

# CEO WATER MANDATE COMMUNICATION ON PROGRESS 2013



Water is essential to every step of the garment-creation process, from the fields where cotton is grown to the manufacturing facilities that sew and finish our products. With water becoming increasingly scarce, Levi Strauss & Co. recognizes the critical role we play in water conservation. In 2013, we released an innovative **Water Recycle/Reuse Standard** to recycle and reduce the water used by the supplier factories that make our products. Our efforts to reduce our water impact have focused on expanding our Water<Less™ techniques and partnering with our suppliers to improve water quality and reduce water usage.

## SUPPLY CHAIN

More than 50 percent of the water used to create our products stems from activities in our supply chain — from cotton production to retail sales. The following section outlines our water stewardship efforts focused on our supply chain.

## SUSTAINABLE PRODUCT INNOVATION

In 2013, we continued our commitment to creating products that are on the leading edge of design and style while reducing our environmental impact and water use. It has been four years since we launched our Water<Less™ collection, and we've seen substantial results in that short time.

In 2010, our designers identified ways to create popular styles and finishes for our jeans using a lot less water. Some of the ways we reduced water consumption included combining multiple wet cycle processes, incorporating ozone processing and using less water during the stonewashing process. For some styles, we have been able to reduce the amount of water used in the finishing process by up to 96 percent.

We saved 167 million liters of water using our Water<Less™ techniques in 2013 alone. What started as a 1.4 million-unit launch in spring 2011 grew by the end of 2013 to 53 million Levi's® Water<Less™ garments — for a total of 699 million liters of water saved.

Our goal is to increase the production of Levi's® Water<Less™ units over time and expand these water-saving techniques and other sustainability attributes to our other product lines. One way we did this in 2013 was through the creation of the Dockers® Wellthread™ collection. The process used to create this collection combines sustainable design with environmentally friendly practices and a strong focus on supporting the well-being of apparel workers.

Drawing on our experience developing the Levi's® Water<Less™ collection, designers created an innova-

tive garment-dyeing process that uses cold-water pigment dyes for tops and salt-free reactive dyes for pants and jackets. These adjustments added up to real savings: Tops, outerwear and pants from the Wellthread™ collection are produced using a lot less energy and water. In addition, the team behind Wellthread™ incorporated features that make it easier to hang dry the products, encouraging consumers to reduce their carbon impact by skipping the dryer.

## REDUCE AND RECYCLE

We recently produced 100,000 pairs of Levi's® women's jeans using 100 percent recycled water, saving almost 12 million liters of water. In the process, we established a **Water Recycle/Reuse Standard** for apparel manufacturing — a company and industry first — that we are encouraging our supplier factories and others in our industry to adopt.

We have a long history of working with our suppliers to improve water quality and water efficiency. The water used in the finishing process to create different washes of jeans is always treated to ensure it meets our stringent Global Effluent Requirements (see below) before it leaves the factory. But we wanted to take our commitment to water sustainability even further. Our goal was to recycle and reuse the water used in the garment finishing process as many times as possible.

We approached one of our suppliers in China to see how we could make this new goal a reality. Drawing on in-house and third-party engineering expertise, we partnered with this Chinese supplier to build a system that recycles all the water used in the finishing process. This means that for some of our products, no new water from outside the facility is needed to finish the garment; the supplier can treat water that has already been used within the facility and recycle it in the finishing process, continuing to reuse the water. As long as the water meets the level of quality outlined in our standards, the water can be recycled and reused

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multiple times, significantly reducing the overall amount of water used to make our products. Both our water quality standard and our data substantiation methods were reviewed by third-party organizations to validate the water savings figures we are measuring.

Because the water recycling process does not require high-end technological equipment, participating factories have the flexibility to install the most cost-effective combination of equipment available to them to meet our Water Reuse/Recycle Standard. Depending on a factory's existing wastewater quality, some

factories will find that only a relatively modest investment is required to implement the standard.

