

CEO Water Mandate Communication on Progress

Levi Strauss & Co.
September 22, 2009

LEVI STRAUSS & CO.

LEVI'S®

DOCKERS®

SIGNATURE BY LEVI STRAUSS & CO.™

Introduction

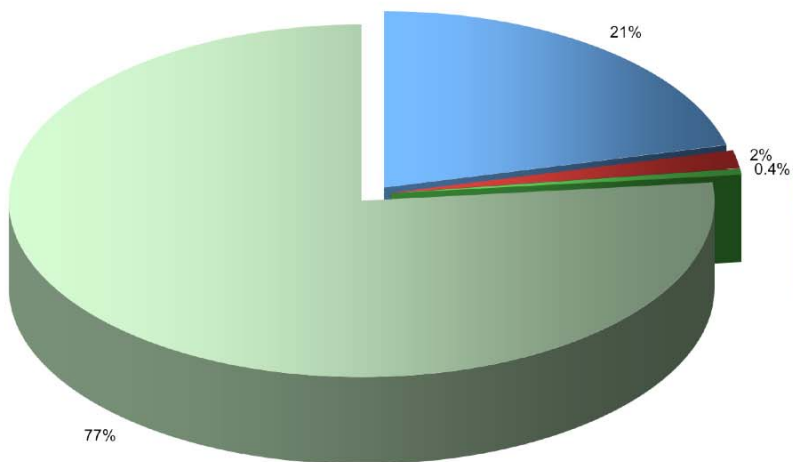
From cotton production to fabric manufacturing, from finishing our products to keeping them clean, we rely on abundant sources of clean water. Just as important is the need for potable water to sustain the health of the workers who produce our apparel and the communities they live in. Like water itself, our responsibility to manage it sustainably courses through every aspect of our business.

How much water is associated with the production, use and disposal of a pair of Levi's®? About 3500 liters. That's a lot of water for one pair of pants – but it includes the water associated with growing the cotton, manufacturing the jeans, bringing them to market and consumer care and disposal. When you take 3500 liters for just one pair of Levi's® and multiply that times the millions of jeans we make a year, you understand why we are so committed to playing a leadership role on issues associated with water.

Levi Strauss & Co. is a proud and active supporter of the UN Global Compact's CEO Water Mandate, because we believe it provides focus and direction to our efforts to reduce, reuse and restore the water associated with our business and products. LS&Co. joined the CEO Water Mandate as a founding member in 2007 and now sits on its Steering Committee supporting the work to examine the interface of water and public policy and the human right to water access and sanitation.

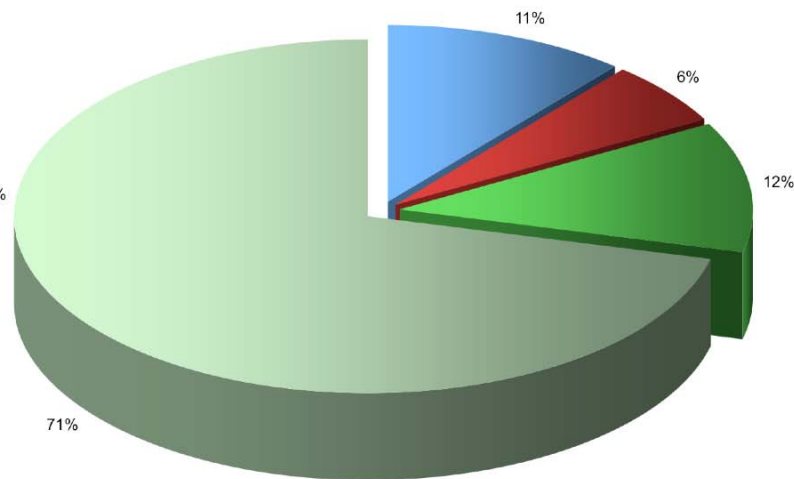
Direct Operations

Water Use By Region



America's North Asia South Asia Europe/Africa

Water Use By Facility Type



Office Retail Distribution Manufacturing (1 finishing and 2 production)

The water usage associated with our direct operations is a small piece of our overall water footprint (only about 1 percent of the water associated with the product) but addressing water usage, quality and availability within our direct operations, not only reduces the company's environmental footprint, but it also makes good business sense to operate as efficiently and cost effectively as possible.

