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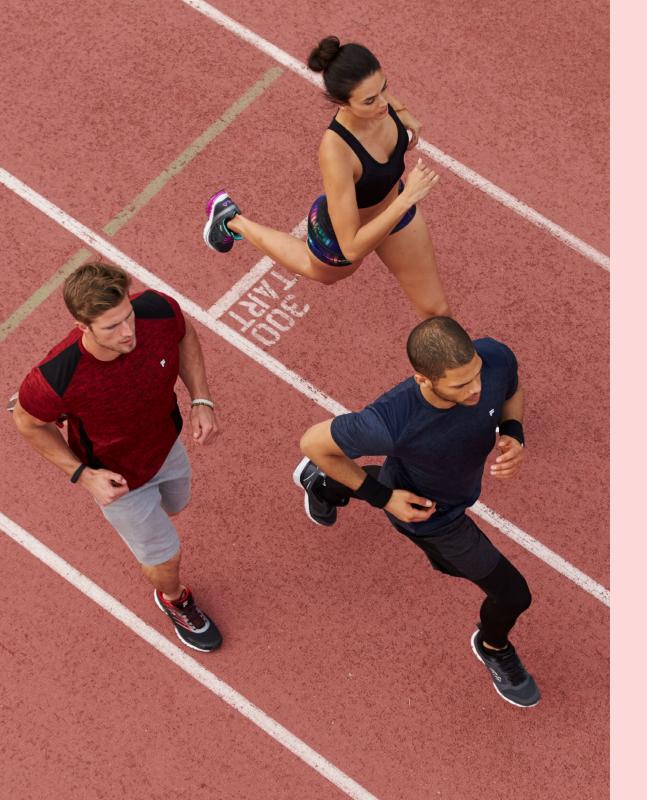












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Dear Stakeholders,

At Kohl's, our purpose is clear: to inspire and empower families to lead fulfilled lives. We work to serve our customers and make a positive impact in the communities where we live and work. We do this by living out our values each and every day: Put Customers First, Act with Integrity, Build Great Teams and Drive Results.

We put the families we serve at the center of everything we do. Our customers are a constant source of inspiration and guidance. We make decisions that support the causes that matter to them.

We have a responsibility to be a great employer for our associates. We are committed to fostering a best-in-class workplace that celebrates transparency, opportunity and appreciation.

We hold ourselves and our business partners to the highest standards to ensure ethics and safety remain at the forefront of all of our business decisions. And, we make a conscious effort to protect and conserve the environment through our long-term sustainability efforts. We are focused on creating a caring, empowered and courageous culture—one that encourages speed and agility, bold and innovative thinking, and giving back to the communities and causes our associates and customers care about.

Being a responsible corporate citizen is inherent in our values and the work that we do to serve our customers, our neighbors and our communities. I'm proud to share our Corporate Social Responsibility report, which highlights the accomplishments and achievements of the past year. I look forward to our continued work on these initiatives in the year ahead.

Michelle Gass
Chief Executive Officer

Michelle Jan

#### Cautionary Statement Regarding Forward-Looking Information

# Corporate Social Responsibility at Kohl's

#### Kohl's has a clear purpose

To inspire and empower families to lead fulfilled lives. This purpose guides how we work with partners, how we approach philanthropy, how we consider the environment, and how we touch the lives of our customers and associates. We contribute to the health and wellness of families within our communities and believe we all share the responsibility of being a company that cares.



\$360M through the Kohl's

through the Kohl's Cares merchandise program since its inception





In 2018, Kohl's expanded the Business Resource Group program and grew membership to nearly

3K associates

Kohl's associates volunteered more than 300K

hours in 2018



# Corporate Social Responsibility at Kohl's

#### **About This Report**

The goal of this report is to provide transparency to our partners, shareholders, customers and associates regarding Kohl's progress in sustainability efforts and corporate social responsibility on an annual basis.

#### **Reporting Period**

This Corporate Social Responsibility Report covers the fiscal year 2018 (February 4, 2018 to February 2, 2019), unless otherwise indicated.

#### **More Information**

For more information about our history, business, sales growth, stores and more, see our Factbook.

To learn more about our commitment to associates, customers and shareholders in the Environmental, Social and Governance (ESG) areas, visit <u>Corporate.Kohls.com</u>.

# Kohl's is a destination for families– offering amazing products, incredible value and an easy experience. We also strive to make a positive difference in the health and well-being of families.

From the products we sell to the programs we offer, we seek to encourage and reward healthy lifestyles for our customers and associates.

# Workplace

#### Kohl's Culture

We are committed to fostering an agile business with an empowered and courageous culture. We adapt to the constantly changing world around us by staying close to the changing expectations of our customers. We actively pursue a culture that enables the best thinking, the best work and the best results. Kohl's is where care and results come together. We work to create a great environment for our associates enabling them to be bolder, move faster and be of service to our customers and our business.



### Kohl's Culture

#### **How We Define Ourselves**

The strength of Kohl's culture derives from the values we share as an organization. These cultural touchstones remind us of how we conduct business on a daily basis. Kohl's four core values are known throughout our organization.







#### We put customers first.

We see customers as a constant source of inspiration and guidance. We take a "yes we can" approach to everything we do and are passionate about supporting the communities and causes our customers and associates care about.



#### We act with integrity.

We earn trust by living up to our commitments. We treat others with respect and fairness and we make decisions that support the reputation of the organization.



#### We build great teams.

We actively promote the empowerment, engagement and continuous development of all associates. We communicate openly and embrace diverse perspectives. We support a culture of recognition and celebrate greatness across all teams.



#### We drive results.

We work with a sense of urgency and accountability. We seek out information to make smart decisions and we offer up new ideas and solutions beyond the status quo.

### Kohl's Culture

#### **Our Commitment to Associates**

Kohl's associates are the heart of our organization. We foster a workplace that champions appreciation, everyday development and transparency. The investment we make in our associates' professional development is of critical importance. Kohl's works to keep associates feeling empowered and engaged so they can bring their whole selves to work each and every day and do their best work.

#### **Business Resource Groups**

Kohl's celebrates diversity and the value that a diverse workforce brings to any organization. Our Business Resource Groups (BRGs) were created to amplify the voices of our workforce, so they can have a more immediate effect on our business and culture. In 2018, we expanded our existing BRG program to the entire organization and grew membership to nearly 3,000 associates. The creation of our Women of Kohl's BRG in 2018 was another illustration of our commitment to our BRG program. Expanded membership in our existing Hispanic Professionals, Veterans, #PrideatKohls and Millennial BRGs also helped these programs gain traction as a source of organizational strength.

BRGs are illustrating their value to and impact on the organization by hosting summits, initiating leadership conversations, bringing forth proposals for business innovations and engaging with community organizations.



