

Sustainability Report



Levi Strauss & Co. 2020 Sustainability Report

The 2020 Levi Strauss & Co. sustainability report showcases our commitment and approach to sustainability, along with our priorities and performance results in three areas: Climate, Consumption and Community.

CLIMATE

We're on track to meet our science-based targets for reducing GHG emissions in our owned-and-operated facilities and our global supply chain, and meeting our renewable electricity targets – all by 2025.

CONSUMPTION

In 2020, **83%** of our cotton – our most used raw material – came from more sustainable sources, and we expanded our efforts toward a circular economy.

COMMUNITY

By the end of 2020, LS&Co. suppliers had active Worker Well-being offerings at **118** sites where more than **195,400** employees worked, fostering improvements in engagement, satisfaction and absenteeism.

Welcome to the LS&Co. Sustainability Report, which covers our 2020 environmental, social and governance (ESG) performance as well as related events affecting our company and our stakeholders during the year.

From Our Leadership



**Building towards a
more sustainable
future**

How we make our products is just as important as what we make. With this report, we're challenging ourselves to be more ambitious, impactful and transparent.

Message from the CEO

Levi Strauss & Co. has been in business for more than 168 years because we make durable products that are built to last and because we proudly adhere to a guiding philosophy of profits through principles across our operations. These ongoing commitments serve as the foundation of this document, our first Sustainability Report, covering our programs and progress through 2020 and our goals for the coming years.

Though this is our first stand-alone report like this, it is far from the first time we've talked about the topic. Sustainability has been central to our operations and decision making for many years – and is critical to our future. With this report, we are challenging ourselves to be more ambitious, more impactful and more transparent with our efforts and our public reporting.

When we speak of sustainability, we are talking about operating and using resources in a way that can be continued in perpetuity without harming people, the planet or future generations. Our imperative is therefore clear: we must continue to find ways to use less water, to reduce emissions, to better support workers, to drive safer chemistry, to further reduce waste, and to become more circular. We must make sure we become more diverse, more equitable, and more inclusive. And we must use our voice and resources to support our people and communities, providing the support they need and taking stands on issues from gun violence to voter participation to racial justice to gender equity.

Our sustainability strategy centers on three main pillars – climate, consumption, and community – that encompass where we are putting our energy and how we see our obligations in and beyond this moment. To achieve our ambitions, we will continue fortifying each pillar, working with humility and transparency to deliver meaningful progress while evolving our efforts to ensure our business

keeps getting more sustainable, day by day.

Climate is the existential crisis of our time – a threat to commerce and communities around the globe – and we all have a responsibility to act. Reducing our carbon footprint and advocating for comprehensive climate action are priorities that touch many aspects of our business. We'll also continue tackling one of fashion's biggest issues: consumption. We'll keep talking to consumers, carrying forward the Buy Better, Wear Longer campaign we launched in April, while expanding our efforts to get more efficient with the resources we consume and embedding circular principles into our products and practices. And we will remain steadfast in our commitments to our broader community – our employees around the world, the women and men working in our supply chain, and the people living in the communities where we operate.

Working this way is how we contribute to a safer, more just and, yes, more sustainable future for all. It demonstrates our commitment to our values and shows we understand how sustainability creates value for all stakeholders. It aligns us with the concerns and demands of today's consumers and investors, and helps future proof our operations.

Across the board, we are doubling down on our sustainability investments, because our people and our planet can't afford anything less, and because we know that we only truly succeed if we leave the planet better than we found it. This is how we meet the moment and prepare for the long-term. It's how we build a stronger company and a stronger society. And it's how we demonstrate that we not only intend to be around for another 168 years, but that we want to be worthy of doing so.

Sincerely,
Chip Bergh, President and CEO

Jeffrey Hogue

Chief Sustainability Officer

Jeffrey joined Levi Strauss & Co. in 2020 to lead our sustainability journey, bringing more than 20 years of experience leading innovation and sustainability strategies across multiple industries from retail food to apparel.

Q. What is the significance of this report?

This is our first holistic Sustainability Report, with a complete set of disclosures designed to meet stakeholder needs. It has been informed by prevailing reporting and disclosure standards and shares our material ESG issues, impacts and opportunities. It furthers our commitment to transparency. It captures our programs and priorities and articulates our overarching approach going forward.

This report makes clear what we've achieved thus far and where we're headed. We plan to share new targets on our key priority areas later this year.

Q. What do you hope people will take away from this report?

I hope readers will see that our commitment to sustainability is comprehensive and enduring. We have a long history of investing in the future of our business and the communities where we operate.

