

# Living our Values: CSR at Kohl's

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## Dear Stakeholders,

At Kohl's, Corporate Social Responsibility (CSR) means living our values every day in every aspect of our business and working to make a positive impact in the communities where we live and work.

We've been proud to serve our customers and communities for more than 50 years. This year we unveiled a new strategic framework for our business, which we call our Greatness Agenda. The new path forward is defined by our new purpose: *to inspire and empower families to lead fulfilled lives*. While the purpose will guide us well into the future, what we stand for and how we conduct ourselves will continue to be defined by our shared Values – Put Customers First, Act with Integrity, Build Great Teams and Drive Results.

### Put Customers First

We put customers first in all that we do. We give back to our customers by serving communities with our resources, time and talent through our philanthropic platform, Kohl's Cares®. This year, we've set a new record completing more than 30,000 volunteer events across the country, resulting in nearly \$18 million in corporate grants for benefiting non-profit organizations. We've also donated more than \$21 million from our Kohl's Cares cause merchandise program, where 100 percent of the net profit benefits kids' health and education initiatives nationwide. These donations, combined with our other donations, resulted in the contribution of \$56 million in 2014 to support the causes that matter to our customers and their families.

### 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 all of our business decisions.

### Build Great Teams

Our 140,000 Associates across the country 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. We are proud of our industry-leading Associate engagement scores and the benefits and offerings we provide to attract and retain the best talent in retail.

### Drive Results

Kohl's has always been a results-oriented company in everything we do, and our environmental sustainability efforts are proof that we make choices that drive lasting, impactful results. From our investments in sustainable operations to the work we do with our suppliers and transportation partners, we are driving results to ensure we leave a smaller footprint.

We are committed to serving our customers, our neighbors and our communities. As we look ahead, the Greatness Agenda and our Values will be our consistent road map for the work we do every day. I'm proud to share our CSR updates for 2014 and look forward to continuing our work on these initiatives in the years ahead.

Sincerely,

A handwritten signature in black ink that reads "Kevin Mansell".

**Kevin Mansell**

Chairman, Chief Executive Officer and President



## Living our Values: Corporate Social Responsibility 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

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 2014 alone, we donated \$56 million to support the causes that matter to our customers.

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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.

Navigate through this report using the tabs at the base of each page.

## About Kohl's

Kohl's Department Stores, headquartered in Menomonee Falls, Wisconsin, is a leading specialty department store with 1,164 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.

Committed to its communities, Kohl's has raised more than \$274 million for children's initiatives nationwide through its Kohl's Cares® cause merchandise program, which operates under Kohl's Cares, LLC, a wholly owned subsidiary of Kohl's Department Stores, Inc. For additional information about Kohl's philanthropic and environmental initiatives, visit [Kohl's Cares](#). For a list of store locations and information, visit [Kohls.com](#).

## About this report

### Reporting Period

This is the fourth annual Corporate Social Responsibility Report for Kohl's, and it covers the fiscal year 2014 (February 2, 2014, to January 31, 2015), 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](mailto:investor.relations@Kohls.com).

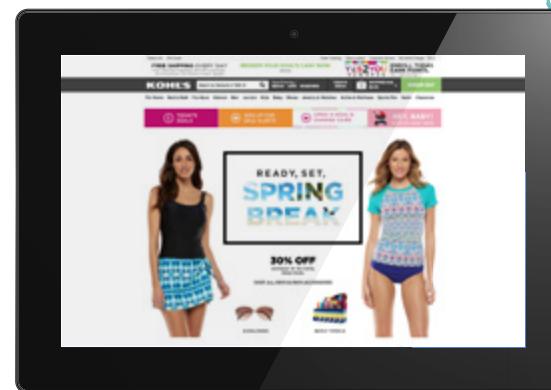
For more information about our history, business, sales growth, stores, and more, see our [Factbook](#).

### A WINNING TEAM OF



WE GENERATE ANNUAL SALES IN EXCESS OF

**\$19 billion**



# Put Customers First

## OUR HIGHLIGHTS

# \$56 million

DONATED IN 2014

\$17m

NET PROFITS GENERATED  
FROM OUR KOHL'S CARES  
CAUSE MERCHANDISE  
SALES IN 2014

KOHL'S Cares



SINCE 2001, THOUSANDS  
OF KOHL'S ASSOCIATES  
NATIONWIDE HAVE  
PARTICIPATED IN  
**VOLUNTEER ACTIVITIES**  
RESULTING IN NEARLY  
**\$100 MILLION** IN  
CORPORATE GRANTS



# 33,000

**VOLUNTEER** EVENTS ACROSS THE  
COUNTRY IN 2014 RESULTING IN  
NEARLY **\$18 MILLION** TO YOUTH  
SERVING NONPROFIT ORGANIZATIONS

# 100%

OF NET PROFITS BENEFIT KIDS'  
HEALTH AND EDUCATION INITIATIVES

\$274m

AMOUNT KOHL'S HAS  
RAISED THROUGH ITS  
**KOHL'S CARES CAUSE**  
MERCHANDISE PROGRAM  
TO DATE

KOHL'S Cares





**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 2014 alone, we donated \$56 million to support the causes that matter to our customers.

**KOHL'S CARES**

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

At Kohl's, caring and commitment are at the heart of our company. We believe in giving back to the cities and towns where we do business. Through our philanthropic platform, **Kohl's Cares®**, we support kids' health and education programs nationwide.

When it comes to our customers, our Associates and our communities, Kohl's cares.

### Kohl's Cares Cause Merchandise Program

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

In 2014 the net profits generated from Kohl's Cares cause merchandise totaled \$17.2 million. To date, Kohl's has raised more than \$274 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

As part of our commitment to children's health, Kohl's donated more than \$21 million to more than 160 hospitals in 2014.

Introduced in 2000, 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, immunization, asthma and infant care.

