Risk Factors Comparison 2024-04-03 to 2023-03-29 Form: 10-K

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

The statements in this section describe the major risks to our business and should be considered carefully, in connection with all the other information set forth in this annual report on Form 10- K. The risks listed below are those that we think, individually or in the aggregate, are potentially material to our business and could cause our actual results to differ materially from those stated or implied in forward- looking statements. There may be additional risks that we are not aware of or that we currently believe are immaterial, and factors besides the ones discussed below, that could adversely affect our business. OPERATIONAL AND STRATEGIC RISKS Failure to execute our opportunistic buying strategy and successfully manage our inventory could adversely affect our results. Key elements of our off- price business strategy, including opportunistic buying, operating with lean inventory levels, and frequent inventory turns, subject us to risks. Our customer ~~traffic~~ **transactions** and our sales, margins, and other financial results could be adversely affected if we do not obtain **and allocate** the right merchandise at the right times, in the right quantities, at the right prices, ~~and~~ in the right mix **, and in the right geographies** . Our opportunistic buying strategy places considerable discretion with our merchants. They typically buy throughout the year, with much of our merchandise purchased for the current or immediately upcoming season. Our merchants are expected to effectively react to rapidly changing opportunities and trends in the market, to assess the desirability and value of merchandise, and to generally make determinations of how and what we source, as well as when and from where we source it. If they do not make assessments accurately or otherwise cannot execute our strategy in an effective or timely way, our customer ~~traffic~~ **transactions** and our sales, margins, and other financial results could be adversely affected. If our merchandise is not generally purchased at prices sufficiently below prices paid by conventional retailers, we may not be able to maintain our desired overall pricing differential to full- price retailers, including department, specialty, and major online retailers, at various times or in some reporting segments, banners, product categories or geographies. In addition, to respond to customer demand and effectively manage pricing and markdowns, we need to appropriately allocate and deliver merchandise to our stores, maintain an appropriate mix and level of inventory in each store **,** and be flexible in our allocation of floor space at our stores among product categories. We also base our inventory purchases, in part, on our sales forecasts. If our sales forecasts ~~do not match~~ **fail to predict** customer demand, we may experience higher inventory levels **than we planned** and **we may** need to take markdowns on excess or slow- moving inventory, or we may have insufficient inventory to meet customer demand, either of which could adversely affect our financial performance. A variety of factors ~~, including the COVID- 19 pandemic,~~ have impacted, and may continue to impact, execution of our opportunistic buying strategy and inventory management. ~~Our~~ **For example, our** ability to allocate, deliver, and maintain our preferred mix and level of inventory has been impacted in recent years by temporary store closures, inflationary pressures ~~and~~ **,** global supply chain disruptions, **and other challenges, as a result of events,** including ~~, for example, an increase in competition for limited shipping capacity and other operational and market changes related to~~ the global **COVID- 19** pandemic. Failure to identify consumer trends and preferences, or to otherwise meet customer demand or expectations, in new or existing markets or channels could negatively impact our performance. As our success depends on our ability to meet customer demand and expectations, we ~~work~~ **seek** to identify consumer trends and preferences on an ongoing basis and to offer inventory and shopping experiences that meet those trends and preferences. However, we may not do so effectively and / or in a timely manner across our diverse merchandise categories and in each of the many markets ~~in the U. S., Canada, Europe and Australia~~ in which we do business. Trends and preferences in markets may differ from what we anticipate and could change rapidly. Although our business model allows us greater flexibility to meet consumer product preferences and trends than many traditional retailers (for example, by expanding and contracting merchandise categories in response to consumers' changing tastes), we may not successfully do so, which could impact inventory turns, customer ~~traffic~~ **transactions** , and sales, and may ~~add difficulty in~~ **have a negative impact on our ability to** ~~attracting~~ --- **attract** new customers, ~~retaining~~ --- **retain** existing customers, and **/ or** ~~encouraging~~ **encourage** frequent customer visits **and / or cross- shopping of our multiple retail banners** , **any of** which could adversely affect our results. Customers ~~may~~ also **may** have expectations about how they shop in stores or through e- commerce or more generally engage with businesses across different channels (**including** ~~for example, through various~~ digital **/ social media** platforms). These expectations may vary both across and within demographics and geographies and may evolve rapidly or be impacted by external factors, ~~including~~ **as was the case during** the COVID- 19 pandemic. Meeting ~~these~~ **customers'** expectations effectively generally involves identifying the right opportunities and making the right investments at the right time and with the right speed, among other things, and failure to do so may impact our **business and** financial results. We operate in highly competitive markets, and we may not be able to compete effectively. The retail apparel and home fashion businesses are highly competitive. We compete on the basis of various factors affecting value (which we define as the combination of brand, fashion, price and quality) ~~,~~ **. We also compete on** merchandise selection and freshness; banner name recognition and appeal; both in- store and online service and shopping experience; convenience; and store location. We compete with local, regional, national and international retailers that sell apparel, home fashions and other merchandise that we ~~sell,~~ **may carry** including retailers that operate through stores, e- commerce and / or other media, as well as omnichannel retailers. Some of our competitors are larger than we are or have more experience than we do in selling certain product lines or through certain channels. New competitors frequently enter the market. Additionally, ~~existing~~ competitors may enter or increase their presence in markets in which we operate, consolidate with other retailers, expand their merchandise offerings, expand their e- commerce capabilities, ~~and / or~~ add new sales channels ~~or~~ **,** change their pricing strategies **, and / or adopt new processes or technologies that may allow them to compete more effectively** . More generally, consumer e- commerce spending may continue to increase, as it has in recent years, while our business is primarily in brick and mortar stores. If we fail to compete effectively, our sales and results of operations could be adversely affected. If we fail to successfully implement our marketing efforts, if our marketing efforts are not successful in driving expected **increases in sales** ~~traffic to our stores~~ or if our competitors' marketing programs are more effective than ours, our revenue or results of operations may be adversely affected. Customer ~~traffic~~ **transactions** and demand for our merchandise may be influenced by our marketing efforts. Although we use various marketing channels to drive customer ~~traffic~~ **awareness and consideration of and interest in shopping our retail banners with the aim of increasing sales** , including ~~traditional format~~ linear television, streaming video, audio, outdoor, digital / social media, and mobile, some of our competitors may ~~expend~~ **spend** more for their marketing programs than we do, or use different approaches than we do, which may provide them with a competitive advantage. Further, we may not be able to effectively develop or implement strategies in ~~the~~ rapidly evolving digital / social media channels. **Partnerships with celebrities and social media content creators may expose us to reputational or other risks.