

# **CORPORATE GOVERNANCE GUIDELINES OF KOHL'S CORPORATION**

## **I. AUTHORITY AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

The Board of Directors, which is elected by the shareholders, is the ultimate decision making body of the Company, except with respect to matters reserved to the shareholders. The Board of Directors selects the Chief Executive Officer and certain other members of the executive management of the Company, who are charged with managing the Company's business. The primary function of the Board of Directors is therefore oversight - defining and enforcing standards of accountability that enable management to execute their responsibilities fully and in the interests of the Company's shareholders.

Consistent with this division of authority, the primary responsibilities of the Board of Directors and its committees include:

- A. Overseeing the conduct of the Company's business to determine whether it is being effectively managed, including through regular meetings of the outside Directors without the presence of management; evaluating the performance of the Company and its senior management; and selecting, regularly evaluating, and fixing the compensation of the Chief Executive Officer and other members of executive management as it deems appropriate;
- B. Monitoring fundamental operating, financial, and other corporate strategies, as well as major plans and transactions;
- C. Providing advice and counsel to the Chief Executive Officer and other executive management of the Company;
- D. Overseeing management in an effort to ensure that the assets of the Company are safeguarded through the maintenance of appropriate accounting, financial and other controls, and that the business of the Company is conducted in compliance with applicable laws and regulations and the highest ethical standards; and
- E. Evaluating the overall effectiveness of the Board of Directors, as well as selecting and recommending to shareholders qualified candidates for election to the Board of Directors.

These Corporate Governance Guidelines are intended to embody the principles by which the Board of Directors operates in a single, formal document. These guidelines are not intended to be a code of regulations, but rather a statement of intention. This document may be amended from time to time as conditions warrant.

## II. SELECTION AND COMPOSITION OF THE BOARD OF DIRECTORS

### Independence

The Board of Directors shall at all times meet the independence requirements of applicable law and the listing requirements of the New York Stock Exchange, as such rules may be amended from time to time.

A Kohl's Director shall be deemed "independent" if the Board of Directors, upon the recommendation of the Governance and Nominating Committee, determines:

- (1) that the Director satisfies all of the "independence" standards of the New York Stock Exchange, as such standards may be amended from time to time, and
- (2) that the Director has no material relationships with Kohl's (either directly or as a partner, shareholder or officer of any entity) that are inconsistent with a finding of independence.

In making these determinations, the Board of Directors shall broadly consider all relevant facts and circumstances. Material relationships can include commercial, banking, consulting, legal, accounting, charitable and familial relationships, among others.

### Selection Criteria for Board Members

The Governance and Nominating Committee will develop guidelines for selecting candidates for election to the Board of Directors, and periodically review and amend such guidelines as the Committee deems necessary or appropriate.

### Election of Board Members

Except as otherwise provided by law or by the Company's organizational documents, the members of the Board of Directors shall be elected at the Annual Meeting of Shareholders each year. Directors shall hold office until the next Annual Meeting of Shareholders and until their successors shall be duly elected and qualified. Each member of the Board of Directors shall be elected by the vote of the majority of the votes cast with respect to the Director at any meeting for the election of directors at which a quorum is present, provided that if the number of nominees exceeds the number of Directors to be elected, the Directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of Directors. For purposes of these Corporate Governance Guidelines, a majority of the votes cast means that the number of shares voted "for" a nominee must exceed the number of votes cast "against" that nominee. If a Director is not re-elected in a non-contested election, the Director shall tender his or her resignation to the Board of Directors. The Governance and Nominating Committee will make a recommendation to the Board of Directors on whether to accept or reject the resignation, or whether other action should be taken. The Board of Directors will act on the Governance and Nominating Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results. The

Director who tenders his or her resignation will not participate in the Governance and Nominating Committee's or the Board of Directors' decision.

### **Term Limits**

The Board of Directors does not believe that it should establish term limits. The Board believes that term limits have the disadvantage of causing the loss of the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

### **Retirement**

It is the 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 the age limitation in special circumstances.

### **Resignation - Change in Professional Responsibilities or Personal Circumstances**

Individual Directors who experience a significant change in his or her personal circumstances, including a change in the principal occupation, position, or responsibility they held when they were initially appointed or most recently elected to the Board or circumstances that, in the Board's judgment, could reasonably be expected to adversely affect the Director's service on the Board or the Company's business or reputation, shall tender his/her resignation to the Board. It is not the sense of the Board that in every instance the Directors who experience such a change should necessarily leave the Board. There should, however, be an opportunity for the Board through the Nominating and Governance Committee to review the continued appropriateness of Board membership under the circumstances.

