

KOHL S CORPORATION  
Form DEF 14A  
March 27, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant  
Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**KOHL S CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD MAY 2, 2007**

To Our Shareholders:

The Annual Meeting of Shareholders of Kohl s Corporation will be held at the Midwest Airlines Center, 400 West Wisconsin Avenue, Milwaukee, Wisconsin 53203, on Wednesday, May 2, 2007, at 10:00 a.m. local time, for the following purposes:

1. To elect eleven directors to serve on our Board of Directors for a one-year term and until their successors are duly elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2008;
3. To vote on a proposal to amend our 2003 Long Term Compensation Plan;
4. To vote on a proposal to approve our Executive Bonus Plan;
5. To vote on a proposal to amend our Articles of Incorporation to allow the Board of Directors to institute a majority vote requirement for the election of directors;
6. To vote on the shareholder proposal described below, if properly presented at the meeting; and
7. To act upon any other business that may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on March 7, 2007 are entitled to notice of and to vote at the meeting.

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

Visit the web site shown on your proxy card to vote over the internet;

Use the toll-free telephone number shown on your proxy card to vote over the telephone; or

Complete, sign, date and return your proxy card in the reply envelope provided.

Regardless of whether you expect to attend the meeting in person, please vote your shares in one of the three ways outlined above.

By Order of the Board of Directors

Richard D. Schepp  
*Secretary*

Menomonee Falls, Wisconsin

April 3, 2007

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

**PROXY STATEMENT**

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**ANNUAL MEETING OF SHAREHOLDERS**

**May 2, 2007**

**GENERAL INFORMATION ABOUT THESE MATERIALS**

This proxy statement describes matters on which we would like you, as a shareholder, to vote at our 2007 Annual Meeting of Shareholders. It also gives you information on these matters so that you can make informed decisions. You are receiving a proxy statement and proxy card from us because our records indicate that you owned shares of our common stock on March 7, 2007, the record date for the meeting.

Our Board of Directors is soliciting your proxy to be used at the meeting. When you sign the proxy card, you appoint two of our officers, Richard D. Schepp and R. Lawrence Montgomery, as your representatives at the meeting. These individuals will vote your shares at the meeting as you have instructed them on the proxy card. This way, your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, it is a good idea to complete, sign and return your proxy card in advance of the meeting just in case your plans change. Proxy materials, including this proxy statement, are first being sent to shareholders on or about April 3, 2007.

**QUESTIONS AND ANSWERS**

**ABOUT OUR 2007 ANNUAL MEETING OF SHAREHOLDERS**

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

The annual meeting will be held on Wednesday, May 2, 2007, at 10:00 a.m., local time, at the Midwest Airlines Center, 400 West Wisconsin Avenue, Milwaukee, Wisconsin 53203.

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

At the annual meeting, management will give a report on our performance during the fiscal year that ended on February 3, 2007. In addition, you will be asked to vote on the following matters:

the election of eleven directors to serve for a one-year term and until their successors are duly elected and qualified;

the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2008;

a proposal to amend our 2003 Long Term Compensation Plan;

a proposal to approve our Executive Bonus Plan;

a proposal to amend our Articles of Incorporation to allow the Board of Directors to institute a majority vote requirement for the election of directors;

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

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

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

Our by-laws require prior notification of a shareholder's intent to request a vote on other matters at the meeting. The deadline for notification has passed, and we are not aware of any other matters that could be



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brought before the meeting. However, if any other business is properly presented at the meeting, your signed proxy card gives authority to Richard D. Schepp and R. Lawrence Montgomery to vote your shares on such matters at their discretion.

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

All shareholders who owned our common stock at the close of business on March 7, 2007 (which is called the record date for the meeting) or their duly appointed proxies, may attend the meeting. Registration begins at 9:30 a.m.

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

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

### **How many votes do I have?**

You have one vote for each share of our common stock that you owned on the record date.