I also hope it's clear that we're not just leaning on that history. While we're proud of the work we've done, we know this is a journey and as such, we and our industry still have a long way to go to deliver on the promises and ambitions of this work. That applies to our climate programs, our efforts on water, our Worker Well-being programs, our diversity work and more. On no front are we satisfied. There are improvements to be made just about everywhere. And it's not really a choice. It's what we have to do to create a resilient business that can last for another 168 years.

Q. What specific aspects do you want to highlight?

An area of strong emphasis for us is circularity. It's something many of us in the industry are working on, both in our own operations and in collaboration with each other, but there are real challenges to achieve

circularity at scale.

The report outlines how we are laying the foundations for circularity, taking the initial steps that have to happen. To me, it shows up in the amazing work our design innovation team has done on our WellThread® line; in partnerships we've established with Fashion for Good and the Ellen MacArthur Foundation; in our focus on making garments that are made to be made again, with safe and renewable inputs; and in the Buy Better, Wear Longer campaign we launched earlier this year.

These are the building blocks, and we are going to keep pushing on these and the system at large. In the meantime, we're working hard to extend the life of our products. We're talking to consumers about being intentional with purchasing decisions, building on our Tailor Shops and SecondHand offerings, and continuing to make great products that are built to last.

We will publish these reports annually to be transparent, to share our progress and engage our stakeholders, and to push the boundaries of what is possible from our brands.

Governance

Committed to ethics and transparency

In 1853, Levi Strauss opened a wholesale dry goods business in San Francisco that became known as Levi Strauss & Co. Seeing a need for work pants that could hold up under rougher conditions, he and Jacob Davis, a tailor, created the first jean. In 1873, they received a U.S. patent for “waist overalls” with metal rivets at points of strain. The first product line designated by the lot number “501” was created in 1890.

Today we are one of the world’s largest brand-name apparel companies. We design and market jeans, casual wear and related accessories for men, women, and children under the Levi’s®, Dockers®, Signature by Levi Strauss & Co.™ and Denizen® brands. Our products are sold in more than 110 countries through chain

retailers, department stores, online sites, and a global footprint of about 3,100 brand-dedicated stores and shop-in-shops. We maintain headquarters offices in San Francisco, Brussels and Singapore, and our approximately 14,800 worldwide employees work in the Americas, Europe and Asia Pacific.

Across all our brands and throughout our global organization, our values – empathy, originality, integrity and courage – guide every decision we make and every action we take. They are at the heart of our company, underpinning our vision of the future, our business strategies, decisions, actions and behaviors. How we govern our business is paramount to operating in line with our values. This includes how we create a more sustainable business and make more sustainable decisions.

Sustainability Governance

Embedding sustainability across the organization

Our Global Sustainability Team, headed by our Chief Sustainability Officer (CSO), leads a group of 20 sustainability professionals in the development, coordination and execution of our sustainability strategy across the LS&Co. global organization and brands. The team interfaces with embedded resources across the company that focus on both the execution and measurement of our strategy, either as part of their core job responsibilities or as a part-time role in addition to their other responsibilities. The Global Sustainability Team works across the organization with functional leaders to embed sustainability approaches, policies and goals throughout our business, and regularly reports to and seeks input from the Executive Leadership Team and relevant committees of the Board.

LS&Co. Sustainability Team Mission: We endeavor to be a catalyst for positive change.

Board-Level Oversight

The LS&Co. Board of Directors oversees the company's strategy and performance, including overall risks and opportunities. The Board organizes oversight of sustainability progress in the context of the company's strategy through committees that focus on specific areas of risk and sustainability, including the Nominating, Governance and Corporate Citizenship Committee, which has responsibility for sustainability performance. The Committee also assists the Board in fulfilling its oversight responsibilities on corporate governance matters. This includes, but is not limited to, sustainability and environmental, social and governance (ESG) matters that could have significant impact on the company. The Committee reviews with management the impact of the company's business operations and practices with respect to issues such as climate change, health and safety, corporate citizenship, public policy and community involvement.

The Audit Committee has responsibility for risk control, including the controls related to sustainability risks, opportunities and disclosure. In this context, the Audit Committee regularly receives reports from the company's Enterprise Risk Committee, which is responsible for identifying and ensuring that mitigation plans are in place for the company's key risks.

C-Suite Sustainability Responsibility

Our Chief Executive Officer (CEO) holds the highest non-Board-level responsibility for environmental and social risks and opportunities (and serves on the Board as well). The Chief Operations Officer and CSO both have responsibility for assessing and managing environmental and social risks and opportunities, and work together to manage these across the organization and throughout our value chain. The Chief Financial Officer leads the Finance function's efforts to accelerate the company's environmental, social and governance (ESG) initiatives and is measured against these objectives.