Until now, there have been no standards for water recycling and reuse in the apparel industry. We believe this innovation—a company and industry first—can help change the way our supplier factories use water.

We aren't stopping at one supplier or 100,000 units. We are working to scale the Water Recycle/Reuse Standard with other supplier factories around the world, with the aim of implementing it across all of our collections—and beyond.

### MAKING YOUR JEANS WITH RECYCLED WATER

LS&CO. COLLABORATES WITH FACTORIES TO USE LESS WATER

Water is a key component of jeans manufacturing. It's part of the finishing process that gives a pair of jeans its final appearance. Levi Strauss & Co.'s engineering expertise and strict recycled water quality standards helped a Chinese apparel factory implement an innovative water recycling system.

#### MANUFACTURING

Using LS&Co.'s Recycled Water system, one of our supplier factories in China produced 100,000 pairs of Levi's® women's jeans while saving 12-million liters of water. That's enough to fill almost five Olympic-sized swimming pools.

#### WATER TREATMENT

At all of the factories that make our products, water must be treated to meet LS&Co.'s strict global effluent standards.

#### WATER ENTERS FACTORY

#### WATER EXITS FACTORY

As a result of our strict water standards, at most factories that make our products, the water leaving is cleaner than when it went in.

#### RECYCLED WATER TREATMENT

Our Recycled Water program provides additional treatment, allowing the water to be used again and again in the manufacturing process.

INNOVATIONS LIKE THIS RECYCLED WATER SYSTEM ARE PART OF OUR EFFORTS TO REDUCE THE COMPANY'S IMPACT ON THE PLANET.

LS&CO. PLANS TO COLLABORATE WITH OTHER FACTORIES AROUND THE WORLD TO EXPAND THE NEW SYSTEM'S IMPACT AND SAVE EVEN MORE OF THIS VITAL NATURAL RESOURCE.

LEVI STRAUSS & CO.

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We're proud to see that the factory we worked with in China is using the standard with other denim brands. As a global apparel leader, we believe we have a responsibility to lead the way in reducing our industry's impact on the environment. This new standard is just one way we help drive industry-wide change.

### GLOBAL EFFLUENT REQUIREMENTS

In 1994, Levi Strauss & Co. was the first global apparel company to implement discharge water quality standards, **Global Effluent Requirements**, for all of our apparel finishing facilities. These guidelines limit the contaminant levels allowed in suppliers' wastewater from wet finishing and minimize the environmental impact to local water resources. In some countries our water quality guidelines are more stringent than what's required by local regulations. Our garment finishing facilities must meet these requirements by treating their wastewater through on-site wastewater treatment plants or by discharging the wastewater to permitted government or publicly owned wastewater treatment facilities. We also require that our suppliers have their wastewater tested by a third-party lab twice a year to demonstrate that they meet our requirements. Our efforts are paying off: In 2013 we achieved a compliance rate of 85 percent globally, up from 70 percent the previous year.

### SUSTAINABLE COMMODITIES

Cotton is grown in more than 80 countries — with China, India and the United States accounting for nearly two-thirds of global output — and accounts for 40 percent of global textile production, supporting the livelihoods of 250 million people. That's nearly 7 percent of all labor in the developing world. Although LS&Co. is a big consumer of cotton, we use less than 1 percent of the world's annual cotton crop, making the promotion of sustainable practices in a fragmented industry challenging.

To increase our impact, we are a Pioneer Member of the **Better Cotton Initiative** (BCI). BCI aims to transform cotton production worldwide by developing Better

Cotton as a sustainable mainstream commodity. To do this, BCI works with a diverse range of stakeholders — including farmers, ginners, traders, spinners, mills, cut and sew manufacturers, retailers, brands and grass-roots organizations — to promote measurable and continuing improvements for the environment, farming communities and economies of cotton-producing areas. BCI's goals include educating farmers to use water more efficiently in producing cotton and caring for the overall availability of water.

