

# Lbrands

Proxy Statement for the  
2021 Annual Meeting of Stockholders  
and 2020 Annual Report



Dear Shareholder,

The past year has been like no other when it comes to change and a challenging environment, yet at every turn the team at L Brands has adapted and remained resilient. I am honored to have been elected as Chair of the Board of Directors in May 2020 and to be writing to you about actions taken by the Company's Board and executive leadership team to best position our Bath & Body Works and Victoria's Secret businesses for success and deliver value for our shareholders.

Like many companies, particularly those in the retail industry, the global pandemic caused significant disruption to L Brands' businesses throughout 2020: temporary store closures, strain on our supply chain and changes in customer behavior. The entire team was forced to be more creative and agile than ever before, adopting new ways of working while prioritizing the health and safety of our customers, associates, partners and communities.

The Board prioritized establishing the right leadership team to navigate through this time of transformation, resulting in changes to the Board and at the most senior executive levels. In May 2020, L Brands' founder, Leslie Wexner, stepped down as Chief Executive Officer and Chairman of the Board, remaining a member of the Board as Chairman Emeritus. Andrew Meslow, previously CEO of Bath & Body Works, was named CEO of L Brands and joined the Board. There were a number of other changes in leadership made throughout the year at the enterprise and brand levels, and we are pleased with the team in place to execute L Brands' strategy and path forward.

In the midst of the challenges resulting from COVID-19, L Brands has also been preparing to operate Bath & Body Works and Victoria's Secret as separate, standalone companies following the May 2020 termination of an agreement to sell 55 percent of the Victoria's Secret business to a private equity firm that had been signed earlier in the year. The team quickly reshaped the enterprise and implemented cost reduction and performance improvement initiatives in the Victoria's Secret business while continuing to drive strong growth at Bath & Body Works.

The strength of our brands, as well as the actions taken to improve financial and operational performance, led to record third and fourth quarter results, increased liquidity and a year-end cash balance of \$3.9 billion. In March 2021, the Board authorized the repayment of more than \$1 billion in debt, a \$500 million share repurchase program and the reinstatement of our annual dividend at \$0.60 per share. These actions further support our efforts to decrease leverage and enhance returns to shareholders, while better positioning the Bath & Body Works and Victoria's Secret businesses for separation in August.

We also established a Human Capital & Compensation Committee, expanding the scope of the former Compensation Committee to include oversight of the Company's programs, policies, practices and strategies relating to culture, talent diversity, inclusion and equal employment opportunities, in addition to oversight of the Company's executive compensation plans. Across the enterprise, the Board and management made strides to ensure the organization was having honest and open conversations, and we have made commitments to further support diversity, equity and inclusion. We know that to truly live our value, "Inclusion Makes Us Stronger," we need to be thoughtful and build a sustainable approach with specific objectives, measurable outcomes and clear expectations for leaders and associates.

In March 2021, we announced that Les and Abigail Wexner would not stand for reelection at our annual shareholders' meeting in May. Serving with Les has been an inspiration for all of us at L Brands. His thoughtful approach to developing brands and building dedicated and talented teams have enabled L Brands to evolve and succeed as a leading specialty retailer for nearly 60 years. I am so appreciative of everything that Les and Abigail have done to serve this Board and all L Brands' stakeholders.

We are pleased to have recently appointed two new directors to the Board – Francis Hondal and Danielle Lee. These appointments reinforce the Board's commitment to ensuring we have a highly diverse and qualified Board with the right skillsets and backgrounds to drive value for shareholders and effectively guide the Company through the planned separation and beyond. With Francis and Danielle joining as directors, our Board is diverse, with nine of the ten Board members independent, six of whom are women.

With the strong foundation we have in place, we are so excited to move forward with the Company's next chapter and our plans to create two businesses in the future. We are confident that the new perspectives of the Board and executive team will continue to drive both social and financial results. We look forward to building on our momentum in 2021.

Sincerely,

A handwritten signature in black ink that reads "Sarah E. Nash". The signature is written in a cursive, flowing style.

Sarah E. Nash  
Chair of the Board  
L Brands, Inc.

Dear Shareholder,

2020 was a year unlike any other – marked not only by its challenges, but by how the world met them.

In the face of adversity, I was encouraged by the resilience and persistence of our amazing associates and partners. I am extremely proud of how our teams managed through the past year and the results the Company was able to achieve. Everyone rose to the occasion and adapted to a new, constantly changing normal. We shifted how we operate the business and created innovative ways to navigate COVID-19 to support our associates, partners and customers. We found ways to connect and keep our culture and the brand DNA of our businesses alive. We looked inward, focused on our values and our commitment to our customer, and as a result, we finished the year with record results.

### **Bath & Body Works**

At the start of 2020, Bath & Body Works was a \$5.4 billion brand. By the end of 2020, despite the majority of stores being closed for three months in response to COVID-19, it became a \$6.4 billion brand. With a direct channel that doubled to \$2 billion and a \$4.2 billion stores channel that was flat to last year despite the pandemic-related store closures, Bath & Body Works maintained category-dominant market share and continued to demonstrate an impressive ability to respond quickly to evolving customer needs and preferences.

In response to changes caused by the pandemic, Bath & Body Works pivoted and established soaps and sanitizers as true traffic drivers and a solid third pillar of the business. Customers responded positively to our assortments across all categories, leading to fall season sales volumes that outpaced expectations with a record Thanksgiving/Black Friday/Cyber Monday week and another record Candle Day, as well as the success of our second Body Care Day. As a result, we saw outstanding top and bottom line growth and delivered record third and fourth quarter results.

We more than doubled our U.S. direct business (on top of +30 percent growth last year) during the 12 months, breaking high-water marks multiple times during the year. We established new ways to serve our international customers, launching 16 localized e-commerce sites globally. When circumstances required us to close stores, we quickly launched a buy-online-pick-up-in-store (BOPIS) model, which enabled us to continue engaging customers while keeping them safe. Once stay-at-home orders were lifted, we reimagined, tested and reopened our stores around the world, implementing our new store operating model to provide a safe environment for our customers and associates while still providing a compelling, fun experience.

We are encouraged by the continued strength of Bath & Body Works and believe it is on a multi-year path to become a \$10 billion standalone company.

### **Victoria's Secret**

Even with the added challenges faced this year, Victoria's Secret was able to execute on its initiatives to improve profitability.

We brought the three Victoria's Secret businesses – Victoria's Secret Lingerie, PINK and Victoria's Secret Beauty – under one leader and aligned the strategic focus of the business. We also implemented cost-

saving initiatives as part of our \$400 million profit improvement plan. We connected with our customers and focused on improving our product assortment, inventory mix and marketing to meet our customers' needs and evolve to more diverse and inclusive brand positioning. We took stock of our store footprint to ensure we were in the optimal locations, closing approximately 240 stores in North America. As a result of these efforts, Victoria's Secret delivered a fall season adjusted operating income increase of nearly \$400 million, or more than 300 percent.

There is still more work to be done, but we are focused on repositioning the business and delivering an outstanding customer experience across channels as we progress toward a separation of the business by August 2021.

### **Looking Forward**

As always, we remain committed to staying close to our customers and their needs while delivering compelling merchandise and story-telling, and we have never been more determined to deliver during these unprecedented times. By focusing on the fundamentals of our business – customer engagement, core merchandise categories, disciplined inventory management and proactive management of real estate – we are better positioned to achieve our goals and are primed for continued success.

The Board and management also remain committed to accelerating both our Bath & Body Works and Victoria's Secret businesses into the next phases of growth as separate, standalone companies.

The strength of our brands and the quality of our people around the globe make me confident and optimistic about the future. We look forward to continuing to share our progress with you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Meslow', with a long, sweeping flourish extending to the right.

Andrew Meslow  
Chief Executive Officer  
L Brands

Notice of  
Annual Meeting of Stockholders  
and Proxy Statement

May 20, 2021



**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 20, 2021: The proxy statement and annual report to stockholders are available at [www.proxyvote.com](http://www.proxyvote.com).**



April 8, 2021

DEAR STOCKHOLDER:

You are cordially invited to attend our 2021 annual meeting of stockholders to be held at **10:30 a.m., Eastern Time**, on May 20, 2021, at our offices located at Three Limited Parkway, Columbus, Ohio 43230. Our Investor Relations telephone number is (614) 415-7585 should you require assistance in finding the location of the meeting. The formal Notice of Annual Meeting of Stockholders and proxy statement are attached. If you plan to attend, please bring the Admittance Slip located at the back of this booklet and a picture I.D., and review the attendance information provided. We hope that you will be able to attend and participate in the meeting.

The matters to be acted upon by our stockholders are discussed in the Notice of Annual Meeting of Stockholders. It is important that your shares be represented and voted at the meeting. Accordingly, after reading the attached proxy statement, please kindly sign, date and return the enclosed proxy card or vote by telephone or via the Internet as described on the enclosed proxy card. Your vote is important regardless of the number of shares you own.

Sincerely yours,



Sarah E. Nash  
Chair of the Board



Andrew M. Meslow  
Chief Executive Officer

*\* We are continuing to monitor the public health and travel concerns relating to COVID-19 and the related recommendations and protocols issued by federal, state and local governments. In the event that it is not possible or advisable to hold our annual meeting at the time, date and place as originally planned, we will announce alternative arrangements for the meeting as promptly as practicable, which may include holding the meeting solely by means of remote communication or adjourning or postponing the meeting. Any such change, including details on how to participate in a remote meeting, would be announced in advance via press release, a copy of which would be filed with the Securities and Exchange Commission as additional proxy solicitation materials and posted on our website at <http://www.lb.com>. Please check this website in advance of the meeting date if you are planning to attend in person.*

Proxy Statement

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## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 20, 2021

April 8, 2021

TO THE STOCKHOLDERS OF L BRANDS, INC.:

We are pleased to invite you to attend our 2021 annual meeting of stockholders to be held at 10:30 a.m., Eastern Time, on May 20, 2021, at our offices located at Three Limited Parkway, Columbus, Ohio 43230. At the 2021 annual meeting of stockholders, you will vote on the following items of business:

- Elect the ten nominees proposed by the Board of Directors as directors.
- Ratify the appointment of our independent registered public accountants.
- Hold an advisory vote to approve named executive officer compensation.
- Vote on the stockholder proposal regarding stockholder action by written consent, if properly presented at the meeting.
- Transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 26, 2021 may vote at the meeting. If you plan to attend, please bring the Admittance Slip located at the back of this booklet and a picture I.D., and review the attendance information provided. Your vote is important. Stockholders of record can give proxies by calling a toll-free telephone number, by using the Internet or by mailing their signed proxy cards. Whether or not you plan to attend the meeting, please vote by telephone or via the Internet or sign, date and return the enclosed proxy card in the envelope provided. Instructions are included on your proxy card. You may change your vote by submitting a later dated proxy (including a proxy via telephone or the Internet) or by attending the meeting and voting in person.

By Order of the Board of Directors,



Sarah E. Nash  
Chair of the Board

## PROXY STATEMENT TABLE OF CONTENTS

	<u>PAGE</u>
INFORMATION ABOUT THE ANNUAL MEETING AND VOTING .....	1
PROPOSAL 1: ELECTION OF DIRECTORS .....	5
PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS .....	16
PROPOSAL 3: ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION .....	17
PROPOSAL 4: STOCKHOLDER PROPOSAL REGARDING STOCKHOLDER ACTION BY WRITTEN CONSENT .....	19
COMPENSATION-RELATED MATTERS .....	22
Compensation Discussion and Analysis .....	22
2020 Summary Compensation Table .....	37
Grants of Plan-Based Awards for Fiscal 2020 .....	39
Outstanding Equity Awards at Fiscal Year-End for Fiscal 2020 .....	40
Option Exercises and Stock Vested Information for Fiscal 2020 .....	43
Retirement and Other Post-Employment Benefits .....	44
Non-qualified Deferred Compensation for Fiscal 2020 .....	44
Fiscal 2020 Director Compensation .....	49
HUMAN CAPITAL AND COMPENSATION COMMITTEE REPORT .....	50
2020 PAY RATIO DISCLOSURE .....	51
SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT .....	52
DELINQUENT SECTION 16(A) REPORTS .....	53
SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS .....	54
REPORT OF THE AUDIT COMMITTEE .....	55
INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS .....	56
OTHER MATTERS .....	57
STOCKHOLDER PROPOSALS FOR NEXT YEAR .....	57
SOLICITATION EXPENSES .....	57

## INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

The Board of Directors (the “Board”) is soliciting your proxy to vote at our 2021 annual meeting of stockholders (or at any adjournment of the meeting). This proxy statement summarizes the information you need to know to vote at the meeting. In this proxy statement, “we,” “our,” “L Brands” and the “Company” refer to L Brands, Inc.

We began mailing this proxy statement and the enclosed proxy card, or the Notice of Internet Availability of Proxy Materials (the “Notice”) on or about April 9, 2021 to all stockholders entitled to vote. The Company’s 2020 Annual Report on Form 10-K (the “2020 10-K”), which includes our financial statements, is being sent with this proxy statement and is available in paper copy by request or in electronic form.

### *Date, Time and Place of Meeting*

Date: May 20, 2021

Time: 10:30 a.m., Eastern Time

Place: Three Limited Parkway, Columbus, Ohio 43230

### *Attending the Meeting*

Stockholders who plan to attend the meeting in person must bring photo identification and the Admittance Slip located at the back of this booklet.

Although we are hosting an in-person annual meeting, due to the public health impact of the COVID-19 pandemic, and to support the health and well-being of our stockholders, associates and communities, attendees will be expected to comply with important health and safety protocols as recommended by the Centers for Disease Control and Prevention, including: wearing an appropriate face covering at all times while on the meeting premises, hand washing and/or applying hand sanitizer upon arrival and practicing social distancing by maintaining at least a six-foot distance from other attendees.

You should not attend if you feel unwell or if you have been exposed to COVID-19. Any person in attendance who exhibits cold or flu-like symptoms or who has been exposed to COVID-19 may be asked to leave the premises for the protection of the other attendees. We reserve the right to take any additional precautionary measures deemed appropriate in relation to the meeting and access to meeting premises, and may ask attendees to leave the meeting if they are not following our procedures.

Because of necessary security precautions, bags, purses and briefcases may be subject to inspection. To speed the admissions process, stockholders are encouraged to bring only essential items. Cameras, camcorders or videotaping equipment are not allowed.

We are continuing to monitor the public health and travel concerns relating to COVID-19 and the related recommendations and protocols issued by federal, state and local governments. In the event that it is not possible or advisable to hold our annual meeting at the time, date and place as originally planned, we will announce alternative arrangements for the meeting as promptly as practicable, which may include holding the meeting solely by means of remote communication or adjourning or postponing the meeting. Any such change, including details on how to participate in a remote meeting, would be announced in advance via press release, a copy of which would be filed with the Securities and Exchange Commission (the “Commission”) as additional proxy solicitation materials and posted on our website at <http://www.lb.com>. Please check this website in advance of the meeting date if you are planning to attend in person.

### *Shares Entitled to Vote*

Stockholders entitled to vote are those who owned Company common stock (which we refer to throughout this proxy statement as “Common Stock”) at the close of business on the record date, March 26, 2021. As of the record date, there were 278,897,853 shares of Common Stock outstanding. Each share of Common Stock that you own entitles you to one vote.

### *Voting Your Shares*

Whether or not you plan to attend the annual meeting, we urge you to vote. Stockholders of record can give proxies by calling a toll-free telephone number, by using the Internet or by mailing their signed proxy cards.

The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. If you are voting by mail, please complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you are voting by telephone or via the Internet, please use the telephone or Internet voting procedures set forth on the enclosed proxy card. Returning the proxy card or voting via telephone or the Internet will not affect your right to attend the meeting and vote.

The enclosed proxy card indicates the number of shares that you own.

Voting instructions are included on your proxy card. If you properly fill in your proxy card and send it to us or vote via telephone or the Internet in time to vote, one of the individuals named on your proxy card (your "proxy") will vote your shares as you have directed. If you sign the proxy card or vote via telephone or the Internet but do not make specific choices, your proxy will follow the Board's recommendations and vote your shares in the following manner:

- "FOR" the election of the Board's ten nominees for director (as described on page 5);
- "FOR" the ratification of the appointment of our independent registered public accountants (as described on page 16);
- "FOR" the advisory vote to approve named executive officer compensation (as described on page 17); and
- "AGAINST" the stockholder proposal regarding stockholder action by written consent (as described on page 19).

If any other matter is properly presented at the meeting, your proxy will vote in accordance with his or her best judgment. At the time this proxy statement went to press, we knew of no other matters to be acted on at the meeting. See "—Vote Necessary to Approve Proposals" for a discussion of the votes required to approve these items.

Certain stockholders received a Notice containing instructions on how to access this proxy statement and our 2020 10-K via the Internet. Those stockholders should refer to the Notice for instructions on how to vote.

### ***Revoking Your Proxy***

You may revoke your proxy by:

- submitting a later dated proxy (including a proxy via telephone or the Internet);
- notifying our Secretary at our principal executive offices at Three Limited Parkway, Columbus, Ohio 43230, in writing before the meeting that you have revoked your proxy; or
- voting in person at the meeting.

### ***Voting in Person***

If you plan to vote in person, a ballot will be available when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of the shares at the close of business on March 26, 2021, the record date for voting, as well as a proxy, executed in your favor, from the nominee.

### ***Appointing Your Own Proxy***

If you want to give your proxy to someone other than the individuals named as proxies on the proxy card, you may cross out the names of those individuals and insert the name of the individual you are authorizing to vote. Either you or that authorized individual must present the proxy card at the meeting.

### ***Quorum Requirement***

A quorum of stockholders is necessary to hold a valid meeting. The presence in person or by proxy at the meeting of holders of shares representing at least one-third of the votes of the Common Stock entitled to vote constitutes a quorum. Abstentions and "broker non-votes" are counted as present for establishing a quorum. A broker non-vote occurs on an item when a broker is not permitted to vote on that item absent instruction from the beneficial owner of the shares and no instruction is given.

### ***Vote Necessary to Approve Proposals***

- Pursuant to the Company’s Bylaws, each director will be elected by a majority of the votes cast with respect to such director. A majority of the votes cast means that the number of votes “for” a director’s election must exceed 50% of the votes cast with respect to that director’s election. Any “against” votes will count as a vote cast, but “abstentions” and broker non-votes will not count as a vote cast with respect to that director’s election. Under Delaware law, if the director is not elected at the annual meeting, the director will continue to serve on the Board as a “holdover director.” As required by the Company’s Bylaws, each director has submitted an irrevocable letter of resignation as director that becomes effective if he or she does not receive a majority of votes cast in an election and the Board accepts the resignation. If a director is not elected, the Nominating & Governance Committee will consider the director’s resignation and recommend to the Board whether to accept or reject the resignation.
- The ratification of Ernst & Young LLP as our independent registered public accountants requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon.
- The advisory vote to approve named executive officer compensation requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon. While this vote is required by law, it will neither be binding on the Company or the Board, nor will it create or imply any change in the fiduciary or other duties of, or impose any additional fiduciary or other duties on, the Company or the Board. However, the Human Capital and Compensation Committee (the “HCC Committee”) will take into account the outcome of the vote when considering future executive compensation decisions.
- The stockholder proposal requires the affirmative vote of a majority of the votes present in person or in proxy and voting thereon.

### ***Impact of Abstentions and Broker Non-Votes***

You may “abstain” from voting for any nominee in the election of directors and on the other proposals. Abstentions with respect to the election of directors and on the other proposals will be excluded entirely from the vote and will have no effect.

In addition, under New York Stock Exchange (“NYSE”) rules, if your broker holds your shares in its name, your broker is permitted to vote your shares on the proposal to ratify Ernst & Young LLP as our independent registered public accountants, even if it did not receive voting instructions from you. Your broker may not vote your shares on any of the other matters without specific instruction. A “broker non-vote” occurs when a broker submits a proxy but refrains from voting. Shares represented by broker non-votes are counted as present or represented for purposes of determining the presence of a quorum but are not counted as otherwise present or represented.

***Obtaining Additional Copies of the Proxy Materials***

We have adopted a procedure called “householding.” Under this procedure, stockholders who share the same last name and reside at the same mailing address will receive one Notice or one set of proxy materials (if they have elected to receive hard copies of the proxy materials), unless one of the stockholders at that address has notified us that they wish to receive individual copies. Stockholders who participate in householding continue to receive separate control numbers for voting. Householding does not in any way affect dividend check mailings.

If you hold Common Stock and currently are subject to householding, but prefer to receive separate copies of proxy materials and other stockholder communications from the Company, or if you are sharing an address with another stockholder and would like to consent to householding, you may revoke or grant your consent to householding as appropriate at any time by calling toll-free at 1-866-540-7095 or notifying our Secretary at our principal executive offices at Three Limited Parkway, Columbus, Ohio 43230.

A number of brokerages and other institutional holders of record have implemented householding. If you hold your shares beneficially in street name, please contact your broker or other intermediary holder of record to request information about householding.



## PROPOSAL 1: ELECTION OF DIRECTORS

The Board has nominated ten directors for election at the annual meeting. If you elect the ten nominees they will hold office for a one-year term expiring at the 2022 annual meeting or until their successors have been elected.

### *Director Succession*

The Board believes in the necessity of ongoing Board refreshment, and rigorous self-evaluation, diversity and succession planning. We regularly engage with our stockholders and other stakeholders on Board refreshment. We have added eight new directors since 2014, seven of whom are independent directors. If all director nominees are elected to serve as our directors, six of our directors will be women, including our Chair of the Board, four of whom are ethnically diverse. Information regarding ethnic and gender diversity is based on characteristics self-identified by director nominees.

The Board has in place a robust process that will allow us to continue to refresh the Board. We want a thoughtful approach to succession planning and an orderly transition, and the Board seeks to strike a balanced approach that allows the Board to benefit from the right mix of newer directors who bring fresh perspectives and seasoned directors who bring continuity and deep insight into our business and strategies. The Company believes that an effective Board consists of individuals who possess a variety of complementary skills, a range of tenures and a diversity of perspectives. We intend to assess and implement our Board succession plan with this in mind. The Nominating & Governance Committee and the Board consider the performance, contributions, skills and experience of our Board members in the broader context of the Board's overall composition, with a view toward constituting a Board that has the integrity, judgment, skill set, experience and other characteristics to oversee the broad set of challenges that the Company faces and evaluate management on executing the Company's business strategy.

### *Corporate Governance Highlights*

The Board constantly reviews evolving best practices in corporate governance and stays abreast of developments in the area of corporate governance. We have a policy of robust engagement with stockholders, with continuing outreach to and dialogue with all of our major investors on a range of issues, including corporate governance matters and environmental and social goals and initiatives. Corporate governance highlights include:

#### *Board Oversight*

- Oversees the Company's strategic plans, capital structure, assessment and management of enterprise risk, cybersecurity and data security policies and environmental, social and governance ("ESG") matters.
- Regular reviews of succession plans for the Chief Executive Officer (the "CEO") and other senior management positions.
- Independent Chair of the Board.

#### *Stockholder Rights and Accountability*

- Declassified the Board in 2020 – all directors are elected annually.
- Removed all supermajority voting requirements in our certificate of incorporation in 2020.
- Adopted proxy access, permitting up to 20 stockholders owning 3% or more of the outstanding shares of Common Stock continuously for at least three years to nominate the greater of two directors or up to 20% of our Board and include those nominees in our proxy materials.
- Stockholders who own at least 25% of the outstanding shares of Common Stock may call a special meeting of stockholders.
- In uncontested director elections, directors are elected by a majority of votes cast.
- No "poison pill" in effect.

#### *Annual Evaluations*

- Annual Board and committee assessments enhance performance.

*Environmental and Social Responsibility*

- Enterprise strategy for diversity, equity and inclusion.
- Reduction of environmental impact through use of sustainably-managed materials and partnerships with environmentally responsible suppliers.
- Commitment to improving the communities where we do business, including investing more than \$8 million in non-profit organizations in our home office communities through the L Brands Foundation.

*Director Experience, Qualifications, Attributes and Skills*

We believe that our directors, as a whole, possess the right mix of qualifications, skills and experience to oversee and address the key issues facing our Company now, and the commitment to Board refreshment to ensure this moving forward. Our directors also reflect the diversity of the Company’s workforce, communities it serves, its customers and other key stakeholders.

The table below summarizes the qualifications, skills and experience of our nominees for the Board.

Qualifications, Skill, and Experience		Nominees
<b>Consumer Technology</b>	Knowledge of or experience with technology-enabled customer solutions	██████████ 3 nominees
<b>Digital Marketing</b>	Experience in digital marketing, branding, analytics and product development	██████████ 2 nominees
<b>Executive Business Experience</b>	Experience serving in an executive capacity in a public company or regulatory environment	██ 10 nominees
<b>Finance Expertise</b>	Knowledge of or experience in capital markets, corporate finance or accounting	██ 9 nominees
<b>Governance</b>	Experience serving on the board of a public company or developing corporate governance policies for public companies	██ 8 nominees
<b>Marketing &amp; Consumer Insights</b>	Experience in marketing, branding, customer analytics and customer loyalty	██ 6 nominees
<b>Operations/Supply Chain</b>	Experience with multi-site operational management, including logistics and distribution	██████████ 3 nominees
<b>Public Company CEO/Senior Leadership Experience</b>	Experience serving as a chief executive officer or similar leadership position of a public company	██ 5 nominees
<b>Retail</b>	Experience in the retail sector or in consumer products	██████████ 3 nominees

Set forth below is additional information about the experience and qualifications of each of the nominees for director that led the Board to conclude that he or she would provide valuable insight and guidance as a member of the Board.

Your proxy will vote for each of the nominees unless you specify otherwise. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board; alternatively, the Board may elect to reduce the size of the Board. We do not know of any nominee of the Board who would be unable to serve as a director if elected.

**The Board recommends a vote FOR the election of all of the following nominees of the Board:**

*Nominees*

*Patricia S. Bellinger*

*Director since 2017*

*Age 60*

*Human Capital and Compensation Committee  
Nominating & Governance Committee*

Ms. Bellinger is the Chief of Staff and Strategic Advisor to the President of Harvard University, an institution of higher education. From 2017 to 2018, she was a Senior Fellow at the Center for Public Leadership at Harvard Kennedy School, a graduate and professional school. From 2013 to 2017, she was an Adjunct Lecturer and the Executive Director at the Center for Public Leadership at the Harvard Kennedy School and from 2010 to 2013, she was the Executive Director of Executive Education at Harvard Business School, a graduate and professional school. Prior to joining Harvard Business School, Ms. Bellinger was group vice president at British Petroleum, a global energy company, from 2000 to 2007, where she oversaw leadership development and established and led British Petroleum's global diversity and inclusion transformation. Ms. Bellinger served as a director of Pattern Energy Group Inc., a power company, from 2013 until 2018 and Paris-based Sodexo S.A., from 2005 until 2018 and as a trustee of uAspire. She also serves as a director of Paris-based Sonepar and Safran S.A. Ms. Bellinger's nomination is supported by her extensive executive, business and leadership experience and service on several boards of directors.

*Donna A. James*

*Director since 2003*

*Age 63*

*Audit Committee  
Nominating & Governance Committee*

In April 2006, Ms. James established Lardon & Associates LLC, a business and executive advisory services firm, where she is Managing Director. Ms. James served as the President of Nationwide Strategic Investments, a division of Nationwide Mutual Insurance Company, from 2003 through March 2006. Ms. James served as Executive Vice President and Chief Administrative Officer of Nationwide Mutual Insurance Company and Nationwide Financial Services from 2000 until 2003. Ms. James is a director of Boston Scientific Corporation, a developer, manufacturer and marketer of medical devices, and The Hartford Financial Services Group, Inc., an investment and insurance company. Ms. James served as a director of Marathon Petroleum Corp., a transportation fuels refiner, from 2011 to 2018, and as an advisor to the Marathon Petroleum Corp. board of directors from 2019 to 2020. Ms. James also served as Chairman of Financial Settlement Services Agency, Inc. from 2005 through 2006, as director of CNO Financial Group, Inc., a holding company for a group of insurance companies, from 2007 to 2011, as director of Coca-Cola Enterprises Inc., a nonalcoholic beverages company, from 2005 to 2012 and as a director of Time Warner Cable Inc., a provider of video, data and voice services, from 2009 to 2016. Ms. James's nomination is supported by her executive experience, financial expertise, service on several boards of directors and experience with respect to corporate diversity and related issues.

*Francis A. Hondal*

*Director since 2021*

*Age 56*

Ms. Hondal is President of Loyalty and Engagement at Mastercard Incorporated, a global technology company in the payments industry and has served in this position since 2018. She is also a member of Mastercard Incorporated's management committee and leads the development of products that enable consumer experiences through loyalty, rewards and performance-based marketing services for enterprises worldwide. From 2015 to 2018, Ms. Hondal was Executive Vice President of Credit and Loyalty at Mastercard Incorporated, responsible for growing usage and preference of Mastercard branded products, and from 2011 to 2015 she was Executive Vice President of Products at Mastercard Incorporated. Ms. Hondal also spent 17 years at the American Express Company in global and regional roles within the consumer services division. Since September 2020 Ms. Hondal has served as a director of Equitable Holdings, Inc., a financial service holding company comprised of two principal franchises, Equitable and AllianceBernstein. She is also a board observer for Flybits, a Canadian contextual marketing fintech, and serves on the board of the Florida International University Foundation. Ms. Hondal's nomination is supported by her extensive consumer marketing, finance and management experience.

*Danielle Lee*

*Director since 2021*

*Age 45*

Ms. Lee is the Chief Fan Officer for the National Basketball Association, Inc. where she oversees brand, creative and multiplatform fan marketing globally and is charged with elevating brand perceptions, cultural connection and fan engagement. Prior to joining the NBA in 2020, Ms. Lee served for four years as Global Vice President, Partner Solutions at Spotify Technology S.A., where she was responsible for developing go-to-market strategy and growing global revenue across music, podcasts and high-impact digital experiences. Prior to Spotify, Ms. Lee served as Global Vice President, Commercial Marketing at Vevo LLC and spent seven years at AT&T Inc. and served as Vice President of Product Marketing and Innovation for AT&T AdWorks after beginning her career at Showtime Networks Inc. Ms. Lee's nomination is supported by her extensive experience and involvement in brand building, product innovation and strategic marketing across technology, media and entertainment.

*Andrew M. Meslow*

*Director since 2020*

*Age 51*

Mr. Meslow is the Chief Executive Officer of the Company. Prior to his appointment as the Chief Executive Officer of the Company in May 2020, Mr. Meslow was the Chief Executive Officer of Bath & Body Works, a subsidiary of the Company, from February 2020 to May 2020. From 2012 to February 2020, he was the Chief Operating Officer of Bath & Body Works. Mr. Meslow also served in other positions at the Company and its subsidiaries from 2003, when he joined the Company, to 2012. Mr. Meslow's nomination is supported by his effective leadership of the Company as Chief Executive Officer of the Company, his established track record backed by strong operating, business development and execution skills and his extensive understanding of the Company's businesses and industry.

*Michael G. Morris*

*Director since 2012*

*Age 74*

*Human Capital and Compensation Committee (Chair)  
Executive Committee  
Audit Committee*

Mr. Morris served as the Chairman of the Board of American Electric Power Company, Inc., one of the largest electric utilities in the United States, from 2012 to April 2014. From January 2004 until November 2011, Mr. Morris served as the President, Chief Executive Officer and Chairman of American Electric Power Company, Inc. From 1997 until 2003, he served as the President, Chairman and Chief Executive Officer of Northeast Utilities, the largest electric utility in New England. From 2013 to 2017, Mr. Morris served as a director of Spectra Energy Corp., one of North America's leading natural gas infrastructure companies until its acquisition by Enbridge Inc. From 2017 to 2018, Mr. Morris served as director of Spectra Energy Partners GP, LLC, the general partner of Spectra Energy Partners (DE) GP, LP, the general partner of Spectra Energy Partners, LP, a master limited partnership engaged in the transmission, storage and gathering of natural gas, and the transportation and storage of crude oil, until its acquisition by Enbridge Inc., and from 2018 to 2019, Mr. Morris served as a director of PHL Group, Inc. Mr. Morris currently serves as a director of The Hartford Financial Services Group, Inc., an investment and insurance company, and as the Non-Executive Chairman of the board of directors of Alcoa Corporation, a producer of bauxite, alumina and aluminum. Mr. Morris served as a director of Alcoa Inc., a producer of aluminum, from 2008 to 2016, until Alcoa Inc.'s separation into two standalone, publicly-traded companies, Alcoa Corporation and Arconic Inc. Mr. Morris's nomination is supported by his broad business experience and management expertise.

*Sarah E. Nash*

*Director since 2019*

*Age 67*

*Chair of the Board  
Executive Committee (Chair)  
Nominating & Governance Committee (Chair)*

Ms. Nash is the Chair of our Board. Ms. Nash is also Chair of the Board, Chief Executive Officer and majority shareholder of Novagard Solutions, an innovator and manufacturer of silicone sealants and coatings and hybrid and foam solutions for the Building Systems, Electronics, EV and Battery and Industrial and Transportation markets. Ms. Nash spent nearly 30 years in investment banking at JPMorgan Chase & Co. (and predecessor companies), a financial services firm, retiring as Vice Chairman in July 2005. She currently serves on the boards of directors of Blackbaud, Inc., a software company providing technology solutions for the not-for-profit industry, and Knoll, Inc., a designer and manufacturer of lifestyle and workplace furnishing, textiles and fine leathers, and privately held HBD Industries, Inc. and Irving Oil Company. Ms. Nash is Trustee of the New York-Presbyterian Hospital, a member

of the National Board of the Smithsonian Institution and a member of Smithsonian Tropical Research Institute (STRI), Panama. Ms. Nash holds a BA in political science from Vassar College. Ms. Nash's nomination is supported by her extensive experience in capital markets, strategic transactions, corporate governance and non-profit organizations.

*Robert H. Schottenstein*

*Director since 2017*

*Age 68*

*Human Capital and Compensation Committee  
Nominating & Governance Committee*

Mr. Schottenstein has been the Chairman and Chief Executive Officer of M/I Homes, Inc., one of the nation's largest homebuilders, since 2004. From 2014 to March 2021, Mr. Schottenstein served on the board of Installed Building Products, Inc., a leading installer of insulation and complementary building products for residential new construction. He also serves on the boards of The Ohio State University Wexner Medical Center, One Columbus, The Ohio State University Foundation and is Vice Chair and serves on the Executive Committee of Harvard University's Joint Center for Housing. Mr. Schottenstein's nomination is supported by his management and business experience and involvement in various public policy issues.

*Anne Sheehan*

*Director since 2019*

*Age 64*

*Audit Committee  
Nominating & Governance Committee*

Ms. Sheehan was the Chair of the Securities and Exchange Commission's Investor Advisory Committee from 2012 to 2020. From 2008 until 2018, Ms. Sheehan served as the Director of Corporate Governance at The California State Teachers' Retirement System (CalSTRS), the largest educator-only pension fund in the world and the second largest pension fund in the United States. She previously served as the Chief Deputy Director for Policy at the California Department of Finance from 2004 to 2008 and as Executive Director at the California Building Industry Foundation from 2000 to 2004. Ms. Sheehan is a director of Cohn Robbins Holdings Corp., a blank check company founded for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more business entities. Ms. Sheehan is a founder of the Investor Stewardship Group, serves on the Advisory Board of the Weinberg Center for Corporate Governance at the University of Delaware, is a member of the Advisory Board of Rock Center for Corporate Governance of Stanford Law School and is a Senior Advisor at PJT Camberview. Ms. Sheehan's nomination is supported by her extensive experience as a corporate governance professional and her senior management and leadership experience addressing complex legislative, regulatory and public finance issues.

*Stephen D. Steinour*

*Director since 2014*

*Age 62*

*Audit Committee (Chair)  
Executive Committee*

Mr. Steinour has been the Chairman, President & Chief Executive Officer of Huntington Bancshares Incorporated, a regional bank holding company, since 2009. From 2008 to 2009, Mr. Steinour was a Managing Partner in CrossHarbor Capital Partners, LLC, a recognized leading manager of alternative investments. Mr. Steinour was with Citizens Financial Group from 1992 to 2008, where he served in various executive roles, including President from 2005 to 2007 and Chief Executive Officer from 2007 to 2008. Mr. Steinour also serves as a supervisory board member of The Clearing House, a real-time payments platform. He previously served as a trustee of Liberty Property Trust, a real estate investment trust, from 2010 to 2014, as a director of the Federal Reserve Bank of Cleveland, from 2017 to 2019, and as a director of Exelon Corporation, a utility services holding company, from 2007 to 2020. Mr. Steinour's nomination is supported by his executive experience, financial expertise and service on several boards of directors.

### ***Retiring Directors***

Leslie H. Wexner and Abigail S. Wexner have informed the Company that they will retire from the Board effective May 20, 2021, at the conclusion of our annual meeting. Mr. Wexner is the husband of Mrs. Wexner. We thank them for their years of exceptional contributions, dedication and distinguished service to the Company. Accordingly, the size of the Board will be reduced to 10 members immediately following the conclusion of our annual meeting and, therefore, stockholders may only cast their vote with respect to the 10 director nominees described above.

### ***Director Independence***

The Board has determined that each of the individuals nominated to serve on the Board (except for Andrew M. Meslow), has no material relationship with the Company other than in his or her capacity as a director of the Company and that each is “independent” in accordance with applicable NYSE standards. If all director nominees are elected to serve as our directors, independent directors will constitute 90% of our Board.

In making these determinations, the Board took into account all factors and circumstances that it considered relevant, including, where applicable, the existence of any employment relationship between the director nominee or a member of the director nominee’s immediate family and the Company; whether within the past three years the director nominee has served as an executive officer of the Company; whether the director nominee or a member of the director nominee’s immediate family has received, during any twelve-month period within the last three years, direct compensation from the Company in excess of \$120,000; whether the director nominee or a member of the director nominee’s immediate family has been, within the last three years, a partner or an employee of the Company’s internal or external auditors; and whether the director nominee or a member of the director nominee’s immediate family is employed by an entity that is engaged in business dealings with the Company. The Board has not adopted categorical standards with respect to director independence. The Board believes that it is more appropriate to make independence determinations on a case-by-case basis in light of all relevant factors.

### ***Board Leadership Structure; Risk Oversight; Certain Compensation Matters***

Ms. Nash, an independent director, serves as the Chair of the Board.

The Board, directly and through the Audit Committee and other committees of the Board, takes an active role in the oversight of the Company’s policies with respect to the assessment and management of enterprise risk. Among other things, the Board has policies in place for identifying the senior executive responsible for key risks as well as the Board committees with oversight responsibility for particular key risks. In a number of cases, oversight is conducted by the full Board.

Among other things, the Company, including the HCC Committee, has evaluated the Company’s compensation structure from the perspective of enterprise risk. The Company, including the HCC Committee, believes that the Company’s compensation structures are appropriate and do not incentivize inappropriate taking of business risks.

### ***Cybersecurity Risk***

The Audit Committee has oversight of the Company’s cybersecurity and data security policies. All members of the Audit Committee are independent directors. Members of management of the Company regularly brief the Board on issues relating to information security, fraud, data security and cybersecurity risk and developments, as well as the steps management has taken to monitor and control such exposures.

### ***Review of Strategic Plans and Capital Structure***

The Board regularly reviews the Company’s strategic plans and capital structure with a view toward long-term value creation.

### ***Board Oversight of Environmental and Social Matters***

The Company is a values-based company, and we strive to operate our business according to high standards of social responsibility. The Board, with the support, as relevant, of its HCC Committee and the Nominating & Governance Committee, reviews issues of social responsibility, including diversity, equity, and inclusion, ESG and philanthropic initiatives, and the Company’s policies, practices and progress with respect to such issues. Key areas of focus and highlights include:

- *Diversity, Equity and Inclusion.* Led by our Offices of Inclusion, we implemented a more robust enterprise strategy for diversity, equity and inclusion, based on the pillars of recruitment, education and development, engagement and retention, community and business. This includes the recruitment, retention and advancement of diverse talent among our Board, workforce and suppliers, that reflects the customers we serve and our communities. Specifically, we are taking the following steps:
  - Leaders, including our CEO, are engaging in conversations with individual associates and teams to listen and learn. We are committed to providing both large and small, formal and informal forums for associates to be heard.
  - We have gathered and are sharing resources to provide education, tools and insights for our associates on managing bias and being an ally.
  - As noted below, we have increased our investment in organizations that fund the fight against racism and inequality.
  - As an indication of our efforts in this area, we have scored between 95 and 100 on the Human Rights Campaign’s Corporate Equality Index every year for the past decade, with a perfect score of 100 in 2020.
- *Respecting Human Rights and the Planet throughout our Supply Chain.* We select suppliers based on their ability and commitment to meet our stringent standards related to safety, quality, labor and the environment. The majority of our production comes from the United States, China, Vietnam, Sri Lanka, Indonesia and India and includes many long-term strategic partners. Suppliers are audited for compliance with our supplier code of conduct, with particular emphasis on forced labor.
- *Reducing our Environmental Impact.*
  - *Driving toward sustainable materials.* We are working to reduce our environmental impact through the use of more sustainable materials and fibers and partnerships with more environmentally responsible suppliers. For example, under the Company’s Forest Products Procurement Policy, we work with our suppliers to source packaging and products – including those containing man-made cellulosic fibers – from certified forestry operations to reduce the pressures on endangered forests. Additionally, the Company participates in global initiatives to improve cotton farming and, by the end of 2021, will procure 50% of the Company’s cotton through these more sustainable sources.
  - *Minimizing use of hazardous chemicals.* We have built a chemical management program (including supplier training) aimed at eliminating the discharge of priority chemical categories in conjunction with the manufacturing of our apparel products and have adopted the Zero Discharge of Hazardous Chemicals (ZDHC) Manufacturing Restricted Substances List (MRSL).
  - *Reducing energy consumption, water use and greenhouse gas emissions.* We have rolled out numerous energy-efficiency projects, such as use of LED lamps in stores, home offices and distribution centers. We also have a commitment to using efficient means of transporting our goods. Since 2006, we have been a partner in the U.S. Environmental Protection Agency’s SmartWay Transport Partnership program, which works with companies to reduce greenhouse gas emissions and air pollution from transportation of goods. And since 2009, we have been a member of the Ceres Business for Innovative Climate and Energy Policy (BICEP), an advocacy coalition of businesses committed to working with policymakers to pass meaningful energy and climate legislation. With respect to water use, we have taken steps to conserve water use in our buildings and in landscaping.
- *Supporting our Communities.* In 2020, we invested more than \$8 million in non-profit organizations in our home office communities through the L Brands Foundation, which included expanding our commitment to long-time community partners, the National Urban League and YWCA, by donating \$1 million in 2020 to each of them (through their national and Columbus-based affiliates) to support the fight against racism and inequality.

- *Empowering and Joining our Associates in Funding Research with the Goal of Ending Cancer.* In 2020, we contributed to organizations such as Pelotonia and Susan G. Komen to support cancer research. Since 2010, L Brands has raised more than \$65 million for Pelotonia where 100% of every participant-raised dollar funds cancer research at The Ohio State University Comprehensive Cancer Center – James Cancer Hospital and Solove Research Institute.
- *Responding to COVID.* Utilizing various COVID-19 safety measures that are designed to align with guidelines from the Centers for Disease Control and Prevention, we have taken a number of steps to protect our employees and customers, including use of temperature checks and verifications from our associates that they are symptom-free; compensation for our associates who are quarantining due to a positive COVID-19 test; providing face masks to our associates and instituting policies for use of face masks; taking steps to promote social distancing at our stores, distribution centers and customer care centers; and increasing our cleaning regimen.

### ***Human Capital Management***

The Board recognizes that attracting, developing and retaining the best people is crucial to all aspects of the Company’s activities and long-term success and has oversight of the development and implementation of our human capital management programs, including diversity and inclusion practices and initiatives, recruiting, retention and career development and progression. Among other things, the Board reviews with members of management of the Company issues relating to human capital management such as associate engagement, workforce planning and demographics, diversity and inclusion strategies and our corporate culture and in 2020 the Board adopted a new charter for the HCC Committee.

### ***Succession Planning***

The Board and its Nominating & Governance Committee have developed policies and principles governing succession planning with respect to the CEO and senior management.

### ***Information Concerning Board Meeting Attendance***

Our Board held 23 meetings in fiscal year 2020. During fiscal year 2020, all of the then-current directors attended 75% or more of the total number of meetings of the Board and of the committees of the Board on which they served (which were held during the period in which they served).

### ***Committees of the Board***

#### ***Audit Committee***

The Audit Committee of the Board is instrumental in the Board’s fulfillment of its oversight responsibilities relating to (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of the Company’s independent auditors and (iv) the performance of the Company’s internal audit function. The current members of the Audit Committee are Mr. Steinour (Chair), Mses. James and Sheehan and Mr. Morris. The Board has determined that each of the Audit Committee members meets the independence, expertise and experience standards established by the NYSE and the Commission for service on the Audit Committee of the Board and for designation as an “audit committee financial expert” within the meaning of the regulations promulgated by the Commission.

The Report of the Audit Committee can be found on page 55 of this proxy statement. The Audit Committee held 13 meetings in fiscal year 2020.

#### ***Human Capital and Compensation Committee***

The HCC Committee of the Board (i) oversees generally workforce management and development of the human capital of the Company, as well as the Company’s compensation and benefits philosophy and policies, (ii) evaluates the CEO’s compensation and sets his or her compensation, (iii) oversees the evaluation process and compensation structure for other members of the Company’s senior management and (iv) fulfills the other responsibilities set forth in its charter. In 2020, the Board adopted a new charter for the HCC Committee. The current members of the HCC Committee are Mr. Morris (Chair), Ms. Bellinger and Mr. Schottenstein. The Board has determined that each of the current Human Capital and Compensation Committee members is “independent” in accordance with applicable NYSE standards.



The Report of the HCC Committee can be found on page 50 of this proxy statement. The HCC Committee held 14 meetings in fiscal year 2020.

#### *Nominating & Governance Committee*

The Nominating & Governance Committee of the Board actively engages in the ongoing review of the composition of the Board and opportunities for Board refreshment. Based on its review, the Nominating & Governance Committee identifies and recommends to the Board candidates who are qualified to serve on the Board and its committees. The Nominating & Governance Committee also considers and reviews the qualifications of any individual nominated for election to the Board by stockholders. It is responsible for proposing a slate of candidates for election as directors at each annual meeting of stockholders. We have added eight new directors since 2014, seven of whom are independent directors, who bring a diversity of skills, attributes and perspectives to the Board. In addition to ongoing Board refreshment, we believe that a variety of director tenures is beneficial to ensure Board quality and continuity of experience, as reflected in the current composition of our Board.

The Nominating & Governance Committee develops and recommends to the Board criteria and procedures for the selection and evaluation of new individuals to serve as directors and committee members. In assessing director nominees, the Nominating & Governance Committee takes into account the qualifications of existing directors for continuing service or re-nomination, which may be affected by, among other things, the quality of their contributions, their attendance records, changes in their primary employment or other business affiliations, the number of boards of publicly held companies on which they serve or other competing demands on their time and attention. While the Board has not established any specific minimum qualifications for director nominees, as indicated in the Company's corporate governance principles, the directors and any potential nominees should possess the integrity, judgment, skills, experience and other characteristics that are deemed necessary or desirable for the effective performance of the Board's oversight function. Certain of the skills, qualifications and particular areas of expertise considered with respect to the members of the Board are summarized on page 6 of this proxy statement and in the director biographies found on pages 7 through 9 of this proxy statement. Although the Nominating & Governance Committee does not use formal quantitative or similar criteria with regard to diversity in its selection process, the Company's corporate governance principles provide that the Board will be composed of members of diverse backgrounds and, accordingly, the Committee considers the diversity of experience, background and expertise of the current directors and areas where new directors might add additional perspectives, as factors in the selection of Board nominees. If all director nominees are elected to serve as our directors, six of our directors will be women, including our Chair of the Board, four of whom are ethnically diverse. The Company will continue to require that the initial pool of candidates identified to be considered for any future Board vacancy include persons reflecting a diversity of race, ethnicity and gender. In addition, in connection with the use of a third-party search firm to identify external candidates who are qualified to serve as potential successors to the CEO, the Board will instruct such third-party search firm to take into consideration the Company's commitment to diversity as defined above.

The Nominating & Governance Committee does not have a formal policy on the consideration of director candidates recommended by stockholders. The Board believes that it is more appropriate to provide the Nominating & Governance Committee flexibility in evaluating stockholder recommendations. In the event that a director nominee is recommended by a stockholder, the Nominating & Governance Committee will give due consideration to the director nominee and will use the same criteria used for evaluating Board director nominees, in addition to considering the information relating to the director nominee provided by the stockholder.

The Company engaged a search firm to assist the Nominating & Governance Committee in identifying and evaluating potential directors.

The Nominating & Governance Committee also develops and recommends to the Board, and regularly reviews, a set of corporate governance principles for the Company to ensure they reflect evolving best practices, monitors compliance with those principles and stays abreast of developments in the area of corporate governance. The Nominating & Governance Committee also reviews and periodically makes recommendations to the Board regarding the structure, practices, policies and activities of the Board and its committees. Each Board committee's charter is reviewed at least annually. To ensure that the Board, Board committees and individual directors remain effective, the Nominating & Governance Committee oversees a robust annual evaluation of the Board, each Board committee and each individual director and recommends ways to improve performance. At least annually, each of the Audit Committee, the HCC Committee and the Nominating & Governance Committee evaluates its own performance and reports to the Board on such evaluation. The full Board also engages in self-evaluation at least annually. The current

members of the Nominating & Governance Committee are Ms. Nash (Chair), Mses. Bellinger, James and Sheehan and Mr. Schottenstein. The Board has determined that each of the current Nominating & Governance Committee members is “independent” in accordance with applicable NYSE standards.

The Nominating & Governance Committee held 5 meetings in fiscal year 2020.

#### *Executive Committee*

The Executive Committee of the Board may exercise, to the fullest extent permitted by law, all of the powers and authority granted to the Board. Among other things, the Executive Committee may declare dividends, authorize the issuance of stock and authorize the seal of the Company to be affixed to papers that require it. The current members of the Executive Committee are Ms. Nash (Chair) and Messrs. Morris and Steinour.

#### *Meetings of the Company’s Non-Management Directors*

The non-management directors and the independent directors of the Board meet in regular executive sessions. Ms. Nash serves as the chair of those meetings. Mr. Meslow does not attend any meetings of the non-management directors or the independent directors, and Mr. Wexner and Mrs. Wexner did not attend any meetings of the non-management directors or the independent directors.

#### *Communications with Stockholders*

The Board believes that it is important to understand stockholder perspectives on the Company and foster long-term relationships with stockholders and, to that end, we have a policy of robust engagement with stockholders, with continuing outreach to and dialogue with all of our major investors on a range of issues, including corporate governance matters and environmental and social goals and initiatives. Such engagements with investors have been highly constructive. The Board also provides a process for interested parties to send communications to the full Board, the non-management members of the Board and the members of the Audit Committee. Any director may be contacted by writing to him or her c/o L Brands, Inc., Three Limited Parkway, Columbus, Ohio 43230 or emailing at [boardofdirectors@lb.com](mailto:boardofdirectors@lb.com). Any stockholder wishing to contact Audit Committee members may send an email to [auditcommittee@lb.com](mailto:auditcommittee@lb.com). Communications that are not related to a director’s duties and responsibilities as a Board member, a non-management director or an Audit Committee member may be excluded by the Office of the General Counsel, including, without limitation, solicitations and advertisements; junk mail; product-related communications; job referral materials such as resumes; surveys; and any other material that is determined to be illegal or otherwise inappropriate. The directors to whom such information is addressed are informed that the information has been removed and that it will be made available to such directors upon request.

#### *Attendance at Annual Meetings*

The Company does not have a formal policy regarding attendance by members of the Board at the Company’s annual meeting of stockholders. However, it encourages directors to attend and historically nearly all have done so. All of the then-current Board members attended the 2020 annual meeting. Each director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending meetings of the Board and the committees of which he or she is a member.

#### *Code of Conduct, Related Person Transaction Policy and Associated Matters*

The Company has a code of conduct that is applicable to all employees of the Company, including the CEO and Chief Financial Officer (the “CFO”), and to members of the Board. Any amendments to the code or any waivers from any provisions of the code granted to executive officers or directors will be promptly disclosed to stockholders through posting on the Company’s website at [www.lb.com](http://www.lb.com).

Under the Company’s Related Person Transaction Policy (the “Policy”), subject to certain exceptions, directors and executive officers of the Company are required to notify the Company of the existence or potential existence of any financial or commercial transaction, agreement or relationship involving the Company in which a director or executive officer or his or her immediate family members has a direct or indirect material interest. Each such transaction must be approved by the Board or a committee consisting solely of independent directors after consideration of all material facts and circumstances.

The Company is engaged in several projects designed to increase our speed and agility in producing products that satisfy our customers. In the case of our beauty, personal care and home fragrance businesses, the development

of supplier facilities in close proximity to our headquarters and distribution facilities in central Ohio has been an integral part of capturing the many business benefits of speed and agility. The New Albany Company, a business beneficially owned by Mr. and Mrs. Wexner, is in the business of developing real estate, including industrial parks, and has sold land (and may in the future sell land) to certain vendors or third party developers in connection with the continuing development of an industrial park focused on the foregoing business categories in New Albany, Ohio. The Audit Committee monitors such vendor and third party transactions on an ongoing basis to assure that they are in the best interests of the Company and its stockholders generally.

***Copies of the Company's Code of Conduct, Corporate Governance Principles, Policy and Committee Charters***

The Company's code of conduct, corporate governance principles and Policy, as well as the charters of the Audit Committee, HCC Committee and Nominating & Governance Committee of the Board, are available on the Company's website at [www.lb.com](http://www.lb.com). Stockholders may also request a copy of any such document from: L Brands, Inc., Attention: Investor Relations, Three Limited Parkway, Columbus, Ohio 43230.

## **PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent registered public accountants for the fiscal year ending January 29, 2022. Ernst & Young LLP has been retained as the Company's independent registered public accountants continuously since 2003.

The Audit Committee is responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accountants. The Audit Committee is responsible for approving the fees associated with the Company's retention of Ernst & Young LLP. In accordance with the Commission's rules, Ernst & Young LLP's lead engagement partner rotates every five years. The Audit Committee is directly involved in the selection of Ernst & Young LLP's lead engagement partner. In addition, the Audit Committee evaluates Ernst & Young LLP's qualifications, performance and independence and presents its conclusions on these matters to the Board on at least an annual basis, and annually considers whether to continue its engagement of Ernst & Young LLP.

The members of the Audit Committee and the Board believe that the continued retention of Ernst & Young LLP to serve as the Company's independent registered public accountants is in the best interests of the Company and its stockholders. We are asking you to ratify Ernst & Young LLP's appointment, although your ratification is not required. A representative of Ernst & Young LLP will be present at the meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions.

Additional information concerning the Company's engagement of Ernst & Young LLP is included on page 56.

**The Board recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accountants.**

## **PROPOSAL 3: ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION**

Section 14A of the Securities Exchange Act of 1934 requires us to provide an advisory stockholder vote to approve the compensation of the Company's named executive officers ("NEOs"), as such compensation is disclosed pursuant to the disclosure rules of the Commission. After the Company's 2017 annual meeting, the Board determined to hold this advisory "say-on-pay" vote every year. Accordingly, the Company is providing its stockholders with the opportunity to cast an advisory vote on the fiscal 2020 compensation of our NEOs as disclosed in this proxy statement, including the Compensation Discussion and Analysis (the "CD&A"), the compensation tables and other narrative executive compensation disclosures.

Stockholders are being asked to vote on the following resolution:

"RESOLVED, that the stockholders approve the compensation of the Company's executive officers named in the 2020 Summary Compensation Table, as disclosed pursuant to Item 402 of Regulation S-K (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and other narrative executive compensation disclosures)."

This past year has been like no other when it comes to change and a challenging environment. We have been preparing to operate Bath & Body Works and Victoria's Secret as separate, standalone companies. We implemented cost reduction and performance improvements at Victoria's Secret, which includes Victoria's Secret Lingerie, PINK and Victoria's Secret Beauty (referred to collectively as "VS NewCo"), while continuing to drive strong growth at Bath & Body Works. This work has been done in the midst of a global pandemic that has forced us, and most critically, our executive leadership, to be creative and agile, adopt new ways of working and implement best-in-class safety measures.

To navigate our business transformation, and manage this crisis, our Board prioritized establishing a leadership team that will address the challenges facing the business and position our brands for success, resulting in changes at the most senior executive levels. In May 2020, our founder, Leslie H. Wexner, stepped down as CEO and Chairman of the Board of L Brands, remaining a member of the Board as Chairman Emeritus. Andrew M. Meslow, previously CEO of Bath & Body Works, was named CEO of L Brands and joined the Board. Stuart B. Burgdoerfer, current CFO of L Brands, took on the added role of interim CEO for VS NewCo.

