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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended August 29, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-06631

LEVI STRAUSS & CO.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**94-0905160**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

1155 Battery Street, San Francisco, California 94111
(Address of Principal Executive Offices) (Zip Code)

(415) 501-6000
(Registrant's Telephone Number, Including Area Code)

None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.001 par value per share	**LEVI**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "Large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Emerging growth company ☐
Non-accelerated filer ☐		Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of September 29, 2021, the registrant had 96,611,863 shares of Class A common stock, $0.001 par value per share and 305,421,746 shares of Class B common stock, $0.001 par value per share, outstanding.

LEVI STRAUSS & CO. AND SUBSIDIARIES

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FOR THE QUARTERLY PERIOD ENDED AUGUST 29, 2021

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WHERE YOU CAN FIND MORE INFORMATION

Investors and others should note that we announce material financial information to our investors using our corporate website, press releases, SEC filings and public conference calls and webcasts. We also use the following social media channels as a means of disclosing information about our company, products, planned financial and other announcements, attendance at upcoming investor and industry conferences and other matters, as well as for complying with our disclosure obligations under Regulation FD promulgated under the Securities Exchange Act of 1934, as amended:

- our Investor Relations page (https://levistrauss.com/investors/financial-news);
- our Twitter account (https://twitter.com/LeviStraussCo);
- our company blog (https://www.levistrauss.com/unzipped-blog/);
- our Facebook page (https://www.facebook.com/levistraussco/);
- our LinkedIn page (https://www.linkedin.com/company/levi-strauss-&-co-);
- our Instagram page (https://www.instagram.com/levistraussco/); and
- our YouTube channel (https://www.youtube.com/user/levistraussvideo).

The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels in addition to following our press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Quarterly Report.

PART I — FINANCIAL INFORMATION

Item 1. *CONSOLIDATED FINANCIAL STATEMENTS*

LEVI STRAUSS & CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) August 29, 2021	November 29, 2020
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,376,625	$ 1,497,155
Short-term investments in marketable securities	95,511	96,531
Trade receivables, net	667,291	540,227
Inventories	902,346	817,692
Other current assets	189,252	174,636
Total current assets	3,231,025	3,126,241
Property, plant and equipment, net	456,260	454,532
Goodwill	265,534	264,768
Other intangible assets, net	46,731	47,426
Deferred tax assets, net	556,815	497,556
Operating lease right-of-use assets, net	1,136,465	988,801
Other non-current assets	297,942	261,917
Total assets	$ 5,990,772	$ 5,641,241
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 7,485	$ 17,631
Accounts payable	551,534	375,450
Accrued salaries, wages and employee benefits	242,688	179,081
Restructuring liabilities	30,204	54,723
Accrued income taxes	35,720	21,986
Accrued sales returns and allowances	196,910	185,868
Short-term operating lease liabilities	248,578	237,142
Other accrued liabilities	455,926	477,001
Total current liabilities	1,769,045	1,548,882
Long-term debt	1,243,313	1,546,700
Postretirement medical benefits	55,362	60,249
Pension liabilities	165,907	168,721
Long-term employee related benefits	106,595	94,654
Long-term operating lease liabilities	992,716	858,293
Other long-term liabilities	47,948	64,267
Total liabilities	4,380,886	4,341,766
Commitments and contingencies		
Stockholders' Equity:		
Levi Strauss & Co. stockholders' equity		
Common stock — $0.001 par value; 1,200,000,000 Class A shares authorized, 95,813,263 shares and 74,352,481 shares issued and outstanding as of August 29, 2021 and November 29, 2020, respectively; and 422,000,000 Class B shares authorized, 306,207,267 shares and 323,547,674 shares issued and outstanding, as of August 29, 2021 and November 29, 2020, respectively	402	398
Additional paid-in capital	598,756	626,243
Accumulated other comprehensive loss	(431,817)	(441,446)
Retained earnings	1,442,545	1,114,280
Total stockholders' equity	1,609,886	1,299,475
Total liabilities and stockholders' equity	$ 5,990,772	$ 5,641,241

The accompanying notes are an integral part of these consolidated financial statements.

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in thousands, except per share amounts) (Unaudited)			
Net revenues	$ 1,497,582	$ 1,063,085	$ 4,079,155	$ 3,066,753
Cost of goods sold	635,427	485,687	1,706,770	1,480,376
Gross profit	862,155	577,398	2,372,385	1,586,377
Selling, general and administrative expenses	649,460	484,002	1,861,374	1,695,072
Restructuring charges, net	(3,615)	1,071	11,123	68,442
Operating income (loss)	216,310	92,325	499,888	(177,137)
Interest expense	(18,118)	(28,437)	(61,361)	(56,337)
Loss on early extinguishment of debt	—	—	(30,338)	—
Other income (expense), net	4,847	(12,274)	5,220	(8,269)
Income (loss) before income taxes	203,039	51,614	413,409	(241,743)
Income tax expense (benefit)	9,706	24,565	12,853	(57,932)
Net income (loss)	$ 193,333	$ 27,049	$ 400,556	$ (183,811)
Earnings (loss) per common share attributable to common stockholders:				
Basic	$ 0.48	$ 0.07	$ 1.00	$ (0.46)
Diluted	$ 0.47	$ 0.07	$ 0.97	$ (0.46)
Weighted-average common shares outstanding:				
Basic	402,957,370	397,711,322	401,526,123	397,010,522
Diluted	413,105,419	407,677,385	411,480,981	397,010,522

The accompanying notes are an integral part of these consolidated financial statements.

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in thousands) (Unaudited)			
Net income (loss)	$ 193,333	$ 27,049	$ 400,556	$ (183,811)
Other comprehensive income (loss), before related income taxes:				
Pension and postretirement benefits	261	3,640	5,944	13,844
Derivative instruments	34,613	(63,271)	21,877	(50,068)
Foreign currency translation (losses) gains	(29,877)	36,915	(14,518)	(1,974)
Unrealized gains on marketable securities	1,916	6,104	6,351	5,313
Total other comprehensive income (loss), before related income taxes	6,913	(16,612)	19,654	(32,885)
Income tax (benefit) expense related to items of other comprehensive income (loss)	(7,241)	6,385	(10,025)	4,392
Comprehensive income (loss), net of income taxes	$ 193,005	$ 16,822	$ 410,185	$ (212,304)

The accompanying notes are an integral part of these consolidated financial statements.

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Three Months Ended August 29, 2021					
	Levi Strauss & Co. Stockholders					
	Class A & Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
	(Dollars in thousands) (Unaudited)					
Balance at May 30, 2021	$ 402	$ 583,702	$ 1,281,407	$ (431,489)	$ —	$ 1,434,022
Net income	—	—	193,333	—	—	193,333
Other comprehensive loss, net of tax	—	—	—	(328)	—	(328)
Stock-based compensation and dividends, net	—	16,579	(35)	—	—	16,544
Employee stock purchase plan	—	1,854	—	—	—	1,854
Tax withholdings on equity awards	—	(3,379)	—	—	—	(3,379)
Cash dividends declared ($0.08 per share)	—	—	(32,160)	—	—	(32,160)
Balance at August 29, 2021	$ 402	$ 598,756	$ 1,442,545	$ (431,817)	$ —	$ 1,609,886

	Nine Months Ended August 29, 2021					
	Levi Strauss & Co. Stockholders					
	Class A & Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
	(Dollars in thousands) (Unaudited)					
Balance at November 29, 2020	$ 398	$ 626,243	$ 1,114,280	$ (441,446)	$ —	$ 1,299,475
Net income	—	—	400,556	—	—	400,556
Other comprehensive loss, net of tax	—	—	—	9,629	—	9,629
Stock-based compensation and dividends, net	4	46,677	(35)	—	—	46,646
Employee stock purchase plan	—	5,575	—	—	—	5,575
Tax withholdings on equity awards	—	(79,739)	—	—	—	(79,739)
Cash dividends declared ($0.18 per share)	—	—	(72,256)	—	—	(72,256)
Balance at August 29, 2021	$ 402	$ 598,756	$ 1,442,545	$ (431,817)	$ —	$ 1,609,886

	Three Months Ended August 23, 2020					
	Levi Strauss & Co. Stockholders					
	Class A & Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
	(Dollars in thousands) (Unaudited)					
Balance at May 24, 2020	$ 396	$ 611,993	$ 1,030,513	$ (477,696)	$ —	$ 1,165,206
Net loss	—	—	27,049	—	—	27,049
Other comprehensive loss, net of tax	—	—	—	(10,227)	—	(10,227)
Stock-based compensation and dividends, net	1	11,840	(197)	—	—	11,644
Employee stock purchase plan	—	1,889	—	—	—	1,889
Tax withholdings on equity awards	—	(4,290)	—	—	—	(4,290)
Balance at August 23, 2020	$ 397	$ 621,432	$ 1,057,365	$ (487,923)	$ —	$ 1,191,271

	Nine Months Ended August 23, 2020					
	Levi Strauss & Co. Stockholders					
	Class A & Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
	(Dollars in thousands) (Unaudited)					
Balance at November 24, 2019	$ 394	$ 657,659	$ 1,310,464	$ (404,986)	$ 8,026	$ 1,571,557
Net loss	—	—	(183,811)	—	—	(183,811)
Other comprehensive loss, net of tax	—	—	—	(28,493)	—	(28,493)
Stock-based compensation and dividends, net	6	37,460	(224)	—	—	37,242
Employee stock purchase plan	—	6,171	—	—	—	6,171
Repurchase of common stock	(3)	—	(56,240)	—	—	(56,243)
Tax withholdings on equity awards	—	(79,858)	—	—	—	(79,858)
Changes in ownership of noncontrolling interest	—	—	(8,809)	—	(8,026)	(16,835)
Cumulative effect of the adoption of new accounting standards	—	—	59,624	(54,444)	—	5,180
Cash dividends declared ($0.16 per share)	—	—	(63,639)	—	—	(63,639)
Balance at August 23, 2020	$ 397	$ 621,432	$ 1,057,365	$ (487,923)	$ —	$ 1,191,271

The accompanying notes are an integral part of these consolidated financial statements.

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	August 29, 2021	August 23, 2020
	(Dollars in thousands) (Unaudited)	
Cash Flows from Operating Activities:		
Net income (loss)	$ 400,556	$ (183,811)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	105,575	104,997
Property, plant, equipment, and right-of-use asset impairments	12,847	60,968
Loss on early extinguishment of debt	30,338	—
Stock-based compensation	46,646	37,242
(Recoveries) credit losses and accounts receivable allowances	(576)	10,697
Benefit from deferred income taxes	(71,044)	(87,871)
Other, net	16,688	8,035
Change in operating assets and liabilities, net of effect of acquisition:		
Trade receivables	(133,015)	219,779
Inventories	(92,094)	(47,289)
Accounts payable	177,873	100,789
Accrued salaries, wages and employee benefits and long-term employee related benefits	67,190	(82,497)
Other current and non-current assets	(180,867)	(60,130)
Other current and long-term liabilities	118,735	159,956
Net cash provided by operating activities	498,852	240,865
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(108,431)	(89,487)
Payments for business acquisition	(1,076)	(54,282)
(Payments) proceeds on settlement of forward foreign exchange contracts not designated for hedge accounting	(18,533)	17,636
Payments to acquire short-term investments	(89,072)	(67,458)
Proceeds from sale, maturity and collection of short-term investments	89,368	75,863
Net cash used for investing activities	(127,744)	(117,728)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	500,000	502,500
Repayments of long-term debt	(800,000)	—
Proceeds from senior revolving credit facility	—	300,000
Repayments of senior revolving credit facility	—	(300,000)
Other short-term borrowings, net	(10,460)	16,671
Payment of debt extinguishment costs	(20,000)	—
Payment of debt issuance and refinancing costs	(10,663)	(6,459)
Proceeds from issuance of common stock and employee stock purchase	5,575	6,173
Repurchase of common stock	—	(56,243)
Repurchase of shares surrendered for tax withholdings on equity awards	(79,739)	(79,857)
Payments to noncontrolling interests	—	(16,090)
Dividend to stockholders	(72,256)	(63,639)
Other financing, net	(2,069)	(535)
Net cash (used for) provided by financing activities	(489,612)	302,521
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(2,112)	(6,914)
Net (decrease) increase in cash and cash equivalents and restricted cash	(120,616)	418,744
Beginning cash and cash equivalents, and restricted cash	1,497,648	934,753
Ending cash and cash equivalents, and restricted cash	1,377,032	1,353,497
Less: Ending restricted cash	(407)	(455)
Ending cash and cash equivalents	$ 1,376,625	$ 1,353,042
Noncash Investing and Financing Activity:		
Property, plant and equipment acquired and not yet paid at end of period	$ 42,563	$ 33,255
Supplemental disclosure of cash flow information:		
Cash paid for interest during the period	$ 30,715	$ 38,036
Cash paid for income taxes during the period, net of refunds	50,089	34,657

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Levi Strauss & Co. (the "Company") is one of the world's largest brand-name apparel companies. The Company designs, markets and sells – directly or through third parties and licensees – products that include jeans, casual and dress pants, tops, shorts, skirts, jackets, footwear and related accessories for men, women and children around the world under the Levi's®, Dockers®, Signature by Levi Strauss & Co.™ and Denizen® brands. The Company operates its business through three geographic regions: Americas, Europe and Asia.

Basis of Presentation and Principles of Consolidation

The unaudited consolidated financial statements of the Company and its wholly-owned and majority-owned foreign and domestic subsidiaries are prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") for interim financial information. In the opinion of management, all adjustments necessary for a fair statement of the financial position and the results of operations for the periods presented have been included. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended November 29, 2020, included in the Company's 2020 Annual Report on Form 10-K.

The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated. Management believes the disclosures are adequate to make the information presented in the unaudited consolidated financial statements not misleading. The results of operations for the three and nine months ended August 29, 2021 may not be indicative of the results to be expected for any other interim period or the year ending November 28, 2021.

The Company's fiscal year ends on the last Sunday of November in each year, although the fiscal years of certain foreign subsidiaries end on November 30. Each quarter of both fiscal years 2021 and 2020 consists of 13 weeks, with the exception of the fourth quarter of 2020, which consisted of 14 weeks. All references to years and quarters relate to fiscal years and quarters rather than calendar years and quarters.

Impact of COVID-19 on the Business

In fiscal year 2020, the COVID-19 pandemic materially impacted the Company's business and results of operations. In the first quarter of fiscal year 2020, the impact of the COVID-19 pandemic was minimal, as temporary store closures were primarily within China. During the second quarter of fiscal year 2020, the World Health Organization declared COVID-19 a global pandemic and government authorities around the world imposed lockdowns and restrictions. As a result, substantially all company-operated stores and third-party retail locations were temporarily closed, and $242.0 million in incremental charges were recognized, primarily consisting of $67.4 million of restructuring charges, COVID-19 related inventory costs of $86.6 million, and charges for customer receivables, asset impairments and other related charges of $88.0 million.

During the second half of fiscal year 2020, as global management of the COVID-19 pandemic evolved and government restrictions were removed or lightened, company-operated and third-party retail locations reopened and substantially all stores were open by the end of the third quarter. In the fourth quarter of fiscal year 2020, a global resurgence in COVID-19 cases led to the temporary closure of some of the Company's stores, yet overall operations improved from when initial estimates were made, resulting in the reduction to some of the inventory and receivable related charges initially recognized in the second quarter. In accordance with the continuation of the restructuring initiative, the Company recognized charges in the fourth quarter. As a result, $250.0 million in total charges were recognized during fiscal year 2020, consisting of $90.4 million of restructuring charges, COVID-19 related inventory costs of $68.5 million, and charges for customer receivables, asset impairments and other related charges of $91.1 million.

During fiscal year 2021, many COVID-19 related restrictions on store business hours and customer capacity in many parts of the world eased and social events resumed. Consumer traffic in many markets progressively improved and as of quarter end, approximately 95% of company-operated stores were open globally. Within the Company's Americas and Europe regions, net revenues in most markets have fully recovered as net revenues in these regions were higher in the third quarter of 2021 as compared to the pre-pandemic third quarter in 2019. Markets within the Company's Asia region continued to experience temporary store closures and other COVID-19 related restrictions along with reduced consumer confidence due to COVID-19

resurgences and the emergence of new variants.

The Company assessed the impacts of the pandemic on the estimates and assumptions used in preparing these consolidated financial statements. The estimates and assumptions used in these assessments were based on management's judgment and may be subject to change as new events occur and additional information is obtained. In particular, significant uncertainty remains about the duration and extent of the impact of the COVID-19 pandemic and its resulting impact on global economic conditions. If economic conditions caused by the pandemic do not recover as currently estimated by management, the Company's financial condition, cash flows and results of operations may be further materially impacted. See below for areas that required judgments and estimates as a result of COVID-19.

Inventory Valuation and Adverse Purchase Commitments

The Company values inventory at the lower of cost or net realizable value. Net realizable value is determined by estimating expected selling prices based on anticipated recovery rates for slow-moving and obsolete inventory and other factors, such as market conditions, expected channel of distribution and current consumer demand and preferences. During the nine-month period ended August 29, 2021, there was a $2.3 million net reduction in COVID-19 related inventory reserves recognized. During the three-month period ended August 23, 2020, a net reduction of $1.8 million in COVID-19 related inventory reserves was recognized. During the nine-month period ended August 23, 2020, $48.1 million in incremental inventory reserves were recognized upon the onset of COVID-19. All COVID-19 related impacts on inventory valuation were recognized within "Cost of goods sold" in the accompanying consolidated statements of operations.

The Company also has minimum inventory purchase commitments, including fabric commitments, with suppliers that secure a portion of material needs for future seasons. In light of the COVID-19 pandemic and in response to decreased demand, some of the Company's orders were canceled and an initial charge for estimated adverse purchase commitments was recorded in the second quarter of fiscal year 2020. During the three-month and nine-month periods ended August 29, 2021, the Company recorded a net reduction of $0.7 million and $12.8 million, respectively, in charges for inventory purchase commitments based on updated demand and actual claims received from suppliers, as compared to a net reduction in charges of $6.1 million recorded during the three-month period ended August 23, 2020 and net incremental charges of $29.8 million recognized upon the onset of COVID-19 during the nine-month period ended August 23, 2020. All COVID-19 related impacts on inventory purchase commitments were recognized within "Cost of goods sold" in the accompanying consolidated statements of operations. As of August 29, 2021 and November 29, 2020, adverse purchase commitments of $6.1 million and $25.5 million, respectively, which primarily relate to fabric liabilities as a result of the COVID-19 pandemic, were included in "Other accrued liabilities" in the accompanying consolidated balance sheets.

Accounts Receivable

Accounts receivable are recorded net of an allowance for credit losses. The Company estimates the allowance for credit losses based on an analysis of the aging of accounts receivable, assessment of collectability, including any known or anticipated bankruptcies, customer-specific circumstances and an evaluation of current economic conditions. During the nine-month period ended August 29, 2021, a net reduction of $12.5 million in allowances related to customer receivables was recorded as a result of a change in customers' financial condition, actual and anticipated bankruptcies and other associated claims. During the three-month period ended August 23, 2020, a net reduction of $6.6 million in allowances related to customer receivables was recorded. During the nine-month period ended August 23, 2020, $21.0 million in charges were recognized upon the onset of the COVID-19 pandemic.

The allowance for credit losses was $12.8 million and $14.7 million as of August 29, 2021 and November 29, 2020, respectively.

Long-Lived Assets

The Company reviews its other long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may be impaired. Impairment losses are measured and recorded for the excess of carrying value over its fair value, estimated based on expected future cash flows and other quantitative and qualitative factors. Expected future cash flows decreased due to the COVID-19 related impact on foot traffic and consumer spending trends. The Company recorded $5.7 million and $11.3 million in impairment charges in the three-month and nine-month periods ended August 29, 2021, respectively, related to the impairment of certain store right-of-use and other store assets. During the three-month period ended August 23, 2020, there were no additional impairment charges recorded. During the nine-month period ended August 23, 2020, the Company recorded $54.1 million of non-cash impairment charges, of which $43.0 million and $11.1 million were related to the impairment of certain store right-of-use and other store assets, respectively. An additional $6.3 million was recognized related to other property and equipment. The impairment charges are included in selling, general and administrative expenses ("SG&A") in the accompanying consolidated statements of operations.

Property, plant and equipment, net includes accumulated depreciation of $1.1 billion and $1.1 billion as of August 29, 2021 and November 29, 2020, respectively.

Right-of-Use Assets and Lease Liabilities

In June 2021, the Company communicated the intention to extend the lease contract for Levi's Plaza, the Company's primary corporate headquarters in San Francisco. As a result of expecting an additional 10 year term commencing in 2023, approximately $170 million of right-to-use assets and lease liabilities were recognized, subject to negotiation with landlord, in the accompanying consolidated balance sheets.

For the nine-month period ending August 29, 2021 and August 23, 2020, operating lease right-of-use assets obtained in exchange for new operating lease liabilities totaled $359.1 million and $111.2 million, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes to the consolidated financial statements. Estimates are based upon historical factors, current circumstances and the experience and judgment of the Company’s management. Management evaluates its estimates and assumptions on an ongoing basis and may employ outside experts to assist in its evaluations. Changes in such estimates, based on more accurate future information, or different assumptions or conditions, may affect amounts reported in future periods. As a result of uncertainty and frequently changing information regarding the COVID-19 pandemic and its impact on global economic conditions, estimates may change frequently and in the near term.

The Jeans Company Acquisition

In December 2019, the Company completed an acquisition of all operating assets related to Levi’s® and Dockers® brands from The Jeans Company ("TJC"), the Company's distributor in Chile, Peru and Bolivia, for $52.2 million in cash, plus transaction costs. This includes 78 Levi’s® and Dockers® retail stores and one e-commerce site, distribution with the region’s leading multi-brand retailers, and the logistical operations within these markets.

The total fair value of assets acquired was $52.2 million and include goodwill, inventory, intangible and fixed assets. The goodwill and intangibles recognized as a result of the acquisition were $22.8 million and $9.2 million, respectively.

Share Repurchases

In January 2020, the Company's Board of Directors (the "Board") approved a share repurchase program that authorizes the repurchase of up to $100.0 million of the Company's Class A common stock. During the six months ended May 24, 2020, 3.0 million shares were repurchased for $56.2 million, plus broker's commissions, in the open market and the share repurchase program was suspended. In October 2021, subsequent to the Company's quarter end, the Board approved a share repurchase program that authorizes the repurchase of up to $200.0 million of the Company's Class A common stock.

The Company accounts for share repurchases by charging the excess of repurchase price over the repurchased Class A common stock's par value entirely to retained earnings. All repurchased shares are retired and become authorized but unissued shares. The Company accrues for the shares purchased under the share repurchase plan based on the trade date. The Company may terminate or limit the share repurchase program at any time.

Noncontrolling Interest

In January 2020, the Company completed an all cash tender offer for the acquisition of the remaining 16.4% minority interest shares of Levi Strauss Japan K.K.'s common stock for a total purchase price of $13.6 million, plus transaction costs. As a result, Levi Strauss Japan K.K. has become a wholly owned subsidiary. Prior to this transaction, the noncontrolling interest included a 16.4% minority interest of third parties in Levi Strauss Japan K.K., the Company's Japanese subsidiary.

Reclassification

Certain insignificant amounts on the consolidated statements of cash flow have been conformed to the August 29, 2021 presentation.

Changes in Accounting Principles

- In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The FASB has subsequently issued updates to the standard to provide additional clarification on specific topics. The Company adopted this standard in the first quarter of fiscal 2021. The adoption of this standard did not have an impact on the Company's consolidated financial statements and related disclosures.
- In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal use software (and hosting arrangements that include an internal-use software license). The guidance provides criteria for determining which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The capitalized implementation costs are required to be expensed over the term of the hosting arrangement. The guidance also clarifies the presentation requirements for reporting such costs in the entity’s financial statements. The Company adopted this standard in the first quarter of fiscal 2021 on a prospective basis. The adoption of this standard did not have an impact on the Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Standards

There have been no developments to recently issued accounting standards, including the expected dates of adoption and estimated effects on the Company’s consolidated financial statements and footnote disclosures, from those disclosed in the 2020 Annual Report on Form 10-K, except for the following:

First Quarter 2023

- In March 2020 and January 2021, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* and ASU 2021-01, *Reference Rate Reform: Scope*, respectively. Together, the ASUs provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This guidance is effective beginning on March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements and related disclosures, if adopted.

NOTE 2: INVENTORIES

The following table presents the Company's inventory balances:

	August 29, 2021	November 29, 2020
	(Dollars in thousands)	
Raw materials	$ 4,165	$ 3,882
Work-in-progress	3,215	4,725
Finished goods	894,966	809,085
Total inventories	$ 902,346	$ 817,692

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the Company’s financial instruments that are carried at fair value:

	August 29, 2021			November 29, 2020		
		Fair Value Estimated Using			Fair Value Estimated Using	
	Fair Value	Level 1 Inputs[1]	Level 2 Inputs[2]	Fair Value	Level 1 Inputs[1]	Level 2 Inputs[2]
	(Dollars in thousands)					
Financial assets carried at fair value						
Rabbi trust assets	$ 80,201	$ 80,201	$ —	$ 71,184	$ 71,184	$ —
Short-term investments in marketable securities	95,511	—	95,511	96,531	—	96,531
Derivative instruments[3]	12,935	—	12,935	4,904	—	4,904
Total	$ 188,647	$ 80,201	$ 108,446	$ 172,619	$ 71,184	$ 101,435
Financial liabilities carried at fair value						
Derivative instruments[3]	6,372	—	6,372	10,735	—	10,735
Total	$ 6,372	$ —	$ 6,372	$ 10,735	$ —	$ 10,735

(1) Fair values estimated using Level 1 inputs are inputs that consist of quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Rabbi trust assets consist of a diversified portfolio of equity, fixed income and other securities.

(2) Fair values estimated using Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, and include among other things, quoted prices for similar assets or liabilities in markets that are active or inactive as well as inputs other than quoted prices that are observable. Short-term investments in marketable securities consist of fixed income securities. For forward foreign exchange contracts, inputs include foreign currency exchange and interest rates and, where applicable, credit default swap prices.

(3) The Company’s cash flow hedges are subject to International Swaps and Derivatives Association, Inc. master agreements. These agreements permit the net settlement of these contracts on a per-institution basis. Refer to Note 4 for more information.

The following table presents the carrying value, including related accrued interest, and estimated fair value of the Company's financial instruments that are carried at adjusted historical cost:

	August 29, 2021		November 29, 2020	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(Dollars in thousands)			
Financial liabilities carried at adjusted historical cost				
5.00% senior notes due 2025[1][2]	$ 200,360	$ 204,055	$ 990,280	$ 1,016,169
3.375% senior notes due 2027[1]	562,034	579,326	564,312	583,227
3.50% senior notes due 2031[1]	502,183	513,274	—	—
Short-term borrowings	7,516	7,516	17,648	17,648
Total	$ 1,272,093	$ 1,304,171	$ 1,572,240	$ 1,617,044

(1) Fair values are estimated using Level 1 inputs and incorporate mid-market price quotes. Level 1 inputs are inputs that consist of quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

(2) Subsequent to quarter end, on September 30, 2021, the Company used cash on hand to redeem the remaining $200.0 million of the 5.00% senior notes due 2025. Refer to Note 6 for more information.

NOTE 4: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Designated Cash Flow Hedges

The Company actively manages the risk of changes in functional currency equivalent cash flows resulting from anticipated non-functional currency denominated purchases and sales. The Company's global sourcing organization uses the U.S. dollar as its functional currency and is primarily exposed to changes in functional currency equivalent cash flows from anticipated inventory purchases, as it procures inventory on behalf of subsidiaries with the Euro, Australian Dollar and Japanese Yen functional currencies. The Mexico subsidiary uses the Mexican Peso as its functional currency and is exposed as it procures inventory in the U.S. Dollar. Additionally, a European subsidiary uses Euros as its functional currency and is exposed to anticipated non-functional currency denominated sales. The Company manages these risks by using currency forward contracts formally designated and effective as cash flow hedges. Hedge effectiveness is generally determined by evaluating the ability of a hedging instrument's cumulative change in fair value to offset the cumulative change in the present value of expected cash flows on the underlying exposures. For forward contracts, forward points are excluded from the determination of hedge effectiveness and are included in cost of goods sold for hedges of anticipated inventory purchases and in net revenues for hedges of anticipated sales on a straight-line basis over the life of the contract. In each accounting period, differences between the change in fair value of the forward points and the amount recognized on a straight-line basis is recognized in other comprehensive income.

