



Living our Values: CSR at Kohl's

Contents

Welcome

A letter from Kevin Mansell, our Chairman, Chief Executive Officer and President.

Page 3

CSR at Kohl's

At Kohl's, Corporate Social Responsibility means living our values and working to make a positive impact in the communities where we live and work.

Page 4

Put Customers First

Kohl's puts customers first in all that we do.

Page 7

Act with Integrity

We hold ourselves to high ethical standards and expect the same from our business partners.

Page 12

Build Great Teams

Our Associates are our greatest asset. We are committed to being famous for engaging, developing and recognizing great teams and challenge ourselves to have the best practices in the industry to attract top talent.

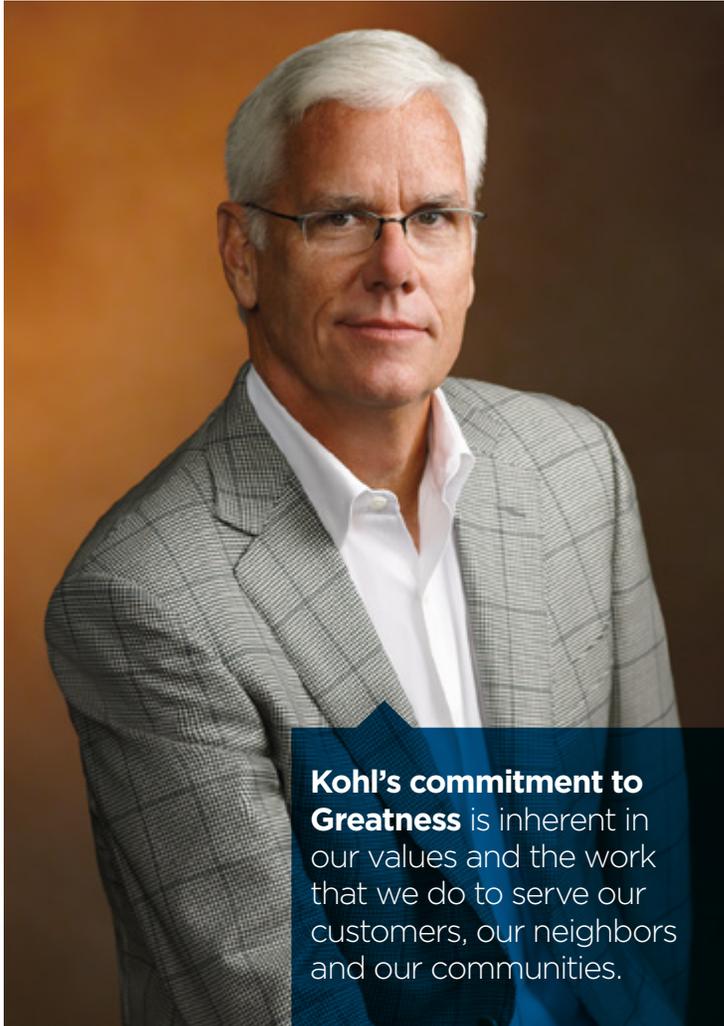
Page 19

Drive Results

We seek to be a leading environmentally responsible retailer.

Page 26

Welcome



Kohl's commitment to Greatness is inherent in our values and the work that we do to serve our customers, our neighbors and our communities.

Dear Stakeholders,

In the fall of 2014, Kohl's launched a new multi-year plan for our business called the Greatness Agenda and a new corporate purpose: to inspire and empower families to lead fulfilled lives. To date, we've seen considerable success against this plan and our goal to be the most engaging retailer in America.

While our plan has evolved over the past year, we remain steadfastly committed to our values: Put Customers First, Act with Integrity, Build Great Teams and Drive Results. Corporate Social Responsibility (CSR) means living these four values every day in every aspect of our business to make a positive impact in the communities we live and work. I'm proud to share some of our key successes in 2015 that highlight our values in action.

Kohl's continues to **put customers first** by giving back to the communities we serve and making a social impact as a retailer of purpose. Through our philanthropic platform, Kohl's Cares®, we completed more than 28,500 Associate volunteer events across the country in 2015, resulting in nearly \$16 million in corporate grants for benefiting nonprofit organizations.

As always, we continue to hold ourselves and our business partners to the highest standards to **act with integrity**. We have a clear code of conduct and terms of engagement that we honor ourselves and share with

all of our partners to maintain fair business practices. Ethics and safety remain at the forefront of all of our business decisions.

We are focused on our value to **build great teams** of Associates and are proud of the strides we have made in this area over the past year. In 2015, Kohl's annual Associate engagement scores reached the 90th percentile for three of our four business areas, meeting a significant goal in the first year of our Greatness Agenda. We are proud to have already achieved this goal initially set in our three-year plan.

We are committed to **drive results** across our business, including our environmental sustainability efforts. In 2015, more than 70 Kohl's stores were ENERGY STAR® certified, propelling us to a milestone of over 1,000 ENERGY STAR certified Kohl's stores across the country.

Kohl's commitment to Greatness is inherent in our values and the work that we do to serve our customers, our neighbors and our communities. I'm proud to share our CSR updates and accomplishments from 2015 and look forward to our continued work on these initiatives.

A handwritten signature in black ink that reads "Kevin Mansell". The signature is fluid and cursive.

Kevin Mansell
Chairman, Chief Executive Officer
and President

Living our Values: CSR at Kohl's

Living our Values: CSR at Kohl's

At Kohl's, Corporate Social Responsibility means living our values and working to make a positive impact in the communities where we live and work. We have the privilege of being part of communities across the country and work hard to express our values – Put Customer First, Act with Integrity, Build Great Teams and Drive Results – every day in every aspect of our business.

Put Customers First

Putting customers first means we...

See customers as a constant source of inspiration and guidance.

Take a “yes we can” and fairness approach to everything we do.

Support the communities and causes our customers and Associates care about.

Act with Integrity

Acting with integrity means we...

Earn trust by living up to our commitments.

Treat others with respect.

Make decisions that support the reputation of the organization.

Build Great Teams

Building great teams means we...

Communicate openly and embrace diverse perspectives.

Actively promote the empowerment, engagement, and continuous development of all Associates.

Recognize and celebrate greatness.

Drive Results

Driving results means we...

Work with a sense of urgency and accountability.

Seek out information to make smart decisions.

Offer up new ideas and solutions beyond the status quo.

Put Customers First

Kohl's puts customers first in all that we do. We give back to our customers by serving their local communities with our resources, time and talent through our philanthropic platform, Kohl's Cares. In 2015 alone, Kohl's donated nearly \$51 million to support the causes that matter to our customers.

Act with Integrity

We hold ourselves to high ethical standards and expect the same from our business partners. We have a clear code of conduct and terms of engagement that we honor ourselves and share with all of our partners. We maintain fair business practices and put ethics and safety at the forefront of our business decisions.

Build Great Teams

Our Associates are our greatest asset. When we take care of our Associates, our Associates take care of our customers. We are committed to being famous for engaging, developing and recognizing great teams and challenge ourselves to have the best practices in the industry to attract top talent. We are proud of our industry-leading Associate engagement scores and the benefits and offerings we provide to attract and retain the best teams in retail.

Drive Results

We are committed to protecting and conserving the environment by seeking solutions that encourage long-term sustainability. The steps we take – both big and small – drive results to ensure that we leave a smaller footprint to conserve the environment for generations to come.

Living our Values: CSR at Kohl's

About Kohl's

Kohl's, headquartered in Menomonee Falls, Wisconsin, is a leading specialty department store with more than 1,100 stores in 49 states. With a commitment to inspiring and empowering families to lead fulfilled lives, the company offers amazing national and exclusive brands, incredible savings and easy, inspiring shopping experiences in-store, online at Kohls.com and via mobile devices.

For additional information about Kohl's philanthropic and environmental initiatives, visit Kohls.com/Cares or KohlsGreen.com.

For a list of store locations and information, visit Kohls.com.

140k
Associates



More than
1,100
stores in 49 states



More than
\$19 billion
in annual sales



About This Report

Reporting Period

This is the fifth annual Corporate Social Responsibility Report for Kohl's, and it covers the fiscal year 2015 (February 2, 2015, to January 31, 2016), unless otherwise noted.

Report for All Stakeholders

Kohl's knows that its key stakeholders, including our customers, shareholders, vendors and Associates, care about the environment, community and world. Kohl's has assembled this report with these stakeholders in mind. This report will provide an update on how Kohl's is contributing to a more responsible world through its sustainability, community initiatives and social responsibility programs.

Contact or Feedback to This Report

Questions or comments regarding this report can be directed to investor.relations@Kohls.com.

For more information about our history, business, sales growth, stores and more, see our [Factbook](#).

Put Customers First

Put Customers **First**

Our Highlights

Nearly
\$51m total in 2015
across Kohl's
philanthropic
giving



\$21.9m
net profit generated
from our Kohl's Cares
cause merchandise
sales in 2015



28+k
volunteer events across
the country in 2015



\$112m
in corporate grants
since 2001, as a result
of volunteer activities
conducted by thousands
of Associates

Nearly
\$300m
raised to date through
Kohl's Cares cause
merchandise program

Put Customers First



Encouraging our Associates to actively participate in causes and organizations that matter to our customers and Associates

Kohl's puts customers first in all that we do. We give back to our customers by serving their local communities with our resources, time and talent through our philanthropic platform, Kohl's Cares. In 2015 alone, Kohl's donated nearly \$51 million to support the causes that matter to our customers.