At the end of June 2020, Charles C. McGuigan stepped down from his role as Chief Operating Officer of L Brands and CEO of Mast Global. In September 2020, Julie B. Rosen was hired as President at Bath & Body Works to lead the development of products across all categories. In October 2020, Shelley M. Milano left her role as Executive Vice President and Chief Human Resources Officer, allowing for separate human resources leadership teams for each of Bath & Body Works and VS NewCo going forward. Deon N. Riley joined L Brands in December 2020 to fill the Chief Human Resources Officer role for L Brands and Bath & Body Works.

Following these changes, at the end of fiscal 2020, our NEOs are as follows:

- Andrew M. Meslow, CEO of L Brands.
- Stuart B. Burgdoerfer, CFO of L Brands and interim CEO of VS NewCo.
- James L. Bersani, President, Real Estate.
- Julie B. Rosen, President, Bath & Body Works.
- Deon N. Riley, Chief Human Resources Officer, L Brands and Bath & Body Works.

In addition the following former executive officers who departed during fiscal 2020 are also treated as NEOs under the Commission's rules:

- Leslie H. Wexner, former CEO.
- Charles C. McGuigan, former Chief Operating Officer of L Brands and CEO of Mast Global.
- Shelley M. Milano, former Executive Vice President and Chief Human Resources Officer.

We are committed to aligning our executive compensation with our Company's performance. In connection with the Company's strong performance in fiscal 2020, our CEO earned above-target short-term performance incentive

payments according to the payout formulas established at the beginning of each six-month performance period without retroactive adjustment for the impact of the COVID-19 crisis on results. Long-term equity incentives were granted to our CEO as a one-time incentive in connection with his promotion during fiscal 2020. Substantially all of the long-term incentive is subject to challenging performance requirements that will only be earned if the Company achieves rigorous growth, profitability and return metrics that provide incentive for a balance of growth and profitability, support the strategic direction of the Company, and alignment with stockholders.

Although the advisory stockholder vote on executive compensation is non-binding, the HCC Committee has considered and will continue to consider the outcome of the vote and feedback received from stockholders when making future compensation decisions for NEOs. In 2020, 90.9% of the shares voting on the proposal voted in favor of our executive compensation program.

Please refer to the CD&A for a detailed discussion of the Company's executive compensation principles and practices and the fiscal 2020 compensation of our NEOs.

***Board Recommendation***

**There is alignment between our performance, our stockholders' interests and our NEOs' pay; therefore, the Board recommends a vote FOR this proposal.**

## **PROPOSAL 4: STOCKHOLDER PROPOSAL REGARDING STOCKHOLDER ACTION BY WRITTEN CONSENT**

John Chevedden, 2215 Nelson Ave., No. 205 Redondo Beach, CA 90278, owner of 90 shares of Common Stock, has notified the Company that he intends to submit the following proposal at this year's meeting:

### **Proposal 4 – Shareholder Right to Act by Written Consent**

Shareholders request that our board of directors take the necessary steps to permit written consent by the shareholders entitled to cast the minimum number of votes that would be necessary to authorize an action at a meeting at which all shareholders entitled to vote thereon were present and voting. This includes shareholder ability to initiate any appropriate topic for written consent.

Taking action by written consent in place of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle like the election of a new director.

Michael Morris, Robert Schottenstein and Donna James were each rejected by 20 to 25 million votes each in 2020. Mr. Morris chaired the management pay committee and management pay was rejected by 20 million votes plus the management stock option plan was rejected by 24 million votes.

This proposal topic won 95%-support at Dover Corporation and 88%-support at AT&T.

The Bank of New York Mellon Corporation (BK) said it adopted written consent in 2019 after 45% support for a written consent shareholder proposal. This proposal could obtain 45% support or more at our 2021 annual meeting.

A shareholder right to act by written consent still affords LB management strong protection for a management holdout mentality for the status quo during the current rapidly changing business environment. Any action taken by written consent would still need 62% supermajority approval from the shares that normally cast ballots at the LB annual meeting to equal the required majority vote from all LB shares outstanding.

With the avalanche of bare bones online shareholder meetings in 2020 shareholder engagement and management transparency have taken a big hit. Shareholders are so restricted in online meetings that management will never want a return to the much more transparent in-person shareholder meeting format. This is all the more reason to support this corporate governance enhancement of shareholder written consent.

Shareholders are restricted in making their views known at online shareholder meetings because all constructive questions and comments can be screened out by management. For instance the Goodyear shareholder meeting was spoiled by a trigger-happy management mute button for shareholders. And AT&T, with 3000 institutional shareholders, would not even allow shareholders to speak.

The sole content of an online special shareholder meeting can be a few stilted formalities and the announcement of the vote with an almost total absence of communication, outreach or engagement with shareholders.

Now more than ever shareholders need to have the option to take action outside of a shareholder meeting and send a wake-up call to management, if need be, since tightly controlled online shareholder meetings are the Death Valley of shareholder engagement and management transparency.

Please vote yes:

### **Shareholder Right to Act by Written Consent – Proposal 4**

***Our Response—Statement in Opposition to Stockholder Proposal Regarding Stockholder Action by Written Consent***

**The Board has carefully considered the above proposal and believes that it is not in the best interests of our stockholders. Consequently, the Board recommends a vote AGAINST the proposal.**

***Our stockholders already have the ability to act outside the annual meeting cycle.***

Our stockholders have very significant, year-round avenues for raising important matters with our Board. Our bylaws permit holders of 25% or more of our stock to request a special meeting, which is a powerful means to consider and approve stockholder-sponsored actions and timely effect changes while ensuring the participation of all stockholders and retaining important procedural safeguards.

***The proposal could deprive stockholders of the right to participate in key decisions affecting the Company.***

The Board believes that the proposal could result in stockholder disenfranchisement, as it could lead to stockholders being denied the ability to vote or otherwise have a say on proposed stockholder actions. Unlike stockholder actions taken at an annual or special meeting, stockholder actions by written consent can be taken without prior notice to, and without a vote of, other stockholders. This would enable certain stockholders, including small groups of large, self-interested stockholders, to take actions—effectively in secret—without the involvement of other stockholders, unlike actions taken at stockholder meetings that ensure the participation of all stockholders and the opportunity for discussion.

***The proposal lacks procedural safeguards that allow stockholders to make informed decisions.***

The Board believes that the proposal could result in stockholders being denied the opportunity to receive information about proposed actions and to make informed decisions. The approval of proposals at stockholder meetings ensures that proposals are widely disseminated to stockholders through a proxy statement and any additional soliciting materials, which must contain information about the proposed action as specified by the Commission. If a meeting is convened, the Board is provided with an opportunity to present its analysis and recommendations to stockholders. Further, the proxy statement and any additional soliciting materials must be distributed to all stockholders in advance of the meeting, providing stockholders with sufficient time and opportunity to consider the proposals before voting.

In contrast, stockholder action by written consent lacks these procedural safeguards. There is no requirement in the proposal to provide stockholders with a description of the proposed action or the reasons for the proposed action. It may be possible for some stockholders to take action without providing proper disclosure to other stockholders that discusses the issues that are the subject of the consent solicitation, or providing any information regarding themselves or their interests in the proposed action. As notice is not required, stockholders may not have sufficient time or opportunity to evaluate the proposed action. Further, the Board does not have the opportunity to provide its views to stockholders with respect to a proposed action by written consent. It may therefore be generally more difficult for stockholders to make a considered decision on such proposed actions.

This proposal would also be costly and disruptive for the Company. Permitting solicitations and action outside of, and in addition to, the traditional setting of a stockholder meeting could result in significant commitments of additional time and expense on the part of the Company with little corresponding benefit to stockholders. In addition, given the lack of procedural safeguards, different groups of stockholders could undertake duplicative and opposing written consents on the same proposal, resulting in confusion and inefficiencies.

***The Company's current policies already demonstrate responsiveness and accountability.***

The Board believes that the Company's strong corporate governance practices makes the adoption of this proposal unnecessary, provide transparency and accountability of the Board to all stockholders and demonstrate that the Company is responsive to stockholder concerns:

- In 2020, as part of the Company's ongoing review of corporate governance practices, the Company amended our certificate of incorporation to eliminate the classified board structure and provide for all directors to be elected annually by stockholders. In addition, stockholders can remove directors with or without cause.



- In 2020, in response to stockholder feedback, the Company amended our certificate of incorporation to eliminate all supermajority voting provisions.
- The Company’s bylaws provide proxy access permitting a stockholder (or a group of up to 20 stockholders) owning 3% or more of the Company’s outstanding Common Stock continuously for at least three years, to nominate and include in the Company’s proxy materials director nominees constituting up to 20% of the Board.
- The Company has a majority voting standard for the election of directors in uncontested elections, and a director who does not obtain a majority vote is required to submit a letter of resignation.
- The Chair of the Board is an independent director.
- The Company does not have a shareholder rights plan or poison pill.

We understand that action by stockholder written consent is a topic of interest to certain stockholders and a topic about which perspectives vary. However, the Board believes that stockholder action by written consent is unnecessary given the Company’s current corporate governance practices, while creating the risk that it could be used by small groups of self-interested stockholders to exclude other stockholders from critical decisions affecting the Company.

**The Board Recommends a Vote AGAINST the Stockholder Proposal Regarding Stockholder Action by Written Consent.**

## COMPENSATION-RELATED MATTERS

### Compensation Discussion and Analysis

#### *Executive Summary*

This past fiscal year has been like no other when it comes to change and a challenging environment. We have been preparing to operate Bath & Body Works and Victoria's Secret as separate, standalone companies. We implemented cost reduction and performance improvements at Victoria's Secret, which includes Victoria's Secret Lingerie, PINK and Victoria's Secret Beauty, referred to collectively as VS NewCo, while continuing to drive strong growth at Bath & Body Works. This work has been done in the midst of a global pandemic that has forced us, and most critically, our executive leadership, to be creative and agile, adopt new ways of working and implement best-in-class safety measures.

To navigate our business transformation, and manage this crisis, our Board prioritized establishing a leadership team that will address the challenges facing the business and position our brands for success, resulting in changes at the most senior executive levels. In May 2020, our founder, Leslie H. Wexner stepped down as CEO and Chairman of the Board of L Brands, remaining a member of the Board as Chairman Emeritus. Andrew M. Meslow, previously CEO of Bath & Body Works, was named CEO of L Brands and joined the Board. Stuart B. Burgdoerfer, current CFO of L Brands, took on the added role of interim CEO for VS NewCo.

At the end of June 2020, Charles C. McGuigan stepped down from his role as Chief Operating Officer of L Brands and CEO of Mast Global. In September 2020, Julie B. Rosen was hired as President at Bath & Body Works to lead the development of products across all categories. In October 2020, Shelley M. Milano left her role as Executive Vice President and Chief Human Resources Officer, allowing for separate human resources leadership teams for each of Bath & Body Works and VS NewCo going forward. Deon N. Riley joined L Brands in December 2020 to fill the Chief Human Resources Officer role for L Brands and Bath & Body Works.

Following these changes, at the end of fiscal 2020, our NEOs are as follows:

- Andrew M. Meslow, CEO of L Brands.
- Stuart B. Burgdoerfer, CFO of L Brands and interim CEO of VS NewCo.
- James L. Bersani, President, Real Estate.
- Julie B. Rosen, President, Bath & Body Works.
- Deon N. Riley, Chief Human Resources Officer, L Brands and Bath & Body Works.

In addition the following former executive officers who departed in 2020 are also treated as NEOs under the Commission's rules:

- Leslie H. Wexner, former CEO.
- Charles C. McGuigan, former Chief Operating Officer of L Brands and CEO of Mast Global.
- Shelley M. Milano, former Executive Vice President and Chief Human Resources Officer.

#### Fiscal 2020 Overview

Even without the disruption caused by the COVID-19 global pandemic, L Brands faced significant uncertainty and change in 2020. The fiscal year began with an agreement to sell 55% of the VS NewCo business to Sycamore Partners, positioning both Bath & Body Works and VS NewCo for long-term success as separate companies. When Sycamore Partners terminated the agreement in the midst of an extremely challenging business environment created by the pandemic, our efforts became entirely focused on navigating those challenges.

We took decisive actions to manage the L Brands business in the best interests of our stockholders, associates, partners, customers and communities. Our actions included expanding the scope of our Compensation Committee, renamed the HCC Committee, to include oversight of the Company's programs, policies, practices and strategies relating to culture, talent, diversity, inclusion and equal employment opportunities in addition to oversight of the Company's executive compensation plans. We also implemented compensation-related actions to preserve cash and retain key leaders and associates who are needed to help navigate the pandemic and execute on our plan to operate as separate businesses, including:

- Suspended cash compensation for the Board for the first quarter of 2020.
- Designed a competitive compensation package for our new CEO to ensure appropriate performance incentive along with long-term retention (see “—CEO Compensation” for details).
- Temporarily reduced base compensation by 20% for leaders at the Senior Vice President level and above.
- Eliminated the 2020 annual merit increase for all associates.
- Suspended annual equity awards which, according to our normal practice, would have been granted to eligible leaders in March 2020.
- Implemented a broad-based cash retention program for full-time, salaried associates in our home office, distribution centers and call center, including our NEOs. The NEO retention program is designed to ensure business continuity and leadership stability for strategically important leaders who are critical to navigating the COVID-19 crisis and executing on our plan to operate VS NewCo and Bath & Body Works as separate, standalone companies during a period of significant uncertainty.

### Pay for Performance

As a specialty retailer, our business is constantly changing to enable growth. Our focus is on speed and agility, in support of deliberate change. Our compensation program reflects this philosophy, increasing compensation when performance is strong and decreasing compensation when performance does not meet our expectations. The HCC Committee oversees our compensation program, ensuring that pay is aligned with performance. Strong performance in fiscal 2020 is reflected in the short-term cash incentive payments for fiscal 2020.

We remained focused on successfully managing the business through the COVID-19 pandemic, with associate and customer safety our top priority, while consistently delivering a great experience in stores and online. Even with significant challenges in the retail environment, performance in fiscal 2020 exceeded our initial expectations, driven by exceptionally strong results at Bath & Body Works and better-than-expected performance at VS NewCo.

The pandemic had a material impact on our business, especially during the first quarter, when nearly all of our stores around the world were closed for a significant period. Notwithstanding the disruption to our business, our leadership team reacted quickly and creatively, enabling progress in several areas. With focus on our direct channels we were able to maximize online sales to help offset the decline resulting from store closures. Direct sales increased 109% at Bath & Body Works and 31% at VS NewCo. Due to good product acceptance and disciplined inventory management, we were also able to meaningfully pull back on promotional activity and achieve increased merchandise margin rates in both businesses. We also implemented a profit improvement plan for VS NewCo, taking action to decrease expenses, close unprofitable stores and improve our international business. This plan is expected to yield an annual benefit of approximately \$400 million. As a result, we achieved the following results during fiscal 2020:

- Adjusted earnings per share of \$3.46 compared to \$2.29 last year<sup>(1)</sup>.
- Comparable sales increased 21%; total sales decreased 8%, due to store closures.
- Gross profit rate increased by 450 basis points<sup>(1)</sup>; driven by a significant increase in the merchandise margin rate and buying and occupancy expense leverage.
- Adjusted operating income increased \$577 million to \$1,808 million compared to \$1,231 million last year<sup>(1)</sup>; and the operating income rate increased by 580 basis points to 15.3%<sup>(1)</sup>.
- Total stockholder return increased 77.6%.

<sup>(1)</sup> Earnings per share and operating income determined in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for L Brands were \$3.00 and \$1,580 million for fiscal 2020 and \$(1.33) and \$258 million for fiscal 2019. Gross profit rate increased 490 basis points and operating income rate was 13.3% for fiscal 2020 calculated according to GAAP. The reconciliation of the adjusted measure to the comparable GAAP figure is on pages 30 through 32 of the 2020 10-K.

These results were achieved through the work of our NEOs to provide a safe and engaging shopping experience for our customers, execute on our profit improvement plan, leverage speed in our supply chain, and increase fulfillment capacity and productivity in our direct channel.

## Governance Practices

We have continued the following compensation practices in accordance with our corporate governance principles:

- No tax gross-ups for NEOs upon a change in control.
- “No hedging” policy governing stock trading.
- Adopted a policy that discourages pledging of Company stock and requires advance approval by our General Counsel. None of the Company’s stock held by our NEOs or Board members is pledged.
- No re-pricing of stock options without stockholder approval.
- No single-trigger vesting of equity awards upon a change in control.
- Clawback policy as described under the heading “—Compensation Governance—Recovery of Compensation.”
- Stock ownership guidelines set at five times base salary for our CEO and three times base salary for other NEOs. Members of our Board must maintain ownership of at least the number of shares of Common Stock received as Board compensation over the previous four years.
- Stock plan that requires a vesting period of at least one year, subject to certain exceptions.

## Stockholder Advisory Vote

At our 2020 annual meeting, 90.9% of our stockholders voted in favor of our executive compensation program. The HCC Committee considers this vote and other stockholder feedback when making compensation decisions for NEOs. We have a policy of robust engagement with stockholders, with continuing outreach to and dialogue with our major investors on a range of issues, including executive compensation matters. As indicated by the high-level support for our executive compensation program in 2020, the feedback from stockholders in 2020 regarding executive compensation indicated understanding and support for our compensation outcomes. Notwithstanding the challenging environment in 2020 and the compensation-related actions that were taken, we believe that our compensation program continues to reflect the feedback of our stockholders.

## Executive Compensation Philosophy

### Guiding Principles

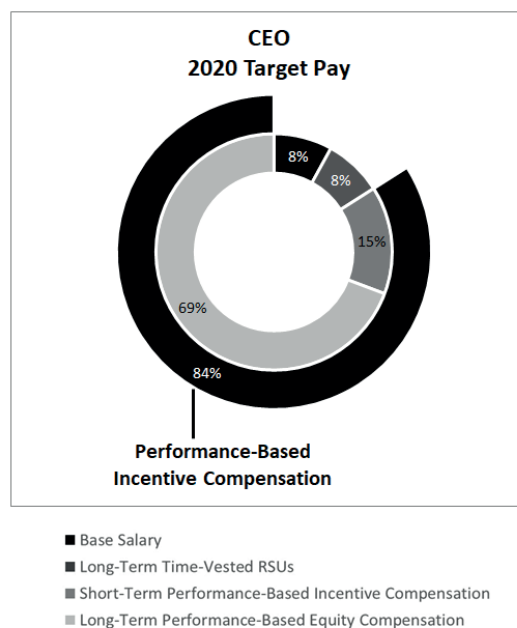
The HCC Committee oversees an executive compensation program based on the following clear and purposeful guiding principles:

Compensation Component	Our Principles
Pay Level	<ul style="list-style-type: none"> <li>Attract and retain superior leaders in a highly competitive market for talent.</li> <li>Pay competitively and equitably.</li> <li>Recognize depth and scope of accountability and complexity of responsibility.</li> </ul>
Pay Mix	<ul style="list-style-type: none"> <li>Emphasize performance-contingent, long-term equity-based compensation over fixed compensation.</li> </ul>
Pay for Performance	<ul style="list-style-type: none"> <li>Recognize and reward enterprise, brand and individual performance.</li> <li>Align executives' interests with stockholders' interests.</li> <li>Require executives to own a significant amount of Common Stock.</li> <li>Set Spring and Fall goals that reflect the seasonal nature of our business and incentivize goal achievement in each season.</li> <li>Create long-term stockholder value through regular achievement of short-term goals while pursuing our longer-term strategy of growth in North America and internationally.</li> <li>Retain and incentivize high-performers through long-term equity incentive awards.</li> </ul>

### Connecting Pay and Performance

Two key elements of our program's design connect pay to performance. First, our incentive goals are designed to challenge our NEOs to achieve a high level of performance to earn incentives at target levels. When our NEOs hit and exceed, or fall short of, these goals, we compensate them accordingly.

Second, to further connect our CEO's pay to performance and stockholder interests, we employ a pay mix philosophy that places greater emphasis on performance-based and long-term, equity-based, compensation over base salary. The following chart illustrates our pay mix philosophy which consists of a lower percentage of base salary compared to performance-based pay at target.



## Compensation Comparison

We compare our NEO compensation with publicly available data on executive compensation, including the executive compensation paid by our peer companies, in order to appropriately establish incentives for our NEOs and retain top talent.

We define our peer group, with the help of Willis Towers Watson, the HCC Committee's independent compensation consultant, to generally include:

- Businesses that are similar to ours in total revenue, market capitalization, global footprint, business and/or merchandise focus;
- Retailers that compete with us for executive talent;
- Specialty and department store retailers; and
- Companies with brands that have emotional content.

We review our peer group annually and did not make any changes in fiscal 2020. Our peer group consists of the following companies:

Abercrombie & Fitch Co.	J. C. Penney Company, Inc.	Ross Stores, Inc.
American Eagle Outfitters, Inc.	Kohl's Corporation	Starbucks Corporation
Avon Products, Inc.	Macy's, Inc.	Tapestry Inc.
Bed Bath & Beyond Inc.	NIKE, Inc.	The TJX Companies, Inc.
The Estee Lauder Companies Inc.	Nordstrom, Inc.	Williams-Sonoma, Inc.
The Gap, Inc.	Ralph Lauren Corporation	

We do not specifically set our NEOs' compensation against our peer group. Instead, we consider peer group comparisons provided by Willis Towers Watson as one of several factors in applying our pay philosophy and setting the pay of our NEOs. This peer group used for compensation comparisons differs from the peer group used to evaluate performance under performance stock units ("PSUs") granted to our CEO. A description of the performance peer group is included under the heading "—CEO Compensation."

## Stock Ownership Guidelines

The HCC Committee encourages Common Stock ownership by our NEOs through stock ownership guidelines which promote a long-term focus on performance, discourage inappropriate risk-taking and align the interests of our NEOs with those of our stockholders. Stock ownership guidelines can be met through direct ownership of Common Stock and indirect ownership through grants of stock under our stock incentive and retirement plans.

Our CEO is required to achieve and maintain ownership of Common Stock with a value of five times his base salary and our other NEOs are required to achieve and maintain ownership of Common Stock with a value of three times the NEO's base salary. Our NEOs are required to maintain these ownership levels within five years of becoming subject to the ownership guideline. All of our NEOs are either in compliance with this guideline or will be required to comply within the required time frame.

Members of our Board must maintain ownership of at least the number of shares of Common Stock received as Board compensation over the previous four years. All members of our Board are in compliance with this policy.

## ***Compensation for NEOs***

### Compensation Setting Process

The HCC Committee makes all decisions regarding CEO compensation with advisory input from its independent compensation consultant, Willis Towers Watson. Our CEO, with oversight from the HCC Committee, sets compensation for the other NEOs. The HCC Committee oversees the evaluation process and compensation structure for all NEOs and approves all grants of stock awards to our NEOs. In making compensation decisions for our NEOs, the HCC Committee takes into consideration input, recommendations and market-based analyses provided by both management and Willis Towers Watson.

Target compensation for the NEOs is reviewed annually and is designed to reward historical performance, incentivize future performance and be competitive with the external market for talent.

Compensation Components

The three principal elements of our executive compensation programs have historically been base salary, short-term performance-based cash incentive compensation and long-term equity incentive compensation. Each NEO’s base salary is set considering the factors below and all our NEOs, including our CEO, participate in the same short-term performance-based cash incentive compensation program.

In fiscal 2020, due to the significant uncertainty surrounding the separation of Bath & Body Works and VS NewCo, the COVID-19 pandemic and constraints on shares available for grant under the 2015 Stock Option and Performance Incentive Plan (the “2015 Plan”), we determined that it was not appropriate to grant long-term equity incentives (which are generally granted annually).

Instead, to ensure long-term retention of our ongoing leadership during particularly turbulent times for our business, special cash retention awards were approved by the HCC Committee for our NEOs, which are discussed below.

In addition to these three principal elements of compensation, the Company also provides our NEOs retirement and other post-employment benefits and perquisites. Additional information about each compensation component is provided below.

Base Salary

The following factors are considered in determining base salary adjustments:

- Scope and responsibility of the NEO’s position;
- Achievement of seasonal and annual business goals;
- Level of overall compensation paid by competitors for comparable positions;
- Recruitment, retention and development of leadership talent;
- The Company’s challenging expectations for future growth; and
- The appropriate balancing of our NEOs’ base salary against their incentive compensation.

Mr. Meslow and Mr. Burgdoerfer received base salary adjustments in fiscal 2020 in connection with their promotions and increased scope of responsibility. Mr. Bersani’s base salary did not change from fiscal 2019. Ms. Rosen and Ms. Riley’s base salaries reflect the terms of their offer of employment.

<u>NEO</u>	<u>2020 Base Salary (\$)</u>
Mr. Meslow . . . . .	1,275,000
Mr. Burgdoerfer . . . . .	1,200,000
Mr. Bersani . . . . .	800,000
Ms. Rosen . . . . .	850,000
Ms. Riley . . . . .	750,000

The table reflects base salaries in effect at the end of fiscal 2020 and does not reflect the fact that Messrs. Meslow, Burgdoerfer and Bersani’s base pay was reduced 20% for approximately three months along with leaders at the Senior Vice President level and above to conserve cash during store closures.

Short-Term Performance-Based Cash Incentive Compensation

Short-term performance-based incentive compensation is paid pursuant to the 2015 Incentive Compensation Performance Plan (the “2015 ICPP”). This compensation component focuses on achievement of six-month goals, reflecting our two selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). The Fall season, which includes holiday sales, is weighted more heavily because of its importance to our profitability. The use of two six-month performance periods in our plan design reflects our belief that achievement of our short-term

goals season after season creates long-term value for our stockholders. This structure proved to be beneficial during the COVID-19 crisis because it allowed for our HCC Committee to establish meaningful targets for the Fall season with a more clear understanding of the challenges of the retail environment, avoiding the need to make retroactive adjustment to performance goals.

The pre-established, objective financial goals for fiscal 2020 were based solely on adjusted operating income. Adjusted operating income is used because it is a performance measure over which executives can have significant impact and is also directly linked to the Company's long-term growth plan and performance that drives stockholder value. While the 2015 ICPP provides for adjustment due to extraordinary items, both Spring and Fall payouts reflect the actual, quantitative results, without retroactive adjustment for the impact of the COVID-19 crisis. Adjusted operating income goals are set at the beginning of each six-month season based on:

- An analysis of historical performance;
- Income goals for that brand;
- Overall economic environment including financial results of other comparable businesses; and
- Progress toward achieving our strategic plan.

Performance goals for the Fall season were simplified to reflect the intended separation of Bath & Body Works and VS NewCo and the integration of international and sourcing functions into the brands which they support. The table below shows the adjusted operating income goals for each season required to earn short-term performance-based incentive compensation at target and actual performance:

	<u>Fiscal 2020 Spring Season</u>		<u>Fiscal 2020 Fall Season</u>	
	<u>Adjusted Operating Income Goal (target)</u>	<u>Actual Performance<sup>(1)</sup></u>	<u>Adjusted Operating Income Goal (target)</u>	<u>Actual Performance<sup>(1)</sup></u>
Bath & Body Works <sup>(2)</sup> . . . . .	\$345 million	\$400 million	\$870 million	\$1,408 million
VS NewCo <sup>(2)</sup> . . . . .	65 million	(242) million	40 million	518 million
Other <sup>(3)</sup> . . . . .	(52) million	(173) million	N/A	N/A
Total L Brands . . . . .	358 million	(15) million	N/A	N/A

(1) The adjusted operating income goal target and the actual performance columns present operating income on an adjusted basis which removes certain special items which are not indicative of our ongoing operations due to their size and nature. The Company uses adjusted financial information as key performance measures of results for purposes of evaluating performance internally, which may not correspond to amounts reported externally.

(2) Fiscal 2020 Spring season operating income goals and performance for Bath & Body Works and VS NewCo reflect North America operations and fiscal 2020 Fall season operating income goals and performance reflect total segment, including international operations.

(3) Other includes business unit operating income that is an internal performance measure and does not correspond to amounts reported externally.

Fall season goals for VS NewCo were set below prior year actual results to provide meaningful incentive in a challenging environment and to reflect the projected decline in store sales due to decreased store traffic and store closures, partially offset by projected growth in online sales and margin rates. Fall season goals for Bath & Body Works were set slightly below prior year actual results to account for capacity constraints on store traffic due to social distancing and the cost of investment in fulfillment of online sales and implementation of safety measures for our workforce and customers. When evaluating operating income goals, the HCC Committee compares the change in adjusted operating income relative to the change in the incentive payments to associates to ascertain the reasonableness of the potential payout.

Adjusted operating income goal ranges at threshold, target and maximum were significantly widened in fiscal 2020 due to the challenging and uncertain environment. We felt the widened ranges were necessary to provide meaningful and realistic incentives to participants in a year filled with uncertainty due to both the challenges created by the pandemic and uncertainty around the future division of the Company.



The table below shows the range of performance goals as a percent of target for threshold and maximum payout:

	Fiscal 2020 Spring Season		Fiscal 2020 Fall Season	
	Threshold	Maximum	Threshold	Maximum
Bath & Body Works .....	87%	107%	89%	111%
VS NewCo.....	-154%	177%	-313%	488%

Performance between threshold and target and target and maximum is interpolated to determine payout percentage beginning at 20% for threshold performance up to 200% at maximum performance.

Short-term performance-based cash incentive compensation targets are set as a percentage of base salary with the amount earned ranging from zero to double the target incentive, based on the extent to which financial goals are achieved or exceeded.

The financial incentive provided by the short-term performance-based incentive compensation plan is a key component in driving the performance of the Company. The table below shows the target percent of base salary and the performance goal weighting for each NEO:

NEO	Fiscal 2020 Target	Fiscal 2020 Spring Performance Goal	Fiscal 2020 Fall Performance Goal
Mr. Meslow	185%	3% VS NewCo; 94% Bath & Body Works; 1% Other; 2% Total L Brands*	13% VS NewCo; 87% Bath & Body Works
Mr. Burgdoerfer	180%	48% VS NewCo; 24% Bath & Body Works; 10% Other; 18% Total L Brands*	87% VS NewCo; 13% Bath & Body Works
Mr. Bersani	140%	40% VS NewCo; 28% Bath & Body Works; 12% Other; 20% Total L Brands	50% VS NewCo; 50% Bath & Body Works
Ms. Rosen	115%	N/A	100% Bath & Body Works
Ms. Riley	80%	N/A	100% Bath & Body Works

\* Spring payouts for Mr. Meslow and Mr. Burgdoerfer were pro-rated based on the number of days each NEO served in each of their roles during the season.

Payouts for fiscal 2020 performance are set forth below and in the “Non-Equity Incentive Plan Compensation” column of the 2020 Summary Compensation Table below. Both Spring and Fall payouts reflect the actual, quantitative results originally set at the beginning of each season without adjustment for the impact of the COVID-19 crisis on results.

#### Total Fiscal 2020 Incentive Payout

	Fiscal 2020 Target Incentive (\$)	Fiscal 2020 Spring Incentive Payout (\$)	Fiscal 2020 Fall Incentive Payout (\$)	Total Fiscal 2020 Payout (\$)	Percent of Fiscal 2020 Target (%)
Mr. Meslow .....	2,304,808	1,658,928	2,830,500	4,489,428	195%
Mr. Burgdoerfer.....	2,052,000	417,636	2,592,000	3,009,636	147%
Mr. Bersani .....	1,120,000	250,880	1,344,000	1,594,880	142%
Ms. Rosen .....	402,816	N/A	805,632	805,632	200%
Ms. Riley .....	360,000	N/A	720,000	720,000	200%

The pandemic had a material impact on our business. Our NEOs reacted quickly and creatively, enabling us to maximize online sales to help offset the decline resulting from store closures. In addition, their leadership resulted in good product acceptance and smart inventory management that allowed us to pull back on promotional activity and achieve better merchandise margin rates in both businesses. This resulted in adjusted operating income that significantly exceeded expectations and goals set at the beginning of each season.

### Long-Term Equity Compensation

In fiscal 2020, due to the significant uncertainty surrounding the separation of Bath & Body Works and VS NewCo and the COVID-19 pandemic, our HCC Committee decided not to grant annual long-term incentive compensation to our NEOs at the time of our normal grant cycle (March 2020). Accordingly, long-term equity incentives were only awarded as promotional awards for Mr. Meslow and hiring incentives for Ms. Rosen and Ms. Riley. We did not grant annual equity awards to NEOs or other leaders who were otherwise eligible according to our normal practice.

Stock awards made prior to May 2020 were made under the 2015 Plan and after May 2020 under the 2020 Stock Option and Performance Incentive Plan (the “2020 Plan”), which was approved at our 2020 stockholder meeting.

#### *Time-Vested Restricted Stock Units*

Time-vested restricted stock units (“RSUs”) are granted to ensure market competitiveness of the executive compensation package and to retain executives over the long-term.

In connection with his promotion to CEO of Bath & Body Works in February 2020, Mr. Meslow was granted RSUs with a grant date value of \$1,274,555 that cliff vest 100% after three years. Ms. Rosen and Ms. Riley each received RSUs as a hiring incentive and to make up for forfeited stock awards from their prior employers. Ms. Rosen’s RSUs have a grant date value of \$849,986 and cliff vest 100% after three years from the grant date. Ms. Riley’s RSUs have a grant date value of \$749,996 and vest 50% on each of the first and second anniversaries of her hire date.

#### *Performance Stock Units*

PSUs incentivize executive performance through the achievement of growth and profitability metrics. Since we did not grant annual equity awards in fiscal 2020, Mr. Meslow is the only NEO who received a PSU award in fiscal 2020. Mr. Meslow’s PSUs were granted in connection with his promotion to CEO of L Brands and is described in detail below under the heading “CEO Compensation.”

Below is a summary of long-term equity incentive compensation, including RSUs, PSUs and stock options awarded in fiscal 2020.

	<u>Target Value of PSU Award (\$)</u>	<u>Value of Time- Vested RSU Award (\$)</u>	<u>Total Fiscal 2020 Equity Award Value (\$)</u>
Mr. Meslow . . . . .	11,056,000	1,274,555	12,330,555
Mr. Burgdoerfer . . . . .	—	—	—
Mr. Bersani . . . . .	—	—	—
Ms. Rosen . . . . .	—	849,986	849,986
Ms. Riley . . . . .	—	749,996	749,996

### Cash Retention Awards and Other Bonuses

To ensure long-term retention of our ongoing leadership during a time of transition and significant uncertainty and in the absence of a long-term equity incentive award in fiscal 2020, special cash retention awards were granted to Messrs. Meslow, Burgdoerfer and Bersani to be paid in three equal installments. The first of the retention payments was paid on January 31, 2021 and the remaining two installments are scheduled to be made on July 31, 2021 and January 31, 2022 if the executive is employed on each of those dates. In addition, under the terms of Ms. Riley’s offer of employment, she will receive cash retention payments of \$250,000 within 30 days of each of the first and second anniversaries of her hire date, subject to her continued employment.

	<b>Total Cash Retention Amount (\$)</b>
Mr. Meslow . . . . .	6,000,000
Mr. Burgdoerfer . . . . .	4,500,000
Mr. Bersani . . . . .	2,250,000
Ms. Rosen . . . . .	N/A
Ms. Riley . . . . .	500,000

Cash retention amounts are not disclosed in the 2020 Summary Compensation Table and will be disclosed in the table in the year in which the payment is earned and paid based on the executive’s continued service.

In connection with their offers of employment, Ms. Rosen also received in September 2020 a sign-on bonus of \$1,000,000 and Ms. Riley will receive a sign-on bonus of \$1,500,000 that will be payable in July 2021, in each case subject to her continued employment. In the event either executive voluntarily resigns for any reason or is terminated by the Company for cause within two years of her hire date, she will be required to reimburse the full amount of the sign-on bonus.

The sign-on bonus amount for Ms. Riley is not disclosed in the 2020 Summary Compensation Table and will be disclosed in the table in the year in which the amount is paid.

In recognition of his extraordinary efforts leading the Real Estate team during the COVID-19 pandemic, and generating significant occupancy savings for the Company, the HCC Committee also approved a \$250,000 bonus to Mr. Bersani.

Retirement and Other Post-Employment Benefits

Retirement and other post-employment benefits consist of qualified and non-qualified defined contribution retirement plan benefits and termination benefits.

*Qualified Defined Contribution Retirement Plan*

The qualified plan is available to all associates who meet certain age and service requirements. Associates can contribute up to the amounts allowable under Section 401 of the Internal Revenue Code of 1986, as amended (the “Code”). The Company matches associates’ contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates’ eligible annual compensation and years of service. Associates’ contributions and Company matching contributions to the qualified plan vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service.

*Non-Qualified Defined Contribution Deferred Compensation and Supplemental Retirement Plan*

The Company previously sponsored a non-qualified supplemental retirement plan (the “SRP”) for associates who met certain age, service, job level and compensation requirements. The non-qualified plan is an unfunded plan which provides benefits beyond the Code limits for qualified defined contribution plans. The Company has not set aside assets to fund liabilities of the non-qualified plan. Assets that may be used to satisfy such liabilities are general assets of the Company, subject to the claims of the Company’s creditors.

On June 27, 2020 (the “Termination Date”), the HCC Committee authorized the termination of the SRP. Any remaining benefits and obligations under the SRP are expected to be paid out in full approximately one year following the Termination Date. Pursuant to applicable rules under the Code, certain other deferred compensation arrangements were simultaneously terminated and liquidated, including any remaining elective deferred stock units and deferral elections under the Company’s Stock Award and Deferred Compensation Plan for Non-Associate Directors. In addition, any retirement-eligible associates of the Company who were eligible for special pro rata vesting on any RSUs held by such associate will no longer receive pro rata vesting treatment on a retirement following the Termination Date.

*Termination Benefits: Severance and Change in Control Agreements*

We have entered into severance and change in control agreements with our NEOs. See “Retirement and Other Post-Employment Benefits—Estimated Post-Employment Payments and Benefits” below for a description of estimated benefits in certain termination situations, including a change in control.

Mr. McGuigan and Ms. Milano, whose positions were eliminated in connection with the planned separation of VS NewCo from L Brands, received severance benefits in fiscal 2020 according to their individual agreements. In addition, as a component of our senior management transition, Ms. Milano was asked to continue with the Company for a period of four months and assist in the transition. In exchange, in September 2020, Ms. Milano received a retention bonus of \$1,500,100 as an enhancement of her existing severance protection benefit in recognition of her performance of expanded duties. Mr. Wexner was not covered by a severance agreement.

Upon a change in control, equity awards will only vest if the executive's employment is terminated by the executive for good reason or by the Company other than for cause within 24 months of the change in control. None of our NEOs is entitled to a tax gross-up for any excise taxes on compensation paid in connection with a change in control.

#### Limited Perquisites

We provide our NEOs with limited perquisites that the HCC Committee has determined are reasonable and in the best interests of the Company and its stockholders. These perquisites may include the reimbursement of financial planning costs of up to \$9,500 per year and supplemental disability and life insurance coverage provided by the Company for associates at the Vice President level and above, including the NEOs. In addition, to the extent that corporate provided aircraft is used by any NEO for personal purposes, the NEO has reimbursed the Company based on the amount established by the Internal Revenue Service (the "IRS") as reasonable for personal use or the aggregate incremental cost associated with the personal use of the corporate owned aircraft as determined by an independent, third-party aircraft costing service.

#### ***CEO Compensation***

##### Overview of CEO Pay

The HCC Committee determined that Mr. Meslow's track record of success at Bath & Body Works and the challenges facing the business make his leadership critical to the future of the Company. While his past successes speak for themselves, the challenges ahead are vast including replacing the leadership of our iconic founder, implementing a profit improvement plan at VS NewCo, separating the Victoria's Secret and Bath & Body Works businesses, continuing to drive strong growth at Bath & Body Works and navigating a global pandemic that has forced us to be creative and agile, adopt new ways of working and implement best-in-class safety measures. With this in mind, Mr. Meslow's compensation is designed to provide significant performance incentives while retaining his leadership over the long term.

##### CEO Compensation

Mr. Meslow's compensation includes substantially the same compensation components as the other NEOs. He participates in the short-term, performance-based incentive compensation plan, cash retention program and retirement plan described above.

Mr. Meslow received two long-term equity incentive awards in fiscal 2020. Mr. Meslow first received a time-vested RSU award for 64,048 shares in February 2020 when he was promoted to CEO of Bath & Body Works that cliff vests 100% after three years. In connection with his promotion to CEO of L Brands, Mr. Meslow was awarded PSUs enabling Mr. Meslow to earn from zero to a maximum of 1,500,000 shares of Common Stock over a five-year performance period depending on the Company's achievement of specified operating income margin targets as well as revenue growth measures and stockholder return measures relative to the performance of peers. A five-year performance period (vs. our usual three-year performance period) was used to drive longer-term performance and retention as well as recognize the overall magnitude of the award. As noted below, maximum payout will only occur through extraordinary performance, reflecting revenue growth that significantly exceeds our peer group and meaningful improvement in operating income rate. The RSU award granted in February 2020 will be deducted from any shares earned under the PSU award.

The PSUs incentivize the CEO through the achievement of challenging profitability, growth and return metrics. Two metrics weighted equally at 50% determine the initial payout: revenue growth relative to peers and cumulative

operating income as a percent of cumulative sales (operating income margin). Payout is then adjusted up or down 20% based on total stockholder return relative to peers. These metrics were chosen by the HCC Committee because they align with the strategic direction of the Company and provide a balance between growth and profitability metrics as well as alignment with stockholders.

Performance will be evaluated based on three separate three-year periods over a total of five years:

- 40% of the award may be earned based on fiscal 2020 through 2022 performance and vests in 2023
- 30% of the award may be earned based on fiscal 2021 through 2023 performance and vests in 2024
- 30% of the award may be earned based on fiscal 2022 through 2024 performance and vests in 2025

The specific targets are as follows:

	<u># Shares Earned</u>	<u>3-Year Revenue Growth Relative to Peer Group</u>	<u>3-Year Cumulative Operating Income Rate</u>
Threshold . . . . .	500,000	30 <sup>th</sup> percentile	16%
Target . . . . .	1,000,000	50 <sup>th</sup> percentile	18%
Maximum . . . . .	1,500,000	90 <sup>th</sup> percentile	22%

Performance will be evaluated based on a scale, and payout will be interpolated between threshold, target and maximum.

Once performance is determined based on the above two metrics, the award will be adjusted up 20% if total stockholder return is above the 75<sup>th</sup> percentile and down 20% if total stockholder return is below the 40<sup>th</sup> percentile of the designated peer group. There is no adjustment for total stockholder return performance between the 40<sup>th</sup> and 75<sup>th</sup> percentile and the adjustment may not cause the number of shares earned under the award to be above maximum or below threshold.

The peer group used to determine relative revenue growth performance achievement and total stockholder return adjustment for the PSUs was selected, with the help of Willis Towers Watson, based on companies that are generally similar to Bath & Body Works in total revenue, market capitalization, business and/or merchandise focus. Due to the long-term nature of the award and the fact that it is expected that VS NewCo will be separated from L Brands and Bath & Body Works will be the remaining brand, the HCC Committee determined that it was appropriate to select companies based on Bath & Body Works as a standalone company. Accordingly, the companies that comprised the peer group are as follows:

Abercrombie & Fitch Co.	Hanesbrands Inc.	Sally Beauty Holdings Inc.
American Eagle Outfitters Inc.	lululemon athletica inc.	Tapestry Inc.
Big Lots, Inc.	Michael's Co. Inc.	The Estee Lauder Companies Inc.
Burlington Stores Inc.	Newell Brands Inc.	Tractor Supply Company
Coty Inc.	Nu Skin Enterprises Inc.	Ulta Beauty Inc.
Designer Brands Inc.	Ralph Lauren Corporation	Williams Sonoma Inc.
Foot Locker Inc.	Revlon Inc.	

#### CEO Termination Benefits

Mr. Meslow is entitled to severance protections similar to those covering other Company executives. In the event of a termination of his employment by the Company without cause or his resignation for good reason absent a change in control, he is entitled to receive cash severance of two years' base salary and one year of incentive compensation based on actual results. In the event of a termination of his employment by the Company without cause or his resignation for good reason within two years following a change in control, he is entitled to receive cash severance of two years' base salary and two years' incentive compensation (at average historical levels), plus a pro rata payment of any unpaid retention payments. In addition, upon a termination of employment by the Company without cause or a resignation for good reason (whether or not in connection with a change in control), the Company will provide, at its expense, medical and dental benefits for a period of up to 18 months following the termination date.

## CEO Perquisites

The Board has approved Mr. Meslow's use of corporate provided aircraft for personal purposes to promote the efficient and effective use of his time while travelling. In fiscal 2020, to the extent that corporate provided aircraft was used by Mr. Meslow for personal purposes, he has reimbursed the Company based on the aggregate incremental cost associated with the personal use of the corporate owned aircraft, resulting in no disclosure of a personal benefit in the All Other Compensation column of the 2020 Summary Compensation Table. In the future, the Board has approved reimbursement based on the IRS's Standard Industrial Fare Level ("SIFL") formula. To the extent that corporate aircraft is used by Mr. Meslow for personal purposes in the future, the difference between the reimbursement amount and the aggregate incremental cost to the Company of providing this benefit will be disclosed in the All Other Compensation column of the Summary Compensation Table.

In addition, the Board approved a security program (the "Security Program") that provided security services to Mr. Wexner and his family during his tenure as our CEO. The Security Program was for the benefit of the Company and was appropriate given the risks associated with Mr. Wexner's position as the CEO and Chairman of the Board of L Brands. To verify that a bona fide Company oriented security concern existed and that the Security Program costs were reasonable and consistent with these concerns, the Security Program was reviewed by a third party. The Security Program required Mr. Wexner to use corporate provided aircraft, or private aircraft that was in compliance with the Security Program, whether the purpose of the travel was business or personal. The Security Program expired in connection with Mr. Wexner stepping down as CEO and Chairman of the Board of L Brands, and the associates who served as members of Mr. Wexner's security team terminated employment with L Brands effective June 30, 2020.

The cost of security services which were not business related have been reimbursed to the Company by Mr. Wexner. In addition, to the extent that corporate provided aircraft was used by Mr. Wexner during his tenure as CEO for personal purposes, he reimbursed the Company as noted above under the heading "—Compensation for NEOs—Limited Perquisites."

## ***Compensation Governance***

### Human Capital and Compensation Committee

Our programs, policies, practices and strategies relating to culture, talent, diversity and inclusion and executive compensation are overseen by the HCC Committee. All HCC Committee members are appointed by our Board and meet independence and other NYSE requirements. HCC Committee members are selected based on their knowledge and experience in human capital and compensation matters from both their professional experience and their roles on other boards.

As part of its self-evaluation process, the HCC Committee considers prevailing best practices and compliance with the highest governance standards. During fiscal 2020, the HCC Committee also continued to engage with the full Board to maximize its effectiveness. The role of the HCC Committee and information about its meetings are set forth in this proxy statement.

The HCC Committee participated in the preparation of this CD&A and recommended to the Board that it be included in this proxy statement.

The HCC Committee, together with the Company, also evaluates the Company's compensation structure from the perspective of enterprise risk. The Company's compensation structure includes risk mitigating factors such as a mix of pay that is balanced between long- and short-term, and fixed and variable payouts under the 2015 Plan, 2020 Plan and 2015 ICPP. Based on this evaluation, the HCC Committee believes that the Company's compensation structures are appropriate and do not incentivize inappropriate taking of business risks.

The HCC Committee is governed by a charter which is available on our website at [www.lb.com](http://www.lb.com).

### Committee Meetings and Delegation

Members of Company management, including our CEO and CFO, attend the HCC Committee meetings along with the Chief Human Resources Officer, who generally prepares meeting materials, and the Secretary, who records the minutes of the meeting. Members of Company management, including the CEO, do not play a role in recommending CEO compensation. The HCC Committee regularly meets in executive session without management present.

The HCC Committee may delegate its authority to subcommittees or the Chair of the HCC Committee. In accordance with its charter, the HCC Committee has delegated to our Vice President, Compensation, the authority to make stock awards under the provisions of the 2015 Plan and 2020 Plan with a value up to \$400,000 in any year to any associate who is not a Section 16 officer of the Company or a senior leadership team member.

#### Independent Compensation Consultant

As permitted by its charter, the HCC Committee retained Willis Towers Watson as its independent executive compensation consultant and has the sole authority to retain and terminate any independent executive compensation consultant.

The HCC Committee, considering recommendations from our management team, determines the work to be performed by the consultant. The consultant works with management to gather data required in preparing analyses for HCC Committee review. Specifically, the services the consultant provides include:

- Assisting in evaluation of and providing recommendations for CEO and other NEO compensation;
- Informing the HCC Committee of changing market practices;
- Consulting on our executive compensation strategy and program design;
- Analyzing the competitiveness of executive pay;
- Assisting in the selection of our peer group; and
- Assisting in the preparation and review of this disclosure.

In addition to the services provided at the request of the HCC Committee, a separate division of Willis Towers Watson provides a call center tracking system for which we pay quarterly software usage fees and provides compensation survey reports. For fiscal 2020, these fees totaled \$128,304. The fees paid to Willis Towers Watson for its services to the HCC Committee in fiscal 2020 were \$250,616. Total fees paid to Willis Towers Watson for the fiscal year were \$378,920. The HCC Committee, in its sole discretion, engaged Willis Towers Watson; such engagement was not made or recommended by management. The HCC Committee did not participate in management's decision to engage Willis Towers Watson for its call center tracking system. The HCC Committee has determined that the provision of this work by Willis Towers Watson is not material and does not impair the independence and objectivity of advice provided to the HCC Committee on executive compensation matters.

The HCC Committee reviews and approves the provision of additional services by Willis Towers Watson to the Company and evaluates the performance and independence of Willis Towers Watson, specifically considering independence factors identified by the NYSE listing rules. This evaluation includes a review of written representations from Willis Towers Watson confirming their independence. Based on its evaluation, the HCC Committee believes that there are no conflicts of interest that could impair Willis Towers Watson's ability to provide independent, objective advice to the HCC Committee regarding executive compensation matters.

In addition to consulting provided by Willis Tower Watson, the HCC Committee engaged David Kollat, who served as the Chair of the HCC Committee until May 2019, as an advisor to the HCC Committee until May 2020. Dr. Kollat's services included consulting related to CEO compensation and establishment of short-term, performance-based incentive compensation goals for the fiscal 2020 Spring season.

#### Tax Deductibility

Section 162(m) of the Code generally does not allow a tax deduction to public companies for compensation paid to certain executive officers that is more than \$1 million during the tax year. Section 162(m) of the Code provided an exemption from this deduction limitation for compensation that qualified as "performance-based compensation." However, as part of the Tax Cuts and Jobs Act of 2017, this exemption was repealed, effective for taxable years beginning after December 31, 2017, subject to transition relief for certain arrangements in place as of November 2, 2017. The Company intends to administer grandfathered compensation in accordance with the transition relief to the extent reasonably practicable. Going forward, non-grandfathered annual compensation in excess of \$1 million for our covered senior executives will generally not be deductible. The HCC Committee continues to have the flexibility to pay non-deductible compensation if it believes it is in the best interests of the Company.

### Recovery of Compensation

Under the 2015 ICPP, the 2015 Plan and the 2020 Plan, the HCC Committee has the power and authority to recover previously awarded bonuses or equity-based compensation or profits if (i) required by applicable law with respect to a participant, (ii) a participant engaged in fraudulent conduct or activities (or had knowledge of such conduct or activities) relating to the Company or (iii) a participant should have had knowledge of such conduct or activities based on his or her position, duties or responsibilities.

### Tally Sheets

To assess the reasonableness of the compensation of our NEOs, the HCC Committee annually reviews all of the components of the NEOs' compensation, including salary, short-term incentive compensation, realized and unrealized gains on stock options and RSUs, the cost to the Company of all perquisites, benefits earned and accrued under the Company's non-qualified deferred compensation and supplemental executive retirement plan, and potential payouts under several potential severance and change-in-control scenarios. Based on this review, the HCC Committee concluded that compensation components individually and in aggregate are reasonable, encourage retention, incentivize performance and are in the best interests of the Company and its stockholders.

### *Conclusion*

We are committed to aligning our executive compensation with our Company's performance. In connection with the Company's strong performance in fiscal 2020, our NEOs earned above-target short-term performance incentive payments according to the payout formulas established at the beginning of each six-month performance period without retroactive adjustment for the impact of the COVID-19 crisis on results. Long-term equity incentives were granted only to our CEO as a one-time incentive in connection with his promotion and to Ms. Rosen and Ms. Riley as hiring incentives in connection with their employment offers, and we did not otherwise grant annual equity awards to our NEOs during fiscal 2020. Substantially all of the long-term incentive to our CEO is subject to challenging performance requirements that will only be earned if the Company achieves rigorous growth, profitability and return metrics that provide incentive for a balance of growth and profitability, support the strategic direction of the Company, and alignment with stockholders.

**In summary, there is alignment between our performance, our stockholders' interests and our NEOs' pay. Accordingly, we recommend stockholders vote FOR our executive compensation program as outlined in Proposal 3.**



## 2020 Summary Compensation Table

The following table sets forth information concerning total compensation earned by or paid to our CEO, CFO and our three other most highly compensated NEOs during the fiscal year ended January 30, 2021.

Name and Principal Position	Year	Salary (\$)	Bonus \$( <sup>(1)</sup> )	Stock Awards \$( <sup>(2)(3)</sup> )	Option Awards \$( <sup>(2)(3)</sup> )	Non-Equity Incentive Plan Compensation \$( <sup>(4)</sup> )	Change in Pension Value and Non-qualified Deferred Compensation Earnings \$( <sup>(5)</sup> )	All Other Compensation \$( <sup>(6)</sup> )	Total (\$)
Andrew M. Meslow . . . . . Chief Executive Officer	2020	\$1,183,462	\$ 0	\$12,330,555	\$ 0	\$4,489,428	\$146,274	\$ 345,220	\$18,494,939
Stuart B. Burgdoerfer . . . . . Executive Vice President, Chief Financial Officer, Interim Chief Executive Officer, VS NewCo	2020 2019 2018	1,068,462 900,000 900,000	0 0 0	0 1,260,644 1,748,530	0 238,495 117,737	3,009,636 1,114,884 1,411,578	100,128 89,235 79,008	241,317 303,913 260,080	4,419,543 3,907,171 4,516,933
James L. Bersani . . . . . President, Real Estate	2020 2019 2018	763,077 794,231 766,923	250,000 0 0	0 1,120,586 1,775,448	0 211,995 98,009	1,594,880 770,784 923,523	197,626 180,374 164,461	191,420 233,514 202,717	2,997,003 3,311,484 3,931,081
Julie B. Rosen . . . . . President, Bath & Body Works	2020	277,885	1,000,000	849,986	0	805,632	0	870	2,934,373
Deon N. Riley . . . . . Chief Human Resources Officer, L Brands and Bath & Body Works	2020	54,808	0	749,996	0	720,000	0	209	1,525,013
Leslie H. Wexner . . . . . Former Chief Executive Officer, Chairman Emeritus	2020 2019 2018	318,461 900,000 1,000,000	0 0 0	0 794,107 952,729	0 126,676 244,137	188,308 1,032,300 1,383,900	637,061 676,394 638,289	410,379 253,744 334,255	1,554,209 3,783,221 4,553,310
Charles C. McGuigan . . . . . Former Chief Operating Officer, CEO/President, Mast Global	2020 2019 2018	575,000 1,300,000 1,300,000	0 0 0	0 1,820,925 2,059,168	0 344,496 169,926	3,332,160 1,610,388 2,038,946	156,266 139,555 123,879	1,073,439 428,769 369,008	5,136,865 5,644,133 6,060,927
Shelley M. Milano . . . . . Former Chief Human Resources Officer, L Brands	2020 2019 2018	709,615 900,000 849,846	0 0 0	0 1,260,644 1,357,942	0 238,495 114,894	1,666,080 805,194 996,408	28,321 18,876 8,979	1,886,198 191,411 133,123	4,290,214 3,414,620 3,461,192

- (1) Performance-based incentive compensation bonuses are disclosed in this table in the “Non-Equity Incentive Plan Compensation” column. The bonus paid to Ms. Rosen was paid as a hiring incentive in connection with her employment offer. The bonus paid to Mr. Bersani was in recognition of his extraordinary efforts leading the Real Estate team during the COVID-19 pandemic, generating significant occupancy savings for the Company.
- (2) The value of stock and option awards reflects the aggregate grant date fair value, excluding estimated forfeitures, computed in accordance with Accounting Standards Codification (“ASC”) Topic 718 Compensation—Stock Compensation, for each award. PSUs granted to Mr. Meslow in fiscal 2020 include a specified market condition which can adjust the number of shares which vest under the award. The market condition compares total stockholder return to that of a designated peer group over the performance period. The award was valued using a Monte Carlo simulation model, which requires certain assumptions, including the risk-free interest rate, expected volatility and the estimated dividend yield. Assuming maximum achievement of performance conditions, the value of Mr. Meslow’s PSUs at the grant date was \$16,584,000. Stock options are valued using the Black-Scholes option pricing model. See Note 19 to the Company’s financial statements filed in the 2020 10-K for the related assumptions for stock options granted during fiscal 2019 and 2018 and for a discussion of our assumptions in determining the aggregate grant date fair value of these awards. Awards vest over time and, therefore, are not realizable on an annual basis, nor is the ultimate value determinable without reference to future performance.
- (3) Stock and option awards were granted to each NEO under the Company’s 2015 Plan and 2020 Plan. Awards are long-term compensation and generally vest over three to five years and are not realizable on an annual basis.

