

# Climate



**Relevant frameworks in this pillar:** GRI, SASB, TCFD, UNGC

**Contributing to these UN SDGs:** 6, 9, 12, 13, 15

Climate change poses significant threats to commerce and communities around the globe and is the

existential challenge of our time. We all share a responsibility to act. Reducing our climate footprint across our value chain and galvanizing others for collective action are top priorities. While we acknowledge the challenges ahead and the many variables involved, we aim to leverage our innovation, supplier engagement, sustainable sourcing, advocacy and giving, while taking steps to strengthen our own business resilience to the effects of climate change. We're committed to doing our part and expect that others are, too, since it will take concerted and collective action to address climate change. This includes reducing energy use and emissions as well as innovating to reduce freshwater use in our own operations and our supply chain – while striving to protect and restore biodiversity. Our supply chain, which includes the manufacturing of our products, is the biggest part of our footprint.

Water and climate issues are inextricably connected in what is often called the water-climate nexus, so we manage their risks and opportunities in tandem. The impacts of climate change can manifest as water-related events like droughts and floods. At the same time, water is used to keep traditional power plants cool and for some forms of renewable energy. Conversely, energy is used to pump water from aquifers for consumption, as well as for water treatment and distribution.

This intersection presents opportunities for us to address some water and climate impacts simultaneously. For instance, many of our Water<Less® techniques also reduce energy use by decreasing the energy needed to pump water into factories. In 2021, we completed a greenhouse gas (GHG) and cost modelling assessment across our supply chain. The process considered the water-climate nexus as we assessed both supplier water usage and possible interventions that would have a direct impact on GHG emissions. These range from simply adjusting temperatures to water pump installations and system upgrades.

## Climate Goals

### Goal:

40% absolute reduction in supply chain GHG emissions\*

### Target Year:

By 2025

### Goal:

90% absolute reduction in GHG emissions and 100% renewable electricity in all company operated facilities\*\*

## Target Year:

By 2025

## Goal:

Net-zero emissions of greenhouse gases\*\*\*

## Target Year:

By no later than 2050

## Goal:

Reduce freshwater use in manufacturing by 50% in areas of high water stress\*\*\*\*

## Target Year:

By 2025

## Goal:

Continue to assess and identify material impacts and dependencies on nature across the value chain, in order to implement a comprehensive biodiversity action strategy

## Target Year:

By 2025

\*Against 2016 base year. Supply chain GHG emissions refer to Scope 3, Category 1 (Purchased Goods and Services). While this goal was approved by SBTi under the apparel and footwear sector science-based targets guidance v.4.0, it will be adjusted to a 1.5°C trajectory as now required by the SBTi Net-Zero target application process.

\*\*Against 2016 base year. This goal is consistent with limiting temperature rise to 1.5°C compared to pre-industrial levels.

\*\*\*We plan to submit this goal for SBTi approval in 2023.

\*\*\*\*Against 2018 base year.

## Climate Highlights

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**22%**

absolute reduction in supply chain GHG emissions (Scope 3, Category 1) over the base year

**66%**

absolute reduction in GHG emissions associated with company-operated facilities (Scope 1 and 2) over the base year

**85%**

renewable electricity in our company-operated facilities\*

**11.5 billion**

billion liters of water recycled at product and fabric manufacturing facilities that apply our Recycle & Reuse Standard and Water<Less® techniques\*\*

\* Of total electricity used.

\*\* Cumulative since launch of Recycle & Reuse Standard in 2011.

## Forward-Looking Statements



*This Sustainability Report and related website contain forward-looking statements, including statements related to our sustainability strategies, initiatives and targets. We based these forward-looking statements on our current assumptions, expectations and projections. These forward-looking statements are estimates and involve a number of risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed in our filings with the U.S. Securities and Exchange Commission, including our Forms 10-K and 10-Q. Other unknown or unpredictable factors also could have material effects on our future results, performance or achievements. All information in this Sustainability Report and related website was current only as of the date originally presented and we disclaim any obligation to update this information.*



# Climate Action

SASB: CG-AA-430a.2; CG-MR-130a.1; CG-MR-410a.3; CG-EC-410a.2

GRI: 2-24; 201-2; 305-1; 305-2; 305-3; 305-4; 305-5

UN SDGs: 9, 12, 13, 15

UNGC: Principles 7, 8, 9

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## **Toward net zero with science-based targets**

We have set science-based targets to reduce absolute greenhouse gas (GHG) emissions in our company-operated facilities by 90% and to achieve 100% renewable electricity\* in those facilities – both by 2025. In 2017, we committed to a 40% absolute reduction in supply chain emissions by 2025, which was approved by SBTi in 2018.\*\* Notably, in 2021, we committed to achieving net-zero emissions of greenhouse gases by no later than 2050, and will begin the process of submittal to SBTi in 2023. As part of the approval process for our net-zero goal, we will revisit our commitment to a 40% absolute reduction in Scope 3, Category 1 emissions by 2025 to ensure alignment with a 1.5°C trajectory, as now required by SBTi.

Our climate action targets are absolute rather than compared to our net revenues, size or other economic metric. We established a base year of 2016 against which we measure our progress. Our Scope 1 and 2 goals are consistent with limiting global temperature rise to 1.5°C compared to pre-industrial levels, and we expect to align our Scope 3, Category 1 goals with the 1.5°C pathway as part of the approval process for our net-zero commitment. We were among the first companies in any sector to commit to Scope 1 and 2 emissions reductions consistent with the 1.5°C trajectory – and we plan to continue to be aligned with the rigorous requirements of SBTi.

As of the close of our 2021 fiscal year, renewable electricity accounted for 85% of the total electricity used at our company-operated facilities, on the path to 100% by 2025. The onsite solar power array at our Leadership in Energy and Environmental Design (LEED) Platinum-certified distribution center in Henderson, Nevada, meets about 20% of the facility's electrical demand, with room to expand. Electricity makes up 68% of the total LS&Co. company-operated energy footprint, so achieving our goal of 100% renewable electricity in our own facilities will help reduce our overall impacts.

*\*While it has become common to use “renewable energy” and “renewable electricity” interchangeably, they are different. Electricity refers to purchased-from-the-grid electricity, as opposed to other forms of energy, such as natural gas, diesel and other fuels.*

*\*\*Supply chain GHG emissions refer to Scope 3, Category 1 (Purchased Goods and Services).*

## Climate Action Goals

### Goal:

Net-zero emissions of greenhouse gases\*

### Target Year:

No later than 2050

### FY2021 Progress

New goal

### Goal:

40% absolute reduction in supply chain GHG emissions\*\*

### Target Year:

2025 (against a 2016 base year)

### FY2021 Progress

22% against base year

### Goal:

90% absolute reduction in GHG emissions associated with all company-operated facilities\*\*\*

### Target Year:

2025 (against a 2016 base year)

### FY2021 Progress

66% against base year

### Goal:

100% renewable electricity in all company-operated facilities\*\*\*

### Target Year:

2025 (against a 2016 base year)

## **FY2021 Progress**

85% of total electricity

\*We plan to submit this goal for SBTi approval in 2023.

\*\*Supply chain GHG emissions refer to Scope 3, Category 1 (Purchased Goods and Services). While this goal was approved by SBTi under the apparel and footwear sector science-based targets guidance v.4.0, it will be adjusted to a 1.5°C trajectory as now required by the SBTi Net-Zero target application process.

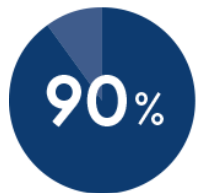
\*\*\*This goal is consistent with limiting temperature rise to 1.5°C compared to pre-industrial levels.

## **Progress Toward Our Science-based Targets**

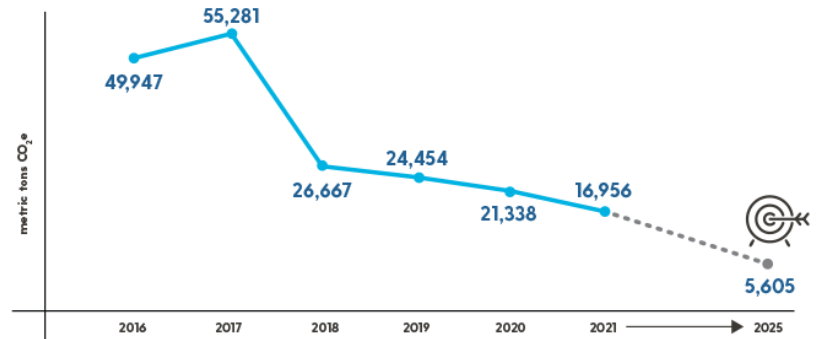
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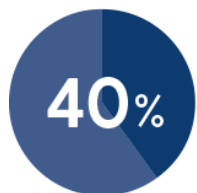
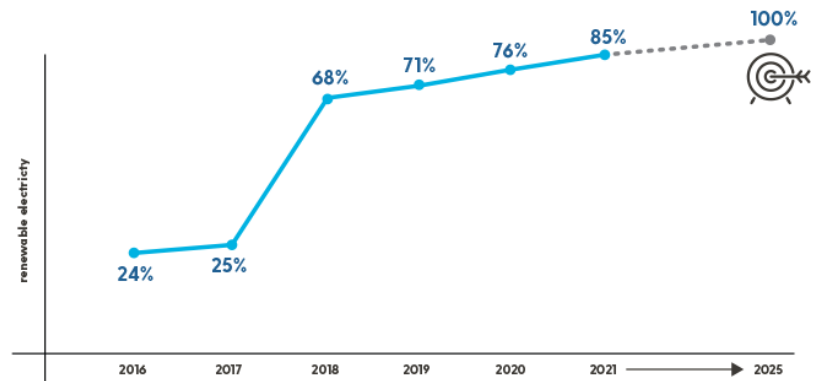
## LS&Co. intends to achieve the following by 2025 (from a 2016 base year):



