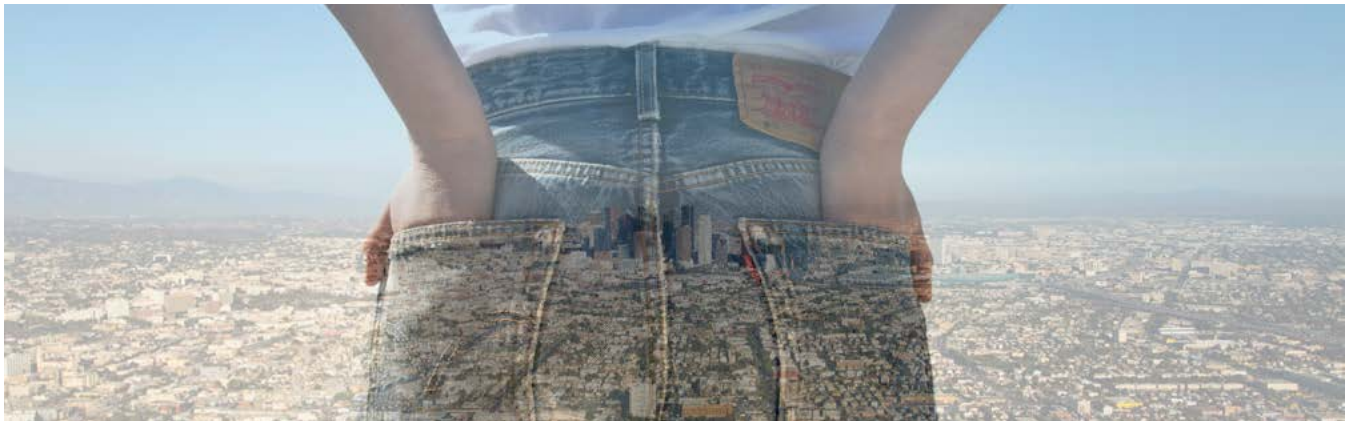
CEO WATER MANDATE
COMMUNICATION ON PROGRESS 2014

In May 2014, Levi Strauss & Co. President and CEO Chip Bergh caused a stir when he shared that he hadn't washed his jeans in more than a year. In his following Dirty Jeans Manifesto, he underscored that his provocative statement was designed to challenge the mindset that we need to throw our jeans in the wash after every wear. Through our most recent Life Cycle Assessment, we learned that wearing jeans 10 times before washing (instead of the average two times for Americans) can reduce water use by 77 percent over the product's lifetime. Chip's statement had impact: Nearly 300 stories were published about his comments, and a global debate about whether to wash ensued. This report outlines how changing consumers' mindsets when it comes to washing their jeans is just one of our many efforts to challenge convention and reduce water use in our global supply chain and operations.



SUPPLY CHAIN

In 2014, we initiated an update to our Life Cycle Assessment, originally conducted in 2007. New advancements have allowed us to look deeper into our impact areas so we can continue to make our products even more sustainable. What we found wasn't a huge surprise: Cotton cultivation and consumer use remain the two biggest impact areas. Informed with this knowledge, we are working to reduce our water impact across our supply chain.

SUPPLIER WATER RISK ASSESSMENT

To understand both our environmental impact and our business vulnerabilities, we collaborated with the World Wildlife Federation (WWF) to conduct a water risk assessment of our key suppliers and the fabric mills that manufacture our products. The criteria we considered included water scarcity, water pollution, local regulations and stakeholder engagement. The output of this research has been instrumental in helping us focus on the areas of highest risk and opportunity for LS&Co. We will report more on this effort as it progresses.

SUSTAINABLE PRODUCT INNOVATION

We recognize how vital water is to the communities in which we operate. That's why, in 2011, we created the Water<Less™ process, which reduces the amount of water used in the garment finishing process by up to 96 percent through techniques such as combining multiple wet cycle processes, reducing water use during the stonewashing process, using fewer rinses and incorporating ozone processing.

In 2014, the Levi's® brand proudly made 22 million Water<Less™ units, saving 190 million liters of water. What started as a 1.4 million-unit launch in spring 2011 grew by the end of 2014 to 75 million Levi's® Water<Less™ garments — for a total of 889 million liters of water saved.

Water<Less™ jeans are as good for our bottom line as they are for the environment, often costing less to produce than a standard pair of jeans because they consume less water and energy. We estimate that this process saved LS&Co. $1.6 million in costs of goods sold in 2014.

Looking ahead, we aim to expand Water<Less™ techniques to even more product lines and vendor partners.

