

LEVI STRAUSS & CO.

PROFITS. PRINCIPLES.

2008 ANNUAL REPORT

Levi Strauss & Co.

PROFITS. PRINCIPLES.

“Increasingly, consumers are holding corporations accountable not only for their products and services, but also for how they are made and marketed. Consumers want more than growth in shareholder value from business; they also expect good corporate citizenship. Great brands and businesses are built through a combination of two things: continuously providing superior products and services and earning the trust of consumers, employees, and the communities in which they operate. This is the formula for sustained business success.”

Robert D. Haas, Chairman Emeritus, Levi Strauss & Co.

A MESSAGE FROM THE CEO



John Anderson
President and Chief Executive Officer

2008 proved to be one of the most challenging years in decades for the apparel industry. Economic conditions, already declining in many of our top markets at the beginning of our fiscal year, deteriorated substantially around the world by the end of the year, negatively affecting our businesses. In the United States, for example, this included bankruptcy filings by three of our retail customers.

Within the context of these difficult market conditions—and a few of our own missteps such as our weaker Dockers® performance and the rough technology system implementation in the United States—Levi Strauss & Co. delivered a solid financial performance in 2008. However, our overall results were mixed. The company's net revenues were up slightly for the fiscal year with the help of currency exchange. The Levi's® brand performed well around the world. And the company's brand for value-conscious consumers—Signature by Levi Strauss & Co.™—improved its profitability in the United States and revenues in Asia, though revenues were down for the full year. Here is how we ended the 2008 fiscal year:

- ★ **Net revenue** for 2008 was \$4.4 billion, a 1 percent increase over prior year.
- ★ **Gross margin** was strong at 48.6 percent compared to 46.8 percent in 2007.
- ★ **Operating income** was \$525 million, approximately 18 percent below 2007, reflecting investments in retail expansion, technology systems and global marketing efforts.
- ★ **Net income** was \$229 million, down 50 percent mostly due to a \$215 million income tax benefit in 2007. Year-over-year earnings before tax, which exclude the “one-time” impact of the tax benefit, were comparable.
- ★ **Cash flow** from operations was strong, which allowed us to invest in the business, pay a stockholder dividend and reduce debt.
- ★ **Net debt** at year-end was \$1.6 billion, our lowest year-end level since 1996.



Our global strategies helped us weather the economic downturn during the second half of the year. These strategies included building on LS&CO.'s leadership in jeans and khakis, capitalizing on our extensive

global footprint, driving growth in the world's developing markets, and expanding our retail network in each of our three regions—the Americas; Asia Pacific; and Europe, the Middle East and North Africa.

THE LEVI'S® BRAND

2008 was a good year for the Levi's® brand overall. The brand grew in each of our regions, demonstrating the enduring strength of the world's No. 1 jeans brand, even during tough economic times. In September, Harris Interactive released its "2008 EquiTrend Brand Equity Study," which ranked brand equity across 39 categories by measuring familiarity, quality and purchase intent. The Levi's® brand ranked No. 1 in the apparel, footwear and accessories category ahead of other top brands such as Hanes, Nike and The North Face.

During the summer and fall, we rolled out the company's first global marketing campaign and our largest marketing program ever. The "Live Unbuttoned" campaign was executed in all three of our regions and integrated across multiple media—from TV and print, to dramatic outdoor ads and viral online videos. The campaign conveyed the free-spirited, self-expressive attitude behind the quintessential button-fly jean—Levi's® 501® jeans. Since launching the campaign, worldwide sales of 501® jeans have increased substantially. Although it is encouraging to see the flagship 501® line growing again, these sales increases were not incremental. We will focus in 2009 on ways to drive long-term performance improvements across our entire Levi's® brand product range.



I am pleased to report we enhanced our jeanswear innovation capabilities with the creation of a Global Product Development Center at our owned-and-operated manufacturing plant in Corlu, Turkey. The center functions as a global laboratory for exploring market trends and design ideas, and translating them onsite into innovative product concepts. This will further increase our market responsiveness and ability to quickly adopt, adapt and launch new and innovative products across our regions worldwide.

In December, our European business established a joint venture in Russia with our longtime distributor for the country. The new business unit will allow us to take advantage of the growth potential of the developing Russian market by investing directly in growing the Levi's® brand and expanding our retail network there.

In Japan, our Levi's® business improved in the fourth quarter. Our efforts to turn around Japan—Asia Pacific's largest business—have been under way since 2007. It is encouraging to see this improvement, though we know we still have a tough road ahead as economic conditions, which have been difficult there for a long time, are worsening.

THE DOCKERS® BRAND

The Dockers® brand remained the No. 1 selling casual pant brand in the United States, our largest Dockers® market. Nonetheless, the brand's sales performance in the United States and several other countries was disappointing. We understand the challenges the Dockers® business faces and implemented a number of actions to return the business to sustained, profitable growth over the long term, but it will take time. We are overhauling the product range to ensure we have the best-fitting core khaki bottoms in the market. We also are changing the way khakis are sold at retail by segmenting the on-floor presentation by fit, similar to the way jeans are sold. We believe this new approach will make the brand more relevant to a broader range of consumers. In 2009, we will leverage our design and merchandising capabilities around the world to meet the needs of Dockers® customers and consumers globally.



We welcomed a new Dockers® leader at the end of 2008. Jim Calhoun, who previously ran the North America and Latin America Consumer Products unit for Disney, became President of the U.S. Dockers® business in December. He also is responsible for the brand globally. Jim has a proven track record in apparel—both wholesale and retail—and has strong working relationships with many of our current customers from his previous leadership experience at brands such as Nautica, Nike and Wilson.

THE SIGNATURE BY LEVI STRAUSS & CO.™ BRAND

The Signature brand made good progress in 2008. We overhauled the brand's business model in the United States and Asia Pacific to focus on providing value consumers with relevant core fits. Our U.S. teams rolled out new branding, products and on-floor presentations to stores for the fall and holiday seasons. In Asia, the brand was repositioned and products were revamped to give value consumers the best fits at affordable prices. As a result of these efforts, the Signature brand finished the year strong with fourth-quarter revenue growth in the United States and full-year growth in Asia.

OUR WHOLESALE AND RETAIL BUSINESSES

We continued to diversify and transform our wholesale business—which remains the vast majority of our net revenues—to ensure we are responding to the rapidly changing retail marketplace. In the United States, for example, we expanded our Levi's® distribution in the specialty store channel, and continued to upgrade and expand our Levi's® on-floor presentations at several key wholesale accounts, such as Macy's. The new on-floor presentation for our U.S. Dockers® men's business, including new products and fits, was tested at 100 locations during the second half of the year. Sales volume increased significantly at these test stores, and consumers reported that the presentation was easier to shop and the new product assortment was more in line with their fit needs. We will refine the new presentation and roll it out to major wholesale customers during 2009.

These initiatives illustrate the progress we have made in building strong, collaborative relationships with our wholesale customers. We are working closely with these customers and developing plans to ensure our brands continue to be broadly accessible to consumers despite continued retail door closures and bankruptcies in the United States.