Kohl's Cares: Giving Back to the Communities We Serve

At Kohl's, giving back to the cities and towns where we do business is at the heart of who we are as a company. Through our philanthropic platform, Kohl's Cares, we support children's health initiatives nationwide.

Kohl's cares about our customers, our Associates and our communities.

Kohl's Cares Cause Merchandise Program

Our Kohl's Cares cause merchandise program provides families with a simple, easy way to support children's health initiatives. When customers purchase our Kohl's Cares kid-friendly merchandise, 100 percent of the net profit is donated back to youth-focused community partners nationwide. Kohl's Cares cause merchandise is available year-round, in all stores and online.

In 2015 the net profit generated from Kohl's Cares cause merchandise totaled \$21.9 million. To date, Kohl's has raised nearly \$300 million through this program.

The Kohl's Cares cause merchandise program operates under Kohl's Cares, LLC, a wholly owned subsidiary of Kohl's Department Stores, Inc.

Kohl's Cares Hospital Program

Introduced in 2001, our nationwide hospital partnerships support programming that is tailored to each community's individual needs and focuses on topics such as injury prevention, healthy lifestyle, asthma and infant care. As part of our commitment to children's health, Kohl's donated

more than \$14 million to our more than 160 hospital partners in 2015.

Examples of partners and programs supported through Kohl's Cares include:

- All Children's Hospital (St. Petersburg, Florida): *Kohl's Cooks for Kids* is a program that provides education about proper nutrition and exercise to more than 60,000 parents and children with over 50 education and cooking seminars annually.
- Steven and Alexandra Cohen Children's Medical Center of New York (Great Neck, New York): *Kohl's Cares Keeping Kids Healthy* program offers 25 interactive educational demonstrations at local elementary schools and community events as well as seminars on proper nutrition, healthy eating habits and regular physical activity. This program reaches over 3,000 students annually.
- Phoenix Children's Hospital (Phoenix, Arizona): *Kohl's F.I.T. - Families in Training* program promotes active lifestyles and healthy eating to 20,000 kids and families throughout Arizona. In 2015, this program partnered with more than 30 schools to host the Kohl's F.I.T. champion running program, resulting in over 1.2 million miles of activity, and offered a series of six nutrition and parenting classes to adults and kids.
- Akron Children's Hospital (Akron, Ohio): *Kohl's Fit & Healthy Kids* is a childhood obesity prevention and awareness program aimed at increasing physical activity and knowledge about nutrition and portion sizes. The program is implemented through both school-based and community programs, and reaches more than 2,600 students through 15 schools.

Put Customers First

Associates in Action

We believe that empowering and inspiring families means not only providing great customer service in our stores, but encouraging our Associates to actively participate in causes and organizations that matter to our customers and Associates. Through our Associates in Action (AiA) volunteer program, we foster a culture of volunteerism in all our locations and encourage Associates to contribute their time and talent to local youth-serving nonprofit organizations.

When Kohl's Associates form teams of five or more and volunteer for at least three consecutive hours with eligible youth-serving nonprofits, the company provides a \$500 grant directly to the qualifying nonprofit organization.

In 2015:

- AiA organized over 28,500 community events nationwide
- 100 percent of our stores and corporate locations participated in AiA
- Our Associates contributed more than 478,700 volunteer hours
- Nearly \$16 million in corporate grants were disbursed to more than 7,700 nonprofit organizations throughout the country through AiA.

Since the program's inception in 2001, Kohl's, through AiA, has donated more than \$112 million in corporate grants to youth-serving nonprofit organizations across the country.

Kohl's Cares Fundraising Gift Card Program

The Kohl's Cares Fundraising Gift Card program makes fundraising for schools or youth-serving initiatives easy and practical. The premise is simple: fundraising groups purchase Kohl's gift cards at a discount, and sell them at face value to generate profit for their organization.

Since 2000, over 12,500 organizations have participated in the Kohl's Cares Fundraising Gift Card program, raising more than \$44 million in fundraising dollars.

Hometown Partnerships

Kohl's supports our hometown of Milwaukee through strong partnerships with local, nonprofit organizations.

Since 2010, Kohl's and Kohl's Cares have given more than \$68 million to children's and women's health initiatives in the Milwaukee metro area. In 2015, we partnered with the following organizations:

- **American Cancer Society** – *Kohl's Healthy Families* and presenting sponsor of the Milwaukee Making Strides Against Breast Cancer Walk
- **Betty Brinn Children's Museum** – *Kohl's Healthy Kids: It's Your Move!* exhibit in partnership with Children's Hospital of Wisconsin
- **Children's Hospital of Wisconsin** – *Kohl's Cares Grow Safe & Healthy*
- **Discovery World** – *Kohl's Design It!*
- **Hunger Task Force** – *Kohl's Serving Up Supper For Kids*

Through our Associates in Action (AiA) volunteer program, we foster a **culture of volunteerism** in all our locations.



- **JDRF Southeast Wisconsin Chapter** – JDRF *One Walk* presenting sponsor
- **Junior Achievement (JA) of Wisconsin** – JA Capstone program in the *JA Kohl's Education Center*
- **Milwaukee Art Museum** – *Kohl's Art Generation*
- **Milwaukee Public Museum** – *Kohl's Thank You Thursday*
- **Milwaukee World Festival (Summerfest)** – *Kohl's Captivation Station* and *Kohl's Family Day*
- **Penfield Children's Center** – *Kohl's Building Blocks*
- **Ronald McDonald House Charities of Eastern Wisconsin** – *Kohl's Cares Family Healing Services*
- **Southeast Wisconsin Affiliate of Susan G. Komen** – *Kohl's Conversations for the Cure* and presenting sponsor of the *Southeast Wisconsin Race for the Cure* event
- **Wisconsin State Fair** – *Kohl's Family Value Day* and *Kohl's Activity Zone*
- **Zoological Society of Milwaukee** – *Kohl's Wild Theater*

Kohl's Cares Field Trip Grant Program

The Kohl's Cares Field Trip Grant program provides access to some of Milwaukee's premier educational destinations, helping children learn and grow through valuable, experiential learning opportunities. Grants valued at up to \$1,000 each are provided to eligible schools on a first-come, first-served basis. These grants cover field trip expenses such as admission fees, transportation, substitute teacher fees and materials required for the experience. Participating schools can visit one of our hometown partner organizations: Betty Brinn Children's Museum, Discovery World, Junior Achievement of Wisconsin, the Milwaukee Art Museum or the Milwaukee County Zoo.

In 2015, Kohl's Cares contributed more than \$1 million in funding to eligible schools throughout metro Milwaukee. Since the program's inception in 2013, Kohl's Cares has granted more than \$3 million in field trips. ■

Put Customers First

OUR COMMITMENT TO PUTTING CUSTOMERS FIRST



SUPPORTING COMMUNITY WELLNESS

In 2015, we brought together our passion for children's health with our commitment to community volunteerism through the AiA Wellness Event. Stores were encouraged to partner with our more than 160 local hospital partners and youth-serving organizations to organize events supporting children's health.

More than 4,300 Kohl's Associates took part in the initiative, dedicating approximately 13,000 volunteer hours to deliver 800+ wellness events such as prepping "hope bags" for hospitalized children, car seat safety checks, and bike helmet giveaway events in collaboration with hundreds of unique nonprofits and local hospital partners. In addition, nearly \$410,000 in corporate grants were contributed to local hospital partners and youth-serving organizations across the nation to support their ongoing efforts.

GREENING OUR COMMUNITIES

2015 marked the sixth year that Associates joined together as part of AiA for our National Go Green (NGG) initiative. Over 8,800 Associates volunteered nearly 26,500 hours of their time supporting youth-serving nonprofits.

Across the nation, Associates participated in over 1,100 environmentally focused volunteer events to help make our communities a greener place to live and work. For example, our corporate location teamed up with two local nonprofits, Keep Greater Milwaukee Beautiful and Urban Ecology Center, for an all-day NGG volunteer event that benefited Greater Metro-Milwaukee schools and youth organizations. During this event Associates helped to:

- Build 950 birdhouses and assemble 3,600 nature journals to help children practice their observation skills and learn about ecosystems
- Construct 70 garden beds and fill 20,000 seed packets for schools to teach kids about plants, pollination, soil and nutrition
- Pot more than 25,000 native Wisconsin plants to be planted in local parks where kids play
- Mix 10,000 eco-friendly cleaning supplies to educate families on alternative products

Kohl's also provided corporate grants to all qualifying nonprofits associated with an NGG volunteer event. In 2015 grants totaled nearly \$2 million. Across the six years of the program, nearly \$12 million has been provided in grant funds.

