Risk Factors Comparison 2024-03-21 to 2023-03-16 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

General economic conditions, consumer spending levels, and / or other conditions could decline. Consumer spending habits, including spending for the merchandise that we sell, are affected by many factors including prevailing economic conditions **, inflation and measures to control inflation, consumer responses to recessionary concerns** , levels of employment, salaries and wage rates, prevailing interest rates, housing costs, energy and fuel costs, income tax rates and policies, consumer confidence, consumer perception of economic conditions, and the consumer' s disposable income, credit availability, and debt levels. The moderate- income consumer, which is our core customer, is especially sensitive to these factors. A slowdown in the U. S. economy or an uncertain economic outlook could adversely affect consumer spending habits. As all of our stores are located in the United States, we are especially susceptible to deteriorations in the U. S. economy. Consumer confidence is also affected by the domestic and international political situation. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the United States, could lead to a decrease in spending by consumers. **Future pandemics could have a material adverse impact on our business, financial condition, and results of operations. The impact of, and actions taken in response to COVID- 19, had a significant impact on the retail industry generally and our business. Future pandemics could have a material adverse effect on our business, financial condition, and results of operations.** Our competitors could make changes to their pricing and other practices. The retail industry is highly competitive. We compete for customers, associates, locations, merchandise, services, and other important aspects of our business with many other local, regional, and national retailers. Those competitors include **online retailers** ~~traditional department stores, mass merchandisers~~ , off- price retailers, **warehouse clubs, mass merchandisers,** specialty stores, ~~internet businesses~~ **traditional department stores** , and other forms of retail commerce. We consider **product** ~~style, quality, price,~~ and ~~convenience~~ **value** to be the most significant competitive factors in our industry. The continuing migration and evolution of retailing to digital channels has increased our challenges in differentiating ourselves from other retailers especially as it relates to national brands. In particular, consumers can quickly and conveniently comparison shop with digital tools, which can lead to decisions based solely on price. Unanticipated changes in the pricing and other practices of our competitors may adversely affect our performance and lead to loss of market share in one or more categories. Tax, trade and climate, and other ESG- related policies and regulations could change or be implemented and adversely affect our business and results of operations. Uncertainty with respect to tax and trade policies, tariffs, and government regulations affecting trade between the United States and other countries has recently increased. The majority of goods sourced are manufactured outside of the United States, primarily in Asia. Major developments in tax policy or trade relations, such as the imposition of tariffs on imported products, could have a material adverse effect on our business, results of operations, and liquidity. Furthermore, increased governmental focus on climate change and other ESG matters may result in complex regulatory requirements that may directly or indirectly have a significant impact on the costs of our operations, including energy, resources used to produce our products and compliance costs, which may have a material adverse effect on our business and results of operations. ~~The impact~~ **We also expect there will likely be increasing levels** of **regulation, disclosure** ~~future outbreaks of COVID~~ - **related** ~~19 or future pandemics could have a material adverse impact on our business, financial condition,~~ and **otherwise** ~~results of operations. The impact of and actions taken in response to COVID- 19 had a significant impact on the retail industry generally and our business specifically~~ , ~~starting in the first quarter of fiscal year 2020. Further outbreaks of COVID- 19 or future pandemics could have a material adverse impact on our business, financial condition, and results of operations. Risks Relating to Revenues On March 20, 2020, we temporarily closed our stores nationwide, and were fully reopened as of July 2020. In connection~~ with **respect to ESG matters. Increased regulation** ~~the store closures, we temporarily furloughed store~~ and ~~store distribution center associates,~~ **increased stakeholder expectations will likely lead to increased costs** as well as **scrutiny that** ~~some corporate office associates whose work was significantly reduced by the store closures. Due to the store closures, we experienced a temporary material decline in revenue and operating cash flow. We cannot predict if further outbreaks or future pandemics would~~ **could heighten all** ~~necessitate store closures again. Our response to future outbreaks or pandemics may also impact our customer loyalty. If our customer loyalty is negatively impacted or consumer discretionary spending habits change, our market share and revenue may suffer as a result. To the extent any such outbreak or pandemic significantly impacts spending or payment patterns~~ of **the ESG- related** ~~our private label credit card holders, we may receive lower fees from our private label credit card program. Risks~~ **risks** ~~Relating to Operations If~~ we are ~~unable~~ **subject** to **. Additionally** ~~attract and retain associates in the future~~ , ~~we may~~ **many** ~~experience operational challenges. These~~ **of our suppliers may be subject to similar regulations and expectations, which