



# KOHL'S®

## 2019 CSR REPORT





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Welcome

Dear Stakeholders,

As we publish this 2019 report, we as a global community, are battling the COVID-19 pandemic. Never in our lifetime has the world faced such an uncertain and unprecedented time. We are reminded of how interconnected we all are and how important it is for each of us to play a role in protecting and serving the greater good. It is with this perspective and deeper appreciation of our shared responsibility to each other that we reflect back on our efforts from last year and renew our commitment to be a strong corporate citizen.

At Kohl's, our purpose — to inspire and empower families to lead fulfilled lives — guides all of our decision making. This includes how we approach corporate social responsibility and environmental, social, and governance efforts. We have a responsibility to do good for the customers we serve, the associates who make up our organization, and the environment that sustains us all. Every day we do this by living out our values: 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. We strive to make a difference in the communities we share through charitable giving and volunteer efforts. And I am proud of the work we accomplished in 2019 to bring on two national nonprofit partners, Alliance for a Healthier Generation and Boys & Girls Clubs of America. Together, we will work to enhance children's physical, mental, and emotional well-being, and improve families' health and wellness nationwide.

We make a conscious effort to protect and conserve the environment through our long-term sustainability efforts. This past year, we set new environmental sustainability goals around climate change, waste and recycling, and sustainable sourcing, which we aim to achieve by 2025.

We are passionate about fostering a best-in-class workplace that celebrates a transparent and caring culture. I am personally committed to the advancement of diversity and inclusion in the workplace and signed the CEO Action for Diversity & Inclusion™ pledge and Metropolitan Milwaukee Association of Commerce (MMAC) Region of Choice Corporate Pledge.

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 this report, which highlights the accomplishments and achievements of 2019. In 2020, as we all face extraordinary new challenges, we look forward to doing our part in supporting our associates, our customers, and the communities we serve all across the country.

**Michelle Gass**  
Chief Executive Officer

Cautionary Statement Regarding Forward-Looking Information

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Kohl's intends forward-looking terminology such as "believes," "expects," "may," "will," "should," "anticipates," "plans," or similar expressions to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause Kohl's actual results to differ materially from those projected in such forward-looking statements. Such risks and uncertainties include, but are not limited to, those that are described in Item 1A in Kohl's most recent Annual Report on Form 10-K and as may be supplemented from time-to-time in Kohl's other filings with the SEC, all of which are expressly incorporated herein by reference. Forward-looking statements relate to the date initially made, and Kohl's undertakes no obligation to update them.

# Corporate Social Responsibility at Kohl's

**Kohl's corporate social responsibility (CSR) platform is focused on family health and wellness.**

Our purpose — to inspire and empower families to lead fulfilled lives — guides how we work with partners, how we approach philanthropy, how we consider the environment, and how we touch the lives of our customers, associates, and communities. These efforts extend to the Environmental, Social, and Governance (ESG) areas.





# 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 our progress in CSR on an annual basis.

## Reporting Period

This CSR report covers the fiscal year 2019 (February 3, 2019 to February 1, 2020) unless otherwise indicated.

## More Information

For more information about our history, business, sales growth, stores, and more, see our Fact Book on [Corporate.Kohls.com](https://www.kohls.com/corporate).

To learn more about our commitment to the environment, our associates, customers, community, partners, and shareholders, visit [Corporate.Kohls.com](https://www.kohls.com/corporate).

# Values, Ethics, and Governance

**Kohl's CSR efforts derive from our strong values and commitment to act with integrity.**

This is reflected in our Code of Ethics and governance practices.





# Our Values

The values we share as an organization remind us of how we conduct business and connect with people on a daily basis. Our four core values are known throughout the 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.



# Ethics

We are committed to the highest standards of integrity and maintain a Code of Ethics to guide ethical decision-making for associates. As a company of integrity, we expect our associates to be honest and held accountable. We require associates to take annual ethics training, which is refreshed each year to cover relevant topics. The training helps connect ethics to an associate's day-to-day job responsibilities and promotes honesty, integrity, and fairness.

We encourage our associates, customers, business partners, and stakeholders to raise concerns through **Kohl's Integrity Hotline**. Anonymous reporting is available, and we prohibit retaliation against any party for raising concerns in good faith.

To learn more about our Ethics program, visit [Corporate.Kohls.com](http://Corporate.Kohls.com).

## A World's Most Ethical Company

In 2019, for the first time, we were 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. More than 120 honorees were recognized, spanning 21 countries and 50 industries. We were one of only two honorees in the retail industry.

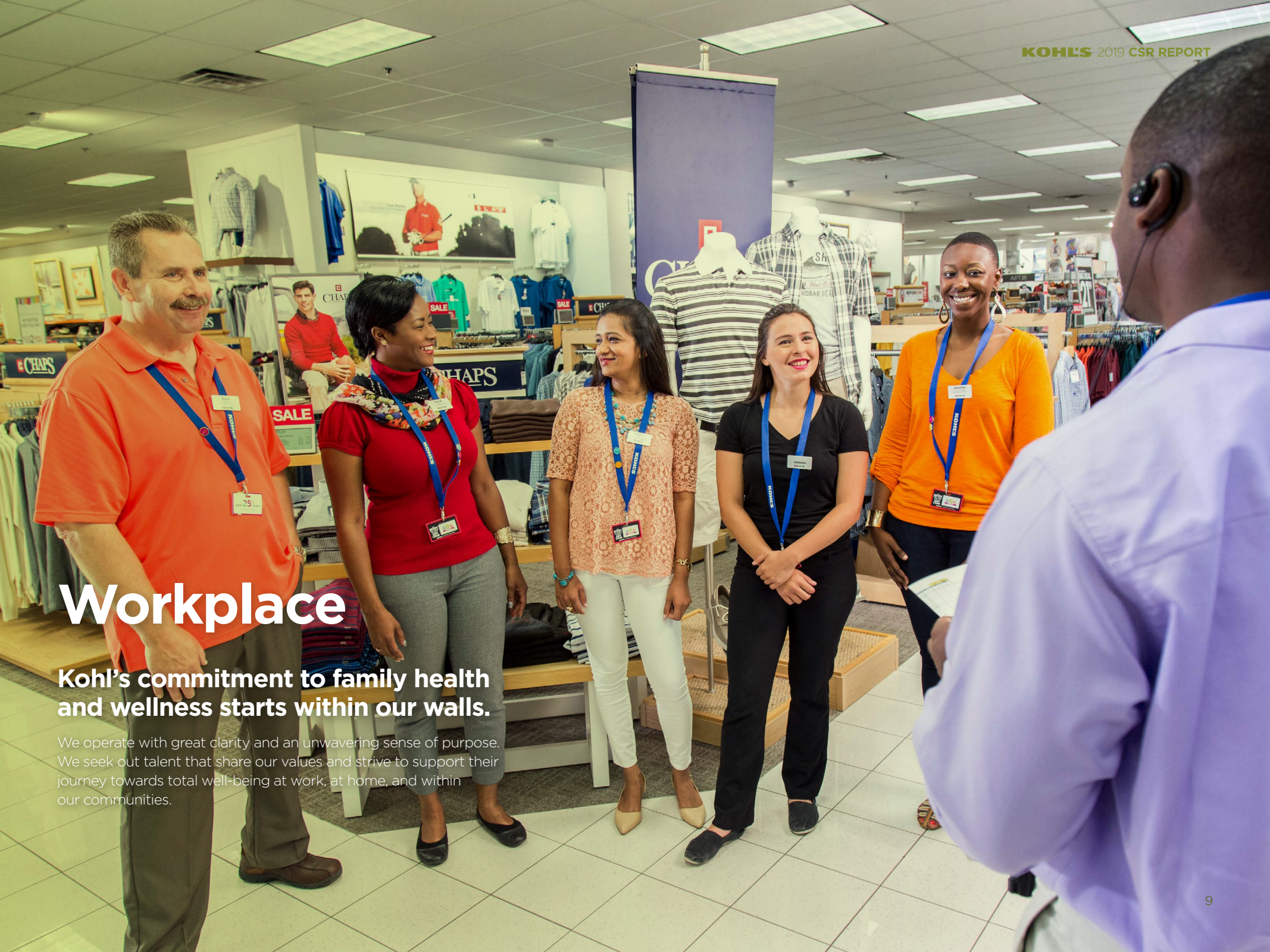
We were among honorees recognized for being a driving force for improving communities, building a capable and empowered workforce, and fostering a corporate culture focused on ethics and a strong sense of purpose.



# Governance

Responsible corporate citizenship is an important part of our company's values and we are committed to incorporating socially responsible principles into our daily business activities. Our governance practices form the foundation for how we manage risk, ensure accountability, and provide transparency to our stakeholders. To learn more about our practices and review our governance documents, please visit [Corporate.Kohls.com](http://Corporate.Kohls.com).





# Workplace

**Kohl's commitment to family health and wellness starts within our walls.**

We operate with great clarity and an unwavering sense of purpose. We seek out talent that share our values and strive to support their journey towards total well-being at work, at home, and within our communities.