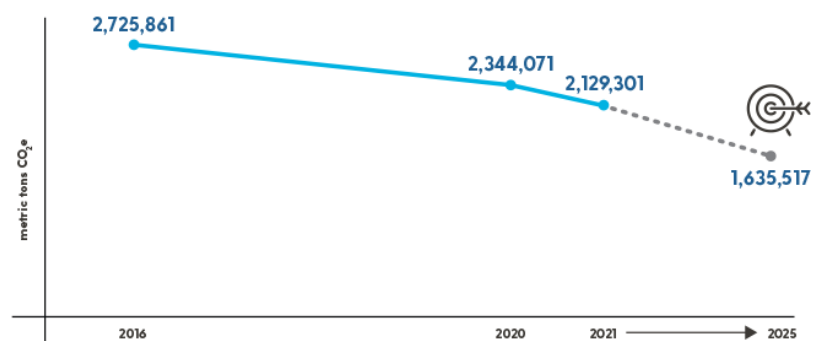
absolute reduction in GHG emissions associated with all company-operated facilities\*



renewable electricity in company-operated facilities



absolute reduction in supply chain GHG emissions\*\*



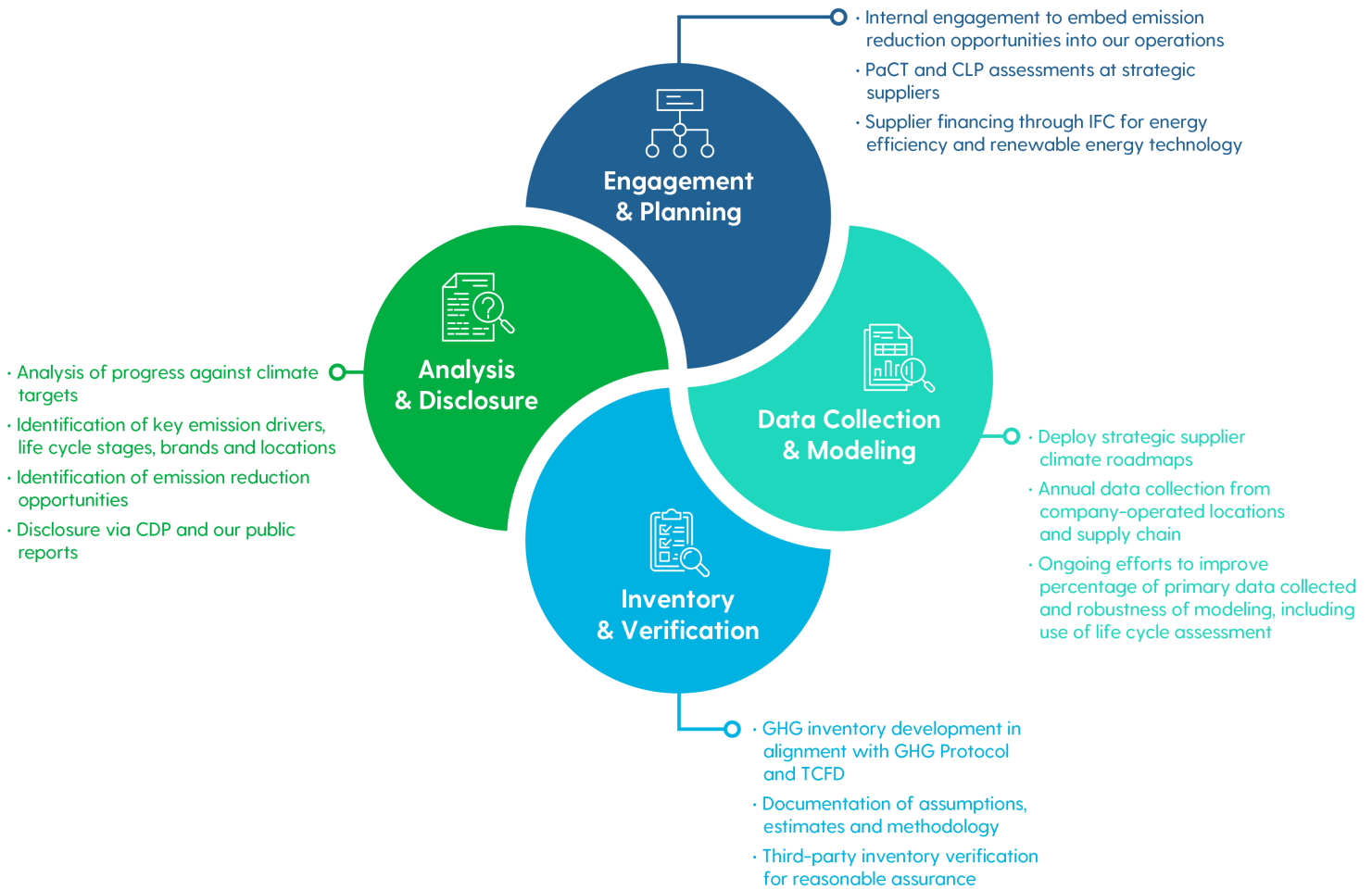
\* Scope 1 and 2

\*\* Scope 3, Category 1 (Purchased Goods and Services)

## Climate Metrics

Metric	FY21
Scope 1 Emissions	10,703 mtCO <sub>2</sub> e*
Scope 2 Emissions	6,253 mtCO <sub>2</sub> e*
Scope 3 Emissions (11 relevant categories of 15 total)	3,903,171 mtCO <sub>2</sub> e*
Total Emissions (Scopes 1, 2, 3)	3,920,127 mtCO <sub>2</sub> e*
GHG Emissions Intensity (Scopes 1 and 2)	2.9 mtCO <sub>2</sub> e* per \$1 million of net revenue
Total Electricity Consumption in all Company-Operated Facilities	104,663 MWh*
Renewable Electricity Consumption in Company-Operated Facilities	88,706 MWh*, 85% of total electricity
<p>*mtCO<sub>2</sub>e refers to metric tons (also referred to as tonnes) of carbon dioxide equivalent emissions, a commonly used form of greenhouse gas emissions measurement. MWh is megawatt hours.</p> <p>For more data see <a href="#">Our Performance: Data Tables</a></p>	

## Our Approach to Climate Action



## Reducing Absolute Emissions in Our Own Facilities

LS&Co.'s company-operated facilities include 1,083 retail stores in 37 countries, about 80 offices – including administrative and sales offices, data centers, photo studios and others – 12 distribution centers and two manufacturing plants. Emissions from our company-operated activities generally fall into the Scope 1 and 2 emissions categories. Collectively, these emissions make up less than 1% of our carbon footprint. Through energy reductions, efficiency, onsite renewable energy and energy attribute credits, we are able to make meaningful change. In 2021, we achieved a 66% reduction in Scope 1 and 2 emissions from the 2016 base year, keeping us on track toward our goal of a 90% reduction in absolute emissions associated with all company-operated facilities by 2025.\* Electricity represents the majority of energy used at our company-operated facilities (68% as of the end of 2021). A smaller portion of our energy (27%) is from natural gas,

which we plan to reduce through efficiency improvements and biogas credits.

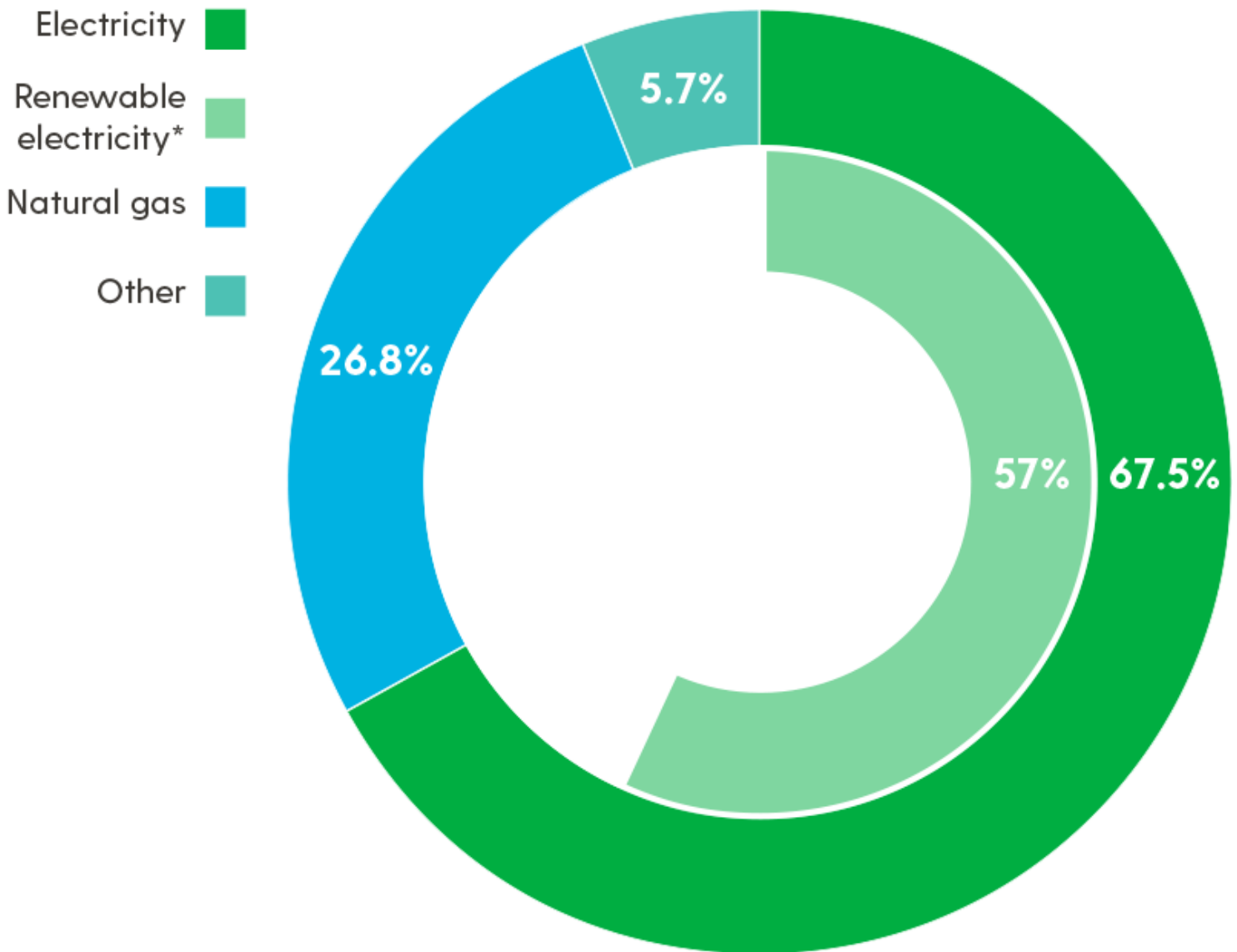
*\*We have applied a market-based approach for Scope 2 emissions accounting.*

## **Toward Net Zero at Our Corporate Headquarters**

Levi's Plaza is our global headquarters in San Francisco and our largest office. In 2021, the property owner announced a commitment for Levi's Plaza to achieve net-zero carbon emissions by 2025. Improvements are anticipated to include increasing energy efficiency, replacing gas boilers with electric heat pumps, generating onsite solar energy and purchasing carbon-free electricity from CleanPowerSF.

## **2021 Energy Footprint: Company-Operated Facilities**

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\* 85% of the electricity consumed in 2021 came from renewable sources. This includes renewable energy from LS&Co.'s on-site projects, renewable energy certificates (RECs) and energy attribute certificates (EACs) from LS&Co. locations, as well as electricity that we receive from renewable energy generation serving the electric grids where select LS&Co. offices, factories or retail stores are located. We purchase RECs and EACs to offset electricity consumption and as an investment in renewable energy. 98% of renewable electricity is covered by EACs. Purchasing RECs is one of many ways we work to achieve our targets.

## 2021 Energy Consumption and Scope 1 and 2 Emissions – Company-Operated Facilities

Metric	FY21
Total energy consumption	154,960 MWh
Emissions from energy combusted onsite (Scope 1)	10,703 mtCO <sub>2</sub> e
Emissions from purchased energy (Scope 2)	6,253 mtCO <sub>2</sub> e
Reduction in Scope 1 and 2 emissions from 2016 base year	66%





## Our LEED-Certified Facilities

Leadership in Energy and Environmental Design, or LEED, is a widely used green building rating and certification system. LS&Co. has eight LEED-certified facilities, including our headquarters office, which is LEED Gold; some retail stores in Europe, Asia and the U.S.; and our LEED Platinum-certified distribution facility in Henderson, Nevada, which at the time of its initial certification in 2015, was the largest facility of its kind to receive the Platinum designation. We are building a new distribution center in Dorsten, Germany, that has been designed to achieve Platinum-level LEED certification and is expected to be completed in 2024.