Act with Integrity

Act with Integrity

Our Highlights



Through our **Terms of Engagement** we hold all our merchandising vendor partners to a uniform set of standards



More than

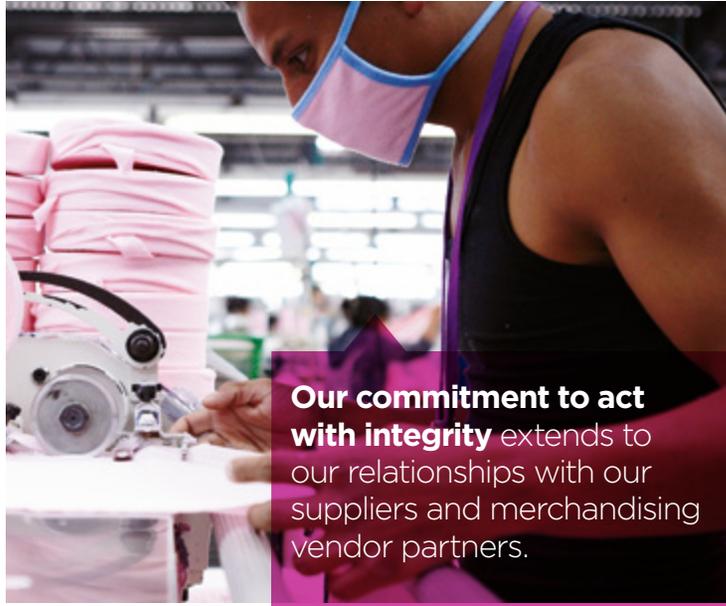
1,600

facilities **visited**

More than

2,600

monitoring visits **conducted**



Our commitment to act with integrity extends to our relationships with our suppliers and merchandising vendor partners.

We hold ourselves to high ethical standards and expect the same from our business partners. We have a clear code of conduct that we honor ourselves and Terms of Engagement that we share with our merchandising vendor partners. We maintain fair business practices and put ethics and safety at the forefront of our business decisions.

Responsible Sourcing

Our commitment to act with integrity extends to our relationships with our suppliers and merchandising vendor partners. This value is embedded in our social compliance process and is reinforced by our policies, programs and partnerships. We expect our vendor partners to live up to their commitments, including the fair and ethical treatment of workers engaged in the manufacturing of merchandise procured for Kohl's.

Our Policy

Our Terms of Engagement ("our Policy") spell out expectations to our vendor partners regarding wages and benefits, working hours, prohibiting the use of child or forced labor (which includes, without limitation, prison and slave labor or human trafficking for those purposes), discrimination, disciplinary practices, women's rights, legally protected rights of workers to free association, health and safety issues and more. Our Policy conveys our requirement and expectation of social compliance to our vendor partners in order to minimize human rights risks from operations throughout our supply chain.

Our Policy is posted at KohlsCorporation.com.

Egregious Policy Violations

Our compliance philosophy focuses on continual improvement; however, we have zero tolerance regarding egregious violations of our Policy. The following violations of our Policy will result in immediate termination of our business relationship with the factory,

and merchandise produced under such conditions will not be accepted:

- Child labor
- Prison labor, forced labor, slavery, human trafficking
- Physical or sexual abuse
- Nonpayment of wages
- Unauthorized subcontracting
- Ethical standards: attempted bribery of social compliance or quality assurance auditors
- Transshipment or altering/tampering with country-of-origin markings.

We communicate our zero tolerance regarding egregious Policy violations to vendor partners during vendor meetings and through business correspondence to ensure awareness and understanding of these critical issues in order to reduce human rights risks in our supply chain.

California Transparency in Supply Chains Act

Our Policy is the standard that we apply to all vendor partners and includes, but is not limited to, merchandise covered by the California Transparency in Supply Chains Act. Our Policy strictly prohibits the use of prison labor, bonded labor, indentured labor or forced labor in the manufacture or finishing of products we order, including, without limitation, prison and slave labor or human trafficking for the purposes thereof. Our Policy is enforced through:

Verification

- Working with our vendor partners to raise awareness of the issue of human trafficking

Act with Integrity

- Requiring all vendor partners to certify that each facility used to produce merchandise sold to Kohl's will operate in compliance with our Policy and all applicable laws, including but not limited to, laws regarding slavery and human trafficking in the countries in which they do business
- Requiring vendor partners to maintain documentation necessary to demonstrate compliance in factories producing merchandise for Kohl's
- Requiring our review and approval of all subcontractors that a vendor desires to use in the manufacturing process
- Enforcing our zero-tolerance policy regarding forced labor, prison labor, slavery and human trafficking.

Audit

- Actively monitoring factories in which our private label and exclusive merchandise is produced using the contracted services of independent, professional third-party social compliance monitoring firms to perform both announced and unannounced factory audits
- Monitoring each factory for social compliance on a periodic basis at a frequency based upon a risk assessment and prior audit findings.

Certification

- In addition to our Policy, any vendor partner desiring to do business with us must adhere to our Purchase Order Terms and Conditions ("our Terms"), the contract under which we purchase goods.

Internal Accountability

- Employing dedicated policy compliance personnel who are responsible for the day-to-day duties and administration of the compliance program, and who are not involved in the product purchase negotiations.

Training

- Providing training for relevant Company Associates regarding identification and mitigation of the risks addressed by our Policy.

Monitoring and Assessment

We recognize that publication of our Policy is insufficient to achieve compliance and that active enforcement of our Policy is required. To achieve this goal, we select vendor partners who share our commitment to the principles contained in our Policy, monitor our vendor partners' compliance efforts and exercise our ability to take corrective action when necessary. We believe in working closely with our vendor partners to identify and address challenges in a responsible manner that considers the needs and expectations of the affected vendor partner, its suppliers, employees and our shareholders. As a result, we closely monitor social compliance and encourage our vendor partners to continually enhance their processes and procedures to protect the health, safety and human rights of workers. Socially compliant factories contribute to a more predictable, efficient and effective supply chain able to better meet the long-term needs of our business.

We contract with numerous vendor partners who in turn use hundreds

Private and exclusive brand vendor partner compliance program performance

In 2015 there were 2,659 monitoring visits to 1,678 facilities, of which 48 percent were unannounced

81%



10%



COMPLIANT FACILITIES

STILL BEING MONITORED

6%



NON-COMPLIANT FACILITIES

3%



INACTIVE FACILITIES

Private and exclusive brand vendor partner compliance program performance

	Compliant facilities	Noncompliant facilities	Inactive facilities*	Still being monitored	Facilities visited	Monitoring visits	Factory visits not announced
2015	1,363	100	52	163	1,678	2,659	1,273 (48%)
2014	1,418	177	50	213	1,858	3,193	1,791 (56%)
2013	1,429	183	46	275	1,933	3,370	1,947 (58%)
2012	1,554	230	53	292	2,129	3,770	2,269 (60%)

* Inactive facilities are no longer being used to produce private or exclusive brand merchandise for Kohl's due to business reasons other than noncompliance with our Policy

of manufacturing facilities worldwide to procure merchandise sold in our stores. We do not own or operate the manufacturing facilities in which the merchandise we sell is produced, nor do we control the production capacity of such facilities.

Our Policy is enforced through our social compliance monitoring process. We expect our vendor partners to take all steps necessary to ensure compliance with our Policy in manufacturing facilities that produce merchandise for us, whether the facility is operated by them or by one of their subcontractors. We require our vendor partners that produce private brand or exclusive brand merchandise for us to identify all manufacturing facilities, domestic and foreign, that they plan to use to produce such merchandise and to provide us with written certification that each facility will operate in compliance with our Policy. Subcontractors that a vendor partner desires to use in the manufacturing process require our approval.

We retain the services of two professional, independent, third-party firms to monitor vendor partner compliance with our Policy. Our monitors have auditing professionals

located in the territories in which the manufacturing facilities are located who are able to speak the language of workers and management and who have extensive experience with monitoring social compliance on behalf of international customers. Completion of our full audit program requires a two-day visit, while follow-up audits are completed in one day.

Factories are inspected for compliance on an annual basis, and undergo follow-up monitoring visits and training when issues are noted. We reserve the right to review all vendor partner facilities, including the use of unannounced on-site inspections of manufacturing facilities. Once deemed compliant with our Policy, factories are monitored periodically based on their risk level. Risk assessment is based on the following factors:

- Social conditions in the geographic location of the factory
- Factory management commitment toward social compliance
- Historical audit results of both vendor partner and factory
- Open-source information
- Potential issues reported via public media.

Upon arrival at a factory, our third-party social-compliance monitors conduct an opening meeting with facility management to review our Policy. If access to the facility is denied, the auditor immediately notifies us. Our policy compliance team researches the reason for the denied access to determine if the factory will be granted another visit. If so, the policy compliance team schedules an unannounced visit. If factory management denies access to the auditor a second time, we terminate our business relationship with the factory.

Upon completion of the opening meeting, a factory tour is conducted and workers are randomly selected to be interviewed. Worker interviews are conducted in a private place and in the local language of the workers. The content of worker interviews is kept strictly confidential.

During the course of each facility visit, our independent compliance monitoring partner documents all deficiencies related to our Policy. The monitor then summarizes and discusses each deficiency with factory management to facilitate immediate corrective action. In addition, our audit report is sent to our policy compliance

team for review, and we work with vendor partners to implement corrective actions.

We take appropriate action if noncompliance with our Policy is identified. Depending on the severity of the deviation, actions include working with our vendor partner to ensure that adequate steps are taken to address deficiencies, canceling affected orders, or even terminating the business relationship. Whenever possible, we attempt to bring noncompliant facilities into compliance rather than terminating the business relationship.