Proxy Statement

- (4) Represents the aggregate of the non-equity performance-based incentive compensation for the applicable fiscal Spring and Fall selling seasons. Incentive compensation targets are set based on a percentage of base salary and are paid seasonally based on the achievement of adjusted operating income results. The following table illustrates the amount of the compensation which is paid in cash and voluntarily deferred:

	<b>Paid in Cash</b> <b>(\$)</b>	<b>Deferred</b> <b>Cash</b> <b>(\$)</b>	<b>Total</b> <b>(\$)</b>
Mr. Meslow . . . . .	\$4,489,428	\$ 0	\$4,489,428
Mr. Burgdoerfer . . . . .	3,002,098	7,538	3,009,636
Mr. Bersani . . . . .	1,581,188	13,692	1,594,880
Ms. Rosen . . . . .	795,286	10,346	805,632
Ms. Riley . . . . .	709,154	10,846	720,000
Mr. Wexner . . . . .	188,308	0	188,308
Mr. McGuigan . . . . .	3,332,160	0	3,332,160
Ms. Milano . . . . .	1,666,080	0	1,666,080

- (5) The Company does not sponsor a defined benefit retirement plan (tax-qualified or non-qualified). For fiscal 2020, the amounts shown represent the amount by which earnings on each NEO's non-qualified plan balance at an annual effective rate of 4.23% exceed 120% of the applicable federal long-term rate at the time the rate was set in October 2019.

- (6) The following table details all other compensation paid to each NEO during our last fiscal year:

	<b>Financial</b> <b>Planning</b> <b>Services</b> <b>Provided</b> <b>to</b> <b>Executive</b> <b>(\$)</b>	<b>Incremental</b> <b>Company</b> <b>Cost</b> <b>to Provide</b> <b>Supplemental</b> <b>Life and</b> <b>Disability</b> <b>Insurance</b> <b>Coverage</b> <b>(\$)</b>	<b>Company</b> <b>Contributions</b> <b>to</b> <b>the Executive's</b> <b>Qualified and</b> <b>Non-Qualified</b> <b>Retirement</b> <b>Plan</b> <b>Account</b> <b>(\$)</b>	<b>Severance</b> <b>Pay</b> <b>(\$)</b>	<b>Retention</b> <b>Bonus</b> <b>(\$)</b>	<b>Board</b> <b>of</b> <b>Director</b> <b>Retainer</b> <b>Paid in</b> <b>Stock</b> <b>(\$)</b>	<b>Board of</b> <b>Director</b> <b>Retainer</b> <b>Paid in</b> <b>Cash</b> <b>(\$)</b>	<b>Total</b> <b>(\$)</b>
Mr. Meslow . . . . .	\$ 0	\$2,598	\$342,622	\$ 0	\$ 0	\$ 0	\$ 0	\$ 345,220
Mr. Burgdoerfer . . . . .	0	2,664	238,653	0	0	0	0	241,317
Mr. Bersani . . . . .	4,739	2,145	184,536	0	0	0	0	191,420
Ms. Rosen . . . . .	0	870	0	0	0	0	0	870
Ms. Riley . . . . .	0	209	0	0	0	0	0	209
Mr. Wexner . . . . .	0	659	217,272	0	0	80,543	111,905	410,379
Mr. McGuigan . . . . .	945	1,076	346,418	725,000	0	0	0	1,073,439
Ms. Milano . . . . .	0	1,800	193,913	190,385	1,500,100	0	0	1,886,198

## Grants of Plan-Based Awards for Fiscal 2020

The following table provides information relating to plan-based awards and opportunities granted to the NEOs during the fiscal year ended January 30, 2021.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(3)</sup>	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(4)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Andrew M. Meslow . . .	2/20/2020										\$ 1,274,555
	5/14/2020				500,000	1,000,000	1,500,000	64,048			11,056,000
		\$460,962	\$2,304,808	\$4,609,616							
Stuart B. Burgdoerfer . .		410,400	2,052,000	4,104,000							
James L. Bersani . . . . .		224,000	1,120,000	2,240,000							
Julie B. Rosen. . . . .	9/8/2020							26,958			849,986
		195,500	977,500	1,955,000							
Deon N. Riley. . . . .	12/29/2020							19,952			749,996
		120,000	600,000	1,200,000							
Leslie H. Wexner. . . . .		750,000	1,500,000	3,000,000							
Charles C. McGuigan . .		468,000	2,340,000	4,680,000							
Shelley M. Milano . . . .		234,000	1,170,000	2,340,000							

- (1) Non-Equity Incentive Plan Awards represent the Threshold, Target and Maximum opportunities under the 2015 ICPP for the fiscal 2020 Spring and Fall seasons. The actual amount earned under this plan is disclosed in the 2020 Summary Compensation Table in the “Non-Equity Incentive Plan Compensation” column.
- (2) Equity Incentive Plan Awards were granted pursuant to the 2020 Plan. Awards granted to Mr. Meslow will vest at the end of the three-year performance period, with the number of shares to be awarded determined based on the Company’s achievement of (i) revenue growth during the three year performance period relative to peers and (ii) cumulative operating income as a percentage of cumulative sales, in each case as set forth under the heading —Compensation for NEOs—“Long-Term Equity Compensation.”
- (3) All Other Stock Awards were granted pursuant to the 2015 Plan for grant dates prior to May 14, 2020 and to the 2020 Plan for grant dates from May 14, 2020 on. Grant dates were established on the date the grants were approved by the HCC Committee. Awards vest 100% on the third anniversary of the grant, subject to continued employment.
- (4) The value of stock awards reflects the grant date fair value under ASC Topic 718 Compensation—Stock Compensation for each award. RSUs and PSUs are valued based on the fair market value of a share of Common Stock on the date of grant, adjusted for anticipated dividend yields.

Proxy Statement

## Outstanding Equity Awards at Fiscal Year-End for Fiscal 2020

The following table provides information relating to outstanding equity awards granted to the NEOs as of fiscal year end, January 30, 2021.

Name	Option Awards						Restricted Stock Awards				
	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Andrew M. Meslow . . .	3/29/2013	6,707	0	0	41.88	3/29/2023					
	3/31/2014	7,117	0	0	54.21	3/31/2024					
	4/02/2015	5,757	0	0	91.17	4/02/2025					
	3/31/2016	5,978	2,563 <sup>(1)</sup>	0	87.81	3/31/2026					
	3/31/2017	4,936	7,405 <sup>(2)</sup>	0	47.10	3/31/2027					
	3/21/2018	10,174	5,087 <sup>(3)</sup>	0	39.42	3/21/2028					
	3/28/2019	11,408	22,817 <sup>(4)</sup>	0	27.94	3/28/2029					
							3/31/2016	7,688 <sup>(6)</sup>	313,363	0	0
							3/31/2017	22,215 <sup>(7)</sup>	905,483	0	0
							3/21/2018	34,287 <sup>(8)</sup>	1,397,538	0	0
							3/28/2019	61,068 <sup>(9)</sup>	2,489,132	0	0
						2/20/2020	64,048 <sup>(10)</sup>	2,610,596	0	0	
						5/14/2020	0	0	1,000,000 <sup>(11)</sup>	40,760,000	
Stuart B. Burgdoerfer . .	3/31/2011	12,773	0	0	26.43	3/31/2021					
	3/30/2012	17,329	0	0	41.54	3/30/2022					
	3/29/2013	23,611	0	0	41.88	3/29/2023					
	3/31/2014	22,797	0	0	54.21	3/31/2024					
	4/02/2015	14,030	0	0	91.17	4/02/2025					
	3/31/2016	5,978	2,563 <sup>(1)</sup>	0	87.81	3/31/2026					
	3/31/2017	5,732	8,599 <sup>(2)</sup>	0	47.10	3/31/2027					
	3/21/2018	3,519	14,080 <sup>(5)</sup>	0	39.42	3/21/2028					
	3/28/2019	12,884	25,770 <sup>(4)</sup>	0	27.94	3/28/2029					
							3/31/2016	0	0	9,396 <sup>(12)</sup>	382,981
							3/31/2017	0	0	25,160 <sup>(13)</sup>	1,025,522
						3/21/2018	0	0	14,079 <sup>(14)</sup>	573,860	
						4/25/2018	0	0	35,533 <sup>(15)</sup>	1,448,325	
						3/28/2019	19,327 <sup>(9)</sup>	787,769	32,212 <sup>(16)</sup>	1,312,961	
James L. Bersani . . . .	3/30/2012	11,279	0	0	41.54	3/30/2022					
	3/29/2013	11,638	0	0	41.88	3/29/2023					
	3/31/2014	9,260	0	0	54.21	3/31/2024					
	4/02/2015	5,757	0	0	91.17	4/02/2025					
	3/31/2016	5,978	2,563 <sup>(1)</sup>	0	87.81	3/31/2026					
	3/31/2017	4,777	7,166 <sup>(2)</sup>	0	47.10	3/31/2027					
	3/21/2018	2,930	11,720 <sup>(5)</sup>	0	39.42	3/21/2028					
	3/28/2019	11,453	22,906 <sup>(4)</sup>	0	27.94	3/28/2029					
							3/31/2016	5,040 <sup>(17)</sup>	205,430	0	0
							3/31/2017	21,496 <sup>(18)</sup>	876,177	0	0
							3/21/2018	11,720 <sup>(19)</sup>	477,707	0	0
						4/25/2018	39,030 <sup>(20)</sup>	1,590,863	0	0	
						3/28/2019	17,180 <sup>(9)</sup>	700,257	28,633 <sup>(16)</sup>	1,167,081	

Name	Option Awards						Restricted Stock Awards				
	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Julie B. Rosen . . . . .							9/28/2020	26,958 <sup>(21)</sup>	1,098,808	0	0
Deon N. Riley . . . . .							12/29/2020	19,952 <sup>(22)</sup>	813,244	0	0
Leslie H. Wexner . . . . .	1/31/2013	161,559	0	0	45.03	5/14/2021					
	3/29/2013	55,129	0	0	41.88	5/14/2021					
	1/30/2014	124,191	0	0	49.38	5/14/2021					
	3/31/2014	42,585	0	0	54.21	5/14/2021					
	1/28/2015	124,539	0	0	81.11	5/14/2021					
	4/02/2015	26,325	0	0	91.17	5/14/2021					
	1/27/2016	91,588	0	0	91.71	5/14/2021					
	3/31/2016	19,132	0	0	87.81	5/14/2021					
	1/25/2017	37,834	0	0	61.85	5/14/2021					
	3/31/2017	9,554	0	0	47.10	5/14/2021					
							1/27/2016	0	0	19,627 <sup>(23)</sup>	799,997
							3/31/2016	0	0	3,189 <sup>(24)</sup>	129,984
							1/25/2017	0	0	23,646 <sup>(25)</sup>	963,811
							3/31/2017	0	0	5,175 <sup>(24)</sup>	210,933
							1/30/2019	0	0	10,224 <sup>(26)</sup>	416,730
							1/29/2020	0	0	2,100 <sup>(27)</sup>	85,596
Charles C. McGuigan . . . . .	3/31/2014	27,071	0	0	54.21	7/4/2021					
	4/02/2015	20,566	0	0	91.17	7/4/2021					
	3/31/2016	7,772	0	0	87.81	7/4/2021					
	3/31/2017	8,280	0	0	47.10	7/4/2021					
							3/31/2016	0	0	6,106 <sup>(12)</sup>	248,881
							3/31/2017	0	0	15,791 <sup>(13)</sup>	643,641
							3/21/2018	0	0	6,350 <sup>(28)</sup>	258,826
							4/25/2018	0	0	10,956 <sup>(29)</sup>	446,567
							3/28/2019	775 <sup>(9)</sup>	31,589	19,387 <sup>(30)</sup>	790,214
Shelley M. Milano . . . . .	3/31/2016	5,381	0	0	87.81	11/7/2021					
	3/31/2017	4,213	0	0	47.10	11/7/2021					
	3/21/2018	2,759	0	0	39.42	11/7/2021					
	5/16/2018	767	0	0	34.19	11/7/2021					
	3/28/2019	12,884	0	0	27.94	11/7/2021					
							3/31/2017	7,783	317,235 <sup>(31)</sup>	0	0
							3/21/2018	4,369	178,080 <sup>(32)</sup>	0	0
							5/16/2018	0	0	10,203 <sup>(33)</sup>	415,874
							3/28/2019	10,200 <sup>(9)</sup>	415,752	17,001 <sup>(16)</sup>	692,961

- (1) Options vested 100% on March 31, 2021.
- (2) Options vested 50% on March 31, 2021 and vest 50% on March 31, 2022.
- (3) Options vested 100% on March 21, 2021.
- (4) Options vested 50% on March 28, 2021 and vest 50% on March 28, 2022.
- (5) Options vested 25% on March 21, 2021, vest 37.5% on March 21, 2022 and vest 37.5% on March 21, 2023.

- (6) Shares vested 100% on March 31, 2021.
- (7) Shares vested 50% on March 31, 2021 and vest 50% on March 31, 2022.
- (8) Shares vested 100% on March 21, 2021.
- (9) Shares vest 100% on March 28, 2022.
- (10) Shares vest 100% on February 20, 2023.
- (11) Subject to achievement of a performance condition, shares vest 40% on May 14, 2023, 30% on May 14, 2024 and 30% on May 14, 2025.
- (12) Subject to achievement of a performance condition, 100% of these shares vested on March 31, 2021.
- (13) Subject to achievement of a performance condition, shares vested 50% on March 31, 2021 and vest 50% on March 31, 2022.
- (14) Subject to achievement of a performance condition, shares vested 25% on March 21, 2021, vest 37.5% on March 21, 2022 and vest 37.5% on March 21, 2023.
- (15) Subject to achievement of a performance condition, shares vest 25% on April 25, 2021, 37.5% on April 25, 2022 and 37.5% on April 25, 2023.
- (16) Subject to achievement of a performance condition, 100% of these shares vest on March 28, 2022.
- (17) Shares vested on March 31, 2021.
- (18) Shares vested 50% on March 31, 2021 and vest 50% on March 31, 2022.
- (19) Shares vested 25% on March 21, 2021, vest 37.5% on March 21, 2022 and vest 37.5% on March 21, 2023.
- (20) Shares vest 25% on April 25, 2021, 37.5% on April 25, 2022 and 37.5% on April 25, 2023.
- (21) Shares vest 100% on September 28, 2023.
- (22) Shares vest 50% on December 29, 2021 and 50% on December 29, 2022.
- (23) The time-based vesting conditions for 100% of these shares vested on January 27, 2021. However, the performance-based vesting restrictions are still subject to review and approval by our HCC Committee.
- (24) Subject to achievement of a performance condition, 100% of these shares vested on March 31, 2021.
- (25) The time-based vesting conditions for 100% of these shares vested on January 25, 2021. However, the performance-based vesting restrictions are still subject to review and approval by our HCC Committee.
- (26) The time-based vesting conditions for 80% of these shares vested on January 30, 2021. However, the performance-based vesting restrictions are still subject to review and approval by our HCC Committee. Remaining shares vest 100% on January 30, 2022 and are also subject to achievement of a performance condition.
- (27) Subject to achievement of a performance condition, 100% of these shares vest on January 29, 2023.
- (28) Subject to achievement of a performance condition, 80% of these shares vested on March 30, 2021 and 20% on March 21, 2022.
- (29) Subject to achievement of a performance condition, 85.72% of these shares vest on April 25, 2021 and 14.28% on April 25, 2022.
- (30) Subject to achievement of a performance condition, 100% of these shares vest on March 28, 2023.
- (31) Shares vested 94.74% on March 31, 2021 and 5.26% on March 31, 2022.
- (32) Shares vested 63.15% on March 21, 2021 and 36.85% on March 21, 2022.
- (33) Subject to achievement of a performance condition, 70.59% of these shares vest on May 16, 2021 and 29.41% on May 16, 2022.

### Option Exercises and Stock Vested Information for Fiscal 2020

The following table provides information relating to option awards exercised and RSU awards vested during the fiscal year ended January 30, 2021.

	Option Awards		Restricted Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(2)</sup>
Andrew M. Meslow . . . . .	0	\$ 0	21,427	\$ 238,762
Stuart B. Burgdoerfer . . . . .	0	0	27,606	292,624
James L. Bersani . . . . .	28,373	101,411	28,925	311,275
Julie B. Rosen . . . . .	0	0	0	0
Deon N. Riley . . . . .	0	0	0	0
Leslie H. Wexner . . . . .	0	0	117,668	1,277,193
Charles C. McGuigan . . . . .	95,299	1,042,992	50,104	854,967
Shelley M. Milano . . . . .	0	0	7,674	83,802

- (1) Option Award Value Realized is calculated based on the difference between the sale price and the option exercise price.  
(2) Restricted Stock Award Value Realized is calculated based on the closing stock price on the date the RSUs vested.

## Retirement and Other Post-Employment Benefits

### Non-qualified Deferred Compensation for Fiscal 2020<sup>(1)</sup>

Name	Executive Contributions in Last Fiscal Year (\$) <sup>(2)</sup>	Registrant Contributions in Last Fiscal Year (\$) <sup>(3)</sup>	Aggregate Earnings in Last Fiscal Year (\$) <sup>(4)</sup>	Aggregate Withdrawals/Distributions (\$) <sup>(5)</sup>	Aggregate Balance at Last Fiscal Year End (\$) <sup>(6)</sup>
Andrew M. Meslow . . . . .	\$183,218	314,138	309,370	0	7,739,824
Stuart B. Burgdoerfer . . . . .	23,958	210,169	211,770	0	5,271,529
James L. Bersani . . . . .	94,554	156,052	420,554	0	10,712,861
Julie B. Rosen . . . . .	0	0	0	0	0
Deon N. Riley . . . . .	0	0	0	0	0
Leslie H. Wexner . . . . .	16,525	200,188	1,347,385	37,380,867	0
Charles C. McGuigan . . . . .	36,807	317,934	330,502	0	8,222,681
Shelley M. Milano . . . . .	105,009	165,429	59,899	0	1,534,122

- (1) Amounts disclosed include non-qualified cash deferrals, Company matching contributions, retirement credits and earnings under the SRP (a non-qualified defined contribution plan) and stock deferrals and related reinvested dividend earnings under the Company's amended and restated 1993 Stock Option and Performance Incentive Plan (the "1993 Plan"), the Company's 2011 Stock Option and Performance Incentive Plan (the "2011 Plan") and 2015 Plan. Executive Contributions and related matching Registrant Contributions represent 2020 calendar year deferrals and matches on incentive compensation payments earned based on performance for the Fall 2019 season, which was paid in March 2020, and for the Spring 2020 season, which was paid in August 2020.
- (2) All of the contributions are reported in the 2020 Summary Compensation Table under the "Salary" and/or "Non-Equity Incentive Plan Compensation" columns.
- (3) Reflects the Company's 200% match of associate contributions of up to 3% of base salary and bonus above the IRS qualified plan maximum compensation limit and the Company's retirement contribution of 6% for less than five years of service or 8% for five or more years of service of compensation above the IRS qualified plan maximum compensation limit. Associates become fully vested in these contributions after six years of service. These contributions are also included under the "All Other Compensation" column of the 2020 Summary Compensation Table.
- (4) Non-qualified deferred cash compensation balances earn a fixed rate of interest determined prior to the beginning of each year. The portion of the earnings on deferred cash compensation that exceeds 120% of the applicable federal long-term rate in the amount of \$146,274, \$100,128, \$197,626, \$637,061, \$156,266 and \$28,321 for Mr. Meslow, Mr. Burgdoerfer, Mr. Bersani, Mr. Wexner, Mr. McGuigan and Ms. Milano, respectively, is disclosed in the "Change in Pension Value and Non-Qualified Deferred Compensation Earnings" column of the 2020 Summary Compensation Table. Amount includes dividends earned on deferred stock and RSU balances in the amount of \$2,576 for Mr. Bersani. Dividends are reinvested into additional stock units based on the closing market price of Common Stock on the dividend payment date.
- (5) Participants may elect to receive the funds in a lump sum or in up to ten annual installments following termination of employment, but generally may not make withdrawals during their employment. Deferrals under the SRP, the 1993 Plan, the 2011 Plan and the 2015 Plan are unfunded.
- (6) Balance includes the value of deferred stock and RSUs at calendar year-end in the amount of \$354,713 for Mr. Bersani. Value is calculated based on a stock price of \$40.76 per share of Common Stock on January 29, 2021. Balances for Mr. McGuigan and Ms. Milano will be paid out in 2021 in connection with their terminations of employment.

### ***Estimated Post-Employment Payments and Benefits***

We have entered into certain agreements with our NEOs that will require us to provide compensation in the event of a termination of employment, including a termination following a change in control of our Company.

The following tables set forth the expected benefits to be received by each of the other NEOs in the event of termination resulting from various scenarios, assuming a termination date of January 30, 2021 and a stock price of \$40.76, the price of our Common Stock on January 29, 2021. Each scenario relates to the single termination event described and amounts are not cumulative in situations where multiple scenarios may apply.

On February 4, 2021 the Company announced that Stuart B. Burgdoerfer had communicated to the Board his desire to retire as CFO of L Brands and Interim CEO of the Victoria's Secret business. Mr. Burgdoerfer will remain in his CFO role through August 2021.



Assumptions and explanations of the numbers set forth in the tables below are set forth in additional text following the tables.

**Andrew M. Meslow**

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control (\$)	Death (\$) <sup>(5)</sup>	Disability (\$)	Voluntary Resignation/Retirement (\$)
	w/out Release (\$)	Signed Release (\$)				
Base Salary.....	\$1,275,000	\$ 2,550,000	\$ 2,550,000	\$ 0	\$ 0	\$ 0
Bonus <sup>(1)</sup> .....	0	2,358,750	6,738,052	0	0	0
Cash Retention <sup>(2)</sup> .....	0	0	497,608	0	0	0
Gain of Accelerated Stock Options <sup>(3)</sup> .....	0	0	299,331	299,331	299,331	0
Value of Pro-rated or Accelerated PSUs/RSUs <sup>(3)</sup> ...	0	9,862,738	48,476,113	48,476,113	48,476,113	0
Benefits and Perquisites <sup>(4)</sup> .....	37,003	46,761	46,761	2,017,488	566,118	0
Tax Gross-Up.....	N/A	N/A	N/A	N/A	N/A	N/A
Total.....	<u>\$1,312,003</u>	<u>\$14,818,249</u>	<u>\$58,607,865</u>	<u>\$50,792,932</u>	<u>\$49,341,562</u>	<u>\$ 0</u>

**Stuart B. Burgdoerfer**

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control (\$)	Death (\$) <sup>(5)</sup>	Disability (\$)	Voluntary Resignation/Retirement (\$)
	w/out Release (\$)	& Signed Release (\$)				
Base Salary.....	\$1,200,000	\$2,400,000	\$ 2,400,000	\$ 0	\$ 0	\$ 0
Bonus <sup>(1)</sup> .....	0	2,160,000	4,124,520	0	0	0
Gain of Accelerated Stock Options <sup>(3)</sup> .....	0	0	349,239	349,239	349,239	0
Value of Pro-rated or Accelerated PSUs/RSUs <sup>(3)</sup> ...	0	3,097,842	5,531,417	5,531,417	5,531,417	306,352
Benefits and Perquisites <sup>(4)</sup> .....	30,974	37,717	37,717	2,017,488	545,860	17,488
Tax Gross-Up.....	N/A	N/A	N/A	N/A	N/A	N/A
Total.....	<u>\$1,230,974</u>	<u>\$7,695,559</u>	<u>\$12,442,893</u>	<u>\$7,898,144</u>	<u>\$6,426,516</u>	<u>\$323,840</u>

**James L. Bersani**

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control (\$)	Death (\$) <sup>(5)</sup>	Disability (\$)	Voluntary Resignation/Retirement (\$)
	w/out Release (\$)	& Signed Release (\$)				
Base Salary.....	\$800,000	\$1,600,000	\$1,600,000	\$ 0	\$ 0	\$ 0
Bonus <sup>(1)</sup> .....	0	1,120,000	2,365,664	0	0	0
Gain of Accelerated Stock Options <sup>(3)</sup> .....	0	0	309,360	309,360	309,360	0
Value of Pro-rated or Accelerated PSUs/RSUs <sup>(3)</sup> ...	0	2,738,420	5,017,515	5,017,515	5,017,515	1,317,689
Benefits and Perquisites <sup>(4)</sup> .....	31,142	37,969	37,969	2,017,488	445,902	17,488
Tax Gross-Up.....	N/A	N/A	N/A	N/A	N/A	N/A
Total.....	<u>\$831,142</u>	<u>\$5,496,389</u>	<u>\$9,330,508</u>	<u>\$7,344,363</u>	<u>\$5,772,777</u>	<u>\$1,335,177</u>

**Julie B. Rosen**

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control (\$)	Death (\$) <sup>(5)</sup>	Disability (\$)	Voluntary Resignation/Retirement (\$)
	w/out Release (\$)	& Signed Release (\$)				
Base Salary.....	\$ 0	\$1,700,000	\$1,700,000	\$ 0	\$ 0	\$ 0
Bonus <sup>(1)</sup> .....	0	977,500	805,632	0	0	0
Gain of Accelerated Stock Options <sup>(3)</sup> .....	0	0	0	0	0	0
Value of Pro-rated or Accelerated PSUs/RsUs <sup>(3)</sup> ...	0	122,076	1,098,808	1,098,808	1,098,808	0
Benefits and Perquisites <sup>(4)</sup> .....	13,116	42,011	42,011	1,713,116	455,433	0
Tax Gross-Up.....	N/A	N/A	N/A	N/A	N/A	N/A
Total.....	<u>\$13,116</u>	<u>\$2,841,587</u>	<u>\$3,646,451</u>	<u>\$2,811,924</u>	<u>\$1,554,241</u>	<u>\$ 0</u>

**Deon N. Riley**

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control (\$)	Death (\$) <sup>(5)</sup>	Disability (\$)	Voluntary Resignation/Retirement (\$)
	w/out Release (\$)	& Signed Release (\$)				
Base Salary.....	\$ 0	\$1,500,000	\$1,800,000	\$ 0	\$ 0	\$ 0
Bonus <sup>(1)</sup> .....	0	600,000	720,000	0	0	0
Gain of Accelerated Stock Options <sup>(3)</sup> .....	0	0	0	0	0	0
Value of Pro-rated or Accelerated PSUs/RsUs <sup>(3)</sup> ...	0	33,872	813,244	813,244	813,244	0
Benefits and Perquisites <sup>(4)</sup> .....	13,116	41,920	41,920	1,513,116	429,217	0
Tax Gross-Up.....	N/A	N/A	N/A	N/A	N/A	N/A
Total.....	<u>\$13,116</u>	<u>\$2,175,792</u>	<u>\$3,075,164</u>	<u>\$2,326,360</u>	<u>\$1,242,461</u>	<u>\$ 0</u>

- (1) Bonus amounts assumed at target. Under “Involuntary without Cause or Voluntary with Good Reason” termination scenarios, actual bonus payments would be equal to the bonus payment the NEO would have received if he or she had remained employed with the Company for a period of one year after the termination date of January 30, 2021. Under an “Involuntary Without Cause following Change in Control” termination scenario, bonus payments will be equal to the sum of the last four seasonal bonus payments received.
- (2) Reflects the unpaid portion of cash retention bonus, pro-rated from the date of the agreement to termination date.
- (3) Reflects the value of unvested RSUs, PSUs at target and stock options that, subject to achievement of pre-established performance conditions, if applicable, would become vested based on the \$40.76 fair market value of a share of Common Stock on the last trading day of the fiscal year (January 29, 2021).
- (4) Estimates for benefits and perquisites include the pro rata value of retirement plan contributions on earnings accrued up to the termination date and the continuation of medical, dental and other insurance benefits. Under the “Death” and “Disability” scenarios, includes proceeds from life and disability insurance policies and the value of unvested retirement plan balances that would become vested.
- (5) Generally, in the event of an NEO’s death, subject to the achievement of any underlying performance conditions, any time-vesting conditions are deemed satisfied. RSUs and PSUs awarded to our other NEOs continue to be subject to continued vesting based on performance (except for RSUs granted to Mr. Bersani in March and April of 2018, which are not subject to performance conditions).

*Assumptions and Explanations of Numbers in Tables*

The HCC Committee retains discretion to provide, and in the past has provided, additional benefits to NEOs upon termination or resignation if it determines the circumstances so warrant.

The tables do not include the payment of the aggregate balance of the NEO’s non-qualified deferred compensation that is disclosed in the Non-qualified Deferred Compensation for Fiscal 2020 table above.

### *Confidentiality, Non-Competition and Non-Solicitation Agreements*

As a condition to each NEO's entitlement to receive certain severance payments and equity vesting acceleration upon certain termination scenarios, the NEO is required to execute a release of claims against us and shall be bound by the terms of certain restrictive covenants, including non-competition and non-solicitation agreements which prohibit the NEO from soliciting or diverting any current or potential employee, customer, or supplier or competing with any of our businesses in which he or she has been employed for a period of one year from the date of termination.

### *Termination Provisions—Definitions of Cause and Good Reason*

The agreements for all NEOs contain customary definitions of cause and good reason. "Cause" generally means that (1) for Messrs. Meslow and Burgdoerfer, the NEO willfully failed to perform his duties with the Company (other than a failure resulting from the NEO's incapacity due to physical or mental illness), or for our other NEOs, he or she was grossly negligent in the performance of his or her duties with the Company; (2) the NEO has pled "guilty" or "no contest" to or has been convicted of an act which is defined as a felony under federal or state law; or (3) the NEO engaged in misconduct in bad faith (or, in Messrs. Meslow and Burgdoerfer's case "willful misconduct") which could reasonably be expected to materially harm the Company's business or its reputation.

In addition, Messrs. Meslow and Burgdoerfer and Meses. Riley and Rosen have the right to resign for "Good Reason" in case of certain events. "Good Reason" generally means (1) for Mr. Meslow, the failure to continue as CEO of the Company (or, in the event of a change in control, the resulting ultimate parent company) and, for Mr. Burgdoerfer and Meses. Riley and Rosen, the NEO's failure to continue in a capacity originally contemplated in the NEO's agreement; (2) the assignment to the NEO of any duties materially inconsistent with the NEO's position, duties, authority, responsibilities or reporting requirements, as set out in his or her agreement or, for Mr. Meslow, the assignment to another person of duties that would typically be performed by the CEO of the Company (or, in the event of a change in control, the resulting ultimate parent company); (3) a material reduction of or a delay in payment of the NEO's total cash compensation and benefits from those required to be provided or, for Mr. Meslow, a breach by the Company of his employment agreement or any RSU award agreement or other equity agreement; (4) the requirement that, for Mr. Burgdoerfer and Meses. Riley and Rosen, the NEO be based outside of Columbus, Ohio, or, for Mr. Meslow, the requirement that the NEO be based outside of the United States, in each case other than for travel that is reasonably required to carry out the NEO's duties; or (5) the failure by the Company to obtain the assumption in writing of its obligation to perform the agreement by a successor.

### *Payments Upon a Termination in Connection with a Change in Control*

A "Change in Control" of the Company will be deemed to have occurred upon the first of any of the following events to occur:

- (a) any person, together with all affiliates, becomes a beneficial owner of securities representing 33% or more of the combined voting power of the voting stock then outstanding;
- (b) during any period of 24 consecutive months, individuals who at the beginning of such period constitute the Board (and any new director, whose election by the Board or nomination for election by the stockholders of the Company was approved by a vote of at least two-thirds of the directors then in office who either were directors at the beginning of the period or whose election or nomination for election was so approved) cease for any reason to constitute a majority of directors then constituting the Board;
- (c) a reorganization, merger or consolidation of the Company is consummated, unless more than 50% of the outstanding shares of Common Stock are beneficially owned by individuals and entities who owned Common Stock just prior to such reorganization, merger or consolidation; or
- (d) the consummation of a complete liquidation or dissolution of the Company.

Participants in the 2015 Plan and the 2020 Plan receive accelerated vesting of equity awards upon a Change in Control in the event of the participant's termination of employment (other than for Cause) within 24 months of the Change in Control ("double trigger" vesting).

*No Tax Gross-up*

In the event of a termination following a Change in Control, none of our NEOs are entitled to reimbursement or gross-up for any excise taxes that may be imposed under Section 280G of the Code.

*Executive Summary*

We are committed to aligning our executive compensation with our Company's performance. In connection with the Company's strong performance in fiscal 2020, our CEO earned above-target short-term performance incentive payments according to the payout formulas established at the beginning of each six-month performance period without retroactive adjustment for the impact of the COVID-19 crisis on results. Long-term equity incentives were granted to our CEO as a one-time incentive in connection with his promotion during 2020. Substantially all of the long-term incentive is subject to challenging performance requirements that will only be earned if the Company achieves rigorous growth, profitability and return metrics that provide incentive for a balance of growth and profitability, support the strategic direction of the Company, and alignment with stockholders.

**In summary, there is alignment between our performance, our stockholders' interests and our CEO's pay. Accordingly, we recommend stockholders vote FOR our executive compensation program as outlined in Proposal 3.**

## Fiscal 2020 Director Compensation

The following table sets forth compensation earned by the individuals who served as directors of the Company during fiscal 2020<sup>(1)</sup>.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)<sup>(2)</sup></u>	<u>Stock Awards (\$)<sup>(3)</sup></u>	<u>Total (\$)</u>
Patricia S. Bellinger .....	\$100,422	\$134,406	\$234,828
E. Gordon Gee <sup>(4)</sup> .....	0	38,032	38,032
Donna A. James .....	101,707	134,406	236,113
Michael G. Morris .....	120,745	146,909	267,654
Sarah E. Nash <sup>(5)(6)</sup> .....	272,970	449,406	722,376
Robert H. Schottenstein .....	100,498	134,406	234,904
Anne Sheehan .....	109,420	146,909	256,328
Stephen D. Steinour .....	114,516	134,406	248,922
Allan R. Tessler <sup>(4)(5)</sup> .....	75,000	47,936	122,936
Abigail S. Wexner .....	84,832	111,905	196,737
Leslie H. Wexner <sup>(4)</sup> .....	80,543	111,905	192,449
Raymond Zimmerman <sup>(4)</sup> .....	0	38,032	38,032

- (1) Directors who are also associates receive no additional compensation for their service as directors. Our current Board's compensation plan does not provide for stock option awards, non-equity incentive plan compensation, pension or non-qualified deferred compensation. At the end of four years of membership on the Board, each member must maintain ownership of Common Stock equal to the amount of Common Stock received as director compensation over the four-year period.
- (2) Directors receive an annual cash retainer of \$111,900; directors receive an additional annual cash retainer of \$12,500 for membership on the Audit and HCC Committees and Special Committee on Stockholder Litigation and \$10,000 for all other committee memberships; the Audit Committee and Special Committee on Stockholder Litigation Chairs receive an additional \$20,000; the HCC Committee Chair and the Nominating & Governance Committee Chair each receive an additional \$15,000; and other committee Chairs receive an additional \$10,000; and the lead independent director received an additional cash retainer of \$15,000 and the Board Chair receives an additional cash retainer of \$80,000. Cash compensation was suspended for the first quarter of 2020 in connection with store closures and the COVID-19 crisis.
- (3) Directors receive an annual stock retainer worth \$111,900; directors receive an additional annual stock grant worth \$12,500 for membership on the Audit and HCC Committees and worth \$10,000 for other committee memberships; and the lead independent director received an additional stock retainer of \$15,000. Stock retainers were granted under the 2015 Plan. The number of shares issued is calculated based on the fair market value of Common Stock on the date the shares were issued. The value of stock awards reflects the aggregate grant date fair value, excluding estimated forfeitures, computed in accordance with ASC Topic 718 Compensation—Stock Compensation, for each award. See Note 19 to the Company's financial statements filed in the 2020 10-K for a discussion of our assumptions in determining the aggregate grant date fair value of these awards.
- (4) Effective May 14, 2020, Dr. Gee, Mr. Tessler and Mr. Zimmerman retired from the Board and in connection with his retirement as CEO, Mr. Wexner became a non-executive Board member as Chairman Emeritus. Stock and cash payments have been pro-rated based on the number of days of Board service. Mr. Tessler was the lead independent director prior to his retirement from the Board.
- (5) Ms. Nash and Mr. Tessler each received cash payments of an additional \$75,000 in connection with their significant contributions to work on the agreement with Sycamore Partners for the sale of 55% of the VS NewCo business.
- (6) In recognition of Ms. Nash's extraordinary commitment of time and effort following her appointment as non-executive Chair of the Board, Ms. Nash was granted a stock award with a value of \$225,000 that vests 30% after each of the one and two year anniversaries of the grant and 40% after three years, subject to continued service. Beginning in fiscal 2021, the Board determined that Ms. Nash's total compensation for her service as non-executive Chair will be \$700,000, with 50% paid in cash and 50% paid in stock.

## **HUMAN CAPITAL AND COMPENSATION COMMITTEE REPORT**

The HCC Committee of the Board is composed of three directors who are independent, as defined under the NYSE listing standards. Additionally, each member of the HCC Committee is a “non-employee director” within the meaning of Section 16b-3 under the Securities Exchange Act of 1934. The HCC Committee reviews the CD&A on behalf of the Board.

The HCC Committee has reviewed and discussed the CD&A with management, and based on the review and discussions, the HCC Committee recommended to the Board that the CD&A be included in the 2020 10-K and the Company’s proxy statement.

Human Capital and Compensation Committee

Michael G. Morris, Chair

Patricia Bellinger

Robert H. Schottenstein

## 2020 PAY RATIO DISCLOSURE

### *Pay Ratio*

In accordance with the requirements of Section 953(b) of the Dodd-Frank Act and Item 402(u) of Regulation S-K (which we collectively refer to as the “Pay Ratio Rule”), we are providing the following estimated information for fiscal 2020:

- the median of the annual total compensation of all our employees (except our CEO) was \$9,876;
- the annual total compensation of our CEO was \$18,494,939; and
- the ratio of these two amounts is 1,873 to 1. We believe that this ratio is calculated in a manner consistent with the requirements of the Pay Ratio Rule.

### *Methodology for Identifying Our “Median Employee”*

#### Identifying and Adjusting our Employee Population

To identify the median of the annual total compensation of all of our employees (other than our CEO), we identified our total employee population as of January 30, 2021, the last day in our fiscal year. Our employee population consisted of full-time, part-time, seasonal and temporary employees globally.

#### Determining our Median Employee

To identify our median employee, we calculated the cash compensation paid during the fiscal year for the employee population, annualizing the cash compensation of any permanent employee who joined the Company during the fiscal year. We identified the median compensation amount using this compensation measure which was consistently applied to all our employees in the calculation. We then selected a reasonably representative employee with total compensation equal to the median compensation amount as our “median employee.”

Using the methodologies described above, we determined that our median employee was a part-time, hourly employee. The total compensation of the median employee was \$9,876.

### *Determination of Annual Total Compensation of our Median Employee and our CEO*

Once we identified our median employee, we then calculated such employee’s annual total compensation for 2020 using the same methodology we used for purposes of determining the annual compensation of our NEOs for 2020.

Our CEO’s annual total compensation for 2020 for purposes of the Pay Ratio Rule is equal to the amount reported in the “Total” column in the 2020 Summary Compensation Table.

The Commission’s rules for identifying the median employee and calculating the pay ratio allow companies to apply various methodologies and apply various assumptions and, as a result, the pay ratio reported by us may not be comparable to the pay ratio reported by other companies. Our median employee worked approximately 15 hours per week during fiscal 2020. If the total compensation per hour earned by the median employee was extrapolated to full-time employment, median compensation would be approximately \$26,500 and the ratio would be 698 to 1.

## SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table shows certain information about the securities ownership of all directors of the Company, the executive officers of the Company named in the “2020 Summary Compensation Table” above and all directors and executive officers of the Company as a group.

<u>Name of Beneficial Owner</u>	<u>Number of Shares of Common Stock Beneficially Owned<sup>(a)(b)</sup></u>	<u>Percent of Class</u>
Patricia S. Bellinger . . . . .	24,248 <sup>(d)</sup>	*
James Bersani . . . . .	211,022 <sup>(c)(e)</sup>	*
Stuart B. Burgdoerfer . . . . .	200,472 <sup>(c)</sup>	*
Donna A. James . . . . .	78,717 <sup>(d)</sup>	*
Francis A. Hondal . . . . .	0	*
Danielle Lee . . . . .	0	*
Charles C. McGuigan . . . . .	186,852 <sup>(c)(g)</sup>	*
Andrew M. Meslow . . . . .	191,766 <sup>(c)</sup>	*
Shelley B. Milano . . . . .	75,560 <sup>(c)</sup>	*
Michael G. Morris . . . . .	30,187 <sup>(d)</sup>	*
Sarah E. Nash . . . . .	26,735 <sup>(d)</sup>	*
Deon N. Riley . . . . .	0	*
Julie B. Rosen . . . . .	0	*
Robert H. Schottenstein . . . . .	28,843 <sup>(d)(i)</sup>	*
Anne Sheehan . . . . .	12,524 <sup>(d)</sup>	*
Stephen D. Steinour . . . . .	29,439 <sup>(d)</sup>	*
Abigail S. Wexner . . . . .	15,293,575 <sup>(f)</sup>	5.49%
Leslie H. Wexner . . . . .	44,299,816 <sup>(c)(g)(h)</sup>	15.91%
All directors and executive officers as a group . . . . .	45,395,181 <sup>(c)-(i)</sup>	16.31%

\* Less than 1%

- (a) Unless otherwise indicated, each named person has voting and investment power over the listed shares and such voting and investment power is exercised solely by the named person or shared with a spouse. None of the listed shares have been pledged as security or otherwise deposited as collateral.
- (b) Reflects beneficial ownership of shares of Common Stock, and shares outstanding, as of January 30, 2021.
- (c) Includes the following number of shares issuable within 60 days of January 30, 2021, upon the exercise or vesting of outstanding stock awards: Mr. Bersani, 102,320; Mr. Burgdoerfer, 141,920; Mr. McGuigan, 63,689; Mr. Meslow, 127,919; Ms. Milano, 26,004; Mr. Wexner, 692,436; and all directors and executive officers as a group, 1,590,136.
- (d) Includes the following number of deferred stock units credited to directors’ accounts under the Stock Award and Deferred Compensation Plan for Non-Associate Directors that could be convertible into Common Stock within 60 days after termination from the Board: Ms. Bellinger, 24,248; Ms. James, 56,979; Mr. Morris, 20,077; Ms. Nash, 26,735; Mr. Schottenstein, 24,343; Ms. Sheehan, 11,839; Mr. Steinour, 6,614; and all directors as a group, 170,835. Mr. Morris has elected to receive pay-out of his deferred stock units over three years, and his total represents 1/3 of the units which he would be owed upon his termination from the Board. Mr. Steinour has elected to receive pay-out of his deferred stock units over five years, and his total represents 1/5 of the units which he would be owed upon his termination from the Board.
- (e) Includes the following number of deferred stock units credited to executives’ accounts under the 1993 Plan that could be convertible into Common Stock within 60 days after termination of employment with the Company: Mr. Bersani, 8,702.
- (f) Excludes 29,006,241 shares beneficially owned by Mr. Wexner as to which Mrs. Wexner disclaims beneficial ownership. Includes 127,567 shares held by The Linden East Trust; 2,081,741 shares held by The Wexner Family Charitable Fund; 191,515 shares held by The Beech Trust; 352,941 shares held by The Linden East II Trust; 352,941 shares held by The Linden West II Trust; 343,166 shares held by Pine Trust; 343,166 shares held by Willow Trust; 343,166 shares held by Cedar Trust; and 343,166 shares held by Rose Trust. Mrs. Wexner shares voting and investment power with Mr. Wexner with respect to shares held by The Linden East Trust, The Wexner Family Charitable Fund, The Beech Trust, The Linden East II Trust, The Linden West II Trust, Pine Trust, Willow Trust, Cedar Trust and Rose Trust, and shares voting and investment power with Dennis Hersch with respect to shares held by The Linden East Trust and The Linden East II Trust. Includes 10,814,206 shares directly owned by Mrs. Wexner.
- (g) Includes the following number of shares held in the Savings and Retirement Plan (as of January 30, 2021), over which Messrs. McGuigan and Wexner have investment but not voting power: Mr. McGuigan, 5,128; and Mr. Wexner, 1,945,002.
- (h) Includes 127,567 shares held by The Linden East Trust; 6,111,181 shares held by The Linden West Trust; 2,081,741 shares held by The Wexner Family Charitable Fund; 191,515 shares held by The Beech Trust; 352,941 shares held by The Linden East II Trust; 352,941 shares held by The Linden West II Trust; 343,166 shares held by Pine Trust; 343,166 shares held by Willow Trust; 343,166 shares held by Cedar Trust; and 343,166 shares held by Rose Trust. Mr. Wexner shares voting and investment power with Mrs. Wexner with respect to shares held by The Linden East Trust, The Wexner Family Charitable Fund, The Beech Trust, The Linden East II Trust, The Linden West II Trust, Pine Trust, Willow Trust, Cedar Trust and Rose Trust, and shares voting and investment power with Dennis Hersch with respect to the shares held by The Linden East Trust and The Linden West Trust. Includes 4,892,608 shares held by the Wexner Personal Holdings Corporation, of which Mr. Wexner is the sole stockholder, director and officer. Includes 10,814,206 shares directly owned by Mrs. Wexner, as to which Mr. Wexner may be deemed to share voting and investment power. Includes 15,365,014 shares directly owned by Mr. Wexner.
- (i) Includes 2,500 shares held by the Frances Schottenstein 2010 Irrevocable Trust, for which Mr. Schottenstein is co-trustee and shares voting and investment power; and 2,000 shares held by the Irving Schottenstein Marital Trust 2, for which Mr. Schottenstein is co-trustee and has sole voting and investment power. Mr. Schottenstein has a financial interest in 500 of the foregoing shares held by the Irving Schottenstein Marital Trust 2.



### **DELINQUENT SECTION 16(A) REPORTS**

The Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, must file reports of ownership and changes in ownership of the Company's equity securities with the Commission. Copies of those reports must also be furnished to the Company. Based solely on a review of the copies of reports furnished to the Company and written representations of the Company's executive officers and directors that no other reports were required, we believe that during fiscal 2020 our executive officers, directors and greater than 10% beneficial owners complied with these filing requirements, other than Ms. Sheehan who was late in filing one Form 4 regarding one transaction.

## SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS

The following table sets forth the names of all persons who, as of the dates indicated below, were known by the Company to be the beneficial owners (as defined in the rules of the Commission) of more than 5% of the shares of Common Stock.

<u>Name and Address of Beneficial Owner</u>	<u>Amount Beneficially Owned</u>	<u>Percent of Class</u>
Leslie H. Wexner <sup>(1)</sup> . . . . . Three Limited Parkway P.O. Box 16000 Columbus, OH 43230	44,299,816	15.91%
Lone Pine Capital LLC, David F. Craver, Brian F. Doherty, Mala Gaonkar, Kelly A. Granat, Stephen F. Mandel, Jr. and Kerry A. Tyler <sup>(2)</sup> . . . . . Two Greenwich Plaza Greenwich, CT 06830	26,265,094	9.4 %
The Vanguard Group <sup>(3)</sup> . . . . . 100 Vanguard Blvd. Malvern, PA 19355	23,127,478	8.32%
Melvin Capital Management LP <sup>(4)</sup> . . . . . 535 Madison Avenue, 22nd Floor New York, NY 10022	20,913,640	7.5 %
Egerton Capital (UK) LLP <sup>(5)</sup> . . . . . 5 Stratton Street London, W1J 8LA, United Kingdom	15,819,746	5.7 %
Abigail S. Wexner <sup>(6)</sup> . . . . . Three Limited Parkway P.O. Box 16000 Columbus, OH 43230	15,293,575	5.49%

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- (1) As of January 30, 2021. For a description of Mr. Wexner’s beneficial ownership, see “Security Ownership of Directors and Management” on page 52.
- (2) As of December 31, 2020, based solely on information set forth in the Schedule 13G/A filed February 16, 2021 by Lone Pine Capital LLC, David F. Craver, Brian F. Doherty, Mala Gaonkar, Kelly A. Granat, Stephen F. Mandel, Jr. and Kerry A. Tyler (each, a “Lone Pine Reporting Person”), each Lone Pine Reporting Person has shared dispositive power over 26,265,094 shares and shared voting power over 26,265,094 shares.
- (3) As of December 31, 2020, based solely on information set forth in the Schedule 13G/A filed February 10, 2021 by The Vanguard Group, The Vanguard Group has sole dispositive power over 22,292,258 shares and sole voting power over 0 shares, and has shared dispositive power over 835,220 shares and shared voting power over 319,199 shares.
- (4) As of December 31, 2020, based solely on information set forth in the Schedule 13G/A filed February 16, 2021 by Melvin Capital Management LP, Melvin Capital Management LP has shared dispositive power over 20,913,640 shares and shared voting power over 20,913,640 shares.
- (5) As of December 31, 2020, based solely on information set forth in the Schedule 13G filed February 10, 2021 by Egerton Capital (UK) LLP, Egerton Capital (UK) LLP has sole dispositive power over 15,819,746 shares and sole voting power over 15,819,746 shares.
- (6) As of January 30, 2021. For a description of Mrs. Wexner’s beneficial ownership, see “Security Ownership of Directors and Management” on page 52.

## REPORT OF THE AUDIT COMMITTEE

As provided in our written charter, the Audit Committee is instrumental in the Board's fulfillment of its oversight responsibilities relating to (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of the Company's independent auditors and (iv) the performance of the Company's internal audit function.

It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors. Furthermore, while we are responsible for reviewing the Company's policies and practices with respect to risk assessment and management, it is the responsibility of the CEO and senior management to determine the appropriate level of the Company's exposure to risk.

We have reviewed and discussed L Brands' audited financial statements as of and for the year ended January 30, 2021 and met with both management and our independent auditors to discuss the financial statements. Management has represented to us that the financial statements were prepared in accordance with generally accepted accounting principles. We have reviewed with the internal auditors and independent auditors the overall scope and plans for their respective audits. We also met with the internal auditors and independent auditors, with and without management present, to discuss the results of their examinations and their evaluations of the Company's internal controls.

We have also discussed with the independent auditors the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB") and the Commission. The Company's independent auditors also provided to us the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent auditor's communications with the audit committee concerning independence, and we discussed with the independent auditors their independence from the Company. We considered whether the provision of non-audit services by the independent auditors to the Company is compatible with maintaining their independence.

Based on the reviews and discussions summarized in this Report, and subject to the limitations on our role and responsibilities, certain of which are referred to above and in the Audit Committee charter, we recommended to the Board that L Brands' audited financial statements be included in our 2020 10-K for filing with the Commission.

We have appointed Ernst & Young LLP as L Brands' independent registered public accountants.

Audit Committee

Stephen D. Steinour, Chair

Donna A. James

Michael G. Morris

Anne Sheehan

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

During our 2020 fiscal year, Ernst & Young LLP served as the Company's independent registered public accountants and in that capacity rendered an opinion on our consolidated financial statements as of and for the fiscal year ended January 30, 2021. The Audit Committee has selected Ernst & Young LLP as the Company's independent registered public accountants for the current fiscal year.

### ***Audit Fees***

The aggregate audit fees payable to Ernst & Young LLP for fiscal years 2020 and 2019 were approximately \$6,790,000 and \$5,080,000, respectively. These amounts include fees for professional services rendered by Ernst & Young LLP in connection with the audit of our consolidated financial statements and reviews of our unaudited consolidated interim financial statements as well as fees for services that generally only the independent auditor can reasonably be expected to provide, including comfort letters and consultation regarding financial accounting and/or reporting standards. These amounts also include fees for services rendered in connection with the audit of our internal control over financial reporting, fees for services rendered in connection with statutory audits of our international subsidiaries' financial statements and fees for audit services in connection with the potential sale or spin-off of VS NewCo.

### ***Audit Related Fees***

The aggregate fees for assurance and related services rendered by Ernst & Young LLP that were reasonably related to the audit of our consolidated financial statements for fiscal years 2020 and 2019 were approximately \$367,000 and \$319,000, respectively. The fees under this category are for assurance and related services that are traditionally performed by the independent auditor and include audits of employee benefit plans, agreed upon procedures and other attest engagements.

### ***Tax Fees***

The aggregate fees for tax services rendered by Ernst & Young LLP for fiscal years 2020 and 2019 were approximately \$151,000 and \$199,000, respectively. Tax fees include tax compliance and advisory services.

### ***All Other Fees***

No fees for other services were paid to Ernst & Young LLP for fiscal years 2020 and 2019.

### ***Pre-approval Policies and Procedures***

The Audit Committee pre-approves all audit and non-audit services to be provided by Ernst & Young LLP in a given fiscal year.

## OTHER MATTERS

The Board knows of no other matters to be brought before the annual meeting. However, if other matters should come before the meeting, each of the persons named as a proxy intends to vote in accordance with his or her judgment on such matters.

## STOCKHOLDER PROPOSALS FOR NEXT YEAR

### *Stockholder Proposals Pursuant to Rule 14a-8*

Proposals submitted for inclusion in the proxy statement for the 2022 annual meeting must be received by the Secretary of the Company at our principal executive offices on or before December 10, 2021.

### *Stockholder Director Nominations for Inclusion in 2022 Proxy Statement*

Written notice of stockholder nominations of persons for election as a director at the 2022 annual meeting that are to be included in our proxy statement for the 2022 annual meeting pursuant to the proxy access provisions in Section 2.05 of our Bylaws must be received by the Secretary of the Company at our principal executive offices no earlier than November 10, 2021 and no later than December 10, 2021. The notice must contain the information required by our Bylaws.

### *Other Stockholder Proposals*

If a stockholder intends to present a proposal or nominate a person for election as a director at the 2022 annual meeting other than as described above, the stockholder must comply with the requirements set forth in Section 2.04 of our Bylaws. The Bylaws require, among other things, that the Secretary receive written notice of the intent to present a proposal or nomination no earlier than February 19, 2022 and no later than March 21, 2022. The notice must contain the information required by our Bylaws.

## SOLICITATION EXPENSES

We are soliciting this proxy on behalf of our Board and will bear the solicitation expenses. Our directors or employees may solicit proxies by telephone, facsimile, email and personal solicitation, in addition to the use of the mail. We will, upon request, reimburse banks, brokerage houses and other institutions, nominees, and fiduciaries for their expenses in forwarding proxy materials to beneficial owners.

By Order of the Board of Directors,



Sarah E. Nash  
Chair of the Board

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended January 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8344

**L BRANDS, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

31-1029810  
(I.R.S. Employer Identification No.)

Three Limited Parkway,  
Columbus, Ohio  
(Address of principal executive offices)

43230  
(Zip Code)

Registrant's telephone number, including area code (614) 415-7000

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.50 Par Value	LB	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 pursuant to Rule 405 of Regulation S-T 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was: \$5,687,395,135.

Number of shares outstanding of the registrant's Common Stock as of March 12, 2021: 278,814,447.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Registrant's 2021 Annual Meeting of Stockholders are incorporated by reference into Part III.

## Table of Contents

	<u>Page No.</u>
<b>Part I</b>	
Item 1. Business	1
Item 1A. Risk Factors	9
Item 1B. Unresolved Staff Comments	21
Item 2. Properties	22
Item 3. Legal Proceedings	23
Item 4. Mine Safety Disclosures	23
<b>Part II</b>	
Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
Item 6. Selected Financial Data	26
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	59
Item 8. Financial Statements and Supplementary Data	61
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	97
Item 9A. Controls and Procedures	97
Item 9B. Other Information	97
<b>Part III</b>	
Item 10. Directors, Executive Officers and Corporate Governance	98
Item 11. Executive Compensation	98
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	98
Item 13. Certain Relationships and Related Transactions, and Director Independence	98
Item 14. Principal Accountant Fees and Services	98
<b>Part IV</b>	
Item 15. Exhibits, Financial Statement Schedules	99
Item 16. Form 10-K Summary	103
Signatures	104



## PART I

### ITEM 1. BUSINESS.

#### General

L Brands, Inc. ("we" or the "Company") operates the Bath & Body Works, Victoria's Secret and PINK retail brands in the highly competitive specialty retail business. Founded in 1963 in Columbus, Ohio, we have evolved from an apparel-based specialty retailer to a segment leader focused on home fragrance products, body care, soaps and sanitizers, women's intimate and other apparel, and personal and beauty care products. We sell our merchandise through company-operated specialty retail stores in the United States ("U.S."), Canada and Greater China, through international franchise, license and wholesale partners (collectively, "partners") and through websites worldwide.