We have incorporated some LEED principles for energy, waste management, indoor air quality and water into our Retail Sustainability Playbook to guide store updates and development. We have also adopted some LEED construction safety measures for use in future store and distribution center construction projects.

### Our Distribution Centers

Along with retail stores, the 12 distribution centers we own make up the largest portion, about 37%, of our company-operated energy footprint. We have focused heavily on energy efficiency efforts at these facilities and will continue to do so. For example, LS&Co.'s distribution center in Henderson, Nevada, earned the LEED Platinum rating – the highest level of sustainable building certification – in part due to its strong energy efficiency features.

The facility's solar installation is capable of generating up to 20% of the facility's electricity needs, while also serving as a shade structure over employee parking. The center's energy-saving features include giant fans and LED lighting with motion sensors in the high bay area to keep the area cool and energy efficient, LED-lit vending machines, and a battery recycling station, among others.

At Henderson, as well as our distribution centers in Rexdale, Canada, and Hebron, Kentucky, we have used American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE) II audits, which provide a detailed, 360-degree view of energy usage and potential reductions. Before we decide to build new distribution centers, we assess key sustainability criteria, including climate and water considerations, locations, building components and construction materials. And just as we have a sustainability playbook for our retail real estate, we plan to launch a sustainability playbook for our distribution centers in 2022, capturing best practices, supporting site-specific opportunities and standardizing the sustainability assessment process.

For more about the sustainability attributes of our Henderson distribution center, see this [video](#).

1,970,841 kilowatt hours (kWh) generated by on-site solar at Henderson facility in FY21

## Our Omnichannel Facility

In 2021, our Henderson distribution center became our first company-operated facility to fulfill orders for ecommerce, retail and wholesale channels, which increases processing efficiency and reduces lead-time needed to get items ready to ship to consumers. It also eliminates the double handling of some products, which were previously transported to a third-party logistics facility.

## Our Most Innovative Distribution Center

Development continues for a new LS&Co. distribution center in Germany designed with sustainability at the center, featuring building materials that support a circular economy. Groundbreaking took place in 2022, with operations scheduled to begin in 2024.

The 70,000-m<sup>2</sup> solar and geothermal-powered facility will occupy a revitalized mining site in Dorsten, Germany, where it will serve as the LS&Co. European distribution center. The facility is designed to secure two certifications: Platinum-level LEED and Platinum-level WELL certification, which focuses on the health and well-being of building occupants. It will also be built according to circular design principles.

A rooftop garden will support biodiversity and serve as a water collection point to reduce heat island effects and minimize stormwater run-off. Through renewable energy sources including solar and geothermal, the center is expected to meet a majority of its own energy needs. It will also reflect human-centered design principles, featuring communal and green areas to support employee health, wellness and social connection, while maximizing efficiency. As we look to future growth, the facility will serve as our standard for

distribution center design, helping us to further integrate business and sustainability objectives.

## **Our Factories**

Since 2013, our Plock, Poland, manufacturing facility has used 100% renewable electricity. The facility also completes regular energy audits to identify opportunities for greater efficiency and has implemented a number of energy-saving projects, including:

- **Completion of a Partnership for Cleaner Textile (PaCT) assessment**
- **Installation of a new compressor with heat exchanger to more efficiently heat production water and reduce natural gas use**
- **Thermo-modernization of factory steam and hot water systems to reduce energy use**
- **Installation of automatic gates in the cutting and sewing area to reduce heat consumption**
- **Installation of LED lighting and motion-sensing lights throughout the premises**
- **Installation of new, more efficient HVAC system for the sewing area**

Thanks to its ongoing energy efficiency improvements, the Plock facility generates white certificates for the country's cap-and-trade system, which the government sells to properties that did not reduce energy use. White certificates are energy efficiency obligation schemes used in many European Union countries as a policy measure to reach efficiency targets. In 2021, the facility adopted the 5S continuous improvement system to support further gains in efficiency and quality.

Our factory in Epping, South Africa, has upgraded to LED lighting throughout the facility, uses recycled engine oil in a boiler, and is exploring a solar project to further reduce the need for purchased electricity. The Epping facility has also completed a PaCT assessment to identify additional potential energy efficiency improvements. Additionally, the Epping facility has reduced its water consumption through use of Water<Less® techniques – which indirectly improves energy efficiency because less water needs to be pumped and heated for production processes.

Both of our factories are certified to the ISO 14001 Environmental Management Systems Standard, which includes guidance for managing energy use.



## **Our Retail Stores**

Our retail stores offer opportunities for high-impact efficiency gains through relatively small changes, such as switching to LED lighting and installing systems that dim lights after hours, because of the high density of lighting per square foot needed to keep these spaces brightly lit.

### **Retail Sustainability Playbook**

We have developed a Retail Sustainability Playbook based on a series of detailed energy audits and supported by regional surveys. It encourages our company-operated stores to use 100% LED lighting, set energy and GHG emission performance targets, reduce energy use and costs, and develop and execute

energy assessment and re-commissioning strategies. The guidance covers the store life cycle across three main areas:

- **Location and Lease:** Engaging with landlords when developing and signing leases and assessing site infrastructure like HVAC and LED lighting.
- **Design and Construction:** Creating specifications for an energy-efficient environment in keeping with our brand and customer experience expectations, outlining guidance for retail operations, including practices such as keeping doors closed when air conditioning is on, programming thermostats for efficiency, and installing auto-shutoff lights and motion sensors.
- **Operations:** Providing guidance for energy, waste and water reduction as well as air quality, asset replacement, sustainable behaviors and communications.

We will begin rolling out the Retail Sustainability Playbook to stores in 2022.

## **Sustainable Store Design in the Middle East**

Today's newest Levi's® stores are designed to give our consumers an authentic, compelling and consistent experience with the Levi's® brand in a store environment designed with sustainability attributes. For instance, the 280-square-meter Dubai Mall store in United Arab Emirates, which opened in 2021, includes a Tailor Shop where customers can customize or repair their Levi's® jeans, jackets and other items; digitally focused design and sustainable lighting; reimagined fitting rooms and a Style Lounge; and personalized shopping options.

## **Product Shipping**

Product shipping accounts for less than 10% of emissions in our global value chain. In addition to ocean shipping, we use other methods, including rail, trucking and barge transport, depending on location and the distance a shipment needs to travel, weighed against the emissions profile of available options.

We try to avoid air freight wherever possible. In Europe, we prioritize shipping by rail, given that air freight is more carbon intensive (per metric ton/kilometer) than rail. In Asia, we use some barge transport along rivers where possible, which offers lower emissions than trucking. And in the U.S., truck transportation is being replaced by rail from port to inland distribution centers, with the intention to increase intermodal rail connections in the coming years. We used higher than expected air freight in FY21 to address COVID-19 pandemic-related supply chain disruptions.

Maersk, our largest global shipping partner, has a program that uses waste-based biofuels to move large

containers with net-zero carbon dioxide emissions. In 2021, we shipped 1,000 containers through Maersk ECO Delivery, with plans to ship twice that amount in 2022.\* Likewise, LS&Co. is a member of the Clean Cargo Working Group. This allows us to collaborate with like-minded shippers, forwarders and carriers to integrate sustainability into the freight procurement process, and to access global carriers' emissions data for more informed transportation decision making.

*\*The 1,000 containers are measured as 20-foot equivalent units, also known as TEUs.*

We are also collaborating with Maersk and a few other organizations in a joint project to explore the environmental benefits and commercial viability of LEO, a blend of lignin ethanol oil, that could support sustainable shipping. A structural bio-polymer found in plants, lignin is also a byproduct of the paper industry often disposed of through incineration to produce steam and electricity.

### **Optimizing Our Shipping Cartons**

Our products move around the world in large shipping containers that travel by sea, rail, air and land. A recent initiative to redesign the outer carton protecting our products enables each carton to be packed more densely, which allows us to fit more cartons into a container and ship fewer cartons overall. We evaluated the packing process and existing carton configuration, then determined the packaging configurations that would optimize space. Refining the carton design by just a few inches saves 17% of container space. Our company-operated distribution centers reuse the majority of the cartons received from suppliers, repack them and ship products to large retail customers. Of the remaining cartons, some arrive damaged and get broken down for recycling, as do any cartons not needed for reuse.

### **Reducing Emissions in Supplier Facilities**



LS&Co. estimates a comprehensive climate footprint, including Scope 3 Greenhouse Gas Protocol categories identified as relevant to LS&Co. operations (11 of 15 categories). Of these, the biggest contributor to our footprint is our supply chain, referred to as Purchased Goods and Services (Category 1), and representing 54% of our overall emissions footprint in FY21. To make progress on these impacts and achieve our climate goals, including our commitment to reduce Scope 3, Category 1 emissions by 40%, we must collaborate with our suppliers. That means working with them to set targets and support their efforts to become more water and energy efficient and increase their use of renewable electricity. Given the nature of Scope 3 goals, the continuation of our progress is not solely dependent on our own actions. We continue to influence our suppliers and other brands to support positive change. However, continuing to reduce Scope 3, Category 1 emissions is dependent on many factors outside our control, such as supplier interest and access to financing for capital improvements, actions by other apparel brands who may have emission reduction targets less ambitious than our own, and geopolitical conditions, among others.

We reduced Scope 3 emissions associated with our supply chain by 22% over our 2016 base year.\* Some progress may be the result of declines in volume due to the COVID-19 pandemic. Our continued efforts to source more sustainable raw materials, such as more sustainable cotton and responsible manmade cellulosic fibers, also play a role in reducing emissions.