### **How many votes must be present to hold the annual meeting?**

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

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

A total of 321,126,309 votes may be cast at the meeting, consisting of one vote for each share of our common stock outstanding on the record date.

### **How do I vote?**

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

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

You can submit your proxy over the internet by following the instructions given on the web site shown on your proxy card;

You can submit your proxy over the telephone by following the instructions given at the toll-free number shown on your proxy card;  
or

You can submit your proxy by mail by completing, signing, dating and returning your proxy card in the reply envelope provided.

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

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

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

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

cast a new vote by calling the toll-free telephone number shown on your proxy card;

cast a new vote over the internet by visiting the website shown on your proxy card; or

if you hold shares in your name, attend the annual meeting and vote in person.

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

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

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

**FOR** the election of the eleven nominees named under the caption **ITEM ONE ELECTION OF DIRECTORS** to serve as directors (see page 13);

**FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2008 (see **ITEM TWO RATIFICATION OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM** on page 41);

**FOR** the amendment of our 2003 Long-Term Compensation Plan (see **ITEM THREE OUR PROPOSAL TO AMEND OUR 2003 LONG-TERM COMPENSATION PLAN** on page 42);

**FOR** the approval of our Executive Bonus Plan (see **ITEM FOUR OUR PROPOSAL TO APPROVE OUR EXECUTIVE BONUS PLAN** on page 48);

**FOR** the amendment of our Articles of Incorporation (see **ITEM FIVE OUR PROPOSAL TO AMEND OUR ARTICLES OF INCORPORATION TO ALLOW THE BOARD OF DIRECTORS TO INSTITUTE A MAJORITY VOTE REQUIREMENT FOR THE ELECTION OF DIRECTORS** on page 50); and

**AGAINST** the approval of the shareholder proposal (see **ITEM SIX SHAREHOLDER PROPOSAL** on page 53).

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

ITEM ONE: A plurality of the votes cast is required to elect each nominee as a director. This means that the eleven nominees receiving the greatest number of votes will be elected for a one-year term. There are only eleven nominees, so their election is a near certainty. If you withhold authority to vote with respect to the election of some or all of the nominees, your shares will not be voted with respect to those nominees. Your shares will be counted for purposes of determining whether there is a quorum, but will have no effect on the election of those nominees.

ITEMS TWO, THREE, FOUR and SIX: The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm, the proposed amendment of our 2003 Long-Term Compensation Plan, the proposal to approve our Executive Bonus Plan, and the shareholder proposal will each be approved if the votes in favor of that proposal exceed the votes against it. If you abstain from voting on any of these proposals, your shares will be counted as present for purposes of establishing a quorum and the abstention will have no effect on the outcome of such proposal or proposals.

ITEM FIVE: The proposal to amend our Articles of Incorporation requires the affirmative vote of at least 80% of the shares of our common stock outstanding as of the record date. If you abstain from

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voting on this matter, your shares will be counted as present for purposes of determining a quorum and the abstention will have the same effect as a vote *against* the proposal.

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

If you return a signed proxy card without indicating your vote on a matter submitted at the annual meeting, your shares will be voted in accordance with the Board of Director's recommendations described above. In the event any other matters are brought before the meeting, Richard D. Schepp and R. Lawrence Montgomery will vote your shares on such matters at their discretion.

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

If you do not vote by proxy, the shares held in your name will not be voted unless you vote in person at the meeting. If you hold your shares through a broker and you do not provide your broker with specific instructions, your shares may be voted with respect to certain proposals at your broker's discretion. If the broker does not vote those shares, these broker non votes will have no effect on the outcome of any of the proposals, except they will have the same effect as a vote against Item 5.

### **How can I attend the annual meeting?**

Only shareholders as of the close of business on the record date, March 7, 2007, may attend the annual meeting. To be admitted to the meeting, you will be required to present photo identification and an admission ticket or proof of ownership of your shares as of the record date, such as a letter or account statement from your bank or broker.