Program examples include:

- Children's Specialized Hospital (Mountainside, New Jersey) developed the Kohl's Autism Awareness Community Hub to provide families with resources and information regarding autism spectrum disorders.
- Children's Hospital Los Angeles (Los Angeles, California). The purpose of the Kohl's Safety and Injury

Prevention Program at CHLA is to raise awareness and provide safety education, equipment and services to families and communities. The program promotes Bicycle, Car, Earthquake, Fire, Home, Poison, Schools, Sports, Toy and Water Safety.

- Children's Hospital & Medical Center (Omaha, Nebraska) runs the year-round Healthy Kohl's Kids program focused on educating children and parents about healthy nutrition and fitness. The program offers an online healthy recipe library and hosts events that encourage children to enjoy physical activity.
- Arnold Palmer Hospital for Children (Orlando, Florida) designed the Kohl's Play It Forward program to meet the growing needs of active children in Central Florida by sending sports medicine professionals into the community to instruct coaches, parents and children on safe training and play techniques, how to decrease risk of injury, increase awareness of common injuries and how to treat minor injuries.
- Children's Hospital of Wisconsin (Milwaukee, Wisconsin) developed Kohl's Cares Grow Safe & Healthy, a community-based injury prevention program that provides a trusted educational resource for safety in the home, outdoors and on the go.

### 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 locations form teams of five or more Associates and volunteer for at least three consecutive hours with eligible youth-serving nonprofits, the company provides a \$500 grant directly to the nonprofit partner.

In 2014:

- AiA organized 33,000 community events nationwide
- 100 percent of our stores, facilities and corporate offices participated in AiA

- Our Associates contributed a total of 560,000 volunteer hours
- Nearly \$18 million in corporate grants were disbursed to more than 8,500 nonprofit organizations throughout the country through AiA.

Since the program's inception in 2001, Kohl's, through AiA, has donated nearly \$100 million in corporate grants to youth-serving nonprofit organizations across the country.

## Kohl's Cares Scholarship Program

Through the Kohl's Cares Scholarship Program we recognize kids ages 6 to 18 who have made a positive impact on their community through volunteerism. Winners are chosen based on initiative, leadership, generosity and project benefits and outcomes. Local winners receive a \$50 Kohl's gift card, regional winners are granted \$1,000 in scholarships for higher education, and national winners receive a total of \$10,000 in scholarships and a \$1,000 donation to the nonprofit of their choice. Since the program began in 2001, Kohl's has recognized more than 22,000 kids, including the 2014 winners, with nearly \$4.3 million in scholarships and prizes. In 2014 alone, Kohl's recognized more than 2,300 young volunteers with nearly \$400,000 in scholarships and prizes.

## 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. Kohl's Cares Fundraising Gift Cards are available in denominations of \$10, \$25, \$50 and \$100, and accepted online and at any of our stores nationwide. Since 2000, over 12,500 organizations have participated in the Kohl's Cares Fundraising Gift Card program, raising more than \$40 million in fundraising dollars.

## Hometown Partnerships

Kohl's is proud to support our [hometown](#) of Milwaukee through partnerships with local, premier nonprofit organizations.

Since 2000, Kohl's and Kohl's Cares have given more than \$76 million to kids' health and education and women's health initiatives in the Milwaukee metro area. In 2014 alone, we donated nearly \$13 million. Currently, we have partnerships established with the following organizations:

- American Cancer Society – Kohl's Breast Health for Women 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
- Discovery World – Kohl's Design It!
- Hunger Task Force – Kohl's Serving Up Supper For Kids
- JDRF Southeast Wisconsin Chapter – title sponsor of the Kohl's JDRF Walk to Cure Diabetes
- Junior Achievement of Wisconsin – JA Capstone Program in the JA Kohl's Education Center
- Milwaukee Art Museum – Kohl's Art Generation in the Kohl's Education Center
- 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, Kohl's Southeast Wisconsin Breast Health Assistance Fund 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 to 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 2014, 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 \$2 million in field trips to more than 1,400 schools throughout the Milwaukee area. ■

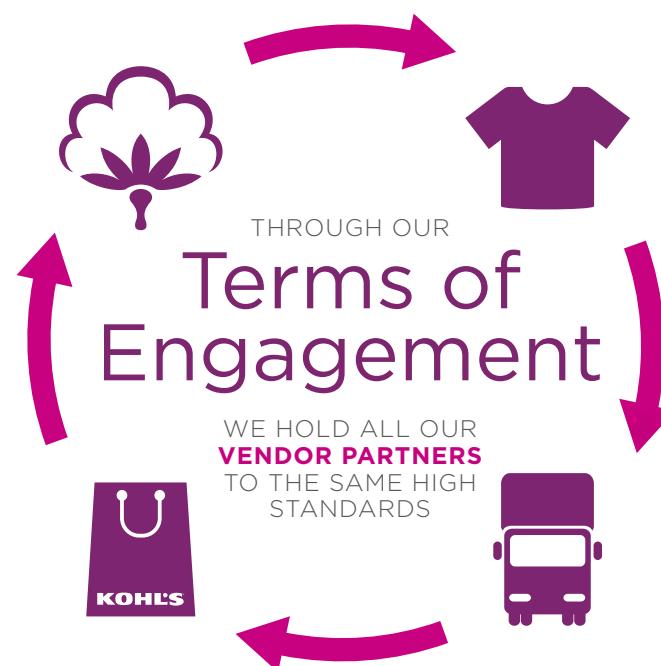
## Supporting Community Wellness

In 2014, we brought together our passion for kids' health with our commitment to community volunteerism through the AiA Seasonal Challenge Wellness Initiative. Stores were encouraged to partner with our more than 160 local hospital partners and youth-serving organizations to organize events supporting children's health and wellness.