Net Investment Hedges

The Company designates certain non-derivative instruments as net investment hedges to hedge the Company's net investment position in certain of its foreign subsidiaries. For these instruments, the Company documents the hedge designation by identifying the hedging instrument, the nature of the risk being hedged and the approach for measuring hedge effectiveness. The ineffective portions of these hedges are recorded in "Other (expense) income, net" in the Company's consolidated statements of operations. The effective portions of these hedges are recorded in "Accumulated other comprehensive loss" on the Company's consolidated balance sheets and are not reclassified to earnings until the related net investment position has been liquidated.

Non-designated Cash Flow Hedges

The Company enters into derivative instruments not designated as hedges. These derivative instruments are not speculative and are used to manage the Company's exposure to certain product sourcing activities, some intercompany sales, foreign subsidiaries' royalty payments, interest payments, earnings repatriations, net investment in foreign operations and

funding activities but the Company has not elected to apply hedge accounting. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in "Other (expense) income, net" in the Company's consolidated statements of operations.

As of August 29, 2021, the Company had forward foreign exchange contracts derivatives that were not designated as hedges in qualifying hedging relationships, of which $833.4 million were contracts to buy and $401.3 million were contracts to sell various foreign currencies. These contracts are at various exchange rates and expire at various dates through February 2023.

The table below provides data about the carrying values of derivative and non-derivative instruments:

	August 29, 2021			November 29, 2020		
	Assets Carrying Value	(Liabilities) Carrying Value	Derivative Net Carrying Value	Assets Carrying Value	(Liabilities) Carrying Value	Derivative Net Carrying Value
	(Dollars in thousands)					
Derivatives designated as hedging instruments						
Foreign exchange risk cash flow hedges[1]	$ 7,777	$ —	$ 7,777	$ 1,489	$ —	$ 1,489
Foreign exchange risk cash flow hedges[2]	—	(4,433)	(4,433)	—	(5,036)	(5,036)
Total	$ 7,777	$ (4,433)		$ 1,489	$ (5,036)	
Derivatives not designated as hedging instruments						
Forward foreign exchange contracts[1]	$ 12,937	$ (7,779)	$ 5,158	$ 4,902	$ (1,487)	$ 3,415
Forward foreign exchange contracts[2]	4,438	(6,377)	(1,939)	5,035	(10,734)	(5,699)
Total	$ 17,375	$ (14,156)		$ 9,937	$ (12,221)	
Non-derivatives designated as hedging instruments						
Euro senior notes	$ —	$ (558,173)		$ —	$ (565,820)	

(1) Included in "Other current assets" or "Other non-current assets" on the Company's consolidated balance sheets.

(2) Included in "Other accrued liabilities" or "Other long-term liabilities" on the Company's consolidated balance sheets.

The Company's over-the-counter forward foreign exchange contracts are subject to International Swaps and Derivatives Association, Inc. master agreements. These agreements permit the net settlement of these contracts on a per-institution basis; however, the Company records the fair value on a gross basis on its consolidated balance sheets based on maturity dates, including those subject to master netting arrangements. The table below presents the gross and net amounts of these contracts recognized on the Company's consolidated balance sheets by type of financial instrument:

	August 29, 2021			November 29, 2020		
	Gross Amounts of Assets / (Liabilities) Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet	Net Amounts of Assets / (Liabilities)	Gross Amounts of Assets / (Liabilities) Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet	Net Amounts of Assets / (Liabilities)
	(Dollars in thousands)					
Foreign exchange risk contracts and forward foreign exchange contracts						
Financial assets	$ 25,151	$ (7,735)	$ 17,416	$ 11,426	$ (6,578)	$ 4,848
Financial liabilities	(18,588)	7,735	(10,853)	(17,257)	6,578	(10,679)
Total			$ 6,563			$ (5,831)

The table below provides data about the amount of gains and losses related to derivative instruments designated as cash flow hedges and non-derivative instruments designated as net investment hedges included in "Accumulated other comprehensive loss" ("AOCI") on the Company's consolidated balance sheets:

	Amount of Gain (Loss) Recognized in AOCI (Effective Portion)		Amount of Gain (Loss) Reclassified from AOCI into Net Income[1]			
			Three Months Ended		Nine Months Ended	
	As of August 29, 2021	As of November 29, 2020	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in thousands)					
Foreign exchange risk contracts	$ 2,334	$ (11,896)	$ (5,322)	$ 4,446	$ (16,415)	$ 9,869
Realized forward foreign exchange swaps [2]	4,637	4,637	—	—	—	—
Yen-denominated Eurobonds	(19,811)	(19,811)	—	—	—	—
Euro-denominated senior notes	(71,089)	(78,736)	—	—	—	—
Cumulative income taxes	25,500	31,350	—	—	—	—
Total	$ (58,429)	$ (74,456)				

(1) Amounts reclassified from AOCI were classified as net revenues and cost of goods sold on the consolidated statements of operations.

(2) Prior to and during 2005, the Company used foreign exchange currency swaps to hedge the net investment in its foreign operations. For hedges that qualified for hedge accounting, the net gains were included in AOCI and are not reclassified to earnings until the related net investment position has been liquidated.

There was no hedge ineffectiveness for the nine months ended August 29, 2021. Within the next 12 months, a $2.5 million gain from cash flow hedges is expected to be reclassified from AOCI into net income.

The table below presents the effects of the Company's cash flow hedges of foreign exchange risk contracts on the consolidated statements of operations:

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in thousands)			
Amount of Gain (Loss) on Cash Flow Hedge Activity				
Net revenues	$ (2,093)	$ 1,325	$ (2,678)	$ (270)
Cost of goods sold	$ (3,229)	$ 3,121	$ (13,737)	$ 10,139

The table below provides data about the amount of gains and losses related to derivatives instruments included in "Other (expense) income, net" in the Company's consolidated statements of operations:

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in thousands)			
Realized (loss) gain	$ (11,059)	$ 979	$ (10,362)	$ 12,068
Unrealized (loss) gain	8,658	(11,692)	6,234	(1,954)
Total	$ (2,401)	$ (10,713)	$ (4,128)	$ 10,114

NOTE 5: OTHER ACCRUED LIABILITIES

The following table presents the Company's other accrued liabilities:

	August 29, 2021	November 29, 2020
	(Dollars in thousands)	
Other accrued liabilities		
Accrued advertising and promotion	$ 77,284	$ 80,272
Accrued interest payable	21,552	8,235
Accrued rent	24,494	22,045
Fabric liabilities	6,123	25,493
Fair value derivatives	5,976	10,390
Taxes other than income taxes payable	45,893	34,555
Other	274,604	296,011
Total other accrued liabilities	$ 455,926	$ 477,001

NOTE 6: DEBT

The following table presents the Company's debt:

	August 29, 2021	November 29, 2020
	(Dollars in thousands)	
Long-term debt		
5.00% senior notes due 2025	$ 197,082	$ 986,252
3.375% senior notes due 2027	553,332	560,448
3.50% senior notes due 2031	492,899	—
Total long-term debt	$ 1,243,313	$ 1,546,700
Short-term debt		
Short-term borrowings	7,485	17,631
Total debt	$ 1,250,798	$ 1,564,331

Issuance of Senior Notes due 2031 and Redemption of Senior Notes Due 2025

In February 2021, the Company issued $500.0 million in aggregate principal amount of 3.50% senior notes due 2031 (the "Senior Notes due 2031") to qualified institutional buyers and to purchasers outside the United States. In March 2021, the Company used the proceeds plus cash on hand to redeem $800.0 million of the 5.00% Senior Notes due 2025 and recorded a net loss on the early extinguishment of debt of $30.1 million, which included $20.0 million of call premium on the retired debt. On September 30 2021, subsequent to the Company's quarter end, $200.0 million of cash on hand was used to redeem the remaining 5.00% Senior Notes due 2025. In the fourth quarter of 2021, a net loss on the early extinguishment of debt of approximately $6.2 million will be recorded and will include approximately $3.3 million of call premium on the retired debt.

Principal, interest, and maturity. The Senior Notes due 2031 are unsecured obligations that rank equally with all of the Company’s other existing and future unsecured and unsubordinated debt and will mature on March 1, 2031. Interest on the notes is payable semi-annually in arrears on March 1 and September 1, commencing on September 1, 2021. The Company may redeem some or all of the Senior Notes due 2031 prior to March 1, 2026, at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption, and a "make-whole" premium; on or after this date, the Company may redeem all or any portion of the notes, at once or over time, at redemption prices specified in the indenture governing the notes, plus accrued and unpaid interest, if any, to the date of redemption. In addition, at any time prior to March 1, 2024, the Company may redeem up to a maximum of 40% of the aggregate principal amount of the Senior Notes due 2031 with the proceeds of certain equity offerings at a redemption price of 103.5% of the principal amount plus accrued and unpaid interest, if any, to the date of redemption. Costs of $7.4 million associated with the issuance of the notes, representing underwriting fees and other expenses, were capitalized and will be amortized to interest expense over the term of the notes.

Covenants. The indenture contains covenants that limit, among other things, the Company’s and certain of the Company’s subsidiaries’ ability to incur liens, other than permitted liens, the Company's subsidiaries ability to incur additional debt, and the Company's ability to merge or consolidate with another person, and sell, assign, transfer, lease convey or otherwise dispose of all or substantially all of the Company’s assets or the assets or its subsidiaries. The indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include payment failures, failure to comply with covenants, failure to satisfy other obligations under the agreement or related documents, defaults in respect of other indebtedness, bankruptcy, insolvency and ability to pay debts when due, material judgments, pension plan terminations or specified underfunding, and substantial stock ownership changes. Generally, if an event of default occurs, the trustee under the indenture or holders of the Senior Notes due 2031 may declare all the Senior Notes due 2031 to be due and payable immediately. Upon the occurrence of a change in control (as defined in the indenture), each holder of notes may require the Company to repurchase all or a portion of the notes in cash at a price equal to 101% of the principal amount of notes to be repurchased, plus accrued and unpaid interest, if any, thereon to the date of purchase. As of August 29, 2021, the Company was in compliance with these covenants.

Senior Revolving Credit Facility

In January 2021, the Company amended its senior secured revolving credit facility (the "Credit Facility"). The Amendment No. 2 to the Second Amended and Restated Credit Agreement, dated as of January 5, 2021 (the "Credit Agreement Amendment"), leaves the material terms of the Second Amended and Restated Agreement substantially unchanged, with the exception that (i) the letter of credit limit was reduced from $350.0 million to $150.0 million, and (ii) the maturity date was extended to January 5, 2026. The guarantees and security interest grants, covenants, events of default of the Second Amended and Restated Credit Agreement, have not been materially changed as a result of the Credit Agreement Amendment. Costs of $3.4 million associated with Credit Agreement Amendment, representing underwriting fees and other expenses, were capitalized and will be amortized to interest expense over the term of the agreement.

The Company's unused availability under the Credit Facility was $716.4 million at August 29, 2021, as the Company's total availability of $728.8 million was reduced by $12.4 million of letters of credit and other credit usage allocated under the Credit Facility.

Interest Rates on Borrowings

The Company’s weighted-average interest rate on average borrowings outstanding during the three and nine months ended August 29, 2021 was 4.12% and 4.34%, respectively, as compared to 4.78% and 4.65%, respectively, during the same periods of 2020.

NOTE 7: EMPLOYEE BENEFIT PLANS

The following table summarizes the total net periodic benefit cost for the Company's defined pension plans and postretirement benefit plans:

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in thousands)			
Net periodic benefit (income) cost:				
Pension benefits	$ (453)	$ 1,830	$ (1,690)	$ 5,186
Postretirement benefits	332	509	995	1,528
Net periodic benefit (income) cost	$ (121)	$ 2,339	$ (695)	$ 6,714

NOTE 8: RESTRUCTURING

In April 2020, the Company announced and began to implement a restructuring initiative designed to reduce costs, streamline operations and support agility. The Company expects that the majority of the actions related to the restructuring initiative will be implemented through to the end of fiscal year 2021, with a focus on redesigning business processes and identifying opportunities to reduce costs, increase efficiencies and further streamline operations.

For the three-month and nine-month periods ended August 29, 2021, the Company recognized a net reduction in restructuring charges of $3.6 million and incremental restructuring charges of $11.1 million, respectively, as compared to restructuring charges of $1.1 million and $68.4 million for the same periods in fiscal year 2020. These charges are recorded on a separate line item in the Company's consolidated statements of operations. The charges primarily relate to employee-related severance benefits, originally based on separation benefits provided by Company policy or statutory benefit plans. As of August 29, 2021, $101.5 million of restructuring charges related to this initiative have been recorded to date.

The following tables summarize the activities associated with restructuring liabilities for the three and nine months ended August 29, 2021 and August 23, 2020. "Net Charges (Reversals)" represents the initial charge related to the restructuring activity as well as revisions of estimates related to severance and employee-related benefits and other, "Payments" consists of cash payments for severance and employee-related benefits and other, and "Foreign Currency Fluctuations" includes foreign currency fluctuations. As of August 29, 2021, $30.2 million and $2.1 million were classified as "Restructuring liabilities" and "Other long-term liabilities", respectively, within the Company's consolidated balance sheets.

	Three Months Ended August 29, 2021				
	Liabilities May 30, 2021	Net Charges (Reversals)[1]	Payments	Foreign Currency Fluctuations	Liabilities August 29, 2021
			(Dollars in thousands)		
Severance, employee-related benefits and other	$ 48,001	$ (3,973)	$ (11,701)	$ (69)	$ 32,258

(1) Excludes $0.4 million in pension and postretirement curtailment losses recorded in AOCI for the three-month period ended August 29, 2021.

	Nine Months Ended August 29, 2021				
	Liabilities November 29, 2020	Net Charges (Reversals)[1]	Payments	Foreign Currency Fluctuations	Liabilities August 29, 2021
			(Dollars in thousands)		
Severance, employee-related benefits and other	$ 61,021	$ 8,520	$ (37,263)	$ (20)	$ 32,258

(1) Excludes $2.6 million in pension and postretirement curtailment losses recorded in AOCI for the nine-month period ended August 29, 2021.

	Three Months Ended August 23, 2020				
	Liabilities May 24, 2020	Net Charges (Reversals)[1]	Payments	Foreign Currency Fluctuations	Liabilities August 23, 2020
			(Dollars in thousands)		
Severance, employee-related benefits and other	$ 65,878	$ 550	$ (5,138)	$ 182	$ 61,472

(1) Excludes $0.6 million in pension and postretirement curtailment losses recorded in AOCI for the three-month period ended August 23, 2020.

	Nine Months Ended August 23, 2020				
	Liabilities November 24, 2019	Net Charges (Reversals)[1]	Payments	Foreign Currency Fluctuations	Liabilities August 23, 2020
			(Dollars in thousands)		
Severance, employee-related benefits and other	$ —	$ 66,428	$ (5,138)	$ 182	$ 61,472

(1) Excludes $2.0 million in pension and postretirement curtailment losses recorded in AOCI for the nine-month period ended August 23, 2020.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Forward Foreign Exchange Contracts

The Company uses cash flow hedge derivative instruments to manage its exposure to foreign currencies. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the forward foreign exchange contracts. However, the Company believes that its exposures are appropriately diversified across counterparties and that these counterparties are creditworthy financial institutions. See Note 4 for additional information.

Other Contingencies

Litigation. In the ordinary course of business, the Company has various claims, complaints and pending cases, including contractual matters, facility and employee-related matters, distribution matters, product liability matters, intellectual property matters, bankruptcy preference matters, and tax and administrative matters. The Company establishes loss provisions for these ordinary course claims as well as other matters in which losses are probable and can be reasonably estimated. The Company does not believe any of these pending claims, complaints and legal proceedings will have a material impact on its financial condition, results of operations or cash flows.

Customs Duty Audits. The Company imports both raw materials and finished garments into all of its operating regions and as such, is subject to numerous countries' complex customs laws and regulations with respect to its import and export activity. The Company has various pending audit assessments in connection with these activities. As of August 29, 2021, the Company has recorded certain reserves for these matters which are not material. The Company does not believe any of the claims for customs duty and related charges have merit, the ultimate resolution of these assessments and legal proceedings are subject to risk and uncertainty.

Inventory Purchase Commitments. The Company also has minimum inventory purchase commitments, including fabric commitments, with suppliers that secure a portion of material needs for future seasons. In light of the COVID-19 pandemic and in response to decreased demand, some of the Company's orders were canceled and incremental liabilities for the estimated adverse purchase commitments were recorded beginning in the second quarter of fiscal 2020. As of August 29, 2021, adverse purchase commitments of $6.1 million, which primarily relate to fabric liabilities as a result of the COVID-19 pandemic, were included in "Other accrued liabilities" in the accompanying consolidated balance sheets.

NOTE 10: DIVIDEND

Dividends are declared at the discretion of the Board. In January, April and July 2021, the Company declared cash dividends of $0.04, $0.06 and $0.08 per share, respectively, to holders of record of its Class A and Class B common stock. Dividends in the amount of $32.2 million and $72.3 million were paid during the three and nine months ended August 29, 2021, respectively.

The Company does not have an established dividend policy. The Board reviews the Company's ability to pay dividends on an ongoing basis and establishes the dividend amount based on the Company's financial condition, results of operations, capital requirements, current and projected cash flows and other factors, and any restrictions related to the terms of the Company's debt agreements.

Subsequent to the Company's quarter end, the Board declared a cash dividend of $0.08 per share to holders of record of its Class A and Class B common stock at the close of business on October 29, 2021, for a total quarterly dividend of approximately $32 million.

NOTE 11: ACCUMULATED OTHER COMPREHENSIVE LOSS

The following is a summary of the components of "Accumulated other comprehensive loss," net of related income taxes:

	August 29, 2021	November 29, 2020	August 23, 2020
		(Dollars in thousands)	
Pension and postretirement benefits	$ (217,456)	$ (222,345)	$ (257,676)
Derivative instruments	(58,429)	(74,456)	(72,420)
Foreign currency translation losses	(175,200)	(158,641)	(169,024)
Unrealized gains on marketable securities	19,268	13,996	11,197
Accumulated other comprehensive loss	$ (431,817)	$ (441,446)	$ (487,923)

No material amounts were reclassified out of "Accumulated other comprehensive loss" into net income other than those that pertain to the Company's derivative instruments and pension and post retirement benefit plans. Refer to Note 4 for additional information.

NOTE 12: NET REVENUES

Disaggregated Revenue

The table below provides the Company's revenues disaggregated by segment and channel.

	Three Months Ended August 29, 2021			
	Americas	Europe	Asia	Total
	(Dollars in thousands)			
Net revenues by channel:				
Wholesale	$ 606,294	$ 280,900	$ 83,522	$ 970,716
Direct-to-consumer	231,682	213,581	81,603	526,866
Total net revenues	$ 837,976	$ 494,481	$ 165,125	$ 1,497,582

	Nine Months Ended August 29, 2021			
	Americas	Europe	Asia	Total
	(Dollars in thousands)			
Net revenues by channel:				
Wholesale	$ 1,551,791	$ 778,009	$ 282,159	$ 2,611,959
Direct-to-consumer	642,542	510,850	313,804	1,467,196
Total net revenues	$ 2,194,333	$ 1,288,859	$ 595,963	$ 4,079,155

	Three Months Ended August 23, 2020[1]			
	Americas	Europe	Asia	Total
	(Dollars in thousands)			
Net revenues by channel:				
Wholesale	$ 404,529	$ 222,777	$ 41,484	$ 668,790
Direct-to-consumer	145,269	167,596	81,430	394,295
Total net revenues	$ 549,798	$ 390,373	$ 122,914	$ 1,063,085

	Nine Months Ended August 23, 2020[1]			
	Americas	Europe	Asia	Total
	(Dollars in thousands)			
Net revenues by channel:				
Wholesale	$ 1,071,835	$ 569,918	$ 204,087	$ 1,845,840
Direct-to-consumer	506,271	462,421	252,221	1,220,913
Total net revenues	$ 1,578,106	$ 1,032,339	$ 456,308	$ 3,066,753

(1) For the three month and nine month periods ended August 23, 2020, net revenues from both channels were adversely impacted by temporary store closures and reduced traffic and consumer demand as a result of the COVID-19 pandemic, with the majority of the impact occurring in the second quarter when the majority of company-operated and wholesale customer doors were temporarily closed.. See Note 1 for more information.

The Company did not have any material contract assets or contract liabilities recorded in the consolidated balance sheets as of August 29, 2021 and November 29, 2020.

NOTE 13: OTHER INCOME (EXPENSE), NET

The following table summarizes significant components of "Other income (expense), net":

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in thousands)			
Foreign exchange management (losses) gains[1]	$ (2,401)	$ (10,712)	$ (4,128)	$ 10,114
Foreign currency transaction gains (losses)[2]	4,227	(3,052)	(334)	(25,138)
Interest income	689	1,547	1,796	7,685
Investment income	533	501	2,499	1,244
Other, net	1,799	(558)	5,387	(2,174)
Total other income (expense), net	$ 4,847	$ (12,274)	$ 5,220	$ (8,269)

(1) Gains and losses on forward foreign exchange contracts primarily resulted from currency fluctuations relative to negotiated contract rates. Losses in the three-month period ended August 23, 2020 were primarily due to unfavorable currency fluctuations relative to negotiated contract rates on positions to sell the Mexican Peso, Canadian Dollar and Australian Dollar. Gains in the nine-month period ended August 23, 2020 were primarily due to favorable currency fluctuations relative to negotiated contract rates on positions to sell the Euro and Mexican Peso, partially offset by an unfavorable position on the British Pound.

(2) Foreign currency transaction gains and losses reflect the impact of foreign currency fluctuation on the Company's foreign currency denominated balances. Losses in the three-month and nine-month periods August 23, 2020 were primarily due to the weakening of most major currencies against the U.S. dollar.

NOTE 14: INCOME TAXES

The Company's effective income tax rate was 4.8% for the three months ended August 29, 2021 and reflects a $9.7 million income tax expense recorded on $203.0 million of income before income taxes. The effective income tax rate for the three months ended August 23, 2020 was 47.6% and reflects a $24.6 million income tax expense recorded on $51.6 million of income before income taxes. The lower effective tax rate in 2021 was primarily driven by benefit from the foreign derived intangible income deduction on an internal restructuring. The higher effective tax rate in the prior year resulted from a reduction of the U.S. federal net operating loss available to carryback.

The Company's effective income tax rate was 3.1% for the nine months ended August 29, 2021 and reflects a $12.8 million income tax expense recorded on $413.4 million of income before income taxes. The effective income tax rate for the nine months ended August 23, 2020 was 24.0% and reflects a $57.9 million income tax benefit recorded on $241.7 million of losses before income taxes. The effective tax rate for the nine months ended August 29, 2021 was favorably impacted by tax benefit attributable to employees exercising stock-based equity awards and the foreign derived intangible income deduction that was not available in prior year.

NOTE 15: EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following table sets forth the computation of the Company's basic and diluted earnings (loss) per share:

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in thousands, except per share amounts)			
Numerator:				
Net income (loss)	$ 193,333	$ 27,049	$ 400,556	$ (183,811)
Denominator:				
Weighted-average common shares outstanding - basic	402,957,370	397,711,322	401,526,123	397,010,522
Dilutive effect of stock awards	10,148,049	9,966,063	9,954,858	—
Weighted-average common shares outstanding - diluted	413,105,419	407,677,385	411,480,981	397,010,522
Earnings (loss) per common share attributable to common stockholders:				
Basic	$ 0.48	$ 0.07	$ 1.00	$ (0.46)
Diluted	$ 0.47	$ 0.07	$ 0.97	$ (0.46)
Anti-dilutive securities excluded from calculation of diluted earnings (loss) per share attributable to common stockholders	335,849	3,214,295	406,362	—

Diluted net earnings (loss) per common share attributable to Levi Strauss & Co. for the nine months ended August 23, 2020 excluded all potentially dilutive securities because there was a net loss for the periods and, as such, the inclusion of these securities would have been anti-dilutive. Potentially dilutive securities excluded from the calculation of diluted earnings (loss) per common share were 25.8 million shares for the nine months ended August 23, 2020.

NOTE 16: RELATED PARTIES

Charles V. Bergh, President and Chief Executive Officer, and Marc Rosen, Executive Vice President and President of Levi Strauss Americas, are members of the Board of Directors of the Levi Strauss Foundation, which is not a consolidated entity of the Company. Seth R. Jaffe, Executive Vice President and General Counsel, is Vice President of the Levi Strauss Foundation. During the three and nine months ended August 29, 2021, the Company donated $0.3 million and $3.1 million, respectively, to the Levi Strauss Foundation as compared to $0.4 million and $9.5 million for the same prior-year periods.

NOTE 17: BUSINESS SEGMENT INFORMATION

The Company manages its business according to three regional segments: the Americas, Europe and Asia. The Company considers its chief executive officer to be the Company's chief operating decision maker. The Company's chief operating decision maker manages business operations, evaluates performance and allocates resources based on the regional segments' net revenues and operating income.

Business segment information for the Company is as follows:

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020[1][2]	August 29, 2021	August 23, 2020[1][2]
	(Dollars in thousands)			
Net revenues:				
Americas	$ 837,976	$ 549,798	$ 2,194,333	$ 1,578,106
Europe	494,481	390,373	1,288,859	1,032,339
Asia	165,125	122,914	595,963	456,308
Total net revenues	$ 1,497,582	$ 1,063,085	$ 4,079,155	$ 3,066,753
Operating income (loss):				
Americas	$ 202,923	$ 92,294	$ 486,192	$ 178,585
Europe	139,952	87,611	308,786	152,290
Asia	(16,391)	(23,301)	19,905	(19,132)
Regional operating income (loss)	326,484	156,604	814,883	311,743
Corporate:				
Restructuring	(3,615)	1,071	11,123	68,442
Other corporate staff costs and expenses	113,789	63,208	303,872	420,438
Corporate expenses	110,174	64,279	314,995	488,880
Total operating income (loss)	216,310	92,325	499,888	(177,137)
Interest expense	(18,118)	(28,437)	(61,361)	(56,337)
Loss on early extinguishment of debt	—	—	(30,338)	—
Other income (expense), net	4,847	(12,274)	5,220	(8,269)
Income (loss) before income taxes	$ 203,039	$ 51,614	$ 413,409	$ (241,743)

(1) For the three-month and nine-month periods ended August 23, 2020, the Company's business and results of operations were impacted by temporary store closures and reduced traffic and consumer demand as a result of the COVID-19 pandemic, with the majority of the impact occurring in the second quarter as most company-operated and wholesale customer doors were temporarily closed. See Note 1 for more information.

(2) Corporate staff costs and expenses for the three-month and nine-month periods ended August 23, 2020 includes incremental COVID-19 related charges that management does not attribute to any of the regional segments in order to provide increased transparency and comparability of regional performance.

During the three-month period ended August 23, 2020, the Company recognized a $1.8 million reduction in incremental inventory reserves related to the Europe regional segment and charges for adverse fabric purchase commitments of $2.0 million related to the Asia regional segment. Recoveries of doubtful accounts of $6.6 million was recognized, of which $6.3 million and $0.3 million, were related to the Europe and Asia regional segments, respectively.

During the nine-month period ended August 23, 2020, the Company recognized $48.1 million of incremental inventory reserves of which $28.8 million, $11.7 million and $7.6 million were related to the Americas, Europe and Asia regional segments, respectively, and charges for adverse fabric purchase commitments of $2.0 million related to the Asia regional segment. Net charges related to incremental allowance for doubtful accounts of $8.5 million were recognized, of which $6.3 million and $2.2 million were related to the Americas and Europe regional segments, respectively. Additionally, the Company recognized $54.1 million in impairment of long-lived assets related to certain retail locations, of which $48.6 million, $3.7 million and $1.8 million, were related to the Americas, Europe and Asia regional segments, respectively. Refer to Note 1 for additional information.