We also are transforming our wholesale footprint internationally. In the United Kingdom, for example, we upgraded our Levi's® brand presentation at a number of our wholesale customers in 2008 to improve the retail experience for consumers. At the same time, we continued to expand our brand-dedicated retail store network to extend our market presence and strengthen our business. These stores help us reach new consumers and showcase our brands, driving incremental sales and building brand equity. Our growth in Europe and Asia Pacific was fueled by the success of brand-dedicated retail stores.

Around the world we added more than 200 brand-dedicated stores to the network in 2008, bringing the total number worldwide to approximately 1,700. We will continue to strategically expand the retail network in 2009, focusing on key consumer markets around the world and taking advantage of opportunities that arise in the challenging economic environment.



SYSTEMS UPGRADES

Improving our information technology systems is one way we are reducing complexity and improving efficiency. We successfully completed the rollout of the enterprise resource planning (ERP) system in Asia Pacific. Our implementation of the system in the United States, however, proved to be more difficult and costly than we anticipated. We experienced performance issues stabilizing the system, which resulted in a brief system shutdown during the second quarter and disrupted shipments to our U.S. customers. This had a substantial impact on our second-quarter results in the Americas.

We quickly put teams in place to fix these issues. As a result, we were able to meet customer demand during the peak holiday season. The Americas region reported sales growth during both the third and fourth quarters.

We continue to upgrade our systems and are benefiting from the addition of Tom Peck as our chief information officer. Tom joined us in September from MGM MIRAGE, where he was CIO. He was also previously CIO for two divisions of General Electric. He brings tremendous global ERP experience. With Tom leading the way, we will optimize the U.S. ERP system in 2009 to achieve the efficiencies and savings benefits of a common IT platform. We plan to continue to roll out the system around the world over the next few years.

PRODUCTIVITY IMPROVEMENTS

In 2008, we embedded a cost-savings philosophy across our businesses. We streamlined our business units and reduced discretionary spending in many areas, such as travel. We also lowered distribution expenses. Our higher gross profit margin reflects the efficiencies we are realizing from our global sourcing organization. These savings enabled us to invest in initiatives—ERP for example—that will enhance productivity and drive future business growth.

The company remains relentlessly focused on productivity in 2009, including tightly managing overhead expenses and inventories so we can continue to invest in the business. Our improved efficiency also helped us advance the sustainability initiatives discussed in the Corporate Citizenship section of this report.

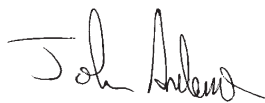
2009 OUTLOOK

We expect the year ahead to be difficult. The outlook remains very uncertain and we are facing stiff headwinds. With this in mind, we have developed contingency plans for various economic scenarios in case conditions erode further.

Our teams will concentrate on what we can control and not use the economic downturn as an excuse for allowing competitors to outperform us. This means aggressively seizing opportunities when they arise. We will focus on building market share and protecting our cash flow. Strengthening our brands in a slowing economic environment will help ensure that we are well positioned when market conditions improve.

I am grateful for the wise counsel of our Board of Directors during an unpredictable year. Likewise, I want to thank our shareholders and investors for their continued support and our employees for their tireless efforts and commitment to the success of our brands.

Sincerely,



John Anderson

President and Chief Executive Officer



PROFITS. PRINCIPLES. Levi Strauss & Co.

“ Each of us has a capacity to make business not only a source of economic wealth but also a force for economic and social justice. Each of us needs to recognize and use the power we have to define the character of our enterprises, so they nurture values important to our society. Only then will each of us know the full rewards that a career in business can yield. Only then will business achieve the true potential of its leadership. Only then will business fulfill its obligation to help an economy worthy of a free society and a civilization worth celebrating. ”

Walter A. Haas Jr., CEO, Levi Strauss & Co. 1958–1970



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Our overarching and ongoing belief is that great brands and businesses are built by consistently providing quality products and services and by earning the trust of consumers, investors, employees and communities through responsible, progressive and accountable business practices. This principle of responsible commercial success is embedded in our 156-year experience and continues to anchor how we operate today.

Our corporate Web site, levistrauss.com, contains a wealth of information on Levi Strauss & Co.'s (LS&CO.) corporate citizenship programs. On topics ranging from labor standards, to environmental sustainability, to corporate philanthropy, levistrauss.com provides information on our efforts to build social, environmental and economic sustainability into our business through a range of strategies, programs and responsible business practices. This section of our annual report is intended to supplement that information and provides a summary of our noteworthy corporate citizenship efforts from 2008.

LABOR STANDARDS

Respecting the Workers Who Make Our Products

Beginning in the earliest manufacturing days of LS&CO., when we owned and operated our own factories, we have endeavored to treat the people who make our products with dignity and respect, and ensure they work in a safe and healthy environment. At the time, that meant paying decent wages, offering competitive benefits, developing opportunities for career advancement, keeping a clean and orderly factory, and giving back to the community during times when the business was profitable. With a strong focus on doing right by our employees, our customers and the community, LS&CO. established itself as a model corporate citizen.



Today, competing responsibly in the apparel marketplace is much more complicated than it was in the 19th and 20th centuries. We have had to make some tough decisions. We relinquished the absolute control we once had over our manufacturing operations in favor of a model where the great majority of manufacturing is outsourced from a network of suppliers that span the globe in more than 40 countries. Our values—empathy, originality, integrity and courage—guided us through this transition, and helped usher in a new phase of LS&CO. leadership in the area of corporate citizenship—one centered around responsible and sustainable global sourcing.

In 1991, we implemented our Terms of Engagement, a supplier code of conduct which details our expectations of suppliers in the areas of social and environmental responsibility. Our Terms of Engagement apply to every LS&CO. direct supplier, licensee and subcontracting supplier. They are a requirement for a supplier relationship, and we monitor each factory regularly. We were the first global company to develop such guidelines, and in global sourcing today, supplier codes of conduct are ubiquitous in nearly every industry.

In 1999, we supplemented our code of conduct, which focuses on the factory level, with a worker rights grant-making program that seeks to support workers at the community level, and in 2000, we added our trade-labor advocacy work, which focuses on improving labor conditions abroad through sound public policy advocacy and law reform.

During the past few years, we have been working on improving these individual programs and how they all work together. Three

particular “beyond compliance” programs were the focus of our work in 2008.

★ **Brand collaboration** In 2005, we disclosed our factory list and invited brands in shared factories to work with us on monitoring and improving labor standards. We believed that by working together, brands could make factory monitoring more effective and free up supplier resources for improving factory conditions versus dealing with multiple audits. We initiated this work among apparel companies and to date it has been a tremendous success. At the end of 2007, we joined the Fair Factories Clearinghouse, which provided us with access to additional buyers, and at the close of 2008, we were collaborating with 19 brands in 200 shared factories (nearly 20 percent of our factory base), sharing monitoring results, conducting joint monitoring and coordinating training on capacity-building. Other collaborators have verified what we have seen in our own work—factory efficiency and responsiveness have improved and cost-savings and efficiencies are being realized by both brands and suppliers.