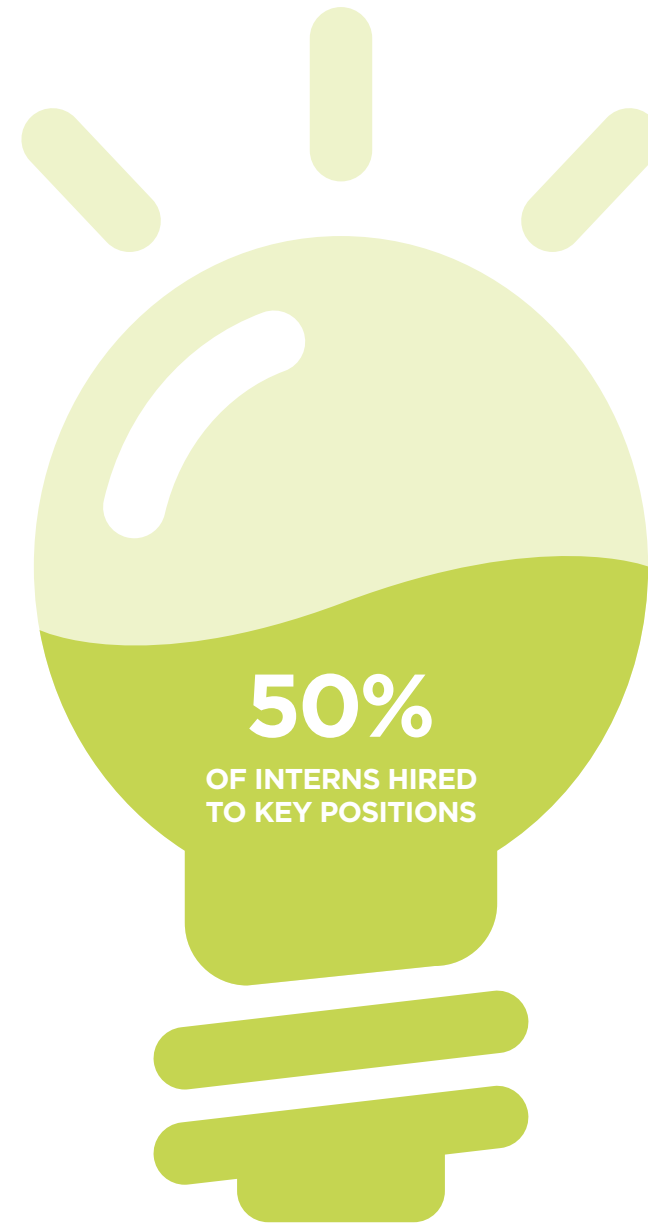
Workplace

# Attracting Top Talent

Behind our success are great teams of talented individuals who embody our values. We actively attract, engage, and hire talent who will drive our purpose.

## 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 2019 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% being hired to key positions in departments like Product Development, Marketing, Finance, Human Resources, Buying, Technology, and Store Management.





## Workplace

# Our Commitment to Associates

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. We work 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.

## Talent Management

Our talent management team brings synergy to performance management, talent assessment, succession planning, and career planning. This team provides tools, resources, and best practices to ensure we have the right talent in the right roles at the right time. We are able to achieve our goals because we invest in our associates' ability to achieve theirs.

## Associate Training and Team Development

From initial onboarding to high potential leadership development, we believe in training and career growth for our associates. We make efforts to stay ahead of the competition by leaning into new technologies and encouraging our associates to keep their skills fresh through our learning management system, which includes more than 1,000 online and in-person courses. We also provide opportunities for associates to grow together as a team through in-person or virtual courses tailored to their team needs.

## Leadership Development

We invest in executive coaching, assessments, internal programs, external courses, peer networks, and more. Every few years, we bring all managers from the company together to take part in Kohl's Conference, a two-day event that celebrates the teams' successes and shares future innovations and priorities from top leaders of the company.

## A Culture of 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 2 million of these submissions since the program launched in 2015.



Workplace

# Our Commitment to Associates

## Benefit Offerings

All of our associates are seen as contributors to our business success. All eligible associates receive a 100% match (up to 5% of pay) in Kohl's 401(k) Savings Plan after one year of employment. Full-time associates are offered medical, dental, vision, prescription drug, disability and life insurance coverage. Associates are also offered paid time off and a merchandise discount.

We also provide 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, and supplementary life insurance. They are also offered a merchandise discount.

Our support doesn't stop there. We're proud of the ways we contribute to our associates' total well-being year-round because when they're at their best, they can bring their best to work.

### Healthy Rewards

Associates can take ownership of their personal health and reduce their medical premiums by participating in our Healthy Rewards program. All associates, as well as their family members, are encouraged to participate in well-being activities throughout the year.

### Wellness Centers

Our wellness centers are a unique benefit provided to associates at corporate locations, distribution centers, e-commerce fulfillment centers, and credit and customer service centers. Preventive exams, lab services, physical therapy, health coaching, and treatment for routine illnesses are administered by compassionate and experienced health care professionals. More than 40,000 visits were made to our wellness centers in 2019.

### Partnerships

Since 2012, associates have had the opportunity to take advantage of subsidized WW (formerly Weight Watchers) memberships to help achieve their wellness goals. Launched in 2019, all associates and their family members can join Planet Fitness' Judgment Free fitness experience at a reduced cost.

### Total Well-Being

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 to locate child care. 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.

# Diversity and Inclusion

**Living a fulfilled and healthy life is different for each and every one of us.**

Understanding and embracing those differences for Kohl's customers, associates, and communities is not just the right thing to do, but critical to driving growth for the organization. We are committed to creating a culture where everyone belongs, where diversity and inclusion drive innovation and business results while enabling associates and customers to be their authentic selves every single day.





Diversity and Inclusion

# Committing to Change

To illustrate our investment in diversity and inclusion, Michelle Gass signed the **CEO Action for Diversity & Inclusion™ pledge** in 2019, joining more than 900 leaders from top organizations across the country in an effort to advance diversity and inclusion within the workplace. Michelle also added her name to the Metropolitan Milwaukee Association of Commerce (MMAC) Region of Choice Corporate Pledge, showcasing our commitment to increase diverse representation in our hometown of Milwaukee.

# Everyone Plays a Role

We recognize that we are all rewarded for bringing diversity and inclusion to life, and everyone plays a role. We are committed to attracting, promoting, and retaining diverse associates to embrace new perspectives and inspire innovation across the organization. Leaders are expected to foster an inclusive culture that embraces diversity. Associates are encouraged to use their voice to challenge the status quo, while also listening to and embracing others, regardless of role or differences. This will enable our customers to see themselves in our brand and help the communities where we live and work thrive.

Our diversity and inclusion work shines through our focus on four pillars: **culture, career, commerce, and community.**





Diversity and Inclusion

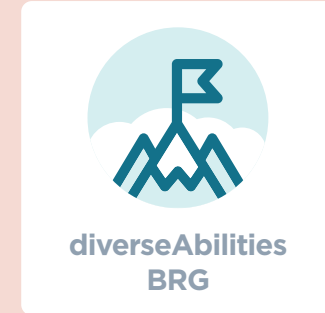
# Culture

We are a purpose-led organization, focused on building an inclusive culture where courage and curiosity thrive. We are intentional about creating an environment that fosters belonging by championing, supporting, and embracing a diverse workforce. Our associates are empowered to be at their best and bring their best each day.

## Business Resource Groups

We have eight Business Resource Groups (BRGs) with 4,300 members focused on driving business by recognizing and championing diversity and inclusion in its multiple forms. In 2019, we launched three new BRGs to strengthen our connection with different cultures and communities including, Asian Pacific, Black Professionals, and diverseAbilities.

The BRGs make an impact across the organization with a focus on our four diversity and inclusion pillars. They lead our organization's cultural celebrations, offer opportunities for diverse talent to grow in their career with leadership and mentoring opportunities, drive strategy by acting as a key resource to various business units across the organization, and work directly with nonprofits that connect with their communities.





Diversity and Inclusion

# Culture

## Unconscious Bias Training

We work to provide learning opportunities for our leaders and associates to build a more diverse and inclusive workforce and engage associates on how that creates a competitive advantage. In 2019, we piloted unconscious bias training to help associates understand and manage their blind spots and to build stronger connections with colleagues, customers, partners, and our communities. This required training will roll out to all of our leaders in the coming year.

## Inclusive Benefit Offerings

As the makeup and needs of the modern family evolve, our products, services, and programs must also transform. We regularly evaluate how our benefit offerings can be more inclusive of the needs of our associates. Based on ongoing assessment and associate feedback, we expanded our benefit offerings in 2019. This expansion included extending parental leave time for child-bearing parents and non-child-bearing parents, which covers surrogacy and associates who are the spouse or domestic partner of child-bearing parents. We also started offering benefit coverage to domestic partners and launched additional childcare benefits.







Diversity and Inclusion

# Career

We believe that diversity makes us stronger. Different perspectives and experiences ensure we better reflect the marketplace and drive innovation. We are committed to attracting, developing, promoting, engaging, and retaining diverse associates.