may exacerbate existing** risks ~~related to our~~ - **or create new ones** ~~business, financial condition, and results of operations, were especially heightened given the uncertainty as to the extent and duration of COVID- 19' s impact and could be again during any future outbreak or pandemic. We may also face demands or requests from our associates for additional compensation, healthcare benefits, or other terms as a result of a future outbreak or pandemic that could increase costs, and we could experience labor disputes or disruptions as we implement our mitigation plans. Our mitigation plans may require a large investment of time and focus. To the extent these measures are ineffective or perceived as ineffective, it may harm our reputation and customer loyalty and make our customers less likely to shop in our stores. Our corporate office associates may work remotely in a hybrid work environment, posing operational risks~~ , including ~~heightened cybersecurity~~ risks that may **not be known** ~~continue past the time when our associates return~~ to ~~work~~ **us** . **Any** ~~We cannot predict if further outbreaks or new variants would necessitate corporate office closures again. In addition, we cannot predict the impact that future outbreaks or pandemics may have on our suppliers, vendors, and other~~

~~business partners, and each~~ of ~~their financial conditions; however, any material effect on~~ these **developments** ~~parties could adversely impact us. Risks Relating to Liquidity Future outbreaks or pandemics may require us to take actions to increase our cash position and preserve financial flexibility similar to those we took in 2020. These actions may have a negative effect on our credit ratings, access to capital, and the cost and terms of debt financing, which~~ may have a material adverse effect on our ~~results of operations and liquidity. Future outbreaks or pandemics could also cause or aggravate other risk factors that we identify in this section, which in turn could materially and adversely impact our~~ business ~~, financial condition, and results of operations. Further, any such outbreaks or pandemics may also affect our business, financial condition, and results of operations in a manner that is not presently known to us or that we currently do not consider to present significant risks to our business, financial condition,~~ and results of operations. Operational Risks We may be unable to offer merchandise that resonates with existing customers and attracts new customers as well as successfully manage our inventory levels. Our business is dependent on our ability to anticipate fluctuations in consumer demand for a wide variety of merchandise. Failure to accurately predict constantly changing consumer tastes, preferences, spending patterns, and other lifestyle decisions could create inventory imbalances and adversely affect our performance and long- term relationships with our customers. Additionally, failure to accurately predict changing consumer tastes may result in excess inventory, which could result in additional markdowns and adversely affect our operating results. **Negative publicity surrounding us, our activities, or the products we offer, including consumer perception of our response to political and social issues, and campaigns by political activists promoting certain causes, could adversely impact our brand image and may decrease demand for our products, thereby adversely affecting our business, results of operations, cash flows or financial condition.** As with most retailers, we also experience inventory shrinkage due to theft or damage. Higher rates of inventory shrinkage or increased security or other costs to combat inventory shrinkage could adversely affect our results of operations and financial condition, and our efforts to contain or reduce inventory shrinkage may not be successful. We may be unable to source merchandise in a timely and cost- effective manner. A third- party purchasing agent sources approximately ~~20~~ **15** % of the merchandise we sell. The remaining merchandise is sourced from a wide variety of domestic and international vendors. Our ability to find qualified vendors and access to brands or products in a timely and efficient manner is a significant challenge which is typically even more difficult for goods sourced outside the United States, substantially all of which are shipped by ocean to ports in the United States. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs, pandemic outbreaks, work stoppages, port strikes, port congestion and delays, **information technology challenges,** and other factors relating to foreign trade are beyond our control and have **impacted** or could continue to adversely impact our performance and cause us to pay more to obtain inventory or result in having the wrong inventory at the wrong time **. In addition, certain laws and regulations impose import restrictions for goods, which may induce greater supply chain compliance costs and may result in delays to us or adversely impact our inventory. Where we are the importer of record, we may be subject to additional regulatory and other requirements** . Increases in the price of merchandise, raw materials, fuel, and labor, or their reduced availability, increase our cost of merchandise sold. The price and availability of raw materials may fluctuate substantially, depending on a variety of factors, including demand, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation and policy, economic climates, market speculation, and other unpredictable factors. An inability to mitigate these cost increases, unless sufficiently offset with our pricing actions, might cause a decrease in our operating results. Any related pricing actions might cause a decline in our sales volume. Additionally, a reduction in the availability of raw materials could impair the ability to meet production or purchasing requirements in a timely manner. Both the increased cost and lower availability of