

# CEO WATER MANDATE COMMUNICATION ON PROGRESS 2011

For Levi Strauss & Co., 2011 was the year of consumer engagement on water sustainability. In November 2010, we announced our Levi's® Water<Less™ collection and in 2011 the product hit the stores globally. The Levi's® Water<Less™ product launch enabled us to start a dialogue with consumers about the water used in the production of apparel but also the water used by them, the consumer, in the use and care of the product. But 2011 wasn't only about the Levi's® Water<Less™ collection, the company made strides across the business, supply chain and communities where we operate to reduce water use and improve water quality. This Communication on Progress builds on our 2010 report to provide a picture of the work in 2011 to engage the consumer and build a more profitable and sustainable business.



## DIRECT OPERATIONS

As we reported last year, the water usage associated with our direct operations is a small piece of our overall water footprint (only about 1 percent of the water associated with the product), but addressing water usage, quality and availability within our direct operations reduces the company's environmental footprint, and creates business efficiency and cost reductions.

Progress in water efficiency in our owned-and-operated factories continued in 2011. Business improvements led to better water efficiency in our Poland factory. The changes that led to the improvements include investing in new, more efficient washing machines; promoting water conservation; adjusting some of the finishing processes; and increasing in production volumes of Levi's® Water<Less™ products. In the Poland factory, water consumption per unit manufactured decreased by 24 percent. These are business and water efficiency improvements we can apply in our other owned-and-operated facilities and share with our suppliers.

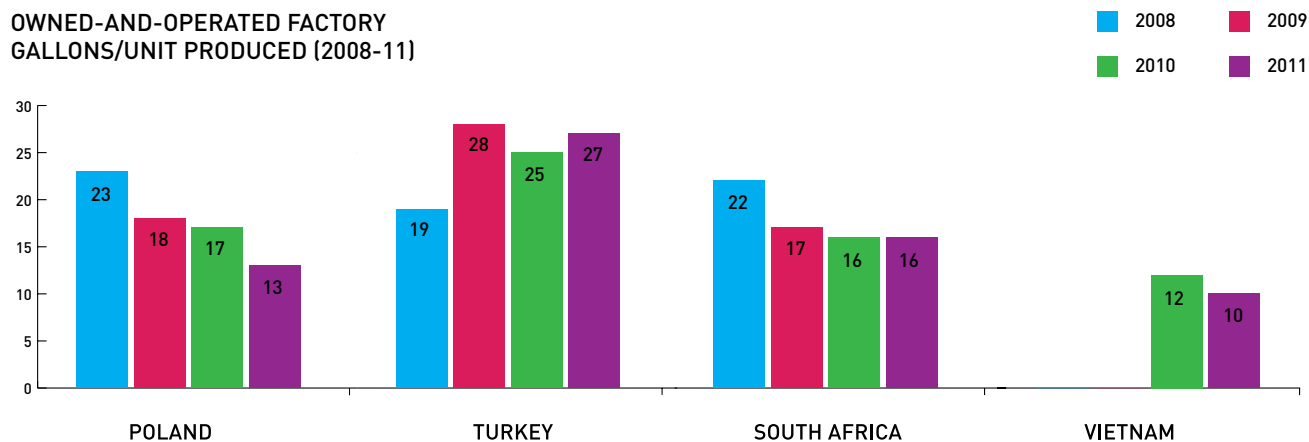
Previously, we reported the significant advances made in our distribution centers. Having implemented the water efficiency investments in 2009 and 2010, the water consumption in

2011 was flat compared to 2010. The distribution center in Henderson, Nevada, did decrease its water consumption by 12 percent from 2010. The Henderson distribution center has a team of employees focused on environmental sustainability that pilot resource efficient practices, which serve as a model for the other distribution centers.

## SUPPLY CHAIN

More than 50 percent of the water associated with our products stems from activities in our supply chain — from cotton production to consumer use. As we shared in previous communications on progress, in 2007, we performed a life-cycle assessment of a pair of Levi's® 501® jeans and Dockers® Original Khakis. From growing the cotton that eventually becomes a pair of jeans to recycling those jeans, the impact on water consumption is clear: more than 3,000 liters of water were found to be used during the full product life cycle of the studied pair of Levi's® 501® jeans. This past year we continued to engage suppliers in innovations and investments to reduce water use and improve water quality.

**OWNED-AND-OPERATED FACTORY  
GALLONS/UNIT PRODUCED (2008-11)**



## **SUPPORTING COTTON FARMERS TO REDUCE WATER POLLUTION AND USE**

Levi Strauss & Co.'s lifecycle research found that cotton farming is one of the places our company can make the biggest difference to reduce the environmental impacts of our products. We are committed to the Better Cotton Initiative because we believe it can change the way cotton is grown around the world, positively impacting the environment and supporting 300 million people engaged in cotton farming around the world. Levi Strauss & Co. incorporated a blend of Better Cotton into about 2 million pairs of jeans in Fall 2011 Levi's® and Denizen™ brand product lines.