## Recruiting Practices

In 2019, we strengthened our recruiting efforts with a focus on education, training, and sourcing strategies for increasing our diverse talent pipeline. This included expanding campus recruiting to include Historically Black Colleges and Universities and having BRG members act as our representatives at campus events. We also expanded our outreach to student organizations by attending more than 30 diversity-focused events. For the first time in 2019, we attended the Grace Hopper Conference — the largest female tech conference in the world, extending more than 40 job offers to female technologists.

## Military Hiring

We actively recruit veterans, transitioning service members, and military spouses for a variety of roles. We believe veterans and military families come from a culture of leading through change, are strongly resilient, and have experience driving performance and results. The importance of these leadership skills led our talent teams to engage with several military bases and partner with veteran service organizations to help connect service members and their spouses to careers within our organization in 2019.



## Onboarding

It's important that our talent understands our commitment to diversity and inclusion from day one. To ensure this understanding, we have embedded our diversity and inclusion strategy into onboarding for all associates.

## Leadership

Diversity and inclusion efforts need to start at the top. In 2019, we joined the 1% club — the handful of Fortune 500 firms where both the Chief Executive Officer and Chief Financial Officer are women. We are focused on growing diverse leaders by engaging top and emerging talent in internal and external professional development offerings. Diversity is embedded within our organizational planning for the future, with diversity being a key consideration during succession planning. We are also working to develop inclusive leaders through a program aimed at building awareness and encouraging advocacy.



Diversity and Inclusion

# Commerce

We put customers — the core of our business — first. As we work to offer the most relevant brands, unmatched value, and constant discovery, we're focused on ensuring all of our customers see themselves in every part of our brand, including products, marketing, and customer service.

## Adaptive Clothing

In 2019, we introduced adaptive clothing with styles available from our three largest, only-at-Kohl's kids' brands. With features including abdominal access for medical ports and feeding tubes, sensory-friendly options for better comfort, and wheelchair-friendly options for ease of wear, our adaptive clothing is thoughtfully designed and strives to make stylish, quality apparel accessible to all.

A group of parents within our organization, whose families include someone with a disability or complex medical need, helped to inform the development of the adaptive clothing line. Members of our product development, design, and technical design teams worked to understand these unique needs and create beneficial products that help meet them. Our hospital partners also helped to test and review the products.





Diversity and Inclusion

# Commerce

## Military Discount

A military discount was strongly advocated for by members of the Veterans BRG. We introduced Military Mondays in 2019, offering a 15% discount for active and former military personnel, veterans, and their families. The discount is valid year-round on every Monday when customers show a valid military identification at the point of purchase in store.





Diversity and Inclusion

# Communities

A commitment to healthy families can't be approached with a one-size-fits-all mentality. Each community has unique needs on their journey to total well-being. We are proud to invest in initiatives that help families thrive in our diverse communities.

## Your Community is Our Community

In the summer of 2019, customers were able to shop an assortment of vibrant Pride- and Americana-themed tees for the family that celebrated our communities. Coinciding with the launch of the Family Fun tees collections, donations of \$100,000 were made to both The Trevor Project and the United Service Organizations to support each nonprofit's life-changing mission.

## Courage MKE

Each of our BRGs is allotted funding to donate to a cause of the group's choice. Associates in #PrideAtKohls forged a long-standing partnership with Courage MKE, an inspirational nonprofit that provides resources and a support system for LGBTQ+ youth. #PrideAtKohls members devoted nearly 400 hours in 2019 to assist Courage MKE in opening the Courage House, a home where LGBTQ+ youth can feel respected and valued for who they are while receiving the skills and resources they need to thrive. Through the Kohl's Volunteer Program, the BRG was able to give more than just a helping hand, as we also donated \$10,000 in volunteer rewards to Courage MKE.





# Philanthropy

**Kohl's believes healthy communities help support healthy families, so we give back to our communities with money, resources, talent, and time.**

In 2019, we deepened our long-standing commitment to families and communities to support our expanded CSR platform, evolving our philanthropic focus from children's health to family health and wellness.



Philanthropy

# Kohl's Cares

Our customers want to support the causes they care about, and we want to make it easy for them. To do so, 100% of the net profit from Kohl's Cares books and plush toys is given to various partners and nonprofits to support the health and wellness of families in our communities. We raised more than \$15 million for local communities in 2019 and, since the inception of the program, have raised nearly \$375 million through Kohl's Cares merchandise. We have our customers to thank for making this difference. Read on for a few highlights on the partners and nonprofits who benefit from Kohl's Cares.





Philanthropy

# Kohl's Cares

## Building Partnerships

### National Partners

In 2019, we announced new partnerships with two national organizations, Alliance for a Healthier Generation and Boys & Girls Clubs of America, to develop and implement critical programming aimed at improving the physical and emotional well-being of children and families.

**Boys & Girls Clubs of America** is using our gift of \$3 million, over three years, to provide comprehensive social and emotional development training to staff. The funds will also be used to integrate emotional and social skills into all program curricula for the more than four million youth the organization serves.

**Alliance for a Healthier Generation** is using our gift of \$2 million over two years to run an innovative family health and wellness initiative, **Kohl's Healthy at Home**, which encourages families to prioritize a healthy lifestyle through evidence-based practices.

### Hometown Commitment

In 2019, we announced a donation of \$5 million over four years to a longtime hospital partner in our hometown, **Children's Wisconsin**. The donation is funding the launch of a multi-year mental health strategy that will improve mental health services for Wisconsin kids and their families.





Philanthropy

# Kohl's Cares

## Hospital Partners

We committed more than \$17 million over the next two years to our hospital partners to promote healthy development, safety, wellness, chronic disease management, and mental health, with much of the funding going to underserved communities.



### Hospital Program Highlight: Phoenix Children's Hospital

Kohl's Mindful Me is a school- and community-based program aimed at teaching mindfulness and increasing awareness of trauma-sensitive strategies for children with adverse childhood experiences (ACEs) such as abuse, neglect, or household dysfunction. Phoenix Children's Hospital provides training and education to community members and school staff on how ACEs can impact overall well-being and offers strategies for stress management and self-regulation through yoga, mindfulness, and gardening. In 2019, more than 1,100 teachers, 150 parents, and 300 students participated in Kohl's Mindful Me program through Phoenix Children's Hospital.







Philanthropy

# Kohl's Cares

## Giving Programs

While we are dedicated to our long-term partnerships, we also continually look for ways to support the needs of nonprofits that serve the well-being of our communities. We do this on a national and local scale through our annual giving programs.

### National

Through Kohl's National Giving Program, store leaders across our organization identified nonprofits that are making an impact on health and wellness in local communities. These organizations offer a variety of programs focused on meeting community needs, including youth leadership development, veteran support services, hunger, and homelessness. The chosen nonprofits received a \$10,000 grant from Kohl's Cares. In total, Kohl's Cares provided \$3.2 million in grants to more than 300 nonprofits in 2019.

### Hometown

At a local level, our Hometown Giving Program provided more than \$500,000 in grants to 25 nonprofit organizations that work to improve the quality of life for children and families in the Milwaukee area. The funds will support a variety of programs and initiatives that enrich community health and wellness, arts and culture, conservation, education, and social services.





Philanthropy

# Hometown Support

Our Milwaukee-area roots are a source of pride. We started in Milwaukee almost 60 years ago, and the area remains the home of our corporate headquarters. We believe it's vital to help make a difference in this important community. Our efforts in our hometown touch a wide range of causes, from art and culture to health and social services. Throughout our history, we've given more than \$130 million to Milwaukee nonprofits.

## Hometown Partners



## Affiliate Partners





Philanthropy

# Volunteer Program

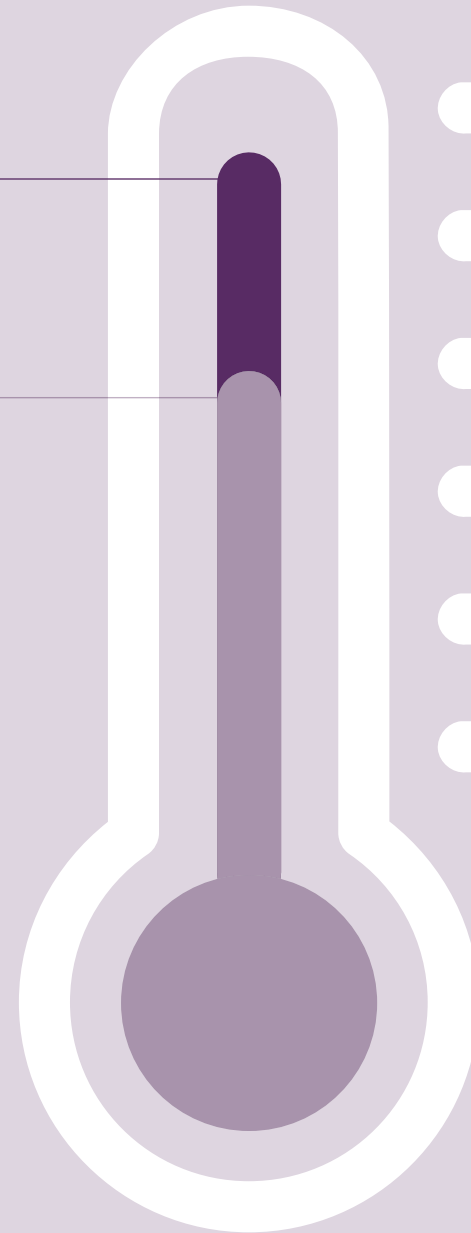
Community volunteering is a distinguishing quality of our associates. As an organization, we celebrate associates who donate their time to making a difference. In support of our associates' volunteerism, each eligible nonprofit organization receives a \$500 volunteer reward for every five associates that volunteer three hours at each event. In 2019, our associates volunteered nearly 400,000 hours for more than 5,000 charities. This work has additionally netted more than \$180 million in corporate rewards to charities since the program's founding in 2001.