Headquartered in San Francisco, California, LS&Co. is one of the world's leading branded apparel companies, marketing its products in more than 110 countries worldwide. The company designs and markets apparel and related accessories for men, women, and children under the Levi's®, Dockers®, and Signature by Levi Strauss & Co.™ brands. Our direct operations include four headquarters offices, several country offices, two apparel factories, a development center, retail stores and distribution centers globally.

Since 2008, we have been tracking water usage throughout our owned-and-operated facilities. With that data, we are able to compare within and across regions and facility types and develop targets for water reduction at each facility.

Water use at our U.S. distribution centers

Our U.S. distribution centers provide an example of the water data we are collecting within our direct operations and how we are setting targets. In the United States, we have three distribution centers that package, sort and ship product to retail locations and wholesale accounts.

Of the three distribution centers, our Nevada distribution center uses almost three times the amount of water annually as the other two, which are of comparable size but located in Mississippi and Kentucky. Water costs for the Nevada distribution center are four times larger than costs in Mississippi and twice those in Kentucky. This example focuses on the Nevada distribution center as it offers the highest opportunity for returns but we are setting targeted reductions for all of our distribution centers.

When we looked at the root cause of the why the Nevada distribution center's water use was so high, we found much of it stemmed from operating in a hot, desert climate without maximizing water efficiency. We set a 15 percent reduction in water usage target for the Nevada distribution center for 2010 and a 45 percent reduction target for 2012. In 2009, we assessed its cooling system efficiency, irrigation system, pipes and equipment for leakage. In 2010, the Nevada distribution center will implement cooling tower water efficiency measures; replace water conservation equipment for irrigation system; and implement preventive measures and train response team for proper shut-off valve use and accident prevention.

In 2012, when the Nevada distribution center almost halves its water use we will have significantly increased business efficiency, reduced costs and made a large positive environmental impact on the amount of water used by the facility.



Investment in data collection technology

In 2009, LS&Co. began to collect water use data directly from our suppliers, as well as our own operations. Facilitating this data collection effort is our new Social and Environmental Sustainability Information Management System (SESIMS). The SESIMS software tool allows LS&Co. to monitor detailed environmental performance at the supplier level. SESIMS has the capacity to store and report on a number of different water related metrics from general water intake to effluent data for each of our suppliers. This new tool will help LS&Co. better analyze and manage the environmental performance of its supply chain, a best practice in the retail industry.

Supply chain and watershed management

More than 50 percent of the water associated with our products stems from activities in our supply chain – from cotton production to consumer use. We learned this after commissioning a lifecycle assessment (LCA) of two of our core products – Levi's® 501 and Dockers® Original Khaki. Currently, the supply chain is the primary focus of our water stewardship activities.



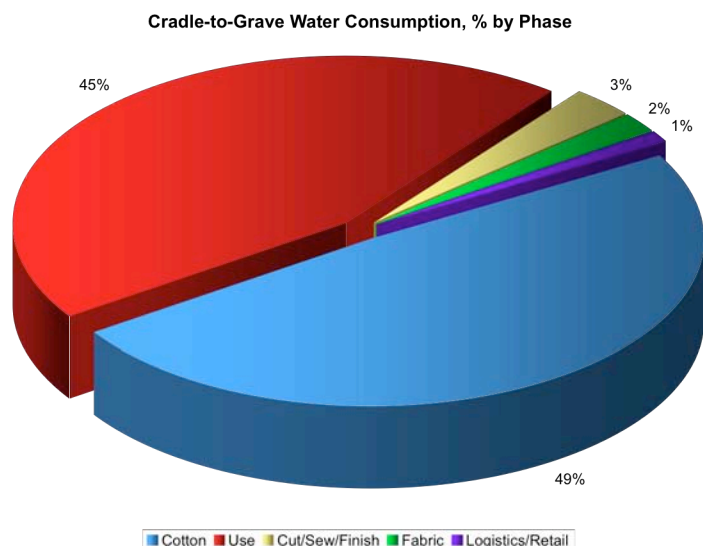
Cotton

Our LCA showed that, from a lifecycle perspective, some of the greatest opportunities for reducing environmental impact exist at the cotton production; nearly 50 percent of the water associated with the product came from how cotton is grown and processed. Based in part on this finding, LS&Co. developed a cotton sustainability strategy.