*\*Supply chain GHG emissions refer to Scope 3, Category 1 (Purchased Goods and Services).*

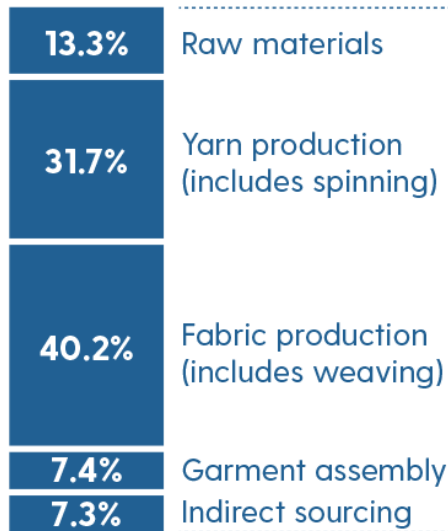
## Emissions Categories

Reporting Scope	Scope 3 Category	Reporting Category	Emissions (mtCO <sub>2</sub> e)	Percentage of Footprint
Scope 1	N/A	Direct emissions from sources owned and controlled by LS&Co.	10,703	0.3%
Scope 2	N/A	Purchased electricity, steam, heat and cooling	6,253	0.2%
Scope 3	1	Purchased goods and services	2,129,301	54.3%
Scope 3	2	Capital goods	9,307	0.2%

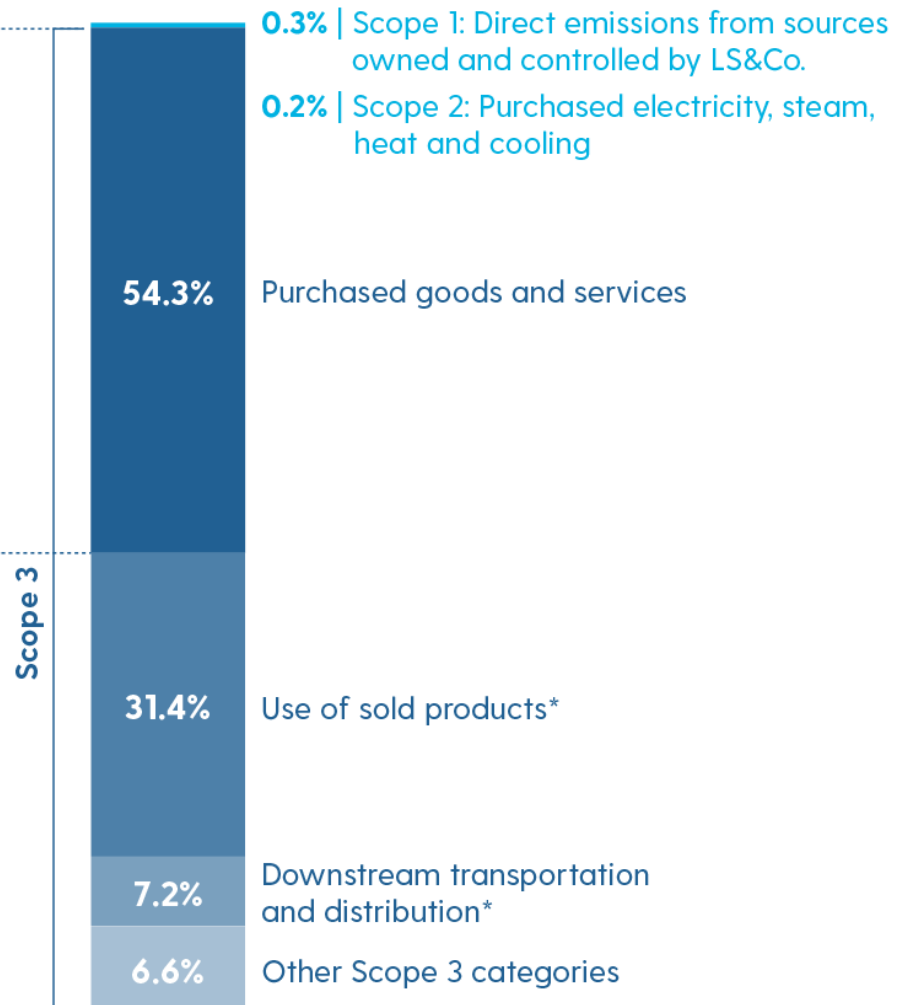
Reporting Scope	Scope 3 Category	Reporting Category	Emissions (mtCO <sub>2</sub> e)	Percentage of Footprint
Scope 3	3	Fuel-and-energy-related activities	8,399	0.2%
Scope 3	4	Upstream transportation and distribution*	94,863	2.4%
Scope 3	5	Waste generated in operations*	13,836	0.4%
Scope 3	6	Business travel	1,907	<0.1%
Scope 3	7	Employee commuting	6,173	0.2%
Scope 3	9	Downstream transportation and distribution*	283,404	7.2%
Scope 3	11	Use of sold products*	1,229,576	31.4%
Scope 3	12	End of life treatment of sold products	89,673	2.3%
Scope 3	14	Franchises*	36,732	0.9%
Scope 3		Total	3,903,171	
Total			3,920,127	
*Estimated				

## FY21 Total Carbon Footprint

### Purchased goods and services



### Total emissions



\* Estimated

## Supplier Support through the Partnership for Cleaner Textile

We collaborate on PaCT with the International Finance Corporation (IFC), the private-sector arm of the World Bank Group. This innovative public-private partnership provides access to advisory services to suppliers who wish to invest in reducing their energy, greenhouse gas and water footprints, and who would benefit from additional technical support or upfront capital to do so.

We initially piloted six suppliers' manufacturing sites in South Asia, focusing on a PaCT assessment and solar pre-feasibility study in factories and mills (Tier 1 and Tier 2 suppliers). After these 2017 pilot programs showed real savings and efficiency improvements, we expanded availability to additional factories and mills. Within the next several years, we plan to engage the remainder of our key factories and mills globally. As part of this program, LS&Co. is covering the costs for eligible suppliers to undergo a renewable electricity assessment. Where onsite renewable investment is feasible, we will collaborate with the IFC on a financing model, leveraging the IFC Global Trade Supplier Finance (GTSF) program.

In China, where IFC is not implementing the PaCT program, we encourage supplier participation in the Carbon Leadership Program (CLP), formerly Clean by Design, which is overseen by the Apparel Impact Institute and served by RESET Carbon. The CLP approach works to improve and reduce supplier use of energy and water.

We have expanded our partnership with IFC to provide further support through the GTSF program to suppliers that have begun implementing low-carbon investment plans and have conducted PaCT cleaner production assessments. This includes offering them access to lower-cost financing to support their efforts, and together, deliver meaningful climate action. This program enables suppliers to access competitively priced financing based on criteria such as strong performance on our [Supplier Code of Conduct](#). It provides access to capital for sustainability investments, which the supplier may otherwise not be able to finance. We also began a global collaboration in 2021 with HSBC on the Sustainability Supply Chain Finance (SSCF) program, expanding the availability of low-cost, early payment financing to our suppliers. Supplier interest rates for both the IFC and HSBC payments can be linked to performance against our Supplier Code of Conduct, providing incentives to improve social and environmental performance. IFC has also introduced a pricing scheme that offers additional incentives for suppliers that implement low-carbon solutions.

## Managing Climate Change Risks

LS&Co. identifies, assesses and determines climate-related risks with a potential substantive financial impact through company-wide risk assessments and periodic assessments in both our operations and across our

supply chain. These include sustainability issues prioritizations, supply chain risk assessments, life cycle assessments (LCAs) and supplier data collection through the Sustainable Apparel Coalition (SAC) Higg Facility Environmental Module (FEM). We evaluate climate-related risks in the short-, medium- and long-term.

The LS&Co. Executive Leadership Team and Board reviews the company's risk priorities at least twice per year, as informed by the cross-functional Enterprise Risk Committee (ERC), which enables LS&Co. to identify and manage emerging risks to the company, improve resource deployment and enhance our enterprise resilience. The ERC surveys about 130 of our top leaders annually to identify, characterize and estimate the potential impact and likelihood of each risk, and to assign a risk score accordingly. These risk scores allow LS&Co. to determine the relative significance of each risk. Special attention is given to align with the COSO and MSCI Index Frameworks and integrate ESG themes into this process. This includes scenario planning, risk forecasting, testing crisis and business continuity plans. The top 15 entity-wide risks identified are reported to the Audit Committee of the Board on an annual basis. The ERC enables LS&Co. to identify and manage risks entity-wide, improve resource deployment and enhance our enterprise resilience.

Climate-related matters are also separately reviewed on a case-by-case basis by our sustainability and supply chain functions, as well as other internal and external stakeholders, to understand the level of importance and potential direct, upstream and downstream impacts. This review includes understanding potential climate-related impacts related to brand reputation, operational disruption, supply availability and cost, consumer awareness and regulatory activity.

For more about our risk management practices, see [Ethics and Integrity](#).

Read more about our programs to mitigate, adapt to and manage risks associated with climate change in our [2021 CDP Climate Response](#), [TCFD Index](#) and [Fiscal Year 2021 Form 10-K](#).

## **Supplier Climate Roadmaps to Meet their Targets**

Fabric mills and garment manufacturers account for most of our full value chain carbon footprint, especially given that many of our fabric mills are also yarn spinners. Measuring emissions in the apparel supply chain has long been challenging, due to the shared and distributed nature of supply chains in our industry. Achieving our goal of a 40% absolute reduction in Scope 3, Category 1 emissions is dependent on our suppliers also working toward reductions. We must work closely with suppliers to understand what percentage of emissions correspond to the manufacturing of our products, help them recognize the benefits of reducing energy and emissions and support them through programs like PaCT and CLP.

We have collaborated with suppliers to make sure they could collect their environmental data through the

Higg FEM. The data was verified by SAC-approved third parties, then used to create supplier roadmaps for change and develop supplier-level climate and water targets. Where suppliers and mills were not yet participating in the Higg FEM, we conducted surveys to collect their data.

We have since engaged more deeply with key mills in our supply chain to work toward establishing roadmaps for them as well. Suppliers have agreed to emission reduction targets with the base year set with the earliest available Higg FEM data for each. The targets are laid out in detailed roadmaps, complete with energy and water usage from the Higg FEM, target setting support and detailed tracking of completed and upcoming initiatives. These roadmaps guide suppliers as they make big changes – like replacing an old coal-fired boiler – as well as smaller ones, like adding efficient lighting. Through July 2022, we have set renewable energy and emissions targets with 66 key suppliers, representing 128 factories and mills. Achieving our goal of a 40% absolute reduction in Scope 3, Category 1 emissions is directly linked to our suppliers' ability to meet the commitments in these roadmaps.

During 2021, we also refined and expanded the LS&Co. team dedicated to supplier sustainability. Closer engagement with, and commitments from, our supply chain partners is critical to achieving our near-term Scope 3 targets and our net-zero ambitions.