390,000+

Hours volunteered in 2019

305,901

Hours volunteered in 2018





# Volunteer Program Highlight

In 2019, we teamed up with HGTV's Property Brothers Drew and Jonathan Scott to make over the library of Burnett Elementary, a deserving school to more than 400 students in Houston, Texas, as part of the Library Makeover Campaign with Drew and Jonathan Scott. In partnership with Kohl's, Scott Brothers Global, HarperCollins, and Heart of America, the school was selected out of thousands of nominations to receive the library makeover, given the school's impact on recovery efforts from Hurricane Harvey. More than 40 associate volunteers helped put the finishing touches on the new library by assembling new furniture and labeling and shelving books and joined Drew and Jonathan Scott to officially unveil the new space to the students and teachers at Burnett Elementary.

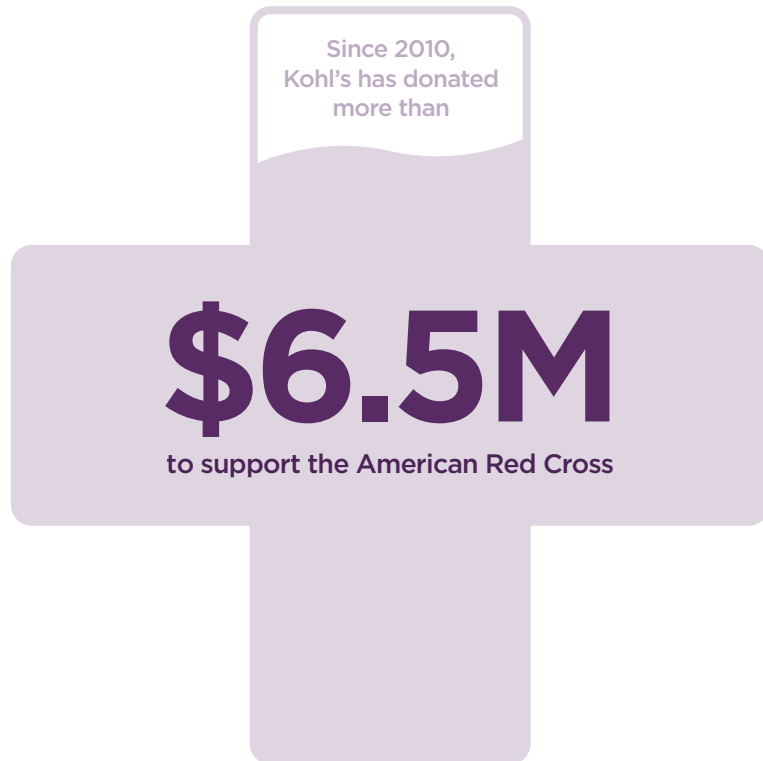




Philanthropy

# Disaster Relief

We strive to support the thousands of communities we're a part of across the country, especially in times of need. We have a long track record of keeping our customers and associates safe and helping families and our communities rebuild and recover together after natural disasters. Since 2010, we have donated more than \$6.5 million to support the American Red Cross with disaster relief efforts across the country.



# Kohl's Philanthropic Governance Committee

Our philanthropic giving is overseen by an internal Governance Committee comprised of leaders from Risk and Compliance, Merchandising, Legal, Audit, Human Resources, Finance, and Stores and is chaired by a member of our senior leadership team. This group of individuals provides oversight and guidance to ensure our giving reflects our values as an organization.

# Environmental Sustainability

## Healthy communities start with a healthy environment.

At Kohl's, we believe that incorporating sustainable solutions in the way we do business will help to build better futures for families. With such a large retail footprint, we are in a unique position to make resounding impacts on the planet and have set goals to ensure that impact is positive. Our sustainability strategy is guided by leveraging business practices and decisions that enhance the objectives of the United Nations Sustainable Development Goals.

We have an incentive program, in which all levels of management participate, based on overall company financial performance and individual performance. Management team members are incentivized to reduce costs and increase operational efficiencies (e.g., energy use reduction, transportation, and logistics efficiency) that result in resource conservation and footprint reduction (e.g., reductions in energy costs, decreased emissions, increased use of solar and wind energy, increased recycling, and other operational material controls).





Environmental Sustainability

# Goals and Progress

In 2019, we set sustainability goals, including quantitative targets focused on three key areas: climate action, waste and recycling, and sustainable sourcing. We are committed to monitoring and reporting performance and progress against these goals.

## Climate Change

Our climate action goals are focused on the reduction of greenhouse emissions and the increase of renewable energy use.

## Waste and Recycling

Our waste and recycling goals are focused on the management of all wastes, reducing waste generation, and promoting relevant recycling information to customers.

## Sustainable Sourcing

Our sustainable sourcing goals are focused on the efficient use of natural resources and environmentally sound management of chemicals within Kohl's-owned branded products.

Goal  
2019 Progress



Reduce greenhouse gas emissions in Kohl's-owned operations by 50% versus 2014 baseline by 2025

**37% reduction in scope 1 and 2**



Divert 85% of Kohl's U.S. operational waste from landfills by the end of 2025

**84% of waste was diverted from landfills**



Achieve 100% sustainably sourced cotton for Kohl's proprietary brands by 2025

**5% of cotton was sustainably sourced**



Further reduce energy consumption by 10% at Kohl's facilities by 2025, building off of the company's existing 20% reduction against 2008 baseline

**27% reduction in energy consumption since 2008**

**3% reduction in energy consumption since 2018**



Label 100% of Kohl's-owned branded packaging with the How2Recycle® label by 2025

**Reporting in progress**



Achieve 50% of products containing polyester to be made with recycled materials in Kohl's proprietary brands by 2025

**Reporting in progress**



Expand renewable energy platforms by building off the company's existing 161 solar and wind locations

**165 solar and wind locations**



Reduce the amount of plastic and cardboard in Kohl's-owned branded packaging

**Reporting in progress**



Require all approved facilities producing Kohl's private- and exclusive-branded products to complete the Higg Index Environmental Module by 2025

**57% of facilities have completed the Higg Index Environmental Module**



Support the transition to a low-carbon transportation system, building off of the company's existing 96 locations offering electrical vehicle charging

**99 locations offered EV charging**



Utilizing the Higg Index, drive substantial water reduction use in the production of Kohl's-owned branded products by 2025

**Reporting in progress**



Emphasize the elimination and reduction of chemicals in Kohl's-owned branded products and strive for a zero-discharge supply chain of hazardous chemicals, building off of the company's existing chemical sustainability program

**Reporting in progress**



Environmental Sustainability

# Awards and Partnerships

We are proud to share the following awards and key partnerships, demonstrating our commitment to implementing our environmental sustainability initiatives.

We were named to the 2019 Dow Jones Sustainability Index (DJSI) retail North America family listing. DJSI takes a best-in-class approach to analyze companies based on financially material Environmental, Social, and Governance (ESG) factors.



In 2019, we were named to Barron's list of the Top 100 Sustainable Companies for the first time. We were recognized for our strong commitment to environmental, social, and corporate governance practices.



We report emissions data and climate management strategies annually to CDP (formerly the Carbon Disclosure Project). We were awarded an A- on the 2019 Climate Change disclosure.



As a participant in the U.S. Department of Energy's Better Buildings Challenge, we reached our goal of 20% energy reduction by achieving a total of 24% reduction based on a 2008 baseline.



We have been an active member of the United States Environmental Protection Agency's (EPA) Green Power Partnership since 2006 and have been named on EPA's Green Power Top 30 Retail list since 2014.



As an EPA ENERGY STAR® partner since 1998, we were selected as a 2019 ENERGY STAR® Partner of the Year winner for Sustained Excellence, an honor reserved for partners demonstrating outstanding leadership year over year.



We are a shipper partner of the EPA SmartWay® Transport Program. The reduction of more than 2.6 million miles, of total highway miles in 2018, earned us the EPA's SmartWay® Excellence Award in 2019.



In 2019, we were honored with the EPA WasteWise Regional award for excellence in waste management.



As a member of the U.S. Green Building Council (USGBC), we use the Leadership in Energy and Environmental Design™ (LEED®) green building program rating systems to guide the design, construction, and operation of our stores.



We are one of the founding members of the Sustainable Apparel Coalition (SAC) and maintain an active membership. The coalition works together to standardize sustainability measures in the apparel and footwear supply chain.



The Higg Index is a tool that enables companies to evaluate materials, products, and facilities based on key environmental impacts and ratings. We use it to benchmark against our peers and make more sustainable choices.



