

KOHLS Corp  
Form DEF 14A  
March 24, 2016  
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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 Pursuant to §240.14a-12

# KOHL S CORPORATION

(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.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  
  
  - (2) Aggregate number of securities to which transaction applies:
  
  
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**KOHL S CORPORATION**  
**N56 W17000 Ridgewood Drive**  
**Menomonee Falls, Wisconsin 53051**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD MAY 11, 2016**

To Our Shareholders:

The Annual Meeting of Shareholders of Kohl's Corporation will be held at the auditorium at Kohl's Innovation Center, W165 N5830 Ridgewood Drive, Menomonee Falls, Wisconsin, 53051 on May 11, 2016, at 8:00 a.m. local time, for the following purposes:

1. To elect the ten individuals nominated by our Board of Directors to serve as Directors for a one-year term and until their successors are duly elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2017;
3. To hold an advisory vote to approve the compensation of our named executive officers;
4. To re-approve the material terms of the performance goals under our Annual Incentive Plan;
5. To re-approve the material terms of the performance goals under our 2010 Long-Term Compensation Plan;
6. To consider and vote upon the shareholder proposal described below, if properly presented at the meeting; and
7. To consider and act upon any other business that may properly come before the meeting or any adjournment thereof.

**PLEASE NOTE: The meeting is expected to last less than 30 minutes.**

Only shareholders of record at the close of business on March 9, 2016 are entitled to notice of and to vote at the meeting.

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We are pleased to once again take advantage of the Securities and Exchange Commission's rules that allow companies to furnish their proxy materials over the Internet. We believe that this e-proxy process expedites shareholders' receipt of proxy materials and has lowered the costs and reduced the environmental impact of our Annual Meeting of Shareholders. Accordingly, we will mail to our shareholders of record and beneficial owners a Notice of Internet Availability of Proxy Materials containing instructions on how to access the attached proxy statement and our Annual Report on Form 10-K via the Internet and how to vote online. The Notice of Internet Availability of Proxy Materials and the attached proxy statement also contain instructions on how you can receive a paper copy of the proxy materials.

The Notice of Internet Availability of Proxy Materials will be mailed to our shareholders beginning on or about March 28, 2016.

You are cordially invited to attend the Annual Meeting of Shareholders in person. Your vote is important no matter how large or small your holdings may be. **Please vote as soon as possible in one of these three ways, whether or not you plan to attend the meeting:**

Visit the website shown on your Notice of Internet Availability of Proxy Materials ([www.proxyvote.com](http://www.proxyvote.com)) to vote over the Internet;

Use the toll-free telephone number provided on the voting website ([www.proxyvote.com](http://www.proxyvote.com)) to vote over the telephone; or

If you have received a printed proxy card, you may complete, sign, date and return your proxy card by mail.

If you send in your proxy card or vote by telephone or the Internet, you may still decide to attend the Annual Meeting of Shareholders and vote your shares in person. Your proxy is revocable in accordance with the procedures set forth in this proxy statement.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on May 11, 2016:**

The 2015 Annual Report on Form 10-K and proxy statement of Kohl's Corporation are available at [www.proxyvote.com](http://www.proxyvote.com).

By Order of the Board of Directors

Jason J. Kelroy  
*Secretary*

Menomonee Falls, Wisconsin

March 24, 2016

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**KOHL S CORPORATION**  
**N56 W17000 Ridgewood Drive**  
**Menomonee Falls, Wisconsin 53051**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**May 11, 2016**

**GENERAL INFORMATION ABOUT THESE MATERIALS**

This proxy statement describes matters on which we would like you, as a shareholder, to vote at our 2016 Annual Meeting of Shareholders. It also gives you information on these matters so that you can make informed decisions. You are receiving notice because our records indicate that you owned shares of our common stock at the close of business on March 9, 2016. Our Board of Directors has chosen March 9, 2016 as the record date for the meeting, which is the date used to determine which shareholders will be able to attend and vote at the meeting.

Our Board of Directors is soliciting your proxy to be used at the meeting. When you complete the proxy, you appoint two of our executives, Jason J. Kelroy and Kevin Mansell, as your representatives at the meeting. These individuals will vote your shares at the meeting as you have instructed them on the proxy card. This way, your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, it is a good idea to vote your shares in advance of the meeting just in case your plans change. The Notice of Internet Availability of Proxy Materials will be mailed to our shareholders beginning on or about March 28, 2016.

**QUESTIONS AND ANSWERS**

**ABOUT OUR 2016 ANNUAL MEETING OF SHAREHOLDERS**

**When and where will the meeting take place?**

The Annual Meeting of Shareholders will be held on Wednesday, May 11, 2016, at 8:00 a.m., local time, at the auditorium at Kohl's Innovation Center, W165 N5830 Ridgewood Drive, Menomonee Falls, Wisconsin, 53051. Registration begins at 7:30 a.m.

**How long is the meeting expected to last?**

The meeting is expected to last less than 30 minutes.

**What is the purpose of the meeting?**

At the Annual Meeting of Shareholders, you will be asked to vote on the following matters:

the election of the ten individuals nominated by our Board of Directors to serve as Directors for a one-year term and until their successors are duly elected and qualified;

the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2017;

an advisory vote on the approval of the compensation of our named executive officers;

our proposal to re-approve the material terms of the performance goals under our Annual Incentive Plan;

our proposal to re-approve the material terms of the performance goals under our 2010 Long-Term Compensation Plan;



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the shareholder proposal described below, if properly presented at the meeting; and

any other business that may properly come before the meeting or any adjournment of the meeting.

**Could other matters be decided at the meeting?**

Our Bylaws require prior notification of a shareholder's intent to request a vote on other matters at the meeting. The deadline for notification has passed, and we are not aware of any other matters that could be brought before the meeting. However, if any other business is properly presented at the meeting, your completed proxy gives authority to Jason J. Kelroy and Kevin Mansell to vote your shares on such matters at their discretion.

**Who is entitled to attend the meeting?**

All shareholders who owned our common stock at the close of business on March 9, 2016 (which is called the record date for the meeting) or their duly appointed proxies, may attend the meeting.

**Who is entitled to vote at the meeting?**

All shareholders who owned our common stock at the close of business on the record date are entitled to attend and vote at the meeting and at any adjournment of the meeting.

**How many votes do I have?**

Each share of our common stock outstanding on the record date is entitled to one vote on each of the ten Director nominees and one vote on each other matter.

**How many votes must be present to hold the Annual Meeting of Shareholders?**

The presence in person or by proxy of the holders of a majority of the outstanding shares of our common stock entitled to vote at the meeting will constitute a quorum for the transaction of business at the meeting. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining whether there is a quorum. A broker non-vote occurs when a broker or nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or nominee does not have the necessary voting power for that particular item and has not received instructions from the beneficial owner. In order for us to determine that enough votes will be present to hold the meeting, we urge you to vote in advance by proxy even if you plan to attend the meeting.

**How many votes may be cast by all shareholders?**

A total of 185,168,909 votes may be cast at the meeting, consisting of one vote for each share of our common stock outstanding on the record date.

**How do I vote?**

You may vote in person at the meeting or vote by proxy as described below.

Whether or not you intend to attend the meeting, you can vote by proxy in three ways:

Visit the website shown on your Notice of Internet Availability of Proxy Materials ([www.proxyvote.com](http://www.proxyvote.com)) to vote over the Internet;

Use the toll-free telephone number provided on the voting website ([www.proxyvote.com](http://www.proxyvote.com)) to vote over the telephone; or

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If you have received a printed proxy card, you may complete, sign, date and return your proxy card by mail.

If you vote by proxy, your shares will be voted at the meeting in the manner you indicate. If you sign and return your proxy card, but do not specify how you want your shares to be voted, they will be voted as the Board of Directors recommends.

### **May I change or revoke my vote after I submit my proxy?**

Yes. To change your vote previously submitted by proxy, you may:

cast a new vote by mailing a new proxy card with a later date;

cast a new vote by calling the toll-free telephone number provided on the voting website ([www.proxyvote.com](http://www.proxyvote.com));

cast a new vote over the Internet by visiting the voting website ([www.proxyvote.com](http://www.proxyvote.com)); or

if you hold shares in your name, attend the Annual Meeting of Shareholders and vote in person.

If you wish to revoke rather than change your vote, written revocation must be received by our corporate Secretary prior to the meeting.

### **What are the Board's voting recommendations?**

Unless you give other instructions on your proxy, the persons named as proxy holders on the proxy will vote in accordance with the recommendations of our Board of Directors. Our Board of Directors recommends a vote:

**FOR** the election of the ten nominees named under the caption **ITEM ONE ELECTION OF DIRECTORS** to serve as Directors (see page 18);

**FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2017 (see **ITEM TWO RATIFICATION OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM** on page 61);

**FOR** the approval of the compensation of our named executive officers (see **ITEM THREE ADVISORY VOTE ON THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS** on page 62);

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**FOR** the re-approval of our Annual Incentive Plan (see ITEM FOUR OUR PROPOSAL TO RE-APPROVE THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER KOHL S ANNUAL INCENTIVE PLAN on page 63);

**FOR** the re-approval of the material terms of the performance goals under our 2010 Long-Term Compensation Plan (see ITEM FIVE OUR PROPOSAL TO RE-APPROVE THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER THE KOHL S CORPORATION 2010 LONG-TERM COMPENSATION PLAN on page 66); and

**AGAINST** the shareholder proposal on Recovery of Unearned Management Bonuses (see ITEM SIX SHAREHOLDER PROPOSAL on page 70).

### **How many votes will be required to approve each of the proposals?**

ITEM ONE: Our Board of Directors has instituted a majority vote requirement for the election of Directors in uncontested elections. This means that a Director nominee will be elected if the number of votes cast for that nominee exceeds the number of votes cast against that nominee. If you return a signed proxy card or otherwise complete your voting by proxy over the Internet or over the telephone

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but abstain from voting on any of the nominees, your shares will be counted as present for purposes of determining whether there is a quorum, but will have no effect on the election of those nominees.

ITEMS TWO, THREE, FOUR, FIVE AND SIX: The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm, the advisory vote on approval of the compensation of our named executive officers, re-approval of the material terms of the performance goals under our Annual Incentive Plan, re-approval of the material terms of the performance goals under our 2010 Long-Term Compensation Plan and the shareholder proposal will be approved if the number of votes cast for that proposal exceeds the number of votes cast against it. If you return a signed proxy card or otherwise complete your voting by proxy over the Internet or over the telephone but abstain from voting on any of these proposals, your shares will be counted as present for purposes of determining whether there is a quorum, but will have no effect on the outcome of such proposal or proposals.

### **What if I do not indicate my vote for one or more of the matters on my proxy?**

If you return a signed proxy card or otherwise complete your voting by proxy over the Internet or over the telephone without indicating your vote on a matter to be considered at the Annual Meeting of Shareholders, your shares will be voted in accordance with the Board of Directors recommendations described above. In the event any other matters are brought before the meeting, Jason J. Kelroy and Kevin Mansell will vote your shares on such matters at their discretion.

### **What happens if I do not vote by proxy?**

If you do not vote by proxy, the shares held in your name will not be voted unless you vote in person at the meeting. If you hold your shares through a broker and you do not provide your broker with specific instructions, your shares may be voted with respect to certain proposals at your broker's discretion. If the broker does not vote those shares, those broker non-votes will have no effect on the outcome of any of the proposals.

### **How can I attend the Annual Meeting of Shareholders?**

Only shareholders as of the close of business on the record date, March 9, 2016, may attend the Annual Meeting of Shareholders. To be admitted to the meeting, you will be required to present photo identification and an admission ticket or proof of ownership of your shares as of the record date, such as a letter or account statement from your bank or broker.

**IF YOU DO NOT HAVE AN ADMISSION TICKET (OR PROOF OF OWNERSHIP) AND VALID PICTURE IDENTIFICATION, YOU WILL NOT BE ADMITTED TO THE MEETING.**

The use of cameras, recording devices and other electronic devices at the meeting is prohibited, and such devices will not be allowed in the meeting or any other related areas, except by credentialed media. We realize that many cellular phones have built-in digital cameras, and while you may bring these phones into the venue, you may not use the camera function at any time.

**What happens if the Annual Meeting of Shareholders is postponed or adjourned?**

If the meeting is postponed or adjourned, your proxy will remain valid and may be voted when the meeting is convened or reconvened. You may change or revoke your proxy as set forth above under the caption **May I change or revoke my vote after I submit my proxy?**

**Will our independent registered public accounting firm participate in the meeting?**

Yes. Our independent registered public accounting firm is Ernst & Young LLP. A representative of Ernst & Young LLP will be present at the meeting, and will be available to make a statement or answer any appropriate questions you may have.

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### **Are members of the Board of Directors required to attend the meeting?**

While the Board has not adopted a formal policy regarding Director attendance at annual shareholder meetings, Directors are encouraged to attend. Six Directors attended the 2015 Annual Meeting of Shareholders.

### **Who will pay the expenses incurred in connection with the solicitation of my vote?**

We pay all costs and expenses related to preparation of these proxy materials and solicitation of your vote. We also pay all Annual Meeting of Shareholder expenses. In addition to soliciting proxies by mail, we may solicit proxies by telephone, personal contact, and electronic means. None of our Directors, officers, or employees will be specially compensated for these activities. We have hired Morrow & Co., LLC to assist with the solicitation of proxies for a fee of \$8,500 plus reimbursement for out-of-pocket expenses. We also reimburse brokers, fiduciaries, and custodians for their costs in forwarding proxy materials to beneficial owners of our common stock, but we will not pay any compensation for their services.

### **Can I view these proxy materials electronically?**

Yes. You may view our 2016 proxy materials at [www.proxyvote.com](http://www.proxyvote.com). You may also use our corporate website at [www.kohlscorporation.com](http://www.kohlscorporation.com) to view all of our filings with the Securities and Exchange Commission (the Commission), including this proxy statement and our Annual Report on Form 10-K for the fiscal year ended January 30, 2016.

### **How can I receive copies of Kohl's year-end Securities and Exchange Commission filings?**

We will furnish without charge to any shareholder who requests in writing, a copy of this proxy statement and/or our Annual Report on Form 10-K, including financial statements, for the fiscal year ended January 30, 2016, as filed with the Commission. Any such request should be directed to Kohl's Corporation, N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051, Attention: Investor Relations.

### **How do shareholders submit proposals for Kohl's 2017 Annual Meeting of Shareholders?**

You may present matters for consideration at our next Annual Meeting of Shareholders either by having the matter included in our proxy statement and listed on our proxy or by conducting your own proxy solicitation.

To have your proposal included in our proxy statement and listed on our proxy for the 2017 Annual Meeting of Shareholders, we must receive your proposal by November 24, 2016. You may submit your proposal in writing to: Corporate Secretary, Kohl's Corporation, N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051. You may submit a proposal only if you have continuously owned at least \$2,000 worth of our common stock for at least one year before you submit your proposal, and you must continue to hold this level of stock through the date of

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the 2017 Annual Meeting of Shareholders.

If you decide to conduct your own proxy solicitation, you must provide us with written notice of your intent to present your proposal at the 2017 Annual Meeting of Shareholders in accordance with our Bylaws, and the written notice must be received by us by January 11, 2017. If you submit a proposal for the 2017 Annual Meeting of Shareholders after that date, your proposal cannot be considered at the meeting.



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**QUESTIONS AND ANSWERS**

**ABOUT OUR BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS**

**What is the makeup of the Board of Directors and how often are members elected?**

Our Board of Directors currently has ten members. Each Director stands for election every year.

**How often did the Board of Directors meet in fiscal 2015?**

The full Board of Directors formally met seven times during fiscal 2015 and otherwise accomplished its business through the work of the committees described below or otherwise without formal meetings. Each incumbent Director attended at least 75% of the meetings of the Board and of the standing committees for which he or she was a member during fiscal 2015.

**Do the non-management Directors meet in regularly scheduled executive sessions?**

Yes. The non-management members of our Board of Directors meet in regularly scheduled executive sessions without any members of management present. Our Board of Directors, upon the recommendation of the Governance & Nominating Committee, appointed Mr. Watson as the independent Lead Director for fiscal 2015. In this capacity, Mr. Watson presided over the meetings of non-management Directors.

**Has the Board of Directors adopted written Corporate Governance Guidelines?**

Yes. Our Board has adopted written Corporate Governance Guidelines. To view these guidelines, access [www.kohlscorporation.com](http://www.kohlscorporation.com), then Investors, then Corporate Governance. The Corporate Governance Guidelines can be found under the heading Governance Documents. Paper copies will be provided to any shareholder upon written request.

**How does the Board determine which Directors are independent?**

Our Board of Directors has established independence guidelines that are described in our Corporate Governance Guidelines. The independence guidelines require a finding that the individual Director satisfies all of the independence standards of the New York Stock Exchange, as such standards may be amended from time to time, and also that the Director has no material relationships with us (either directly or as a partner, shareholder or officer of any entity) which would be inconsistent with a finding of independence.

**Which Directors have been designated as independent?**

Based on the analysis described below on page 22 under the caption Independence Determinations & Related Person Transactions, the Board affirmatively determined that nine of the ten Directors who will continue to serve on the Board if elected at the Annual Meeting of Shareholders are independent: Peter Boneparth, Steven A. Burd, Dale E. Jones, Jonas Prising, John E. Schlifske, Frank V. Sica, Stephanie A. Streeter, Nina G. Vaca and Stephen E. Watson. Kevin Mansell is not an independent Director because of his employment as our Chairman, Chief Executive Officer and President.

**Does the Board of Directors Have a Process for Reviewing and Approving Related Party Transactions?**

Yes. The Board of Directors recognizes that related party transactions can present a heightened risk of conflicts of interest. Accordingly, as a general matter, and consistent with our written code of ethics, our Directors, senior officers and their respective immediate family members are to avoid any activity, interest, or relationship that would create, or might appear to others to create, a conflict with the interests of Kohls. The Governance & Nominating Committee, which is comprised solely of independent Directors, reviews all related-

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party transactions and relationships involving a Director or any senior officer. To help identify related-party transactions and relationships, each Director and senior officer completes an annual questionnaire that requires the disclosure of any transaction or relationship that the person, or any member of his or her immediate family, has or will have with Kohl's. Kohl's Legal Department conducts a review of our financial records to determine if a Director or executive officer, or a company with which a Director or executive officer is affiliated, received any payments from Kohl's or made any payments to Kohl's that could have arisen as a result of a related party transaction during the fiscal year. On an annual basis, or as circumstances may otherwise warrant, the Governance & Nominating Committee reviews and approves, ratifies or rejects any transaction or relationship with a related party that is identified. In approving, ratifying or rejecting a related-party transaction or relationship, the Governance & Nominating Committee considers such information as it deems important to determine whether the transaction is on reasonable and competitive terms and is fair to Kohl's. Transactions and relationships that are determined to be directly or indirectly material to Kohl's or a related person are disclosed in Kohl's proxy statement.

The Board of Directors' processes with respect to review and approval or ratification of related-party transactions are in writing and have been incorporated into the Charter of the Governance & Nominating Committee of the Board of Directors.

**What are the standing committees of the Board?**

Our Board of Directors has three standing committees: the Audit Committee, the Governance & Nominating Committee and the Compensation Committee.

**Who are the members of the standing committees?**

As of January 30, 2016, the members of our Board of Directors' standing committees were:

<b>Committee</b>	<b>Members</b>	<b>Chairperson</b>
Audit Committee	John Schlifske  Stephanie A. Streeter  Nina G. Vaca  Stephen E. Watson	Stephen E. Watson
Governance & Nominating Committee	Peter Boneparth  Steven A. Burd  Dale E. Jones  Jonas Prising  John E. Schlifske	Stephanie A. Streeter

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Frank V. Sica

Stephanie A. Streeter

Nina G. Vaca

Stephen E. Watson

Compensation Committee

Peter Boneparth

Frank V. Sica

Steven A. Burd

Dale E. Jones

Frank V. Sica

**Are all of the members of the standing committees independent?**

Yes. All members of each of the standing committees have been deemed independent by the Board of Directors.

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### **Do all of the standing committees operate under a written charter?**

Yes. The charters of each of the standing committees are available for viewing by accessing our website at [www.kohlscorporation.com](http://www.kohlscorporation.com), then Investors, then Corporate Governance. The charters can be found under the heading Committee Charters. Paper copies will be provided to any shareholder upon written request.

### **What are the functions of the standing committees?**

#### *Audit Committee*

It is the responsibility of the Audit Committee to assist the Board of Directors in its oversight of our financial accounting and reporting practices. The specific duties of the Audit Committee include:

monitoring the integrity of our financial process and systems of internal controls regarding finance, accounting and legal compliance;

selecting our independent registered public accounting firm;

monitoring the independence and performance of our independent registered public accounting firm and internal auditing functions;

providing oversight and guidance to management with respect to management's enterprise risk assessment and risk mitigation processes; and

providing an avenue of communication among the independent registered public accounting firm, management, the internal auditing functions and the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent registered public accounting firm as well as any of our employees. The Audit Committee has the ability to retain, at our expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. The Board has determined that each member of the Audit Committee is financially literate, as that term is defined under New York Stock Exchange rules, and qualified to review and assess financial statements. The Board has also determined that more than one member of the Audit Committee qualifies as an audit committee financial expert, as defined by the Commission, and, as of January 30, 2016, had specifically designated Stephen E. Watson, Chairman of the Audit Committee, as an audit committee financial expert. Each member of the Audit Committee is also independent as that term is defined under the rules of both the Commission and the New York Stock Exchange.

#### *Governance & Nominating Committee*

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The duties of the Governance & Nominating Committee are to provide assistance to the Board of Directors in the selection of candidates for election and re-election to the Board and its committees; advise the Board on corporate governance matters and practices, including developing, recommending, and thereafter periodically reviewing the Corporate Governance Guidelines and principles applicable to us; and coordinate an annual evaluation of the performance of the Board and each of its standing committees.

### *Compensation Committee*

The duties of the Compensation Committee are to discharge the Board's responsibilities related to compensation of our Directors and officers, as well as those with respect to our general employee compensation and benefit policies and practices to ensure that they meet corporate objectives. The Compensation Committee has overall responsibility for evaluating and approving our executive officer benefits, incentive compensation, equity based or other compensation plans, policies and programs. The Compensation Committee also approves goals for incentive plans and evaluates performance against these goals. Furthermore, the Compensation Committee regularly and actively reviews and evaluates our executive management succession plans and makes

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recommendations to the Board with respect to succession planning issues. The Compensation Committee has the ability to retain, at our expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. Further information regarding the Compensation Committee's processes and procedures for the consideration of executive and Director compensation is included in the Compensation Discussion & Analysis section of this proxy statement.

### **How many times did each standing committee meet in fiscal 2015?**

During fiscal 2015, the Audit Committee formally met eight times. The Compensation Committee formally met four times. The Governance & Nominating Committee formally met three times. Each of the committees otherwise accomplished their business without formal meetings.

### **Are there currently any other committees of the Board of Directors?**

The Board of Directors has also established an Executive Committee, the primary function of which is to act on behalf of the Board of Directors in the intervals between the Board's meetings. The Executive Committee may not, however, take any actions that: (a) are prohibited by applicable law or our Articles of Incorporation or Bylaws, or (b) are required by law or by rule of the New York Stock Exchange to be performed by a committee of independent Directors, unless the composition of the Executive Committee complies with such law or rule. As of January 30, 2016, the members of the Executive Committee were:

Steven A. Burd

Kevin Mansell

Frank V. Sica

Stephen E. Watson

### **What is the leadership structure of Kohl's Board of Directors and why has this structure been chosen?**

The Board of Directors has no formal policy on separation of the position of Chairman of the Board and Chief Executive Officer. However, recognizing shareholder sentiment as expressed in a vote on a shareholder proposal brought before our 2013 Annual Meeting of Shareholders, the Board intends to appoint a Chairman that has not previously served as an executive officer of Kohl's whenever possible. Based on the recommendations within the previous shareholder proposal and many subsequent discussions with our largest shareholders representing a significant percentage of outstanding shares, the foregoing shall apply with respect to the appointment of any new Chairman or if any then-current Chairman shall become an executive officer of Kohl's, but shall not apply: (i) until such time as Mr. Mansell retires or otherwise ceases to serve as Chairman of the Board; (ii) if such an appointment would violate any pre-existing contractual obligation of Kohl's; or (iii) to the extent the then-current members of the Board determine that such an appointment would not be consistent with the Board's fiduciary obligations to our shareholders. In accordance with its fiduciary duties, the Board will periodically make a determination as to the appropriateness of its policies in connection with the recruitment and succession of the Chairman and Chief Executive Officer.

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To further strengthen the Board's governance structure, our Corporate Governance Guidelines provide for an independent Lead Director to be elected annually by the independent Directors. The role of our Lead Director closely parallels the role of an independent chairman. Specifically, our independent Lead Director:

presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the non-management Directors;

serves as liaison between the Chairman and the independent Directors;

approves information sent to the Board;



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approves meeting agendas for the Board;

approves meeting schedules to assure that there is sufficient time for discussion of all agenda items;

has the authority to call meetings of the independent Directors; and

is available for consultation and direct communication with major shareholders upon request.

We believe that the existence of an independent Lead Director with this scope of responsibilities supports strong corporate governance principles and allows the Board to effectively fulfill its fiduciary responsibilities to our shareholders.

Moreover, we have adopted strong and effective corporate governance policies and procedures to promote effective and independent corporate governance. Among these policies and procedures are the following:

The Board is composed of a majority of independent Directors, as determined under the standards of the New York Stock Exchange;

The Board's Audit Committee, Compensation Committee and Governance & Nominating Committee are composed solely of independent Directors;

Non-management Directors meet privately in executive sessions presided over by the Lead Director in conjunction with each regular Board meeting. Following these executive sessions, the Lead Director provides the Board's guidance and feedback to the Chairman;

Independent Directors communicate regularly with the Lead Director and the Chairman regarding appropriate Board agenda topics and other Board-related matters; and

All Board members have complete access to management and outside advisors, so the Chairman is not the sole source of information for the Board.

## **How Does Kohl's Manage Risk and What is the Board's Role in the Risk Management Processes?**

We have developed a robust enterprise risk management program that is driven by management and overseen by the Board's Audit Committee, with progress reports given periodically to the full Board. Our enterprise risk management program was designed to monitor Kohl's ongoing progress in managing the potential impact of key regulatory, operational, financial and reputational risks across the organization. Management has compiled a comprehensive list of enterprise risks. These risks have been prioritized based upon the potential financial and reputational damage posed by each risk. A member of senior management has been assigned as the owner of each risk based upon who is most likely to be able to impact the effects of that particular risk. Each risk owner has been required to develop action plans to reduce, mitigate or eliminate the risk, identify barriers to risk reduction efforts, and establish key metrics to objectively measure the impacts of risk management efforts. A risk management committee has been formed among key senior managers from across our company to actively review each risk owner's progress toward reduction, mitigation or elimination of each particular risk. The risk management committee meets regularly to review the status of risk management efforts directed toward each identified risk element. Our principal officers are periodically updated on the status of all risk

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management efforts, and are regularly consulted for additional direction.

Pursuant to its charter, the Board's Audit Committee actively oversees and monitors our enterprise risk management program. The Board receives a full annual status report on all of our risk management activities. Between these annual reports, the Audit Committee receives regular updates from members of senior management on various elements of material risk. Some of these reports are scheduled because of their particular significance, and others may be scheduled at the request of any Audit Committee member for any reason. These reports are given by the appropriate risk owner within the organization to enable the Audit Committee members to understand our risk identification, risk management and risk mitigation strategies, and to provide regular feedback and general direction to management. Following each of these updates, the Audit Committee Chairman

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reports on the discussion to the full Board during the committee reports portion of the next full Board meeting. On an annual basis, the full Board also receives a comprehensive update on our current risk profile and our activities related to the enterprise risk management program. This enables all members of the Board to understand our overall risk profile and efforts being made to reduce, mitigate or eliminate each element of risk.

### **How does the Board identify and evaluate nominees for Director?**

The Governance & Nominating Committee regularly assesses the appropriate size of the Board, whether any vacancies on the Board are expected due to retirement or otherwise, and whether the Board is comprised of individuals with the experience, qualifications, attributes and skills, taken as a whole, to enable the Board to satisfy its oversight responsibilities effectively. To assist in these considerations, the Board periodically performs a comprehensive skills assessment to determine which particular skills or areas of expertise would most help the Board of Directors carry out its significant responsibilities. In the event that vacancies are anticipated or otherwise arise, the Governance & Nominating Committee utilizes a variety of methods for identifying and evaluating Director candidates that would best satisfy areas of opportunity identified during the course of the skills assessment. Candidates may come to the attention of the Committee through current Directors, members of management, eligible shareholders or other persons. From time to time, the Governance & Nominating Committee may also engage a search firm to assist in identifying potential Board candidates, although such a firm was not used to identify any of the nominees for Director proposed for election at the 2016 Annual Meeting of Shareholders. Once the Committee has identified a prospective nominee, the Committee carefully evaluates the nominee's potential contributions in providing advice and guidance to the Board and management.