merchandise, raw materials, fuel, and labor may also have an adverse impact on our cash and working capital needs as well as those of our suppliers. If any of our significant vendors were to become subject to bankruptcy, receivership, or similar proceedings, we may be unable to arrange for alternate or replacement contracts, transactions, or business relationships on terms as favorable as current terms, which could adversely affect our sales and operating results. Our vendors may not adhere to our Terms of Engagement or to applicable laws. A substantial portion of our merchandise is received from vendors and factories outside of the United States. We require all of our suppliers to comply with all applicable local and national laws and regulations and our Terms of Engagement for Kohl' s Business Partners. These Terms of Engagement include provisions regarding laws and regulations, employment practices, ethical standards, environmental and legal requirements, communication, monitoring / compliance, record keeping, subcontracting, and corrective action. From time to time, suppliers may not be in compliance with these standards or applicable laws. Significant or continuing noncompliance with such standards and laws by one or more suppliers could have a negative impact on our reputation and our results of operations. Our marketing may be ineffective. We believe that differentiating Kohl' s in the marketplace is critical to our success. We design our marketing and loyalty programs to increase awareness of our brands and to build personalized connections with new and existing customers. We believe these programs will strengthen customer loyalty, increase the number and frequency of customers that shop our stores and website, and increase our sales. If our marketing and loyalty programs are not successful or efficient, our sales and operating results could be adversely affected. The reputation and brand image of Kohl’ s and the brands and products we sell could be damaged. We believe the Kohl' s brand name and many of our private brand names are powerful sales and marketing tools. We devote significant resources to develop, promote, and protect private brands that generate national recognition. In some cases, the private brands or the marketing of such brands are tied to or affiliated with well- known individuals. We also associate the Kohl’ s brand with third- party national brands that we sell in our store and through our partnerships with companies in pursuit of strategic initiatives. Further, we focus on ESG as a ~~key~~ component of our strategy, and we have ~~made regular public~~ **and may at times continue to engage in voluntary initiatives (such as voluntary** disclosures ~~on~~ **, certifications,** ~~our~~ - **or goals, among others) to improve the** ESG ~~efforts~~ **profile of our company and / or products** . For example, we publish an annual ~~ESG~~ report to share information with our partners, shareholders, customers, and associates regarding our ESG progress. These disclosures reflect our goals and other expectations and assumptions, which are necessarily uncertain and may not be realized. **Such**

initiatives may be costly, even if realized, may not have the desired effect, and actions or statements that we may take based on expectations, assumptions, or third- party information that we currently believe to be reasonable may subsequently be determined to be erroneous or be subject to misinterpretation. At the same time, investor and other stakeholder expectations, and voluntary and regulatory ESG disclosure standards and policies **,** continue to evolve **. We may be subject to investor or regulator engagement and / or litigation on our ESG initiatives and disclosures, even if such initiatives are currently voluntary. We also note that divergent views regarding ESG principles are emerging in the U. S., and in particular, in U. S. state- level regulation and enforcement efforts and among certain activist stakeholders. To the extent ESG matters negatively impact our brand and reputation, they may also impede our ability to compete as effectively to attract and retain employees or customers, which may adversely impact our operations, business, financial condition, results of operations, cash flow and prospects** . Damage to the reputations (whether or not justified) of the Kohl' s brand, our private brand names, or any affiliated individuals or companies with which we have partnered, could arise from product failures; concerns about human rights, working conditions, and other labor rights and conditions **associated with our own operations or** where merchandise is produced **; perceptions of our diversity, equity, and inclusion efforts** ; perceptions of our pricing and return policies; litigation; vendor violations of our Terms of Engagement; perceptions of the national vendors and / or **other** third **parties** ~~party companies~~ with which we partner; failure **, or perceived failure,** to realize our ESG goals on a timely basis or at all; **perceptions of our management of ESG risks and opportunities; our performance on various ESG ratings;** failure to meet evolving investor and other stakeholder expectations with respect to ESG matters; or various other forms of adverse publicity, especially in social media outlets. This type of reputational damage may result in **deterioration in our relationships with stakeholders and / or** a reduction in sales, operating results, and shareholder value. There may be concerns about the safety of products that we sell. If our merchandise offerings do not meet applicable safety standards or our customers' expectations regarding safety, we could experience lost sales, experience increased costs, and / or be exposed to legal and reputational risk. Events that give rise to actual, potential, or perceived product safety concerns could expose us to government enforcement action and / or private litigation. Reputational damage caused by real or perceived product safety concerns