We actively serve on the advisory board of the Wisconsin Sustainable Business Council (WSBC) and received the Green Masters Award in 2019 for our performance across multiple initiatives.



We regularly participate in the Retail Industry Leaders Association (RILA) Environmental Compliance and Sustainability meetings to share expertise and discuss industry trends in sustainability efforts.



We became an active member of the How2Recycle® label program in 2019. How2Recycle® is a standardized labeling system that communicates recycling instructions to the public.



We have been an active member of the Better Cotton Initiative (BCI) since 2019. BCI is the largest cotton sustainability program in the world and aims to transform cotton production worldwide.







Environmental Sustainability

# Waste Management

We are committed to the management of all wastes, reducing waste generation, and promoting relevant recycling information to customers and associates. We are a recognized leader in waste management by the **United States Environmental Protection Agency's WasteWise**, an organization that helps businesses apply sustainable materials management practices. In 2019, we were one of just 10 top companies recognized in the EPA's WasteWise 25th anniversary booklet. We were also given **WasteWise's Regional award for excellence in waste management**, leading large business in its practice of preventing waste and recycling in order to achieve both environmental and economic benefits.

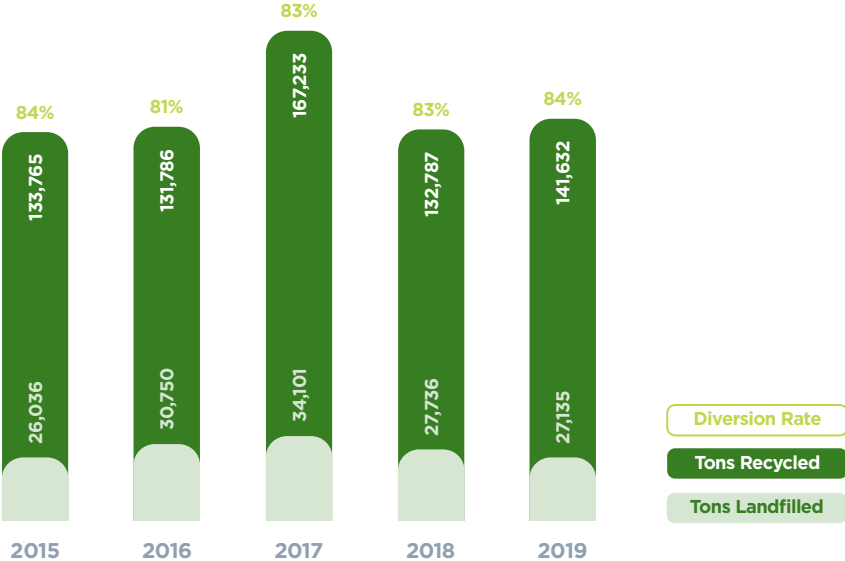
## Waste Policy

Our solid waste management policy governs how we manage waste and recycling 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.

## Waste Diversion

Through initiatives such as plastic and cardboard recycling, and beauty product and fabric scrap repurposing, we achieved an 84% diversion rate in 2019.

Percent of waste diverted from landfills per calendar year:





# Waste Management

## Waste Diversion

Our associates and customers play a key role as we work to increase our diversion rate. We ensure teams are equipped to take action with training opportunities, regular and strategic communication on our recycling commitments, and rewards for high-performing locations. Our customers are provided with recycling resources in our stores and can opt for paperless receipts and credit statements.

### Plastic Recycling

Our plastic recycling program is getting results. In 2019, we recycled nearly seven million pounds of plastic film, bags, and wrap.

When a customer leaves our store, the plastic bags they're holding are made from 30-50% 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.

### Plastic Reduction

In 2019, we stopped selling all plastic water bottles at corporate, credit and customer service centers' food-service locations, and vending machines, eliminating 150,000 plastic bottles annually. Associates are encouraged to use reusable water bottles. Filtered water and ice water stations in each building are available, and most beverage vendors offer aluminum substitutes.

Our stores in select markets have eliminated the use of plastic bags at checkout and now offer paper bags. While our plastic bags are fully recyclable through our store take-back program, paper bags can be recycled in customers' curbside bins. Customers can find out how to recycle their bags by referencing the How2Recycle® label on each of our bags.

### Beauty Products

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

### Fabric Scraps

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 2019, we recycled more than one ton of fabric scraps from our New York and Milwaukee locations.

### Paperless Options

We also reduce waste by reminding Kohl's cardholders they can opt for paperless billing. Since 2014, we have issued more than 250 million electronic credit card statements. More than one-third of all cardholders now receive their statements electronically. Additionally, all customers can opt into receiving e-receipts when they shop in store.



Environmental Sustainability

# Waste Management

## Packaging

Product packaging can have a significant impact on the environment, and we are taking steps to reduce our impact, which includes empowering customers to recycle our packaging correctly. In 2019, we became an active member of the **How2Recycle**® label program, a standardized labeling system that communicates recycling instructions to the public.

Internally, we are improving our product packaging and print production process, transitioning towards the use of certified paper on private and exclusive brands. We aim to reduce the amount of packaging we use by eliminating duplicative elements and evaluating size and paperweight.

Our merchant teams are working to reduce the amount of packaging used for each shipment of product to our stores and distribution centers. This effort also helps control costs by requiring less handling during the shipping process.





Environmental Sustainability

# Waste Management

## Ongoing Exploration

We are constantly exploring ways to eliminate waste and empower our associates and customers to recycle.

### Auto-Haul Program

In 2015, we began testing an auto-haul program, pre-scheduled cardboard and trash compactor pick-ups, in more than 100 high-volume stores. The program reduces instances of cardboard compactors becoming full, leading to cardboard being thrown into the trash. This reduction increases recycling and lowers expenses. Due to successful results, the test has expanded to more than 650 stores, and we are planning for an all-store rollout in 2020.

### Textile Recycling

The average U.S. citizen throws away 70 pounds of textiles every year, and the EPA estimates only 15% is donated or recycled. We are exploring ways to help customers keep their used products from landfills with a test and learn approach. At select stores across six states and at corporate offices, customers and associates donated 1,800 pounds of gently used shoes to Soles4Souls in 2019, a non-profit that provides opportunity for people in places like Haiti, Honduras, and Guatemala to start and sustain a small business with used shoes. We also collected more than 600 pounds of textiles for recycling at a one-day corporate event.

### Gift Cards

We are currently exploring the elimination of plastic gift cards and moving towards paper gift cards. With paper being recyclable, this will eliminate more than 20 tons of plastic from landfills. Our **e-gift cards** are also a convenient zero-waste option for customers.



POUNDS OF DONATED SHOES



POUNDS OF RECYCLED TEXTILES



Environmental Sustainability

# 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.

We are committed to managing climate risks and are taking action. We demonstrated our support for action on climate change and for the climate change agreement in Paris by signing the **American Business Act Pledge on Climate Change** in 2015.

## Leadership-Level CDP Ranking

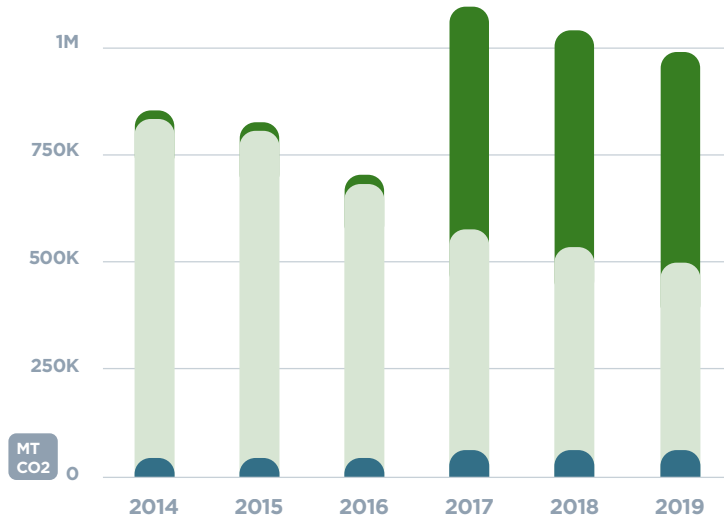
Since 2007, we have disclosed emissions data to **CDP (formerly known as the Carbon Disclosure Project)**. Our CDP Climate Change response includes detailed information on our strategy and performance, enabling us to measure and manage our environmental impacts. As a result of our continuing efforts, we were awarded CDP's A- ranking in 2019.

## Greenhouse Gas Emissions

Our greenhouse gas emissions are regularly audited, and data is third-party verified annually. The following charts showcase 2019 emissions data and carbon intensity verified to the International Organization for Standardization 14064-3:2019.