NOTE 18: SUBSEQUENT EVENTS

Acquisition of Beyond Yoga

On September 21, 2021, the Company completed the acquisition of Beyond Yoga for $403 million, funded entirely by cash on hand. The Company believes that this acquisition will allow entry into the activewear category, complementing the Company's growing women’s business and enable the allocation of global resources and infrastructure to significantly expand Beyond Yoga, building on its largely digital ecosystem. The Company will account for this acquisition as a business combination.

Item 2. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited consolidated financial statements and related notes thereto included in Part I, Item 1 of this Quarterly Report and with our audited financial statements and related notes in our Annual Report on Form 10-K for the year ended November 29, 2020, filed with the Securities and Exchange Commission on January 27, 2021. We use a 52- or 53-week fiscal year, with each fiscal year ending on the Sunday in November that is closest to November 30 of that year. References to 2019, 2020 and 2021 below in this section are references to our fiscal years ending in November 2019, 2020 and 2021, respectively. See "-Financial Information Presentation."

Non-GAAP Financial Measures

To supplement our consolidated financial statements prepared and presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we use certain non-GAAP financial measures throughout this Quarterly Report, as described further below, to provide investors with additional useful information about our financial performance, to enhance the overall understanding of our past performance and future prospects and to allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP financial measures to assist investors in seeing our financial performance from management's view and because we believe they provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies. As a result, non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, our consolidated financial statements prepared and presented in accordance with GAAP.

Overview

We are an iconic American company with a rich history of profitable growth, quality, innovation and corporate citizenship. Our story began in San Francisco, California, in 1853 as a wholesale dry goods business. We invented the blue jean 20 years later. Today we design, market and sell products that include jeans, casual and dress pants, tops, shorts, skirts, dresses, jackets, footwear and related accessories for men, women and children around the world under our Levi's®, Dockers®, Signature by Levi Strauss & Co. and Denizen brands. In September 2021, we acquired Beyond Yoga, which is a premium athletic and lifestyle apparel brand.

Our business is operated through three geographic regions that comprise our three reporting segments: Americas, Europe and Asia (which includes the Middle East and Africa). We service consumers through our global infrastructure, developing, sourcing, and marketing our products around the world.

Our iconic, enduring brands are brought to life every day around the world by our talented and creative employees and partners. The Levi's® brand epitomizes classic, authentic American style and effortless cool. We have cultivated Levi's® as a lifestyle brand that is inclusive and democratic in the eyes of consumers while offering products that feel exclusive, personalized, and original. This approach has enabled the Levi's® brand to evolve with the times and continually reach a new, younger audience, while our rich heritage continues to drive relevance and appeal across demographics. The Dockers® brand helped drive "Casual Friday" in the 1990s and has been a cornerstone of casual menswear for more than 30 years. Seen as the khaki leader, Dockers has returned to its California roots and is bringing a full range of casual, versatile styles for men and women to show up with cool confidence everyday. The Signature by Levi Strauss & Co. and Denizen brands, which we developed for value-conscious consumers, offer quality craftsmanship and great fit and style at affordable prices. The newly acquired Beyond Yoga brand is a body positive, premium athleisure apparel brand focused on quality, fit and comfort.

We recognize wholesale revenue from sales of our products through third-party retailers such as department stores, specialty retailers, third-party e-commerce sites and franchise locations dedicated to our brands. We also sell our products directly to consumers ("direct-to-consumer" or "DTC") through a variety of formats, including our own company-operated mainline and outlet stores, company-operated e-commerce sites and select shop-in-shops that we operate within department stores and other third-party retail locations. As of August 29, 2021, our products were sold in approximately 50,000 retail locations in more than 110 countries, including approximately 3,000 brand-dedicated stores and shop-in-shops. As of August 29, 2021, we had 1,058 company-operated stores located in 37 countries and approximately 500 company-operated shop-in-shops. The remainder of our brand-dedicated stores and shop-in-shops were operated by franchisees and other partners.

Due to the continued outbreaks in COVID-19 cases in various parts of the world, primarily within Asia, approximately 10% of our owned and operated retail stores were temporarily closed throughout the quarter. See "Impact of COVID-19 on our Business" below.

Our Europe and Asia businesses, collectively, contributed 46% of our net revenues and 40% of our regional operating income in the first nine months of 2021, as compared to 49% of our net revenues and 43% of our regional operating income in the same period in 2020. Sales of Levi's® brand products represented 87% of our total net sales in the first nine months of both 2021 and 2020.

Our wholesale channel generated 64% and 60% of our net revenues in the first nine months of 2021 and 2020, respectively. Our DTC channel generated 36% and 40% of our net revenues in the first nine months of 2021 and 2020, respectively, with sales through our company operated e-commerce sites representing 21% and 22% of DTC channel net revenues in the first nine months of 2021 and 2020, and 8% and 9% of total net revenues in the first nine months of 2021 and 2020, respectively. Our global digital business, which includes our e-commerce site as well as the online business of our wholesale customers, including that of traditional wholesalers as well as pure play (online-only wholesalers) grew to represent approximately 20% of our total net revenues in the third quarter of fiscal 2021, versus approximately 25% of our net revenues in the third quarter of fiscal 2020.

Impact of COVID-19 on Our Business

In fiscal year 2020, the COVID-19 pandemic materially impacted our business and results of operations. Due to the significant impact of COVID-19 on our prior year figures, certain comparisons to the same period in 2019 have been included for additional context.

In the first quarter of fiscal year 2020, the initial impact of the COVID-19 pandemic was minimal, as temporary store closures were primarily within China. During the second quarter of fiscal year 2020, the World Health Organization declared COVID-19 a global pandemic and government authorities around the world imposed lockdowns and restrictions. As a result, substantially all company-operated stores and third-party retail locations were temporarily closed, and $242.0 million in incremental charges were recognized, primarily consisting of $67.4 million of restructuring charges, COVID-19 related inventory costs of $86.6 million, and charges for customer receivables, asset impairments and other related charges of $88.0 million.

During the second half of fiscal year 2020, as global management of the COVID-19 pandemic evolved and government restrictions were removed or lightened, company-operated and third-party retail locations reopened and substantially all stores were open by the end of the third quarter. In the fourth quarter of fiscal year 2020, a global resurgence in COVID-19 cases led to the temporary closure of some of our stores, yet our overall operations improved from when initial estimates were made resulting in the reduction of the inventory and receivable related charges initially recognized in the second quarter. Additional charges were recognized in the fourth quarter due the continuation of our restructuring initiative. As a result, $250.0 million in total charges were recognized during fiscal year 2020, consisting of $90.4 million of restructuring charges, COVID-19 related inventory costs of $68.5 million, and charges for customer receivables, asset impairments and other related charges of $91.1 million.

During fiscal year 2021, many COVID-19 related restrictions on store business hours and customer capacity in many parts of the world eased and social events resumed. As markets reopened, consumers returned to stores and as of quarter end, approximately 95% of company-operated stores were open globally. Within our Americas and Europe regions, consumer demand was strong as net revenues in these regions were higher as compared to the pre-pandemic third quarter in 2019. Markets within our Asia region continued to experience temporary store closures and other COVID-19 related restrictions along with reduced consumer confidence due to COVID-19 resurgences.

Throughout the pandemic, our top priority has been to protect the health and safety of our employees and our consumers. During fiscal year 2020, we closed many of our corporate offices and other facilities and implemented a work from home policy for many of our corporate employees that, in most cases, we are still continuing to follow. As we have reopened our company-operated retail stores, we have followed internally derived specific health-related criteria with an emphasis on comprehensive safety precautions, including frequent cleaning in our stores and limiting the number of shoppers as necessary to allow for social distancing.

Although the global distribution of the vaccine continues to progress and many government-imposed restrictions have been lightened or removed, the future impact of the COVID-19 pandemic remains highly uncertain. Resurgences of COVID-19 cases continue and the emergence of new variants have led to reduced consumer confidence and changes in shopping patterns adversely impacting store traffic as more consumers are either not shopping or choosing to shop online. Consequently, our

business and results of operations, including our net revenues, earnings and cash flows, could continue to be adversely impacted, including as a result of:

- Risk of future additional temporary closures of our owned and operated retail stores globally as well as the doors owned by our wholesale customers, including third-party retailers and franchise partners;
- Decreased foot traffic in retail stores;
- Decreased consumer confidence and consumer spending habits, including spending for the merchandise that we sell and negative trends in consumer purchasing patterns due to changes in consumers' disposable income, credit availability and debt levels;
- Decreased wholesale channel sales and increased likelihood of wholesale customer failure;
- Increased inventory, inventory write-downs and the sale of excess inventory at discounted prices;
- Disruption to the supply chain caused by lockdowns affecting production, distribution and other logistical issues, including port closures and shipping backlogs;
- Challenges filling staffing requirements at our company-operated retail stores and distribution centers due to labor shortages affecting retail businesses;
- Decreased productivity due to travel bans, work-from-home policies or shelter-in-place orders; and
- A slowdown in the U.S. or global economy and uncertain global economic outlook or a credit crisis.

2020 Restructuring Initiative

In April 2020, we announced and began to implement a restructuring initiative designed to reduce costs, streamline operations and support agility. The restructuring initiative is expected to continue to be implemented through to the end of fiscal year 2021, with a focus on redesigning business processes and identifying opportunities to reduce costs, increase efficiencies and further streamline operations. The initiative included the elimination of approximately 15% of our global non-retail and non-manufacturing positions and is expected to result in approximately $100 million in annual cost savings.

For the three-month and nine-month periods ended August 29, 2021, we recognized a net reduction in restructuring charges of $3.6 million and net incremental restructuring charges of $11.1 million, respectively, as compared to restructuring charges of $1.1 million and $68.4 million for the same periods in 2020. These charges are recorded on a separate line item in our consolidated statements of operations. Within the consolidated balance sheets as of August 29, 2021, we had $30.2 million and $2.1 million in restructuring liabilities and other long-term liabilities, respectively. The charges primarily relate to severance benefits, based on separation benefits provided by Company policy or statutory benefit plans and are expected to be paid through 2021.

Other Factors Affecting Our Business

We believe the other key business and marketplace factors, independent of the health and economic impact of the COVID-19 pandemic, that are impacting our business include the following:

- A complex and challenging retail environment for us and our customers, characterized by unpredictable traffic patterns and a general promotional environment. In developed economies, mixed real wage growth and shifting consumer spending also continue to pressure global discretionary spending. Consumers continue to focus on value pricing and increased expectations for real-time delivery.
- The diversification of our business model across regions, channels, brands, and categories affects our gross margin. For example, if our sales in higher gross margin business regions, channels, brands and categories grow at a faster rate than in our lower gross margin business regions, channels, brands and categories, we would expect a favorable impact to aggregate gross margin over time. Gross margin in Europe is generally higher than in our other two regional operating segments. DTC sales generally have higher gross margins than sales through third parties, although DTC sales also typically have higher selling expenses. Value brands, which are focused on the value-conscious consumer, generally generate lower gross margin. Enhancements to our existing product offerings, or our expansion into new brands and products categories, may also impact our future gross margin.
- More competitors are seeking growth globally, thereby increasing competition across regions. Some of these competitors are entering markets where we already have a mature business such as the United States, Mexico, Western Europe and Japan, and may provide consumers discretionary purchase alternatives or lower-priced apparel offerings.

- Wholesaler/retailer dynamics and wholesale channels remain challenged by mixed growth prospects due to increased competition from e-commerce shopping, pricing transparency enabled by the proliferation of online technologies, and vertically-integrated specialty stores. Retailers, including our top customers, have in the past and may in the future decide to consolidate, undergo restructurings or rationalize their stores, which could result in a reduction in the number of stores that carry our products.
- Many apparel companies that have traditionally relied on wholesale distribution channels have invested in expanding their own retail store and e-commerce distribution and consumer-facing technologies, which has increased competition in the retail market.
- Competition for, and price volatility of, resources throughout the supply chain have increased, causing us and other apparel manufacturers to continue to seek alternative sourcing channels and create new efficiencies in our global supply chain. Trends affecting the supply chain include the proliferation of lower-cost sourcing alternatives, resulting in reduced barriers to entry for new competitors, and the impact of fluctuating prices of labor and raw materials as well as the consolidation of suppliers. Trends such as these can bring additional pressure on us and other wholesalers and retailers to shorten lead-times, reduce costs and raise product prices.
- Foreign currencies continue to be volatile. Significant fluctuations of the U.S. Dollar against various foreign currencies, including the Euro, British Pound and Mexican Peso, will impact our financial results, affecting translation, revenue, operating margins and net income.
- The current environment has introduced greater uncertainty with respect to potential tax and trade regulations. The current domestic and international political environment, including changes to other U.S. policies related to global trade, tariffs and sanctions, have resulted in uncertainty surrounding the future state of the global economy. Such changes may require us to modify our current sourcing practices, which may impact our product costs, and, if not mitigated, could have a material adverse effect on our business and results of operations.
- There has been increased focus from our stakeholders, including consumers, employees and investors, on corporate environmental, social, and governance ("ESG") practices, including practices related to the causes and impacts of climate change. We expect that stakeholder expectations with respect to ESG expectations will continue to evolve rapidly, which may necessitate additional resources to monitor, report on, and adjust our operations.

These factors contribute to a global market environment of intense competition, constant product innovation and continuing cost pressure, and combine with the continuing global economic conditions to create a challenging commercial and economic environment. We evaluate these factors as we develop and execute our strategies.

Effects of Inflation

We do not believe that inflation has had a material effect on our results of operations for the three-month and nine-month periods ended August 29, 2021 and August 23, 2020; however, our business could be affected by inflation in the future which we plan to mitigate through a combination of pricing actions and operating efficiencies, although these actions could have an adverse impact on demand.

Our Third Quarter 2021 Results

- *Net revenues.* Consolidated net revenues increased 40.9% on a reported basis and 38.0% on a constant-currency basis compared to the third quarter of fiscal 2020. The increase was primarily due to the adverse impacts of the COVID-19 pandemic in the third quarter of 2020, including reduced traffic and ongoing closures of company-operated and wholesale customer retail locations for portions of the quarter and in certain markets.
- *Operating income*. We recognized consolidated operating income of $216.3 million, an increase from operating income of $92.3 million in the third quarter of 2020. The increase is due to higher net revenues and gross margin partially offset with higher SG&A expenses in the current year reflecting higher administration, advertising and selling expenses due to the increase in sales volume and improved overall company performance.
- *Net income.* We recognized net income of $193.3 million as compared to $27.0 million in the third quarter of 2020. The increase is due to the increase in operating income described above. Additionally, we recognized foreign currency exchange losses in the prior year, and in the current year, incurred a lower tax rate and lower interest expense reflecting our debt refinancing and repayment activity.
- *Adjusted EBIT. A*djusted EBIT was $221.8 million as compared to an Adjusted EBIT of $84.2 million in the third quarter of 2020. The increase is due to higher net revenues and Adjusted gross margin partially offset with higher

Adjusted SG&A expenses in the current year reflecting higher administration, advertising and selling expenses due to the increase in sales volume and improved overall company performance.

- *Adjusted net income.* Compared to the third quarter of 2020, Adjusted net income was $197.4 million as compared to an Adjusted net income of $31.3 million. The increase is due to the increase in Adjusted EBIT described above. Additionally, we recognized foreign currency exchange losses in the prior year, and in the current year, incurred a lower tax rate and lower interest expense reflecting our debt refinancing and repayment activity.
- *Diluted earnings per share.* Compared to the third quarter of 2020, diluted earnings per share were $0.47 as compared to diluted earnings per share of $0.07 due to the increase in net income described above.
- *Adjusted diluted earnings per share.* Adjusted diluted earnings per share were $0.48 compared to Adjusted diluted earnings per share of $0.08 in the third quarter of 2020, due to the increase in Adjusted net income described above.

Our Year-to-Date 2021 Results

- *Net revenues.* Consolidated net revenues increased 33.0% on a reported basis and 29.6% on a constant-currency basis compared to the first nine months of 2020. The increase was primarily due to the adverse impacts of the COVID-19 pandemic in the second and third quarter of 2020, including temporary store closures of company-operated and wholesale customer retail locations.
- *Operating income (loss)*. We recognized consolidated operating income of $499.9 million as compared to an operating loss of $177.1 million in the first nine months of 2020. The increase is due to higher net revenues and gross margin partially offset with higher SG&A expenses in the current year reflecting higher administration, advertising and selling expenses due to the increase in sales volume and improved overall company performance. The prior year also included the recognition of $231.0 million in incremental COVID-19 charges.
- *Net income (loss).* We recognized net income of $400.6 million as compared to a net loss of $183.8 million. The increase is due to the increase in operating income (loss) described above. Additionally, we recognized $30.3 million in incremental costs in the current year related to the early extinguishment of debt.
- *Adjusted EBIT.* Adjusted EBIT was $510.4 million for the first nine months of 2021 compared to Adjusted EBIT of $67.7 million for the first nine months of 2020. The increase was primarily due to higher net revenues and higher Adjusted gross margin in the current year partially offset with higher Adjusted SG&A expenses reflecting higher administration, advertising and selling expenses due to the increase in sales volume and improved overall company performance.
- *Adjusted net income.* Compared to the first nine months of 2020, Adjusted net income was $431.2 million as compared to Adjusted net income of $2.3 million. The increase was primarily due to the increase in Adjusted EBIT described above.
- *Diluted earnings (loss) per share.* Diluted earnings per share were $0.97 compared to diluted loss per share of $0.46 in the third quarter of 2020 due to the increase in net income (loss) described above.
- *Adjusted diluted earnings per share.* Adjusted diluted earnings per share were $1.05 compared to Adjusted diluted earnings per share of $0.01 in the third quarter of 2020, due to the increase in Adjusted net income described above.

Financial Information Presentation

Fiscal year. We use a 52- or 53- week fiscal year, with each fiscal year ending on the Sunday in November that is closest to November 30 of that year. Certain of our foreign subsidiaries have fiscal years ending November 30. Each fiscal year generally consists of four 13-week quarters. Each quarter of fiscal years 2021 and 2020 consists of 13 weeks, with the exception of the fourth quarter of 2020, which consisted of 14 weeks.

Due to the uncertainty surrounding the continued impact of the COVID-19 pandemic, our results of operations for the three-month and nine-month periods ended August 29, 2021 and August 23, 2020 are not necessarily indicative of those for a full fiscal year.

Segments. We manage our business according to three regional segments: the Americas, Europe and Asia. Our Asia segment includes the Middle East and Africa.

Classification. Our classification of certain significant revenues and expenses reflects the following:

- Net revenues comprise net sales and licensing revenues. Net sales include sales of products to wholesale customers, including franchised stores, and direct sales to consumers at our company-operated stores and shop-in-shops located within department stores and other third-party locations, as well as company-operated e-commerce sites. Net revenues include discounts, allowances for estimated returns and incentives. Licensing revenues, which include revenues from the use of our trademarks in connection with the manufacturing, advertising and distribution of trademarked products by third-party licensees, are earned and recognized as products are sold by licensees based on royalty rates as set forth in the applicable licensing agreements.
- Cost of goods sold primarily comprises product costs, labor and related overhead, sourcing costs, inbound freight, internal transfers and the cost of operating our remaining manufacturing facilities, including the related depreciation expense. On both a reported and constant-currency basis, cost of goods sold reflects the transactional currency impact resulting from the purchase of products in a currency other than the functional currency.
- Selling expenses include, among other things, all occupancy costs and depreciation associated with our company-operated stores and commissions associated with our company-operated shop-in-shops, as well as costs associated with our e-commerce operations.
- We reflect substantially all distribution costs in SG&A, including costs related to receiving and inspection at distribution centers, warehousing, shipping to our customers, handling, and certain other activities associated with our distribution network.

Results of Operations for Three and Nine Months Ended August 29, 2021, as Compared to Comparable Periods in 2020

The following table presents, for the periods indicated, our consolidated statements of operations, the changes in these items from period to period and these items expressed as a percentage of net revenues:

	Three Months Ended					Nine Months Ended				
	August 29, 2021	August 23, 2020	% Increase (Decrease)	August 29, 2021 % of Net Revenues	August 23, 2020 % of Net Revenues	August 29, 2021	August 23, 2020	% Increase (Decrease)	August 29, 2021 % of Net Revenues	August 23, 2020 % of Net Revenues
	(Dollars and shares in millions, except per share amounts)									
Net revenues	$ 1,497.6	$ 1,063.1	40.9 %	100.0 %	100.0 %	$ 4,079.2	$ 3,066.8	33.0 %	100.0 %	100.0 %
Cost of goods sold	635.4	485.7	30.8 %	42.4 %	45.7 %	1,706.8	1,480.4	15.3 %	41.8 %	48.3 %
Gross profit	862.2	577.4	49.3 %	57.6 %	54.3 %	2,372.4	1,586.4	49.5 %	58.2 %	51.7 %
Selling, general and administrative expenses	649.5	484.0	34.2 %	43.4 %	45.5 %	1,861.4	1,695.1	9.8 %	45.6 %	55.3 %
Restructuring charges, net	(3.6)	1.1	*	(0.2)%	0.1 %	11.1	68.4	(83.8)%	0.3 %	2.2 %
Operating income (loss)	216.3	92.3	134.3 %	14.4 %	8.7 %	499.9	(177.1)	*	12.3 %	(5.8)%
Interest expense	(18.1)	(28.4)	36.3 %	(1.2)%	(2.7)%	(61.4)	(56.3)	(9.1)%	(1.5)%	(1.8)%
Loss on early extinguishment of debt	—	—	*	— %	—	(30.3)	—	*	(0.7)	—
Other income (expense), net	4.8	(12.3)	139.0 %	0.3 %	(1.2)%	5.2	(8.3)	162.7 %	0.1 %	(0.3)%
Income (loss) before income taxes	203.0	51.6	*	13.6 %	4.9 %	413.4	(241.7)	*	10.1 %	(7.9)%
Income tax expense (benefit)	9.7	24.6	(60.6)%	0.6 %	2.3 %	12.8	(57.9)	122.1 %	0.3 %	(1.9)%
Net income (loss)	$ 193.3	$ 27.0	*	12.9 %	2.5 %	$ 400.6	$ (183.8)	*	9.8 %	(6.0)%
Earnings (loss) per common share attributable to common stockholders:										
Basic	$ 0.48	$ 0.07	*	*	*	$ 1.00	$ (0.46)	*	*	*
Diluted	$ 0.47	$ 0.07	*	*	*	$ 0.97	$ (0.46)	*	*	*
Weighted-average common shares outstanding:										
Basic	403.0	397.7	1.3 %	*	*	401.5	397.0	1.1 %	*	*
Diluted	413.1	407.7	1.3 %	*	*	411.5	397.0	3.7 %	*	*

* Not meaningful

Net revenues

The following table presents net revenues by reporting segment for the periods indicated and the changes in net revenues by reporting segment on both reported and constant-currency basis from period to period.

	Three Months Ended				Nine Months Ended			
			% Increase (Decrease)				% Increase (Decrease)	
	August 29, 2021	August 23, 2020	As Reported	Constant Currency	August 29, 2021	August 23, 2020	As Reported	Constant Currency
	(Dollars in millions)							
Net revenues:								
Americas	$ 838.0	$ 549.8	52.4 %	50.6 %	$ 2,194.3	$ 1,578.1	39.0 %	38.6 %
Europe	494.5	390.4	26.7 %	23.5 %	1,288.9	1,032.4	24.8 %	18.2 %
Asia	165.1	122.9	34.3 %	29.1 %	596.0	456.3	30.6 %	25.5 %
Total net revenues	$ 1,497.6	$ 1,063.1	40.9 %	38.0 %	$ 4,079.2	$ 3,066.8	33.0 %	29.6 %

Total net revenues increased on both a reported and constant-currency basis for the three-month and nine-month periods ended August 29, 2021, as compared to the same period in 2020.

Americas. On both a reported and constant-currency basis, net revenues in our Americas region increased for the three-month and nine-month periods ended August 29, 2021, with currency translation affecting net revenues favorably by approximately $7 million and $5 million, respectively.

The increase in net revenues for the three-month period ended August 29, 2021 was driven by increased revenues across both our wholesale and DTC channels as the adverse impacts of COVID-19 significantly impacted the third quarter of 2020. Wholesale channel revenue increased due to higher sales to both our U.S. and international wholesale customers as most locations were open during the third quarter of 2021 as compared to third quarter of 2020, when most locations were closed for part or all of the quarter. The growth in U.S. wholesale revenue was across our brands driven by increased products sold to both our traditional and digital wholesale customers.

The increase in DTC revenue was due to the adverse impact of COVID-19 in the prior year, as most company-operated stores were closed for varying periods of time throughout the third quarter of 2020. For the three-month period ended August 29, 2021, the majority of our company-operated stores in the region were open with most of our mainline stores reaching pre-pandemic traffic levels. Additionally, we benefited from 20 more stores in operation as of August 29, 2021 as compared to August 23, 2020. Compared to the third quarter of fiscal 2020, e-commerce revenue decreased due to lower traffic to our site as more customers returned to in-store shopping.

The increase in net revenues for the nine-month period ended August 29, 2021 was due to the adverse impacts of the COVID-19 pandemic in second and third quarter of fiscal 2020, including temporary store closures of company-operated and wholesale customer retail locations. The 2020 period also benefited from the inclusion of non-comparable net revenues from the week of Black Friday.

Europe. Net revenues in Europe increased on both a reported and constant-currency basis for the three-month and nine-month periods ended August 29, 2021, with currency translation affecting net revenues favorably by approximately $10 million and $58 million, respectively.

Net revenues for the three-month period ended August 29, 2021 increased across both channels as COVID-19 significantly impacted the third quarter of fiscal 2020. Wholesale channel revenue increased as a larger number of stores were open during the third quarter of 2021 as compared to the same period in 2020 when many stores were closed for part or all of the quarter as a result of the COVID-19 pandemic. Sales to our digital wholesale customers increased in comparison to the third quarter of fiscal 2020.

The increase in DTC revenue was primarily due the majority of our company-operated stores being open and operating during the third quarter of 2021, in comparison to the third quarter of 2020 when many of our company operated stores were closed for varying periods of time as a result of the COVID-19 pandemic. Additionally, we benefited from 16 more stores in operation as of August 29, 2021 as compared to August 23, 2020. E-commerce revenue also grew compared to the third quarter of fiscal 2020, as a result of increased dollars spent per order.

The increase in net revenues for the nine-month period ended August 29, 2021 was primarily due to the adverse impacts of the COVID-19 pandemic in the second and third quarter of fiscal 2020, including temporary store closures of company-operated and wholesale customer retail locations.

Asia. Net revenues in Asia increased on both a reported and constant-currency basis for the three-month and nine-month periods ended August 29, 2021, with currency affecting net revenues favorably by approximately $5 million and $18 million, respectively.

Net revenues increased for the three-month period ended August 29, 2021 primarily driven by the wholesale channel, as a larger portion of wholesale customer locations were open and operating in the third quarter of 2021, as compared to the same period in 2020 where many locations were closed, particularly in India, as a result of the COVID-19 pandemic. This was partially offset with a decrease in DTC revenue driven from lower sales in our company-operated stores as some markets experienced COVID-19 resurgences impacting store traffic, including restrictions on operating hours and occupancy as well as temporary store closures more widespread than the same quarter in prior year. Additionally, there were 2 less stores in operation as of August 29, 2021 as compared to August 23, 2020. E-commerce revenue grew compared to the third quarter of fiscal 2020, as a result of increased traffic.

The increase in net revenues for the nine-month period ended August 29, 2021 was primarily due to the adverse impacts of the COVID-19 pandemic in the second and third quarter of fiscal 2020, including temporary store closures of company-operated and wholesale customer retail locations.