### **What are the minimum required qualifications for Directors?**

Members of the Board of Directors and Director nominees must share with the other Directors the following attributes:

Unquestionable ethics and integrity;

A demonstrated record of success, leadership and solid business judgment;

Intellectual curiosity;

Strong reasoning skills;

Strong strategic aptitude;

Independence and objectivity – willingness to challenge the status quo;

A demonstrated record of social responsibility;

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A commitment to enhancing long-term shareholder value;

A willingness to represent the interests of all of our shareholders;

A willingness and ability to spend sufficient time to carry out their duties; and

A good cultural fit with Kohl's and the Board.

### **Does Kohl's have a mandatory retirement age for Directors?**

As disclosed in our Corporate Governance Guidelines, it is the general policy of the Board of Directors that no individual who would be age 72 or older at the time of his or her election will be eligible to stand for election to the Board. The Board may, at its discretion, waive this age limitation. While no Directors will be age 72 or older at the time of Kohl's 2016 Annual Meeting of Shareholders, Mr. Watson will turn 72 prior to Kohl's 2017 Annual Meeting of Shareholders. In February 2016, the Board determined that, subject to the normal nomination processes, Mr. Watson would be eligible to stand for election at the 2017 Annual Meeting of Shareholders notwithstanding this age limitation.

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### **Does Kohl s have a formal diversity policy for Directors?**

The Board is committed to an inclusive membership, embracing diversity with respect to background, experience, skills, education, race, age, gender, national origin and viewpoints.

### **How does the Board evaluate Director candidates recommended by shareholders?**

The Governance & Nominating Committee evaluates shareholder nominees in the same manner as any other nominee. Pursuant to procedures set forth in our Bylaws, our Governance & Nominating Committee will consider shareholder nominations for Directors if we receive timely written notice, in proper form, of the intent to make a nomination at an Annual Meeting of Shareholders. If you decide to conduct your own proxy solicitation, to be timely for the 2017 Annual Meeting of Shareholders, the notice must be received by us by January 11, 2017. To be in proper form, the notice must, among other things, include each nominee s written consent to serve as a Director if elected, a description of all arrangements or understandings between the nominating shareholder and each nominee and information about the nominating shareholder and each nominee. Among other things, a shareholder proposing a Director nomination must disclose any hedging, derivative or other complex transactions involving our common stock to which the shareholder is a party. These requirements are detailed in our Bylaws, a copy of which was filed with the Securities and Exchange Commission and will be provided to you upon written request.

In addition, Kohl s Bylaws were amended in November 2015 to generally permit an eligible shareholder, or a group of up to 20 shareholders, that has continuously owned at least three percent of Kohl s outstanding shares of common stock for three years to include in Kohl s proxy materials Director nominations of up to the greater of two Directors and 20% of the number of Directors currently serving on the Kohl s Board, subject to the terms and conditions specified in the Bylaws. Pursuant to our Bylaws, to be timely for inclusion in the proxy materials for our 2017 Annual Meeting of Shareholders, notice must be received by our corporate Secretary between October 25, 2016 and November 24, 2016. The requirements for such proxy access are detailed in our Bylaws, a copy of which was filed with the Securities and Exchange Commission and will be provided to you upon written request.

### **How are Directors compensated?**

Pursuant to our Non-Employee Director Compensation Program, Directors who are not our employees or employees of our subsidiaries receive an annual retainer fee of \$100,000. The independent Lead Director receives an additional retainer fee of \$40,000. Chairpersons of the Compensation Committee and the Audit Committee receive an additional \$20,000 retainer fee, and the Chairperson of the Governance & Nominating Committee receives an additional \$15,000 retainer fee. Non-employee Directors also receive retainer fees for membership on the Compensation, Audit, Governance & Nominating and Executive Committees. Committee member retainers are \$5,000 for Governance & Nominating Committee members, \$10,000 for Compensation Committee members and \$15,000 for Audit Committee and Executive Committee members. Directors receive no additional compensation for participation in Board of Directors or committee meetings. Directors are, however, reimbursed for travel and other expenses related to attendance at these meetings as well as travel and other expenses related to attendance at educational seminars approved in advance by the Governance & Nominating Committee.

Equity awards are granted to non-employee Directors from time to time pursuant to our 2010 Long Term Compensation Plan. These grants are typically made following a Director s initial election to the Board and each time the Director is re-elected by the shareholders to serve a new term. The annual awards, which are comprised of restricted shares, typically have a grant date fair value of approximately \$100,000, calculated in accordance with FASB ASC Topic 718. Accordingly, each of the non-employee Directors that were re-elected to the Board at the 2015 Annual Meeting of Shareholders received a grant of 1,547 restricted shares. The restricted shares vest on the first anniversary of the date of

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grant. Prior to the vesting of the restricted shares, the recipients have the right to vote the shares, to receive and retain all regular dividends paid or distributed in respect of the shares (paid in dividend units that vest with the underlying shares), assuming full reinvestment of all such dividends, and have all other rights as a holder of outstanding shares of our stock.

**Table of Contents***Director Compensation Table*

The following table provides each element of compensation paid or granted to each non-employee Director for services rendered during fiscal 2015. Retainer fees are paid on a quarterly basis in arrears, so some of the retainer fees in this table may have been paid in the first quarter of fiscal 2016 for services rendered in fiscal 2015.

	Fees		Total
	Earned or Paid in Cash	Stock Awards	
	\$	\$(1)	\$
Peter Boneparth	\$ 115,000	\$ 99,967	\$ 214,967
Steven A. Burd	\$ 130,000	\$ 99,967	\$ 229,967
Dale E. Jones	\$ 115,000	\$ 99,967	\$ 214,967
Jonas Prising <sup>(2)</sup>	\$ 52,500	\$ 99,981	\$ 152,481
John E. Schlifske	\$ 120,000	\$ 99,967	\$ 219,967
Frank V. Sica	\$ 150,000	\$ 99,967	\$ 249,967
Peter M. Sommerhauser <sup>(3)</sup>	\$ 38,333	\$	\$ 38,333
Stephanie A. Streeter	\$ 135,000	\$ 99,967	\$ 234,967
Nina G. Vaca	\$ 120,000	\$ 99,967	\$ 219,967
Stephen E. Watson	\$ 195,000	\$ 99,967	\$ 294,967

- (1) The amounts shown represent the aggregate grant date fair value for awards granted in 2015, computed in accordance with FASB ASC Topic 718. Each Director who was re-elected to the Board of Directors at the 2015 Annual Meeting of Shareholders was awarded 1,547 restricted shares. For a discussion of the valuation assumptions used for all stock-based awards, see Note 6 to our fiscal 2015 audited financial statements included in our Annual Report on Form 10-K.
- (2) Mr. Prising was first elected to the Board of Directors in August 2015. He was awarded 1,981 restricted shares upon his election.
- (3) Mr. Sommerhauser retired from the Board of Directors in May 2015.

As of January 30, 2016, the aggregate number of vested and unvested stock options and unvested shares of restricted stock held by each incumbent non-employee Director were as follows:

	Number of Securities Underlying Unexercised Options		Number of Unvested Shares of Restricted Stock <sup>(1)</sup>
	Vested	Unvested	
Mr. Boneparth			1,587
Mr. Burd	12,208		1,587
Mr. Jones	17,926		1,587
Mr. Prising			2,000
Mr. Schlifske	7,784		1,587
Mr. Sica	3,700		1,587
Ms. Streeter	21,626		1,587
Ms. Vaca	13,753		1,587
Mr. Watson	29,126		1,587

- (1) Includes accrued but unvested dividend equivalent shares.

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### **Are Directors required to own Kohl's stock?**

We believe that Director stock ownership is important to align the interests of our Directors with those of our shareholders. Each non-management member of the Board of Directors is expected to hold a minimum of 7,300 shares of Kohl's stock, including shares of unvested time-based restricted stock, but not including any vested or unvested stock options. This ownership level is to be achieved by the fifth anniversary of the Director's initial election to the Board. All Directors were in compliance with this requirement as of the end of fiscal 2015.

The number of shares set forth above will be revisited from time to time by the Governance & Nominating Committee, with the intention of requiring Directors to own Kohl's stock with a value of approximately three times the amount of the Director's average annual cash retainer. A Director is not permitted to sell any stock, either through the exercise of stock options or otherwise, until he or she attains the above-referenced ownership level.

### **Do you have a written code of ethics?**

Yes. Our Board of Directors, through its Governance & Nominating Committee, has adopted a code of ethical standards that describes the ethical and legal responsibilities of all of our employees and, to the extent applicable, members of our Board of Directors. This code includes (but is not limited to) the requirements of the Sarbanes-Oxley Act of 2002 pertaining to codes of ethics for chief executives and senior financial and accounting officers. We provide training with respect to the code for all of our employees, and all employees agree in writing to comply with the code at the time they are hired and periodically thereafter. Our employees are encouraged to report suspected violations of the code through various means, including through the use of an anonymous toll-free hotline. This code, known as Kohl's Ethical Standards and Responsibilities can be viewed on our website by accessing [www.kohls.com](http://www.kohls.com), then Investors, then Corporate Governance. The Code of Ethics can be found under the heading Governance Documents. We intend to satisfy our disclosure requirements under Item 5.05 of Form 8-K, regarding any amendments to, or waiver of, a provision of our code of ethics that applies to our principal executive officer, principal financial officer or our Directors by posting such information at this location on our website. Paper copies of the code of ethics will be provided to any shareholder upon written request.

### **How can I obtain copies of your corporate governance documents?**

You may obtain a copy of our Corporate Governance Guidelines, our code of ethics and the charters for each of the committees of our Board of Directors on our website at [www.kohls.com](http://www.kohls.com), under the section entitled Investors, or by contacting our Investor Relations staff by e-mail at [investor.relations@kohls.com](mailto:investor.relations@kohls.com) or by mail at N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051.

### **How can I communicate with members of the Board of Directors?**

You may contact any member of the Board of Directors, including the independent Lead Director, as follows (these instructions are also available on our website):



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**Write** to our Board of Directors or Lead Director Stephen E. Watson:

Kohl's Board of Directors

N56 W17000 Ridgewood Drive

Menomonee Falls, WI 53051

Or

**E-mail** our Board of Directors or Lead Director Stephen E. Watson:

[directors@kohls.com](mailto:directors@kohls.com)

Questions or concerns related to financial reporting, internal accounting or auditing matters may be sent to [governance@kohls.com](mailto:governance@kohls.com).

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All questions or concerns will be forwarded to the appropriate members of management or the Board of Directors. Correspondence related to accounting, internal controls or auditing matters is immediately brought to the attention of our Internal Audit Department and, if appropriate, to the Audit Committee of the Board of Directors. The Audit Committee receives a quarterly summary of all communications received through any of the above-referenced channels.

All such communications are treated confidentially. You can remain anonymous when communicating your concerns.

**When do your fiscal years end?**

Consistent with many other retail companies, our fiscal year ends on the Saturday closest to January 31. References in this proxy statement to a fiscal year are to the calendar year in which the fiscal year begins. For example, the fiscal year ended January 30, 2016 is referred to as fiscal 2015.

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**SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT**

The following table presents information concerning the beneficial ownership of the shares of our common stock as of January 30, 2016 (unless otherwise noted) by:

each of our Directors and nominees;

each of our named executive officers;

all of our executive officers, Directors and nominees as a group; and

each person who is known by us to beneficially own more than 5% of our common stock.

Unless otherwise indicated, beneficial ownership is direct and the person indicated has sole voting and investment power. The beneficial ownership includes shares owned by the individual in his or her 401(k) Plan account. Indicated options are all exercisable within sixty days of January 30, 2016.

Name of Beneficial Owner	Amount Beneficially Owned	Percent of Class
Peter Boneparth	14,438 <sup>(1)</sup>	*
Steven A. Burd	25,591 <sup>(2)</sup>	*
Dale E. Jones	27,364 <sup>(3)</sup>	*
Jonas O. Prising	2,000 <sup>(4)</sup>	*
John E. Schlifske	17,737 <sup>(5)</sup>	*
Frank V. Sica	38,999 <sup>(6)</sup>	*
Stephanie A. Streeter	33,578 <sup>(7)</sup>	*
Nina G. Vaca	24,759 <sup>(8)</sup>	*
Stephen E. Watson	40,064 <sup>(9)</sup>	*
Kevin Mansell	1,323,756 <sup>(10)</sup>	*
Sona Chawla	173,123 <sup>(11)</sup>	*
Michelle Gass	157,472 <sup>(12)</sup>	*
Wesley S. McDonald	229,326 <sup>(13)</sup>	*
Richard D. Schepp	155,960 <sup>(14)</sup>	*
All Directors and executive officers as a group (14 persons)	2,264,167 <sup>(15)</sup>	1.2%
Blackrock, Inc. 55 East 52 <sup>nd</sup> Street New York, NY 10022	11,589,110 <sup>(16)</sup>	6.1%
JPMorgan Chase & Co. 270 Park Ave.	11,971,158 <sup>(17)</sup>	6.3%

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New York, NY 10017 State Street Corporation. 1 Lincoln Street	9,484,605 <sup>(18)</sup>	5.0%
Boston, MA 02111 T. Rowe Price Associates, Inc. 100 E. Pratt Street	14,583,133 <sup>(19)</sup>	7.6%
Baltimore, MD 21202 Vanguard Group Inc. 100 Vanguard Blvd.	16,299,104 <sup>(20)</sup>	8.6%
Malvern, PA 19355 * Less than 1%.		

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- (1) Includes 1,587 unvested restricted shares.
- (2) Includes 1,587 unvested restricted shares and 12,208 shares represented by stock options.
- (3) Includes 1,587 unvested restricted shares and 17,926 shares represented by stock options.
- (4) Consists of 2,000 unvested restricted shares.
- (5) Includes 1,587 unvested restricted shares and 7,784 shares represented by stock options.
- (6) Includes 14,628 shares held by Mr. Sica's spouse, 1,587 unvested restricted shares and 3,700 shares represented by stock options.
- (7) Includes 1,587 unvested restricted shares and 21,626 shares represented by stock options.
- (8) Includes 1,587 unvested restricted shares and 13,753 shares represented by stock options.
- (9) Includes 1,587 unvested restricted shares and 29,126 shares represented by stock options.
- (10) Includes 220,492 shares held in trust for the benefit of Mr. Mansell, as to which Mr. Mansell serves as co-trustee and has shared voting and investment power, 40,877 shares held by Mr. Mansell's spouse, 163,058 unvested restricted shares, and 754,597 shares represented by stock options.
- (11) Consists of 173,123 unvested restricted shares.
- (12) Includes 106,379 unvested restricted shares.
- (13) Includes 48,234 unvested restricted shares and 131,338 shares represented by stock options.
- (14) Includes 60,630 unvested restricted shares, 44,512 shares represented by stock options and 1,813 shares held in Mr. Schepp's 401(k) account.
- (15) Includes 1,036,570 shares represented by stock options.
- (16) According to the Schedule 13G filed February 10, 2016 by Blackrock, Inc. ( Blackrock ), Blackrock was the beneficial owner of 11,589,110 shares of Kohl's common stock as of December 31, 2015. The filing indicates that Blackrock has sole voting power with respect to 9,647,178 shares, sole dispositive power with respect to 11,552,137 shares, shared voting power with respect to 36,973 shares and shared dispositive power with respect to 36,973 shares.
- (17) According to the Schedule 13G filed January 19, 2016 by JPMorgan Chase & Co. ( JPMorgan ), JPMorgan was the beneficial owner of 11,971,158 shares of Kohl's common stock as of December 31, 2015. The filing indicates that JPMorgan has sole voting power with respect to 11,676,698 shares, sole dispositive power with respect to 11,944,544 shares, shared voting power with respect to 39,472 shares and shared dispositive power with respect to 26,014 shares.
- (18) According to the Schedule 13G filed February 22, 2016 by State Street Corporation ( State Street ), State Street was the beneficial owner of 9,484,605 shares of Kohl's common stock as of December 31, 2015. The filing indicates that State Street has shared voting and shared dispositive power with respect to all 9,484,605 shares.
- (19) According to the Schedule 13G filed February 11, 2016 by T. Rowe Price Associates, Inc. ( T. Rowe ), T. Rowe was the beneficial owner of 14,583,133 shares of Kohl's common stock as of December 31, 2015. The filing indicates that T. Rowe has sole voting power with respect to 4,646,081 shares and sole dispositive power with respect to 14,551,633 shares.
- (20) According to the Schedule 13G filed February 10, 2016 by Vanguard Group, Inc. ( Vanguard ), Vanguard was the beneficial owner of 16,299,104 shares of Kohl's common stock as of December 31, 2015. The filing indicates that Vanguard has sole voting power with respect to 356,061 shares, sole dispositive power with respect to 15,925,087 shares, shared voting power with respect to 19,700 shares and shared dispositive power with respect to 374,017 shares.

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**ITEM ONE**

**ELECTION OF DIRECTORS**

Our Articles of Incorporation provide that our Board of Directors shall consist of five to fifteen members. Our Board of Directors currently consists of ten members.

Under our Articles of Incorporation, our Board of Directors is elected annually to serve until the next Annual Meeting of Shareholders and until the Directors' successors are duly elected and shall qualify. **OUR BOARD OF DIRECTORS HAS INSTITUTED A MAJORITY VOTE REQUIREMENT FOR THE ELECTION OF DIRECTORS IN UNCONTESTED ELECTIONS. THIS MEANS THAT A DIRECTOR NOMINEE WILL BE ELECTED IF THE NUMBER OF VOTES CAST FOR THAT NOMINEE EXCEEDS THE NUMBER OF VOTES CAST AGAINST THAT NOMINEE.** If you abstain from voting on any of the nominees, your shares will be counted for purposes of determining whether there is a quorum, but will have no effect on the election of those nominees.

You may vote for all, some or none of the ten nominees to be elected to the Board of Directors. However, you may not vote for more individuals than the number nominated. Unless you direct otherwise, your proxy will be voted for the election of the ten nominees described below. The Board of Directors has no reason to believe that any nominee is not available or will not serve if elected. If for any reason a nominee becomes unavailable for election, the Board of Directors may reduce the size of the Board or may designate a substitute nominee, in which event the shares represented by your signed proxy will be voted for any such substitute nominee, unless you have given different instructions on the proxy.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS**

**VOTE FOR THE ELECTION OF THE NOMINEES TO SERVE AS DIRECTORS.**

**IF NO INSTRUCTIONS ARE SPECIFIED ON YOUR OTHERWISE PROPERLY COMPLETED**

**PROXY, THAT PROXY WILL BE VOTED TO ELECT ALL OF THE NOMINEES.**

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**Information about Director Nominees**

The Board of Directors, and particularly its Governance & Nominating Committee, regularly considers whether the Board is comprised of individuals with the experience, qualifications, attributes and skills, taken as a whole, to enable the Board to satisfy its oversight responsibilities effectively. In making these considerations, the Board of Directors and its Governance & Nominating Committee has focused primarily on the information in each of the nominee's individual biographies set forth below. These biographies are based upon information provided by each of the nominees. There are no family relationships between the nominees. Unless otherwise indicated, the nominees have had the indicated principal occupation for at least the past five years. The directorships listed for each nominee are those public company directorships that have been held by the nominee at any time during the past five years.

	<b>Age</b>	<b>Director Since</b>
<b>Peter Boneparth</b>	56	2008

Former Senior Advisor, Irving Place Capital Partners, a private equity group, from February 2009 to November 2014. Former President and Chief Executive Officer of Jones Apparel Group, a designer and marketer of apparel and footwear, from March 2002 to July 2007. Mr. Boneparth was a director of McNaughton Apparel Group, a producer of apparel, from April 1997 to July 2001 and of Jones Apparel Group, a provider of apparel and footwear, from July 2001 to July 2007. He is currently a director of JetBlue Airways Corporation, a commercial airline.

The Governance & Nominating Committee believes Mr. Boneparth's qualifications to serve on our Board of Directors include his experience as President and Chief Executive Officer of companies specializing in the production and sale of apparel and footwear, his experience as a director of other public companies and his broad-based knowledge in the areas of retail sales, corporate finance, consumer products, and the design and manufacture of apparel and other products.

<b>Steven A. Burd</b>	66	2001
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Founder and Chief Executive Officer of Burd Health LLC, a company helping self-insured employers manage their healthcare costs with the goal of improving the health and fitness of the workforce, since 2013. Former Chairman, Chief Executive Officer and President of Safeway Inc., an operator of grocery store chains. Mr. Burd served as Safeway's Chairman of the Board of Directors from 1998 until his retirement in May 2013, Chief Executive Officer from 1993 until his retirement in May 2013 and previously served as President from 1992 to 2012. He is currently a director of Blackhawk Network Holdings, Inc., a prepaid payment network offering a broad range of gift cards, other prepaid products and payment services.

The Governance & Nominating Committee believes Mr. Burd's qualifications to serve on our Board of Directors include his experience as President, Chief Executive Officer and Chairman of the Board of Directors of a large retail company and his broad-based knowledge in the areas of retail operations, healthcare costs, corporate finance, accounting and marketing and his considerable management, directorial, and board committee experience.

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	<b>Age</b>	<b>Director Since</b>
<p><b>Dale E. Jones</b></p> <p>Chief Executive Officer and President of Diversified Search, a leading executive search firm, since January 2015. Previously served as President of Diversified Search from October 2013 to January 2015. Former Vice Chairman and partner of the CEO and Board Practice in the Americas at Heidrick and Struggles, from January 2009 to September 2013. Former Chief Executive Officer of PlayPumps International, a provider of children's play equipment that also pumps water for African communities, from September 2007 to January 2009. During that same period, Mr. Jones also served as Executive Vice President of Revolution LLC, a venture capital firm. Mr. Jones held several executive leadership positions at Heidrick and Struggles from 1999 to 2007. Mr. Jones also serves on the Board of Trustees of The Northwestern Mutual Life Insurance Company.</p>	56	2008
<p>The Governance &amp; Nominating Committee believes Mr. Jones' qualifications to serve on our Board of Directors include his extensive experience as a senior advisor to chief executives and boards of directors in the areas of executive recruiting, succession planning and talent management, his experience as a Trustee of another company and his broad-based knowledge in the areas of consumer products, executive compensation and general human resources.</p>		
<p><b>Kevin Mansell</b></p> <p>Our President since February 1999, our Chief Executive Officer since August 2008, and Chairman of the Board of Directors since September 2009. Mr. Mansell served as Executive Vice President General Merchandise Manager from 1987 to 1998. He joined us in 1982.</p>	63	1999
<p>The Governance &amp; Nominating Committee believes Mr. Mansell's qualifications to serve on our Board of Directors include his 39 years of retail experience, including 33 years with Kohl's and 16 years as our President. His insight and direct knowledge of Kohl's current operations and strategic opportunities within the retail industry is also invaluable.</p>		
<p><b>Jonas Prising</b></p> <p>Chairman and Chief Executive Officer of ManpowerGroup, a leading provider of workforce solutions, since December 2015. Mr. Prising held a number of executive management positions since he joined ManpowerGroup in 1999, including Chairman and Chief Executive Officer since December 2015, Chief Executive Officer from May 2014 to December 2015, President from November 2012 to May 2014, President of ManpowerGroup - The Americas from November 2009 to May 2014, and Executive Vice President from January 2006 to November 2010. He is currently a director of ManpowerGroup.</p>	51	2015
<p>The Governance &amp; Nominating Committee believes Mr. Prising's qualifications to serve on our Board of Directors include his experience as Chairman and Chief Executive Officer of a large company with complex operations and his broad-based knowledge of workforce solutions, labor market expertise and global perspective, having lived and worked in multiple countries around the world.</p>		



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	<b>Age</b>	<b>Director Since</b>
<p><b>John E. Schlifske</b></p> <p>Chairman and Chief Executive Officer of The Northwestern Mutual Life Insurance Company since 2010. Mr. Schlifske held a number of executive management positions at The Northwestern Mutual Life Insurance Company since 1987, including Chairman and Chief Executive Officer since July 2010, President from March 2009 through July 2010 and July 2013 through April 2014, interim President and Chief Executive Officer of Frank Russell Investment Company (at that time, a subsidiary of The Northwestern Mutual Life Insurance Company) from June 2008 to February 2009, Executive Vice President Investment Products and Services from June 2006 through June 2008 and Senior Vice President Investment Products and Services from January 2004 through May 2006. He also serves on the Board of Trustees of The Northwestern Mutual Life Insurance Company.</p>	56	2011
<p>The Governance &amp; Nominating Committee believes Mr. Schlifske's qualifications to serve on our Board of Directors include his experience as Chairman and Chief Executive Officer of a major company and his broad-based financial expertise.</p>		
<p><b>Frank V. Sica</b></p> <p>Managing Partner, Tailwind Capital, a private investment firm, since 2006. Senior Advisor to Soros Private Funds Management from 2003 to 2006. President of Soros Private Funds Management from 2000 to 2003. Managing Director of Soros Funds Management from 1998 to 2000. Mr. Sica is currently a director of CSG Systems International, an account management and billing software company for communication industries, JetBlue Airways Corporation, a commercial airline, and Safe Bulkers, Inc., a marine drybulk transportation services company.</p>	65	1988
<p>The Governance &amp; Nominating Committee believes Mr. Sica's qualifications to serve on our Board of Directors include his years of executive experience in the investment banking and private equity field, his experience as a director and as an advisor to the boards of many other public companies, and his broad-based knowledge in the areas of corporate finance, executive compensation, information technology and real estate.</p>		
<p><b>Stephanie A. Streeter</b></p> <p>Former Chief Executive Officer and Director of Libbey, Inc., a producer of glass tableware and other tabletop products, from August 2011 to January 2016. Former Interim Chief Executive Officer, United States Olympic Committee from March 2009 to January 2010. Former Chairman, President, and Chief Executive Officer of Banta Corporation, a global technology, printing and supply-chain management company from 2004 until 2007. Ms. Streeter served as Banta Corporation's President and Chief Executive Officer from 2002 to 2004 and President and Chief Operating Officer from 2001 to 2002. She is also currently a director of Goodyear Tire &amp; Rubber Company, a manufacturer and distributor of tires and related products and services.</p>	58	2007
<p>The Governance &amp; Nominating Committee believes Ms. Streeter's qualifications to serve on our Board of Directors include her experience as President, Chief Executive Officer and Chairman of the board of directors of complex businesses with worldwide operations; her experience as a director of other public companies and her broad-based knowledge in the areas of marketing, consumer products, information technology and e-commerce.</p>		

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	<b>Age</b>	<b>Director Since</b>
<b>Nina G. Vaca<sup>(1)</sup></b>	44	2010
<p>Chairman and Chief Executive Officer of Pinnacle Technical Resources, Inc., a staffing, vendor management and information technology services firm, since October 1996. She also has been Chairman and Chief Executive Officer of Vaca Industries Inc., a management company, since April 1999. Ms. Vaca is also a director of Comerica Incorporated, a banking and financial services company, and Cinemark Holdings, Inc., a motion picture exhibitor.</p>		

The Governance & Nominating Committee believes Ms. Vaca's qualifications to serve on our Board of Directors include her experience as Chief Executive Officer, Chairman of the Board of Directors and founder of a rapidly-growing business; her experience as a director of other public companies; and her broad-based knowledge in the areas of information technology, human resources, marketing and e-commerce.

<b>Stephen E. Watson</b>	71	2006
<p>Former President and Chief Executive Officer of Gander Mountain, L.L.C., a private specialty retailer, from 1997 until his retirement in 2002. Mr. Watson held various executive officer positions with Dayton-Hudson Corporation from 1972 until his retirement in 1996, including President, Chairman/Chief Executive Officer of the Department Store Division. He is currently a director of Regis Corporation, an operator of beauty salons, and Chico's FAS Inc., a specialty retailer.</p>		

The Governance & Nominating Committee believes Mr. Watson's qualifications to serve on our Board of Directors include his experience as the leading senior executive officer of several complex retail businesses; his experience as a director of other retail-oriented public companies; and his broad-based knowledge in the areas of retail operations, corporate finance, accounting, marketing and merchandise procurement.

**Compensation Committee Interlocks and Insider Participation**

None of the members of the Compensation Committee is or has been one of our officers or employees.

**Independence Determinations & Related Person Transactions**

Our Board of Directors has established independence guidelines that are described in our Corporate Governance Guidelines. The independence guidelines require a finding that the individual Director satisfies all of the independence standards of the New York Stock Exchange, as such standards may be amended from time to time, and also that the Director has no material relationships with us (either directly or as a partner, shareholder or officer of any entity) which would be inconsistent with a finding of independence. In accordance with its written charter, the Governance & Nominating Committee is charged with the ongoing review of transactions that could affect a Director's independence.