could have a negative impact on our sales and operating results. We may be unable to adequately maintain and / or update our information systems. The efficient operation of our business is dependent on our information systems. In particular, we rely on our information systems to effectively manage sales, distribution, and merchandise planning and allocation functions. We also generate sales through the operations of our Kohls. com website. We frequently make investments that will help maintain and update our existing information systems. We also depend on third parties as it relates to our information systems. The potential problems and interruptions associated with implementing technology initiatives, the failure of our information systems to perform as designed, or the failure to successfully partner with our third party service providers, such as our cloud platform providers, could disrupt our business and harm our sales and profitability. Our information technology projects may not yield their intended results. We regularly have internal information technology projects in process. Although the technology is intended to increase productivity and operating efficiencies, these projects may not yield their intended results or may deliver an adverse user or customer experience. We may incur significant costs in connection with the implementation, ongoing use, or discontinuation of technology projects, or fail to successfully implement these technology initiatives, or achieve the anticipated efficiencies from such projects, any of which could adversely affect our operations, liquidity, and financial condition. **In addition, we may not be able to adapt or adapt quickly enough to technological change, including that brought about by the use of artificial intelligence. If our competitors are more successful in adapting to such changes or otherwise incorporating such changes into their business or operations, this could have a material adverse impact on our business and results of operations.** Weather conditions and natural disasters could adversely affect consumer shopping patterns and disrupt our operations. **Our** ~~A significant portion of our~~ business is apparel **, footwear, accessories, beauty,** and ~~is~~ **home products. Both our business and our supply chain are** subject to weather conditions. As a result, our operating results may be adversely affected by severe or unexpected weather conditions (including those that may be caused by climate change). 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 **or droughts** could adversely affect **our supply chain or** our performance by affecting consumer shopping patterns and diminishing demand for seasonal merchandise. In addition, these events could cause physical damage to our properties or impact our supply chain, making it difficult or impossible to timely deliver seasonally appropriate merchandise. **Climate change may impact the frequency and / or intensity of such events, as well as contribute to various chronic changes in the physical environment.** Although we maintain crisis management and disaster response plans **and may take various actions to mitigate our business risks associated with such events and climate change** , our mitigation strategies may be inadequate to address such a major disruption event **. Further, unseasonable weather conditions, including unusually warm weather in the fall or winter months or abnormally wet or cold weather in the spring or summer months, whether due to climate change or otherwise, could have a material adverse effect on our business, financial condition, and operating results, as consumer spending may be inconsistent with our typical inventory purchasing cycle** . We may be unable to successfully execute an omnichannel strategy. Customer expectations about the methods by which they purchase and receive products or services are evolving. Customers are increasingly using technology and mobile devices to rapidly compare products and prices, and to purchase products. Once products are purchased, customers are seeking alternate options for delivery of those products. We must continually anticipate and adapt to these changes in the purchasing process. Our ability to compete with other retailers and to meet our customers' expectations may suffer if we are unable to provide relevant customer- facing technology and omnichannel experiences. ~~Our~~ **We have taken steps to simplify our value strategy by eliminating online- only promotions in favor of omnichannel pricing across the enterprise. This pressured our digital performance in 2023. While we believe this approach aligns with our long- term strategy, our efforts may not produce the intended results. Similarly, as we refine our value strategy to be less promotional, our efforts**

may negatively impact the loyalty of certain customers and our efforts to mitigate this impact may not be successful. In addition, our ability to compete may also suffer if Kohl' s, our suppliers, or our third- party shipping and delivery vendors are unable to effectively and efficiently fulfill and deliver orders, especially during the holiday season when sales volumes are especially high. Consequently, our results of operations could be adversely affected. Our business is seasonal in nature, which could negatively affect our sales, revenues, operating results, and cash requirements. Our business is subject to seasonal influences, with a major portion of sales and income historically realized during the second half of the fiscal year, which includes the back- to- school and holiday seasons. If we do not adequately stock or restock popular products, particularly during the back- to- school and holiday seasons, we may fail to meet customer demand, which could affect our revenue and our future growth. If we overstock products, we may be required to take significant inventory markdowns or write- offs, which could reduce profitability. Underestimating customer demand, or failing to timely receive