To facilitate the consideration by the Governance and Nominating Committee and the Board of any of the changes described in the preceding paragraph, any Director experiencing such a change shall submit a letter of resignation to the Board. After considering the impact, the Governance and Nominating Committee will recommend to the Board whether to accept the resignation.

### **Affiliations of Directors**

It is the responsibility of each Director to advise the Corporate Secretary or the Chairman of the Governance & Nominating Committee of any affiliation with public or privately held commercial enterprises that may create a potential conflict of interest, potential embarrassment to the Company or possible inconsistency with the Company's policies or values.

### III. BOARD STRUCTURE

#### Number of Directors

The Company's Articles of Incorporation provide that the Board of Directors shall have no less than 5 nor more than 15 Directors, the exact number of Directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board then in office. It is the Board's philosophy that boards of directors should not be so large as to be cumbersome, although the Board would be willing to increase its size in order to accommodate an outstanding candidate, to satisfy the staffing needs of its committees, or to facilitate a merger or other acquisition.

#### Board Leadership

Recognizing shareholder sentiment as expressed in a vote on a shareholder proposal brought before the Company's 2013 Annual Meeting of Shareholders, the Board will appoint an independent director as Chairman whenever possible. The foregoing shall apply with respect to the appointment of any Chairman, but shall not apply: (i) if no independent director is available and willing to serve as Chairman; (ii) if such an appointment would violate any pre-existing contractual obligation of the Company; 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 the Company's shareholders. If any independent Chairman ceases to be independent, the Governance and Nominating Committee shall convene to review and make a recommendation in accordance with these guidelines for the full Board's consideration. 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.

Whenever an independent director is not appointed as Chairman, a Lead Director shall be appointed annually by the Company's independent Directors. In the absence of an independent director serving as Chairman, the 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;
- 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
- shall be available for consultation and direct communication if requested by major shareholders.

If applicable, the Lead Director role may rotate from time to time among the independent Directors at the discretion of the Governance and Nominating Committee. The Company's proxy statement for each annual meeting of shareholders shall identify the current Lead Director, if one exists.

#### Board Committees

The Board of Directors has established three key standing committees and may from time to time also designate ad hoc committees and an Executive Committee in conformity with the Company's Articles of Incorporation and By-Laws. Board committees will receive their authority exclusively through delegation from the Board.

**Key Standing Committees.** The key standing committees of the Board of Directors will be the Audit Committee, the Compensation Committee, and the Governance and Nominating Committee. These key standing committees will each have a written charter that sets forth the responsibilities of, and other legal requirements applicable to, the committee. Each charter will be approved by the full Board.

**Executive Committee.** The Board of Directors may elect an Executive Committee which shall have and may exercise all of the powers and authority of the Board in the management of the Company's business and affairs between regularly scheduled meetings of the Board of Directors. Notwithstanding the foregoing, the Executive Committee shall not have authority to act upon any matters that: (a) are prohibited by applicable law or by the Company's 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.

The Governance and Nominating Committee, in consultation with the Chairman of the Board and the Chief Executive Officer, is responsible for recommending to the Board the assignment of Directors to Board committees. Consideration will be given to rotating committee members periodically, but rotation will not be mandatory. All key standing committees will consist of non-management Directors, and shall also at all times meet the independence requirements of applicable law and the listing requirements of the New York Stock Exchange.

The committee chairperson, in consultation with the committee members, will determine the frequency and length of committee meetings. Attendance at any committee meetings by persons other than the committee members shall be at the discretion of the committee chairperson.

#### **IV. BOARD AND COMMITTEE OPERATIONS**

##### **Orientation**

The Company will arrange for each new Director to participate in an orientation process that includes reviewing materials regarding the Company's business and operations and meetings with key personnel.

##### **Continuing Education**

The Board of Directors believes that each Director should: (a) maintain leadership and expertise in the areas that caused the Board to select that Director for membership; (b) develop and maintain a broad, current knowledge of all of the Company's businesses and critical issues affecting the Company; and (c) develop and maintain a broad, current knowledge about corporate directors'

responsibilities, including general legal principles applicable to directors' activities in fulfilling those responsibilities.