Our mission is to build sustainability into everything we do, so that our profitable growth helps restore the environment. This can not be achieved without sustainable, cost-competitive inputs. Thus, the long-term sustainability and availability of quality cotton fiber is key to LS&Co.'s business success. Working to strengthen cotton sustainability – including how it is irrigated and how its runoff impacts watersheds – is one of the key business objectives that contribute to environmental renewal and restoration and strengthening the social and economic conditions of communities in our supply chain.

Acknowledging this, LS&Co. seeks to advance cotton sustainability through:

- **Commitment to sourcing Better Cotton and supporting other initiatives that support sustainable cotton cultivation.** LS&Co. will put the buying power of the company behind initiatives that seek to improve the social, economic and environmental sustainability of cotton including water use and chemical and fertilizer impact on watersheds, such as the Better Cotton Initiative. (Better Cotton Initiative is explored in the Collective Action section below.)
- **Establishment of traceability and transparency in our cotton sourcing.** Cotton is traded on a commodities market and LS&Co. does not purchase this raw commodity directly, so establishing primary sourcing is still a challenge for the industry. By establishing traceability mechanisms, we can better understand where our cotton comes from and target initiatives to address water use.
- **Commitment to support farmers to use sustainable cotton cultivation.** The Levi Strauss Foundation will provide grants in cotton producing communities aimed at meeting the needs of cotton farmers. The grants will focus on financial literacy, asset building and health and safety related to the use of pesticides.
- **Seek partners and engage with other key stakeholder to advance cotton sustainability.** While cotton is 95 percent of our product offering and we are a large consumer of cotton, LS&Co. is a small player when considering the size and scope of the cotton industry globally. To have real, long-term impact, we need to find partners that share our vision and want to work collaboratively to improve cotton's sustainability.



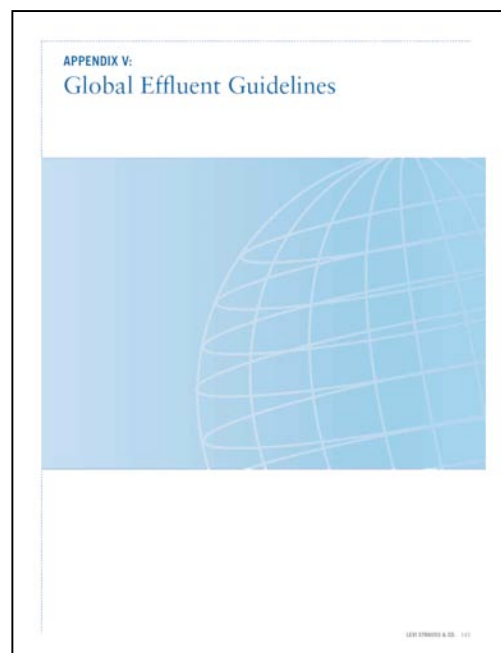
Product manufacture

We're also working to address the 3 percent of water used to manufacture our products. We recognize that untreated wastewater discharged from garment operations directly to the environment – such as rivers, lakes and creeks – may harm ecosystems, as well as cause health and safety problems for the surrounding communities.

In 1995, LS&Co. was the first in our industry to establish and implement water quality standards for our suppliers. Currently it applies to about 100 facilities globally. These [Global Effluent Guidelines \(GEG\)](#) mandate maximum wastewater contaminant levels for our manufacturing locations worldwide. In practice, this means that all our suppliers who finish and/or launder our products must meet these guidelines. They can do this either through operation of a privately owned water treatment facility or by discharge to a government or municipal water treatment facility. We require our direct discharge suppliers to submit laboratory analysis of effluent water samples from their wastewater treatment facilities twice a year. LS&Co. provides training and support to suppliers to address problems if they are found to be out of compliance with our GEG.

In 2009, LS&Co. started rolling out the GEG to our second-tier suppliers making bulk fabric and sundry items (buttons, zippers, threads). We have been providing training and guidance to these second-tier suppliers to ensure they quickly implement our Guidelines and move to address water stewardship. As we have done this, we have found mill suppliers not just focusing on water quality, but also water recycling and reduced water usage. This will be discussed in further detail in the Collective Action section below.