#### 2018 BRG Spotlight: Women of Kohl's BRG

Launched on International Women's Day in 2018, and inaugurated with a speaking engagement hosted by the executive sponsors, our newest BRG is embraced by associates across the entire organization. Leadership conversation topics centered on career journeys and work-life balance. The group also sought to drive positive change in the community by organizing a Women's Equality Day Summit. In partnership with local chapters of Boys & Girls Clubs of Greater Milwaukee and G.I.R.L.S., the summit brought female mentorship to local high school students, engaging and inspiring them with fresh content and networking opportunities.

# **Attracting Top Talent**

Behind Kohl's success are great teams of talented individuals who embody our values. With our purpose of inspiring and empowering families to lead fulfilled lives, we actively attract, engage and hire talent who will drive this purpose with us.

#### **Intern Program**

Many of our top performers have come to us through our nationwide intern program, where we actively recruit students from more than 100 colleges and universities. Our 2018 intern program saw more than 500 college students bring energy and new thinking to our business. Many students transitioned into full-time roles, with 50 percent being hired to key positions in departments like Product Development, Marketing, Finance, Human Resources (HR), Buying, Technology and Store Management.

#### **Military Hiring**

Kohl's actively recruits leaders from military bases that are in close proximity to our logistics facilities. We believe our veterans bring great leadership skills that translate well to our culture. In partnership with our Veterans BRG, we hope to expand our recruiting efforts in the future.

#### **Kohl's Careers**

#### **New Design 2018**

Our job portal, <u>Careers.Kohls.com</u>, was relaunched in 2018 to be an industry-leading platform for attracting top talent. New platform innovations offer potential candidates optimized search features and improved job recommendations based on their interests and background.

#### You Can See Right Through Us

We're so proud of the culture we have built at Kohl's that we put our anonymous Glassdoor reviews right on the front page of our career website. We believe this transparency is the key to sustaining our reputation as a top employer.





# **Onboarding**

#### **Welcoming Faces**

We work to give new associates the training, tools and resources they need to make an immediate impact. We strive to provide clear channels for acquiring the most relevant information and help them build connections with individuals, teams and the organization. At select locations, there's even a process for being hired the same day the interview takes place.

# **Competitive Benefit Packages**

Everyone at Kohl's is seen as a contributor to our business success. All eligible associates receive a 100 percent match (up to five percent of pay) in the Kohl's 401(k) Savings Plan.

Full-time associates are offered medical, dental, vision, prescription drug, disability and life insurance coverage, as well as a merchandise discount. Kohl's also provides a wide range of voluntary programs, such as Accident Protection and Critical Illness plans, to help associates protect and save money in the event of unexpected medical expenses.

Part-time associates are offered dental, vision, supplementary life insurance and merchandise discounts.



# Training and Development

#### **Talent Management**

Our new talent management team brings more synergy to performance management, talent assessment, succession planning, job architecture, workforce planning and leadership development. This newly devised team provides tools, resources and experiences to ensure we have the right talent in the right roles at the right time. Kohl's is able to achieve our goals because our associates achieve theirs.

#### **Associate Training**

We stay ahead of the competition by leaning into new technologies and encouraging our associates to keep their skills fresh. We offer more than 1,000 online and in-person courses with our learning management system.

#### **Leadership Development**

Kohl's believes in everyday development for all associates throughout their career, from initial onboarding to high potential development. This can take the form of executive coaching, internal programs, external courses, peer networks and more.

Every other year, we bring all managers from the company together to take part in our Leadership Conference, a two-day event that celebrates the teams' successes and shares future innovations and priorities from the top leaders of the company. Throughout the event, we support one another in our careers, exchange new ideas and come together in supporting our communities through a company-wide volunteer event.

# **Associate Engagement**

#### **Associate Volunteering**

Kohl's is passionate about supporting the communities and causes our associates care about, and we encourage associates to make a difference in their own communities through volunteering. In support of our associates' volunteerism, each eligible nonprofit organization receives a \$500 volunteer reward for every five associates that volunteer three hours at each event. Kohl's associates support more than 4,000 benefitting nonprofit organizations each year through this program, and Kohl's donates millions of dollars across the country in recognition of our associates' service.

#### **Associate Appreciation**

Acknowledging accomplishments bolsters engagement and helps associates focus on their career paths. Our Recognizing Greatness platform is an easy-to-use tool to give shout-outs to individuals and teams who have gone above and beyond. We have received more than 1.7 million of these submissions since this program launched.





### Design A Life You Love

Success isn't confined to working hours, and neither are our efforts for associate health and wellness. We're proud of the ways we contribute to our associates' total well-being. We understand the importance of work-life balance and empower our associates to make career choices that nurture a life they love.

#### **Body**

Kohl's wellness centers are a unique benefit provided to associates at corporate locations, distribution centers, e-commerce fulfillment centers and credit centers. Associates at these locations find a wide range of care services at work. Preventive exams, lab services, physical therapy, health coaching and treatment for routine illnesses are administered by compassionate and experienced health care professionals. More than 35,000 visits are made to wellness centers each year.

Associates can take further ownership of their personal health and reduce their medical premiums by participating in our Healthy Rewards program. Even associates who are not enrolled in our health plan are encouraged to participate in well-being activities throughout the year.

#### Mind

We empower our associates' work-life balance by giving them access to a full range of professional resources. This indispensable help comes in the form of access to certified financial planners, legal guidance, financial assistance for college and help locating childcare. We also offer confidential in-person and online counseling to help associates navigate through personal hardship or crisis.

Our distribution centers, e-commerce fulfillment centers and credit and customer service centers have a dedicated life resource provider to help associates address a wide range of personal concerns.







#### **Human Capital Management System**

All of Kohl's human resource system tools have been integrated into a streamlined platform. This intuitive self-service system makes accessing HR tools easier than ever. It empowers associates with up-to-date information on everything from payroll to time-off balances. The platform also provides leaders with better tools to manage associate development.

#### **Commitment to Associate Safety**

Kohl's policies and procedures are created to ensure constant awareness of safety and responsibility. Awareness of safety protocols is an essential facet of work responsibilities. Contributing to a safe workplace is incumbent on all of our associates at all of our locations.

#### **Code of Ethics**

Our responsibility to each other and to living our values is outlined in our Code of Ethics, which details our expectation that Kohl's associates will model ethical behavior and act with integrity. We require associates to take annual ethics training, which is refreshed each year to cover relevant issues. The training helps connect ethics to an associate's day-to-day job responsibilities and promotes honesty, integrity and fairness. We encourage associates who have questions about our Code of Ethics to talk to their manager, HR or the legal department. Suspected violations can be reported through the same channels or anonymously through Kohl's Integrity Hotline.

For the first time, Kohl's was recognized as one of the **World's Most Ethical Companies by the Ethisphere Institute**, a global leader in defining and advancing the standards of ethical business practices. In 2019, 128 honorees were recognized spanning 21 countries

and 50 industries. Kohl's was one of only two honorees in the retail industry. Honorees profoundly illustrate how companies continue to be the driving force for improving communities, building capable and empowered workforces, and fostering corporate cultures focused on ethics and a strong sense of purpose.