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

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

### **What happens if the annual meeting is postponed or adjourned?**

If the meeting is postponed or adjourned, your proxy will remain valid and may be voted when the meeting is convened or reconvened. You may change or revoke your proxy until it is voted.

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

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

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

While the Board has not adopted a formal policy regarding director attendance at annual shareholder meetings, directors are encouraged to attend. Eleven of our thirteen directors attended the 2006 Annual Meeting of Shareholders.

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

We pay all costs and expenses related to preparation of these proxy materials and solicitation of your vote. We also pay all annual meeting expenses. In addition to soliciting proxies by mail, we may solicit proxies by

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telephone, personal contact, and electronic means. None of our directors, officers, or employees will be specially compensated for these activities. We have hired Georgeson Shareholder Communications, Inc. to assist with the solicitation of proxies for a fee not to exceed \$7,000, plus reimbursement for out-of-pocket expenses. We also reimburse brokers, fiduciaries, and custodians for their costs in forwarding proxy materials to beneficial owners of our common stock, but we will not pay any compensation for their services.

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

Yes. You may use our website at [www.kohls.com](http://www.kohls.com) to view all of our other filings with the Securities and Exchange Commission, including this proxy statement and our Annual Report on Form 10-K for the fiscal year ended February 3, 2007.

### **How can I receive copies of Kohl's year-end SEC filings?**

**We will furnish without charge to any shareholder who requests in writing, a copy of this proxy statement and/or our Annual Report on Form 10-K, including financial statements and related schedules, for the fiscal year ended February 3, 2007, as filed with the Securities and Exchange Commission. Any such request should be directed to Kohl's Corporation, N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051, Attention: Investor Relations.**

### **How do shareholders submit proposals for Kohl's 2008 Annual Meeting of Shareholders?**

You may present matters for consideration at our next annual meeting either by having the matter included in our proxy statement and listed on our proxy card or by conducting your own proxy solicitation.

To have your proposal included in our proxy statement and listed on our proxy card for the 2008 annual meeting, we must receive your proposal by December 5, 2007. You may submit your proposal in writing to: Corporate Secretary, Kohl's Corporation, N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051. You may submit a proposal only if you have continuously owned at least \$2,000 worth of our common stock for at least one year before you submit your proposal, and you must continue to hold this level of stock through the date of the 2008 annual meeting.

If you decide to conduct your own proxy solicitation, you must provide us with written notice of your intent to present your proposal at the 2008 annual meeting, and the written notice must be received by us by February 2, 2008. If you submit a proposal for the 2008 annual meeting after February 2, 2008, your proposal cannot be considered at the annual meeting.

## **QUESTIONS AND ANSWERS**

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

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

Our Board of Directors currently has twelve members. Each director stands for election every year. Jay H. Baker will be retiring from the Board of Directors as of the date of the 2007 annual meeting, and will not stand for re-election. The Board of Directors has determined that upon Mr. Baker's retirement, the size of the Board will be reduced to eleven members.

**How often did the Board of Directors meet in fiscal 2006?**

The full Board of Directors formally met seven times during fiscal 2006 and otherwise accomplished its business through the work of the committees described below or otherwise without formal meetings. Each incumbent director attended at least 75% of the meetings of the Board and of the standing committees of which he or she was a member during fiscal 2006.



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

Yes. The non-management members of our Board of Directors meet in regularly scheduled executive sessions without any members of management present. Our Board of Directors, upon the recommendation of the Governance & Nominating Committee, has appointed Mr. White as the Lead Director who will preside over these meetings in fiscal 2007.

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

Yes. Our Board has adopted written Corporate Governance Guidelines in order to assure that the Board has the necessary practices in place to govern us in the best interests of the shareholders. To view these Guidelines, access [www.kohls.com](http://www.kohls.com), then Investor Relations, then Corporate Governance, then Corporate Governance Guidelines. Paper copies will be provided to any shareholder upon request.