★ **Capacity building** With resource efficiencies resulting from brand collaboration, we have been able to invest more in capacity-building activities with key suppliers and those who show promise for improvement. In 2008, we increased the number of suppliers engaged with targeted training on management systems to address corrective action plans and ensure greater consistency in future assessments.

★ **Business integration** We have long understood that our own behaviors can impact code-of-conduct performance among suppliers, and that we need to take accountability for and improve certain processes in order to enable our suppliers’ success. In 2007, we identified a number of functions involved in the LS&CO. go-to-market process that can potentially affect supplier compliance with our Terms of Engagement. In 2008, we provided training to individuals in those function areas on the importance of adhering to established processes and began to track behavior changes along with code-of-conduct performance. We are now soliciting feedback from suppliers and LS&CO. business leaders to ascertain whether the behavioral shifts have been mutually beneficial.

We will be the first to admit that monitoring for compliance against a set of strict guidelines is not a perfect system, and we are always looking for ways to improve our programs both for ourselves and our suppliers. In 2008, we stayed the course, focusing on continuous improvement with our code-of-conduct program while building the brand-collaboration program; continuing to be actively involved in multiple multistakeholder initiatives including the Multi-Fiber Arrangement Forum, Better Factories Cambodia, Better Work and the United Nations Global Compact; building capacity at important and promising suppliers; and integrating code-of-conduct considerations with business functions for incremental gains. As a

The International Labor Rights Forum has long appreciated the willingness of Levi Strauss & Co. to engage with the labor rights movement on a number of issues—from addressing freedom of association on behalf of apparel workers around the world at the factory level, to lobbying governments to preserve and protect human rights in their respective countries. Most recently, when confronted with the problem of forced child labor in cotton production in Uzbekistan, the company moved quickly to trace its cotton supply, engage with multiple stakeholders to address the issue at the government level and motivate others in the industry to take similar steps.

—BAMA ATHREYA, EXECUTIVE DIRECTOR, INTERNATIONAL LABOR RIGHTS FORUM



result, we have seen an overall performance improvement across our supplier base as measured by factory assessments and responses to corrective action plans and required remediation.

To date, our Terms of Engagement have applied to all direct and licensee suppliers and subcontractors manufacturing for LS&CO. They have not applied to companies that provide component parts such as fabric, buttons, zippers, red tabs, thread and other sundries. In 2008, we decided to expand the applicability of our standards and begin to extend our programs to our mills and component-part suppliers. Working with Business for Social Responsibility and a

number of other leading apparel brands and retailers, we informed key mill and component-part suppliers that beginning in 2009, they will need to meet the labor and environmental standards of our Terms of Engagement. This will be exciting new territory for LS&CO., and our approach and program will be informed by important learnings from our brand-collaboration work and supplier-ownership program. As we make progress with this new tier of suppliers, we will develop new programs and strategies for addressing the unique issues we encounter at those points in our supply chain.

ADDRESSING FORCED CHILD LABOR IN COTTON HARVESTING IN UZBEKISTAN

Early in 2008, LS&CO. received inquiries from a range of external stakeholders—media, worker-rights and environmental nongovernmental organizations, socially responsible investment firms, and even U.K.-based retailers in which we sell our products—asking what we were doing to address the use of forced child labor to harvest cotton in Uzbekistan. For some time, we had been monitoring and concerned about labor conditions in Uzbekistan and had already banned the use of Uzbek textiles in our products. After considering the credibility of the sources from which we were getting information, we decided to take action.

Our first move was to look internally. Although tracing the exact origin of a commodity like cotton is difficult, we reached out to the textile mills that supply the cotton fabric for LS&CO. products to gain an understanding of where the mills were sourcing their cotton. Our Chief Supply Chain Officer informed all of our textile suppliers and licensees that until we are able to determine there is clear evidence that action is being taken to eliminate the use of forced child labor in the Uzbek cotton industry, Uzbek cotton would be forbidden in the production of LS&CO.'s branded products. This move made LS&CO. the first U.S. apparel brand and/or retailer to prohibit the use of Uzbek cotton in its supply chain.

Next, we examined the depth and scope of the problem and decided to add our voice to a broad range of stakeholders seeking to engage the U.S. government and International Labor Organization and encourage resolution of the issues through advocacy and dialogue with Uzbek government officials. Together with nongovernmental organizations, the socially responsible investment community, major U.S. apparel and retail trade associations, and the U.S. Department of State, we worked to engage the Uzbek government to address the problem. Progress is being made in raising awareness among key stakeholders, and a unique collaboration between business and nongovernmental organizations has materialized. Our hope is that in 2009 we will see real change on behalf of the Uzbek government to end the practice of forced child labor in Uzbekistan.

Overall, we know we must work toward cotton sustainability on all fronts—socially, environmentally and economically. Cotton is an important cash crop for much of the developing world with extensive social and environmental impacts for the people, land and countries that produce it. We are currently outlining an internal plan to address cotton sustainability that will include support for efforts to improve cotton traceability and transparency and continued partnership with the broad range of stakeholders instrumental to finding widespread solutions.

ENVIRONMENT

A Renewed Focus on Sustainability

2008 was a banner year in terms of advancing our commitment to environmental sustainability. In our 2007 annual report, we noted a number of studies and research projects under way, the results of which would inform a comprehensive environmental strategy with supporting tactics that would help us reduce our overall environmental footprint. In 2008, we completed those studies, set our strategies and developed an environmental vision for the company that ties sustainability to our business goals:

We will build environmental sustainability into everything we do so that our profitable growth helps restore the environment.

One of the most illuminating of the studies we conducted in 2007 was a Life Cycle Assessment (LCA) of two of our core products. The LCA looked at the life cycle of two high-volume products—medium-stonewashed Levi's® 501® jeans and Dockers® khaki pants—and their impact on the environment from the cotton growing phase to final disposal, evaluating water use, greenhouse gas (GHG) emissions and toxicity, among other impacts. In an effort to create as many



potential scenarios as possible, we looked at a variety of source countries, examined various transportation routes and modes, and even considered the differences between front-loading and top-loading consumer washing machines.

What we learned was that the vast majority of environmental impacts associated with our products occurs in phases where we have little control—the cotton-growing and the consumer-use-and-care phases of the product life cycle. This information, along with data from our global GHG inventory and other studies was significant in helping us arrive at our sustainability strategies and priorities. Beginning in mid-2008 and going forward, our identified priorities in the area of environmental sustainability are to make progress on reducing our impact on water resources, become more resource efficient to create less waste, reduce our impact on climate change, and reduce the environmental impacts associated with the chemicals we use in our products. To do this, our strategies are to focus on cotton, consumer engagement and making improvements in

our own operations—from offices, to distribution facilities, to manufacturing and design centers.