As a **Pioneer Member**, LS&Co. has joined a dedicated group of retailers and brands that are deeply committed to the success of Better Cotton and that wish to be a driving force in making Better Cotton a mainstream commodity. Through BCI, we are creating alliances with other big cotton consumers — such as H&M, Marks & Spencer, adidas, Nike and IKEA — to increase the power of our brands to support more sustainably produced cotton. Also key to this effort are groups like WWF, Pesticide Action Network UK and Solidaridad, and farmer organizations such as the International Federation of Agricultural Producers.

In 2013, BCI and its strategic partners were responsible for training more than 740,000 farmers, and 945,000 metric tons of Better Cotton were licensed (more than 3.5 percent of global cotton production); this progress will lead BCI to work with an estimated 900,000 farmers in 17 countries in 2014. In addition, cotton producers in 20 additional countries have asked that Better Cotton be launched in their territories.

BCI launched a new Assurance Program in 2013 to ensure the quality of the training provided by the program and the indicators the program reports against. The number of BCI member organizations producing, trading, processing and marketing consumer products increased by more than 50 percent in 2013, to 313. Presently, the initiative's retail and brand members represent about 10 percent of global cotton consumption. The goal is to reach 5 million farmers and 30 percent of global cotton production by 2020, and the organization estimates that they are well on their way to meeting that objective.

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We continue our efforts to increase Better Cotton procurement, and in 2013 we were actively involved on the BCI Board and were members of the Better Cotton Fast Track Program (BCFTP).

### DIRECT OPERATIONS

Although the water from our direct operations accounts for less than 1 percent of our overall water footprint, we are committed to continually improving water usage, quality and availability in our headquarters and our owned-and-operated facilities. The business efficiencies and cost reductions gained from these efforts are an added bonus.

Our headquarters in San Francisco achieved LEED Gold certification in 2010. LEED is a point-based system administered by the [U.S. Green Building Council](#). Of the 69 possible points awarded in LEED, five are directly associated with water efficiency: water-efficient landscaping (2 points), innovative wastewater technologies (1 point) and water use reduction (2 points).

In 2013, our water usage at our headquarters decreased approximately 10 percent compared with 2012, even as headcount increased during the same period. These water savings can be primarily attributed

to the installation of a more efficient cooling tower and boiler. In order to achieve the LEED Gold certification, we installed more efficient toilets and sinks, which have significantly reduced water usage in our San Francisco headquarters.

In addition, one of [our Paris stores achieved LEED Gold certification](#) as a result of the innovations integrated into a recent refurbishment. Achievements include a 42 percent reduction in water use, as well as a 21 percent reduction in energy (related to lighting) and a 35 percent reduction in HVAC energy.

In spring 2013, we opened the LS&Co. [Eureka Innovation Lab](#), a new facility just a few blocks away from our San Francisco headquarters. Our research and development team took a 150-year-old historic building and turned it into a state-of-the-art garment facility with the tools necessary to enable the product, technical and design teams to leapfrog the competition, which will enable greater water efficiencies in years to come. Today, Eureka has a team of 30 employees dedicated to testing and developing prototypes. Their work underscores our commitment to being the denim authority and to reducing our impact on the environment.

