

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 Governance

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.

Responsible Governance

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.

Responsible Governance

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 comprised 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.

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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.

Responsible Governance

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

Responsible Governance

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.

Responsible Governance

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.

Responsible Governance

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.

Responsible Governance

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.

Audit

- 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.