Gross profit

The following table shows consolidated gross profit and gross margin for the periods indicated and the changes in these items from period to period:

	Three Months Ended			Nine Months Ended		
	August 29, 2021	August 23, 2020	% Increase (Decrease)	August 29, 2021	August 23, 2020	% Increase (Decrease)
	(Dollars in millions)					
Net revenues	$ 1,497.6	$ 1,063.1	40.9 %	$ 4,079.2	$ 3,066.8	33.0 %
Cost of goods sold	635.4	485.7	30.8 %	1,706.8	1,480.4	15.3 %
Gross profit	$ 862.2	$ 577.4	49.3 %	$ 2,372.4	$ 1,586.4	49.5 %
Gross margin	57.6 %	54.3 %		58.2 %	51.7 %	

Currency translation favorably impacted gross profit by approximately $11 million and $45 million for the three-month and nine-month periods ended August 29, 2021, respectively.

For the three-month period ended August 29, 2021, the increase in gross margin was primarily due a higher proportion of sales in our DTC channel, which has higher margins. The fiscal 2020 period also included $7.9 million in reductions in COVID-19 related inventory costs, attributing 0.7 percentage points of the 3.3 percentage point increase.

The increase in gross margin for the nine-month period ended August 29, 2021 was primarily due to a higher proportion of sales in our DTC channel, which has higher margins, favorable product mix within our retail and wholesale channels, and price increases. Additionally, there were $78.7 million of COVID-19 related inventory charges recognized in the prior year, attributing to 2.6 percentage points of the 6.5 percentage point increase.

Selling, general and administrative expenses

The following table shows SG&A for the periods indicated, the changes in these items from period to period and these items expressed as a percentage of net revenues:

	Three Months Ended					Nine Months Ended				
	August 29, 2021	August 23, 2020	% Increase (Decrease)	August 29, 2021 % of Net Revenues	August 23, 2020 % of Net Revenues	August 29, 2021	August 23, 2020	% Increase (Decrease)	August 29, 2021 % of Net Revenues	August 23, 2020 % of Net Revenues
	(Dollars in millions)									
Selling	$ 273.0	$ 234.7	16.3 %	18.2 %	22.1 %	$ 808.9	$ 760.3	6.4 %	19.8 %	24.8 %
Advertising and promotion	95.9	56.4	70.0 %	6.4 %	5.3 %	271.3	217.8	24.6 %	6.7 %	7.1 %
Administration	123.5	71.2	73.5 %	8.2 %	6.7 %	358.1	239.9	49.3 %	8.8 %	7.8 %
Other	151.4	125.8	20.3 %	10.1 %	11.8 %	424.3	393.2	7.9 %	10.4 %	12.8 %
COVID-19 related charges	5.7	(4.1)	239.0 %	0.4 %	(0.4)	(1.2)	83.9	(101.4)%	— %	2.7 %
Total SG&A	$ 649.5	$ 484.0	34.2 %	43.4 %	45.5 %	$ 1,861.4	$ 1,695.1	9.8 %	45.6 %	55.3 %

Currency translation impacted SG&A unfavorably by approximately $10 million and $43 million for the three-month and nine-month periods ended August 29, 2021, respectively.

Selling. Currency translation impacted selling expenses unfavorably by approximately $6 million and $25 million for the three-month and nine-month periods ended August 29, 2021, respectively. For the three-month and nine-month periods ended August 29, 2021, higher selling expenses is primarily due to the majority of our company-operated stores being open and operating during the third quarter of 2021, in comparison to substantially all of our company-operated stores being temporarily closed for varying periods of time throughout the third quarter of 2020. The increase was partially offset with lower costs due to the cost-savings actions initiated in the second quarter of fiscal year 2020 in response to COVID-19.

Advertising and promotion. Currency translation did not have a significant impact on advertising and promotion expenses for the three-month period ended August 29, 2021 and had an unfavorable impact of $6 million for the nine-month period ended August 29, 2021. The increase in advertising and promotion expenses for the three-month and nine-month periods ended August 29, 2021 is due to increased spend to support revenue growth and restoring media spend that was eliminated in the prior year in response to the COVID-19 pandemic. The third quarter of fiscal 2021 also includes additional investments to fuel digital growth.

Administration. Administration expenses include functional administrative and organization costs. Currency translation did not have a significant impact on administration expenses for the three-month period ended August 29, 2021 and had an unfavorable impact of $6 million for the nine-month period ended August 29, 2021. The increase in administration costs for the three-month and nine-month periods ended August 29, 2021 is primarily due to higher incentive costs attributed to higher sales and stronger company performance as compared to the same periods in prior year.

Other. Other costs include distribution, information resources and marketing organization costs. Currency translation did not have a significant impact on other costs for the three-month period ended August 29, 2021 and had an unfavorable impact of $6 million for the nine-month period ended August 29, 2021. For the three-month and nine-month periods ended August 29, 2021 the increase in other costs was primarily due to higher distribution expenses attributable to increased sales volume as compared to the same periods in prior year.

COVID-19 related charges. COVID-19 related charges consist of incremental charges as a result of COVID-19 related business disruptions, including asset impairment and other charges. During the three-month period ended August 29, 2021, we recognized $5.7 million in impairment of assets related to certain retail locations resulting from lower revenue and future cash flow projections from the ongoing effects of the COVID-19 pandemic. During the three-month period ended August 23, 2020, we recognized a net reduction of $4.1 million in COVID-19 related charges, primarily due to recoveries of receivables previously estimated to be not collectible, offset by incremental costs incurred in response to the global pandemic.

The decrease in COVID-19 related charges for the nine-month period ended August 29, 2021 is due to the initial recognition of related inventory costs and other charges upon the onset of the pandemic recognized in the prior year. During the nine-month period ended August 23, 2020, we recognized $43.0 million in impairment of certain operating lease right-of-use assets and $17.4 million in impairment of property and equipment related to certain retail locations and other corporate assets, as a result of lower revenue and future cash flow projections in relation to the pandemic. Additional charges of $21.0 million related to customer receivables, including provisions and other allowances as a result of changes in their financial condition of $8.5 million and actual and anticipated bankruptcies and other associated claims of $12.5 million. The remainder relates to incremental costs incurred in response to the global pandemic.

Restructuring charges, net

For the three-month and nine-month periods ended August 29, 2021, we recognized a net reduction in restructuring charges of $3.6 million and restructuring charges of $11.1 million, respectively, as compared to restructuring charges of $1.1 million and $68.4 million for the same periods in the prior year. The charges consist primarily of severance and other post-employment benefits. See "-2020 Restructuring Initiative" above for more information.

Operating income (loss)

The following table shows operating income by reporting segment and corporate expenses for the periods indicated, the changes in these items from period to period and these items expressed as a percentage of net revenues:

	Three Months Ended					Nine Months Ended				
	August 29, 2021	August 23, 2020	% Increase (Decrease)	August 29, 2021 % of Net Revenues	August 23, 2020 % of Net Revenues	August 29, 2021	August 23, 2020	% Increase (Decrease)	August 29, 2021 % of Net Revenues	August 23, 2020 % of Net Revenues
	(Dollars in millions)									
Operating income (loss):										
Americas	$ 202.9	$ 92.3	119.8 %	24.2 %	16.8 %	$ 486.2	$ 178.6	172.2 %	22.2 %	11.3 %
Europe	140.0	87.6	59.8 %	28.3 %	22.4 %	308.8	152.3	102.8 %	24.0 %	14.8 %
Asia	(16.4)	(23.3)	29.6 %	(9.9)%	(19.0)%	19.9	(19.1)	204.2 %	3.3 %	(4.2)%
Total regional operating income (loss)	326.5	156.6	108.5 %	21.8 % ❖	14.7 % ❖	814.9	311.8	161.4 %	20.0 % ❖	10.2 % ❖
Corporate:										
Restructuring charges, net	(3.6)	1.1	*	(0.2)% ❖	0.1 % ❖	11.1	68.4	(83.8)%	0.3 % ❖	2.2 % ❖
Other corporate staff costs and expenses	113.8	63.2	80.1 %	7.6 % ❖	5.9 % ❖	303.9	420.5	(27.7)%	7.4 % ❖	13.7 % ❖
Corporate expenses	110.2	64.3	71.4 %	7.4 % ❖	6.0 % ❖	315.0	488.9	(35.6)%	7.7 % ❖	15.9 % ❖
Total operating income (loss)	$ 216.3	$ 92.3	134.3 %	14.4 % ❖	8.7 % ❖	$ 499.9	$ (177.1)	382.3 %	12.3 % ❖	(5.8)% ❖
Operating margin	14.4 %	8.7 %				12.3 %	(5.8)%			

❖ Percentage of consolidated net revenues

* Not meaningful.

Currency translation favorably affected total operating income by approximately $2 million for both the three-month and nine-month periods ended August 29, 2021.

Regional operating income (loss).

- *Americas*. Currency translation did not have a significant impact for the three-month and nine-month periods ended August 29, 2021. The increase in operating income for the three-month period ended August 29, 2021 was primarily due to the adverse impact of the COVID-19 pandemic in the prior year, resulting in higher net revenues and gross margin this year, being partially offset with higher selling expense to support our stores, higher advertising and promotion expense and higher distribution costs.

  The increase in operating income for the nine-month period ended August 29, 2021 was primarily due to the adverse impact of the COVID-19 pandemic in the prior year, resulting in higher net revenues and gross margin this year, which were partially offset with higher selling expense to support our stores, higher incentive compensation costs, higher advertising and promotion expense and higher distribution costs.

- *Europe*. Currency translation had a favorable impact of approximately $2 million and $6 million for the three-month and nine-month periods ended August 29, 2021, respectively. The increase in operating income for the three-month period ended August 29, 2021 was due to the adverse impact of the COVID-19 pandemic in the prior year, resulting in higher net revenues and gross margin this year, being partially offset with higher advertising and promotion expense and higher selling expense to support our stores.

  The increase in operating income for the nine-month period ended August 29, 2021 was primarily due to the adverse impact of the COVID-19 pandemic in the prior year, resulting in higher net revenues this year, as well as improved gross margin and lower selling expenses partially offset with higher advertising and incentive compensation costs.

- *Asia*. Currency translation did not have a significant impact for the three-month and nine-month periods ended August 29, 2021. The increase in operating income for the three-month period ended August 29, 2021 was primarily due to the adverse impact of the COVID-19 pandemic in the prior year, resulting in higher net revenues this year, being partially offset with higher advertising and promotion expense and higher selling expense to support our stores.

  The increase in operating income for the nine-month period ended August 29, 2021 was primarily due to the adverse impact of the COVID-19 pandemic in the prior year, resulting in higher net revenues this year partially offset with higher selling expense to support our stores as well as higher advertising and promotion expense and higher incentive compensation costs.

Corporate. Corporate expenses represent costs that management does not attribute to any of our regional operating segments. Included in corporate expenses are restructuring charges, COVID-19 related charges and other corporate staff costs. Corporate expenses also include costs associated with our global inventory sourcing organization and COVID-19 related inventory costs which are reported as a component of consolidated gross margin. Currency translation did not have a significant impact on corporate expenses for the three-month period ended August 29, 2021 and had an unfavorable impact of $2 million for the nine-month period ended August 29, 2021.

The increase in corporate expenses for the three-month period ended August 29, 2021 was primarily due to higher administration expenses mainly related to incentive costs recognized in the third quarter of fiscal 2021 as well as the recognition of reductions in COVID-19 related charges in the third quarter of fiscal 2020. The increase was partially offset with lower global inventory sourcing costs recognized in the third quarter of fiscal 2021 as compared to the same period in the prior year.

The decrease in corporate expenses for the nine-month period ended August 29, 2021 was primarily due to the COVID-19 related net inventory costs and other charges, net restructuring charges, and impairment of certain store right-of-use and other store assets, recognized in the prior year in response to the COVID-19 pandemic.

Interest expense

Interest expense was $18.1 million and $61.4 million for the three-month and nine-month periods ended August 29, 2021, as compared to $28.4 million and $56.3 million for the comparable prior-year periods. Interest expense on debt borrowings decreased in the third quarter of 2021 due to redemption of $800.0 million senior notes. The decrease in interest expense for the three-month period ended August 29, 2021 was primarily driven from lower interest on debt borrowings due to the redemption of $800.0 million of our senior notes. The increase in interest expense for the nine-month period ended August 29, 2021 was primarily related to higher interest on deferred compensation plans partially offset with lower interest on debt borrowings due to the redemption of $800.0 million of our senior notes.

Our weighted-average interest rate on average borrowings outstanding during the three-month and nine-month periods August 29, 2021 was 4.12% and 4.34%, respectively, as compared to 4.78% and 4.65% during the comparable periods in 2020.

Loss on early extinguishment of debt

For the nine-month period ended August 29, 2021, a loss of $30.3 million was recognized, related to our debt refinancing activities. The loss recognized included $20.0 million of call premium on the retired debt.

Other income (expense), net

For the three-month and nine-month periods ended August 29, 2021, we recorded income of $4.8 million and $5.2 million, respectively, as compared to expense of $12.3 million and $8.3 million for the same prior-year periods. Other income (expense), net, primarily consists of foreign exchange management gains and losses and foreign currency transaction losses.

Income tax expense

The effective income tax rate was 4.8% for the three months ended August 29, 2021 and reflects a $9.7 million income tax expense recorded on $203.0 million of income before income taxes. The effective income tax rate for the three months ended August 23, 2020, was 47.6% and reflects a $24.6 million income tax expense recorded on $51.6 million of income before income taxes. The lower effective tax rate in 2021 was primarily driven by benefit from the foreign derived intangible income deduction on an internal restructuring. The higher effective tax rate in the prior year resulted from a reduction of the U.S. federal net operating loss available to carryback.

The effective income tax rate was 3.1% for the nine months ended August 29, 2021 and reflects a $12.8 million income tax expense recorded on $413.4 million of income before income taxes. The effective income tax rate for the nine months ended August 23, 2020, was 24.0% and reflects a $57.9 million income tax benefit recorded on $241.7 million of losses before income taxes. The effective tax rate for the nine months ended August 29, 2021 was favorably impacted by tax benefit attributable to employees exercising stock-based equity awards and the foreign derived intangible income deduction that was not available in prior year.

Liquidity and Capital Resources

Liquidity outlook

We believe we will have adequate liquidity over the next 12 months to operate our business and to meet our cash requirements. We remain committed to increasing total shareholder returns through deploying capital across all three of our capital allocation priorities: (1) to invest in high growth investment opportunities and initiatives to grow our business organically; (2) to return capital to our stockholders in the form of cash dividends, as well as stock repurchases to offset dilution that would otherwise be introduced from stock-based incentive compensation grants; and (3) to pursue acquisitions, both organic and inorganic, that support our current strategies. We continue to concentrate our capital investments in new stores, distribution capacity and technology. In October 2021, the Board approved a share repurchase program that authorizes the repurchase of up to $200.0 million of the Company's Class A common stock with the intention to offset dilution from employee incentive grants.

Future determinations regarding the declaration and payment of dividends, if any, will be at the discretion of our Board and will depend on then-existing economic conditions, including our results of operations, payout ratio, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payment of dividends present in our current and future debt agreements and other factors that our Board may deem relevant.

Cash sources

We have historically relied primarily on cash flows from operations, borrowings under credit facilities, issuances of notes and other forms of debt financing. We regularly explore financing and debt reduction alternatives, including new credit agreements, unsecured and secured note issuances, equity financing, equipment and real estate financing, securitizations and asset sales.

We are party to the Second Amended and Restated Credit Agreement that provides for a senior secured revolving credit facility. The maximum availability under our credit facility is $850.0 million, of which $800.0 million is available to us for revolving loans in U.S. Dollars and $50.0 million is available to us for revolving loans either in U.S. Dollars or Canadian Dollars. This credit facility is an asset-based facility, in which the borrowing availability is primarily based on the value of our U.S. Levi’s® trademarks and the levels of accounts receivable and inventory in the United States and Canada.

As of August 29, 2021, we did not have any borrowings under the credit facility. Unused availability under the facility was $716.4 million and our total availability of $728.8 million, based on collateral levels as defined by the agreement, was reduced by $12.4 million of other credit-related instruments.

As of August 29, 2021, we had cash and cash equivalents totaling approximately $1.4 billion and short-term investments of $95.5 million resulting in a total liquidity position (unused availability and cash and cash equivalents and short-term investments) of approximately $2.2 billion.

Cash uses

Our principal cash requirements include working capital, capital expenditures, payments of principal and interest on our debt, payments of taxes, contributions to our pension plans and payments for postretirement health benefit plans, settlement of shares issued under our equity incentive plans and, if market conditions warrant, occasional investments in, or acquisitions of, business ventures in our line of business. In addition, we regularly evaluate our ability to pay dividends or repurchase stock, all consistent with the terms of our debt agreements.

On September 21, 2021, we completed the acquisition of Beyond Yoga for $403 million, funded entirely by cash on hand. We believe that this acquisition will allow us to enter into the activewear category, complementing our growing women’s business and enabling us to allocate global resources and infrastructure to significantly expand Beyond Yoga, building on its largely digital ecosystem.

On September 30, 2021, we used cash on hand to redeem the remaining $200.0 million of the 5.00% Senior Notes due 2025.

In October 2021, the Board declared a cash dividend of $0.08 per share, to holders of record of its Class A and Class B common stock at the close of business on October 29, 2021, for a total quarterly dividend of approximately $32 million.

Cash flows

The following table summarizes, for the periods indicated, selected items in our consolidated statements of cash flows:

	Nine Months Ended	
	August 29, 2021	August 23, 2020
	(Dollars in millions)	
Cash provided by operating activities	$ 498.9	$ 240.9
Cash used for investing activities	(127.7)	(117.7)
Cash (used for) provided by financing activities	(489.6)	302.5
Cash and cash equivalents at period end	1,376.6	1,353.0

Cash flows from operating activities

Cash provided by operating activities was $498.9 million for the nine-month period ended August 29, 2021, as compared to $240.9 million for the comparable period in 2020. Our cash flows from operations in the fiscal year 2020 were impacted by the widespread temporary store closures and other business disruptions caused by the COVID-19 pandemic. The increase in cash provided by operating activities is primarily driven by higher collections of trade receivables, partially offset by higher spending on inventory and SG&A expenses, reflective of the increase in sales in comparison to the same period in prior year.

Cash flows from investing activities

Cash used for investing activities was $127.7 million for the nine-month period ended August 29, 2021, as compared to $117.7 million for the comparable period in 2020. The increase in cash used for investing activities is primarily due capital expenditures and higher payments to acquire short-term investments, partially offset by lower payments related to a business acquisition that occurred in the prior year.

Cash flows from financing activities

Cash used by financing activities was $489.6 million for the nine-month period ended August 29, 2021, as compared to cash provided of $302.5 million for the comparable period in 2020. Cash used in 2021 primarily reflects redemption of $800.0 million senior notes due 2025, partially offset by proceeds from issuance of new senior notes of $500.0 million. Cash provided in 2020 primarily reflects proceeds from senior notes of $502.5 million, partially offset by payments of $56.2 million for common stock repurchases.

Indebtedness

Of our total debt of $1.3 billion as of August 29, 2021, 100% of it was fixed rate debt, net of capitalized debt issuance costs. As of August 29, 2021, our required aggregate debt principal payments on our unsecured long-term debt were $1.3 billion, with payments starting in 2025. Short-term borrowings of $7.5 million at various foreign subsidiaries are expected to be either paid over the next twelve months or refinanced at the end of their applicable terms.

Our long-term debt agreements contain customary covenants restricting our activities as well as those of our subsidiaries. We were in compliance with all of these covenants as of August 29, 2021.

Non-GAAP Financial Measures

Adjusted Gross Profit, Adjusted Gross Margin, Adjusted SG&A, Adjusted EBIT, Adjusted EBIT Margin, Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income Margin and Adjusted Diluted Earnings per Share

For the three-month, nine-month and twelve-month periods ended August 29, 2021 and the comparable periods in 2020, we define the following non-GAAP financial measures as follows:

- Adjusted gross profit, as gross profit excluding COVID-19 related inventory costs.
- Adjusted gross margin, as Adjusted gross profit as a percentage of net revenues;
- Adjusted SG&A, as SG&A less charges related to changes in fair value on cash-settled stock-based compensation, COVID-19 related charges, and restructuring related charges, severance and other, net;
- Adjusted EBIT, as net income (loss) excluding income tax expense (benefit), interest expense, other (income) expense, net, loss on early extinguishment of debt, impact of changes in fair value on cash-settled stock-based

compensation, COVID-19 related inventory costs and other charges, and restructuring and restructuring related charges, severance and other, net;

- Adjusted EBIT margin as Adjusted EBIT as a percentage of net revenues;
- Adjusted EBITDA as Adjusted EBIT excluding depreciation and amortization expense;
- Adjusted net income, as net income (loss) excluding charges related to the impact of changes in fair value on cash-settled stock-based compensation, loss on early extinguishment of debt, COVID-19 related inventory costs and other charges, and restructuring and restructuring related charges, severance and other, net, adjusted to give effect to the income tax impact of such adjustments, using an effective tax rate equal to our year to date income tax expense divided by our year to date income before income taxes, each as reflected in our statement of operations for the relevant period with any impacts of changes in effective tax rate being recognized in the current three-month period;
- Adjusted net income margin as Adjusted net income as a percentage of net revenues; and
- Adjusted diluted earnings per share as Adjusted net income per weighted-average number of diluted common shares outstanding.

We believe Adjusted gross profit, Adjusted gross margin, Adjusted SG&A, Adjusted EBIT, Adjusted EBIT margin, Adjusted EBITDA, Adjusted net income, Adjusted net income margin and Adjusted diluted earnings per share are useful to investors because they help identify underlying trends in our business that could otherwise be masked by certain expenses that we include in calculating net income but that can vary from company to company depending on its financing, capital structure and the method by which its assets were acquired, and can also vary significantly from period to period. Our management also uses Adjusted EBIT in conjunction with other GAAP financial measures for planning purposes, including as a measure of our core operating results and the effectiveness of our business strategy, and in evaluating our financial performance.

Adjusted gross profit, Adjusted gross margin, Adjusted SG&A, Adjusted EBIT, Adjusted EBIT margin, Adjusted EBITDA, Adjusted net income, Adjusted net income margin and Adjusted diluted earnings per share have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results prepared and presented in accordance with GAAP. Some of these limitations include:

- Adjusted EBIT, Adjusted EBIT margin and Adjusted EBITDA do not reflect income tax payments that reduce cash available to us;
- Adjusted EBIT, Adjusted EBIT margin and Adjusted EBITDA do not reflect interest expense, or the cash requirements necessary to service interest or principal payments on our indebtedness, which reduces cash available to us;
- Adjusted EBIT, Adjusted EBIT margin and Adjusted EBITDA exclude other (income) expense, net, which includes realized and unrealized gains and losses on our forward foreign exchange contracts and transaction gains and losses on our foreign exchange balances, although these items affect the amount and timing of cash available to us when these gains and losses are realized;
- all of these non-GAAP financial measures exclude the expense resulting from the impact of changes in fair value on our cash-settled stock-based compensation awards, even though, prior to March 2019, such awards were required to be settled in cash;
- all of these non-GAAP financial measures exclude COVID-19 related inventory costs and other charges, and restructuring and related charges, severance and other, net which can affect our current and future cash requirements;
- the expenses and other items that we exclude in our calculations of all of these non-GAAP financial measures may differ from the expenses and other items, if any, that other companies may exclude from all of these non-GAAP financial measures or similarly titled measures;
- Adjusted EBITDA excludes the recurring, non-cash expenses of depreciation of property and equipment and, although these are non-cash expenses, the assets being depreciated may need to be replaced in the future; and
- Adjusted net income, Adjusted net income margin and Adjusted diluted earnings per share do not include all of the effects of income taxes and changes in income taxes reflected in net income.

Because of these limitations, all of these non-GAAP financial measures should be considered along with net income and other operating and financial performance measures prepared and presented in accordance with GAAP.

Adjusted Gross Profit:

The following table presents a reconciliation of gross profit, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted Gross Profit for each of the periods presented.

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in millions) (Unaudited)			
Most comparable GAAP measure:				
Gross profit	$ 862.2	$ 577.4	$ 2,372.4	$ 1,586.4
Non-GAAP measure:				
Gross profit	$ 862.2	$ 577.4	$ 2,372.4	$ 1,586.4
COVID-19 related inventory costs [1]	(0.7)	(7.9)	(15.1)	78.7
Adjusted gross profit	$ 861.5	$ 569.5	$ 2,357.3	$ 1,665.1
Adjusted gross margin	57.5 %	53.6 %	57.8 %	54.3 %

(1) For the three-month and nine-month periods ended August 29, 2021, the reductions in COVID-19 related inventory charges is primarily related to reductions in our estimate of adverse fabric purchase commitments, initially recorded in the second quarter of 2020.

For the three-month period ended August 23, 2020, COVID-19 related inventory charges includes $7.9 million in reductions in COVID-19 related inventory charges, primarily due to reductions in our estimate of adverse fabric purchase commitments, initially recorded in the second quarter of 2020. During the nine-month period ended August 23, 2020, the charges include $48.1 million of incremental inventory reserves and $29.8 million of adverse fabric purchase commitments.

Adjusted SG&A:

The following table presents a reconciliation of SG&A, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted SG&A for each of the periods presented.

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in millions) (Unaudited)			
Most comparable GAAP measure:				
Selling, general and administrative expenses	$ 649.5	$ 484.0	$ 1,861.4	$ 1,695.1
Non-GAAP measure:				
Selling, general and administrative expenses	$ 649.5	$ 484.0	$ 1,861.4	$ 1,695.1
Impact of changes in fair value on cash-settled stock-based compensation	(0.9)	(1.8)	(3.4)	(6.0)
COVID-19 related charges[1]	(5.7)	4.1	1.2	(83.9)
Restructuring related charges, severance and other, net[2]	(3.2)	(1.1)	(12.3)	(7.8)
Adjusted SG&A	$ 639.7	$ 485.2	$ 1,846.9	$ 1,597.4

(1) For the three-month period ended August 29, 2021, the COVID-19 related charges primarily include impairment charges of certain retail store related assets. For the nine-month period ended August 29, 2021 the COVID-19 related charges primarily include reductions in allowances related to customer receivables partially offset with impairment charges of certain retail store related assets.

For the three-month period ended August 23, 2020, the COVID-19 related charges include a net reduction of $4.1 million primarily related to recoveries of receivables previously estimated to be not collectible, offset by incremental costs incurred in response to the global pandemic. For the nine-month period ended August 23, 2020, the COVID-19 related charges primarily include $43.0 million in impairment of certain operating lease right-of-use assets and $17.4 million in impairment of property and equipment related to certain retail locations and other corporate assets, and $21.0 million of charges related to customer receivables.

(2) Other charges included in restructuring related charges, severance and other, net include charges related to an international customs audit, transaction and deal related costs, acquisition and integration costs and amortization of acquired intangible assets.

Adjusted EBIT and Adjusted EBITDA:

The following table presents a reconciliation of net income (loss), the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted EBIT and Adjusted EBITDA for each of the periods presented.

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in millions) (Unaudited)					
Most comparable GAAP measure:						
Net income (loss)	$ 193.3	$ 27.0	$ 400.6	$ (183.8)	$ 457.3	$ (88.0)
Non-GAAP measure:						
Net income (loss)	$ 193.3	$ 27.0	$ 400.6	$ (183.8)	$ 457.3	$ (88.0)
Income tax expense (benefit)	9.7	24.6	12.8	(57.9)	8.1	(35.5)
Interest expense	18.1	28.4	61.4	56.3	87.3	74.5
Other (income) expense, net	(4.8)	12.3	(5.2)	8.3	8.9	3.5
Loss on early extinguishment of debt	—	—	30.3	—	30.3	—
Impact of changes in fair value on cash-settled stock-based compensation[1]	0.9	1.8	3.4	6.0	4.5	14.7
COVID-19 related inventory costs and other charges [2]	5.0	(12.0)	(16.3)	162.6	(19.3)	162.6
Restructuring and restructuring related charges, severance and other, net[3]	(0.4)	2.1	23.4	76.2	46.7	82.2
Adjusted EBIT	$ 221.8	$ 84.2	$ 510.4	$ 67.7	$ 623.8	$ 214.0
Depreciation and amortization[4]	35.5	32.6	105.2	101.0	140.8	134.6
Adjusted EBITDA	$ 257.3	$ 116.8	$ 615.6	$ 168.7	$ 764.6	$ 348.6
Adjusted EBIT margin	14.8 %	7.9 %	12.5 %	2.2 %		

(1) Includes the impact of changes in fair value of Class B common stock following the grant date on awards that were granted as cash-settled and subsequently replaced with stock-settled awards concurrent with the IPO.