The supplier roadmaps include:

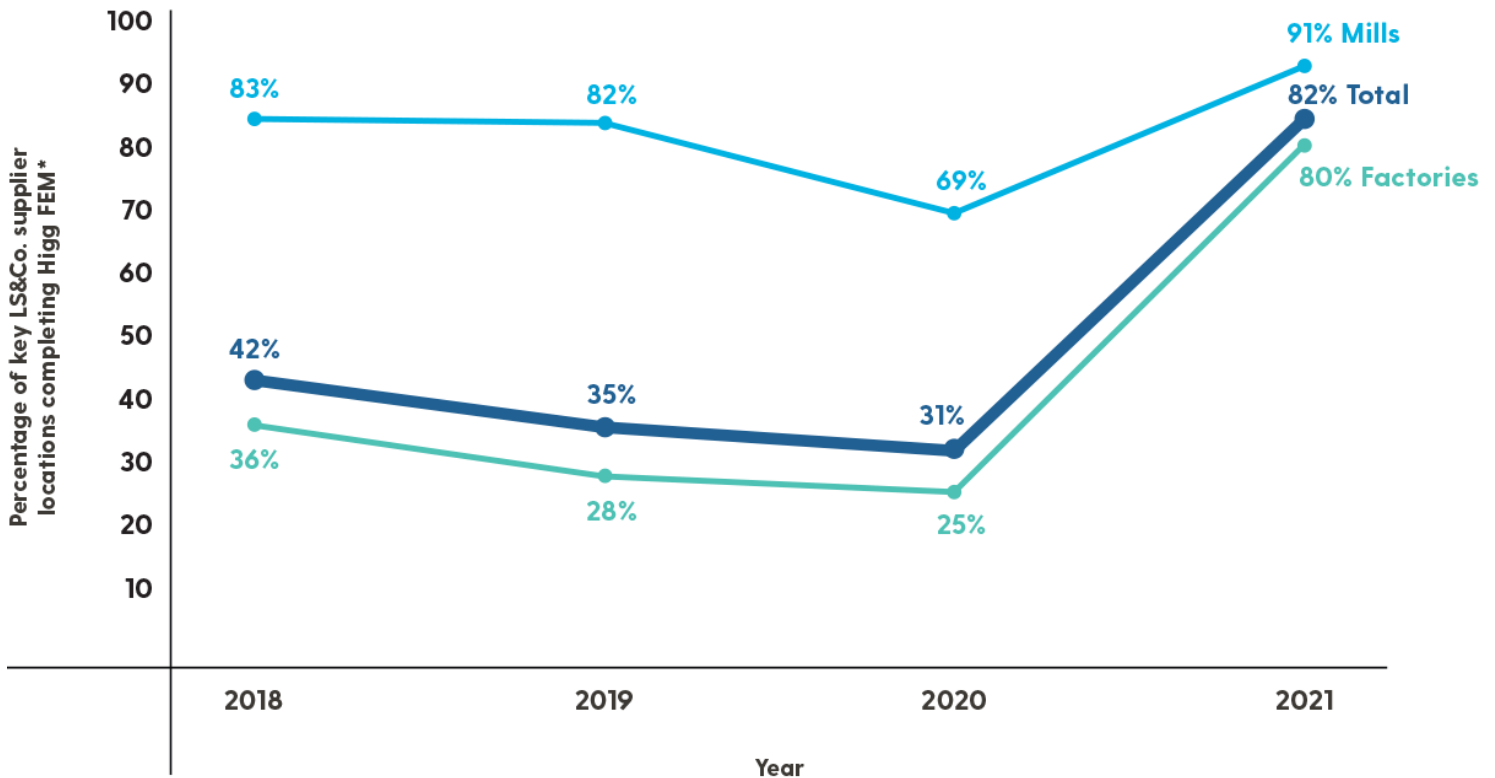
- Base year energy and water usage
- Current year energy and water usage, as reported by suppliers through the Higg FEM
- Progress to date against their targets for carbon emissions, renewable electricity, and water reduction
- Targets and a five-year action plan developed by the supplier to track progress and accountability

## Number of LS&Co. Supplier Locations at Year End

	2018	2019	2020	2021
Factory	392	453	484	439
Mill	60	67	75	65
Total	452	520	559	504



## Percentage of Key LS&Co. Supplier Locations Completing Higg FEM\*



\* As of October 2021. Key suppliers cover approximately 80% of our annual product volume. Since the Higg FEM was launched by SAC in 2017, the factories and mills in our supply chain have increased their use of the tool to share their environmental data.

80% of key factories and 91% of key mills completed the Higg FEM in 2021, significant increases over 2020

## Higg FEM Scores – Selected Suppliers

Vendor Name	Factory Name	Country	2021 Score
Arvind – India	Arvind Limited – Naroda	India	Self-assessment: 81.4% Verified assessment: 81.4%
Crystal	Ya Da Viet Nam Limited	Vietnam	Self-assessment: 94.2% Verified assessment: 93.3%
Crystal	Zhongshan Yida Apparel Ltd.	China	Self-assessment: 94.7% Verified assessment: 91.2%
Crystal	YI DA Manufacturer Co., Ltd.	Cambodia	Self-assessment: 85.3% Verified assessment: 80.7%

## Reducing Fiber-Related Emissions

Recognizing the climate impact of raw materials used in the manufacturing of our products, we continually assess and develop programs to reduce emissions associated with raw material cultivation and processing. In 2021, we continued focusing on three main actions where feasible:

1. Identifying interventions to minimize energy use tied to the most carbon-intensive materials
2. Reducing reliance on fossil fuel-derived materials
3. Sourcing more sustainable fibers, which we define as third-party certified

Although the GHG impact of fibers is relatively small at about 7%, we remain focused on finding solutions to reduce our impacts over time. Of the raw materials in our portfolio, manmade cellulosic fibers are among the most energy intensive, with the most energy consumed processing the raw material into fibers and spinning the fibers into yarn. These fibers make up just 4% of our total fiber mix, but 8% of our raw material carbon footprint. Identifying this area of impact enabled us to assess the manufacturing and energy management practices of manmade cellulosic suppliers to guide our sourcing practices. We now work with a select set of manmade cellulosic fiber suppliers that use renewable energy and energy reduction programs.

We use a small amount of polyester, nylon and elastane. Our initiatives to reduce use of these virgin synthetic fibers include incorporating recycled polyester and nylon in outerwear and accessories, and recycled elastane in some collections. Going forward, we will continue to minimize our use of virgin synthetic materials, opting for more sustainable alternatives.

Initiatives to reduce petroleum-based inputs to our raw materials are also underway. Since cotton – our most significant raw material – is a natural fiber typically grown with synthetic pesticides and fertilizers, we have undertaken efforts to reduce these petroleum-based inputs. We are committed to collaborating with partners around the world to drive more sustainable methods of cotton cultivation.

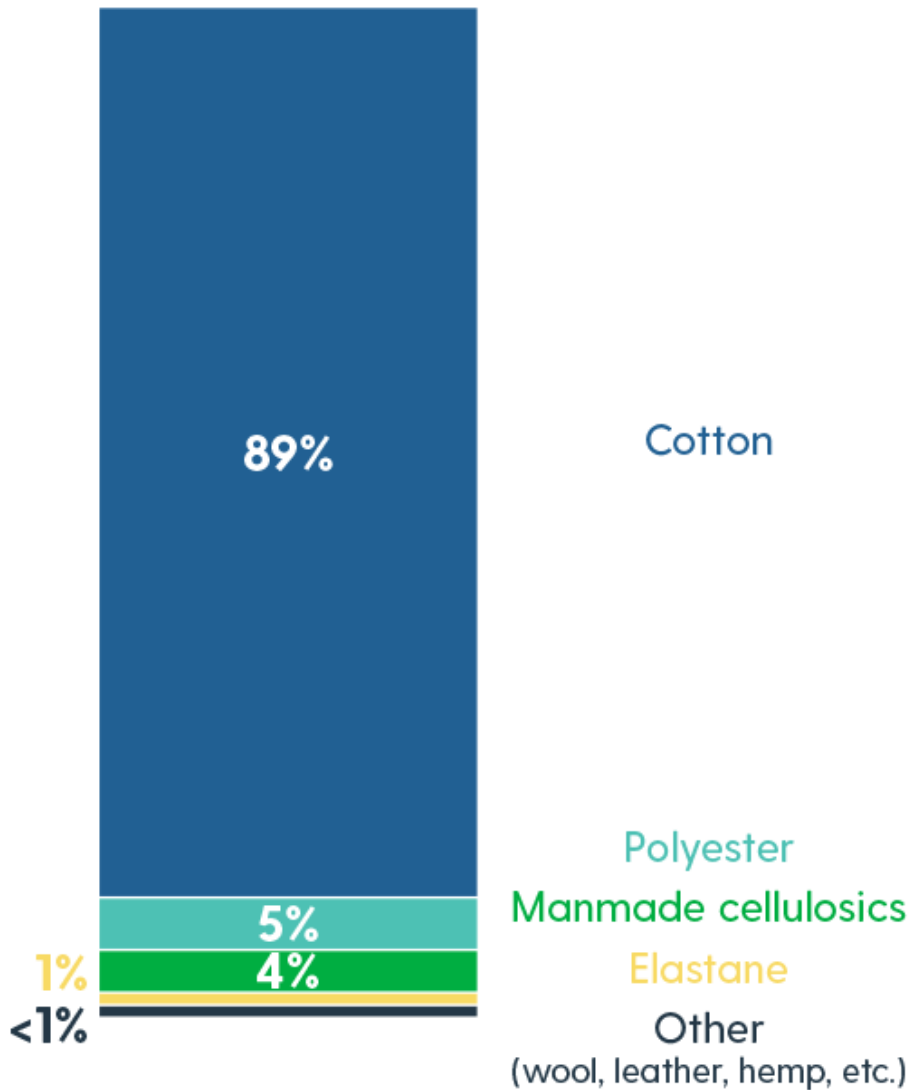
Since 2010, we have worked with the Better Cotton Initiative to invest in reducing fossil fuel-based chemicals in global cotton agriculture. Similarly, our partnership with the U.S. Cotton Trust Protocol, which began in 2021, promotes farming practices to reduce synthetic chemicals for healthier soil, which in turn can absorb more carbon dioxide. Our support of organic cotton farming provides the greatest climate impact reduction related to our raw materials, as those farmers have eliminated petroleum-based chemical use and work to maintain soil health.

Read more about our support of [organic cotton](#).

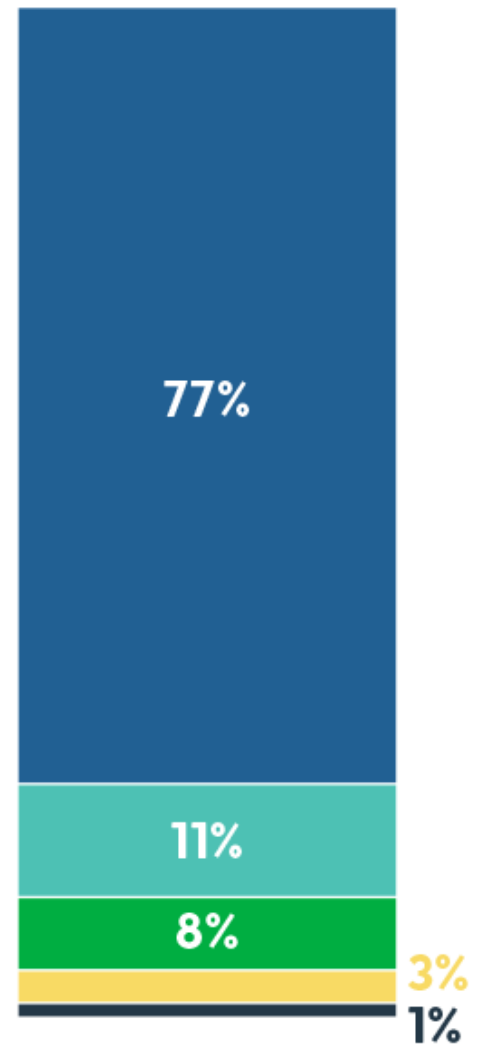
## Climate Impact of Raw Materials\*

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## Percentage of total product mix



## Percentage of raw material carbon footprint



\* Data is as of October 2021 and reflects product seasons H2'21 and H1'22. Together, these seasons generally correspond to the fiber sourced for LS&Co. products in FY21. In our year-over-year fiber analyses, we track the fiber used in our products for the second half of the current year and the first half of the following year.