Our independent compliance monitoring partners conducted 2,659 audits in 2015; 48 percent were performed on an unannounced basis. In 2015, 100 facilities were cited for violations of our Policy that resulted in a termination of our business relationship.

Education and Training

We provide training and regularly communicate with vendor partners about our Policy and our expectation of compliance. In 2015, we conducted numerous individual and small-group training sessions for vendor partners to promote understanding and compliance with our Policy. In this way, we create a forum to clearly communicate our requirements and expectations and, in turn, hear from our vendor partners about the country-specific, political, cultural, social and economic issues that affect their business.

Our vendor partners are invited to take part in our training initiatives for a number of reasons, which may include their identified risk level, newness to

Act with Integrity

Kohl's or historical audit results. We focus our initiatives on building capacity with private and exclusive brand vendors, but do include national brand vendors if circumstances warrant. Our training sessions cover a number of topics, including:

- Expectations for suppliers
- Policy definitions
- Best practices
- Site verification methods
- Indicators of noncompliance
- Facility assessment reporting
- Remediation methods
- Compliance improvement
- Sustainability.

In addition, we strongly encourage our vendor partners to develop and/or enhance their own internal social compliance functions to raise awareness and to sustain performance improvements.

It is also important that our Associates understand the importance of our Policy. Social compliance training is available to all Kohl's Associates. We conduct quarterly instructor-led training sessions for Product Development Associates regarding our Policy requirements.

For relevant Kohl's Associates who have direct responsibility for supply chain management, we provide targeted training on human trafficking and slavery, particularly with respect to mitigating risks within the supply chain.

Communication on Industry Issues

Living our value of Act with Integrity includes our commitment to social and environmental responsibility. As a retailer, we face varied challenges throughout our supply chain. We set policies, create programs, and partner with leading organizations and other retailers to promote socially responsible practices both at Kohl's and across the retail and apparel industry. We communicate these policies to our vendor partners during vendor meetings, through business correspondence and via [Connection.Kohls.com](#). New private and exclusive brand vendors receive packets that include further information, along with a Certification of Compliance with All Legal Obligations form, to be signed and returned by a principal of the vendor partner. Kohl's Terms of Engagement and Kohl's Purchase Order Terms and Conditions also emphasize the importance of the topics described here.

Product Safety

Product integrity considerations are built into our product development process. During this process, we check that products are safe and meet all applicable federal and state mandates. Product compliance and safety are the driving force of our Product Integrity department. The Product Integrity team works with our manufacturers, vendors, and agents to ensure that all private and exclusive brand products are subjected to rigorous testing through our Corporate Testing Program prior to shipment.

Testing is conducted at independent third-party laboratories approved by us. Depending on the end product, testing can range from checking for mechanical hazards to flammability of fabrics.

Our Product Integrity department works to remain current regarding changes in consumer product regulations at the federal, state and local levels. The department is responsible for ensuring that changes are incorporated into our product development culture. The goal is to deliver a safer, quality-produced product to our stores. Additionally, we have taken proactive steps in voluntarily adopting product safety programs in the best interests of our customers.

Social Compliance Governance

We are committed to responsible corporate citizenship and integrate social, economic and environmental considerations into our purchasing and risk-management processes.

Our Social Responsibility Committee guides the overall direction, assessment and continual improvement of our compliance program. The Committee includes corporate senior leadership, senior executives responsible for business operations, and executives directly responsible for the day-to-day efforts of our social compliance program.

A team of dedicated compliance Associates is responsible for day-to-day administration of the social compliance program. This team is independent of the Product Development and

Merchandising departments. As a result, day-to-day decisions regarding the social compliance status of potential factories and existing factories that are being used to produce merchandise for us are made by Associates not involved in the actual purchase negotiation.

Our governance policies and business strategies include risk management activities to help provide the consistent, socially compliant supply chain necessary to achieve our long-term financial performance goals.

Ethics

Our responsibility to each other and our dedication to our values is outlined in our [Code of Ethics](#). The Code of Ethics details our commitment to the fair treatment, health and safety of our Associates and to creating a comfortable workplace and a diverse workforce.

It also outlines our expectation that each and every Kohl's Associate will model ethical behavior and act with integrity.

All of our Associates are required to take annual ethics training, which is refreshed each year to cover emerging issues. The training helps connect ethics to an Associate's day-to-day job and helps enhance our culture of honesty, integrity and fairness.

We encourage Associates who have questions about this policy or are concerned about conduct they believe may violate the Kohl's standards or the law to talk to their manager. Associates may also report suspected violations anonymously via telephone by calling the Kohl's Integrity Hotline. ■

OUR COMMITMENT TO ACTING WITH INTEGRITY

CONFLICT MATERIALS

We expect all vendor partners to ensure that merchandise sold to us is free of any conflict minerals. Conflict minerals are tin, tantalum, tungsten or gold sold to finance conflict in the Democratic Republic of the Congo or an adjoining country. We have put in place policies, a due diligence framework and management systems to help ensure our vendor partners' compliance with this expectation and to enable us to comply with the reporting requirements of the SEC's Conflict Minerals Rule.

We have engaged an outside firm with specialized expertise in mapping and tracing supply chains to support our conflict minerals compliance program. We expect vendor partners to establish their own due diligence programs to ensure conflict-free supply chains and take any other steps necessary to abide by our policies and the contractual commitments provided to us.

View the [Kohl's Policy on Conflict Minerals](#) and [Kohl's Conflict Minerals Report](#) for further details.



CLEAN DIAMOND TRADE ACT

We require all diamond jewelry suppliers to ensure that the merchandise they sell to us meets the requirements of the Clean Diamond Trade Act and the [Kimberly Process Certification](#) and ensure that merchandise sold to us does not contain diamonds involved in funding conflict.



BETTER WORK PROGRAMS

We participate in the International Labor Organization's [Better Work Vietnam](#) (BWV), [Better Work Nicaragua](#) (BWN) and [Better Work Indonesia](#) (BWI) programs, which focus on strengthening labor standards in export garment industries. We rely on BWV, BWN and BWI factory monitoring results for applicable factories in lieu of performing our own scheduled audits to reduce audit fatigue. This process provides factory management with more time to focus on corrective action and sustainable, continual improvement.

ALLIANCE FOR BANGLADESH WORKER SAFETY

Kohl's is a founding member of the [Alliance for Bangladesh Worker Safety](#), formed in July 2013. The Alliance is focused on protecting and empowering workers and elevating fire and building safety in Bangladeshi garment factories. To date, the Alliance has:

- Developed and adopted a common safety standard to harmonize with other initiatives
- Completed structural, electrical and fire safety inspections of all Alliance factories
- Provided basic fire training for 1.2 million factory workers and specialized training for 18,000 security guards in Alliance factories
- Established a team of technical experts and remediation case managers in Bangladesh
- Driven tremendous progress in Bangladesh worker safety during its first two years of operation
- Conducted a survey of more than 3,200 factory workers to assess health & safety knowledge, identify concerns and ensure that their experiences drive Alliance efforts
- Piloted a worker helpline in more than 500 factories for workers to confidentially share safety concerns without fear of retaliation.



UZBEKISTAN COTTON

We do not knowingly carry products that use cotton originating from any country that condones the use of child and/or forced labor. We do not source any private or exclusive brand products from Uzbekistan and, to the best of our knowledge, cotton from Uzbekistan is not used in goods produced for us in other countries. Until we are convinced that forced child labor is not being used to produce cotton in Uzbekistan, we specifically prohibit the use of Uzbekistan cotton in the manufacture of merchandise intended for sale in our stores. View the [Kohl's Policy on Uzbekistan Cotton](#) for further details.



Build Great Teams

Build Great Teams

Our Highlights

140,000

Kohl's Associates are working toward our shared purpose: **to inspire and empower families to lead fulfilled lives**



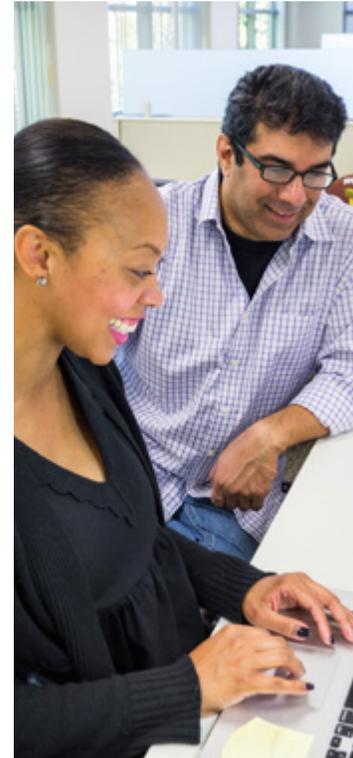
Kohl's Associates recommend Kohl's as a **great place to work** - putting us in the industry-leading

90th percentile

More than

70%

of leadership roles at Kohl's were filled internally in 2015



4

Business Resource Groups launched in 2015





Our Associates are our greatest asset. We are committed to being famous for engaging, developing and recognizing great teams and challenge ourselves to have the best practices in the industry to attract top talent.