We are committed to establishing our Bath & Body Works business as a pure-play public company and are taking the necessary steps to prepare the Victoria's Secret business, including PINK, to operate as a separate standalone company. Our Board of Directors (the "Board") is currently evaluating all options, including a potential spin-off of the Victoria's Secret business into a public company or a private sale of the business.

#### Segment Reporting

In the third quarter of 2020, we changed our segment reporting as a result of leadership changes and restructuring actions taken to facilitate the ongoing efforts to separate Bath & Body Works and Victoria's Secret into separate businesses. We now have two reportable segments: Bath & Body Works and Victoria's Secret. Accordingly, we will no longer report a Victoria's Secret and Bath & Body Works International segment as these businesses are now included with their respective brand. Additionally, the Bath & Body Works and Victoria's Secret segments now include sourcing and production functions (formerly known as Mast) and certain other corporate functions that directly support each brand. These functions were previously included within Other. While this reporting change did not impact our consolidated results, the segment data has been recast to be consistent for all periods presented.

For additional information, including the financial results of our reportable segments, see Note 20 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

#### Bath & Body Works

Bath & Body Works, which sells products under the Bath & Body Works, White Barn, C.O. Bigelow and other brand names, is one of the leading specialty retailers of body care, home fragrance products, soaps and sanitizers. We operate more than 1,735 Bath & Body Works stores in the U.S. and Canada and online at [www.BathandBodyWorks.com](http://www.BathandBodyWorks.com). Additionally, Bath & Body Works has more than 285 stores in more than 30 other countries operating under franchise, license and wholesale arrangements.

#### Victoria's Secret

Victoria's Secret, including PINK, is a specialty retailer of women's intimate and other apparel with fashion-inspired collections and prestige fragrances. We operate more than 930 Victoria's Secret and PINK stores in the U.S., Canada and Greater China as well as online at [www.VictoriasSecret.com](http://www.VictoriasSecret.com) and [www.PINK.com](http://www.PINK.com). Additionally, Victoria's Secret and PINK have more than 455 stores in more than 70 countries operating under franchise, license and wholesale arrangements.

#### Impacts of COVID-19

In March 2020, the spread of a novel coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, and led to significant travel and transportation restrictions, including mandatory closures and orders to "shelter-in-place." The actions that governments around the world have taken to contain the spread of COVID-19 have resulted in a period of disruption, including closure of our stores, limited store operating hours, reduced customer traffic and consumer spending and delays in manufacturing and shipping of products and raw materials. During this period, we are focused on protecting the health and safety of our customers, employees, contractors, suppliers and other business partners. We are also working with our suppliers to minimize potential disruptions, while managing our business in response to a changing dynamic. There remains a high level of uncertainty around the pandemic and the potential for further restrictions.

Our business operations and financial performance for 2020 were materially impacted by the COVID-19 pandemic. During the COVID-19 pandemic, our first priority was and continues to be the safety of our associates and customers. All of our stores in North America were closed on March 17, 2020, but we were able to re-open the majority of our stores as of the beginning of the third quarter of 2020. We adopted new operating models in our stores that focused on providing a safe shopping experience. We followed capacity limitations that ranged from 25% to 50% of normal, reduced store operating hours, closed fitting rooms at Victoria's Secret stores, added registers to promote social distancing and invested in increased labor to accommodate capacity restrictions and new cleaning protocols and in personal protective equipment for our employees. At Bath & Body Works, we

launched Buy Online Pick Up In Store ("BOPIS") capabilities in some locations and are able to operate stores as BOPIS Only in jurisdictions that do not permit open shopping. We will continue to follow local laws to ensure a safe environment.

We are engaged in maximizing our direct businesses while focusing on distribution, fulfillment and call center safety during the pandemic. Bath & Body Works Direct, which remained open for the duration of fiscal 2020, grew sales by 109% to \$2.003 billion. Although operations for Victoria's Secret Direct were temporarily suspended for approximately one week in late March 2020, sales grew 31% in fiscal 2020 to \$2.223 billion. We have dedicated resources to maximize our fulfillment capacity to meet the significant increase in digital demand, and as a result are achieving record productivity while maintaining standard delivery times despite fulfillment and shipping capacity constraints.

In response to the global COVID-19 crisis, we took prudent actions to manage expenses and to maintain our solid cash position and financial flexibility. We:

- Furloughed most store associates as of April 5, 2020 during the temporary store closures, while continuing to provide healthcare benefits for eligible associates;
- Suspended associate merit increases;
- Temporarily reduced salaries for senior vice presidents and above by 20%;
- Temporarily suspended cash compensation for all members of the Board of Directors;
- Reduced fiscal 2020 capital expenditures from an original forecast of \$550 million to \$228 million;
- Actively managed inventory to adjust for the impact of channel shifts to meet customer demand;
- Temporarily suspended the quarterly cash dividend beginning in the second quarter of fiscal 2020;
- Suspended many store and select office rent payments during the temporary closures. We completed negotiations with the majority of landlords, leading to a combination of rent waivers or abatements relating to closure periods, rent relief relating to the post-reopening "recovery" period given traffic declines, and rent deferrals;
- Converted the revolving credit facility to an asset-backed loan facility, issued \$2.25 billion in new notes and extinguished \$1.259 billion of notes primarily with near-term maturities; and
- Extended payment terms to vendors.

As of January 30, 2021, we had \$3.9 billion in cash and cash equivalents with no outstanding borrowings on our asset-backed revolving credit facility (the "ABL Facility").

### ***Divestitures and Closure***

#### *Victoria's Secret U.K.*

Due to challenging business results for Victoria's Secret in the United Kingdom ("U.K."), we entered into Administration in June 2020 to restructure store lease agreements and reduce operating losses in the Victoria's Secret U.K. business. In October 2020, we entered into a joint venture with Next PLC for the Victoria's Secret business in the U.K. and Ireland. Under this agreement, we own 49% of the joint venture, and Next owns 51% and is responsible for operations. We account for our investment in the joint venture under the equity method of accounting. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

#### *La Senza*

On January 6, 2019, we completed the sale of the La Senza business to an affiliate of Regent LP, a global private equity firm. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

#### *Henri Bendel*

In January 2019, we closed all of our Henri Bendel stores and the e-commerce website. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

### **Fiscal Year**

Our fiscal year ends on the Saturday nearest to January 31. As used herein, "2020," "2019," "2018" and "2016" refer to the 52-week periods ended January 30, 2021, February 1, 2020, February 2, 2019 and January 28, 2017, respectively. "2017" refers to the 53-week period ended February 3, 2018.

## Real Estate

### Company-operated Retail Stores

Our company-operated retail stores are located in shopping malls, lifestyle centers and off-mall locations in the U.S., Canada and Greater China. As a result of our strong brands and established retail presence, we have been able to lease high-traffic locations in most retail centers in which we operate.

The following table provides the number of our company-operated retail stores in operation for each brand as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
Bath & Body Works U.S.	1,633	1,637
Bath & Body Works Canada	103	102
Victoria's Secret U.S.	846	1,053
Victoria's Secret Canada	25	38
Victoria's Secret U.K. / Ireland	—	26
Victoria's Secret Beauty and Accessories Greater China	36	41
Victoria's Secret Greater China	26	23
Total	<u>2,669</u>	<u>2,920</u>

The following table provides the changes in the number of our company-operated retail stores operated for the past three fiscal years:

	Beginning of Year	Opened	Closed	Sold (a)	Transferred to Joint Venture (b)	End of Year
2020	2,920	53	(278)	—	(26)	2,669
2019	2,943	64	(87)	—	—	2,920
2018	3,075	88	(90)	(130)	—	2,943

- (a) Relates to the sale of the La Senza business. For additional information see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
- (b) Relates to the Victoria's Secret U.K. joint venture with Next PLC. For additional information see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

### Franchise, License and Wholesale Arrangements

In addition to our company-operated stores, our products are sold at hundreds of partner locations and on partner websites in more than 70 countries. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale and sourcing arrangements at the time the title passes to the partner. We continue to increase the number of locations under these types of arrangements as part of our international expansion.

The following table provides the number of our international stores operated by our partners for each business as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
Bath & Body Works	288	278
Victoria's Secret Beauty and Accessories	338	360
Victoria's Secret	120	84
Total	<u>746</u>	<u>722</u>

### **Our Strengths**

We believe the following competitive strengths contribute to our leading market position, differentiate us from our competitors and will drive future growth:

#### ***Industry Leading Brands***

We have developed and operate brands that allow us to target markets across the economic spectrum, across demographics and across the world. We believe that our three brands, Bath & Body Works, Victoria's Secret and PINK, are highly recognizable, which provides us with a competitive advantage.

- Bath & Body Works caters to our customers' entire well-being, providing shower gels and lotions, aromatherapy, home fragrance, soaps and sanitizers and body care accessories.
- At Victoria's Secret, we market fashionable product lines to our customers. While bras and panties are the core of what we do, this brand also gives our customers choices in beauty products, fragrances, sleepwear, loungewear, athletic attire, swimwear and personal care accessories.
- At PINK, we market products to the college-aged woman. While bras and panties are the core of what we do, this brand also gives our customers choices in apparel, loungewear, athletic attire, swimwear and accessories.

#### ***In-Store Experience and Store Operations***

We view our customers' in-store experience as an important vehicle for communicating the image of each brand. We utilize visual presentation of merchandise, in-store marketing, music and our sales associates to reinforce the image represented by the brands.

Our in-store marketing is designed to convey the principal elements and personality of each brand. The store design, furniture, fixtures and music are all carefully planned and coordinated to create a unique shopping experience. Every brand displays merchandise uniformly to ensure a consistent store experience, regardless of location. Store managers receive detailed plans designating fixture and merchandise placement to ensure coordinated execution of the company-wide merchandising strategy.

Our sales associates and managers are a central element in creating the atmosphere of the stores by providing a high level of customer service.

#### ***Digital Experience***

In addition to our in-store experience, we strive to create a customer-centric digital platform that integrates the digital and physical brand experience. Our digital presence, including social media, our websites and our mobile applications, allows us to get to know our customers better and communicate with them anytime and anywhere.

#### ***Product Development, Sourcing and Logistics***

We believe a large part of our success comes from frequent and innovative product launches, which include new fragrance and other product launches at Bath & Body Works, and bra launches at Victoria's Secret and PINK. Our merchant, design and sourcing teams have a long history of bringing innovative products to our customers. Additionally, we believe that our sourcing and production functions have a long and deep presence in the key sourcing markets including those in the U.S. and Asia, which helps us partner with the best manufacturers to get high-quality products quickly.

#### ***Experienced and Committed Management Team***

Our senior management team has a wealth of retail and business experience at L Brands, Inc. and other companies such as The Gap, Banana Republic, Ann Taylor, Loft, The Home Depot, Yum Brands, Ross Stores, Abercrombie & Fitch and Boots. We believe that we have one of the most experienced management teams in retail.

## **Additional Information**

### ***Merchandise Vendors***

During 2020, we purchased merchandise from approximately 320 vendors located throughout the world. No vendor provided 10% or more of our merchandise purchases.

### ***Distribution and Merchandise Inventory***

A substantial portion of our merchandise is shipped to our distribution centers in the Columbus, Ohio area. Additionally, we use third-party operated distribution centers located throughout North America to distribute our merchandise. We use a variety of shipping terms that result in the transfer of title of the merchandise at either the point of origin or point of destination.

Our policy is to maintain sufficient quantities of inventories on hand in our retail stores and distribution centers to enable us to offer customers an appropriate selection of current merchandise. We emphasize rapid turnover and take markdowns as required to keep merchandise fresh and current.

We are actively managing our inventory to adjust for the impacts of COVID-19, including store closures, channel shifts, product category shifts and meeting customer demand. The current environment requires unprecedented agility, and we are leveraging the speed that we have in our supply chain, our close partnerships with our suppliers and the capabilities of our sourcing, production and logistics teams to respond quickly.

### ***Information Systems***

Our management information systems consist of a full range of retail, financial and merchandising systems. The systems include applications related to point-of-sale, e-commerce, merchandising, planning, sourcing, logistics, inventory management, data security and support systems including human resources and finance.

### ***Seasonal Business***

Our operations are seasonal in nature and consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). The fourth quarter, including the holiday season, typically accounts for approximately one-third of our net sales and is our most profitable quarter. Accordingly, cash requirements are highest in the third quarter as our inventories build in advance of the holiday season.

### ***Working Capital***

We fund our business operations through a combination of available cash and cash equivalents and cash flows generated from operations. In addition, our credit facilities are available for additional working capital needs and investment opportunities.

### ***Regulation***

We and our products are subject to regulation by various federal, state, local and foreign regulatory authorities. We are subject to a variety of tax and customs regulations and international trade arrangements.

### ***Trademarks and Patents***

Our trademarks and patents, which constitute our primary intellectual property, have been registered or are the subject of pending applications in the U.S. Patent and Trademark Office and with the registries of many foreign countries and/or are protected by common law. We believe our products are identified by our intellectual property and, thus, our intellectual property is of significant value. Accordingly, we intend to maintain our intellectual property and related registrations and vigorously protect our intellectual property assets against infringement.

### ***Other Information***

For additional information about our business, including our net sales and profits for the last three years and selling square footage, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### ***Competition***

The sale of home fragrance products, body care, soaps and sanitizers, women's intimate and other apparel, and personal and beauty care products is a highly competitive business with numerous competitors, including individual and chain specialty stores, department stores, online retailers and discount retailers. Brand image, presentation, marketing, design, price, service, fulfillment, assortment and quality are the principal competitive factors.

## **Human Capital Management**

### ***L Brands Human Capital***

At L Brands, our purpose goes beyond selling product. We work to foster a safe, welcoming and empowering workplace for our thousands of associates around the globe and are truly making a difference in our communities.

The Company has a Human Capital and Compensation Committee that oversees the Company's programs, policies, practices and strategies relating to culture, talent diversity, inclusion and equal employment opportunities as well as the Company's executive compensation plans.

### ***Workforce Demographics***

As of January 30, 2021, we employed approximately 92,300 associates, 69,900 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the holiday season. Approximately 85% of our associates work in our stores, 5% in distribution centers with the balance in home office and call centers.

Through our brands, we are focused on women. Women fill roles from our stores to our Board room. As of January 30, 2021, women make up 89% of our workforce and 50% of our Board members.

### ***Focus on Inclusion***

We focus on recruiting, retaining and advancing diverse talent that reflects the customers we serve and the communities where we live and work. By continuing to encourage a workplace environment where diversity and inclusion are valued, we believe we can serve our customers better, as well as retain highly talented associates, suppliers and vendors of different backgrounds and experiences.

Led by our Office of Inclusion and with oversight from the Human Capital and Compensation Committee, the enterprise has built an inclusion strategy with five key pillars:

- Increase the diversity of candidate slates and hires for all roles.
- Develop, deploy and ensure completion of required learning at all levels bringing awareness and education to associates on diversity, equity and inclusion.
- Improve retention of diverse associates at all levels. Monitor culture change and employee satisfaction through survey results.
- Increase volunteerism and giving to organizations targeting racial equity and social justice.
- Increase spend with minority-owned third-party companies.

More than 99% of our associates have completed training on our strategic vision for diversity and inclusion which includes lessons on bias, equity and conscious inclusion. The training emphasizes both the Company's and associates' responsibility to build an inclusive culture.

In addition, we have Inclusion Resource Groups that provide opportunity for associates to connect with one another around their shared passion for creating an inclusive workplace for all associates. These groups provide professional development for associates, support the needs of the business, help shape the culture of our company and volunteer in the community. We have over 1,400 associates participating in four Inclusion Resource Groups designed for associates who identify as, or are allies of, the following groups: Hispanic and Latinx, LGBTQ, Black and African American and women.

### ***Commitment to Equitable and Competitive Wages***

We are committed to equal opportunity and treatment for all associates which includes equal career advancement opportunities and equitable and competitive wages. We evaluate fairness in total compensation with reference to both internal and external comparisons. Our compensation programs are designed to link annual changes in compensation to overall Company performance, as well as each individual's contribution to the results achieved. The emphasis on overall Company performance is intended to align the associates' financial interests with the interests of shareholders.

Our investment in our workforce in 2020 included the expansion of participation in the short-term cash incentive compensation (IC) program to include all salaried associates in the home office, distribution or call centers beginning with the Fall 2020 season and going forward.

### ***Commitment to Providing Quality Benefits***

At L Brands, we offer competitive, performance-based compensation; a company-matched savings and retirement plan; and flexible and affordable health and wellness and lifestyle benefits. Subject to certain eligibility requirements, associates can choose benefits and resources that fit their lifestyle, including, but not limited to, 14 weeks paid maternity leave, 6 weeks paid paternal leave, tuition reimbursement, free access to life planning services and generous L Brands merchandise discount.

### ***Associate Development***

We are committed to investing in all our associates. We provide diverse learning opportunities and challenging work experiences. We believe that associates can reach their career goals through multiple roles, career paths and locations around the world. We offer a variety of enrichment experiences for those joining us as interns, new graduates, in mid-career or as a capstone to a career. Examples include:

- Development Days: Dedicated time to advance technical, creative or business skills.
- Leadership Development: Courses for associates in management positions to build critical skills and grow as effective leaders.
- Merchant-in-Training Program: Immersive program to learn the craft both on the job and from experts in the classroom.
- Onboarding: Dedicated time to learn the business and to form important relationships for mentoring and development.
- Tuition Assistance: Reimbursement of 80 percent of eligible tuition expenses, up to \$3,000 per calendar year.

### ***Safety is Our Priority***

Health and safety of our associates, customers and vendors is our highest priority. We provide safe and clean facilities, comply with all applicable workplace safety laws and have global safety policies and procedures to protect from avoidable injury.

In response to COVID-19, we implemented robust safety protocols to protect associates working in our distribution centers, stores and home offices. Associates whose work can be done remotely are working from home. For associates who are working in our stores, offices and distribution centers, we are utilizing COVID-19 safety measures developed to align with CDC guidelines.

### ***Code of Conduct***

We have a written Code of Conduct that is based on our values and is a resource where associates can find information that defines behaviors that are acceptable and those that are not. We conduct an annual Code of Conduct compliance process which requires associates to complete a Code of Conduct disclosure and a separate training course.

We maintain an Ethics Hotline 24 hours a day, 7 days a week where associates may anonymously report potential instances of unethical conduct and potential violations of law or company policies.

### ***Executive Officers of Registrant***

To navigate our business transformation, and manage the COVID-19 crisis, our Board prioritized establishing a leadership team that will address the challenges facing the business and position our brands for success, resulting in changes at the most senior executive levels. In May, our founder, Leslie H. Wexner stepped down as Chief Executive Officer ("CEO") and Chairman of the Board of L Brands, remaining a member of the Board as Chairman Emeritus. Andrew M. Meslow, previously CEO of Bath & Body Works, was named CEO of L Brands and joined the Board. Stuart B. Burgdoerfer, Chief Financial Officer of L Brands, took on the added role of interim CEO for Victoria's Secret. On March 18, 2021, we announced that Leslie H. Wexner would not stand for reelection to the Board at the annual shareholders' meeting in May 2021.

In June 2020, Charles C. McGuigan left his role as Chief Operating Officer of L Brands and CEO and President of Mast Global. In September, Julie B. Rosen was hired as President at Bath & Body Works to lead the development of products across all categories. In October, Shelley B. Milano left her role as Chief Human Resources Officer of L Brands, allowing for separate human resources leadership teams for each of Bath & Body Works and Victoria's Secret going forward. Deon N. Riley joined L Brands in December to fill the Chief Human Resources Officer role for L Brands and Bath & Body Works, and Laura Miller joined L Brands in November to fill the Chief Human Resources Officer role for Victoria's Secret.

Following these changes, as of the end of fiscal 2020, our named executive officers are as follows:

- Andrew M. Meslow, 51, has been our Chief Executive Officer since May 2020 and has had senior leadership positions with Bath & Body Works since 2005. Mr. Meslow, who joined L Brands in 2003, has 29 years of experience in the retail industry, including previous roles at Ann Taylor and Banana Republic;
- Stuart B. Burgdoerfer, 57, has been our Executive Vice President and Chief Financial Officer since April 2007, served in senior leadership positions with the Company from 1998 to 2004 and has previous retail experience with The Home Depot, Inc.;

- James L. Bersani, 62, has been our President of Real Estate since March 2014 and has led our real estate function since April 2006. Mr. Bersani has held a variety of roles in the real estate department with increasing leadership since joining L Brands in 1986;
- Julie B. Rosen, 55, has been our President of Bath & Body Works since September 2020. Prior to joining L Brands, Ms. Rosen ran her own retail consulting business with clients including Nike, Theory and Bare Escentuals and has prior retail experience at Banana Republic, Gap, Ann Taylor and Loft; and
- Deon N. Riley, 53, has been our Chief Human Resources Officer since December 2020. Ms. Riley joined L Brands from Ross Stores and served in leadership roles at Abercrombie & Fitch.

In February 2021, we announced Mr. Burgdoerfer's intention to retire from the Company effective in August 2021. Mr. Burgdoerfer will continue to serve as the Company's Chief Financial Officer until his retirement, but no longer serves as the interim CEO for Victoria's Secret. Upon the announcement of Mr. Burgdoerfer's planned retirement, Martin Waters was promoted to CEO of Victoria's Secret.

### **Recent Developments**

On February 20, 2020, we and an affiliate of Sycamore Partners Management, L.P. ("Sycamore"), entered into a Transaction Agreement (the "Transaction Agreement") pursuant to which, among other things, the Company would have sold a 55% interest in the Company's Victoria's Secret and PINK businesses. On May 4, 2020, we and Sycamore mutually agreed to terminate the Transaction Agreement.

During 2020, we took a number of important steps to improve performance at Victoria's Secret and to prepare Bath & Body Works and Victoria's Secret to operate as separate standalone companies. All options, including a spin-off of the Victoria's Secret business into a public company or a private sale of the business, are being evaluated.

On March 12, 2021, we announced actions we are taking to further enhance shareholder value and decrease leverage. Our Board of Directors authorized the following:

- A reduction in our debt that will be effected by a make whole call to repurchase the remaining \$285 million of outstanding notes due February 2022 and the \$750 million of outstanding secured notes due July 2025. This make whole call was issued on March 12, 2021 and we anticipate using approximately \$1.1 billion in cash to complete the debt repurchase;
- A new \$500 million share repurchase plan, which replaces the \$79 million remaining under the March 2018 repurchase program; and
- A reinstatement of our annual dividend at \$0.60 per share, beginning with the quarterly dividend to be paid in June 2021.

### **Available Information**

We are subject to the reporting requirements of the Exchange Act and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC"). The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our website at [www.lb.com](http://www.lb.com).

Copies of any of the above-referenced documents will also be made available, free of charge, upon written request to:

L Brands, Inc.  
Investor Relations Department  
Three Limited Parkway  
Columbus, Ohio 43230



## ITEM 1A. RISK FACTORS.

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this report or made by our Company or our management involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as “estimate,” “project,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “planned,” “potential” and any similar expressions may identify forward-looking statements. Risks associated with the following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by our company or our management:

- general economic conditions, consumer confidence, consumer spending patterns and market disruptions including pandemics or significant health hazards, severe weather conditions, natural disasters, terrorist activities, financial crises, political crises or other major events, or the prospect of these events;
- the novel coronavirus (COVID-19) global pandemic has had and is expected to continue to have an adverse effect on our business and results of operations;
- the seasonality of our business;
- divestitures or other dispositions, including any sale or spin-off of Victoria’s Secret and related operations and contingent liabilities from businesses that we have divested;
- difficulties arising from turnover in company leadership or other key positions;
- our ability to attract, develop and retain qualified associates and manage labor-related costs;
- the dependence on mall traffic and the availability of suitable store locations on appropriate terms;
- our ability to grow through new store openings and existing store remodels and expansions;
- our ability to successfully operate and expand internationally and related risks;
- our independent franchise, license and wholesale partners;
- our direct channel businesses;
- our ability to protect our reputation and our brand images;
- our ability to attract customers with marketing, advertising and promotional programs;
- our ability to maintain, enforce and protect our trade names, trademarks and patents;
- the highly competitive nature of the retail industry and the segments in which we operate;
- consumer acceptance of our products and our ability to manage the life cycle of our brands, keep up with fashion trends, develop new merchandise and launch new product lines successfully;
- our ability to source, distribute and sell goods and materials on a global basis, including risks related to:
  - political instability, environmental hazards or natural disasters;
  - significant health hazards or pandemics, which could result in closed factories, reduced workforces, scarcity of raw materials, and scrutiny or embargoing of goods produced in infected areas;
  - duties, taxes and other charges;
  - legal and regulatory matters;
  - volatility in currency exchange rates;
  - local business practices and political issues;
  - potential delays or disruptions in shipping and transportation and related pricing impacts;
  - disruption due to labor disputes; and
  - changing expectations regarding product safety due to new legislation;
- our geographic concentration of vendor and distribution facilities in central Ohio;
- fluctuations in foreign currency exchange rates;
- the ability of our vendors to deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations;

- fluctuations in product input costs;
- our ability to adequately protect our assets from loss and theft;
- fluctuations in energy costs;
- increases in the costs of mailing, paper, printing or other order fulfillment logistics;
- claims arising from our self-insurance;
- our and our third-party service providers' ability to implement and maintain information technology systems and to protect associated data;
- our ability to maintain the security of customer, associate, third-party and company information;
- stock price volatility;
- our ability to pay dividends and related effects;
- shareholder activism matters;
- our ability to maintain our credit rating;
- our ability to service or refinance our debt and maintain compliance with our restrictive covenants;
- our ability to comply with laws, regulations and technology platform rules or other obligations related to data privacy and security;
- our ability to comply with regulatory requirements;
- legal and compliance matters; and
- tax, trade and other regulatory matters.

We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this report to reflect circumstances existing after the date of this report or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

The following discussion of risk factors contains “forward-looking statements.” These risk factors may be important to understanding any statement in this Form 10-K, other filings or in any other discussions of our business. The following information should be read in conjunction with Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation and Item 8. Financial Statements and Supplementary Data.

In addition to the other information set forth in this report, the reader should carefully consider the following factors which could materially affect our business, financial condition or future results. The risks described below are not our only risks. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also adversely affect our business, operating results and/or financial condition in a material way.

**Risks related to our business:**

**Our net sales, profit results and cash flows are sensitive to, and may be affected by, general economic conditions, consumer confidence, spending patterns, significant health hazards or pandemics, weather or other market disruptions.**

Our net sales, profit, cash flows and future growth may be affected by negative local, regional, national or international political or economic trends or developments that reduce the consumers’ ability or willingness to spend, including the effects of national and international security concerns such as war, terrorism or the threat thereof. In addition, market disruptions due to natural disasters, significant health hazards or pandemics, or other major events or the prospect of these events could also impact consumer spending and confidence levels. Extreme weather conditions in the areas in which our stores are located, particularly in markets where we have multiple stores, could adversely affect our business. Purchases of our products may decline during periods when economic or market conditions are unsettled or weak. In such circumstances, we may increase the number of promotional sales, which could have a material adverse effect on our results of operations, financial condition and cash flows.

The decision by the U.K. to leave the European Union (commonly referred to as “Brexit”) has increased the uncertainty in the economic and political environment in Europe. On December 24, 2020, the U.K. and EU reached a post-Brexit Trade and Cooperation Agreement that contains new rules governing the new relationship between the U.K. and the EU, including with respect to trade, travel and immigration among other things. Our business in the U.K. may be adversely impacted by ongoing uncertainty, fluctuations in currency exchange rates, changes in trade policies, or changes in labor, immigration, tax, data

privacy or other laws. Any of these effects, among others, could materially and adversely affect our business, results of operations, and financial condition.

**The novel coronavirus global pandemic has had and is expected to continue to have an adverse effect on our business and results of operations.**

In March 2020, the coronavirus pandemic was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, and led to significant travel and transportation restrictions, including mandatory closures and orders to “shelter-in-place.” The actions that governments around the world have taken to contain the spread of COVID-19 have resulted in a period of disruption, including closure of our stores, limited store operating hours, reduced customer traffic and consumer spending and delays in manufacturing and shipping of products and raw materials. During this period, we are focused on protecting the health and safety of our customers, employees, contractors, suppliers, and other business partners. We are also working with our suppliers to minimize potential disruptions, while managing our business in response to a changing dynamic. Our business operations and financial performance for 2020 have been materially impacted by the COVID-19 pandemic. All of our stores in North America were closed on March 17, 2020 and almost all remained closed as of the beginning of the second quarter. We reopened our stores by the end of the second quarter 2020 in accordance with local restrictions and where we believed we could provide for the safety and well-being of our employees and customers. Due to the uncertainty of COVID-19 and the speed at which the pandemic continues to impact our markets, we are continuing to assess the situation, including government-imposed restrictions, market by market.

We are unable to accurately predict the full impact that COVID-19 will have on our operations going forward due to uncertainties which will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration and spread of the COVID-19 pandemic, actions taken to limit the spread, and the public’s willingness to comply with such actions, the availability and efficacy of a vaccine and positive treatments for COVID-19, and the impact of governmental regulations that might be imposed in response to the pandemic. Numerous state and local jurisdictions have imposed, and others in the future may impose, shelter-in-place orders, quarantines, executive orders and similar government orders and restrictions for their residents to control the spread of COVID-19. Such orders, restrictions and changes in consumer behavior have negatively impacted our operations, especially in our stores. In addition to these more near-term impacts, we are unable to accurately predict the full impact COVID-19 will have on our longer-term operations as well, particularly with respect to our current mix of merchandise offerings, event-based categories and store traffic trends.

To the extent COVID-19 adversely affects our business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section, such as those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

**Our net sales, operating income, cash and inventory levels fluctuate on a seasonal basis.**

We experience major seasonal fluctuations in our net sales and operating income, with a significant portion of our operating income typically realized during the fourth quarter holiday season. Any decrease in sales or margins during this period could have a material adverse effect on our results of operations, financial condition and cash flows.

Seasonal fluctuations also affect our cash and inventory levels, since we usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We must carry a significant amount of inventory, especially before the holiday season selling period. If we are not successful in selling inventory, we may have to sell the inventory at significantly reduced prices or may not be able to sell the inventory at all, which could have a material adverse effect on our results of operations, financial condition and cash flows.

**The proposed separation of the Victoria’s Secret business and related operations could negatively impact our business, and contingent liabilities from the divestiture of such business could adversely affect our financial position and results of operations.**

On February 4, 2021, we announced that we are currently targeting August 2021 to complete the separation of the Victoria’s Secret and Bath & Body Works businesses. We are considering all options, including a spin-off of the Victoria’s Secret business into a public company or a private sale of the Victoria’s Secret business. The separation poses risks and challenges that could negatively impact our business. For example, we may be unable to do so on satisfactory terms within our anticipated timeframe or at all, and unanticipated developments could delay, prevent or otherwise adversely affect any such separation, including but not limited to market disruptions in general or financial market conditions or potential problems or delays in obtaining various regulatory and tax approvals or clearances. In addition, the separation may dilute our earnings per share, have other adverse financial and accounting impacts and distract management. In addition, we may be required to indemnify buyers or any spun-off entity against known and unknown contingent liabilities in connection with the separation of the Victoria’s

Secret business. The resolution of these contingencies may have a material effect on our financial position and results of operations. Uncertainty about the effect of the separation of the Victoria's Secret business on employees, commercial partners and vendors may have an adverse effect on us. These uncertainties may impair our ability to retain and motivate key personnel and could cause commercial partners, vendors and others that deal with us to defer or decline entering into contracts with us or seek to change existing business relationships with us. In addition, if key employees depart because of uncertainty about their future roles and the potential complexities of any potential separation of Victoria's Secret, our business could be harmed. If we are unable to separate the Victoria's Secret business, we will continue to be subject to the risks of operating such business. We may incur significant expenses and challenges in connection with the separation of the Victoria's Secret business, which may include expenses and challenges related to the separation of Victoria's Secret from our current information technology environment. In addition, we may not be able to achieve the full strategic and financial benefits that are expected to result from such separation and the anticipated benefits of such separation are based on a number of assumptions, some of which may prove incorrect.

**Retained or contingent liabilities from businesses that we divest could adversely affect our financial results.**

In the fourth quarter of 2018, we completed the sale of La Senza to an affiliate of Regent LP, a global private equity firm. As a result of the La Senza divestiture, we may incur unexpected contingent liabilities, including with respect to leases assumed by the buyer. Our divestiture activities may also present financial and operational risks. Those risks may include difficulties separating personnel, financial and other systems, and indemnities and potential disputes with the buyer. Any of these factors could adversely affect our financial condition and results of operations.

**Turnover in company leadership or other key positions may have an adverse impact on company performance.**

We may experience further changes in key leadership or key positions in the future. The departure of key leadership personnel can result in the loss of significant knowledge and experience. This loss of knowledge and experience can be mitigated through successful hiring and transition, but there can be no assurance that we will be successful in such efforts. Attracting and retaining qualified senior leadership may be more challenging under adverse business conditions. Failure to attract and retain the right talent, or to smoothly manage the transition of responsibilities resulting from such turnover, could affect our ability to meet our challenges and may cause us to miss performance objectives or financial targets or disrupt our relationships with our customers.

**We may be impacted by our ability to attract, develop and retain qualified associates and manage labor-related costs.**

We believe our competitive advantage is providing a positive, engaging and satisfying experience for each individual customer, which requires us to have highly trained and engaged associates. Our success depends in part upon our ability to attract, develop and retain a sufficient number of qualified associates, including store personnel and talented merchants. The turnover rate in the retail industry is generally high, and qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply in some areas. Competition for such qualified individuals or changes in labor and healthcare laws could require us to incur higher labor costs. Our inability to recruit a sufficient number of qualified individuals in the future may delay planned openings of new stores or affect the speed with which we expand. Delayed store openings, significant increases in associate turnover rates or significant increases in labor-related costs could have a material adverse effect on our results of operations, financial condition and cash flows.

**Our net sales depend on a volume of traffic to our stores and the availability of suitable lease space.**

Most of our stores are located in retail shopping areas including malls and other types of retail centers. Sales at these stores are derived, in part, from the volume of traffic in those retail areas. Our stores benefit from the ability of the retail center and other attractions in an area, including "destination" retail stores, to generate consumer traffic in the vicinity of our stores. Sales volume and retail traffic may be adversely affected by factors that we cannot control, such as economic downturns or changes in consumer demographics in a particular area, consumer trends away from brick-and-mortar retail toward online shopping, competition from internet and other retailers and other retail areas where we do not have stores, significant health hazards or pandemics, the closing of other stores or the decline in popularity or safety in the shopping areas where our stores are located and the deterioration in the financial condition of the operators or developers of the shopping areas in which our stores are located.

Part of our future growth is significantly dependent on our ability to operate stores in desirable locations with capital investment and lease costs providing the opportunity to earn a reasonable return. We cannot be sure as to when or whether such desirable locations will become available at reasonable costs. Some of our store locations require significant upfront capital investment and have material lease commitments. Additionally, we are dependent upon the suitability of the lease spaces that we currently use. The leases that we enter into are generally noncancelable leases with initial terms of 10 years. If we determine that it is no longer economical to operate a store and decide to close it, we may remain obligated under the applicable lease for, among other things, payment of the base rent for the balance of the lease term.

These risks could have a material adverse effect on our ability to grow and our results of operations, financial condition and cash flows.

**Our ability to grow depends in part on new store openings and existing store remodels and expansions.**

Our continued growth and success will depend in part on our ability to open and operate new stores and expand and remodel existing stores on a timely and profitable basis. Accomplishing our new and existing store expansion goals will depend upon a number of factors, including the ability to partner with developers and landlords to obtain suitable sites for new and expanded stores at acceptable costs, the hiring and training of qualified personnel and the integration of new stores into existing operations. There can be no assurance we will be able to achieve our store expansion goals, manage our growth effectively, successfully integrate the planned new stores into our operations or operate our new, remodeled and expanded stores profitably. These risks could have a material adverse effect on our ability to grow and results of operations, financial condition and cash flows.

**Our international operations and our plans for international expansion include risks that could impact our results and reputation.**

We intend to continue to operate internationally and further expand into international markets, including mainland China, through partner arrangements and/or company-operated stores. The risks associated with international markets include difficulties in attracting customers due to a lack of customer familiarity with our brands, our lack of familiarity with local customer preferences and seasonal differences in the market. Any of these difficulties may lead to disruption in the overall timing of our international expansion efforts or increased costs. Further, entry into other markets may bring us into competition with new competitors or with existing competitors with an established market presence. Other risks include general economic conditions in specific countries or markets, volatility in the geopolitical landscape, restrictions on the repatriation of funds held internationally, disruptions or delays in shipments, occurrence of significant health hazards or pandemics, changes in diplomatic and trade relationships, political instability and foreign governmental regulation. Such expansions will also have upfront investment costs that may not be accompanied by sufficient revenues to achieve typical or expected operational and financial performance.

Further, our results of operations and financial condition may be adversely affected by fluctuations in currency exchange rates. See “Fluctuations in foreign currency exchange rates could impact our financial condition and results of operations” below.

These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

**Our licensees, franchisees and wholesalers could take actions that could harm our business or brand images.**

We have global representation through independently owned stores operated by our partners. Although we have criteria to evaluate and select prospective partners, the level of control we can exercise over our partners is limited, and the quality and success of their operations may be diminished by any number of factors beyond our control. For example, our partners may not have the business acumen or financial resources necessary to successfully operate stores in a manner consistent with our standards and may not hire and train qualified store managers and other personnel. Further, we have no control as to whether our partners comply with federal and local law. Our brand image and reputation may suffer materially, and our sales could decline if our partners do not operate successfully. These risks could have an adverse effect on our results of operations, financial condition and cash flows.

**Our direct channel businesses include risks that could have an effect on our results.**

Our direct operations are subject to numerous risks that could have a material adverse effect on our results. Risks include, but are not limited to, the difficulty in recreating the in-store experience through our direct channels; domestic or international resellers purchasing merchandise and reselling it outside our control; our ability to anticipate and implement innovations in technology and logistics in order to appeal to existing and potential customers who increasingly rely on multiple channels to meet their shopping needs; the failure of and risks related to the systems that operate our web infrastructure, websites and the related support systems, including computer viruses, theft of customer information, privacy concerns, telecommunication failures and electronic break-ins and similar disruptions.

Our failure to maintain efficient and uninterrupted order-taking and fulfillment operations could also have a material adverse effect on our results. The satisfaction of our online customers depends on their timely receipt of merchandise. If we encounter difficulties with the distribution facilities, or if the facilities were to shut down for any reason, including as a result of fire, natural disaster or work stoppage, we could face shortages of inventory; incur significantly higher costs and longer lead times associated with distributing our products to our customers; and cause customer dissatisfaction.

Any of these issues could have a material adverse effect on our operations, financial condition and cash flows.

**Our ability to protect our reputation could have a material effect on our brand images.**

Our ability to maintain our reputation is critical to our brand images. Our reputation could be jeopardized if we fail to maintain high standards for merchandise quality and integrity. Any negative publicity, including information publicized through traditional or social media platforms and similar venues such as blogs, websites and other forums, may affect our reputation and brand and, consequently, reduce demand for our merchandise, even if such publicity is unverified or inaccurate.

Failure to comply with or the perception that the Company has failed to comply with ethical, social, product, labor, privacy and environmental standards, or related political considerations, could also jeopardize our reputation and potentially lead to various adverse consumer actions, including boycotts. Failure to comply with local laws and regulations, to maintain an effective system of internal controls, to maintain the security of customer, associate, third-party and company information or to provide accurate and timely financial statement information could also hurt our reputation. Damage to our reputation or loss of consumer confidence for any of these or other reasons could have a material adverse effect on our results of operations, financial condition and cash flows, as well as require additional resources to rebuild our reputation.

**If our marketing, advertising and promotional programs are unsuccessful, or if our competitors are more effective with their programs than we are, our revenue or results of operations may be adversely affected.**

Customer traffic and demand for our merchandise are influenced by our advertising, marketing and promotional activities, the name recognition and reputation of our brands and the location of and service offered in our stores. Although we use marketing, advertising and promotional programs to attract customers through various media, including social media, websites, mobile applications, email, print and television, some of our competitors may expend more for their programs than we do, or use different approaches than we do, which may provide them with a competitive advantage. Our programs may not be effective or could require increased expenditures, which could have a material adverse effect on our revenue and results of operations.

**Our ability to adequately maintain, enforce and protect our trade names, trademarks and patents could have an impact on our brand images and ability to penetrate new markets.**

We believe that our trade names, trademarks and patents are important assets and an essential element of our strategy. We have obtained or applied for federal registration of these trade names, trademarks and patents and have applied for or obtained registrations in many foreign countries. There can be no assurance that we will obtain such registrations or that the registrations we obtain will prevent the imitation of our products or infringement or other violation of our intellectual property rights by others. In particular, the laws of certain foreign countries may not protect proprietary rights to the same extent as the laws of the U.S. If any third-party copies our products or our stores in a manner that projects lesser quality or carries a negative connotation, it could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

Third parties may assert rights in or ownership of our trademarks and other intellectual property rights, or trademarks that are similar to our trademarks, or claim that we are infringing, misappropriating or otherwise violating their intellectual property rights. We may be unable to successfully resolve these type of conflicts to our satisfaction and may be required to enter into costly license agreements, be required to pay significant royalty, settlements costs or damages, required to rebrand our products and/or be prevented from selling some of our products.

**Our ability to compete favorably in our highly competitive segment of the retail industry could impact our results.**

The retail industry is highly competitive. We compete for sales with a broad range of other retailers, including individual and chain specialty stores, department stores and discount retailers. In addition to the traditional store-based retailers, we also compete with direct marketers or retailers that sell similar lines of merchandise and who target customers through online channels. Brand image, marketing, design, price, service, assortment, quality, image presentation and fulfillment are all competitive factors in both the store-based and online channels.

Some of our competitors may have greater financial, marketing and other resources available and trends across our product categories may favor our competitors. We rely to a greater degree than some of our competitors on physical locations in shopping malls and centers and so declines in traffic to such locations may affect us more significantly than our competitors. Some of our competitors sell their products in stores that are located in the same shopping malls and centers as our stores. In addition to competing for sales, we compete for favorable site locations and lease terms in shopping malls and centers.

Increased competition, combined with declines in mall and/or online website traffic, could result in price reductions, increased marketing expenditures and loss of pricing power and market share, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

**Our ability to manage the life cycle of our brands and to remain current with fashion trends and launch new product lines successfully could impact the image and relevance of our brands.**

Our success depends in part on management's ability to effectively manage the life cycle of our brands and to anticipate and respond to changing fashion preferences and consumer demands and to translate market trends into appropriate, salable product offerings in advance of the actual time of sale to the customer. We are dependent on certain product categories, and a decline in consumer demand in these product categories could negatively effect on our results of operations, financial condition and cash flows. Customer demands and fashion trends change rapidly. If we are unable to successfully anticipate, identify or react to changing styles or trends or we misjudge the market for our products or any new product lines, our sales will be lower, potentially resulting in significant amounts of unsold inventory. In response, we may be forced to increase our marketing promotions or price markdowns. These risks could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

**We may be impacted by our ability to adequately source, distribute and sell merchandise and other materials on a global basis.**

We source merchandise and other materials directly in international markets and in our domestic market. We distribute merchandise and other materials globally to our partners in international locations and to our stores. Many of our imports and exports are subject to a variety of customs regulations and international trade arrangements, including existing or potential duties, tariffs or safeguard quotas. We compete with other companies for production facilities.

We also face a variety of other risks generally associated with doing business on a global basis. For example:

- political instability, environmental hazards or natural disasters which could negatively affect international economies, financial markets and business activity;
- significant health hazards or pandemics, which could result in closed factories, reduced workforces, scarcity of raw materials, and scrutiny or embargoing of goods produced in infected areas;
- imposition of new or retaliatory trade duties, sanctions or taxes and other charges on imports or exports;
- evolving, new or complex legal and regulatory matters;
- volatility in currency exchange rates;
- local business practice and political issues (including issues relating to compliance with domestic or international labor standards) which may result in adverse publicity or threatened or actual adverse consumer actions, including boycotts;
- potential delays or disruptions in shipping and transportation and related pricing impacts;
- disruption due to labor disputes; and
- changing expectations regarding product safety due to new legislation or other factors.

We also rely upon third-party transportation providers for substantially all of our product shipments, including shipments to and from our distribution centers, to our stores and to our customers. Our utilization of these delivery services for shipments is subject to risks, including increases in labor costs and fuel prices, which would increase our shipping costs, and associate strikes and inclement weather, which may impact our transportation providers' ability to provide delivery services that adequately meet our shipping needs. Further, the rapid increase in demand for online shopping has led to increased pressure on the capacity of our fulfillment network.

For example, the COVID-19 global 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 global pandemic resulted in the temporary shut-down of many of our supply chain facilities. The pandemic continues to have 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. We may also see disruptions or delays in shipments and negative impacts to pricing of certain components of our products. In addition, the impact of COVID-19 on macroeconomic conditions may impact the proper functioning of financial and capital markets, foreign currency exchange rates, commodity prices, and interest rates. Even after the COVID-19 global pandemic has subsided, we may continue to experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future.

**We rely on a number of vendor and distribution facilities located in the same vicinity, making our business susceptible to local and regional disruptions or adverse conditions.**

To achieve the necessary speed and agility in producing our beauty, personal care and home fragrance products, we rely heavily on vendor and distribution facilities in close proximity to our headquarters in Central Ohio. As a result of geographic concentration of the vendor and distribution facilities that we rely upon, our operations are susceptible to local and regional factors, such as accidents, system failures, economic and weather conditions, natural disasters, demographic and population changes, and other unforeseen events and circumstances. Any significant interruption in the operations of these facilities could lead to inventory issues or increased costs, which could have a material adverse effect on our results of operations, financial condition and cash flows.

**Fluctuations in foreign currency exchange rates could impact our financial condition and results of operations.**

We are exposed to foreign currency exchange rate risk with respect to our sales, profits, assets and liabilities denominated in currencies other than the U.S. dollar. In addition, our royalty arrangements are calculated based on sales in local currency and, as such, we are exposed to foreign currency exchange rate fluctuations. Although we use foreign currency forward contracts to hedge certain foreign currency risks, these measures may not succeed in offsetting all of the short-term negative impacts of foreign currency rate movements on our business and results of operations. Hedging would generally not be effective in offsetting the long-term impact of sustained shifts in foreign exchange rates on our business results. As a result, the fluctuation in the value of the U.S. dollar against other currencies could have a material adverse effect on our results of operations, financial condition and cash flows.

**We may be impacted by our vendors' ability to manufacture and deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations.**

We purchase products from third-party vendors. Factors outside our control, such as production or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns.

In addition, quality problems could result in a product liability judgment or a widespread product recall that may negatively impact our sales and profitability for a period of time depending on product availability, competition reaction and consumer attitudes. Even if the product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertions could adversely impact our reputation with existing and potential customers and our brand image.

Our business could also suffer if our third-party vendors fail to comply with applicable laws and regulations. While our internal and vendor operating guidelines promote ethical business practices and our associates visit and monitor the operations of our third-party vendors, we do not control these vendors or their practices. The violation of labor, environmental or other laws by third-party vendors used by us, or the divergence of a third-party vendor's or partner's labor or environmental practices from those generally accepted as ethical or appropriate, could interrupt or otherwise disrupt the shipment of finished products to us or damage our reputation.

These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

**Our results may be affected by fluctuations in product input costs.**

Product input costs, including freight, labor and raw materials, fluctuate. These fluctuations may result in an increase in our production costs. We may not be able to, or may elect not to, pass these increases on to our customers which may adversely impact our profit margins. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

**Our ability to adequately protect our assets from loss and theft.**

Our assets are subject to loss, including those caused by illegal or unethical conduct by associates, customers, vendors or unaffiliated third parties. We have experienced events such as inventory shrinkage in the past, and we cannot assure that incidences of loss and theft will decrease in the future or that the measures we are taking will effectively reduce these losses. Higher rates of loss or increased security costs to combat theft could have a material adverse effect on our results of operations, financial condition and cash flows.

**Our results may be affected by fluctuations in energy costs.**

Energy costs have fluctuated in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for our retail stores and costs to purchase products from our manufacturers. A continual rise in energy costs could



adversely affect consumer spending and demand for our products and increase our operating costs, both of which could have a material adverse effect on our results of operations, financial condition and cash flows.

**We may be impacted by increases in the cost of mailing, paper, printing or other order fulfillment logistics.**

Postal rate increases and paper and printing costs will affect the cost of our order fulfillment and promotional mailings. We rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting. Future paper and postal rate increases could adversely impact our earnings if we are unable to recover these costs or if we are unable to implement more efficient printing, mailing, delivery and order fulfillment systems. We may face unexpected costs in transportation, warehousing or other logistics-related services. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

**We self-insure certain risks and may be impacted by unfavorable claims experience.**

We are self-insured for various types of insurable risks including associate medical benefits, workers' compensation, property, general liability and automobile up to certain stop-loss limits. Claims are difficult to predict and may be volatile. Any adverse claims experience could have a material adverse effect on our results of operations, financial condition and cash flows.

**We significantly rely on our and our third-party service providers' ability to implement and sustain information technology systems and to protect associated data and system availability.**

Our success depends, in part, on the secure and uninterrupted performance of our and our third-party services providers' and vendors' information technology systems. Our information technology systems, as well as those of our service providers and vendors are vulnerable to damage, interruption or breach from a variety of sources, including cyberattacks, ransomware attacks, telecommunication failures, malicious human acts and natural disasters. Moreover, despite maintaining comprehensive measures, some of our systems, e-commerce environments, servers and those of our service providers and vendors are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Such incidents could disrupt our operations including our ability to timely ship and track product orders and project inventory requirements, and lead to interruptions or delays in our supply chain. Additionally, these types of problems could result in an actual or perceived breach of confidential customer, merchandise, financial, employee or other important information (including personal information), which could result in damage to our reputation, costly litigation, customer complaints, negative publicity, breach notification obligations, regulatory or administrative sanctions, inquiries, orders or investigations, indemnity obligations, damages for contract breach or penalties for violations of applicable laws or regulations. The increased use of smartphones, tablets and other mobile devices may also heighten these and other operational risks. Despite the precautions we have taken, unanticipated problems or events may nevertheless cause failures in, or unauthorized access to, our and our third-party services providers' and vendors' information technology systems. Sustained or repeated system disruptions that interrupt our ability to process orders and deliver products to the stores, impact our customers' ability to access our websites in a timely manner, or expose confidential customer information, merchandise, financial or other important information (including personal information) could have a material adverse effect on our results of operations, financial condition and cash flows.

In addition, from time to time, we make hardware, software and code modifications and upgrades to our information technology systems for point-of-sale, e-commerce, mobile apps, merchandising, planning, sourcing, logistics, inventory management and support systems including human resources and finance. Modifications involve replacing existing systems with successor systems, making changes to existing systems or acquiring new systems with new functionality. We are aware of inherent risks associated with replacing and modifying our information technology systems, including risks relative to data integrity and system disruptions. Information technology system disruptions or data corruption, if not anticipated and appropriately mitigated, could have a material adverse effect on our operations, financial condition and cash flows.

In addition to our own systems, networks and databases, we use third-party service providers to store, transmit and otherwise process certain of this information on our behalf, and our third-party service providers are subject to similar cybersecurity risks. Due to applicable laws and regulations or contractual obligations, we may be held responsible for any cybersecurity incident attributed to our service providers as they relate to the information we share with them or to which they are granted access. Although we contractually require these service providers to implement and maintain a standard of security (such as implementing reasonable measures), we cannot control third parties and cannot guarantee that a security breach will not occur in their systems.

**Any significant compromise or breach of our data security, including the security of customer, associate, third-party or company information, could have a material adverse effect on our reputation, results of operations, financial condition and cash flows.**

In the operation of our business, we collect, use, transmit and otherwise process a large volume of personal and other confidential, proprietary and sensitive information. Information systems are susceptible to an increasing threat of continually evolving cybersecurity risks. Any significant compromise or breach of our data security, media reports about such an incident, whether accurate or not, or our failure to make adequate or timely disclosures to the public or law enforcement agencies following any such event, whether due to delayed discovery or a failure to follow existing protocols, could significantly damage our reputation with our customers, associates, investors and other third parties, cause the disclosure of personal, confidential, proprietary or sensitive customer, associate, third-party or company information, cause interruptions to our operations and distraction to our management, cause our customers to stop shopping with us and result in significant legal, regulatory and financial liabilities and lost revenues.

While we train our associates and have implemented systems, processes and security measures to protect our physical facilities and information technology systems against unauthorized access and prevent data loss, there is no guarantee that these procedures are adequate to safeguard against all data security threats. Despite these measures, we may be vulnerable to targeted or random attacks on our systems that could lead to security breaches, phishing attacks, denial of service attacks, acts of vandalism, computer viruses, malware, ransomware, misplaced or lost data, programming and/or human errors or similar events. Our systems and facilities are also subject to compromise from internal threats, such as theft, misuse, unauthorized access or other improper actions by employees, third-party service providers and other third parties with otherwise legitimate access to our systems, website or facilities (which risks may be heightened as a result of work-from-home policies and technologies implemented in the wake of the COVID-19 pandemic). Furthermore, because the methods of cyber-attack and deception change frequently, are increasingly complex and sophisticated, and can originate from a wide variety of sources, including nation-state actors, despite our reasonable efforts to ensure the integrity of our systems and website, it is possible that we may not be able to anticipate, detect, appropriately react and respond to, or implement effective preventative measures against, all cybersecurity incidents.

We may be required to expend significant capital and other resources to protect against, respond to, and recover from any potential, attempted, or existing cybersecurity incidents. As cybersecurity incidents continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. In addition, our remediation efforts may not be successful, or may not be completed in a timely manner. The inability to implement, maintain and upgrade adequate safeguards could have a material adverse effect on our results of operations, financial condition and cash flow. Moreover, there could be public announcements regarding any cybersecurity incidents and any steps we take to respond to or remediate such incidents, and if securities analysts or investors perceive these announcements to be negative, it could, among other things, have a substantial adverse effect on the price of our common stock.

While we currently maintain cybersecurity insurance, such insurance may not be sufficient in type or amount to cover us against claims related to breaches, failures or other data security-related incidents, and we cannot be certain that cyber insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our results of operations, financial condition and cash flows.

**Risks related to our common stock:**

**Our stock price may be volatile.**

Our stock price may fluctuate substantially as a result of variations in our actual or projected performance or the financial performance of other companies in the retail industry. Any guidance that we provide is based on goals that we believe are reasonably attainable at the time guidance is given. If, or when, we announce actual results that differ from those that have been predicted by us, outside investment analysts or others, our stock price could be adversely affected. Investors who rely on these predictions when making investment decisions with respect to our securities do so at their own risk.

The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of listed companies. In particular, our common stock may in the future be traded by short sellers which may put pressure on the supply and demand for our common stock, further influencing volatility in its market price. Public perception and other factors outside of our control may additionally impact the stock price of companies like us that garner a disproportionate degree of public attention, regardless of actual operating performance.

**If we are unable to pay quarterly dividends at intended levels, our reputation and stock price may be impacted.**

In March 2021, our Board of Directors reinstated our annual dividend at \$0.60 per share, beginning with the quarterly dividend to be paid in June 2021. Our dividend program requires the use of a portion of our cash flow. Our ability to pay dividends will depend on our ability to generate sufficient cash flows from operations in the future. This ability may be subject to certain economic, financial, competitive and other factors that are beyond our control. Our Board of Directors may, at its discretion, decrease the level of dividends or entirely discontinue the payment of dividends at any time. Any failure to pay dividends after we have announced our intention to do so may negatively impact our reputation, investor confidence in us and our stock price.

**Shareholder activism could cause us to incur significant expense, hinder execution of our business strategy and impact our stock price.**

Shareholder activism, which can take many forms and arise in a variety of situations, could result in substantial costs and divert management's and our board's attention and resources from our business. Additionally, such shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with our associates, customers or service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant fees and other expenses related to activist shareholder matters, including for third-party advisors. Our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism.

**Risks related to our indebtedness:**

**Our ability to maintain our credit rating could affect our ability to access capital and could increase our interest expense.**

The credit rating agencies periodically review our capital structure and the quality and stability of our earnings. A deterioration in our capital structure or the quality and stability of our earnings could result in a downgrade of our credit rating. Any negative ratings actions could constrain the capital available to our company or our industry and could limit our access to funding for our operations. We are dependent upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes constrained, our interest costs will likely increase, which could have a material adverse effect on our results of operations, financial condition and cash flows. Additionally, changes to our credit rating could affect our future interest costs.