(2) For the three-month period ended August 29, 2021, the COVID-19 related inventory costs and other charges recognized mainly represents impairment charges of certain retail store related assets. For the nine-month period ended August 29, 2021, the net reduction in COVID-19 related inventory costs and other charges recognized mainly represents reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments and allowances related to customer receivables partially offset with impairment charges of certain retail store related assets.

For the three-month period ended August 23, 2020, the COVID-19 related inventory costs and other charges primarily include $12.0 million of reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments, the recoveries of receivables previously estimated to be not collectible, offset by incremental costs incurred in response to the global pandemic. For the nine-month period ended August 23, 2020, the COVID-19 related inventory costs and other charges primarily include $48.1 million of incremental inventory reserves, $29.8 million of adverse fabric purchase commitments, $43.0 million and $17.4 million in impairment of operating lease right-of-use assets and property and equipment related, respectively, and $21.0 million of charges related to customer receivables.

(3) Other charges included in restructuring and restructuring related charges, severance and other, net include charges related to an international customs audit, transaction and deal related costs, acquisition and integration costs and amortization of acquired intangible assets.

(4) Depreciation and amortization amount net of amortization of acquired intangible assets included in Restructuring and related charges, severance and other, net.

Adjusted Net Income and Adjusted Diluted Earnings per Share:

The following table presents a reconciliation of net income, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted net income for each of the periods presented and the calculation of Adjusted diluted earnings per share for each of the periods presented.

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in millions, except per share amounts) (Unaudited)			
Most comparable GAAP measure:				
Net income (loss)	$ 193.3	$ 27.0	$ 400.6	$ (183.8)
Non-GAAP measure:				
Net income (loss)	$ 193.3	$ 27.0	$ 400.6	$ (183.8)
Impact of changes in fair value on cash-settled stock-based compensation[(1)]	0.9	1.8	3.4	6.0
Loss on early extinguishment of debt	—	—	30.3	—
COVID-19 related inventory costs and other charges[(2)]	5.0	(12.0)	(16.3)	162.6
Restructuring and restructuring related charges, severance and other, net[(3)]	(0.4)	2.1	23.4	76.2
Tax impact of adjustments	(1.4)	12.4	(10.2)	(58.7)
Adjusted net income	$ 197.4	$ 31.3	$ 431.2	$ 2.3
Adjusted net income margin	13.2 %	2.9 %	10.6 %	0.1 %
Adjusted diluted earnings per share	$ 0.48	$ 0.08	$ 1.05	$ 0.01

(1) Includes the impact of changes in fair value of Class B common stock following the grant date on awards that were granted as cash-settled and subsequently replaced with stock-settled awards concurrent with the IPO.

(2) For the three-month period ended August 29, 2021, the COVID-19 related inventory costs and other charges recognized mainly represents impairment charges of certain retail store related assets. For the nine-month period ended August 29, 2021, the net reduction in COVID-19 related inventory costs and other charges recognized mainly represents reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments and allowances related to customer receivables partially offset with impairment charges of certain retail store related assets.

For the three-month period ended August 23, 2020, the COVID-19 related inventory costs and other charges primarily include $12.0 million reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments, the recoveries of receivables previously estimated to be not collectible, offset by incremental costs incurred in response to the global pandemic. For the nine-month period ended August 23, 2020, the COVID-19 related inventory costs and other charges primarily include $48.1 million of incremental inventory reserves, $29.8 million of adverse fabric purchase commitments, $43.0 million and $17.4 million in impairment of operating lease right-of-use assets and property and equipment related, respectively, and $21.0 million of charges related to customer receivables.

(3) Other charges included in restructuring and restructuring related charges, severance and other, net include charges related to an international customs audit, transaction and deal related costs, acquisition and integration costs and amortization of acquired intangible assets.

Net Debt and Leverage Ratio:

We define net debt, a non-GAAP financial measure, as total debt, excluding capital leases, less cash and cash equivalents and short-term investments in marketable securities. We define leverage ratio, a non-GAAP financial measure, as the ratio of total debt to the last 12 months Adjusted EBITDA. Our management believes net debt and leverage ratio are important measures to monitor our financial flexibility and evaluate the strength of our balance sheet. Net debt and leverage ratio have limitations as analytical tools and may vary from similarly titled measures used by other companies. Net debt and leverage ratio should not be considered in isolation or as a substitute for an analysis of our results prepared and presented in accordance with GAAP.

The following table presents a reconciliation of total debt, excluding capital leases, the most directly comparable financial measure calculated in accordance with GAAP, to net debt for each of the periods presented.

	August 29, 2021	November 29, 2020
	(Dollars in millions) (Unaudited)	
Most comparable GAAP measure:		
Total debt, excluding capital leases	$ 1,250.8	$ 1,564.3
Non-GAAP measure:		
Total debt, excluding capital leases	$ 1,250.8	$ 1,564.3
Cash and cash equivalents	(1,376.6)	(1,497.2)
Short-term investments in marketable securities	(95.5)	(96.5)
Net debt	$ (221.3)	$ (29.4)

The following table presents a reconciliation of total debt, excluding capital leases, the most directly comparable financial measure calculated in accordance with GAAP, to leverage ratio for each of the periods presented.

	August 29, 2021	August 23, 2020
	(Dollars in millions) (Unaudited)	
Total debt, excluding capital leases	$ 1,250.8	$ 1,567.2
Last Twelve Months Adjusted EBITDA[(1)]	$ 764.6	$ 348.6
Leverage ratio	1.6	4.5

(1) Last Twelve Months Adjusted EBITDA is reconciled from net income (loss) which is the most comparable GAAP measure. Refer to Adjusted EBIT and Adjusted EBITDA table for more information.

Adjusted Free Cash Flow:

We define Adjusted free cash flow, a non-GAAP financial measure, as net cash flow from operating activities less purchases of property, plant and equipment, plus proceeds (less payments) on settlement of forward foreign exchange contracts not designated for hedge accounting, less repurchases of common stock, including shares surrendered for tax withholdings on equity award exercises, and cash dividends to stockholders. We believe Adjusted free cash flow is an important liquidity measure of the cash that is available after capital expenditures for operational expenses and investment in our business. We believe Adjusted free cash flow is useful to investors because it measures our ability to generate or use cash. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

Our use of Adjusted free cash flow has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results under GAAP. First, Adjusted free cash flow is not a substitute for net cash flow from operating activities. Second, other companies may calculate Adjusted free cash flow or similarly titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of Adjusted free cash flow as a tool for comparison. Additionally, the utility of Adjusted free cash flow is further limited as it does not reflect our future contractual commitments and does not represent the total increase or decrease in our cash balance for a given period. Because of these and other limitations, Adjusted free cash flow should be considered along with net cash flow from operating activities and other comparable financial measures prepared and presented in accordance with GAAP.

The following table presents a reconciliation of net cash flow from operating activities, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted free cash flow for each of the periods presented.

	Three Months Ended		Nine Months Ended	
	August 29, 2021	August 23, 2020	August 29, 2021	August 23, 2020
	(Dollars in millions) (Unaudited)		(Dollars in millions) (Unaudited)	
Most comparable GAAP measure:				
Net cash provided by operating activities	$ 250.9	$ 199.5	$ 498.9	$ 240.9
Net cash used for investing activities	(57.3)	(10.1)	(127.7)	(117.7)
Net cash (used for) provided by financing activities	(36.5)	(287.1)	(489.6)	$ 302.5
Non-GAAP measure:				
Net cash provided by operating activities	$ 250.9	$ 199.5	$ 498.9	$ 240.9
Purchases of property, plant and equipment	(40.9)	(14.3)	(108.4)	(89.5)
(Payments) proceeds on settlement of forward foreign exchange contracts not designated for hedge accounting	(14.2)	2.5	(18.5)	17.6
Repurchase of common stock	—	—	—	(56.2)
Repurchase of shares surrendered for tax withholdings on equity awards	(3.3)	(4.3)	(79.7)	(79.9)
Dividend to stockholders	(32.2)	—	(72.3)	(63.6)
Adjusted free cash flow	$ 160.3	$ 183.4	$ 220.0	$ (30.7)

Constant-Currency:

We report our operating results in accordance with GAAP, as well as on a constant-currency basis in order to facilitate period-to-period comparisons of our results without regard to the impact of fluctuating foreign currency exchange rates. The term foreign currency exchange rates refers to the exchange rates we use to translate our operating results for all countries where the functional currency is not the U.S. Dollar into U.S. Dollars. Because we are a global company, foreign currency exchange rates used for translation may have a significant effect on our reported results. In general, our reported financial results are affected positively by a weaker U.S. Dollar and are affected negatively by a stronger U.S. Dollar as compared to the foreign currencies in which we conduct our business. References to our operating results on a constant-currency basis mean our operating results without the impact of foreign currency translation fluctuations.

We believe disclosure of constant-currency results is helpful to investors because it facilitates period-to-period comparisons of our results by increasing the transparency of our underlying performance by excluding the impact of fluctuating foreign currency exchange rates. However, constant-currency results are non-GAAP financial measures and are not meant to be

considered in isolation or as a substitute for comparable measures prepared in accordance with GAAP. Constant-currency results have no standardized meaning prescribed by GAAP, are not prepared under any comprehensive set of accounting rules or principles and should be read in conjunction with our consolidated financial statements prepared in accordance with GAAP. Constant-currency results have limitations in their usefulness to investors and may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies.

We calculate constant-currency amounts by translating local currency amounts in the prior-year period at actual foreign exchange rates for the current period. Our constant-currency results do not eliminate the transaction currency impact, which primarily include the realized and unrealized gains and losses recognized from the measurement and remeasurement of purchases and sales of products in a currency other than the functional currency. Additionally, gross margin and Adjusted gross margin are impacted by gains and losses related to the procurement of inventory, primarily products sourced in Euros and U.S. dollars, by our global sourcing organization on behalf of our foreign subsidiaries.

The table below sets forth the calculation of net revenues for each of our regional operating segments on a constant-currency basis for comparison periods applicable to the three-month and nine-month periods ended August 29, 2021:

	Three Months Ended			Nine Months Ended		
	August 29, 2021	August 23, 2020	% Increase (Decrease)	August 29, 2021	August 23, 2020	% Increase (Decrease)
	(Dollars in millions) (Unaudited)					
Total net revenues						
As reported	$ 1,497.6	$ 1,063.1	40.9 %	$ 4,079.2	$ 3,066.8	33.0 %
Impact of foreign currency exchange rates	—	21.8	*	—	81.2	*
Constant-currency net revenues	$ 1,497.6	$ 1,084.9	38.0 %	$ 4,079.2	$ 3,148.0	29.6 %
Americas						
As reported	$ 838.0	$ 549.8	52.4 %	$ 2,194.3	$ 1,578.1	39.0 %
Impact of foreign currency exchange rates	—	6.7	*	—	4.8	*
Constant-currency net revenues - Americas	$ 838.0	$ 556.5	50.6 %	$ 2,194.3	$ 1,582.9	38.6 %
Europe						
As reported	$ 494.5	$ 390.4	26.7 %	$ 1,288.9	$ 1,032.4	24.8 %
Impact of foreign currency exchange rates	—	10.1	*	—	58.0	*
Constant-currency net revenues - Europe	$ 494.5	$ 400.5	23.5 %	$ 1,288.9	$ 1,090.4	18.2 %
Asia						
As reported	$ 165.1	$ 122.9	34.3 %	$ 596.0	$ 456.3	30.6 %
Impact of foreign currency exchange rates	—	5.0	*	—	18.4	*
Constant-currency net revenues - Asia	$ 165.1	$ 127.9	29.1 %	$ 596.0	$ 474.7	25.6 %

* Not meaningful

Constant-Currency Adjusted EBIT:

The table below sets forth the calculation of Adjusted EBIT on a constant-currency basis for comparison period applicable to the three-month and nine-month periods ended August 29, 2021.

	Three Months Ended			Nine Months Ended		
	August 29, 2021	August 23, 2020	% Increase (Decrease)	August 29, 2021	August 23, 2020	% Increase (Decrease)
	(Dollars in millions) (Unaudited)					
Adjusted EBIT[1]	$ 221.8	$ 84.2	163.4 %	$ 510.4	$ 67.7	*
Impact of foreign currency exchange rates	—	1.8	*	—	2.4	*
Constant-currency Adjusted EBIT	$ 221.8	$ 86.0	157.9 %	$ 510.4	$ 70.1	*
Constant-currency Adjusted EBIT margin[2]	14.8 %	7.9 %		12.5 %	2.2 %	

(1) Adjusted EBIT is reconciled from net income (loss) which is the most comparable GAAP measure. Refer to Adjusted EBIT and Adjusted EBITDA table for more information.

(2) We define constant-currency Adjusted EBIT margin as constant-currency Adjusted EBIT as a percentage of constant-currency net revenues.

* Not meaningful

Constant-Currency Adjusted Net Income and Adjusted Diluted Earnings per Share:

The table below sets forth the calculation of Adjusted net income and Adjusted diluted earnings per share on a constant-currency basis for comparison periods applicable to the three-month and nine-month periods ended August 29, 2021.

	Three Months Ended			Nine Months Ended		
	August 29, 2021	August 23, 2020	% Increase (Decrease)	August 29, 2021	August 23, 2020	% Increase (Decrease)
	(Dollars in millions, except per share amounts) (Unaudited)					
Adjusted net income [1]	$ 197.4	$ 31.3	*	$ 431.2	$ 2.3	*
Impact of foreign currency exchange rates	—	(0.3)	*	—	3.0	*
Constant-currency Adjusted net income	$ 197.4	$ 31.0	*	$ 431.2	$ 5.3	*
Constant-currency Adjusted net income margin[2]	13.2 %	2.9 %		10.6 %	0.2 %	
Adjusted diluted earnings per share	$ 0.48	$ 0.08	*	$ 1.05	$ 0.01	*
Impact of foreign currency exchange rates	—	—	*	—	—	*
Constant-currency Adjusted diluted earnings per share	$ 0.48	$ 0.08	*	$ 1.05	$ 0.01	*

(1) Adjusted net income is reconciled from net income (loss) which is the most comparable GAAP measure. Refer to Adjusted net income table for more information.

(2) We define constant-currency Adjusted net income margin as constant-currency Adjusted net income as a percentage of constant-currency net revenues.

* Not meaningful

Off-Balance Sheet Arrangements, Guarantees and Other Contingent Obligations

As of August 29, 2021, there had been no significant changes to our off-balance sheet arrangements or contractual commitments from those disclosed in our 2020 Annual Report on Form 10-K, except those changes resulting from issuing $500.0 million in aggregate principal amount of 3.50% Senior Notes due 2031 and redemption of $800.0 million of the 5.00% Senior Notes due 2025. See Note 6 to the consolidated financial statements included in this report for more information.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes. There have been no significant changes to our critical accounting policies from those disclosed in our 2020 Annual Report on Form 10-K.

Recently Issued Accounting Standards

See Note 1 to our unaudited consolidated financial statements included in this Quarterly Report for recently issued accounting standards, including the expected dates of adoption and estimated effects on our consolidated financial statements.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Quarterly Report, including (without limitation) statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" contain forward-looking statements. Although we believe that, in making any such statements, our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected.

These forward-looking statements include statements relating to our anticipated financial performance and business prospects, including debt reduction, currency values and financial impact, foreign exchange counterparty exposures, the impact of pending legal proceedings, adequate liquidity levels, dividends and/or statements preceded by, followed by or that include the words "believe", "will", "so we can", "when", "anticipate", "intend", "estimate", "expect", "project", "could", "plans", "seeks" and similar expressions. These forward-looking statements speak only as of the date stated, and we do not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results expressed or implied by these forward-looking statements will not be realized. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these expectations may not prove to be correct or we may not achieve the financial results, savings or other benefits anticipated in the forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties, some of which may be beyond our control. These risks and uncertainties, including those disclosed under "Risk Factors" in Part II, Item 1A on this Quarterly Report and in our other filings with the Securities and Exchange Commission, could cause actual results to differ materially from those suggested by the forward-looking statements and include, without limitation:

- changes in general economic and financial conditions, and the resulting impact on the level of discretionary consumer spending for apparel and pricing trend fluctuations, and our ability to plan for and respond to the impact of those changes;
- the potential duration and impact of COVID-19 on our projected customer demand, store closures, supply chain and our business, as well as our consolidated financial position, consolidated results of operations, and consolidated cash flows in fiscal 2021;
- the risk of future non-cash asset impairment charges, including to goodwill, operating right-of-use assets and/or other store assets;
- our ability to effectively manage any global productivity and outsourcing actions as planned, which are intended to increase productivity and efficiency in our global operations, take advantage of lower-cost service-delivery models in our distribution network and streamline our procurement practices to maximize efficiency in our global operations, without business disruption or mitigation to such disruptions;
- consequences of impacts to the businesses of our wholesale customers, including significant store closures or a significant decline in a wholesale customer's financial condition leading to restructuring actions, bankruptcies, liquidations or other unfavorable events for our wholesale customers, caused by factors such as inability to secure financing, decreased discretionary consumer spending, inconsistent foot and online traffic patterns and an increase in promotional activity as a result of decreased foot and online traffic, pricing fluctuations, general economic and financial conditions and changing consumer preferences;
- our and our wholesale customers' decisions to modify strategies and adjust product mix and pricing, and our ability to manage any resulting product transition costs, including liquidating inventory or increasing promotional activity;
- our ability to purchase products through our independent contract manufacturers that are made with quality raw materials and our ability to mitigate the variability of costs related to manufacturing, sourcing, and raw materials supply and to manage consumer response to such mitigating actions;
- our ability to gauge and adapt to changing U.S. and international retail environments and fashion trends and changing consumer preferences in product, price-points, as well as in-store and digital shopping experiences;
- our ability to respond to price, innovation and other competitive pressures in the global apparel industry, on and from our key customers and in our key markets;
- our ability to increase the number of dedicated stores for our products, including through opening and profitably operating company-operated stores;
- the extent to which wholesale customer forward demand signals result in actual sales;
- consequences of foreign currency exchange and interest rate fluctuations;

- our ability to successfully prevent or mitigate the impacts of data security breaches;
- our ability to attract and retain key executives and other key employees;
- our ability to achieve our diversity, equity and inclusion, ESG and sustainability and climate change goals;
- our ability to protect our trademarks and other intellectual property;
- the impact of the variables that affect the net periodic benefit cost and future funding requirements of our postretirement benefits and pension plans;
- our dependence on key distribution channels, customers and suppliers;
- our ability to utilize our tax credits and net operating loss carryforwards;
- potential future paydowns of existing debt;
- future acquisitions of or investments in new businesses, including the Beyond Yoga acquisition;
- the process and risks relating to the implementation of a new enterprise resource planning (ERP) system;
- ongoing or future litigation matters and disputes and regulatory developments;
- changes in or application of trade and tax laws, potential increases in import tariffs or taxes, and the implementation of trade restrictions or sanctions; and
- political, social and economic instability, or natural disasters, in countries where we or our customers do business.

We have based the forward-looking statements contained in this Quarterly Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, business strategy and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions and other factors described under "Risk Factors" and elsewhere in this Quarterly Report. These risks are not exhaustive. Other sections of this Quarterly Report include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

The forward-looking statements made in this Quarterly Report relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this Quarterly Report or to conform such statements to actual results or revised expectations, except as required by law.

Item 3. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

There have been no material changes in our primary market risk exposures or how those exposures are managed from the information disclosed in our 2020 Annual Report on Form 10-K.

Item 4. ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

We have evaluated, under the supervision and with the participation of management, including our chief executive officer and our chief financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of August 29, 2021. Based on that evaluation, our chief executive officer and our chief financial officer concluded that as of August 29, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. There were no changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

In the ordinary course of business, we have various claims, complaints and pending cases, including contractual matters, facility and employee-related matters, distribution matters, product liability matters, intellectual property matters, bankruptcy preference matters, and tax and administrative matters. We do not believe any of these pending claims, complaints and legal proceedings will have a material impact on our financial condition, results of operations or cash flows.

Item 1A. *RISK FACTORS*

Investing in our Class A common stock involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Quarterly Report and in our other public filings. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition or results of operations. In such case, the trading price of our Class A common stock could decline, and you may lose all or part of your original investment. This Quarterly Report also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below.

Summary of Risks Affecting Our Business

Our business is subject to numerous risks. The following summary highlights some of the risks you should consider with respect to our business and prospects. This summary is not complete and the risks summarized below are not the only risks we face. You should review and consider carefully the risks and uncertainties described in more detail in this "Risk Factors" section of this Quarterly Report on Form 10-Q which includes a more complete discussion of the risks summarized below as well as a discussion of other risks related to our business and an investment in our Class A common stock.

- the COVID-19 pandemic has had, and will likely continue to have, an adverse effect on the global economy, our business and results of operations;
- our success depends on our ability to maintain the value and reputation of our brands;
- our revenues are influenced by economic conditions that impact consumer spending and consumer confidence and an extended period of global supply chain and economic disruption could materially affect our business, results of operations, access to sources of liquidity and financial condition;
- intense competition in the global apparel industry could lead to reduced sales and prices;
- failure to forecast and respond timely to consumer demand and market conditions and offer on-trend and new and updated products at attractive price points could adversely affect our image and reputation and sales, margins and profitability;
- we depend on a group of key wholesale customers for a significant portion of our revenues, and a significant adverse change in a customer relationship or in a customer’s performance or financial position could harm our business and financial condition;
- our efforts to expand our retail business may not be successful, which could impact our operating results;
- future acquisitions of and investments in new businesses, including the Beyond Yoga acquisition, could impact our business and financial condition;
- if the implementation of our customer, digital, and omni-channel initiatives is not successful, if we are unable to effectively execute our e-commerce business, or we do not realize the return on our investments in these initiatives that we anticipate, our reputation and operating results would be adversely affected;
- we may be unable to maintain or increase our sales through our third-party distribution channels, which can impact, and has adversely impacted in the past, our net revenues and margins;
- we are a global company with significant revenues and earnings generated internationally, which exposes us to the impact of foreign currency fluctuations, changes to trade policy (including tariff, sanctions and customs regulations) and other domestic and foreign laws and regulations (including tax reform legislation), as well as political and economic risks;

- if we encounter problems with our distribution system, whether company-owned or third-party, our ability to meet customer and consumer expectations, manage inventory, complete sales and achieve operating efficiencies could be adversely affected;
- we face risks arising from restructuring of our operations and uncertainty with respect to our ability to achieve any anticipated cost savings associated with such restructuring;
- any major disruption or failure of our information technology systems, owned by us and third parties, our failure to successfully implement new technology effectively, and risks related to cybersecurity, privacy and data protection could increase costs and adversely affect our business and operations;
- production sources that fail to meet our quality, cost, social and environmental compliance and risk mitigation, and other requirements, or failures by our contract manufacturers to perform, could harm our sales, service levels and reputation;
- our suppliers may be impacted by economic conditions and cycles and changing laws and regulatory requirements which could impact their ability to do business with us or cause us to terminate our relationship with them and require us to find replacements, which we may have difficulty doing;
- if one or more of our counterparty financial institutions default on their obligations to us, we may incur significant losses;
- the loss of members of our executive management and other key employees or the failure to attract and retain key personnel could harm our business;
- most of the employees in our production and distribution facilities are covered by collective bargaining agreements, and any material job actions could negatively affect our results of operations;
- our licensees and franchisees may not comply with our product quality, manufacturing standards, social, environmental, marketing and other requirements, which could negatively affect our reputation and business;
- our success depends on the continued protection of our trademarks and other proprietary intellectual property rights;
- we have substantial liabilities and cash requirements associated with our postretirement benefits, pension and deferred compensation plans;
- natural disasters, public health crises, including the COVID-19 pandemic, political crises, and other catastrophic events or other events outside of our control may damage our facilities or the facilities of third parties on which we depend, and could impact consumer spending;
- our products may experience quality problems that could result in negative publicity, litigation, product recalls and warranty claims, which could result in decreased revenues and harm to our brands;
- climate change may adversely impact our business;
- environmental, social and governance practices could result in additional costs, and could adversely impact our reputation, consumer perception, employee retention, and willingness of third parties to do business with u***s;***
- we have debt and interest payment requirements at a level that may restrict our future operations and restrictions in our notes, indentures and credit facility may limit our activities, including dividend payments, share repurchases and acquisitions; and
- increases in the price or availability of raw materials could increase our cost of goods and negatively impact our financial results.

Risks Relating to Our Business

The COVID-19 pandemic has had an adverse effect on our business and results of operations, and we expect this adverse impact to continue.

The COVID-19 pandemic has negatively impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets. The COVID-19 pandemic has had an adverse impact on our business and financial performance, and we expect this adverse impact to continue. The extent of the impact of the COVID-19 pandemic on our business and financial performance, including our ability to execute our near-term and long-term business strategies and initiatives in the expected time frame, will depend on future developments, including the duration, severity and any resurgences of the pandemic, which are uncertain and cannot be predicted.

As a result of the COVID-19 pandemic, and in response to government mandates or recommendations, as well as decisions we have made to protect the health and safety of our employees, consumers and communities, we temporarily closed a significant number of our stores globally. While most of our stores have reopened, we may face new or longer term store closure requirements and other operational restrictions with respect to some or all of our physical locations for prolonged periods of time due to, among other factors, evolving and increasingly stringent governmental restrictions including public health directives, quarantine policies or social distancing measures. In particular, given recent resurgences in the COVID-19 pandemic, including breakthrough infections among the fully vaccinated population, the timing, accessibility, acceptance, adoption and effectiveness of vaccines, as well as related booster vaccines, and the impacts of COVID-19 variants in certain parts of the world, we again have had to close stores and may need to again close a significant number of our stores in the future. In addition, many of our customers, including significant customers in our wholesale and franchise distribution channels, have closed many of their stores, either temporarily or permanently, which has adversely impacted our revenues from these customers and franchisees. As a result, we expect our financial results to continue to be adversely impacted.

In addition, consumer fears about becoming ill with the disease may continue, which has and is likely to continue to adversely affect foot traffic to our and our customers' stores. Consumer spending generally has and may in the future also be negatively impacted by general macroeconomic conditions and consumer confidence, including the impacts of any recession, resulting from the COVID-19 pandemic. This may negatively impact sales in our stores and our e-commerce channel and may cause our wholesale customers to purchase fewer products from us. Furthermore, if sales do not meet expectations because of unexpected effects on consumer demand caused by the COVID-19 pandemic, the resulting surplus inventory may cause excessive markdowns and, therefore, lower than planned gross margins. Any continued significant reduction in consumer visits to, or spending at, our and our customers' stores, caused by COVID-19, and any continued decreased spending at stores or online caused by decreased consumer confidence and spending following the pandemic, would result in a loss of sales and profits and, as a result, adversely impact our financial results.

The COVID-19 pandemic also has the potential to significantly impact our supply chain if the factories that manufacture our products, the distribution centers where we manage our inventory, or the operations of our logistics and other service providers are disrupted, temporarily closed or experience worker shortages. In particular, we have seen disruptions and delays in shipments and we may see negative impacts to pricing of certain components of our products as a result of the COVID-19 pandemic.

As a result of the COVID-19 pandemic, including related governmental guidance or requirements, we also have closed many of our corporate office and other facilities, including our corporate headquarters in San Francisco, and have implemented a work from home policy for many of our corporate employees. This policy may negatively impact productivity and cause other disruptions to our business. Longer term, the effects of the COVID-19 pandemic may also threaten the health of our employees and adversely impact our health care costs.