Employee Engagement

The goal we've set forth for ourselves – to be the most engaging retailer in America – relies heavily on building great teams: teams of engaged, talented, and results-oriented people. We measure engagement each year to benchmark our Associates' perceptions in key areas such as satisfaction, commitment, advocacy, pride in working at Kohl's and ability to make meaningful changes. We also seek to provide opportunities for Associates to connect with one another both inside and outside of work through numerous programs and events. Within our Greatness Agenda, Associate engagement is one of three goals we have to hold ourselves accountable to, along with sales and customer engagement. Success depends on meeting all three goals.

Engagement Survey

Our culture is lived each day by our Associates, and shaped by their feedback and ideas. The annual Associate Engagement Survey provides valuable insights that help us better understand our Associates and provide them with the support they need to deliver Greatness. The survey is anonymous and covers a range of topics including communication, development, recognition and more.

Last year, the Greatness Agenda laid out bold goals for Associate engagement across the company, and we have worked hard to deliver on this challenge. In 2015, Associate participation in the engagement survey reach an industry leading 94 percent. The results were exciting, and told us that the Greatness Agenda is

working. Associate responses showed an overwhelming faith in our renewed leadership vision, and a belief that Kohl's has an outstanding future. There was also dramatic improvement across all business units and topic areas. In all cases, we surpassed industry norms and in several areas we saw Associate engagement scores in the 90th percentile.

We are proud of the improvements across all business units, including:

- A 15 percent year-over-year increase in engagement at the Corporate level
- A dramatic increase in engagement at our distribution centers and e-commerce fulfillment centers
- Continued high levels of engagement at both our stores and credit centers, with scores of 81 percent and 85 percent, respectively.

In the coming year, we will build on this momentum with a continued focus on inclusion, innovation and appreciation and the goal of achieving scores in the 90th percentile in all business units.

Engagement Programs

Kohl's is built on "Winning Teams" of talented and results-oriented Associates who deliver exceptional results. Through a culture of appreciation, inclusion, transparency and engagement, we are able to attract and retain the best talent in the industry and empower Associates to bring their authentic selves to work each and every day. At every level, we value a richness of experience, perspectives, thoughts and ideas to foster engagement and innovation. Our more than 44 [Associate Groups](#)



Associate engagement means **giving back to the communities** we serve in a meaningful way by supporting volunteer events that matter to our customers and Associates.

and Sporting Leagues provide opportunities for connections between colleagues and the development of strong, lasting relationships.

Among the many activities led by our Associate Groups in 2015:

- The launch of the LGBTQA BRG demonstrated our commitment to diversity and inclusion.
- The biking interest group partnered with facilities to introduce on-site bikes that can be checked out for a lunchtime ride or even a healthy way for Associates to get from one building to another.
- More than 700 Associates participated in company-sponsored sporting leagues, which promote teambuilding and a healthy lifestyle.

In 2015, we launched four Business Resource Groups (BRGs) as part of wider efforts to support an inclusive environment for our Associates. BRGs help Associates achieve business and personal success by promoting empowerment, leadership exposure and professional development opportunities, while furthering business objectives and maximizing Associate engagement. With more than 250 members in the first month alone, these BRGs – Millennial, Hispanic Professionals, Veteran's, and LGBTQA (Lesbian, Gay, Bi-sexual, Transgender & Allies) – are just a starting point for Kohl's. We look forward to adding additional groups in the months and years to come.

Associates in Action

Associate engagement means giving back to the communities we serve in a meaningful way by supporting volunteer events that matter to our customers and Associates. In 2015, 100 percent of our stores and corporate locations participated in Kohl's [Associates in Action](#) (AiA) volunteer program, hosting over 28,500 community events.

Our Associates contributed more than 478,700 volunteer hours to important causes and community-based nonprofit organizations nationwide.

Associate Recognition

At all levels of the company, we encourage Associates to recognize and celebrate the Greatness of their teams and colleagues. In doing so, we create a culture of appreciation in which teams are valued, supported and recognized.

We celebrate successes both big and small, from everyday contributions to major achievements, and take the time to acknowledge important personal life events. In 2015, our online tool and mobile app enabled Kohl's Associates to send more than 220,000 e-recognitions to their colleagues.

Attracting Top Talent

To continue to build great teams at Kohl's, we challenge ourselves to have the best practices in the industry to attract top talent. The search for future leaders of our company takes us to more than 100 college campuses across the country, where we host networking and recruiting events for students through our University Relations initiatives.

Build Great Teams

In 2015, we brought on over 500 college students for our 8-10 week internship program to bring the best young talent to our company.

We challenge our interns to stand out and make a difference and encourage them to actively contribute their fresh, new perspectives. Interns are hired into nearly every department including Marketing, Human Resources, Technical Design, Logistics and Loss Prevention, at locations across the country. They swiftly become integral team members, and nearly 60 percent of interns are offered full-time positions at the close of the program. Over the last five years, we have hired more than 850 interns into full-time positions and more than 2,000 full-time Associates through our University Relations process.

Both interns and entry-level Associates are seen as contributors to supporting our purpose and reaching our business goals. Many of the projects these teams launch are implemented on a company-wide scale.

Upon hiring, we offer competitive compensation and benefit packages to all of our Associates. Full-time Associates are provided with medical, dental, vision, prescription drug, disability and life insurance coverage, as well as maternal/parental leave, 401K options, merchandise discounts and more. Part-time Associates are provided with dental, vision and supplementary life insurance.

Talent Development

We engage in training our Associates in key areas, from ethical standards and responsibilities to delivering a great customer experience. Associates look

to their leaders to model our values and to sustain the positive, engaging work environment that makes Kohl's a great place to work. We recognize that leaders have unique needs and we work with these leaders individually to support their continual development.

Associate Training

Through more than 2,000 online courses we provide Associates with training on topics such as Ethics, Associate Engagement, Accountability, and Giving and Receiving Feedback. Online courses are hosted on our Learning Management system, available to all Associates, and customizable to meet individual training needs.

An annual Ethical Standards and Responsibilities Training helps Associates understand our responsibility to one another, our consumers, our investors, our business partners and our communities. Ethics training is refreshed every year to include emerging issues and is designed to enhance our culture of honesty, integrity and fairness.

Regular trainings on service-related topics prepare in-store Associates to provide our customers with a consistently great experience. Our Driving Greatness—Own the Customer Experience training covers customizable activities to reinforce our pillars of Personalized Connections, Incredible Savings, Amazing Product, Easy Experience and Winning Teams. In 2015, more than 20,000 Associates and Managers completed training on Ship-from-Store, while 48,000 completed a training on Buy Online, Pick Up in Store (BOPUS), two new service offerings delivering value and convenience to

Kohl's customers. For our Distribution Network, training focuses on the functional and leadership skills necessary to deliver a world-class omnichannel experience.

Leadership Development

Our leadership development approach aims to support each leader's strengths while maintaining a consistent focus on company values and leadership behaviors. We work individually with leaders to build positive relationships, allowing the team to drive the best results.

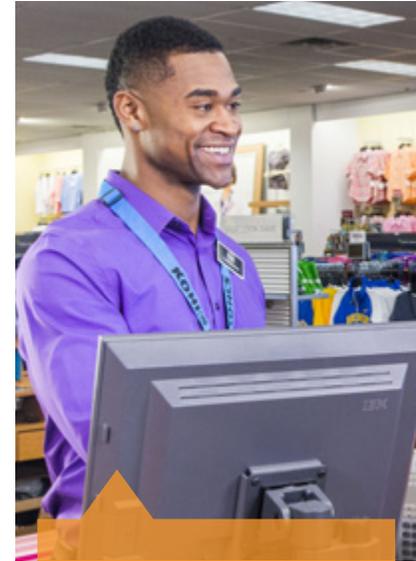
We are proud that more than 70 percent of leadership roles at Kohl's were filled internally in 2015. We credit this performance to our significant commitment to supporting our Associates in their individual development.

Individualized Executive Coaching:

Through one-on-one coaching, new leaders and leaders in transition develop skills to achieve critical business results and connect with their teams. Leaders worked with certified, third-party coaches to conduct a customized training program and track progress. Training ranges from one session to ongoing sessions throughout the year, depending on the needs and goals of the leader.

Leadership Development Days:

To ensure a strong pipeline of leadership, we provide development opportunities for Associates with potential. In 2015, top talent Managers from our stores, as well as our Corporate offices, Distribution Centers, E-Commerce Fulfillment Centers and Credit Services Operation Centers



We are proud that **70% of leadership roles** at Kohl's were filled internally in 2015.

participated in sessions led by senior leaders to strengthen their leadership capabilities and help accelerate their development.

Senior Leader Development:

Ongoing development is important to Kohl's at every level, even the most senior. In 2015, every senior executive committed to their personal development through focused and measurable development plans and ongoing coaching.

Build Great Teams

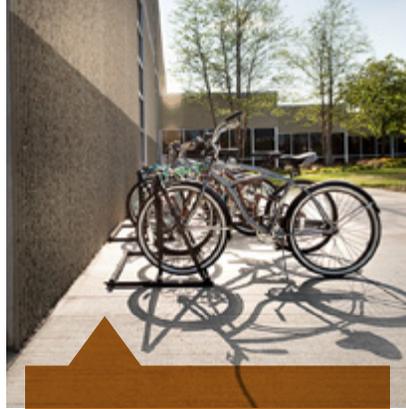
Taking Care of Our Associates

We see it as our duty to take care of our winning teams at Kohl's. In fact, it's part of our Greatness Agenda to help our Associates and their families lead fulfilled lives. We have numerous programs and initiatives to help Associates and their families maintain and improve their health.