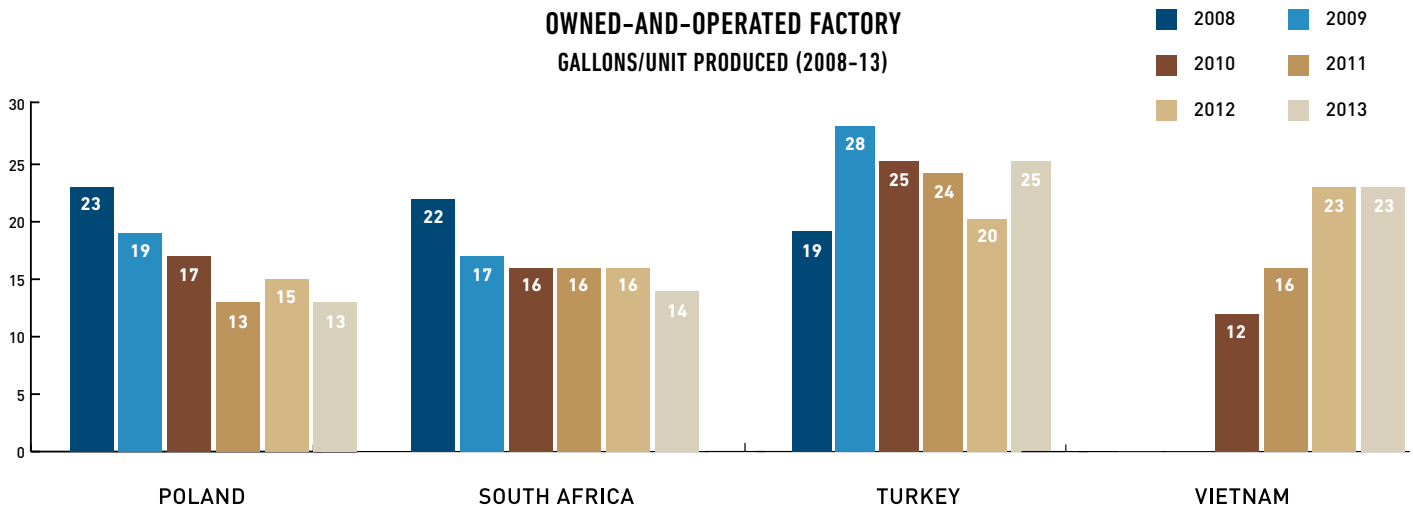


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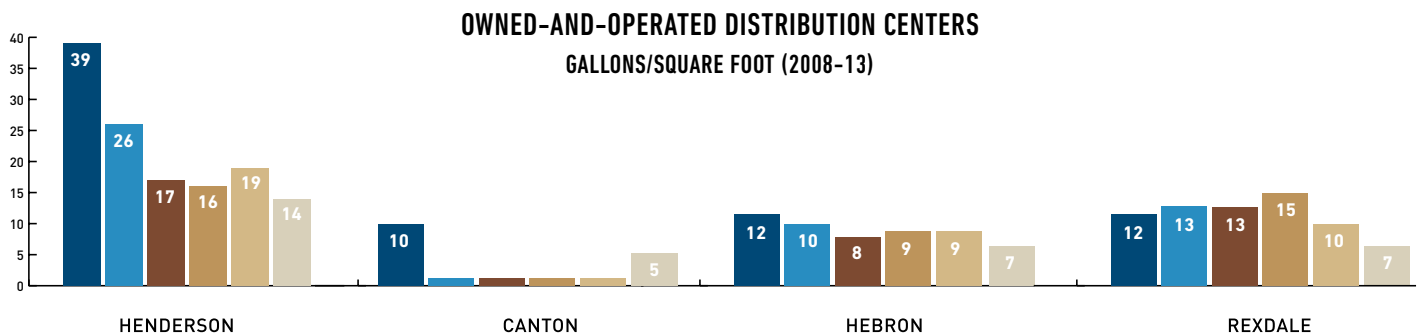
### OWNED-AND-OPERATED FACTORIES (O&OS)

By continuing to use our patented Water<Less™ techniques, which utilize, among other attributes, ozone equipment and fewer rinses, we decreased or maintained our water usage in our owned-and-operated facilities in Poland, Vietnam and South Africa in 2013; however, in 2013, water usage increased slightly in our factory located in Turkey.

In 2012, we adopted ozone equipment, which enables us to eliminate certain steps in the production process that require water. After various stages of finishing — which can include a resin bath, hand scraping, oven-baking and the dry stonewash — the jeans are placed in an ozone machine, which cleans the fabric without a wash cycle, saving water. We hope to achieve similar water efficiencies at our factories, particularly in Turkey, with the new product mix in 2014 and beyond.



\*In 2012 we misreported the gallons/unit for Vietnam as 10. It should have been 23.