The Company, in an effort to encourage Directors to obtain a current understanding of best practices and procedures, will from time to time provide to the non-management Directors a list of approved educational seminars. The Company will reimburse a Director's reasonable expenses incurred in attending one of the approved seminars per year. A Director attending such a seminar shall make seminar materials available to the other Directors and report any significant findings to the full Board of Directors or an appropriate committee.

### **Frequency of Meetings**

The Board of Directors shall meet on at least a quarterly basis. The Chairman of the Board shall, in consultation with management, prepare an annual schedule of the regular meetings of the Board and the Board's key standing committees. This schedule shall be presented to the full Board for approval.

### **Meeting Agenda**

The Chairman of the Board, in consultation with the appropriate members of management, and subject to input from the other members of the Board of Directors, will establish the agenda for each Board meeting.

The chairperson of each committee, in consultation with the other members of the Board and the appropriate members of management, will establish and/or approve the agenda for each committee meeting.

Unless otherwise provided in the charter of a committee, topics that are typically addressed by a committee may be addressed instead by the full Board, as determined by the chairperson of the relevant committee in consultation with the Chairman of the Board.

### **Meeting Material Distributed in Advance; Other Information**

In general, voluminous information that is important to the Board's or committee's understanding of the matters to be discussed at each meeting will, to the extent practicable, be distributed to the Board or committee members a reasonable amount of time before the Board or committee meets so that meeting time may be conserved and discussion time focused on questions that the Directors have about the materials. Whenever possible, these materials should be distributed through the Board's electronic portal. Directors are expected to review meeting materials prior to the meeting. Management will seek to ensure that the information is complete and accurate, while making every attempt to see that this material is as concise as possible.

### **Meeting Attendance**

Directors are expected to attend each meeting of the Board of Directors and of each committee of which the Director is a member. Directors are expected to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Although the Company's By-Laws authorize members of the Board and committee members to participate in and act at a meeting through the use of telephonic or other communication equipment, the personal attendance of Directors at such meetings is preferred.

### **Minutes**

The Secretary of the Company shall record minutes of all meetings of the Board of Directors and its standing committees. In the absence of the Secretary, the Chairman of the Board or the committee, as the case may be, may designate any Assistant Secretary, Director or outside counsel to record such minutes.

### **Attendance of Non-Directors at Board Meetings**

The Chairman of the Board and the Chief Executive Officer will select members of senior management to attend Board or committee meetings. The Chief Executive Officer will select senior managers who either can provide additional insight into the items being discussed because of personal involvement in those areas or are managers with future potential whom the Chief Executive Officer believes should be given exposure to the Board.

### **Executive Sessions**

The non-management Directors will meet in regularly scheduled executive sessions without management. Upon reasonable notice to the other Directors, any non-management Director may call for one or more additional executive sessions of the non-management Directors.

### **Participation in Strategic Discussions**

The full Board of Directors should engage in discussions on strategic issues and ensure that there is sufficient time devoted to Director interchange on these subjects.

### **Committee Reports**

The chairperson of each committee shall report on the activities of the committee to the Board of Directors following committee meetings, and minutes of the committee meetings shall be distributed to all Directors for their information.

### **Access to Management and Employees**

Directors have complete access to the Company's management and employees. The Board of Directors believes that any such contact should be reasonable in frequency and length and should not be distracting to the business operations of the Company.

### **Independent Advice**

The Board of Directors and any Board committee has the authority to seek legal or other expert advice from a source independent of management, including the authority to approve the advisor's fees and terms of retention.

### **Board Interaction with Third Parties**

The Board of Directors believes that management speaks for the Company. The Chief Executive Officer is responsible for establishing effective communications with constituencies of the Company, including shareholders, employees, suppliers, customers, and communities in which the Company operates. This policy does not preclude Directors from meeting with members of these constituencies, but it is suggested that any such meetings be held with management present.

Notwithstanding the foregoing, non-management Directors will communicate directly with any interested party that wishes to make their concerns known to the non-management Directors, without management present. Particularly, the Chairman and the Lead Director, if one exists, shall ensure that he or she is available for consultation and direct communication with major shareholders upon request.