The extent of the impact of the COVID-19 pandemic on our business is highly uncertain and difficult to predict, as information is rapidly evolving with respect to the duration and severity of the pandemic. At this point, we cannot reasonably estimate the duration and severity of the COVID-19 pandemic, or its overall impact on our business.

Our success depends on our ability to maintain the value and reputation of our brands.

Our success depends in large part on the value, overall health and reputation of our brands, which are integral to our business and the implementation of our "Brand Led" strategy for expanding our business. Maintaining, promoting and positioning our brands will depend largely on the success of our marketing, design and merchandising efforts and our ability to provide consistent, high-quality products supported by engaging marketing campaigns. Our brands and reputation could be adversely affected if we fail to achieve these objectives, if we fail to deliver high-quality products acceptable to our customers and consumers or if we face or mishandle a product recall.

Our brand value also depends on our ability to maintain a positive consumer perception of our brands, corporate integrity and culture. Negative claims or publicity involving us or our products, or the production methods or locations of any of our suppliers or contract manufacturers, could seriously damage our reputation, sales and brand image, regardless of whether such claims or publicity are accurate. Social media, which accelerates and potentially amplifies the scope of negative claims or publicity, can increase the challenges of responding to negative claims or publicity. In addition, we or our senior executives may from time to time take positions or make statements on social issues that may be unpopular with some consumers or customers, which may impact our ability to attract or retain such consumers or customers, and which could adversely impact our results in certain locations. Adverse publicity could undermine consumer confidence in our brands and reduce long-term demand for our products, even if such publicity is unfounded. Any harm to our brands and reputation could adversely affect our business and financial condition.

We depend on a group of key wholesale customers for a significant portion of our revenues. A significant adverse change in a customer relationship or in a customer's performance or financial position could harm our business and financial condition.

Sales to our top ten wholesale customers accounted for 33% of our total net revenues for the quarter ended August 29, 2021 and 31% for the quarter ended August 23, 2020. No single customer represented 10% or more of our net revenues in either of these periods. While we have long-standing relationships with our wholesale customers, we do not have long-term contracts with them. As a result, purchases generally occur on an order-by-order basis, and the relationship, as well as particular orders, can generally be terminated by either party at any time. If any major wholesale customer decreases or ceases its purchases from us, cancels its orders, delays or defaults on its payment obligations to us, reduces the floor space, assortments, fixtures or advertising for our products or changes its manner of doing business with us for any reason, such as due to store closures, decreased foot traffic or recession resulting from the COVID-19 pandemic, such actions are expected to adversely affect our business and financial condition. Furthermore, certain of our major wholesale customers may seek to distribute our products globally in a manner or at prices that impact the positioning that we seek to promote in our other channels of distribution. In addition, a decline in the performance or financial condition of a major wholesale customer– including bankruptcy or liquidation– could result in the adverse impact on revenues and cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to our receivables from that customer or limit our ability to collect amounts related to previous purchases by that customer. For example, our wholesale customer, Sears Holdings Corporation, including Kmart, and our wholesale customer, J.C. Penney have undergone bankruptcy and reorganization proceedings. Permanent store closures and other developments in these proceedings have adversely affected our sales to these customers. We expect additional closures and other developments in these proceedings will likely adversely affect our sales to these customers in the future, even if they continue operations. In addition, store closures, decreased foot traffic and recession resulting from the COVID-19 pandemic will adversely affect the performance and will likely adversely affect the financial condition of many of these customers. The foregoing are expected to have an adverse effect on our business and financial condition.

Our efforts to expand our retail business may not be successful, which could impact our operating results.

One of our key strategic priorities is our "DTC First" strategy, which includes our plan to become a leading world-class omni-channel retailer by expanding our consumer reach in brand-dedicated stores globally, including making selective investments in company-operated stores and e-commerce sites, and other brand-dedicated store models. In many locations, we face major, established retail competitors that may be able to better attract consumers and execute their retail strategies. In addition, a retail operating model involves substantial investments in equipment and property, information systems, inventory and personnel. Due to the high fixed-cost structure associated with these investments, a decline in sales or the closure of or poor performance of stores, including the closure of stores and decreased foot traffic resulting from the COVID-19 pandemic, could result in significant costs and impacts to our margins. Our ability to grow our retail channel also depends on the availability and cost of real estate that meets our criteria for foot traffic, square footage, demographics and other factors. Failure to identify and secure adequate new locations, or failure to effectively manage the profitability of the fleet of stores, could have an adverse effect on our results of operations.

In addition, our investments in customer, digital, and omni-channel shopping initiatives may not deliver the results we anticipate. These initiatives involve significant investments in IT systems, data science and artificial intelligence initiatives, and significant operational changes. Our competitors are also investing in omni-channel initiatives, some of which may be more successful than our initiatives. If the implementation of our customer, digital, and omni-channel initiatives is not successful, or we do not realize the return on our investments in these initiatives that we anticipate, our operating results would be adversely affected.

If we are unable to effectively execute our e-commerce business, our reputation and operating results may be harmed.

While e-commerce still comprises a small portion of our net revenues, it has been our fastest growing business over the last several years and it is a key part of our "DTC First" strategy. The success of our e-commerce business depends, in part, on third parties and factors over which we have limited control, including changing consumer preferences and buying trends relating to e-commerce usage, both domestically and abroad, and promotional or other advertising initiatives employed by our wholesale customers or other third parties on their e-commerce sites. Any failure on our part, or on the part of our third-party digital partners, to provide attractive, reliable, secure and user-friendly e-commerce platforms could negatively impact our consumers' shopping experience, resulting in reduced website traffic, diminished loyalty to our brands and lost sales. In addition, as we continue to expand and increase the global presence of our e-commerce business, sales from our retail stores and wholesale channels of distribution in areas where e-commerce sites are introduced may decline due to changes in consumer shopping habits and cannibalization.

We are also vulnerable to certain additional risks and uncertainties associated with our e-commerce sites, including:

- changes in required technology interfaces;
- website downtime and other technical failures;
- costs and technical issues from website software upgrades;
- data and system security;
- computer viruses; and
- changes in applicable federal and state regulations.

In addition, we must keep up to date with competitive technology trends, including the use of new or improved technology, creative user interfaces and other e-commerce marketing tools such as paid search and mobile applications, among others, which may increase our costs and which may not succeed in increasing sales or attracting consumers. For example, it is possible that consumers may not sign up for our loyalty program at anticipated rates if they do not find the features and benefits compelling, and that we may not realize the benefits that we anticipate from these programs. Our failure to successfully respond to these risks and uncertainties might adversely affect the sales in our e-commerce business, as well as damage our reputation and brands.

Additionally, the success of our e-commerce business and the satisfaction of our consumers depend on their timely receipt of our products. The efficient flow of our products requires that our company-operated and third-party operated distribution facilities have adequate capacity to support the current level of e-commerce operations and any anticipated increased levels that may follow from the growth of our e-commerce business. If we encounter difficulties with our distribution facilities or in our relationships with the third parties who operate the facilities, or if any such facilities were to shut down or be limited in capacity for any reason, including as a result of fire, other natural disaster, labor disruption, or pandemic (including as a consequence of public health directives, quarantine policies or social distancing measures resulting from the COVID-19 pandemic), we could face shortages of inventory, resulting in "out of stock" conditions in the e-commerce sites we operate and those operated by our wholesale customers or other third parties, and we could experience disruption or delay, or incur significantly higher costs and longer lead times associated with distributing our products to our consumers and experience dissatisfaction from our consumers. Any of these issues could have an adverse effect on our business and harm our reputation.

We may be unable to maintain or increase our sales through our third-party distribution channels.

In addition to our brand-dedicated company-operated retail stores and e-commerce sites, our third-party distribution channels include department stores, specialty retailers, mass channel retailers, franchised or other brand-dedicated stores, and shop-in-shops.

We may be unable to maintain or increase sales of our products through these distribution channels for several reasons, including the following:

- the retailers in these channels maintain– and seek to grow– substantial private-label and exclusive offerings as they strive to differentiate the brands and products they offer from those of their competitors;
- the retailers change their apparel strategies in a way that shifts focus away from our typical consumer or that otherwise results in a reduction of sales of our products generally, such as a reduction of fixture spaces devoted to our products or a shift to other brands;
- other channels, including vertically-integrated specialty stores and e-commerce sites, account for a substantial portion of jeanswear and casual wear sales. In some of our mature markets, these stores and sites have placed competitive pressure on our primary distribution channels, and many of these stores and sites are now looking to our developing markets to grow their business; and
- shrinking points of distribution, including fewer doors at our customer locations, store closures and decreased foot traffic due to the COVID-19 pandemic, or bankruptcy or financial difficulties of a customer.

Further success by retailer private-labels, vertically-integrated specialty stores and e-commerce sites may continue to adversely affect the sales of our products across all channels, as well as the profitability of our brand-dedicated stores. Additionally, our ability to secure or maintain retail floor space, product display prominence, market share and sales in these channels depends on our ability to offer differentiated products, to increase retailer profitability on our products and the strength of our brands, and such efforts could have an adverse impact on our margins.

In addition, the retail industry in the United States has experienced substantial consolidation over the last decade, and further consolidation may occur. Consolidation in the retail industry has typically resulted in store closures, centralized

purchasing decisions and increased emphasis by retailers on inventory management and productivity, which could result in fewer stores carrying our products or reduced demand by retailers for our products. In addition, we and other suppliers may experience increased customer leverage over us and greater exposure to credit risk as a result of industry consolidation. Furthermore, consolidation may be partly due to consumers continuing to transition away from traditional wholesale retailers to large online retailers, which in turn exposes our products to increased competition. Any of the foregoing results can impact, and have adversely impacted in the past, our net revenues, margins and ability to operate efficiently.

We are a global company with significant revenues and earnings generated internationally, which exposes us to the impact of foreign currency fluctuations, as well as political and economic risks.

A significant portion of our revenues and earnings are generated internationally. In addition, a substantial amount of our products comes from sources outside the country of distribution. As a result, we are both directly and indirectly (through our suppliers) subject to the risks of doing business outside the United States, including:

- currency fluctuations, which have impacted our results of operations significantly in recent years;
- political, economic and social instability;
- changes in tariffs and taxes;
- regulatory restrictions on our ability to operate in our preferred manner;
- rapidly changing regulatory restrictions and requirements, for example in the area of data privacy; and
- less protective foreign laws relating to intellectual property.

The functional currency for most of our foreign operations is the applicable local currency. As a result, fluctuations in foreign currency exchange rates affect the results of our operations and the value of our foreign assets and liabilities, including debt, which in turn may adversely affect results of operations and cash flows and the comparability of period-to-period results of operations. Changes in foreign currency exchange rates may also affect the relative prices at which we and foreign competitors sell products in the same market. Foreign governmental policies and actions regarding currency valuation could result in actions by the United States and other countries to offset the effects of such fluctuations. Given the unpredictability and volatility of foreign currency exchange rates, ongoing or unusual volatility may adversely impact our business and financial conditions.

Furthermore, due to our global operations, we are subject to numerous domestic and foreign laws and regulations affecting our business, such as those related to labor, employment, worker health and safety, antitrust and competition, environmental protection, consumer protection, privacy, and anti-corruption, including but not limited to the Foreign Corrupt Practices Act (the "FCPA") and the U.K. Bribery Act. Although we have put into place policies and procedures aimed at ensuring legal and regulatory compliance, our employees, subcontractors and agents could take actions that violate these requirements. Violations of these regulations could subject us to criminal or civil enforcement actions, any of which could have an adverse effect on our business.

Changes to trade policy, including tariff and customs regulations, may have an adverse effect on our business, financial condition and results of operations.

Changes in U.S. or international social, political, regulatory and economic conditions or in laws and policies governing trade, manufacturing, development and investment in the countries where we currently sell our products or conduct our business, could adversely affect our business. It may be time-consuming and expensive for us to alter our business operations in order to adapt to or comply with any such changes.

New tariffs and other changes in U.S. trade policy could trigger retaliatory actions by affected countries. Like many other multinational corporations, we do a significant amount of business that could be impacted by changes to U.S. and international trade policies (including governmental action related to tariffs, sanctions and trade agreements). Such changes have the potential to adversely impact the U.S. economy or certain sectors thereof, our industry and the global demand for our products and, as a result, could have an adverse effect on our business, financial condition and results of operations.

The enactment of tax reform legislation, including legislation implementing changes in taxation of international business activities, could adversely impact our financial position and results of operations.

Legislation or other changes in U.S. and international tax laws could increase our liability and adversely affect our after-tax profitability. For example, the Biden administration has proposed to increase the U.S. corporate income tax rate from 21%, increase the U.S. taxation of our international business operations and impose a global minimum tax. Such proposed changes, as well as regulations and legal decisions interpreting and applying these changes, may have significant impacts on our effective tax rate, cash tax expenses and net deferred tax assets in future periods.

If we encounter problems with distribution, our ability to deliver our products to market could be adversely affected.

We rely on both company-owned and third-party distribution facilities to warehouse and ship products to our wholesale customers, retail stores and e-commerce consumers throughout the world. As part of the pursuit for improved organizational agility and marketplace responsiveness, we have consolidated the number of distribution facilities we rely upon and continue to look for opportunities for further consolidation in certain regions. Such consolidation may make our operations more vulnerable to interruptions in the event of work stoppages or disruption (including as a consequence of public health directives, quarantine policies or social distancing measures imposed by governments), labor disputes, pandemics (such as the COVID-19 pandemic), the impacts of climate change, earthquakes, floods, fires or other natural disasters affecting these distribution centers. In addition, distribution capacity is dependent on the timely performance of services by third parties, including the transportation of products to and from their distribution facilities, which also may be adversely affected by work stoppages or disruption, labor disputes and pandemics. Moreover, our distribution system includes computer-controlled and automated equipment, which may be subject to a number of risks related to data and system security or computer viruses, the proper operation of software and hardware, power interruptions or other system failures. If we encounter problems with our distribution system, whether company-owned or third-party, our ability to meet customer and consumer expectations, manage inventory, complete sales and achieve operating efficiencies could be adversely affected.

Unexpected obstacles in new markets and in our existing markets may limit our expansion opportunities and cause our business and growth to suffer.

Our future growth depends in part on our continued expansion efforts in existing markets and in new markets where we may have limited familiarity and experience with regulatory environments and market practices. In particular, one of our key strategies is to further diversify our portfolio and grow market share across geographies, categories, genders and channels. We may not be able to expand or successfully operate in those markets, categories and channels as a result of unfamiliarity or other unexpected barriers to expansion or entry. For example, in September 2021, we acquired Beyond Yoga, a premium athletic and lifestyle apparel brand. In connection with our expansion efforts, we may encounter obstacles, including new competitors, cultural and linguistic differences, differences in regulatory environments, labor practices and market practices, economic or governmental instability, difficulties in keeping abreast of market, business and technical developments and differences in consumer tastes and preferences. Our failure to develop our business in new markets or disappointing growth in existing markets that we may experience could harm our business and results of operations.

Future acquisitions of and investments in new businesses, including the Beyond Yoga acquisition, could impact our business and financial condition.

From time to time, we may acquire or invest in businesses or partnerships that we believe could complement our business or offer growth opportunities. For example, in September 2021, we acquired Beyond Yoga, a premium athletic and lifestyle apparel brand. The expected synergies between Levi Strauss & Co. and Beyond Yoga, such as those related to our entry into the activewear category, complementing our growing women's business and enabling the allocation of global resources and infrastructure to significantly expand Beyond Yoga, building on its largely digital ecosystem, may not materialize. Our management team has limited experience in addressing the challenges of integrating management teams, strategies, cultures and organizations of two companies. The acquisition may not be well received by the customers or employees of either company, and this could hurt our brand and result in the loss of key employees. The pursuit and integration of such acquisitions or investments may divert the attention of management and cause us to incur various expenses, regardless of whether the acquisition or investment is ultimately completed. In addition, acquisitions and investments may not perform as expected or cause us to assume unrecognized or underestimated liabilities. Further, if we are able to successfully identify and acquire additional businesses, we may not be able to successfully integrate the acquired personnel or operations, effectively manage the combined business following the acquisition, or the acquired business may have inadequate or ineffective controls and procedures, any of which could harm our business and financial condition.

In addition, we may, from time to time, evaluate and pursue other strategic investments or acquisitions. These involve various inherent risks and the benefits sought may not be realized. The acquisition of Beyond Yoga or other strategic investments or acquisitions may not create value and may harm our brand and adversely affect our business, financial condition, and results of operations.

We face risks arising from restructuring of our operations and uncertainty with respect to our ability to achieve any anticipated cost savings associated with such restructuring.

We continuously assess opportunities to streamline operations and fuel long-term profitable growth. Future charges related to such actions may harm our profitability in the periods incurred.

In July 2020, we announced a plan to implement a reduction in workforce in response to the impacts of the COVID-19 pandemic. In October 2020, we announced the next step of our restructuring initiative, which included realignment of our top level organization to support our new strategies, which became effective in 2021. The initiative included the elimination of approximately 15% of our global non-retail and non-manufacturing employee population. The final phase of the initiative, which included reorganization of the underlying operations and employees to support the top level organization was completed in the second quarter of 2021.

We have incurred $101.5 million of restructuring charges related to this restructuring initiative, and may have additional charges for the remainder of the fiscal year, which may harm our profitability in the periods incurred.

Implementation of this reduction in workforce, or any similar future restructuring program actions, presents a number of significant risks, including:

- actual or perceived disruption of service or reduction in service levels to customers and consumers;
- potential adverse effects on our internal control environment and inability to preserve adequate internal controls relating to our general and administrative functions in connection with the decision to outsource certain business service activities;
- actual or perceived disruption to suppliers, distribution networks and other important operational relationships and the inability to resolve potential conflicts in a timely manner;
- difficulty in obtaining timely delivery of products of acceptable quality from our contract manufacturers;
- diversion of management attention from ongoing business activities and strategic objectives; and
- failure to maintain employee morale and retain key employees.

Because of these and other factors, we cannot predict whether we will fully realize the purpose and anticipated operational benefits or cost savings of any global productivity actions and, if we do not, our business and results of operations may be adversely affected. Additionally, there may be a failure to achieve the anticipated levels of cost savings and efficiency as a result of the reduction in workforce, which could adversely impact our business and results of operations. Furthermore, additional restructuring or reorganization activities may be required in the future.

Any major disruption or failure of our information technology systems, or our failure to successfully implement new technology effectively, could adversely affect our business and operations.

We rely on various information technology systems, owned by us and third parties, to manage our operations. Over the last several years, we have been and continue to implement modifications and upgrades to our systems, including making changes to legacy systems, replacing legacy systems with successor systems with new functionality and acquiring new systems with new functionality. For example, over the next several years, we plan to continue the process of implementing a new enterprise resource planning (ERP) system across the company. During the quarter ended February 28, 2021, we completed the first phase of our ERP implementation. These activities subject us to inherent costs and risks associated with replacing and upgrading these systems, including impairment of our ability to fulfill customer orders, potential disruption of or changes to our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time, and other risks and costs of delays or difficulties in transitioning to new or upgraded systems or of integrating new or upgraded systems into our current systems. Our system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. In addition, the difficulties with implementing new or upgraded technology systems may cause disruptions in our business operations and have an adverse effect on our business and operations, if not anticipated and appropriately mitigated.

As we outsource functions, we become more dependent on the entities performing those functions. Disruptions or delays at our third-party service providers could adversely impact our operations.

As part of our long-term profitable growth strategy, we are continually looking for opportunities to provide essential business services in a more cost-effective manner. In some cases, this requires the outsourcing of functions or parts of functions that can be performed more effectively by external service providers. For example, we currently outsource a significant portion of our information technology, finance, customer relations and customer service functions to Wipro Limited. While we believe we conduct appropriate diligence before entering into agreements with any outsourcing entity, the failure of one or more of such entities to meet our performance standards and expectations, including with respect to data security, compliance with data protection and privacy laws, providing services on a timely basis or providing services at the prices we expect, may have an adverse effect on our results of operations or financial condition. For example, our outsourcing entities and other third-party service providers may experience difficulties, disruptions, delays, or failures in their ability to deliver services to us as a result

of the COVID-19 pandemic. We could face increased costs or disruption associated with finding replacement vendors or hiring new employees in order to return these services in-house, which may have a significant impact on the cost and timing of receipt of inventory for future seasons. Third-party vendors are also relied upon to design, program, maintain and service our ERP systems. Any failures of these vendors to properly deliver their services could similarly have a material effect on our business. We may outsource other functions in the future, which would increase our reliance on third parties.

We face cybersecurity, privacy and data protection risks and may incur increasing costs in an effort to minimize those risks.

We utilize systems that allow for the secure storage and transmission of proprietary or confidential information regarding our consumers, employees, and others, including credit card information and personal information. To protect our employees and consumers through the COVID-19 pandemic we may process and make decisions based on individuals' personal health information, such as whether to close facilities, perform cleaning, or engage in contact tracing, even though the medical guidance on symptoms and disease prevention is not static. As evidenced by the numerous companies who have suffered serious data security breaches, we may be vulnerable to, and unable to anticipate or detect, data security breaches and data loss, including rapidly evolving and increasingly sophisticated cybersecurity attacks. In addition, data security breaches can also occur as a result of a failure by us or our employees, such as failing to follow policies, procedures or training, or by persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information. In addition to our own databases, we use third-party service providers to store, process and transmit confidential or personal information on our behalf. Although we contractually require these service providers to implement and use reasonable security measures and to comply with laws relating to privacy and data protection, we cannot control third parties and cannot guarantee that a data security breach will not occur in the future either at their location or within their systems.

A data security breach may expose us to a risk of loss or misuse of this information, and could result in significant costs to us, which may include, among others, potential liabilities to payment card networks for reimbursement of credit card fraud and card reissuance costs, including fines and penalties, potential liabilities from governmental or third-party investigations, proceedings or litigation and diversion of management attention and also further inquiries and increased scrutiny from regulatory entities. We could also experience delays or interruptions in our ability to function in the normal course of business, including delays in the fulfillment or cancellation of customer orders or disruptions in the manufacture and shipment of products. In addition, actual or anticipated attacks may cause us to incur costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation, and a loss of consumer trust.

The regulatory environment surrounding information security and privacy is increasingly demanding, with frequent imposition of new and changing requirements. In the United States, various laws and regulations apply to the collection, processing, disclosure and security of certain types of data, including the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the Health Insurance Portability and Accountability Act of 1996, the Gramm Leach Bliley Act and state laws relating to privacy and data security, including the California Consumer Privacy Act. Many foreign countries also have laws and regulations dealing with the handling and processing of personal information obtained from their residents, which in certain cases are more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of various types of data referred to as personal information. The definition of personal information, which includes data that identifies or may be used to identify an individual, directly or indirectly, such as names or email addresses and, in some jurisdictions, any unique identifier such as an internet protocol addresses, has been continually revised in a way that puts larger amounts of information within scope of the laws. The increased complexity in these laws and the inherent conflicts between jurisdictions may result in an inability for the company to comply with all applicable requirements in the jurisdictions where we do business despite our best efforts.

Any failure or perceived failure by us or our third-party service providers to comply with laws, regulations, policies or regulatory guidance relating to privacy or data security may result in governmental investigations and enforcement actions, litigation, civil and criminal fines and penalties or adverse publicity, and could cause our customers and consumers to lose trust in us, which could have an adverse effect on our reputation and business. Our efforts to implement evolving global detailed legal requirements relating to protection of personal information creates uncertainty in our ability to anticipate the volume of consumer inquiries, to timely respond, and to predict consumer understanding of our business practices which may all unintentionally create confusion about our practices and cause loss of trust and damage to our reputation.

We currently rely on contract manufacturing of our products. Our inability to secure production sources meeting our quality, cost, social and environmental risk mitigation and other requirements, or failures by our contract manufacturers to perform, could harm our sales, service levels and reputation.

In fiscal year 2020, we sourced approximately 99% of our products from independent contract manufacturers that purchase fabric and make our products and may also provide us with design and development services. As a result, we must locate and secure production capacity. We depend on contract manufacturers to maintain adequate financial resources, including access to sufficient credit, to secure a sufficient supply of raw materials, and maintain sufficient development and manufacturing capacity in an environment characterized by continuing cost pressure and demands for product innovation and speed-to-market. In addition, we currently do not have any material long-term contracts with any of our contract manufacturers. Under our current arrangements with our contract manufacturers, these manufacturers generally may unilaterally terminate their relationship with us at any time. While we have historically worked with numerous manufacturers, in recent years we have begun consolidating the number of contract manufacturers from which we source our products. In addition, some of our contract manufacturers have merged. Reliance on a fewer number of contract manufacturers involves risk, and any difficulties or failures to perform by our contract manufacturers could cause delays in product shipments or otherwise negatively affect our results of operations. If our contract manufacturers, or any raw material vendors or suppliers on which our contract manufacturers rely, suffer prolonged manufacturing or transportation disruptions due to public health conditions, such as the recent COVID-19 pandemic, or other unforeseen events, our ability to source product on a timely basis could be adversely impacted, which could adversely affect our results of operations. Also, we have certain minimum inventory purchase commitments, including fabric commitments, with suppliers that secure a portion of material needs for future seasons. If we do not satisfy the minimum purchase commitments, due to conditions such as decreased demand, we may be charged for estimated adverse purchase commitments.

A contract manufacturer's failure to ship products to us in a timely manner or to meet our quality standards, or interference with our ability to receive shipments due to factors such as port or transportation conditions or security incidents, could cause us to miss the delivery date requirements of our customers. Failing to make timely deliveries may cause our customers to cancel orders, refuse to accept deliveries, impose non-compliance charges, demand reduced prices, or reduce future orders, any of which could harm our sales and margins. If we need to replace any contract manufacturer, we may be unable to locate additional contract manufacturers on terms that are acceptable to us, or at all, or we may be unable to locate additional contract manufacturers with sufficient capacity to meet our requirements or to fill our orders in a timely manner.

We require contract manufacturers to make progress toward our sustainability goals and meet our standards and policies in terms of working conditions, environmental protection, raw materials, facility safety, security and other matters before we are willing to place business with them. As such, we may not be able to obtain the lowest-cost production. We also may need to move our production to the extent that we determine our contract manufacturers are not in compliance with our standards or applicable government standards, sanctions or other restrictions. We may also encounter delays in production and added costs as a result of the time it takes to train our contract manufacturers in our methods, products and quality control standards. In addition, the labor and business practices of apparel manufacturers and their suppliers, including raw material suppliers, have received increased attention from the media, non-governmental organizations, consumers and governmental agencies in recent years. Any failure by our contract manufacturers or their suppliers to adhere to the LS&Co. code of conduct, labor or other laws, appropriate labor or business practices, safety, structural or environmental standards, and the potential litigation, negative publicity and political pressure relating to any of these events, could harm our business and reputation.

Our suppliers may be impacted by economic conditions and cycles and changing laws and regulatory requirements which could impact their ability to do business with us or cause us to terminate our relationship with them and require us to find replacements, which we may have difficulty doing.

Our suppliers are subject to the fluctuations in general economic cycles, and global economic conditions may impact their ability to operate their businesses. They may also be impacted by the increasing costs or availability of raw materials, labor and distribution, resulting in demands for less attractive contract terms or an inability for them to meet our requirements or conduct their own businesses. The performance and financial condition of a supplier may cause us to alter our business terms or to cease doing business with a particular supplier, or change our sourcing practices generally, which could in turn adversely affect our business and financial condition.

In addition, regulatory developments such as reporting requirements on the use of "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries, or compliance with the recent sanctions and customs trade orders issued by the U.S. government related to raw materials, entities and individuals who are connected to a region of China, could affect the sourcing and availability of raw materials used by our suppliers in the manufacturing of certain of our products. We have been and may continue to be subject to costs associated with regulations, including for the diligence pertaining to these matters and the cost of remediation and other changes to products, processes, or sources of supply as a consequence of such

verification activities. The impact of such regulations may result in a limited pool of acceptable suppliers, and we cannot be assured that we will be able to obtain products in sufficient quantities or at competitive prices. Also, because our supply chain is complex, we may face regulatory challenges in complying with applicable sanctions and trade regulations and reputational challenges with our consumers and other stakeholders if we are unable to sufficiently verify the origins for the material used in the products we sell.