The Better Cotton Initiative (BCI) is a not-for-profit organization that is striving to create and promote measurable improvements in the environmental and social impacts of cotton cultivation worldwide. BCI members are working together to help make all cotton grown around the world more sustainable. Specifically, cotton grown with BCI techniques:

- Reduces inputs like water, pesticides, and chemical fertilizers
- Protects the health of the soil
- Addresses labor standards
- Seeks to improve financial profitability for farmers

The Better Cotton Initiative works with local organizations on the ground to teach cotton farmers simple farming techniques that increase productivity and profits while reducing chemical and pesticide use and the amount of water used throughout the growing season, such as planting border crops and setting up irrigation systems. BCI also educates farmers about important labor issues, including the social and economic impacts of child labor.

This Fall, Levi Strauss & Co. incorporated Better Cotton into its jeans. We expect to continue to increase the number of jeans with Better Cotton in the next seasons. We are working toward a goal of increasing the percentage of Better Cotton in our products to 20 percent by 2015.

## **REDUCING WATER CONSUMPTION IN DENIM FINISHING**

Our designers challenged themselves to reduce the amount of water used during the finishing process for a pair of jeans from an average of 60 liters of water to as little as 1.5 liters. They developed the **Levi's® Water<Less™ jeans** to have the same great styles and finishes that our consumers love — but made using less water.

During the production process, a typical pair of jeans is "finished" in large washing machines and dryers to create a unique look and feel. Using traditional garment washing methods, the average pair of jeans undergoes 3-10 washing cycles — adding up to approximately 60 liters of water per unit. Levi's® Water<Less™ jeans have reduced the water consumption in the finishing process by making simple changes to the process, including:

- Reducing the number of washing machine cycles by combining multiple wet cycle processes into a single wet process
- Incorporate ozone processing into the garment washing
- Removing the water from the stone wash

The Levi's® global collection now includes nearly 12 million jeans in the Americas, Europe and Asia. Since we introduced the **Water<Less™ collection**, we have saved 156 million liters of water around the world. To add some context, that's 60 million days of drinking water for communities in need.

We will continue to innovate in Water<Less™ processes and spread the technologies and processes across the apparel supply chain.

## **MEASURING WATER AND ENERGY CONSUMPTION**

To better target our sustainability engagement with our suppliers, in 2011, for the first time, we collected facility-level annual water and energy consumption data from 63 high volume/strategic suppliers. The goal of this effort was to identify best practices and share them with participating suppliers.

Each supplier received a personalized one-page summary document of their 2010 water and energy consumption data compared to regional and global averages. The comparisons were made between suppliers who conduct similar activities (cut/sew, laundry, and cut/sew/laundry) on a per unit-manufactured basis. Suppliers received two percentile rankings: one for energy and the other for water consumption per unit. The LS&Co. regional offices followed up with each supplier to discuss the one-page summary sheet, answer questions, and gather feedback.

The good news is that 40 percent of these suppliers are either already implementing water-saving strategies or planning to do so in the near future. Fifteen of these high volume suppliers indicated they recycle water at their facilities, either end of pipe or in process. Other water saving strategies included installing low-flow restroom fixtures, investing in water efficient washing machines and employee education.

A key learning was that in most cases, suppliers use at least two water sources to meet their water needs, but are not always able to meter the non-municipal water source.

If this is the case, some suppliers said they estimated water consumption based on production volumes or changes in water storage levels. Ensuring suppliers can meter all types of water sources is the first step to planning water efficiency and conservation.

Next year we anticipate better data-quality from suppliers and to incorporate their feedback to enhance supplier engagement.

#### REDUCING WATER POLLUTION

We have long believed in the importance of environmental stewardship, writing environmental provisions into our groundbreaking Global Sourcing and Operating Guidelines in 1991. In 1994, we were the first global apparel company to implement strict water quality guidelines — our [Global Effluent Requirements](#) (GER) — for all of our contract laundries and finishing facilities.

These requirements establish the maximum wastewater contaminant levels for all of our manufacturing locations and supplier facilities worldwide. Our contract laundries and finishing facilities must meet these requirements by regulating their wastewater through onsite wastewater treatment plants, or discharge to permitted government or publicly owned water treatment facilities. We also require that our suppliers regularly submit wastewater samples for laboratory analysis and report on the results on a semiannual basis.

In 2011, suppliers throughout the apparel supply chain felt the effects of cotton price increases. Ensuring suppliers continued to invest in the necessary infrastructure and resources to treat effluent to Levi Strauss & Co.'s standards was a major focus for our global environmental sustainability team this year. By year end, we confirmed that 77 percent of our suppliers were in compliance with our GER standard and action plans were set up to work with those who needed improvement.