** If our marketing efforts are not as successful or cost effective as anticipated, our revenue and results of operations could be adversely affected. Failure to continue to expand our business successfully could adversely affect our financial results. Our growth strategy includes successfully expanding within our current markets and / or into new geographic regions, **appropriately calibrating** product lines and channels, including e- commerce, and, as appropriate, adding new businesses, whether by development, investment **,** or acquisition. If any aspect of our expansion strategy does not achieve the success we expect, in whole or in part, we may fail to meet our financial performance expectations generally or within certain markets or divisions, and **we** ~~/ or~~ may be required to increase or decrease investments ~~,~~ **or** slow our planned growth ~~, or~~ **. We have** ~~close~~ **closed** stores ~~or~~ **and** operations **, divested from, and disposed of, businesses in the past, including for performance- related reasons, and we may be required to do so again in the future** . Even if a particular market has high commercial vacancies, if we are not able to find and lease appropriate real estate on attractive terms in the locations where we seek to open ~~brick and mortar~~ stores, or ~~,~~ if new stores do not perform as well as we anticipated, we may need to change our planned growth in those markets. Growth can also add complexity to our business operations by requiring effective **and timely** information sharing ~~,~~ **;** significant **additional** attention from our management and other functions across our business, **including compliance and risk management;** development of new capabilities, ~~as well as appropriately~~ **processes, and controls; increased** staffing and **Associate** training **;** ~~an increased number of Associates~~ and / or ~~managing~~ **retention and management of** appropriate third- party providers. These requirements may increase with further growth, particularly if we expand into additional countries. If we are unable to manage our growth effectively, our business may be adversely affected or we may need to reduce the rate of expansion or otherwise curtail growth, which may adversely affect our **sales,** business plans, ~~sales~~ and results. Failure to effectively manage the large size and scale of our operations may adversely affect our financial results. The substantial size of our business can make it challenging to run our complex operations effectively and to manage suitable internal resources and third- party providers with appropriate oversight, including, for example, **for teams managing** administration, ~~systems (including~~ information technology systems ~~)~~ , merchandising, sourcing, store operations, distribution, logistics **,** and compliance. The large size and scale of our operations, our multiple banners and locations across the U. S., Canada, Europe and Australia, and the autonomy afforded to the banners in some aspects of the business also increase the risk that our systems, controls, practices and policies may not be implemented effectively or consistently throughout our company, that information may not be appropriately shared across our operations, and / or that our marketing and communications strategies may lack cohesion. The size and scale of our business also creates challenges in **human resources administration and** effectively managing, training, retaining **,** and engaging a large, disparate workforce **, including those with a remote or hybrid work arrangement** . These challenges may increase ~~where~~ **if** a portion of our workforce ~~is working remotely for all or part of their time, as started to be the case during fiscal 2021, or~~ is unable to work on site or is temporarily furloughed, as **occurred** ~~was also the case~~ in recent years. If we are unable to manage our size and scale effectively, our results of operations may be adversely affected ~~. Our business, financial condition and results of operations have been and could in the future be adversely affected by the impact of the COVID- 19 pandemic. The COVID- 19 pandemic has had, and in the future may have, a significant impact on our business, financial condition, and results of operations. Various restrictions were issued worldwide since the start of the COVID- 19 pandemic, including limitations on business operations. During the first major peak of the COVID- 19 outbreak in fiscal 2021, all of our stores, online businesses and distribution centers were temporarily closed, during which time we were unable to generate sales, though we continued to incur expenses. During that time, we also implemented new procedures in our operations, including enhanced cleaning protocols, occupancy limitations, and additional health and safety protocols that resulted in additional payroll and continued or increased expenses primarily during fiscal 2021 and fiscal 2022, while potentially impacting sales opportunities. Many of our stores have had, and in the future may again have, additional temporary closures, and many of our stores have been, and may again in the future be, subject to additional restrictions that adversely impact customer traffic and sales opportunities. In addition, market conditions and the impact of the pandemic on the global economy and global supply chain have impacted and may continue to impact the financial viability or business operations of some of our suppliers and transportation or logistics providers, which has interrupted and increased costs related to, and may in the future interrupt and further increase costs related to, our supply chain, and could require additional changes to our operations. The extent of any impact on our operations from the COVID- 19 pandemic in a post- pandemic epidemic or endemic phase will depend in part on future developments that are difficult to predict, including the severity and spread of the virus and its variants. It also remains difficult to predict with certainty the ongoing impact of COVID- 19 on the broader economy and whether consumer and Associate behavior may change permanently. Levels of our customers' spending at our stores and consumer discretionary spending more generally may continue to be impacted by the pandemic and may be impacted by a post- pandemic epidemic or endemic phase and its effects on the economy. For example, social distancing, telecommunicating and reductions in travel became more typical in response to the pandemic and partially replaced past patterns. These conditions could have a continuing impact on consumer spending, the way our Associates work, or our~~

~~company culture and could have adverse effects on our business, financial condition and results of operations~~ . We source our merchandise globally, which subjects us to risks, including when moving merchandise internationally. We are subject to various risks of sourcing merchandise, particularly from other countries, including risks related to moving merchandise internationally. Many of the products sold in our stores are sourced in locations (particularly in China, India, and southeastern Asia) other than the location in which they will be sold. Where we are the importer of record, we may be subject to regulatory or other requirements, including those similar to requirements imposed upon the manufacturer of such products. Risks related to sourcing merchandise include: – potential disruptions in manufacturing and supply; – transport availability, capacity, and costs; – problems with third- party distribution and warehousing, logistics, transportation and other supply chain interruptions; – information technology challenges; – compliance with laws and regulations including ~~changing~~ labor, environmental **, supply chain** , international trade **,** and other laws in relevant countries **,** and those concerning ethical business practices ~~, such as the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act~~ ; – ~~changes in~~ duties, tariffs **, border adjustment taxes** , trade restrictions, sanctions, quotas **,** and voluntary export restrictions on imported merchandise ~~, including, for example, additional trade requirements resulting from " Brexit, " the U. K.' s withdrawal from the European Union~~ ; **–** ~~tariffs and border adjustment taxes;~~ changes to the United States Mexico Canada Agreement (the successor to the North American Free Trade Agreement) or successor or other trade agreements; – pandemics and epidemics (such as the COVID- 19 pandemic) affecting sourcing, including manufacturing, buying or delivery; – strikes, threats of strikes **,** and other events affecting delivery; – consumer perceptions of the safety or quality of imported merchandise; – compliance with product laws and regulations of the destination country; – product liability claims from customers or investigations, enforcement or penalties from government agencies relating to products that are recalled, defective **,** or otherwise noncompliant or alleged to be harmful; – intellectual property enforcement and infringement issues; – concerns about ~~transparent sourcing~~ **environmental