RECYCLE/REUSE

We're proud to have pioneered the apparel industry's first standard for water recycling and reuse, which we released in 2013. This publicly available standard is spurring novel ways to make our products while preserving a precious resource. Since we started this program, we have produced more than 325,000 pairs of Levi's® women's jeans using 100 percent recycled water, saving almost 32 million liters of water. 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.

GLOBAL EFFLUENT REQUIREMENTS

In 1992, we released our Global Effluent Requirements — the industry's first discharge wastewater quality guidelines for our wet finishing laundries. Several years later, we scaled the requirements, making them mandatory for all our global suppliers that discharge directly into the environment. By limiting the contaminant levels allowed in suppliers' wastewater from wet finishing, we hope to minimize the environmental impact to local water resources. We've also shared our guidelines with other apparel brands to multiply the effectiveness of our efforts.

Depending on the country, these water quality guidelines can be more stringent than local regulations require. Garment finishing facilities must treat their wastewater through on-site wastewater treatment plants or by discharging the wastewater into 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.

Of the 72 supplier factories that were assessed against these guidelines in 2014, more than 80 percent were compliant.

SUSTAINABLE COMMODITIES

The majority of the water impact associated with our products stems from activities outside of our direct manufacturing process: cotton production and consumer use. To reduce the impact of cotton, we are working with the Better Cotton Initiative® (BCI), which trains farmers to grow cotton using less water. Better Cotton is produced in a way that cares for the environment through processes that minimize the negative impact of fertilizers and pesticides and help conserve water, soil and natural habitats. Based on the latest BCI Harvest Report, in 2013, cotton farmers in China reduced their water use by 23 percent compared with farmers who were not using BCI techniques. Our goal is that by 2020, 75 percent of the cotton we use will be Better Cotton, up from 6 percent today.

In 2014, BCI and equivalent benchmarked standards reached more than 1.3 million farmers in 20 countries across five continents, and 2.3 million metric tons of Better Cotton were licensed. (That's 8.7 percent of global cotton production.) BCI launched a new Assurance Program in 2013 to ensure the quality of the training provided by the program and the indicators against which the program reports. The number of BCI member organizations producing, trading, processing and marketing consumer products increased by more than 30 percent in 2014, to 468. 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.

We continue our efforts to increase Better Cotton procurement, and in 2014 we were members of the Better Cotton Fast Track Program (BCFTP), an initiative designed to channel funds directly to farmer training and improvement programs, all designed around the Better Cotton standard. This allows BCI and its partners to reach more regions; train more farmers on methods to improve environmental quality, including conserving water; and produce more Better Cotton.