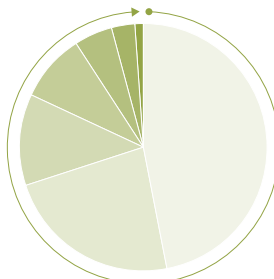
CLIMATE CHANGE

In order to address the issue of climate change, we looked internally to learn more about our own impacts and what we can do to lessen them. We have also been active on the public policy front, advocating for legislation that would help to curb the global warming trend.

In 2008, we took a significant step in our overall work on climate change by identifying our global GHG inventory for 2007. This includes all GHG emissions associated with our owned and/or leased facilities, company-owned vehicles and business travel, including air travel and rental cars. We registered our 2007 data with the Climate Registry, a nonprofit organization that develops consistent standards for businesses and governments to calculate, verify and publicly report their carbon footprints, and will use it as our baseline for future reductions. We hope to announce our GHG reduction targets in the first half of 2009.

On the public policy front, LS&CO. worked with other private-sector companies and the World Resources Institute to advocate for legislation to create renewable energy tax incentives. We also became a founding member of Business for Innovative Climate and Energy Policy, a business coalition of mostly consumer companies calling on U.S. lawmakers to enact legislation in early 2009 that will help create a clean-energy economy and reduce global warming pollution.

As a result of what we learned from the LCA, the Levi's® brand is in the process of changing all care labels on the brand's products, instructing consumers to wash in cold water and tumble dry medium. Some earlier care labels instructed consumers to wash in hot or warm and tumble dry hot. The new instructions will allow consumers to reduce their own environmental/climate-change impact and save money on their utility bills. Levi's® store employees are encouraging customers to wash in cold and line-dry whenever possible. We also partnered with the Alliance to Save Energy and



2007 LS&CO. GLOBAL EMISSIONS
CO₂ Emissions by Facility Type (%)

- 47% DISTRIBUTION CENTER
- 23% MANUFACTURING
- 12% OFFICE
- 9% RETAIL
- 5% AIR TRAVEL
- 3% SALES OFFICE
- 1% OTHER

Levi Strauss & Co. has long been a corporate-responsibility leader in the truest sense of the word: by doing things long before others do. Today, the company is continuing that tradition in new ways, showing how product innovation on the eco line is central to a sustainable future. LS&CO. is tackling complex challenges, like ensuring that workers' rights are respected and combating climate change, by collaborating with industry peers and through other systemic solutions. In 2008, LS&CO. has been a great partner on BSR's HERproject, which is delivering essential health care to the multitudes of women workers in the global apparel industry, and we look forward to building even more creative solutions with LS&CO. in the future.

—ARON CRAMER, PRESIDENT & CEO, BUSINESS FOR SOCIAL RESPONSIBILITY



LIFE CYCLE THINKING

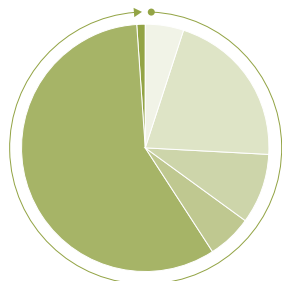


Procter & Gamble, makers of Tide® Coldwater, to co-promote our Signature by Levi Strauss & Co.™ jeans in 600 Wal-Mart stores, encouraging consumers to save energy and save money by washing their jeans in cold water.

Transportation of our products from source country to final retail destination is a significant source of our overall GHG emissions.

Recognizing this, staff in the company's U.S. customs and transportation department took stock of our activities and found that cost efficiencies in shipping and transportation also had "green" benefits. We increased the number of U.S. ports we use to reduce total miles that our products were required to travel from port to distribution center. We adjusted transportation modes in many cases to favor rail over truck, and we are addressing container density issues, preferring to ship only full containers. In addition to helping the company save money in a market where fuel costs are unpredictable, these efficiency measures are helping us to significantly reduce our carbon footprint.

Climate change is a complicated issue, but one that we believe every person and every business must take steps to address. When we have made significant progress in reducing our own carbon footprint, we will work with suppliers to assist them in doing the same.



LEVI'S® 501® JEANS
Climate Change Impact by Phase (%)

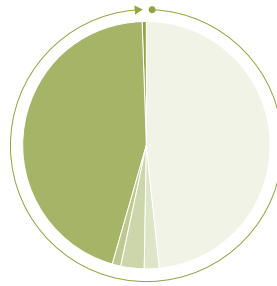
- 5% COTTON PRODUCTION
- 21% FABRIC PRODUCTION
- 9% GARMENT MANUFACTURING
- 6% DISTRIBUTION
- 58% CONSUMER USE
- 1% END OF LIFE

WATER

Since 1995, the LS&CO. Global Effluent Guidelines have been a best practice in apparel manufacturing. In 2008, we continued our leadership supply-chain work and expanded our commitment to protect water resources in communities around the world.

Once we had set our environmental priorities, a sustainable finishing team came together to focus on product innovations that would allow us to use less water in the production phase of the product life cycle. The team is looking at ways we can achieve consumer-relevant finishes through the responsible use of chemicals and natural finishing techniques that demand less water.

On the advocacy front, we lobbied for robust funding for the Water for the Poor Act, a framework for how the United States funds and



LEVI'S® 501® JEANS
Water Consumption by Phase (%)

49% COTTON PRODUCTION
2% FABRIC PRODUCTION
3% GARMENT MANUFACTURING
1% DISTRIBUTION
45% CONSUMER USE
<1% END OF LIFE

provides foreign aid for water and sanitation that would make access to clean water a central aim of U.S. foreign assistance. Additionally, in our capacity as a founding member of the United Nations Global

LEVI'S® STORE IN GERMANY EXPERIMENTS WITH GREEN DESIGN



When LS&CO.'s retail team in Germany discussed opening a new store in Munster, they decided to try something new. They challenged themselves to build a store within the current design concept, but to use the most environmentally sound elements available. The result is the "greenest" store across our global network, and one that does not compromise the look and feel of the Levi's® brand.

The Munster store opened in April of 2008. Every aspect of the store construction was carefully screened to reduce environmental impact. We considered the life cycle of each component, how it would be used in design and construction, and how it would help us reduce our impact in the day-to-day operations of the store.

The most important innovation came in the lighting design of the store. By working with lower-wattage fixtures with improved insulation and ventilation systems, dimming light in certain areas and using motion sensors in changing rooms, the Munster store is using about 35 percent less energy per square meter than the average retail store in the region. Non-reflective, double-paned glass in store windows allows maximum daylight penetration, and two pairs of automatic sliding double doors at the store's entrance replace an energy-intensive and inefficient air curtain used in

certain other Levi's® stores to maintain interior temperature on cold or hot days.

The store's electricity provider is third-party certified as a green-energy provider under the German OK Power program, and the Forestry Stewardship Council has certified the natural and untreated wood and cork floors, wood hangers and much of the materials used in the store furniture. Other materials have been certified through Germany's Blue Angel or ISO 14000.

All point-of-sale materials and brochures are printed on recycled paper and cardboard, and the carrier bags given to consumers are also made from recycled paper. Recyclable red carpet in changing rooms is certified carbon-neutral and changing-room curtains are made from 100 percent organic denim. Water-based paints and non-chemical coatings are used on the store's walls, and appliances and insulation were chosen for maximum efficiency.