impact where materials are sourced** and ~~supply chains~~ **merchandise is produced, including relating to greenhouse gas emissions, waste, water usage, deforestation, biodiversity, and the impact of these activities on human health and local communities** ; – concerns about human rights, working conditions **,** and other labor rights and conditions in countries where merchandise is produced or materials are sourced, such as concerns related to treatment of the Uyghur population in the Xinjiang province of China; – currency exchange rates and financial or economic instability (including potential financial instability related to ~~banks~~ **banking institutions**); and – political, military, or other disruptions in **regions and / or** countries from, to or through which merchandise is imported, including in Ukraine and Russia **, the Middle East, and the Red Sea and surrounding waterways. Further, we are, and expect we will continue to be, subject to an increasing number of regulations that require us to report, develop new policies and procedures for, and, in certain cases, work to mitigate, certain supply chain risks related to sourcing merchandise internationally. These regulations may result in increased operating costs and affect where, what, and how we source and how we allocate what we buy** . These and other factors relating to sourcing, international trade **,** and imported merchandise could affect the availability and the price of our inventory and our operating costs. Furthermore, although we have implemented policies and procedures designed to facilitate compliance with laws and regulations relating to production of merchandise, international operations **,** and importing merchandise, there can be no assurance that our Associates and our contractors, agents, vendors or other third parties with whom we do business or to whom we outsource business operations, will not violate such laws and regulations or our policies, which could subject us to liability and could adversely affect our reputation, operations **,** or operating results. Compromises of our ~~data security~~ **cybersecurity** , disruptions in our information technology systems, or failure to satisfy the information technology needs of our business could result in material loss or liability, materially impact our operating results or materially harm our reputation. Our business depends on our information technology (" IT ") systems, which collect and process information of customers, Associates and other persons, as well as information of our business and of our suppliers, service providers and other third parties. We rely heavily on IT systems, including those operated and maintained by our suppliers, service providers and other third parties, to manage ~~all~~ key aspects of our business, including: planning; purchasing; sales, including point- of- sale processing and e- commerce; supply chain management; inventory management; human resources; financial management; communications; information security; and legal and regulatory compliance. Our ongoing operations and successful growth are dependent on these systems and require us to accurately anticipate our current and future IT needs, including successfully developing, implementing **,** and maintaining appropriate systems **and adopting new technologies appropriately and in a timely manner. This reliance requires us to accurately anticipate our current and future IT needs and successfully develop, implement, and maintain appropriate systems,** as well as effective disaster recovery plans for such systems. ~~This reliance requires us to accurately anticipate our current and future IT needs and successfully develop, implement and maintain appropriate systems, as well as effective disaster recovery plans for such systems.~~ Our ongoing operations and successful growth are dependent on our doing these things effectively. We also are dependent on the ongoing integrity, security and consistent operations of these systems, including related back- up systems. As is common in the retail industry, our IT systems, as well as those of our suppliers, service providers and other third parties whose information technology systems we utilize directly or indirectly, are targeted by attempts to access or obtain personal or **other** sensitive information, attempts at monetary theft, and attempts to disrupt business. These attempts include use of malware, ransomware, phishing, social engineering, denial- of- service attacks, exploitation of system vulnerabilities or misconfigurations, ~~employee~~ **Associate** malfeasance, digital and physical payment card skimmers, account takeovers and other forms of cyber- attacks. These attempts continue to increase in sophistication, heightening the risk of compromise or disruption. While some of these attempts have resulted in ~~data security~~ **cybersecurity** incidents, the unauthorized intrusion into our network discovered late in 2006 is the only such ~~data security~~ **cybersecurity** incident to date that has been material to the results of our operations. Our IT systems and those of our suppliers, service providers and other third parties also may be damaged or disrupted, or personal or sensitive information compromised, from a number of other causes, including power outages, system failures, catastrophic events or Associate or contractor error. Such damage, disruption or compromise could materially impair our ability to operate our business or otherwise result in material impacts on our operating results. Changes in the business landscape and the increase of remote working by our Associates, service providers and other third parties have the potential to increase the likelihood of system damage or disruption and increase the risk of a ~~data security~~ **cybersecurity** compromise. Additionally, there is a heightened risk of ~~cyber security~~ **cybersecurity** incidents as a result of geopolitical events outside of our control ~~, such as the ongoing Russia- Ukraine conflict~~ . These factors have led to the need for additional mitigation strategies and investments across our IT Security workforce, technologies and processes. In addition, the global regulatory environment surrounding information security and privacy is increasingly demanding, and ~~data security~~ **cybersecurity** compromises and disruptions in our IT systems could result in regulatory enforcement actions, class actions, contract liability, or other forms of material legal liability. Any successful compromise or disruption of our IT systems, or other compromise of the information that we collect or is collected on our behalf from our customers, Associates or other persons, could result in material reputational harm and impact our customers' willingness to shop in our stores or online, and could affect our suppliers', service providers' **,** or other third parties' willingness to do business with us. We maintain policies, procedures and controls designed to reduce the risks of ~~data security~~ **cybersecurity** compromises and IT failures or disruptions, but ~~such~~ **these** controls ~~cannot fully eliminate~~ **vary in maturity across** ~~these~~ -- **the** ~~risks~~ **business** and may fail to operate as intended or be circumvented **. Additionally, the logging policies, procedures, and controls that we have implemented to facilitate the investigation of potential cybersecurity compromises or disruptions may be insufficient to fully investigate all such events** . These policies, procedures and controls also require costly and ongoing investment in technologies, hiring, training and compliance. There is also a risk of material business disruption, liability and reputational damage associated with ongoing actions intended to update, enhance, modify or replace our systems and infrastructure, including from not accurately capturing and maintaining data, efficiently testing and implementing changes, realizing the expected benefit of the change and managing the potential disruption of the actions and diversion of internal teams' attention as the changes are implemented. Our results and profitability could be adversely affected by **increased** labor costs, including wage, pension, health and other costs, or other challenges from our large workforce. Our Associates are key to supporting our business and operations effectively, and **our operating expenses continue to reflect** increased labor costs **. Further increases to labor costs** ~~put pressure on our operating expenses, which~~ could adversely affect our financial ~~results~~ **performance** . We have a large and disparate workforce, and our ability to meet our labor needs and ~~control~~ **manage** labor costs is subject to various external factors such as minimum wage laws and benefits requirements; market pressures, including prevailing wage rates and benefit levels, unemployment levels **,** and competition for labor from other industries; economic conditions, including