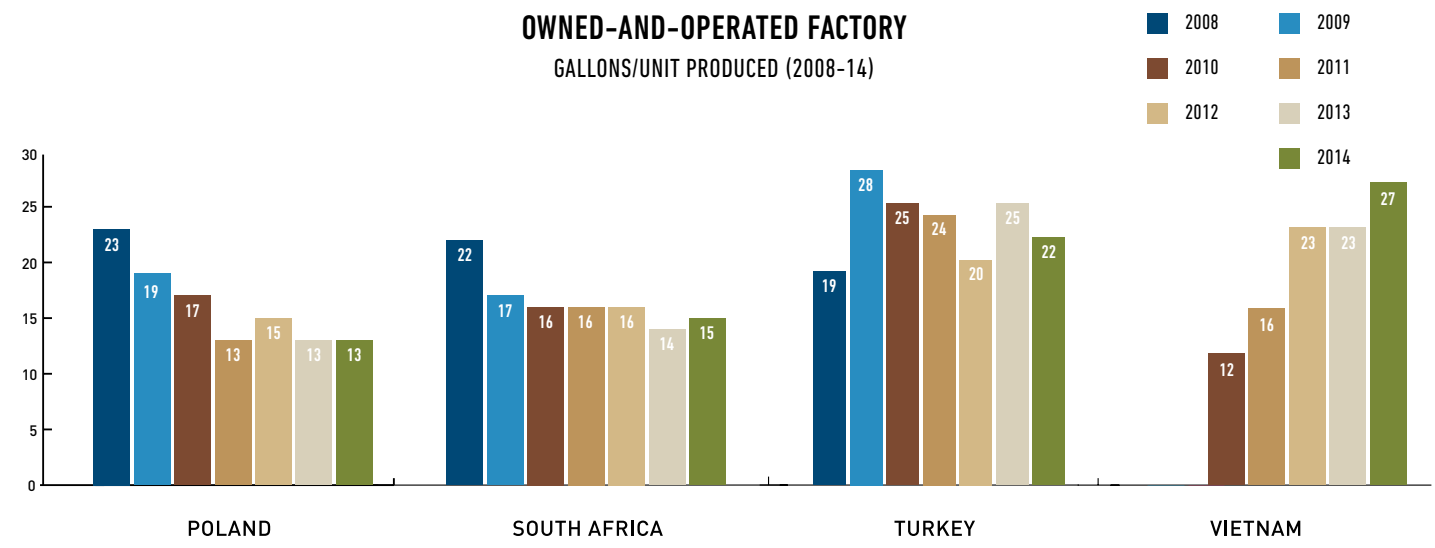
DIRECT OPERATIONS

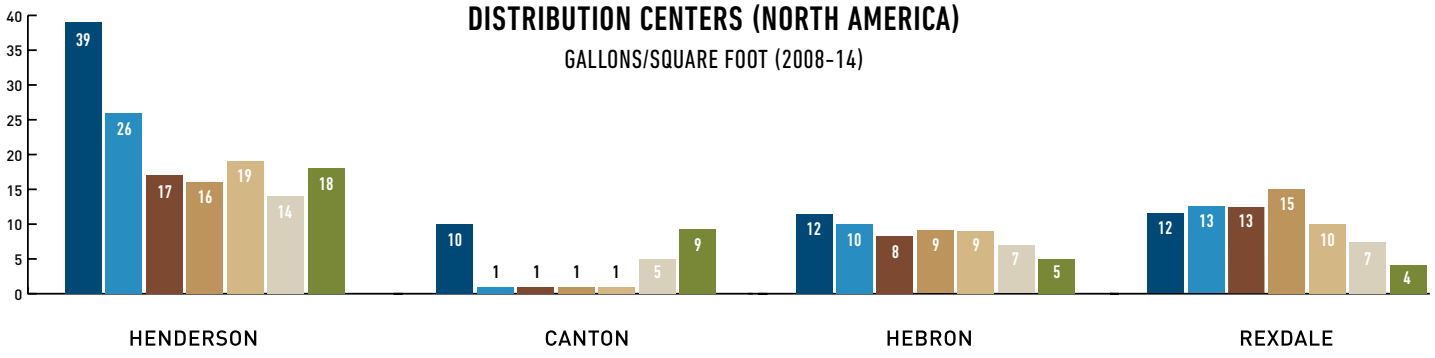
Although we know from our Life Cycle Assessment that water from our direct operations accounts for less than 1 percent of our overall water footprint, we continue to prioritize water stewardship in our headquarters and our owned-and-operated factories.

In 2014, our water use at our headquarters decreased approximately 2 percent compared with 2009, even as headcount increased. These water savings can be primarily attributed to the installation of a more efficient cooling tower and boiler.

OWNED-AND-OPERATED FACTORIES (O&OS)

In 2014, we decreased water use in our owned-and-operated factory in Turkey and remained mostly flat in Poland and South Africa. The decrease in Turkey is partly due to the use of our Water<Less™ techniques. We are exploring why water use increased at our Vietnam facility in 2014.





In our distribution centers, we were able to decrease water use in Hebron, KY, and Rexdale, Ontario, Canada, in 2014. The increase in Henderson, NV, is largely due to extra cooling needs incurred during the summer of 2014. Although a variety of factors, some of which are outside of our control, can cause variations from year to year, we strive to ensure an overall downward trend in water use at our distribution centers and our owned-and-operated factories.

COLLECTIVE ACTION

Since many of our vendors work with other brands, we've seen some of our water innovations begin to spread — helping to transform the apparel industry. We see other brands integrating many of the process improvements we've pioneered, such as our Water<Less™ techniques, which reduce water use in garment finishing. We've learned that when we lead, others follow, and with that leadership comes a responsibility to continue safeguarding precious resources like water. We also continue to gain a great deal by collaborating with other brands, governments and nonprofit organizations.

In 2012, LS&Co. joined the Joint Roadmap Towards Zero Discharge of Hazardous Chemicals, an apparel industry initiative to eliminate hazardous chemicals from waste streams by 2020. We were the sixth company to join, and there are now more than 20 signatories. We're excited to contribute to a focused industry strategy that engages the whole apparel supply chain in chemical sustainability and amplifies our voice with suppliers while bringing scale to LS&Co.'s chemical and water sustainability goals. The ZDHC trainings, tools and research help us move faster and with greater reach and impact than we can on our own.

NATURAL RESOURCES DEFENSE COUNCIL CLEAN BY DESIGN INITIATIVE

LS&Co. is working with the National Resources Defense Council (NRDC) on its Clean by Design initiative to reduce the environmental impact of textile mills in China. The initial implementation at 22 mills helped illustrate how the program's recommended water and energy efficiency measures could be adapted for use by a diverse range of mills and make an industry-wide impact. In 2014, the program tweaked its initial recommendations for broader real-world application and updated its 10 best practices.

