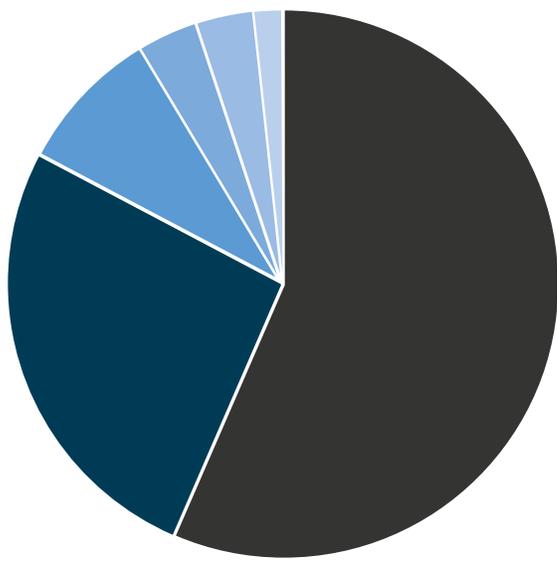


Demographics

Data as of January 2021 | U.S. Only

Ethnicity



58.7% White

23.1% Hispanic or Latino

8.9% Black or African American

4.0% Asian

3.8% Two or More Races

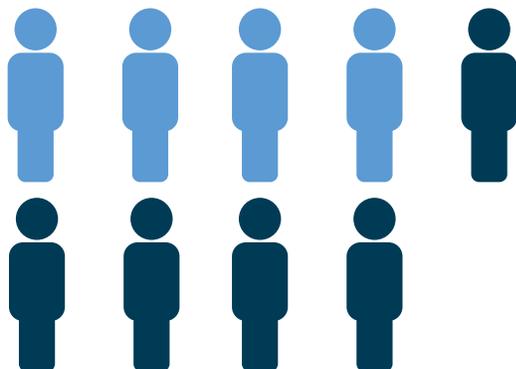
2.5% American Indian / Alaska Native / Other

Gender

Female **78%**

Male **22%**

Board Of Directors



44%

Percent of diverse directors in terms of gender and/or ethnicity

A Letter from Terry

Vice President - Employment Law & Chief Inclusion and Diversity Officer



2020 was a year of reflection, perseverance, pain, hope, and action

I am so proud of the way AEO Inc. placed its people first during a pandemic that took a heavy toll on businesses, the economy and our communities. We made many difficult decisions, yet we demonstrated courage and compassion—and we thrived. This past spring, in the aftermath of the killing of George Floyd, we learned that saying the perfect words in the wake of any tragedy is unrealistic, but demonstrating empathy is a critical component to healing. It is about letting our associates, customers, and communities immediately understand that we feel their pain and anger, we share their pain and anger, and fully embrace that we as an organization have a special opportunity to make a difference in the lives of all of our stakeholders.



You can't go back and change the beginning, but you can start where you are and change the ending.

- C.S. Lewis

The Inclusion & Diversity journey that we are on is guided by the principle of inclusion. This means making sure that all people who embody our values, are respected and feel that being their authentic selves will not be a barrier to personal or professional fulfillment and growth. We cannot ignore that 2020 was difficult for communities of color, particularly Black people, and the discussions of anti-racism and social justice were rightly centered on the Black community. As a result, many of our statements and more importantly our actions in 2020 have focused on elevating Black people, articulating our belief in anti-racism and social justice, and promoting education as a tool for lasting change.

A few highlights from FY20 include:

- Inclusive Leadership and cultural appropriation training, plus the incorporation of more than 100 pieces of new training content into our Learning Management System accessible to all associates;
- Announcement of the Real Change Scholarship for Social Justice; Increased diverse representation of AEO Inc.'s Board of Directors, with the addition of the first Black Independent member, Steven Davis;
- Implementation of Real Commitment Hiring Policy; Outreach to HBCUs and Minority Student Groups through I&D Rise Program + launch of Personal Retail Education Program (PREP);
- Leveraging internal and external communication platforms such as the Inclusion in Action newsletter to promote I&D at AEO and inform, educate and support our associates;
- \$500k donation to NAACP Legal Defense and Educational Fund and the allocation of additional \$100k to support voting rights efforts;
- Increased the number of Associate Networks and Connections to include 9 new resource groups.