Wellness Centers: Our six wellness centers are designed to support total well-being and offer Kohl's Associates and their families treatment of routine illnesses, preventive exams, lab services, physical therapy, health coaching and more. Our Wellness Centers are staffed by physicians, nurse practitioners, medical assistants, physical therapists and registered nurses, dedicated to providing compassionate, individualized care tailored to their specific needs. More than 30,000 visits were made to these locations in 2015.

On-Site Health Solutions: In 2015 our mobile mammography program continued to operate at 200 Kohl's store locations. We also provided flu vaccinations at our corporate facilities and 30 stores. Nearly 3,600 Associates participated and received their flu vaccination through this program in 2015.

Fitness Discounts: To support overall health and wellness, Kohl's supports discounts on gym memberships for all Associates. At our headquarters, Associates who frequent our corporate fitness center eight times or more per month are eligible for a full reimbursement.



Our six wellness centers are designed to **support total well-being** and offer Kohl's Associates and their families treatment of routine illnesses, preventive exams, lab services, physical therapy, health coaching and more.

Healthy Rewards Program: The Healthy Rewards Program is our signature health-improvement program. The program provides a financial incentive for Associates and spouses or same-sex domestic partners who are enrolled in a Kohl's medical plan to "know their numbers" and take greater ownership of their personal health. Individuals who complete a well-being assessment and health screening are eligible for a medical premium credit, which reduces their paycheck

costs for Kohl's medical coverage. The program is free, and confidential for all Associates, not only those enrolled in our health plan. In 2015, we had a 31 percent increase in participation in the program. In addition, we integrated our Healthy Rewards program with our consumer 'Make Your Move' marketing campaign, aligning our Associates health with our focus on customer health and wellness.

Employee Assistance Program (EAP): Designed to help Associates address all of the goals and challenges that may come their way, our comprehensive EAP goes beyond traditional models. Not only do we offer all Associates access to confidential in-person, phone or online counseling, we also provide a variety of work-life resources such as access to certified financial planners, resources to help locate care providers, guidance in navigating the college search process, financial assistance for ongoing education and 24-hour access to legal guidance for personal matters. If an Associate needs extra help planning a family vacation or making a major purchase, we have the resources to help.

Additionally, at our Distribution Centers, E-Commerce Fulfillment Centers and Credit Services Operation Centers, our On-Site Life Solutions offers an even more personalized approach. As part of our on-site program, Associates have in-person access to a dedicated work-life professional who can provide support for a wide variety of personal concerns and work-life issues and help connect our Associates with local community resources to find solutions that work for them. In 2015 our Associates had over 11,000 interactions with an on-site provider.

Critical Incident Support: While we always hope that there will not be a need for this program, our critical incident support program provides Associates with the support they need in case of unexpected events such as a death in the family or a natural disaster. This program serves to provide expert guidance, up-to-date information on community resources and in-person/group counseling to help Associates effectively deal with whatever crises they face and return to normal life more quickly. In 2015, we provided 90 hours of support across the organization.

Commitment to Safety

We strive to offer an environment that is safe for our customers and Associates. Through proactive loss-control programs and strong operational integration, safety is a cornerstone of our business operations and a fundamental belief that positively affects our customer and Associate experience.

Kohl's Associates are expected to adhere to our key safety principles: Cleanliness, Awareness, Responsibility and Leading by Example. Strong safety programs and best practices, supported by clear communications, ongoing coaching, and recognition of achievements, have helped us reduce accident frequency and promote a culture of safety across our company.

To ensure ongoing commitment, we continue to integrate safety messaging and best practices into business operations. This helps keep safety in the forefront of our leadership direction and Associate decision making. ■

OUR COMMITMENT TO BUILDING GREAT TEAMS

IN CONVERSATION WITH ASSOCIATES

Associates had the chance to interact with our CEO at our inaugural Town Hall meeting held at the Kohl's Innovation Center in June 2015. Questions submitted to Kevin Mansell covered topics ranging from Kohl's history, to company strategy, industry trends and requests for career and leadership advice.

More than 3,600 Associates attended in person, while an additional 300 Associates from the New York Design Office and the Digital Office in California streamed the meeting live.

Additional Town Halls with Kevin Mansell will be held in the year ahead.



A SUMMER OF GREATNESS

Great teams deserve to be recognized. That's why we took our efforts to celebrate Associates' successes to a new level in 2015. From May to September 2015, every Kohl's site hosted special events as part of a "Summer of Greatness," while coordinated company-wide celebrations were held from August 23 to 29 during Associate Appreciation Week (AAW). Activities included volunteer days and a large outdoor picnic at Kohl's corporate offices.

Associates shared their favorite moments from the "Summer of Greatness" with #LifeAtKohls. During AAW, we saw a 172 percent increase in use of this hashtag, as compared to an average week. During this same time, Associates sent nearly 23,000 total recognitions to their colleagues.



Drive Results

Drive Results

Our Highlights

1,000th

store achieved **ENERGY STAR®** certification in 2015



163

solar arrays hosted at Kohl's facilities, including 9 solar trees, making Kohl's one of the largest hosts in North America

No.1

ranking on the EPA's Green Power Partnership's Top 30 Retail list since 2009

465

Kohl's buildings are **LEED® Certified™** – more than one-third of our building portfolio

Committed

to the **White House American Business Act on Climate Pledge**

Sustainability Goals and Progress 2015



We are committed to protecting and conserving the environment by seeking solutions that encourage long-term sustainability. The steps we take – both big and small – drive results to ensure that we leave a smaller footprint to conserve the environment for generations to come.

Building for Efficiency

We are committed to providing healthy and engaging environments for our customers, Associates and communities through our more than 1,110 stores, facilities and corporate offices. As part of these efforts, we are invested in building and maintaining energy-efficient, sustainable buildings.

We use the U.S. Green Building Council's (USGBC) Leadership in Energy and Environmental Design™ (LEED®) rating systems to guide the design, construction and operation of our stores. There are three LEED® rating systems that Kohl's leverages across our building portfolio: LEED® Building Design and Construction, LEED® Building Operations and Maintenance and LEED® Interior Design and Construction.

For new construction and existing buildings, we developed three LEED® Volume prototypes, which we use to influence future projects and streamline the process. We operate our stores using LEED® guidelines and policies. Currently, 40 percent of our buildings are LEED® Certified™.

Leading on Recertification

In 2015, Kohl's partnered with the USGBC to recertify 58 stores that were originally LEED® Certified™ in 2010, under the LEED® Existing Buildings: Operations & Maintenance (EBOM) certification. LEED® EBOM is valid for 5 years. Kohl's was one of the first companies to complete the recertification process in the LEED® Volume program.



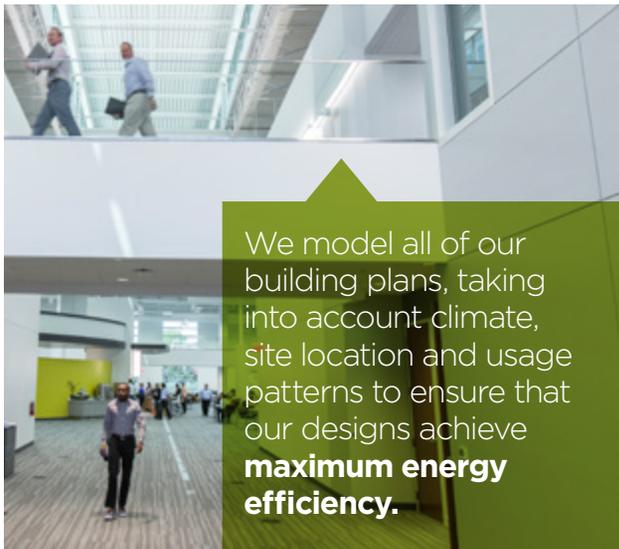
Our commitment to LEED® Certification

In 2015, there were 465 total facilities with LEED® Certification, representing 40% of all Kohl's buildings.

Buildings with LEED® Certification



LEED® Certified™ buildings by type



New Building Design and Construction

Since 2008, newly constructed stores have been built according to the LEED® Building Design and Construction: Retail rating system. In 2012, Kohl's began to use our LEED Gold® Building Design and Construction: Retail prototype as the basis for new store design and construction.

As of 2015, we have 145 stores that have been LEED® Certified™ under the LEED® Building Design and Construction: Retail guidelines.

Design: We model all of our building plans, taking into account climate, site location and usage patterns, to ensure that our designs achieve high levels of energy efficiency and meet ENERGY STAR specifications. Our facilities include features such as low lighting-power density and reflective membrane roofs that help conserve energy.

Construction: To minimize the local environmental impact of new store construction, we integrate recycled, locally sourced and sustainable building materials wherever feasible. As measured by cost, recycled building materials make up an estimated 20 percent of those used in the construction of our new stores. To reduce the environmental impact associated with transporting heavy building materials such as steel and concrete, we source these key materials from within 500 miles of each new store site.

