

CEO WATER MANDATE COMMUNICATION ON PROGRESS 2010

For more than 155 years, Levi Strauss & Co. has taken a “profits through principles” approach to the way we do business. It guides the way we treat our employees, ensure the safety of those who make our products and give back to the communities where we operate. It also drives our commitment to care for our planet. As a company, we are committed to building sustainability into everything we do, so that our profitable growth helps restore the environment.

From cotton farming to fabric production and product finishing, we rely on an abundance of water to make our products. As part of our ongoing commitment to environmental sustainability, we are pushing for pioneering strategies on protecting clean water as a natural resource and focusing on reducing our overall water consumption — from the fields where cotton is grown to our supplier laundries and even once our consumers take our products home. This Communication on Progress builds on our 2009 report, which provided a historical overview of the company’s focus on water sustainability, by focusing on our progress in 2010.



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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.

Real progress was made in water efficiency in our owned-and-operated factories from 2009 through 2010. Business improvements led to better water efficiency in our Poland and South Africa factories when less complicated washing processes were put in place and better quality fabrics were used. The Poland factory reduced water consumption from 23 gallons per product unit produced to 18 gallons. The South Africa factory reduced water consumption from 22 gallons per unit produced to 15 gallons. These are business and water efficiency improvements we can apply in our other owned-and-operated facilities and share with our suppliers.

Last year, we reported the significant advances made in our distribution centers. These continued in 2010. Our U.S. distribution center in Henderson, Nevada, reduced water consumption from 39 gallons per square foot to 24 gallons per square foot by implementing water conservation program, that included a new cooling tower with new chemicals, low maintenance arid climate landscape, irrigation repair, and leaking pipes replacement. With a similar commitment to water conservation, the U.S. distribution center in Hebron, Kentucky, cut its water consumption in half by reducing its use from 12 gallons per square foot to 6 gallons.

SUPPLY CHAIN

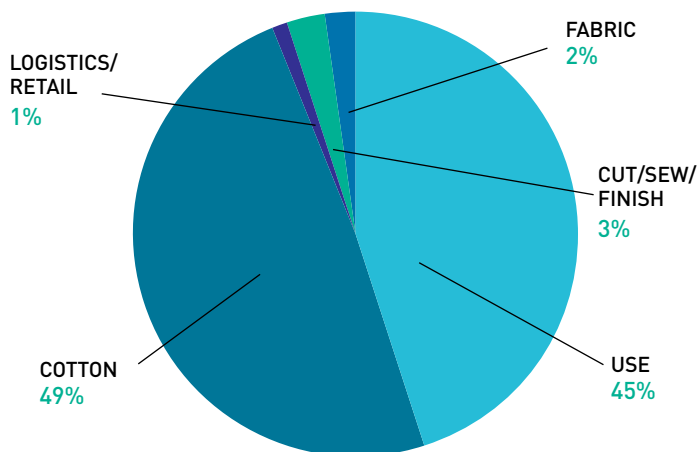
More than 50 percent of the water associated with our products stems from activities in our supply chain — from cotton production to consumer use. In 2007, we performed a life-cycle assessment of a pair of Levi's® 501® jeans and Dockers® Original Khakis. From growing the cotton that eventually becomes 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. In 2010, we made strides to address the water use and quality in our supply chain.

REDUCING OUR WATER FOOTPRINT THROUGH SUSTAINABLE COTTON

Ninety-five percent of our products contain cotton and almost 50 percent of the water associated with the life cycle of our products is used during cotton production. In 2008, we joined the **Better Cotton Initiative (BCI)**, a multi-stakeholder partnership that seeks to make global cotton production better for the people who produce it, better for the environment where it is grown and better for the sector's future. The BCI approach focuses on reducing the environmental impact of cotton production while bringing long-term social and economic benefits to farmers, farm workers and farming communities. So far, pilot programs in Brazil, India, Mali and Pakistan have been successful and the results for water conservation are promising. For example, participating farms in Pakistan have seen a reduction in water consumption of more than 30 percent or 11.71 billion cubic meters of irrigation water in 2010.

LEVI'S® 501® JEANS WATER CONSUMPTION CRADLE-TO-GRAVE CONSUMPTION, % BY PHASE



Data from LS&Co.'s Life Cycle Assessment on Levi's® 501® jean for U.S. Market, 2006 production year

BCI works with farmers to identify the critical growth stages of cotton and their water requirements. BCI then provides trainings on different methods of irrigation and their importance, advantages and disadvantages, including water scouting, land leveling, lining of water courses and cleaning, use of mulches and other water conservation techniques. As this is the first year Better Cotton will be harvested, we look forward to sharing more comprehensive data in 2011.

ESTABLISHING CLEAN WATER REQUIREMENTS

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 2009, our Global Effluent Requirements were truly tested. In August 2009, the Sunday Times of London ran a story on social and environmental impacts of the Lesotho apparel industry on the local community. The report included allegations that water discharge from the Lesotho apparel industry was polluting the waterways. Levi Strauss & Co. had been sourcing apparel from suppliers in Lesotho for several years and had been involved in the local community through grants to support HIV/AIDS prevention, care and treatment.