## **2021 Supplier Climate Data Limitations**

Our supplier-level data includes verified Higg energy use data. LS&Co. engages with our suppliers to review the quality and reasonableness of the data received. Many suppliers do not submit their data on time or at all, which affects our ability to report on our climate footprint. Therefore, we must rely on estimates based on highly localized and step-specific life cycle analyses. We also have limited access to primary data sources for some Scope 3 categories, which affects our ability to specifically allocate the emissions reduction interventions completed by suppliers to the overall LS&Co. emissions footprint. In addition, the timeline for receiving verified Higg data and ensuring its accuracy can be 10 months to one year, which affects our ability to report in a timely manner.

## **Collaborating for Change**

Collaboration and partnerships are critical to driving global progress and to achieving our near-term Scope 3, Category 1 targets and our net-zero ambitions. We join forces with other brands, with our suppliers and with other partners in pursuit of coordinated, systems-level change.

## **Business for Innovation Climate and Energy Policy**

As one of the founding members of the Business for Innovative Climate and Energy Policy (BICEP) network, we advocate for science-based climate and energy policy to accelerate the transition to a more resilient clean energy economy. In 2021, for example, we signed onto a letter to U.S. President Biden supporting the Administration's commitment to climate action and to set a nationally determined emissions reduction standard, which was later established as a GHG reduction target of at least 50% by 2030. We also met with several lawmakers in 2021 to discuss the climate crisis, clean energy priorities and related topics.

At the state level in the U.S., we have successfully advocated for numerous climate-related measures, including the adoption of California's Advanced Clean Truck Rule, which introduces requirements to increase electric truck sales to 30% of total truck sales by 2030 and to 100% by 2045.

## **Fashion Industry Charter for Climate Action**

As a signatory to the Fashion Industry Charter for Climate Action, which is committed to reducing the apparel industry's greenhouse gas emissions to zero by mid-century, we are committed to supporting the implementation of its principles, both by pursuing them in our own organization and by working with other signatories. The Charter is an initiative of the United Nations Framework Convention on Climate Change.

## **Fashion for Good**

We joined Fashion for Good in 2021 to work with innovators focused on developing and scaling technologies and business models with the intention of transforming the apparel industry. We have since begun participating in several Fashion for Good projects focused on waste reduction and recycling, plant-based dyes and others. For more about our work with Fashion for Good, see [Circular Economy](#).

## **What's Next – Climate Action**

We will continue existing programs to reduce our own greenhouse gas emissions and procure more of our electricity from renewable sources for our company-operated offices, retail, distribution and manufacturing facilities. As part of this, we plan to implement a centralized energy utility management system to provide data about our energy use in our stores, offices and distribution centers. We plan to educate and encourage the integration of sustainability factors – such as climate and water impacts – into business decisions made across our company. And we will continue collaborating with other brands and innovative organizations to address the significant challenges associated with this most pressing issue of our time.

Of course, we must continue focusing on energy efficiency and emission reductions in our supply chain. Going forward, we will continue our partnership with IFC to engage even more suppliers in the PaCT program and to encourage supplier investments in higher-impact decarbonization solutions. And we will work closely with suppliers participating in CLP to make sure they have access to the resources they need to meet their energy and emissions reduction targets. This will include strengthening supplier performance measurement and engagement on reduction technologies and renewable energy projects – because our target cannot be met without significant commitments from our suppliers. Based on our learnings during the first year of the supplier roadmap program, we plan to strengthen our approach by shifting from a per-factory roadmap to a per-supplier approach. We believe this will empower suppliers and give them better accountability for improvements at the factory level.

We are also planning to complete renewable energy assessments in additional countries, such as Bangladesh, to get as many suppliers connected to renewable sources as possible. We also anticipate increasing our climate action work with full-package mills – those facilities selected by direct suppliers to deliver our products, end to end – that are not covered by current roadmaps. Our aim is to be able to cover the majority of facilities making the fabric used in our products, along with 80% of the cut-and-sew product volume, through supplier roadmaps.

This includes continuing to work with suppliers to support the transition to more energy efficient equipment and to incorporate more sustainable raw materials where possible, including responsibly sourced manmade

cellulosic fibers, organic cotton, recycled polyester and others.

We anticipate continuing to test the Retail Sustainability Playbook in key areas and developing a playbook specifically for our distribution centers, incorporating applicable retail guidance on energy, water and waste reduction as well as behavioral changes for meaningful energy reductions in our operations. To take our building plans and specifications to the next level of efficiency, we will continue using life cycle management tools to link the energy and cost savings of various building options with the intent of identifying the best options going forward, considering country, market and climate. And to accelerate our transition to renewable electricity, we are looking into the technical feasibility of further onsite solar installations for our distribution centers.

## Resources

[GHG Verification Statement](#)

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[Climate Action Strategy](#)

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[2021 CDP Response](#)

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[LEED Silver Store in Shanghai](#)

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[LEED Platinum Nevada distribution center](#)

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[Nextgen Stores in Indonesia and UAE](#)

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[Partnership with IFC](#)

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[Commitment to Source Sustainable Wood-Based Fibers](#)

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# Water Stewardship

GRI: 303-2

UN SDGs: 6, 12, 15

UNGC: Principles 8, 9

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**Working to use only as much water as replenishes naturally**

A single pair of jeans can use up to 3,800 liters of water in its lifetime. The World Economic Forum rates water issues among the top financial risks to the global economy, and the United Nations estimates that 2 billion people live in countries experiencing high water stress. Clean water access is an issue for many and varies geographically. As water stress manifests to different degrees around the world and in the apparel supply chain, we see opportunities to use the science and tools at our disposal to focus our efforts where water savings are most critically needed.

We set geographically contextual water use targets for suppliers based on local water stress, increasing the number of products made in Water<Less® facilities and in facilities that recycle and reuse water. We apply the Jeanologia Environmental Impact Measurement (EIM) platform to track and reduce water use in garment finishing, helping to increase access to clean water for local communities in sourcing locations, and inspire collective action to lessen the apparel industry's impact on water around the world.

## Water Goals

### Goal:

Reduce freshwater use in manufacturing by 50% in areas of high water stress

### Target Year:

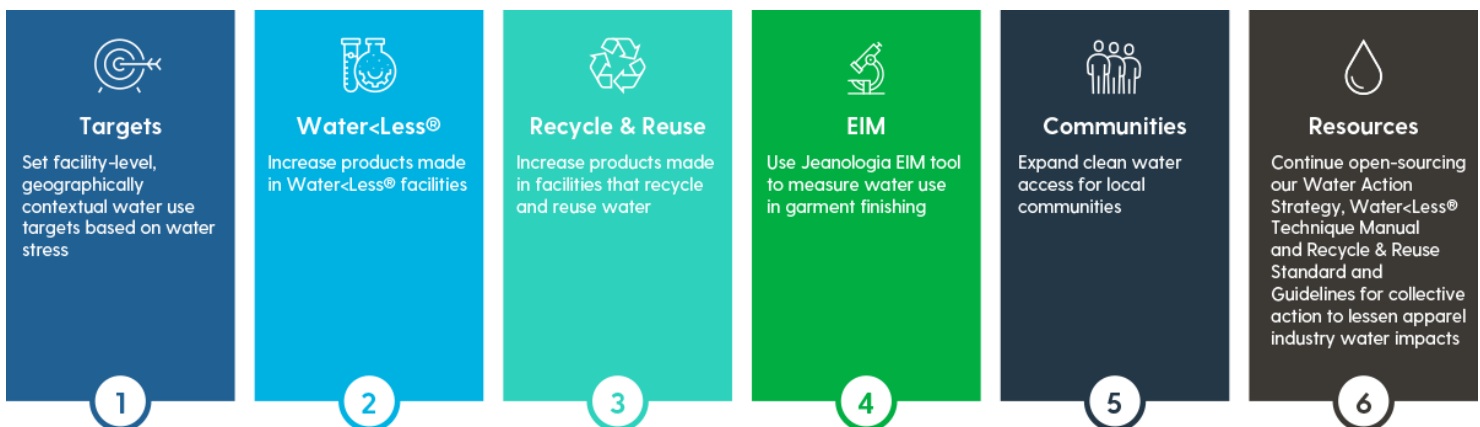
2025 (against a 2018 base year)

## Water Metrics

Target	Metric	FY20	FY21
Reduce freshwater use in manufacturing by 50% in areas of high water stress by 2025 (against a 2018 base year)	Percent reduction of manufacturing water use in areas of high water stress	22% reduction in water use	Will be available following verification of Higg FEM data

Target	Metric	FY20	FY21
100% of key fabric and garment suppliers will meet their new contextual Water<Less® targets by 2025*	Percentage of key fabric and garment suppliers meeting Water<Less® targets due to designation as Recycle & Reuse facilities	16%	14%
<p>*Key suppliers cover approximately 80% of our annual product volume.</p> <p>For more data see <a href="#">Our Performance: Data Tables</a></p>			

## Our Approach to Water Stewardship



## 2025 Water Action Strategy

Water is necessary for people, communities and the planet – and to create many of the beloved products our consumers enjoy. LS&Co. has long been working to ensure that water is available for both communities and commerce. In the early 1990s, for example, we established the apparel industry’s first wastewater quality guidelines. In 2019, we published our [2025 Water Action Strategy](#), which leverages the best and most current publicly available data sources to address water stress in the supply chain. The strategy is the driving force behind our geographically contextual, facility-level targets to address local water stress. We are

incorporating these contextual water targets into our Water<Less® program.

As with other LS&Co.-developed resources, we published our Water Action Strategy as an open-source document to inspire collective action and progress across our industry. We share our [Water<Less® Technique Manual](#) and [Recycle & Reuse Standard and Guidelines](#). To further extend its benefits, the 2025 Water Action Strategy includes focused strategies to drive resilience beyond manufacturing in areas experiencing high water stress. This is intended to bring greater resilience to our operations and to the communities and watersheds affected by our business.

## Water<Less® – Our Flagship Program Evolves

We launched Water<Less®, our comprehensive water stewardship program, in 2010 to maximize water efficiency in apparel production through a series of garment finishing techniques and water recycling guidelines. In FY21, we continued to evolve the program for more positive impacts, including important changes to the ways we track and report Water<Less® progress.

When it was conceived, Water<Less® was a collection of water-saving techniques, all very technical and some quite innovative compared with traditional methods in fabric development and garment finishing. Ten years later, these techniques have become standard practice. While it is positive that these water-saving approaches are now considered standard by many apparel and textile suppliers, we will no longer claim that these techniques “save” water because they have become so widely used, and we will no longer report total liters water saved by Water<Less®. Of course, we will continue working to apply new innovations, and because many of our suppliers operate in geographies of high water stress, we will continue reporting their progress to reduce freshwater use. Through 2021, we have recycled over 11.5 billion liters since 2011, in line with supplier use of our Reuse & Recycle standard and our Water<Less® techniques.