In February 2016, the Governance & Nominating Committee reviewed a summary of Directors' responses to a questionnaire asking about their relationships with us (and those of their immediate family members) and other potential conflicts of interest, as well as material provided by

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management related to transactions, relationships, or arrangements between us and the Directors or parties related to the Directors. During the course of this review, the Committee broadly considered all relevant facts and circumstances, recognizing that material relationships can include commercial, banking, consulting, legal, accounting, charitable and familial relationships, among others.

<sup>(1)</sup> Professional name of Ximena G. Humrichouse.

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Based on this review, the Committee affirmatively determined that the following continuing Directors are independent: Peter Boneparth, Steven A. Burd, Dale E. Jones, Jonas Prising, Frank V. Sica, John E. Schlifske, Stephanie A. Streeter, Nina G. Vaca and Stephen E. Watson. The Committee also determined that all of the members of the Audit, Compensation, and Governance & Nominating Committees meet our independence requirements. The Committee determined that Kevin Mansell is not considered an independent Director because of his employment as our Chairman, Chief Executive Officer and President.

The following transactions were reviewed and considered by the Committee, but were not deemed to affect the independence of the applicable Director or Directors:

Several of our Directors serve as non-employee directors of non-profit organizations that receive charitable contributions from us. All of these charitable contributions were made in the ordinary course of our charitable contribution programs.

Several of our Directors serve on the boards of directors of, or may have an economic interest in, companies with which we may do relatively small amounts of ordinary course business from time to time. The Governance & Nominating Committee has reviewed each of these instances and has determined that in each case, the amount of business involved was immaterial to both companies, all such transactions were entered into at arm's length, and that our Directors were not in any way involved in the negotiations or discussions leading up to the business relationships.

The Committee recommended all of the above-described conclusions to the full Board of Directors and explained the basis for its decisions. Upon discussion and further consideration, these conclusions were adopted by the full Board.

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**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion & Analysis included in this proxy statement. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion & Analysis be included in this proxy statement.

Compensation Committee:

Frank V. Sica, Chairman

Peter Boneparth

Steven A. Burd

Dale E. Jones

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**COMPENSATION DISCUSSION & ANALYSIS**

**Executive Summary**

The Compensation Committee ( Committee ) fulfills the Board of Directors responsibilities related to our Directors and Named Executive Officers ( NEOs ) compensation, ensuring our executive compensation program meets our corporate objectives. This Compensation Discussion & Analysis provides insight into the Committee s process for determining this compensation. Specifically, it discusses and analyzes the Committee s philosophy, objectives, policies, programs, practices and decisions.

The Committee has designed our program to reflect its philosophy that executive compensation should be directly linked to performance with the ultimate objective of increasing long-term shareholder value. In fact, each primary element of our executive compensation program is tied to Company performance. Additionally, the Committee s policies, practices and our executive compensation program are consistent with market practice. For the first five years of advisory voting on our compensation programs, an average of over 96% of the votes cast by our shareholders were in favor of our executive compensation. Based on this strong support, the Committee believes that our policies, practices, and programs are in line with our shareholders expectations.

As part of this pay for performance philosophy, our goals are intended to be difficult to achieve, and failure to achieve the goals have significant consequences. For example, no equity awards were made to the NEOs under our previous equity program based on Kohl s performance in 2013. Because we did not achieve all of our financial goals in 2013, 2014 or 2015, our NEOs received the minimum payout possible under our annual incentive program in each of those years. Those payouts were earned in recognition of the fact that in 2013 and 2015, the Company had outperformed our core peer group (described below), as measured by a weighted average of previously established metrics, and in 2014, Kohl s achieved net income levels within the range forecasted in our initial publicly disclosed annual earnings guidance. Also, because we did not achieve all of our financial goals in 2013 or 2014, certain performance-vested restricted shares granted to three of our then NEOs in April 2013 did not vest and were subsequently cancelled. Taken as a whole, this reflects Kohl s strong commitment to only paying for meaningful performance.

Kohl s management, led by our NEOs, has established a clear path to improve its operating performance. Our senior management team launched Kohl s Greatness Agenda in 2014. The Greatness Agenda creates a strategic framework for the entire organization to align behind identifying our areas of greatest opportunity and defining measurable objectives for improved sales, customer engagement and associate engagement over the next several years. Our senior leaders spend a significant amount of time ensuring that all associates understand and are aligned with this strategic framework. The Bold Moves and Essential Moves outlined in the Greatness Agenda are seen as the keys to accelerating Kohl s growth trajectory. Our senior leaders constantly monitor the status of these initiatives to ensure all of Kohl s associates are working with urgency to make continual progress. In 2015, the senior leadership team spent substantial time reviewing progress made in the first year following the launch of the Greatness Agenda. Upon completion of this detailed review, some of the Bold and Essential moves were updated to ensure continued progress. As it did when the Greatness Agenda was initially rolled out in 2014, senior management went to great lengths to communicate the updates to the Greatness Agenda to each and every one of nearly 140,000 Kohl s associates. While our strategies are intended to drive performance over the longer term, management believes that plans resulting from the Greatness Agenda will drive success in the near-term as well.

Solid progress was made in the first year under the Greatness Agenda. While our sales fell short of the goals we had initially established, Kohl s outperformed its peers from a sales perspective in what was by all accounts a very difficult environment for apparel retailers. This outperformance was in large part driven by the Bold and Essential moves described in the Greatness Agenda. However, our profitability in 2015 fell short of our goals. As such, the Committee took the following actions in early 2016 based on our 2015 financial results:

determined that the performance rating of each of our NEOs was Fully Meets Expectations, which is the middle ranking in our three tier evaluation program;

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granted 1.50% base salary increases to each of our NEOs; and

awarded annual incentives to the NEOs pursuant to our Annual Incentive Plan at the lowest level for 2015, in recognition of the fact that our sales results exceeded the blended results of our core peer group, as described below in this report.

The Committee believes all of these actions were appropriate and in line with its philosophy.

Fiscal 2015 was also a significant year for Kohl's from a succession planning standpoint. In June, the senior management team was reorganized, with Michelle Gass assuming the newly created role of Chief Merchandising and Customer Officer. Richard Schepp was promoted to the new principal officer position of Chief Administrative Officer. Wesley McDonald, our Chief Financial Officer, was named as a principal officer and a new Chief Operating Officer position was created. These four positions, together with the CEO, are now our principal officer positions. In November, Kohl's fully rounded out its leadership team when it announced the hiring of Sona Chawla as Chief Operating Officer. While Mr. Mansell has no current intention to retire from his positions with the Company, Ms. Chawla and Ms. Gass are expected to be candidates to succeed him as CEO upon his eventual retirement.

## **Say on Pay**

The Committee is pleased with our shareholders' strong support of our NEO compensation program. Each year at our Annual Meeting of Shareholders, we hold an advisory vote on the compensation of our NEOs. Our shareholders have consistently shown strong support for our NEO compensation, with an average of over 96% of the votes cast by our shareholders approving this compensation for the five years we have held this advisory vote. In accordance with its charter, the Committee reviews these voting results on an annual basis and following each of the previous votes, has considered whether any adjustments were warranted based on these results. The Committee values our shareholders' input and is always looking for ways to improve alignment between executive compensation and our objective of increasing long-term shareholder value.

## **Philosophy and Objectives**

We believe executive compensation should be directly linked to corporate performance with the ultimate objective of increasing long-term shareholder value. For this reason, the majority of our executives' compensation is earned only upon achievement of performance targets, such as sales, net income, total shareholder return and other financial measurements selected to reinforce the critical linkage between pay and performance. Our use of equity in our compensation program and share ownership guideline requirements creates a strong alignment of the interests of our executives with those of our shareholders.

Our executive compensation program has been designed to achieve the following objectives:

Provide a competitive total compensation package that enables us to attract, motivate and retain key personnel;

Support the achievement of our short- and long-term business and strategic objectives by:



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Providing short-term opportunities through our annual incentive program that are directly linked to corporate performance goals that drive long-term performance;

Providing long-term opportunities through equity awards granted under our long-term incentive program that align executive compensation with the creation of long-term shareholder value;

Provide compensation opportunities that are competitive, internally equitable and linked to demonstrated achievements;

Promote ownership of our stock by our executive officers through equity-based pay and share ownership guideline requirements in order to align their economic interests with those of our shareholders; and

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Provide a balanced compensation program which does not create risks that are reasonably likely to have a material adverse effect on our Company.

Our executive compensation program is comprised of three primary elements:

Base salary;

Annual incentive compensation; and

Long-term incentive compensation.

The Committee has the flexibility to use these elements, along with certain benefits and perquisites, in proportions that will most effectively accomplish our business and strategic objectives. To ensure that our pay is competitive, the Committee compares total compensation levels for our executives to pay at other retail companies of similar size. The Committee does not position executives' target total direct compensation to a specific percentile of the market data. Instead the Committee considers whether each executive is competitively positioned relative to that market data on a case-by-case basis.

## **Risk Assessment**

Each year, we review and analyze whether our compensation plans, policies and practices create material risks to Kohl's. As part of this analysis, we review all of our compensation plans, policies and practices. We also consider the potential impact of each of our compensation plans, policies and practices on all of the risk factors we have identified in our public filings. Management has engaged a third party compensation consultant (who is separate and independent from the Compensation Committee's compensation consultant) to assist in this process and give a separate risk assessment. Following these analyses, the Committee and the consultant agreed with management's conclusion that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company.

The Committee believes our compensation plans, policies and practices are designed to reward performance that contributes to overall Company performance and the achievement of long-term and short-term Company goals. These plans, policies and practices do not encourage or incentivize individuals to take actions that expose the Company to risks that are inconsistent with the Company's strategic plan. The amount of each type of compensation awarded to or earned by our management team is determined either solely by reference to Company-wide performance (e.g., annual incentive compensation and long-term incentive awards) or a combination of Company-wide performance and individual performance (e.g., base salary increases).

Our long-term compensation is paid in the form of equity and the Committee has adopted share ownership guidelines, which require our NEOs to continuously own a substantial amount of equity during their employment. Equity based long-term incentives align our executives' long-term interests with those of our shareholders and discourage excessive risk taking intended to drive short-term results at the expense of long-term shareholder value enhancement. We also maintain a clawback policy that enables the recapture of previously paid incentive compensation in certain circumstances involving a financial restatement. The Committee believes our long-term incentive program motivates and rewards our executives for decisions that may not produce short-term results but will likely have a positive long-term effect, such as those related to investments in our infrastructure and increasing our market share. Our executives are not compensated for discrete transactions, decisions or other actions.

**Determining Executive Compensation**

Our Committee oversees the compensation programs for our directors and NEOs. Those programs are administered by management in accordance with the policies developed by the Committee. Information concerning the structure, roles and responsibilities of the Committee can be found in the Questions and Answers about our Board of Directors and Corporate Governance Matters section of this proxy statement.

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### **Compensation Committee Meetings & Advisors**

The Committee meets throughout the course of each fiscal year to review issues with respect to executive compensation matters. In addition to preparation meetings and calls, the Committee met four times in fiscal 2015. Prior to each meeting, the Chairman of the Committee prepares the meeting agenda with the assistance of our Chief Administrative Officer. The Chairman may, but is not required to, invite members of management or other members of our Board of Directors to attend portions of meetings as deemed appropriate. The Chief Executive Officer and Human Resources executives typically attend Committee meetings, but do not attend executive sessions unless invited by the Committee for a specific purpose. During the course of three of its meetings in 2015, the Committee held executive sessions without management present to discuss executive development and succession plans and make compensation-related decisions.

As set forth in the Committee's charter, the Committee has the authority to retain and terminate any compensation consultant or its own independent legal, accounting or other advisors in its sole discretion. Before retaining any such advisor, the Committee reviews the independence of such advisor, taking into account all relevant factors, including the factors specified in Securities and Exchange Commission rules and New York Stock Exchange listing standards. The Committee is solely responsible for the appointment, compensation and oversight of the work performed by any such consultant or advisor. Kohl's is committed to providing appropriate funding for the payment of reasonable compensation to any advisors retained by the Committee.

The Committee retains an independent outside compensation advisor, Steven Hall of Steven Hall & Partners (SH&P). Mr. Hall participates in Committee meetings as directed by the Chairman. SH&P does not provide any other services to Kohl's and Mr. Hall does not have any business or professional relationships with any member of Kohl's management or the Committee. SH&P's engagement and associated fees are reconsidered by the Committee on an annual basis.

### **Compensation Reports**

While the Committee reviews information throughout the year, the Committee receives two principal reports during the year related to compensation levels paid to our NEOs. The first report is a tally sheet on each NEO. The second report is a benchmarking analysis for our top executives.

#### ***Tally Sheets***

The Committee annually reviews tally sheets for each of our NEOs, which present a comprehensive summary of the executive's compensation, including the following information:

The total compensation paid to each executive during the prior fiscal year, including base salary, annual cash incentives, long-term incentive awards, health and welfare benefits, and perquisites;

The fair market value of equity holdings; and

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A summary of the potential severance benefits payable to the executive upon certain employment termination events.

Tally sheets provide the Committee with an overview of our compensation programs. While not used explicitly for determining compensation levels, they are useful in several other ways. Tally sheets inform the Committee about the relationship between different components of pay. They also show the Committee the level of wealth creation available and the retention value that exists from unvested equity. Finally, tally sheets provide context for decisions about compensation arrangements and the level of benefits they provide (e.g., severance benefits).

### *Benchmarking Analysis*

Each year, SH&P presents a comprehensive benchmarking analysis comparing compensation paid to our executives with the compensation packages of executives employed by retailers with whom we compete for

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talent. The Committee considers all aspects of compensation for the NEOs and other senior officers. The Committee reviews each component of executive compensation independently and it reviews aggregate compensation levels paid to the senior officers against that paid by retail competitors in an effort to design the executive compensation program to result in a competitive pay package. The Committee considers whether each executive is competitively positioned relative to that market data on a case-by-case basis rather than targeting any particular percentile across all positions.

The Committee and SH&P review numerous data sources to ensure the Committee considers the most relevant compensation information available. The primary sources of industry compensation information used are our competitors' SEC filings and the Hay Group Retail Industry Survey. The Committee believes that these sources of competitive compensation information are the best available at this time. The market data reviewed by the Committee in 2015 consisted of newly available data from the Hay Group's 2015 Retail Industry Survey and information prepared by SH&P from publicly available proxy statements, Forms 8-K, and Forms 4 of our peer group companies.

Together with SH&P, the Committee performs an annual analysis to ensure that the peer group of companies used for compensation benchmarking purposes continues to reflect the most appropriate comparative companies. In considering which companies should be included in the Company's peer group, the Committee considers many criteria, including the following:

Whether the proposed comparator company is in the same or a similar industry as Kohl's;

Whether the proposed comparator company is similar to Kohl's in terms of size, including revenues, total assets and market capitalization;

The complexity and scope of the proposed comparator company's business;

The similarity of the proposed comparator company's business model to Kohl's business model;

Whether the proposed comparator company competes with Kohl's for profits and talent; and

Other characteristics unique to Kohl's or the retail industry, which could include things like growth trajectory and corporate strategies.

Following an extensive review of its compensation peer group and other possible comparators, the Committee determined that the 2015 compensation analysis would be based upon the same peer group as used in 2014:

	<b>Market Capitalization (\$ Billions)*</b>	<b>Revenue (\$ Billions)*</b>
Bed, Bath & Beyond Inc.	11.8	11.9
The Gap, Inc.	15.9	16.4
J.C Penney Company, Inc.	2.6	12.3
L Brands, Inc.	25.0	11.5
Macy's, Inc.	22.7	28.1
Nordstrom, Inc.	14.2	13.5

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Ross Stores, Inc.	20.0	11.0
Sears Holding Corporation	2.9	31.2
The TJX Companies, Inc.	45.0	29.1
<b>Median</b>	15.9	13.5
<b>Kohl's Corporation</b>	12.4	19.0

\*All market capitalization & revenue data is rounded. Revenues are 2014 revenues and market capitalization data was the most current information available in August 2015, when the Committee confirmed this peer group.

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The Committee believes this peer group includes retail companies with similar business concepts to ours and should provide a relevant group of companies representing an appropriate range of revenue and market capitalization against which to compare our pay practices in the future. The Committee will continue to monitor the appropriateness of our comparators and make adjustments as necessary.

We also measure our performance against a more targeted set of peers for purposes of annual performance reviews, annual incentive plan awards and the vesting of certain equity-based awards. We refer to this set of peers as our core peer group, which includes:

J.C Penney Company, Inc.;

Macy's, Inc.;

Sears Holding Corporation;

Target Corporation;

The Gap, Inc.;

The TJX Companies, Inc.; and

Ross Stores, Inc.

The Committee has determined that these companies compete with Kohls for market share in various categories of business. We use the core peer group because the Committee believes in certain instances, elements of compensation should be contingent upon our performance relative to our closest competitors. Although Target Corporation is not a part of our executive compensation benchmarking peer group because of its comparatively large revenues and market capitalization, Target continues to be a part of our core peer group for comparing operating metrics.

At a meeting in November 2015, the Committee reviewed a detailed benchmarking report prepared by SH&P. This report included detailed information on the following components of compensation for the NEOs:

Base Salaries;

Target Annual Incentives;

Actual Annual Incentives paid in Fiscal 2015 based on Fiscal 2014 performance;

Target Annual Compensation;



Long-Term Incentives; and

Target Total Compensation.

This benchmarking data indicated that each of the NEOs' total compensation levels, including the amortized value of all outstanding equity compensation awards, was consistent with the Committee's philosophies and objectives.

The Committee took all of the above information into consideration in evaluating each of the NEOs' compensation for 2016.

### **Pay-for-Performance**

Pay-for-performance is a critical part of Kohl's compensation programs. This is best demonstrated by the fact that our NEOs did not receive any equity awards under our previous equity program based on Kohl's performance in 2013. Similarly, because we did not achieve all of our financial goals in 2013, 2014 or 2015, our NEOs received the minimum payout possible under our annual incentive program in each of those years. Those

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payouts were earned in recognition of the fact that in 2013 and 2015, the Company had outperformed our core peer group (described above), as measured by a weighted average of previously established metrics, and in 2014, Kohl's achieved net income levels within the range forecasted in our initial publicly disclosed annual earnings guidance. Also because we did not achieve all of our financial goals in 2013 or 2014, certain performance-vested restricted shares granted to three of our then NEOs in April 2013 did not vest and were subsequently cancelled. Taken as a whole, this reflects Kohl's strong commitment to only paying for meaningful performance.

The Committee believes it is important that a significant portion of our NEOs' compensation is tied to our future performance—both on an absolute basis and relative to other companies in the retail industry—in order to maximize long-term shareholder value creation. Accordingly, the aggregate compensation paid to our NEOs is weighted towards annual and long-term incentive compensation that is based upon Kohl's absolute and relative performance.

The Committee sets difficult goals that must be met in order for the NEOs to maximize their compensation:

Each year, the Committee sets individual performance criteria for each NEO that must be achieved for the NEO to be eligible for various levels of base salary increases. In 2014 and 2015, these criteria included corporate net income, total sales growth, business specific objectives and managerial criteria, such as leadership, vision and strategic planning.

In establishing various levels of annual incentive payout opportunities, the Committee sets goals based on the Company's absolute performance as well as the Company's performance relative to our initial publicly disclosed earnings guidance to investors for the year and to the sales performance of our core peer group.

Long-term equity awards are made pursuant to our long-term incentive plan (LTIP). A significant portion of the awards made pursuant to the LTIP are performance share units (PSUs), with vesting contingent upon attainment of company-wide cumulative financial performance goals over a three-year performance period. The number of shares earned upon vesting of the PSUs is dependent upon Kohl's financial performance, and the number of earned shares is subject to further positive or negative adjustment based on the returns to our investors over this same three year period.

Moreover, the value of any long-term incentive award is dependent upon the future performance of our stock price. We also maintain a clawback policy that enables the recapture of previously paid incentive compensation in certain circumstances involving a financial restatement.

The specifics of each of these performance criteria are discussed in greater detail below.

Individual roles and performance are also periodically taken into account in granting compensation increases or awards that are different than or in addition to those suggested by the guidelines. For example, annual salary increases may be adjusted based upon factors other than or in addition to an executive's performance ratings, including, among other things, promotions, new roles and responsibilities and previous compensation increases.

## **Performance Evaluation Process**

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The Committee's primary consideration when setting compensation is the performance of our NEOs against pre-established performance objectives that are intended to increase long-term shareholder value. The Committee uses a disciplined process to assess performance. This detailed process attempts to ensure that we reward and retain top talent while aligning our executives' interests with those of our shareholders.

Prior to the fiscal 2015 performance evaluation, the NEOs' performances were assessed on a six-point scale. During the evaluation process, points were awarded to the NEOs for each of their pre-established performance objectives based upon actual corporate performance and their individual performance with respect to the

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individual objectives. Depending on the total points awarded, each NEO received one of the following ratings: (1) unsatisfactory, (2) inconsistent, (3) satisfactory, (4) effective, (5) highly effective, or (6) outstanding.

Beginning with the fiscal year 2015 performance evaluation which was performed in February 2016, each NEO's performance is assessed on a three-point scale. During the evaluation process, points are awarded to the NEOs for each of their pre-established performance objectives based upon actual corporate performance and their individual performance with respect to the individual objectives. The maximum number of points that can be awarded with respect to each performance objective is based on the pre-established weighting of that performance objective. The total points awarded to the NEO equals the sum of the points awarded based on actual performance relative to the each of the individual's performance objectives. Depending on the total points awarded, the NEOs may receive one of the following ratings: (1) inconsistently meets expectations, (2) fully meets expectations, or (3) consistently exceeds expectations.

**Chairman, President and CEO**

The factors considered by the Committee to evaluate the performance of Mr. Mansell in fiscal years 2014 and 2015 were: (i) corporate net income for the prior fiscal year calculated in accordance with our Annual Incentive Plan, weighted 40%; (ii) total corporate sales growth for the prior fiscal year, weighted 40%; and (iii) other managerial criteria, including leadership and vision, long-term strategic planning, succession planning, keeping our Board of Directors informed, enhancing our diversity, and social responsibility, collectively weighted 20%. As such, 80% of Mr. Mansell's evaluation is and has been tied directly to our corporate performance, subject to adjustment where the Committee deems appropriate.

For the managerial performance criteria, no numerical targets are established and Mr. Mansell's actual performance is assessed with respect to the criteria as a whole. The level of Mr. Mansell's actual performance with respect to the criteria is based on the Committee's subjective review of Mr. Mansell's performance. This subjective review was based on the deliberations of the Board of Directors with respect to Mr. Mansell's performance that occurred throughout the prior year and in which each of the Committee members participated. The Committee did not attempt to identify specific contributions or achievements in making this assessment, but instead made its determination based on the totality of these deliberations and the related information considered in connection with those deliberations, and the judgment of individual members of the Committee may have been influenced to a greater or lesser degree by different aspects of these deliberations or information.

In the first quarter of 2014, the Committee determined that Mr. Mansell's performance in fiscal year 2014 would be based upon the following criteria:

Performance Objective	Threshold (Inconsistent)	Maximum (Outstanding)	Objective Weighting
Net Income (in millions)	\$ 725	>\$ 975	40%
Total Sales (in billions)	\$ 18.0	>\$ 20.0	40%
Company Exceeds Peer Performance Index	Yes		
Managerial Criteria			20%

In February 2015, the Committee assessed Mr. Mansell's 2014 performance against these objectives. The Company's net income in 2014 was \$867 million, which fell within the Effective rating range. Similarly, Total Sales were \$19.02 billion, which also fell within the Effective range. The Committee assessed Mr. Mansell's performance on the managerial criteria as Highly Effective. Overall, Mr. Mansell earned a rating of Effective for fiscal 2014.



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In the first quarter of 2015, the Committee determined that Mr. Mansell's performance in fiscal year 2015 would be based upon the following criteria:

Performance Objective	Inconsistently Meets Expectations	Fully Meets Expectations	Consistently Exceeds Expectations	Objective Weighting
Net Income (in millions)	<\$ 774	\$ 774 to 979	>\$ 979	40%
Total Sales (in billions)	<\$ 18.7	\$ 18.7 to 20.3	>\$ 20.3	40%
Managerial Criteria				20%

In February 2016, the Committee assessed Mr. Mansell's 2015 performance against these objectives. The Company's net income in 2015 was \$781 million, which fell within the Fully Meets Expectations rating range. Similarly, Total Sales were \$19.2 billion, which also fell within the Fully Meets Expectations range. The Committee assessed Mr. Mansell's performance on the managerial criteria as Fully Meets Expectations. Overall, Mr. Mansell earned a rating of Fully Meets Expectations for fiscal 2015.

**Other NEOs**

The Committee delegates to Mr. Mansell the authority to assess the performance of the other NEOs at the end of the fiscal year in accordance with the methodology approved by the Committee. The Committee approves the general performance objectives and the relative weighting of each of these objectives for each of these executives. Mr. Mansell has the authority to establish the specific performance criteria underlying each of the factors, which are generally expected to align with Mr. Mansell's objectives and the Company's financial plan for that year. While preliminary quantitative guidelines are presented to the Committee at the beginning of the fiscal year when it approves the performance measures and their weightings, the Committee has granted to Mr. Mansell the authority to modify these guidelines in his discretion, subject to the Committee's review of the performance ratings assigned to each of these individuals at the end of the fiscal year.

In the first quarter of 2014, the Committee determined that the other NEOs' performance in fiscal year 2014 would be based upon the following criteria:

Performance Objective	NEOs
Net Income	30%
Total Sales	30%
Business Specific Objectives & Leadership	40%

The 2014 net income and sales targets were established at the same levels as Mr. Mansell's, as described above. Each executive also had two strategic objectives related to their specific areas of the business.

In February 2015, the Committee reviewed the 2014 performance ratings of Ms. Gass and Messrs. McDonald and Schepp. Ratings for each executive's 2014 performance objectives are detailed in the chart below.

Performance Objective	Ms. Gass	Mr. McDonald	Mr. Schepp
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Net Income	Effective	Effective	Effective
Total Sales	Effective	Effective	Effective
Business Specific Objectives & Leadership	Highly Effective	Highly Effective	Highly Effective
<b>Overall Rating</b>	<b>Effective</b>	<b>Effective</b>	<b>Effective</b>

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In the first quarter of 2015, the Committee determined that the other NEOs' performance in fiscal year 2015 would again be based upon the following criteria:

Performance Objective	NEOs
Net Income	30%
Total Sales	30%
Business Specific Objectives & Leadership	40%

The 2015 net income and sales targets were established at the same levels as Mr. Mansell's, as described above. Each executive also had two strategic objectives related to their specific areas of the business.

In February 2016, the Committee reviewed the 2015 performance ratings of Ms. Chawla, Ms. Gass, Mr. McDonald and Mr. Schepp. Ratings for each executive's 2015 performance objectives are detailed in the chart below.

Performance Objective	Ms. Chawla	Ms. Gass	Mr. McDonald	Mr. Schepp
Net Income	Fully Meets Expectations	Fully Meets Expectations	Fully Meets Expectations	Fully Meets Expectations
Total Sales	Fully Meets Expectations	Fully Meets Expectations	Fully Meets Expectations	Fully Meets Expectations
Business Specific Objectives & Leadership	Fully Meets Expectations	Fully Meets Expectations	Fully Meets Expectations	Fully Meets Expectations
<b>Overall Rating</b>	<b>Fully Meets Expectations</b>	<b>Fully Meets Expectations</b>	<b>Fully Meets Expectations</b>	<b>Fully Meets Expectations</b>

**Elements of Executive Compensation**

As described above, the aggregate compensation paid to our senior officers is comprised of three primary components each of which is directly linked to Company performance: salary, annual incentive compensation, and long-term incentive compensation. The amount of each of these compensation components is determined based largely upon corporate performance against pre-established performance goals. Additionally, individual performance factors are included in the analysis to ensure we take into account and recognize individual contributions and efforts in their specific roles.

The Committee believes it is important that a significant portion of our NEOs' compensation be tied to our corporate performance in order to align the interests of our NEOs with those of our shareholders and to emphasize the importance of maximizing long-term shareholder value. Accordingly, aggregate compensation paid to our NEOs is weighted towards annual incentive and long-term incentive compensation, both of which are at risk if we do not achieve our financial and strategic objectives. Additionally, our NEOs' salary increases are determined based in large part on Company performance. This strategy reflects the Committee's pay-for-performance philosophy.

**Salary**



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Salaries provide our NEOs with a regular source of income to compensate them for their day-to-day efforts in managing our Company. Salaries vary depending on the executive's experience, responsibilities, the importance of the position to the Company, and/or changes in the competitive marketplace. The Committee reviews and adjusts salaries annually at the beginning of the fiscal year. Any increases in salary for our NEOs are based upon individual performance ratings and calculated in relation to the percentage merit adjustment budgeted for the remainder of the Company's management team. The Committee has the right, however, to deviate from those guidelines in order to address other factors, including the officer's responsibilities and experience, competitive market data for that officer's position and retention concerns.