### Putting Customers First

Kohl's values are ultimately placed in service to the customer. When customers walk into Kohl's or visit us online, they know they're shopping great brands that are held to high standards of safety. Our customers can enjoy browsing merchandise that's responsibly sourced, carefully selected, and upheld to Kohl's quality standards. They can also expect their shopping experience to be backed by best-in-class customer service.

#### Kohl's Cares®

Our customers want to support causes they care about and we want to make it easy for them. Kohl's Cares books and plush toys are sold for \$5, with 100 percent of the net profit supporting family health and wellness. When we launched this program 18 years ago we knew it would be special, but it continues to surpass our expectations. We raised more than \$20 million for local communities in 2018 and have our customers to thank for making this difference.

Learn more about the program's impact in the Community Health section of this report.







#### **Sustainable Product Efforts**

Customers shopping Kohl's, both in store and online, can discover products made with the environment top of mind. Kohl's proprietary brand home offerings include select products that meet <u>OEKO-TEX</u>® standards.

Kohl's also offers products featuring certified recycled polyester yarns like <u>Repreve</u>. Kohl's goal is to decrease the environmental impact of our supply chain. This will be achieved through our engagement with our factories, The <u>Better Cotton Initiative</u>, <u>Sustainable Apparel Coalition</u> and growing our assortment of more sustainable product with a focus on <u>OEKO-TEX®</u>, organic cotton and recycled polyester.

#### **Product Safety**

Not only do we scrutinize our proprietary branded products for safety, we make sure they hold up to the scrutiny of our corporate testing program. Kohl's conducts rigorous product testing at independent third-party laboratories. Our product integrity department works tirelessly to deliver a safe, quality product to our customers.

#### **Customer Privacy**

We treat our customers' personal information with respect, and we drive transparency in our data collection and use practices through our Kohl's Privacy Policy available at Kohls.com.

# We believe healthy communities help support healthy families, and we believe in giving back to the communities where we live and work.

We support local hospitals that are focused on keeping families healthy, and we champion sustainability efforts because they reinforce the healthy lifestyles we hope to inspire.

## **Philanthropy**

#### **Hospital Partnerships**

Our customers are the driving force behind Kohl's Cares. The simple act of purchasing Kohl's Cares books and plush toys puts funding right back into their communities. With the majority of funding allocated to local hospitals, we're positively affecting health and wellness for families. Kohl's Cares committed more than \$23 million, over two years, to promote healthy development, safety, wellness and chronic disease management with much of the funding going to underserved communities. To date, Kohl's has raised nearly \$360 million through the Kohl's Cares merchandise program to support communities nationwide.

#### **Hospital Program Highlight: Kids on the Move**

St. Vincent Healthcare knows how to combat childhood obesity. Through Kohl's funding, the hospital foundation continued a program to promote healthy lifestyles with children in Yellowstone County, Montana. The goal was to address unhealthy diets and behaviors by keeping kids active. The year-round program included a running club, cross-country meet, hip-hop program, winter activities and a general fitness education program. The cross-country meet alone brought more than 1,000 kids out for the run. The program boosted physical activity by 80 percent, healthy eating habits by 65 percent, and decreased screen time by 60 percent with participating children.

For more information on the impact of each hospital program, please visit Kohls.com/Cares.



## **National Giving**

#### **Giving Tuesday**

Kohl's Cares makes an extraordinary difference in the community. On Giving Tuesday of 2018, we announced a landmark National Giving Program. Store leaders across our organization chose four health and wellness nonprofit organizations to receive a \$10,000 grant from Kohl's Cares.

In total, \$3.2 million in grants were provided to more than 300 nonprofits that support family health and wellness. These nonprofits offer a variety of programs, including providing school lunches to kids in need and after-school mentorship.

#### **Season of Giving**

Kohl's made holiday donations of nearly \$250,000 to more than 80 nonprofit organizations on behalf of associates in seven corporate locations. These locations also donated food and toys to more than 30 nonprofits at a time when children and families can benefit from extra support. Associates voted on the charities to determine the donation amount.

#### **Hometown Support**

Our Milwaukee roots are a source of pride. Kohl's was started in Milwaukee more than 50 years ago and the city remains the home of our corporate headquarters. We believe it's vital to help make a difference to this important community. Our efforts in our hometown touch a wide range of causes from art and culture to health and social services. All told, we've given more than \$100 million to Milwaukee nonprofits throughout our history.

#### **Volunteer Program**

Community volunteering is a distinguishing quality of Kohl's associates. As an organization we celebrate associates who donate their time to making a difference. Associates often find volunteering to be a transformative experience – bringing like-minded coworkers together for a cause they care about. When associates volunteer their time, Kohl's makes a donation to the nonprofit, which amplifies the impact of their service.

The results of this program are evidence of what a positive difference Kohl's and Kohl's associates can make in each and every community where we live and work. In 2018, our associates volunteered more than 300,000 hours for more than 4,500 charities. This work has additionally netted more than \$166 million in corporate rewards to charities since the program's founding in 2001.





## Volunteer Program

80,000 Comfort Kits Donated to Ronald McDonald House Charities



As part of the agenda of our company's internal leadership conference in September, more than 4,300 Kohl's associates across the country packed more than 80,000 comfort kits for Ronald McDonald House locations nationwide. The comfort kits included shampoo, conditioner, body wash, deodorant, toothbrush, toothpaste and a razor-the basic necessities needed by families staying at a Ronald McDonald House, so they can focus their time on the health of their child.

### Lifting Up Communities After Natural Disasters

Kohl's has a long track record of helping communities recover after natural disasters. The destruction brought by hurricanes Florence and Michael made 2018 a particularly challenging year. Kohl's donated \$1 million to the American Red Cross to support relief efforts. Here are some of the ways we supported our customers, associates and communities through these difficult times.

- Associates were given grants to help with rebuilding and recovery.
   They were also offered emergency pay and a chance to transfer to stores that remained open.
- Customers could make donations to the American Red Cross in store or online.
- Associate volunteer events supporting relief efforts had their rewards doubled.
- Impacted customers and associates could take advantage of merchandise discounts to replenish needed supplies, apparel and home goods.
- Kohl's offered charge payment relief to affected cardholders.







### Kohl's Cares Committee

The Kohl's Cares program is overseen by an internal Governance Committee comprised of leaders from Risk and Compliance, Merchandising, Legal and Audit and is chaired by a member of our senior leadership team. This group of individuals provides oversight and guidance to ensure Kohl's giving reflects our values as an organization.