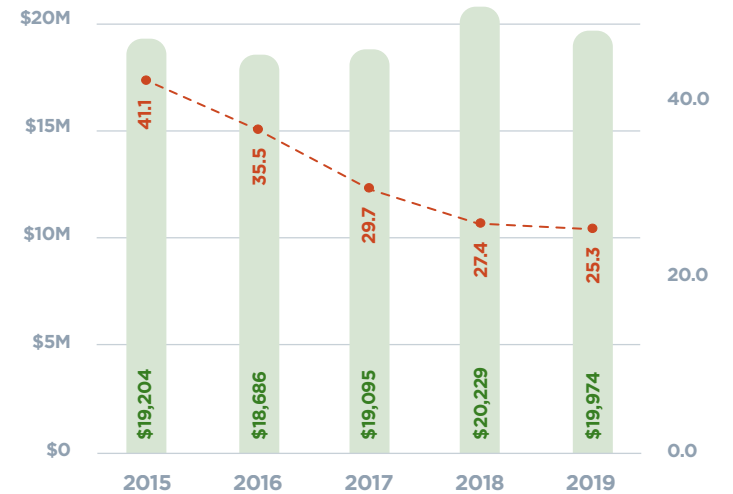
### Annual Greenhouse Gas Emissions (Calendar Year)

- Scope 1\*
- Scope 2\*\*
- Scope 3\*\*\*



### Carbon Intensity (Scopes 1 & 2)

- Carbon Intensity Scope 1 & 2 (MT CO2e/\$M)
- Total Annual Revenue (\$M)



\*Emissions generated from Kohl's facilities.

\*\*Emissions from energy we purchase to power Kohl's facilities.

\*\*\*Emissions generated from the entire supply chain, such as the creation of the products and services we sell. In an effort to better capture overall emissions, we added measures for new calculations of Scope 3 beginning in 2017.



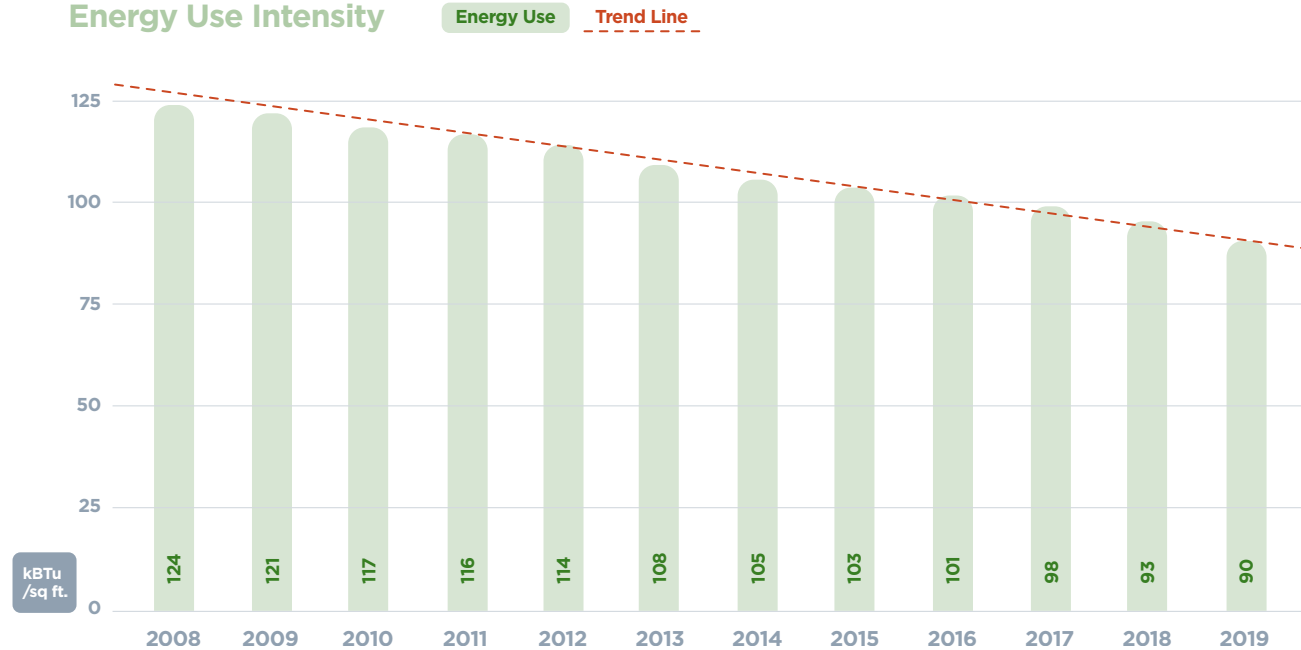
Environmental Sustainability

# Climate Change

## Energy Efficiency

We have 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**, we reached a goal of 20% energy reduction by achieving a total of 24% reduction based on a 2008 baseline at the end of 2018. We are one of only three retailers to achieve this goal.

Energy Use Intensity



## EPA ENERGY STAR®

We rely on the **EPA ENERGY STAR®** program 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. We were 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. As of 2019, more than 90% of our stores are ENERGY STAR®-certified, including 12 stores newly certified in the calendar year. Beyond the buildings themselves, ENERGY STAR®-rated equipment and appliances like refrigerators, copy machines, televisions, and computers are used to help reduce energy consumption and affect our carbon footprint.

## Lighting and Heating, Ventilation, and Air Conditioning (HVAC) Upgrades

Light-emitting diode (LED) fixtures light the way at many of our locations. We continue to retrofit stores with high-efficiency lighting to reduce emissions and save electricity. In 2019, we converted more than 129 stores to LED, which will save more than 31 million kilowatt-hours (kWh) per year. Additionally, 90 stores received an HVAC system replacement for optimum efficiency.



Environmental Sustainability

# Climate Change

## Renewable Energy

Using renewable energy mitigates risks to the planet and our communities while conserving natural resources. Illustrating our commitment to leveraging renewable energy resources and technologies that provide the highest environmental benefit, we have been an active member of **EPA's Green Power Partnership** since 2006 and have been named on **EPA's Green Power Top 30 Retail list** since 2014.

In 2019, an estimated 60,730 megawatt hour (MWh) of solar energy was used, meaning more than 5% of the electricity we used to power our business came from renewable sources. Many of our stores get up to 50% of their energy from solar. We currently host 164 solar arrays around the country, totaling more than 200,000 solar panels and nine solar trees. Additionally, there are two wind turbines installed at our Findlay, Ohio, distribution center.

We also maintain a commitment to renewable energy use through the purchase and production of renewable energy credits (RECs). In 2019, we secured RECs totaling approximately 81,626 MWh, including 19,314 MWh from our on-site solar arrays, where we retain or own the RECs. These RECs resulted in the offset of 35,440 metric tons of carbon.

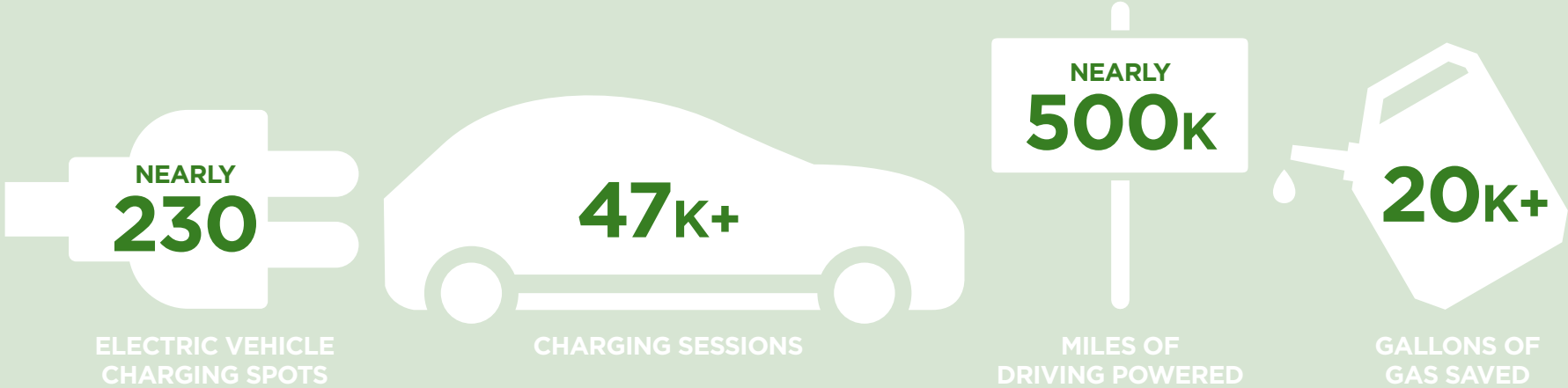




# Climate Change

## Electric Vehicle Charging

As we work to reduce our environmental footprint, we want to enable our customers to do the same. We currently have nearly 230 electric vehicle charging spots spread across nearly 100 locations. These stations provide more than 47,500 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 nearly 500,000 miles of driving and saves more than 20,000 gallons of gasoline annually.







## Environmental Sustainability

# Climate Change

## Logistics

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 focused on improving environmental performance.

### Kohl's Fleet

Our fleet is managed by vendor partners who are held to high standards through vetting and studying their sustainable practices.

**EPA's SmartWay®** membership is both sought after and encouraged for all vendors. In 2019, 100% of our domestic miles were with SmartWay® members. Our transportation data is constantly analyzed to uncover heightened efficiencies while reporting back to the EPA. SmartWay® tools are used to measure our emissions footprint and find ways to reduce fuel costs. This analysis allowed us to reduce more than 1.5 million highway miles needed to serve our customers in 2019.