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Salary adjustments are closely tied to Kohl's performance, as each NEO's individual performance rating is heavily influenced by Kohl's performance metrics. As detailed above, 80% of Mr. Mansell's performance rating is based upon Kohl's net income and total sales growth. Likewise, net income and total sales growth comprise 60% of the other NEOs' performance objectives.

Annual base salary adjustments for the NEOs in any given year are closely aligned with adjustments given to the remainder of our management team. To accomplish this objective, the Committee ties the NEOs' annual salary adjustment opportunities to the budgeted annual merit increase for the overall management team.

**Committee Decisions and Analysis***Fiscal 2015 Actions*

At its February 2015 meeting, the Committee considered base salary increases for each of our NEOs. The Committee reviewed each NEO's fiscal 2014 performance rating against the following merit increase opportunity grid that had been established in February 2014:

	Unsatisfactory	Inconsistent	Satisfactory	Effective (Target)	Highly Effective	Outstanding
Base Salary Increase as a Percent of Budgeted Increase for All Exempt Associates	0%	0%	50%	75%	100%	133%
Example: Increase Assuming 3% Budgeted for All Exempt Associates	0%	0%	1.50%	2.25%	3.00%	4.00%

Based on their Effective ratings, Messrs. Mansell, McDonald and Schepp and Ms. Gass were determined to have earned a 2.25% salary increase, which was 75% of the 3.0% budgeted increase for all of the Company's management. Accordingly, Mr. Mansell's salary was increased to \$1,383,150. Ms. Gass's salary was increased to \$953,600. Mr. McDonald's salary was increased to \$857,500. Mr. Schepp's salary was increased to \$853,600.

Also at the February 2015 meeting, the Committee established the following merit increase opportunity grid for fiscal 2015:

	Inconsistently Meets Expectations	Fully Meets Expectations	Consistently Exceeds Expectations
Base Salary Increase as a Percent of Budgeted Increase for All Exempt Associates	0%	75%	133%
Example: Increase Assuming 2% Budgeted for All Exempt Associates	0%	1.50%	2.66%

In June 2015, Kohl's announced the appointment of Ms. Gass to the position of Chief Merchandising and Customer Officer and the promotion of Messrs. Schepp and McDonald to the principal officer positions of Chief Administrative Officer and Chief Financial Officer, respectively. In

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conjunction with these appointments, Ms. Gass' base salary was increased to \$1,100,000, and Mr. Schepps and Mr. McDonald's base salaries were each increased to \$900,000.

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### *Fiscal 2016 Actions*

At its February 2016 meeting, the Committee considered base salary increases for each of our NEOs. The Committee reviewed each NEO's fiscal 2015 performance rating against the merit increase opportunity grid that had been established in February 2015. Based on their "Fully Meets Expectations" ratings, Messrs. Mansell, McDonald and Schepp and Ms. Gass and Ms. Chawla were determined to have earned a 1.50% salary increase, which was 75% of the 2.0% budgeted increase for all of the Company's management. Accordingly, Mr. Mansell's salary was increased to \$1,403,900. Ms. Gass's and Ms. Chawla's salaries were each increased to \$1,116,500. Mr. McDonald's and Mr. Schepp's salaries were increased to \$913,500.

Also at the February 2016 meeting, the Committee determined that the merit increase opportunity grid for fiscal 2016 would be identical to the grid used for 2015.

### **Annual Incentive Compensation**

The purpose of our Annual Incentive Plan is to provide eligible executives, including the NEOs, with a financial incentive that encourages them to perform in a manner which will enable Kohl's to meet or exceed its financial plans each fiscal year. In order for bonuses to be granted at threshold levels or higher under the Annual Incentive Plan, Kohl's performance for a fiscal year must equal or exceed financial goals established by the Committee at the beginning of the year. The Committee directly ties the amount of such awards to various financial performance levels, providing incentives to our executives to maximize long-term shareholder value. These bonus targets reflect our financial goals and strategic plan for the fiscal year. For example, for 2015, bonus tiers were established based upon Kohl's achievement of various levels of net income for the year. The threshold tier requires we achieve a level of net income that is minimally acceptable, but more likely to be attained based on our business plans. The Committee considers the top tier a significant, meaningful, and realistic challenge to the management team to increase our earnings.

For purposes of determining whether net income targets have been achieved, the Committee adjusts Kohl's reported net income to exclude the effects of:

extraordinary items;

discontinued operations;

restructurings;

acquisitions or divestitures of any division, business segment, subsidiary or affiliate;

acquisitions or divestitures of assets that are significant otherwise than in the ordinary course of business;

other unusual or non-recurring items;

impairment charges; and

the cumulative effect of tax or accounting changes as determined in accordance with generally accepted accounting principles, as applicable.

If Kohl's does not achieve the pre-established threshold performance levels in any year, a bonus at the lowest end of the range for annual incentive opportunities is still payable to NEOs and other Kohl's managers if:

Kohl's net income is within the range of net income forecasted in our initial publicly disclosed annual earnings guidance; or

Kohl's sales performance for the year exceeds that of a peer performance index. In 2013, 2014 and 2015 the group of peer retailers used for comparison purposes was our core peer group. The blended performance of this core peer group, calculated as a weighted average of each member of the core peer group's growth in total domestic revenue, was used as the peer performance index.

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Following the Committee's certification of the Company's year-end results, Annual Incentive Plan participants are granted a bonus based on a percentage of their base pay. The earned percentage is based on their level within the organization.

***Committee Decisions and Analysis******Fiscal 2014 Actions***

In the first quarter of fiscal 2014, the Committee established the following performance goals and award opportunities for 2014 under the Annual Incentive Plan:

	<b>Achieve Earnings Guidance Tier<sup>(1)</sup></b>	<b>Peer Performance Index Tier<sup>(2)</sup></b>	<b>Threshold Tier</b>	<b>Top Tier</b>
Net Income Goal (in millions)	Below \$890,  But Within Earnings Guidance Range	Below \$890	\$890	\$1,035
Sales		Total Sales Beat Peer Performance Index	0.00% Comparable Stores	5.00% Comparable Stores
Award Opportunity (as a percent of base salary):				
CEO and Chairman	40%	40%	65%	250%
Ms. Gass	30%	30%	55%	200%
Messrs. McDonald and Schepp	20%	20%	40%	175%

<sup>(1)</sup> Assumes Kohl's net income was within the range forecasted in our initial publicly announced earnings guidance.

<sup>(2)</sup> Assumes Kohl's reported total sales performance exceeded that of the peer performance index.

***Fiscal 2015 Actions***

In February 2015, the Committee assessed Kohl's performance against the 2014 Annual Incentive Plan targets set forth above. In accordance with the terms of the Annual Incentive Plan, the Committee had approved net income levels for various tiers of incentive awards. Kohl's did not achieve the threshold net income level in 2014. However, as noted above, the Committee had previously determined that a bonus at the lowest end of the range for annual incentive opportunities would be payable if:

Kohl's net income is within the range forecasted in our initial publicly announced earnings guidance; or

Kohl's sales performance for the year exceeds that of a peer performance index. For 2014, the peer performance index was a weighted average of year-over-year domestic revenue growth of our core peer group.

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Kohl's 2014 net income exceeded the low end of our initial earnings guidance. Accordingly, the Committee approved Annual Incentive Plan payouts to the NEOs in the following amounts:

	<b>Annual Incentive Plan Payout</b>
Mr. Mansell	\$ 541,080
Ms. Gass	279,780
Mr. McDonald	167,720
Mr. Schepp	166,960

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In the first quarter of fiscal 2015, the Committee established the following performance goals and award opportunities for 2015 under the Annual Incentive Plan:

	<b>Achieve Earnings Guidance Tier<sup>(1)</sup></b>	<b>Peer Performance Index Tier<sup>(2)</sup></b>	<b>Threshold Tier</b>	<b>Top Tier</b>
Net Income Goal (in millions)	Below \$855,	Below \$855	\$855	\$1,025
	But Within Earnings Guidance Range			
Sales Goal	1.00% Increase over 2014	Total Sales Beat Peer Performance Index	N/A	N/A
Award Opportunity (as a percent of base salary) <sup>(3)(4)</sup>				
CEO and Chairman	40%	40%	65%	250%
Ms. Gass	30%	30%	55%	200%
Messrs. McDonald and Schepp	20%	20%	40%	175%

(1) Assumes Kohl's net income was within the range forecasted in our initial publicly announced earnings guidance.

(2) Assumes Kohl's reported total sales performance exceeded that of the peer performance index.

(3) Upon the promotion of Messrs. McDonald and Schepp to principal officer positions in June 2015, they became eligible for Annual Incentive Plan awards at the same level as Ms. Gass.

(4) Ms. Chawla joined the Company in November 2015. At that time, the Committee established her performance goals and award opportunities. Her award opportunities were the same as those of Ms. Gass.

In the first quarter of fiscal 2016, the Committee assessed Kohl's performance against the 2015 Annual Incentive Plan targets set forth above. In accordance with the terms of the Annual Incentive Plan, the Committee had approved net income levels for various tiers of incentive awards. Kohl's did not achieve the threshold net income level in 2015. However, as noted above, the Committee had previously determined that a bonus at the lowest end of the range for annual incentive opportunities would be payable if:

Kohl's net income is within the range forecasted in our initial publicly announced earnings guidance; or

Kohl's sales performance for the year exceeds that of a peer performance index. For 2015, the peer performance index was a weighted average of year-over-year domestic revenue growth of our core peer group.

Kohl's 2015 sales exceeded that of the previously established peer performance index. Accordingly, the Committee approved Annual Incentive Plan payouts to the NEOs in the following amounts:

	<b>Annual Incentive Plan Payout</b>
Mr. Mansell	\$ 553,260



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Ms. Gass	330,000
Ms. Chawla	55,011 <sup>(1)</sup>
Mr. McDonald	270,000
Mr. Schepp	270,000

<sup>(1)</sup> Ms. Chawla received a prorated Annual Incentive Plan payout.

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### **Long-Term Compensation**

The Committee grants long-term compensation awards to our NEOs under our 2010 Long-Term Compensation Plan to reward past performance, create an incentive for future performance, and create a retention incentive. The Committee has the flexibility to choose among a number of forms of long-term equity incentive awards available pursuant to the 2010 Plan, including stock options, stock appreciation rights, stock awards, performance units, performance shares, and other incentive awards.

Long-term equity incentive awards to our NEOs are typically considered on an annual basis. In January 2014, the Committee adopted the Company's LTIP for its most senior executives. The LTIP is intended to achieve the Committee's goals of, among other things, improving the efficiency of long-term equity incentive awards and driving our senior leaders to deliver increased sales and profitability. Under the LTIP, annual long-term equity incentive awards are intended typically to be a blend of PSUs which will vest in an amount contingent upon the achievement of multi-year financial performance goals and time-vested restricted stock which will vest over a multi-year period. As described below, PSU awards are also subject to a modifier that can increase or decrease the value actually realized by the recipient based on Kohl's total shareholder return relative to a group of peer companies over the performance period. The blend of awards under the LTIP is intended typically to be weighted more heavily to PSUs.

On a quarterly basis, the Committee reviews our share overhang (the grants outstanding, plus remaining equity that may be granted, as a percentage of our total outstanding shares) and our run rate (the number of award shares granted each year as a percentage of our total outstanding shares) to monitor how our pool of shareholder-approved equity award shares is being utilized.

### ***Committee Decisions and Analysis***

#### ***Fiscal 2015 Actions***

In the first quarter of 2015, the Committee granted long-term equity incentive awards to the NEOs pursuant to the LTIP. These awards were comprised of a blend of:

60% performance share units which will vest in an amount contingent on the Company's cumulative net income (calculated in accordance with our Annual Incentive Plan) and cumulative sales, equally weighted, over a three-year performance period from fiscal 2015 through fiscal 2017, with target-level payouts only occurring if we achieve the levels set forth in our 3-Year Financial Plan; and

40% time-vested restricted stock which will vest in four equal installments on the first through fourth anniversaries of the date of grant.

For the 2015-2017 LTIP grant, the Committee approved the following grant date dollar value of awards for our NEOs (assuming achievement of target performance under the performance share units for the 2015-2017 performance period):

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### Aggregate Grant Date Target Dollar Value of LTIP Awards <sup>(1)</sup>

Mr. Mansell	\$ 6,000,000
Ms. Gass	\$ 1,750,000
Messrs. McDonald and Schepp	\$ 1,000,000

<sup>(1)</sup> The ultimate value of these awards is dependent upon Kohl's actual performance for the 2015-2017 performance period and the market value of Kohl's stock at the time of vesting.

As mentioned above, 60% of the aggregate grant date dollar value of the 2015-2017 LTIP grants was in the form of performance share units. The number of units actually earned is dependent upon Kohl's actual performance over the three year fiscal 2015-2017 period. Upon achievement of the predetermined target level

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of performance, the executive officers will receive 100% of the performance share units awarded. At the threshold level of performance, 50% of the performance share units will be earned and at the maximum level, 200% of the performance share units will be earned. The number of performance share units received at performance between these levels will be determined based on straight-line interpolation. In the event performance does not meet threshold levels, then none of the performance share units will be earned.

The number of shares that may be earned upon vesting of the performance share units is also subject to a modifier that can increase or decrease the value actually realized by the recipient based on Kohl's total shareholder return relative to a group of peer companies<sup>(1)</sup> over the three-year performance period. These peer companies were used as a comparator group because they are also used for benchmarking compensation as a part of the Hay Group's custom data. If Kohl's relative total shareholder return is in the top quartile of the peer group, then the performance share units earned in accordance with the preceding paragraph will be increased by 25%. Conversely, if Kohl's relative total shareholder return is in the bottom quartile, then the performance share units earned will be reduced by 25%. There will be no adjustment if our total shareholder return is in the second or third quartile.

Pursuant to the terms of her offer of employment, on December 15, 2015, Ms. Chawla received performance share units with a grant date value of \$1,000,000. The number of units actually earned is dependent upon Kohl's actual performance over the three year fiscal 2015-2017 period. The terms of Ms. Chawla's performance share units are identical to those described above for the other NEOs.

In the first quarter of both 2014 and 2015, the Committee certified that Kohl's did not achieve the net income goal of \$900 million in 2013 and 2014 previously established for the performance-vested restricted shares granted to Messrs. McDonald and Schepp in 2013. Accordingly, these shares did not vest and were subsequently cancelled.

### *Fiscal 2016 Actions*

The Committee will consider LTIP awards to the NEOs for the 2016-2018 performance period after the filing of this proxy statement.

### **Perquisites**

We provide our NEOs with certain perquisites in order to provide a competitive total rewards package that supports retention of key talent. These include automobile expense reimbursement, with no fixed limit; personal financial advisory services having a value of up to \$3,500 and tax-related advisory services with no fixed limit; a supplemental health care plan, covering up to \$50,000 for medical expenses not covered by insurance; and supplemental Company-paid life and disability insurance coverage. Mr. Mansell has been permitted to use the Company's aircraft for personal flights as well as business flights. This benefit increases the efficiency of Mr. Mansell's travel. We believe these perquisites are reasonable based upon the relatively small expense in relation to both executive pay and our total benefit expenditures. Details regarding these benefits are disclosed in the Summary Compensation Table and the accompanying schedule elsewhere in this proxy statement.

<sup>(1)</sup> For the 2015-2017 LTIP those companies are: Abercrombie & Fitch Co. (ANF), American Eagle Outfitters, Inc. (AEO), Ascena Retail Group Inc. (ASNA), Best Buy Co., Inc. (BBY), Bon-Ton Stores Inc. (BONT), Carter's, Inc. (CRI), Chico's, Inc. (CHS), The Children's Place, Inc. (PLACE), Dick's Sporting Goods Inc. (DKS), DSW Inc. (DSW), Express Inc. (EXPR), The Gap, Inc. (GPS), The Home Depot, Inc. (HD), J.C. Penney Company, Inc. (JCP), Kate Spade & Company (KATE), L Brands, Inc. (LTD), Macy's, Inc. (M), New York &

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Company, Inc. (NWY), Nordstrom, Inc. (JWN), PVH Corp. (PVH), Ross Stores Inc. (ROST), Sears Holdings Corporation (SHLD), Stage Stores Inc. (SSI), Staples, Inc. (SPLS), Target Corp. (TGT) and The TJX Companies, Inc. (TJX).

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### **Deferred Compensation**

We maintain non-qualified deferred compensation plans for approximately 420 of our executives, including our NEOs. Details regarding the contributions and benefits of these non-qualified plans are disclosed in the Non-Qualified Deferred Compensation table and the accompanying narrative contained elsewhere in this proxy statement.

### **Stock Ownership Guidelines**

The Committee believes that executive stock ownership is important to align the interests of our executives with those of our shareholders. Our executive stock ownership guidelines require Mr. Mansell to maintain ownership equal to five times his base salary. The other NEOs are required to maintain Kohl's stock ownership that is equal to three times their base salary. Executive Vice Presidents are required to maintain stock ownership that is equal to their base salary. Each executive has five years from the time the executive becomes subject to the particular requirement to comply. For the purposes of calculating stock ownership, the Committee will not consider vested or unvested stock options, but will consider shares of Kohl's common stock owned outright, shares held in employee benefit accounts, and unvested time-based restricted stock and performance share units. All of the NEOs, as well as each of our Executive Vice Presidents, were in compliance with these guidelines as of the end of fiscal 2015.

From time to time, our principal officers will engage in sales of Kohl's common stock in accordance with our executive stock ownership guidelines. These sales may be accomplished pursuant to SEC Rule 144 during our scheduled insider trading window periods or pursuant to pre-arranged trading plans adopted in accordance with Rule 10b5-1 of the Exchange Act. Compliance with our executive stock sale guidelines is monitored by the Committee and exceptions are granted by the Committee only in extraordinary circumstances.

All Kohl's associates, including our executives, and directors are also prohibited from entering into transactions designed to result in a financial benefit if our stock price declines, or any hedging transaction involving our securities, including but not limited to the use of financial derivatives such as puts and calls, short sales or any similar transactions.

### **Other Material Tax and Accounting Implications of the Program**

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation over \$1,000,000 for any fiscal year paid to a company's Chief Executive Officer and three most highly compensated executive officers in service as of the end of any fiscal year (other than the Chief Executive Officer and Chief Financial Officer). However, Section 162(m) also provides that qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. The Committee does not have a policy requiring aggregate compensation to meet the requirements for deductibility under Section 162(m). Where compensation is awarded in excess of the limits established by Section 162(m), the Committee encourages, but does not require, deferral of such excess amounts by the officer.

### **Employment Agreements**

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We have entered into employment agreements with each of our NEOs. The terms of these agreements are similar to those of employment agreements of similarly situated retail industry executives. Our executives' employment agreements do not include any provisions for tax gross-up payments.

The Committee believes that employment agreements are important to both our executives and to the Company in that the executive benefits from clarity of the terms of his or her employment, as well as protection from wrongful termination, while Kohl's benefits from nondisclosure and non-competition protection, enhancing our ability to retain the services of our executives. The Committee periodically reviews the terms of the employment agreements and amends them as necessary to remain competitive and to carry out its objectives. Details of the terms of the specific employment agreements are discussed below.

**Table of Contents****SUMMARY COMPENSATION TABLE**

The table below summarizes information concerning compensation for fiscal 2015 of those persons who were at January 30, 2016: (i) our Chief Executive Officer, (ii) our Chief Financial Officer and (iii) our three other most highly compensated executive officers.

Name and Principal Position	Year	Salary	Bonus	Stock Awards <sup>(1)</sup>	Option Awards <sup>(1)</sup>	Non-Equity Incentive Plan Compensation <sup>(2)</sup>	Change in Pension Value and Non- qualified Deferred Compensation <sup>(3)</sup>	All Other Compensation <sup>(6)</sup>	Total
<b>Kevin Mansell</b> <i>Chairman, President, Chief Executive Officer</i>	2015	\$ 1,378,075		\$ 5,999,948 <sup>(5)</sup>		\$ 553,260	\$ 263,466		\$ 8,194,749
	2014	1,352,700		7,479,992		541,080	295,024		9,668,796
	2013	1,339,300		6,000,119		535,720	303,165		8,178,304
<b>Sona Chawla</b> <i>Chief Operating Officer</i>	2015	\$ 187,500 <sup>(4)</sup>	\$ 1,000,000 <sup>(4)</sup>	\$ 9,000,014 <sup>(4)(5)</sup>		\$ 55,011		\$ 455,511	\$ 10,698,036
<b>Michelle Gass</b> <i>Chief Merchandising and Customer Officer</i>	2015	\$ 1,043,818		\$ 1,749,998 <sup>(5)</sup>		\$ 330,000	\$ 87,638		\$ 3,211,454
	2014	932,600		1,050,005		279,780	81,376		2,343,761
	2013	618,133	\$ 1,000,000	9,750,064		162,260	243,763		11,774,220
<b>Wesley McDonald</b> <i>Chief Financial Officer</i>	2015	\$ 881,556		\$ 1,000,044 <sup>(5)</sup>		\$ 270,000	\$ 91,608		\$ 2,243,208
	2014	838,600		1,040,008		167,720	102,271		2,148,599
	2013	830,300		1,250,035	\$ 1,165,870	166,060	99,871		3,512,136
<b>Richard Schepp</b> <i>Chief Administrative Officer</i>	2015	\$ 880,170		\$ 1,000,044 <sup>(5)</sup>		\$ 270,000	\$ 94,642		\$ 2,244,856
	2014	834,800		1,109,986		166,960	104,270		2,216,016
	2013	826,500		2,250,044	\$ 1,165,870	165,300	106,098		4,513,812

(1) The amounts shown represent the aggregate grant date fair value for awards granted in 2015, 2014 and 2013, computed in accordance with FASB ASC Topic 718. For a discussion of the valuation assumptions used, see Note 6 to our fiscal 2015 audited financial statements included in our Annual Report on Form 10-K.

(2) The amounts shown represent incentive payments awarded under our Annual Incentive Plan based on our performance during the year indicated, but actually paid in the following year.

(3) We have no defined benefit or actuarial pension plans. All earnings in our nonqualified deferred compensation plan are at market values and are therefore omitted from the table.

(4) Ms. Chawla joined Kohl's on November 30, 2015. Pursuant to her initial offer letter, she received \$1 million intended as a signing incentive and to offset obligations she incurred as a result of her resignation from her previous employment and relocation, including expenses outside of those reimbursed pursuant to the Company's relocation expense policy. She also received restricted stock with a grant date value of \$8 million and performance share units with a grant date value of \$1 million.

(5) Includes the aggregate grant date fair value of performance share units that could be earned pursuant to the 2015-2017 LTIP grant based on the probable outcome of the performance conditions as of the grant date. Actual payments will be based on our financial performance in fiscal years 2015-2017 and are subject to a modifier based on Kohl's total shareholder return relative to its peers over the three-year performance period, as described more fully in Compensation Discussion & Analysis. The range of potential payments under the awards is set forth below.

	Amount			
	Reported (Target)	Minimum	Other Possible Threshold	Maximum
Kevin Mansell	\$ 3,599,980	\$ 0	\$ 1,349,992	\$ 8,999,949
Sona Chawla	\$ 1,000,000	\$ 0	\$ 375,000	\$ 2,499,999
Michelle Gass	\$ 1,049,998	\$ 0	\$ 393,749	\$ 2,624,994
Wesley McDonald	\$ 600,011	\$ 0	\$ 225,004	\$ 1,500,028
Richard Schepp	\$ 600,011	\$ 0	\$ 225,004	\$ 1,500,028





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(6) A detailed breakdown of All Other Compensation is provided in the table below.

Name	Our Contributions to Executive Officers Defined Contribution Plan Accounts	Payments made by us for Term Life, Long-Term Disability and Accidental Death and Dismemberment Insurance	Our Reimbursement of Financial Planning and Tax Advice Expenses	Automobile Expense Allowance	Relocation and Travel Expense Reimbursement	Supplemental Health Care Coverage <sup>(a)</sup>	Utilization of Company-Owned Aircraft <sup>(b)</sup>	Restricted Stock Dividend Equivalents <sup>(c)</sup>	Total
Kevin Mansell	\$ 13,250	\$ 11,789		\$ 22,651		\$ 50,000	\$ 165,776		\$ 263,466
Sona Chawla		511			\$ 405,000	50,000			455,511
Michelle Gass	4,583	13,058		19,997		50,000			87,638
Wesley McDonald	9,207	14,316		16,762		50,000		\$ 1,323	91,608
Richard Schepp	13,250	9,939		20,316		50,000		1,137	94,642

- (a) Amounts shown are coverage limits. Our actual expense for providing this benefit may have been substantially less than the amounts shown. Coverage limits are presented for purposes of protecting the confidentiality of our executives' actual medical expenses.
- (b) Amounts shown are the incremental costs of personal use of Kohl's-owned or chartered aircraft, and are based on either actual charter expense or, with respect to Kohl's-owned aircraft utilization, the direct cost of use per hour, which includes fuel, maintenance, engine restoration cost reserves, crew travel expenses, landing and parking fees and supplies.
- (c) The amounts in this column represent dividend equivalent shares granted in lieu of cash dividends on March 25, 2015 on unvested restricted stock granted prior to 2011, the value of which was not taken into account in the grant date fair value of such previously disclosed awards. The dividend equivalents with respect to unvested restricted stock are credited as additional shares of restricted stock on the record date and are subject to the same vesting restrictions as the underlying restricted stock. Amounts with respect to the dividend equivalent shares on unvested restricted stock granted in 2011 and thereafter are not included in this table as such amounts were factored into the grant date value of such awards.

**Table of Contents****GRANTS OF PLAN-BASED AWARDS IN 2015**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)(3)</sup>			All Other Stock Awards: Number of Shares or Units <sup>(3)</sup>	All Other Option Exercise Awards: or Base Price of Underlying Awards (\$/Sh)	Grant Date Fair Value of Equity Awards <sup>(4)</sup>
		Threshold	Target	Maximum	Threshold	Target	Maximum			
Kevin Mansell	03/30/2015	\$ 553,260	\$ 2,420,513	\$ 3,457,875	15,540	41,441	103,603			\$ 3,599,980
	03/30/2015							31,323		2,399,968
Sona Chawla	12/15/2015	\$ 55,011	\$ 275,055	\$ 366,740	7,839	20,903	52,258			\$ 1,000,000 <sup>(5)</sup>
	12/15/2015							173,123		8,000,014 <sup>(5)</sup>
Michelle Gass	03/30/2015	\$ 330,000	\$ 1,650,000	\$ 2,200,000	4,533	12,087	30,218			\$ 1,049,998
	03/30/2015							9,136		700,000
Wesley McDonald	03/30/2015	\$ 270,000	\$ 1,350,000	\$ 1,800,000	2,590	6,907	17,268			\$ 600,011
	03/30/2015							5,221		400,033
Richard Schepp	03/30/2015	\$ 270,000	\$ 1,350,000	\$ 1,800,000	2,590	6,907	17,268			\$ 600,011
	03/30/2015							5,221		400,033

- (1) Shown are the Threshold, Target and Maximum payouts for which each executive was eligible under our Annual Incentive Plan with respect to fiscal 2015 performance. Amounts actually earned with respect to these awards are included in the Summary Compensation Table as Non-Equity Incentive Plan compensation. Further detail regarding actual 2015 awards can be found in the Compensation Discussion & Analysis.
- (2) Represents range of performance share units that could be earned pursuant to the 2015 – 2017 LTIP grants. The 2015 – 2017 LTIP grants were made to the named executive officers on March 30, 2015, except Ms. Chawla whose award was made on December 15, 2015 pursuant to her initial offer letter. The actual number of performance share units earned is dependent upon Kohl's cumulative sales and net income during the three-year performance period, and range from 0% to 200% of the target amount and is subject to a modifier based on Kohl's total shareholder return relative to its peers over the three-year performance period. See the Compensation Discussion & Analysis for a more detailed description of the performance measures.
- (3) Awarded under our 2010 Long-Term Compensation Plan.
- (4) Amounts shown represent the grant date fair value of the awards computed in accordance with FASB ASC Topic 718. For a discussion of the valuation assumptions used, see Note 6 to our fiscal 2015 audited financial statements included in our Annual Report on Form 10-K.
- (5) Ms. Chawla joined Kohl's on November 30, 2015. Pursuant to her initial offer letter, she received restricted stock with a grant date value of \$8 million and a performance share unit award with a grant date value of \$1 million.

We are currently authorized to issue equity awards under our 2010 Long-Term Compensation Plan. Awards under our 2010 Plan may be in the form of stock options, stock appreciation rights, common stock including restricted stock, common stock units, performance units and performance shares. Our executives do not participate in any other long- or short-term equity incentive plans.