We also work to minimize waste and maximize diversion. Our Construction Waste Management Plan encourages project managers to recycle the

maximum amount of construction waste for each project.

Operations: In each Kohl's store, we install an automation system to monitor heating, cooling and ventilation, low-flow fixtures to conserve in-store water, and efficient, programmed HVAC units to provide an increased supply of outside air to improve in-store air quality.

Operations and Maintenance

Over the last six years, our focus on sustainability has increasingly shifted from building new stores to improving the operational efficiency and customer experience of our existing facilities. Maintaining efficient, environmentally responsible buildings requires continual maintenance, monitoring and investment. Our facilities are managed and operated according to LEED® guidelines to help ensure that we are implementing proven, best practice approaches to building maintenance. Currently, 311 of our stores are certified under LEED® Existing Buildings: Operations & Maintenance.

Recommissioning is a tool we use to evaluate existing locations that are underperforming – often those with a high energy usage and low ENERGY STAR scores. Recommissioning gives us an opportunity to ensure that our energy-using equipment is in good operating condition and address any discrepancies through maintenance or replacement. The result is lower costs over time and greater energy efficiency. In 2015, 81 of our locations were recommissioned.

Energy by the numbers

ENERGY STAR® Certification

(Total number and percentage of ENERGY STAR® Certified stores – calendar year data)



In addition, we regularly upgrade equipment and retrofit our facilities to achieve energy savings. We continued our sales floor lighting upgrade program, retrofitting 21 stores with LED lighting in 2015. By replacing fluorescent fixtures with LED fixtures, we anticipate that we will reduce our average per-store energy consumption by 307,000 kilowatt-hours. We also completed 62 HVAC replacements, installing newer, more efficient models in stores across the country.

Corporate Facilities

In addition to our stores, we work to bring sustainability to our corporate facilities. Currently, eight of our corporate facilities are LEED® certified. The Kohl's Innovation Center (KIC) is also currently LEED® Registered under the Commercial Interiors rating system.

Improving Energy Efficiency

Kohl's maintains several key partnerships intended to further advance the efficiency of our stores, facilities and corporate offices.

As part of our participation in the U.S. Department of Energy's Better Buildings Challenge, Kohl's set a goal to reduce energy use by at least 20 percent across 112 million square feet of our occupied building space by 2020, against a 2008 baseline. We are working toward this goal through a combination of sustainable building and maintenance practices, including the use of LED sales floor lighting, replacing inefficient or malfunctioning HVAC units and our commitment to LEED® building.

Eight of our corporate facilities are LEED® certified, including the New York Design Office in Manhattan.



ENERGY STAR® Certification (calendar year data)

	Total number of ENERGY STAR® stores	Average ENERGY STAR® score	Percentage of ENERGY STAR® certified stores*
2015	1,009	82	86%
2014	943	81	81%
2013	821	79	70%
2012	752	77	66%
2011	677	77	60%

* All calendar year calculations are based on 1,166 stores, the final calendar year number.

Renewable energy (calendar year data)

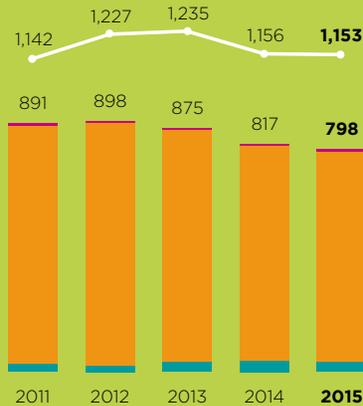
	Renewable energy certificates** secured (millions of MWh)	Total number of solar arrays	Total number of wind turbine sites
2015	1.43	163	2
2014	1.43	161	2
2013	1.54	156	2
2012	1.53	137	2
2011	1.42	121	2

** 1 REC = 1MWh of electricity

Toward carbon neutrality

Total emissions and emissions reductions and offsets
(Thousands metric tonnes carbon – calendar year data)

■ Reductions and offsets
■ Carbon emissions
■ Scope 3
■ Scope 2
■ Scope 1



At the end of 2014, we had achieved a 16 percent reduction in energy usage from a 2008 baseline. In 2015, we succeeded in reducing our energy usage by another 3.2 percent over 2014 even as we opened new stores.

Kohl's has been working with the U.S. Environmental Protection Agency's ENERGY STAR program for more than 15 years. ENERGY STAR provides Kohl's with tools and technical information to help save money and protect the climate through improved energy efficiency. Our participation in this program helps us assess the performance of our buildings and set goals to improve energy efficiency. Using the ENERGY STAR scoring

system, buildings are rated on a scale of one to 100. A score of 75 or higher achieves ENERGY STAR certification, indicating that the building is among the top 25 percent of retail stores in the country for energy efficiency.

Currently, 86 percent of our stores are ENERGY STAR certified, including 71 stores certified in 2015. In recognition of our continued leadership in energy efficiency, Kohl's was again awarded an ENERGY STAR Partner of the Year – Sustained Excellence Award in 2015.

Renewable Energy

Kohl's continues to evaluate on- and off-site renewable energy opportunities based on state and local government support, ownership or leasing options, and projected cost savings. From 2007 to 2014 our approach to renewable energy focused on on-site, rooftop solar energy opportunities. With 163 solar arrays, we are one of the largest hosts of solar electricity in North America. Each array can provide between 20 and 50 percent of a store's energy needs. In addition to solar, Kohl's hosts two wind turbines – one at our Findlay, Ohio, distribution center and one at our Corpus Christi, Texas, store.

Beginning in 2015, Kohl's is exploring opportunities to invest in off-site solar and wind energy installations. These projects deepen Kohl's commitment to supporting renewable energy development through cost-effective, larger-scale projects, while continuing to help offset our energy use.

We are also an active member of the EPA's Green Power Partnership, a program dedicated to encouraging the use of renewable and more sustainable sources of energy. Since 2009, we have

Emissions measurements (metric tons carbon – calendar year data)

	Scope 1	Scope 2	Scope 3	Total emissions	Per 1,000 sq ft building space	Number of stores operating*	Normalized emissions per 1,000 sq ft*
2015	35,424	753,379	8,941	797,744	117,599	1,166	6.78
2014	40,510	767,718	8,983	817,211	117,208	1,163	6.97
2013	35,580	832,433	6,684	874,697	116,972	1,158	7.48
2012	22,784	866,703	8,330	897,817	115,965	1,146	7.74
2011	27,722	855,355	7,918	890,995	111,900	1,127	7.96

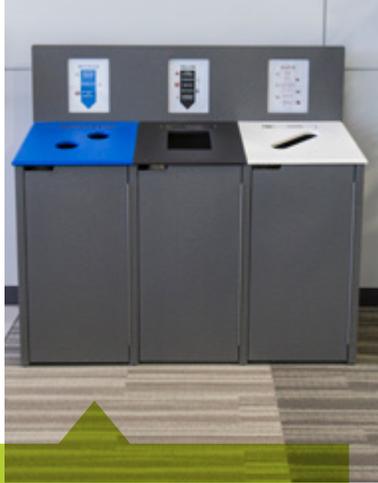
* Calendar year calculations are based on 1,166 stores, the final calendar year number.

Emissions reductions and carbon offsets (metric tons carbon – calendar year data)

	Total emissions	Reductions carbon offsets**	Emissions reductions renewable energy credits***	Total reductions
2015	797,744	35,424	1,117,124	1,152,548
2014	817,211	40,510	1,115,520	1,156,030
2013	874,697	30,580	1,199,532	1,235,112
2012	897,817	33,000	1,193,532	1,226,532
2011	890,995	33,000	1,108,961	1,141,961

** These Verified Emissions Reduction Certificates for Scope 1 Emissions are Climate Action Reserve (CAR) certified.

*** RECs are converted to MTCE by calculating the MTCE for CO₂, CH₄ and N₂O. Kohl's uses the EPA's Climate Leaders GHG Inventory Protocol optional Modules Methodology, using national average emissions factors.



Community waste stations encourage Associates, partners and customers to **reduce waste** and look for opportunities to **reuse and recycle materials**

ranked first on the Partnership's top 30 for retail list. We were also honored to again receive an award for Sustained Excellence, recognizing our continued leadership in advancing green power development.

Toward Net Zero Emissions

We are proud to be one of the first retailers in the United States to achieve net zero U.S. emissions in our operations, including all of our stores, distribution centers and corporate offices, as well as all associated business travel. We first achieved this status in 2010, and remain committed to offsetting our energy use through the purchase of RECs. In 2015, we secured RECs totaling approximately 1.43 billion kWh, resulting in the offset of 1,152,548 metric tons of carbon. This includes approximately 30.4 million kWh from generation of solar power where Kohl's retains or owns the RECs.

Reducing Waste

We continue to evolve waste recycling programs and waste avoidance strategies to help support our efforts to conserve resources. This means encouraging Associates, partners and customers to reduce their waste, and looking for opportunities to reuse and recycle materials.

Construction Waste

Throughout the construction process, new store, remodel, and capital project teams follow our Construction Waste Management Plan. General contractors review the plan prior to starting construction and look for local opportunities to reuse or recycle building and other materials. Our internal sustainability team or on-site Waste Management consultant may provide assistance with this process. At a minimum, projects are expected to achieve a 50 percent diversion rate. Whenever possible, however, the goal is to achieve a greater than 75 percent diversion rate. In 2015, we recycled nearly 2,900 tons of construction waste.