## **V. BOARD PERFORMANCE**

### **Evaluations**

The Governance and Nominating Committee will be responsible for coordinating an annual evaluation of the performance of the Board of Directors and each of its key standing committees. This evaluation will be discussed with the full Board.

### **Ethical Standards**

Members of the Board of Directors, while acting in such capacity, shall comply with any applicable provisions of the Company's Code of Ethics.

### **Conflict of Interest/Recusal**

A Director's business or personal relationships may occasionally give rise to material personal interest on a particular issue that conflicts, or appears to conflict, with the interests of the Company. The Board of Directors, after consultation with counsel, will determine on a case-by-case basis whether an actual or apparent conflict of interest exists. The Board will take appropriate steps to identify such potential conflicts to ensure that all Directors voting on an issue are disinterested with respect to that issue. In appropriate cases, the Director with a conflict will recuse himself or herself from the discussion and the voting process at the Board or committee meeting in question.

### **Confidentiality Policy**

Pursuant to their fiduciary duties of loyalty and care, Directors are required to protect and hold confidential all non-public information obtained due to their directorship position absent the express or implied permission of the Board to disclose such information. To foster open discussions, the proceedings and deliberations of the Board are confidential. Each Director will maintain confidentiality of non-public information received from the Company or its advisors.

Directors, including those currently serving and any individual appointed or elected to serve as a member of the Board in the future, are required to execute a non-disclosure agreement with the Company, in the form required by the Board. The obligation to safeguard confidential information as set forth in this section continues after a Director is no longer serving on the Board. This Confidentiality Policy for the Board shall be strictly enforced and violations will be dealt with promptly. Upon a determination by the Board that a Director violated any provision of this Board Confidentiality Policy or a non-disclosure agreement, such Director shall submit his or her resignation to the Board which shall be effective upon the Board's acceptance of such resignation.

### **Board Compensation**

The Board of Directors believes that the Company should compensate non-management Directors for their service on the Board at a level that will attract Director candidates who satisfy the Company's selection criteria for board members. In conjunction with the Compensation Committee's compensation consultant, the Compensation Committee will periodically review the compensation arrangements in effect for the non-management members of the Board of Directors and recommend to the Board any changes deemed appropriate.

### **Other Board Memberships**

Non-management Directors are encouraged to limit the number of other boards on which they serve, taking into account the impact of such other Directorships on attendance at, and the quality of participation in, meetings of the Board of Directors. Non-management Directors who are CEOs of publicly-traded companies may serve on a maximum of two other public company boards (i.e., the Director's own board plus one other public company board). Non-management Directors who are not CEOs of publicly-traded companies may serve on a maximum of five other public company boards. Members of the Board of Directors should advise the Chairman of the Board and the chairperson of the Governance and Nominating Committee in advance of accepting an invitation to serve on another board. A Director who is also an officer of the Company will seek the approval of the Board of Directors before accepting any outside board memberships.

## **VI. SENIOR MANAGEMENT**

### **Executive Officer Evaluations**

The Compensation Committee will oversee the evaluation of the performance of the executive officers of the Company. The evaluation should be based on the performance of the Company as well as the individual's accomplishment of short-term and long-term strategic objectives, development of management and other criteria determined by the Compensation Committee.

These evaluations should be used by the Compensation Committee in the course of its deliberations when considering the compensation of executive officers.

### **Succession Planning**

The Compensation Committee is responsible for the periodic review of succession plans for the Chief Executive Officer and other executive officers, and will periodically report to the Board of Directors on these matters.

### **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.

## **VII. STOCK OWNERSHIP GUIDELINES**

The Board of Directors recognizes the value of aligning Company Directors' and executives' economic interests with those of its shareholders, and has established stock ownership guidelines for Directors and senior executives. Our Chief Executive Officer is required to maintain ownership equal to five times the Chief Executive Officer's base salary. Other principal officers and Senior Executive Vice Presidents 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. The Compensation Committee shall monitor compliance with these guidelines and shall allow exceptions to compliance with these guidelines only in special circumstances. The Compensation Committee shall reevaluate the stock ownership guidelines periodically and make such modifications or revisions as it deems necessary or appropriate.

## **VIII. REVISIONS**

The Nominating and Governance Committee will reevaluate these guidelines periodically and recommend to the Board of Directors any revisions that it deems necessary or appropriate for the Board of Directors to discharge its responsibilities more effectively.

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