# **Committed To A Sustainable Future**

Kohl's looks after family health and wellness in ways that aren't always evident to our customers but are still extremely important. These include environmental sustainability efforts. With such a large retail footprint, we are in a unique position to make resounding impacts in areas such as climate, chemicals and recycling. By seeking solutions that encourage long term sustainability, we try to leave a smaller footprint. We have been recognized with numerous sustainability awards but are very proud of our recent rankings in the 2018 Dow Jones Sustainability Index (DJSI) and Barron's list of the Top 100 Sustainable Companies in 2019. These honors are further proof that we take environmental responsibility seriously.

#### **Sustainability Goals**

Kohl's has committed to another 15 percent energy reduction in addition to the more than 20 percent reduction we've already realized over time as part of the Better Buildings Challenge.

Kohl's currently diverts 83 percent of waste from landfills with a goal of 85 percent.









# Awards and Partnerships

























## **Sustainability Milestones**

Committed to 20 percent energy reduction through Better Buildings Challange

First solar panels installed

Kohl's achieved carbon-neutral status

Founding member of the Sustainable Apparel Coalition

Developed partnerships to help Kohl's recycle plastic film, bags and wrap All of our domestic miles were with SmartWay members

Achieved an 18 percent reduction in energy useage from a 2008 baseline

Heating, ventilation and air conditioning system replaced with new, more efficient models in 82 Kohl's stores



















Kohl's began using the LEED Building Design Construction Prototype Installed first wave of electric vehicle charging stations

Launched paperless billing

Signed the American Business Act Pledge on climate change 130 Kohl's stores retrofitted with LED lighting, anticipating a 38 million kilowatt-hour (kWh) reduction in energy consumption

Ranked in the DJSI

Met our Better Building Challenge goal of 20 percent energy reduction

# Waste Policy

Kohl's solid waste management policy governs how we recycle in store and at our corporate facilities. The separation of cardboard, paper and plastic is a key company-wide practice, and the disposal of consumables and durable goods has the goal of recycling as much material as possible.

#### Recycling

Waste reduction is good for the planet and it's also good for business. Kohl's is a leader among our peers when it comes to reducing waste. In 2017, Kohl's was honored with the **United States Environmental Protection Agency (EPA) WasteWise award for excellence** in waste management, and we hope to make a continual appearance on this list.

\*At the time of this publication, the 2018 WasteWise award recipients have not yet been announced.

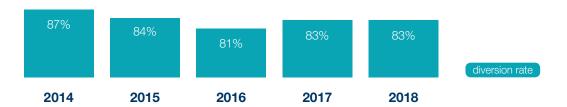
#### **How Does Kohl's Recycling Stack Up?**

The vast majority of packaging that arrives at our stores and corporate facilities is recycled, but our efforts go beyond filling the bins. We also engage our merchant teams to reduce the amount of packaging per shipment. This helps control costs by requiring less handling before it reaches a Kohl's store or distribution center.

- In 2018 we diverted 83 percent of our waste, closing in on our goal of 85 percent.
- We engage our associates with training opportunities and remind them of our recycling commitments with strategically placed signage.
- We reward stores that do the most to help us meet our target.

#### Waste and Recycling

This chart represents our efforts to reduce waste through the amount diverted from landfills for recycling in each calendar year.



#### **Waste and Recycling**

This chart shows the amount in tons we have diverted from landfills as part of our efforts to reduce waste.

	2014	2015	2016	2017	2018
Plastic film and hangers	10,983	11,715	11,311	11,275	10,646
Cardboard and paper	126,238	117,585	115,560	117,606	117,132
Bottles and cans	376	29	150	238	265
Metal	735	407	747	1,640	865
Wood	1,701	3,255	3,652	35,887*	3,353
Compost	NA	13	19	8	26
Fabric scraps	NA	NA	NA	NA	0.94
Electronics and batteries	140	427	19	277	369
Beauty	4	100	132	119	100
Lightbulbs	212	234	196	183	31
Total tons landfilled	21,769	26,036	30,750	34,101	27,736
Total tons recycled*	140,389	133,765	131,786	167,233	132,787
Diversion rate	87%	84%	81%	83%	83%

<sup>\*</sup>The total tons recycled for 2017 includes 32,535 tons of recycled wood scrap.



# Waste Policy

#### Paperless Credit Statement

We also reduce waste by reminding Kohl's cardholders they can opt for paperless billing. Since 2014, we have issued more than 200 million electronic credit card statements. More than a quarter of all cardholders now receive their statements electronically. Additionally, all customers can opt into receiving e-receipts when they shop in store at Kohl's.





#### **Plastic Recycling**

Our plastic recycling program is getting results. In 2018, we recycled more than seven million pounds of plastic film, bags and wrap.

#### **Plastic Bag and Hanger Recycling**

When a customer leaves our store, the bags they're holding are made from 30-50 percent recycled, unbleached plastic. Customers can also drop plastic bags in the in-store recycling bins and leave their hangers with us to reuse and recycle.

#### **Beauty Products**

Materials that were once destined for landfill now find a second life. Fragrance testers, nail polish and soaps are recycled into paints, floor cleaners and deodorizing sprays.

#### **Fabric Scrap Recycling**

The business of influencing fashion yields thousands of fabric scraps. Associates in fabric-cutting locations are sorting scraps and recycling them. Depending on the scrap size and design print, material is reused or turned into things like building or automobile insulation. In 2018, we collected nearly one ton of fabric scraps from our New York and Milwaukee locations.

#### **All Told**

We recycle more than 130,000 tons of material each year.

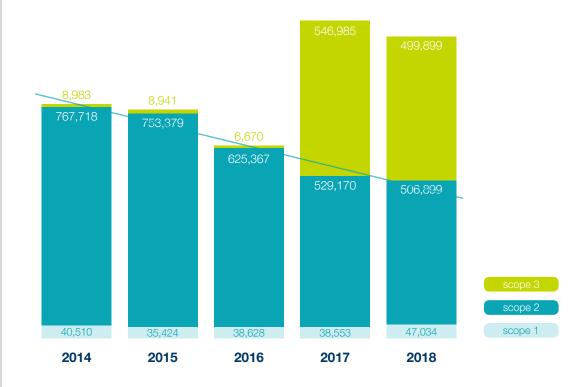
# **Climate Change**

As a retailer, we see firsthand how climate change affects our business. Frequent or unusually heavy snow, ice or rain storms; natural disasters such as earthquakes, tornadoes, floods, fires and hurricanes; or extended periods of unseasonable temperatures shift consumer shopping patterns. It can also cause physical damage to our properties as well as our customers and associates.

Kohl's achieved carbon-neutral status in 2010, and we signed the **American Business Act Pledge on Climate Change** in 2015. Today, Kohl's remains committed to this pledge. We are currently invested in business activities that contribute to this goal, with emissions data reported annually through CDP.

### **Emissions Measurements**

These charts show Kohl's location-based emission figures in metric tons as reported to CDP. Kohl's carbon intensity trend (Scope 1 & 2) has decreased over the last five years.