**We may be unable to service or refinance our debt or maintain compliance with restrictive covenants in our debt instruments, including our Asset-Backed Revolving Credit Facility.**

We currently have substantial indebtedness. Our Asset-Backed Revolving Credit Facility contains a covenant which under certain circumstances requires maintenance of a certain financial ratio and also, under certain conditions, restrict our ability to pay dividends, repurchase common shares and make other restricted payments as defined in the agreement. Our cash flow from operations provides the primary source of funds for our debt service payments. If our cash flow from operations declines, we may be unable to service or refinance our current debt. If we fail to comply with any covenant, including our financial covenant, it could result in an event of default and our lenders could terminate the commitments under our Asset-Backed Revolving Credit Facility as well as certain foreign borrowing facilities and make the entire debt incurred thereunder immediately due and payable or we may be forced to sell assets, restructure our indebtedness or seek additional equity capital, which would dilute our stockholders' interests.

**Risks related to law and regulation:**

**Changes in laws, regulations or technology platform rules relating to data privacy and security, or any actual or perceived failure by us to comply with such laws and regulations, or contractual or other obligations relating to data privacy and security, could have a material adverse effect on our reputation, results of operations, financial condition and cash flows.**

We are, and may increasingly become, subject to various laws, directives, industry standards and regulations, as well as contractual obligations, relating to data privacy and security in the jurisdictions in which we operate. The regulatory environment related to data privacy and security is increasingly rigorous, with new and constantly changing requirements applicable to our business, and enforcement practices are likely to remain uncertain for the foreseeable future. These laws and regulations may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may have a material adverse effect on our results of operations, financial condition and cash flows.

In the U.S., various federal and state regulators, including governmental agencies like the Consumer Financial Protection Bureau and the Federal Trade Commission, have adopted, or are considering adopting, laws and regulations concerning

personal information and data security and have prioritized privacy and information security violations for enforcement actions. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to personal information than federal, international or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. For example, the California Consumer Privacy Act (“CCPA”), which increases privacy rights for California residents and imposes obligations on companies that process their personal information, went into effect on January 1, 2020. Among other things, the CCPA requires covered companies to provide new disclosures to California consumers and provide such consumers new data protection and privacy rights, including the ability to opt-out of certain data sharing arrangements of personal information, and the ability to access and delete personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. Furthermore, in November 2020, California voters passed the California Privacy Rights Act of 2020 (“CPRA”). Effective beginning January 1, 2023, the CPRA imposes additional obligations on companies covered by the legislation and will significantly modify the CCPA, including by expanding California residents’ rights with respect to certain sensitive personal information. The CPRA also creates a new state agency that will be vested with authority to implement and enforce the CCPA and CPRA. Other states (such as Virginia) also plan to pass data privacy laws that are similar to the CCPA, CPRA, and GDPR (described below), further complicating the legal landscape. In addition, laws in all 50 U.S. states require businesses to provide notice to consumers (and, in some cases, to regulators) whose personal information has been accessed or acquired as a result of a data breach. State laws are changing rapidly and there is discussion in Congress of a new comprehensive federal data privacy law to which we would become subject if it is enacted, which may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data and could result in increased compliance costs or changes in business practices and policies.

We are also subject to international laws, regulations and standards in many jurisdictions, which apply broadly to the collection, use, retention, security, disclosure, transfer and other processing of personal information. For example, the E.U. General Data Protection Regulation (“GDPR”), which became effective in May 2018, greatly increased the European Commission’s jurisdictional reach of its laws and adds a broad array of requirements for handling personal data. EU member states are tasked under the GDPR to enact, and have enacted, certain implementing legislation that adds to and/or further interprets the GDPR requirements and potentially extends our obligations and potential liability for failing to meet such obligations. The GDPR, together with national legislation, regulations and guidelines of the EU member states and the United Kingdom governing the processing of personal data, impose strict obligations and restrictions on the ability to collect, use, retain, protect, disclose, transfer and otherwise process personal data. In particular, the GDPR includes obligations and restrictions concerning data transparency and consent, the overall rights of individuals to whom the personal data relates, the transfer of personal data out of the European Economic Area (“EEA”) or the United Kingdom, security breach notifications and the security and confidentiality of personal data. The GDPR authorizes fines for certain violations of up to 4% of global annual revenue or €20 million, whichever is greater. Recent legal developments in Europe have created further complexity and uncertainty regarding transfers of personal data from the EEA and the United Kingdom to the United States. Most recently, in July 2020, the Court of Justice of the European Union (“CJEU”) invalidated the EU-U.S. Privacy Shield Framework (“Privacy Shield”) under which personal data could be transferred from the EEA to the United States. While the CJEU upheld the adequacy of standard contractual clauses, a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism and potential alternative to the Privacy Shield, it made clear that reliance on them alone may not necessarily be sufficient in all circumstances. Further, the United Kingdom’s decision to leave the EU has created uncertainty with regard to data protection regulation in the United Kingdom. As of January 1, 2021, we are also subject to the UK GDPR and UK Data Protection Act of 2018, which retains the GDPR in the United Kingdom’s national law. These recent developments will require us to review and amend the legal mechanisms by which we make and/or receive personal data transfers. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses and other mechanisms cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we do business, the geographical location or segregation of our relevant operations, and could adversely affect our financial results.

All of these evolving compliance and operational requirements impose significant costs, such as costs related to organizational changes, implementing additional protection technologies, training associates and engaging consultants, which are likely to increase over time. In addition, such requirements may require us to modify our data processing practices and policies, distract management or divert resources from other initiatives and projects, all of which could have a material adverse effect on our results of operations, financial condition and cash flows. Any failure or perceived failure by us to comply with any applicable federal, state or similar foreign laws and regulations relating to data privacy and security could result in damage to our reputation and our relationship with our customers, as well as proceedings or litigation by governmental agencies or customers, including class action privacy litigation in certain jurisdictions, which could subject us to significant fines, sanctions, awards,

penalties or judgments, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

**We may be impacted by our ability to comply with regulatory requirements.**

We are subject to numerous regulatory requirements. Our policies, procedures and internal controls are designed to comply with all applicable foreign and domestic laws and regulations, including those required by the Sarbanes-Oxley Act of 2002, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, the SEC and the New York Stock Exchange (the “NYSE”), among others. Although we have put in place policies and procedures aimed at ensuring legal and regulatory compliance, our associates, subcontractors, vendors, licensees, franchisees and other third parties could take actions that violate these laws and regulations. Any violations of such laws or regulations could have an adverse effect on our reputation, market price of our common stock, results of operations, financial condition and cash flows.

It can be difficult to comply with sometimes conflicting regulations in local, national or foreign jurisdictions as well as new or changing regulations. Also, changes in such laws could make operating our business more expensive or require us to change the way we do business. For example, changes in product safety or other consumer protection laws could lead to increased costs for certain merchandise, or additional labor costs associated with readying merchandise for sale. It may be difficult for us to oversee regulatory changes impacting our business, and our responses to changes in the law could be costly and may negatively impact our operations.

**We may be adversely impacted by certain compliance or legal matters.**

We, along with third parties we do business with, are subject to complex compliance and litigation risks. Actions filed against us from time to time include commercial, tort, intellectual property, customer, employment, wage and hour, data privacy, securities, anti-corruption and other claims, including purported class action lawsuits. In addition, notwithstanding our adoption of CDC-recommended guidelines and preventative efforts to ensure the health and safety of our customers and employees, it is possible that our customers and employees may contract COVID-19 while at our stores or facilities, which could subject us to litigation. The cost of defending against these types of claims against us or the ultimate resolution of such claims, whether by settlement or adverse court decision, may harm our business. Further, potential claimants may be encouraged to bring suits based on a settlement from us or adverse court decisions against us. We cannot currently assess the likely outcome of such suits, but if the outcome were negative, it could have a material adverse effect on our reputation, results of operations, financial condition and cash flows.

In addition, we may be impacted by litigation trends, including class action lawsuits involving consumers and shareholders, that could have a material adverse effect on our reputation, the market price of our common stock, results of operations, financial condition and cash flows.

**We may be impacted by changes in taxation, trade and other regulatory requirements.**

We are subject to income tax in local, national and international jurisdictions. In addition, our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions. We are also subject to the examination of our tax returns and other tax matters by the Internal Revenue Service and other tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. Fluctuations in tax rates and duties, changes in tax legislation or regulation or adverse outcomes of these examinations could have a material adverse effect on our results of operations, financial condition and cash flows.

There is increased uncertainty with respect to tax policy and trade relations between the U.S. and other countries, including as a result of any executive action taken or legislative priorities set by the current Biden administration. Major developments in tax policy or trade relations, such as the imposition of unilateral tariffs on imported products, could have a material adverse effect on our results of operations, financial condition and cash flows.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

## ITEM 2. PROPERTIES.

The following table provides the location, use and size of our distribution, corporate and product development facilities as of January 30, 2021:

Location	Use	Approximate Square Footage
Columbus, Ohio area	Distribution, shipping and corporate offices	6,938,000
New York	Office, sourcing and product development/design	495,000
Kettering, Ohio	Call center	94,000
Hong Kong	Office and sourcing	55,000
Mainland China	Office	53,000
Canada	Office	20,000
Various international locations	Office and sourcing	151,000

### *United States*

Our business for the Bath & Body Works and Victoria's Secret segments is principally conducted from office, distribution and shipping facilities located in the Columbus, Ohio, area. Additional facilities are located in New York and Kettering, Ohio.

Our distribution and shipping facilities consist of eight buildings located in the Columbus, Ohio, area. These buildings, including attached office space, comprise approximately 6.9 million square feet.

As of January 30, 2021, we operate 2,479 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the U.S. A substantial portion of these lease commitments consists of store leases generally with an initial term of 10 years. The store leases expire at various dates between 2021 and 2034.

Typically, when space is leased for a retail store in a mall or shopping center, we supply all improvements, including interior walls, floors, ceilings, fixtures and decorations. The cost of improvements varies widely, depending on the design, size and location of the store. In certain cases, the landlord of the property may provide an allowance to fund all or a portion of the cost of improvements, serving as a lease incentive. Rental terms for new locations usually include a fixed minimum rent plus a percentage of sales in excess of a specified amount. We usually pay certain operating costs such as common area maintenance, utilities, insurance and taxes. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

### *International*

#### *Canada*

We lease offices in the Montreal, Quebec, and Toronto, Ontario, areas.

As of January 30, 2021, we operate 128 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the Canadian provinces. These lease commitments consist of store leases with initial terms of 5 to 10 years expiring on various dates between 2021 and 2031.

#### *United Kingdom / Ireland*

As a result of our joint venture with Next PLC, we no longer operate any stores in the U.K. or Ireland. However, as of January 30, 2021, we continue to lease a store in the U.K., with a lease expiration in 2025, and a store in Ireland, with a lease expiration in 2037, which are sublet to and operated by the joint venture.

#### *Greater China*

We lease offices in Shanghai, Shenzhen and Hong Kong within Greater China.

As of January 30, 2021, we operate 62 retail stores in leased facilities in Greater China. These lease commitments consist of store leases with initial terms ranging from 3 to 15 years expiring on various dates between 2021 and 2030.

### *Other International*

As of January 30, 2021, we also have global representation through stores operated by our partners:

- 338 Victoria's Secret Beauty and Accessories stores in 67 countries;
- 288 Bath & Body Works stores in more than 30 countries;
- 103 Victoria's Secret stores in 30 countries; and
- 17 PINK stores in 6 countries.

We also operate sourcing-related office facilities in various international locations.

### **ITEM 3. LEGAL PROCEEDINGS.**

We are a defendant in a variety of lawsuits arising in the ordinary course of business. Actions filed against our Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, our current legal proceedings are not expected to have a material adverse effect on our results of operations, financial condition and cash flows.

On February 19, 2020, a plaintiff shareholder filed a complaint in the U.S. District Court for the Southern District of Ohio alleging derivative claims on our behalf against certain of our current and former directors and officers. We were named as nominal defendant. The lawsuit asserts claims for breach of fiduciary duty, corporate waste and unjust enrichment in connection with alleged misstatements about our quarterly dividend prior to the announced reduction of the dividend in November 2018. On July 21, 2020, the court so-ordered a stipulation staying all proceedings in this lawsuit, pending resolution of the motion to dismiss that we filed on February 18, 2020 in the putative class action lawsuit described above. Following the dismissal of the putative class action lawsuit described above, the parties filed a joint stipulation to dismiss the derivative claims without prejudice on November 5, 2020.

On May 19, 2020, a purported shareholder filed a derivative lawsuit on behalf of L Brands, Inc. in the Court of Common Pleas for Franklin County, Ohio. The complaint names as defendants certain current and former directors and officers of L Brands, Inc. and alleges, among other things, that these defendants breached their fiduciary duties by violating law and/or company policies relating to workplace conduct. We were named as nominal defendant only, and there are no claims asserted against us. On June 16, 2020, the lawsuit was removed to the United States District Court for the Southern District of Ohio. On July 6, 2020, the court so-ordered a stipulation staying the lawsuit until December 29, 2020. That stay has since been extended until March 29, 2021.

On January 12, 2021, another purported shareholder filed a derivative lawsuit on behalf of L Brands, Inc. in the Delaware Court of Chancery. The complaint names as defendants certain current and former directors and officers of L Brands, Inc. and alleges, among other things, breaches of fiduciary duty through asserted violations of law and failures to monitor workplace conduct. We were named as a nominal defendant, and there are no claims asserted against us.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock ("LB") is traded on the NYSE. As of January 30, 2021, there were approximately 33,000 shareholders of record. However, including active associates who participate in our stock purchase plan, associates who own shares through our sponsored retirement plans and others holding shares in broker accounts under street names, we estimate the shareholder base to be approximately 132,000.

The following table provides our quarterly market prices and cash dividends per share for 2020 and 2019:

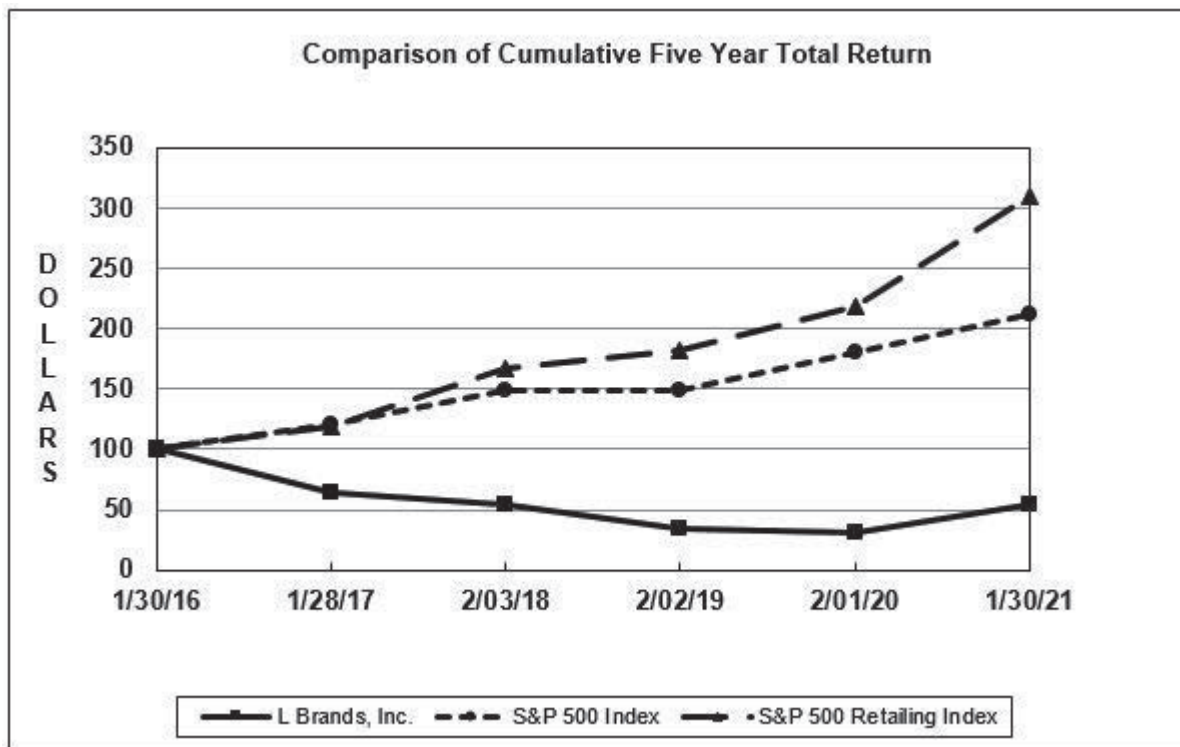
	Market Price		Cash Dividend per Share
	High	Low	
<b>2020</b>			
Fourth quarter	\$ 48.30	\$ 32.19	\$ —
Third quarter	35.41	23.79	—
Second quarter	26.66	10.03	—
First quarter	25.26	8.00	0.30
<b>2019</b>			
Fourth quarter	\$ 23.63	\$ 15.80	\$ 0.30
Third quarter	24.09	15.82	0.30
Second quarter	28.02	21.45	0.30
First quarter	29.02	24.73	0.30

Our Board of Directors temporarily suspended our quarterly cash dividend beginning in the second quarter of 2020. In March 2021, our Board of Directors reinstated our annual dividend at \$0.60 per share, beginning with the quarterly dividend to be paid in June 2021.



The following graph shows the changes, over the past five-year period, in the value of \$100 invested in our common stock, the Standard & Poor's ("S&P") 500 Composite Stock Price Index and the Standard & Poor's 500 Retail Composite Index.

**COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN (a) (b)  
AMONG L BRANDS, INC., THE S&P 500 INDEX AND THE S&P 500 RETAIL COMPOSITE INDEX**



- (a) This table represents \$100 invested in stock or in index at the closing price on January 30, 2016, including reinvestment of dividends.
- (b) The January 28, 2017 cumulative total return includes the \$2 special dividend in March 2016.

The following table provides our repurchases of our common stock during the fourth quarter of 2020:

Period	Total Number of Shares Purchased (a) (in thousands)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Programs (c)	Maximum Dollar Value of Shares that May Yet be Purchased Under the Programs (c) (in thousands)
November 2020	26	\$ 35.18	—	\$ 78,677
December 2020	65	38.35	—	78,677
January 2021	5	39.44	—	78,677
Total	<u>96</u>		<u>—</u>	

- (a) The total number of shares repurchased includes shares repurchased in connection with tax payments due upon vesting of employee restricted stock awards and the use of our stock to pay the exercise price on employee stock options.
- (b) The average price paid per share includes any broker commissions.
- (c) For additional share repurchase program information, see Note 18 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

**ITEM 6. SELECTED FINANCIAL DATA.**

	Fiscal Year Ended				
	January 30, 2021	February 1, 2020	February 2, 2019	February 3, 2018 (a)	January 28, 2017
<b>Summary of Operations</b>					
	(in millions)				
Net Sales	\$ 11,847	\$ 12,914	\$ 13,237	\$ 12,632	\$ 12,574
Gross Profit	4,667	4,450	4,899	4,959	5,125
Operating Income (b)	1,580	258	1,237	1,728	2,003
Net Income (Loss) (c)	844	(366)	644	983	1,158
	(as a percentage of net sales)				
Gross Profit	39.4%	34.5%	37.0%	39.3%	40.8%
Operating Income	13.3%	2.0%	9.3%	13.7%	15.9%
Net Income (Loss)	7.1%	(2.8%)	4.9%	7.8%	9.2%
<b>Per Share Results</b>					
Net Income (Loss) Per Basic Share	\$ 3.04	\$ (1.33)	\$ 2.33	\$ 3.46	\$ 4.04
Net Income (Loss) Per Diluted Share	\$ 3.00	\$ (1.33)	\$ 2.31	\$ 3.42	\$ 3.98
Dividends Per Share	\$ 0.30	\$ 1.20	\$ 2.40	\$ 2.40	\$ 4.40
Weighted Average Diluted Shares Outstanding (in millions)	281	276	279	287	291
<b>Other Financial Information</b>					
	(in millions)				
Cash and Cash Equivalents	\$ 3,903	\$ 1,499	\$ 1,413	\$ 1,515	\$ 1,934
Total Assets (d)	11,571	10,125	8,090	8,149	8,170
Working Capital (d)	2,753	873	1,274	1,262	1,451
Net Cash Provided by Operating Activities	2,039	1,236	1,377	1,406	1,990
Capital Expenditures	228	458	629	707	990
Long-term Debt	6,366	5,487	5,739	5,707	5,700
Other Long-term Liabilities (d)	311	490	1,004	924	831
Shareholders' Equity (Deficit)	(662)	(1,499)	(869)	(753)	(729)
Comparable Sales Increase (Decrease) (e)	21%	(1%)	3%	(3%)	2%
Comparable Store Sales Increase (Decrease) (e)	5%	(3%)	(1%)	(4%)	1%
Return on Average Assets (d)	8%	(4%)	8%	12%	14%
Current Ratio (d)	2.0	1.4	1.6	1.6	1.7
<b>Stores and Associates at End of Year</b>					
Number of Stores (f)	2,669	2,920	2,943	3,075	3,074
Selling Square Feet (in thousands) (f)	10,919	12,258	12,396	12,656	12,395
Number of Associates	92,300	94,400	88,900	93,200	93,600

(a) The fiscal year ended February 3, 2018 represents a 53-week fiscal year.

(b) Operating income includes the effect of the following special items:

- i. In 2020, a \$254 million charge related to the impairment of certain Victoria's Secret store and lease assets, an \$81 million charge related to restructuring actions, a \$54 million net gain related to the establishment of a joint venture for the Victoria's Secret U.K. and Ireland business with Next PLC and a \$36 million net gain related to the closure and termination of our lease and the related liability for the Victoria's Secret Hong Kong flagship store.

- ii. In 2019, a \$720 million impairment charge related to Victoria's Secret goodwill and a \$263 million charge related to the impairment of certain Victoria's Secret store and lease assets.
  - iii. In 2018, a \$101 million charge related to the impairment of certain Victoria's Secret store assets, a \$99 million loss on the sale of La Senza and \$23 million of Henri Bendel closure costs.
  - iv. In 2016, a \$35 million charge related to strategic actions at Victoria's Secret, including severance charges, fabric cancellations and the write-off of catalogue paper.
- (c) In addition to the special items previously discussed in (b), net income (loss) includes the effect of the following special items:
- i. In 2020, a net income tax benefit of \$94 million from the resolution of certain tax matters and changes in tax legislation and a \$40 million loss associated with the early extinguishment of outstanding notes.
  - ii. In 2019, a \$30 million loss associated with the early extinguishment of outstanding notes, and \$28 million of charges to increase reserves related to ongoing contingent obligations for the La Senza business.
  - iii. In 2017, a \$92 million tax benefit related to changes in U.S. tax legislation partially offset by a \$29 million loss associated with the early extinguishment of outstanding notes.
  - iv. In 2016, a \$70 million gain related to a \$124 million cash distribution from Easton Town Center, LLC, a \$42 million tax benefit related to the favorable resolution of a discrete income tax matter, partially offset by a \$22 million loss associated with the early extinguishment of outstanding notes.

For additional information on these special items, see the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

The effect of the special items described in (b) and (c) above decreased earnings per share by \$0.46, \$3.62 and \$0.51 in 2020, 2019 and 2018, respectively, and increased earnings per share by \$0.22 and \$0.23 in 2017 and 2016, respectively.

- (d) The 2020 and 2019 amounts reflect our adoption of Accounting Standards Codification ("ASC") 842, *Leases*, in the first quarter of 2019.
- (e) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Stores are excluded from the comparable sales calculation if they have been closed for four consecutive days or more. Therefore, comparable sales results for 2020 exclude stores that were closed for four consecutive days or more as a result of the COVID-19 pandemic. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2020, 2019, 2018 and 2016 were calculated on a 52-to-52-week basis, and the percentage change in comparable sales for 2017 was calculated on a 53-to-53-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.
- (f) Number of stores and selling square feet excludes independently owned stores operated by our partners.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The following discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as codified in the Accounting Standards Codification. The following information should be read in conjunction with our financial statements and the related notes included in Item 8. Financial Statements and Supplementary Data.

Our operating results are generally impacted by economic changes and, therefore, we monitor the retail environment using, among other things, certain key industry performance indicators including competitor performance and mall traffic data. These can provide insight into consumer spending patterns and shopping behavior in the current retail environment and assist us in assessing our performance as well as the potential impact of industry trends on our future operating results. Additionally, we evaluate a number of key performance indicators including comparable sales, gross profit, operating income and other performance metrics such as sales per average selling square foot and inventory per selling square foot in assessing our performance.

## COVID-19

In March 2020, the spread of COVID-19 was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, and led to significant travel and transportation restrictions, including mandatory closures and orders to “shelter-in-place.” The actions that governments around the world have taken to contain the spread of COVID-19 have resulted in a period of disruption, including closure of our stores, limited store operating hours, reduced customer traffic and consumer spending and delays in manufacturing and shipping of products and raw materials. During this period, we are focused on protecting the health and safety of our customers, employees, contractors, suppliers and other business partners. We are also working with our suppliers to minimize potential disruptions, while managing our business in response to a changing dynamic.

Our business operations and financial performance for 2020 were materially impacted by the COVID-19 pandemic. All of our stores in North America were closed on March 17, 2020 but we were able to re-open the majority of our stores as of the beginning of the third quarter. Operations for Victoria’s Secret Direct were temporarily suspended for approximately one week in late March 2020, while Bath & Body Works Direct remained open for the duration of fiscal 2020. Additionally, we have dedicated resources to maximize capacity in our direct fulfillment centers to meet increased customer demand, while focusing on distribution, fulfillment and call center safety. There remains a high level of uncertainty around the pandemic and the potential for further restrictions.

### Segments

In the third quarter of 2020, we changed our segment reporting as a result of leadership changes and restructuring actions taken to facilitate the ongoing efforts to separate Bath & Body Works and Victoria’s Secret into separate businesses. We now have two reportable segments: Bath & Body Works and Victoria’s Secret. Accordingly, we will no longer report a Victoria’s Secret and Bath & Body Works International segment as these businesses are now included with their respective brand. Additionally, the Bath & Body Works and Victoria’s Secret segments now include sourcing and production functions (formerly known as Mast) and certain other corporate functions that directly support each brand. These functions were previously included within Other. While this reporting change did not impact our consolidated results, the segment data has been recast to be consistent for all periods presented.

### Executive Overview

The pandemic had a profound impact on the retail industry and our business. In response, we led with our values and an emphasis on safety, so we could be confident in our decisions and actions to support associates, customers, partners and our businesses. Accordingly, we adopted new operating models in our stores focused on providing a safe environment, while also delivering an engaging shopping experience. Additionally, we remain focused on the safe operations of our distribution, fulfillment and call centers while maximizing our direct channels. We implemented cost reduction and performance improvements at Victoria’s Secret, while continuing to drive substantial growth at Bath & Body Works and improved performance at Victoria’s Secret.

We are committed to establishing our Bath & Body Works business as a pure-play public company and are taking the necessary steps to prepare the Victoria's Secret business, including PINK, to operate as a separate standalone company. Our Board of Directors is currently evaluating all options, including a potential spin-off of the Victoria’s Secret business into a public company or a private sale of the business.

During 2020, we took a number of important steps to improve performance at Victoria's Secret and to prepare Bath & Body Works and Victoria's Secret to operate as separate standalone companies, including:

- Retaining Goldman Sachs and JPMorgan as financial advisors on the separation of Bath & Body Works and Victoria’s Secret;
- Completing a comprehensive review of our home office organizations in order to achieve meaningful reductions in overhead expenses and decentralize significant shared functions and services to support the creation of standalone companies. This resulted in a reduction of our home office headcount by approximately 15%, or about 850 associates;
- Executing our previously announced plan to permanently close 241 Victoria’s Secret stores in the U.S. and Canada while also negotiating with landlords for ongoing rent relief;
- Closing the unprofitable Hong Kong flagship store, restructuring lease terms on the two mainland China flagship stores and implementing a significant overhead expense reduction plan; and
- Managing inventories with discipline, including working with suppliers to identify opportunities to reduce merchandise costs in order to increase merchandise margin rates at Victoria’s Secret and PINK.

We expect to deliver \$400 million of annual savings under our profit improvement plan outlined above, which was implemented at the beginning of the third quarter. Roughly half of the savings were realized in the back half of fiscal 2020, principally at Victoria’s Secret, with the remainder expected to be realized in the first half of fiscal 2021.

## **Growth Strategy**

We have a multi-year goal to increase sales and operating income by focusing on these key business priorities:

- Grow our business in North America;
- Extend our brand internationally; and
- Focus on the fundamentals of our business.

We also continue to focus on:

- Attracting and retaining top talent;
- Maintaining a strong cash and liquidity position while optimizing our capital structure; and
- Returning value to our shareholders.

The following is a discussion regarding certain of our key business priorities:

### ***Grow our business in North America***

We see opportunities for meaningful growth in all our categories by focusing on product newness and innovation and expanding into under-penetrated markets and price segments. We will continue to invest in the Bath & Body Works White Barn store design, which continues to yield strong results. In 2021, we are forecasting approximately 50 new Bath & Body Works North America stores, almost entirely off-mall, partially offset by about 20 to 40 closures, principally in malls, resulting in net square footage growth of 3% to 4%.

We are focused on continued innovation and enhancements to our digital platforms and applications, and development of omni-channel capabilities that integrate our online presence with our stores. During 2020, we tested BOPIS at certain of our Bath & Body Works and Victoria's Secret stores and expect to continue improving our online and in-store BOPIS experience during 2021.

### ***Extend our brand internationally***

We believe there is substantial opportunity for international growth. We have separate, dedicated teams that have taken a methodical, "test and learn" approach to expansion. We plan to expand our presence outside of North America by increasing the number of stores operated by our international partners.

Our partners opened 10 net new Bath & Body Works stores in 2020, bringing the total in the Middle East, Latin America, Southeast Asia and Europe to 288 stores. Additionally, our partners opened 16 new international digital sites. Our partners plan to open another 50 to 70 new international stores, increasing our store count by 15% to 23%, in 2021.

At Victoria's Secret in 2021, our partners will continue to expand international digital operations with the opening of another 20 websites. Additionally, in 2020, we entered into a joint venture with Next PLC for the Victoria's Secret business in the U.K. and Ireland. We believe Next's capabilities and experience in the U.K. market will provide meaningful growth opportunities for the business.

### ***Focus on the fundamentals of our business***

We are focused on the fundamentals of our business which include knowing our customers, focusing on core merchandise categories, inventory management, speed and agility, managing real estate and store selling and execution. In terms of speed and agility, we are focused on inventory discipline through lead-time reductions and in-season agility to increase sales and reduce promotional activity. In terms of real estate, we will continue to proactively and rigorously review our portfolio, and we will continue to open and close stores when we believe it makes sense to do so. We continue to optimize our store selling and execution by concentrating on a better store experience and developing, retaining and investing in talented, trained and productive store associates. In the direct businesses, we continue to focus on ensuring a positive customer experience on our websites and developing our fulfillment capacity in order to provide delivery times that meet our customer's needs.

## **2020 Overview**

Despite operating in the COVID-19 environment, both our segments were able to meaningfully improve performance, driven primarily by strong growth in our direct channels. 2020 net sales were \$11.847 billion, and total comparable sales increased 21%. The gross profit rate increased 490 basis points to 39.4%, driven by an increase in the merchandise margin rate. General, Administrative and Store Operating Expenses declined 11% and leveraged approximately 80 basis points. The dollar decline was driven by our profit improvement plan and the closure of 248 Victoria's Secret stores. Operating income for the full year increased \$1.322 billion to \$1.580 billion driven by merchandise margin growth at Bath & Body Works, savings realized on our profit improvement plan and Victoria's Secret goodwill impairment charges of \$720 million recorded in 2019. The total company operating income rate increased to 13.3% in 2020 from 2.0% last year.

For the Bath & Body Works segment, net sales grew by 20%, or \$1.078 billion, to \$6.434 billion and total comparable sales increased 45%. Store comparable sales increased 26% and our direct channel grew sales by 109%. Our store sales were roughly flat to last year at \$4.207 billion, despite the fact that the majority of stores were closed for roughly 3 months. We surpassed the \$2 billion mark in the direct channel with full-year sales of \$2.003 billion in 2020. Segment operating income for 2020 was \$1.821 billion, up 49% compared to last year, and the operating income rate was 28.3%, an increase of 540 basis points compared to last year.

For the Victoria's Secret segment, net sales declined by 28%, or \$2.096 billion, to \$5.413 billion, and total comparable sales increased 1%. Store comparable sales declined 15% and our direct channel grew sales by 31%. Our North America store sales were down 45%, or \$2.317 billion, to last year. Store sales were negatively impacted by the temporary COVID-19-related closures, declines in store traffic, particularly constrained on high volume Holiday days, occupancy restrictions and the impact of the 241 North American stores that were permanently closed. Sales in the direct channel were \$2.223 billion, up 31% to last year despite a temporary suspension of operations in March 2020. International revenue declined by \$309 million in 2020, or 44%, driven by pandemic related store closures and the exclusion of U.K. retail sales due to the establishment of the joint venture with Next. Segment operating loss decreased by \$757 million to \$25 million in 2020, primarily driven by the benefits of our profit improvement plan and by goodwill impairment charges of \$720 million recorded in 2019, partially offset by the impact of store closures as a result of the pandemic in the first half of the year.

For additional information related to our 2020 financial performance, see "Results of Operations – 2020 Compared to 2019."

### ***Impacts of COVID-19***

In response to the global COVID-19 crisis, we took prudent actions to manage expenses and to maintain our solid cash position and financial flexibility. We:

- Furloughed most store associates as of April 5, 2020 during the temporary store closures, while continuing to provide healthcare benefits for eligible associates;
- Suspended associate merit increases;
- Temporarily reduced salaries for senior vice presidents and above by 20%;
- Temporarily suspended cash compensation for all members of the Board of Directors;
- Reduced fiscal 2020 capital expenditures from an original forecast of \$550 million to \$228 million;
- Actively managed inventory to adjust for the impact of channel shifts to meet customer demand;
- Temporarily suspended the quarterly cash dividend beginning in the second quarter of fiscal 2020;
- Suspended many store and select office rent payments during the temporary closures. We completed negotiations with the majority of landlords, leading to a combination of rent waivers or abatements relating to closure periods, rent relief relating to the post-reopening "recovery" period given traffic declines, and rent deferrals;
- Converted the revolving credit facility to an asset-backed loan facility, issued \$2.25 billion in new notes and extinguished \$1.259 billion of notes primarily with near-term maturities; and
- Extended payment terms to vendors.

As of January 30, 2021, we had \$3.9 billion in cash and cash equivalents with no outstanding borrowings on our ABL Facility.

### **Adjusted Financial Information**

In addition to our results provided in accordance with GAAP above and throughout this Form 10-K, provided below are non-GAAP measurements which present operating income, net income (loss) and earnings (loss) per share in 2020, 2019 and 2018 on an adjusted basis, which remove certain special items. We believe that these special items are not indicative of our ongoing operations due to their size and nature. We use adjusted financial information as key performance measures of results of operations for the purpose of evaluating performance internally. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Instead, we believe that the presentation of adjusted financial information provides additional information to investors to facilitate the comparison of past and present operations. Further, our definition of adjusted financial information may differ from similarly titled measures used by other companies. The table below reconciles the GAAP financial measures to the non-GAAP financial measures.

<b>(in millions, except per share amounts)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<u>Detail of Special Items - Income (Expense)</u>			
Victoria's Secret Asset Impairments (a)	\$ (214)	\$ (253)	\$ (81)
Restructuring Charges (b)	(81)	—	—
Hong Kong Store Closure and Lease Termination (c)	36	—	—
Establishment of Victoria's Secret U.K. and Ireland Joint Venture with Next PLC (d)	30	—	—
Impairment of Goodwill (e)	—	(720)	—
Loss on Divestiture of La Senza (f)	—	—	(99)
Henri Bendel Closure Costs (g)	—	—	(20)
Special Items included in Operating Income	(228)	(973)	(200)
Loss on Extinguishment of Debt (h)	(53)	(40)	—
La Senza Charges (i)	—	(37)	—
Special Items included in Other Income (Loss)	(53)	(77)	—
Net Tax Benefit from the Resolution of Certain Tax Matters and Changes in Tax Legislation (j)	94	—	—
Tax Effect of Special Items included in Operating Income and Other Income (Loss)	57	46	58
Special Items included in Net Income (Loss)	<u>\$ (130)</u>	<u>\$ (1,004)</u>	<u>\$ (142)</u>
<u>Reconciliation of Reported Operating Income to Adjusted Operating Income</u>			
Reported Operating Income	\$ 1,580	\$ 258	\$ 1,237
Special Items included in Operating Income	228	973	200
Adjusted Operating Income	<u>\$ 1,808</u>	<u>\$ 1,231</u>	<u>\$ 1,437</u>
<u>Reconciliation of Reported Net Income (Loss) to Adjusted Net Income</u>			
Reported Net Income (Loss)	\$ 844	\$ (366)	\$ 644
Special Items included in Net Income (Loss)	130	1,004	142
Adjusted Net Income	<u>\$ 974</u>	<u>\$ 638</u>	<u>\$ 786</u>
<u>Reconciliation of Reported Earnings (Loss) Per Diluted Share to Adjusted Earnings Per Diluted Share</u>			
Reported Earnings (Loss) Per Diluted Share	\$ 3.00	\$ (1.33)	\$ 2.31
Special Items included in Earnings (Loss) Per Diluted Share	0.46	3.62	0.51
Adjusted Earnings Per Diluted Share	<u>\$ 3.46</u>	<u>\$ 2.29</u>	<u>\$ 2.82</u>

- (a) We recognized pre-tax impairment charges of \$97 million (\$72 million after tax) and \$117 million (\$99 million after tax) related to certain Victoria's Secret store and lease assets in the first and second quarter of 2020, respectively. We recognized pre-tax impairment charges of \$218 million (\$200 million after-tax) and \$35 million (\$30 million after-tax) related to certain Victoria's Secret store and lease assets in the third and fourth quarter of 2019, respectively. In the third quarter of 2018, we recognized an \$81 million pre-tax impairment charge (\$73 million after-tax) related to certain Victoria's Secret store assets. For additional information see Note 7, "Long-Lived Assets" included in Item 8. Financial Statements and Supplementary Data.
- (b) In the second quarter of 2020, we recognized pre-tax severance charges of \$81 million (\$65 million after tax) related to restructuring activities. For additional information, see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.
- (c) In the second quarter of 2020, we recognized a net pre-tax gain of \$36 million (\$25 million after tax) related to the closure and termination of our lease for the Victoria's Secret Hong Kong flagship store. For additional information, see Note 8, "Leases" included in Item 8. Financial Statements and Supplementary Data.
- (d) In the third quarter of 2020, we recognized a pre-tax gain of \$30 million (\$27 million after tax) related to the establishment of a joint venture for the Victoria's Secret U.K. and Ireland business with Next PLC. For additional information, see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

- (e) In the fourth quarter of 2019, we recognized a \$690 million pre-tax goodwill impairment charge (\$687 million after-tax) related to the Victoria's Secret reporting unit. In the third quarter of 2019, we recognized a \$30 million goodwill impairment charge (no tax impact) related to the Victoria's Secret Greater China reporting unit. For additional information see Note 9, "Goodwill and Trade Names" included in Item 8. Financial Statements and Supplementary Data.
- (f) In the fourth quarter of 2018, we recognized a \$99 million (\$55 million after-tax) loss on the sale of La Senza. For additional information see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.
- (g) In the third quarter of 2018, we recognized \$20 million (\$15 million after-tax) of closure costs related to the closure of the Henri Bendel business. For additional information see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.
- (h) In the third quarter of 2020, we early extinguished \$1.259 billion of outstanding notes, resulting in a pre-tax loss on extinguishment of \$53 million (after-tax loss of \$40 million). In the second quarter of 2019, we redeemed \$764 million of outstanding notes, resulting in a pre-tax loss on extinguishment of \$40 million (after-tax loss of \$30 million). For additional information see Note 13, "Long-term Debt and Borrowing Facilities" included in Item 8. Financial Statements and Supplementary Data.
- (i) In the third quarter of 2019, we recognized \$37 million of pre-tax charges (\$28 million after-tax) to increase reserves related to ongoing contingent obligations for the La Senza business, which was sold in the fourth quarter of 2018. For additional information see Note 16, "Commitments and Contingencies" included in Item 8. Financial Statements and Supplementary Data.
- (j) In the third quarter of 2020, we recognized a \$23 million net income tax benefit related to tax matters associated with foreign investments and recent changes in tax legislation. In the second quarter of 2020, we recognized a \$21 million income tax benefit related to recent changes in tax legislation included in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). In the first quarter of 2020, we recognized a \$50 million tax benefit related to the resolution of certain tax matters. For additional information see Note 12, "Income Taxes" included in Item 8. Financial Statements and Supplementary Data.

### **2021 Outlook**

In the first quarter of 2021, we expect our operating performance to increase significantly compared to last year. The remainder of the year will present more challenging comparisons to last year, although we do expect growth versus 2019. We experienced record productivity and strong growth online in 2020. In 2020, Bath & Body Works grew operating income by \$153 million, or 84%, in the second quarter, by \$285 million, or 137%, in the third quarter and by \$250 million, or 38%, in the fourth quarter. Strong demand allowed us to significantly pull back on promotional activity, and the 2020 operating income rate was 28.3%.

We believe an operating margin in the low to mid-twenties is appropriate for the current Bath & Body Works segment, which reflects the right value/quality proposition for our customers, as well as the right level of investment in product innovation, quality and engaging, best-in-class store and online experiences. We will continue to focus on maximizing our performance, leveraging the strength of our brand, our close connection to our customers and the speed we have in our supply chain, and we have confidence in our opportunities for long-term growth.

In the Victoria's Secret business, we believe we have opportunities for continued improved performance, particularly in the first half of the year, driven by improved assortments, more disciplined inventory management, our profit improvement plan and lapping 2020 pandemic related store closures. We have long-term opportunities for growth in the Victoria's Secret business, which continues to lead the lingerie market, and are targeting a 10-15% operating margin.

We caution there is ongoing uncertainty in the current environment due to the COVID-19 pandemic, as well as an impending separation of the Bath & Body Works and Victoria's Secret businesses, which we are targeting to complete in August 2021. Over the next 6 months, we will continue to work toward the separation of the two businesses, proceeding down a dual track to prepare for either a spin-off or a sale.



## Company-Operated Store Data

The following table compares 2020 company-operated store data to the comparable periods for 2019 and 2018:

	2020	2019	2018	% Change	
				2020	2019
<b>Sales per Average Selling Square Foot (a)</b>					
Bath & Body Works U.S.	\$ 916	\$ 931	\$ 891	(2%)	4%
Victoria's Secret U.S.	415	684	739	(39%)	(7%)
<b>Sales per Average Store (in thousands) (a)</b>					
Bath & Body Works U.S.	\$ 2,424	\$ 2,428	\$ 2,279	—%	7%
Victoria's Secret U.S.	2,789	4,455	4,763	(37%)	(6%)
<b>Average Store Size (selling square feet)</b>					
Bath & Body Works U.S.	2,660	2,631	2,585	1%	2%
Victoria's Secret U.S.	6,928	6,551	6,484	6%	1%
<b>Total Selling Square Feet (in thousands)</b>					
Bath & Body Works U.S.	4,343	4,306	4,185	1%	3%
Victoria's Secret U.S.	5,861	6,898	7,119	(15%)	(3%)

- (a) Sales per average selling square foot and sales per average store, which are indicators of store productivity, are calculated based on store sales for the period divided by the average, including the beginning and end of period, of total square footage and store count, respectively. As a result of the COVID-19 pandemic, all our stores in the U.S. were closed on March 17, 2020 with the majority having been re-opened as of the beginning of the third quarter. As a result, comparisons of 2020 trends to prior years is not a meaningful way to discuss our operating results.

The following table represents company-operated store data for 2020:

	Stores at February 1, 2020	Opened	Closed	Transferred to Joint Venture (a)	Stores at January 30, 2021
Bath & Body Works U.S.	1,637	26	(30)	—	1,633
Bath & Body Works Canada	102	1	—	—	103
<b>Total Bath &amp; Body Works</b>	<b>1,739</b>	<b>27</b>	<b>(30)</b>	<b>—</b>	<b>1,736</b>
Victoria's Secret U.S.	1,053	21	(228)	—	846
Victoria's Secret Canada	38	—	(13)	—	25
Victoria's Secret U.K. / Ireland	26	—	—	(26)	—
Victoria's Secret Beauty and Accessories Greater China	41	1	(6)	—	36
Victoria's Secret Greater China	23	4	(1)	—	26
<b>Total Victoria's Secret</b>	<b>1,181</b>	<b>26</b>	<b>(248)</b>	<b>(26)</b>	<b>933</b>
<b>Total L Brands Stores</b>	<b>2,920</b>	<b>53</b>	<b>(278)</b>	<b>(26)</b>	<b>2,669</b>

- (a) For additional information see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

The following table represents company-operated store data for 2019:

	Stores at February 2, 2019	Opened	Closed	Stores at February 1, 2020
Bath & Body Works U.S.	1,619	38	(20)	1,637
Bath & Body Works Canada	102	1	(1)	102
<b>Total Bath &amp; Body Works</b>	<b>1,721</b>	<b>39</b>	<b>(21)</b>	<b>1,739</b>
Victoria's Secret U.S.	1,098	7	(52)	1,053
Victoria's Secret Canada	45	—	(7)	38
Victoria's Secret U.K. / Ireland	26	—	—	26
Victoria's Secret Beauty and Accessories Greater China	38	10	(7)	41
Victoria's Secret Greater China	15	8	—	23
<b>Total Victoria's Secret</b>	<b>1,222</b>	<b>25</b>	<b>(66)</b>	<b>1,181</b>
<b>Total L Brands Stores</b>	<b>2,943</b>	<b>64</b>	<b>(87)</b>	<b>2,920</b>

The following table represents company-operated store data for 2018:

	Stores at February 3, 2018	Opened	Closed	Sold	Stores at February 2, 2019
Bath & Body Works U.S.	1,592	54	(27)	—	1,619
Bath & Body Works Canada	102	1	(1)	—	102
<b>Total Bath &amp; Body Works</b>	<b>1,694</b>	<b>55</b>	<b>(28)</b>	<b>—</b>	<b>1,721</b>
Victoria's Secret U.S.	1,124	3	(29)	—	1,098
Victoria's Secret Canada	46	—	(1)	—	45
Victoria's Secret U.K. / Ireland	24	2	—	—	26
Victoria's Secret Beauty and Accessories Greater China	29	13	(4)	—	38
Victoria's Secret Greater China	7	8	—	—	15
<b>Total Victoria's Secret</b>	<b>1,230</b>	<b>26</b>	<b>(34)</b>	<b>—</b>	<b>1,222</b>
Henri Bendel (a)	27	—	(27)	—	—
La Senza U.S. (a)	5	7	—	(12)	—
La Senza Canada (a)	119	—	(1)	(118)	—
<b>Total Other</b>	<b>151</b>	<b>7</b>	<b>(28)</b>	<b>(130)</b>	<b>—</b>
<b>Total L Brands Stores</b>	<b>3,075</b>	<b>88</b>	<b>(90)</b>	<b>(130)</b>	<b>2,943</b>

(a) For additional information see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

#### Partner-Operated Store Data

The following table represents partner-operated store data for 2020:

	Stores at February 1, 2020	Opened	Closed	Transferred to Joint Venture (a)	Stores at January 30, 2021
Bath & Body Works	278	14	(4)	—	288
Victoria's Secret Beauty & Accessories	360	8	(30)	—	338
Victoria's Secret	84	12	(2)	26	120
<b>Total</b>	<b>722</b>	<b>34</b>	<b>(36)</b>	<b>26</b>	<b>746</b>

(a) For additional information see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

The following table represents partner-operated store data for 2019:

	Stores at February 2, 2019	Opened	Closed	Stores at February 1, 2020
Bath & Body Works	235	47	(4)	278
Victoria's Secret Beauty & Accessories	383	24	(47)	360
Victoria's Secret	56	28	—	84
<b>Total</b>	<b>674</b>	<b>99</b>	<b>(51)</b>	<b>722</b>

The following table represents partner-operated store data for 2018:

	Stores at February 3, 2018	Opened	Closed	Sold (a)	Stores at February 2, 2019
Bath & Body Works	185	56	(6)	—	235
Victoria's Secret Beauty & Accessories	397	32	(46)	—	383
Victoria's Secret	37	19	—	—	56
La Senza	194	2	(17)	(179)	—
<b>Total</b>	<b>813</b>	<b>109</b>	<b>(69)</b>	<b>(179)</b>	<b>674</b>

(a) For additional information see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

### Results of Operations—2020 Compared to 2019

The following information summarizes our results of operations for 2020 compared to 2019.

#### Operating Income (Loss)

The following table provides our segment operating income (loss) and operating income (loss) rates (expressed as a percentage of net sales) for 2020 in comparison to 2019:

	(in millions)		Operating Income (Loss) Rate	
	2020	2019	2020	2019
Bath & Body Works	\$ 1,821	\$ 1,224	28.3%	22.9%
Victoria's Secret	(25)	(782)	(0.5%)	(10.4%)
Other (a)	(216)	(184)	—%	(369.1%)
<b>Total Operating Income</b>	<b>\$ 1,580</b>	<b>\$ 258</b>	<b>13.3%</b>	<b>2.0%</b>

(a) Includes corporate infrastructure and governance functions, and other non-recurring items that are deemed to be corporate in nature.

For 2020, operating income increased \$1.322 billion to \$1.580 billion, and the operating income rate increased to 13.3% from 2.0%. The drivers of the operating income results are discussed in the following sections.

## Net Sales

The following table provides net sales for 2020 in comparison to 2019:

	2020	2019	% Change
	(in millions)		
Bath & Body Works Stores - U.S. and Canada	\$ 4,207	\$ 4,212	—%
Bath & Body Works Direct	2,003	958	109%
Bath & Body Works International (a)	224	185	21%
<b>Total Bath &amp; Body Works</b>	<b>6,434</b>	<b>5,355</b>	<b>20%</b>
Victoria's Secret Stores - U.S. and Canada	2,795	5,112	(45%)
Victoria's Secret Direct	2,223	1,693	31%
Victoria's Secret International (b)	395	704	(44%)
<b>Total Victoria's Secret</b>	<b>5,413</b>	<b>7,509</b>	<b>(28%)</b>
Other (c)	\$ —	50	(100%)
<b>Total Net Sales</b>	<b>\$ 11,847</b>	<b>\$ 12,914</b>	<b>(8%)</b>

(a) Results include royalties associated with franchised store and wholesale sales.

(b) Results include company-operated stores in the U.K. (pre-joint venture) and Greater China, royalties associated with franchised stores and wholesale sales.

(c) Results include wholesale revenues to La Senza subsequent to the Company's divestiture of the business in 2018.

The following table provides a reconciliation of net sales for 2019 to 2020:

	Bath & Body Works	Victoria's Secret	Other	Total
	(in millions)			
<b>2019 Net Sales</b>	\$ 5,355	\$ 7,509	\$ 50	\$ 12,914
Comparable Store Sales	824	(499)	—	325
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net (a)	(830)	(1,930)	—	(2,760)
Direct Channels	1,045	524	—	1,569
Private Label Credit Card	—	(59)	—	(59)
International Wholesale, Royalty and Other	39	(135)	(50)	(146)
Foreign Currency Translation	1	3	—	4
<b>2020 Net Sales</b>	<b>\$ 6,434</b>	<b>\$ 5,413</b>	<b>\$ —</b>	<b>\$ 11,847</b>

(a) Includes the impact of COVID-19-related stores closures.

The following table compares 2020 comparable sales to 2019:

	2020	2019
<b>Comparable Sales (Stores and Direct) (a)</b>		
Bath & Body Works (b)	45%	10%
Victoria's Secret (c)	1%	(8%)
Total Comparable Sales	21%	(1%)
<b>Comparable Store Sales (a)</b>		
Bath & Body Works (b)	26%	5%
Victoria's Secret (c)	(15%)	(9%)
Total Comparable Store Sales	5%	(3%)

(a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has

not had a change in selling square footage of 20% or more. Stores are excluded from the comparable sales calculation if they have been closed for four consecutive days or more. Therefore, comparable sales results for 2020 exclude stores that were closed for four consecutive days or more as a result of the COVID-19 pandemic. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

- (b) Includes company-operated stores in the U.S. and Canada.
- (c) Includes company-operated stores in the U.S., Canada, the U.K. (pre-joint venture) and Greater China.

The results by segment are as follows:

### ***Bath & Body Works***

For 2020, net sales increased \$1.079 billion to \$6.434 billion; comparable sales increased 45%; and comparable store sales increased 26%. In both channels, sales were strong across all merchandise categories, driven by continued high demand for soaps and sanitizers combined with strong sales performance in home fragrance and body care. The Bath & Body Works Direct channel, which remained open throughout the year, grew sales by 109% to \$2.003 billion and we have focused on increasing our fulfillment capacity to meet the increase in demand. We are achieving increased productivity while maintaining standard delivery times for our customers. These increases were partially offset by a decrease as a result of the COVID-19-related store closures as our stores were closed for a significant amount of time, primarily in the first and second quarter.

The increase in comparable sales was driven by increases in digital traffic, conversion and average unit retail, partially offset by a decline in store traffic.

### ***Victoria's Secret***

For 2020, net sales decreased \$2.096 billion to \$5.413 billion; comparable sales increased 1%; and comparable store sales decreased 15%. Net sales decreased due to the store closures impacting company-operated and partner-operated stores and due to declines in store traffic. These declines were partially offset by an increase in Victoria's Secret Direct channel sales, which increased 31% to \$2.223 billion despite a temporary suspension of operations in March, reflecting growth in Lingerie, PINK and Beauty.

The increase in comparable sales was driven by increases in digital traffic, conversion and average unit retail, partially offset by a decline in store traffic.

### ***Other***

For 2020, net sales decreased \$50 million as we no longer provide sourcing services to La Senza, a company we divested in fiscal 2018.

### **Gross Profit**

For 2020, our gross profit increased \$217 million to \$4.667 billion, and our gross profit rate (expressed as a percentage of net sales) increased to 39.4% from 34.5% primarily as a result of:

### ***Bath & Body Works***

For 2020, the gross profit increase was due to increased merchandise margin dollars related to the increase in net sales and the strong customer response to our merchandise assortment which allowed us to strategically pull back on promotional activity and marketing related offers, partially offset by higher expenses due to increased direct channel fulfillment and shipping costs.

The gross profit rate increase was driven by an increase in the merchandise margin rate reflecting a meaningful pullback in promotional activity and buying and occupancy leverage on higher net sales.

### ***Victoria's Secret***

For 2020, the gross profit decrease was due to lower merchandise margin dollars related to the decrease in net sales due to store closures. This decrease was partially offset by improved response to our merchandise assortments, the disciplined management of inventory, as well as strong selling execution in stores and online, all of which enabled us to reduce promotional activity during the year. Additionally, occupancy expenses were lower this year due to the store closures, rent relief totaling \$90 million and a \$34 million decrease in store and lease asset impairment charges recognized in occupancy expense.

The gross profit rate increase was driven by an increase in the merchandise margin rate reflecting a meaningful pullback in promotional activity, partially offset by buying and occupancy deleverage on lower net sales.

## General, Administrative and Store Operating Expenses

For 2020, our general, administrative and store operating expenses decreased \$385 million to \$3.087 billion due to reductions at Victoria's Secret driven by lower store selling and marketing expenses as a result of permanent store closures and our profit improvement plan, and a net \$29 million pre-tax gain resulting from the formation of the Victoria's Secret U.K. joint venture. These decreases were partially offset by severance and related costs associated with headcount reductions totaling \$81 million and increases in Bath & Body Works store selling expenses due to the increase in net sales and to support COVID-19 guidelines.

The general, administrative and store operating expense rate decreased to 26.1% from 26.9% due to savings realized on our profit improvement plan, leverage at Bath & Body Works with higher sales, and the Victoria's Secret U.K. gain, partially offset by deleverage at Victoria's Secret on lower net sales and the severance and related costs.

## Impairment of Goodwill

In 2019, our goodwill impairment assessments concluded that the carrying values of our Victoria's Secret and Victoria's Secret Greater China reporting units exceeded their fair values. Accordingly, we recognized pre-tax goodwill impairment charges of \$720 million in the Victoria's Secret segment.

## Other Income (Loss) and Expenses

### Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2020 and 2019:

	2020	2019
Average daily borrowings (in millions)	\$ 6,418	\$ 5,725
Average borrowing rate (in percentages)	6.8 %	6.6 %

For 2020, our interest expense increased \$60 million to \$438 million due to both higher average daily borrowings and average borrowing rate.

### Other Loss

For 2020, our other loss of \$50 million consisted primarily of a \$53 million pre-tax loss associated with the early extinguishment of outstanding notes recognized in 2020. For 2019, our other loss was \$61 million, primarily due to a \$40 million pre-tax loss associated with the early extinguishment of outstanding notes and a \$37 million charge to increase reserves related to ongoing contingent obligations for the La Senza business, partially offset by interest income received on invested cash.