Recognizing that the GEG only addresses the water quality component of water stewardship, we are developing a tool to map where the laundries and mills in our supply chain fall into geographies of water scarcity. This will help us to target work with suppliers to reduce overall water consumption and address water access and sanitation issues in the communities in which our suppliers operate. We hope to have this tool in place and implement plans based on the data in 2010.



Collective action

Consistent with our commitment to building sustainability across the apparel industry globally, LS&Co. participates actively in several collaborative, multistakeholder initiatives to share best practice water stewardship initiatives throughout the apparel industry. This serves our business by building a broader base of suppliers from which we can source and ensures that water needs and challenges are being addressed not just in our supply chain but across the industry. The following captures four examples of collective action in which LS&Co. is currently engaged.

Business for Social Responsibility

Sustainable Water Group:

Since its inception, LS&Co. has played a leadership role in the BSR Sustainable Water Group, a partnership of companies committed to managing water use and wastewater discharge in global textile supply chains. The group aims to mitigate the potentially harmful impacts and business risks faced by companies operating globally where regulations and enforcement can vary dramatically from country to country. One of this year's key objectives is to increase the focus on effective implementation and integration of the Sustainable Water Group wastewater quality guidelines, and to increase water use efficiency through the creation of impact and performance measures along with capacity building for the group.

Apparel, Mills and Sundries Working Group:

Fourteen apparel and retail companies have come together with their strategic mill and sundry suppliers to set a consistent set of expectations and to achieve fair, safe, healthy and environmentally friendly working conditions. By jointly developing one set of sustainability principles, diagnostic tools and reporting mechanisms, the group is creating a sustainable model for boosting the bottom line while benefiting workers and the environment. Importantly for LS&Co., this project has enabled us to push out our Global Effluent Guidelines to our mill and sundry suppliers faster and with greater buy-in from those suppliers, because other buyers are requiring it of them, not just LS&Co.



Natural Resource Defense Council Responsible Sourcing Initiative

China suffers from serious problems with water pollution, scarcity, access and sanitation, much of which stems from the intense level of industrial activity in the country. Looking just at our industry, we know that half of all the textiles in the world are made in China. It is both a key sourcing country for LS&Co. as well as an important and growing market for our products. With this in mind, in 2008, LS&Co. partnered with the Natural Resources Defense Council (NRDC) and other apparel and retail companies to launch the Responsible Sourcing Initiative to catalyze environmental improvement in the Chinese apparel manufacturing sector. The goal is to find practical, low-cost and cost-saving opportunities to increase operational efficiencies at supplier textile factories, while reducing materials, water and energy use and decreasing waste and emissions. The initiative also works with Chinese government officials and local experts to increase the technical capacity of both to improve environmental performance with efficiency improvements in this industrial sector.

Better Cotton Initiative

Cotton represents the largest input into our products. Ninety-five percent of LS&Co.'s branded products contain cotton and almost 50 percent of the water associated with the lifecycle of our products stems from cotton cultivation and processing. Thus, addressing cotton sustainability is important to addressing our overall water footprint. In 2008, LS&CO. joined the Better Cotton Initiative, a multistakeholder partnership that seeks to make global cotton production better for the people who produce it, better for the environment it grows in, and better for the sector's future. Its approach focuses on reducing globally significant environmental, social and economic impacts to bring long-term benefits to farmers, farm workers, cotton farming communities and the environment. BCI is currently active in Brazil, India, Pakistan and West Africa. It includes active participation of cotton buyers, producers, traders, labor and sustainability nongovernmental organizations and multilateral institutions.



Better Cotton Water Principle - *Better Cotton is produced by farmers who use water efficiently and care for the availability of water*

Criteria

- **Optimize water use for both rain-fed and irrigation farms** by, for example, using cover crops, adopting a conservation tillage farming system, retaining crop stubble where possible, slowing the speed at which water flows across the farm (to control erosion), including good management of water storage and delivery systems. The management of salinity is also considered as part of optimizing water use.
- **Sustainable groundwater withdrawals:** Withdrawals must not exceed the natural recharge of the groundwater system.
- **Surface water extraction:** Water take must consider other users of the water resource and the effect on aquatic ecosystems associated with the water body.

Source: BCI Production Principles and Criteria

Public policy



LS&Co. understands the strategic importance of public policy engagement to advance the company's business and environmental sustainability objectives. We have seen that poorly implemented or enforced public policy often leads to greater water challenges and other social environmental issues in our supply chain.