	Scope 1 (metric tons)	Scope 2 (metric tons)	Scope 3 (metric tons)	Total emissions	Per 1000 sq ft building space	# of stores operating*	Normalized emissions per 1000 sq ft**
2018	47,034	506,899	499,899	1,053,832	117,316	1,159	8.98
2017	38,553	529,170	546,985	1,114,708	117,205	1,158	9.51
2016	38,628	625,367	6,670	670,665	117,887	1,154	5.69
2015	35,424	753,379	8,941	797,744	117,599	1,166	6.78
2014	40,510	767,718	8,983	817,211	117,208	1,163	6.97

<sup>\*</sup>Calculations of metric tons carbon are based on Kohl's stores at the end of the calendar year.

<sup>\*\*</sup>In an effort to better capture overall emissions, we added measures for new calculations of scope 3 beginning in 2017.

# **Climate Change**

#### **Renewable Energy**

Kohl's derives a significant amount of energy from the sun, with many of our stores getting up to 50 percent of their energy from solar. We currently host 200,000 solar panels on 161 rooftops around the country. We also rely on nine solar trees at two locations. Additionally, there are two wind turbines installed at our Findlay, Ohio, distribution center.



Kohl's maintains a commitment to renewable energy use through the purchase and production of renewable energy credits (RECs). In 2018, we secured RECs totaling approximately 33,669 MWh, resulting in the offset of 10,165 metric tons of carbon. This includes approximately 27,317 MWh from our on-site solar panels where Kohl's retains or owns the RECs.

# **Climate Change**

#### **Electric Vehicle Charging**

Kohl's currently has 216 electric vehicle charging spots spread across 96 locations. These stations provide more than 50,000 charging sessions per year to our customers and associates. These numbers have a cumulative effect on the air we breathe. By maintaining our solidarity with electric vehicle owners, the charging we provide powers more than 540,000 miles of driving and saves nearly 25,000 gallons of gasoline.

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saving nearly

**25K** gallons

of gas

more than

50K
charging spots
charging sessions per year

more than
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# **Climate Change**

#### **Transportation**

Providing families with the products they love requires a complex network of shipping logistics. The global supply chain network is also an opportunity to work toward sustainable outcomes and continue to build upon our environmental performance. By saving miles, reducing packaging and being ultraefficient with the way we supply our stores, we strive to contribute to a more sustainable future and are committed to improving environmental performance.

#### Kohl's Fleet

Kohl's fleet is managed by vendor partners who are held to high standards through vetting and studying their sustainable practices. SmartWay membership for vendors is both sought after and encouraged.

All of our domestic miles in 2018 were with SmartWay members. This allowed us to vastly reduce the number of highway miles needed to serve our customers. The reduction of more than 2.6 million miles, of total highway miles, earned our place in **the EPA SmartWay Excellence Program**.

Idle time for trucks is drastically reduced by utilizing drop-and-hook methods at the origin and destination of shipments. Currently we have 56 percent of our truckload freight operating with this technique. Kohl's fleet is 98 percent drop-and-hook at store destinations.

Kohl's California fleet is compliant with California Air Resources Board, all tires are low rolling resistant, and all required trailers have air foils installed in the undercarriage.

Kohl's transportation data is constantly analyzed to uncover heightened efficiencies while reporting back to the EPA. SmartWay tools are used to measure Kohl's emissions footprint and find ways to reduce fuel costs. Kohl's also relies heavily on rail transport. Current rail usage stands at 61 percent of truckload freight. Using rail keeps the fleet at 75 percent less carbon emissions on inbound merchandise freight to Kohl's distribution centers.

#### **Future Fleet**

Kohl's chooses to work with transportation vendors with an eye on the future. Emerging technologies will make future fleets more efficient. Already, several Kohl's carriers have placed orders for hydrogen fuel cell trucks, electric trucks and high-performance diesel trucks. The proliferation of air foils, trailer skirting, rear foils, cab airflow diverters and wheel covers are making the Kohl's fleet more efficient every day.

#### International Carriers

Kohl's Ocean Carriers are engaged through membership in the **Business for Social Responsibility (BSR) Clean Cargo Working Group**. More than 97 percent of our cargo travels on a BSR ship providing up-to-date emissions data in order to gain deeper understanding of our supply chain footprint. Our carriers belong to environmental programs that benchmark sustainability goals.

#### **Shipping Partners**

Kohl's is proud to partner with carrier brands that actively promote sustainability efforts and that volunteer for membership in associations whose missions reflect the care we have toward the environment.

#### **Expeditors:**

Expeditors are a group of carriers who share a concern for transparency, freight transportation efficiency and the mitigation of harmful greenhouse gases from our business. This group belongs to SmartWay, Transporte, Limpio, Clean Cargo Working Group and Washington Business for Climate Action.

#### Evergreen:

Evergreen Marine Corp. launched green bonds to raise capital for green initiatives. These bonds will fund improved energy efficiencies, preventing and controlling pollution, and sustainable environmental development for all its operations.

#### **Orient Overseas Container Line:**

Orient Overseas Container Line (OOCL) provides an online carbon calculator to assist Kohl's in measuring carbon dioxide emissions. New vessels on this line have the distinction of being 45 percent less than the International Maritime Bureau baseline for the Energy Efficiency Design Index and operate 20 percent more fuel efficient than similar size vessels.

OOCL maintains membership in World Wildlife Fund, Climate Change Business Forum, and Clean Cargo Working Group, which were all voluntarily joined. They also hold Qualship 21 certification from the U.S. Coast Guard, the most rigid safety and environmental standards in the world for non-U.S. flagged vessels.

# **Buildings**

Kohl's is committed to providing healthy and engaging environments for our customers and associates. We seek sustainable solutions to minimize our environmental footprint. These efforts encompass sustainable solutions for environmental design, energy efficiency and water conservation.

# **Leadership in Energy and Environmental Design**

We're a longtime partner to the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) green building program. Our expansive LEED portfolio is one way we benchmark ourselves when it comes to creating positive and healthy shopping environments. There are currently more than 300 Kohl's locations that are LEED certified, representing 31 percent of our buildings.

Kohl's shares LEED accomplishments with customers and stakeholders at Kohls.com/Sustainability, as well as in LEED-certified stores via store door decals, overhead announcements and an icon at Kohls.com.

Kohl's buildings meet LEED criteria because of our investment in the following aspects of design and construction.

#### **Building Materials**

The buildings we construct are made of materials that support our sustainability efforts. Low Volatile Organic Compound (VOC) materials such as wall coverings, carpet and ceiling tiles are used in the interior. Kohl's also employs the use of pre- and post-recycled content throughout our buildings.

#### **Heat Island Effect**

Reflective roofing material is often used to reduce the "heat island effect" that occurs when air and surface temperatures rise. These materials contribute to lowering a building's energy demands.













