

Social Supply Chain Management

With Kohl's 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 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 Factory Compliance team works with agents, vendor partners, and factories to monitor facility working conditions to help ensure the fair and ethical treatment of workers and a safe and healthy work environment.





Social Supply Chain Management

Terms of Engagement

We are committed to respecting human rights across our activities and operations. We hold ourselves to high ethical standards to create a positive social impact, and we expect the same from our business partners. We require all of our merchandising vendors to adhere to our Terms of Engagement. The Terms of Engagement, which are posted at Corporate.Kohls.com, reflect our high standards and seek to protect the human rights of workers who manufacture products procured for our stores and online. Our Terms of Engagement align with internationally recognized human rights principles developed by the United Nations, International Labour Organization (ILO) core labor 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 vendor partners are strictly held to our Terms of Engagement, which outlines our requirements and expectations of social compliance regarding wages and benefits, working hours, prohibited use of child or forced labor (which includes, without limitation, prison, slave, or bonded labor, or human trafficking), discrimination, disciplinary practices, women's rights, legally-protected rights of workers to free association, health and safety issues, environmental requirements, and more.

Zero Tolerance Policy

Our compliance philosophy focuses on continuous improvement; however, we enforce a zero tolerance policy for certain violations of our Terms of Engagement, which will result in immediate termination of our business relationship with the facility. In certain circumstances, merchandise produced under the following 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	Unethical business practices: attempted bribery of social compliance, Customs Trade Partnership Against Terrorism (CTPAT), environmental or quality assurance auditors	Transshipment or altering/tampering with country-of-origin markings

Our zero tolerance policy for certain violations of our Terms of Engagement is communicated to partners during vendor meetings and through business correspondence to ensure awareness and understanding of these critical issues to reduce human rights risks in our supply chain and ensure the production of our goods are responsibly sourced.



Terms of Engagement

Monitoring and Assessment

We recognize that the publication of our Terms of Engagement is only one part of achieving compliance and that active enforcement of our Terms of Engagement is required. Vendor partners must share our commitment to the principles contained in our Terms of Engagement. 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.

Our 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. Non-core audit steps have been adjusted over the years to address rising human rights risks. The past four years of facility audit results have shown progress with significant declines in the number of facilities that have been deemed unauthorized 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

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

	Compliant facilities	Noncompliant facilities	Inactive facilities*	Still being monitored	Facilities visited	Monitoring visits	Factory visits not announced
2019	1,119	15	86	140	1,370	1,668	434 (26%)
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%)



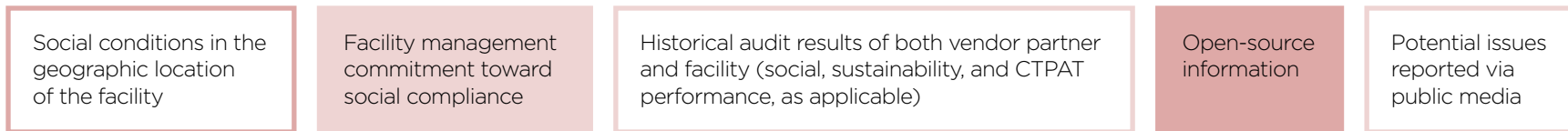
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Terms of Engagement

Monitoring and Assessment

Social Monitoring Visits Explained

We rely on three professional, independent, third-party firms to monitor vendor partner compliance with our Terms of Engagement. These auditing professionals are able to speak the language of the workers and management and have extensive experience monitoring social compliance on behalf of international customers. Facilities are inspected for compliance on a regular basis. Completion of our full audit program requires a minimum two-day visit. Follow-up audits are completed in one day. We reserve the right to review all vendor partner facilities and conduct unannounced on-site inspections. Using a risk-based approach, once a facility is deemed compliant with our Terms of Engagement, we assign a risk level to determine if the facility is subject to more regular audits. Risk assessment is based on the following factors:



The Facility Audit Process Explained

When our auditors arrive at a facility, they conduct an opening meeting with management to review our Terms of Engagement. If access to the facility is denied, the auditor immediately notifies us. The Factory Compliance team researches facility management's reason for denying access and determines whether the facility will be granted another visit. If so, the Factory Compliance team schedules an unannounced visit. After the opening meeting, the facility is toured with workers randomly selected to be interviewed. Worker interviews are conducted privately in their local language. The content of worker interviews is kept strictly confidential from the facility and vendor partner(s). In addition, a detailed review of the facility payroll is conducted, and other business records are reviewed to evaluate compliance with each provision of our Terms of Engagement. In particular, age verification documentation is reviewed for selected workers to ensure that facility management does not employ child labor. Worker time records and wage payments are closely scrutinized to validate compliance with our Terms of Engagement. During each facility visit, our independent auditor documents all deficiencies related to our Terms of Engagement. At the conclusion of a facility audit, the auditor summarizes and discusses each deficiency with facility management to facilitate immediate corrective action. The audit report is sent to the Factory Compliance team for review, and we work with our vendor partners to implement corrective actions. Third-party follow-up audits are performed, as needed, to monitor the deficiency remediation process. Appropriate action is taken if we identify noncompliance with our Terms of Engagement. Depending on the severity, actions may include working with our vendor partner to ensure 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

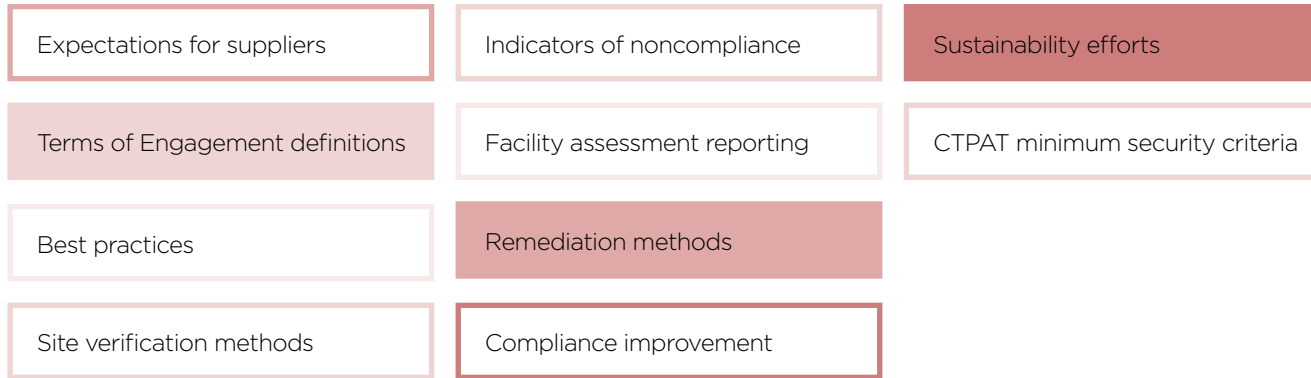
Upon conclusion of a facility audit, an online Corrective Action Plan (CAP) is created for the facility management, vendor partner, agent (if applicable), and Kohl's to update as deficiencies are remediated by the facility. All business partners can submit questions, make comments on deficiencies, and upload pictures to support their corrections. We track the collaborative efforts of our business partners and work to ensure corrective actions occur without delay. CAPs are designed to drive improved compliance performance and provide visibility throughout the audit process. Since the implementation of the automated CAP process in spring 2018, the CAP completion rate has exceeded 94%.



Social Supply Chain Management

Training Vendors in Kohl's Compliance

We provide training to and regularly communicate with our vendor partners regarding our Terms of Engagement and expectations of compliance. Vendor training sessions provide a forum for two-way communication regarding 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 our organization, 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:



Training sessions to reinforce our Terms of Engagement and our commitment to human rights are also conducted by our main buying agent, incorporating input from our Factory Compliance team. In 2019, training sessions were conducted in 13 countries, including Bangladesh, China, Guatemala, India, Indonesia, and Vietnam.

We encourage our vendor partners to develop their own internal social, CTPAT, and sustainability compliance functions to raise awareness and drive performance improvements. In addition, facilities approved to produce our proprietary goods must have our Terms of Engagement 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 Terms of Engagement. Social compliance training is available to all associates. We regularly conduct instructor-led training sessions for Product Development and Merchant associates regarding our Terms of Engagement requirements.

For relevant associates who have direct responsibility for supply chain management, we provide targeted training on human trafficking, slavery, child labor, and forced labor, particularly with respect to identifying and mitigating risks within our supply chain.



Social Supply Chain Management

Communication on Industry Issues

Retailers face varied challenges throughout their supply chains. Our Terms of Engagement are clearly articulated to our partners during vendor meetings, through business correspondence, and through our vendor portal. New proprietary brand vendors receive new vendor documentation, 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 Terms of Engagement and Purchase Order Terms and Conditions set forth the contractual framework to emphasize the importance of the topics described in this report.