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**Employment Agreements**

We have employment agreements with Messrs. Mansell, McDonald and Schepp and Meses. Chawla and Gass. These agreements include the following terms:

the term of each agreement, other than the agreement with Mr. Mansell, is three years, extended on a daily basis until either party notifies the other that the term shall no longer be so extended;

the term of the agreement with Mr. Mansell ends once the Committee has determined that his eventual successor is prepared to assume the CEO role and also gives the Company the option to retain his services for a period following Mr. Mansell's eventual retirement;

each executive shall receive an annual base salary, which, as of January 31, 2016 was \$1,383,150 for Mr. Mansell, \$1,100,000 for Meses. Chawla and Gass and \$900,000 for Messrs. McDonald and Schepp; and

the executives may be entitled to certain payments and other benefits upon termination of their employment or a change of control of Kohl's, as described below in the section captioned Potential Payments Upon Termination or Change of Control, beginning on page 50.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table sets forth information for each named executive officer with respect to outstanding exercisable and unexercisable options to purchase our common stock, unvested restricted stock awards, and performance share awards that had not been earned or vested at January 30, 2016.

	Option Awards				Stock Awards <sup>(1)</sup>			
	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested <sup>(2)</sup>	Equity Incentive Plan Awards	
	Exercisable	Unexercisable					Number of Units of Stock That Have Not Vested	Market Value of Units of Stock That Have Not Vested <sup>(2)</sup>
Kevin Mansell	97,500		\$ 66.30	01/30/2017	12,062 <sup>(3)</sup>	\$ 600,085	66,549 <sup>(7)</sup>	\$ 3,310,813
	92,600		\$ 50.39	02/13/2018	25,713 <sup>(4)</sup>	\$ 1,279,222	42,519 <sup>(8)</sup>	\$ 2,115,320
	50,000		\$ 41.63	03/30/2016	23,805 <sup>(5)</sup>	\$ 1,184,299		
	130,000		\$ 55.74	03/29/2017	69,340 <sup>(6)</sup>	\$ 3,449,665		
	154,057	38,515 <sup>(3)</sup>	\$ 52.80	03/28/2018	32,138 <sup>(15)</sup>	\$ 1,598,866		
	143,944	95,963 <sup>(4)</sup>	\$ 48.48	03/26/2019				
Sona Chawla					173,123 <sup>(14)</sup>	\$ 8,612,869	20,903 <sup>(8)</sup>	\$ 1,039,924
Michelle Gass					6,943 <sup>(5)</sup>	\$ 345,414	19,410 <sup>(7)</sup>	\$ 965,648
					9,734 <sup>(6)</sup>	\$ 484,267	12,402 <sup>(8)</sup>	\$ 617,000
					80,329 <sup>(9)</sup>	\$ 3,996,368		
					9,374 <sup>(15)</sup>	\$ 466,357		
Wesley McDonald	37,500		\$ 60.17	08/04/2018	3,231 <sup>(3)</sup>	\$ 160,742	11,092 <sup>(7)</sup>	\$ 551,827
	20,000		\$ 49.56	02/25/2019	4,592 <sup>(4)</sup>	\$ 228,452	7,087 <sup>(8)</sup>	\$ 352,578
	41,265	10,317 <sup>(3)</sup>	\$ 52.80	03/28/2018	3,967 <sup>(5)</sup>	\$ 197,358		
	8,568	17,136 <sup>(4)</sup>	\$ 48.48	03/26/2019	9,641 <sup>(6)</sup>	\$ 479,640		
	5,120	15,361 <sup>(10)</sup>	\$ 45.54	04/01/2020	21,447 <sup>(11)</sup>	\$ 1,066,988		
					5,357 <sup>(15)</sup>	\$ 266,511		
Richard Schepp	25,704	17,136 <sup>(4)</sup>	\$ 48.48	03/26/2019	2,744 <sup>(3)</sup>	\$ 136,514	11,092 <sup>(7)</sup>	\$ 551,827
	10,240	15,361 <sup>(10)</sup>	\$ 45.54	04/01/2020	4,592 <sup>(4)</sup>	\$ 228,452	7,087 <sup>(8)</sup>	\$ 352,578
					3,967 <sup>(5)</sup>	\$ 197,358		
					10,290 <sup>(6)</sup>	\$ 511,928		
					20,616 <sup>(12)</sup>	\$ 1,025,646		
					13,065 <sup>(13)</sup>	\$ 649,984		
					5,357 <sup>(15)</sup>	\$ 266,511		

(1) Includes accrued but unvested dividend equivalent shares.

(2) Based upon the \$49.75 closing price of our common stock on January 30, 2016.

(3) Award vests 20% per year with future vesting date of March 28, 2016.

(4) Award vests 20% per year with future vesting dates of March 26, 2016 and 2017.

(5) Award vests 25% per year with future vesting dates of January 13, 2017 and 2018.

(6) Award vests 50% per year with future vesting date of March 31, 2016.

(7) The units reported in this column represent potentially issuable shares pursuant to performance share units granted under the company's LTIP. The performance share units are scheduled to vest in March 2017. The number of shares that will actually become issuable is contingent upon Kohl's 2014-2016 cumulative sales and net income performance in relation to pre-established performance hurdles. The number of units reported in this column assumes Kohl's achieves cumulative net income and sales levels required for a payout at the target level.

(8) The units reported in this column represent potentially issuable shares pursuant to performance share units granted under the company's LTIP. The performance share units are scheduled to vest in March 2018. The number of shares that will actually become issuable is contingent upon Kohl's 2015-2017 cumulative sales.



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and net income performance in relation to pre-established performance hurdles. The number of units reported in this column assumes Kohl's achieves cumulative net income and sales levels required for a payout at the target level.

- (9) Award vests 25% per year with future vesting dates of July 15, 2016 and 2017.
- (10) Award vests 20% per year with future vesting dates of April 1, 2016, 2017 and 2018.
- (11) Award vests 20% per year with future vesting date of March 1, 2016.
- (12) Award vests 20% per year with future vesting date of May 15, 2016.
- (13) Award vests 20% per year with future vesting dates of May 15, 2016, 2017 and 2018.
- (14) Award vests 25% per year with future vesting dates of December 15, 2016, 2017, 2018, and 2019.
- (15) Award vests 25% per year with future vesting dates of March 30, 2016, 2017, 2018, and 2019.

**Table of Contents****OPTION EXERCISES AND STOCK VESTED IN 2015**

<b>Name</b>	<b>Option Awards</b>		<b>Stock Awards</b>	
	<b>Number of Shares Acquired on Exercise (#)</b>	<b>Value Realized on Exercise (\$)</b>	<b>Number of Shares Acquired on Vesting (#)</b>	<b>Value Realized on Vesting (\$)</b>
Kevin Mansell	300,000	\$ 7,586,105	103,769	\$ 7,597,119
Sona Chawla				
Michelle Gass			52,379	\$ 3,454,538
Wesley McDonald			40,504	\$ 2,980,156
Richard Schepp	204,498	\$ 3,929,449	43,805	\$ 3,000,788



**Table of Contents****PENSION BENEFITS**

We do not maintain any pension benefit plans for our officers or Directors that would otherwise be disclosable in these proxy materials.

**NONQUALIFIED DEFERRED COMPENSATION**

We have no retirement plans for our executive officers other than defined contribution plans and a retiree health plan for certain former principal officers. Approximately 420 of our executives are eligible for participation in the Kohl's Deferred Compensation Plans, which are unfunded, unsecured plans. The Deferred Compensation Plans allow our executives to defer all or a portion of their base salary and bonuses. Elections to participate in these plans are made by our executives on an annual basis, prior to the beginning of the year in which the compensation is earned.

We do not make any company contributions to the Deferred Compensation Plans. The aggregate balance of each participant's account consists of amounts that have been deferred by the participant, plus earnings (or minus losses). We deposit the deferred amounts into a trust for the benefit of plan participants. In accordance with tax requirements, the assets of the trust are subject to claims of our creditors. Account balances are deemed invested in accordance with investment elections designated by the executive from time to time but no more frequently than monthly. There are several investment options available to plan participants, including money market/fixed income funds, domestic and international equity funds, blended funds and pre-allocated lifestyle fund investments.

Deferred account balances are distributed to the plan participants in accordance with elections made by the executive at the time the deferral is made. These distributions may be scheduled for future years while the executive remains our employee or following the participant's termination of employment, either in a lump sum or in installments. A separate distribution election is made by plan participants with respect to account balance distributions in the event of a change of control of Kohl's.

The following table shows the executive contributions, earnings and account balances for the persons named in the Summary Compensation Table.

<b>Name</b>	<b>Executive Contributions in Last FY (\$)<sup>(1)</sup></b>	<b>Registrant Contributions in Last FY (\$)</b>	<b>Aggregate Earnings in Last FY (\$)<sup>(1)</sup></b>	<b>Aggregate Withdrawals/Distributions (\$)</b>	<b>Aggregate Balance at Last Fiscal Year End (\$)<sup>(2)</sup></b>
Kevin Mansell			(\$ 65,452)		\$ 2,964,549
Sona Chawla					
Michelle Gass					
Wesley McDonald	\$ 216,639		(\$ 92,190)		\$ 1,545,941
Richard Schepp	\$ 460,490		(\$ 112,691)		\$ 3,196,409

<sup>(1)</sup> Executive contributions are included as compensation in the Summary Compensation Table in the year contributed. Earnings on account balances are not included in the Summary Compensation Table.

<sup>(2)</sup> Of the amounts disclosed in this column, the following amounts were previously reported in the Summary Compensation Table in either 2015 or prior to 2015: Mr. Mansell: \$2,104,169; Mr. McDonald: \$1,286,010; Mr. Schepp: \$1,130,432. The difference between the amounts disclosed in this footnote and the amounts disclosed in the above column reflect earnings (and losses) on the contributions and any salary or bonus deferrals by the executive prior to becoming a NEO.



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**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL**

Upon termination of their employment or a change of control of Kohl's, Messrs. Mansell, McDonald, and Schepp, and Meses. Chawla and Gass will be entitled to various payments and other benefits pursuant to their respective Employment Agreements, our 2010 Long-Term Compensation Plan, our Annual Incentive Plan and our associate merchandise discount program. These payments and benefits are described below.

**Mr. Mansell**

*Employment Agreement*

We are party to an amended and restated employment agreement with Mr. Mansell that provides for certain payments and other benefits upon his termination of employment as CEO. The agreement does not provide separate or incremental benefits upon a change of control of Kohl's. Mr. Mansell's employment agreement, as amended and restated on November 14, 2014, also contemplates that, at the Board's discretion, Mr. Mansell may be appointed as non-executive Chairman of the Board following his service as CEO and defines his rights and obligations during this transition period. The payments and other benefits under Mr. Mansell's agreement are as follows:

If his employment terminates while he is CEO other than due to his death or disability, he will not receive any severance payments;

If his employment is terminated upon his death or disability during his services as CEO:

he or his estate is entitled to a pro rata bonus for the current fiscal year;

he or his estate is entitled to a severance payment in the amount of one half of his then annual base salary, payable over one year in the event of his death, and over six months in the event of his disability;

he and his spouse and eligible dependents shall be provided post-retirement health care coverage under our health insurance plan and supplemental executive medical plan, provided he (or the eligible dependents in the event of his death) reimburses us for all premiums paid for such retiree health insurance benefits; and

all of his unvested stock options shall immediately vest if the termination is a result of his death.

When Mr. Mansell's employment as CEO terminates (or, if he is appointed non-executive Chairman, when his period of service as non-executive Chairman ends), as long as Mr. Mansell has served as CEO until the desired date determined by the Board (the Transition Date), Mr. Mansell would receive the following benefits under his employment agreement. However, the following benefits do not apply if we terminate his employment for Cause or if he resigns as CEO prior to the Transition Date. The benefits provide:

he or his estate is entitled to a pro rata bonus for the current fiscal year;

to the extent unvested, accelerated vesting of all of his unvested stock options;

to the extent unvested, accelerated vesting of all of his outstanding restricted stock awards;

to the extent unvested, continued vesting of all of his outstanding performance share unit awards; and

he and his spouse and eligible dependents shall be provided post-retirement health care coverage under our health insurance plan and supplemental executive medical plan, provided he (or the eligible dependents in the event of his death) reimburses us for all premiums paid for such retiree health insurance benefits.

Mr. Mansell's amended and restated employment agreement does not provide any tax gross ups.

Following his termination of employment as CEO, Mr. Mansell will be prohibited from competing with us for a period of two years, and, if applicable, during the period he is non-executive Chairman and for a period of one year after his termination as non-executive Chairman, if applicable.

In all cases, our obligation to pay severance is contingent upon Mr. Mansell's execution of a general release of claims against us.

**Table of Contents***Accelerated Vesting of Equity Awards*

As described above, certain provisions in Mr. Mansell's employment agreement allow for acceleration or continued vesting of equity awards upon certain terminations of employment. The award agreements applicable to Mr. Mansell's outstanding equity awards granted prior to November 14, 2014, provide for accelerated vesting in the event of a termination of employment due to death and award agreements applicable to time-vested restricted stock awards granted in 2014 and 2015 provide for accelerated vesting in the event of a termination of employment due to disability. Other provisions in such award agreements relating to acceleration or continued vesting in the event of other terminations of employment are no longer controlling and the terms of Mr. Mansell's employment agreement control in such cases. Pursuant to the terms of our performance-vested restricted stock award agreements, where accelerated vesting is otherwise provided for upon a termination of employment, such awards will only vest if the related performance conditions are satisfied at the time of termination or at a later date. Pursuant to the terms of our performance share unit award agreements for 2014 and 2015 grants, upon a termination of Mr. Mansell's employment due to a disability, he will vest in the actual number of performance share units that are earned at the end of the performance period. In addition, if Mr. Mansell's employment terminates due to his death, such performance share units shall vest at the target amount.

*Non-Contractual Benefit Upon Retirement*

In addition to his contractual benefits, upon his retirement, Mr. Mansell will be entitled to participate for his lifetime in our associate merchandise discount program, on such terms and to the extent the program continues to be made available to our senior executives.

*Potential Benefit Summary – Mr. Mansell*

The following table shows the potential payments to Mr. Mansell upon termination of his employment during the term of his employment agreement. Also shown is the value of any of Mr. Mansell's stock options, performance share units, and restricted stock that would vest upon certain terminations of Mr. Mansell's employment. The amounts shown in the table assume a January 30, 2016 employment termination date, do not reflect salary accrued as of that date and, for performance-vested restricted stock, assumes all related performance conditions are satisfied.

Based on Mr. Mansell's amended and restated employment agreement, there are no special provisions related to the accelerated vesting of outstanding equity awards he holds in the event of a change of control, except to the extent that an acquiring or surviving company would not assume the equity awards granted under the 2010 Long-Term Compensation Plan. Consistent with prior year disclosures, we assume that such an event would not occur and thus, there are no enhanced benefits to disclose for Mr. Mansell upon a change of control.

	Termination Prior to Transition Date	Termination at or After Transition Date	Termination Due to Disability Prior to Transition Date	Termination Due to Death Prior to Transition Date
Severance Payment	Salary Continuation		\$ 691,575	\$ 691,575
Severance Payment	Bonus Payments			
Pro Rated Bonus <sup>(1)</sup>		\$ 553,260	\$ 536,173	\$ 536,173
Outplacement				
Value of Accelerated Restricted Stock <sup>(2)</sup>		\$ 8,112,118	\$ 6,232,807	\$ 8,112,118
Value of Accelerated Stock Options		\$ 121,873		\$ 121,873

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Value of Accelerated Performance Share Units <sup>(3)</sup>	\$ 5,426,158	\$ 5,426,158	\$ 5,426,158
<b>TOTAL</b>	\$ 14,213,409	\$ 12,886,713	\$ 14,887,897

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- (1) The entire hypothetical bonus for 2015 is shown here as this table illustrates the effect of a termination at the end of the fiscal year (thus, a full pro-rata applies). In the case of a termination at or after the Transition Date, pro rata bonus is based on actual performance at the end of the year.
- (2) The value of accelerated restricted stock includes dividend equivalents on the applicable award that were credited as additional shares subject to the same vesting restrictions as the original award of restricted stock.
- (3) The value of accelerated performance share units are illustrated at target, although in the case of a termination at or after the Transition Date or due to disability, Mr. Mansell would receive the actual award earned at the end of the performance period, as if he had remained employed through the end of the performance period.

**Ms. Chawla, Ms. Gass, Mr. McDonald, and Mr. Schepp**

*Employment Agreements*

Ms. Gass and Messrs. McDonald and Schepp all entered into amended and restated agreements as of June 10, 2015, which are substantially similar. The amended and restated agreements are substantially similar to the form of agreements to which Ms. Gass and Messrs. McDonald and Schepp were previously party, except for certain updates and modifications, including updating their titles to Chief Merchandising & Customer Officer, Chief Financial Officer and Chief Administrative Officer, respectively, updating salary information and modifying certain post-employment healthcare benefits for Messrs. McDonald and Schepp. Ms. Chawla entered into an employment agreement with Kohl's on November 16, 2015, which is substantially similar to the employment agreements with Ms. Gass and Messrs. McDonald and Schepp. The employment agreements for Ms. Chawla and Gass and Messrs. McDonald and Schepp all provide the following payments and other benefits upon the executive's termination or upon a change of control of Kohl's:

If the executive's employment is terminated by us for cause or if the executive voluntarily resigns, the executive will not receive any severance payments;

If either the executive's employment is terminated upon death or disability or due to our non-renewal of an employment agreement:

the executive or executive's estate is entitled to receive a pro rata bonus for the current fiscal year;

the executive or executive's estate is entitled to receive severance in the amount of one half of the executive's then annual base salary, payable over one year in the event of the executive's death or due to non-renewal, and over six months in the event of the executive's disability;

the executive and the executive's spouse and eligible dependents shall be provided post-retirement health care coverage under our health insurance plan and supplemental executive medical plan, provided the executive (or the eligible dependents in the event of death) reimburses us for all premiums paid for such retiree health insurance benefits; and

all of the executive's unvested stock options shall immediately vest if the termination is a result of the executive's death.

If the executive terminates employment as a result of a material reduction in the executive's job status or scope of responsibilities (i.e., for "good reason"), or if we terminate the executive's employment involuntarily without cause during the term of the employment agreement (generally, three years) and the termination is not in connection with a change of control (as defined in the agreement), the executive will be entitled to:

a pro rata bonus for the current fiscal year, determined on the basis of the actual performance of Kohl's at the end of that year, payable at the same time as other executives receive their bonus for that year;



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a severance payment equal to the sum of:

an amount equal to the executive's aggregate base salary for the remaining term of the executive's agreement, but not more than 2.9 years; plus

an amount equal to the average of the bonus awards made to the executive under our annual incentive compensation plan over the prior three fiscal years;

the executive and executive's spouse and eligible dependents shall be provided post-retirement health care coverage under our health insurance plan and supplemental executive medical plan, provided the executive (or the eligible dependents in the event of death) reimburses us for all premiums paid for such retiree health insurance benefits;

outplacement services of up to \$20,000; and

to the extent unvested, continued vesting of the executive's stock options throughout the remainder of the term of the executive's employment agreement.

If, within the three months preceding or one year following a change of control of Kohl's (as defined in the agreement) the executive's employment is terminated by us without cause during the term of the agreement or by the executive for good reason, the executive will be entitled to the following severance benefits:

a pro rata bonus for the current fiscal year, determined on the basis of the average award made to the executive over the prior three fiscal years and paid at the same time as other executives receive their bonus for that year;

a severance payment equal to the sum of:

an amount equal to the executive's aggregate base salary for the remaining term of the executive's agreement, but not more than 2.9 years; plus

an amount equal to the average of the bonus awards made to the executive under our annual incentive compensation plan over the prior three fiscal years, multiplied by the number of years remaining in the term of the executive's agreement, but not more than 2.9 years;

the executive and the executive's spouse and eligible dependents shall be provided post-retirement health care coverage under our health insurance plan and supplemental executive medical plan, provided the executive (or the eligible dependents in the event of death) reimburses us for all premiums paid for such retiree health insurance benefits;

outplacement services of up to \$20,000; and

to the extent unvested, accelerated vesting of any outstanding stock options for the remaining term of the executive's agreement.

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None of the executives' employment agreements provide a tax gross up.

Following the executive's termination, the executive will be prohibited from competing with us for a period of one year.

In accordance with Section 409A of the Internal Revenue Code of 1986, as amended, certain payments under the employment agreement are not payable until the six-month anniversary of the date of a termination.

In all cases, our obligation to pay severance is contingent upon the executive's execution of a general release of claims against us.

### *Accelerated Vesting of Equity Awards*

For stock options and time-vested restricted stock awarded to Mses. Chawla and Gass and Messrs. McDonald and Schepp, under the terms of our 2010 Long-Term Compensation Plan, upon a change of control,

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the vesting of such awards is accelerated only if the executive terminates employment, within six months prior to or twelve months following a change of control, as a result of the executive's termination for good reason or if the executive's employment is terminated without cause. This is true if the awards are assumed by the acquiring or surviving company at the time of the change of control. If the awards are not assumed by the acquiring or surviving company upon a change of control, then the awards accelerate vesting at the time of the change of control. Under the same Plan, upon a change of control, all performance-vested restricted stock awards and performance share unit awards shall continue to be subject to any time-based vesting schedule, but any related performance vesting criteria will be deemed to have been satisfied (for performance share units, at the target level). Again, this is true if the performance-vested restricted stock awards or performance share unit awards are assumed by the acquiring or surviving company. If the executive terminates employment as described above within six months prior to or twelve months following a change of control or if the performance-vested restricted stock awards or performance share unit awards are not assumed by the acquiring or surviving company at the time of the change of control, then all such outstanding awards shall immediately vest.

In addition, for any time-vested restricted stock awarded to Ms. Chawla and Gass and Messrs. McDonald and Schepp, excluding the March 31, 2014 award of time-vested restricted stock that Ms. Gass and Messrs. McDonald and Schepp received, if the executive terminates employment for good reason or if we terminate the executive's employment without cause during the term of the executive's employment agreement, the restricted stock that would have vested during the three-year period following termination of the executive's employment will vest. For the time-vested restricted stock awarded to Ms. Gass and Messrs. McDonald and Schepp on March 31, 2014, if the executive terminates employment for good reason or if we terminate the executive's employment without cause during the term of the executive's employment agreement, the executive will forfeit any unvested restricted stock.

In the event of a termination of Ms. Chawla's and Gass's and Messrs. McDonald's and Schepp's employment without cause or by the executive for good reason, any performance-vested restricted stock awards will only vest if the related performance conditions are satisfied at the time of termination or at a later date. Pursuant to the terms of our performance share unit award agreements for 2014 and 2015 grants, upon termination of the executive's employment due to a disability, the executive will vest in the actual number of performance share units that are earned at the end of the performance period. In addition, upon a termination of the executive's employment by reason of retirement (which retirement would need to be approved as a retirement by the Committee in its discretion at the time of such retirement), the executive would vest in a prorated portion of the actual number of performance share units that are earned at the end of the performance period based on the number of months the executive was employed during the performance period. If the executive's employment is terminated upon the executive's death, such performance share units shall vest at the target amount. Upon the executive's death while employed by us, all outstanding stock options and restricted stock would immediately vest and, for time-vested restricted stock awards granted in 2014 and 2015, the executive would become fully vested upon the executive's termination due to disability.

As described above, there are also provisions in Ms. Chawla's and Gass's and Messrs. McDonald's and Schepp's employment agreement that allows for acceleration or continued vesting of stock options upon certain terminations of employment.

*Non-Contractual Benefit Upon Retirement*

In addition to Ms. Chawla's and Gass's and Messrs. McDonald's and Schepp's contractual benefits, upon the executive's retirement, the executive will be entitled to participate for the executive's lifetime in our associate merchandise discount program, on such terms and to the extent the program continues to be made available to our senior executives.

**Table of Contents***Potential Benefit Summary Ms. Chawla*

The following table shows the potential payments to Ms. Chawla upon termination of her employment during the term of her employment agreement. Also shown is the value of Ms. Chawla's stock options, performance share units, and restricted stock that would vest upon certain terminations of Ms. Chawla's employment following a change of control of Kohl's. The amounts shown in the table assume a January 30, 2016 employment termination date and do not reflect salary accrued as of that date. Also assumed is a January 30, 2016 effective date of a change of control and a \$49.75 change of control price of our common stock, which was the January 29, 2016 closing price of our common stock on the New York Stock Exchange. The terms change of control and change of control price have the meanings given to these terms in our 2010 Long-Term Compensation Plan. The amounts shown in the following table also assume that in a change of control, the acquiring or surviving company would have assumed the equity awards made under the 2010 Long-Term Compensation Plan.

	Voluntary Termination by Executive	Involuntary Termination by Kohl's With Cause	Termination by Executive for Good Reason or Involuntary Termination by Kohl's Without Cause (No Change of Control)	Termination by Executive for Good Reason or Involuntary Termination by Kohl's Without Cause (Following Change of Control)	Termination due to Disability	Death
Severance Payment Salary Continuation			\$ 3,190,000	\$ 3,190,000	\$ 550,000	\$ 550,000
Severance Payment Bonus Payments						
Pro Rated Bonus <sup>(1)</sup>			\$ 55,011			
Outplacement			\$ 20,000	\$ 20,000		
Value of Accelerated Restricted Stock <sup>(2)</sup>			\$ 6,459,640	\$ 8,612,869	\$ 8,612,869	\$ 8,612,869
Value of Accelerated Performance Share Units <sup>(3)</sup>				\$ 1,039,924	\$ 1,039,924	\$ 1,039,924
<b>TOTAL</b>			\$ 9,724,651	\$ 12,862,794	\$ 10,202,794	\$ 10,202,794

(1) The entire hypothetical bonus for 2015 is shown here as this table illustrates the effect of a termination at the end of the fiscal year (thus, a full pro-rata applies). In the case of an involuntary or good reason termination without a change of control, the pro rata bonus is based on actual performance at the end of the year.

(2) The value of accelerated restricted stock includes dividend equivalents on the applicable award that were credited as additional shares subject to the same vesting restrictions as the original award of restricted stock.

(3) The value of accelerated performance share units are illustrated at target, although in the case of a disability, Ms. Chawla would receive the actual award earned at the end of the performance period, as if she had remained employed through the end of the performance period.

*Potential Benefit Summary Ms. Gass*

The following table shows the potential payments to Ms. Gass upon termination of her employment during the term of her employment agreement. Also shown is the value of Ms. Gass's stock options, performance share units, and restricted stock that would vest upon certain terminations of Ms. Gass's employment following a change of control of Kohl's. The amounts shown in the table assume a January 30, 2016 employment termination date and do not reflect salary accrued as of that date. Also assumed is a January 30, 2016 effective date of a change of control and a \$49.75 change of control price of our common stock, which was the January 29, 2016 closing price of our common stock on the New York Stock Exchange. The terms change of control and change of control price have the meanings given to these terms in our 2010 Long-Term

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Compensation Plan. The amounts shown in the following table also assume that in a change of control, the acquiring or surviving company would have assumed the equity awards made under the 2010 Long-Term Compensation Plan.

		Voluntary Termination by Executive	Involuntary Termination by Kohl's With Cause	Termination by Executive for Good Reason or Involuntary Termination by Kohl's Without Cause (No Change of Control)	Termination by Executive for Good Reason or Involuntary Termination by Kohl's Without Cause (Following Change of Control)	Termination due to Disability	Death
Severance Payment	Salary Continuation			\$ 3,190,000	\$ 3,190,000	\$ 550,000	\$ 550,000
Severance Payment	Bonus Payments			\$ 147,347	\$ 427,305		
Pro Rated Bonus <sup>(1)</sup>				\$ 330,000	\$ 147,347	\$ 147,347	\$ 147,347
Outplacement				\$ 20,000	\$ 20,000		
Value of Accelerated Restricted Stock <sup>(2)</sup>				\$ 4,691,525	\$ 5,292,356	\$ 1,296,003	\$ 5,292,356
Value of Accelerated Performance Share Units <sup>(3)</sup>					\$ 1,582,634	\$ 1,582,634	\$ 1,582,634
<b>TOTAL</b>				\$ 8,378,872	\$ 10,659,642	\$ 3,575,984	\$ 7,572,337

(1) The entire hypothetical bonus for 2015 is shown here as this table illustrates the effect of a termination at the end of the fiscal year (thus, a full pro-rata applies). In the case of an involuntary or good reason termination without a change of control, the pro rata bonus is based on actual performance at the end of the year.

(2) The value of accelerated restricted stock includes dividend equivalents on the applicable award that were credited as additional shares subject to the same vesting restrictions as the original award of restricted stock.

(3) The value of accelerated performance share units are illustrated at target, although in the case of a disability, Ms. Gass would receive the actual award earned at the end of the performance period, as if she had remained employed through the end of the performance period.