The store also maintains a recycling station where consumers can bring any brand of used denim for recycling.

Building a new store with a focus on sustainability was an important exercise for the retail organization. The team has committed to studying the advantages of the Munster store eco-conscious elements and implementing them widely where it makes sense.

We are pleased to be able to work with Levi Strauss & Co. on supply-chain issues in China, and commend them for taking steps to eliminate chemicals that can harm the environment from their manufacturing processes. These kind of bold and forward-thinking initiatives show Levi's® progressive leadership and commitment to the environment. We hope to see other apparel companies quickly follow their example.

—SUSAN EGAN KEANE, SENIOR ENVIRONMENTAL ANALYST, NATURAL RESOURCES DEFENSE COUNCIL



Compact CEO Water Mandate, we joined other members in a letter to G-8 leaders on the eve of their July summit in Japan, calling on the world's most powerful nations to actively address the issue of water scarcity and availability.

RESOURCE EFFICIENCY

We make products from raw materials, and we bring those products to market through a complex supply chain and distribution network. Along the way, waste is created in nearly every phase of the process.

We have a history of developing innovative solutions for dealing with our production waste and common-sense approaches to handling waste in our operations at headquarters and in the distribution channels. Scrap fabric from our manufacturing operations is made into felt pads and acoustic insulation for the automotive industry, paper, and fill for cushions and mattresses. We reuse pallets and shipping boxes at our distribution centers before recycling them, and we are continuously improving recycling and composting programs at our offices and other facilities.

Our ultimate goal is to become a zero-waste company, and we took steps toward that end in 2008. Products made with post-consumer fiber were added to the already robust Levi's® eco line of jeans and tops made with 100 percent organic cotton, offering consumers who wish to tread more lightly on the environment a choice when it comes to their denim. The Signature by Levi Strauss & Co.™ brand reduced its packaging, and the Levi's® brand has committed to do the same in addition to using recycled packaging materials where possible.

In our distribution and logistics organization, we re-engineered our hangers to use less plastic resin and began reusing hangers as well. In addition to saving the company money on the petroleum-based raw materials, we have improved our resource efficiency and reduced our GHG footprint.

In order to advance our long-term resource-efficiency objectives, we are building information management systems to better understand how materials figure into our day-to-day operations and where they end up. We are also developing initiatives to continue the "dematerialization" of our work, which includes reducing packaging and the number and size of hangtags on each garment; reducing the amount of paper we use in our offices; reducing the number of product samples we develop each season; and continuing to improve our recycling programs. We will continue to take a product-life-cycle view of our work and examine how we can reduce waste in every phase and at our facilities around the world.

CHEMICALS

Chemicals are present in nearly every phase of an apparel product's life cycle—from the pesticides and fertilizers used to grow the cotton, to the dyes and finishing agents in the production phase, to detergents and other substances used in caring for the garment. As part of our environmental vision, we seek to minimize the environmental impact from chemicals used in production and care of LS&CO. products in all stages of the product life cycle. In 2008, we made progress toward this goal.

LS&CO. maintains a Restricted Substances List (RSL), which we updated in 2008. Originally developed as a consumer-safety initiative, the RSL identifies substances that LS&CO. prohibits for use in the production of our garments and is compiled with the assistance and oversight of experts in toxicology, dermatology, chemistry, regulatory research and law in countries where we sell our products. In 2008, we examined the RSL from both a consumer and an environmental perspective, a first for a global apparel company. We developed a "phase-out" list of five chemicals that we seek to ultimately eliminate from production because of their potential impact on ecosystems.

In 2008, the company also developed a Cotton Sustainability Group, a global cross-functional team of employees that will identify and discuss environmental and social sustainability issues associated with cotton production. As part of this work, the team will explore the use of chemical substances in the growing of cotton and develop recommendations for LS&CO. to support more sustainable cotton production from a social, environmental and economic/business perspective.

Going forward, we will continue to innovate in production processes, including continuously improving existing programs such as our RSL, and keep abreast of chemical innovations that ensure the safety of workers, consumers, the communities in which our products are made and the environment. We will also continue to focus on innovation to bring products with environmental attributes to the marketplace and educate consumers on how to care for their LS&CO. garments in ways that minimize their chemical impacts to the environment.



HIV/AIDS AWARENESS

Protecting Employees, Workers and Consumers



From the beginning of the HIV/AIDS pandemic more than 25 years ago, LS&CO. and the Levi Strauss Foundation (LSF) have led the private sector response to the disease by breaking new ground, standing firm on the issue, and ensuring that employees and communities around the world are able to access HIV/AIDS prevention information and services. During the past decade or so, significant advancements have been made in HIV treatment that have proven to substantially prolong the lives of people living with HIV/AIDS, but for a variety of reasons, those treatments are not widely available to people in many countries where LS&CO. has employees. In 2008, we made efforts to close that gap, raising the bar on what we can accomplish as a business and as a corporate foundation focused on social change. LS&CO. and LSF initiatives across the company and around the world demonstrate leadership on this issue from many different perspectives that are all pointed in one direction—to stop the spread of HIV/AIDS.

Following are a few examples of our work in 2008 and how LS&CO. continues to maintain a leadership role in the business response to HIV/AIDS.

LEADING IN THE INDUSTRY

Few companies address HIV/AIDS across their businesses—connecting efforts from employees, to contractors, and through retail in order to mobilize consumers. During the past year, we have been working hard to “close the loop” with our many stakeholders.

We are improving access to HIV/AIDS prevention, treatment and care for our employees; providing tools for our suppliers that will allow them to address HIV/AIDS with their own workers; and educating and supporting our retail organization in their efforts to mobilize consumers. These programs have been recognized by global experts from the International AIDS Conference planners to the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria.

Because of our efforts this year:

- ★ 80 percent of our employees in South Africa were tested for HIV and those who need it are now receiving life-saving medical treatments.

- ★ More than 1,000 LS&CO. employees in three countries (South Africa, Mexico and UK) received direct, in-person HIV/AIDS education through the HIV/AIDS Prevention, Treatment and Care Program pilots in those countries.
- ★ We are able to offer support for suppliers and contractors addressing HIV/AIDS among their respective workforces. LSF grantees, nongovernmental organizations and/or the LS&CO. HIV/AIDS Prevention, Treatment and Care Program offer suppliers in countries such as Mexico, Dominican Republic, Haiti, Kenya, Lesotho and China assistance in implementing workplace programs that can help keep their workers safe and productive.
- ★ On World AIDS Day 2008 and in the weeks preceding, retail organizations in the Americas, Europe and Asia Pacific regions received HIV/AIDS education, engaged consumers, and participated in cause-related initiatives on HIV/AIDS. Home office employees in all three regions were exposed to and participated in World AIDS Week activities and received education information directly and through targeted Web-based tools.