### **How does the Board determine which directors are independent?**

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

### **Which directors have been designated as independent?**

Based on the analysis described below on page 15 under the caption Independence Determinations & Related Person Transactions, the Board affirmatively determined that eight of the eleven directors that will continue to serve on the Board following the annual meeting are independent: Steven A. Burd, Wayne Embry, James Ericson, John F. Herma, William S. Kellogg, Frank V. Sica, Stephen E. Watson, and R. Elton White. Jay H. Baker was also determined to be independent.

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

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

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

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<b>Committee</b>	<b>Members</b>	<b>Chairperson</b>
Audit Committee	Wayne Embry John F. Herma Stephen E. Watson R. Elton White	R. Elton White
Governance & Nominating Committee	Jay H. Baker Steven Burd Wayne Embry James Ericson John F. Herma Frank V. Sica Stephen E. Watson R. Elton White	Wayne Embry
Compensation Committee	Jay H. Baker Steven Burd James Ericson Frank V. Sica	James Ericson

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

Yes. The members of each of the standing Committees have been deemed independent by the Board of Directors.

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

Yes. The charters of each of the standing committees are available for viewing by accessing our website at [www.kohls.com](http://www.kohls.com), then Investor Relations , then Corporate Governance . Paper copies will be provided to any shareholder upon request.

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

#### *Audit Committee*

It is the responsibility of the Audit Committee to assist the Board of Directors in its oversight of our financial accounting and reporting practices. The specific duties of the Audit Committee include monitoring the integrity of our financial process and systems of internal controls regarding finance, accounting and legal compliance; selecting our independent registered public accounting firm; monitoring the independence and performance of our independent registered public accounting firm and internal auditing functions; and providing an avenue of communication among the independent registered public accounting firm, management, the internal auditing functions and the Board of Directors. The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent registered public accounting firm as well as any Kohl's employee. The Audit Committee has the ability to retain, at our expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. The Board has determined that all of the members of the Audit Committee qualify as audit committee financial experts , and that each Audit Committee member is financially literate and independent as defined by the Commission's regulations and the NYSE's listing standards.

#### *Governance & Nominating Committee*

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

#### *Compensation Committee*

The duties of the Compensation Committee are to discharge the Board's responsibilities related to compensation of our directors and officers, as well as those with respect to our general employee compensation and benefit policies and practices to ensure that they meet corporate objectives.

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The Compensation Committee has overall responsibility for evaluating and approving our executive officer benefit, incentive compensation, equity based or other compensation plans, policies and programs. The Compensation Committee also approves goals for incentive plans and evaluates performance against these goals. The Compensation Committee may delegate to its chairman such power, authority and responsibilities as it deems appropriate, except as prohibited by law. Furthermore, the Compensation Committee has the ability to retain, at our expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. Further information regarding the Committee's processes and procedures for the consideration of executive and director compensation is included in the Compensation Discussion & Analysis section of this proxy statement.

### **How many times did each standing committee meet in fiscal 2006?**

During fiscal 2006, the Audit Committee formally met ten times and otherwise accomplished its business without formal meetings. The Compensation Committee formally met four times and otherwise accomplished its business without formal meetings. The Governance & Nominating Committee formally met three times and otherwise accomplished its business without formal meetings.

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

The Board of Directors has also established an Executive Committee, the primary function of which is to act on behalf of the Board of Directors in the intervals between the Board's meetings. The Executive Committee may not, however, take any actions that: (a) are prohibited by applicable law or our Articles of Incorporation or Bylaws, or (b) are required by law or by rule of the New York Stock Exchange to be performed by a committee of independent directors, unless the composition of the Executive Committee complies with such law or rule. The members of the Executive Committee are Messrs. Burd, Kellogg, Montgomery, Sica and Sommerhauser. The Executive Committee meets monthly, or more frequently as needed.