### Provision for Income Taxes

For 2020, our effective tax rate was 22.7% compared to (101.9%) in 2019. The 2020 rate varied from our combined estimated federal and state statutory rate primarily due to the resolution of certain tax matters, which resulted in a \$50 million tax benefit, and tax matters associated with foreign investments and recent changes in tax legislation, which resulted in a \$23 million tax benefit. The 2019 rate was impacted by the Victoria's Secret goodwill impairment charges, which generated minimal tax benefit.

## Results of Operations—Fourth Quarter of 2020 Compared to Fourth Quarter of 2019

The following information summarizes our results of operations for the fourth quarter of 2020 compared to the fourth quarter of 2019.

## Operating Income (Loss)

The following table provides our segment operating income (loss) and operating income (loss) rates (expressed as a percentage of net sales) for the fourth quarter of 2020 in comparison to the fourth quarter of 2019:

	Fourth Quarter		Operating Income (Loss) Rate	
	2020	2019	2020	2019
	(in millions)			
Bath & Body Works	\$ 914	\$ 664	33.6%	29.8%
Victoria's Secret	403	(531)	19.2%	(21.5%)
Other (a)	(44)	(51)	—%	—%
<b>Total Operating Income</b>	<b>\$ 1,273</b>	<b>\$ 82</b>	<b>26.4%</b>	<b>1.7%</b>

(a) Includes corporate infrastructure and governance functions, and other non-recurring items that are deemed to be corporate in nature.

For the fourth quarter of 2020, operating income increased \$1.191 billion to \$1.273 billion, and the operating income rate increased to 26.4% from 1.7%. The drivers of the operating income results are discussed in the following sections.

## Net Sales

The following table provides net sales for the fourth quarter of 2020 in comparison to the fourth quarter of 2019:

	2020	2019	% Change
	(in millions)		
Bath & Body Works Stores - U.S. and Canada	\$ 1,903	\$ 1,744	9%
Bath & Body Works Direct	750	431	74%
Bath & Body Works International (a)	66	56	18%
<b>Total Bath &amp; Body Works</b>	<b>2,719</b>	<b>2,231</b>	<b>22%</b>
Victoria's Secret Stores - U.S. and Canada	1,162	1,649	(30%)
Victoria's Secret Direct	831	627	33%
Victoria's Secret International (b)	107	200	(47%)
<b>Total Victoria's Secret</b>	<b>2,100</b>	<b>2,476</b>	<b>(15%)</b>
<b>Total Net Sales</b>	<b>\$ 4,819</b>	<b>\$ 4,707</b>	<b>2%</b>

(a) Results include royalties associated with franchised store and wholesale sales.

(b) Results include company-operated stores in the U.K. (pre-joint venture) and Greater China, royalties associated with franchised stores and wholesale sales.

The following table provides a reconciliation of net sales for the fourth quarter of 2019 to the fourth quarter of 2020:

	Bath & Body Works	Victoria's Secret	Total
	(in millions)		
<b>2019 Net Sales</b>	\$ 2,231	\$ 2,476	\$ 4,707
Comparable Store Sales	154	(251)	(97)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net (a)	4	(291)	(287)
Direct Channels	319	201	520
Private Label Credit Card	—	(14)	(14)
International, Wholesale, Royalty and Other	9	(27)	(18)
Foreign Currency Translation	2	6	8
<b>2020 Net Sales</b>	<b>\$ 2,719</b>	<b>\$ 2,100</b>	<b>\$ 4,819</b>

(a) Includes the impact of COVID-19-related stores closures.

The following table compares fourth quarter of 2020 comparable sales to fourth quarter of 2019:

	2020	2019
<b>Comparable Sales (Stores and Direct) (a)</b>		
Bath & Body Works (b)	22%	10%
Victoria's Secret (c)	(3%)	(10%)
Total Comparable Sales	10%	(2%)
<b>Comparable Store Sales (a)</b>		
Bath & Body Works (b)	9%	5%
Victoria's Secret (c)	(18%)	(11%)
Total Comparable Store Sales	(3%)	(4%)

- (a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Stores are excluded from the comparable sales calculation if they have been closed for four consecutive days or more. Therefore, comparable sales results for the fourth quarter of 2020 exclude stores that were closed for four consecutive days or more as a result of the COVID-19 pandemic. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.
- (b) Includes company-operated stores in the U.S. and Canada.
- (c) Includes company-operated stores in the U.S., Canada, the U.K. (pre-joint venture) and Greater China.

The results by segment are as follows:

#### ***Bath & Body Works***

For the fourth quarter of 2020, net sales increased \$488 million to \$2.719 billion; comparable sales increased 22%; and comparable store sales increased 9%. We achieved growth in all merchandise categories with two-thirds of our dollar growth coming from our home fragrance and body care categories, and one-third of the growth coming from soaps and sanitizers. In the direct channel, fourth quarter sales increased by 74%, or \$319 million. We focused on increasing our fulfillment capacity to meet the significant increase in demand, and, as a result, are achieving record productivity while maintaining consistent delivery times for our customers. Traffic in the stores channel was limited during the Holiday time period by capacity constraints in stores on high volume days.

The increase in comparable sales was driven by increases in digital traffic, conversion and average unit retail, partially offset by a decline in store traffic, which was particularly constrained on high volume Holiday days.

#### ***Victoria's Secret***

For the fourth quarter of 2020, net sales decreased \$376 million to \$2.100 billion; comparable sales decreased 3%; and comparable store sales decreased 18%. Net sales decreased due to the permanent store closures and declines in store traffic. These declines were partially offset by an increase in Victoria's Secret Direct channel sales, which increased 33% to \$831 million, reflecting growth in Lingerie, PINK and Beauty.

The decrease in comparable sales was driven by a decline in store traffic, which was particularly constrained on high volume Holiday days, partially offset by increases in conversion, average unit retail and digital traffic.

#### **Gross Profit**

For the fourth quarter of 2020, our gross profit increased \$515 million to \$2.309 billion, and our gross profit rate (expressed as a percentage of net sales) increased to 47.9% from 38.1% primarily as a result of:

#### ***Bath & Body Works***

For the fourth quarter of 2020, the gross profit increase was due to increased merchandise margin dollars related to the increase in net sales and the strong customer response to our merchandise assortment which allowed us to strategically pull back on promotional activity and marketing related offers, partially offset by higher expenses due to increased direct channel fulfillment and shipping costs.



The gross profit rate increase was driven by an increase in the merchandise margin rate reflecting a meaningful pullback in promotional activity and buying and occupancy leverage on higher net sales.

#### ***Victoria's Secret***

For the fourth quarter of 2020, the gross profit increase was due to improved response to our merchandise assortments, the disciplined management of inventory, as well as strong selling execution in stores and online, all of which enabled us to reduce promotional activity during the quarter. Additionally, occupancy expenses were lower this period due to the permanent store closures, rent relief totaling \$66 million and a \$30 million decrease in store and lease asset impairment charges recognized in occupancy expense. These increases were partially offset by lower merchandise margin dollars related to the decrease in net sales.

The gross profit rate increase was primarily driven by a higher merchandise margin rate reflecting a meaningful pullback in promotional activity, leverage on buying and occupancy expense from the mix shift to the direct channel, and the higher asset impairment charges in the prior year.

#### **General, Administrative and Store Operating Expenses**

For the fourth quarter of 2020, our general, administrative and store operating expenses increased \$12 million to \$1.034 billion due to an increase in Bath & Body Works store selling expenses due to the increase in net sales and to support COVID-19 guidelines, and an increase in incentive compensation payouts given company performance, partially offset by reductions at Victoria's Secret driven by lower store selling and other expenses as a result of our profit improvement plan and store closures.

The general, administrative and store operating expense rate decreased to 21.5% from 21.7% driven by leverage on higher net sales.

#### **Impairment of Goodwill**

In the fourth quarter of 2019, our annual goodwill impairment assessment concluded that the carrying value of the Victoria's Secret reporting unit exceeded its fair value. Accordingly, we recognized a pre-tax goodwill impairment charge of \$690 million in the Victoria's Secret segment.

#### **Other Income (Loss) and Expenses**

##### **Interest Expense**

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2020 and 2019:

Fourth Quarter	2020	2019
Average daily borrowings (in millions)	\$ 6,499	\$ 5,617
Average borrowing rate (in percentages)	7.2 %	6.6 %

For the fourth quarter of 2020, our interest expense increased \$25 million to \$117 million due to both higher average daily borrowings and average borrowing rate.

##### **Provision for Income Taxes**

For the fourth quarter of 2020, our effective tax rate was 25.5%, in line with our combined estimated federal and state statutory rate. The 2019 rate was lower than our combined estimated federal and state statutory rate primarily due to the Victoria's Secret goodwill impairment charge, which generated minimal tax benefit in the U.S.

#### **Results of Operations—2019 Compared to 2018**

The following information summarizes our results of operations for 2019 compared to 2018.

##### **Operating Income (Loss)**

The following table provides our segment operating income (loss) and operating income (loss) rates (expressed as a percentage of net sales) for 2019 in comparison to 2018:

			Operating Income (Loss) Rate	
	2019	2018	2019	2018
	(in millions)			
Bath & Body Works	\$ 1,224	\$ 1,103	22.9%	23.1%
Victoria's Secret	(782)	518	(10.4%)	6.4%
Other (a)	(184)	(384)	(369.1%)	(107.1%)
Total Operating Income	\$ 258	\$ 1,237	2.0%	9.3%

- (a) Includes corporate infrastructure and governance functions, and other non-recurring items that are deemed to be corporate in nature. Results for 2018 also include the Henri Bendel and La Senza businesses.

For 2019, operating income decreased \$979 million to \$258 million, and the operating income rate decreased to 2.0% from 9.3%. The drivers of the operating income results are discussed in the following sections.

### Net Sales

The following table provides net sales for 2019 in comparison to 2018:

	2019	2018	% Change
	(in millions)		
Bath & Body Works Stores - U.S. and Canada	\$ 4,212	\$ 3,907	8%
Bath & Body Works Direct	958	724	32%
Bath & Body Works International (a)	185	145	28%
<b>Total Bath &amp; Body Works</b>	<b>5,355</b>	<b>4,776</b>	<b>12%</b>
Victoria's Secret Stores - U.S. and Canada	5,112	5,628	(9%)
Victoria's Secret Direct	1,693	1,747	(3%)
Victoria's Secret International (b)	704	728	(3%)
<b>Total Victoria's Secret</b>	<b>7,509</b>	<b>8,103</b>	<b>(7%)</b>
Other (c)	50	358	(86%)
<b>Total Net Sales</b>	<b>\$ 12,914</b>	<b>\$ 13,237</b>	<b>(2%)</b>

- (a) Results include royalties associated with franchised store and wholesale sales.
- (b) Results include company-operated stores in the U.K. and Greater China, royalties associated with franchised stores and wholesale sales.
- (c) Results for 2019 include wholesale revenues to La Senza subsequent to the Company's divestiture of the business in 2018. Results for 2018 include store and direct sales for Henri Bendel and La Senza.

The following table provides a reconciliation of net sales for 2018 to 2019:

	Bath & Body Works	Victoria's Secret	Other	Total
	(in millions)			
<b>2018 Net Sales</b>	\$ 4,776	\$ 8,103	\$ 358	\$ 13,237
Comparable Store Sales	190	(507)	—	(317)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	117	(4)	—	113
Direct Channels	234	(56)	—	178
Private Label Credit Card	—	6	—	6
International Wholesale, Royalty and Other	40	(18)	8	30
Divested/Closed Businesses	—	—	(316)	(316)
Foreign Currency Translation	(2)	(15)	—	(17)
<b>2019 Net Sales</b>	<b>\$ 5,355</b>	<b>\$ 7,509</b>	<b>\$ 50</b>	<b>\$ 12,914</b>

The following table compares 2019 comparable sales to 2018:

	2019	2018
<b>Comparable Sales (Stores and Direct) (a)</b>		
Bath & Body Works (b)	10%	11%
Victoria's Secret (c)	(8%)	(2%)
Total Comparable Sales	(1%)	3%
<b>Comparable Store Sales (a)</b>		
Bath & Body Works (b)	5%	8%
Victoria's Secret (c)	(9%)	(6%)
Total Comparable Store Sales	(3%)	(1%)

- (a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.
- (b) Includes company-operated stores in the U.S. and Canada.
- (c) Includes company-operated stores in the U.S., Canada, the U.K. and Greater China.

The results by segment are as follows:

#### ***Bath & Body Works***

For 2019, net sales increased \$579 million to \$5.355 billion; comparable sales increased 10%; and comparable store sales increased 5%. Net sales increased in all of our main categories including home fragrance, body care and soaps and sanitizers, which incorporated newness, innovation and fashion.

The increase in comparable sales was driven by increases in store conversion and digital traffic.

#### ***Victoria's Secret***

For 2019, net sales decreased \$594 million to \$7.509 billion; comparable sales decreased 8%; and comparable store sales decreased 9%. Victoria's Secret Lingerie comparable sales were down in the high-single digit range, primarily due to declines in bras and apparel, driven by merchandise performance. PINK comparable sales were down in the low-double digit range, primarily driven by declines in apparel, principally in tops, due to merchandise performance and the exit of the swim business. Victoria's Secret Beauty comparable sales increased in the low-single digit range, as growth in accessories and PINK beauty were partially offset by a decline in the lip business.

The decrease in comparable sales was driven by declines in store traffic, average unit retail and digital conversion.

#### ***Other***

For 2019, net sales decreased \$308 million primarily due to the sale of La Senza and closure of Henri Bendel in the fourth quarter of 2018.

#### **Gross Profit**

For 2019, our gross profit decreased \$449 million to \$4.450 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 34.5% from 37.0% primarily as a result of:

#### ***Bath & Body Works***

For 2019, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales, partially offset by higher occupancy expenses due to higher distribution and fulfillment expenses related to higher direct channel sales and investments in store real estate.

The gross profit rate decrease was driven by a decline in the merchandise margin rate due to increases in supply chain and sourcing costs and the sales mix shift into the direct business, which has a lower merchandise margin rate than the stores channel.

## **Victoria's Secret**

For 2019, the gross profit decrease was primarily driven by lower merchandise margin dollars related to the decrease in net sales and an increase in long-lived store asset impairment charges, from \$101 million in 2018 to \$263 million in 2019.

The gross profit rate decrease was driven by a decline in the merchandise margin rate due to increased promotions to drive traffic and clear inventory, the increase in long-lived store asset impairment charges and buying and occupancy deleverage on lower net sales.

### **General, Administrative and Store Operating Expenses**

For 2019, our general, administrative and store operating expenses decreased \$91 million to \$3.472 billion due to the elimination of the La Senza and Henri Bendel businesses and lower marketing and store selling expenses at Victoria's Secret, partially offset by higher selling and marketing expenses related to higher sales volume at Bath & Body Works.

The general, administrative and store operating expense rate remained flat at 26.9% as the absence of the higher-rate La Senza and Henri Bendel businesses and declines in marketing and store selling expenses at Victoria's Secret were offset by deleverage on lower net sales.

### **Impairment of Goodwill**

In 2019, our goodwill impairment assessments concluded that the carrying values of our Victoria's Secret and Victoria's Secret Greater China reporting units exceeded their fair values. Accordingly, we recognized pre-tax goodwill impairment charges of \$720 million in the Victoria's Secret segment.

### **Loss on Divestiture of La Senza**

In 2018, we recognized a pre-tax loss on the sale of La Senza of \$99 million related to the recognition of \$45 million of accumulated translation adjustments and the loss related to the transfer of the net working capital and long-lived store assets to the buyer.

### **Other Income (Loss) and Expenses**

#### **Interest Expense**

The following table provides the average daily borrowings and average borrowing rates for 2019 and 2018:

	2019	2018
Average daily borrowings (in millions)	\$ 5,725	\$ 5,853
Average borrowing rate (in percentages)	6.6 %	6.6 %

For 2019, our interest expense decreased \$7 million to \$378 million due to lower average daily borrowings.

#### **Other Income (Loss)**

For 2019, our other income (loss) decreased \$66 million to a \$61 million loss due to a \$40 million pre-tax loss associated with the early extinguishment of \$764 million in outstanding notes maturing between 2020 and 2022 and \$37 million of charges to increase reserves related to ongoing contingent obligations for the La Senza business, which was sold in the fourth quarter of 2018.

#### **Provision for Income Taxes**

For 2019, our effective tax rate was (101.9%) compared to 24.9% in 2018. The 2019 rate varied from our combined estimated federal and state statutory rate primarily due to the Victoria's Secret goodwill impairment charges, which generated minimal tax benefit. The 2018 rate was lower than our combined estimated federal and state statutory rate primarily due to the tax effects of the divestiture of the La Senza business.

## Results of Operations—Fourth Quarter of 2019 Compared to Fourth Quarter of 2018

The following information summarizes our results of operations for the fourth quarter of 2019 compared to the fourth quarter of 2018.

### Operating Income (Loss)

The following table provides our segment operating income (loss) and operating income (loss) rates (expressed as a percentage of net sales) for the fourth quarter of 2019 in comparison to the fourth quarter of 2018:

	Fourth Quarter		Operating Income (Loss) Rate	
	2019	2018	2019	2018
	(in millions)			
Bath & Body Works	\$ 664	\$ 610	29.8%	30.6%
Victoria's Secret	(531)	362	(21.5%)	13.1%
Other (a)	(51)	(172)	—%	(160.4%)
<b>Total Operating Income</b>	<b>\$ 82</b>	<b>\$ 800</b>	<b>1.7%</b>	<b>16.5%</b>

- (a) Includes corporate infrastructure and governance functions, and other non-recurring items that are deemed to be corporate in nature. Results for 2018 also include the Henri Bendel and La Senza businesses.

For the fourth quarter of 2019, operating income decreased \$718 million to \$82 million, and the operating income rate decreased to 1.7% from 16.5%. The drivers of the operating income results are discussed in the following sections.

### Net Sales

The following table provides net sales for the fourth quarter of 2019 in comparison to the fourth quarter of 2018:

	2019	2018	% Change
	(in millions)		
Bath & Body Works Stores - U.S. and Canada	\$ 1,744	\$ 1,626	7%
Bath & Body Works Direct	431	325	33%
Bath & Body Works International (a)	56	44	27%
<b>Total Bath &amp; Body Works</b>	<b>2,231</b>	<b>1,995</b>	<b>12%</b>
Victoria's Secret Stores - U.S. and Canada	1,649	1,849	(11%)
Victoria's Secret Direct	627	683	(8%)
Victoria's Secret International (b)	200	218	(8%)
<b>Total Victoria's Secret</b>	<b>2,476</b>	<b>2,750</b>	<b>(10%)</b>
Other (c)	—	107	(100%)
<b>Total Net Sales</b>	<b>\$ 4,707</b>	<b>\$ 4,852</b>	<b>(3%)</b>

- (a) Results include royalties associated with franchised store and wholesale sales.  
 (b) Results include company-operated stores in the U.K. and Greater China, royalties associated with franchised stores and wholesale sales.  
 (c) Results for 2018 include store and direct sales for Henri Bendel and La Senza.

The following table provides a reconciliation of net sales for the fourth quarter of 2018 to the fourth quarter of 2019:

	<u>Bath &amp; Body Works</u>	<u>Victoria's Secret</u>	<u>Other</u>	<u>Total</u>
	(in millions)			
<b>2018 Net Sales</b>	\$ 1,995	\$ 2,750	\$ 107	\$ 4,852
Comparable Store Sales	79	(198)	—	(119)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	38	(12)	—	26
Direct Channels	106	(58)	—	48
Private Label Credit Card	—	(5)	—	(5)
International, Wholesale, Royalty and Other	11	(2)	(13)	(4)
Divested/Closed Businesses	—	—	(94)	(94)
Foreign Currency Translation	2	1	—	3
<b>2019 Net Sales</b>	<u>\$ 2,231</u>	<u>\$ 2,476</u>	<u>\$ —</u>	<u>\$ 4,707</u>

The following table compares fourth quarter of 2019 comparable sales to fourth quarter of 2018:

	<u>2019</u>	<u>2018</u>
<b>Comparable Sales (Stores and Direct) (a)</b>		
Bath & Body Works (b)	10%	12%
Victoria's Secret (c)	(10%)	(3%)
Total Comparable Sales	(2%)	3%
<b>Comparable Store Sales (a)</b>		
Bath & Body Works (b)	5%	8%
Victoria's Secret (c)	(11%)	(7%)
Total Comparable Store Sales	(4%)	(1%)

- (a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.
- (b) Includes company-operated stores in the U.S. and Canada.
- (c) Includes company-operated stores in the U.S., Canada, the U.K. and Greater China.

The results by segment are as follows:

#### ***Bath & Body Works***

For the fourth quarter of 2019, net sales increased \$236 million to \$2.231 billion; comparable sales increased 10%; and comparable store sales increased 5%. Net sales increased in all of our main categories including home fragrance, body care and soaps and sanitizers, which incorporated newness, innovation and fashion.

The increase in comparable sales was driven by increases in store conversion and digital traffic.

### ***Victoria's Secret***

For the fourth quarter of 2019, net sales decreased \$274 million to \$2.476 billion; comparable sales decreased 10%; and comparable store sales decreased 11%. Victoria's Secret Lingerie comparable sales were down in the mid-teens as we continued to pull back promotional activity in bras, and due to merchandise performance in sleepwear. PINK comparable sales were down in the mid-teens driven by declines in apparel, principally in tops, due to merchandise performance. PINK lingerie sales were about flat to last year. Victoria's Secret Beauty comparable sales increased in the low-single digit range due to growth in prestige fragrance, driven by a strong launch of Bombshell Intense, and in PINK beauty and accessories.

The decrease in comparable sales was driven by declines in store traffic, average unit retail and digital conversion.

### ***Other***

For the fourth quarter of 2019, net sales decreased \$107 million primarily due to the sale of La Senza and closure of Henri Bendel in the fourth quarter of 2018.

### **Gross Profit**

For the fourth quarter of 2019, our gross profit decreased \$174 million to \$1.794 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 38.1% from 40.6% primarily as a result of:

#### ***Bath & Body Works***

For the fourth quarter of 2019, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales, partially offset by higher occupancy expenses due to higher distribution and fulfillment expenses related to higher direct channel sales and investments in store real estate.

The gross profit rate decrease was primarily driven by a decline in the merchandise margin rate due to increases in supply chain and sourcing costs and the sales mix shift into the direct business, which has a lower merchandise margin rate than the stores channel.

#### ***Victoria's Secret***

For the fourth quarter of 2019, the gross profit decrease was primarily driven by lower merchandise margin dollars related to the decrease in net sales and an increase in long-lived store asset impairment charges, from \$20 million in the fourth quarter of 2018 to \$45 million in the fourth quarter of 2019.

The gross profit rate decrease was driven by a decline in the merchandise margin rate due to increased promotions to drive traffic and clear inventory, the increase in long-lived store asset impairment charges and buying and occupancy deleverage on lower net sales.

### **General, Administrative and Store Operating Expenses**

For the fourth quarter of 2019, our general, administrative and store operating expenses decreased \$47 million to \$1.022 billion due to the elimination of the La Senza and Henri Bendel businesses and lower marketing and store selling expenses at Victoria's Secret, partially offset by higher selling and marketing expenses related to higher sales volume at Bath & Body Works.

The general, administrative and store operating expense rate decreased to 21.7% from 22.0% driven by the absence of the higher-rate La Senza and Henri Bendel businesses.

### **Impairment of Goodwill**

In the fourth quarter of 2019, our annual goodwill impairment assessment concluded that the carrying value of the Victoria's Secret reporting unit exceeded its fair value. Accordingly, we recognized a pre-tax goodwill impairment charge of \$690 million in the Victoria's Secret segment.

### **Loss on Divestiture of La Senza**

In the fourth quarter of 2018, we recognized a pre-tax loss on the sale of La Senza of \$99 million related to the recognition of \$45 million of accumulated translation adjustments and the transfer of the net working capital and long-lived store assets to the buyer.

## **Other Income (Loss) and Expense**

### **Interest Expense**

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2019 and 2018:

<b>Fourth Quarter</b>	<b>2019</b>	<b>2018</b>
Average daily borrowings (in millions)	\$ 5,617	\$ 5,880
Average borrowing rate (in percentages)	6.6 %	6.4 %

For the fourth quarter of 2019, our interest expense decreased \$1 million to \$92 million due to lower average daily borrowings partially offset by a higher average borrowing rate.

### **Provision for Income Taxes**

For the fourth quarter of 2019, our effective tax rate declined compared to 24.0% in 2018. The 2019 rate varied from our combined estimated federal and state statutory rate primarily due to the Victoria's Secret goodwill impairment charge, which generated minimal tax benefit. The 2018 rate was lower than our combined estimated federal and state statutory rate primarily due to the tax effects of the divestiture of the La Senza business.

## **FINANCIAL CONDITION**

### **Liquidity and Capital Resources**

Liquidity, or access to cash, is an important factor in determining our financial stability. We are committed to maintaining adequate liquidity. Cash generated from our operating activities provides the primary resources to support current operations, growth initiatives, seasonal funding requirements and capital expenditures. Our cash provided from operations is impacted by our net income (loss) and working capital changes. Our net income (loss) is impacted by, among other things, sales volume, seasonal sales patterns, success of new product introductions, profit margins and income taxes. Historically, sales are higher during the fourth quarter of the fiscal year due to seasonal and holiday-related sales patterns. Generally, our need for working capital peaks during the summer and fall months as inventory builds in anticipation of the holiday period. Our cash and cash equivalents held by foreign subsidiaries were \$397 million as of January 30, 2021.

### ***COVID-19 Response***

In response to the global COVID-19 crisis, we took prudent actions to manage expenses and to maintain our solid cash position and financial flexibility. We:

- Furloughed most store associates as of April 5, 2020 during the temporary store closures, while continuing to provide healthcare benefits for eligible associates;
- Suspended associate merit increases;
- Temporarily reduced salaries for senior vice presidents and above by 20%;
- Temporarily suspended cash compensation for all members of the Board of Directors;
- Reduced fiscal 2020 capital expenditures from an original forecast of \$550 million to \$228 million;
- Actively managed inventory to adjust for the impact of channel shifts to meet customer demand;
- Temporarily suspended the quarterly cash dividend beginning in the second quarter of fiscal 2020;
- Suspended many store and select office rent payments during the temporary closures. We completed negotiations with the majority of landlords, leading to a combination of rent waivers or abatements relating to closure periods, rent relief relating to the post-reopening "recovery" period given traffic declines, and rent deferrals;
- Converted the revolving credit facility to an asset-backed loan facility, issued \$2.25 billion in new notes and extinguished \$1.259 billion of notes primarily with near-term maturities; and
- Extended payment terms to vendors.



As of January 30, 2021, we had \$3.9 billion in cash and cash equivalents with no outstanding borrowings on our ABL Facility. We believe that our available short-term and long-term capital resources are sufficient to fund foreseeable requirements.

### **Working Capital and Capitalization**

The following table provides a summary of our working capital position and capitalization as of January 30, 2021, February 1, 2020 and February 2, 2019:

	<u>January 30, 2021</u>	<u>February 1, 2020</u>	<u>February 2, 2019</u>
	(in millions)		
Net Cash Provided by Operating Activities	\$ 2,039	\$ 1,236	\$ 1,377
Capital Expenditures	228	458	629
Working Capital (a)	2,753	873	1,274
Capitalization:			
Long-term Debt	6,366	5,487	5,739
Shareholders' Equity (Deficit)	(662)	(1,499)	(869)
Total Capitalization	<u>\$ 5,704</u>	<u>\$ 3,988</u>	<u>\$ 4,870</u>
Amounts Available Under the Credit Agreement (b)	\$ —	\$ 981	\$ 991

- (a) The January 30, 2021 and February 1, 2020 amounts include Current Operating Lease Liabilities as a result of our adoption of ASC 842, *Leases*, in the first quarter of 2019.
- (b) As of January 30, 2021, our borrowing base was \$853 million but we were unable to draw upon the Credit Agreement as our consolidated cash balance exceeded \$350 million. We had outstanding letters of credit, which reduce our availability under the Credit Agreement, of \$63 million as of January 30, 2021, \$19 million as of February 1, 2020, and \$9 million as of February 2, 2019.

The following table provides certain measures of liquidity and capital resources as of January 30, 2021, February 1, 2020 and February 2, 2019:

	<u>January 30, 2021</u>	<u>February 1, 2020</u>	<u>February 2, 2019</u>
Debt-to-capitalization Ratio (a)	112 %	138 %	118 %
Operating Cash Flow to Capital Expenditures	894 %	270 %	219 %

- (a) Long-term debt divided by total capitalization.

### **Cash Flow**

The following table provides a summary of our cash flow activity for the fiscal years ended January 30, 2021, February 1, 2020 and February 2, 2019:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	(in millions)		
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	\$ 1,499	\$ 1,413	\$ 1,515
Net Cash Flows Provided by Operating Activities	2,039	1,236	1,377
Net Cash Flows Used for Investing Activities	(219)	(480)	(609)
Net Cash Flows Provided by (Used for) Financing Activities	610	(666)	(872)
Effects of Exchange Rate Changes on Cash and Cash Equivalents and Restricted Cash	4	(4)	2
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	2,434	86	(102)
Cash and Cash Equivalents and Restricted Cash, End of Year	<u>\$ 3,933</u>	<u>\$ 1,499</u>	<u>\$ 1,413</u>

### ***Operating Activities***

Net cash provided by operating activities in 2020 was \$2.039 billion, including net income of \$844 million. Net income included depreciation of \$521 million, store and lease asset impairment charges of \$254 million, gain from formation of the Victoria's Secret U.K. and Ireland joint venture of \$54 million, loss on extinguishment of debt of \$53 million, share-based compensation expense of \$50 million, non-cash gain from Victoria's Secret Hong Kong store closure and lease termination of \$39 million and deferred income tax expense of \$33 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant item in working capital was an increase in operating cash flow of \$379 million associated with the increase in Accounts Payables, Accrued Expenses and Other and Other Assets and Liabilities.

Net cash provided by operating activities in 2019 was \$1.236 billion, including net loss of \$366 million. Net loss included depreciation of \$588 million, goodwill impairment charges of \$720 million, store and lease asset impairment charges of \$263 million, share-based compensation expense of \$87 million, loss on extinguishment of debt of \$40 million, La Senza charges of \$37 million and deferred income tax benefits of \$29 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant item in working capital was a decrease in operating cash flow of \$93 million associated with the decrease in Accounts Payables, Accrued Expenses and Other.

Net cash provided by operating activities in 2018 was \$1.377 billion, including net income of \$644 million. Net income included depreciation of \$590 million, store asset impairment charges of \$101 million, loss on divestiture of La Senza of \$99 million, share-based compensation expense of \$97 million and deferred income tax benefits of \$52 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant item in working capital was a decrease in operating cash flow of \$113 million associated with a decrease in income taxes payable.

### ***Investing Activities***

Net cash used for investing activities in 2020 was \$219 million consisting primarily of \$228 million of capital expenditures. The capital expenditures were primarily related to spending on technology and logistics to support our digital businesses and other retail capabilities. Capital expenditures of approximately \$80 million related to the opening of new stores or the remodeling and improving of existing stores, primarily for Bath & Body Works.

Net cash used for investing activities in 2019 was \$480 million consisting primarily of \$458 million of capital expenditures. The capital expenditures included \$286 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and logistics to support our digital businesses and other retail capabilities.

Net cash used for investing activities in 2018 was \$609 million consisting primarily of \$629 million of capital expenditures. The capital expenditures included \$487 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

We are estimating 2021 capital expenditures to be between \$350 and \$400 million. Approximately 60% of that forecast relates to Bath & Body Works, with the remaining 40% at Victoria's Secret. Bath & Body Works, while not fully returning to recent levels, is resuming its investment in the remodeling and opening of new stores. Additionally, we will be investing in technology, distribution and logistics capabilities for both businesses in 2021.

### ***Financing Activities***

Net cash provided by financing activities in 2020 was \$610 million consisting primarily of net proceeds of \$2.218 billion from the issuance of new notes, partially offset by \$1.307 billion in payments for the early extinguishment of outstanding notes, \$155 million of net repayments under our Foreign Facilities, dividend payments of \$0.30 per share, or \$83 million, and payments of finance lease obligations of \$53 million. We also borrowed and repaid \$950 million under our Credit Agreement during 2020.

Net cash used for financing activities in 2019 was \$666 million consisting primarily of \$799 million in payments for the early extinguishment of outstanding notes, quarterly dividend payments of \$1.20 per share, or \$332 million, and tax payments related to share-based awards of \$13 million. These were partially offset by the net proceeds of \$486 million from the issuance of the 2029 Notes and \$5 million of net new borrowings under our Foreign Facilities.

Net cash used for financing activities in 2018 was \$872 million consisting primarily of quarterly dividend payments totaling \$2.40 per share, or \$666 million, payments for repurchases of common stock of \$198 million and payment of long-term debt related to our exchange of notes of \$52 million, partially offset by \$63 million of net new borrowings under our foreign facilities.

## Common Stock Share Repurchases

Our Board of Directors will determine share repurchase authorizations, giving consideration to our levels of profit and cash flow, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements as well as financial and other conditions existing at the time. We use cash flow generated from operating and financing activities to fund our share repurchase programs. The timing and amount of any repurchases will be made at our discretion, taking into account a number of factors, including market conditions.

In March 2018, our Board of Directors approved a \$250 million share repurchase program, which had \$79 million remaining as of January 30, 2021. We did not repurchase any shares during 2020 or 2019.

In March 2021, our Board of Directors authorized a new \$500 million share repurchase plan, which replaces the \$79 million remaining under the March 2018 repurchase program. Pursuant to the Board's authorization, we entered into a Rule 10b5-1 purchase plan to effectuate share repurchases up to \$250 million. Implementing the Rule 10b5-1 trading plan allows us to repurchase shares at times when we might otherwise be prevented from doing so by securities laws or because of self-imposed trading blackout periods.

## Dividend Policy and Procedures

Our Board of Directors will determine future dividends after giving consideration to our levels of profit and cash flow, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements as well as financial and other conditions existing at the time. We use cash flow generated from operating and financing activities to fund our dividends.

Our Board of Directors temporarily suspended our quarterly cash dividend beginning in the second quarter of 2020 as a proactive measure to strengthen our financial flexibility and manage through the COVID-19 pandemic. In March 2021, our Board of Directors reinstated our annual dividend at \$0.60 per share, beginning with the quarterly dividend to be paid in June 2021.

Under the authority and declaration of our Board of Directors, we paid the following dividends during fiscal 2020, 2019 and 2018:

	Ordinary Dividends	Total Paid
	(per share)	(in millions)
<b>2020</b>		
Fourth Quarter	\$ —	\$ —
Third Quarter	—	—
Second Quarter	—	—
First Quarter	0.30	83
<b>2020 Total</b>	<u>\$ 0.30</u>	<u>\$ 83</u>
<b>2019</b>		
Fourth Quarter	\$ 0.30	\$ 83
Third Quarter	0.30	83
Second Quarter	0.30	83
First Quarter	0.30	83
<b>2019 Total</b>	<u>\$ 1.20</u>	<u>\$ 332</u>
<b>2018</b>		
Fourth Quarter	\$ 0.60	\$ 166
Third Quarter	0.60	165
Second Quarter	0.60	167
First Quarter	0.60	168
<b>2018 Total</b>	<u>\$ 2.40</u>	<u>\$ 666</u>

## Long-term Debt and Borrowing Facilities

The following table provides our outstanding debt balance, net of unamortized debt issuance costs and discounts, as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
	(in millions)	
<b>Senior Secured Debt with Subsidiary Guarantee</b>		
\$750 million, 6.875% Fixed Interest Rate Secured Notes due July 2025 ("2025 Secured Notes")	\$ 740	\$ —
Secured Foreign Facilities	—	103
Total Senior Secured Debt with Subsidiary Guarantee	\$ 740	\$ 103
<b>Senior Debt with Subsidiary Guarantee</b>		
\$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	\$ —	\$ 450
\$285 million, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	284	858
\$320 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	319	498
\$500 million, 9.375% Fixed Interest Rate Notes due July 2025 ("2025 Notes")	493	—
\$297 million, 6.694% Fixed Interest Rate Notes due January 2027 ("2027 Notes")	278	276
\$500 million, 5.25% Fixed Interest Rate Notes due February 2028 ("2028 Notes")	497	496
\$500 million, 7.50% Fixed Interest Rate Notes due June 2029 ("2029 Notes")	488	487
\$1 billion, 6.625% Fixed Interest Rate Notes due October 2030 ("2030 Notes")	988	—
\$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 ("2035 Notes")	991	991
\$700 million, 6.75% Fixed Interest Rate Notes due July 2036 ("2036 Notes")	694	693
Total Senior Debt with Subsidiary Guarantee	\$ 5,032	\$ 4,749
<b>Senior Debt</b>		
\$350 million, 6.95% Fixed Interest Rate Debentures due March 2033 ("2033 Notes")	\$ 348	\$ 348
\$247 million, 7.60% Fixed Interest Rate Notes due July 2037 ("2037 Notes")	246	298
Unsecured Foreign Facilities	—	50
Total Senior Debt	\$ 594	\$ 696
Total	\$ 6,366	\$ 5,548
Current Debt	—	(61)
Total Long-term Debt, Net of Current Portion	\$ 6,366	\$ 5,487

### Issuance of Notes

In September 2020, we issued \$1 billion of 6.625% senior notes due October 2030 (the "2030 Notes"). The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by us and certain of our 100% owned subsidiaries. The proceeds from the issuance were \$988 million, which were net of issuance costs of \$12 million. The issuance costs are being amortized through the maturity date and are included within Long-term Debt on the January 30, 2021 Consolidated Balance Sheet.

In June 2020, we issued \$750 million of 6.875% senior secured notes due July 2025 (the "2025 Secured Notes"). The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by us and certain of our 100% owned subsidiaries. The 2025 Secured Notes are secured on a first-priority lien basis by substantially all of our and the guarantors' assets, and on a second-priority lien basis by certain collateral securing the asset-backed revolving credit facility, in each case, subject to certain exceptions. The proceeds from the issuance were \$738 million, which were net of issuance costs of \$12 million. The issuance costs are being amortized through the maturity date and are included within Long-term Debt on the January 30, 2021 Consolidated Balance Sheet.

In June 2020, we also issued \$500 million of 9.375% notes due in July 2025 (the "2025 Notes"). The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by us and certain of our 100% owned subsidiaries. The proceeds from the issuance were \$492 million, which were net of issuance costs of \$8 million. The issuance costs are being amortized through the maturity date and are included within Long-term Debt on the January 30, 2021 Consolidated Balance Sheet.

In June 2019, we issued \$500 million of 7.50% notes due in June 2029 (the "2029 Notes"). The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by us and certain of our 100% owned subsidiaries. The proceeds from the issuance were \$486 million, which were net of discounts and issuance costs of \$14 million. The discounts and issuance costs are being amortized through the maturity date and are included within Long-term Debt on the Consolidated Balance Sheets.

## **Repurchases of Notes**

In October 2020, we settled tender offers to repurchase \$576 million of outstanding 2022 Notes, \$180 million of outstanding 2023 Notes and \$53 million of outstanding 2037 Notes for \$844 million. We used the proceeds from the 2030 Notes to fund the purchase price of the tender offers. Additionally, utilizing cash on hand, we redeemed the remaining \$450 million of outstanding 2021 Notes for \$463 million. We recognized a pre-tax loss related to this extinguishment of debt of \$53 million (after-tax loss of \$40 million), which includes redemption fees and the write-offs of unamortized issuance costs. This loss is included in Other Income (Loss) in the 2020 Consolidated Statement of Income.

In June 2019, we completed the early settlement of tender offers to repurchase \$212 million of outstanding 2020 Notes, \$330 million of outstanding 2021 Notes and \$96 million of outstanding 2022 Notes for \$669 million. We used the proceeds from the 2029 Notes, together with cash on hand, to fund the purchase price for the tender offers. Additionally, in July 2019, we redeemed the remaining \$126 million of outstanding 2020 Notes for \$130 million. We recognized a pre-tax loss on extinguishment of debt of \$40 million (after-tax loss of \$30 million), which includes redemption fees and the write-off of unamortized issuance costs. This loss is included in Other Income (Loss) in the 2019 Consolidated Statement of Loss.

In March 2021, our Board of Directors authorized a reduction in our debt that will be effected by a make whole call to repurchase the remaining \$285 million of outstanding 2022 Notes and the \$750 million of outstanding 2025 Secured Notes. This make whole call was issued on March 12, 2021 and we anticipate using approximately \$1.1 billion in cash to complete the debt repurchase.

## **Revolving Credit Facility**

We and certain of our 100% owned subsidiaries guarantee and pledge collateral to secure a revolving credit facility (the "Credit Agreement"). In April 2020, we entered into an amendment and restatement (the "Amendment") of the Credit Agreement to convert our credit facility into an asset-backed revolving credit facility. The Amendment maintains the aggregate commitments at \$1 billion, and maintains the expiration date in August of 2024. The ABL Facility allows borrowings and letters of credit in U.S. dollars or Canadian dollars.

Availability under the ABL Facility is the lesser of (i) the borrowing base, determined primarily based on our eligible U.S. and Canadian credit card receivables, accounts receivable, inventory and eligible real property, or (ii) the aggregate commitment. If at any time, the outstanding amount under the ABL Facility exceeds the lesser of (i) the borrowing base and (ii) the aggregate commitment, we will be required to prepay the outstanding amounts under the ABL Facility to the extent of such excess. In addition, at any time that our consolidated cash balance exceeds \$350 million, we will be required to prepay outstanding amounts under the ABL Facility to the extent of such excess. As of January 30, 2021, our borrowing base was \$853 million but we were unable to draw upon the ABL Facility as our consolidated cash balance exceeded \$350 million.

The ABL Facility supports our letter of credit program. We had \$63 million of outstanding letters of credit as of January 30, 2021 that reduced our availability under the ABL Facility.

As of January 30, 2021, the ABL Facility fees related to committed and unutilized amounts were 0.30% per annum, and the fees related to outstanding letters of credit were 1.75% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings was the London Interbank Offered Rate ("LIBOR") plus 1.75% per annum. The interest rate on outstanding Canadian dollar-denominated borrowings was the Canadian Dollar Offered Rate ("CDOR") plus 1.75% per annum.

The ABL Facility requires us to maintain a fixed charge coverage ratio of not less than 1.00 to 1.00 during an event of default or any period commencing on any day when specified excess availability is less than the greater of (1) \$100 million or (2) 15% of the maximum borrowing amount. As of January 30, 2021, we were not required to maintain this ratio.

In March 2020, in an abundance of caution and as a proactive measure in response to the COVID-19 pandemic, we elected to borrow \$950 million from our revolving facility, which was repaid upon the completion of the Amendment. As of January 30, 2021, there were no borrowings outstanding under the ABL Facility.

## **Foreign Facilities**

Certain of our China subsidiaries utilize revolving and term loan bank facilities to support their operations (the "Foreign Facilities"). The Foreign Facilities allow borrowings in U.S. dollars and Chinese Yuan, and interest rates on outstanding borrowings are based upon the applicable benchmark rate for the currency of each borrowing. Certain of these facilities are guaranteed by us and certain of our 100% owned subsidiaries (the "Secured Foreign Facilities").

As of January 30, 2021, the Secured Foreign Facilities allow for borrowings and letters of credit up to \$30 million. During 2020, we borrowed \$21 million and made payments of \$126 million under the Secured Foreign Facilities. As of January 30, 2021, there were no borrowings outstanding under the Secured Foreign Facilities.

During 2020, we placed cash on deposit with certain financial institutions as collateral for their lending commitments under the Secured Foreign Facilities. As of January 30, 2021, the amount of collateral required was dependent upon the aggregate

lending commitments. These deposits, totaling \$30 million, are recorded in Other Assets on the January 30, 2021 Consolidated Balance Sheet.

During 2020, we borrowed \$13 million and made payments of \$63 million under the unsecured Foreign Facilities. During the second quarter of 2020, with no borrowings outstanding, we terminated the unsecured Foreign Facilities.

### Credit Ratings

The following table provides our credit ratings as of January 30, 2021:

	Moody's	S&P
Senior Secured Debt	Ba2	BB
Corporate	B2	B+
Senior Unsecured Debt with Subsidiary Guarantee	B2	B+
Senior Unsecured Debt	Caa1	B-
Outlook	Positive	Stable

Subsequent to January 30, 2021, S&P upgraded our Senior Secured Debt rating to BB+, our Corporate and Senior Unsecured Debt with Subsidiary Guarantee ratings to BB- and our Senior Unsecured Debt rating to B, and issued a Stable outlook at these updated ratings.

### Guarantor Summarized Financial Information

Certain of our subsidiaries, which are listed on Exhibit 22 to this Annual Report on Form 10-K, have guaranteed our obligations under the 2022 Notes, 2023 Notes, 2025 Notes, 2027 Notes, 2028 Notes, 2029 Notes, 2030 Notes, 2035 Notes and the 2036 Notes (collectively, the "Unsecured Notes") and the 2025 Secured Notes (the "Secured Notes" and together with the Unsecured Notes, the "Notes").

The Notes have been issued by L Brands, Inc. (the "Parent Company"). The Unsecured Notes are its senior unsecured obligations and the Secured Notes are its senior secured obligations. The Unsecured Notes rank equally in right of payment with all of our existing and future senior unsecured obligations, senior to any of our future subordinated indebtedness, are effectively subordinated to all of our existing and future indebtedness that is secured by a lien and are structurally subordinated to all existing and future obligations of each of our subsidiaries that do not guarantee the Unsecured Notes. The Secured Notes rank equally in right of payment with all of our existing and future senior obligations, senior to any of our future subordinated indebtedness, are effectively senior to all of our existing and future indebtedness that is secured by a lien on collateral that ranks junior to the lien on such collateral securing the Secured Notes, are effectively senior to all of our existing and future unsecured indebtedness to the extent of the value of the assets securing the Secured Notes, are effectively subordinated to all of our existing and future indebtedness that is secured by a lien on assets that do not constitute collateral or that is secured by a first-priority lien on certain collateral, in each case to the extent of the value of such assets, and structurally subordinated to all existing and future obligations of each of our subsidiaries that do not guarantee the Unsecured Notes.

The Notes are fully and unconditionally guaranteed on a joint and several basis by certain of our wholly-owned subsidiaries, including each subsidiary that also guarantees our obligations under certain of our senior secured credit facilities (such as guarantees, the "Guarantees"; and, such guaranteeing subsidiaries, the "Subsidiary Guarantors"). The Guarantees of the Subsidiary Guarantors are subject to release in limited circumstances only upon the occurrence of certain customary conditions. Each Guarantee is limited, by its terms, to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor subject to avoidance under applicable fraudulent conveyance provisions of U.S. and non-U.S. law.

The following tables set forth summarized financial information for the Parent Company and the Subsidiary Guarantors on a combined basis after elimination of (i) intercompany transactions and balances among the Parent Company and the Subsidiary Guarantors and (ii) investments in and equity in the earnings of non-Guarantor subsidiaries:

## SUMMARIZED BALANCE SHEETS

	January 30, 2021	February 1, 2020
	(in millions)	
<b>ASSETS</b>		
Current Assets (a)	\$ 6,813	\$ 3,728
Noncurrent Assets (b)	4,795	5,357
<b>LIABILITIES</b>		
Current Liabilities (c)	\$ 5,038	\$ 4,163
Noncurrent Liabilities (d)	9,433	8,772

- (a) Includes amounts due from non-Guarantor subsidiaries of \$1.933 billion and \$1.091 billion as of January 30, 2021 and February 1, 2020, respectively.
- (b) Includes amounts due from non-Guarantor subsidiaries of \$141 million as of January 30, 2021.
- (c) Includes amounts due to non-Guarantor subsidiaries of \$3.096 billion and \$2.684 billion as of January 30, 2021 and February 1, 2020, respectively.
- (d) Includes amounts due to non-Guarantor subsidiaries of \$476 million as of both January 30, 2021 and February 1, 2020.

## SUMMARIZED STATEMENT OF INCOME

	2020
	(in millions)
Net Sales (a)	\$ 11,404
Gross Profit	4,424
Operating Income	1,420
Income Before Income Taxes	694
Net Income (b)	513

- (a) Includes net sales of \$608 million to non-Guarantor subsidiaries.
- (b) Includes net loss of \$49 million related to transactions with non-Guarantor subsidiaries.

In addition to the Subsidiary Guarantors, a certain subsidiary, which is listed on Exhibit 22 to this Annual Report on Form 10-K, has only guaranteed our obligations under the 2025 Notes, 2025 Secured Notes and 2030 Notes. This subsidiary had assets, all of which were noncurrent, of \$235 million and \$244 million as of January 30, 2021 and February 1, 2020, respectively. In addition, this subsidiary had current liabilities of \$119 million as of February 1, 2020, which included \$93 million due to the Subsidiary Guarantors. The 2020 Statement of Income activity for this subsidiary is immaterial.

### Contingent Liabilities and Contractual Obligations

The following table provides our contractual obligations, aggregated by type, including the maturity profile as of January 30, 2021:

	Payments Due by Period					
	Total	Less Than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Other
	(in millions)					
Long-term Debt (a)	\$ 10,957	\$ 449	\$ 1,659	\$ 2,025	\$ 6,824	\$ —
Future Lease Obligations (b)	4,057	753	1,221	915	1,168	—
Purchase Obligations (c)	1,227	1,041	103	43	40	—
Other Liabilities (d) (e)	354	289	23	17	—	25
<b>Total</b>	<b>\$ 16,595</b>	<b>\$ 2,532</b>	<b>\$ 3,006</b>	<b>\$ 3,000</b>	<b>\$ 8,032</b>	<b>\$ 25</b>

- (a) Long-term debt obligations relate to our principal and interest payments for outstanding notes and debentures. Interest payments have been estimated based on the coupon rate for fixed rate obligations. Interest obligations exclude amounts

which have been accrued through January 30, 2021. For additional information, see Note 13 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

- (b) Future lease obligations primarily represent minimum payments due under store lease agreements. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
- (c) Purchase obligations primarily include purchase orders for merchandise inventory and other agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.
- (d) Other liabilities include future payments relating to our non-qualified supplemental retirement plan of \$166 million in the "Less Than 1 Year" category. For additional information, see Note 17 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
- (e) Other liabilities also include future estimated payments associated with unrecognized tax benefits. The "Less Than 1 Year" category includes \$122 million of these tax items because it is reasonably possible that the amounts could change in the next 12 months due to audit settlements or resolution of uncertainties. The remaining portion totaling \$25 million is included in the "Other" category as it is not reasonably possible that the amounts could change in the next 12 months. In addition, we have a remaining liability of \$41 million related to the deemed repatriation tax on our undistributed foreign earnings resulting from the Tax Cuts and Jobs Act. The tax liability will be paid over the next four years. For additional information, see Note 12 to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

### *La Senza*

In connection with the sale of La Senza in the fourth quarter of 2018, certain of our subsidiaries have remaining contingent obligations of \$32 million related to lease payments under the current terms of noncancelable leases expiring at various dates through 2028. These obligations include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the business. As of January 30, 2021, we recorded reserves of \$35 million, primarily included within Other Long-term Liabilities on the Consolidated Balance Sheet, related to these lease-related obligations and certain other obligations related to the La Senza business.

### **Off Balance Sheet Arrangements**

We have no off balance sheet arrangements as defined by Regulation 229.303 Item 303 (a) (4).

### **Recently Issued Accounting Pronouncements**

#### ***Credit Losses***

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses*, which requires the use of a forward-looking expected loss impairment model for accounts receivable and certain other financial instruments. We adopted the standard in the first quarter of 2020. The adoption of this standard did not have a material impact on our consolidated results of operations, financial position or cash flows.

#### ***Guarantor Reporting***

In March 2020, the SEC issued a final rule, *Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities*, that simplifies the disclosure requirements related to registered securities under Rule 3-10 of Regulation S-X. The rule replaces the requirement to provide condensed consolidating financial information with a requirement to present summarized financial information of the issuers and guarantors. It also requires qualitative disclosures with respect to information about guarantors, the terms and conditions of guarantees and the factors that may affect payment. These disclosures may be provided outside the footnotes to our consolidated financial statements. We early adopted the reporting requirements of the rule in the first quarter of 2020 and elected to provide these disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **Impact of Inflation**

While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on the results of operations and financial condition have been minor.



## Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to adopt accounting policies related to estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates its accounting policies, estimates and judgments, including those related to inventories, long-lived assets, claims and contingencies, income taxes and revenue recognition. Management bases our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management has discussed the development and selection of our critical accounting policies and estimates with the Audit Committee of our Board of Directors and believes the following assumptions and estimates are most significant to reporting our results of operations and financial position.

### Inventories

Inventories are principally valued at the lower of cost or net realizable value, on an average cost basis.

We record valuation adjustments to our inventories if the cost of inventory on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience. If actual demand or market conditions are different than those projected by management, future period merchandise margin rates may be unfavorably or favorably affected by adjustments to these estimates.

We also record inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

Management believes that the assumptions used in these estimates are reasonable and appropriate. A 10% increase or decrease in the inventory valuation adjustment would have impacted net income by approximately \$5 million for 2020. A 10% increase or decrease in the estimated physical inventory loss adjustment would have impacted net income by approximately \$4 million for 2020.

### Valuation of Long-lived Assets

#### *Long-lived Store Assets*

Long-lived store assets, which include leasehold improvements, store related assets and operating lease assets (subsequent to the adoption of ASC 842, *Leases*), are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Store assets are grouped at the lowest level for which they are largely independent of other assets or asset groups. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the estimated fair value, determined by the estimated discounted future cash flows of the asset group. For operating lease assets, we determine the fair value of the assets by comparing the contractual rent payments to estimated market rental rates. An individual asset within an asset group is not impaired below its estimated fair value. The fair value of long-lived store assets are determined using Level 3 inputs within the fair value hierarchy.

In 2020, we executed a rationalization of the Victoria's Secret company-operated store footprint. We permanently closed 241 stores in North America in 2020. Given the closures in 2020 as well as the negative operating results of certain Victoria's Secret stores in 2020, 2019 and 2018, we reviewed the long-lived store assets for potential impairment in all periods presented. We determined that the estimated undiscounted future cash flows were less than the carrying values for certain Victoria's Secret asset groups and, as a result, determined the estimated fair values of the store asset groups using estimated discounted future cash flows and estimated market rental rates.

The following table provides pre-tax long-lived store asset impairment charges included in the Consolidated Statement of Income (Loss) for 2020, 2019 and 2018:

	2020	2019	2018
	(in millions)		
Store Asset Impairment	\$ 136	\$ 198	\$ 101
Operating Lease Asset Impairment	118	65	—
Total Impairment	<u>\$ 254</u>	<u>\$ 263</u>	<u>\$ 101</u>

Our fair value estimates incorporated significant assumptions and judgments including, but not limited to, estimated future cash flows, discount rates and market rental rates. The use of different assumptions or judgments in our assessment could materially

increase or decrease the fair value of our store assets and, accordingly, could materially increase or decrease any related impairment charge. Sustained declines in our business performance could result in a material impairment charge in a future period.

When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life.

### ***Goodwill***

Goodwill is reviewed for impairment at the reporting unit level each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. We have the option to either first perform a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value (including goodwill), or to proceed directly to the quantitative assessment which requires a comparison of the reporting unit's fair value to its carrying value (including goodwill). If we determine that the fair value of a reporting unit is less than its carrying value, we recognize an impairment charge equal to the difference, not to exceed the total amount of goodwill allocated to the reporting unit. Our reporting units are determined in accordance with the provisions of ASC 350, *Intangibles - Goodwill and Other*. During 2019, we impaired the goodwill at the Victoria's Secret and Victoria's Secret Greater China reporting units, resulting in pre-tax impairment charges of \$720 million. As a result, only the Bath & Body Works reporting unit has goodwill as of January 30, 2021.

As of the end of the fourth quarter of 2020, we performed our annual goodwill impairment assessment over the Bath & Body Works reporting unit. We performed a qualitative assessment and determined that the Bath & Body Works reporting unit's fair value was greater than its carrying value (including goodwill). Declines in our market capitalization or in our business performance could result in a material impairment charge in a future period.

### ***Trade Names***

The Bath & Body Works and Victoria's Secret trade names are intangible assets with indefinite lives. Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. We have the option to either first perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired, or to proceed directly to the quantitative assessment which requires a comparison of the fair value of the intangible asset to its carrying value. To determine if the fair value of the asset is less than its carrying amount, we will estimate the fair value, usually determined by the relief from royalty method under the income approach, and compare that value with its carrying amount. If the carrying value of the trade name exceeds its fair value, we recognize an impairment charge equal to the difference.