inflation; changing demographics and workforce trends **, including with respect to unionization and collective bargaining** ; interest rate changes; actuarial assumptions and methods; the costs of providing and managing retirement, health and other employee benefits, including health and insurance costs; and a dynamic regulatory and policy environment, including with respect to health care, immigration, labor, employment, pension and other employee benefits, **and** taxes ~~, and COVID- 19 related mandates and protocols~~ . Any of these factors could increase, and have in the past increased, our labor costs ~~(and~~ **. These factors could also increase** the labor or other costs of our service providers, which could be passed on to us ~~)~~ . Conversely, failing to offer competitive wages or benefits, or to manage our workforce effectively, could adversely affect our ability to attract or retain **appropriate talent** sufficient **to meet the needs of** ~~or~~ **our business** ~~quality Associates~~ , causing our customer service or performance to suffer. Additionally, many Associates in our distribution centers **in the United States and Canada** are members of unions **, and other Associates are members of works councils in Europe** . We are subject to the risk of labor actions or disruptions of various kinds, including work stoppages **, decreased flexibility as a result of labor law limitations** , as well as risks and potential material expenses associated with multiemployer plans, including from pension plan underfunding, benefit cuts, increased contribution or funding requirements, changes in plan terms, withdrawal liability, increased premium costs, conditions imposed under any governmental assistance programs or insolvency of other participating employers or governmental insurance programs. ~~Some~~ **Other portions** of our **workforce, including, for example** Associates **who** ~~in Europe are members of works~~ - **work** ~~councils~~ **in our U. S. stores** , ~~and~~ **which make up** ~~other~~ -- **the largest** ~~portions~~ - **portion** of our workforce **,** may become unionized, ~~any of~~ which may subject us to additional requirements, expectations, actions or expense. Failure to employ ~~quality~~ **qualified** Associates in appropriate numbers and to retain key Associates and management could adversely affect our performance. We need to employ a large number of capable, engaged Associates for our stores and distribution centers and for other areas of our business ~~, including information technology functions~~ . We must constantly recruit new Associates to fill entry level and part- time positions ~~with~~ **, which have** high rates of turnover and at times find seasonal talent in sufficient numbers. The availability and skill of Associates may differ across markets in which we do business and in new markets we enter, and we may be unable to meet or manage our labor needs effectively. In addition, ~~due to the COVID- 19 pandemic and current economic conditions,~~ we have faced and may continue to face additional challenges in recruiting or retaining sufficient talent due to shifts in the labor market, wage pressures and competition, **flexible scheduling needs,** and health and safety concerns, among other factors. We also have faced and may continue to face challenges in engaging, overseeing **,** and training Associates ~~who~~ **with remote or hybrid** work **arrangements** ~~remotely several days each week or work primarily remotely~~ . We also have faced **,** and may continue to face **,** potential challenges relating to Associates' willingness or ability to staff our stores and distribution centers or otherwise continue employment as a result of **economic pressures,** health concerns, ~~economic pressures~~ or otherwise. Our performance also depends on recruiting, hiring, developing, training **,** and retaining talented Associates in key areas such as buying ~~and~~ **,** management **, information technology functions, and other corporate areas** . Similar to other retailers, we face challenges in securing and retaining sufficient talent in management and other key areas for many reasons, including competition for talent in the retail industry, from other industries, and in various geographic markets. In addition, because of the distinctive nature of our off- price model, we must provide significant internal training and development, including doing so remotely ~~in some cases~~ , for key Associates across the Company, including within our buying organization, and must effectively manage succession planning. If we do not effectively attract qualified individuals, train them in our business model, support their development, engage them in our business, and retain them in sufficient numbers and at appropriate levels of the organization, our growth could be limited, and the successful execution of our business model could be adversely affected. Damage to our corporate reputation or those of our retail banners could adversely affect our sales and operating results. Our **customer** relationships ~~with our customers~~ and our reputation are based, in part, on perceptions of subjective qualities. Incidents **that erode trust or confidence in our company could adversely affect our reputation and thereby impact our business, particularly if the incidents result in rapid or significant adverse publicity, protest, litigation, boycotts, governmental inquiry, or other stakeholder response. This could include incidents that** ~~involving~~ **involve** ~~us,~~ **the company;** our retail banners ~~,~~ **;** our executives and other Associates ~~,~~ **;** our board of directors ~~,~~ **;** our policies and practices ~~,~~ **; how we source merchandise;** our third- party providers ~~,~~ **;** our vendors and others within our supply chain ~~,~~ **;** the merchandise and brands that we sell, including our licensed or owned brands ~~,~~ **;** our investments ~~,~~ **;** the regions where we have operations or investments ~~,~~ **;** our partners **; celebrities, content creators, or other social media influencers that may draw attention to our retail banners; product recalls;** and our industry more generally ~~that erode trust or confidence could adversely affect our reputation and thereby impact our business, particularly if the incidents result in rapid or significant adverse publicity, protest, litigation or governmental inquiry~~ . Information on such incidents that is publicized through traditional or digital **/ social** media platforms ~~, including social media, websites, blogs~~ and other forums that facilitate rapid, broad communications to an audience of consumers and other interested persons, may adversely affect our reputation and brand, even if the information is inaccurate, incomplete **,** or unverified. Similarly, challenges or reactions to action (or inaction), or perceived action (or inaction), by our company to crises ~~or~~ **, political matters,** sensitive **or polarizing** topics **,** or on issues related to **corporate responsibility or** environmental, social **,** and governance (" ESG ") matters, and any perceived lack of transparency about such matters, could harm our reputation. This kind of reputational damage could occur locally or globally and could impact our company or our individual retail banners. Damage to the reputation of our company and our banners could **, among other things,** result in declines in customer loyalty and sales; affect our vendor relationships and / or business development opportunities; limit our ability to attract and retain ~~quality Associates~~ **appropriate talent sufficient to meet the needs of our business; result in demonstrations, protests, or other altercations at our stores** ; divert the attention and resources of management, including to respond to inquiries or additional regulatory scrutiny; and otherwise adversely affect our financial results. Our business is subject to evolving corporate governance and public disclosure regulations and expectations ~~by governmental and nongovernmental organizations, customers and investors~~ , including with respect to **matters relating to** environmental **sustainability, human capital management** , social **compliance,** and governance ~~matters, that~~ **. Failure to meet such expectations or comply with regulation** could materially impact our operating results or materially harm our reputation. Certain investor advocacy groups, investors, customers, regulators, Associates, and other stakeholders have increasingly focused on social impact, environmental sustainability, human capital management, human rights and other ~~ESG~~ **related** matters in a variety of ways that are not necessarily consistent. From time to time, we announce certain initiatives related to our corporate responsibility efforts, which we have focused under four pillars: environmental sustainability, ~~our~~ workplace, ~~our~~ communities, and **responsible