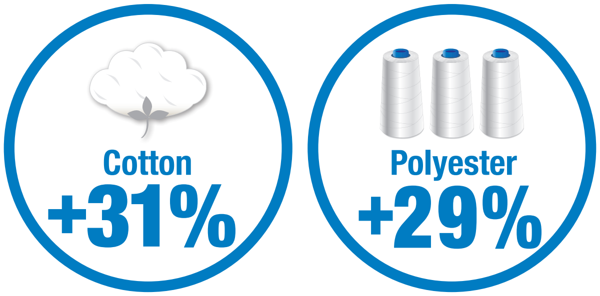
COST HEADWINDS IN THE GLOBAL APPAREL SUPPLY CHAIN

In today's interconnected world, we all work together as a supply chain including farmers, yarn spinners, textile manufacturers, cut-and-sew factories, suppliers and distributors.

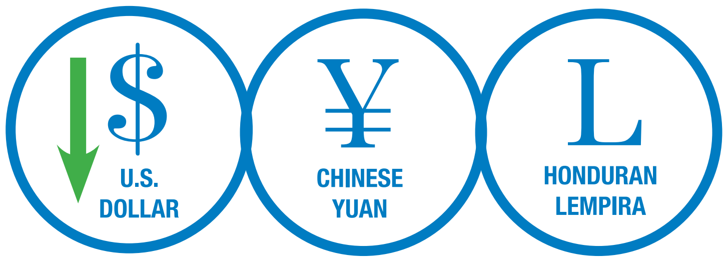
This intricate supply chain is knit together by a complex transportation and logistics infrastructure.

With that in mind, these are the factors driving cost increases in the global apparel supply chain.



1. THE COST OF RAW MATERIALS

Cotton has increased an average of 31% year-over-year. Cotton prices, like any commodity, are driven by supply and demand. While global demand has recovered nicely, supplies have been dramatically reduced by the prohibition of Xinjiang cotton (which, by some reports, accounts for up to 20% of the world's cotton). The cost of polyester has also experienced a roughly 29% year-over-year increase.



2. EXCHANGE RATES

The U.S. dollar has weakened against many global currencies, including the Chinese Yuan and Honduran Lempira. U.S. brands pay their global vendors in dollars. The vendors largely pay their workers and suppliers in local currencies. When the dollar weakens, that means they are earning less in local terms than they did when the dollar was strong.

3. OCEAN TRANSPORTATION & LOGISTICS

The cost of shipping goods across the ocean has increased by 293% year-over-year.

4. GENERALIZED SYSTEM OF PREFERENCE (GSP)

In the last few years, many bags were moved out of China to avoid the Section 301 tariffs. Those bags were moved to the Philippines and Indonesia, as they've benefitted from the GSP duty exemption which expired at the end of last year. At this time, there is no way of knowing the timing of when the GSP might be renewed.