As of the end of the fourth quarter of 2020, we performed our annual impairment assessments of the Bath & Body Works and Victoria's Secret trade names. To estimate the fair value of the trade names, we used the relief from royalty method under the income approach. The annual assessments concluded that the fair values of the trade names were in excess of their respective carrying values.

The use of different assumptions or judgments in our impairment assessment of our trade names, including with respect to the estimated future cash flows, the discount rate used to discount such estimated future cash flows to their net present value and royalty rates used for the relief from royalty method, could materially increase or decrease the fair value of our trade names. A 50% reduction to our assumed royalty rate would not have resulted in a material impairment charge in 2020.

### **Claims and Contingencies**

We are subject to various claims and contingencies related to lawsuits, taxes, insurance, regulatory and other matters arising out of the normal course of business. Our determination of the treatment of claims and contingencies in the Consolidated Financial Statements is based on management's view of the expected outcome of the applicable claim or contingency. We consult with legal counsel on matters related to litigation and seek input from both internal and external experts with respect to matters in the ordinary course of business. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is reasonably estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable) or if an estimate is not reasonably determinable, disclosure of a material claim or contingency is disclosed in the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

### **Income Taxes**

We account for income taxes under the asset and liability method. Under this method, taxes currently payable or refundable are accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and

liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in our Consolidated Statement of Income (Loss) in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

Significant judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In determining our provision for income taxes, we consider permanent differences between book and tax income and statutory income tax rates. Our effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

We follow the authoritative guidance included in ASC 740, *Income Taxes*, which contains a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and for which actual outcomes may differ from forecasted outcomes. Our policy is to include interest and penalties related to uncertain tax positions in income tax expense.

Our income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding our tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. A number of years may elapse before a particular matter for which we have established an accrual is audited and fully resolved or clarified. We adjust our tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from our established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

### **Revenue Recognition**

We recognize revenue based on the amount we expect to receive when control of the goods or services is transferred to our customer. We recognize sales upon customer receipt of merchandise, which for direct channel revenues reflect an estimate of shipments that have not yet been received by our customer based on shipping terms and historical delivery times. Our shipping and handling revenues are included in Net Sales with the related costs included in Costs of Goods Sold, Buying and Occupancy in our Consolidated Statements of Income (Loss). We also provide a reserve for projected merchandise returns based on historical experience. Net Sales exclude sales and other similar taxes collected from customers.

We offer certain loyalty programs that allow customers to earn points based on purchasing activity. As customers accumulate points and reach point thresholds, they can use the points to purchase merchandise in stores or online. We allocate revenue to points earned on qualifying purchases and defer recognition until the points are redeemed. The amount of revenue deferred is based on the relative stand-alone selling price method, which includes an estimate for points not expected to be redeemed based on historical experience.

We sell gift cards with no expiration dates to customers. We do not charge administrative fees on unused gift cards. We recognize revenue from gift cards when they are redeemed by the customer. In addition, we recognize revenue on unredeemed gift cards where the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). Gift card breakage revenue is recognized in proportion, and over the same period, as actual gift card redemptions. We determine the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in our Consolidated Statements of Income (Loss).

Revenue earned in connection with Victoria's Secret's private label credit card arrangement is primarily recognized based on credit card sales and usage and is included in Net Sales in the Consolidated Statements of Income (Loss).

We also recognize revenues associated with franchise, license, wholesale and sourcing arrangements. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale and sourcing arrangements at the time the title passes to the partner.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

### **Market Risk**

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows arising from adverse changes in foreign currency exchange rates or interest rates. We may use derivative financial instruments like

foreign currency forward contracts, cross-currency swaps and interest rate swap arrangements to manage exposure to market risks. We do not use derivative financial instruments for trading purposes.

### ***Foreign Exchange Rate Risk***

We have operations in foreign countries which expose us to market risk associated with foreign currency exchange rate fluctuations. Our Canadian dollar and Chinese Yuan denominated earnings are subject to exchange rate risk as substantially all our merchandise sold in Canada and Greater China is sourced through U.S. dollar transactions. Although we utilize foreign currency forward contracts to partially offset risks associated with our operations in Canada, these measures may not succeed in offsetting all the short-term impact of foreign currency rate movements and generally may not be effective in offsetting the long-term impact of sustained shifts in foreign currency rates.

Further, although our royalty arrangements with our international partners are denominated in U.S. dollars, the royalties we receive in U.S. dollars are calculated based on sales in the local currency. As a result, our royalties in these arrangements are exposed to foreign currency exchange rate fluctuations.

### ***Interest Rate Risk***

Our investment portfolio primarily consists of interest-bearing instruments that are classified as cash and cash equivalents based on their original maturities. Our investment portfolio is maintained in accordance with our investment policy, which specifies permitted types of investments, specifies credit quality standards and maturity profiles and limits credit exposure to any single issuer. The primary objective of our investment activities is the preservation of principal, the maintenance of liquidity and the maximization of interest income while minimizing risk. Our investment portfolio is comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, commercial paper and bank deposits. Given the short-term nature and quality of investments in our portfolio, we do not believe there is any material risk to principal associated with increases or decreases in interest rates.

All our long-term debt as of January 30, 2021 has fixed interest rates. We will from time to time adjust our exposure to interest rate risk by entering into interest rate swap arrangements. Our exposure to interest rate changes is limited to the fair value of the debt issued, which would not have a material impact on our earnings or cash flows.

### ***Fair Value of Financial Instruments***

As of January 30, 2021, we believe that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

The following table provides a summary of the principal value and estimated fair value of outstanding publicly traded debt as of January 30, 2021 and February 1, 2020:

	<u>January 30, 2021</u>	<u>February 1, 2020</u>
	(in millions)	
Long-term Debt:		
Principal Value	\$ 6,449	\$ 5,458
Fair Value, Estimated (a)	7,243	5,555

(a) The estimated fair value is based on reported transaction prices. The estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange.

### ***Concentration of Credit Risk***

We maintain cash and cash equivalents, restricted cash and derivative contracts with various major financial institutions. We monitor the relative credit standing of financial institutions with whom we transact and limit the amount of credit exposure with any one entity. Our investment portfolio is primarily comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, commercial paper and bank deposits. We also periodically review the relative credit standing of franchise, license and wholesale partners and other entities to which we grant credit terms in the normal course of business.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

**L BRANDS, INC.  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page No.</u>
Management’s Report on Internal Control Over Financial Reporting	62
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	63
Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements	64
Consolidated Statements of Income (Loss) for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019	66
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019	66
Consolidated Balance Sheets as of January 30, 2021 and February 1, 2020	67
Consolidated Statements of Total Equity (Deficit) for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019	68
Consolidated Statements of Cash Flows for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019	69
Notes to Consolidated Financial Statements	70

Our fiscal year ends on the Saturday nearest to January 31. Fiscal years are designated in the Consolidated Financial Statements and Notes by the calendar year in which the fiscal year commences. The results for 2020, 2019 and 2018 refer to the 52-week periods ended January 30, 2021, February 1, 2020 and February 2, 2019, respectively.

## **Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of January 30, 2021. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria).

Based on our assessment and the COSO criteria, management believes that the Company maintained effective internal control over financial reporting as of January 30, 2021.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting. Ernst & Young LLP's report appears on the following page and expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of January 30, 2021.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of L Brands, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited L Brands, Inc.'s internal control over financial reporting as of January 30, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, L Brands, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 30, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Balance Sheets of L Brands, Inc. as of January 30, 2021 and February 1, 2020 and the related Consolidated Statements of Income (Loss), Comprehensive Income (Loss), Total Equity (Deficit), and Cash Flows for each of the three years in the period ended January 30, 2021, and the related notes and our report dated March 19, 2021 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Grandview Heights, Ohio  
March 19, 2021

## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of L Brands, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying Consolidated Balance Sheets of L Brands, Inc. (the Company) as of January 30, 2021 and February 1, 2020, the related Consolidated Statements of Income (Loss), Comprehensive Income (Loss), Total Equity (Deficit), and Cash Flows for each of the three years in the period ended January 30, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 30, 2021 and February 1, 2020, and the results of its operations and its cash flows for each of the three years in the period ended January 30, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of January 30, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 19, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.



### ***Impairment of Store Assets***

*Description  
of the Matter*

As discussed in Note 1 to the consolidated financial statements, the Company reviews long-lived store assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Store assets are grouped at the lowest level for which they are largely independent of other assets or asset groups. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, determined by the estimated discounted future cash flows of the asset group.

The Company concluded that negative operating results for certain of the Victoria's Secret stores were an indicator of potential impairment of the related store asset groups. As a result, the Company recognized an impairment loss on leasehold improvements and store related assets of approximately \$136 million for the year ended January 30, 2021. In addition, the Company recognized an impairment loss of \$118 million for the operating lease assets.

Auditing management's long-lived store asset impairment analysis, including operating lease assets, is complex and highly judgmental due to the estimation required in determining the future cash flows used to assess recoverability of the store assets (undiscounted) and determining the fair value (discounted). The significant assumptions used include estimated future cash flows directly related to the future operation of the stores (including sales growth rate and gross margin rate), as well as the discount rate used to determine fair value. Significant assumptions used in determining the fair value of the operating lease assets include the current market rent for the remaining lease term of the related stores. These assumptions are subjective in nature and are affected by expectations about future market or economic conditions.

*How We  
Addressed  
the Matter in  
Our Audit*

We tested the design and operating effectiveness of controls over the Company's process to identify impairment indicators, determine the undiscounted future cash flows for the stores, and determine the fair value for those store assets (including those related to operating leases) that were deemed to be impaired. Our testing included controls over management's review of the significant assumptions described above.

Our testing of the Company's impairment measurement included, among other procedures, evaluating the significant assumptions and operating data used to calculate the estimated future cash flows, as well as the estimated fair value. For example, we assessed the Company's long-range plan that is developed by management and reviewed by the Board of Directors and serves as the basis for the future cash flows in the analysis. We inquired of the Company's executives to understand the underlying assumptions in the future cash flows and compared the future cash flows to the Company's actual performance. We performed a sensitivity analysis on the significant assumptions to evaluate the changes in the fair value of the store assets that would result from changes in the assumptions. We also involved internal specialists to assist in testing the estimated market rental rates of the store leases by comparing them to market rates from comparable leases.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2003.

Grandview Heights, Ohio  
March 19, 2021

**L BRANDS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
(in millions except per share amounts)

	2020	2019	2018
Net Sales	\$ 11,847	\$ 12,914	\$ 13,237
Costs of Goods Sold, Buying and Occupancy	(7,180)	(8,464)	(8,338)
Gross Profit	4,667	4,450	4,899
General, Administrative and Store Operating Expenses	(3,087)	(3,472)	(3,563)
Impairment of Goodwill	—	(720)	—
Loss on Divestiture of La Senza	—	—	(99)
Operating Income	1,580	258	1,237
Interest Expense	(438)	(378)	(385)
Other Income (Loss)	(50)	(61)	5
Income (Loss) Before Income Taxes	1,092	(181)	857
Provision for Income Taxes	248	185	213
Net Income (Loss)	<u>\$ 844</u>	<u>\$ (366)</u>	<u>\$ 644</u>
Net Income (Loss) Per Basic Share	<u>\$ 3.04</u>	<u>\$ (1.33)</u>	<u>\$ 2.33</u>
Net Income (Loss) Per Diluted Share	<u>\$ 3.00</u>	<u>\$ (1.33)</u>	<u>\$ 2.31</u>

**L BRANDS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(in millions)

	2020	2019	2018
Net Income (Loss)	\$ 844	\$ (366)	\$ 644
Other Comprehensive Income (Loss), Net of Tax:			
Foreign Currency Translation	(3)	(5)	(20)
Reclassification of Currency Translation to Earnings	36	—	45
Unrealized Gain (Loss) on Cash Flow Hedges	(2)	2	10
Reclassification of Cash Flow Hedges to Earnings	—	(4)	2
Total Other Comprehensive Income (Loss), Net of Tax	<u>31</u>	<u>(7)</u>	<u>37</u>
Total Comprehensive Income (Loss)	<u>\$ 875</u>	<u>\$ (373)</u>	<u>\$ 681</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**L BRANDS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions except par value amounts)

	January 30, 2021	February 1, 2020
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,903	\$ 1,499
Accounts Receivable, Net	269	306
Inventories	1,273	1,287
Other	134	153
Total Current Assets	5,579	3,245
Property and Equipment, Net	2,095	2,486
Operating Lease Assets	2,558	3,053
Goodwill	628	628
Trade Names	411	411
Deferred Income Taxes	69	84
Other Assets	231	218
Total Assets	<u>\$ 11,571</u>	<u>\$ 10,125</u>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>		
Current Liabilities:		
Accounts Payable	\$ 683	\$ 647
Accrued Expenses and Other	1,457	1,052
Current Debt	—	61
Current Operating Lease Liabilities	594	478
Income Taxes	92	134
Total Current Liabilities	2,826	2,372
Deferred Income Taxes	234	219
Long-term Debt	6,366	5,487
Long-term Operating Lease Liabilities	2,495	3,052
Other Long-term Liabilities	311	490
Shareholders' Equity (Deficit):		
Preferred Stock—\$1.00 par value; 10 shares authorized; none issued	—	—
Common Stock—\$0.50 par value; 1,000 shares authorized; 286 and 285 shares issued; 278 and 277 shares outstanding, respectively	143	142
Paid-in Capital	891	847
Accumulated Other Comprehensive Income	83	52
Retained Earnings (Deficit)	(1,421)	(2,182)
Less: Treasury Stock, at Average Cost; 8 and 8 shares, respectively	(358)	(358)
Total L Brands, Inc. Shareholders' Equity (Deficit)	(662)	(1,499)
Noncontrolling Interest	1	4
Total Equity (Deficit)	(661)	(1,495)
Total Liabilities and Equity (Deficit)	<u>\$ 11,571</u>	<u>\$ 10,125</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**L BRANDS, INC.**  
**CONSOLIDATED STATEMENTS OF TOTAL EQUITY (DEFICIT)**  
(in millions except per share amounts)

	Common Stock		Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
	Shares Outstanding	Par Value						
<b>Balance, February 3, 2018</b>	280	\$ 141	\$ 678	\$ 24	\$ (1,434)	\$ (162)	\$ 2	\$ (751)
Cumulative Effect of Accounting Changes	—	—	—	(2)	(26)	—	—	(28)
<b>Balance, February 4, 2018</b>	280	\$ 141	\$ 678	\$ 22	\$ (1,460)	\$ (162)	\$ 2	\$ (779)
Net Income	—	—	—	—	644	—	—	644
Other Comprehensive Income	—	—	—	37	—	—	—	37
Total Comprehensive Income	—	—	—	37	644	—	—	681
Cash Dividends (\$2.40 per share)	—	—	—	—	(666)	—	—	(666)
Repurchase of Common Stock	(5)	—	—	—	—	(196)	—	(196)
Share-based Compensation and Other	—	—	93	—	—	—	2	95
<b>Balance, February 2, 2019</b>	275	\$ 141	\$ 771	\$ 59	\$ (1,482)	\$ (358)	\$ 4	\$ (865)
Cumulative Effect of Accounting Change	—	—	—	—	(2)	—	—	(2)
<b>Balance, February 3, 2019</b>	275	\$ 141	\$ 771	\$ 59	\$ (1,484)	\$ (358)	\$ 4	\$ (867)
Net Loss	—	—	—	—	(366)	—	—	(366)
Other Comprehensive Loss	—	—	—	(7)	—	—	—	(7)
Total Comprehensive Loss	—	—	—	(7)	(366)	—	—	(373)
Cash Dividends (\$1.20 per share)	—	—	—	—	(332)	—	—	(332)
Share-based Compensation and Other	2	1	76	—	—	—	—	77
<b>Balance, February 1, 2020</b>	277	\$ 142	\$ 847	\$ 52	\$ (2,182)	\$ (358)	\$ 4	\$ (1,495)
Net Income	—	—	—	—	844	—	—	844
Other Comprehensive Income	—	—	—	31	—	—	—	31
Total Comprehensive Income	—	—	—	31	844	—	—	875
Cash Dividends (\$0.30 per share)	—	—	—	—	(83)	—	—	(83)
Share-based Compensation and Other	1	1	44	—	—	—	(3)	42
<b>Balance, January 30, 2021</b>	278	\$ 143	\$ 891	\$ 83	\$ (1,421)	\$ (358)	\$ 1	\$ (661)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**L BRANDS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)

	2020	2019	2018
<b>Operating Activities</b>			
Net Income (Loss)	\$ 844	\$ (366)	\$ 644
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:			
Impairment of Goodwill	—	720	—
Depreciation of Long-lived Assets	521	588	590
Amortization of Landlord Allowances	—	—	(43)
Victoria's Secret Asset Impairment Charges	254	263	101
Share-based Compensation Expense	50	87	97
Deferred Income Taxes	33	(29)	(52)
Loss on Extinguishment of Debt	53	40	—
Gain from Hong Kong Store Closure and Lease Termination	(39)	—	—
Gain related to formation of Victoria's Secret U.K. Joint Venture	(54)	—	—
La Senza Charges	—	37	—
Loss on Divestiture of La Senza	—	—	99
Changes in Assets and Liabilities, Net of Assets and Liabilities related to Divestitures:			
Accounts Receivable	38	31	(63)
Inventories	3	(40)	(40)
Accounts Payable, Accrued Expenses and Other	166	(93)	29
Income Taxes Payable	(43)	18	(113)
Other Assets and Liabilities	213	(20)	128
Net Cash Provided by Operating Activities	<u>2,039</u>	<u>1,236</u>	<u>1,377</u>
<b>Investing Activities</b>			
Capital Expenditures	(228)	(458)	(629)
Other Investing Activities	9	(22)	20
Net Cash Used for Investing Activities	<u>(219)</u>	<u>(480)</u>	<u>(609)</u>
<b>Financing Activities</b>			
Proceeds from Issuance of Long-term Debt, Net of Issuance Costs	2,218	486	—
Payments of Long-term Debt	(1,307)	(799)	(52)
Borrowing from Credit Agreement	950	12	92
Repayment of Credit Agreement	(950)	(12)	(92)
Borrowings from Foreign Facilities	34	167	172
Repayments of Foreign Facilities	(189)	(162)	(109)
Dividends Paid	(83)	(332)	(666)
Payments of Finance Lease Obligations	(53)	(8)	(4)
Repurchases of Common Stock	—	—	(198)
Tax Payments related to Share-based Awards	(12)	(13)	(13)
Other Financing Activities	2	(5)	(2)
Net Cash Provided by (Used for) Financing Activities	<u>610</u>	<u>(666)</u>	<u>(872)</u>
Effects of Exchange Rate Changes on Cash and Cash Equivalents and Restricted Cash	4	(4)	2
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	2,434	86	(102)
Cash and Cash Equivalents and Restricted Cash, Beginning of Period	1,499	1,413	1,515
Cash and Cash Equivalents and Restricted Cash, End of Period	<u>\$ 3,933</u>	<u>\$ 1,499</u>	<u>\$ 1,413</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## L BRANDS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Description of Business and Summary of Significant Accounting Policies

##### Description of Business

L Brands, Inc. (the "Company") operates the Bath & Body Works, Victoria's Secret and PINK retail brands in the highly competitive specialty retail business. Founded in 1963 in Columbus, Ohio, the Company has evolved from an apparel-based specialty retailer to a segment leader focused on home fragrance products, body care, soaps and sanitizers, women's intimate and other apparel, and personal and beauty care products. The Company sells its merchandise through company-operated specialty retail stores in the U.S., Canada and Greater China, through international franchise, license and wholesale partners and through its websites worldwide.

The Company is committed to establishing its Bath & Body Works business as a pure-play public company and is taking the necessary steps to prepare the Victoria's Secret business, including PINK, to operate as a separate standalone company. The Company's Board of Directors is currently evaluating all options, including a potential spin-off of the Victoria's Secret business into a public company or a private sale of the business.

##### Segment Reporting

In the third quarter of 2020, the Company changed its segment reporting as a result of leadership changes and restructuring actions taken to facilitate the ongoing efforts to separate Bath & Body Works and Victoria's Secret into separate businesses. The Company now has two reportable segments: Bath & Body Works and Victoria's Secret. Accordingly, the Company will no longer report a Victoria's Secret and Bath & Body Works International segment as these businesses are now included with their respective brand. Additionally, the Bath & Body Works and Victoria's Secret segments now include sourcing and production functions (formerly known as Mast) and certain other corporate functions that directly support each brand. These functions were previously included within Other.

While this reporting change did not impact the Company's consolidated results, segment data has been recast to be consistent for all periods presented. For additional information, see Note 20, "Segment Information."

##### Impacts of COVID-19

In March 2020, COVID-19 was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, and led to significant travel and transportation restrictions, including mandatory closures and orders to "shelter-in-place." The actions that governments around the world have taken to contain the spread of COVID-19 have resulted in a period of disruption, including closure of the Company's stores, limited store operating hours, reduced customer traffic and consumer spending and delays in manufacturing and shipping of products and raw materials. During this period, the Company is focused on protecting the health and safety of its customers, employees, contractors, suppliers and other business partners. The Company is also working with its suppliers to minimize potential disruptions, while managing the Company's business in response to a changing dynamic.

The Company's business operations and financial performance for 2020 were materially impacted by the COVID-19 pandemic. All of the Company's stores in North America were closed on March 17, 2020 but the Company was able to re-open the majority of its stores as of the beginning of the third quarter. Operations for Victoria's Secret Direct were temporarily suspended for approximately one week in late March 2020, while Bath & Body Works Direct remained open for the duration of fiscal 2020. Additionally, the Company has dedicated resources to maximize capacity in its direct fulfillment centers to meet increased customer demand, while focusing on distribution, fulfillment and call center safety. There remains a high level of uncertainty around the pandemic and the potential for further restrictions.

In response to the global COVID-19 crisis, the Company took prudent actions to manage expenses and to maintain its solid cash position and financial flexibility. The Company:

- Furloughed most store associates as of April 5, 2020 during the temporary store closures, while continuing to provide healthcare benefits for eligible associates;
- Suspended associate merit increases;
- Temporarily reduced salaries for senior vice presidents and above by 20%;
- Temporarily suspended cash compensation for all members of the Board of Directors;
- Reduced fiscal 2020 capital expenditures from an original forecast of \$550 million to \$228 million;
- Actively managed inventory to adjust for the impact of channel shifts to meet customer demand;
- Temporarily suspended the quarterly cash dividend beginning in the second quarter of fiscal 2020;

- Suspended many store and select office rent payments during the temporary closures. The Company completed negotiations with the majority of landlords, leading to a combination of rent waivers or abatements relating to closure periods, rent relief relating to the post-reopening “recovery” period given traffic declines, and rent deferrals;
- Converted the revolving credit facility to an asset-backed loan facility, issued \$2.25 billion in new notes and extinguished \$1.259 billion of notes primarily with near-term maturities; and
- Extended payment terms to vendors.

On March 27, 2020, the U.S. government enacted the CARES Act which, among other things, provided employer payroll tax credits for wages paid to employees who were unable to work during the coronavirus outbreak and options to defer payroll tax payments. During fiscal 2020, the Company recognized \$55 million of qualified payroll tax credits.

### **Fiscal Year**

The Company's fiscal year ends on the Saturday nearest to January 31. As used herein, “2020,” “2019,” and “2018” refer to the 52-week periods ended January 30, 2021, February 1, 2020 and February 2, 2019, respectively.

### **Basis of Consolidation**

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company accounts for investments in unconsolidated entities where it exercises significant influence, but does not have control, using the equity method. Under the equity method of accounting, the Company recognizes its share of the investee's net income or loss. Losses are only recognized to the extent the Company has positive carrying value related to the investee. Carrying values are only reduced below zero if the Company has an obligation to provide funding to the investee. The Company's share of net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income (Loss). The Company's share of net income or loss from its investment in the Victoria's Secret U.K. joint venture with Next PLC is included in General, Administrative and Store Operating Expenses in the Consolidated Statements of Income (Loss). See Note 5, "Restructuring Activities" for additional information on the Victoria's Secret U.K. joint venture. The Company's share of net income or loss of all other unconsolidated entities is included in Other Income (Loss) in the Consolidated Statements of Income (Loss). The Company's equity method investments are required to be reviewed for impairment when it is determined there may be an other-than-temporary loss in value.

### **Cash and Cash Equivalents**

Cash and Cash Equivalents include cash on hand, demand deposits with financial institutions and highly liquid investments with original maturities of less than 90 days. The Company's outstanding checks, which totaled \$9 million as of January 30, 2021 and \$15 million as of February 1, 2020, are included in Accounts Payable on the Consolidated Balance Sheets.

### **Restricted Cash**

During 2020, the Company placed cash on deposit with certain financial institutions as collateral for their lending commitments. As of January 30, 2021, the amount of collateral required was dependent upon the aggregate lending commitments. For additional information, see Note 13, "Long-term Debt and Borrowing Facilities."

These deposits, totaling \$30 million, are recorded in Other Assets on the January 30, 2021 Consolidated Balance Sheet. The Company's total Cash and Cash Equivalents and restricted cash was \$3.933 billion as of January 30, 2021.

### **Concentration of Credit Risk**

The Company maintains cash and cash equivalents, restricted cash and derivative contracts with various major financial institutions. The Company monitors the relative credit standing of financial institutions with whom the Company transacts and limits the amount of credit exposure with any one entity. The Company's investment portfolio is primarily comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, commercial paper and bank deposits.

The Company also periodically reviews the relative credit standing of franchise, license and wholesale partners and other entities to which the Company grants credit terms in the normal course of business. The Company determines the required allowance for expected credit losses using information such as customer credit history and financial condition. Amounts are charged against the allowance when it is determined that expected credit losses may occur.

### **Inventories**

Inventories are principally valued at the lower of cost or net realizable value, on an average cost basis.

The Company records valuation adjustments to its inventories if the cost of inventory on hand exceeds the amount it expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience.

The Company also records inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

### Advertising Costs

Advertising and marketing costs are expensed at the time the promotion first appears in media, in the store or when the advertising is mailed. Advertising and marketing costs totaled \$352 million for 2020, \$428 million for 2019 and \$476 million for 2018.

### Property and Equipment

The Company's property and equipment are recorded at cost and depreciation is computed on a straight-line basis using the following depreciable life ranges:

Category of Property and Equipment	Depreciable Life Range
Software, including software developed for internal use	3 - 5 years
Store related assets	3 - 10 years
Leasehold improvements	Shorter of lease term or 10 years
Non-store related building and site improvements	10 - 15 years
Other property and equipment	20 years
Buildings	30 years

When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. The Company's cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in net income (loss). Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend useful lives are capitalized.

Long-lived store assets, which include leasehold improvements, store related assets and operating lease assets (subsequent to the adoption of ASC 842, *Leases*), are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Store assets are grouped at the lowest level for which they are largely independent of other assets or asset groups. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, determined by the estimated discounted future cash flows of the asset group. For operating lease assets, the Company determines the fair value of the assets by comparing the contractual rent payments to estimated market rental rates. An individual asset within an asset group is not impaired below its estimated fair value. The fair value of long-lived store assets are determined using Level 3 inputs within the fair value hierarchy.

### Leases and Leasehold Improvements

In the first quarter of 2019, the Company adopted ASC 842, *Leases*, using the modified retrospective approach. Results for 2020 and 2019 are presented under ASC 842, while results for 2018 have not been adjusted and continue to be presented under the accounting standard in effect at that time.

The Company leases retail space, office space, warehouse facilities, storage space, equipment and certain other items under operating leases. A substantial portion of the Company's leases are operating leases for its stores, which generally have an initial term of 10 years. Annual store rent consists of a fixed minimum amount and/or variable rent based on a percentage of sales exceeding a stipulated amount. Store lease terms generally also require additional payments covering certain operating costs such as common area maintenance, utilities, insurance and taxes. Certain leases contain predetermined fixed escalations of minimum rentals or require periodic adjustments of minimum rentals depending on an index or rate. Additionally, certain leases contain incentives, such as construction allowances from landlords and/or rent abatements subsequent to taking possession of the leased property.

At lease commencement, the Company recognizes an asset for the right to use the leased asset and a liability based on the present value of the unpaid fixed lease payments. Operating lease costs are recognized on a straight-line basis as lease expense over the lease term. Variable lease payments associated with the Company's leases are recognized upon occurrence of the event or circumstance on which the payments are assessed. Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet, and lease expense is recognized on a straight-line basis over the lease term.



The Company uses its incremental borrowing rate, adjusted for collateral, to determine the present value of its unpaid lease payments.

The Company's store leases often include options to extend the initial term or to terminate the lease prior to the end of the initial term. The exercise of these options is typically at the sole discretion of the Company. These options are included in determining the initial lease term at lease commencement if the Company is reasonably certain to exercise the option. Additionally, the Company may operate stores for a period of time on a month-to-month basis after the expiration of the lease term.

The Company also has leasehold improvements which are amortized over the shorter of their estimated useful lives or the period from the date the assets are placed in service to the end of the initial lease term. Leasehold improvements made after the inception of the initial lease term are depreciated over the shorter of their estimated useful lives or the remaining lease term, including renewal periods, if reasonably assured.

### **Intangible Assets - Goodwill and Trade Names**

The Company has certain intangible assets resulting from business combinations and acquisitions that are recorded at cost.

Goodwill is reviewed for impairment at the reporting unit level each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The Company has the option to either first perform a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value (including goodwill), or to proceed directly to the quantitative assessment which requires a comparison of the reporting unit's fair value to its carrying value (including goodwill). If the Company determines that the fair value of a reporting unit is less than its carrying value, it recognizes an impairment charge equal to the difference, not to exceed the total amount of goodwill allocated to the reporting unit. The Company's reporting units are determined in accordance with the provisions of ASC 350, *Intangibles - Goodwill and Other*. As a result of goodwill impairment charges recognized in 2019, only the Bath & Body Works reporting unit has goodwill as of January 30, 2021.

The Bath & Body Works and Victoria's Secret trade names are intangible assets with indefinite lives. Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The Company has the option to either first perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired, or to proceed directly to the quantitative assessment which requires a comparison of the fair value of the intangible asset to its carrying value. To determine if the fair value of the asset is less than its carrying amount, the Company will estimate the fair value, usually determined by the relief from royalty method under the income approach, and compare that value with its carrying amount. If the carrying value of the trade name exceeds its fair value, the Company recognizes an impairment charge equal to the difference.

### **Foreign Currency Translation**

The functional currency of the Company's foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect as of the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The Company's resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in shareholders' equity. Accumulated foreign currency translation adjustments are reclassified to net income (loss) when realized upon sale or upon complete, or substantially complete, liquidation of the investment in the foreign entity.

### **Derivative Financial Instruments**

The Company uses derivative financial instruments to manage exposure to foreign currency exchange rates. The Company does not use derivative instruments for trading purposes. All derivative instruments are recorded on the Consolidated Balance Sheets at fair value.

The earnings of the Company's wholly owned foreign operations are subject to exchange rate risk as substantially all the merchandise is sourced through U.S. dollar transactions. The Company uses foreign currency forward contracts designated as cash flow hedges to mitigate this foreign currency exposure for its Canadian operations. Amounts are reclassified from accumulated other comprehensive income (loss) upon sale of the hedged merchandise to the customer. These gains and losses are recognized in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income (Loss). The fair value of designated cash flow hedges is not significant as of January 30, 2021.

### **Fair Value**

The authoritative guidance included in ASC 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This authoritative guidance further establishes a three-level fair

value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted market prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted market prices included in Level 1, such as quoted prices of similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company estimates the fair value of financial instruments, property and equipment and goodwill and trade names in accordance with the provisions of ASC 820.

### **Income Taxes**

The Company accounts for income taxes under the asset and liability method. Under this method, taxes currently payable or refundable are accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the Company's Consolidated Statement of Income (Loss) in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

In determining the Company's provision for income taxes, the Company considers permanent differences between book and tax income and statutory income tax rates. The Company's effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

The Company follows a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and for which actual outcomes may differ from forecasted outcomes. The Company's policy is to include interest and penalties related to uncertain tax positions in income tax expense.

The Company's income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. A number of years may elapse before a particular matter for which the Company has established an accrual is audited and fully resolved or clarified. The Company adjusts its tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from its established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available. The Company includes its tax contingencies accrual, including accrued penalties and interest, in Other Long-term Liabilities on the Consolidated Balance Sheets unless the liability is expected to be paid within one year. Changes to the tax contingencies accrual, including accrued penalties and interest, are included in Provision for Income Taxes on the Consolidated Statements of Income (Loss).

### **Self-Insurance**

The Company is self-insured for medical, workers' compensation, property, general liability and automobile liability up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported ("IBNR") claims. IBNR claims are estimated using historical claim information and actuarial estimates.

### **Noncontrolling Interest**

Noncontrolling interest represents the portion of equity interests of consolidated affiliates not owned by the Company.

## Share-based Compensation

The Company recognizes all share-based payments to employees and directors as compensation cost over the service period based on their estimated fair value on the date of grant. The Company estimates award forfeitures at the time awards are granted and adjusts, if necessary, in subsequent periods based on historical experience and expected future forfeitures.

Compensation cost is recognized over the service period for the fair value of awards that actually vest. Compensation expense for awards without a performance condition is recognized, net of estimated forfeitures, using a single award approach (each award is valued as one grant, irrespective of the number of vesting tranches). Compensation expense for awards with a performance condition is recognized, net of estimated forfeitures, using a multiple award approach (each vesting tranche is valued as one grant).

## Revenue Recognition

The Company recognizes revenue based on the amount it expects to receive when control of the goods or services is transferred to the customer. The Company recognizes sales upon customer receipt of merchandise, which for direct channel revenues reflect an estimate of shipments that have not yet been received by the customer based on shipping terms and historical delivery times. The Company's shipping and handling revenues are included in Net Sales with the related costs included in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income (Loss). The Company also provides a reserve for projected merchandise returns based on historical experience. Net Sales exclude sales and other similar taxes collected from customers.

The Company offers certain loyalty programs that allow customers to earn points based on purchasing activity. As customers accumulate points and reach point thresholds, they can use the points to purchase merchandise in stores or online. The Company allocates revenue to points earned on qualifying purchases and defers recognition until the points are redeemed. The amount of revenue deferred is based on the relative stand-alone selling price method, which includes an estimate for points not expected to be redeemed based on historical experience.

The Company sells gift cards with no expiration dates to customers. The Company does not charge administrative fees on unused gift cards. The Company recognizes revenue from gift cards when they are redeemed by the customer. In addition, the Company recognizes revenue on unredeemed gift cards where the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). Gift card breakage revenue is recognized in proportion, and over the same period, as actual gift card redemptions. The Company determines the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in the Consolidated Statements of Income (Loss).

Revenue earned in connection with Victoria's Secret's private label credit card arrangement is primarily recognized based on credit card sales and usage, and is included in Net Sales in the Consolidated Statements of Income (Loss).

The Company also recognizes revenues associated with franchise, license, wholesale and sourcing arrangements. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale and sourcing arrangements at the time the title passes to the partner.

## Costs of Goods Sold, Buying and Occupancy

The Company's costs of goods sold include merchandise costs, net of discounts and allowances, freight and inventory shrinkage. The Company's buying and occupancy expenses primarily include payroll, benefit costs and operating expenses for its buying departments and distribution network; and rent, common area maintenance, real estate taxes, utilities, maintenance, fulfillment expenses and depreciation for the Company's stores, warehouse facilities and equipment.

## General, Administrative and Store Operating Expenses

The Company's general, administrative and store operating expenses primarily include payroll and benefit costs for its store-selling and administrative departments (including corporate functions), marketing, advertising and other operating expenses not specifically categorized elsewhere in the Consolidated Statements of Income (Loss).

## Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates, and the Company revises its estimates and assumptions as new information becomes available.

## 2. New Accounting Pronouncements

### *Credit Losses*

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*, which requires the use of a forward-looking expected loss impairment model for accounts receivable and certain other financial instruments. The Company adopted the standard in the first quarter of 2020. The adoption of this standard did not have a material impact on the Company's consolidated results of operations, financial position or cash flows.

### *Guarantor Reporting*

In March 2020, the SEC issued a final rule, *Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities*, that simplifies the disclosure requirements related to registered securities under Rule 3-10 of Regulation S-X. The rule replaces the requirement to provide condensed consolidating financial information with a requirement to present summarized financial information of the issuers and guarantors. It also requires qualitative disclosures with respect to information about guarantors, the terms and conditions of guarantees and the factors that may affect payment. These disclosures may be provided outside the footnotes to the Company's consolidated financial statements. The Company early adopted the reporting requirements of the rule in the first quarter of 2020 and elected to provide these disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations.

## 3. Revenue Recognition

Accounts receivable, net from revenue-generating activities were \$125 million as of January 30, 2021 and \$152 million as of February 1, 2020. Accounts receivable primarily relate to amounts due from the Company's franchise, license and wholesale partners. Under these arrangements, payment terms are typically 60 to 90 days.

The Company records deferred revenue when cash payments are received in advance of transfer of control of goods or services. Deferred revenue primarily relates to gift cards, loyalty and private label credit card programs and direct channel shipments, which are all impacted by seasonal and holiday-related sales patterns. The balance of deferred revenue was \$371 million as of January 30, 2021 and \$342 million as of February 1, 2020. The Company recognized \$193 million as revenue in 2020 from amounts recorded as deferred revenue at the beginning of the period. As of January 30, 2021, the Company recorded deferred revenues of \$361 million within Accrued Expenses and Other, and \$10 million within Other Long-term Liabilities on the Consolidated Balance Sheet.

The following table provides a disaggregation of Net Sales for 2020, 2019 and 2018:

	2020	2019	2018
	(in millions)		
Bath & Body Works Stores - U.S. and Canada	\$ 4,207	\$ 4,212	\$ 3,907
Bath & Body Works Direct	2,003	958	724
Bath & Body Works International (a)	224	185	145
<b>Total Bath &amp; Body Works</b>	<b>6,434</b>	<b>5,355</b>	<b>4,776</b>
Victoria's Secret Stores - U.S. and Canada	2,795	5,112	5,628
Victoria's Secret Direct	2,223	1,693	1,747
Victoria's Secret International (b)	395	704	728
<b>Total Victoria's Secret</b>	<b>5,413</b>	<b>7,509</b>	<b>8,103</b>
Other (c)	—	50	358
<b>Total Net Sales</b>	<b>\$ 11,847</b>	<b>\$ 12,914</b>	<b>\$ 13,237</b>

(a) Results include royalties associated with franchised store and wholesale sales.

(b) Results include company-operated stores in the U.K. (pre-joint venture) and Greater China, royalties associated with franchised stores and wholesale sales.

(c) Results for 2019 include wholesale revenues to La Senza subsequent to the Company's divestiture of the business in 2018. Results for 2018 include store and direct sales for Henri Bendel and La Senza.

## 4. Earnings (Loss) Per Share

Earnings (loss) per basic share is computed based on the weighted-average number of common shares. Earnings (loss) per diluted share include the weighted-average effect of dilutive options and restricted stock on the weighted-average shares outstanding.

The following table provides the weighted-average shares utilized for the calculation of basic and diluted earnings (loss) per share for 2020, 2019 and 2018:

	2020	2019	2018
	(in millions)		
Common Shares	286	284	283
Treasury Shares	(8)	(8)	(7)
<b>Basic Shares</b>	<b>278</b>	<b>276</b>	<b>276</b>
Effect of Dilutive Options and Restricted Stock	3	—	3
<b>Diluted Shares</b>	<b>281</b>	<b>276</b>	<b>279</b>
Anti-dilutive Options and Awards (a)	5	9	5

- (a) These options and awards were excluded from the calculation of diluted earnings (loss) per share because their inclusion would have been anti-dilutive. For 2019, the dilutive impact of outstanding options and awards were excluded from dilutive shares as a result of the Company's net loss for the period.

## 5. Restructuring Activities

The Company is committed to establishing Bath & Body Works as a pure-play public company and is taking the necessary steps to prepare Victoria's Secret to operate as a separate standalone company. Management of the Company is actively engaged in implementing a comprehensive profit improvement plan that will better position the Company to evaluate the next steps for the separation of the Victoria's Secret business. During the second quarter of 2020, the Company completed its comprehensive review of its home office organizations in order to achieve meaningful reductions in overhead expenses and decentralize significant shared functions and services to support the creation of standalone companies. This resulted in a reduction of the home office headcount by approximately 15%, or about 850 associates. Pre-tax severance and related costs associated with these reductions, totaling \$81 million, are included in General, Administrative and Store Operating Expenses in the 2020 Consolidated Statement of Income. Costs of \$51 million and \$12 million are recorded within the Victoria's Secret and Bath & Body Works segments, respectively, while the remaining \$18 million is recorded within Other.

During 2020, the Company made payments of \$49 million and, as of January 30, 2021, a liability, after accrual adjustments, of \$33 million related to these costs is included in Accrued Expenses and Other on the Consolidated Balance Sheet.

### *Victoria's Secret U.K.*

Due to challenging business results for Victoria's Secret in the U.K., the Company entered into Administration in June 2020 to restructure store lease agreements and reduce operating losses in the Victoria's Secret U.K. business. In October 2020, the Company entered into a joint venture with Next PLC for the Victoria's Secret business in the United Kingdom and Ireland. Under this agreement, the Company owns 49% of the joint venture, and Next owns 51% and is responsible for operations. The Company accounts for its investment in the joint venture under the equity method of accounting.

The joint venture acquired the majority of the operating assets, primarily inventory, and the restructured leases were transferred to the joint venture. Effective October 19, 2020, the newly formed joint venture began operating all Victoria's Secret stores in the U.K. and Ireland. The joint venture will begin operating the U.K. direct business starting Spring 2021. The Company recognized non-cash pre-tax gains of \$90 million related to the derecognition of operating lease liabilities in excess of operating lease assets for the 24 store leases that were restructured and transferred to the joint venture. In addition, the Company recognized a \$25 million non-cash pre-tax impairment charge to fully write-off all remaining long-lived store assets in the U.K. Finally, as a result of the transition to a joint venture business model in the U.K. and the substantially complete liquidation of the Company's investment in the U.K., the Company recognized a \$36 million non-cash pre-tax loss related to accumulated foreign currency translation adjustments that were reclassified into earnings which were previously recognized as a component of equity.

The above items relating to Victoria's Secret U.K. are included in General, Administrative and Store Operating Expenses in the 2020 Consolidated Statement of Income.

### *La Senza*

In January 2019, in an effort to increase shareholder value and in order to focus on its larger core businesses, the Company divested its ownership interest in La Senza to an affiliate of Regent LP, a global private equity firm. Regent LP assumed La Senza's operating assets and liabilities in exchange for potential future consideration upon the sale or other monetization of La Senza, as defined in the agreement. In the fourth quarter of 2018, the Company recognized a pre-tax loss on the divestiture of \$99 million, primarily related to \$45 million of accumulated foreign currency translation adjustments reclassified into earnings that were previously recognized as a component of equity, as well as losses related to the transfer of the net working capital and

long-lived store assets to the buyer. The loss is included in Loss on Divestiture of La Senza in the 2018 Consolidated Statement of Income. The after-tax loss on the divestiture was \$55 million, which includes \$44 million of tax benefits primarily associated with the recognition of previously unrecognized deferred tax assets.

In conjunction with the transaction, certain of the Company's subsidiaries have remaining contingent obligations related to La Senza lease payments under the terms of existing noncancelable leases. In 2019, the Company's subsidiaries recognized pre-tax, non-cash charges of \$37 million to increase the reserves for potential exposure related to the La Senza business. These charges are included in Other Income (Loss) in the 2019 Consolidated Statement of Loss. For additional information, see Note 16, "Commitments and Contingencies."

#### *Henri Bendel*

The Company announced the closure of Henri Bendel in the third quarter of 2018. As a result, the Company recognized a pre-tax charge, primarily cash, consisting of lease termination costs, severance and other costs of \$20 million in the third quarter of 2018. In the fourth quarter of 2018, the Company recognized an additional pre-tax charge of \$3 million, primarily related to contract termination and employee retention costs. Restructuring charges of \$14 million and \$9 million are included in Costs of Goods Sold, Buying and Occupancy and General, Administrative and Store Operating Expenses, respectively, in the 2018 Consolidated Statement of Income.

### 6. Inventories

The following table provides details of inventories as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
	(in millions)	
Finished Goods Merchandise	\$ 1,073	\$ 1,152
Raw Materials and Merchandise Components	200	135
<b>Total Inventories</b>	<b>\$ 1,273</b>	<b>\$ 1,287</b>

### 7. Long-Lived Assets

The following table provides details of property and equipment, net as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
	(in millions)	
Land and Improvements	\$ 115	\$ 116
Buildings and Improvements	500	496
Furniture, Fixtures, Software and Equipment	3,771	3,861
Leasehold Improvements	1,780	2,018
Construction in Progress	38	122
<b>Total</b>	<b>6,204</b>	<b>6,613</b>
Accumulated Depreciation and Amortization	(4,109)	(4,127)
<b>Property and Equipment, Net</b>	<b>\$ 2,095</b>	<b>\$ 2,486</b>

Depreciation expense was \$521 million in 2020, \$588 million in 2019 and \$590 million in 2018.

#### *Long-Lived Store Assets*

In 2020, the Company executed a rationalization of the Victoria's Secret company-operated store footprint. The Company permanently closed 241 stores in North America in 2020. Given the closures in 2020 as well as the negative operating results of certain Victoria's Secret stores in 2020, 2019 and 2018, the Company reviewed the long-lived store assets for potential impairment in all periods presented. The Company determined that the estimated undiscounted future cash flows were less than the carrying values for certain Victoria's Secret asset groups and, as a result, determined the estimated fair values of the store asset groups using estimated discounted future cash flows and estimated market rental rates. Long-lived store asset impairment charges are included within the Victoria's Secret segment, and principally included in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income (Loss).

As discussed in Note 5, "Restructuring Activities" the Company recorded a \$25 million non-cash pre-tax impairment charge to fully write-off all remaining long-lived store assets in the U.K. This charge is included in General, Administrative and Store Operating Expenses in the 2020 Consolidated Statement of Income.

The following table provides pre-tax long-lived store asset impairment charges included in the Consolidated Statement of Income (Loss) for 2020, 2019 and 2018:

	2020	2019	2018
	(in millions)		
Store Asset Impairment	\$ 136	\$ 198	\$ 101
Operating Lease Asset Impairment	118	65	—
<b>Total Impairment</b>	<b>\$ 254</b>	<b>\$ 263</b>	<b>\$ 101</b>

## 8. Leases

The following table provides the components of lease cost for operating leases for 2020 and 2019:

	2020	2019
	(in millions)	
Operating Lease Costs (a)	\$ 744	\$ 769
Variable Lease Costs	65	100
Short-term Lease Costs	34	30
<b>Total Lease Cost</b>	<b>\$ 843</b>	<b>\$ 899</b>

- (a) As discussed in Note 7, "Long-Lived Assets," the Company recognized operating lease asset impairment charges of \$118 million and \$65 million during 2020 and 2019, respectively, which is included as operating lease costs.

For many stores and select office locations, beginning in April, rent was not paid, or was only partially paid, due to the COVID-19 pandemic. Negotiations are complete with nearly all landlords to determine potential rent credits or payment deferrals related to COVID-19. As of January 30, 2021, the Company is fully accrued to the original contractual rent due unless an executed amendment is in place. The FASB issued guidance in April which allows certain COVID-19-related concessions to be recognized as a reduction of lease costs in the period an amendment is executed. As a result, the Company recognized a \$111 million reduction to occupancy expenses in the 2020 Consolidated Statement of Income as a result of executed amendments with landlords.

The following table provides future maturities of operating lease liabilities as of January 30, 2021:

<b>Fiscal Year</b>	<b>(in millions)</b>
2021	\$ 750
2022	630
2023	540
2024	464
2025	404
Thereafter	965
<b>Total Lease Payments</b>	<b>\$ 3,753</b>
Less: Interest	(664)
<b>Present Value of Operating Lease Liabilities</b>	<b>\$ 3,089</b>

For leases entered into or reassessed after the adoption of the new standard, the Company has elected the practical expedient allowed by the standard to account for all fixed consideration in a lease as a single lease component. Therefore, the lease payments used to measure the lease liability for these leases include fixed minimum rentals along with fixed operating costs such as common area maintenance and utilities.

As of January 30, 2021, the Company had additional operating lease commitments that have not yet commenced of approximately \$256 million.

The following table provides the weighted-average remaining lease term and discount rate for operating leases with lease liabilities as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
Weighted Average Remaining Lease Term (years)	6.4	7.4
Weighted Average Discount Rate	5.8 %	6.2 %

During 2020 and 2019, the Company paid \$520 million and \$708 million, respectively, for operating lease liabilities recorded on the balance sheet. These payments are included within the Operating Activities section of the Consolidated Statement of Cash Flows.

During 2020 and 2019, the Company obtained \$172 million and \$313 million, respectively, of additional lease assets as a result of new operating lease obligations.

#### ***Finance Leases***

The Company leases certain fulfillment equipment under finance leases that expire at various dates through 2025. The Company records finance lease assets, net of accumulated amortization, in Property and Equipment, Net on the Consolidated Balance Sheet. Additionally, the Company records finance lease liabilities in Accrued Expenses and Other and Other Long-term Liabilities on the Consolidated Balance Sheet. Finance lease costs are comprised of the straight-line amortization of the lease asset and the accretion of interest expense under the effective interest method.

The Company recorded \$33 million and \$21 million of finance lease assets, net of accumulated amortization, in Property and Equipment, Net on the January 30, 2021 and February 1, 2020 Consolidated Balance Sheets, respectively. Additionally, the Company recorded finance lease liabilities of \$12 million in Accrued Expenses and Other and \$21 million in Other Long-term Liabilities on the January 30, 2021 Consolidated Balance Sheet, and \$8 million in Accrued Expenses and Other and \$13 million in Other Long-term Liabilities on the February 1, 2020 Consolidated Balance Sheet.

#### ***Victoria's Secret Hong Kong***

During the second quarter of 2020, the Company closed its unprofitable Victoria's Secret flagship store in Hong Kong. As a result of the store closure, the Company recognized a non-cash pre-tax gain of \$39 million, primarily due to terminating the store lease and the related write-off of the operating lease liability in excess of the operating lease asset, which was partially impaired in fiscal 2019. This gain is included in Costs of Goods Sold, Buying and Occupancy in the 2020 Consolidated Statement of Income. The Company also recorded \$3 million of severance and related costs associated with the closure, which are included in General, Administrative and Store Operating Expenses in the 2020 Consolidated Statement of Income.

#### ***Asset Retirement Obligations***

The Company has asset retirement obligations related to certain company-operated international stores that contractually obligate the Company to remove leasehold improvements at the end of a lease. The Company's liabilities for asset retirement obligations totaled \$11 million as of January 30, 2021 and \$22 million as of February 1, 2020. These liabilities are included in Other Long-term Liabilities on the Consolidated Balance Sheets.

#### ***Disclosures for 2018***

The following table provides rent expense, as presented under the prior accounting standard, for 2018:

	(in millions)
<b>Store Rent:</b>	
Fixed Minimum	\$ 663
Contingent	72
<b>Total Store Rent</b>	<b>735</b>
Office, Equipment and Other	98
<b>Gross Rent Expense</b>	<b>833</b>
Sublease Rental Income	(2)
<b>Total Rent Expense</b>	<b>\$ 831</b>



## 9. Goodwill and Trade Names

### Goodwill

Bath & Body Works goodwill was \$628 million as of January 30, 2021 and February 1, 2020. As of the end of the fourth quarter of 2020, the Company performed its annual goodwill impairment assessment over the Bath & Body Works reporting unit. The Company performed a qualitative assessment and determined that the Bath & Body Works reporting unit's fair value was greater than its carrying value (including goodwill).

As of the end of the third quarter of 2019, the Company performed a quantitative interim impairment assessment over the Victoria's Secret and Victoria's Secret Greater China reporting units. An interim assessment was performed in consideration of the negative performance of these reporting units and their impact on the sustained decline in the Company's market capitalization. Further, for the Greater China reporting unit, the Company considered the results of the long-lived store asset impairment assessment.

The interim assessment concluded that the fair value of the Victoria's Secret reporting unit, which was based on a weighted average of the income and market approaches, exceeded its carrying value. However, the fair value of the Greater China reporting unit, which was based on the income approach, did not exceed its carrying value. Accordingly, the Company recognized a goodwill impairment charge of \$30 million in the third quarter of 2019 related to the Greater China reporting unit. This charge is included in the Victoria's Secret segment and in Impairment of Goodwill in the 2019 Consolidated Statement of Loss.

As of the end of the fourth quarter of 2019, the Company performed its annual goodwill impairment assessment over the Bath & Body Works and Victoria's Secret reporting units. The fair value of the Bath & Body Works reporting unit was estimated using a weighted average of the income and market approaches. As a result of continued fourth quarter declines in business performance and increased risk, volatility and uncertainty related to the Victoria's Secret reporting unit, the Company estimated its fair value using a market approach.

The annual assessment concluded that the fair value of the Victoria's Secret reporting unit did not exceed its carrying value. Accordingly, the Company recognized a goodwill impairment charge of \$690 million in the fourth quarter of 2019 related to the Victoria's Secret reporting unit. This charge is included in the Victoria's Secret segment and in Impairment of Goodwill in the 2019 Consolidated Statement of Loss. The 2019 annual assessment also concluded that the fair value of the Bath & Body Works reporting unit exceeded its carrying value.

The market approach is based on earnings multiples of selected guideline public companies, while the income approach is based on estimated discounted future cash flows. The approaches, which are determined using Level 3 inputs within the fair value hierarchy, incorporated a number of significant assumptions and judgments including, but not limited to, estimated future cash flows, multiples of earnings of similar public companies, discount rates, income tax rates, terminal growth rates and an implied control premium relative to the Company's market capitalization.

### Trade Names

The Bath & Body Works and Victoria's Secret trade names represent intangible assets with indefinite lives. The following table provides the composition of trade names as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
	(in millions)	
Bath & Body Works	\$ 165	\$ 165
Victoria's Secret	246	246
<b>Trade Names</b>	<b>\$ 411</b>	<b>\$ 411</b>

As of the end of the fourth quarter of 2020 and 2019, the Company performed its annual impairment assessments of the Bath & Body Works and Victoria's Secret trade names. To estimate the fair value of the trade names, the Company used the relief from royalty method under the income approach. The annual assessments concluded that the fair values of the trade names were in excess of their respective carrying values.

In 2019, the Company also performed a quantitative interim impairment assessment of the Victoria's Secret trade name. An interim assessment was performed in consideration of the negative performance of Victoria's Secret. To estimate the fair value of the Victoria's Secret trade name, the Company used the relief from royalty method under the income approach. The interim assessment concluded that the fair value of the Victoria's Secret trade name exceeded its carrying value.

## 10. Equity Investments

### *Easton*

The Company has land and other investments in Easton, a planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. These investments, totaling \$119 million as of January 30, 2021 and \$118 million as of February 1, 2020, are recorded in Other Assets on the Consolidated Balance Sheets.

Included in the Company's Easton investments are equity interests in Easton Town Center, LLC ("ETC") and Easton Gateway, LLC ("EG"), entities that own and develop commercial entertainment and shopping centers. The Company's investments in ETC and EG are accounted for using the equity method of accounting. The Company has a majority financial interest in ETC and EG, but another unaffiliated member manages them, and certain significant decisions regarding ETC and EG require the consent of unaffiliated members in addition to the Company.

### *Victoria's Secret U.K.*

As of January 30, 2021, the Company accounts for its investment in Victoria's Secret U.K. under the equity method of accounting. For additional information, see Note 5, "Restructuring Activities."

## 11. Accrued Expenses and Other

The following table provides additional information about the composition of Accrued Expenses and Other as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
	(in millions)	
Deferred Revenue, Principally from Gift Card Sales	\$ 361	\$ 330
Compensation, Payroll Taxes and Benefits	336	216
Supplemental Retirement Plan	166	—
Interest	94	94
Taxes, Other than Income	88	74
Rent	47	35
Marketing	47	32
Accrued Claims on Self-insured Activities	39	40
Returns Reserve	28	23
Other	251	208
<b>Total Accrued Expenses and Other</b>	<b>\$ 1,457</b>	<b>\$ 1,052</b>

## 12. Income Taxes

Current income tax expense represents the amounts expected to be reported on the Company's income tax returns, and deferred tax expense or benefit represents the change in net deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized.

The following table provides the components of the Company's provision for income taxes for 2020, 2019 and 2018:

	2020	2019	2018
	(in millions)		
<b>Current:</b>			
U.S. Federal	\$ 147	\$ 156	\$ 212
U.S. State	52	35	37
Non-U.S.	16	23	16
<b>Total</b>	<b>215</b>	<b>214</b>	<b>265</b>
<b>Deferred:</b>			
U.S. Federal	11	(7)	(4)
U.S. State	(2)	1	2
Non-U.S.	24	(23)	(50)
<b>Total</b>	<b>33</b>	<b>(29)</b>	<b>(52)</b>
<b>Provision for Income Taxes</b>	<b>\$ 248</b>	<b>\$ 185</b>	<b>\$ 213</b>

The non-U.S. component of pre-tax income, arising principally from overseas operations, was income of \$83 million, loss of \$226 million and loss of \$14 million for 2020, 2019 and 2018, respectively.