business, including** responsible sourcing and ~~business operations~~ **social compliance** . These initiatives may be considered **to be overreaching by some stakeholders and** inadequate by **other** stakeholders **. We** ~~, or we~~ could fail or be perceived to fail or fall short in our pursuit of such initiatives **or to go too far in pursuing priorities perceived as outside of our business mission** , or in accurately and comprehensively reporting our progress on such initiatives and any related goals and commitments. If our ESG practices do not meet investor or other stakeholder expectations and standards, including related to climate change, environmental sustainability, human capital management, **supply chain management,** and human rights, or do not meet related regulations and expectations for increased transparency, which continue to ~~evolve~~ **increase** , our reputation may be **impacted** negatively ~~impacted~~ , and we may be subject to litigation risk and / or regulatory enforcement. In addition, we could be criticized for the scope of our initiatives or goals **, which some may consider too wide and others may perceive as too narrow,** or perceived as not acting responsibly in connection with these matters **or otherwise** , and that evaluation may be based on factors unrelated to the impact of these matters on our business, financial or otherwise. Our failure, or perceived failure, with these initiatives or more generally to manage reputational threats and meet shifting **and in certain cases, inconsistent,** stakeholder expectations or consumer preferences could negatively impact our brand, image, reputation, credibility, Associate retention **,** and the willingness of our customers and suppliers to do business with us. Further expansion of our international operations could expose us to risks inherent in operating in new countries. We have a significant retail presence in ~~certain~~ **several** countries in Europe and in Canada and Australia. We also operate buying and other offices around the world. Our goal is to continue to expand our operations into other countries in the future. It can be costly and complex to identify appropriate store locations and establish, develop and maintain international operations and to promote business in new international jurisdictions, which may differ significantly from other countries in which we currently operate. **As** ~~Just as~~ with our current operations, ~~there~~ **risks** are ~~risks~~ inherent in opening and developing operations in new countries, including those related to compliance under the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act. Additional risks include, among others, understanding the local retail climate and trends, local customs and cultures, seasonal differences, business practices and competitive conditions; complying with relevant laws, rules and regulations; developing an appropriate infrastructure; identifying suitable partners for local operations and for integration with our global operations and effectively communicating and implementing company policies and practices in new, possibly remote, jurisdictions. ~~There~~ **Financial, regulatory and other risks** are also ~~financial, regulatory and other risks~~ associated with international operations, including currency exchange fluctuations; potentially adverse tax consequences; limitations on the repatriation and investment of funds outside of the country where earned; trade regulations; **other compliance requirements;** the risk of ~~sudden~~ policy or regulatory changes; the risk of political, economic and civil instability and labor unrest; and uncertainties regarding interpretation, application and enforceability of laws and agreements. Any of these risks could adversely impact our operations, profitability or liquidity. **Failure to meet market** ~~Our quarterly operating results fluctuate and may fall short of prior periods, our projections, or the~~ expectations ~~of securities analysts or~~ **for** investors, ~~which~~ **our financial performance** could adversely affect **the market price and volatility of** our stock ~~price~~. Our operating results have fluctuated from quarter to quarter **, sometimes significantly,** at points in the past ~~, including in recent years varying significantly from past quarters,~~ and may do so again in the future. If we fail to increase our results over prior periods, to achieve our projected results or to meet the expectations of securities analysts or investors, our stock price may decline (as it ~~did~~ **has** at times in recent years), and the decrease in the stock price may be disproportionate to the shortfall in our financial performance. Results may be affected by various factors, including those described in these risk factors. We maintain a forecasting process that seeks to plan sales and align expenses. If we do not control costs or appropriately adjust costs to actual results, or if actual results differ significantly from our forecast, our financial performance could be adversely affected. In addition, if we suspend our buyback program, as we did during fiscal 2021, or if we have an active buyback program and are repurchasing shares but do not repurchase the number of shares we contemplated pursuant to our ~~stock repurchase programs~~ **financial plans at the rate or in the timing we planned** , our earnings per share may be adversely affected. Similarly, if we reduce or suspend our dividend distributions, as we did for part of fiscal 2021, our stock price may be adversely affected. Failure to protect our inventory or other assets from loss and theft may impact **customer and Associate safety as well as** our financial results. Risk of loss or theft of assets, including inventory shrinkage, is inherent in the retail business. Loss may be caused by error or misconduct of Associates, customers, vendors or other third parties **,** including through organized retail crime and professional theft, and may be further impacted by macroeconomic factors, including the enforcement environment. **We may not be able to determine the cause or extent of the loss in a timely manner or at all.** Our inability to effectively prevent and / or minimize **or reduce** the loss or theft of assets ~~, or to effectively reduce~~ , or to accurately predict and accrue for the impact of those losses, ~~could~~ **has** adversely ~~affect~~ **affected** our financial performance ~~, including in particular reporting periods~~ , as it did for part of fiscal 2023 **, and could do so again. In addition, our ability to provide a safe environment in our stores may be impacted in the course of a theft or other behavioral situations that periodically arise** . We depend upon strong cash flows from our operations to supply capital to fund our operations, anticipated growth, any stock repurchases and dividends and interest and debt repayment. Our business depends upon our operations continuing to generate strong cash flow to supply capital to support our general operating activities, to fund our anticipated growth and any return of cash to stockholders through our stock repurchase programs and dividends, and to pay our interest and debt repayments. If we are unable to generate sufficient cash flows or to repatriate cash from our international operations in a manner that is cost effective, our growth plans, capital expenditures, operating expenses and financial performance, including our earnings per share, could be adversely affected. Changes in the capital and credit markets, including market disruptions, limited liquidity and interest rate fluctuations, have in the past **increased** , and may continue to ~~,~~ increase **,** the cost of financing or restrict our access to these potential sources of liquidity. Our continued access to these liquidity sources on favorable terms depends on multiple factors, including our operating performance, and **on** maintaining strong credit ratings. On occasion, we borrow money to finance our activities, and if financing were not available to us in adequate amounts and on appropriate terms when needed, ~~it~~ **that** could also adversely affect our financial performance. If we engage in mergers, acquisitions or investments in new businesses, or divest, close or consolidate any of our current businesses, our business could be subject to additional risks. We may acquire new businesses, as we have in the past, invest in other businesses or enter into joint ventures with other businesses, develop new businesses internally (as with Homesense, our second U. S. home store concept), launch or expand e- commerce platforms (as we did ~~in fiscal 2022~~ with homegoods. com **, which we closed in fiscal 2024**), and divest (as we did in fiscal 2023 with our minority interest in Familia), close or consolidate businesses. Failure to execute on mergers, acquisitions, investments, divestitures, closings and consolidations in a satisfactory manner, including due to circumstances