*Potential Benefit Summary Mr. McDonald*

The following table shows the potential payments to Mr. McDonald upon termination of his employment during the term of his employment agreement. Also shown is the value of any of Mr. McDonald's stock options, performance share units, and restricted stock, that would vest upon the occurrence of a change of control of Kohl's or upon certain terminations of Mr. McDonald's employment following a change of control of Kohl's. The amounts shown in the table assume a January 30, 2016 employment termination date, do not reflect salary accrued as of that date and, for performance-vested restricted stock where the relevant performance period(s) have not yet been completed, assume that all related performance conditions are satisfied. Also assumed is a January 30, 2016 effective date of a change of control and a \$49.75 change of control price of our common stock, which was the January 29, 2016 closing price of our common stock on the New York Stock Exchange. The terms change of control and change of control price have the meanings given to these terms in our 2010 Long-Term Compensation Plan. The amounts shown in the following table also assume that in a change of

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control, the acquiring or surviving company would have assumed the equity awards made under the 2010 Long-Term Compensation Plan.

	Voluntary Termination by Executive	Involuntary Termination by Kohl's With Cause	Termination by Executive for Good Reason or Involuntary Termination by Kohl's Without Cause (No Change of Control)	Termination by Executive for Good Reason or Involuntary Termination by Kohl's Without Cause (Following Change of Control)	Termination due to Disability	Death
Severance Payment Salary Continuation			\$ 2,610,000	\$ 2,610,000	\$ 450,000	\$ 450,000
Severance Payment Bonus Payments			\$ 165,793	\$ 480,801		
Pro Rated Bonus <sup>(1)</sup>			\$ 270,000	\$ 165,793	\$ 165,793	\$ 165,793
Outplacement			\$ 20,000	\$ 20,000		
Value of Accelerated Restricted Stock <sup>(2)</sup>			\$ 1,853,346	\$ 2,399,643	\$ 943,512	\$ 2,399,643
Value of Accelerated Stock Options			\$ 86,433	\$ 86,433		\$ 86,433
Value of Accelerated Performance Share Units <sup>(3)</sup>				\$ 904,376	\$ 904,376	\$ 904,376
<b>TOTAL</b>			\$ 5,005,572	\$ 6,667,046	\$ 2,463,681	\$ 4,006,246

<sup>(1)</sup> The entire hypothetical bonus for 2015 is shown here as this table illustrates the effect of a termination at the end of the fiscal year (thus, a full pro-rata applies). In the case of an involuntary or good reason termination without a change of control, the pro rata bonus is based on actual performance at the end of the year. In other cases, the pro rata bonus is illustrated based on the average award made to Mr. McDonald over the prior three fiscal years.

<sup>(2)</sup> The value of accelerated restricted stock includes dividend equivalents on the applicable award which were credited as additional shares subject to the same vesting restrictions as the original award of restricted stock.

<sup>(3)</sup> The value of accelerated performance share units are illustrated at target, although in the case of a disability Mr. McDonald would receive the actual award earned at the end of the performance period, as if he had remained employed through the end of the performance period.

*Potential Benefit Summary Mr. Schepp*

The following table shows the potential payments to Mr. Schepp upon termination of his employment during the term of his employment agreement. Also shown is the value of any of Mr. Schepp's stock options, performance share units, and restricted stock that would vest upon the occurrence of a change of control of Kohl's or upon certain terminations of Mr. Schepp's employment following a change of control of Kohl's. The amounts shown in the table assume a January 30, 2016 employment termination date, do not reflect salary accrued as of that date and, for performance-vested restricted stock where the relevant performance period(s) have not yet been completed, assume all related performance conditions are satisfied. Also assumed is a January 30, 2016 effective date of a change of control and a \$49.75 change of control price of our common stock, which was the January 29, 2016 closing price of our common stock on the New York Stock Exchange. The terms change of control and change of control price have the meanings given to these terms in our 2010 Long-Term Compensation Plan and 2003 Long-Term Compensation Plan, as applicable. The amounts shown in

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the following table also assume that in a change of control, the acquiring or surviving company would have assumed the equity awards made under the 2010 Long-Term Compensation Plan.

	Voluntary Termination by Executive	Involuntary Termination by Kohl's With Cause	Termination by Executive for Good Reason or Involuntary Termination by Kohl's Without Cause (No Change of Control)	Termination by Executive for Good Reason or Involuntary Termination by Kohl's Without Cause (Following Change of Control)	Termination due to Disability	Death
Severance Payment Salary Continuation			\$ 2,610,000	\$ 2,610,000	\$ 450,000	\$ 450,000
Severance Payment Bonus Payments			\$ 158,473	\$ 459,573		
Pro Rated Bonus <sup>(1)</sup>			\$ 270,000	\$ 158,473	\$ 158,473	\$ 158,473
Outplacement			\$ 20,000	\$ 20,000		
Value of Accelerated Restricted Stock <sup>(2)</sup>			\$ 2,437,773	\$ 3,016,343	\$ 975,784	\$ 3,016,343
Value of Accelerated Stock Options			\$ 86,433	\$ 86,433		\$ 86,433
Value of Accelerated Performance Share Units <sup>(3)</sup>				\$ 904,376	\$ 904,376	\$ 904,376
<b>TOTAL</b>			\$ 5,582,679	\$ 7,255,198	\$ 2,488,634	\$ 4,615,625

<sup>(1)</sup> The entire hypothetical bonus for 2015 is shown here as this table illustrates the effect of a termination at the end of the fiscal year (thus, a full pro-rata applies). In the case of an involuntary or good reason termination without a change of control, the pro rata bonus is based on actual performance at the end of the year. In other cases, the pro rata bonus is illustrated based on the average award made to Mr. Schepp over the prior three fiscal years.

<sup>(2)</sup> The value of accelerated restricted stock includes dividend equivalents on the applicable award that were credited as additional shares subject to the same vesting restrictions as the original award of restricted stock.

<sup>(3)</sup> The value of accelerated performance share units are illustrated at target, although in the case of a disability Mr. Schepp would receive the actual award earned at the end of the performance period, as if he had remained employed through the end of the performance period.

**Equity Compensation Plan Information**

The following table provides information as of January 30, 2015 regarding shares outstanding and available for issuance under our existing equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	2,337,463	\$ 54.41	11,225,877
Equity compensation plans not approved by security holders <sup>(1)</sup>			
Total	2,337,463	\$ 54.41	11,225,877

<sup>(1)</sup> All of our existing equity compensation plans have been approved by shareholders.

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**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our Directors and executive officers to file reports with the Commission disclosing their ownership, and changes in their ownership, of our stock. Copies of these reports must also be furnished to us. Based solely upon our review of these copies, we believe that during fiscal 2015, all of such reports were filed on a timely basis by reporting persons.



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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee, management and our independent registered public accounting firm each have different roles and responsibilities with respect to our financial statements and internal control over financial reporting. The Audit Committee oversees our financial reporting process on behalf of the Board of Directors and is directly responsible for the compensation, appointment, retention and oversight of our independent registered public accounting firm. As part of this process, the Audit Committee is directly involved in the selection of the independent registered public accounting firm's lead engagement partner and periodically considers whether a rotation of the independent registered public accounting firm is recommended. The Audit Committee has determined that a policy requiring periodic rotation of our independent registered public accounting firm would not be in shareholders' best interests at this time. Management is responsible for the preparation, presentation and integrity of our financial statements and for the appropriateness of the accounting principles and reporting policies that are used. Management is also responsible for objectively reviewing, evaluating and testing our system of internal controls, and reports to the Audit Committee on any deficiencies found. Our independent registered public accounting firm, Ernst & Young LLP (Ernst & Young), is responsible for performing an independent audit of our financial statements and for expressing an opinion, based on the results of their audit, whether the consolidated financial statements are fairly presented in all material respects, in conformity with accounting principles generally accepted in the United States. In addition, Ernst & Young is responsible for expressing an opinion on the effectiveness of our internal control over financial reporting. Under its written charter, the Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, has direct access to our independent registered public accounting firm as well as any of our employees, and has the ability to retain, at our expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

The Audit Committee reviewed and discussed our audited financial statements with management and Ernst & Young. The Audit Committee has also discussed and reviewed with Ernst & Young the matters required to be discussed by the Public Company Accounting Oversight Board's (PCAOB's) Auditing Standard No. 16 (Communication with Audit Committees). This review included a discussion of the quality of Kohl's accounting principles, the selection of and modification to significant accounting policies, the reasonableness of estimates, and the disclosures in Kohl's financial statements and the notes thereto. In addition, the Audit Committee obtained from Ernst & Young the written disclosures and the letter required by PCAOB Rule 3526 (Communications with Audit Committees Concerning Independence). The Audit Committee discussed with Ernst & Young any relationships that may impact their objectivity and independence, and also considered whether the provision of non-audit services by Ernst & Young is compatible with maintaining their independence, and has satisfied itself with respect to Ernst & Young's independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Annual Report on Form 10-K for the year ended January 30, 2016 for filing with the Commission.

Audit Committee:

Stephen E. Watson, Chair  
John Schlifske  
Stephanie A. Streeter  
Nina G. Vaca

**Table of Contents****ITEM TWO****RATIFICATION OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected Ernst & Young as our and our subsidiaries' independent registered public accounting firm for fiscal 2016. Ernst & Young and its predecessors have been Kohl's independent accountants since prior to the company's initial offering of securities to the public in 1992. Our selection of Ernst & Young as our independent registered public accounting firm for fiscal 2016 is being presented to you for your ratification. Proxies solicited by the Board of Directors will, unless otherwise directed, be voted to ratify the appointment by the Board of Directors of Ernst & Young as our and our subsidiaries' independent registered public accounting firm for fiscal 2016. We have been advised by Ernst & Young that they are independent certified public accountants with respect to us within the meaning of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated under such act.

A representative from Ernst & Young is expected to be present at the Annual Meeting of Shareholders, and will be available to make a statement or answer any appropriate questions during the meeting.

**Fees Paid to Ernst & Young**

We paid the following fees to Ernst & Young for fiscal 2015 and fiscal 2014:

	<b>Fiscal 2015</b>	<b>Fiscal 2014</b>
Audit Fees	\$ 1,367,600	\$ 1,272,700
Audit-Related Fees		
Tax Fees	788,200	631,300
All Other Fees		
<b>Total</b>	<b>\$ 2,155,800</b>	<b>\$ 1,904,000</b>

**Audit Fees.** Audit fees include fees associated with the annual audit, reviews of our quarterly reports on Form 10-Q and various consultation topics. Included in Audit Fees are fees for services related to the audit of our internal controls, as required by Section 404 of the Sarbanes-Oxley Act of 2002, comfort letter issuance fees in connection with SEC filings, and additional billing for out of scope work and expenses related to the fiscal year 2014 audit.

**Audit-Related Fees.** We did not pay any Audit-Related Fees to Ernst & Young during the last two fiscal years.

**Tax Fees.** Tax fees include consultations related to IRS issues, Federal Work Opportunity Tax Credit, Affordable Care Act Readiness and other hiring credit matters and other miscellaneous matters.

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All Other Fees. We did not pay any fees to Ernst & Young during the last two fiscal years for any other services not included in the categories listed above.

### **Pre-approval Policies and Procedures**

Our Audit Committee has adopted procedures for pre-approving all audit and permitted non-audit services provided by our independent registered public accounting firm. The Audit Committee pre-approves a list of specific services and categories of services, subject to a specified cost level. Part of this approval process includes making a determination on whether non-audit services are consistent with the Commission's rules on auditor independence. The Audit Committee may delegate pre-approval authority to the Chairman of the Audit Committee. The Audit Committee periodically monitors the services rendered and negotiates or approves all services by and fees paid to the independent registered public accounting firm to ensure such services are within the parameters approved. All of the services, if any, described under the headings Audit-Related Fees, Tax Fees and All Other Fees were approved by the Audit Committee.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A**

**VOTE FOR THE RATIFICATION OF THE APPOINTMENT**

**OF ERNST & YOUNG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

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**ITEM THREE**

**ADVISORY VOTE ON THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

Kohl's is seeking shareholders to vote to approve, on an advisory or non-binding basis, the compensation of our named executive officers as disclosed in this proxy statement. We are seeking this vote as required pursuant to Section 14A of the Securities Exchange Act of 1934. We are asking shareholders to approve the following nonbinding resolution regarding our executive compensation program:

RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation paid to our named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion & Analysis, compensation tables and narrative discussion.

This is often referred to as a say-on-pay vote. In accordance with the view expressed by our shareholders in an advisory vote at the 2011 Annual Meeting of Shareholders, our Board of Directors currently intends to provide for a say-on-pay vote on an annual basis. As noted above, we are pleased with our shareholders' strong support for our executive compensation in the first five annual say-on-pay votes, with an average of over 96% of the votes cast by our shareholders in favor of our executive compensation.

As an advisory vote, the say-on-pay vote is not binding on Kohl's, the Board of Directors or the Board's Compensation Committee. However, the Board of Directors values the opinions expressed by our shareholders, and the Compensation Committee's charter specifically states that the Committee will review all say-on-pay voting results and consider whether to make any adjustments to our executive compensation policies and practices in response to these results.

We believe our executive compensation program as a whole is well suited to promote Kohl's objectives in both the short and long term. As described above in the Compensation Discussion & Analysis section of this proxy statement, the Compensation Committee has designed our executive compensation program to reflect its philosophy that executive compensation should be directly linked to corporate performance with the ultimate objective of increasing long-term shareholder value. The Compensation Committee's objectives include:

Providing a competitive total compensation package that enables us to attract and retain key personnel;

Providing short-term compensation opportunities through our annual incentive program that are directly linked to corporate performance goals;

Providing long-term compensation opportunities through equity awards that align executive compensation with value received by our shareholders;

Ensuring compensation awarded to our executives is linked to our performance during the fiscal year; and

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Promoting ownership of our stock by our executive officers in order to align the economic interests of our executive officers more closely with those of our shareholders.

**THE BOARD OF DIRECTORS RECOMMENDS A**

**VOTE FOR APPROVAL OF THE COMPENSATION OF THE COMPANY S NAMED EXECUTIVE OFFICERS AS DESCRIBED IN THIS PROXY STATEMENT.**

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**ITEM FOUR**

**OUR PROPOSAL TO  
RE-APPROVE THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER KOHL'S  
ANNUAL INCENTIVE PLAN**

Our Board of Directors is recommending that the material terms of the performance goals under our Annual Incentive Plan (the Incentive Plan) be re-approved by our shareholders. **The terms of the Incentive Plan remain unchanged since they were first approved by our shareholders. This proposal is not requesting approval of any amendments to the Incentive Plan.** The following discussion is qualified in its entirety by the text of the Incentive Plan, which is attached to this proxy statement as Annex A.

As discussed in detail in the Compensation Discussion and Analysis section of this proxy statement, annual incentive compensation is a key component of Kohl's pay-for-performance strategy. Annual incentives are provided through our Incentive Plan, which was first approved by the Board of Directors as of February 4, 2007 and approved by our shareholders on May 2, 2007. The Incentive Plan was re-approved by our shareholders on May 12, 2011. The Incentive Plan is administered by the Compensation Committee, which is comprised solely of independent directors.

Section 162(m) of the Internal Revenue Code generally does not allow a publicly held company to obtain a tax deduction for compensation of more than \$1 million paid in any year to its chief executive officer or its three most highly paid executive officers (other than the chief executive officer and the chief financial officer) unless such payments are performance-based as defined in that section. One of the requirements for compensation to be performance-based under Section 162(m) is that the company must obtain shareholder approval of the material terms of the performance goals for such compensation every five years.

Accordingly, to enable us to receive certain tax deductions for compensation earned by our chief executive officer and executive officers under awards made from the Incentive Plan subject to performance goals, the Board of Directors is requesting shareholder re-approval of the material terms of the performance goals for those types of awards. Specifically, the Board of Directors is seeking shareholder re-approval of the following material terms of the performance goals under the Incentive Plan, which are described in further detail below:

The employees eligible to receive awards under the Incentive Plan;

The eligible performance goals under the Incentive Plan and the descriptions of each found in the Incentive Plan; and

The individual award limits applicable to participants under the Incentive Plan.

**Material Terms of the Performance Goals**

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*Employees Eligible to Receive Awards.* Participation in the Incentive Plan is limited to our named executive officers and any other participant designated by the Compensation Committee. Awards for fiscal 2015 were made to approximately 8,600 of our associates.

*Performance Goals.* During the first 90 days of each fiscal year, the Compensation Committee will fix the objective criteria for determining whether an award will be payable for that year and, if so, the amount of the awards payable to each participant for various performance levels. The performance criteria among which the Compensation Committee may select are:

net income;

net income per share;

operating income;

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return on investment;

net sales; or

comparable store sales.

These performance criteria may be used singularly or in combination to measure performance of the entire company or an applicable division or subsidiary.

Incentive payment amounts for manager-level associates and above are based on a percentage of the participant's salary, as determined by the Compensation Committee, if and to the extent that the relevant performance goals are achieved. The performance criteria and the percentage of base salary awarded for achieving the goals may vary from year to year. At the time the performance goals are established, the Compensation Committee will determine whether the performance goals shall be determined with or without regard to changes in accounting, extraordinary, unusual or nonrecurring items, or changes in income tax rates.

Before any award may be paid, the Compensation Committee must certify that the performance goals and other requirements of the Incentive Plan have been satisfied. Even if the performance goals applicable to a participant have been met, the Compensation Committee may, in its discretion, reduce or eliminate entirely an award to reflect any extraordinary or unusual item or such other factors as it may deem relevant if it determines that such an adjustment would be in the best interests of our shareholders. Awards will be paid out as soon as practicable following the Compensation Committee's certification and approval. Participants may defer receipt of an award by filing a timely election pursuant to our Executive Deferred Compensation Plans.

In February 2016, the Compensation Committee established the award opportunities and general performance criteria for participants in the Incentive Plan for fiscal 2016. For Mr. Mansell, the incentive award opportunities range from 0% to 250% of his fiscal 2016 salary, which is the same range of opportunities that was applicable in prior years. For the other NEOs, the incentive award opportunities range from 0% to 200% of each of their respective fiscal 2016 salaries, which is also the same range as in prior years. As has been the case in prior years, various levels of awards may be earned by each participant based upon Kohl's:

achieving growth in total sales relative to the performance of our core peer group; or

achieving net income within the range forecasted in our initial publicly announced annual earnings guidance; or

achieving net income levels above a designated threshold level.

The Compensation Committee will consider the specific net income levels required for achievement of various levels of incentive awards for fiscal 2016 after the filing of this proxy statement.

*Individual Award Limitations.* The maximum incentive payment any person can earn in any year under the Incentive Plan is \$5 million.



**Incentive Plan Benefits**

It is not presently possible to determine the dollar amounts that will be received by participants in the Incentive Plan for fiscal 2016 or in future years. However, the following table sets forth the amount of the incentive payments made under the Incentive Plan based on the achievement of performance goals for fiscal

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2015 to (i) each of our named executive officers, (ii) all executive officers as a group, and (iii) all employees other than executive officers as a group.

Name and Position	Plan Benefits	
	Annual Incentive Plan	
	Dollar Value (\$)	
Kevin Mansell Chairman, President & CEO	\$	553,260
Sona Chawla Chief Operating Officer	\$	55,011
Michelle Gass Chief Merchandising and Customer Officer	\$	330,000
Wesley McDonald Chief Financial Officer	\$	270,000
Richard Schepp Chief Administrative Officer	\$	270,000
All executive officers as a group	\$	1,478,271
All employees other than executive officers as a group	\$	38,842,018

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RE-APPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER KOHL S ANNUAL INCENTIVE PLAN.**

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**ITEM FIVE**

**OUR PROPOSAL TO  
RE-APPROVE THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER THE KOHL'S  
CORPORATION 2010 LONG TERM COMPENSATION PLAN**

Our Board of Directors is recommending that the material terms of the performance goals under our 2010 Long Term Compensation Plan (the Plan ) be re-approved by our shareholders. **The terms of the Plan remain unchanged since they were first approved by our shareholders. This proposal is not requesting approval of any amendments to the Plan.** The following discussion is qualified in its entirety by the text of the Plan, which is attached to this proxy statement as Annex B.

As discussed in detail in the Compensation Discussion and Analysis section of this proxy statement, long-term incentive compensation is a key component of Kohl's pay-for-performance strategy. Our Board of Directors believes that long-term incentive compensation programs align the interests of management and our shareholders to create long-term shareholder value and helps us recruit, reward, motivate and retain talented personnel. The Plan was adopted by our Board of Directors and its Compensation Committee on February 24, 2010, and approved by our shareholders on May 13, 2010.

Section 162(m) of the Internal Revenue Code generally does not allow a publicly held company to obtain a tax deduction for compensation of more than \$1 million paid in any year to its chief executive officer or its three most highly paid executive officers (other than the chief executive officer and the chief financial officer) unless such payments are performance-based as defined in that section. One of the requirements for compensation to be performance-based under Section 162(m) is that the company must obtain shareholder approval of the material terms of the performance goals for such compensation every five years.

Accordingly, to enable us to receive certain tax deductions for compensation earned by our chief executive officer and executive officers under certain awards made from the Plan that are subject to performance goals, the Board of Directors is requesting shareholder re-approval of the material terms of the performance goals for those types of awards. Specifically, the Board of Directors is seeking shareholder re-approval of the following material terms of performance goals under the Plan, which are described in further detail below:

The employees eligible to receive awards under the Plan;

The eligible performance goals under the Plan and the descriptions of each found in the Plan; and

The individual award limits applicable to participants under the Plan.

**Material Terms of the Performance Goals**

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*Employees Eligible to Receive Awards.* Any current or former employee or nonemployee Director of the Company chosen by the Compensation Committee is eligible to receive an award under the Plan. Awards for fiscal 2015 were made to approximately 450 of our associates.

*Eligible Performance Goals.* The performance goals we are requesting the shareholders to re-approve for awards granted under the Plan include the following business criteria:

total sales levels;

comparable store sales levels;

net income;

earnings before or after taxes, interest, depreciation, and/or amortization;

net operating profit;

earnings per share;

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gross or operating margins;

return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales or revenue);

cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);

productivity ratios;

expense or expense rate targets;

working capital targets or change in working capital;

economic value added or EVA (net operating profit after tax minus the sum of capital multiplied by the cost of capital);

inventory metrics;

market share gains;

shareholder return;

shareholder value;

attraction, retention and satisfaction of employees;

customer satisfaction survey scores;

total shareholder value; and

market value of the Common Stock.

The performance goals based on these business criteria may be set on a pre-tax or after-tax basis, may be applied on an absolute or relative basis, may be valued on a growth or fixed basis, and may be determined with or without regard to changes in accounting or extraordinary, unusual or nonrecurring events, as specified by the Compensation Committee at the time an award is granted.

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*Individual Award Limitations.* No participant may receive options or stock appreciation rights for more than 1,500,000 shares in any twelve-month period. No participant may receive grants of Full Value Awards (as defined below) which are subject to performance goals for more than 750,000 shares of Common Stock during any twelve-month period. No participant may receive a grant of performance units during any fiscal year with a maximum cash payout in excess of \$10,000,000.

The Plan does not limit our right to award or pay other forms of awards under the Plan to the company's executive officers that are not performance-based, including restricted stock and restricted stock units that vest based upon the continued employment of a participant.

### **General Description of Other Terms of the Plan**

Other key features of the Plan include the following:

The Plan provides for the following types of awards:

options to purchase shares of our Common Stock;

stock appreciation rights ( SARs );

stock awards;

performance units; and

performance shares.

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The aggregate number of shares of Common Stock authorized under the Plan is 18,500,000, which will be reduced by one (1) share for every share of Common Stock subject to a stock option or SAR Award granted under the Plan and 1.5 shares for every share of Common Stock subject to a Full Value Award granted under the Plan. Full Value Awards mean awards that are not stock options or stock appreciation rights and are settled by the issuance of Common Stock;

The Plan is administered by the Compensation Committee, which is comprised solely of independent directors;

The aggregate number of shares of Common Stock subject to awards granted to nonemployee directors may not exceed 500,000;

The exercise price of options may not be less than the fair market value of the Common Stock on the date of grant;

Options may not be repriced after the date of grant without shareholder approval, except as provided in the Plan for stock splits, recapitalization and similar events;

Upon a change of control of Kohl's where awards are assumed, a double trigger provision in the Plan allows accelerated vesting only upon the participant's involuntary termination of employment; and

The Plan includes clawback provisions that allow the Compensation Committee to terminate outstanding awards, and in some circumstances recover awards that have already been paid, to participants who are found to have engaged in fraudulent or dishonest behavior.

## **Term**

Awards shall not be granted pursuant to the Plan after the tenth anniversary of the date on which the Plan was approved by the Company's shareholders, or May 13, 2020, but awards granted prior to that date shall continue to be effective in accordance with their terms.

## **Plan Benefits**

It is not presently possible to determine the dollar amounts that will be received by participants in the Plan for fiscal 2016 or in future years. However, the following table sets forth the awards and the dollar value of the awards granted under the Plan during fiscal 2015 to (i) each of our named executive officers, (ii) all executive

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officers as a group, (iii) all non-employee directors as a group and (iv) all employees other than executive officers as a group.

Name and Position	Restricted Stock	Dollar Value of Restricted Stock <sup>(1)</sup>	Performance Share Units <sup>(2)</sup>	Dollar Value of Performance Share Units <sup>(1)</sup>
Kevin Mansell Chairman, President & CEO	31,323	\$ 2,399,968	41,411	\$ 3,599,980
Sona Chawla Chief Operating Officer	173,123	8,000,014	20,903	1,000,000
Michelle Gass Chief Merchandising and Customer Officer	9,136	700,000	12,087	1,049,998
Wesley McDonald Chief Financial Officer	5,221	400,033	6,907	600,011
Richard Schepp Chief Administrative Officer	5,221	400,033	6,907	600,011
All executive officers as a group	224,024	11,900,048	88,215	6,850,000
All non-employee directors as a group	14,357	899,717		
All employees other than executive officers as a group	645,186	45,251,258	79,350	6,410,449

(1) The grant date fair value of awards that are reported in this column have been computed in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718, Stock Compensation .

(2) These amounts represent the number of performance share units if target performance is achieved.

**THE BOARD OF DIRECTORS RECOMMENDS A**

**VOTE FOR RE-APPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE GOALS**

**UNDER THE KOHL S CORPORATION 2010 LONG TERM COMPENSATION PLAN.**



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**ITEM SIX**

**SHAREHOLDER PROPOSAL: RECOVERY OF UNEARNED MANAGEMENT BONUSES**

The following shareholder proposal was submitted by John Chevedden, 2215 Nelson Avenue, No. 205, Redondo Beach, California 90278 (the Proponent ). The Proponent claims to beneficially own not less than 150 shares of Kohl 's stock. If a representative of the Proponent who is qualified under state law is present and submits the proposal for a vote at the Annual Meeting, then the proposal will be voted upon. In accordance with federal securities regulations, the proposal is set forth below exactly as submitted by the Proponent.

**Proposal 6 Recovery of Unearned Management Bonuses**

RESOLVED, that shareholders request the Compensation Committee of our Board of Directors to adopt an incentive pay recoupment policy to provide that the Committee will (a) review, and determine whether to seek recoupment of incentive compensation paid, granted or awarded to a senior executive if, in the Committee 's judgment, (i) there has been misconduct resulting in a violation of law or company policy, that causes significant financial or reputational harm to the company and (ii) the senior executive either committed the misconduct or failed in his or her responsibility to manage or monitor conduct or risks; and (b) disclosure to shareholders the circumstances of any recoupment, and of any Committee decision not to pursue recoupment in instances that meet certain criteria (i) and (ii). The Policy should mandate that the above recoupment provisions be included in all future incentive plans and award agreements and that the policy be posted on the company website.

Recoupment includes (a) recovery of compensation already paid and (b) forfeiture, recapture, reduction or cancellation of amounts awarded or granted to an executive over which the company retains control. The Policy should operate prospectively, so as not to affect any compensation paid, awarded or granted before it takes effect.

Former General Electric General Counsel Ben Heineman, Jr. said that recoupment policies with business-related misconduct triggers are a powerful mechanism for holding senior leadership accountable to the fundamental mission of the corporation: proper risk taking balanced with proper risk management and robust fusion of high performance with high integrity.

Please vote to protect shareholder value:

**Recovery of Unearned management Bonuses Proposal 6**

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**STATEMENT OF THE BOARD OF DIRECTORS IN  
OPPOSITION TO THIS SHAREHOLDER PROPOSAL**

Kohl's already has a published clawback policy and recoupment rights within its existing compensation programs. As such, and after careful consideration, our Board of Directors has determined that this shareholder proposal would not enhance shareholder value and would not be in the best interests of Kohl's and its shareholders. The Board therefore recommends that you vote **AGAINST** this proposal.