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In our distribution centers, we were able to decrease water usage in every facility except Canton in 2013. Although a variety of factors, some of which are outside of our control, can cause variations in water usage from year to year, we strive to ensure that this downward trend in water usage at our distribution center continues.

### COLLECTIVE ACTION

As we've demonstrated through many aspects of our overall sustainability commitment, we are focused on working with other companies and nonprofit leaders to enhance the scope of our impact in water stewardship. The following section describes some of the ways we're partnering with other industry leaders and experts in the field of water sustainability.

### JOINT ROADMAP TO ZERO DISCHARGE OF HAZARDOUS CHEMICALS

LS&Co. is working toward the elimination of hazardous substances in the production processes of its supply chain, and supports approaches to reduce the use of pesticides, fertilizers and other chemicals in cotton production.

In the early 2000s, LS&Co. was one of the first companies to establish a [Restricted Substances List \(RSL\)](#), identifying chemicals that are restricted from our products due to their potential impact on consumers.

Building on our RSL, LS&Co. joined the [Joint Roadmap to Zero Discharge of Hazardous Chemicals \(ZDHC\)](#) in 2012, an apparel industry collaboration to drive systemic change with a goal of zero discharge of hazardous chemicals by 2020. Such collaboration mirrors our belief that this collaborative approach to chemical management is the most effective way to achieve the scope and scale necessary to meet the goal of zero discharge in the apparel industry.

In 2013, we made good progress:

- We're taking measures in the short term to fully enforce our ban on alkyl phenol ethoxylates (APEOs), which are used in some detergents and surfactants. We did an investigation into the use of APEOs in our

supply chain to gain a better understanding of the persistent use of this chemical and how we could enhance both the training and auditing of our supply chain to ensure our suppliers have the latest information on APEOs.

- We performed a benchmark study of chemical use and discharge of 11 priority groups of chemicals from more than 40 supplier facilities in key product markets (Mexico, China, India, Bangladesh, Cambodia, Sri Lanka, Pakistan, Vietnam, Egypt, Nicaragua and Lesotho). The results, which can be found [here](#) (May 2013) and [here](#) (December 2013), will help to establish a baseline understanding of chemical use and discharge so we can focus on capacity building, process change, and policy change with suppliers, and together advance toward the goal of zero discharge of hazardous chemicals in the apparel industry.
- Building on our industry-leading RSL, we launched a new [Restricted Substances Stewardship Program](#), which seeks to engage our suppliers on a standard for good chemical management.
- We confirmed the phase-out of long-chain perfluorinated chemicals (PFCs) in the production of LS&Co. products.

### INTERNATIONAL FINANCE CORPORATION'S PARTNERSHIP FOR CLEANER PRODUCTION

Since 2011, we have engaged with the International Finance Corporation (IFC) on a project in Bangladesh promoting cleaner production and resource efficiency in the textiles and apparels sector: [IFC's Partnership for Cleaner Textile](#). The overall impact of the project has been substantial, leading to savings of \$2 million and 1.26 million cubic meters of water through resource efficiency measures for participating factories. The program's aim is to minimize waste and pollution at the source; to make more efficient use of inputs such as energy, water, chemicals and raw materials; and to increase efficiency and profitability by reducing operating costs and pollution.

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As part of the project, two of our supplier facilities in Bangladesh were examined for improvements in the areas of environment and health and safety, including water conservation. In addition, as part of the program, we were provided with recommendations for improving prevailing practices in textile wet processing, particularly excessive groundwater extraction and surface water pollution. The analysis is enabling us to improve several practices in the designated factories in Bangladesh and extend the lessons learned to our entire supplier base in the country.

### NATURAL RESOURCES DEFENSE COUNCIL RESPONSIBLE SOURCING INITIATIVE

LS&Co. is working with the National Resources Defense Council (NRDC) on its Responsible Sourcing Initiative to reduce the environmental impact of textile mills in China. **NRDC's Responsible Sourcing Initiative** works with Chinese mills to identify practical, low-cost and cost-saving opportunities to increase operational efficiencies while reducing materials, water and energy use and decreasing waste and emissions. The initiative seeks to spread best practices by convening the mills to share experiences and demonstrate how simple and inexpensive actions can yield sizable impacts.