Two of LS&Co.'s Chinese mills participated in the inititiative in 2014. One mill implemented a number of efficiency improvement projects, including automatic valves and humidity detectors, that saved a total of 640 tons of energy (coal) per year and 18,399 tons of water per year. The other mill implemented five projects, including reusing cooling water for hot rinsing, which resulted in a savings of 1,352 tons of energy (coal) and 30,000 tons of water per year.

CONSUMER AND COMMUNITY ENGAGEMENT

CONSUMER AND EMPLOYEE ENGAGEMENT

We believe we have a responsibility to help protect water resources in our operations and supply chain, but we also know that our consumers and employees are critical to ensuring a more sustainable future. That's why we remain focused on educating our consumers and employees about the important role they play when it comes to caring for their clothing and conserving water.

LS&Co. President and CEO Chip Bergh caught the world's attention when he revealed at Fortune Brainstorm Green that he hadn't washed his jeans in more than a year. *Good Morning America* even took the dirty jeans challenge, with one reporter going eight months without washing her jeans.

We estimate that washing your jeans every two weeks instead of weekly saves 14 liters of water. That means that over five years, you could save more than 1,800 liters of water by making this one adjustment. Washing in cold water and line-drying further reduces energy consumption and greenhouse gas emissions. We believe we have an opportunity and a responsibility to share this information with our consumers.

In light of California's drought, we initiated a Water Week in February 2014 to educate our employees on how they can be water stewards in their everyday lives, whether going showerless one day a week, turning off the faucet while brushing their teeth or doing the dishes, watering during the coolest time of day or flushing less. At the end of the year, employees were given an opportunity to vote for which water-focused organization would win a $2,500 grant. Employees chose Project WET, which develops and delivers water education resources and advocates for the role of water education in solving the world's most pressing water issues. In addition, LS&Co. was a sponsor of the San Francisco Baykeeper's Bay Parade, encouraging employees to participate in the event. San Francisco Baykeeper aims to reverse the environmental degradation of the past and promote new strategies and policies to protect the water quality of the San Francisco Bay.

COMMUNITY AFFAIRS

Guided by the tradition of giving instilled by our founder, Levi Strauss, we apply our values of empathy, integrity, originality and courage to all of our community engagement efforts. Our goal is to put these values into action in the communities around the world where we have a business presence.

In 2014, our Community Affairs department provided funding to five projects geared toward water conservation:

- Visitacion Valley Playground: We provided a $20,000 grant to the San Francisco Recreation & Parks Department to help save water at Visitacion Valley Playground. The money is helping replace manual sprinklers with an automated system that will allow

the department to water for shorter periods of time and at night/early morning when watering is more efficient. Additionally, LS&Co. employees participated in a Community Day project at the park.

- Project WET: We funded a pilot program to produce locally relevant and culturally sensitive educational materials that can be taught in schools and youth organizations. Materials focus on the importance of water conservation and are customized to LS&Co.'s goals and messaging. LS&Co. employees in three sites (San Francisco, Shanghai and Singapore) were trained on how to teach a lesson highlighting how to save water. Volunteer activities took place on Community Day, and materials were provided for 1,500 children.
- Center for Biological Diversity: This grant is helping produce an action-oriented infographic that incorporates LS&Co.'s messages around laundry and recycling to show the importance of conserving water and what steps can be taken to reduce water use during daily activities. To make the effects of water depletion more immediate and relatable, the infographic will focus on and how the loss of water affects endangered species. The infographic will be distributed to CBD's 800,000-person contact list and like-minded organizations interested in conservation.
- Lexicon for Sustainability: In this project, we are partnering with the Lexicon platform — which includes a museum-quality exhibit available for crowdsourced traveling exhibitions, videos first launched on PBS television, books, lectures and events — all in the service of advancing sustainability messages.
- Pollination Project: This project empowers young people around the world to promote sustainability and address environmental issues by seeding projects proposed by citizen activists who would not typically have access to philanthropic capital. Selected activists/projects are provided with a $1,000 grant. The program is a partnership between three nonprofit organizations. LS&Co. will participate in the selection process and share stories from these passionate and committed young people.
- Imagine H2O: LS&Co. is a sponsor of the *Imagine H2O Awards Gala*, which dovetails with the global gathering of the Clean Tech Group. Imagine H2O's mission is to inspire and empower entrepreneurs to solve water problems, and their vision is to turn water challenges into opportunities. They have three program areas: business innovation; university campus programs teaching the next generation about career paths in the water field; and policy advocacy.

CONCLUSION

In an era of increasing water scarcity, we know that our employees and consumers are more receptive than ever to the need to conserve water. We will continue to help influence public behavior about responsible water use while harnessing one of our company's greatest resources — innovation — to protect water resources in our operations and across our supply chain.