If one or more of our counterparty financial institutions default on their obligations to us, we may incur significant losses.

As part of our hedging activities, we enter into transactions involving derivative financial instruments, which may include forward contracts, commodity futures contracts, option contracts, collars and swaps, with various financial institutions. In addition, we have significant amounts of cash, cash equivalents and other investments on deposit or in accounts with banks or other financial institutions in the United States and abroad. We also have entered into the Credit Agreement Amendment with several financial institutions that provides us with additional credit availability. As a result, we are exposed to the risk of default by or failure of counterparty financial institutions. This risk may be heightened during economic downturns and periods of uncertainty in the financial markets, including as a result of the COVID-19 pandemic. If one of our counterparties were to become insolvent or file for bankruptcy, our ability to recover losses incurred as a result of default or our assets that are deposited or held in accounts with such counterparty may be limited by the counterparty's liquidity or the applicable laws governing the insolvency or bankruptcy proceedings. In the event of default or failure of one or more of our counterparties, we could incur significant losses, which could negatively impact our results of operations and financial condition.

The loss of members of our executive management and other key employees or the failure to attract and retain key personnel could harm our business.

Our future success depends, in part, on the continued service of our executive management team and other key employees, and the loss of the services of any key individual could harm our business. Our future success also depends, in part, on our ability to recruit, retain and motivate our employees sufficiently, both to maintain our current business and to execute our strategic initiatives. Competition for experienced and well-qualified employees in our industry is particularly intense in many of the places where we do business, and we may not be successful in attracting and retaining such personnel. Moreover, shifts in U.S. immigration policy could negatively impact our ability to attract, hire and retain highly skilled employees who are from outside the United States.

Most of the employees in our production and distribution facilities are covered by collective bargaining agreements, and any material job actions could negatively affect our results of operations.

In North America, most of our distribution employees are covered by various collective bargaining agreements. Outside North America, most of our production and distribution employees are covered by either industry-sponsored and/or government-sponsored collective bargaining mechanisms. Any work stoppages or other job actions by these employees could harm our business and reputation.

Our licensees and franchisees may not comply with our product quality, manufacturing standards, social, environmental, marketing and other requirements, which could negatively affect our reputation and business.

We license our trademarks to third parties for manufacturing, marketing and distribution of various products. While we enter into comprehensive agreements with our licensees covering product design, product quality, sourcing, manufacturing, marketing and other requirements, our licensees may not comply fully with those agreements. Non-compliance could include marketing products under our brand names that do not meet our quality and other requirements or engaging in manufacturing practices that do not meet our sustainability standards and policies including our supplier code of conduct or applicable government restrictions and regulations. These activities could harm our brand equity, our reputation and our business.

In addition, we enter into franchise agreements with unaffiliated franchisees to operate stores and, in certain circumstances, websites, in many countries around the world. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. While the agreements we have entered into and plan to enter into in the future provide us with certain termination rights, the value of our brands could be impaired to the extent that these third parties do not operate their businesses, including their stores or websites in a manner consistent with our requirements regarding our brand identities and customer experience standards. Failure to protect the value of our brands, or any other harmful acts or omissions by a franchisee, could have an adverse effect on our results of operations and our reputation.

Our success depends on the continued protection of our trademarks and other proprietary intellectual property rights.

Our trademarks and other intellectual property rights are important to our success and competitive position, and the loss of or inability to enforce trademark and other proprietary intellectual property rights could harm our business. We devote substantial resources to the establishment and protection of our trademark and other proprietary intellectual property rights on a global basis. In addition to our trademarks and other intellectual property rights, as we develop technologies that we believe are innovative, such as our F.L.X. technology, we intend to continually assess the patentability and other protectability of new intellectual property. However, the patents that we own and those that may be issued in the future may not adequately protect our intellectual property, survive legal challenges or provide us with competitive advantages, and our patent applications may not be granted. Our efforts to establish and protect our proprietary intellectual property rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to claim ownership or seeking to block sales of our products. Unauthorized copying of our products or unauthorized use of our trademarks, patented technologies or other proprietary rights may not only erode sales of our products but may also cause significant reputational harm to our brand names and our ability to effectively represent ourselves to our consumers, contractors, suppliers and/or licensees. Moreover, others may seek to assert rights in, or ownership of, our trademarks and other intellectual property, including through civil and/or criminal prosecution. We may not be able to successfully resolve those claims, which may result in financial liability and criminal penalties, and defending or pursuing such claims may create significant financial burdens. In addition, the laws and enforcement mechanisms of some foreign countries may not allow us to protect our proprietary rights to the same extent as we are able to in the United States and other countries.

We have substantial liabilities and cash requirements associated with our postretirement benefits, pension and deferred compensation plans.

Our postretirement benefits, pension and deferred compensation plans result in substantial liabilities on our balance sheet. These plans and activities have generated, and will generate, substantial cash requirements for us, and these requirements may increase beyond our expectations in future years based on changing market conditions. The difference between plan obligations and assets, or the funded status of the plans, is a significant factor in determining the net periodic benefit costs of our pension plans and the ongoing funding requirements of those plans. Many variables, such as changes in interest rates, mortality rates, health care costs, investment returns and/or the market value of plan assets, can affect the funded status of our defined benefit pension, other postretirement, and postemployment benefit plans and cause volatility in the net periodic benefit cost and future funding requirements of the plans. Plan liabilities may impair our liquidity, have an unfavorable impact on our ability to obtain financing and place us at a competitive disadvantage compared to some of our competitors who do not have such liabilities and cash requirements.

Natural disasters, public health crises, including the COVID-19 pandemic, political crises, and other catastrophic events or other events outside of our control may damage our facilities or the facilities of third parties on which we depend, and could impact consumer spending.

Our global headquarters and the headquarters of our Americas region are both located in California near major geologic faults that have experienced earthquakes in the past. An earthquake or other natural disaster or power shortages or outages could disrupt operations or impair critical systems. Any of these disruptions or other events outside of our control could affect our business negatively, harming our operating results. In addition, if any of our facilities, including our manufacturing, finishing or distribution facilities, our company-operated or franchised stores or the facilities of our suppliers, third-party service providers, or customers, is affected by natural disasters, such as earthquakes, tsunamis, power shortages or outages, floods or monsoons, public health crises, such as pandemics and epidemics (including, for example, the COVID-19 pandemic), political crises, such as terrorism, war, political instability, social unrest, or other conflict; industrial accidents, such as structural integrity failure or fire; or other events outside of our control, our business and operating results could suffer. Disasters occurring at our or our vendors' facilities also could impact our reputation and our consumers' perception of our brands. Moreover, these types of events could negatively impact consumer spending in the impacted regions or, depending upon the severity, globally, which could adversely impact our operating results. Any disruptions in our operations could negatively impact our business and operating results, and harm our reputation. In addition, we may not carry business insurance or may not carry sufficient business insurance to compensate for losses that may occur. Any such losses or damages could have an adverse effect on our business, operating results and financial condition.

Failure to comply with anti-bribery, anti-corruption and anti-money laundering laws could subject us to penalties and other adverse consequences.

We are subject to the FCPA, the U.K. Bribery Act and other anti-bribery, anti-corruption and anti-money laundering laws in various jurisdictions around the world. The FCPA, the U.K. Bribery Act and similar applicable laws generally prohibit companies, as well as their officers, directors, employees and third-party intermediaries, business partners and agents, from making improper payments or providing other improper things of value to government officials or other persons. We and our

third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state owned or affiliated entities and other third parties where we may be held liable for corrupt or other illegal activities, even if we do not explicitly authorize them. While we have policies and procedures and internal controls to address compliance with such laws, we cannot provide assurance that all of our employees and third-party intermediaries, business partners and agents will not take actions in violation of such policies and laws, for which we may be ultimately held responsible. To the extent that we learn that any of our employees or third-party intermediaries, business partners or agents do not adhere to our policies, procedures or internal controls, we are committed to taking appropriate remedial action. In the event that we believe or have reason to believe that our directors, officers, employees or third-party intermediaries, agents or business partners have or may have violated such laws, we may be required to investigate or to have outside counsel investigate the relevant facts and circumstances. Detecting, investigating and resolving actual or alleged violations can be extensive and require a significant diversion of time, resources and attention from senior management. Any violation of the FCPA, the U.K. Bribery Act or other applicable anti-bribery, anti-corruption and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, and criminal or civil sanctions, penalties and fines, any of which may could adversely affect our business and financial condition.

Our current and future products may experience quality problems from time to time that could result in negative publicity, litigation, product recalls and warranty claims, which could result in decreased revenues and harm to our brands.

There can be no assurance we will be able to detect, prevent or fix all defects that may affect our products. Inconsistency of legislation and regulations may also affect the costs of compliance with such laws and regulations. Such problems could hurt the image of our brands, which is critical to maintaining and expanding our business. Any negative publicity or lawsuits filed against us related to the perceived quality of our products could harm our brand and decrease demand for our products.

Climate change may adversely impact our business.

Rising global average temperatures due to increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere are causing significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Changes in weather patterns and the increased frequency, intensity and duration of extreme weather events (e.g., floods, droughts and severe storms) could, among other things, adversely impact the cultivation of cotton, which is a key resource in the production of our products, disrupt the operation of our supply chain and the productivity of our contract manufacturers, disrupt retail operations and foot traffic in consumer markets, increase our product costs and impact the types of apparel products that consumers purchase.

The increasing focus by stakeholders on environmental, social and governance practices could result in additional costs, and could adversely impact our reputation, consumer perception, employee retention, and willingness of third parties to do business with us.

There has been increased focus from our stakeholders, including consumers, employees and investors, on our environmental, social, or governance ("ESG practices"). Failure to implement our ESG practices successfully or achieve our related goals could damage our reputation, causing our investors or consumers to lose confidence in us and our brands, and negatively impact our operations. We could also incur additional costs and require additional resources to monitor, report, comply with various ESG practices, and our public goals, including those related to climate change. For example, although we announced our 2025 Climate Action Strategy in 2018, there can be no assurance that our stakeholders will agree with our strategy or that we will be successful in achieving our goals. Even if we are able to achieve our climate action strategic goals, our business will continue to remain subject to risks associated with climate change. As a result, the effects of climate change and increased focus by stakeholders on environmental, social, and governance practices could have short- and long-term impacts on our business and operations. Inconsistency of legislation and regulations among jurisdictions may also affect the costs of compliance with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change in the countries in which we operate.

Our business is affected by seasonality, which could result in fluctuations in our operating results.

We experience moderate fluctuations in aggregate sales volume during the year. Historically, revenues in our third and fourth fiscal quarters have slightly exceeded those in our first and second fiscal quarters. In addition, our customers and consumers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice. As a result, we may not be able to accurately predict our quarterly sales. Accordingly, our results of operations are likely to fluctuate significantly from period to period. This seasonality, along with other factors that are beyond our control, including the COVID-19 pandemic, general economic conditions, changes in consumer preferences, weather conditions, including the effects of climate change, the availability of import quotas, transportation disruptions and foreign currency exchange rate fluctuations, could adversely affect our business and cause our results of operations to fluctuate.

We are subject to periodic claims and litigation that could result in unexpected expenses and could ultimately be resolved against us.

From time to time, we may be involved in litigation and other proceedings, including matters related to commercial disputes, product liability, intellectual property, trade, customs laws and regulations, employment, regulatory compliance and other claims related to our business. Any such proceeding or audit could result in significant settlement amounts, damages, fines or other penalties, divert financial and management resources and result in significant legal fees. An unfavorable outcome of any particular proceeding could exceed the limits of our insurance policies, or our insurance carriers may decline to fund such final settlements or judgments, which could have an adverse impact on our business, financial condition and results of operations. In addition, any such proceeding could negatively impact our brand equity and our reputation.

Risks Relating to Our Debt

We have debt and interest payment requirements at a level that may restrict our future operations.

As of August 29, 2021, we had $1.3 billion of debt, all of which was unsecured, and we had $716.4 million of additional borrowing capacity under our credit facility. The credit facility is secured by domestic inventories, accounts receivable, and other assets such as the Levi's® trademarks in the U.S. Our debt requires us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which reduces funds available for other business purposes and results in us having lower net income (or greater net loss) than we otherwise would have had. This dedicated use of cash could impact our ability to successfully compete by, for example:

- increasing our vulnerability to general adverse economic and industry conditions, including any adverse economic and industry conditions resulting from the COVID-19 pandemic, such as store closures, decreased foot traffic and recession;
- limiting our flexibility in planning for or reacting to changes in our business and industry;
- placing us at a competitive disadvantage compared to some of our competitors that have less debt; and
- limiting our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes.

A substantial portion of our debt is Euro-denominated senior notes. In addition, borrowings under our credit facility bear interest at variable rates and a portion of those borrowings may be in Canadian Dollars. As a result, increases in market interest rates and changes in foreign exchange rates could require a greater portion of our cash flow to be used to pay interest, which could further hinder our operations. Increases in market interest rates may also affect the trading price of our debt securities that bear interest at a fixed rate. Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control.

In addition, certain loans made by us and financing extended to us are made at variable rates that use LIBOR as a benchmark for establishing the interest rate, and may be hedged with LIBOR-based interest rate derivatives. LIBOR is currently calculated and published for various currencies and periods by the benchmark's administrator, ICE Benchmark Administration Limited ("IBA"), which is regulated for such purposes by the United Kingdom's Financial Conduct Authority ("FCA"). On March 5, 2021, the IBA confirmed that it would cease the publication of the one-week and two-month U.S. dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the U.S. dollar LIBOR settings (overnight and 12 months) immediately following the LIBOR publication on June 30, 2023.

Accordingly, in the near future LIBOR will cease being a widely used benchmark interest rate. The current and any future reforms and other pressures may cause LIBOR to be replaced with a new benchmark or to perform differently than in the past, including during the transition period. The Credit Agreement Amendment contemplates a procedure for transitioning from LIBOR upon the occurrence of specified events. Nevertheless, the consequences of these market developments cannot be entirely predicted and a transition from LIBOR, even if administered consistent with the credit facility's provisions, could increase the cost of our variable rate indebtedness.

Both New York State and federal legislation in the U.S. is under consideration that if enacted could result, upon the unavailability of LIBOR, in the replacement of certain fallback provisions in LIBOR-based financing agreements. Under the proposed legislation, some of these existing fallback provisions would be replaced by a provision specifying that the replacement rate and related adjustments recommended by the Alternative Reference Rates Committee ("ARRC"), the committee in the United States convened to ensure a successful transition from LIBOR, would be used to establish the interest-rate on the financing. The legislation would also require the use of the benchmark replacement rate and related adjustments recommended by the AARC in the event that there are no fallback provisions in a financing. The legislation would not impact credit agreements that already include fallbacks to the changes recommended by the ARRC. Any such legislation adopted in

New York State would have applicability only to agreements governed by New York law. There can be no assurance as to the final form of any such New York or federal legislation or as to whether any such legislation will be adopted.

In the event that one or more LIBOR-based interest rate derivatives are entered into to hedge variable rate indebtedness, the LIBOR rate specified therein will be determined from time to time by reference to a publication page specified in the relevant definitions of the International Swaps and Derivatives Association, Inc. ("ISDA"). However, if such rate does not appear on the relevant page, and the above-referenced legislation is not adopted that would address the replacement of LIBOR under such derivatives, LIBOR will be determined in accordance with dealer polls conducted by the calculation agent under the agreement governing the derivative. This dealer polling mechanism may not be successful in arriving at a replacement interest rate for LIBOR. Even if the dealer polling mechanism successfully arrives at a replacement interest rate for derivatives, that rate could differ significantly from the interest rates used for our variable-rate indebtedness.

Restrictions in our notes, indentures and credit facility may limit our activities, including dividend payments, share repurchases and acquisitions.

Our credit facility and certain of the indentures governing our senior unsecured notes contain restrictions, including covenants limiting our ability to incur additional debt, grant liens, make acquisitions and other investments, prepay specified debt, consolidate, merge or acquire other businesses or engage in other fundamental changes, sell assets, pay dividends and other distributions, repurchase stock, enter into transactions with affiliates, enter into capital leases or certain leases not in the ordinary course of business, enter into certain derivatives, grant negative pledges on our assets, make loans or other investments, guarantee third-party obligations, engage in sale leasebacks and make changes in our corporate structure. These restrictions, in combination with our leveraged condition, may make it more difficult for us to successfully execute our business strategy, grow our business or compete with companies not similarly restricted.

If our foreign subsidiaries are unable to distribute cash to us when needed, we may be unable to satisfy our obligations under our debt securities, which could force us to sell assets or use cash that we were planning to use elsewhere in our business.

We conduct our international operations through foreign subsidiaries and we only receive the cash that remains after our foreign subsidiaries satisfy their obligations. We may depend upon funds from our foreign subsidiaries for a portion of the funds necessary to meet our debt service obligations. Any agreements our foreign subsidiaries enter into with other parties, as well as applicable laws and regulations limiting the right and ability of non-U.S. subsidiaries and affiliates to pay dividends and remit cash to affiliated companies, may restrict the ability of our foreign subsidiaries to pay dividends or make other distributions to us. If those subsidiaries are unable to transfer the amount of cash that we need, we may be unable to make payments on our debt obligations, which could force us to sell assets or use cash that we were planning on using elsewhere in our business, which could hinder our operations.

Changes in our credit ratings or macroeconomic conditions may affect our liquidity, increasing borrowing costs and limiting our financing options.

Our long-term debt is currently rated BB+ by S&P Global Ratings, Ba1 by Moody’s Investors Service, Inc and BB+ by Fitch Ratings, Inc. If our credit ratings are lowered, borrowing costs for future long-term debt or short-term credit facilities may increase and our financing options, including our access to the unsecured credit market, could be limited. In addition, macroeconomic conditions such as increased volatility or disruption in the credit markets, including the recent volatility due, in part, to the COVID-19 pandemic, could adversely affect our ability to obtain financing or refinance existing debt on terms that would be acceptable to us.

Risks Relating to Our Industry

Our revenues are influenced by economic conditions that impact consumer spending and consumer confidence.

Apparel is a cyclical industry that is dependent upon the overall level of consumer spending and consumer confidence. Consumer purchases of discretionary items, including our products, generally decline during periods when disposable income is adversely affected, there is economic uncertainty or volatility or during recessionary periods. Our wholesale customers anticipate and respond to adverse changes in economic conditions and uncertainty by closing doors, reducing inventories, canceling orders or increasing promotional activity. Our brand-dedicated stores are also affected by these conditions, which may lead to a decline in consumer traffic and spending in these stores. As a result, factors that diminish consumer spending and confidence in any of the markets in which we compete, particularly deterioration in general economic conditions, consumer credit availability, consumer debt levels, inflation, the impact of foreign exchange fluctuations on tourism and tourist spending, volatility in investment returns, fear of unemployment, increases in energy costs or tax or interest rates, housing market downturns, fear about and impact of pandemic illness, (such as the impact of the COVID-19 pandemic, including reduced store

traffic and widespread temporary store closures), and other factors such as acts of war, natural disasters or terrorist or political events that impact consumer confidence, could reduce our sales and adversely affect our business and financial condition through their impact on our wholesale customers as well as direct sales.

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frame, will depend on future developments, including the duration and spread of the pandemic, related restrictions on travel and the related impact on consumer confidence and spending, and the extent of any recession resulting from the pandemic, all of which are uncertain and cannot be predicted. Any significant reduction in customer visits to, and spending at, our and our customers' stores caused by COVID-19 would result in a loss of sales and profits and other adverse effects. An extended period of global supply chain and economic disruption could adversely affect our business, results of operations, access to sources of liquidity and financial condition.

Intense competition in the global apparel industry could lead to reduced sales and prices.

We face a variety of competitive challenges in the global apparel industry from a variety of companies, and competition has increased over the years due to factors such as:

- the international expansion and increased presence of vertically integrated specialty stores;
- expansion into e-commerce by existing and new competitors;
- the proliferation of private labels and exclusive brands offered by department stores, chain stores and mass channel retailers;
- the introduction of lines of jeans, athleisure and casual apparel by well-known and successful athletic wear companies; and
- the transition of apparel companies who traditionally relied on wholesale distribution channels into their own retail distribution network.

In addition, some of these competitors have greater financial, supply, distribution and marketing resources and may be able to adapt to changes in consumer preferences or retail requirements more quickly or devote greater resources to the building and sustaining of their brand equity and the marketing and sale of their products both in stores and online. In addition, some of these competitors may be able to achieve lower product costs or adopt more aggressive pricing and discounting policies. As a result, we may not be able to compete as effectively with them and may not be able to maintain or grow the demand for our products. Failure to compete effectively due to these factors could reduce our sales and adversely affect our business and financial condition.

The success of our business depends upon our ability to forecast and respond timely to consumer demand and market conditions and offer on-trend and new and updated products at attractive price points.

The global apparel industry is characterized by ever-changing fashion trends and consumer preferences, including the increasing shift to digital brand engagement and social media communication, and by the rapid replication of new products by competitors. The apparel industry is also impacted by changing consumer preferences regarding spending categories generally, including shifts away from traditional consumer spending and towards "experiential" spending and sustainable products. As a result, our success depends in large part on our ability to develop, market and deliver innovative and stylish products at a pace, intensity and price competitive with other brands in the markets in which we sell our products. In addition, we must create products at a range of price points that appeal to the consumers of both our wholesale customers and our dedicated retail stores and e-commerce sites situated in each of our diverse geographic regions. Our development and production cycles take place prior to full visibility into all of these factors for the coming seasons. Failure on our part to forecast and respond timely to consumer demand and market conditions and to regularly and rapidly develop innovative and stylish products and update core products could limit sales growth, adversely affect retail and consumer acceptance of our products and negatively impact the consumer traffic in our dedicated retail stores. In addition, if we fail to accurately forecast consumer demand, we may experience excess inventory levels, which may result in inventory write-downs and the sale of excess inventory at discounted prices. This could have an adverse effect on the image and reputation of our brands and could adversely affect our gross margins. For example, if sales do not meet expectations because of unexpected effects on inventory supply and consumer demand caused by the COVID-19 pandemic, too much inventory may cause excessive markdowns and, therefore, lower-than-planned margins. Conversely, if we underestimate consumer demand for our products, including as a result of a surge in consumer demand in places where the impacts of the COVID-19 pandemic decrease, we may experience inventory shortages, which could delay shipments to customers, negatively impact retailer and consumer relationships and diminish brand loyalty.

Moreover, our newer products may not produce as high a gross margin as our traditional products and thus may have an adverse effect on our overall margins and profitability.

The global apparel industry is subject to intense cost and pricing pressure.

The apparel industry is characterized by low barriers to entry for both suppliers and marketers, global sourcing through suppliers located throughout the world, trade liberalization, continuing movement of product sourcing to lower cost countries, regular promotional activity, and the ongoing emergence of new competitors with widely varying strategies and resources. These factors have contributed, and we expect them to continue to contribute in the future, to intense pricing pressure and uncertainty throughout the supply chain. Pricing pressure has been exacerbated by the variability of raw materials in recent months, combined with cost inflation and uncertainty throughout the supply chain. This pressure could have adverse effects on our business and financial condition, including:

- reduced gross margins across our product lines and distribution channels;
- increased retailer demands for allowances, incentives and other forms of economic support; and
- increased pressure on us to reduce our production costs and operating expenses.

Increases in the price or availability of raw materials could increase our cost of goods and negatively impact our financial results.

The majority of our products are made of cotton, where the remaining balance are made of synthetics, cotton/synthetic blends and viscose. The prices we pay our suppliers for our products are dependent in part on the market price for raw materials used to produce them, primarily cotton. The price and availability of cotton may fluctuate substantially, depending on a variety of factors, including demand, acreage devoted to cotton crops and crop yields, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation, sanctions and policy, economic climates, market speculation compliance with our working condition, environmental protection, and other standards, and other unpredictable factors. For example, compliance with the recent sanctions and trade orders issued by the U.S. government related to raw materials, entities and individuals who are connected to a region of China could affect the sourcing and availability of raw materials, including cotton, used by our suppliers in the manufacturing of certain of our products. Any and all of these factors may be exacerbated by global climate change. Cotton prices suffered from unprecedented variability and uncertainty in prior years and may fluctuate significantly again in the future. In the event of a significant disruption or unavailability in the supply of the fabrics or raw materials used by our vendors in the manufacture of our products, our vendors might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. In addition, prices of purchased finished products also depend on wage rates in the regions where our contract manufacturers are located, as well as freight costs from those regions. Fluctuations in wage rates required by legal or industry standards could increase our costs. Increases in raw material costs or wage rates, unless sufficiently offset by our pricing actions, may cause a decrease in our profitability and negatively impact our sales volume. These factors may also have an adverse impact on our cash and working capital needs as well as those of our suppliers.

Our business is subject to risks associated with sourcing and manufacturing overseas, as well as risks associated with potential tariffs or a global trade war.

We import materials and finished garments into all of our operating regions. Our ability to import products in a timely and cost-effective manner may be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes and work stoppages, political unrest, security incidents, severe weather, or security requirements in the United States and other countries. These issues could delay importation of products or require us to locate alternative ports or warehousing providers to avoid disruption to our customers. These alternatives may not be available on short notice or could result in higher transportation costs, which could have an adverse impact on our business and financial condition, specifically our gross margin and overall profitability.

Substantially all of our import operations are subject to complex trade and customs laws, regulations and tax requirements such as sanctions orders or tariffs set by governments through mutual agreements or unilateral actions. In addition, the countries in which our products are manufactured or imported may from time to time impose additional duties, tariffs or other restrictions on our imports or adversely modify existing restrictions. Adverse changes in these import costs and restrictions, or the failure by us or our suppliers to comply with trade regulations or similar laws, could harm our business. In this regard, the increasingly protectionist trade policy in the United States has introduced greater uncertainty with respect to future tax and trade regulations.

Changes in tax policy or trade regulations, the disallowance of tax deductions on imported merchandise, or the imposition of new tariffs on imported products, could have an adverse effect on our business and results of operations.

In 2018, the U.S. government announced tariffs on steel and aluminum imported into the United States, which has resulted in reciprocal tariffs from the European Union on goods, including denim products, imported from the United States.

Because we manufacture most of our products outside the United States, these reciprocal tariffs are not expected to have a material impact on our business. The Trump Administration also imposed tariffs on goods imported from China in connection with China's intellectual property practices and forced technology transfer, which have not been lifted or changed by the Biden Administration. Currently, of the products that we sell in the United States, less than 1% are manufactured in China. If the Office of the U.S. Trade Representative follows through on the next proposed tranche of China tariffs, or if additional tariffs or trade restrictions are implemented by the United States or other countries in connection with a global trade war, the cost of our products manufactured in China or other countries and imported into the United States or other countries could increase, which in turn could adversely affect the demand for these products and have an adverse effect on our business and results of operations.

Risks Relating to Ownership of Our Class A Common Stock

The market price of our Class A common stock may be volatile or may decline steeply or suddenly regardless of our operating performance and we may not be able to meet investor or analyst expectations. You may lose all or part of your investment.

The market price of our Class A common stock may fluctuate or decline significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenues or other operating results;
- variations between our actual operating results and the expectations of securities analysts, investors and the financial community;
- any forward-looking financial or operating information we may provide to the public or securities analysts, any changes in this information or our failure to meet expectations based on this information;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- whether investors or securities analysts view our stock structure unfavorably, particularly our dual-class structure;
- additional shares of Class A common stock being sold into the market by us or our existing stockholders, or the anticipation of such sales;
- announcements by us or our competitors of significant products or features, innovations, acquisitions, strategic partnerships, joint ventures, capital commitments, divestitures or other dispositions;
- changes in operating performance and stock market valuations of companies in our industry, including our vendors and competitors;
- price and volume fluctuations in the overall stock market, including as a result of general economic trends;
- lawsuits threatened or filed against us, or events that negatively impact our reputation;
- developments in new legislation and pending lawsuits or regulatory actions, including interim or final rulings by judicial or regulatory bodies; and
- other events or factors, including those resulting from war, incidents of terrorism, natural disasters, industrial accidents, pandemics (including the COVID-19 pandemic), or responses to these events.