The Worldwide Government Affairs and Public Policy team takes an active role advocating public policy positions focused on international trade, labor, non-discrimination and corporate citizenship to U.S. and foreign governments. In addition to serving our corporate citizenship objectives, our advocacy efforts serve the company on the business front, reflecting our profits-through-principles approach to commercial success. As a result of our public policy work, the company benefits from improved market access, friendlier business climates, strengthened communities and enforceable environmental and labor standards in the countries from which we source.

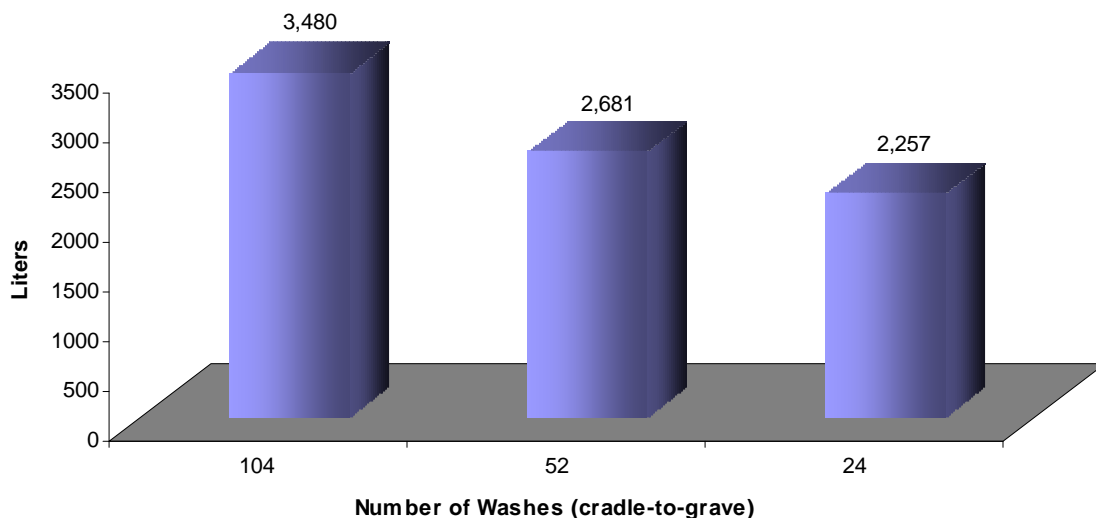
Stemming from our participation in the CEO Water Mandate, LS&Co. joined other Mandate companies in a letter to the G-8 leaders on the eve of their July 2008 summit in Japan, calling on the world's most powerful nations to actively address the issue of water scarcity and availability. In 2007 and 2008, LS&Co. also lobbied for robust funding for the Water for the Poor Act, a framework for how the United States funds and provides foreign aid for water and sanitation to make access to clean water a central aim of U.S. foreign assistance.

Consumer and community engagement

When we completed our product Lifecycle Assessment, we learned the 45 percent of the water associated with the life of our product stemmed from how our consumers use and care for the product. We are addressing water stewardship in our direct operations and supply chain, but if we don't play a role in educating consumers about how to care for our products, we will leave a big part of our water footprint unaddressed. We are committed to engaging with our consumers and the communities in which we source and market our products to address water stewardship.

In 2010, LS&Co. will identify partners and projects to advance water access and sanitation in the communities in which we operate. LS&Co. has a long history of supporting worker and human rights in the communities in which we operate. We look forward to exploring how we can contribute to the efforts to advance the human right to water access and sanitation through engagement in the CEO Water Mandate water and human rights working group

Comparison of Water Consumption, by Number of Washes



Conclusion

Internally, this CEO Water Mandate Communication on Progress provides us with an opportunity to reflect on how far we have come and helps identify the continued work that lies ahead. Our hope is that in communicating externally our water vision, commitment and progress through the CEO Water Mandate we can find partners with whom to advance our common objectives and water sustainability experts who challenge us to do more and with greater urgency and expertise.

Levi Strauss & Co. looks forward to our continued participation in the CEO Water Mandate as we collectively advance our commitment to water stewardship and address the emerging global water crisis.

We welcome your questions and feedback on this report and our water programs and policies. Please send them to: MBXSustainability@levi.com. Thank you.