More than 5,400 Kohl's Associates took part in the initiative, dedicating more than 16,400 volunteer hours to deliver more than 1,000 wellness events such as immunization clinics, car seat safety checks, and free dental clinics in collaboration with 400 unique nonprofits and local hospital partners. In addition, more than \$507,000 in corporate funding was contributed to local hospital partners and youth-serving organizations across the nation, to support their ongoing efforts.

# Act with Integrity

## OUR HIGHLIGHTS



**3,193**

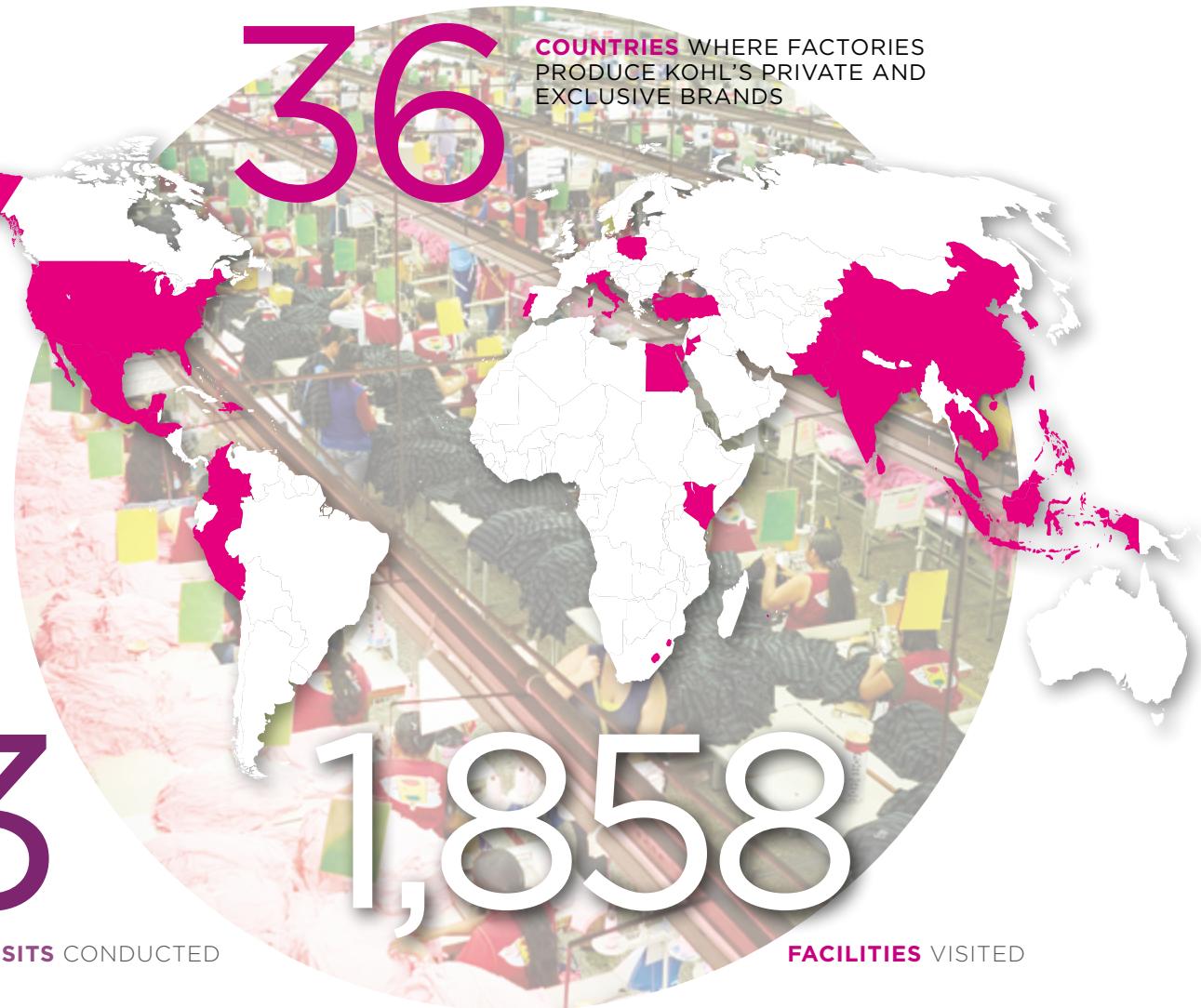
MONITORING VISITS CONDUCTED

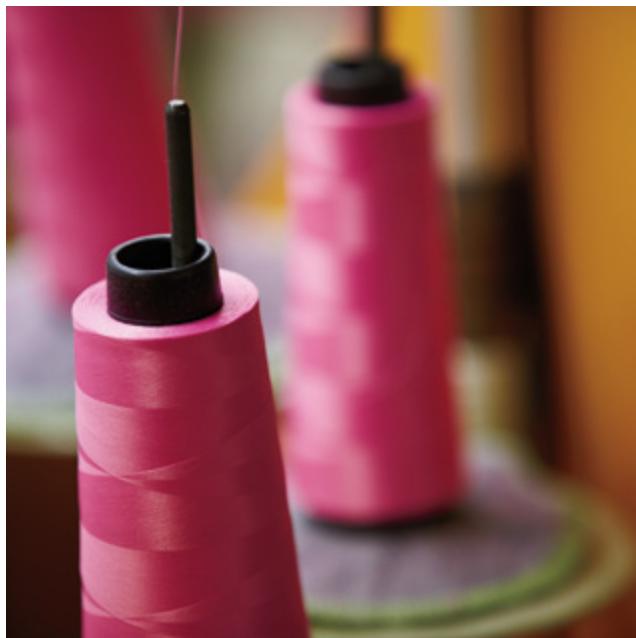
**36**

COUNTRIES WHERE FACTORIES  
PRODUCE KOHL'S PRIVATE AND  
EXCLUSIVE BRANDS

**1,858**

FACILITIES VISITED





**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 all of our 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 business 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 rights 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 is posted at [kohlscorporation.com](http://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.