The following table provides the reconciliation between the statutory federal income tax rate and the effective tax rate for 2020, 2019 and 2018:

	2020	2019	2018
Federal Income Tax Rate	21.0%	21.0%	21.0%
State Income Taxes, Net of Federal Income Tax Effect	5.0%	(23.0%)	6.0%
Impact of Non-U.S. Operations	1.9%	(5.7%)	2.3%
Goodwill Impairment	— %	(80.8%)	—%
Change in Valuation Allowance	0.4 %	(18.5%)	(1.1%)
Divestiture of La Senza	—%	—%	(2.7%)
Share-Based Compensation	1.0%	(7.7%)	1.0%
Uncertain Tax Positions	(5.0%)	12.3%	(0.5%)
Restructuring of Foreign Investments	(2.0%)	—%	—%
Other Items, Net	0.4%	0.5%	(1.1%)
<b>Effective Tax Rate</b>	<b>22.7%</b>	<b>(101.9%)</b>	<b>24.9%</b>

## Deferred Taxes

The following table provides the effect of temporary differences that cause deferred income taxes as of January 30, 2021 and February 1, 2020. Deferred tax assets and liabilities represent the future effects on income taxes resulting from temporary differences and carryforwards at the end of the respective year.

	January 30, 2021			February 1, 2020		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	(in millions)					
Loss Carryforwards	\$ 447	\$ —	\$ 447	\$ 247	\$ —	\$ 247
Non-qualified Retirement Plan	38	—	38	62	—	62
Leases	669	(601)	68	746	(712)	34
Share-based Compensation	30	—	30	40	—	40
Deferred Revenue	6	—	6	20	—	20
Property and Equipment	—	(216)	(216)	—	(230)	(230)
Trade Names and Other Intangibles	—	(94)	(94)	—	(94)	(94)
Other Assets	—	(61)	(61)	—	(60)	(60)
Other, Net	62	(19)	43	70	(20)	50
Valuation Allowance	(426)	—	(426)	(204)	—	(204)
<b>Total Deferred Income Taxes</b>	<b>\$ 826</b>	<b>\$ (991)</b>	<b>\$ (165)</b>	<b>\$ 981</b>	<b>\$ (1,116)</b>	<b>\$ (135)</b>

As of January 30, 2021, the Company had loss carryforwards of \$447 million, of which \$248 million has an indefinite carryforward. The remainder of the U.S. and non-U.S. carryforwards, if unused, will expire at various dates from 2021 through 2040 and 2028 through 2040, respectively. For certain jurisdictions where the Company has determined that it is more likely than not that the loss carryforwards will not be realized, a valuation allowance has been provided on those loss carryforwards as well as other net deferred tax assets.

Income tax payments were \$200 million for 2020, \$228 million for 2019 and \$324 million for 2018.

## Uncertain Tax Positions

The following table summarizes the activity related to the Company's unrecognized tax benefits for U.S. federal, state & non-U.S. tax jurisdictions for 2020, 2019 and 2018, without interest and penalties:

	2020	2019	2018
	(in millions)		
<b>Gross Unrecognized Tax Benefits, as of the Beginning of the Fiscal Year</b>	\$ 88	\$ 114	\$ 67
Increases to Unrecognized Tax Benefits for Prior Years	7	15	35
Decreases to Unrecognized Tax Benefits for Prior Years	(50)	(22)	(25)
Increases to Unrecognized Tax Benefits as a Result of Current Year Activity	113	3	44
Decreases to Unrecognized Tax Benefits Relating to Settlements with Taxing Authorities	—	(16)	—
Decreases to Unrecognized Tax Benefits as a Result of a Lapse of the Applicable Statute of Limitations	(6)	(6)	(7)
<b>Gross Unrecognized Tax Benefits, as of the End of the Fiscal Year</b>	<b>\$ 152</b>	<b>\$ 88</b>	<b>\$ 114</b>

Of the total gross unrecognized tax benefits, approximately \$142 million, \$81 million and \$104 million, at January 30, 2021, February 1, 2020, and February 2, 2019, respectively, represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. These amounts are net of the offsetting tax effects from other tax jurisdictions.

Of the total unrecognized tax benefits, it is reasonably possible that \$122 million could change in the next 12 months due to audit settlements, expiration of statute of limitations or other resolution of uncertainties. Due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in amounts which could be different from this estimate. In such case, the Company will record additional tax expense or tax benefit in the period in which such matters are effectively settled.

The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax expense. The Company recognized an income tax benefit from interest and penalties of approximately \$3 million, \$1 million and \$5 million in 2020, 2019 and 2018, respectively. The Company has accrued \$10 million and \$12 million for the payment of interest and

penalties as of January 30, 2021 and February 1, 2020, respectively. Accrued interest and penalties are included within Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company files U.S. federal income tax return as well as income tax returns in various states and in non-U.S. jurisdictions. The Company is a participant in the Compliance Assurance Process ("CAP"), which is a program made available by the Internal Revenue Service ("IRS") to certain qualifying large taxpayers, under which participants work collaboratively with the IRS to identify and resolve potential tax issues through open, cooperative and transparent interaction prior to the annual filing of their federal income tax return. The IRS is currently examining the Company's 2019 consolidated U.S. federal income tax return.

The Company is also subject to various state and local income tax examinations for the years 2015 to 2019. Finally, the Company is subject to multiple non-U.S. tax jurisdiction examinations for the years 2008 to 2019. In some situations, the Company determines that it does not have a filing requirement in a particular tax jurisdiction. Where no return has been filed, no statute of limitations applies. Accordingly, if a tax jurisdiction reaches a conclusion that a filing requirement does exist, additional years may be reviewed by the tax authority. The Company believes it has appropriately accounted for uncertainties related to this issue.

### 13. Long-term Debt and Borrowing Facilities

The following table provides the Company's outstanding debt balance, net of unamortized debt issuance costs and discounts, as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
	(in millions)	
<b>Senior Secured Debt with Subsidiary Guarantee</b>		
\$750 million, 6.875% Fixed Interest Rate Secured Notes due July 2025 ("2025 Secured Notes")	\$ 740	\$ —
Secured Foreign Facilities	—	103
Total Senior Secured Debt with Subsidiary Guarantee	\$ 740	\$ 103
<b>Senior Debt with Subsidiary Guarantee</b>		
\$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	\$ —	\$ 450
\$285 million, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	284	858
\$320 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	319	498
\$500 million, 9.375% Fixed Interest Rate Notes due July 2025 ("2025 Notes")	493	—
\$297 million, 6.694% Fixed Interest Rate Notes due January 2027 ("2027 Notes")	278	276
\$500 million, 5.25% Fixed Interest Rate Notes due February 2028 ("2028 Notes")	497	496
\$500 million, 7.50% Fixed Interest Rate Notes due June 2029 ("2029 Notes")	488	487
\$1 billion, 6.625% Fixed Interest Rate Notes due October 2030 ("2030 Notes")	988	—
\$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 ("2035 Notes")	991	991
\$700 million, 6.75% Fixed Interest Rate Notes due July 2036 ("2036 Notes")	694	693
Total Senior Debt with Subsidiary Guarantee	\$ 5,032	\$ 4,749
<b>Senior Debt</b>		
\$350 million, 6.95% Fixed Interest Rate Debentures due March 2033 ("2033 Notes")	\$ 348	\$ 348
\$247 million, 7.60% Fixed Interest Rate Notes due July 2037 ("2037 Notes")	246	298
Unsecured Foreign Facilities	—	50
Total Senior Debt	\$ 594	\$ 696
Total	\$ 6,366	\$ 5,548
Current Debt	—	(61)
Total Long-term Debt, Net of Current Portion	\$ 6,366	\$ 5,487

The following table provides principal payments due on outstanding debt in the next five fiscal years and the remaining years thereafter:

Fiscal Year (in millions)	
2021	\$ —
2022	285
2023	320
2024	—
2025	1,250
Thereafter	\$ 4,594

Cash paid for interest was \$418 million in 2020, \$363 million in 2019 and \$380 million in 2018.

#### **Issuance of Notes**

In September 2020, the Company issued \$1 billion of 6.625% senior notes due October 2030. The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by the Company and certain of the Company's 100% owned subsidiaries. The proceeds from the issuance were \$988 million, which were net of issuance costs of \$12 million. The issuance costs are being amortized through the maturity date and are included within Long-term Debt on the January 30, 2021 Consolidated Balance Sheet.

In June 2020, the Company issued \$750 million of 6.875% senior secured notes due July 2025. The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by the Company and certain of

the Company's 100% owned subsidiaries. The 2025 Secured Notes are secured on a first-priority lien basis by substantially all of the assets of the Company and the guarantors, and on a second-priority lien basis by certain collateral securing the asset-backed revolving credit facility, in each case, subject to certain exceptions. The proceeds from the issuance were \$738 million, which were net of issuance costs of \$12 million. The issuance costs are being amortized through the maturity date and are included within Long-term Debt on the January 30, 2021 Consolidated Balance Sheet.

In June 2020, the Company also issued \$500 million of 9.375% notes due in July 2025. The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by the Company and certain of the Company's 100% owned subsidiaries. The proceeds from the issuance were \$492 million, which were net of issuance costs of \$8 million. The issuance costs are being amortized through the maturity date and are included within Long-term Debt on the January 30, 2021 Consolidated Balance Sheet.

In June 2019, the Company issued \$500 million of 7.50% notes due in June 2029. The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by the Company and certain of the Company's 100% owned subsidiaries. The proceeds from the issuance were \$486 million, which were net of discounts and issuance costs of \$14 million. The discounts and issuance costs are being amortized through the maturity date and are included within Long-term Debt on the Consolidated Balance Sheets.

### ***Repurchases of Notes***

In October 2020, the Company settled tender offers to repurchase \$576 million of outstanding 2022 Notes, \$180 million of outstanding 2023 Notes and \$53 million of outstanding 2037 Notes for \$844 million. The Company used the proceeds from the 2030 Notes to fund the purchase price of the tender offers. Additionally, utilizing cash on hand, the Company redeemed the remaining \$450 million of outstanding 2021 Notes for \$463 million. The Company recognized a pre-tax loss related to this extinguishment of debt of \$53 million (after-tax loss of \$40 million), which includes redemption fees and the write-offs of unamortized issuance costs. This loss is included in Other Income (Loss) in the 2020 Consolidated Statement of Income.

In June 2019, the Company completed the early settlement of tender offers to repurchase \$212 million of outstanding 2020 Notes, \$330 million of outstanding 2021 Notes and \$96 million of outstanding 2022 Notes for \$669 million. The Company used the proceeds from the 2029 Notes, together with cash on hand, to fund the purchase price for the tender offers. Additionally, in July 2019, the Company redeemed the remaining \$126 million of outstanding 2020 Notes for \$130 million. The Company recognized a pre-tax loss on extinguishment of debt of \$40 million (after-tax loss of \$30 million), which includes redemption fees and the write-off of unamortized issuance costs. This loss is included in Other Income (Loss) in the 2019 Consolidated Statement of Loss.

In March 2021, the Company's Board of Directors authorized a reduction in the Company's debt that will be effected by a make whole call to repurchase the remaining \$285 million of outstanding 2022 Notes and the \$750 million of outstanding 2025 Secured Notes. This make whole call was issued on March 12, 2021 and the Company anticipates using approximately \$1.1 billion in cash to complete the debt repurchase.

### ***Revolving Credit Facility***

The Company and certain of the Company's 100% owned subsidiaries guarantee and pledge collateral to secure a revolving credit facility. In April 2020, the Company entered into an amendment and restatement of the Credit Agreement to convert the Company's credit facility into an asset-backed revolving credit facility. The Amendment maintains the aggregate commitments at \$1 billion, and maintains the expiration date in August of 2024. The ABL Facility allows borrowings and letters of credit in U.S. dollars or Canadian dollars.

Availability under the ABL Facility is the lesser of (i) the borrowing base, determined primarily based on the Company's eligible U.S. and Canadian credit card receivables, accounts receivable, inventory and eligible real property, or (ii) the aggregate commitment. If at any time, the outstanding amount under the ABL Facility exceeds the lesser of (i) the borrowing base and (ii) the aggregate commitment, the Company will be required to prepay the outstanding amounts under the ABL Facility to the extent of such excess. In addition, at any time that the Company's consolidated cash balance exceeds \$350 million, it will be required to prepay outstanding amounts under the ABL Facility to the extent of such excess. As of January 30, 2021, the Company's borrowing base was \$853 million but it was unable to draw upon the ABL Facility as its consolidated cash balance exceeded \$350 million.

The ABL Facility supports the Company's letter of credit program. The Company had \$63 million of outstanding letters of credit as of January 30, 2021 that reduced its availability under the ABL Facility.

As of January 30, 2021, the ABL Facility fees related to committed and unutilized amounts were 0.30% per annum, and the fees related to outstanding letters of credit were 1.75% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings was LIBOR plus 1.75% per annum. The interest rate on outstanding Canadian dollar-denominated borrowings was CDOR plus 1.75% per annum.

The ABL Facility requires the Company to maintain a fixed charge coverage ratio of not less than 1.00 to 1.00 during an event of default or any period commencing on any day when specified excess availability is less than the greater of (1) \$100 million or (2) 15% of the maximum borrowing amount. As of January 30, 2021, the Company was not required to maintain this ratio.

In March 2020, in an abundance of caution and as a proactive measure in response to the COVID-19 pandemic, the Company elected to borrow \$950 million from its revolving facility, which was repaid upon the completion of the Amendment. As of January 30, 2021, there were no borrowings outstanding under the ABL Facility.

### **Foreign Facilities**

Certain of the Company's China subsidiaries utilize revolving and term loan bank facilities to support their operations. The Foreign Facilities allow borrowings in U.S. dollars and Chinese Yuan, and interest rates on outstanding borrowings are based upon the applicable benchmark rate for the currency of each borrowing. Certain of these facilities are guaranteed by the Company and certain of the Company's 100% owned subsidiaries.

As of January 30, 2021, the Secured Foreign Facilities allow for borrowings and letters of credit up to \$30 million. During 2020, the Company borrowed \$21 million and made payments of \$126 million under the Secured Foreign Facilities. As of January 30, 2021, there were no borrowings outstanding under the Secured Foreign Facilities.

During 2020, the Company placed cash on deposit with certain financial institutions as collateral for their lending commitments under the Secured Foreign Facilities. As of January 30, 2021, the amount of collateral required was dependent upon the aggregate lending commitments. These deposits, totaling \$30 million, are recorded in Other Assets on the January 30, 2021 Consolidated Balance Sheet.

During 2020, the Company borrowed \$13 million and made payments of \$63 million under the unsecured Foreign Facilities. During the second quarter of 2020, with no borrowings outstanding, the Company terminated the unsecured Foreign Facilities.

## **14. Fair Value Measurements**

Cash and Cash Equivalents and restricted cash include cash on hand, deposits with financial institutions and highly liquid investments with original maturities of less than 90 days. The Company's Cash and Cash Equivalents and restricted cash are considered Level 1 fair value measurements as they are valued using unadjusted quoted prices in active markets for identical assets.

The following table provides a summary of the principal value and estimated fair value of outstanding publicly traded debt as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
	(in millions)	
Principal Value	\$ 6,449	\$ 5,458
Fair Value, Estimated (a)	7,243	5,555

(a) The estimated fair value of the Company's publicly traded debt is based on reported transaction prices which are considered Level 2 inputs in accordance with ASC 820, *Fair Value Measurement*. The estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Management believes that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

## **15. Comprehensive Income**

Comprehensive Income includes gains and losses on foreign currency translation and on derivative instruments. The cumulative gains and losses on these items are included in Accumulated Other Comprehensive Income on the Consolidated Balance Sheets and Consolidated Statements of Shareholders' Equity (Deficit).



The following table provides the rollforward of accumulated other comprehensive income for 2020:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
	(in millions)		
<b>Balance as of February 1, 2020</b>	\$ 52	\$ —	\$ 52
Other Comprehensive Income (Loss) Before Reclassifications	(3)	(2)	(5)
Amounts Reclassified from Accumulated Other Comprehensive Income	36	—	36
Tax Effect	—	—	—
Current-period Other Comprehensive Income (Loss)	33	(2)	31
<b>Balance as of January 30, 2021</b>	<u>\$ 85</u>	<u>\$ (2)</u>	<u>\$ 83</u>

As a result of the transition to a joint venture business model in the U.K. and the substantially complete liquidation of the Company's investment in the U.K., the Company reclassified \$36 million of accumulated foreign-currency translation adjustments out of accumulated other comprehensive income and into earnings. For additional information, see Note 5, "Restructuring Activities."

The following table provides the rollforward of accumulated other comprehensive income for 2019:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
	(in millions)		
<b>Balance as of February 2, 2019</b>	57	2	59
Other Comprehensive Income (Loss) Before Reclassifications	(5)	2	(3)
Amounts Reclassified from Accumulated Other Comprehensive Income	—	(5)	(5)
Tax Effect	—	1	1
Current-period Other Comprehensive Income (Loss)	(5)	(2)	(7)
<b>Balance as of February 1, 2020</b>	<u>\$ 52</u>	<u>\$ —</u>	<u>\$ 52</u>

## 16. Commitments and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, insurance, regulatory and other matters arising out of the normal course of business. Actions filed against the Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

On February 19, 2020, a plaintiff shareholder filed a complaint in the U.S. District Court for the Southern District of Ohio alleging derivative claims on behalf of the Company against certain of its current and former directors and officers. The Company was named as nominal defendant. The lawsuit asserts claims for breach of fiduciary duty, corporate waste and unjust enrichment in connection with alleged misstatements about the Company's quarterly dividend prior to the announced reduction of the dividend in November 2018. On July 21, 2020, the court so-ordered a stipulation staying all proceedings in this lawsuit, pending resolution of the motion to dismiss that the Company filed on February 18, 2020 in the putative class action lawsuit described above. Following the dismissal of the putative class action lawsuit described above, the parties filed a joint stipulation to dismiss the derivative claims without prejudice on November 5, 2020.

On May 19, 2020, a purported shareholder filed a derivative lawsuit on behalf of L Brands, Inc. in the Court of Common Pleas for Franklin County, Ohio. The complaint names as defendants certain current and former directors and officers of L Brands, Inc. and alleges, among other things, that these defendants breached their fiduciary duties by violating law and/or company policies relating to workplace conduct. The Company was named as nominal defendant only, and there are no claims asserted against it. On June 16, 2020, the lawsuit was removed to the United States District Court for the Southern District of Ohio. On July 6, 2020, the court so-ordered a stipulation staying the lawsuit until December 29, 2020. That stay has since been extended until March 29, 2021.

On January 12, 2021, another purported shareholder filed a derivative lawsuit on behalf of L Brands, Inc. in the Delaware Court of Chancery. The complaint names as defendants certain current and former directors and officers of L Brands, Inc. and

alleges, among other things, breaches of fiduciary duty through asserted violations of law and failures to monitor workplace conduct. The Company was named as a nominal defendant, and there are no claims asserted against it.

### *La Senza*

In connection with the sale of La Senza in the fourth quarter of 2018, certain of the Company's subsidiaries have remaining contingent obligations of \$32 million related to lease payments under the current terms of noncancelable leases expiring at various dates through 2028. These obligations include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the business. As of January 30, 2021, the Company recorded reserves of \$35 million, primarily included within Other Long-term Liabilities on the Consolidated Balance Sheet, related to these lease-related obligations and certain other obligations related to the La Senza business.

## **17. Retirement Benefits**

The Company sponsors a tax-qualified defined contribution retirement plan for substantially all of its associates within the U.S. Participation is available to associates who meet certain age and service requirements. The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible annual compensation and years of service. Associate contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the qualified plan was \$75 million for 2020, \$79 million for 2019 and \$76 million for 2018.

The Company sponsors a non-qualified supplemental retirement plan. The non-qualified plan is an unfunded plan which provides benefits beyond the Internal Revenue Code limits for qualified defined contribution plans. On June 27, 2020 (the "Termination Date"), the Human Capital and Compensation Committee of the Board authorized the termination of the non-qualified plan. Subsequent to the Termination Date, no additional employee contributions may be made to the non-qualified plan. The remaining benefits and obligations are expected to be paid out in full approximately one year following the Termination Date. Accordingly, the liability of \$166 million related to the non-qualified plan is included within Accrued Expenses and Other on the January 30, 2021 Consolidated Balance Sheet.

The following table provides the Company's annual activity for this plan and year-end liability as of January 30, 2021, which is included in Accrued Expenses and Other, and February 1, 2020, which is included in Other Long-term Liabilities, on the Consolidated Balance Sheets:

	January 30, 2021	February 1, 2020
	(in millions)	
<b>Balance at Beginning of Year</b>	\$ 280	\$ 278
Contributions:		
Associate	3	8
Company	4	12
Interest	10	14
Distributions	(131)	(32)
<b>Balance at End of Year</b>	<u>\$ 166</u>	<u>\$ 280</u>

Total expense recognized related to the non-qualified plan was \$14 million for 2020, \$26 million for 2019 and \$24 million for 2018.

## **18. Shareholders' Equity (Deficit)**

### *Common Stock Share Repurchases*

In March 2018, the Company's Board of Directors approved a \$250 million share repurchase program, which included the \$23 million remaining under the September 2017 repurchase program. The March 2018 repurchase program had \$79 million remaining as of January 30, 2021. The Company did not repurchase any shares during 2020 or 2019.

In March 2021, the Company's Board of Directors authorized a new \$500 million share repurchase plan, which replaces the \$79 million remaining under the March 2018 repurchase program. Pursuant to the Board's authorization, the Company entered into a Rule 10b5-1 purchase plan to effectuate share repurchases up to \$250 million.

## Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during fiscal 2020, 2019 and 2018:

	Ordinary Dividends (per share)	Total Paid (in millions)
<b>2020</b>		
Fourth Quarter	\$ —	\$ —
Third Quarter	—	—
Second Quarter	—	—
First Quarter	0.30	83
<b>2020 Total</b>	<u>\$ 0.30</u>	<u>\$ 83</u>
<b>2019</b>		
Fourth Quarter	\$ 0.30	\$ 83
Third Quarter	0.30	83
Second Quarter	0.30	83
First Quarter	0.30	83
<b>2019 Total</b>	<u>\$ 1.20</u>	<u>\$ 332</u>
<b>2018</b>		
Fourth Quarter	\$ 0.60	\$ 166
Third Quarter	0.60	165
Second Quarter	0.60	167
First Quarter	0.60	168
<b>2018 Total</b>	<u>\$ 2.40</u>	<u>\$ 666</u>

The Board of Directors temporarily suspended the quarterly cash dividend beginning in the second quarter of 2020.

In March 2021, the Company's Board of Directors reinstated the annual dividend at \$0.60 per share, beginning with the quarterly dividend to be paid in June 2021.

## 19. Share-based Compensation

### Plan Summary

In 2020, the Company's shareholders approved the 2020 Stock Option and Performance Incentive Plan ("2020 Plan"). The 2020 Plan replaced the 2015 Stock Option and Performance Incentive Plan (together with the 2020 Plan, the "Plans"). The Plans provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance-based restricted stock, performance units and unrestricted shares. The Company grants stock options at a price equal to the fair market value of the stock on the date of grant. Stock options have a maximum term of 10 years. Stock options generally vest ratably over three to five years. Restricted stock generally vests (the restrictions lapse) at the end of a three-year period or on a graded basis over a five-year period.

Under the Company's Plans, 166 million options, restricted and unrestricted shares have been authorized to be granted to employees and directors. There were 12 million options and shares available for grant as of January 30, 2021. The Company suspended its annual grant in 2020 as a result of the COVID-19 pandemic.

### Income Statement Impact

The following table provides share-based compensation expense included in the Consolidated Statements of Income (Loss) for 2020, 2019 and 2018:

	2020	2019	2018
	(in millions)		
Costs of Goods Sold, Buying and Occupancy	\$ 18	\$ 29	\$ 29
General, Administrative and Store Operating Expenses	32	58	68
<b>Total Share-based Compensation Expense</b>	<u>\$ 50</u>	<u>\$ 87</u>	<u>\$ 97</u>

The tax benefit associated with recognized share-based compensation expense was \$10 million for 2020, \$18 million for 2019 and \$20 million for 2018.

### Restricted Stock

The following table provides the Company's restricted stock activity for the fiscal year ended January 30, 2021:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
<b>Unvested as of February 1, 2020</b>	8,662	\$ 32.00
Granted	1,480	17.05
Vested	(2,040)	43.38
Cancelled	(1,455)	28.34
<b>Unvested as of January 30, 2021</b>	<u>6,647</u>	<u>\$ 25.68</u>

During 2020, the Company granted a performance-based restricted stock award that includes a specified market condition which can adjust the number of shares which vest under the award. The market condition compares total shareholder return to that of a designated peer group over the performance period. The award was valued using a Monte Carlo simulation model, which requires certain assumptions, including the risk-free interest rate, expected volatility and the estimated dividend yield.

The weighted-average estimated fair value of restricted stock granted was \$17.05 per share for 2020, \$23.34 per share for 2019 and \$30.43 per share for 2018. The fair value of restricted stock awards is generally based on the market value of an unrestricted share on the grant date adjusted for anticipated dividend yields.

The Company's total intrinsic value of restricted stock vested was \$33 million for 2020, \$39 million for 2019 and \$44 million for 2018.

The Company's total fair value at grant date of awards vested was \$89 million for 2020, \$104 million for 2019 and \$86 million for 2018.

As of January 30, 2021, there was \$45 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted stock. That cost is expected to be recognized over a weighted-average period of 1.8 years.

Tax benefits realized from tax deductions associated with restricted stock vested were \$8 million for 2020 and \$10 million for 2019 and 2018.

### Stock Options

The following table provides the Company's stock option activity for the fiscal year ended January 30, 2021:

	Number of Shares (in thousands)	Weighted Average Option Price Per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
<b>Outstanding as of February 1, 2020</b>	5,280	\$ 51.87		
Exercised	(237)	33.13		
Cancelled	(880)	45.00		
<b>Outstanding as of January 30, 2021</b>	<u>4,163</u>	\$ 54.39	5.0	\$ 5,356
Vested and Expected to Vest as of January 30, 2021 (a)	4,144	54.46	5.0	5,257
Options Exercisable as of January 30, 2021	3,631	56.57	4.7	3,048

(a) The number of options expected to vest includes an estimate of expected forfeitures.

Intrinsic value for stock options is the difference between the current market value of the Company's stock and the option strike price. The total intrinsic value of options exercised was \$2 million for 2020, \$3 million for 2019 and \$2 million for 2018.

The total fair value at grant date of option awards vested was \$6 million for 2020 and \$9 million for 2019 and 2018.

The Company's total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options was \$1 million as of January 30, 2021. This cost is expected to be recognized over a weighted-average period of 1.1 years.

The weighted-average estimated fair value of stock options granted was \$6.05 per share for 2019 and \$6.76 per share for 2018.

Cash received from stock options exercised was \$8 million for 2020 and \$1 million for 2019 and 2018. Tax benefits realized from tax deductions associated with stock options exercised was less than \$1 million for 2020, 2019 and 2018.

The Company uses the Black-Scholes option-pricing model for valuation of options granted to employees and directors. The Company's determination of the fair value of options is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards and projected employee stock option exercise behaviors.

The following table contains the weighted-average assumptions used during 2019 and 2018:

	2019	2018
Expected Volatility	40 %	36 %
Risk-free Interest Rate	2.2 %	2.5 %
Dividend Yield	4.4 %	5.8 %
Expected Life (in years)	3.2	2.9

The majority of the Company's stock-based compensation awards are granted on an annual basis in the first quarter of each year. The expected volatility assumption is based on the Company's analysis of historical volatility. The risk-free interest rate assumption is based upon the average daily closing rates during the period for U.S. treasury notes that have a life which approximates the expected life of the option. The dividend yield assumption is based on the Company's history and expectation of dividend payouts in relation to the stock price at the grant date. The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding.

## 20. Segment Information

In the third quarter of 2020, the Company changed its segment reporting as a result of leadership changes and restructuring actions taken to facilitate the ongoing efforts to separate Bath & Body Works and Victoria's Secret into separate businesses. The Company has two reportable segments: Bath & Body Works and Victoria's Secret. While this reporting change did not impact the Company's consolidated results, segment data has been recast to be consistent for all periods presented.

The Bath & Body Works segment sells body care, home fragrance products, soaps and sanitizers under the Bath & Body Works, White Barn, C.O. Bigelow and other brand names. Bath & Body Works merchandise is sold online and at retail stores located in the U.S. and Canada, and international stores operated by partners under franchise, license and wholesale arrangements. Additionally, this segment includes the Bath & Body Works merchandise sourcing and production function serving the Company and its international partners.

The Victoria's Secret segment sells women's intimate and other apparel, personal care and beauty products under the Victoria's Secret and PINK brand names. Victoria's Secret and PINK merchandise is sold online and through retail stores located in the U.S., Canada and Greater China, and international stores operated by partners under franchise, license, wholesale and joint venture arrangements. Additionally, this segment includes the Victoria's Secret and PINK merchandise sourcing and production function serving the Company and its international partners.

Other includes corporate infrastructure and governance functions and other non-recurring items that are deemed to be corporate in nature.

The following table provides the Company's segment information as of and for the fiscal years ended January 30, 2021, February 1, 2020 and February 2, 2019:

	Bath & Body Works	Victoria's Secret	Other	Total
	(in millions)			
<b>2020</b>				
Net Sales	\$ 6,434	\$ 5,413	\$ —	\$ 11,847
Depreciation and Amortization	202	314	5	521
Operating Income (Loss) (b)	1,821	(25)	(216)	1,580
Total Assets (a)	3,548	4,220	3,803	11,571
Capital Expenditures	103	115	10	228
<b>2019</b>				
Net Sales	\$ 5,355	\$ 7,509	\$ 50	\$ 12,914
Depreciation and Amortization	191	394	3	588
Operating Income (Loss) (c)	1,224	(782)	(184)	258
Total Assets (a)	3,376	5,271	1,478	10,125
Capital Expenditures	245	212	1	458
<b>2018</b>				
Net Sales	\$ 4,776	\$ 8,103	\$ 358	\$ 13,237
Depreciation and Amortization	164	376	7	547
Operating Income (Loss) (d)	1,103	518	(384)	1,237
Total Assets (a)	2,393	4,443	1,254	8,090
Capital Expenditures	287	331	11	629

- (a) Assets are allocated to the operating segments based on decision making authority relevant to the applicable assets. The 2020 and 2019 amounts reflect the Company's adoption of ASC 842, *Leases*, in the first quarter of 2019.
- (b) Victoria's Secret includes store and lease asset impairment charges of \$254 million, severance and related charges of \$51 million, a \$36 million net pre-tax gain related to the closure and lease termination of the Hong Kong flagship store and a \$54 million net pre-tax gain related to the establishment of a joint venture for the Victoria's Secret U.K. business with Next PLC. Bath & Body Works and Other includes severance and related charges of \$12 million and \$18 million, respectively. For additional information, see Note 5, "Restructuring Activities," Note 7, "Long-Lived Assets" and Note 8, "Leases."
- (c) Victoria's Secret includes goodwill impairment charges of \$720 million and store and lease asset impairment charges of \$263 million. For additional information see Note 7, "Long-Lived Assets" and Note 9, "Goodwill and Trade Names."
- (d) Victoria's Secret includes store asset impairment charges of \$101 million, and Other includes a loss on the sale of La Senza of \$99 million and Henri Bendel closures costs of \$23 million. For additional information see Note 5, "Restructuring Activities" and Note 7, "Long-Lived Assets."

The Company's international net sales include sales from company-operated stores, royalty revenue from franchise and license arrangements, wholesale revenues and direct sales shipped internationally. Certain of these sales are subject to the impact of fluctuations in foreign currency. The Company's international net sales across all segments totaled \$1.111 billion in 2020, \$1.496 billion in 2019 and \$1.683 billion in 2018. The Company's internationally based long-lived assets were \$382 million as of January 30, 2021 and \$713 million as of February 1, 2020.

## 21. Quarterly Financial Data (Unaudited)

The following table provides summarized quarterly financial data for 2020:

	Fiscal Quarter Ended			
	May 2, 2020 (a)(b)	August 1, 2020 (c)(d)(e)	October 31, 2020 (f)(g)	January 30, 2021
	(in millions except per share data)			
Net Sales	\$ 1,654	\$ 2,319	\$ 3,055	\$ 4,819
Gross Profit	288	711	1,359	2,309
Operating Income (Loss)	(318)	44	581	1,273
Income (Loss) Before Income Taxes	(412)	(60)	410	1,154
Net Income (Loss)	(297)	(49)	331	859
Net Income (Loss) Per Basic Share (h)	\$ (1.07)	\$ (0.18)	\$ 1.19	\$ 3.08
Net Income (Loss) Per Diluted Share (h)(i)	\$ (1.07)	\$ (0.18)	\$ 1.17	\$ 3.03

- (a) Gross profit includes the effect of a \$97 million pre-tax impairment charge (\$72 million after-tax) related to certain Victoria's Secret store and lease assets.
- (b) Net Loss includes the effect of a \$50 million income tax benefit related to the resolution of certain tax matters.
- (c) Gross profit includes the effect of a \$117 million pre-tax impairment charge (\$99 million after-tax) related to certain Victoria's Secret store and lease assets and a net pre-tax gain of \$36 million (\$25 million after-tax) related to the closure and lease termination for the Victoria's Secret Hong Kong flagship store.
- (d) Operating Income includes the effect of pre-tax severance and related charges of \$81 million (\$65 million after-tax).
- (e) Net Loss includes the effect of a \$21 million income tax benefit related to recent changes in tax legislation included in the CARES Act.
- (f) Operating Income includes the effect of a \$30 million pre-tax gain (\$27 million after-tax) related to the establishment of a joint venture for the Victoria's Secret U.K. and Ireland business with Next PLC.
- (g) Net Income includes the effect of \$53 million pre-tax loss (\$40 million after-tax) associated with the early extinguishment of outstanding notes, and a \$23 million net income tax benefit related to tax matters associated with foreign investments and recent changes in tax legislation.
- (h) Due to changes in stock prices during the year and timing of issuances of shares, the cumulative total of quarterly net income (loss) per share amounts may not equal the net income (loss) per share for the year.
- (i) The cumulative total of quarterly net income (loss) per dilutive share amounts does not equal the net income (loss) per dilutive share for the year due to net losses in certain periods.

The following table provides summarized quarterly financial data for 2019:

	Fiscal Quarter Ended			
	May 4, 2019	August 3, 2019 (a)	November 2, 2019 (b)(c)(d)	February 1, 2020 (e)(f)
	(in millions except per share data)			
Net Sales	\$ 2,629	\$ 2,902	\$ 2,677	\$ 4,707
Gross Profit	934	983	741	1,794
Operating Income (Loss)	153	175	(151)	82
Income (Loss) Before Income Taxes	60	42	(277)	(7)
Net Income (Loss)	40	38	(252)	(192)
Net Income (Loss) Per Basic Share (g)	\$ 0.15	\$ 0.14	\$ (0.91)	\$ (0.70)
Net Income (Loss) Per Diluted Share (g)(h)	\$ 0.14	\$ 0.14	\$ (0.91)	\$ (0.70)

- (a) Net Income includes the effect of a \$40 million pre-tax loss (\$30 million after-tax) associated with the early extinguishment of outstanding notes.
- (b) Gross Profit includes the effect of a \$218 million pre-tax impairment charge (\$200 million after-tax) related to certain Victoria's Secret store and lease assets.
- (c) Operating Loss includes the effect of a \$30 million (no tax impact) goodwill impairment charge related to the Victoria's Secret Greater China reporting unit.
- (d) Net Loss includes the effect of a \$37 million pre-tax charge (\$28 million after-tax) to increase reserves related to ongoing contingent obligations for the La Senza business.

- (e) Gross Profit includes the effect of a \$35 million pre-tax impairment charge (\$30 million after-tax) related to certain Victoria's Secret lease assets.
- (f) Operating Income includes the effect of a \$690 million pre-tax goodwill impairment charge (\$687 million after-tax) related to the Victoria's Secret reporting unit.
- (g) Due to changes in stock prices during the year and timing of issuances of shares, the cumulative total of quarterly net income (loss) per share amounts may not equal the net income (loss) per share for the year.
- (h) The cumulative total of quarterly net income (loss) per dilutive share amounts does not equal the net income (loss) per dilutive share for the year due to net losses in certain periods.

## **22. Subsequent Events**

On March 12, 2021 the Company announced that its Board of Directors had authorized the following:

- A reduction in the Company's debt that will be effected by a make whole call to repurchase the remaining \$285 million of outstanding 2022 Notes and the \$750 million of outstanding 2025 Secured Notes. This make whole call was issued on March 12, 2021 and the Company anticipates using approximately \$1.1 billion in cash to complete the debt repurchase;
- A new \$500 million share repurchase plan, which replaces the \$79 million remaining under the March 2018 repurchase program. Pursuant to the Board's authorization, the Company entered into a Rule 10b5-1 purchase plan to effectuate share repurchases up to \$250 million; and
- A reinstatement of the Company's annual dividend at \$0.60 per share, beginning with the quarterly dividend to be paid in June 2021.



**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

*Evaluation of disclosure controls and procedures.* As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective and designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

*Management's Report on Internal Control Over Financial Reporting.* Management's Report on Internal Control Over Financial Reporting as of January 30, 2021 is set forth in Item 8. Financial Statements and Supplementary Data.

*Attestation Report of the Registered Public Accounting Firm.* The Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting as of January 30, 2021 is set forth in Item 8. Financial Statements and Supplementary Data.

*Changes in internal control over financial reporting.* There were no changes in our internal control over financial reporting that occurred in the fourth quarter 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION.**

None.

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information regarding our directors, executive officers and corporate governance is set forth under the captions “ELECTION OF DIRECTORS—Director Succession”, “—Corporate Governance Highlights” “—Director Experience, Qualifications, Attributes and Skills”, “—Nominees”, “—Director Independence”, “—Board Leadership Structure; Risk Oversight; Certain Compensation Matters”, “—Cybersecurity Risk”, “—Review of Strategic Plans and Capital Structure”, “—Board Oversight of Environmental and Social Matters”, “—Human Capital Management”, “—Succession Planning”, “—Information Concerning Board Meeting Attendance”, “—Committees of the Board”, “—Meetings of the Company's Non-Management Directors”, “—Communications with Stockholders”, “—Attendance at Annual Meetings”, “—Code of Conduct, Related Person Transaction Policy and Associated Matters”, “—Copies of the Company’s Code of Conduct, Corporate Governance Principles, Policy and Committee Charters”, and “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and is incorporated herein by reference. Information regarding compliance with Section 16(A) of the Securities Exchange Act of 1934, as amended, is set forth under the caption “DELINQUENT SECTION 16(A) REPORTS” in the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption “Executive Officers of Registrant” in Part I.

#### ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption “COMPENSATION-RELATED MATTERS” in the Proxy Statement and is incorporated herein by reference.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and “SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS” in the Proxy Statement and is incorporated herein by reference.

The following table summarizes share and exercise price information about L Brands’ equity compensation plans as of January 30, 2021.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	11,150,929	\$ 54.39 (2)	11,932,265
Equity compensation plans not approved by security holders	—	—	—
Total	11,150,929	\$ 54.39	11,932,265

- (1) Includes the following plans: L Brands, Inc. 2020 Stock Option and Performance Incentive Plan, L Brands, Inc. 2015 Stock Option and Performance Incentive Plan, L Brands, Inc. 2011 Stock Option and Performance Incentive Plan and L Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2009 Restatement). There are no shares remaining available for grant under the 2011 Plan or 1993 Plan.
- (2) Does not include outstanding rights to receive Common Stock upon the vesting of restricted share awards or settlement of deferred stock units.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Information regarding certain relationships and related transactions is set forth under the caption “ELECTION OF DIRECTORS—Nominees” and “—Director Independence” in the Proxy Statement and is incorporated herein by reference.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information regarding principal accountant fees and services is set forth under the captions “INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS—Audit Fees”, “—Audit Related Fees”, “—Tax Fees”, “—All Other Fees” and “—Pre-approval Policies and Procedures” in the Proxy Statement and is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### (a) (1) Consolidated Financial Statements

The following consolidated financial statements of L Brands, Inc. are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

Consolidated Statements of Income (Loss) for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019

Consolidated Balance Sheets as of January 30, 2021 and February 1, 2020

Consolidated Statements of Total Equity (Deficit) for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019

Consolidated Statements of Cash Flows for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019

Notes to Consolidated Financial Statements

#### (2) Financial Statement Schedules

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

#### (3) List of Exhibits

3. Articles of Incorporation and Bylaws.
- 3.1 Restated Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.1 to the Company's Form 10-K dated February 1, 2014.
- 3.2 Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated June 19, 2020.
4. Instruments Defining the Rights of Security Holders.
- 4.1 Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-105484) dated May 22, 2003.
- 4.2 Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File No. 33-53366) originally filed with the Securities and Exchange Commission (the "SEC") on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the SEC on February 23, 1993 (the "1993 Form S-3"). (P)
- 4.3 Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3. (P)
- 4.4 Indenture, dated as of February 19, 2003 between the Company and The Bank of New York, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-4 (File No. 333-104633) dated April 18, 2003.
- 4.5 First Supplemental Indenture dated as of May 31, 2005 among the Company, The Bank of New York and The Bank of New York Trust Company, N.A., incorporated by reference to Exhibit 4.1.2 to the Company's Registration Statement on Form S-3 (Reg. No. 333-125561) filed June 6, 2005.

- 4.6 Second Supplemental Indenture dated as of July 17, 2007 between the Company and The Bank of New York Trust Company, N.A., incorporated by reference to Exhibit 4.1.3 to the Company's Registration Statement on Form S-3 (Reg. No. 333-146420) filed October 1, 2007.
- 4.7 Registration Rights Agreement, dated as of June 19, 2009, among the Company, the guarantors named therein and JP Morgan Securities Inc., as representative of the initial purchasers, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 24, 2009.
- 4.8 Form of Fifth Supplemental Indenture dated as of March 25, 2011 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.6 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on March 22, 2011.
- 4.9 Sixth Supplemental Indenture dated as of February 7, 2012 among the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 28, 2012.
- 4.10 Seventh Supplemental Indenture dated as of March 22, 2013 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.8 to the Company's Registration Statement on Form S-3 (Reg. No. 333-191968) filed on October 29, 2013.
- 4.11 Eighth Supplemental Indenture dated as of October 16, 2013 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.9 to the Company's Registration Statement on Form S-3 (Reg. No. 333-191968) filed on October 29, 2013.
- 4.12 Amendment and Restatement Agreement dated July 18, 2014 among L Brands, Inc., a Delaware corporation, L (Overseas) Holdings LP, an Alberta limited partnership, Canadian Retail Holdings Corporation, a Nova Scotia company, Victoria's Secret UK Limited, a company organized under the laws of England and Wales, and Mast Industries (Far East) Limited, a Hong Kong corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Five-Year Revolving Credit Agreement dated as of July 15, 2011 among the Company, the lenders from time to time party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated July 22, 2014.
- 4.13 Ninth Supplemental Indenture dated as of January 30, 2015 among the Registrant, the New Guarantors, The Bank of New York Mellon Trust Company, as Trustee, and the Old Guarantors to the Base Indenture dated as of March 15, 1988, as amended, relating to the 7.000% Senior Notes due 2020, the 6.625% Senior Notes due 2021, the 5.625% Senior Notes due 2022 and the 5.625% Senior Notes due 2023, incorporated by reference to Exhibit 4.16 to the Company's Registration Statement on Form S-4 (Reg. No. 333-209114) filed on January 25, 2016.
- 4.14 First Amendment dated as of April 21, 2015 among the Company, L (Overseas) Holding LP, an Alberta limited partnership, Canadian Retail Holdings Corporation, a Nova Scotia company, Victoria's Secret UK Limited, a company organized under the laws of England and Wales, and Mast Industries (Far East) Limited, a Hong Kong corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Five-Year Revolving Credit Agreement dated as of July 18, 2014 among the Company, the lenders from time to time party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 2, 2015.
- 4.15 Indenture, dated as of October 30, 2015, among L Brands, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated November 3, 2015.
- 4.16 Form of 6.875% senior notes due 2035, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated November 3, 2015.
- 4.17 Registration Rights Agreement, dated as of October 30, 2015, among L Brands, Inc., the guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated as representative of the initial purchasers, incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated November 3, 2015.
- 4.18 Indenture, dated as of June 16, 2016, among L Brands, Inc. and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated June 16, 2016.

- 4.19 First Supplemental Indenture, dated as of June 16, 2016, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 16, 2016.
- 4.20 Amendment and Restatement Agreement dated as of May 11, 2017 among the Company, L (Overseas) Holding LP, an Alberta limited partnership, Bath & Body Works (Canada) Corp., a Nova Scotia company, Victoria's Secret UK Limited, a company organized under the laws of England and Wales, Mast Industries (Far East) Limited, a Hong Kong corporation, and LB Full Assortment HK Limited, a Hong Kong corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Five-Year Revolving Credit Agreement dated as of July 18, 2014, as amended by Amendment No. 1 thereto dated as of April 21, 2015, among the Company, the lenders from time to time party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated May 17, 2017.
- 4.21 Second Supplemental Indenture, dated as of January 23, 2018, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated January 23, 2018.
- 4.22 Indenture, dated as of June 18, 2018, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.25 to the Company's Form S-4 dated September 11, 2018.
- 4.23 First Supplemental Indenture, dated as of June 29, 2018, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.26 to the Company's Form S-4 dated September 11, 2018.
- 4.24 Third Supplemental Indenture, dated June 20, 2019, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 24, 2019.
- 4.25 Amendment and Restatement Agreement, dated as of August 13, 2019, by and among L Brands, Inc., the Borrowing Subsidiaries named therein and JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent (the "Administrative Agent") under the Amended and Restated Five-Year Revolving Credit Agreement dated as of May 11, 2017, among the Company, the Borrowing Subsidiaries party thereto, the Lenders party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K Dated August 14, 2019.
- 4.26 Fourth Supplemental Indenture, dated as of June 30, 2019, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 3, 2019.
- 4.27 Tenth Supplemental Indenture, dated as of June 30, 2019, by and among L Brands, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 3, 2019.
- 4.28 Description of the Registrant's Securities.
- 4.29 Amendment and Restatement Agreement dated April 30, 2020 among L Brands, Inc., a Delaware corporation, the Borrowing Subsidiaries party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Revolving Credit Agreement dated as of August 13, 2019 among the Company, the lenders from time to time party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated May 1, 2020.
- 4.30 Indenture, dated as of June 18, 2020 among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee and collateral agent, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated June 18, 2020.
- 4.31 Indenture, dated as of June 18, 2020, among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated June 18, 2020.
- 4.32 Indenture, dated September 30, 2020, among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated September 30, 2020.

- 4.33 Eleventh Supplemental Indenture, dated October 16, 2020, among L Brands, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated October 19, 2020.
10. Material Contracts.
- 10.1 Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").\*\* (P)
- 10.2 The Company's Supplemental Retirement and Deferred Compensation Plan incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.\*\*
- 10.3 Form of Indemnification Agreement between the Company and the directors and executive officers of the Company incorporated by reference to Exhibit 10.4 to the 1998 Form 10-K.\*\*
- 10.4 Supplemental schedule of directors and executive officers who are parties to an Indemnification Agreement incorporated by reference to Exhibit 10.5 to the 1998 Form 10-K.\*\*
- 10.5 The Company's Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.\*\*
- 10.6 Agreement dated as of May 3, 1999 among the Company, Leslie H. Wexner and the Wexner Children's Trust, incorporated by reference to Exhibit 99 (c) 1 to the Company's Schedule 13E-4 dated May 4, 1999.
- 10.7 The Company's Stock Award and Deferred Compensation Plan for Non-Associate Directors incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated November 13, 2003.\*\*
- 10.8 Form of Stock Ownership Guideline incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.\*\*
- 10.9 Employment Agreement effective as of April 9, 2007 among the Company and Stuart Burgdoerfer incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated April 11, 2007.\*\*
- 10.10 Employment Agreement Amendment effective September 5, 2008 among Limited Brands, Inc., and Stuart Burgdoerfer incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 2, 2008.\*\*
- 10.11 The Company's 1993 Stock Option and Performance Incentive Plan (2009 Restatement) incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated September 10, 2009.\*\*
- 10.12 Employment Agreement dated as of December 31, 2007 among the Company, beautyAvenues, LLC, and Charles C. McGuigan, as amended by Amendment to Agreement dated December 1, 2008 and Form of Employment Agreement Amendment effective as of March 15, 2012 incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.\*\*
- 10.13 The Company's 2011 Stock Option and Performance Incentive Plan originally incorporated by reference to Appendix A to the Company's Proxy Statement dated April 11, 2011 and Amended and Restated dated July 21, 2011 incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.\*\*
- 10.14 Form of Sixth Amended and Restated Master Aircraft Time Sharing Agreement incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2015.\*\*
- 10.15 The Company's 2015 Stock Option and Performance Incentive Plan, incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Reg. No. 333-176588) dated September 4, 2015.\*\*
- 10.16 L Brands, Inc. 2015 Stock Option and Performance Incentive Plan Terms and Conditions of Restricted Share Unit Grant, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 2015.\*\*
- 10.17 L Brands, Inc. 2015 Stock Option and Performance Incentive Plan Terms and Conditions of Stock Option Grant, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 2015.\*\*

- 10.18 L Brands, Inc. 2015 Cash Incentive Compensation Performance Plan, incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated May 26, 2015.\*\*
- 10.19 The Company's 2020 Stock Option and Performance Incentive Plan incorporated by reference to Appendix C to the Company's Proxy Statement dated April 2, 2020.\*\*
- 10.20 Employment Agreement and Cash Retention Award Agreement between L Brands, Inc. and Andrew Meslow, dated May 15, 2020, incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q dated June 3, 2020.\*\*
- 10.21 Employment Agreement Amendment and Retention Bonus Agreement between L Brands, Inc. and Stuart Burgdoerfer, dated May 18, 2020, incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q dated June 3, 2020.\*\*
- 10.22 Executive Separation Agreement between L Brands, Inc. and Charles McGuigan, dated May 18, 2020, incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q dated June 3, 2020.\*\*
- 10.23 Retention Bonus Agreement between L Brands Store Design & Construction, Inc. and Jamie Bersani, dated May 19, 2020, incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q dated June 3, 2020.\*\*
- 10.24 Retention Bonus Agreement and Executive Separation Agreement between L Brands, Inc. and Shelley Milano, dated May 29, 2020, incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q dated June 3, 2020.\*\*
- 10.25 Executive Employment Agreement between Bath & Body Works, LLC and Julie Rosen, dated February 3, 2021.\*\*
- 10.26 Executive Employment Agreement between Bath and Body Works, LLC and Deon Riley, dated February 4, 2021.\*\*
- 21. Subsidiaries of the Registrant.
- 22. List of Guarantor Subsidiaries
- 23.1 Consent of Ernst & Young LLP.
- 24. Powers of Attorney.
- 31.1 Section 302 Certification of CEO.
- 31.2 Section 302 Certification of CFO.
- 32. Section 906 Certification (by CEO and CFO).
- 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.
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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\*\* Identifies management contracts or compensatory plans or arrangements.

(P) Paper Exhibits

(b) Exhibits.

The exhibits to this report are listed in section (a)(3) of Item 15 above.

(c) Not applicable.

**ITEM 16. FORM 10-K SUMMARY.**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 19, 2021

L BRANDS, INC. (Registrant)

By: /s/ STUART B. BURGDOERFER  
Stuart B. Burgdoerfer,  
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 19, 2021:

<u>Signature</u>	<u>Title</u>
<u>/s/ ANDREW M. MESLOW</u> Andrew M. Meslow	Director and Chief Executive Officer (Principal Executive Officer)
<u>/s/ STUART B. BURGDOERFER</u> Stuart B. Burgdoerfer	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ SARAH E. NASH*</u> Sarah E. Nash	Chair of the Board of Directors
<u>/s/ PATRICIA S. BELLINGER*</u> Patricia S. Bellinger	Director
<u>/s/ FRANCIS A. HONDAL*</u> Francis A. Hondal	Director
<u>/s/ DONNA A. JAMES*</u> Donna A. James	Director
<u>/s/ DANIELLE M. LEE*</u> Danielle M. Lee	Director
<u>/s/ MICHAEL G. MORRIS*</u> Michael G. Morris	Director
<u>/s/ ROBERT H. SCHOTTENSTEIN*</u> Robert H. Schottenstein	Director
<u>/s/ ANNE SHEEHAN*</u> Anne Sheehan	Director
<u>/s/ STEPHEN D. STEINOUR*</u> Stephen D. Steinour	Director
<u>/s/ ABIGAIL S. WEXNER*</u> Abigail S. Wexner	Director
<u>/s/ LESLIE H. WEXNER*</u> Leslie H. Wexner	Chairman Emeritus

\* The undersigned, by signing his name hereto, does hereby sign this report on behalf of each of the above-indicated directors of the registrant pursuant to powers of attorney executed by such directors.

By: /s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer  
Attorney-in-fact



## Company Information

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### Headquarters

L Brands, Inc.  
Three Limited Parkway  
Columbus, OH 43230  
614.415.7000  
[www.LB.com](http://www.LB.com)

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### Stock Exchange Listing

New York Stock Exchange (Trading Symbol “LB”)

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### Information Requests

Through our website: [www.LB.com](http://www.LB.com)

Upon written request to: L Brands, Inc.  
Investor Relations  
Three Limited Parkway  
Columbus, OH 43230

By calling: 614.415.7000

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### L Brands, Inc.

Founded 1963

*as of Jan. 30, 2021:*

Approximate associate base: 92,300

Approximate shareholder base: 132,000

### NYSE Certification Statement

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Our Chief Executive Officer and Chief Financial Officer have filed the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 with the Securities and Exchange Commission as exhibits to our Form 10-K for the fiscal year ended Jan. 30, 2021. In addition, our Chief Executive Officer filed a separate annual certification to the New York Stock Exchange following our annual shareholders’ meeting on May 14, 2020.

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### Annual Meeting of Shareholders

10:30 a.m. Thursday, May 20, 2021  
Three Limited Parkway  
Columbus, OH 43230

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### Independent Public Accountants

Ernst & Young LLP  
Grandview Heights, OH

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### Stock Transfer Agent, Registrar and Dividend Agent

American Stock Transfer & Trust Company (“AST”)  
6201 15th Avenue  
Brooklyn, NY 11219  
866.875.7975  
718.921.8124  
[info@astfinancial.com](mailto:info@astfinancial.com)

<https://www.astfinancial.com>

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### Investor resources available on our website, [www.LB.com](http://www.LB.com), include:

- Anticipated release dates for quarterly earnings
- Live webcasts of quarterly earnings conference calls
- Audio replays of quarterly earnings conference calls
- Current investor presentations and materials

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## ADMITTANCE SLIP

### 2021 ANNUAL MEETING OF STOCKHOLDERS

#### *Date, Time and Place of Meeting:*

**Date:** May 20, 2021  
**Time:** 10:30 a.m., Eastern Time  
**Place:** Three Limited Parkway  
Columbus, Ohio 43230

#### *Attending the Meeting:*

Stockholders who plan to attend the meeting in person must bring this admittance slip and a photo identification to gain access.

Although we are hosting an in-person annual meeting, due to the public health impact of the COVID-19 pandemic, and to support the health and well-being of our stockholders, associates and communities, attendees will be expected to comply with important health and safety protocols as recommended by the Centers for Disease Control and Prevention, including: wearing an appropriate face covering at all times while on the meeting premises, hand washing and/or applying hand sanitizer upon arrival and practicing social distancing by maintaining at least a six-foot distance from other attendees.

You should not attend if you feel unwell or if you have been exposed to COVID-19. Any person in attendance who exhibits cold or flu-like symptoms or who has been exposed to COVID-19 may be asked to leave the premises for the protection of the other attendees. We reserve the right to take any additional precautionary measures deemed appropriate in relation to the meeting and access to meeting premises, and may ask attendees to leave the meeting if they are not following our procedures.

Because of necessary security precautions, bags, purses and briefcases may be subject to inspection. To speed the admissions process, stockholders are encouraged to bring only essential items. Cameras, camcorders or videotaping equipment are not allowed. Photographs or videos taken by the Company at the meeting may be used by the Company. By attending, you waive any claim or rights to these photographs.

For more information about attending the annual meeting, please visit the website at [www.lb.com](http://www.lb.com) or contact Investor Relations at (614) 415-7585. Please check this website in advance of the meeting date if you are planning to attend in person.

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