Kohl's Corporate Governance Guidelines, which are published on Kohl's investor relations Website, include a clawback policy with expansive incentive compensation recoupment rights:

**Clawback Policy**

Without limiting any other rights or remedies available to the Company, subject to the discretion and approval of the Board or its Compensation Committee, the Company will, in all appropriate cases as determined by the Board or its Compensation Committee, require modification, reimbursement and/or cancellation of the relevant portion(s) of any annual incentive payment or long-term incentive payment under any award to an executive officer of the Company where all of the following factors are present: (1) the payment was predicated upon achieving certain financial results that were subsequently the subject of a material restatement of Company financial statements; (2) in the Board's or its Compensation Committee's view, the executive engaged in fraud or intentional misconduct that was a substantial, material contributing cause to the need for the restatement; and (3) a lower payment would have been made or awarded to the executive based upon the restated financial results. The Board will review and assess this clawback policy from time to time, in its discretion, including after final recoupment rules are adopted by the Securities and Exchange Commission.

Kohl's 2010 Long-Term Compensation Plan (the "2010 Plan") also provides that the Compensation Committee (the "Committee") retains the right at all times to terminate all awards and payments under the Plan if a participant is terminated for cause or commits an act of misconduct. For any awards subject to performance goals which have previously vested, been paid or were exercised by a participant, if such performance goals would not have been determined by the Committee to have been achieved but for the participant's act of misconduct, the 2010 Plan expressly authorizes Kohl's to recover some or all of the value of any such previously paid, vested or exercised awards.

In addition to Kohl's existing, express clawback policy and recoupment provisions in the 2010 Plan, existing laws require recoupment in certain circumstances. The Sarbanes-Oxley Act of 2002 requires recoupment of some executives' awards if a misstatement resulted from misconduct. In addition, Section 954 of the Dodd-Frank Act mandates the Securities and Exchange Commission (the "Commission") adopt rules related to the recoupment of executive compensation. Rather than adopt additional provisions that may ultimately vary from the Commission's interpretation of the requirements set forth in Section 954, the Board has determined that a broad clawback policy, like that published in Kohl's Corporate Governance Guidelines, is appropriate and in the best interests of Kohl's and our shareholders. Once the Commission's rules have been finalized, the Board will reexamine its current policies and determine whether changes are necessary.

**FOR THE ABOVE REASONS, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE AGAINST THE ADOPTION OF THIS SHAREHOLDER PROPOSAL.**

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**A COPY OF OUR ANNUAL REPORT ON FORM 10-K FOR FISCAL 2015 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS POSTED ON OUR CORPORATE WEBSITE AT [www.kohlscorporation.com](http://www.kohlscorporation.com). A HARD COPY WILL BE SENT TO YOU WITHOUT CHARGE UPON WRITTEN REQUEST TO OUR SECRETARY AT N56 W17000 RIDGEWOOD DRIVE, MENOMONEE FALLS, WISCONSIN 53051. EXHIBITS TO THE FORM 10-K WILL BE FURNISHED UPON PAYMENT OF THE REASONABLE EXPENSES OF FURNISHING THEM.**

By Order of the Board of Directors

Jason J. Kelroy,  
*Secretary*

Menomonee Falls, Wisconsin

March 24, 2016

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**ANNEX A**

**KOHL'S CORPORATION**  
**ANNUAL INCENTIVE PLAN**

*as of February 28, 2007*

1. **Purpose.** The Board of Directors of Kohl's Corporation adopted this Plan on February 28, 2007. The Plan is intended to operate substantially in the same manner as the Company's existing executive bonus plan, except that the Plan is intended to meet the requirements of Section 162(m) of the Code and the regulations thereunder, so that compensation received pursuant to the Plan will be performance-based compensation excludable from the \$1 million limitation on deductible compensation. The Plan is intended to establish a correlation between the annual incentives awarded to the Participants and the financial performance of the Company or one of its divisions or subsidiaries. The Participants will receive an incentive award if the Performance Goals, as fixed by the Committee pursuant to the terms of the Plan, are met. Subject to approval by the shareholders of Kohl's Corporation, the Plan will be applicable to the fiscal year of Kohl's Corporation beginning on February 4, 2007 and subsequent fiscal years unless and until terminated by the Committee. If shareholder approval is not obtained at such time(s) as the Plan is submitted to the shareholders for their approval, the Plan will not continue in effect.

2. **Definitions.** As used in the Plan, the following terms have the meanings indicated:

(a) **Award Table** means a table similar in type to Exhibit A, with changes necessary to adapt to the performance criteria selected by the Committee for the Performance Year and to display other objective factors necessary to determine the amount, if any, of the incentive award for the Performance Year.

(b) **Board** means the Board of Directors of Kohl's Corporation.

(c) **Code** means the Internal Revenue Code of 1986, as amended from time to time.

(d) **Committee** means the Compensation Committee of the Board.

(e) **Company** means Kohl's Corporation and its subsidiaries including a corporation or other business entity in which the Company directly or indirectly has a significant ownership interest, as determined by the Committee in its sole discretion.

(f) **Comparable Store Sales** means annual sales of the Company's stores (including E-commerce sales and relocated or expanded stores) open throughout the relevant period during the applicable Performance Year and throughout the corresponding period during the prior fiscal year or, in the case of Comparable Store Sales of an applicable division or subsidiary, annual sales of the stores of such division or subsidiary (including E-commerce sales and relocated or expanded stores) open throughout the relevant period during the applicable Performance Year and throughout the corresponding period during the prior fiscal year, computed in accordance with U.S. generally accepted accounting principles.

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(g) **Net Income** means the after-tax, consolidated, annual net income of the Company, or, in the case of Net Income of an applicable division or subsidiary, after-tax annual net income of the division or subsidiary, computed in accordance with U.S. generally accepted accounting principles.

(h) **Net Income per Share** means the portion of the Company's Net Income allocable to each outstanding share of common stock during the accounting period, based on the average number of shares outstanding, computed on a fully-diluted basis in accordance with U.S. generally accepted accounting principles.

(i) **Net Sales** means the consolidated, annual revenue of the Company, or, in the case of Net Sales of an applicable division or subsidiary, annual revenue of the division or subsidiary, computed in accordance with U.S. generally accepted accounting principles.

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(j) **Operating Income** means Net Sales less the Company's cost of goods sold, selling, general and administrative expenses, depreciation, amortization, and pre-opening expenses, or, in the case of Operating Income of an applicable division or subsidiary, Net Sales of such division or subsidiary less such division's or subsidiary's cost of goods sold, selling, general and administrative expenses, depreciation, amortization, and pre-opening expenses, computed in accordance with U.S. generally accepted accounting principles, provided, however, at the time the Performance Goals are established by the Committee, the Committee may determine whether to include or exclude taxes in the determination of Operating Income for the Company or an applicable division or subsidiary.

(k) **Participant** means any associate of the Company designated to participate in the Plan.

(l) **Performance Goal** means one or more of Comparable Store Sales, Net Income, Net Income Per Share, Net Sales, Operating Income, or Return on Investment which may be used singularly or in combination, as the Committee determines, to measure the performance of the Company or an applicable subsidiary or division for the purpose of determining whether, and to what extent, an award will be payable under the Plan for the Performance Year. The Performance Goals applicable to each Participant in the Plan during any Performance Year do not have to be the same.

(m) **Performance Year** means the Company's fiscal year. The initial Performance Year begins February 4, 2007.

(n) **Plan** means this Annual Incentive Plan.

(o) **Return on Investment** means a percentage calculated by dividing the Company's EBITDAR by its Average Gross Investment, both calculated in accordance with the Company's standard accounting practices.

(p) **Salary** means, except as otherwise provided by the Committee, base salary earned for each Performance Year determined in accordance with principles employed for reporting salary to the shareholders of Kohl's Corporation in the Company's annual proxy statement.

3. **Participation.** Participation in the Plan shall be limited to the Company's named executive officers and any other Participants designated by the Committee. Participation in the Plan in one Performance Year does not guarantee participation in a subsequent Performance Year. A person who becomes a Participant after the commencement of a Performance Year shall be eligible to receive a pro rata award pursuant to Section 4, based on the number of full months remaining in the Performance Year after he or she becomes a Participant, or based on such other applicable method established by the Committee at the time such person is designated as a Participant.

4. **Determination of Awards.**

(a) Before May 4, 2007, and thereafter, during the first ninety (90) days of each succeeding Performance Year, the Committee will complete and adopt an Award Table substantially in the form attached as Exhibit A. The Award Table will fix the objective components, including the relevant Performance Goals, for determining whether an award will be paid and, if so, the amount of the award. Awards are based on a percentage of each Participant's Salary for the Performance Year, if and to the extent the relevant Performance Goals are achieved. Only if

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specifically provided by the Committee at the time the Performance Goals are established, the amount of the award will be determined by linear interpolation (or other form of interpolation as specifically provided by the Committee) if the performance falls between the Performance Goals set forth in the Award Table. At the time the Performance Goals are established by the Committee, the Committee shall determine whether the Performance Goals shall be determined with or without regard to (i) changes in accounting; (ii) extraordinary, unusual or nonrecurring items, including, without limitation, the impact of acquisitions or divestitures, as specified by the Committee; or (iii) changes in income tax rates. The Performance Goals and targets for a Performance Year may not be modified after the first ninety (90) days of a Performance Year have elapsed.

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(b) Before any award may be paid for a Performance Year, the Committee shall certify that the Performance Goals and other requirements of the Plan have been satisfied for the Performance Year. No payments shall be made unless and until the Committee makes this certification.

(c) Even if the Performance Goals applicable to a Participant have been met, (i) no award to such Participant with respect to a Performance Year shall exceed \$5,000,000, and (ii) the Committee expressly reserves, in its discretion, the right to reduce or eliminate entirely any award otherwise determined under the Plan to reflect any extraordinary items or such other factors as it may deem relevant if it determines it is in the best interests of the Company to do so. Such determination shall be conclusive and binding.

**5. Payment of Awards.**

(a) If the Committee has made the certification required pursuant to Section 4(b), subject to Section 4(c), awards shall be payable as soon as practicable following such certification, but no later than the end of the calendar year during which such Performance Year has ended. Notwithstanding the foregoing, subject to applicable laws and if approved by the Committee, a Participant may defer receipt of an award by filing a timely election pursuant to the Company's 2005 Executive Deferred Compensation Plan, as amended from time to time, or any successor thereto. All awards under the Plan are subject to federal, state and local income and payroll tax withholding when paid.

(b) Except as otherwise set forth by the Company or the Committee, a Participant shall receive no award for a year if the Participant's employment with the Company terminates prior to the last day of the Performance Year for any reason. A Participant shall not forfeit an award if the participant's employment terminates after the end of the applicable Performance Year, but prior to the distribution of the award for such year.

**6. Administration.** The Plan shall be administered by the Committee. The Committee may adopt rules and regulations for carrying out the Plan, and the Committee may take such actions as it deems appropriate to ensure that the Plan is administered in the best interests of the Company. The Committee has the authority to construe and interpret the Plan, resolve any ambiguities, and make determinations with respect to the eligibility for or amount of any award. The interpretation, construction and administration of the Plan by the Committee shall be final, binding and conclusive for all purposes and upon all persons including, without limitation, the Company, any successor to the Company, Participants, and any person claiming an interest through a Participant. The Committee may consult with counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel.

**7. Rights.** Participation in the Plan and the right to receive awards under the Plan shall not give a Participant any proprietary interest in the Company or any of its assets. A Participant shall for all purposes be a general creditor of the Company. The interests of a Participant cannot be assigned, anticipated, sold, encumbered or pledged and shall not be subject to the claims of his or her creditors. Nothing in the Plan shall confer upon any Participant the right to continue in the employ of the Company, or shall interfere with or restrict in any way the right of the Company to discharge a Participant at any time for any reason whatsoever, with or without cause.

**8. Successors.** The Plan shall be binding on the Participants and their personal representatives. If the Company becomes a party to any merger, consolidation, reorganization or other corporate transaction, the Plan shall remain in full force and effect as an obligation of the Company or its successor in interest unless and until terminated by the Company or its successor in interest in accordance with this Plan.



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9. Amendment and Termination. The Committee may amend or terminate the Plan at any time as it deems appropriate; provided that to the extent required to meet the requirements of Code Section 162(m) for performance-based compensation, any amendment that makes a material change to the Plan must be approved by the shareholders of Kohl's Corporation.

10. Interpretation. If any provision of the Plan would cause the Plan to fail to meet the Code Section 162(m) requirements for performance-based compensation, then that provision of the Plan shall be deemed modified to the extent necessary to meet the requirements of Code Section 162(m).

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Exhibit A

**AWARD TABLE****PERFORMANCE YEAR 20**

A&lt; (-) B (+) - &gt;C

<b>Title</b>	<b>Threshold Performance Level Specified: % of Salary</b>	<b>Target Performance Level Specified: % of Salary</b>	<b>Maximum Performance Level Specified: % of Salary</b>
Executive Officer [ ]	%	%	%
Executive Officer [ ]	%	%	%
Executive Officer [ ]	%	%	%

\* Additional performance levels may be selected by the Committee, see note 7 below.

During the first 90 days of each Performance Year, the Committee shall set the Performance Goals using the following process.

**Award Derivations**

- Specify performance criteria to be used as the Performance Goals for the Performance Year (i.e., one or more of Comparable Store Sales, Net Income, Net Income Per Share, Net Sales, Operating Income, or Return on Investment), which may be used singularly or in combination, as the Committee determines, to measure the performance of the Company for the purpose of determining whether an award will be payable under the Plan for the Performance Year.
- Indicate whether the specified Performance Goals shall be determined with or without regard to (i) changes in accounting; (ii) extraordinary, unusual or nonrecurring items, including, without limitation, the impact of acquisitions or divestitures, as specified by the Committee; or (iii) changes in income tax rates.
- Identify any Participants in addition to the executive officers.
- Fix the applicable target Performance Goal for each Participant and percentage of salary. (B)
- Fix the threshold Performance Goal for each Participant, below which no award is payable, and percentage of salary. (A)
- Fix the maximum Performance Goal for each Participant, which results in a maximum permitted award, and percentage of salary. (C)

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7. To the extent the Committee elects to use any additional Performance Goals other than threshold, target, or maximum, fix such other applicable Performance Goals for each Participant and percentage of salary.
  
8. Only if so specified at the time the Performance Goals are established, if the result achieved for the Performance Year is less than the goal specified in B, but greater than the goal specified in A, the percentage award payable will be determined by interpolating, as specifically provided by the Committee pursuant to the Plan, between A and B, or if the result achieved for the Performance Year is greater than the goal specified in B, but less than the goal specified in C, the percentage award payable will be determined by interpolating, as specifically provided by the Committee pursuant to the Plan, between B and C with C being the maximum. Similarly, if specifically provided by the Committee pursuant to the Plan, the same interpolation principles shall apply to any additional Performance Goals selected by the Committee pursuant to note 7, above.

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**ANNEX B**

**KOHL S CORPORATION**

**2010 LONG-TERM COMPENSATION PLAN**

**1. Purpose**

The purpose of the Plan is to allow the Company to attract and retain key employees and directors of the Company and its subsidiaries and to provide motivation to these individuals to put forth maximum efforts toward the continued growth, profitability, and success of the Company and its Subsidiaries by providing incentives through the ownership and performance of the Company's Common Stock. Toward this objective, the Committee may grant various equity-based Awards to Participants on the terms and subject to the conditions set forth in the Plan. These Awards will provide Participants with a proprietary interest in the growth and performance of the Company.

**2. Definitions**

2.1. Act of Misconduct shall have the meaning set forth in Paragraph 23 below.

2.2. Award means any form of Stock Option, Stock Appreciation Right, Stock Award, Performance Unit, Performance Shares or other incentive award granted under the Plan, whether singly, in combination, or in tandem, to a Participant by the Committee pursuant to such terms, conditions, restrictions, and/or limitations, if any, as the Committee may establish by the Award Agreement or otherwise.

2.3. Award Agreement means either:

(a) a written agreement between the Company and a Participant; or

(b) a written or electronic statement issued by the Company to a Participant,

establishing the terms, conditions, restrictions, and/or limitations applicable to an Award in addition to those established by this Plan and by the Committee's exercise of its administrative powers. The Committee may provide for the use of electronic, internet, intranet or other non-paper Award Agreement, and the use of electronic, internet, intranet or other non-paper means for the acceptance of Awards and other desired or required actions by a Participant.

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- 2.4. **Board** means the Board of Directors of the Company;
- 2.5. **Change of Control** shall have the meaning set forth in Paragraph 19 below.
- 2.6. **Code** means the Internal Revenue Code of 1986, as amended from time to time.
- 2.7. **Committee** means the Compensation Committee of the Board, or such other committee of directors designated by the Board, authorized to administer the Plan under Paragraph 3 hereof. Membership of the Committee shall consist of not less than two (2) independent directors and shall otherwise comply with the requirements of the rules and regulations of the Securities and Exchange Commission, the stock exchange on which the Company's Common Stock is traded, Rule 16b-3 of the Exchange Act and Code Section 162(m).
- 2.8. **Common Stock** means \$.01 par value common shares of Kohl's Corporation.
- 2.9. **Company** means Kohl's Corporation, a Wisconsin corporation, and any of its direct or indirect subsidiaries.

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2.10. **Disability** means the inability of a Participant to perform his or her normal duties as a full-time employee of the Company for a continuous period of ninety (90) days by reason of physical or mental illness or incapacity. If there is any dispute as to whether the termination of the Participant's employment was due to his or her physical or mental illness or incapacity, such question shall be submitted to a licensed physician for the purpose of making such determination. An examination of the Participant shall be made within thirty (30) days after written notice by the Committee or the Participant by a licensed physician selected by the Committee. The Participant shall submit to such examination and provide such information as such physician may request and the determination of such physician as to the question of the Participant's physical or mental condition shall be binding and conclusive on all parties concerned for purposes of this Plan. The disability shall be deemed to be continuing unless the Participant performs his or her regular duties for his or her employer for a continuous period of ninety (90) days. Notwithstanding the foregoing definition, if the Participant and Company are parties to any employment agreement, executive compensation agreement or similar agreement containing a different definition of **Disability**, the definition in the employment agreement, executive compensation agreement or similar agreement shall control.

2.11. **Effective Date** means the date this Plan is duly approved by the Company's shareholders.

2.12. **Exchange Act** means the Securities and Exchange Act of 1934, as amended.

2.13. **Full Value Awards** mean Awards that are not Stock Options or Stock Appreciation Rights and are settled by the issuance of Common Stock.

2.14. **Market Value** of Common Stock shall mean the closing sale price of Common Stock on the New York Stock Exchange Composite Transactions.

2.15. **Nonemployee Director** shall mean a member of the Board of Directors who is not a current employee of the Company.

2.16. **Participant** means a current or former employee of the Company or a Nonemployee Director chosen by the Committee to receive an Award under this Plan.

2.17. **Performance Goal** shall have the meaning set forth in Paragraph 13 below.

2.18. **Performance Share** means an award granted pursuant to Paragraph 12 hereof.

2.19. **Performance Unit** means an award granted pursuant to Paragraph 11 hereof.

2.20. **Plan** means this Kohl's Corporation 2010 Long-Term Compensation Plan, as amended from time to time.

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2.21. **Prior Plans** means the Kohl's Corporation 1997 Long-Term Compensation Plan, the Kohl's Corporation 1997 Stock Option Plan for Outside Directors and the Kohl's Corporation 2003 Long-Term Compensation Plan, as amended.

2.22. **Retirement** means a Participant's voluntary termination of employment other than for Cause after the later to occur of (a) attainment of age sixty (60); or (b) employment with the Company for a continuous period of ten (10) years.

2.23. **Rule 16b-3** means Rule 16b-3 promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, as it may be amended from time to time, and any successor rule.

2.24. **Stock Appreciation Rights** or **SARs** shall mean stock appreciation rights Awards granted pursuant to Paragraph 9 below.

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2.25. **Stock Award** means an award granted pursuant to Paragraph 10 hereof in the form of shares of Common Stock, restricted shares of Common Stock, and/or Units of Common Stock.

2.26. **Stock Option** shall mean stock option Awards granted pursuant to Paragraph 8 below.

2.27. **Unit** means a bookkeeping entry used by the Company to record and account for the grant of the following Awards until such time as the Award is paid, cancelled, forfeited or terminated, as the case may be: Units of Common Stock, Performance Units, and Performance Shares which are expressed in terms of Units of Common Stock.

**3. Administration**

The Plan shall be administered by the Committee. Subject to the terms of the Plan, the Committee shall have the authority to:

(a) interpret the Plan;

(b) establish such rules and regulations as it deems necessary for the proper operation and administration of the Plan;

(c) select Participants to receive Awards under the Plan;

(d) determine the form of an Award, whether a Stock Option, Stock Appreciation Right, Stock Award, Performance Unit, Performance Share, or other incentive award established by the Committee in accordance with the Plan, the number of shares or Units subject to the Award, all the terms, conditions, restrictions and/or limitations, if any, of an Award, including the time and conditions of exercise or vesting, and the terms of any Award Agreement;

(e) determine whether Awards will be granted singly, in combination or in tandem;

(f) determine the Performance Goals, if any, which will be applicable to the Award;

(g) grant waivers of Plan terms, conditions, restrictions, and limitations;

(h) accelerate the vesting, exercise, or payment of an Award or the performance period of an Award when such action or actions would be in the best interest of the Company; and



(i) take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

In addition, in order to enable Participants who are foreign nationals or are employed outside the United States or both to receive Awards under the Plan, the Committee may adopt such amendments, procedures, regulations, subplans and the like as are necessary or advisable, in the opinion of the Committee, to effectuate the purposes of the Plan.

Subject to Paragraph 24, the Committee shall also have the authority to grant Awards in replacement of Awards previously granted under this Plan or any other executive compensation plan of the Company.

All determinations of the Committee shall be made by a majority of its members, and its determinations shall be final, binding and conclusive on the Company, Participants and any persons claiming an interest through a Participant. The Committee, in its discretion, may delegate its authority and duties under the Plan to the Chief Executive Officer and/or to other senior officers of the Company under such conditions and/or limitations as the

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Committee may establish; provided, however, that only the Committee may select and grant Awards to Participants who are subject to Section 16 of the Exchange Act.

### **4. Eligibility**

Any current or former employee or Nonemployee Director of the Company chosen by the Committee shall be eligible to receive an Award.

### **5. Awards Available**

(a) **Aggregate Limit.** Subject to adjustment as provided in Paragraph 21 hereof, the aggregate number of shares of Common Stock which may be issued under the Plan pursuant to the exercise or grant of Awards shall not exceed 18,500,000 shares of Common Stock, which shall be reduced by one (1) share of Common Stock for every one (1) share of Common Stock that was subject to a Stock Option or Stock Appreciation Right Award granted under the Plan and 1.5 shares of Common Stock for every one (1) share of Common Stock that was subject to a Full Value Award granted under the Plan. On and after the Effective Date, no awards of any type may be granted pursuant to the Prior Plans but awards granted pursuant to the Prior Plans prior to the Effective Date shall continue to be effective in accordance with their terms.

Shares of Common Stock issued under this Plan may be treasury shares or authorized but unissued shares, or a combination of the two.

(b) **Award Limits.** In no event:

- (i) shall any Participant be eligible to receive grants of Stock Options or SARs for more than 1,500,000 shares during any twelve-month period (subject to adjustment as provided in Paragraph 21 hereof);
- (ii) shall any one Participant be eligible to receive grants of Full Value Awards which are subject to Performance Goals for more than 750,000 shares of Common Stock during any twelve-month period (subject to adjustment as provided in Paragraph 21 hereof);
- (iii) shall any one Participant be eligible to receive grants of an aggregate amount of Awards of Performance Units during any fiscal year with a maximum cash payout in excess of \$10,000,000; and
- (iv) shall the aggregate number of shares of Common Stock subject to Awards granted to Nonemployee Directors exceed 500,000 (subject to adjustment as provided in Paragraph 21 hereof).

(c) **Re-granting Shares.** Notwithstanding anything herein to the contrary, any shares related to Awards which terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such shares, are settled in cash in lieu of shares, or are exchanged with the Committee's permission, prior to the issuance of shares, for Awards pursuant to which shares of Common Stock may not be issued, shall be available again for grant under this Plan. Shares subject to an Award under the Plan may not again be made available for issuance under the Plan if such shares:

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- (i) were subject to a Stock Option or a stock-settled Stock Appreciation Right and were not issued upon the net settlement or net exercise of such Stock Option or Stock Appreciation Right;
- (ii) were delivered to or withheld by the Company to pay the exercise price of a Stock Option or the withholding taxes related to any Award; or
- (iii) were repurchased on the open market with the proceeds of a Stock Option exercise.

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### **6. Term**

The Plan shall become effective as of the Effective Date. Awards shall not be granted pursuant to the Plan after the tenth anniversary of the Effective Date, but Awards granted prior to that date shall continue to be effective in accordance with their terms.

### **7. Participation, Maximum Term of Awards and Minimum Vesting Periods**

The Committee shall select, from time to time, those Participants who, in the opinion of the Committee, can further the Plan's purposes. Once a Participant is so selected, the Committee shall determine the type or types of Awards to be made to the Participant and shall establish in the related Award Agreements the terms, conditions, restrictions and/or limitations, if any, applicable to the Awards in addition to those set forth in this Plan and the administrative rules and regulations issued by the Committee. Notwithstanding the foregoing:

- (a) the term of any Award shall not exceed ten (10) years, with the exception of incentive stock options in the case of a greater than 10% shareholder, where the term shall not exceed five (5) years, and
- (b) Except with respect to a maximum of five percent (5%) of the total share authorization set forth above in Paragraph 5 and any awards to Nonemployee Directors, Full Value Awards which are not subject to Performance Goals shall not provide for vesting which is any more rapid than annual pro rata vesting over a three (3) year period and any Full Value Awards which vest upon the attainment of Performance Goals shall provide for a performance period of at least twelve (12) months. Notwithstanding the foregoing, the Committee may permit acceleration of vesting of any Full Value Awards as otherwise permitted by the terms of this Plan, including Paragraphs 18 and 19.

### **8. Stock Options**

(a) **Grants.** Awards may be granted in the form of Stock Options. These Stock Options may be incentive stock options within the meaning of Section 422 of the Code or nonqualified stock options (i.e., stock options which are not incentive stock options), or a combination of both.

(b) **Terms and Conditions of Options.** A Stock Option shall be exercisable in whole or in such installments and at such times as may be determined by the Committee. The price at which a share of Common Stock may be purchased upon exercise of a Stock Option shall be established by the Committee, but shall be no less than 100% of the Market Value of a share of Common Stock, as determined by the Committee, on the date of grant. The exercise price of a Stock Option shall not be reduced by the Committee other than pursuant to Paragraph 21 hereof, without the consent of the Company's shareholders.

(c) **Restrictions Relating to Incentive Stock Options.** Stock Options issued in the form of incentive stock options shall, in addition to being subject to all applicable terms, conditions, restrictions and/or limitations established by the Committee, comply with Section 422 of the Code. Further, the per share option price of an incentive stock option shall not be less than 100% (or 110% in the case of a greater than 10% shareholder) of the fair market value of a share of Common Stock, as determined by the Committee, on the date of the grant. All or any portion of a Stock Option designated as an incentive stock option which does not meet the requirements of Section 422 of the Code, including those set forth herein, will be treated as a nonqualified stock option.

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(d) **Additional Terms and Conditions**. The Committee may, by way of the Award Agreement or otherwise, establish such other terms, conditions, restrictions and/or limitations, if any, of any Stock Option Award, provided they are not inconsistent with the Plan.

(e) **Exercise Payment**. At the election of the Committee, upon exercise, the option price of a Stock Option may be paid in cash, shares of Common Stock either directly or by attestation, a combination of the foregoing, or such other consideration as the Committee may deem appropriate. The Committee shall establish appropriate

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methods for accepting Common Stock and may impose such conditions as it deems appropriate on the use of such Common Stock to exercise a Stock Option.

### **9. Stock Appreciation Rights**

(a) **Grants.** Awards may be granted in the form of SARs. A SAR may be granted in tandem with all or a portion of a related Stock Option under the Plan (a Tandem SAR ), or may be granted separately (a Freestanding SAR ). A Tandem SAR may be granted either at the time of the grant of the related Stock Option or any time thereafter during the term of the Stock Option. SARs shall entitle the recipient to receive a payment equal to the appreciation in Market Value of a stated number of shares of Common Stock from the exercise price to the Market Value on the date of exercise. In the case of SARs granted in tandem with Stock Options granted prior to the grant of such SARs, the appreciation in value is from the option price of such related Stock Option to the Market Value on the date of exercise.