merchandise to meet demand, can lead to inventory shortages and missed sales opportunities, as well as negative customer experiences. We have and may continue to experience an increase in costs associated with shipping digital orders due to ~~complimentary upgrades~~ **promotional shipping offers**, split shipments, freight surcharges due to peak capacity constraints, and additional long- zone shipments necessary to ensure timely delivery for the holiday season. If too many customers access our website within a short period of time **, particularly during peak selling periods**, we may experience system interruptions that make our website unavailable or prevent us from efficiently fulfilling orders, which may reduce the volume of goods we sell and the attractiveness of our products and services. Also, third- party delivery and direct ship vendors may be unable to deliver merchandise on a timely basis. This seasonality causes our operating results and cash needs to vary considerably from quarter to quarter. Additionally, any decrease in sales or profitability during the second half of the fiscal year could have a disproportionately adverse effect on our results of operations. Changes in credit card operations **and payment- related risks** could adversely affect our sales, revenues, and / or profitability. Our credit card operations facilitate merchandise sales and generate additional revenue from fees related to extending credit. The private **label and co- branded** Kohl' s credit card accounts are owned by an unrelated third- party, but we share in the net risk- adjusted revenue of the portfolio, which is defined as the sum of finance charges, late fees, and other revenue less write- offs of uncollectible accounts. Changes in funding costs related to interest rate fluctuations are shared similar to the revenue when interest rates exceed defined amounts. Though management currently believes that increases in funding costs will be largely offset by increases in finance charge revenue, increases in funding costs could adversely impact the profitability of this program. **On March 5, 2024, the Consumer Financial Protection Bureau (" CFPB") finalized a rule lowering the safe harbor dollar amount credit card companies can charge for late fees for a missed payment. The rule reduces the typical amount of late fees that can be charged, which could have a negative impact on Kohl' s credit card revenues, particularly if Kohl' s steps to mitigate the impact of such rule are not successful.** Changes in credit card use and applications, payment patterns, credit fraud, and default rates may also result from a variety of economic, legal, social, and other factors that we cannot control or predict with certainty. Changes that adversely impact our ability to extend credit and collect payments could negatively affect our results. We **also accept payment from customers in a variety of ways, such as cash, checks, debit cards, gift cards, mobile payments, as well as other forms, which subject us to rules, regulations, contractual obligations, and other compliance requirements such as those related to payment network rules and operating guidelines, as well as potential fraud, which may have an adverse impact on our operating results. We** may be unable to attract, develop, and retain quality associates while controlling costs, which could adversely affect our operating results. Our performance is dependent on attracting and retaining a large number of quality associates, including our senior management team and other key associates **. While we have succession plans for our senior management team, they may not be adequate to replace members of our senior management, including our Chief Executive Officer, or may not be successfully executed**. Many associates are in entry- level or part- time positions with historically high rates of turnover. Many of our strategic initiatives require that we hire and / or develop associates with appropriate experience. Our staffing needs are especially high during the holiday season. Competition for these associates is intense. We cannot be sure that we will be able to attract and retain a sufficient number of qualified personnel in future periods. Our ability to meet our labor needs while controlling costs is subject to external factors such as government benefits, unemployment levels and labor participation rates, prevailing wage rates, minimum wage legislation, actions by our competitors in compensation levels, **perceptions of our employee experience,** potential labor organizing efforts, and changing demographics. Competitive and regulatory pressures have already significantly increased our labor costs. Further changes that adversely impact our ability to attract and retain quality associates could adversely affect our performance and / or profitability. In addition, changes in federal and state laws relating to employee benefits, including, but not limited to, sick time, paid time off, leave of absence, minimum wage, wage- and- hour, overtime, meal- and- break time, and joint / co- employment could cause us to incur additional costs, which could negatively impact our profitability. Capital Risks We may be unable to raise additional capital or maintain bank credit on favorable terms, which could adversely affect our business and financial condition. We have historically relied on the public debt markets to raise capital to partially fund our operations and growth. We have also historically maintained lines of credit with financial institutions. In January 2023, we upsized **and replaced** our unsecured credit facility with a $ 1. 