Social Responsibility Committee

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

Our Social Compliance Team

Social, economic, environmental, and risk management considerations are integrated into our purchasing 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 & Compliance Officer, who reports to our Chief Executive Officer, has oversight of Factory Compliance and implementation of our human rights commitments. The Social Compliance Team includes a Senior 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.



Social Supply Chain Management

Partnering for the Common Good

The safety and well-being of facility 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 CSR. 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

Supplier Compliance Audit Network (SCAN) is an organization of U.S. and Canada-based importers with a common goal of facilitating international supply chain security compliance and endorsing the efforts of U.S. Customs and Border Protection (CBP), Customs Trade Partnership Against Terrorism (CTPAT), and Minimum Security Criteria (MSC).

We have been a member of SCAN since August 2018. SCAN provides 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 facilities. SCAN has performed more than 8,000 supply chain security audits and has identified more than 3,300 shared facilities within the SCAN Audit Sharing Network.

Kohl's Participation in Better Work Programs

We participate in the International Labour Organization's (ILO) Better Work Vietnam (BWV), Better Work Nicaragua (BWN), and Better Work Indonesia (BWI) programs that cooperate with facilities to improve human rights performance and strengthen labor standards in export garment industries. Better Work assesses facilities 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 facilities are monitored by BWV, BWN, and BWI to minimize audit fatigue from our own scheduled visits. This process allows facility management more time to focus on corrective action and sustainable, continual improvement.

Nirapon-Safety for All

With the Alliance for Bangladesh Worker Safety winding down its operations at the end of 2018, several former Alliance members and other brands committed to sustaining the culture of facility safety in Bangladesh launched Nirapon. Nirapon is a locally-managed organization and is committed to helping the facilities from which its members source develop a sustainable culture of safety by identifying service providers capable of supporting assessments, remediation, capacity building, and training.



Social Supply Chain Management

Abiding Practices

Doing business with us means abiding by all of the laws that govern our industry. We require our merchandise partners to adhere to laws and treaties, both domestic and international. We enforce compliance with independent, professional third parties, and diligently monitor our supply chain.

To manage industry trends and consumer demands, we continue 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 facility base so that we partner more closely with like-minded vendors and facilities regarding the commitment to human rights and fair, safe working conditions. Vendor and facility compliance with our Terms of Engagement is a critical factor in determining whether or not the production of our proprietary goods may be placed at a facility. We review production capacities and working conditions prior to placing production in order to support our commitment to human rights. To align with rising social challenges, we have updated our Terms of Engagement, which will be released to all vendor partners and facilities in 2020.

Forced Labor

Our business partners must not use bonded, indentured, prison or forced labor, or labor acquired through slavery or human trafficking in the purchasing of materials, manufacturing, or finishing of products. This includes labor that is provided under duress, financial obligation, or improper oversight. Working must be voluntary, and workers must be free to leave work and terminate their employment or other work status at any time. Workers must not be required to make any monetary deposits or surrender any original identification documents as a condition of employment.

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 [Kohl's Policy on Uzbekistan Cotton](#) for further details. As part of our commitment to zero tolerance of forced labor, our business partners have been reminded that sourcing from Uzbekistan is strictly prohibited and production out of the Xinjiang Province of China shall not include forced labor.

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.

We are 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 ensure that merchandise sold does not contain diamonds involved in funding conflict.



Abiding Practices

California Transparency Supply Chain Act

Our Terms of Engagement further require compliance with 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 Terms of Engagement strictly prohibit the use of prison, bonded, indentured, or forced labor in the manufacture or finishing of products we order, including without limitation, prison and slave labor or human trafficking. Our Terms of Engagement are 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 us to certify that each facility used to produce merchandise sold to us will operate in compliance with our Terms of Engagement 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 facilities producing merchandise for us.

Requiring our review and approval of all subcontractors that a vendor desires to use in the manufacturing process of our proprietary goods.

Enforcing our zero tolerance policy regarding forced labor, prison labor, slavery, and human trafficking.

Audit

Actively monitoring facilities 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 facility audits.

Monitoring each such facility 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 Terms of Engagement, 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 social 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 the identification and mitigation of the risks addressed by our Terms of Engagement.