ 40,351	$		$3,277	$ 43,628
James A. Runde	$ 101,613	$ 165,872			$ 267,485
Ronald L. Sargent	$ 116,855	$ 165,872		$3,360	$ 286,087
Bobby S. Shackouls	$ 96,532	$ 165,872			$ 262,404

Mark S. Sutton	$ 93,678	$ 165,872		$ 259,550

(1) Amounts reported in the Stock Awards column represent the aggregate grant date fair value of the annual incentive share award, computed in accordance with FASB ASC Topic 718. On July 12, 2017, each non-employee director then serving received 7,237 incentive shares with a grant date fair value of $165,872.

(2) Options are no longer granted to non-employee directors. The aggregate number of previously granted stock options that remained unexercised and outstanding at fiscal year-end for directors then serving was as follows: Mr. Shackouls held 7,800 options and Messrs. Beyer, Montoya, Moore, Runde and Sargent and Ms. Kropf each held 65,000 options.

(3) The amounts reported for Mr. Beyer, Dr. Phillips, and Mr. Sargent represent preferential earnings on nonqualified deferred compensation. For a complete explanation of preferential earnings, please refer to footnote 5 to the Summary Compensation Table. The amount reported for Mr. Moore represents the change in actuarial present value of his accumulated benefit under the pension plan for non-employee directors. Pension values may fluctuate significantly from year to year depending on a number of factors, including age, 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 his accumulated pension benefit for 2017 is primarily due to a lower discount rate and an increase in projected yearly benefit payments.

(4) Dr. Phillips retired from the Board at the 2017 annual meeting. Accordingly, she received prorated cash retainers.

Annual Compensation

Each non-employee director receives an annual cash retainer of $85,000. The Chairs of each of the Audit Committee and the Compensation Committee receive an additional annual cash retainer of $20,000. The Chair of each of the other committees receives an additional annual cash retainer of $15,000. Each member of the Audit Committee receives an additional annual cash retainer of $10,000.

The director designated as the Lead Director receives an additional annual cash retainer of $25,000. Each non-employee director also receives incentive shares (Kroger common shares) with a value of approximately $165,000.

The Board has determined that compensation of non-employee directors must be competitive on an ongoing basis to attract and retain directors who meet the qualifications for service on the Board. Non-employee director compensation will be reviewed from time to time as the Corporate Governance Committee deems appropriate.

Pension Plan

Non-employee directors first elected prior to July 17, 1997 receive an unfunded retirement benefit equal to the average cash compensation for the five calendar years preceding retirement. Only Mr. Moore is eligible for this benefit. Benefits begin at the later of actual retirement or age 65.

Nonqualified Deferred Compensation

We also maintain a deferred compensation plan for non-employee directors. Participants may defer up to 100% of their cash compensation and/or the receipt of all (and not less than all) of the annual award of incentive shares.

Cash Deferrals

Cash deferrals are credited to a participant s deferred compensation account. Participants may elect from either or both of the following two alternative methods of determining benefits:

- interest accrues until paid out at the rate of interest determined prior to the beginning of the deferral year to represent Kroger s cost of ten-year debt; and/or

- amounts are credited in phantom stock accounts and the amounts in those accounts fluctuate with the price of Kroger common shares.

In both cases, deferred amounts are paid out only in cash, based on deferral options selected by the participant at the time the deferral elections are made. Participants can elect to have distributions made in a lump sum or in quarterly installments, and may make comparable elections for designated beneficiaries who receive benefits in the event that deferred compensation is not completely paid out upon the death of the participant.

Incentive Share Deferrals

Participants may also defer the receipt of all (and not less than all) of the annual award of incentive shares. Distributions will be made by delivery of Kroger common shares within 30 days after the date which is 6 months after the participant s separation of service.

Beneficial Ownership of Common Stock

The following table sets forth the common shares beneficially owned as of April 1, 2018 by Kroger s directors, the NEOs, and the directors and executive officers as a group. The percentage of ownership is based on 854,098,314 of Kroger common shares outstanding on April 1, 2018. Shares reported as beneficially owned include shares held indirectly through Kroger s defined contribution plans and other shares held indirectly, as well as shares subject to stock options exercisable on or before May 31, 2018. Except as otherwise noted, each beneficial owner listed in the table has sole voting and investment power with regard to the common shares beneficially owned by such owner.