LEADING IN THE COMMUNITY

LS&CO. and LSF are recognized leaders in the global HIV/AIDS response through advocacy, innovative grants and community initiatives. In 2008, LSF continued to support important industry coalitions and build networks to bring a voice to emerging issues.

From Ukraine to South Africa, LSF partnered with local nongovernmental organizations in 2008, combining the power of the Levi's® brand and our commitment to community to expand HIV testing among youth. The foundation also supported critical discussions on addressing stigma and discrimination at regional and global conferences and continues to ensure that advancing human rights remains at the forefront of the HIV/AIDS response.

LSF also cultivated key coalitions such as the first-ever people-living-with-AIDS networks for injecting drug users and migrant workers in Asia, and supported grassroots movements to make antiretroviral drugs available to those in need around the world.

SOUTH AFRICA—A COMPREHENSIVE BUSINESS RESPONSE TO HIV/AIDS

In 2008, we built on existing HIV/AIDS initiatives in South Africa, truly integrating our work on HIV/AIDS into the business and achieving success on multiple fronts. Our unique “end-to-end” response reaches critical stakeholders from employees, to factory workers, to consumers, enabling us to keep a healthy and productive workforce, advance the HIV/AIDS dialogue in a high-prevalence country, develop best practices for reaching youth with life-saving messaging and information, and win in the marketplace.

New in 2008 was the launch of the LS&CO. HIV/AIDS Prevention Treatment and Care Program. We provided innovative and interactive in-person prevention education and offered free voluntary and confidential HIV testing for all employees, as well as free HIV/AIDS treatment and care for employees and dependents in need. From office, to retail, to factory employees, LS&CO. is ensuring access to life-saving information, testing and care for our employees in South Africa—an important milestone in our response to HIV/AIDS in the workplace.

A truly proactive business response to HIV/AIDS in a country like South Africa, where HIV/AIDS is the most pressing public health concern, involves more than just addressing the issue within the four walls of the workplace. We use the power of our brand, our retail footprint and strategic cause marketing to reach South African consumers with critical information through a program called Red for Life.



Red for Life stresses the importance of HIV testing, prevention and education among South African youth. Key components of the program include mobile testing facilities that provide testing at youth-relevant locations across the country, including at Levi's® stores and on university campuses. People who test positive are provided up to four months of counseling and service referrals.

Rage for the Revolution, Red for Life's signature concert series, offers concert tickets to young people who get tested for HIV, allowing them to see the country's most popular music stars, many of whom also get tested publicly and appear in Levi's®-branded public service announcements. To date the campaign has tested more than 90,000 young people and given away more than one million branded condoms. The Levi's® brand in South Africa is visibly and meaningfully addressing a problem that more than 75 percent of young people say is important to them. At the same time, our brand is number one in South Africa and we have been experiencing strong year-over-year sales growth in that country without significant dollars devoted to traditional advertising.

Our approach to HIV/AIDS in South Africa demonstrates that sustained commitment to global corporate citizenship makes a difference—for our employees, for the communities where we live and work, and for our business.

LEADING WITH OUR VOICE

LS&CO. and LSF influence policy makers worldwide to better shape the global response to HIV/AIDS, and we continue to advance stigma and discrimination as issues requiring leadership attention. In 2008, we:

- ★ joined more than 100 concerned companies in a pledge to combat stigma and discrimination.

- ★ advocated at the European Parliament in a roundtable discussion that stigma and discrimination impacts communities affected by HIV/AIDS around the world.
- ★ co-sponsored a first-ever human rights networking zone and march with the Canadian HIV/AIDS Legal Network and the Open Society Institute at the International AIDS Conference in Mexico City to bring visibility to the human-rights concerns of people living with or at highest risk of contracting HIV.



LEADING WITH BEST PRACTICES

The LS&CO. business mantra, “adopt, adapt, invent,” also is important in our approach to our work in HIV/AIDS. We work to share important learnings when we can and adapt the good work of our trusted stakeholders wherever possible to advance our objectives. Below is a sampling of our efforts to influence social and policy change by sharing with and learning from United Nations (UN) agencies, business roundtables and thought leaders.

- ★ LS&CO. and LSF presentations at the 2008 International AIDS Conference were recognized by business leaders, the UN and philanthropists from around the world. We presented original findings on:
 - the role of health insurance in improving access to HIV/AIDS services for employees worldwide;
 - approaches to assessing employee needs regarding HIV/AIDS services in Mexico; and
 - cause-related marketing in HIV/AIDS through the Levi’s® brand in South Africa as a win-win for the business and efforts to improve access to HIV testing among young people.

- ★ LSF joined a coalition including the World Bank, the M-A-C AIDS Fund, the International Center for Research on Women, other donors and nongovernmental organizations to advance solutions to the global crisis of stigma and discrimination in HIV/AIDS.
- ★ LS&CO. was selected to serve as the U.S. employer delegate to the International Labor Conference at the United Nations in Geneva in 2009 to set recommendations for global workplace standards on HIV/AIDS.

LS&CO. has sustained a leadership position by addressing HIV/AIDS from a variety of angles—what we do as a business for our employees and with consumers, how we engage with policy makers and leaders, shaping and promoting best practices, and partnering with community organizations and suppliers.

More than 25 years after we were first touched by HIV/AIDS, our leadership continues and our resolve to win against this disease remains unabated.





New shoes
SUMMER '08 COLLECTION
from the original

ANOTHER LIFE

*The Levi's® brand in Europe finds
an innovative way to give another
life to used Levi's® jeans.*



GIVING AND GIVING BACK

Philanthropy and Employee Community Engagement

EMPLOYEE COMMUNITY ENGAGEMENT

Employee community involvement is an important part of LS&CO. life and LS&CO. history. In 2008, we continued building on global programs like Community Day, and on behalf of the company, Community Involvement Teams around the world brought our company values to life in some remarkable ways.

Community Day at LS&CO. hit an important milestone in 2008 with every country in which LS&CO. has employees participating. With the geographic expansion, we were able to add projects and increase our Community Day grant making. Employees in 43 countries volunteered on 167 projects around the world, and LSF made nearly \$300,000 in grants to the organizations with which we volunteered.

The largest Community Day project of 2008 involved a partnership with Goodwill Industries and 20 U.S. Levi's® stores. We conducted a reuse/recycling pilot where for one week we offered consumers 20 percent off a pair of Levi's® jeans in exchange for gently worn denim that was later sold in Goodwill stores to fund job-training programs. The initiative allowed us to explore a product take-back program to drive toward our resource-efficiency goal, while at the same time providing assistance to a recognized nonprofit organization working to help less fortunate people in our communities help themselves. On May 1, "501 Day," the retail organization hosted Goodwill store employees for a job-shadowing exercise that gave the Goodwill representatives an opportunity to work one-on-one with Levi's® brand employees in a fast-paced, for-profit retail operation. The multi-faceted program was successful for both the brand and Goodwill, and we are looking at developing the initiative further in 2009.

