I’m honored to be invited to speak to you here today.

For years, CERES has helped advance the debate about what it means to be a responsible company. All of us at Levi Strauss & Co. have felt the impact of your work, and we have been honored to partner with you.

We’ve been particularly proud to be a founding member of BICEP – Business for Innovative Climate and Energy Policy – the CERES-led business coalition providing the business case for innovative climate and energy policy to ensure U.S. leadership and competitiveness.

CERES has furthered that leadership with the Investor Business Roundtable announced this morning. We know the success of this Roundtable will depend on the pledges from companies in this room.

Levi Strauss & Co. is proud to heed this call with a commitment to action in our supply chain. My remarks today will outline this approach.

I want to look ahead – ahead at what I propose ought to become the new apparel industry standard of social, economic, and environmental sustainability.

As I will explain, this new standard isn’t just for apparel companies like ours. It establishes a new, higher set of expectations that investors, activists, and governments should all promote.

It applies to all of us in this room – whether you work for an auto manufacturer or a technology company – or you have vendors that employ workers around the world.

**Twenty Years Ago: We Pioneered A New Standard**

For us at Levi Strauss & Co., this is a good time to think about raising the bar.

Twenty years ago, we established a set of labor standards for our suppliers around the world. We called them our Terms of Engagement.
We believed – and we still do – that a successful global company must set a high standard for ourselves and the factories we do business with around the world.

So we took the labor, health, safety, and environmental standards we used in our owned and operated factories and effectively told our partners: “this is now your standard – regardless of where you operate.”

To put it mildly, we didn’t win much applause initially. Some of our competitors snickered. They thought that it was just the “do gooder” Levi Strauss & Co. being impractical and idealistic.

Many predicted we would go out of business because we were asking global suppliers to do what critics considered was beyond the scope of companies: To demand their supply chain treat their workers with dignity, respect, and fairness and to run safe, clean factories.

And, of course, there was also a real dollar cost to this decision. Both to us and to our suppliers.

Our competitors weren’t the only skeptics. Many investors and business leaders scoffed… asking: “why should a company take on a burden that was the government’s responsibility?”

But, two decades ago, the leaders of our company, in particular our then-CEO Bob Haas, wouldn’t be swayed. They wouldn’t be pressured by the critics. And they were heartened by the support they received from labor and human rights leaders – including some of you here today –who believed that a responsible and successful global company was obligated to take this step.

In the broadest sense, our Terms of Engagement worked in ways bigger than we ever imagined. Not only did more than 90 percent of our suppliers accept them, we discovered that we’d set a new standard.

Before long, our Terms of Engagement became the new normal. Almost every apparel company with a global supply chain established their own version.

Compliance became the new yardstick for measuring how responsible companies performed.

Before we knew it, independent watchdog groups were monitoring us, keeping check lists, and holding us accountable. In fact, many in this room help keep us honest by asking the right questions on the ground every day.

Five years ago, we disclosed our list of suppliers around the world. That enabled labor and advocacy groups, the media, and other companies to help us identify
and address problems when they develop. In this area, above all, transparency works. It makes a difference when groups like Ceres demand it.

The Limits of Compliance

There is, of course, still much to do. With factories in developing countries around the world, there were – and always will be – problems on the ground. From the tragic factory fires in Bangladesh to abuses against migrant workers, we still see setbacks.

In fact, I think most of us would have to agree that any honest assessment of global compliance programs in our industry would give only a middling grade.

While we’ve made progress in a number of areas over twenty years, the hard truth is: we haven’t made nearly enough progress on improving the everyday lives of the people who make our products.

In fact, the reports we continue to receive about problems in factories should challenge us to update our Terms of Engagement for the next twenty years; to re-examine our current compliance approach.

Compliance has us focused – perhaps obsessively so – on two things: a standard of “do no harm” and factory-level monitoring and reporting.