Name	Amount and Nature of Beneficial Ownership[1] (a)	Options Exercisable on or before May 31, 2018 included in column (a) (b)
Stuart W. Aitken[2]	105,293	15,895
Nora A. Aufreiter[3]	19,442	
Robert D. Beyer[3]	315,361	65,000
Michael J. Donnelly	563,728	282,692
Anne Gates	14,145	
Christopher T. Hjelm	506,918	260,536
Susan J. Kropf	146,910	65,000
W. Rodney McMullen	3,854,390	1,279,448
Jorge P. Montoya[4]	107,316	65,000
Clyde R. Moore	165,310	65,000

James A. Runde	163,910	65,000
Ronald L. Sargent(3)	165,232	65,000
J. Michael Schlotman	736,329	456,203
Bobby S. Shackouls(3)	81,102	7,800
Mark S. Sutton	9,691	
Directors and executive officers as a group (28 persons, including those named above)	9,162,150	3,649,733

(1) No director or officer owned as much as 1% of Kroger common shares. The directors and executive officers as a group beneficially owned less than 1% of Kroger common shares.

(2) This amount includes 3,018 shares held by Mr. Aitken s wife. He disclaims beneficial ownership of these shares.

(3) This amount includes incentive share awards that were deferred under the deferred compensation plan for independent directors in the following amounts: Ms. Aufreiter, 9,049; Mr. Beyer, 7,062; Mr. Sargent, 23,457; Mr. Shackouls, 23,457.

(4) This amount includes 22,000 shares held in Mr. Montoya s trust. He disclaims beneficial ownership of these shares.

The following table sets forth information regarding the beneficial owners of more than five percent of Kroger common shares as of April 1, 2018 based on reports on Schedule 13G filed with the SEC.

Name	Address	Amount and Nature of Ownership	Percentage of Class
BlackRock, Inc.	55 East 52nd St. New York, NY 10055	64,312,967(1)	7.53%
Vanguard Group Inc.	100 Vanguard Blvd. Malvern, PA 19355	69,066,614(2)	8.09%

(1) Reflects beneficial ownership by BlackRock Inc., as of December 31, 2017, as reported on Amendment No. 8 to Schedule 13G filed with the SEC on February 8, 2018, reporting sole voting power with respect to 55,885,209 common shares, and sole dispositive power with regard to 64,312,967 common shares.

(2) Reflects beneficial ownership by Vanguard Group Inc. as of December 31, 2017, as reported on Amendment No. 3 to Schedule 13G filed with the SEC on February 9, 2018, reporting sole voting power with respect to 1,262,195 common shares, shared voting power with respect to 214,353 common shares, sole dispositive power of 67,622,556 common shares, and shared dispositive power of 1,444,058 common shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and certain persons who own more than 10% of our outstanding common shares, to file reports of ownership and changes in ownership with the SEC and to furnish us with copies of those reports.

Based solely on our review of the copies of Forms 3, 4 and 5 received by Kroger, and written representations from certain reporting persons that no Form 5 was required for that person, we believe that during 2017 all filing requirements applicable to our executive officers, directors and 10% beneficial owners were timely satisfied.

Related Person Transactions

The Board has adopted a written policy requiring that any Related Person Transaction may be consummated or continue only if the Audit Committee approves or ratifies the transaction in accordance with the policy. A Related Person Transaction is one (a) involving Kroger, (b) in which one of our directors, nominees for director, executive officers, or greater than five percent shareholders, or their immediate family members, have a direct or indirect material interest; and (c) the amount involved exceeds $120,000 in a fiscal year.

The Audit Committee will approve only those Related Person Transactions that are in, or not inconsistent with, the best interests of Kroger and its shareholders, as determined by the Audit Committee in good faith in accordance with its business judgment. No director may participate in any review, approval or ratification of any transaction if he or she, or an immediate family member, has a direct or indirect material interest in the transaction.

Where a Related Person Transaction will be ongoing, the Audit Committee may establish guidelines for management to follow in its ongoing dealings with the related person and the Audit Committee will review and assess the relationship on an annual basis to ensure it complies with such guidelines and that the Related Person Transaction remains appropriate.