outside our control, could adversely affect our future results of operations and financial condition. Acquisition, investment or divestiture activities may divert attention of management away from operating the existing businesses, and we may not effectively evaluate target companies, investments or investment partners or assess the risks, benefits, and costs of buying, investing in or closing businesses, or the integration or attendant risks of acquired businesses or investments, all of which can be difficult, time- consuming and dilutive. These activities may not meet our performance and other expectations and may expose us to unexpected or greater- than- expected costs, liabilities, and risks, including **from** , for example, changes in law, market conditions, the retail industry ~~or~~ **,** political conditions **, inaccurate assumptions, or the negligence or malfeasance of our partners or other third parties** . In addition, in connection with our prior acquisitions, we recorded intangible assets and goodwill and the value of the tradenames, and may similarly do so in the future in connection with other acquisitions. If we are unable to realize the anticipated benefits from acquisitions or investments, we may be required to impair some or all of the goodwill associated with an acquisition or investment, which would adversely impact our results of operations and balance sheet, such as with an impairment charge. For example, in connection with the ongoing conflict between Russia and Ukraine, we divested our minority ownership interest in Familia and did not recover the full value of our investment. Divestitures, closings and consolidations could involve risks such as significant costs and obligations of closure, including exposure on leases, owned real estate and other contractual, employment, pension and severance obligations, and potential liabilities that may arise under law as a result of the disposition or as a result of the credit risk of an acquirer. Our large number of real estate leases, which generally obligate us for long periods, subject us to potential financial risk. We lease ~~virtually~~ **almost** all of our store locations and either own or lease for long periods our primary distribution centers and administrative offices. Accordingly, we are subject to the risks associated with leasing and owning real estate ~~, which can adversely affect our financial results~~ . While we have the right to terminate some of our leases under specified conditions, including by making specified payments, we may not be able to terminate most of our leases if or when we would like to do so. If we decide or are required to permanently close stores, we are typically required to continue to perform obligations under the applicable leases, which generally include, among other things, paying rent **, real estate taxes,** and operating expenses for the balance of the lease term or paying to exercise rights to terminate, and the ~~performance~~ **cost** of any of these obligations may be significant. When we assign leases to third parties, or if we sell or close a business, we can remain liable ~~on~~ **for** the lease obligations for the balance of the term and we are contingently liable if the assignee does not perform (as was the case with some of our former operations). We also remain primarily liable if we sublease space to a third party. In addition, when the lease terms for the stores in our ongoing operations expire, we may be unable to negotiate renewals, either on commercially reasonable terms or at all, which could cause us to permanently close stores or to relocate stores within a market on less favorable terms or in a less favorable location **. Any or all of these factors could adversely affect our financial results** . EXTERNAL AND ECONOMIC RISKS Economic conditions on a global level or in particular markets, geopolitical uncertainty, and other factors creating uncertainty and instability may adversely affect consumer confidence and discretionary spending, which could affect our financial performance. Consumer confidence and discretionary spending can be affected by various economic conditions, both on a global level and in particular markets, that can, in turn, affect our business or the retail industry generally. These factors include, among others, inflation and deflation; actual or perceived declines in consumer purchasing power; economic recession; unemployment levels; availability of disposable income and actual and perceived wealth; health care costs; costs of oil, gas and other commodities; interest rates and tax rates and related policies; weakness in the housing market and housing costs; volatility in capital markets; and credit availability. Many of these factors have been present in the market in recent years, including inflation and economic downturn, which has impacted consumer confidence and discretionary spending. ~~Similarly,~~ **Volatility or uncertainty** in ~~addition to the impact of regulatory~~ **regulation** or policy ~~changes, regulatory volatility or uncertainty~~ , including in areas such as international trade **and** ~~, including~~ U. S. tariff policies; ~~challenges presented by implementation following Brexit, as well as~~ threats or occurrences of war **or armed conflict** (including the ongoing Russia- Ukraine conflict **, the resurgence of conflict in the Middle East, and recent shipping disruptions in the Red Sea and surrounding waterways**) ~~,~~ **;** terrorism ~~,~~ **;** pandemics or epidemics (such as the COVID- 19 pandemic) ~~,~~ **;** supply chain disruptions ~~,~~ **;** geopolitical instability or uncertainty ~~,~~ **;** uncertainty regarding the financial stability of banking institutions **;** and political or social unrest and / or conflict (locally or across regions) may have significant effects on consumer confidence and spending that can in turn, affect our financial results and impact the retail industry generally. These conditions and factors also shift trends in consumer spending that could affect our business. Although we believe our flexible off- price model helps us react to such changes, shifts in the market may adversely affect our sales, cash flows, merchandise orders and results of operations and performance. Changes in economic conditions, on a global level or in particular markets, may adversely affect our sources of liquidity and costs of capital and increase our financial exposure, and our strategies for managing these financial risks may not be effective or sufficient. Global financial markets can experience volatility, disruption and credit contraction, which could adversely affect global economic conditions. Changes in economic conditions could adversely affect sources of liquidity available to us or our costs of capital, including through capital markets. In particular, prolonged volatility or significant disruption of global financial markets **relating** ~~due in part~~ to the ~~COVID- 19 pandemic, the current~~ financial **and** regulatory environment **; interest rate increases following a period of low interest rates;** and **geopolitical conflict, including** the ongoing Russia- Ukraine conflict **, the resurgence of conflict in the Middle East and recent shipping disruptions in the Red Sea and surrounding waterways,** could have a negative impact on our ability to access capital markets and other funding sources, on acceptable terms or at all, and impede our ability to comply with debt covenants. In addition, changes in economic conditions could adversely affect plan asset values and investment performance ~~,~~ and increase our pension liabilities, expenses and funding requirements and other related financial exposure with respect to company- sponsored and multiemployer pension plans. We rely on banks and other financial institutions to safeguard and allow ready access to assets such as cash and cash equivalents. Our strategies for managing these financial risks and exposures may not be effective or sufficient or may expose us to risk. Our results may be adversely affected by severe or unseasonable adverse weather, serious disruptions, catastrophic events or public health crises. Natural or other disasters, such as hurricanes, tornadoes, floods, **wildfires,** earthquakes and other extreme weather; climate conditions; public health issues, such as pandemics and epidemics (such as the COVID- 19 pandemic); fires or explosions; acts of war **or conflict** (such as the ongoing Russia- Ukraine conflict **, the resurgence of conflict in the Middle East and recent shipping disruptions in the Red Sea and surrounding waterways**); domestic or foreign terrorism or other acts of violence (including riots or active shooter situations); or cyberterrorism, nation- state cyber- attacks, or other cyber events could disrupt our operations in a number of ways, including by causing injury or serious harm to our Associates ~~,~~ **(** when traveling on business or otherwise ~~,~~ **)** or