We moved immediately to address working conditions and environmental issues related to our contracted factories. Our executives and local staff in the region worked closely with factory management, third-party experts, and local and

national government officials to address immediate issues and create a plan of action to ensure long-term social and environmental sustainability of the Lesotho apparel industry.

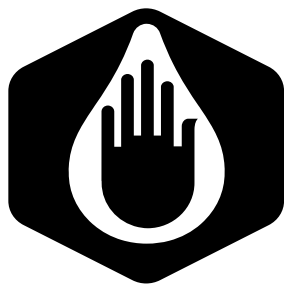
On the issue of waste water management in Lesotho, Levi Strauss & Co. ensured that our supplier factories immediately repaired the broken sewer pipe that released effluent to the watercourse. We then worked with factory management and community leaders on two community river clean-up programs to remove solid waste, visible blue traces of sludge, and pumice stones from the watercourse. These programs included community education about reporting any suspected discharges to the suppliers. In addition, all wastewater treatment plants have contingency plans in place in case of potential errors in their systems as well as reporting requirements. National Environmental Secretariat has committed to weekly monitoring of the municipal water treatment plant.

While there is much yet to be done, important progress has been made. One of our highest priorities has been to understand the long-term infrastructure issues facing garment factories in the area, and where we can partner to make a difference.



REDUCING WATER CONSUMPTION IN DENIM FINISHING

Levi's® product designers took up the water challenge to create the same great styles and finishes on our jeans that consumers love — but with a lot less water. In 2011, the Levi's® brand is launching the new **Water<Less jean collection**, which reduces the water used in the product finishing process from an average of 42 litres per pair of jeans to as little as 1.5 litres for some products.



WATER<LESS

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 42 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® spring 2011 product lines will contain more than 1.5 million pairs of jeans with the Water<Less method, saving approximately 16 million liters of water. The Levi's® brand will continue to introduce these techniques to even more supplier factories around the world with the goal of increasing the numbers significantly in Fall 2011.

INNOVATIVE WATER RECYCLING AND RE-USE PROGRAMS AT SUPPLIER FACILITIES

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. is currently developing new water recycle re-use guidelines for our contract finishing facilities. Reclaimed water can be used at finishing facilities through onsite treatment, internal recycling or using reclaimed water from a nearby treatment facility. This reclaimed water can be used for on-site landscaping, toilets and HVAC systems. In expanding our Global Effluent Requirements to include water recycling, we are finding our suppliers to be integral partners in meeting our water conservation efforts.

Our suppliers are demonstrating that they are not only mutually concerned about water quality, but also embracing water recycling and re-use programs. Currently, 29 percent of our finishing contractors recycle or re-use their process water. We have seen first-hand the launch of a successful **water recycling pilot program at one of our supplier facilities in Torreon, Mexico.**

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 to share best practices in water stewardship.

Extending our requirements to our supply chain grew out of our work with **Business for Social Responsibility (BSR)** and 18 other apparel industry leaders through the BSR Sustainable Water and Mills and Sundries Working Groups. In 2010, the Sustainable Water Group (SWG) continued its focus on building individual company capacity to implement corporate programs related to wastewater management in their supply chains. As such, BSR developed a Water Management Toolkit to ensure that members have the appropriate guidance to partner with suppliers to assess their wastewater manage-

ment practices. Levi Strauss & Co. led two SWG webinars focused on data management and water conservation. To foster collaboration among member companies, SWG met three times this year, in the United States and China, to share best practices and explore a new approach to conservation and increasing efficiency of water use.

In addition to the work we have done with BSR, Levi Strauss & Co.'s engagement in the **National Resource Defense Council's (NRDC) Responsible Sourcing Initiative** grew in 2010. 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. So far, the results of this initiative have been very encouraging: we have seen a water usage reduction of 23 percent annually — or about 112,000 tons of water — at one pilot mill. Building on the learnings from the Chinese textile mills, we are exploring how we might transfer these processes to our first tier suppliers by working with NRDC to pilot the project with a contract finishing laundry in China. We are exploring how to roll out the learnings from the Responsible Sourcing Initiative to mill suppliers globally and are partnering with NRDC to launch the initiative in Bangladesh.

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 have 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

At the other end of our product life cycle, our study showed that 45 percent of the water used occurs after consumers take our products home. We launched an exciting new partnership with Goodwill — A Care Tag for Our Planet — to spread the word with consumers that how they care for their clothes can help reduce their climate change and water impact. In addition to changing the care tags in our products, we are working to spread the word to consumers by promoting our Care Tag Pledge. Consumers who want to take action can go onto the **Care Tag website** and pledge to wash less, wash in cold, line dry and donate their clothes to Goodwill. We know that if consumers wash their jeans less often, we will be able to significantly reduce the amount of water associated with our products.

In the past year, 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. is providing a grant to the Center for Water Resources Conservation and Development (WARECOD) to support arsenic mitigation and access to clean water in Ninh Binh province in Vietnam. 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; encourage the balanced use of water resources; and make the public aware of the environmental impacts of river development projects on local communities.

CONCLUSION

Engagement in the CEO Water Mandate has served as 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 <http://www.levistrauss.com/sustainability/planet/water>.