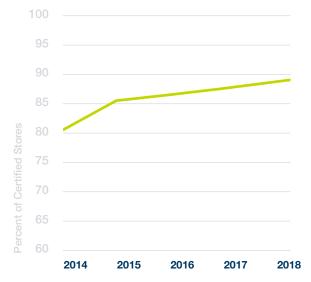
## **Buildings**

#### **Energy Efficiency**

Our cooperating partnership with the EPA ENERGY STAR program has remained consistent since 1998. Kohl's was selected as **a 2019 ENERGY STAR Partner of the Year winner for Sustained Excellence**, an honor reserved for ENERGY STAR partners demonstrating outstanding leadership, year over year. Kohl's relies on ENERGY STAR for emerging tools and technical information to protect the climate and improve efficiency. The program helps us continually assess building performance and set future goals. **Ninety percent of our stores are ENERGY STAR certified**, including 26 stores certified in 2018.

Kohl's has the power to make a significant impact with the right energy solutions. As a participant in the **U.S. Department of Energy's Better Building Challenge**, at the end of 2018, Kohl's reached our goal of 20 percent energy reduction by achieving a total of 24 percent reduction based on a 2008 baseline. We've now set our sights higher with the new goal to cut an additional 15 percent on top of the 20 percent already realized.

Beyond the buildings themselves, ENERGY STAR-rated equipment and appliances like refrigerators, copy machines, TVs and computers are used to help reduce energy consumption and affect Kohl's carbon footprint.



\*All calculations are based on the calendar year store count.

# **Energy Star Certifications**

This data details our efforts toward building and maintaining energy efficient buildings.

% of ENERGY STAR certified stores





# **Buildings**

#### **Lighting and HVAC**

LED fixtures light the way at many Kohl's locations. We continue to retrofit stores with high-efficiency lighting to reduce emissions and save electricity. In 2018, we converted 124 stores to LED which will save an estimated 36 million kWh per year. Additionally, 85 stores received a heating, ventilation and air conditioning system replacement for optimum efficiency.

#### **Water Conservation**

Water is a precious resource and our stores are designed to manage it accordingly. Existing stores have low-flow faucets and new stores have low-flow toilets. Together, these measures help reduce indoor water usage at locations throughout the country. Smart irrigation controllers that use live weather data to adjust outdoor water usage has lowered irrigation water use.

### **Chemicals**

Kohl's seeks to prevent, eliminate and reduce the use of chemicals in our products. We actively manage chemical usage in our operations and vendor operations. We also look to phase out chemicals whenever possible. We maintain a detailed Restricted Substance List (RSL) and abide by all applicable laws governing their use in products. This policy is reviewed and updated regularly to ensure that chemicals are reused, recycled and disposed of properly.

Vendor partners warrant and represent to Kohl's that all products are free from any harmful or toxic substances and were produced, processed, manufactured and tested in full compliance with all applicable laws, including but not limited to the Consumer Product Safety Act, the Consumer Product Safety Improvement Act of 2008, the Flammable Fabrics Act, the Federal Hazardous Substances Act, the Poison Prevention Packaging Act, the Radiation Control for Health and Safety Act, the Food, Drug and Cosmetics Act, the Occupational Safety and Health Act and California Proposition 65.

For our private label and direct import products, Kohl's maintains a detailed RSL. Our product specification documents include chemical requirements, and increasingly rigorous assurances and testing of products are required based upon the level of risk. Further, we look to partner with suppliers to identify opportunities to transition to preferred chemicals. As part of our regular audit program, we monitor factories to assure adherence to our RSL as well as our Terms of Engagement, which specifies safety procedures, and require improvements when we find gaps. Kohl's also provides training to help factories improve their chemical management, including understanding risk and the importance of taking proper precautions. The RSL is in addition to, not in lieu of, all applicable laws, and applies to all raw materials, component parts, chemicals, packaging and other items related to the products. Kohl's provides our vendor partners access to our chemical management documents, tools and RSL via our vendor portal.

Kohl's is committed to family health and wellness across every region of our supply chain. We emphasize integrity in how we do business and hold our partners accountable to living up to our standards.

Our objectives are clearly defined on a global basis.

# Responsible Sourcing

With our commitment to family health and wellness, the vendors we choose must live up to the standards defined in our social compliance process. They must share our convictions, abide by our policies and operate according to our universally applied standards regarding ethics and fairness.

Responsibly sourcing our products requires the collaboration of several departments. Our product development and merchant departments identify product categories for proprietary brands, develop individual product styles and negotiate the purchase transaction with suppliers. The global trade compliance department works with agents, vendor partners, and factories to monitor factory working conditions to help ensure the fair and ethical treatment of workers in a safe and healthy work environment.

#### **Our Policy**

Kohl's commits to respecting human rights across its activities and operations. We hold ourselves to high ethical standards to create positive social impact and expect the same from our business partners. We have a clear code of conduct to adhere to and Terms of Engagement (our "Policy") that we require of our merchandising vendor partners.

Our Policy reflects Kohl's high standards in order to protect the human rights of workers who manufacture products procured for our stores. Our Policy aligns with internationally recognized human rights principles developed by the United Nations, International Labour Organization (ILO) core labour standards and other respected international organizations to promote and maintain fair business practices, and put ethics and safety at the forefront of our business decisions. Our Policy is posted at Corporate.Kohls.com.

Our vendor partners are strictly held to our Policy that outlines our expectations regarding wages and benefits, working hours, prohibited use of child or forced labor (which includes, without limitation, prison and slave labor, or human trafficking for those purposes), discrimination, disciplinary practices, women's rights, legally protected rights of workers to free association, health and safety issues and more. Our Policy clearly sets our requirements and expectations of social compliance with our vendor partners in order to minimize human rights risks from operations throughout our supply chain.

#### **Egregious Policy Violations**

Our compliance philosophy focuses on continued improvement, however, egregious violations of our Policy will result in immediate termination of our business relationship with the facility, and merchandise produced under such conditions will not be accepted:

- Child labor, prison labor, forced labor, bonded labor, slavery or 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

Our Policy for Egregious Violations is communicated to partners during vendor meetings and through business correspondence to ensure awareness and understanding of these critical issues in order to reduce human rights risks in our supply chain and ensure production of our goods is responsibly sourced.

### Monitoring And Assessment

We recognize that publication of our Policy is only one part of achieving compliance and that active enforcement of our Policy is required. Vendor partners must share our commitment to the principles contained in our Policy. They understand we will monitor their compliance efforts and exercise our ability to take corrective action when necessary. We work closely with our vendor partners to identify challenges and address them in a responsible manner that considers the needs and expectations of the affected vendor partner, its suppliers, associates and our shareholders. We closely monitor social compliance and encourage our vendor partners to steadfastly protect the health, safety and human rights of workers.