customers; severely damaging or destroying one or more of our stores, distribution facilities, data centers or office facilities, or could disrupt the operations of, or require the closure of, one or more of our vendors or other parts of our supply chain located in the affected areas. Day- to- day operations, including our ability to receive products from our vendors or third- party service providers or **to** transport products to our stores or to our e- commerce customers could be adversely affected, transportation to and from our stores (by customers or Associates) could be limited, or we could temporarily close stores or distribution centers in the affected areas or in areas served by affected distribution centers for a short or extended period of time (as with closures of our stores and other facilities at various times due to the COVID- 19 pandemic). Government regulations and responses to such events or conditions could affect our operations or result in material expenses relating to compliance. Adverse or unseasonable weather, such as storms, severe cold or heat or unseasonable temperatures (even if not extreme), which could increase in both frequency and severity **over time** , may also affect customers' buying patterns and willingness to shop at all or in certain categories we offer, particularly in apparel ~~and~~ **, products viewed as contributing to deforestation or biodiversity loss, or** seasonal merchandise **, and may affect our ability to source products containing raw materials whose yield is affected by adverse weather** , which could impact our sales, customer satisfaction with our stores, and our markdowns, adversely affecting our business. As our business is subject to seasonal influences, a decrease in sales or margins, a severe disruption or other significant event that impacts our business during the second half of the year could have a disproportionately adverse effect on our operating results. Our business is subject to seasonal influences; we generally realize higher levels of sales and earnings in the second half of the year, which includes the back- to- school and year- end holiday seasons. Any decrease in sales or margins or any significant adverse event during this period, including those described in these risk factors, could have a disproportionately adverse effect on our results of operations. Our results may be adversely affected by increased utility, transportation or logistics costs; reduced availability or increased cost of oil or other fuels; or increased costs of other commodities. Energy and fuel costs can fluctuate dramatically and, at times, have resulted in significant cost increases, particularly for the price of oil and gasoline. An increase in the price of oil increases our transportation costs for distribution, utility costs for our retail stores and costs to purchase our products from suppliers. Although we typically enter into derivative instruments designed to manage a portion of our transportation costs (a hedging strategy), any such strategy may not be effective or sufficient and could result in increased operating costs. Increased regulation related to environmental costs, including cap and trade, carbon taxes or other emissions management systems could also adversely affect our costs of doing business, including utility, transportation and logistics costs. Shortages or disruptions, including from increased demand **, geopolitical conflicts,** and other factors, impacting transportation within our supply chain, also negatively ~~impacts~~ **impact** our cost of business **and cause costs to fluctuate in ways we may not be able to anticipate** . For example, in recent years, increased freight costs related to labor, equipment and capacity shortages involving freight hauling, as well as other factors, had an adverse impact on our margins. In fiscal 2023 **and fiscal 2024** , the conflict in Ukraine and related sanctions on Russia impacted, and in fiscal ~~2024~~ **2025** we anticipate this will continue to impact, fuel resources and operations of third parties along our supply chain such that our inventory flow and financial performance may have been and may continue to be negatively impacted. Similarly, other commodity prices can fluctuate dramatically. Such increases can impact the cost of merchandise, which could adversely affect our performance through potentially reduced consumer demand or reduced margins. Fluctuations in currency exchange rates may lead to lower revenues and earnings. Sales made by our stores outside the U. S. are denominated in the currency of the country in which the store is located, and changes in currency exchange rates affect the translation of the sales and earnings of these businesses into U. S. dollars for financial reporting purposes. Because of this, movements in currency exchange rates have had, and are expected to continue to have, a significant impact on our consolidated and segment results from time to time. Changes in currency exchange rates can also increase the cost of inventory purchases that are denominated in a currency other than the local currency of the business buying the merchandise. When exchange rates change significantly in a short period or move unfavorably over an extended period, it can be difficult for us to adjust accordingly, and gross margin can be adversely affected. For example, a significant amount of merchandise we offer for sale is made in China and accordingly, a revaluation of Chinese currency, or increased market flexibility in the exchange rate for that currency, increasing its value relative to the U. S. dollar or currencies in which our stores are located, could be significant. Additionally, we routinely enter into inventory- related derivative instruments (a hedging strategy) to mitigate the impact of currency exchange rates on merchandise margins resulting from merchandise purchases by our segments denominated in currencies other than their local currencies. These mitigation strategies may not be effective or sufficient. In addition, in accordance with GAAP, we evaluate the fair value of these derivative instruments and make mark- to- market adjustments at the end of each accounting period. These adjustments are of a much greater magnitude when there is significant volatility in currency exchange rates and may have a significant impact on our earnings. We expect that currency exchange rate fluctuations could have a material adverse effect on our sales and results of operations from time to time. In addition, fluctuations in currency exchange rates may have a greater impact on our earnings and operating results if a counterparty to one of our hedging arrangements fails to perform. REGULATORY, LEGAL AND COMPLIANCE RISKS Failure to comply with laws, rules, regulations and orders and applicable accounting principles and interpretations could negatively affect our business operations and financial performance. We are subject to national, state, provincial, regional and local laws, rules, regulations, mandates, accounting standards, principles and interpretations, as well as government orders in various countries in which we operate that collectively affect multiple aspects of our business. We are also subject to new and changing laws, rules and regulations, mandates, evolving interpretations of existing laws by judicial and regulatory authorities, changes in accounting standards or interpretations, and reforms in jurisdictions where we do business. These requirements, current or changing, could adversely affect our operating results, **increase our reporting burdens, require us to develop new policies and procedures, and may affect our operations,** including **where, what, and how we source and how we allocate what we buy, and include** those involving: – labor and employment practices and benefits, including ~~for~~ **pay transparency requirements and rules applicable to** labor unions and works councils; – import / export, supply chain, social compliance, trade restrictions, and logistics, including resulting from changes to requirements or policies from the ~~outcome of Brexit or the~~ Uyghur Forced Labor **Prevention** Act and the emergence of widespread sanctions as a result of the ongoing Russia- Ukraine conflict; – climate change, energy ~~and~~ **,** waste **and water** ; – consumer protection, product safety **,** and product compliance ~~; – health, welfare and safety requirements, including vaccination and / or testing requirements, such as those implemented and proposed in connection with the COVID- 19 pandemic~~ ; – marketing; – financial regulations and reporting; – tax; – **cybersecurity,** data protection and privacy, such as to comply with, or fines and penalties related to, General Data Protection Regulation in the European Union and the California Consumer Privacy Act; – Internet regulations, including e- commerce, electronic communications and privacy; – protection of intellectual property rights **; – health, welfare and safety requirements** ; and – compliance with governmental assistance programs. Complying with applicable laws, rules, regulations, standards, interpretations, orders and our own internal policies may require us to spend additional time and resources to implement new procedures and other controls, conduct audits, train Associates and third parties on our compliance methods, or take other actions, particularly as we continue to grow globally and enter new markets, countries, or product categories, any of which could adversely impact our results. Particularly in a dynamic regulatory environment, anticipated changes to laws and regulations ~~may~~ **has required, and is expected to continue to** require **,** us to invest in compliance efforts or otherwise expend resources before changes are certain. In addition, if we, or third parties that perform services on our behalf, fail to comply with applicable laws, rules, regulations, standards, interpretations and orders, **or are unable to provide us with data or other information needed to meet our regulatory reporting**