### 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:

- Working with our Vendor Partners to raise awareness of these issues
- Requiring all Vendor Partners to certify that each facility used to produce merchandise sold to Kohl's will operate in compliance with all applicable laws and our Policy, including but not limited to laws regarding slavery and human trafficking in the countries in which they do business
- Providing training for relevant policy compliance management and team members regarding identification and mitigation of risk
- Contracting the services of independent, professional, third-party social compliance monitoring firms to perform both announced and unannounced factory audits
- Enforcing our zero-tolerance policy regarding forced labor, prison labor, slavery and human trafficking.

### 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.

We contract with numerous Vendor Partners who in turn use hundreds 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 factory 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.

## PRIVATE AND EXCLUSIVE BRAND VENDOR PARTNER COMPLIANCE PROGRAM PERFORMANCE

In 2014 there were 3,193 monitoring visits to 1,858 facilities, of which 56% were unannounced.



	Compliant facilities	Noncompliant facilities	Inactive facilities*	Still being monitored	Facilities visited	Monitoring visits	Factory visits not announced
2014	<b>1,418</b>	<b>177</b>	<b>50</b>	<b>213</b>	<b>1,858</b>	<b>3,193</b>	<b>1,791 (56%)</b>
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

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 3,193 audits in 2014; 56 percent were performed on an unannounced basis. In 2014, 177 facilities were cited for zero-tolerance violations of our Policy, resulting 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 2014, 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 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.

## Communicating 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](http://connection.kohls.com). Private and exclusive brand vendors receive annual information 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.

## Conflict Minerals

We expect all Vendor Partners to ensure that merchandise sold to us is free of any tin, tantalum, tungsten or gold (designated as "conflict minerals") that 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 Materials](#) 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.



## 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.



## 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
- Completed basic fire training for workers and managers in all Alliance factories
- Established a team of technical experts and remediation case managers in Bangladesh
- 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 200 factories for workers to confidentially share safety concerns without fear of retaliation.



## Better Work Programs

We participate in the International Labor Organization's [Better Work Vietnam](#) and the [Better Work Nicaragua](#) (BWN) programs, which focus on strengthening labor standards in export garment industries. We rely on BWV and BWN 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.

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.

## 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 to connect ethics to an Associate's day-to-day job and helps to 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. When suspected violations occur, Associates may also report suspected violations anonymously by telephone by calling the Kohl's Integrity Hotline. ■

# 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

MORE THAN

40



COLLEGE STUDENTS PARTICIPATED IN OUR 8-10 WEEK INTERNSHIP PROGRAM IN 2014

KOHL'S STORE ASSOCIATES WOULD  
**RECOMMEND KOHL'S AS A GREAT PLACE TO WORK**  
- PUTTING US IN THE INDUSTRY-LEADING

90<sup>TH</sup>  
PERCENTILE



70%

OF LEADERSHIP ROLES  
AT KOHL'S WERE FILLED  
**INTERNAL**LY IN 2014,  
SIGNIFYING OUR  
COMMITMENT TO  
SUPPORTING ASSOCIATES  
IN THEIR INDIVIDUAL  
DEVELOPMENT





**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. We are proud of our industry-leading store Associate engagement scores and the benefits and offerings we provide to attract and retain the best talent in retail. As we continue on our path forward, we continuously look for ways to innovate and engage with our Associates, whether it's creating new programs that support healthy lifestyles, providing opportunities to be involved in our communities and more.

## 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 annual Associate Engagement Survey enables us to get valuable feedback from Associates across the company. The survey covers a variety of topics including communication, development, recognition, involvement and more. This feedback not only provides insights to help shape the work experience and environment for Associates, but also provides us with an indication of our overall business performance.

When Kohl's store Associates were asked in 2014 whether they would recommend Kohl's as a great place to work, their response was industry-leading: in the 90th percentile.

We use this survey to measure engagement as a key driver of our success, as higher scores may be correlated with positive sales, customer service and retention.

### Engagement Programs

We also seek to provide opportunities for Associate engagement through numerous programs and events.

Our Associate Interest Groups offer Associates the chance to connect with colleagues who share a similar interest such as sports, business, and health and wellness. In 2014:

- Associates formed new interest groups around Millennials, Women in Technology, and Sustainability.
  - The *Millennial interest group* was formed to enhance communication to and for Millennials at Kohl's.

In 2014, this group hosted the first in a series of informational events called "KTalks" featuring senior business leaders. Over 150 Associates attended the first KTalk event.

- The *Women in Technology interest group* provides the opportunity for Associates in IT to come together regularly to discuss topics in an open forum and support women in the IT field. The group spans from Kohl's headquarters in Wisconsin to the Kohl's Innovation Center in California.
- Members of the *Sustainability interest group* are focused on raising awareness of sustainable practices, at Kohl's and throughout the Milwaukee area.

- Associates also created opportunities to connect with fellow university alumni across departments during the annual College Colors week. Alumni from several universities hosted a new series of events to share leadership journeys from campus to the corporate office. These networking events, as well as other events throughout the year, provided Associates the opportunity to get to know senior leaders on a more personal level.
- Additionally in 2014, nearly 700 Associates participated in sporting leagues, which promote teambuilding and a healthy lifestyle.

### 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 2014, 100 percent of our facilities participated in Kohl's [Associates in Action](#) (AIA) volunteer program, hosting 33,000 community events. Our Associates contributed more than 560,000 volunteer hours to important causes and community-based nonprofit organizations nationwide.

### Employee Recognition

We encourage Kohl's Associates to recognize and celebrate greatness and together strive to create a culture of appreciation in which teams are valued, supported and recognized. We are committed to recognizing greatness at all levels of the organization with a balance of instant recognition, general

## National Go Green

In April 2014, thousands of Kohl's Associates celebrated National Volunteer Week and Earth Day by volunteering in their local communities during our fifth annual National Go Green event.