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

The Governance & Nominating Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated or otherwise arise, the Committee utilizes a variety of methods for identifying and evaluating director candidates. Candidates may come to the attention of the Committee through current directors, members of management, eligible shareholders or other persons. From time to time the Committee may also engage a search firm to assist in identifying potential Board candidates, although such firm was not used to identify any of the nominees for director proposed for election at the 2007 annual meeting. Once the Committee has identified a prospective nominee, the Committee evaluates the prospective nominee against the standards and qualifications set out in the Committee's charter, including the individual's potential contributions in providing advice and guidance to the Board and management. The Committee seeks to identify nominees who possess a wide range of experience, skills, areas of expertise, knowledge and business judgment. The Committee evaluates all candidates for director, regardless of the person or firm recommending such candidate, on the basis of the length and quality of their business experience, the applicability of such candidate's experience to us and our business, the skills and perspectives such candidate would bring to the Board and the personality or fit of such candidate with existing members of the Board and management. Successful nominees must have a history of superior performance or accomplishments in their professional undertakings and should have the highest personal and professional ethics and values.

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

The Governance & Nominating Committee does not evaluate shareholder nominees differently than any other nominee. Pursuant to procedures set forth in our Bylaws, our Governance & Nominating Committee will consider shareholder nominations for directors if we receive timely written notice, in proper form, of the intent to make a nomination at a meeting of shareholders. To be timely for the 2008 annual meeting of shareholders, the notice must be received within the time frame discussed above on page 5 under the heading "How do shareholders submit proposals for Kohl's 2008 Annual Meeting of Shareholders?". To be in proper form, the notice must, among other things, include each nominee's written consent to serve as a director if elected, a description of all arrangements or understandings between the nominating shareholder and each nominee and information about the nominating shareholder and each nominee. These requirements are detailed in our Bylaws, a copy of which will be provided to you upon request.

### **How are directors compensated?**

Directors who are not our employees or employees of subsidiaries received an annual retainer fee of \$50,000 in fiscal 2006. Messrs. Ericson and Embry received an additional \$10,000 retainer fee for their services as Chairpersons of the Compensation and Governance & Nominating Committees, respectively. Mr. White received an additional \$20,000 retainer fee for his services as Chairperson of the Audit Committee. Non-employee directors also received \$2,000 for each full Board of Directors meeting and committee attended in person (\$1,000 if the director

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participated via teleconference). Directors receive no additional compensation for participation in Executive Committee meetings or meetings of the non-management Directors. Directors are also reimbursed for travel and other expenses related to attendance at Board of Directors and committee meetings or educational seminars approved in advance by the Governance & Nominating Committee.

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Stock options are granted to non-employee directors from time to time. These grants are typically made to directors at the time they initially join the board and upon each re-election by the shareholders. Options to purchase 3,500 shares of our common stock were granted to Messrs. Baker, Burd and Sommerhauser upon their re-election to the board in fiscal 2006. An option to purchase 7,500 shares of our common stock was granted to Mr. Watson upon his initial appointment to the Board in February 2006. These options, which were made pursuant to our 1997 Stock Option Plan for Outside Directors, have a ten year term. The grant to Mr. Watson vests in three equal annual installments on the first, second and third anniversaries of the date of grant. The grants to Messrs. Baker, Burd and Sommerhauser vest in full on the first anniversary of the date of grant.

We believe that director stock ownership is important to align the interests of our directors with those of our shareholders. New directors are required to own or acquire 1,000 shares of our common stock upon their initial election to the board, and to own 2,500 shares within three years of such initial election.

*Director Compensation Table*

The following table provides each element of non-employee director compensation for fiscal 2006.