In addition, extreme price and volume fluctuations in the stock markets have affected and continue to affect many retail companies' stock prices. Often, their stock prices have fluctuated in ways unrelated or disproportionate to the respective companies' operating performance. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and seriously harm our business.

Moreover, because of these fluctuations, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenues or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our Class A common stock could decline substantially. Such a decline could occur even when we have met any previously publicly stated revenues or earnings forecasts that we may provide.

An active trading market for our Class A common stock may not be sustained.

Our Class A common stock is currently listed on the New York Stock Exchange ("NYSE") under the symbol "LEVI." However, we cannot assure you that an active trading market for our Class A common stock will be sustained. Accordingly, we cannot assure you of the likelihood that an active trading market for our Class A common stock will be maintained, the liquidity of any trading market, your ability to sell your shares of Class A common stock when desired or the prices that you may obtain for your shares.

Future sales of our Class A common stock by existing stockholders could cause our stock price to decline.

If our existing stockholders, including employees, who obtain equity, sell or indicate an intention to sell, substantial amounts of our Class A common stock in the public market, the trading price of our Class A common stock could decline. As of September 29, 2021 we had outstanding a total of 96,611,863 shares of Class A common stock and 305,421,746 shares of Class B common stock. Of these shares, only the shares of Class A common stock are currently freely tradable without restrictions or further registration under the Securities Act of 1933, as amended (the "Securities Act"), except for any shares held by persons who are not our "affiliates" as defined in Rule 144 under the Securities Act and who have complied with the holding period requirements of Rule 144 under the Securities Act.

Sales of a substantial number of such shares, or the perception that such sales may occur, could cause our stock price to decline or make it more difficult for the holders of our Class A common stock to sell at a time and price that they deem appropriate.

Holders of more than 90% of our Class B common stock have contractual rights, subject to certain conditions, to require us to file registration statements for the public resale of the shares of Class A common stock issuable upon conversion of their Class B common stock, or to include such shares in registration statements that we may file.

The dual class structure of our common stock concentrates voting control with descendants of the family of Levi Strauss, who have the ability to control the outcome of matters submitted for stockholder approval, which will limit your ability to influence corporate matters and may depress the trading price of our Class A common stock.

Our Class B common stock, which is entitled to ten votes per share, is primarily owned by descendants of the family of our founder, Levi Strauss, and their relatives and trusts established for their behalf. Collectively, these persons have the ability to control the outcome of stockholder votes, including the election of our board of directors and the approval or rejection of a merger, change of control or other significant corporate transaction. In addition, so long as any shares of Class B common stock remain outstanding, the approval of the holders of a majority of our then-outstanding Class B common stock (or, in certain cases, a majority of our then-outstanding Class A common stock and Class B common stock, voting together as a single class) will be required in order for us to take certain actions.

This control may adversely affect the market price of our Class A common stock. In addition, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. S&P Dow Jones and FTSE Russell have recently announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500. These changes exclude companies with multiple classes of shares of common stock from being added to such indices. In addition, several stockholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may prevent the inclusion of our Class A common stock in such indices and may cause stockholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our Class A common stock. Any actions or publications by stockholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock.

We believe having a long-term-focused, committed and engaged stockholder base provides us with an important strategic advantage, particularly in our business, where our more than 165-year history contributes to the iconic reputations of our brands. However, the interests of these stockholders may not always be aligned with each other or with the interests of our other stockholders. By exercising their control, these stockholders could cause our company to take actions that are at odds with the investment goals or interests of institutional, short-term or other non-controlling investors, or that have a negative effect on our stock price. Further, because these stockholders control the majority of our Class B common stock, we might be a less attractive takeover target, which could adversely affect the market price of our Class A common stock.

If securities or industry analysts either do not publish research about us or publish inaccurate or unfavorable research about us, our business or our market, or if they adversely change their recommendations regarding our Class A common stock, the trading price or trading volume of our Class A common stock could decline.

The trading market for our Class A common stock is influenced in part by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If one or more of the analysts initiate research with an unfavorable rating or downgrade our Class A common stock, provide a more favorable recommendation about our competitors or publish inaccurate or unfavorable research about our business, our Class A common stock price would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price or trading volume of our Class A common stock to decline.

Future securities issuances could result in significant dilution to our stockholders and impair the market price of our Class A common stock.

Future issuances of our Class A common stock or the conversion of a substantial number of shares of our Class B common stock, or the perception that these issuances or conversions may occur, could depress the market price of our Class A common stock and result in dilution to existing holders of our Class A common stock. Also, to the extent stock-based awards are issued or become vested, there will be further dilution. The amount of dilution could be substantial depending upon the size of the issuances or exercises. Furthermore, we may issue additional equity securities that could have rights senior to those of our Class A common stock. As a result, purchasers of Class A common stock bear the risk that future issuances of debt or equity securities may reduce the value of such shares and further dilute their ownership interest.

As of August 29, 2021, there were 7,012,430 shares of Class A common stock and 7,669,243 shares of Class B common stock issuable pursuant to restricted stock units ("RSUs"), performance restricted stock units ("PRSUs") and stock appreciation rights ("SARs") that may be settled in shares of our Class A or Class B common stock. All of the shares of Class A common stock issuable upon exercise or settlement of such awards, or upon the conversion of shares of Class B common stock issuable upon exercise or settlement of such awards, are registered for public resale under the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance as permitted by any applicable vesting requirements, and subject to compliance with applicable securities laws.

Holders of more than 90% of our Class B common stock have contractual rights, subject to certain conditions, to require us to file registration statements for the public resale of the shares of Class A common stock issuable upon conversion of their Class B common stock, or to include such shares in registration statements that we may file.

The requirements of being a public company may strain our resources, result in more litigation and divert management's attention.

Although we have made filings with the SEC for many years, as a public company we are subject to the additional reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NYSE and other applicable securities rules and regulations. For example, we are required to file proxy statements under Section 14 of the Exchange Act. Complying with these rules and regulations has increased and will increase our legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on our systems and resources. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. We may also need to hire additional employees or engage outside consultants to comply with these requirements, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

These new rules and regulations may make it more expensive for us to obtain director and officer liability insurance and, in the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

By disclosing information in the various filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If those claims are successful, our business could be seriously harmed. Even if the claims do not result in litigation or are resolved in our favor, the time and resources needed to resolve them could divert our management's resources and seriously harm our business.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could depress the trading price of our Class A common stock by acting to discourage, delay or prevent a change of control of our company or changes in our management that our stockholders may deem advantageous. In particular, our amended and restated certificate of incorporation and amended and restated bylaws:

- establish a classified board of directors so that not all members are elected at one time;
- permit our board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- provide that our board of directors is expressly authorized to make, alter or repeal our bylaws;
- restrict the forum for certain litigation against us to Delaware or to Federal court;
- reflect the dual class structure of our common stock; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders.

Any provision of our amended and restated certificate of incorporation, our amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated certificate of incorporation and our amended and restated bylaws together designate the Court of Chancery of the State of Delaware and the federal district courts of the United States as the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation and amended and restated bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action asserting a claim against us arising under the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine.

This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction.

In addition, our amended and restated bylaws provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or employees. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation and amended and restated bylaws. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

Item 2. ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

(a) Recent Sales of Unregistered Securities

None.

(b) Use of Proceeds from Securities

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 3. ***DEFAULTS UPON SENIOR SECURITIES***

None.

Item 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

Item 5. ***OTHER INFORMATION***

None.

Item 6. ***EXHIBITS***

Exhibit Number	Description of Document	Incorporated by Reference			
		Form	SEC File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-06631	3.1	3/25/2019
3.2	Amended and Restated Bylaws.	10-K	001-06631	3.2	1/27/2021
10.1	Director Compensation Policy. Filed herewith.				
10.2	Amendment No. 3 to Second Amended and Restated Credit Agreement. Filed herewith.				
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.				
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.				
32.1†	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.				
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. Filed herewith.				
101.SCH	Inline XBRL Taxonomy Extension Schema Document. Filed herewith.				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document. Filed herewith.				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. Filed herewith.				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document. Filed herewith.				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document. Filed herewith.				
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended August 29, 2021, formatted in Inline XBRL (included within the Exhibit 101 attachments). Filed herewith.				

† The certification attached as Exhibit 32.1 accompanies this Quarterly Report on Form 10-Q, is not deemed filed with the Commission and is not to be incorporated by reference into any filing of Levi Strauss & Co. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: October 6, 2021

LEVI STRAUSS & CO.
(Registrant)

By: /s/ LISA W. STIRLING
Lisa W. Stirling
Vice President and Global Controller
(Principal Accounting Officer and Duly Authorized Officer)

LEVI STRAUSS & CO.

DIRECTOR COMPENSATION POLICY

(Adopted and approved on July 15, 2021)

Each member of the Board of Directors (the "***Board***") of Levi Strauss & Co. (the "***Company***"), who is not an employee of the Company (each such member, a "***Non-Employee Director***"), will receive the compensation described in this Director Compensation Policy (the "***Director Compensation Policy***") for his or her Board service on and following the date set forth above (the "***Effective Date***").

The Director Compensation Policy will become effective upon the Effective Date and supersedes all prior arrangements with respect to the subject matter of this policy. The Director Compensation Policy may be amended at any time in the sole discretion of the Board.

Annual Cash Compensation

Subject to Section 7 below, each Non-Employee Director will receive the cash compensation set forth below for service on the Board or a committee of the Board. The annual cash compensation amounts will be payable in advance, in equal quarterly installments at the beginning of each fiscal quarter of the Company in which the service occurred. Any amount payable for a partial quarter of service in an applicable role will be pro-rated by multiplying such amount by a fraction, the numerator of which will be the number of days of service remaining in such quarter and the denominator of which will be the total number of days in such quarter. No repayment shall be required for a partial quarter of service in the event that a Non-Employee Director ceases to serve in an applicable role prior to quarter-end. All annual cash fees are vested upon payment. For purposes of clarity, the first quarterly installment of the annual retainers set forth below shall be paid for the first quarter that begins on or after the Effective Date.

1. **Annual Board Member Service Retainer**:

    a. All Non-Employee Directors: **$100,000**.

    b. Non-Employee Director serving as Board Chair: **$100,000** (in addition to above).

2. **Annual Committee Chair Service Retainer (in addition to Annual Board Member Service Retainer)**:

    a. Chair of the Audit Committee: **$20,000**.

    b. Chair of the Compensation Committee: **$20,000**.

    c. Chair of the Finance Committee: **$15,000**.

    d. Chair of the Nominating, Governance and Corporate Citizenship Committee: **$15,000**.

Equity Compensation

The equity awards contemplated by Sections 3 through 6 of this Director Compensation Policy will be granted under the Company's 2019 Equity Incentive Plan, or any successor equity incentive plan adopted by the Board and the stockholders of the Company (the "***Plan***"). This Director Compensation Policy, as it relates to such equity awards, forms a part of the Plan. In the event of any inconsistency between the Plan and this Director Compensation Policy, this Director Compensation Policy shall control.

3. **Automatic Equity Grants**. Annual grants made on and after the Effective Date shall be made as follows:

    a. Annual Grant for Continuing Non-Employee Directors. Without any further action of the Board, on the Effective Date and subsequently at the close of business on the date of each annual meeting of the Company's stockholders (each, an "***Annual Meeting***") beginning with the 2022 Annual Meeting, each continuing Non-Employee Director shall be granted a restricted stock unit award ("***RSU Award***") under the Plan covering shares ("***Shares***") of the Company's Class A Common

Stock (as defined in the Plan) having an RSU Value equal to $155,000 (or $255,000 if such continuing Non-Employee Director is Board Chair) (a "***Continuing Director Annual RSU Award***"); provided that the number of Shares covered by each Continuing Director Annual RSU Award will be rounded down to the nearest whole Share. Each Continuing Director Annual RSU Award shall vest on the earlier of (x) the day before the next Annual Meeting or (y) the one-year anniversary of the grant date, subject to the applicable Non-Employee Director's Continuous Service (as defined in the Plan) through such vesting date; provided, however, that the RSU Award granted on the Effective Date shall vest on the one-year anniversary of the Effective Date subject to the applicable Non-Employee Director's Continuous Service through such vesting date.

b. Annual Grant for New Non-Employee Directors. Without any further action of the Board, each person who, after the Effective Date, is elected or appointed for the first time to be a Non-Employee Director will automatically, upon the effective date of his or her initial election or appointment to be a Non-Employee Director, be granted an RSU Award under the Plan covering Shares having an RSU Value equal to $155,000 (or $255,000 if such new Non-Employee Director is Board Chair), multiplied by a fraction, the numerator of which is the number of days that are expected to lapse between the Non-Employee Director's appointment to the Board and the next Annual Meeting and the denominator of which is 365 (a "***New Director Annual RSU Award***"); provided that the number of Shares covered by each New Director Annual RSU Award will be rounded down to the nearest whole Share. Each New Director Annual RSU Award shall vest on the earlier of (x) the day before the next Annual Meeting or (y) the one-year anniversary of the grant date, subject to the applicable Non-Employee Director's Continuous Service through such vesting date.

4. **Calculation of RSU Value**. The "***RSU Value***" of an RSU Award to be granted under this policy will equal the number of Shares subject to the restricted stock unit award multiplied by the closing price of a Share on the stock exchange or a national market system on which the Shares are listed on the grant date (or, if the grant date is not a trading day, the most recent trading day preceding the grant date).

5. **Acceleration Events**. All vesting is subject to the Non-Employee Director's Continuous Service through the applicable vesting date. Notwithstanding the foregoing, if a Non-Employee Director remains in Continuous Service until immediately prior to (a) the Non-Employee Director's death, (b) the Non-Employee Director's separation from service (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended) due to Disability (as defined in the Plan), (c) the Non-Employee Director's separation from service due to Mandatory Retirement (as defined in this policy) or (d) the consummation of a change in control event within the meaning of Treasury Regulation Section 1.409A-3(i)(5) (each an "***Acceleration Event***"), any unvested portion of any RSU Award granted under this Director Compensation Policy on or after the Effective Date shall vest in full immediately prior to, and contingent upon, the applicable Acceleration Event. "***Mandatory Retirement***" shall mean a Non-Employee Director's mandatory retirement from the Board on the date of such Non-Employee Director's 72nd birthday. In addition, in the event that a Non-Employee Director separates from service (other than due to death, Disability or Mandatory Retirement), a pro-rata portion of any unvested RSU Award granted under this Director Compensation Policy on or after the Effective Date equal to the number of Shares subject to the RSU Award multiplied by a fraction (the numerator of which is the number of days that have elapsed from the grant date of such RSU Award and the denominator of which is 365 or, for RSU Awards made under Section 3.b. above, the length of the vesting period for such RSU Awards) shall vest immediately prior to, and contingent upon such separation from service except if the Board determines, in its sole discretion, that the Non-Employee Director did not separate from service in good standing.

6. **Remaining Terms**. Any RSU Award that vests under this policy shall be settled at the time set forth in the applicable grant agreement (or, if applicable, at the time set forth in the applicable deferral election). The remaining terms and conditions of each RSU Award granted under this policy will be as set forth in the Plan and the applicable grant agreement, as it may be amended from time to time by the Board or a committee of the Board, as applicable. If permitted by the Company, the issuance of the Shares issuable with respect to an RSU Award may be deferred upon such terms and conditions as determined by the Company, subject to the Company's determination that any such right of deferral or any term of it complies with applicable laws or regulations in effect from time to time.

7. **Annual Cash Compensation Election**. Upon election by a Non-Employee Director in a form and within the timeframe prescribed by the Company, a Non-Employee Director may elect to defer a cash retainer in accordance with the terms and conditions of the Company's Amended and Restated Deferred Compensation Plan for Executives and Outside Directors, as amended, or any successor deferred compensation plan adopted by the Board and the stockholders of the Company.

8. **Stock Ownership Guidelines**. Non-Employee Directors must achieve stock ownership of $400,000 within five years of joining the Board.

   a. Stock Ownership. Stock ownership will include Capital Stock (as defined in the Plan) owned directly by the Non-Employee Director, either in certificated form or through a brokerage account, including restricted Shares and Shares deliverable upon settlement of restricted stock units but excluding restricted Shares or restricted stock units that remain subject to achievement of performance goals. Stock ownership will not include Shares underlying stock options. Stock ownership will also include Shares owned indirectly, if the Non-Employee Director has an economic interest in the Shares. For this purpose, indirect ownership includes Shares held by immediate family members that would be beneficially owned and reported for purposes of the stock ownership table in the Company's proxy statement (excluding Shares subject to a right to acquire) and Shares beneficially owned and reportable on Table 1 of Forms 3, 4 or 5 or Shares in which an individual has a right to vote.

   b. Stock Ownership Calculation. Compliance will be evaluated annually, and not on a running basis, based on the highest closing price of the Shares in the prior fiscal year.

   c. Hardship. If these guidelines would place a severe hardship on a Non-Employee Director or prevent compliance with a court order, such as a marital dissolution property settlement, the Non-Employee Director may submit a request in writing to the Board that summarizes the circumstances and describes the extent to which an exemption from these guidelines is being requested. The Board will review the request and make a final decision as to whether to grant the hardship request. If the request is granted in whole or in part, the Board will develop an alternative stock ownership plan that reflects both the intention of these guidelines and the Non-Employee Director's individual circumstances.

Expenses; Other

The Company will reimburse each Non-Employee Director for ordinary, necessary, and reasonable out-of-pocket travel expenses to cover in-person attendance at, and participation in, Board and committee meetings, *provided*, that the Non-Employee Director timely submits to the Company appropriate documentation substantiating such expenses in accordance with the Company's travel and expense policy, as in effect from time to time. In addition, each Non-Employee Director will be eligible to participate in the charitable contribution matching program maintained by the Company for Non-Employee Directors, which provides for annual matching contributions of up to $7,500.

This Director Compensation Policy was adopted by the Board and may only be amended or terminated by the Board.

AMENDMENT NO. 3 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

AMENDMENT NO. 3 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of July 22, 2021 (this "Amendment"), among LEVI STRAUSS & CO., a Delaware corporation (the "U.S. Borrower"), LEVI STRAUSS & CO. (CANADA) INC., an Ontario corporation (the "Canadian Borrower" and together with the U.S. Borrower, the "Borrowers"), the Lenders party hereto, JPMORGAN CHASE BANK, N.A., as Administrative Agent, and JPMORGAN CHASE BANK, N.A. TORONTO BRANCH, as Multicurrency Administrative Agent.

W I T N E S S E T H:

WHEREAS, the Borrowers, the other Loan Parties party thereto, the Administrative Agent, the Multicurrency Administrative Agent and each lender from time to time party thereto (the "Lenders") have entered into a Second Amended and Restated Credit Agreement, dated as of May 23, 2017 and amended as of October 23, 2018 and January 5, 2021 (as it may be amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement") (capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement as amended by this Amendment (the "Amended Credit Agreement")):

WHEREAS, on the date hereof, the Borrowers, the Administrative Agent, the Multicurrency Administrative Agent and the Lenders party hereto desire to amend the Credit Agreement as set forth in Section 1 hereof;

WHEREAS, the Administrative Agent, the Multicurrency Administrative Agent, the Borrowers and the Lenders signatory hereto are willing to so agree pursuant to Section 9.02(b) of the Credit Agreement, subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the sufficiency and receipt of all of which is hereby acknowledged, the parties hereto here-by agree as follows:

SECTION 1. Amendments. Effective as of the Amendment No. 3 Effective Date and subject to the terms and conditions set forth herein:

(a) Section 1.01 of the Credit Agreement is hereby amended by adding the following definitions (in applicable alphabetical order):

"Canadian Levi's Trademarks" means the trademarks listed on Schedule 1.01, as it may be amended, amended and restated, supplemented or otherwise modified from time to time ."

(b) Section 1.01 of the Credit Agreement is hereby amended by amending and restating the definition of "Eligible Trademark Collateral" in its entirety as follows:

"Eligible Trademark Collateral" means the (i) U.S. Levi's Trademarks, (ii) U.S. Levi's Patents, (iii) U.S. Levi's Copyrights and (iv) Licenses (each as defined in the U.S. Security Agreement) (other than outbound Licenses in respect of Canadian Levi's Trademarks); in each case held by the U.S. Borrower.

(c) Schedule 1.01 is hereby added to the Credit Agreement as listed on Annex A attached hereto.

SECTION 2. Conditions of Effectiveness. This Amendment and the amendment of the Credit Agreement as set forth in Section 1 hereof shall become effective as of the first date (such date being referred to as the "Amendment No. 3 Effective Date") when each of the following conditions shall have been satisfied:

(i) the Borrowers shall have executed and delivered counterparts of this Amendment to the Administrative Agent, (ii) the Required Lenders shall have executed and delivered counterparts of this Amendment to the Administrative Agent and (iii) the Administrative Agent and the Multicurrency Administrative Agent shall have executed a counterpart of this Amendment;

(b) the representations and warranties of the Borrowers (x) contained in Section 3 hereof shall be true and correct in all material respects on and as of the Amendment No. 3 Effective Date; *provided* that to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; *provided*, *further*, that any representation and warranty that is qualified as to "materiality," "Material Adverse Effect" or similar language shall be true and correct in all respects on such respective dates and (y) set forth in the Credit Agreement are true and correct on and as of the Amendment No. 3 Effective Date in all material respects with the same effect as though made on and as of the Amendment No. 3 Effective Date (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be true and correct in all material respects only as of such specified date, and that any representation or warranty which is subject to any materiality qualifier shall be true and correct in all respects);

(c) prior to and immediately after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing; and

(d) the Borrowers shall pay all reasonable and documented out-of-pocket expenses of the Administrative Agent incurred in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, if any (but limited, in the case of legal fees and expenses, to the actual reasonable and documented out-of-pocket fees, disbursements and other charges of Cahill Gordon & Reindel LLP, counsel to the Administrative Agent).

SECTION 3. Representations and Warranties. Each Borrower represents and warrants as follows as of the date hereof:

neither the execution, delivery or performance by any Borrower of this Amendment nor compliance with the terms and provisions hereof and the consummation of other transactions contemplated hereby will require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (ii) violate any Requirement of Law applicable to any Borrower or the Organizational Documents of any Borrower, (iii) violate or result in a default under any indenture, agreement or other instrument binding upon any Borrower or the assets of any Borrower, or give rise to a right thereunder to require any material payment to be made by any Borrower, or (iv) result in the creation or imposition of any Lien on any Collateral of any Borrower, except Liens created pursuant to the Loan Documents; and

each Borrower has the corporate or other organizational power and authority to execute, deliver and carry out the terms and provisions of this Amendment and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of this Amendment. Each Borrower has duly executed and delivered this Amendment and this Amendment constitutes a legal, valid and binding obligation of such Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 4. Reference to and Effect on the Credit Agreement and the Loan Documents.

(a) On and after the Amendment No. 3 Effective Date, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Credit Agreement.

(b) The Credit Agreement and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case, as amended by this Amendment and all grants of security interests are hereby reaffirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender, the Administrative Agent or the Multicurrency Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents nor a novation thereof. On and after the effectiveness of this Amendment, this Amendment shall for all purposes constitute a Loan Document.

(d) By executing and delivering a copy of this Amendment, each Borrower hereby agrees and confirms that all Obligations (including those created hereby) shall continue to be guaranteed and secured pursuant to the Loan Documents.

SECTION 5. Execution in Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 6. Governing Law; Waivers.

(a) **THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.**

(b) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any U.S. Federal or New York State court sitting in New York, New York in any action or proceeding arising out of or relating to this Amendment, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and

unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amendment shall affect any right that the Administrative Agent, the Multicurrency Administrative Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Amendment against any Borrower or its properties in the courts of any jurisdiction.

(c) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Amendment in any court referred to in paragraph (b) of this Section 6. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Amendment irrevocably consents to service of process in the manner provided for notices in Section 9.01 of the Amended Credit Agreement. Nothing in this Amendment will affect the right of any party to this Amendment to serve process in any other manner permitted by law.

(e) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (x) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.

(f) Each Borrower hereby irrevocably and unconditionally waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 6 any special, exemplary, punitive or consequential damages.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

LEVI STRAUSS & CO., as U.S. Borrower

By: /s/ Lauren Dudley
Name: Lauren Dudley
Title: Vice President, Treasurer

LEVI STRAUSS & CO. (CANADA) INC.,
as Canadian Borrower

By: /s/ Lauren Dudley
Name: Lauren Dudley
Title: Vice President, Treasurer

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent

By: /s/ Ryan Baker
Name: Ryan Baker
Title: Vice President

JPMORGAN CHASE BANK, N.A., TORONTO BRANCH, individually and as Multicurrency Administrative Agent

By: /s/ Jeffrey Coleman
Name: Jeffrey Coleman
Title: Executive Director

JPMORGAN CHASE BANK, N.A., as Lender

By: /s/ Ryan Baker
Name: Ryan Baker
Title: Vice President

BANK OF AMERICA, N.A., as Lender and Issuing Bank

By: /s/ Mia Bolin

Name: Mia Bolin

Title: Senior Vice President

Bank of America, N.A. (Canada branch), as a Lender

By: /s/ Medina Sales de Andrade
Name: Medina Sales de Andrade
Title: Vice President

HSBC BANK USA, N.A., as a Lender

By: /s/ Zachary Griffith
Name: Zachary Griffith
Title: Vice President

HSBC Bank Canada, as Lender

By: /s/ Bianca Albert

Name: Bianca Albert
Title: Relationship Manager, Global Banking, Multinationals

If a second signature line is required

By: /s/ James Sanders

Name: James Sanders
Title: Director, Global Banking

THE BANK OF NOVA SCOTIA, as Lender

By: /s/ Todd Kennedy
Name: Todd Kennedy
Title: Director

Goldaman Sachs Bank USA, as Lender

By: /s/ Dan Martis
Name: Dan Martis
Title: Authorized Signatory

BANK OF THE WEST, as a Lender

By: /s/ Nicki Schroeder
Name: Nicki Schroeder
Title: Director

BNP PARIBAS, as Lender

By: /s/ Guelay Mese
Name: Guelay Mese
Title: Director

By: /s/ David Foster
Name: David Foster
Title: Director

ROYAL BANK OF CANADA, as Lender

By: /s/ Vir C. Advani

Name: Vir C. Advani

Title: Vice President, Corporate Client Group - Asset Based Lending

Santander Bank, NA, as Lender

By: /s/ Jennifer Baydian
Name: Jennifer Baydian
Title: Senior Vice President

STANDARD CHARTERED BANK, as Lender

By: /s/ Kristopher Tracy
Name: Kristopher Tracy
Title: Director, Financing Solutions

TRUIST BANK, as Lender

By: /s/ Mark Bohntinsky
Name: Mark Bohntinsky
Title: Managing Director

MORGAN STANLEY SENIOR FUNDING, INC., as
Lender

By: /s/ Manish Desai
Name: Manish Desai
Title: Vice President

MUFG Union Bank, N.A., as Lender

By: /s/ Ryan Bannan
Name: Ryan Bannan
Title: Vice President

ANNEX A

SCHEDULE 1.01

CANADIAN LEVI'S TRADEMARKS*

* Omitted pursuant to Reg S-K Item 601(a)(5). The Company agrees to provide copies to the Securities and Exchange Commission upon request.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles V. Bergh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Levi Strauss & Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHARLES V. BERGH

Charles V. Bergh

President and Chief Executive Officer

Date: October 6, 2021

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Harmit Singh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Levi Strauss & Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ HARMIT SINGH

Harmit Singh

Executive Vice President and Chief Financial Officer

Date: October 6, 2021

Exhibit 32.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Charles V. Bergh, Chief Executive Officer of Levi Strauss & Co. (the "Company"), and Harmit Singh, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended August 29, 2021, to which this Certification is attached as Exhibit 32.1 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ CHARLES V. BERGH

Charles V. Bergh
President and Chief Executive Officer
October 6, 2021

/s/ HARMIT SINGH

Harmit Singh
Executive Vice President and Chief Financial Officer
October 6, 2021