Volunteer events were held across the country, including:

- Removing invasive species and planting native vegetation to preserve wildlife habitats with Tree Musketeers in Los Angeles, California
- Creating an outdoor classroom, weeding community gardens and cleaning up parks with the Urban Ecology Center in Milwaukee, Wisconsin
- Landscaping the yards of new homes with Habitat for Humanity in Macon, Georgia

In addition, Kohl's donates corporate grants to each organization that participates, for a total of more than \$2 million in 2014, and more than \$10 million across the five years of the program.



appreciation, broader achievements and important personal life events.

All Associates are encouraged to celebrate successes large and small. Our online tool enabled Kohl's Associates to send more than 124,000 e-recognitions to their colleagues in 2014.

## 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. In 2014, we brought on nearly 400 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.

## Training and 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

We invest in training our Associates and offer over 2,000 courses online on topics such as Ethics, Associate Engagement, Accountability, and Giving and Receiving Feedback. Our Learning Management system is available to all Associates, and courses are customizable to meet individual training needs.

We engage in annual training for Associates on Ethical Standards and Responsibilities to help 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 drive engagement, develop understanding and enhance our culture of honesty, integrity and fairness.

One way we ensure that our customers have a consistently great experience at our stores is by providing Associate training on the Kohl's Service Promise - a promise on behalf of our Associates to promote a culture of "Yes" and provide a consistently great experience for every customer, every time, in every store. The Kohl's Service Promise training covers topics from providing a welcoming customer experience, keeping stores neat and clean and organizing merchandise.

We also design custom development training for our corporate departments with opportunities for growth, ensuring that they have the appropriate bench to promote talent from within.

### Leadership Development

Our leadership development approach aims to support each leader's strengths while maintaining a consistent focus on company values. We work individually with

leaders to build positive relationships, allowing the team to drive the best results.

We are proud that 70 percent of leadership roles at Kohl's were filled internally in 2014. We credit this performance to our significant commitment to supporting our Associates in their individual development.

**Individualized executive coaching:** In 2014, we helped 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.

**Field Development Days:** We also provide development for Associates with leadership potential. In 2014, high-potential Store Managers and Assistant Store Managers participated in regional sessions to strengthen their leadership capabilities and help accelerate them into leadership roles.

## 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 to 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 treat patients' 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. In 2014, we expanded the Wellness Center at our corporate headquarters in Menomonee Falls, Wisconsin, and added a state-of-the-art fitness center, supporting our focus on the overall health and well-being of Associates. The newest Kohl's customer service operations center in Dallas, Texas, opened in 2014 also features a wellness center.

Our Wellness Centers are staffed by physicians, nurse practitioners, medical assistants, physical therapists

and registered nurses. Associates can expect staff who understand the company culture and work environment at their location and compassionate, individualized care tailored to their specific needs. More than 25,000 visits were made to these locations in 2014.

**On-site health solutions:** In 2014 we expanded our mobile mammography program to more than 200 Kohl's store locations. We also provided flu vaccinations at our corporate facilities and grew this offering to 69 stores. Nearly 4,000 Associates participated and received their flu vaccination through this program in 2014.

**Fitness discounts:** Kohl's offers discounts on gym memberships for all Associates. Associates who frequent the fitness center at our corporate office 8 times or more per month have their gym fees reimbursed.

**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. Associates 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. It encourages Associates to "know their numbers" and take greater ownership of their personal health.

**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 navigating the college search process, financial assistance for ongoing education and 24-hour access to legal guidance for personal matters. Should an Associate need 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 we offer an even more personalized approach: On-Site Life Solutions. As part of our on-site program, Associates have in-person access to a dedicated work-life professional who can provide support with 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 2014, we launched an on-site EAP at our Dallas credit location, and piloted our first on-site store EAP in Caesar's Bay in Brooklyn, New York.

**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 2014, we provided 160 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 – along with specific focuses on communication, recognition and coaching safe behaviors – 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. ■

# Drive Results

## OUR HIGHLIGHTS

RANKED

**#1** carbon neutral

FOR 5 YEARS IN A ROW

ON THE EPA'S  
GREEN POWER  
PARTNERSHIP'S  
TOP 30 RETAIL  
LIST SINCE 2009



81%



OF KOHL'S STORES ARE  
ENERGY STAR® CERTIFIED  
including 122 stores certified in 2014