We are proud to have been honored for these efforts with the **EPA 2019 SmartWay® Excellence Award**. This marks the fourth time we have been recognized for our leadership in environmental performance and freight supply chain efficiency. We are one of 17 shipper and logistics companies to receive this distinction in 2019, representing the best environmental performers of 3,700 SmartWay® partners.

### Transportation

To cut down on air emissions, we continually work to improve transportation within our supply chain.

**Drop-and-Hook:** Idle time for trucks is drastically reduced by utilizing drop-and-hook methods at the origin and destination of shipments. Our fleet is nearly 100% drop-and-hook at store destinations.

**California Air Resources Board:** Our California fleet is compliant with California Air Resources Board, all tires are low rolling resistant, and all required trailers have airfoils installed in the undercarriage.

**Rail:** We also rely heavily on rail transport. Current rail usage stands at nearly 60% of truckload freight. On average, rail uses 75% fewer carbon emissions than an average truckload delivery.

### Future Fleet

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



Environmental Sustainability

# Climate Change

## International Carriers

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

## Shipping Partners

We are 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.

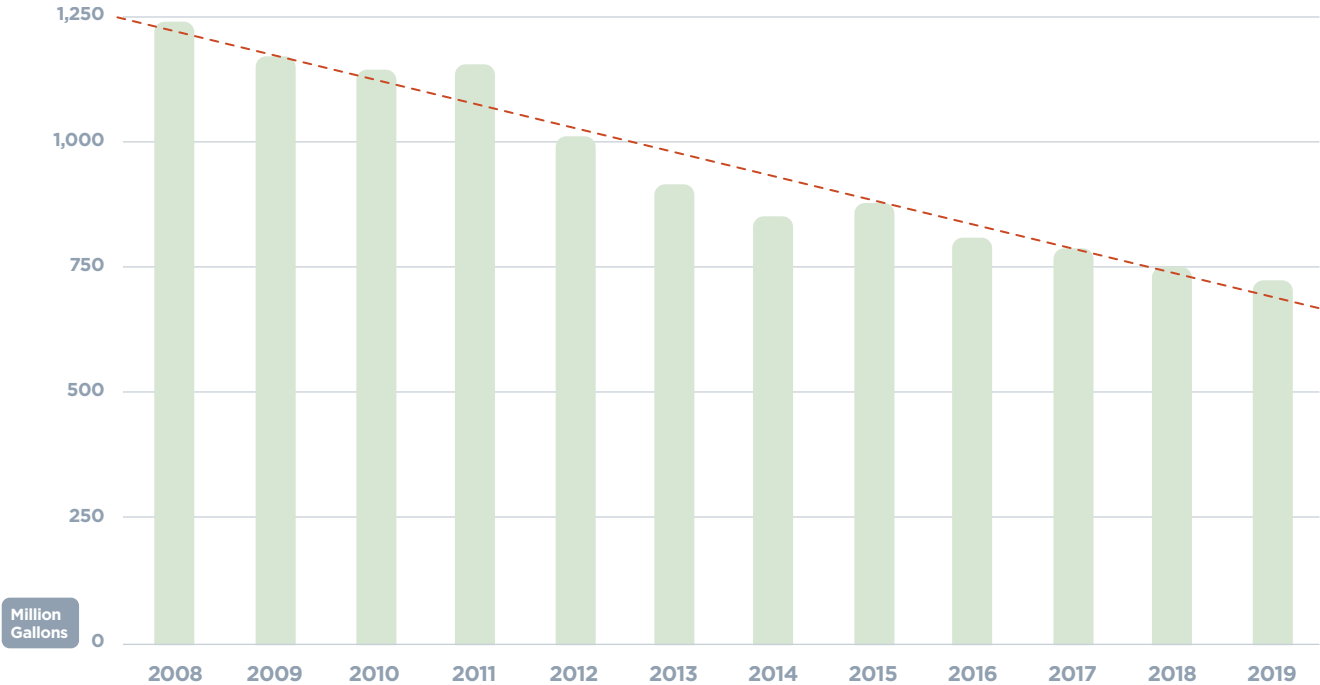
**Orient Overseas Container Line:** Orient Overseas Container Line (OOCL) provides an online carbon calculator to assist us in measuring carbon dioxide emissions. New vessels on this line have the distinction of being 45% less than the International Maritime Bureau baseline for the Energy Efficiency Design Index and operate 20% more fuel-efficient than similar sized vessels. OOCL maintains membership in the 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.





# Water Management and Building Design

Water Usage  
(Owned Operations)



## Water Stewardship

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. These efforts have allowed us to reduce our water usage by more than 40% since 2008.



# Water Management and Building Design

## Leadership in Energy and Environmental Design™ (LEED®)

We are a member of the **U.S. Green Building Council**, and we use the **Leadership in Energy and Environmental Design™ (LEED®)** green building program rating systems to guide the design, construction, and operation of our stores. We continue to emphasize LEED®, where appropriate, and our portfolio stands as a testament to the steps we have taken to reduce our environmental impact and provide customers with a positive and healthy shopping environment. Our buildings meet LEED® criteria because of our investment in the following aspects of design and construction:



### Building Materials

Low Volatile Organic Compound (VOC) materials such as wall coverings, carpet, and ceiling tiles are used in the interior. We also employ 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.



Environmental Sustainability

# Sustainable Sourcing

In order to create a healthy future, we're working to ensure Kohl's-owned branded products are sustainably sourced. We are focused on bringing this to life through efforts in our supply chain management, product offerings, product stewardship, and chemical management.

## Environmental Impacts

We require facilities that produce and transport our goods to use sustainable solutions to reduce overall environmental impact through waste reduction and resource conservation.

### Sustainable Apparel Coalition

We are one of the founding members of the Sustainable Apparel Coalition (SAC) and maintain an active membership. The SAC is a group of apparel manufacturers, retailers, brands, and non-government organizations working together to standardize supply chain sustainability measures.

### Higg Index

The Higg Index is an indicator-based tool 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 chain and facility performance.

We have committed to requiring all approved facilities producing private- and exclusive-branded products to complete the Higg Index Environmental Module by 2025. Additionally, utilizing the Higg Index, we will drive the reduction of water use in the production of Kohl's-owned branded products by 2025.



Environmental Sustainability

# Sustainable Sourcing

## Chemical Management

Our chemical management strategy actively works to prevent, eliminate, and reduce the use of chemicals in Kohl's-owned branded products and operations. We look to phase out potentially harmful chemicals or chemicals of concern, where possible, that may impact human health or the environment. We strive for a zero-discharge supply chain of hazardous chemicals by 2025.

We actively review opportunities to reduce the use of chemicals and work to identify and transition to safer alternatives within our corporate, retail, and distribution operations whenever possible. Our chemical management requirements apply to all raw materials, component parts, chemicals, packaging, and other goods used during the manufacturing of our private label and direct import products.

We abide by all applicable laws that pose limits on persistent, bioaccumulative chemicals, such as bisphenol A (BPA), bisphenol S (BPS), methylene chloride, perfluorinated chemicals, and phthalates.

We also maintain a detailed Restricted Substance List (RSL), which is in addition to, not in lieu of, all applicable laws. In some cases, we have chosen to set standards and specifications that are stricter than what is required, around the use of formaldehyde and flame retardants. In 2020, we plan to issue our new Manufacturing Restricted Substance List (MRSL). Applicable laws include, but are not limited to:

- Consumer Product Safety Act, Consumer Product Safety Improvement Act of 2008; Flammable Fabrics Act; Federal Hazardous Substances Act; Poison Prevention Packaging Act; Radiation Control for Health and Safety Act; Food, Drug and Cosmetics Act; Occupational Safety and Health Act; California Proposition 65

Our vendors and suppliers are required to:

Undergo third-party testing to ensure all products are produced, processed, manufactured, and tested in full compliance with all applicable laws.

All approved facilities producing private- and exclusive-branded products are required to use the Higg Index Environmental Module by 2025. The Higg FEM measures several environmental impacts, including chemical use and management.

Be subject to regular audits where we monitor facilities to assure adherence to our RSL as well as our Terms of Engagement, which specifies safety procedures.

We engage with vendors and suppliers to:

Provide easy access to product specification documents, which include chemical management requirements, tools, and RSL via our vendor portal.

Ensure any product manufactured for and sold to us meets standards and specifications on chemical safety through our Purchase Order Terms and Conditions.

Provide training to help facilities improve their chemical management, including understanding risk and the importance of taking proper precautions.

Assist in identifying opportunities to transition to preferred chemicals and require improvements when we find gaps in adherence.

In 2019, we ranked 15 out of 43 retailers evaluated by **Mind the Store**, an organization that evaluates retailers on chemical management.



Environmental Sustainability

# Sustainable Sourcing

## Sustainable Product Efforts

Shopping both in-store and online, customers will discover products within our private and exclusive brands that support our sustainable sourcing goals. With our private and exclusive brands representing 37% of our business and with categories across home, accessories, footwear, and apparel, we aim to grow our offering of sustainable products. We currently have sustainably sourced products in several key categories.