Kohl's social compliance audit program has remained consistent for almost two decades. One key component is comparing year-to-year results to determine if progress is being made. Some noncore audit steps have been adjusted over the years based on more recently identified risks or the need for additional information. The past four years of factory audit results have shown progress with significant declines in the number of factories that have been deemed not authorized to produce for Kohl's. Our program, including vendor education, facility monitoring, remediation efforts and training, has resulted in improved social compliance at facilities producing our proprietary products.

#### Proprietary Brand Vendor Partner Compliance Program Performance

This chart shows data outlining the compliance of our vendor partners and our monitoring activities.

	Compliant facilities	Noncompliant facilities	Inactive facilities*	Still being monitored	Facilities visited	Monitoring visits	Factory visits not announced
2018	1,072	28	137	145	1,382	1,826	632 (35%)
2017	1,120	41	82	149	1,392	1,960	804 (41%)
2016	1,239	57	155	113	1,564	2,308	1,046 (45%)
2015	1,363	100	52	163	1,678	2,659	1,273 (48%)
2014	1,418	177	50	213	1,858	3,193	1,791 (56%)

#### More compliance means fewer visits

Vendor and factory consolidation combined with improved facility compliance has meant fewer unannounced follow-up monitoring visits are needed.

### Social Responsibility Committee

**Our Social Responsibility Committee** guides the direction, assessment and continued improvement of our social compliance program. The committee is compromised of executives including our Chief Executive Officer (CEO), **Chief Merchandising Officer and** senior leadership from departments with responsibility for business operations including Merchants, **Product Development, Legal, Risk** and Compliance and Global Trade Compliance. The Social Responsibility Committee gathers biannually to discuss governance and strategic initiatives with updates given quarterly.

# Social Monitoring Visits Explained

Kohl's relies on three professional, independent, third-party firms to monitor vendor partner compliance to our Policy. These auditing professionals are able to speak the language of workers and management, and have extensive experience monitoring social compliance on behalf of international customers. Completion of our full audit program requires a two-day visit. Follow-up audits are completed in one day.

Factories are inspected for compliance on an annual basis. They undergo follow-up monitoring visits and training when issues are noted. We reserve the right to review all vendor partner facilities and conduct 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

#### The Facility Audit Process Explained

When our auditors arrive at a facility, they conduct an opening meeting with management to review our Policy. If access to the facility is denied, the auditor immediately notifies us. Our Policy compliance team researches factory management's reason for denying access and determines whether a factory will be granted another visit. If so, the Policy compliance team schedules an unannounced visit. We terminate our business relationship with the factory if access is denied for a second time.

After the opening meeting, the factory is toured with workers randomly selected to be interviewed. Worker interviews are conducted privately in the local language. The content of worker interviews is kept strictly confidential. In addition, detailed testing of factory payroll is conducted and other business records are reviewed to evaluate factory compliance with each provision of our Policy. In particular, age verification documentation is reviewed for selected workers to ensure that factory management does not employ child labor. Worker time records and wage payments are closely scrutinized to validate compliance with our Policy.

During each facility visit, our independent monitor documents all deficiencies related to our Policy. At the conclusion of a facility audit, the monitor summarizes and discusses each deficiency with factory management to facilitate immediate corrective action. The audit report is sent to our Policy compliance team for review, and we work with vendor partners to implement corrective actions. The monitor also transmits the finalized audit to our Policy compliance team for review. Third party follow-up audits are performed, as needed, to monitor the deficiency remediation process.

We take appropriate action if we identify noncompliance with our Policy. Depending on severity, actions may 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 work toward improvement and attempt to bring noncompliant facilities into compliance rather than terminating the business relationship.

#### **Automating the Process**

Upon conclusion of a facility audit, a Corrective Action Plan (CAP) is established that is available online for the factory, vendor partner, agent (if applicable) and Kohl's to update as corrective actions are implemented. We track the collaborative efforts of the parties and work with vendor partners to ensure that corrective actions occur without delay. All affected parties can submit questions, make comments on deficiency correction and upload pictures to support their corrections. CAPs are designed to drive improved compliance performance and help maintain high visibility throughout the audit process. Since implementation of the automated CAP process in spring 2018, the CAP completion rate exceeded 90 percent.

# Training Vendors in Kohl's Compliance

We provide training to, and regularly communicate with, our vendor partners regarding our Policy and expectation of compliance. Vendor training sessions provide a forum for two-way communication regarding Policy requirements and country-level political, cultural, social and economic issues faced by the facilities. Our vendor partners are invited to training based on their identified risk level, newness to Kohl's or historical audit results. We focus our initiatives on building capacity with proprietary brand vendors but do include national brand vendors if circumstances warrant. Our training sessions cover a number of topics, including:

- Expectations for suppliers
- Site verification methods
- Remediation methods

Policy definitions

- Indicators of noncompliance
- Compliance improvement

Best practices

- Facility assessment reporting
- Sustainability efforts

Vendor/factory training sessions to reinforce our Policy and our commitment to human rights are also conducted by our main buying agent, incorporating input from our Factory Compliance team. In the last two years, training sessions were conducted in Bangladesh, China, Guatemala, India, Indonesia and Vietnam.

We encourage our vendor partners to develop their own internal social compliance functions and to raise awareness about, and sustainability of, performance improvements. In addition, facilities approved to produce Kohl's proprietary goods must have our Policy posted on their wall in a readily accessible location, in the language of the workers, to ensure awareness of our expectations.

It's also key 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, child labor and forced labor, particularly with respect to identifying and mitigating risks within the supply chain.

# Sustainability Efforts-Supply Chain

Kohl's has begun requiring facilities that produce Kohl's goods to use sustainable solutions to reduce overall environmental impact through waste reduction and resource conservation. Kohl's is measuring overall environmental management systems, water use, chemical management, air emissions and energy management for compliance.

#### **Higg Index**

The Higg Index is an indicator-based tool for apparel and footwear that enables companies like ours to evaluate materials, products and facilities based on key environmental impacts and ratings. We use the Higg Index to benchmark ourselves against our peer companies and make more sustainable choices when it comes to supply chains and factory performance.

#### **Sustainable Apparel Coalition**

The Sustainable Apparel Coalition (SAC) is a group of apparel manufacturers, retailers, brands and nongovernment organizations working together to standardize sustainability measures in the apparel and footwear supply chain. Kohl's is a founding circle member of the SAC.

#### **Retail Industry Leaders Association**

Kohl's regularly participates in Retail Industry Leaders Association (RILA) Environmental Compliance and Sustainability meetings to share expertise and discuss industry trends in sustainability efforts.

# Communication on Industry Issues

Retailers face varied challenges throughout our supply chain. Our policies are clearly articulated to our partners during vendor meetings, business correspondence and through our vendor portal. New proprietary brand vendors receive new vendor information, including a Certification of Compliance with All Legal Obligations form, to be signed and returned by a principal of the vendor partner. In addition, our Policy and Kohl's Terms of Engagement and Kohl's Purchase Order Terms and Conditions emphasize the importance of the topics described in this report.