5 billion senior secured, asset based revolving credit facility. Changes in the credit and capital markets, including market disruptions, limited liquidity, and interest rate fluctuations may increase the cost of financing or restrict our access to these potential sources of future liquidity. Our continued access to these liquidity sources on favorable terms depends on multiple factors, including our operating performance and debt ratings. During 2022, our credit ratings were reduced below investment grade, which resulted in an increase in the interest rate on a portion of our long- term debt. **During the first quarter of 2023, S & P downgraded our senior unsecured credit rating from BB to BB and Moody' s downgraded our rating from Ba2 to Ba3. These downgrades have caused our cost of borrowing to increase, and** ~~Further~~ **further** downgrades would cause our cost of borrowing to further increase. Declines in our credit ratings may also adversely affect our ability to access the debt markets and the terms and our cost of funds for new debt issuances. If our credit ratings were to be further downgraded, or general market conditions were to ascribe higher risk to our credit rating levels, our industry, or our Company, our access to capital and the cost of debt financing may be negatively impacted. Additionally, if unfavorable capital market conditions exist if and when we were to seek additional financing, we may not be able to raise sufficient capital on favorable terms and on a timely basis (if at all). The terms of current and future debt agreements could restrict our business operations or cause future financing to be unavailable due to our covenant restrictions then in effect. Also, if we are unable to comply with the covenants under our revolving credit facility, the lenders under that agreement will have the right to terminate their commitments thereunder and declare the outstanding loans thereunder to be immediately due and payable. A default under our revolving credit facility could trigger a cross- default, acceleration, or other consequences under other indebtedness or financial instruments to which we are a party. If our access to capital was to become significantly constrained or our cost of capital was to increase significantly our financial condition, results of operations, and cash flows could be adversely affected. Our capital allocation could be inefficient or ineffective. Our goal is to invest capital to maximize our overall long- term returns. This includes spending on inventory, capital projects and expenses, managing debt levels, and periodically returning value to our shareholders through share repurchases and dividends. To a large degree, capital efficiency reflects how well we manage our other key risks. The actions taken to address other specific risks may affect how well we manage the more general risk of capital efficiency. If we do not properly allocate our capital to maximize returns, we may fail to produce optimal financial results, and we may experience a reduction in shareholder value. Legal and Regulatory Risks Regulatory and legal matters could adversely affect our business operations and change financial performance. Various aspects of our operations are subject to federal, state, or local laws, rules, and **regulations, including consumer** regulations, any of which may change from time to time. The costs and other effects of new or changed legal requirements cannot be determined with certainty. For example, new legislation or regulations may result in increased costs directly for our compliance or indirectly to the extent such requirements increase prices of goods and services, reduce the availability of raw materials, or further restrict our ability to extend credit to our customers. We continually monitor the state and federal legal and regulatory environments for developments that may impact us. Failure to detect changes and comply with such laws and regulations may result in an erosion of our reputation, disruption of business, and / or loss of associate morale. Additionally, we are regularly involved in various litigation matters that arise out of the conduct of our business. Litigation or regulatory developments could adversely affect our business operations and financial performance. Our efforts to protect the privacy and security of sensitive or confidential customer, associate, or company information could be unsuccessful, which could severely damage our reputation, expose us to risks of litigation and liability, disrupt our operations, and harm our business. As part of our normal course of business, we collect, retain, process, and transmit sensitive and confidential customer, associate, and company information. We also engage third- party vendors that provide technology, systems, and services to facilitate our collection, retention, processing, and transmission of this information. It is possible that our facilities and systems and those of our third- party vendors are vulnerable to cybersecurity threats, security breaches, system failures, acts of vandalism, fraud, misappropriation, malware, ransomware, and other malicious or harmful code, misplaced or lost data, programming and / or human errors, insider threats, or other similar events. The ever- evolving and increasingly sophisticated methods of cyber- attack may be difficult or impossible to anticipate and / or detect. Any data security incident involving the breach, misappropriation, loss, or other unauthorized disclosure of sensitive and / or confidential information, whether by us or our vendors, could disrupt our operations, damage our reputation and customers' willingness to shop in our stores or on our website, violate applicable laws, regulations, orders and agreements, and subject us to additional costs and liabilities which could be material. In addition, the regulatory environment related to data privacy and cybersecurity is constantly changing, with new and increasingly demanding requirements applicable to our business. Maintaining our compliance with those requirements, including recently enacted state consumer privacy laws, may increase our compliance costs, require changes to our business practices, limit our ability to use and collect data, impact our customers' shopping experience, reduce our business efficiency, and subject us to additional regulatory scrutiny or data breach litigation.