Name	Fees		Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
	Paid in Cash	Stock Awards					
	(\$)	(\$)	(\$) <sup>(1)</sup>	(\$)		(\$)	(\$)
Jay H. Baker	\$ 72,000		\$ 60,933 <sup>(2)</sup>				\$ 132,933
Steven A. Burd	\$ 69,500		\$ 60,933 <sup>(2)</sup>				\$ 130,433
Wayne Embry	\$ 89,000		\$ 17,185				\$ 106,185
James Ericson	\$ 82,000		\$ 52,458				\$ 134,458
John F. Herma	\$ 79,000		\$ 17,185				\$ 96,185
William S. Kellogg	\$ 62,000		\$ 52,458				\$ 114,458
Frank V. Sica	\$ 73,000		\$ 17,185				\$ 90,185
Peter M. Sommerhauser	\$ 62,000		\$ 60,933 <sup>(2)</sup>				\$ 122,933
Judith Sprieser <sup>(3)</sup>	\$ 500		\$ 5,349				\$ 5,849
Stephen E. Watson	\$ 75,500		\$ 38,970				\$ 114,470
Elton White	\$ 98,000		\$ 52,458				\$ 150,458

(1) The amounts shown represent the compensation cost we recognized in fiscal 2006 related to option awards in accordance with FAS 123(R), and therefore include amounts from awards granted in and prior to fiscal 2006. For a discussion of the valuation assumptions used, see Note 8 to our fiscal 2006 audited financial statements included in our Annual Report on Form 10-K. As of February 3, 2007, the aggregate number of vested and unvested stock options held by each director were: Mr. Baker: 6,000 vested, 3,500 unvested; Mr. Burd: 5,000 vested, 3,500 unvested; Mr. Embry: 8,000 vested, 1,000 unvested; Mr. Ericson: 21,500 vested, 5,000 unvested; Mr. Herma: 5,000 vested, 1,000 unvested; Mr. Kellogg: 5,500 vested, 5,000 unvested; Mr. Sica: 5,000 vested, 1,000 unvested; Mr. Sommerhauser: 6,000 vested, 3,500 unvested; Ms. Sprieser: none; Mr. Watson: none vested, 7,500 unvested; Mr. White: 5,500 vested, 5,000 unvested.

(2) In fiscal 2006, Messrs. Baker, Burd and Sommerhauser were granted awards of 3,500 stock options, each with a grant date fair value of \$71,688.

<sup>(3)</sup> Ms. Sprieser served on the Board of Directors until February 2006.

**Do you have a written Code of Ethics?**

Yes. Our Board of Directors, through its Governance & Nominating Committee, has adopted a code of ethical standards that describes the ethical and legal responsibilities of all Kohl's employees and, to the extent applicable, members of Kohl's Board of Directors. This code includes (but is not limited to) the requirements of the Sarbanes-Oxley Act of 2002 pertaining to codes of ethics for chief executives and senior financial and



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accounting officers. We provide educational seminars with respect to the code for all of our employees, and all employees agree in writing to comply with the code at the time they are hired and periodically thereafter. Our employees are encouraged to report suspected violations of the code through various means, including through the use of an anonymous toll-free hotline. This code, known as Kohl's Ethical Standards and Responsibilities can be viewed on our website by accessing [www.kohls.com](http://www.kohls.com), then Investor Relations, then Corporate Governance, then Code of Ethics. We intend to satisfy our disclosure requirements under Item 10 of Form 8-K, regarding any amendments to, or waiver of, a provision of our Code of Business Conduct that applies to our principal executive officer, principal financial officer or our Directors by posting such information at this location on our website. Paper copies of the code of ethics will be provided to any shareholder upon request.

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

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

### **How can I communicate with members of the board of directors?**

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

#### **Write** to our Board of Directors:

Kohl's Board of Directors

c/o Brian Miller, Senior Vice President Corporate Governance

N56 W17000 Ridgewood Drive

Menomonee Falls, WI 53051

Or

#### **E-mail** our Board of Directors:

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

Or

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**Contact** Brian Miller, Senior Vice President Corporate Governance

[brian.f.miller@kohls.com](mailto:brian.f.miller@kohls.com)

(262) 703-1723

fax: (262) 703-6143

N56 W17000 Ridgewood Drive