(b) **Terms and Conditions of Tandem SARs.** A Tandem SAR shall be exercisable to the extent, and only to the extent, that the related Stock Option is exercisable, and the exercise price of such a SAR (the base from which the value of the SAR is measured at its exercise) shall be the option price under the related Stock Option. If a related Stock Option is exercised as to some or all of the shares covered by the Award, the related Tandem SAR, if any, shall be cancelled automatically to the extent of the number of shares covered by the Stock Option exercise. Upon exercise of a Tandem SAR as to some or all of the shares covered by the Award, the related Stock Option shall be cancelled automatically to the extent of the number of shares covered by such exercise, and such shares shall again be eligible for grant in accordance with Paragraph 5 hereof, except to the extent any shares of Common Stock are issued to settle the SAR.

(c) **Terms and Conditions of Freestanding SARs.** The exercise price of a Freestanding SAR shall be established by the Committee, but shall be no less than 100% of the Market Value of a share of Common Stock, as determined by the Committee, on the date of grant. A Freestanding SAR shall be exercisable in whole or in such installments and at such times as may be determined by the Committee.

(d) **Deemed Exercise.** The Committee may provide that a SAR shall be deemed to be exercised at the close of business on the scheduled expiration date of such SAR, if at such time the SAR by its terms remains exercisable and, if so exercised, would result in a payment to the holder of such SAR.

(e) **Additional Terms and Conditions.** The Committee may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions and/or limitations, if any, of any SAR Award, provided they are not inconsistent with the Plan.

### **10. Stock Awards**

(a) **Grants.** Awards may be granted in the form of Stock Awards. Stock Awards shall be awarded in such numbers and at such times during the term of the Plan as the Committee shall determine.

(b) **Award Restrictions.** Stock Awards shall be subject to such terms, conditions, restrictions, and/or limitations, if any, as the Committee deems appropriate including, but not by way of limitation, Performance Goal requirements, restrictions on transferability and continued employment. The Committee may modify or accelerate the delivery of a Stock Award under such circumstances as it deems appropriate.

(c) **Rights as Shareholders**. During the period in which any restricted shares of Common Stock are subject to the restrictions imposed under Paragraph 10(b), the Committee may, in its discretion, grant to the Participants to whom such restricted shares have been awarded all or any of the rights of a shareholder with respect to such shares, including, but not by way of limitation, the right to vote such shares and to receive dividends.

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(d) **Evidence of Award.** Any Stock Award granted under the Plan may be evidenced in such manner as the Committee deems appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates.

### **11. Performance Units**

(a) **Grants.** Awards may be granted in the form of Performance Units. Performance Units, as that term is used in this Plan, shall refer to Units valued by reference to designated criteria established by the Committee, other than Common Stock.

(b) **Performance Criteria.** Performance Units shall be contingent on the attainment during a performance period of certain Performance Goals. The length of the performance period, the Performance Goals to be achieved during the performance period, and the measure of whether and to what degree such Performance Goals have been attained shall be conclusively determined by the Committee in the exercise of its absolute discretion. Where the Committee has determined to qualify an Award of Performance Units as performance-based compensation under Section 162(m) of the Code, the Committee shall set such Performance Goals on or before the latest date permissible to enable the Performance Unites to qualify as performance-based compensation under Section 162(m) of the Code and the Committee shall follow any procedures determined by it from time to time to be necessary to ensure qualification of the Performance Units under Section 162(m) of the Code.

(c) **Additional Terms and Conditions.** The Committee may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Performance Units, provided they are not inconsistent with the Plan.

### **12. Performance Shares**

(a) **Grants.** Awards may be granted in the form of Performance Shares. Performance Shares, as that term is used in this Plan, shall refer to shares of Common Stock or Units which are expressed in terms of Common Stock.

(b) **Performance Criteria.** Performance Shares shall be contingent upon the attainment during a performance period of certain Performance Goals. The length of the performance period, the Performance Goals to be achieved during the performance period, and the measure of whether and to what degree such goals have been attained shall be conclusively determined by the Committee in the exercise of its absolute discretion. Where the Committee has determined to qualify an Award of Performance Shares as performance-based compensation under Section 162(m) of the Code, the Committee shall set such Performance Goals on or before the latest date permissible to enable the Performance Unites to qualify as performance-based compensation under Section 162(m) of the Code and the Committee shall follow any procedures determined by it from time to time to be necessary to ensure qualification of the Performance Shares under Section 162(m) of the Code.

(c) **Additional Terms and Conditions.** The Committee may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions and/or limitations, if any, of any Award of Performance Shares, provided they are not inconsistent with the Plan.

### **13. Performance Goals**

Notwithstanding any other provision of this Plan, the Committee may establish performance goals ( Performance Goals ) in connection with the grant of any Award hereunder. Performance Goals established by the Committee may be based upon any one or more of the following



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performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, either individually, alternatively or in any combination, and measured either annually (or such shorter period specified by the Committee or cumulatively over a period of years, on an absolute basis or relative basis, on a per-share

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basis or against a target, past performance or peer group performance, in each case as specified by the Committee:

total sales levels;

comparable store sales levels;

net income;

earnings before or after taxes, interest, depreciation, and/or amortization;

net operating profit;

earnings per share;

gross or operating margins;

return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales or revenue);

cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);

productivity ratios;

expense or expense rate targets;

working capital targets or change in working capital;

economic value added or EVA (net operating profit after tax minus the sum of capital multiplied by the cost of capital);

inventory metrics;

market share gains;

shareholder return;

shareholder value;

attraction, retention and satisfaction of employees;

customer satisfaction survey scores;

total shareholder value; or

Market Value of the Common Stock.

Such Performance Goals may be set on a pre-tax or after-tax basis, may be applied on an absolute or relative basis, and may be determined with or without regard to changes in accounting or extraordinary, unusual or nonrecurring items, as specified by the Committee upon the grant of an Award. The Committee may, in its discretion, determine whether an Award will be paid under any one or more of the Performance Goals. Such Performance Goals shall be set by the Committee so as to comply with the performance-based compensation provisions under Code 162(m), and may be (but need not be) different for each performance period. The Committee may set different goals for different Participants and for different Awards, and Performance Goals may include standards for minimum attainment, target attainment, maximum attainment and any other performance standards deemed appropriate by the Committee. In all cases, however, Performance Goals shall include a minimum performance standard below which no part of the relevant Award will be earned. After the end of a performance period but prior to payment of the Award, the Committee shall certify the extent to which the relevant Performance Goals and any other material terms of the Award were in fact satisfied.

#### 14. **Nonemployee Director Awards**

Nonemployee Directors may only be granted Awards under the Plan in accordance with this Paragraph 14 and such Awards shall not be subject to management's discretion. From time to time, the Board shall set the

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amount(s) and type(s) of equity awards that shall be granted to all Nonemployee Directors on a periodic, nondiscriminatory basis pursuant to the Plan, but which may be based upon the number of committees of the Board on which a Nonemployee Director serves, service of a Nonemployee Director as the chair of a Committee of the Board, service of a Nonemployee Director as Chairman of the Board or as Lead Director, or the first selection or appointment of an individual to the Board as a Nonemployee Director. Subject to the limits set forth in Paragraph 5 above, the Board shall grant such Awards determined pursuant to this Paragraph 14 to Nonemployee Directors and grant New Nonemployee Director Awards, as it shall from time to time determine.

If a Nonemployee Director subsequently becomes an employee of the Company while remaining a member of the Board, any previously issued Awards held by such individual shall not be affected and shall continue to be effective in accordance with their terms.

### **15. Payment of Awards**

At the discretion of the Committee, payment of Awards may be made in cash, Common stock, a combination of cash and Common Stock, or any other form of property as the Committee shall determine, other than Stock Options and Stock Awards, which shall be made in Common Stock. In addition, payment of Awards may include such terms, conditions, restrictions and/or limitations, if any, as the Committee deems appropriate, including, in the case of Awards paid in the form of Common Stock, restrictions on transfer and forfeiture provisions. Further, payment of Awards may be made in the form of a lump sum or installments, as determined by the Committee.

### **16. Dividends and Dividend Equivalents**

With respect to Full Value Awards, the Committee may choose, at the time of the grant of the Award or any time thereafter up to the time of the Award's payment, to include as part of such Award an entitlement to receive dividends or dividend equivalents, subject to such terms, conditions, restrictions, and/or limitations, if any, as the Committee may establish. Dividends and dividend equivalents shall be paid in such form and manner (i.e., lump sum or installments), and at such time as the Committee shall determine. All dividends or dividend equivalents which are not paid currently may, at the Committee's discretion, accrue interest or be reinvested into additional shares of Common Stock. Notwithstanding the foregoing, any dividends or dividend equivalents payable with respect to any Performance Share Award shall be credited as additional Performance Shares, and paid to the Participant only if and when, and to the extent that, payment is made pursuant to such Award.

For any Award that is governed by Section 409A of the Code regarding nonqualified deferred compensation, the Committee shall establish the schedule of any payments of dividends or dividend equivalents in accordance with the requirements of Section 409A of the Code or any guidance promulgated thereunder.

### **17. Deferral of Awards**

At the discretion of the Committee, payment of a Stock Award, Performance Share, Performance Unit, dividend, dividend equivalent, or any portion thereof may be deferred by a Participant until such time as the Committee may establish. All such deferrals shall be accomplished by the delivery of a written, irrevocable election by the Participant on a form provided by the Company. Further, all deferrals shall be made in accordance with administrative guidelines established by the Committee to ensure that such deferrals comply with all applicable requirements of Section 409A of the Code or any guidance promulgated thereunder. Deferred payments shall be paid in a lump sum or installments, as determined by the Committee in accordance with the requirements of Section 409A of the Code or any guidance promulgated thereunder. The Committee may also credit interest, at such rates to be determined by the Committee, on cash payments that are deferred and credit dividends or dividend equivalents on deferred payments denominated in the form of Common Stock.



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**Table of Contents****18. Termination of Service**

If a Participant's employment with the Company or service as a member of the Board terminates for a reason other than death, Disability, Retirement, or any approved reason, all unexercised, unearned, and/or unpaid Awards, including, but not by way of limitation, Awards earned, but not yet paid, all unpaid dividends and dividend equivalents, and all interest accrued on the foregoing shall be cancelled or forfeited, as the case may be, unless the Participant's Award Agreement provides, or the Committee determines, otherwise. The Committee shall have the authority to promulgate rules and regulations to (a) determine what events constitute Disability, Retirement, or termination for an approved reason for purposes of the Plan, and (b) determine the treatment of a Participant under the Plan in the event of the Participant's death, Disability, Retirement, or termination for an approved reason.

**19. Change of Control**

(a) **Effect of Change of Control upon Certain Awards.** Unless the Committee or the Board specifies otherwise in the terms of an Award Agreement, an employment agreement, executive compensation agreement or similar agreement prior to a Change of Control event, this Paragraph 19(a) shall govern the treatment upon or following a Change of Control of any Award, the vesting and/or settlement of which is based solely upon continued employment or the passage of time. In the case of an Award subject to this Paragraph 19(a) that the acquiring or surviving company in the Change of Control assumes upon and maintains immediately following the Change of Control (which Award shall be adjusted as to the number and kind of shares as may be determined appropriate by the Committee prior to the Change of Control), if there occurs an involuntary termination without cause (as defined in the Award Agreement) of the Participant holding such Award or a voluntary termination of the Participant's employment for Good Reason within twelve months following the Change of Control or six months prior to the Change of Control, such Award shall be treated as provided in clause (i) or (ii) of this Paragraph 19(a), as applicable. In the case of an Award subject to this Paragraph 19(a) that the acquiring or surviving company in the Change of Control does not assume upon the Change of Control, immediately prior to the Change of Control such Award shall be treated as provided in clause (i) or (ii) of this Paragraph 19(a), as applicable. The treatment provided for under this Paragraph 19(a) is as follows:

(i) in the case of a Stock Option or an SAR, the Participant shall have the ability to exercise such Stock Option or SAR, including any portion of the Award not previously exercisable, until the earlier of the expiration of the Stock Option or SAR under its original term and a date that is two years (or such longer post-termination exercisability term as may be specified in the applicable Award Agreement) following such date of termination of employment; and

(ii) in the case of a Full Value Award, the Award shall become fully vested and shall be settled in full.

The Committee may also, through the terms of an Award or otherwise, provide for an absolute or conditional exercise, payment or lapse of conditions or restrictions on an Award as it deems appropriate in connection with any proposed Change of Control.

(b) **Effect of Change of Control upon Performance-Based Awards.** Unless the Committee or the Board specifies otherwise in the terms of an Award Agreement, an employment agreement, executive compensation agreement or similar agreement prior to a Change of Control event, the treatment of any Award in which the grant, issuance, retention, vesting and/or settlement of such Award is based in whole or in part on achievement of a Performance Goal shall be as specified in this Paragraph 19(b).

In the case of an Award subject to this Paragraph 19(b), upon the occurrence of the Change of Control, the Participant shall be deemed to have satisfied any performance-based vesting criteria at the target level (as determined by the Committee prior to the Change of Control), and

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following the Change of Control any such Award shall continue to vest based on the time-based vesting criteria, if any, to which the Award is subject. In addition, any Award subject to this Paragraph 19(b) that the acquiring or surviving company in the Change of

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Control assumes and maintains immediately following the Change of Control (which Award shall be adjusted as to the number and kind of shares as may be determined appropriate by the Committee prior to the Change of Control), if there occurs an involuntary termination without cause (as defined in the Award Agreement) of the Participant holding such Award or a voluntary termination of such Participant's employment for Good Reason within twelve months following the Change of Control or six months prior to the Change of Control, such Award shall be treated as provided in clause (i) or (ii) of Paragraph 19(a), as applicable. In the case of an Award subject to this Paragraph 19(b) that the acquiring or surviving company in the Change of Control does not assume upon the Change of Control, immediately prior to the Change of Control such Award shall be treated as provided in clause (i) or (ii) of Paragraph 19(a), as applicable.

(c) Other provisions may be made by the Committee or the Board relating to any Award which the Committee or the Board deems equitable, including but not limited to, adjusting the terms of an Award to reflect the Change of Control or causing the Award to be assumed, or new rights to be substituted therefore, by another entity.

**(d) Definitions.**

(i) Change of Control means the occurrence of (1) the acquisition (other than from the Company) by any person, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Company, a subsidiary of the Company, or any employee benefit plan or plans sponsored by the Company or any subsidiary of the Company, directly or indirectly, of beneficial ownership (within the meaning of Exchange Act Rule 13d-3) of 33% or more of the then outstanding shares of common stock of the Company or voting securities representing 33% or more of the combined voting power of the Company's then outstanding voting securities ordinarily entitled to vote in the election of directors unless the Incumbent Board (as defined below), before such acquisition or within 30 days thereafter, deems such acquisition not to be a Change of Control; or (2) individuals who, as of the date this Plan is adopted by the Board, constitute the Board (as of such date, the Incumbent Board) ceasing for any reason to constitute at least a majority of such Board; provided, however, that any person becoming a director subsequent to the date this Plan is adopted by the Board whose election, or nomination for election by the shareholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be for purposes of the Plan, considered as though such person were a member of the Incumbent Board but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest which was (or, if threatened, would have been) subject to Exchange Act Rule 14a-12(c); or (3) the consummation of any merger, consolidation or share exchange of the Company with any other corporation, other than a merger, consolidation or share exchange which results in more than 60% of the outstanding shares of the common stock, and voting securities representing more than 60% of the combined voting power of then outstanding voting securities entitled to vote generally in the election of directors, of the surviving, consolidated or resulting corporation being then beneficially owned, directly or indirectly, by the persons who were the Company's shareholders immediately prior to such transaction in substantially the same proportions as their ownership, immediately prior to such transaction, of the Company's then outstanding Common Stock or then outstanding voting securities, as the case may be; or (4) the consummation of any liquidation or dissolution of the Company or a sale or other disposition of all or substantially all of the assets of the Company.

(ii) Good Reason, unless the Committee or the Board specifies otherwise in the terms of an Award Agreement, means, without the Participant's consent, (1) a material reduction in the Participant's base salary as in effect immediately prior to the Change of Control (excluding, however, any made in connection with, and proportionate to, a company-wide pay reduction), (2) a material reduction in the Participant's position or responsibilities or (3) Participant being required to relocate his or her place of employment from his or her place of employment immediately prior to the relocation (excluding any required relocation within a 50-mile radius of such place of employment).



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**Table of Contents****20. Nonassignability**

No Awards or any other payment under the Plan shall be subject in any manner to alienation, anticipation, sale, transfer (except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Code), assignment, pledge, or encumbrance, and during the lifetime of the Participant, only the Participant may exercise rights under the Plan. Following the death of the Participant, such individual, trust or estate who or which by designation of the Participant or operation of law succeeds to the rights of the Participant under the Plan upon the Participant's death, may exercise the Participant's rights to the extent they are exercisable under the Plan following the death of the Participant. All beneficiary designations shall be made in such form and subject to such limitations as may from time to time be acceptable to the Committee and delivered to and accepted by the Committee.

**21. Adjustment Provisions**

In the event of any change in the outstanding Common Stock by reason of any reorganization, recapitalization, merger, consolidation, stock split, stock dividend, spin-off, combination or exchange of Shares or other corporate exchange, or any distribution to shareholders of Common Stock other than regular cash dividends or any transaction similar to the foregoing, the number of shares available for Awards, the shares subject to any Award and the option prices or exercise prices of Awards shall be automatically adjusted. If there is any change in the number of outstanding shares of Common Stock through any change in the capital of the Company, or through any other transaction referred to in Section 424(a) of the Code, the Committee shall make appropriate adjustments in the maximum number of shares of Common Stock which may be issued under the Plan and any adjustments and/or modifications to outstanding Awards as it deems appropriate. In the event of any other change in the capital structure or in the Common Stock of the Company, or in the event of a merger, consolidation, combination or exchange of shares, or the like, as a result of which Common Stock is changed into another class, or securities of another person, cash or other property, the exercise price, consideration to be received, and other terms of an Award shall be adjusted as deemed equitable by the Committee, in its sole discretion. The Committee shall have authority to provide for, in appropriate cases upon the effectiveness of the transaction, (a) waiver, in whole or in part, of remaining restrictions for vesting or earning, and (b) the conversion of outstanding Awards into cash or other property to be received in the transactions immediately or over the periods the Award would have vested or been earned. Any adjustment, waiver, conversion or the like carried out by the Committee under this Paragraph shall be conclusive and binding for all purposes of the Plan. Notwithstanding the foregoing, any increase in the number of shares of Common Stock subject to the Plan shall, if required under Rule 16b-3 or Code Section 162(m), be subject to approval of the Company's shareholders.

**22. Withholding Taxes**

The Company shall be entitled to deduct from any payment under the Plan, regardless of the form of such payment, the amount of all applicable income and employment taxes required by law to be withheld with respect to such payment or may require the Participant to pay to it such tax prior to and as a condition of the making of such payment. In no event shall the Company withhold, or allow the Participant to pay more than the minimum amount required by law. In accordance with any applicable administrative guidelines it establishes, the Committee may allow a Participant to pay the amount of taxes required by law to be withheld from an Award by withholding from any payment of Common Stock due as a result of such Award, or by permitting the Participant to deliver to the Company, shares of Common Stock having a fair market value, as determined by the Committee, equal to the amount of such required withholding taxes.

**23. Suspension or Termination of Awards; Clawback Provisions.****(a) Effect of Act of Misconduct or Termination for Cause on Awards.**

Except as otherwise provided by the Committee, if at any time (including after a notice of exercise has been delivered or an Award has vested) the Committee reasonably determines that a Participant may have committed



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an Act of Misconduct, the Committee may suspend the Participant's rights to exercise any Stock Option, to vest in an Award, and/or to receive payment for or receive Shares in settlement of an Award pending a determination of whether an Act of Misconduct has been committed.

If the Committee determines a Participant has been terminated for Cause or the Participant has committed an Act of Misconduct, then except as otherwise provided by the Committee:

- (i) neither the Participant nor his or her estate nor transferee shall be entitled to exercise any Stock Option whatsoever, vest in or have the restrictions on an Award lapse or Performance Goal satisfied or waived, or otherwise receive payment of an Award;
- (ii) the Participant will forfeit all outstanding Awards;
- (ii) for any Awards subject to Performance Goals which have previously vested, been paid or were exercised by the Participant, if such Performance Goals would not have been determined by the Committee to have been achieved but for the Participant's Act of Misconduct, the Company shall be entitled to recover some or all of the value of any such previously paid, vested or exercised Awards. In making such determination, the Committee may give the Participant an opportunity to submit written comments, documents, information and arguments to be considered by the Committee.

In addition to the foregoing, other provisions with respect to Acts of Misconduct may be included in any Awards as deemed appropriate by the Committee or the Board from time to time. Such provisions may allow the Company to recover some or all of the value of any previously paid Awards from a Participant if it is determined that the Participant has engaged in certain Acts of Misconduct.

**(b) Definitions.**

(i) Act of Misconduct. An Act of Misconduct shall occur where a Participant has violated Kohl's Ethical Standards and Responsibilities or has committed an act of embezzlement, fraud, dishonesty, disloyalty, nonpayment of any material obligation owed to the Company (other than an obligation related to the Participant's Kohl's retail charge account), breach of fiduciary duty or deliberate disregard of Company rules resulting in loss, damage or injury to the Company, or if a Participant makes an unauthorized disclosure of any Company trade secret or confidential information or breaches any non-competition agreement, induces any Company supplier to breach a contract with the Company, or induces any principal for whom the Company acts as agent to terminate such agency relationship.

(ii) Cause. Except as otherwise provided in a Participant's Award Agreement, for purposes of this Paragraph 23, Cause shall mean termination of employment upon: (1) a Participant's refusal to perform duties as directed in good faith by the Company's Chief Executive Officer or the Company officer to whom Participant reports, which failure is not cured within ten (10) calendar days after written notice thereof from the Company's Chief Executive Officer or Company officer to whom Participant reports, (2) a Participant's conviction of a crime which substantially relates to the circumstances of his or her position with the Company or which has material adverse effect on the Company, or (4) the willful engaging by a Participant in conduct which is demonstrably and materially injurious to the Company. Notwithstanding the foregoing definition, except as otherwise provided in a Participant's Award Agreement, if the Participant and Company are parties to any employment agreement, executive compensation agreement or similar agreement containing a different definition of Cause, the definition in the employment agreement, executive compensation agreement or similar agreement shall control for purposes of this Paragraph 23.

**24. Amendments to Awards**

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The Committee may at any time unilaterally amend or terminate and cash out any unexercised or unpaid Award, whether earned or unearned, including, but not by way of limitation, Awards earned but not yet paid, and/or substitute another Award of the same or different type, to the extent it deems appropriate; provided,

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however, that without the prior approval of the Company's shareholders and except as provided in Paragraph 19, Stock Options or SARs issued under this Plan will not be repriced, replaced, repurchased for cash at any time when the Market Value of a share of Common Stock is lower than the exercise price of a previously granted Stock Option or the exercise price of a previously granted SAR or regranted through cancellation, or by lowering the exercise price of a previously granted Stock Option or the exercise price of a previously granted SAR; and provided further that any amendment to (but not termination of) an outstanding Award which, in the opinion of the Committee, is materially adverse to the Participant, or any amendment or termination which, in the opinion of the Committee, may subject the Participant to liability under Section 16 of the Exchange Act, shall require the Participant's consent.

### **25. Regulatory Approvals and Listings**

Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates of Common Stock evidencing Stock Awards or any other Award resulting in the payment of Common Stock prior to:

- (a) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable;
- (b) the admission of such shares to listing on the stock exchange on which the Common Stock may be listed; and
- (c) the completion of any registration or other qualification of said shares under any state or federal law or ruling of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable.

### **26. No Rights to Continued Service or Grants**

Participation in the Plan shall not give any Participant any right to remain in the employ of the Company or to continue as a director of the Company. The Company reserves the right to terminate any Participant at any time. Further, the adoption of this Plan shall not be deemed to give any Participant or any other person any right to be selected as a Participant or to be granted an Award or additional Awards.

### **27. Amendment**

The Board may suspend or terminate the Plan at any time, but the termination or suspension shall not, without the consent of a Participant, adversely affect the rights of such Participant under an outstanding Award then held by the Participant, except to the extent permitted by Paragraph 24. In addition, the Board may, from time to time, amend the Plan in any manner, but may not without shareholder approval adopt any amendment that requires shareholder approval under Rule 16b-3, Code Section 162(m), any applicable stock exchange rule, or any other applicable provision of securities and/or tax law.

### **28. Governing Law**

The Plan shall be governed by and construed in accordance with the laws of the State of Wisconsin without regard to its conflicts of law provisions.

**29. No Right, Title, or Interest in Company Assets**

No Participant shall have any right in any fund or in any specific asset of the Company by reason of being a Participant under this Plan, nor any rights as a shareholder as a result of participation in the Plan until the date of issuance of a stock certificate in the Participant's name, and, in the case of restricted shares of Common Stock, such rights are granted to the Participant under Paragraph 10(c) hereof. To the extent any person acquires a right to receive payments from the Company under this Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company.

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**KOHL S CORPORATION**

**N56 W17000 RIDGEWOOD DRIVE**

**MENOMONEE FALLS, WI 53051**

**VOTE BY INTERNET - [www.proxvvote.com](http://www.proxvvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION  
ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**KOHL S CORPORATION**

**ITEM 1.** Election of Directors

**The Board of Directors recommends that you vote  
FOR the following nominees:**

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	For	Against	Abstain
<b>Nominees:</b>			
1a. Peter Boneparth	..	..	..
1b. Steven A. Burd	..	..	..
1c. Dale E. Jones	..	..	..
1d. Kevin Mansell	..	..	..
1e. Jonas Prising	..	..	..
1f. John E. Schlifske	..	..	..
1g. Frank V. Sica	..	..	..
1h. Stephanie A. Streeter	..	..	..
1i. Nina G. Vaca	..	..	..
1j. Stephen E. Watson	..	..	..
For address changes and/or comments, please check this box and write them on the back where indicated.			..
Please indicate if you plan to attend this meeting.	..	..	
	<b>Yes</b>	<b>No</b>	

**NOTE:** In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment thereof.

	For	Against	Abstain
<b>Vote on Proposals:</b>			
<b>ITEM 2.</b> Ratify Appointment of Ernst & Young LLP as Independent Registered Public Accounting Firm.	..	..	..
<b>The Board of Directors Recommends a Vote FOR Item 2.</b>			
<b>ITEM 3.</b> Advisory Vote on Approval of Named Executive Officer Compensation.	..	..	..
<b>The Board of Directors Recommends a Vote FOR Item 3.</b>			
<b>ITEM 4.</b> Re-Approve the Material Terms of the Performance Goals under Kohl's Annual Incentive Plan.	..	..	..
<b>The Board of Directors recommends a vote FOR Item 4.</b>			
<b>ITEM 5.</b> Re-Approve the Material Terms of the Performance Goals under the Kohl's Corporation 2010 Long-Term Compensation Plan.	..	..	..
<b>The Board of Directors Recommends a Vote FOR Item 5.</b>			
<b>ITEM 6.</b> Shareholder Proposal: Recovery of Unearned Management Bonuses.	..	..	..



**The Board of Directors recommends a vote AGAINST Item 6.**

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date

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**ANNUAL MEETING ADMISSION TICKET**

**Kohl s Corporation**

**Annual Meeting of Shareholders**

**Wednesday, May 11, 2016**

**8:00 A.M., Local Time**

**Kohl s Innovation Center,**

**W165 N5830 Ridgewood Drive**

**Menomonee Falls, Wisconsin, 53051**

**This Admission Ticket will be required to admit you to the meeting**

Please write your name and address in the space provided below and present this ticket when you enter

Name:

Address:

City, State and Zip Code:

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders:**

The Notice and Proxy Statement and Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

**KOHL S CORPORATION**

**PROXY**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The shareholder(s) hereby appoint Jason J. Kelroy and Kevin Mansell or either of them, as proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of Kohl s Corporation that the shareholder(s) is/are entitled to vote at the Annual Meeting of Shareholders to be held at 8:00 A.M., Local Time on May 11, 2016 at the auditorium at Kohl s Innovation Center, W165 N5830 Ridgewood Drive, Menomonee Falls, Wisconsin 53051 and any adjournment or postponement thereof.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE SHAREHOLDER(S). IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED ON THE REVERSE SIDE FOR THE BOARD OF DIRECTORS, FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, FOR APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, FOR RE-APPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE**

**GOALS UNDER KOHL S ANNUAL INCENTIVE PLAN, FOR RE-APPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER THE KOHL S CORPORATION 2010 LONG-TERM COMPENSATION PLAN AND AGAINST THE SHAREHOLDER PROPOSAL ON RECOVERY OF UNEARNED MANAGEMENT BONUSES. PROPOSALS 1, 2, 3, 4 AND 5 ARE BEING PROPOSED BY KOHL S CORPORATION AND PROPOSAL 6 IS BEING PROPOSED BY A SHAREHOLDER OF KOHL S CORPORATION.**

**PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE**

**Address Changes/Comments:**

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**