RECYCLING RATE ACHIEVED  
AT ALL OF OUR STORES,  
FACILITIES AND  
CORPORATE OFFICES



434

KOHL'S BUILDINGS ARE LEED CERTIFIED  
- MORE THAN ONE-THIRD OF OUR  
BUILDING PORTFOLIO

All Kohl's stores are operated using the USGBC's  
LEED guidelines and policies

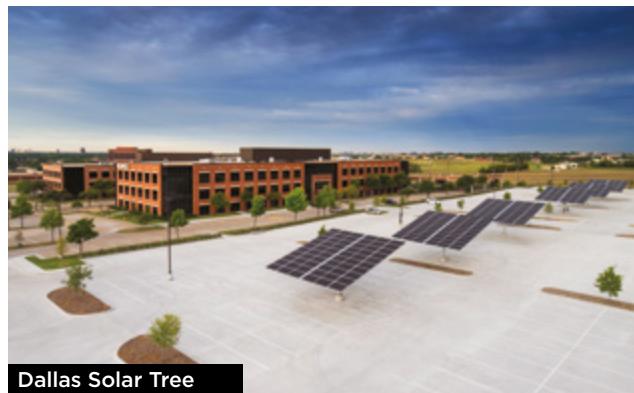


161

SOLAR LOCATIONS

INCLUDING SIX SOLAR TREES  
INSTALLED IN 2014

making Kohl's one of the largest hosts  
of solar electricity in North America



**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.

## SUSTAINABILITY GOALS AND PROGRESS IN 2014

**943**

**STORES** (81% OF TOTAL) ARE **ENERGY STAR®** CERTIFIED IN 2014

**Goal:** Certify 800 ENERGY STAR® Kohl's stores by 2015  
Kohl's surpassed this goal in 2013.

**105%**

**OF OUR TOTAL ENERGY USE** IN 2014 WAS OFFSET THROUGH INVESTMENTS IN RENEWABLE ENERGY CREDITS

**Goal:** Operate via 100% renewable energy

**161**

**SOLAR ARRAYS** HOSTED AT KOHL'S FACILITIES AS OF 2014

**Goal:** Host and activate 200 solar arrays by 2015

**Five**

**STRAIGHT YEARS OF NET ZERO EMISSIONS** ACHIEVED AS OF 2014

**Goal:** Achieve net zero emissions for carbon neutrality

**87%**

**RECYCLE RATE** ACHIEVED IN 2014

**Goal:** Recycle 85% of all operating waste by 2015

In 2014, we successfully achieved numerous 2015 environmental goals a year or more ahead of target. These goals were established to help guide our investments and activities, focusing on where we can have the greatest impact on our environmental footprint.

## Building for Efficiency

We are committed to providing engaging environments for our customers, Associates and communities through our 1,164 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 & Environmental Design (LEED) rating system 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 for New Construction, LEED for Existing Buildings: Operations & Maintenance and LEED for Commercial Interiors. For new construction and existing buildings, we have developed three LEED Gold building prototypes that meet LEED Gold standards, which we use to model future projects and streamline the process. All Kohl's stores are operated using LEED guidelines and policies. Currently, 37 percent of our buildings are LEED certified.

## OUR COMMITMENT TO LEED CERTIFICATION

Buildings with LEED Certification (fiscal year data)

### CERTIFIED



**LEED certified buildings by type**

Existing Buildings: Operations & Maintenance

**284**



**SILVER**

**126**

New Construction

**143**

**TOTAL**  
**434**

**REPRESENTING**  
**37%**  
OF ALL KOHL'S BUILDINGS

**7**

Commercial Interiors

## New Building Design and Construction

Since 2012, all of our newly constructed stores have been built according to our Gold pre-certified LEED for Retail New Construction (NC) prototype. 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.

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

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.

Throughout construction, we are also mindful of our impacts and 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.

As of 2014, we have 143 stores that have been LEED certified under the NC guidelines.

## Operations and Maintenance

Over the last five years, our focus on sustainability has increasingly shifted from building new stores to improving the operational efficiency and customer experience of our existing facilities. To maintain efficient, environmentally responsible buildings requires continual maintenance, monitoring and investment. All of 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, 284 of our buildings are certified under LEED's guidelines for existing building operations.

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 2014, 55 of our locations were recommissioned.

In addition, we regularly upgrade equipment and retrofit our facilities to achieve energy savings. We continued our sales floor lighting upgrade program, retrofitting 40 stores for LED lighting in 2014. By replacing fluorescent fixtures with LED fixtures, we anticipate that we will reduce our per-store energy consumption by 235,000 kilowatt-hours. We also completed 61 HVAC replacements, installing newer, more efficient models in stores across the country.

## Corporate Offices

In addition to our stores, we work to bring sustainability to all of our corporate facilities. Since construction of our Milwaukee-based Photo Studio in 2007, we have invested in building new corporate projects to meet LEED standards. Currently, nine of our corporate projects are LEED certified, including the 21st floor of our New York Design Office in central Manhattan, which was certified in March 2014. A second LEED registered expansion of the New York office is currently underway.

## 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, we have set a

goal to reduce our energy by at least 20 percent in more than 112 million square feet of occupied building space by 2020, from 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. At the end of 2013, we had achieved a 12 percent reduction in energy usage from a 2008 baseline. In 2014, we succeeded in reducing our energy usage by another 4.3 percent over 2013 levels across our operations, even as we opened seven new stores.

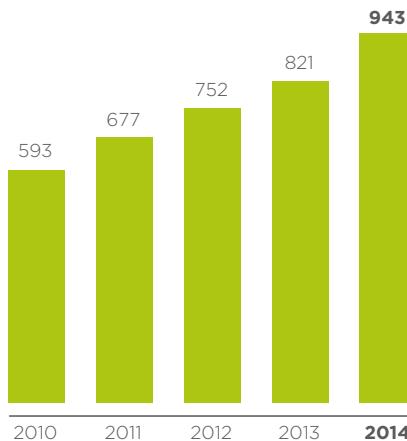


Kohl's has been working with the U.S. Environmental Protection Agency's ENERGY STAR® program for more

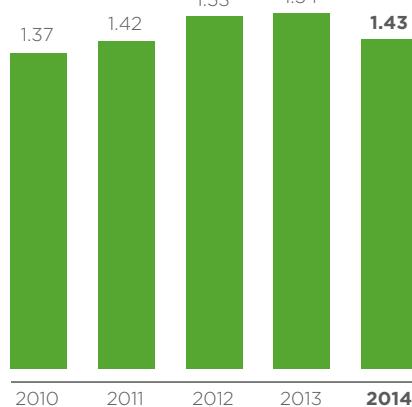
than 15 years. ENERGY STAR® provides Kohl's with tools and technical information to help save money and protect the climate through improved energy efficiency. Our participation in this program helps us to assess the performance of our buildings and set goals to improve energy efficiency. Using the ENERGY 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. Currently, 81 percent of our stores are ENERGY STAR® certified, including 122 stores certified in 2014, the most we have certified in one year since 2010. In recognition of our continued leadership in energy efficiency, Kohl's was once again awarded an [ENERGY STAR® Partner of the Year - Sustained Excellence Award in 2014](#).