We measure very well what our factory suppliers are doing – or not doing – to meet these global standards. But we pay less attention and devote fewer resources to the real, everyday outcomes for human beings.

Many of us in the apparel industry are too familiar with the fire extinguisher story.

One of our compliance monitors noticed that a fire extinguisher was hung awkwardly on a factory wall with a slide that allowed it to move to different heights. What was going on with the fire extinguisher, she asked.

“Well, one company says the fire extinguisher must be hung 2 feet off the floor. Another brand requires it to be 4 feet off, and you want it 3 feet off the floor.”

As you know, stories like this can be found all through supply chains in the developing world. In some cases, good intentions have gotten smothered by compliance regimes.

A couple of years ago we surveyed our suppliers around the world. We discovered that some of them were monitored an average of 25 times each year.

Every two weeks, a monitor from another brand would come and check records, do a walk through, interview workers, and talk to management.
And that was just the average!

Can you imagine – in your own organization – if an inspector came every two weeks to demand senior management do an audit? And, during the audit, demanded slightly different corrective actions than those required two weeks earlier?

You wouldn’t have time to make many of the requested corrections, much less do your work.

I don’t want to minimize or trivialize the importance of monitoring, compliance, or reporting. I don’t think global companies or their suppliers should be let off the hook. Absolutely not.

But if our ultimate goal is to improve not just factory conditions, but to make a material difference to the people and communities in our supply chain, then we need a more holistic approach...a more human perspective.

I want to be very clear on this point, because I don’t want to be misunderstood about the commitment at Levi Strauss & Co. to enforce fundamental standards of worker rights, health, safety, and environmental protection.

Our record, our history, and the recognition you have given us should leave no doubt on that front. We will continue monitoring and working with our suppliers and others to improve compliance with our Terms of Engagement.

**Our New Vision**

But we need to do more. Today I want to share our vision for the next stage in the evolution of our Terms of Engagement.

Going forward, Levi Strauss & Co. intends to propose a new approach in this arena. In our view it is a higher standard and tougher standard. But we also think it is a better standard. Better for the employees who work throughout our supply chain. Better for their communities. And – I say this without apology – better for our business.

Our new Terms of Engagement, to be spelled out in detail over the next year, will ask our suppliers and partners to do more. Us to do more. But it will also give all of us a new and more productive focus.

Our intention is to build new requirements for our key suppliers that align with the United Nations Millennium Development Goals. These goals – not merely compliance – ought to be the new standard of engagement, and the common objective for every company in our industry.
These goals are known to everyone who has been active in global development. They have been endorsed by every nation in the world. And they should be the philosophic underpinning of how we support the people who make our products.

We intend to work with our suppliers to focus on several of the eight MDGs, because we believe the apparel industry is best positioned to help drive results on these. Among them are:

- eradicating extreme poverty and hunger
- improving maternal and child health
- combating HIV/AIDs, and other diseases
- promoting gender equality and empowering women
- ensuring environmental sustainability

Following the rules and conditions of labor rights and workplace safety and health will continue to be an embedded part of the way we operate. We have no intention of stepping back from our compliance requirements.

But in setting our sights on alignment with the Millennium Development Goals, we are actually asking our suppliers to do more: We are going to find new ways to measure success by focusing on improving the actual living conditions of workers whose lives we touch.

I know this all sounds a bit abstract – so let me give you an example of the kind of program we believe should be adopted in factories around the world.

The Levi Strauss Foundation has been supporting a pilot program to increase financial literacy among apparel workers, developed by an NGO called Give to Colombia.

This groundbreaking partnership provides financial training, matched with savings accounts and microenterprise development programs for workers in the apparel industry in Medellin, Colombia.

Workers receive education about family budgeting, assessing credit worthiness and understanding the importance of savings as a way to ensure their family’s future.

Those who start a savings account receive access to government programs such as credit for low income housing, with preferential interest rates.