2008 was also an active year for LS&CO.'s employee-led Community Involvement Teams (CIT). Around the world, nearly 2,800 employees volunteered more than 6,500 hours with 71 CITs and deepened their ties with local community organizations. In recognition of their dedication to helping others, the company made more than \$200,000 in grants to the organizations CITs supported with their time and talent. Below are two examples of exceptional CIT activities from 2008.

LS&CO. CITs in Asia raised the bar on every measure in 2008 with their response to the devastating earthquake that hit the Sichuan Province in western China in May. After the disaster struck, the Hong Kong CIT immediately swung into action with a large-scale fundraising effort. They caught the attention of Levi Strauss Foundation staff who offered to match what the Hong Kong CIT was able to raise. By soliciting their co-workers, families and friends, the CIT raised a total of US\$96,000 in about two weeks' time—more than any single CIT had raised in the history of the company. Together with the LSF match, the CIT was able to forward US\$192,000 to Oxfam, a nongovernmental organization on the ground in the Sichuan province assisting earthquake victims and impacted communities. CITs from Taiwan, Pakistan and Korea also raised funds for the Sichuan earthquake relief, forwarding their donations to nongovernmental organizations of the individual CIT's choosing.



LEVI STRAUSS & COMMUNITY

In response to the company's new environmental sustainability vision, the Philippines CIT adopted an environmental focus for its work and committed ongoing support to an ambitious project to preserve and protect approximately 1,500 hectares of land in the La Mesa watershed. In 2008 alone, LS&CO. employees planted 125 mature trees and 625 seedlings to help reforest damaged areas of the mixed-use open space and engaged in other beautification efforts at the La Mesa Ecopark.

At our San Francisco headquarters, the CIT for the Homeless motivated more than 500 employees to donate holiday gifts to people in need through 17 local nonprofit organizations. Individually and in groups, employees "adopted" individuals and families and shopped for them based on profiles received from our nonprofit partners. More than 1,000 gifts were donated by employees making the holiday brighter for 61 families and 365 individuals.



CORPORATE PHILANTHROPY

In addition to supporting employee community engagement, the Levi Strauss Foundation (LSF) continued its work to advance the human rights and well-being of underserved people in communities around the world where LS&CO. has a business presence. The foundation pursues its mission through three interrelated strategies: preventing the spread of HIV/AIDS, helping women and youth build assets, and strengthening workers' rights in the apparel industry. Below are examples of the foundation's 2008 grant making in each of the strategic priority areas.

Building Assets Supporting programs and policies that help low-income people save and build financial assets is part of LSF's strategy for creating systemic change in the fight against poverty. Getting ahead in today's economy depends on much more than having an income. For many working families and individuals, the

EARN represents the kind of bold thinking and commitment to sustainable change that the Levi Strauss Foundation has made its trademark. In 2001, when LSF seeded the launch of EARN, nearly all other corporations were downshifting their commitments to avoid risk, and consequently, to forego progress. But in the spirit of innovation, LSF pushed forward with its commitment to social and economic solutions that create new cycles of prosperity for low-wage workers. This visionary culture keeps Levi Strauss & Co. and LSF at the forefront of corporate social responsibility and results in meaningful, lasting effects in the communities in which they operate.

—BEN MANGAN, PRESIDENT AND CEO, EARN



grip of poverty is often one paycheck or one unforeseen crisis away.

LSF grantee EARN in San Francisco works with the federal government and private donors to provide working-poor people with the same tools middle- and higher-income people use to create

financial stability—money management training, access to financial services, and matched savings accounts to invest in a home, education, small business and retirement. On behalf of its clients, EARN has opened nearly 2,100 accounts since 2002 with more than \$2.5 million saved, making it the fastest-growing organization of its kind in the United States. By establishing the Asset Policy Initiative of California, EARN also builds support for government policies that will help take these programs to scale, helping many

Terms of Engagement ensures that the people making our clothes work in a safe and healthy environment, but it is also critical that workers have the tools to be able to stay healthy outside the workplace. Absenteeism affects workers' ability to earn wages and has a negative impact on employers as well.

In partnership with Business for Social Responsibility (BSR), LS&CO. and LSF are funding Health Enables Returns, also known as HERproject. The initiative coordinates general and reproductive health training for female factory workers, seeking to educate and empower women workers through health education and access to health services. LS&CO. is participating in the project in Pakistan and has funded the project in Egypt for 2009.

Through HERproject in Pakistan, female factory workers learn about health and nutrition, protection and prevention of sexually transmitted diseases, family planning, and general reproductive health. On-site factory nurses build health-services capacity and ensure the needs of female workers are met.

As part of HERproject, BSR and partners are studying the project's return on investment (ROI). The ROI study will seek to quantify improvements in absenteeism, turnover and productivity in order to establish, in economic terms, the benefits of investing in women's health programs at the factory level. The hope is that when an ROI is established, brands and suppliers will be more eager to develop health programs for workers, making such programs commonplace in the manufacturing setting. Learn more at www.herproject.org.



more low-income people access tools and opportunities to grow and preserve assets for themselves and for future generations.

EARN's clients are living proof that assets can be leveraged to create opportunities and long-term economic stability. A father of two purchased a truck for his house cleaning business, allowing him to serve many more clients and dramatically increase his income; a teenage parent who grew up in public housing is working toward her MBA; and a woman who works as a cleaning lady was able to buy a three-bedroom house where she, her daughter and her mother now live. Learn more at www.sfearn.org.

Workers' Rights Worker health and safety has been a focus of LSF's workers' rights grant making since the program began in 1999. Our

HIV/AIDS Eastern Europe is a region of high potential for future LS&CO. business. It also is a region with one of the highest rates of HIV infection in the world. In Ukraine, a country particularly heavily hit, HIV-related stigma and discrimination are major obstacles in the prevention and treatment of HIV/AIDS.

LSF supported the 2008 launch of an International AIDS Alliance project that seeks to make HIV testing and condom use more available and acceptable among young people and reduce the stigma associated with HIV/AIDS. Using peer volunteers, the project has so far reached more than 100,000 university students, with about 15 percent taking HIV tests. The project was widely covered

by the media and promoted by government ministries. As a result, knowledge about HIV among young people in Ukraine is increasing, and already there are signs that discrimination against people with HIV is being addressed at the highest levels of government.

LSF will continue to work with the International AIDS Alliance Ukraine into 2009. A new LSF grant will allow the organization to help build the capacity and ability of particularly vulnerable groups, including drug users and sex workers, to become advocates for accessible HIV/AIDS prevention, testing, treatment, care and support services that are free of stigma and discrimination. LSF funding will support a traveling HIV Test and Learn Booth that will travel the country promoting dialogue on the issues to educate young people and break down stereotypes associated with HIV/AIDS. It will also provide rapid HIV tests on site and provide condoms and education materials developed particularly for young people.