### Home and Apparel

Currently, 100% of our proprietary brand towels and sheets are MADE IN GREEN by OEKO-TEX®. Select styles of apparel support our sustainability efforts being sourced as Better Cotton Initiative (BCI) or using Certified Recycled Polyester or REPREVE® Recycled Fiber. Most certifications are communicated on product packaging as well as on [Kohls.com](https://www.kohls.com) in the product details section, such as:

#### STANDARD 100 by OEKO-TEX®

STANDARD 100 by OEKO-TEX® is an independent certification system for textiles from all stages of production that have been tested for harmful substances. The certificate is awarded when all elements of an item fulfill the annually updated requirements.

#### MADE IN GREEN by OEKO-TEX®

MADE IN GREEN by OEKO-TEX® is a label for products made with materials tested for harmful substances and produced in environmentally-friendly facilities under socially-responsible working conditions. The unique product identification provides consumers a transparent way to learn more about its manufacturing journey.

#### Better Cotton Initiative (BCI)

Better Cotton is sourced via a system of Mass Balance. See [bettercotton.org/massbalance](https://bettercotton.org/massbalance) for details. Better Cotton means producing cotton in a way that cares for the environment through processes that minimize the negative impact of fertilizers and pesticides and care for water, soil health, and natural habitats. BCI-licensed farmers aim to achieve better yields and more financial security through access to global markets while improving the working conditions in their fields.

#### REPREVE® Recycled Fiber

Plastic bottles are sorted, washed, and chopped into flakes. The clean flakes are blended, melted, and turned into Repreve recycled chips. The REPREVE® chips are transformed into fibers used in apparel and home products. REPREVE® content claims are verified through accredited standards.

### Beauty

Launched in 2019, The Beauty Checkout™ features a rotating selection of beauty products to inspire and connect with customers. The assortment features clean, paraben-free, and vegan-friendly products.

# 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](http://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%)



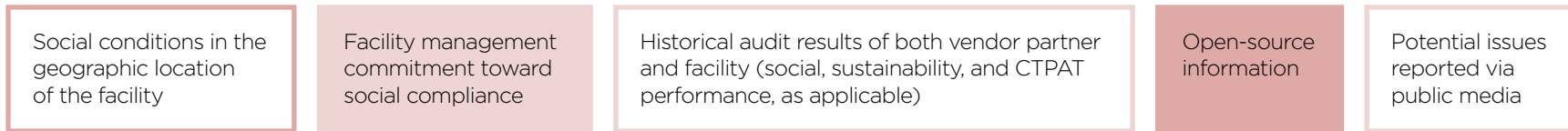
Social Supply Chain Management

# 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

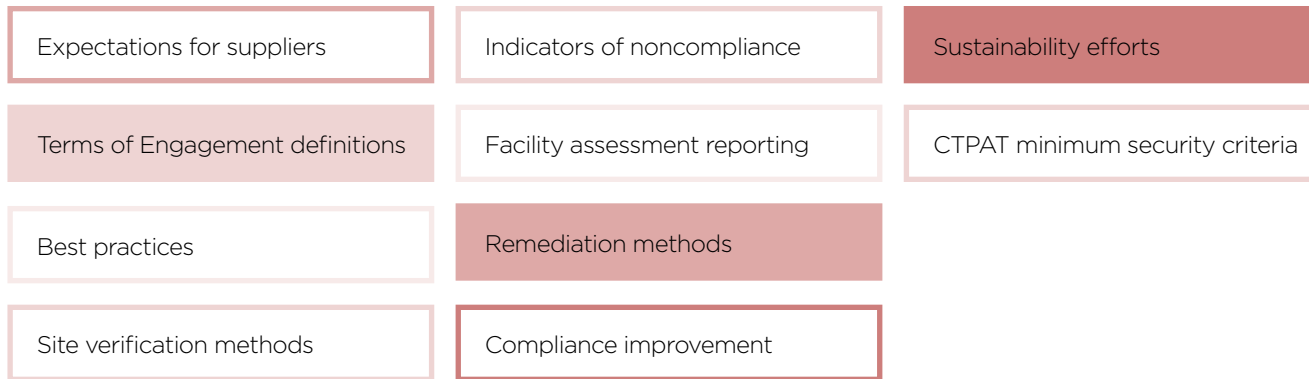
Upon conclusion of a facility audit, an online Corrective Action Plan (CAP) is created for the facility management, vendor partner, agent (if applicable), and Kohl's to update as deficiencies are remediated by the facility. All business partners can submit questions, make comments on deficiencies, and 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.



# Safety, Security, and Preparedness

**Feeling safe and secure is important to the total well-being of Kohl's associates and customers.**

We lead initiatives that ensure the way we communicate, work, and develop our product enables our customers and associates to shop, work, and engage in a safe environment. We have a dedicated team responsible to prepare our business for crisis events, including natural disasters and other unplanned disruptions.

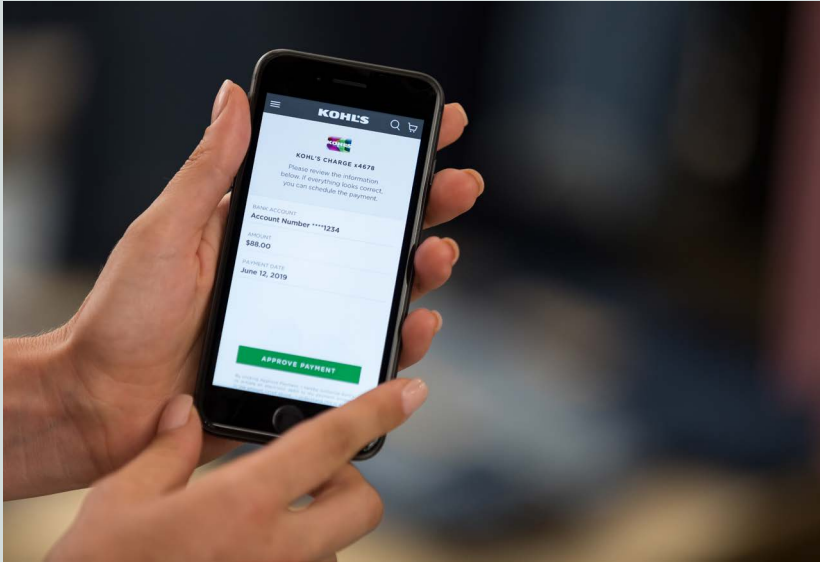




Safety, Security, and Preparedness

# Cybersecurity and Privacy

We understand that customers, associates, and business partners entrust their personal information with us, and we have a responsibility to those individuals. Our Privacy Policy provides transparency into the information we collect, how we use that information, and our commitment to follow all applicable laws governing that information. We consider all personal information as a critical asset and have a robust cybersecurity program to protect those assets accordingly. Our information cybersecurity program is tied to industry frameworks, requires training for all associates, and includes a robust breach response plan.



# Product Safety

We scrutinize our proprietary-branded products through our corporate testing program to make sure they hold up to our product safety and quality standards. We also conduct rigorous product testing at independent third-party laboratories. Our Product Integrity department works tirelessly to deliver a safe, quality product to our customers.





Safety, Security, and Preparedness

# Workforce Safety, Health, and Well-Being

Customer and associate injury claims have decreased by more than 15% over the past five years. According to a 2019 benchmark study by AON, we continue to show lower workers' compensation and customer accident lost costs when compared to the big box and department store business segments. Our injury and illness rate of 3.11 also compares favorably to the national average of 3.83 for department stores, as published by the Bureau of Labor & Statistics.

In 2019, we made enhancements to the way our stores are built and operated in an effort to create a safer shopping experience for our customers. We also continue to pursue innovative ways to educate our teams on safety. Associates at our stores, distribution, and e-fulfillment centers receive specialized training to enhance our safety culture and reduce associate accidents.

## Enhancing Associate Health and Recovery

To keep a healthy workforce, we launched an advocacy program that provides associates with 24/7 access to medical professionals following a work accident. Additionally, the wellness centers at each of our distribution and e-fulfillment locations provide wellness care and immediate on-site treatment should an associate become injured. These centers, and our investment in a preferred medical provider program, create a best-in-class treatment and recovery solution for our associates.

## Recognition

### Risk Innovator Award

In 2019, we were awarded the **Risk Innovator Award by Riskconnect**, a leading provider of Risk Management Information Systems. The award recognizes Risk Management programs that are on the cutting edge of technology and innovation. We were recognized as being at the forefront of technology use in identifying problems and creating solutions to make a safer place for associates to work and our customers to shop.

### Theodore Roosevelt Workers' Compensation and Disability Management Award

In 2019, we were awarded the **Theodore Roosevelt Workers' Compensation and Disability Management Award, the Teddy Award**. The award recognizes well-rounded programs that take a holistic approach to workers' compensation, injury prevention, and disability management.



# Business Continuity

We have a business continuity function dedicated to supporting the well-being of associates and customers in times of natural disaster, crisis, and unplanned incident. The team is led by our Chief Risk & Compliance Officer, who reports directly to our Chief Executive Officer. To navigate through the incident management lifecycle, the team ensures preparedness, supports impacted locations, leads cross-functional exchanges of information, and suggests actions to mitigate risk across the business.