It may seem counterintuitive that a company would work to require its suppliers to provide savings accounts for workers. But these programs generate real results in improving the lives of workers. This in turn creates stronger, more effective factories.
Other programs we’d like to implement with our suppliers include access to HIV/AIDS education, and access to maternal and infant health services. When it comes to the environment, we’re focused on setting targets for measurable reductions in material, energy, and water use by our suppliers.

Programs like this are happening on various scales with companies around the world – but we’d like to be the first company to build them into our business model and contracts with factories around the world.

And while we may be the first on this front, we don’t expect to be alone on this journey for long. We know the world of global sourcing and manufacturing. We know our industry colleagues want to find solutions that are good for their people and good for their business. I am absolutely confident that they will see this integrated, forward-looking approach as a better solution.

This vision – working with our suppliers to help make employees’ lives better by supporting programs for their workers that align with the UN Millennium Development goals – is admittedly, quite ambitious.

And like the Terms of Engagement we established twenty years ago, we do not believe this will be achieved overnight.

**How we will implement this vision**

We are clear about our vision. But we would not be so arrogant to suggest we have all the answers about the best way to create the metrics we need to drive change.

Making it work and persuading others to join us won’t be easy. But we are determined to make it work. We have to make it work. That’s why we aren’t simply issuing a new rule book from San Francisco.

We’re proposing working with the experts in this room – as well as those outside it – to develop a public white paper with recommendations for action. And we’re making a commitment to start implementing these programs in our supply chain by this time next year.

We’re going to begin with the CERES stakeholder engagement model and invite a group of interested NGOs, brands and labor leaders to advise us.

We’re also going to work very closely with our suppliers on the ground to make sure we’re creating local solutions that can be scaled up in order to really address the apparel industry’s most pressing social issues.
And we’ll continue to seek advice from the Levi Strauss Foundation and other leading global organizations that have been doing work in the apparel industry for years.

**What we ask of you**

In addition to your advice and expertise, to make this work, we also need you to help raise awareness about this new standard.

We can’t do it alone. Progress will be incremental. And we will surely continue to have occasional problems that might be embarrassing.

Undoubtedly, with thousands of factories around the world, there will always be short-term supply chain issues. But true to our history, we want to make our long-term commitment clear – and we want to honor our history of staking out new ground as pioneers.

With your help, we hope it will trigger a sea change in the way Terms of Engagement evolve across industries.

The next twenty years are going to be very different for both our economy and the world. We want to help shape that future.

To achieve it, we are convinced that a new approach to corporate responsibility is needed.

We are sure that if companies focus not just on the legal requirements, but on a broader vision of social, economic, and environmental sustainability, they will be rewarded.

Ultimately, we strongly believe that higher standards will drive better performance and results in our suppliers’ factories.

Five years ago, the Levi Strauss Foundation partnered with Business for Social Responsibility to launch HER-Project, a woman’s health education program in factories in Bangladesh, China, Egypt, and Pakistan. The program is touching more than 90,000 women in 65 facilities.

The focus is on women’s health outcomes, helping factory workers connect to existing health care services nearby.

A study found that for every dollar invested in building the capacity of factory health clinics, health education, and training, three dollars of return are realized in the form of increased productivity on the factory floor.
Let me repeat that – one dollar invested provides three dollars in return: Greater concentration on the shop floor. Less absenteeism. More production targets met. These are exactly the kinds of results socially responsible investors have told us we could achieve.

The workplaces of the 21st century will be stronger when workers have the tools to improve their lives. When they are given healthy and safe workplaces, they become more productive, dependable, and efficient.

We can demonstrate that investing in workers is what you do because, one: it’s the right thing; and two: it yields profitable returns.

We see this as an indispensable component of a true sustainable growth story. It is a business plan and an investment plan that will work.

As investors and close observers of business, you know what we mean.

So my message to you is: please join us. Help convince our industry and other industries that improving the quality of life ought to be the real touchstones for the next stage of activism and engagement.

We need your help.

It will create better companies. It will create a better world.

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