Operational Waste

In-store and at our corporate facilities, our Solid Waste Management Policy covers the disposal of all consumables and durable goods with the goal of recycling as much material as possible. Kohl's recycles the shipping material from shipment packaging. We also actively work with our merchant teams to increase the units per carton, helping to reduce the amount of handling, transportation and overall material in the supply chain.

In calendar year 2015, we achieved an 83.8 percent recycling rate across our operations, falling slightly short of our 2015 goal of 85 percent. Four hundred stores were removed from the dry waste program, which supports single stream recycling. These stores must now separate trash and cardboard. As Associates adjust to this new system, we have experienced a slightly lower recycling rate in 2015, but aim to return to an 85 percent recycle rate in the coming year.

Our programs are bolstered by training and education. The "Know before you throw" campaign, for example, raises awareness on regulated waste and recycling. Signage in the stockroom and other Associate areas, as well as consistent training, reinforces awareness of the proper disposal of regulated items.

To help drive continuous improvement, stores are awarded medals through our Recognizing Greatness program. Bronze medals are awarded for an 80 to 85 percent recycling rate, silver for 85 to 95 percent, and gold for recycling rates over 95 percent. Medals help stores earn rewards during the year and build a culture of healthy competition and sustainable behaviors.

Waste and recycling by item (tons - calendar year data)

	Corrugated cardboard	Construction debris	Mixed/plastic hangers	Mixed office paper	Wood pallets	Metal	Carpet	Bottles and cans	Electronics/batteries	Lightbulbs/fluorescent lights	Total tons recycled
2015	117,331	2,897	11,715	254	3,255	407	142	29	427	234	136,691
2014	126,007	4,887	10,983	231	1,701	735	413	376	140	212	145,685
2013	108,605	3,276	10,292	138	647	441	329	186	49	229	124,192
2012	111,485	10,289	10,090	514	3,818	1,515	486	6	21	305	138,529
2011	105,459	28,457	8,822	518	2,197	1,940	1,354	63	10	306	149,126

Drive Results

Some of our key waste disposal and recycling initiatives include:

- **Plastics:** In 2014, we developed partnerships to help us recycle plastic film, bags and wrap. As a result of these programs, we recycled over 7 million pounds of plastic film, bags and wrap from shipping, store operations and customers, in 2015.
- **Dry Waste:** At select stores, Associates place paper, in-store signage, cardboard and bagged trash into a single compactor. Materials are collected and delivered to a facility to be sorted before being appropriately recycled or disposed of. Our national waste vendors provide monthly data at the store level for cardboard, trash, paper, and comingled recyclables. To continually improve waste diversion rates, we conduct regular waste audits at the stores. The audit examines the waste in both the cardboard and trash compactors to ensure that waste is correctly sorted for maximum recycling.
- **Beauty product recycling:** Kohl's stores recycle fragrance testers, nail polish, soaps and other beauty products. Products are collected and recycled into useful items like paints for models, outdoor furniture, floor cleaners, and deodorizing sprays.
- **Compactor labeling:** In 2015, stores received large labels for waste compactors to remind Associates of our waste policies and which acceptable materials to place in each compactor.

Conserving Water

Although water use in our facilities is relatively minimal, we invest in appliances, equipment and processes to help conserve this precious resource. Our stores feature efficient low-flow faucets and new stores have low-flow toilets and urinals, designed to reduce indoor water use. Together, these measures are helping to reduce indoor water usage by 20 to 30 percent, compared to the baseline, which was based on the requirements of the Energy Policy Act of 1992 and 2005. We are working to install smart irrigation controllers that use live weather data to inform irrigation schedules and reduce outdoor water usage. We are also exploring strategies to utilize native vegetation and drought-resistant plants to significantly reduce or even eliminate the need for irrigation altogether.

Transportation Sustainability

In our work to drive efficiency among our domestic and international carriers, Kohl's maintains two key external partnerships:

Domestic: Kohl's is a member of the EPA SmartWay Transport program, a public-private initiative working to improve fuel efficiency and reduce transportation-related emissions. In 2015, it was reported that 94 percent of miles our merchandise traveled domestically in 2014 were with SmartWay members. Kohl's uses SmartWay tools to measure our domestic road transportation emissions footprint, and we report our transportation data annually to the EPA.



Through careful planning and collaboration, we contributed to the elimination of 2.3 million miles of inefficient truck travel. After delivering cargo, trucks are often underutilized or even empty during return trips. Backhauling loads trucks with cargo for their return trip, ensuring no miles traveled are wasted. The benefits to backhaul include reduced fuel costs, road miles, emissions, and congestion due to fewer empty trucks on the roads.

Additionally, Kohl's continues to support shipment by rail. This is a more economical way to move our products between distribution centers and our stores than shipping by road and emits three times less carbon emissions. In 2015, Kohl's increased rail shipments by 8 percent, which accounts for 66 percent of all merchandise miles traveled.



International: Kohl's engages its ocean carriers through its membership in the Business for Social Responsibilities' (BSR) Clean Cargo working group. This group's membership includes more than 80 percent of the world's ocean carriers, including 8 of 10 Kohl's ocean carriers. BSR makes up-to-date ocean emission data available, enabling group members to further understand our overall supply chain footprint. ■



Kohl's is one of a few retailers to offer **electric vehicle (EV) charging** stations to customers and Associates free of charge. We have 186 EV stations across 82 stores, as well as four corporate facilities.

66%
rail shipment
2.3m
eliminated miles
through backhaul

OUR COMMITMENT TO DRIVING RESULTS



PARTNERING FOR SUPPLY CHAIN SUSTAINABILITY

Kohl's is a founding circle member of the [Sustainable Apparel Coalition](#) (SAC). The SAC works collaboratively with dozens of retailers, brands, apparel and footwear manufacturers, academics, and nongovernmental organizations to drive product and environmental performance in the apparel and footwear supply chains.

The SAC's Higg Index provides a suite of tools for apparel and footwear companies to understand the sustainability impacts of products throughout their entire life cycle. SAC members enter data about their environmental, social and labor impacts and the results are anonymized and aggregated. Members receive a performance score to benchmark against the industry and share with supply chain partners to improve performance. SAC members are required to use the Higg Index and update it regularly, helping to make the tool extensive, and raise sustainability standards for the industry.

Kohl's promotes the adoption of this tool and is helping develop the Higg 2.0 retail assessment module.

In 2015, Kohl's sponsored the SAC Higg Analytics Pilot. Together with Li & Fung, we approached the apparel and footwear supply chain to gather key data at 338 Kohl's factory locations for the Higg Index. The pilot also helped Kohl's benchmark our factory performance against the industry. Through this process, we found that Kohl's facility environmental model average was 27 percent higher than the industry average.

SUPPORTING GLOBAL CLIMATE ACTION

On December 1, 2015, Kohl's was honored to join the White House American Business Act on Climate Pledge. Along with 173 other companies, Kohl's voiced support for a substantial outcome to the United Nations Climate Change Conference (COP21) in Paris, and demonstrated a commitment to sustainability by signing on to specific pledges, including:

- Reduce kWh-per-square-foot energy intensity 20 percent by 2020 from a 2008 baseline.
- Reduce water consumption 20 percent across our portfolio by 2020 from a 2008 baseline.
- Maintain an 85 percent operational recycling rate across our owned facilities.
- Uphold our commitment to renewable energy, including procuring carbon and Renewable Energy Credits to offset 100 percent of our annual carbon footprint in 2016.



OUR COMMITMENT TO DRIVING RESULTS

KOHL'S INNOVATION CENTER

The Kohl's Innovation Center (KIC) is a place for ideas. Home to 1,500 Associates, the 300,000 square foot KIC is designed to facilitate collaboration, creativity and connection.

Not only does the KIC support Kohl's ambition to be the most engaging, innovative retailer, it also demonstrates the company's commitment to sustainable development.

The most sustainable building is one that already exists. With this in mind, the KIC was constructed from an existing warehouse facility, a more sustainable approach than building an entirely new structure.

Its open floor plan is flooded with natural light, the result of high windows and skylights. When artificial lighting is needed, it comes from high-efficiency LED sources and adjusts efficiently based on the level of daylight available to ensure maximum efficiency. In the parking lot, sun-tracking solar trees generate enough energy to power 270 office workstations.

Several innovative waste reduction strategies were tested at the KIC. Smart "print-to-cloud" technology not only makes work flows more efficient and improves confidentiality - it also helps reduce the average amount of paper recycled monthly from 11 pounds to 1 per person. Through a partnership with TerraCycle, KIC associates collected nearly 8,000 foil-lined granola and energy bar wrappers in the first five months of the program. These items are then upcycled into products like wallets and purses. Food services and dining facilities use silverware and china instead of disposable dishware, and composting is available throughout the building, allowing Associates to reduce food waste and properly divert compostable paper towels in the restrooms. In 2015, more than 19,500 pounds of organic and food waste was diverted from landfills and turned into nutrient rich compost.

The KIC, LEED® Registered under the Commercial Interiors rating system, is an environment for Associates that encourages collaboration and a culture of sustainability.



For more information visit
Kohls.com

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