#### INNOVATIVE WATER RECYCLING AND RE-USE PROGRAMS

Building on the efforts to reduce overall water use in the manufacturing of our products, we are looking to recycle and reuse the water that remains part of the manufacturing process. Levi Strauss & Co. developed new water recycle re-use standards for our contract finishing facilities. The new standards were drafted through a stakeholder consultation and review process, including water engineers, academics, environmental nongovernmental organizations, suppliers, and product finishing specialists.

Reclaimed water can come from onsite treatment at finishing facilities, internal recycling, or using reclaimed water from a nearby treatment facility. Reclaimed water can be used for on-site landscaping, toilets and HVAC systems. Through 2012, we will be piloting the standard at five suppliers in Cambodia, China, Nicaragua and Pakistan. When the pilots are completed, we will refine the standard, share it publicly and roll it out to all our suppliers.

While the water recycle/reuse standard has not been rolled out yet, 26 of our suppliers are reporting that they recycle and/or reuse water at their facility. Thus, we already have some good policies and practices on which to benchmark and share with other suppliers.

## COLLECTIVE ACTION

We're committed to moving the entire apparel industry toward improved environmental practices because we know that we can't do this alone. We recognize the importance of working closely with our competitors and other industry and nonprofit leaders in water sustainability to extend best practices in water stewardship across the apparel industry.

### NATIONAL RESOURCE DEFENSE COUNCIL (NRDC)'S RESPONSIBLE SOURCING INITIATIVE

Levi Strauss & Co.'s engagement with the **National Resource Defense Council (NRDC)'s Responsible Sourcing Initiative** grew in 2011. The 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.

We engaged five new mills in the initiative: two from North China, two in Central China and one in South China, covering Jiangsu, Hebei, Shandong and Guangdong provinces. The fabric mills first were introduced to the Responsible Sourcing Initiative and the **10 Best Practices for Responsible Sourcing from Textile Mills**. They then went through a training to provide technical guidance on how to implement the practices. All five mills had visits from NRDC and submitted action plans outlining the actions they could take to implement the practices. The mill's action plans are under review by NRDC. After implementation, the participating mills will meet again as a group to share experience and outline next steps. The Responsible Sourcing Initiative seeks to spread best practices through convening the mills to sharing experience and demonstrating how simple and inexpensive some of the actions can be.

We are exploring how to extend the best practices and policies from the Responsible Sourcing Initiative to mill suppliers globally.

### SOUTHEAST ASIA APPAREL WATER ACTION (SEAAWA)

Levi Strauss & Co., partnered with H&M, Nautica and Nike, to engage suppliers in Cambodia and Vietnam regarding their water efficiency and pollution challenges, and to educate them on solutions. Coordinated by the CEO Water Mandate and the UN Environment Programme (UNEP), the project is called the Southeast Asia Apparel Water Action (SEAAWA).

Workshops were organized in Cambodia and Vietnam that brought together representatives from four brands, their suppliers, civil society members, government officials, and others to explore how to best facilitate improved water management in the apparel industry. The workshops gave participants a better understanding of water challenges in their countries and explained how better water management benefits the environment and can improve profits. The workshops are an important step in highlighting the need for improved water management and fostering improved communication between the private sector, government and civil society.

To support the workshops, the Pacific Institute — with data and input from the brands — drafted best practice indicators for water sustainability in supplier facilities. Follow up is taking place with suppliers in Vietnam to build on the workshop and provide suppliers with further support from local and international water experts. Levi Strauss & Co. looks forward to continued engagement with other industry leaders, the CEO Water Mandate and UNEP to strengthen water stewardship in the apparel industry in Vietnam and Cambodia.

## PUBLIC POLICY

Levi Strauss & Co. is a proud and active supporter of the UN Global Compact's CEO Water Mandate. We joined the CEO Water Mandate as a founding member in 2007 and participated on its Steering Committee, supporting the work

to examine the interface of water and public policy and the human right to water and sanitation. Stemming from our participation in the CEO Water Mandate, Levi Strauss & Co. joined other Mandate companies in a letter to the G-8 leaders on the eve of their July 2008 summit in Japan, calling on the world's most powerful nations to actively address the issue of water scarcity and availability.

In 2007 and 2008, we also lobbied for robust funding for the Water for the Poor Act, a framework for how the United States funds and supports access to clean water as a central aim of U.S. foreign assistance. Building on our support for the Water for the Poor Act, on World Water Day 2010, Levi Strauss & Co. headed to Washington, D.C., to join a day of advocacy for funding and awareness for the global water, sanitation and hygiene needs. We joined other global companies and international NGOs in meeting with members of Congress and other policy makers.