Nearly 3 billion liters of recycled water used in the manufacturing of LS&Co. products in FY21

### FY21 Water<Less® Labeled Bottoms\*

Brand	Percentage of Water<Less® Bottoms
Levi's®	47%

Brand	Percentage of Water<Less® Bottoms
Dockers®	72%
Signature	55%
Denizen®	63%
<p><i>*Over the past decade, we have reported on the number of LS&amp;Co. products made with Water&lt;Less® techniques. However, only a portion of our Water&lt;Less® products carry the Water&lt;Less® label. Due to supply chain variability, a specific product could be made at two different facilities, one using Water&lt;Less® techniques and one not, but we applied the Water&lt;Less® label only if the product was uniformly manufactured with Water&lt;Less® techniques. Beginning in FY21, we will report only on products that carry the Water&lt;Less® label, so the percentage of our products deemed Water&lt;Less® will be lower than in recent years.</i></p>	

## Helping Suppliers Set Contextual Water Targets

We use the World Resources Institute Aqueduct Water Risk Atlas to help us gain a basin-level understanding of the local water stress contexts where we operate. We then categorize our suppliers into areas of low, medium and high water stress. As we work with suppliers on water efficiency targets, the low and medium stress areas receive progressive efficiency targets, while suppliers in areas of high water stress are assigned aggressive absolute water use reduction targets compared to a 2018 base year. All our key suppliers have contextual water targets, and collectively, the targets are intended to contribute to reducing the water used in the manufacturing of our products by 50% in areas of high water stress by 2025.

## How Water<Less® Innovation Interacts with Supplier Targets

One of our key 2025 Water Action Strategy intentions is to evolve our Water<Less® program into a facility-level qualification to simplify the program implementation and deepen our impact in local communities. Suppliers can achieve this facility-level Water<Less® qualification by attaining their 2025 facility-level contextual water targets. We have set intermediate reduction targets to serve as milestones for suppliers as they progress to their 2025 target. These intermediate targets will indicate which suppliers are on track and can be considered Water<Less® suppliers for a two-year period. Any products manufactured by a Water<Less® supplier are deemed Water<Less® garments in the marketplace.

## Recycle and Reuse in Supplier Facilities

LS&Co.'s efforts to address manufacturing water use and pollution started in 2014, when we authored a standard for water recycling and reuse for manufacturing facilities. Our Recycle & Reuse Standard and Guidelines establish that facilities must adhere to the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation's wastewater guidelines' progressive standard and recycle more than 20% of the water used in

manufacturing. Between 2011 and the end of 2021, approximately 11.5 billion liters of water have been recycled at product and fabric manufacturing facilities that apply our water Recycle & Reuse Standard or use our Water<Less® techniques.

See our [Water Stewardship Data Table](#) for more information on recycled water over the years.

## How It Works

The Recycle & Reuse program is designed to minimize freshwater usage in water-scarce areas of the supply chain. A typical factory uses local freshwater from rivers, lakes or groundwater to manufacture products, then sends the wastewater to a treatment plant before it re-enters the local environment. Through the Recycle & Reuse program, the treated wastewater is instead piped back into the factory so it can be used again.

When factories implement the program and meet the Recycle & Reuse Standards and Guidelines, recycled water may be used at the facility for laundry, landscape irrigation, cooling towers and toilet flushing. In some cases, the water does not even need to be sent to a treatment plant. Instead, when processing water is clean enough, it can be recaptured and immediately reused. In both cases, the water is being used multiple times, significantly reducing the total amount of freshwater consumed. Applying our Recycle & Reuse Standards and Guidelines is another way a facility can achieve the Water<Less® designation. We continue to encourage suppliers to develop recycle and reuse capabilities.

## 2021 Water Reduction Data Challenges

Our supplier-level data includes verified Higg water use data. LS&Co. engages with our suppliers to review the quality and reasonableness of the data received. Many suppliers do not submit their data on time or at all, which affects our ability to report on our water footprint. Therefore, we also rely on estimates. In addition, the timeline for receiving verified Higg data and ensuring its accuracy can be 10 months to one year, which affects our ability to report in a timely manner.

## Water Use in Our Own Facilities

At our company-operated factories in Plock, Poland, and Epping, South Africa, a variety of water-savings processes are in place. Both facilities use Water<Less® production processes and have installed water-efficient retrofits on washing machines. In addition, our facility in South Africa uses 100% recycled water in



manufacturing, rather than relying on the stressed local freshwater supply. The facility created an innovative public-private partnership with the Cape Town municipal government to construct a pipeline that returns recycled water from the municipal treatment plant to the industrial area where our factory is located, rather than discharge it to the ocean, as was customary.

These actions allowed our factory to decouple production from Cape Town's freshwater, helping to protect local supplies and build resilience to future shortages. In addition, LS&Co. grants to The Nature Conservancy's Greater Cape Town Water Fund enabled training and work for local women who have been removing thirsty invasive shrubs, freeing up more than 120 million liters for the local water supply – part of the 4.8 billion liters of water saved per year under the fund. In FY21, we signed a three-year agreement to continue supporting this program.

Across all our company-operated facilities, including corporate offices, retail stores, distribution centers and factories, our 2021 water footprint was 522 million liters.\*

*\*Water footprint data is for calendar year 2021 because Higg FEM data is reported on a calendar year basis. The footprint includes both actual and estimated water usage.*

## **The Water-Chemical Nexus**

Water pollution contributes to water stress, so ensuring that the water put back into the environment is clean and safe is as important as addressing water consumption. In 2020, we met our goal for zero discharge of hazardous chemicals for strategic wet finishing suppliers. Our partnership with the ZDHC Foundation continues contributing to cleaner wastewater from apparel manufacturing. In 2021, we continued working to scale the adoption of ZDHC's Manufacturing Restricted Substances List (MRSL) and our Screened Chemistry approach to encourage more industry peers to adopt preferred chemical lists and to screen any new formulations for hazards.

Read more about our continued work on [safer chemicals](#).

## **Measuring Finishing Water Impacts**

Jeanologia's EIM software is a third-party digital platform developed to track and measure water use in garment finishing processes for individual products. An EIM score of "green" (for water only) is one of the primary pathways for a product to be designated Water<Less®. It reflects use of 35 liters of water or less in the finishing stage of a pair of jeans – identical to our Water<Less® standard. We use the tool in our two company-operated factories and have made its use mandatory for our key suppliers to improve the



environmental performance of jeans finishing.

## **Wastewater Transparency through IPE**

The Institute of Public and Environmental Affairs (IPE) is the leading environmental non-governmental organization monitoring corporate environmental performance across China. LS&Co. uses the IPE Blue Map environmental database to monitor our suppliers in China, all of which are registered to the database. We have also shared our supplier factory list and data with the IPE Green Supply Chain Map, which provides real-time performance data and historical trend information related to air emissions and wastewater discharge. LS&Co. was ranked number 1 in the 2021 IPE Green Supply Chain CITI Evaluation and the top apparel-only brand in the 2021 Corporate Climate Action Transparency Index (CATI).

LS&Co. suppliers have disclosed more than 375 Pollutant Release and Transfer Register forms since 2016, covering 100% of higher-environmental-impact suppliers since 2018, and we have encouraged many additional suppliers to disclose as well. The higher-impact suppliers are identified through life cycle analysis data to determine impact levels at each stage, focusing on water consumption in the context of regional water stress, as well as energy use, carbon intensity, chemical use and wastewater quality.

## **Partnerships in Water Stewardship**

As with our other environmental and social commitments, our progress is stronger when we collaborate with others. For this reason, LS&Co. has been a signatory to the United Nations Global Compact CEO Water Mandate since it began in 2008. The CEO Water Mandate mobilizes business leaders to address global water challenges and advance water stewardship. We are also members of the Water Resilience Coalition, which is working to help align industry peers and NGOs to achieve our shared vision of net-positive water impact in water-stressed basins and drive toward a water-resilient value chain.



## Waves for Water

In 2021, the Dockers® brand launched a three-year collaboration with surfer Jon Rose and his foundation Waves for Water to help provide clean drinking water to communities in need. Waves for Water provides access to clean water through portable water filtration systems, digging and renovating borehole wells, and rainwater harvesting and storage systems. Some of these projects are in or near communities where workers in the Dockers® supply chain live. The first items available in the Dockers® Waves for Water collection made their appearance in Spring 2021 – all made with Water<Less® techniques. We also invited the public to donate water filters, with Dockers® matching gifts up to \$50,000 and bringing new partners to the Dockers® brand, including Selema Masekela, Arturo Islas Allende and others.

## What's Next – Water Stewardship

We will continue working to refine and strengthen our Water<Less® program, focusing on the facility level for maximum positive impact. This means that mills and factories that meet their facility-level contextual targets will qualify as Water<Less® facilities, as will all the fabric or products coming from those facilities. Implementing such a facility-level approach both simplifies the administration of the Water<Less® program and amplifies our impact, because the scope of facility-level targets also encompasses other brands' production volume manufactured in the same supplier facility. In this way, the net result of meeting our 50% reduction target in areas of high water stress will have positive ripple effects beyond LS&Co.'s products.

Although we provide our suppliers the flexibility to choose their preferred approach to meet their facility-level targets, our existing Water<Less® techniques, EIM measurement software, Recycle & Reuse Standard and the PaCT partnership will remain pillars of our new water strategy and serve as key tools for facilities to meet their targets.

Our water stewardship efforts will continue to involve sourcing more sustainable fibers. For example, one of our fiber innovations, cottonized hemp, is much less water-intensive than conventional cotton production and has the added benefit of relying on rainwater instead of irrigated water that could be used for other productive purposes. Our product circularity work, such as using Circulose® – which includes fiber spun from discarded denim – also benefits our water efforts because it reduces the amount of water required to create virgin materials.\*

*\*Circulose® is a registered trademark of Re: NewCell AB.*

## Resources

[2025 Water Action Strategy](#)

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[Reuse & Recycle Standard and Guidelines](#)

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[Dockers® Waves for Water Partnership](#)

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# Biodiversity

UN SDGs: 15

UNGC: Principle 8

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## **On the path to safeguard and restore nature**

The United Nations has declared this decade – from 2021 to 2030 – the UN Decade on Ecosystem

Restoration, as a call to protect and revive ecosystems all around the world. The threats to biodiversity are many, including climate change, land degradation, forest clear-cutting, habitat loss, poor water quality and pollution, habitat destruction, over-exploitation and others. Only with healthy ecosystems can we stop the collapse of biodiversity, enhance people's livelihoods, and counteract climate change.

We are working to support healthy ecosystems through responsible sourcing of raw materials, responsible production and chemical management practices, effective waste management, and other actions. To guide our progress, in 2021 we created a new biodiversity goal, our first ever, as part of our global sustainability strategy. We are developing a detailed roadmap and key performance indicators to measure our progress.

## Biodiversity Goals

### Goal:

Continue to assess and identify material impacts and dependencies on nature across the value chain, in order to implement a comprehensive biodiversity action strategy

### Target Year:

2025

## Our Biodiversity Roadmap

In 2021, we developed a preliminary biodiversity roadmap, which we plan to finalize in 2022 after completing our full value chain biodiversity footprint. In alignment with the forthcoming guidance from Science Based Targets for Nature (SBTN), our biodiversity work will focus on:

- Avoiding new negative impacts in areas of high conservation value.
- Reducing unavoidable existing impacts through alignment with science and credible certifications.
- Restoring and regenerating ecosystems where impacts on nature cannot be avoided or reduced.
- Unlocking transformative opportunities for systemic change through supply chain and sectoral collaboration.