## ENERGY BY THE NUMBERS

**ENERGY STAR® STORES**  
(Total number - calendar year data)



**RENEWABLE ENERGY CERTIFICATES SECURED**  
(Millions of Mwh- calendar year data)



**ENERGY STAR® CERTIFICATION**  
(calendar year data)

	Total number of ENERGY STAR® stores	Average ENERGY STAR® score	Percentage of ENERGY STAR® certified stores*
<b>2014</b>	<b>943</b>	<b>81</b>	<b>81%</b>
2013	821	79	70%
2012	752	77	66%
2011	677	77	60%
2010	593	75	54%

\* All calendar year calculations are based on 1,163 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
<b>2014</b>	<b>1.43</b>	<b>161</b>	<b>2</b>
2013	1.54	156	2
2012	1.53	137	2
2011	1.42	121	2
2010	1.37	100	0

\*\* 1 REC = 1 MWh of electricity

## Renewable Energy Certificates

The purchase of Renewable Energy Certificates (RECs) in the United States helps support the development of renewable energy sources. In 2014, we secured RECs totaling 1.43 billion kWh, including approximately 28.5 million kWh from generation of solar power where Kohl's retains or owns the RECs, thereby offsetting more than 100 percent of our energy usage.



We are also an active member of the EPA's Green Power Partnership, a program dedicated to encouraging the use of green power. Since 2009, we have ranked first on the Partnership's top 30 for retail, representing the largest green power users within the Partnership. We were also honored to again receive an [award for Sustained Excellence](#), recognizing our continual leadership in advancing green power development. The EPA also awarded us the [Excellence in GHG Management Goal Achievement Award](#) in 2014, for publicly reporting and verifying our organization-wide greenhouse gas inventories and achieving publicly set greenhouse gas emissions reduction goals.

## On-site Renewables

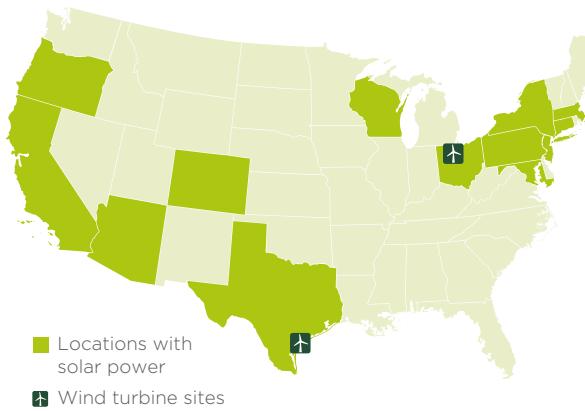
The rooftops of many Kohl's buildings provide a perfect setting for solar panels. We are one of the largest hosts of solar electricity in North America, with 161 solar arrays, five of which were activated in 2014. Each of our solar installations generates more than 50 megawatts of on-site green power, enough to offset 20 to 50 percent of a store's energy use.

As we work toward the goal of increasing our number of solar locations, we continue to evaluate new sites based on available sunlight, roof age, state and local support, our level of ownership (own or lease) and projected cost savings to the company. We also look to new technologies that can help us integrate on-site green power generation into our operations. For example, at our new Dallas call center opened in 2014, we installed six solar trees, one of which supports electric vehicle charging serving two parking stalls. With the goal of building awareness of solar technology, solar trees blend

solar technology with artistic expression in a vertical pillar structure. We will evaluate rolling out this new technology to additional sites in the future.

In addition to our solar installations, Kohl's also has two wind turbine sites – one at our Findlay, Ohio, distribution center and one at our Corpus Christi, Texas, store.

## KOHL'S SOLAR INSTALLATIONS AND WIND TURBINE SITES



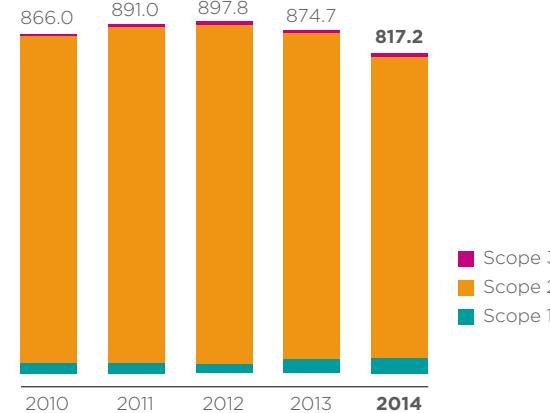
## Toward Carbon Neutrality

Kohl's is proud to have been one of the first retailers in the United States to be carbon neutral (net zero U.S. emissions) in our operations. This status includes all of our stores, distribution centers and corporate offices, as well as all associated business travel. We first achieved this status in 2010.

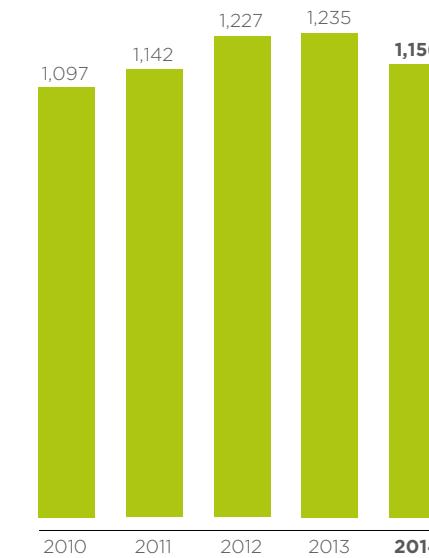
In 2014, we secured RECs totaling approximately 1.43 billion kWh, resulting in the offset of 1,156,030 metric tons of carbon.

## TOWARD CARBON NEUTRALITY

**TOTAL EMISSIONS BY SCOPE**  
(thousand metric tons carbon – calendar year data)



**TOTAL EMISSIONS REDUCTIONS**  
(thousand metric tons carbon – calendar year data)



**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•
2014	<b>40,510</b>	<b>767,718</b>	<b>8,983</b>	<b>817,211</b>	<b>117,208</b>	<b>1,163</b>	<b>6.97</b>
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
2010	27,062	832,519	6,369	865,950	109,088	1,089	7.94

\* All calendar year calculations are based on 1,163 stores, the final calendar year number.