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 2017 fiscal year ended February 3, 2018, 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
Stuart W. Aitken	Group 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 of 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
	× No re-pricing or backdating of options
Balance between short-term and long-term compensation to discourage short-term risk taking at the expense of long-term results	× No guaranteed salary increases or bonuses
Engagement of an independent compensation consultant	× No payment of dividends or dividend equivalents until performance units are earned
Robust clawback policy	× No single-trigger cash severance benefits upon a change in control

Ban on hedging, pledging and short sales of Kroger securities

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.

The amounts used in the charts below are based on the amounts reported in the Summary Compensation Table for 2017, excluding the Change in Pension Value and Nonqualified Deferred Compensation Earnings column.

CEO	**CEO**	**CEO**
84% of CEO pay is At Risk	83% of CEO pay is Long-Term	80% of CEO pay is Equity
Average of Other NEOs	**Average of Other NEOs**	**Average of Other NEOs**
73% of Other NEO pay is At Risk	72% of Other NEO pay is Long-Term	68% of Other NEO pay is Equity

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Looking Ahead   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 revenue 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 free cash flow. As a result of our plan, over the next three years (2018   2020), we expect to generate:

- $400 million in incremental FIFO operating profit, and

- $6.5 billion of free cash flow before dividends (double the performance of the previous three years).

We have prioritized our estimated $9 billion in capital investments to support *Restock Kroger* over the next three years. 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.*

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 for NEOs 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 have 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. We are describing our approach for developing our 2018 LTIP program, even though it is still a work in progress, to be transparent about how we are planning to make changes to our program to align with *Restock Kroger*.

Our 2018 three-year long-term plan (2018 2020) will have performance metrics tied to *Restock Kroger* goals*:* free cash flow and cost savings included in FIFO operating profit growth, with a return on

* 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.

invested capital modifier. We are implementing 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. As we are mid-cycle in the 2016 2018 and 2017 2019 long-term plans, we feel strongly that we should focus on *Restock Kroger* metrics rather than having competing priorities. As a result, the Compensation Committee has determined that the metrics of the mid-cycle plans should be modified to align with *Restock Kroger*.

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

We are not adjusting cash bonus potentials or re-issuing previously issued performance unit grants and we are not allowing NEOs to re-earn cash and performance units that were not earned in the completed year(s) of the outstanding plans. We did not change the timing of the payout under the outstanding plans. These plan updates are illustrated below.

Our Annual Cash Bonus Program: Based on Meeting Financial Goals

We have 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 has the following metrics:

1. ID sales
2. Earnings per share
3. Strategic business plans that support *Restock Kroger*

To further support the cost saving focus of *Restock Kroger,* for any payout under the strategic business 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 values: honesty, integrity, respect, inclusion, diversity and safety.

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 are reviewed annually in June.

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 an 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.

2017 Annual Cash Bonus Plan Metrics

The 2017 annual cash bonus plan had the following measurable performance metrics, all of which are interconnected:

Metric	Weight	Rationale for Use
ID Sales	20%	ID 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 sales across the enterprise. A key driver of our model is strong ID Sales; it is the engine that fuels our growth.
Net Operating Profit, without Supermarket Fuel Operating Profit (Net Operating Profit[(1)])	20%	Net Operating Profit allows us to evaluate our earnings from operating the business; we cannot achieve solid Net Operating Profit without a strong operating model. This is a good measure of the profitability of the business which takes into account the capital invested to generate the earnings.
Customer 1st Strategy	60%	Kroger s Customer 1st Strategy is the focus, in our decision-making, on the customer. The Four Keys of our Customer 1st Strategy are People, Products, Shopping Experience and Price. This proprietary metric includes a mixture of strategic and operational metrics that measure the improvement in how Kroger is perceived by customers in each of the Four Keys. Annual cash bonus payout is based on certain elements of the Customer 1st Strategy, to highlight annual objectives that are intended to receive the most focused attention in that year.
Total of 3 Metrics	**100%**	
ClickList Bonus	5% Kicker	An additional 5% is earned if Kroger achieves certain goals with respect to our ClickList expansion and operations.

The ClickList bonus is included in the annual cash bonus plan as an incentive to encourage the addition of ClickList locations at a faster rate, while maintaining certain operating and financial standards.

The ClickList bonus of 5% is only available if the pre-determined measures are met. If any of the goals are not met, no portion of the ClickList bonus is earned.

