

FREE TRADE AGREEMENT (FTA) VALIDATION PROCESS

FOR KOHL'S INC

1) INTRODUCTION

The Free Trade Agreement (FTA) Validation Process is Kohl's internal process to be carried out on monthly basis. Li & Fung and the Vendors are expected to support this initiative and work out this process for Kohl's with the below purpose.

- It is to ensure vendors provide correct documentation to qualify for the Free Trade Programs that Kohl's declares at time of entry for individual shipments.
- Kohl's assumes the risk and responsibility of declaring the Free Trade Agreement programs to U.S. Customs. Kohl's will utilize the validation program to ensure all vendors are in compliance with Free Trade documentation requirements for each shipment.
- Kohl's is required, on an annual basis as part of C-TPAT and ISA Programs, to demonstrate how they are maintaining compliance with U.S. Customs regulations and utilization of Free Trade Programs.
- In the event U.S. Customs conducted an audit, Kohl's would be able to substantiate their record keeping and qualification processes for Customs entries under Free Trade Agreements.

a) Purpose

The purpose of this document is to provide guidelines to all related parties (Kohl's Import Compliance, LF Logistics & Vendor) to ensure the FTA validation process is carried out efficiently and thus meets Kohl's and U.S. Customs requirements.

b) Scope

It applies to POs selected by Kohl's for FTA programs on a monthly basis and the process ends with approval from Kohl's to release the KDC to vendors.

c) Role

Key participants of the process and their roles are described below:

- Kohl's Customs Compliance
 - Process Owner in Kohl's will ensure all vendor and factory combinations participating in FTA qualifying entries are validated at least once per quarter.
 - Responsible to review qualifying entries and approve vendor's submitted FTA documentation.
- LF Logistics - GCRM
 - Process Owner in LF Logistics will ensure the FTA Validation process is implemented efficiently.
- LF Logistics - SCRM
 - Main interface with Kohl's Customs Compliance for documentation validation, correspondence and follow-up.
 - Coordinate with vendors to provide the required documents to be submitted to Kohl's within the target cycle time for releasing KDC prior to exporting the shipment.
- Vendor
 - Comply with FTA documentation requirements and ensure submission to Li & Fung Logistics-SCRM within the target cycle time to support Kohl's review and approval.

d) **Abbreviation/ Definition**

Abbreviation	Description
FTA	Free Trade Agreement
LF Logistics	Li & Fung Logistics
GCRM	Global Customer Relationship Management (Logistics Services)
SCRM	Logistics Manager in different Sourcing Office
KDC	Kohl's Document Checklist
Kohl's	Kohl's Customs Compliance

2) **PROCESS**

a) **Main Contacts**

KOHL'S: Angela Johnson; Esther Chen, Denise Smalls

All documents shall be sent to below email addresses:

Angela.Johnson@kohls.com,
Esther.Chen@kohls.com,
Denise.Smalls@kohls.com,
ftadoc_validation@kohls.com

LF Logistics:

GCRM: Please include on all communications: GTSOMKohlsGAM@lifung.com

SCRM: Logistics Manager in different Sourcing Office, CRM Organization Chart and contacts as per Appendix A.

b) **PROCESS/ COMMUNICATION FLOW**

Process Start: FTA Monthly Report, a scheduled report sent by LF Logistics (XTSReportingServices@lifung.com) to Kohl's main contacts.

Process End: Kohl's approves the release of KDC to Vendor.
FTA Document Requirements See Appendix B

Selection Criteria for PO on Monthly Validation Process

Kohl's objective is to select a different vendor and factory combinations from each region and FTA each month with the purpose to validate its documents at least once per quarter. When only one vendor and factory combinations is used in a region, the selection will be determined based on risk. The risk factors include quantity, value, duty rate, political and economic risk of the region, vendor's history, etc.

Kohl's will select PO's which are 3-4 weeks prior to X-Factory date and will send in MS Excel format to designated Li & Fung SCRM Offices and GCRM contact.

	PROCESS/ COMMUNICATION	WHO	EVERY MONTH
1	LF Logistics to send FTA Monthly Report, a scheduled report via email to Kohl's main contacts.	LF Logistics	5 th of each month
2	Kohl's to analyze FTA Monthly Report and submit validation request in MS Excel Format to responsible SCRM directly and include GCRM in cc list.	Kohl's	WK2
3	SCRM to coordinate with vendors to obtain the FTA validation documentation and submit the documentation to Kohl's group email address with subject line: FTA, Applicable Country Name, and Month of Validation Request (Example: AGOA, Kenya, May 2016 Validation). Keep GCRM in cc list.	SCRM/ Vendor	WK3
4	Kohl's main contacts to review the documents and provide feedback to the following within 3 working days: <ul style="list-style-type: none"> ◦ No issue with document Email to be sent to Li & Fung SCRM and GCRM stating: KDC may be released for POxxxx. ◦ If issue is identified with document Kohl's Internal Checklist (Appendix C) to be attached with comments and sent to Li & Fung SCRM and GCRM. This process is to be repeated until all documents are cleared with no issues. 	Kohl's	WK4 (3 rd WD)
5	GCRM to monitor the status of document submission and ensure all activities to be completed on time.	GCRM	WK4

3) APPENDIX

- Appendix A: CRM Organization Chart & Contact List
- Appendix B: Free Trade Document Check List
- Appendix C: Internal Document Checklist (FTA Validation Checklist)