obligations, we may be subject to judgments, fines or other costs or penalties, which may cause reputational harm and could adversely affect our operations and our financial results and condition. Our results may be materially adversely affected by the outcomes of litigation, legal proceedings and other legal or regulatory matters. We are involved in, and may in the future become involved in, legal proceedings, regulatory reviews, audits and other legal matters. These may involve inquiries, investigations, lawsuits and other proceedings by local, provincial, state and national governmental entities (in the U. S. and other countries) and private plaintiffs, including with respect to employment and employee benefits (such as classification, employment rights, discrimination, wage and hour ~~and~~ **,** retaliation **, and pay transparency**); whistleblower claims; harassment claims; tax; securities; disclosure; real estate; environmental matters; hazardous materials and hazardous waste; tort; business practices; consumer protection; privacy / ~~data security~~ **cybersecurity** ; product safety and compliance; advertising; and intellectual property. There continue to be employment- related and consumer protection lawsuits, including putative class actions, in the United States, and we are subject to these types of suits. We cannot predict the results of legal and regulatory proceedings with certainty, and actual results may differ from any reserves we establish estimating the probable outcome. Regardless of merit or outcome, these proceedings can be both time- consuming and disruptive to our operations and may cause reputational harm as well as significant expense and diversion of management attention. Legal, regulatory **,** and other proceedings could expose us to significant defense costs, fines, penalties and liability to private parties and governmental entities for monetary recoveries and other amounts and attorneys' fees and / or require us to change aspects of our operations, any of which could have a material adverse effect on our business and results of operations. Quality, safety **,** or other issues with merchandise we buy and sell could impact our reputation, sales and financial results. Various governmental authorities in the jurisdictions where we do business regulate the quality and safety of the merchandise we import, transport **,** and sell to consumers. Regulations and standards in this area ~~,~~ including federal **laws and** regulations ~~related to~~ **enforced by** the U. S. **Consumer Product Safety Commission (such as the** Consumer Product Safety Improvement Act of 2008 **)** and **the U. S. Food and Drug Administration (such as** the U. S. Food Safety Modernization Act **)** , state regulations like California' s Proposition 65, and similar ~~legislation~~ **obligations** in other countries in which we operate ~~,~~ impose restrictions and requirements on the merchandise we buy and sell. These ~~regulations~~ **requirements** change from time to time, and new national, state, provincial **,** or local regulations in the U. S. and other countries that may affect our business are contemplated and enacted with some regularity. We rely on our vendors to provide quality merchandise that complies with applicable laws **and regulations** , as well as our vendor code of conduct ~~that requires~~ **. However,** our ~~merchandise~~ vendors **have** ~~to ensure the products they sell to us comply with all applicable laws and regulations. However, our vendors may~~ not ~~comply~~ **always complied** with such obligations. If we or our merchandise vendors are unable or fail to comply with regulatory requirements on a timely basis or at all, or to adequately monitor new regulations that may apply to existing or new merchandise categories or in new geographies, **or if** we **sell non- compliant, unsafe, or previously recalled products, we could have to conduct product recalls, and** could incur significant fines or penalties **for non- compliance with applicable laws and regulations,** or we could have to curtail some aspects of our sales or operations, which could have an adverse effect on our financial results **. Actual, potential, or non- compliance with applicable laws and regulations could, and in certain instances in the past has, exposed us to litigation or governmental enforcement action** . Although our arrangements with our vendors frequently provide for indemnification for product liabilities, the vendors may fail to honor these obligations to an extent we consider sufficient or at all. In certain circumstances, we may bear some responsibility for compliance with applicable product safety laws, labeling requirements and other applicable laws **and regulations** . In addition, failure to comply with, or the perception that we have failed to comply with, other social compliance, product, labor and / or environmental standards or monitoring practices, **all of** which continue to evolve, related to the products we sell could subject us to reputational harm and impact our financial results. Concerns or issues with the quality, safety and sourcing of merchandise, particularly with products subject to increased levels of regulation or inquiry, or the authenticity of merchandise ~~, regardless of whether unverified or not our fault,~~ could result in regulatory, civil or criminal fines or penalties, litigation or reputational harm, any of which could have an adverse effect on our financial results. Tax matters could adversely affect our results of operations and financial condition. We are subject to income and other taxes in the U. S. and numerous foreign jurisdictions. Our effective income tax rate and future tax liability could be adversely affected by numerous factors including the results of tax audits and examinations, income before taxes being lower than anticipated in countries with lower statutory income tax rates and higher than anticipated in countries with higher statutory income tax rates, changes in income tax rates, changes in transfer pricing, changes in the valuation of deferred tax assets and liabilities, changes in applicable tax legislation, regulations, treaties and other guidance, and changes in accounting principles and interpretations relating to tax matters, any of which could adversely impact our results of operations and financial condition in future periods. Significant judgment is required in evaluating and estimating our worldwide provision and accruals for taxes, and actual results may differ from our estimations. In addition, we are subject to the continuous examination of our tax returns and reports by national, state, provincial and local tax authorities in the U. S. and foreign countries, and the examining authorities may challenge positions we take. We are engaged in various proceedings, which are at various stages, with such authorities with respect to assessments, claims, deficiencies, and refunds. We regularly assess the likely outcomes of these proceedings to determine the adequacy and appropriateness of our provision for income taxes, and we increase and decrease our provision as a result of these assessments. However, developments in and actual results of proceedings, rulings or settlements by or with tax authorities or courts (including due to changes in facts, law or legal interpretations, expiration of applicable statutes of limitations or other resolutions of tax positions) could result in amounts that differ from those we have accrued for such proceedings in either a positive or a negative manner, which could materially affect our effective income tax rate in a given financial period, the amount of taxes we are required to pay and our results of operations. In addition, we are subject to tax audits and examinations for payroll, value added, sales- based and other taxes relating to our businesses, which could adversely impact our financial results.