(1) Net Operating Profit is calculated as gross profit, minus operating, general and administrative expenses, minus depreciation and amortization, excluding supermarket fuel and the non-Kroger portion of earnings of consolidated variable interest entities.

Results of 2017 Annual Cash Bonus Plan

The 2017 goals established by the Compensation Committee, the actual 2017 results and the bonus percentage earned for each of the performance metrics of the 2017 annual cash bonus plan were as follows:

	Goals			**Actual Performance Compared to Minimum Goal (A)**		**Amount Earned (A) x (B)**
Performance Metrics	**Minimum**	**Target (100%)**	**Actual Performance**		**Weight (B)**	
ID Sales	0.90%	2.90%	0.71%	0%	20%	0%
Net Operating Profit	$2.93 Billion	$3.45 Billion	$2.85 Billion	0%	20%	0%
Customer 1st Strategy(1)	*	*	*	*	60%	3.8%
ClickList Bonus(2)	*	*	*	*	0% or 5%	0%
Total Earned						3.8%

(1) The Customer 1st Strategy goal also was established by the Compensation Committee at the beginning of the year, but is not disclosed as it is competitively sensitive.

(2) An additional 5% would have been earned if Kroger had achieved certain goals with respect to its ClickList expansion and operation. These goals were established by the Compensation Committee at the beginning of the year, 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 NEOs earned 3.8% of their bonus potentials.

In 2017, 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 2017 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 2017 represented performance that did not meet many of our business plan objectives. 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 2011, 2014 and 2015, when payouts significantly exceeded 100%. In those years, we achieved and/or exceeded 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
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 2017 are reported in the Summary Compensation Table in the Non-Equity Incentive Plan Compensation column and footnote 4 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 similar Long-Term Incentive Plan each year, which provides for overlapping three-year performance periods. The Long-Term Incentive Plans adopted in 2015, 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 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. Each year when establishing the performance metric baselines and percentage payouts per unit of improvement, the Compensation Committee considers the difficulty of achieving compounded improvement over time.

Long-Term Incentive Plan Metrics

The following table summarizes the Long-Term Incentive Plans adopted in 2015, 2016 and 2017:

Metric	Rationale for Use
Customer 1st Strategy	Kroger s Customer 1st Strategy is the focus, in our decision-making, on the customer. The Four Keys of our Customer 1st Strategy are People, Products, Shopping Experience and Price. This proprietary metric measures the improvement in how Kroger is perceived by customers in each of the Four Keys. Long-Term Incentive Plan payout is based on all of the elements of the Customer 1st Strategy, to maintain our top executives consistent focus on the entirety of the Customer 1st Strategy. This is in contrast to the 2017 annual cash bonus payout, which is based on certain elements of the Customer 1st Strategy, to highlight annual objectives that are intended to receive the most focused attention in that year.
Improvement in Associate Engagement	Kroger measures associate engagement in an annual survey of associates. This metric is included in these Long-Term Incentive Plans as an acknowledgement that our Company s success is directly tied to our associates connecting with and serving our customers every day, whether in our stores, manufacturing plants, distribution centers or offices.
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. We strive to be disciplined, so that as the Company grows, expenses are properly managed. Including this metric in these Long-term Incentive Plans, provides an incentive to implement policies for sustainable improvement over a long period of time.
ROIC[2]	Part of our long-term growth strategy is to make substantial capital investments over time. We have a pipeline of high quality projects.

With significant capital spend, it is essential that we achieve the proper returns on our investments.

This measure is intended to hold executives accountable for the returns on the capital investments.

(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.

The following table summarizes the Long-Term Incentive Plans for the years shown, as adopted:

	2015 Plan	**2016 Plan**	**2017 Plan**
Performance Period	2015 to 2017	2016 to 2018	2017 to 2019
Payout Date	March 2018	March 2019	March 2020
Long-term Cash Bonus Potential	Salary at end of fiscal year 2014*	Salary at end of fiscal year 2015*	Salary at end of fiscal year 2016*
Performance Metrics			
Customer 1st Strategy	4% payout per unit improvement	4% payout per unit improvement	4% payout per unit improvement
Improvement in Associate Engagement	4% payout per unit improvement	4% payout per unit improvement	4% payout per unit improvement
Reduction in Operating Cost as a Percentage of Sales, without Fuel	0.50% payout per 0.01% reduction in operating costs		