We are a global company with nearly 40,000 associates from so many different backgrounds. In the U.S. alone, approximately 41% of our associates identify as a Person of Color (POC) and 78% identify as women. Currently our corporate populations are approximately 82% White; 3% Black; 2% Two-or more races; 5% Hispanic and 8% Asian. Our efforts to increase the hiring and retention of POC in our corporate offices will remain a priority in 2021 and beyond.

We are all familiar in retail with the idea of “comping.” It focuses on year over year improvement. As opposed to specific % targets, in the key areas of hiring, promotions and retention, we will focus on “comping” and showing continuous improvement. There is no “number” that we will hit that means our work is done!

Although our work has just started, I am pleased that steps we have taken, such as the Real Commitment and the dedicated efforts of our Recruiting Department, appear to be bearing fruit. In 2019, 2.9 percent of corporate hires identified as Black.

In 2020, this percentage rose to 8.5%. This represents an increase of 293%.

At the same time we were able to increase diversity, overall turnover was down and we saw a significant decrease in corporate hires overall. For the near future, I expect overall hiring will remain at low historical levels. However, our commitment to increase the diversity of our hires will not change.

I believe representation across our marketing platforms is also important and, from 2018 to 2020, we have seen an increase of over 40% in POC representation for the AE brand. In fact, 65% of our talent in 2020, across our AE platforms, have been POC. Similarly, in 2020, Aerie continued to make a conscious effort to demonstrate to the world that #AerieREAL is for everyone! Aerie digital marketing saw a 75% growth in BIPOC features and paid media support has more than doubled, allowing more reach to consumers with creative content that highlights BIPOC individuals. I also know from personal experience having had the opportunity to speak with Aerie influencers and Role Models, that they are an extremely impressive and diverse group. We are excited about the opportunity to grow our customer inclusive and diverse community and show all of our stakeholders why AEO is a special place to shop and work.

The future is bright, but we must be the light.

Those with the position, influence, and ability to do so, must embrace the opportunity to have a positive impact on AEO and the lives of our associates, in particular those from marginalized communities. It is a privilege to be a leader. I am fortunate to have the opportunity to comfort, inspire, and positively change the trajectories of careers and lives.

The first 7 months as Chief Inclusion & Diversity Officer have been incredible. We made phenomenal progress, despite a few hurdles. I have witnessed a passion and dedication from so many associates and their words of encouragement have meant the world to me.

I know that there are many different and valid opinions on the best approaches to difficult problems. For this reason, I know that our decisions will not please everyone, but I promise they will always come from an authentic place.

Our objectives for FY21 will be to:

- Deliver innovative training and education to associates in stores, distribution centers and corporate offices;
- Engage associates to assess progress and areas of opportunity through I&D focused survey and focus groups;
- Develop co-mentoring programs for associates as well as high school and college students to enhance the recruitment of diverse hires, and personal/professional growth;
- Exceed year-over-year key performance indicators (KPIs) to gauge progress in certain areas (such as hiring rates, internal promotions, voluntary turnover, and representation in marketing/media) and ensure accountability;
- Build strategic partnerships with external organizations who align with our values and can assist in meeting our goals;
- Support the Real Commitment through development of processes meant to reduce the risk of bias in the interview and selection process;
- Support efforts to encourage associate Covid-19 vaccination through education and outreach, particularly among communities where there is mistrust of health care initiatives due to past and present abuses.

I am excited about our I&D presence on aio-inc.com. which will become a central location for information, data, and news regarding our efforts and progress. This will increase ability to communicate with associates, candidates, customers and the community. I understand that 2021 will bring its own set of challenges, but I truly believe it will be a year in which we take additional steps forward towards reaching our goals for inclusion, diversity, equity and belonging. Thank you to every associate who is putting in the work to make a great company even better.

Take care and stay safe,
Terry