Levi Strauss & Co. also actively advocates for robust funding for international climate change adaptation within the international climate negotiations and with the U.S. Government. Our products are manufactured in more than 45 countries around the world, many of which are in the developing world and are already or are expected to feel the effects of climate change, including increased water shortage (e.g., India and Nicaragua), water-related illness and disease (Cambodia), and flooding and salt water intrusion (e.g., Bangladesh and Vietnam). It is a natural fit for us to advocate for funding to support the countries in which we operate that will need to adapt to changing water conditions. In October 2009, Levi Strauss & Co. submitted [written testimony](#) to a U.S. Senate subcommittee outlining our support for funding and concern about climate adaptation needs globally.

## CONSUMER AND COMMUNITY ENGAGEMENT

### ENGAGING THE CONSUMER ON WATER SUSTAINABILITY

Consumer use and care of our products makes a significant contribution to our water footprint — some 45 percent of the water associated with the lifecycle of a pair of Levi's®.

That is why we are committed to educating consumers on how to care for their clothes more responsibly — including washing less, washing in cold, line drying and donating clothing to keep it out of landfills.

With these lifecycle assessment results in mind, we launched a consumer care program, called "Care for our Planet," that educates consumers about what they can do to save water and energy after they buy a pair of Levi's® jeans. Consumers can reduce the climate change impact of their jeans by up to 50 percent by line drying and washing them in cold water. One way we track the consumer reach of our care program is through Twitter by encouraging consumers to tweet #Care4OurPlanet to spread the word.

The Levi's® brand partnered with Water.org to raise awareness about vital water issues and bring clean drinking water to people around the world. To celebrate World Water Day, March 22, 2011, the Levi's® brand donated \$250,000 to Water.org to fund sustainable water programs, providing at least 200 million liters of water to communities in need of reliable water access.

Using the Facebook game platform, we developed an application called the Levi's® WaterTank that encouraged consumers to take simple online and offline actions in support of global water issues in a fun and competitive way.

Here are examples of how consumers participated in the game:

- **Pledge** to wash jeans less, take shorter showers and adopt better laundry habits
- **Tweet** something that contains the waterless hashtag (#waterless)
- **Like** the Levi's® brand on Facebook
- **Check-in** to any Levi's® Store in the United States
- **Challenge** friends to play the WaterTank game
- **Answer** water related trivia questions online
- **Donate** money to Water.org
- **Scan** a QR code in any Levi's® Store in the United States
- **Watch** a Levi's® and Water.org video online



The winner of the Water -Tank challenge was Kathleen M. from Minneapolis, Minn. She and her daughter traveled to Ethiopia in November 2011 to see a community receive access to clean drinking water.



Levi Strauss & Co. coordinated “Dirty is the New Clean” challenge at the Net Impact Conference, a convening of future business leaders who seek to address social and environmental challenges. We challenged the 3,000 conference attendees to tell us how they plan to change their washing habits, such as wash less, wash in cold, line-dry and donate when no longer needed. For every tweet, we pledged \$5.01 to Water.org.

#### PROVIDING SUPPORT IN THE COMMUNITIES IN WHICH WE OPERATE

In 2010, Levi Strauss & Co. opened a new finishing center in Ninh Binh province in Vietnam. Within this owned-and-operated facility, we are applying our Global Effluent Requirements (GER) to address water quality around our production as well as implementing our draft water recycle re-use guidelines. But recognizing this facility is part of a broader community that faces its own water challenges, Levi Strauss & Co. provided a grant to the Center for Water Resources Conservation and Development (WARECOD) to build a new well at a home for children and seniors in the community near the finishing facility in Ninh Binh. Established in 2006, WARECOD is a Vietnamese non-profit organization that seeks to promote the sustainable use of Vietnam’s water resources. WARECOD works to improve lives and livelihoods of river communities; encourages the balanced use of water resources; and makes the public aware of the environmental impacts of river development projects on local communities.

Levi Strauss & Co. also made approximately \$25,000 in water conservation grants to organizations on our company’s Community Day — a day in which LS&Co. employees volunteer in the local communities where they work. The employees’ volunteer hours enabled the company to provide grants to the organizations with which they volunteered. Examples of some of the water grants include supporting the installing a drip irrigations system at the Edgewood Home for Boys and Girls in San Francisco.

#### CONCLUSION

Engagement in the CEO Water Mandate serves as an important motivator to ensure we are taking a comprehensive approach to water stewardship. In communicating externally our water vision, commitment and progress through the CEO Water Mandate, we will continue to find partners with whom to advance our common objectives and water sustainability experts who challenge us to do more and with greater urgency and expertise.

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

For a comprehensive overview of the company’s commitment to water sustainability, please visit [levistrauss.com/sustainability/planet/water](http://levistrauss.com/sustainability/planet/water).