**REDUCTIONS AND CARBON OFFSETS** (metric tons carbon – calendar year data)

	Total emissions	Reductions carbon offsets**	Emissions reductions renewable energy credits***	Total reductions
2014	<b>817,211</b>	<b>40,510</b>	<b>1,115,520</b>	<b>1,156,030</b>
2013	874,697	35,580****	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
2010	865,950	33,000	1,064,131	1,097,131

\*\*These Verified Emission Reduction Certificates for Scope 1 Emissions come from our Denton, Texas, Landfill Gas mitigation project.

\*\*\*RECs are converted to MTCE by calculating the MTCE for CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. Kohl's uses the EPA's Climate Leaders GHG Inventory Protocol optional Modules Methodology, using national average emissions factors.

\*\*\*\*An additional 7,580 verified emissions reductions were purchased in 2014 to completely offset the 2013 Scope 1 emissions.

## Reducing Waste

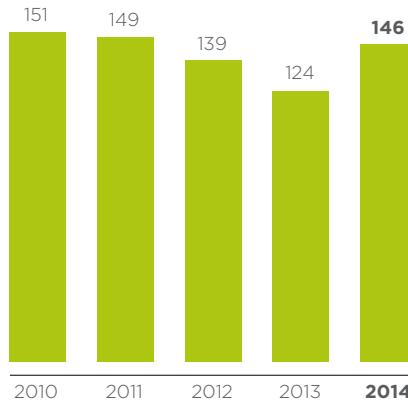
We continue to evolve waste recycling programs and waste avoidance strategies to help support our efforts to conserve resources. This means encouraging Associates, partners and customers to reduce their waste, and looking for opportunities to reuse and recycle materials.

### Construction Waste

Throughout the construction process, new store teams follow our Construction Waste Management Plan. General contractors that we work with review the plan prior to starting construction and look for local opportunities to reuse or recycle building and other

### WASTE AND RECYCLING

**TOTAL WASTE RECYCLED**  
(thousand tons – calendar year data)



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 2014, we recycled nearly 5,000 tons of construction waste.

### Waste from Operations

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 all shipment packaging, and actively works to increase the units per carton with our merchant teams, helping to reduce the amount of handling, transportation and overall material in the supply chain.

In calendar year 2014, we achieved an 86.67 percent recycling rate across our operations, surpassing our 2015 goal of 85 percent.

Our programs are bolstered by training and education, such as the "kNOw before you throw" campaign, which 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.

Some of our key waste disposal and recycling initiatives include:

- **Waste to Energy Program:** In 2014, 57 store locations participated in the Waste to Energy program, which uses waste to generate energy in the form of heat or electricity. Since beginning this program in 2012, more than 963 tons of material has been diverted from the

### Supporting Sustainable Choices

At Kohl's, we work hard to provide our customers with what they want and need. This means helping them to make sustainable choices while shopping with Kohl's.

For example, we provide opportunities for customers to recycle any type of plastic bag, film or wrap from any source at our stores. Bins are located at customer service to collect the bags, which are transported to our distribution centers for baling, and then shipped to our recycling partners.

We are also one of just a few retailers that offer electric vehicle (EV) charging stations to customers and Associates free of charge. We have 158 EV stations across 78 stores, as well as three at corporate facilities. In 2014, we joined the U.S. Department of Energy's Charging Challenge, which encourages U.S. employers to commit to providing EV charging stations for their workforce.



### 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
<b>2014</b>	<b>126,007</b>	<b>4,887</b>	<b>10,983</b>	<b>231</b>	<b>1,701</b>	<b>735</b>	<b>413</b>	<b>376</b>	<b>140</b>	<b>212</b>	<b>145,685</b>
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
2010	118,609	15,873	10,802	428	2,833	1,414	500	612	75	46	151,192

landfill, enough to fill nearly 140 garbage trucks. Kohl's continues to explore the possibility of expanding our participation to additional store locations.

■ **Plastics:** In 2014, we developed new partnerships with internal and external partners to help us recycle plastic film, bags and wrap. As a result of these programs, we recycled nearly 5.9 million pounds of plastic film, bags and wrap in calendar year 2014.

■ **Dry Waste:** Through this program at select stores, Associates are able to place paper, in-store signage, cardboard and bagged trash into a single compactor, after which 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.

## Conserving Water

Although water use in our facilities is relatively minimal, we invest in appliances, equipment and processes to help conserve water. All of our new and existing stores feature fixtures, such as 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. At all of our stores, 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.

## DOMESTIC TRANSPORTATION – SUSTAINABILITY MILESTONES 2014



### 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 2014, 98 percent of the miles that our merchandise traveled domestically 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.



■ **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. ■

### Partnering for Supply Chain Sustainability

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

Released in 2013, the SAC's Higg Index 2.0 provides a suite of tools for apparel and footwear companies to understand the sustainability impacts of products throughout their entire life cycle. Kohl's has been actively involved in promoting the adoption of this tool and in developing the Higg 2.0's retail assessment module.

In 2014, Kohl's was a sponsor of the Sustainable Apparel Coalitions Higg Cadence Pilot. Through this pilot, 25 retailers and brands worked together to approach the apparel and footwear supply chain and gather Higg Index data. This process was intended to make the assessment process more efficient and reduce duplication of efforts among retailers that share the same suppliers. Kohl's nominated all factories from its Top 74 Private Brand suppliers to participate in the pilot. Of the total 363 factory locations nominated, 161 completed the module. In addition, about 61 percent of the nominated factories created Higg Index accounts, which is the first step to participation.

As a result of the pilot, the SAC membership will move forward with a shared timing approach to engaging the supply chain, contributing to a more coordinated, centralized and efficient supply chain assessment process.