# Our Social Compliance Team

Social, economic and environmental considerations are integrated into our purchasing and risk management processes. Our human rights policy commitments are approved and communicated at the Board of Directors level and the Audit Committee has oversight of these policies. Our Chief Risk and Compliance Officer, who reports to our CEO, has oversight of global trade compliance and implementation of our human rights commitments.

Kohl's Global Trade Compliance team reports to our Chief Risk and Compliance Officer, which includes a Director of Global Trade Compliance and a Manager of Factory Compliance, who leads a dedicated team of highly experienced compliance associates responsible for the day-to-day administration of the social compliance program. This team is independent of the product development and merchandising departments. Therefore, day-to-day decisions regarding the social compliance status of facilities used to produce our proprietary brand merchandise are made by associates not involved in purchase negotiation to prevent potential conflicts of interest.

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

# Partnering For The Common Good

The safety and well-being of vendor factory employees is a critical concern. In order to accomplish wholesale transformations within the industry, we must join forces with our peer companies. Forging partnerships to drive change is an essential part of our strategy in regard to corporate social responsibility. These alliances offer a common benchmark to assess our own decisions, and they also provide the entire industry with the critical mass needed to enact meaningful change.

#### Supplier Compliance Audit Network

Kohl's joined the Supplier Compliance Audit Network (SCAN) in August 2018. SCAN will provide invaluable assistance in helping to standardize supply chain security audits to prevent multiple audits being conducted over the same facility.

SCAN members, including many of the world's top importers, can now participate in a "shared audit" to help reduce duplicative audits at factories. The SCAN Association has conducted 6,901 audits to date and has identified 2,845 shared factories within the SCAN Audit Sharing Network.

# Kohl's Participation in Better Work Programs

Kohl's participates in the International Labour Organization's (ILO) Better Work Vietnam (BWV), Better Work Nicaragua (BWN) and Better Work Indonesia (BWI) programs that cooperate with factories to improve human rights performance and strengthen labor standards in export garment industries. Better Work assesses factories and provides advisory services to improve compliance with ILO core labor standards and national laws regarding compensation, contracts, occupational health and safety, and working hours.

Select factories are monitored by BWV, BWN and BWI to minimize audit fatigue from our own scheduled visits. This allows factory management more time to focus on corrective action and sustainable, continual improvement.

## Alliance for Bangladesh Worker Safety

Kohl's was a founding member of the Alliance for Bangladesh Worker Safety in 2013. The program brought top retailers together to create safer, healthier conditions in Bangladesh garment factories to protect and empower workers. Common safety standards were developed for completing initial and follow-up factory inspections, monitoring and verifying completion of corrective action plans, and developing and delivering multiple training sessions on fire prevention and safety. Kohl's maintained a commitment to the Alliance throughout its extended 5-year term, ending on December 31, 2018. The Alliance has:

- Completed 94 percent remediation across Alliance-affiliated factories and more than 420 factories achieved completion of their initial Corrective Action Plans.
- Trained 1.6 million workers to protect themselves in case of a fire emergency.
- Formed 181 worker safety committees to provide workers a seat at the table with management in resolving safety issues within factories.
- Provided 1.5 million workers with access to a 24-hour confidential worker helpline, which has been transferred to local management and will soon be available to Ready Made Garment (RMG) factories throughout Bangladesh.

On January 1, 2019, the Alliance transitioned to an independent entity named Nirapon ("Safe Place" in the Bengali language), where Kohl's is also an original member. Nirapon will carry forward the worker empowerment and safety initiatives until these responsibilities can be transitioned to the Government of Bangladesh.

# **Abiding Practices**

Doing business with Kohl's means abiding by all of the laws that govern our industry. We hold our merchandise partners to strict adherence of laws and treaties both domestic and international. We enforce compliance with independent, professional third parties and do everything we can to ensure the diligent monitoring of our supply chain.

Consumer expectations place increasing demands on production delivery timelines, which could potentially impact workers in garment factories. To manage these types of industry trends, Kohl's continues to implement policies and programs into our supply chain to help ensure that our human rights commitments are met. In the past several years, we have taken steps to consolidate our vendor and factory base so that we partner more closely with like-minded vendors and factories regarding commitment to human rights and fair, safe working conditions. Vendor and factory compliance with our Policy is a critical factor in determining whether or not production of our proprietary goods may be placed at a facility. We review factory production capacities and working conditions prior to placing production in order to support our commitment to human rights.

#### **Conflict Minerals**

We expect all vendor partners to ensure that merchandise sold to us is free of any conflict minerals. Conflict minerals are tin, tantalum, tungsten or gold sold to finance conflict in the Democratic Republic of 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 Security and Exchange Commission's Conflict Minerals Rule.

We have engaged an outside firm with specialized expertise in mapping and tracing supply chains to support our conflict minerals compliance program. We expect vendor partners to establish their own due diligence programs to ensure conflict-free supply chains and take any other steps necessary to abide by our policies and the contractual commitments provided to us. View the Kohl's Policy on Conflict Minerals and Kohl's Conflict Minerals Report for further details here.

Kohl's is a member of the Responsible Minerals Initiative (RMI), which helps companies make informed choices about conflict minerals in their supply chains. RMI membership provides access to Reasonable Country of Origin Inquiry, country of origin information associated with facilities that are validated through the Responsible Minerals Assurance Program, and access to the latest information and insight about developments on regional issues, sourcing initiatives and regulatory schemes in support of responsible sourcing.

#### **Clean Diamond Trade Act**

All diamond jewelry suppliers must verify that the merchandise they sell to us meets the requirements of the Clean Diamond Trade Act and the Kimberley Process Certification, and to 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 or forced labor. We do not source any proprietary 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.

# Abiding Practices

# California Transparency Supply Chain Act

Our Policy is the standard that we apply to vendor partners and includes, but is not limited to, merchandise covered by the California Transparency in Supply Chains Act. The act, implemented in January 2012, requires large retail sellers and manufacturers doing business in California with annual worldwide gross receipts that exceed \$100 million, to provide disclosures about their "efforts to eradicate slavery and trafficking in their direct supply chains for tangible goods offered for sale." Our Policy strictly prohibits the use of prison, labor, bonded labor, indentured labor, or forced labor in the manufacture or finishing of products we order, including without limitation, prison and slave labor, or human trafficking for the purposes thereof.

#### Our Policy is enforced through:

#### Verification

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

#### Audi

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

#### Certification

 In addition to the standards set forth in our Policy, any vendor partner desiring to do business with us must adhere to the terms of the contract under which we purchase goods from the vendor.

#### **Internal Accountability**

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

#### Training

 Providing training for relevant company associates regarding identification and mitigation of the risks addressed by our Policy.