Our biodiversity roadmap began with benchmarking research on apparel industry biodiversity impacts, quantification methodologies, and best-in-class impact mitigation frameworks – including GLOBIO, IPBES and WWF. In 2021, we contributed to the Textile Exchange beta Biodiversity Benchmark to build out the textile industry's baseline biodiversity performance. This benchmarking focused on different levels of biodiversity – genetic, species and ecosystem diversity, from seed to landfill degradation. Through this

process, we identified the most significant biodiversity impacts in the manufacturing of our products to be:

1. Cotton cultivation
2. Manmade cellulosic fibers
3. Fabric dyeing and treatment
4. Textile waste
5. Microplastics

Read about our use of plant-based dyes and safer chemicals, as well as our work toward zero waste in [Consumption](#).

### **Mapping Biodiversity Impacts**

Our intention is to set a biodiversity goal that will be based on a robust roadmap and include key performance indicators that are quantifiable and time-bound to result in nature-positive results. Among our actions will be a comprehensive overview of our direct and indirect impacts. Baselineing our biodiversity footprint builds on the life cycle analysis of our static and dynamic Scope 1, 2 and 3 impacts, layering in the “extent x condition x significance” framework to assess the magnitude of pressures on ecosystems and species. We have engaged The Biodiversity Consultancy, specialists in biodiversity assessment and accounting, to conduct this baseline biodiversity footprint and steer our development of goals. Among other analyses, the impact assessment will measure mean species abundance to measure biodiversity conditions as well as species threat abatement and recovery to measure species extinction risk to develop a global biodiversity score for the full value chain. This effort and subsequent goal setting will be aligned with the forthcoming SBTN guidance.

### **Reducing Land Use Impacts**

Our biggest opportunities to mitigate and reverse biodiversity loss – and to restore healthy ecosystems – occur at the farm level where the raw materials used in our products are grown. Cotton cultivation is one of the largest contributors to biodiversity loss associated with the apparel industry. In 2021, the vast majority of the fiber content in our products was cotton, so our primary focus is sourcing more sustainable cotton. This includes recycled, organic, and transitional organic cotton, as well as cotton grown with more sustainable farming practices such as Better Cotton and cotton grown under the U.S. Cotton Trust Protocol.

While we have made real progress in sourcing more sustainable cotton, we still need to do more to address negative impact reduction and realize nature-positive opportunities. We continue evaluating the specific impacts of land use, soil health and water consumption for cotton cultivation – and the growth of cotton consumption. This work began with our participation in the Better Cotton Initiative and its mission to scale

sustainable agricultural practices. It has continued as we incorporated organic cotton into our products and will continue as we increase our use of organic and transitional cotton with the intent to restore soil health, promote cleaner waterways, and support farmer livelihoods.

## **Alternative Fibers**

To mitigate land use issues and promote soil health and efficient water consumption, we are exploring alternative natural fibers that may have a lower environmental impact than cotton. We are working with suppliers and other partners to develop, use, and scale next-generation fibers made with circular manufacturing processes and recycled or regenerative raw material inputs.

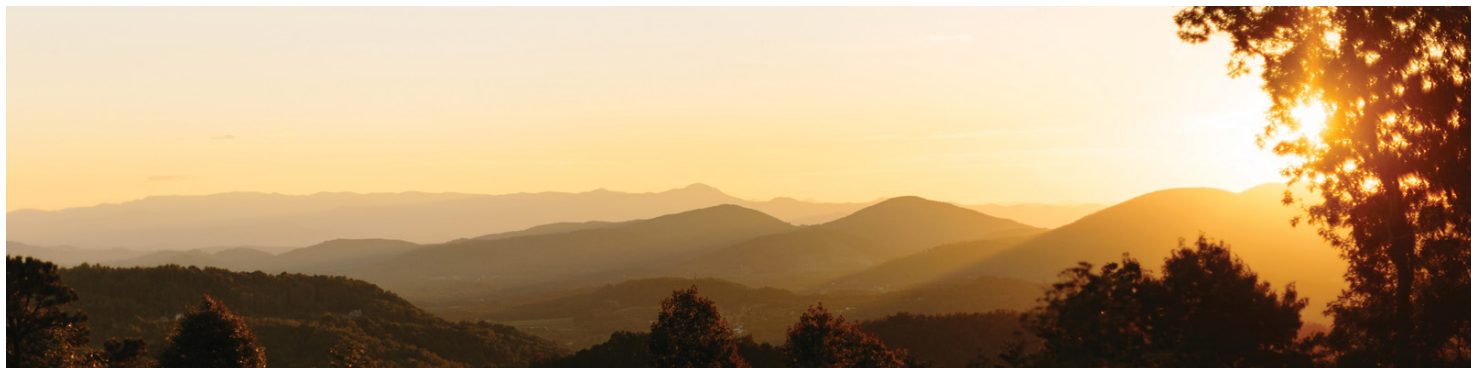
For example, our integration of hemp in blends and through our cottonization process presents an opportunity to use a less water-intensive crop that also requires fewer chemicals and less land use for cultivation. WellThread® – our specialty collection that puts sustainable practices first in design and manufacturing – and our partnership with Fashion for Good will continue to enable our research and uptake of alternative fibers with potential to go beyond limiting loss of biodiversity and move toward restoration and transformation.

## **Leather Working Group**

We are also committed to only using leather and animal skins from sources that are responsibly managed to protect biodiversity and prevent deforestation. We will not source leather from animals raised in the Amazon Biome, and our suppliers must provide credible assurances that leather is derived from animals raised elsewhere without contributing to deforestation. Through our partnership with the Leather Working Group (LWG), the world's leading leather manufacturing environmental certification, we are committed to sourcing more leather from LWG-rated suppliers.

Read our [animal welfare policy](#), more about our animal welfare commitment and [use of leather from LWG-rated suppliers](#).





## Nature Agenda Project

In 2021, we began participating in market research being conducted by GlobeScan in Brazil, China, France, India, South Africa, the U.K., and the U.S. The research, which aims to uncover what nature means to people and how they see its value, will lead to insights about regional viewpoints on nature and to a better understanding of stakeholders' expectations of businesses in protecting it. Eventually, we plan to use these learnings to engage consumers in the journey to safeguard biodiversity.

## Protecting Forests, Habitat and Water Quality

Forests not only help stabilize the climate by absorbing carbon dioxide, but they are also home to 80% of the world's terrestrial biodiversity, according to the International Union for Conservation of Nature. We are committed to doing what we can to help protect the world's forests. We regularly review and update the [LS&Co. Commitment to Source Sustainable Wood-Based Fibers](#), which details our pledge to protect ancient and endangered forests and address the environmental and social impacts of wood-based fiber production through a four-part strategy.

The sourcing and processing of wood-based fibers like viscose can have significant negative impacts on biodiversity. We met our 2014 commitment to prevent fiber sourcing from ancient and endangered forests by 2020. The only wood-based fibers in LS&Co.-developed products are sourced from Canopy Green Shirt-rated suppliers that have earned a minimum of 25 buttons in Canopy's 2020 Hot Button Ranking. These are among Canopy's highest designations for supplier efforts to protect ancient and endangered forests and provide traceability with more sustainable, next-generation solutions.

In 2021, as before, we accepted manmade cellulosic fibers only from the companies Lenzing, Birla, Tangshan Sanyou for Circulose® fiber and Kelheim. These suppliers are certified to the Forest Stewardship Council (FSC)-STD-40-004 Standard for Chain-of-Custody Certification and FSC-STD-40-005 Company Evaluation of Controlled Wood. Results of their supply chain and feedstock certification audits are publicly disclosed on Canopy's Hot Button Report. Going forward, we will continue engaging these suppliers to assess and address other impacts associated with manmade cellulosic fiber production. We are also using more recycled and innovative fibers such as cottonized hemp, REFIBRA™ and Circulose® fibers, which have lower impacts on land use and biodiversity.\*

*\*REFIBRA™ is a trademark of Lenzing Aktiengesellschaft. Circulose® is a registered trademark of Re:NewCell AB.*

We require suppliers to adhere to our preferred list of screened, safer chemicals. Applying the LS&Co. Preferred Chemical List – which now includes approximately 1,300 high-use chemicals – ensures safer chemical inputs, leading to safer effluents and wastewater quality, which in turn helps to protect aquatic biodiversity. At the same time, we are looking for innovative plant-based fabric dyeing and treatment options to further reduce petrochemical use, support clean water and prevent freshwater contamination through runoff.

Consumer education, product repair and take-back, and sales of vintage products also support biodiversity by managing our land use to grow cotton for new clothes, reducing textile waste of used garments, exploring digital prototypes instead of physical samples and avoiding habitat loss through landfilling. And we are exploring how best to consider the biodiversity impacts of construction – for stores or a distribution center, for example. Already, the LS&Co. Retail Sustainability Playbook gives preference to shopping centers with sustainable attributes and LEED certification, which support biodiversity considerations.

## **What's Next – Biodiversity**

In the coming year, we plan to advance regenerative agriculture practices through deep supply chain partnerships. We are sponsoring the U.S. Regenerative Cotton Fund, a field-level pilot with the Soil Health Institute (SHI) to draw down 1 million mtCO<sub>2</sub>e from the atmosphere by 2026 through increased adoption of regenerative farming practices. The grassroots reach of this program is significant – 4,000 small farmers in nine U.S. states representing 85% of U.S. cotton production. This free program delivers on key environmental justice focus areas, including equitable distribution of environmental benefits, and aims to eliminate financial, technological and accessibility barriers to resources. A sampling of these benefits includes real-time tracking of pest suppression, drought risk and mitigation opportunities, access to new revenue streams through cover crops, and farmer-to-farmer mentorship programs in a network of 13,000 participants. Although the amount of U.S.-grown cotton used in our products is smaller than that grown elsewhere, we believe that investments

in programs like this one can help to support regenerative agriculture.

We are deepening our support for organic cotton farmers through our partnership with the Organic Cotton Accelerator. This organization works with over 80,000 existing and in-conversion organic cotton farmers across India and Pakistan, improving supply chain transparency and product integrity. Our partnership with OCA supports increased accessibility and diversity of non-genetically modified cotton seed for farmers, encourages regenerative agriculture and sustainable farming practices, and invests in farmer livelihoods. We are also collaborating with textile manufacturer Arvind Ltd. in a farm-direct sourcing program, which includes a multi-year agreement to support a farmer group in converting their cotton from conventional to organic.

One of our projects with Fashion for Good, which we joined in 2021, is a collaboration with Stony Creek Colors to pilot the use of plant-based, pre-reduced indigo at scale – an effort to replace synthetic indigo in the denim supply chain. If the project proves the plant-based indigo to be viable at commercial scale, the project has the potential to deliver widespread biodiversity benefits. We plan to follow the work of WWF in its 2022 pilot program to look at the biodiversity value of a location and companies' impacts on that value. We are also closely watching the UN's progress on forest and land use guidance. A declaration developed at COP26 and signed by more than 140 countries identifies six aspirations to halt and reverse forest loss and land degradation by 2030, but guidance has not been issued.

## Resources

### Animal Welfare Policy

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### Commitment to Source Sustainable Wood-Based Fibers

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