LSF is also funding a China program with the International AIDS Alliance that focuses on increasing the success rate of harm-reduction programs targeting injecting drug users. Harm reduction is a practical and humane approach to reducing negative impacts of a particular activity to individuals and the community and a proven method of lowering the risk of HIV infection through services such as needle exchanges, drug education and medical referrals. In China, support for harm-reduction programs comes largely from the public health sector, while in society drug users are viewed as a criminal problem best dealt with through compulsory detention in detoxification centers and labor camps. Inevitably, there are conflicts and tensions between the two philosophies/approaches that prevent harm-reduction programs from achieving their full potential to curb China's HIV epidemic. LSF funding is helping to establish better communication and mutual understanding between political stakeholders and create a more supportive, less retributive environment for harm-reduction programs in China. Learn more about International AIDS Alliance programs at www.aidsalliance.org.

Between LSF and LS&CO., our philanthropy for 2008 totaled \$12.65 million. The Levi Strauss Foundation made \$10.7 million in grants to nonprofit organizations around the world, LS&CO.'s Worldwide Community & Corporate Citizenship department provided \$1.52 million in corporate contributions for similar activities and our brands delivered \$429,000 in product donations and branded giving. In 2008, LS&CO. made a \$7.6 million gift to the Levi Strauss Foundation reserve based on company financial performance for the year. For more information on LSF's strategic grant making, including a listing of grants made in 2008, visit www.levistrauss.com/citizenship/.

THE RED TAB FOUNDATION—EMPLOYEES HELPING EMPLOYEES

In 2008, the Red Tab Foundation (RTF), a stand-alone nonprofit organization founded by a former employee to help employees in need, continued with its mission to strengthen the lives of LS&CO. employees and retirees and their families through economic assistance and empowerment. RTF is funded almost entirely by LS&CO. employees and retirees interested in helping each other.

In 2008, RTF launched Red Tab Scholars, a need-based program that provides cash grants to the children of LS&CO. employees planning to attend qualifying post-secondary education institutions. Red Tab Scholar grants that can be renewed for up to three years were awarded to 134 sons and daughters of LS&CO. employees in 15 countries—Bangladesh, Belgium, Brazil, Canada, Colombia, Hungary, India, Japan, Mexico, the Philippines, Poland, South Africa, Turkey and the United States.



For the second year in a row, RTF distributed more than \$1 million to retirees in need of basic necessities including eyeglasses, hearing aids and critical home repairs that impact a retiree's health or safety. In 2008, RTF expanded its basic-necessities program for retirees to include fuel for home heating and cooling.



In addition to expanding its program offerings, RTF expanded its geographic presence in 2008, adding an office in Capetown, South Africa, to serve more than 400 employees in that country. With staff in Capetown, it will be easier for employees to access RTF's services and for RTF to understand the unique needs of employees and retirees there. Plans are under way to launch financial-literacy and school-book programs in Capetown in early 2009. Expansion into South Africa reflects RTF's efforts to be effective with populations of employees that most need the foundation's assistance. RTF also maintains offices and staff in the United States, Poland, Hungary and the Philippines.

Employees continue to enthusiastically support RTF both with cash donations and by "running for Red Tab." The first Run for Red Tab took place in Brussels in 2007 when a group of employees decided to participate in a local race as a way to raise funds for RTF and have some fun at the same time. In 2008, employees organized five runs around the world in the United States, Brussels, Paris and Stockholm. More than 120 employees ran for Red Tab in 2008, raising more than \$30,000 for the foundation.

DIVERSITY

Business Practices that Reflect the World We Serve



Consumers of LS&CO. products can be found in every corner of the globe and include a broad spectrum of ages, lifestyles and cultures. To understand and address differing consumer needs, we employ and mentor a diverse workforce at all levels of the organization and draw upon that diversity to create relevant products and marketing programs that excite and engage consumers and other important stakeholders.

In 2008, the company continued to invest in programs to develop female talent across regions and develop targeted diversity programs in dozens of countries around the world.

At our European headquarters in Brussels, Belgium, we launched a pilot mentoring program that pairs young university students from immigrant backgrounds with employees who can help orient the students in the business world and develop social and professional networks. Also in Brussels, we launched a program aimed at retaining and motivating workers over 50 years of age. The program focuses on retraining workers for new positions as job responsibilities change or become more automated, and creating stimulating opportunities for older workers to keep them in the workforce.

Our diversity objectives in Asia Pacific present a different challenge. In that region, we are focused on hiring and promoting strong business leaders who reflect the nationality of the country in which they are working.

Building on our longstanding commitment to civil rights and social justice and our 2007 advocacy work on marriage equality on behalf of our employees in the United States, in 2008 LS&CO. took a strong stand against California's Proposition 8, an initiative on the November statewide ballot that sought to take away the right to marry from lesbian, gay, bisexual and transgender (LGBT) people in California. Together with Pacific Gas and Electric Company, LS&CO. co-chaired the No on Prop 8 Business Coalition and successfully encouraged other high-profile companies to join us in opposition to the proposed constitutional amendment. We also continued our federal lobbying efforts in support of an all-inclusive Employment

Non-Discrimination Act and the Tax Equity for Domestic Partner and Health Plan Beneficiaries Act.

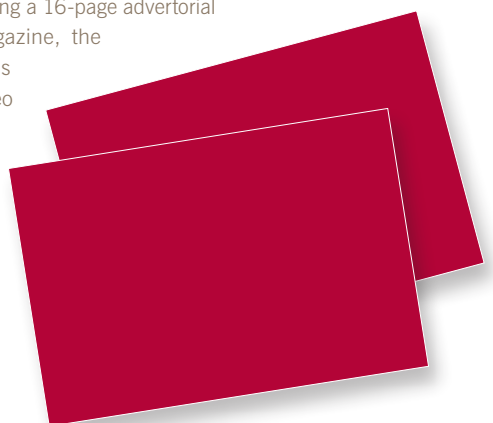
On the marketing front, the U.S. Levi's® brand created a bold diversity-marketing program in 2008, producing a gay-themed television advertisement and placing it on mainstream cable media outlets. The ad, *Change*, earned praise in the advertising world and with the target audience, and won multiple awards including the coveted GLAAD (Gay and Lesbian Alliance Against Defamation) Media Award for best advertising. Based on the success of *Change*, the brand in the United States is developing additional program elements to further its connection with LGBT consumers.

In honor of the opening of a Levi's® store in San Francisco's historically gay Castro neighborhood and the company's history of strong support for its LGBT employees and relationship with the LGBT community, the brand hosted the world premiere of the film *Milk*, chronicling the public life of San Francisco gay activist Harvey Milk. In addition to the world premiere, the brand sponsored a "People's Premiere" of the film and gave 1,400 tickets to our neighbors and friends in the Castro. We also commemorated our presence in the neighborhood with grants to local nonprofit organizations serving Castro residents.

The Levi's® brand also leveraged the June NBA Rookie Draft to create a successful marketing program to appeal to the urban consumer. In addition to outfitting the rookie players in Levi's® jeans and creating a 16-page advertorial feature for *Dime* magazine, the brand developed a series of popular online video diaries for rookie Jerryd Bayless that followed the player from packing up his dorm room to draft day.



For more information on Levi Strauss & Co's corporate citizenship work, visit www.levistrauss.com/citizenship.



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