Following the release of NRDC's **Ten Best Practices for Textile Mills to Save Money and Reduce Pollution**, NRDC collaborated closely with the IFC to work with two city governments in China — Shaoxing city and Guangdong province — as part of its city-track initiative. The effort brought together mills, with the sup-

port and collaboration of city governments, to promote the 10 best practices to reduce energy use and carbon emissions and to increase water efficiency.

As part of the initiative, four of the mills we work with in China have reduced their water, energy and chemical use. Mills that LS&Co. works with in both Shaoxing city and Guangdong province participated in the city-track initiative. NRDC and LS&Co. partnered to make follow-up visits to mills to encourage the adoption of these energy and water saving measures.

NRDC also organized a series of technical training workshops to disseminate knowledge, experience and best practices across the industry to improve energy, water and resource efficiency today and in the future. The organization has developed a guide of sustainable practices that can be used by other mills worldwide.

### CONSUMER AND COMMUNITY ENGAGEMENT

We believe that the demonstration of our values must not be limited to our supply chain, our operations, and our advocacy. We must also put these values into action in the communities around the world in which we have a business presence, and with our consumers and employees.

#### CONSUMER ENGAGEMENT

When we conducted our **life cycle analysis** of a pair of jeans, we learned that an average pair of jeans consumes roughly 3,500 liters of water — and that is after only two years of use, washing the jeans one time per



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week. Nearly half of the total water consumption over the life cycle of a pair of jeans, or approximately 1,600 liters, stems from consumers washing their jeans in the washing machine. To address this, and to give consumers guidance on how they could reduce their water and carbon footprint, we created the [Care Tag for Our Planet](#) to encourage consumers to wash their clothes less often, to wash them in cold water, to line dry them and to donate or recycle clothing that is no longer needed.

### COMMUNITY AFFAIRS

To encourage employees to support charitable organizations with their time, talent and money, we offer full-time employees up to five hours per month (60 hours per year) of paid time off to volunteer at a charitable organization of their choice. The Levi Strauss Foundation also provides grants to nonprofit organizations where employees volunteer on their own time.

Our global involvement culminates yearly on Community Day, when employees around the world take a day away from work to volunteer with local nonprofit organizations. We were pleased when many of them chose to work with agencies encouraging water stewardship. On May 8, 2013, we supported more than 150 employees who cleaned trash and other debris out of their local waterways in San Francisco; Dhaka; Beijing; Shenyang; and, Tokyo.

The project was organized in partnership with the [Waterkeeper Alliance](#), an organization dedicated to protecting major watersheds around the world. There are presently more than 200 Waterkeeper organizations on six continents working to protect clean water supplies in communities around the world.

We also collaborated on Community Day with [Thirst](#), a nonprofit organization based in China that focuses on inspiring millions of youth worldwide to create a meaningful change in the way water is viewed and consumed. We worked with Thirst to connect our life cycle assessment data to our consumer care mes-

sage, with the goal of sharing this information with youth in particular. On Community Day, Thirst educated LS&Co. employees on water scarcity and the steps that we, as individuals and communities, can take to preserve and conserve water. We then helped Thirst create an educational module to teach students aged 10 to 14 about the global water crisis, brainstorming solutions and initiating action to combat the issue. LS&Co. employees used the module to teach 2,000 students in Shanghai about water conservation later in the year.

### CONCLUSION

Throughout our 161-year history, we have consistently found that when we lead, others follow. And with leadership comes great responsibility. We are a company that believes strongly in and has grown from our collaborations with others: our industry partners, experts in civil society, academics and governments. It is our sincere hope that others embrace our Water Recycle/Reuse Standard so that its impact on water savings can increase exponentially. In turn, we will continue to push for new methods to expand our water stewardship, working within and beyond our company's walls as we move forward to help protect this vital resource.