Sustainability Linked to Compensation

The Compensation Committee of our Board of Directors has responsibility for the overall oversight of our compensation programs, including the compensation of our senior leaders. In this regard, certain employees are eligible for incentive compensation for the effective management of sustainability issues. As a specific example, the Chief Operations Officer has an absolute operational greenhouse gas emissions reductions target and a renewable energy procurement target (as a percentage of absolute operational energy use) built into performance objectives. Additionally, the Compensation Committee has approved adding Diversity, Equity & Inclusion metrics to long-term compensation calculations.

Resources

[Corporate Governance Guidelines](#)

[Nominating, Governance and Corporate Citizenship Committee of the Board of Directors - Charter](#)

Ethics and Integrity

Bringing our values to life

For 168 years, we have demonstrated responsible business practices and a commitment to doing business in an ethical, honest and transparent manner. We stay true to our values by acting with integrity and following a consistently high set of standards across the globe. And we pride ourselves on being a force for good. The LS&Co. ethics and compliance program has a global reach with a regional focus. The program is anchored by the generally recognized elements of a successful compliance program, which include compliance-related policies, oversight, education, monitoring, reporting, investigation and enforcement.

The global ethics and compliance program is managed by a dedicated corporate compliance staff along with region-specific subject matter experts. Further oversight is provided by our Board of Directors' Audit Committee, our Executive Vice President and General Counsel, and our Chief Ethics and Compliance Officer,

each of whom regularly receives reports on the performance of our ethics and compliance program.

[LS&Co. Worldwide Code of Business Conduct](#). The code outlines the basic principles we expect all employees and LS&Co. affiliates to follow. It reflects our commitment to manage our business with the utmost integrity and in compliance with all applicable laws everywhere we do business. It provides guidance on a host of potential business situations and emphasizes the importance of making values-based business decisions.

[Global Anti-Bribery and Anti-Corruption Compliance](#). LS&Co. is committed to doing business in an ethical, honest, and transparent manner. As a result, LS&Co. expressly prohibits bribery and corruption in all forms and expects the same from all third parties.

Both our Worldwide Code of Business Conduct and our Global Anti-Bribery and Anti-Corruption Policy are publicly available in 20 languages. The code is provided to all LS&Co. employees at the time of hire. In addition, for certain employees based on their role, annual code and anti-bribery / anti-corruption training is required annually.

Reporting A Concern. Employees and any external party may raise a concern via LS&Co.'s Ethics & Compliance Reportline 24 hours a day, seven days a week. Reports may be [submitted online](#) or via phone, and concerns may be raised anonymously (where permitted by law). All reported matters are acknowledged and treated seriously. Each concern or allegation is managed using our established investigation process, employing consistent disciplinary action where appropriate.

Resources

[LS&Co. Worldwide Code of Business Conduct](#)

[Global Anti-Bribery and Anti-Corruption Policy Statement](#)

[Corporate Governance Guidelines](#)

[2020 Annual Report](#)

Economic Contributions

Creating value through sustainable operations

In addition to providing value through the products we deliver to our consumers, we contribute to society through employment in our operations and along our value chain, as well as through shareholder returns and through community philanthropy and engagement. In both 2020 and 2021, we earned the distinction of being named to *Fortune's* annual list of "World's Most Admired Companies" for our performance in innovation, people management, use of corporate assets, social responsibility, financial soundness, long-term investment value and other areas.

Accounting for Sustainability

LS&Co.'s Chief Financial Officer (CFO), Harmit Singh, joined CFOs from three other companies to launch the U.S. chapter of Accounting for Sustainability (A4S), an organization seeking to mobilize financial leaders to promote the business case for sustainability. LS&Co. also held the group's first U.S. workshop at our offices in San Francisco, and Harmit Singh began serving as the U.S. Co-Chair of A4S in 2021. The group was born out of a UK-based organization founded by HRH Prince Charles.

A4S members promote sustainable business practices based on the understanding that these practices provide both financial and social value. The organization is working to spread the word about the importance of moving from setting sustainability targets to identifying and executing strategies to meet those targets. This means getting finance teams involved, working side by side with their sustainability colleagues to quantify returns on investment for specific programs, helping suppliers access funding to improve sustainability performance, estimating savings on operating costs, and engaging in a host of other internal collaborations.

Harmit expounded on some of these points in a keynote talk he gave at the Integrate conference in 2020:

For us, ESG is grounded in both our history, and our awareness of what investors, employees and the public expect from business today. We have a working philosophy called “profits through principles” that guides our actions. In essence, it means that how we make our products is as important as what we make.

This isn’t new. It’s been part of the company and our values for many years. It pushes us to choose the harder right over the easier wrong, and to strive to make an outsized impact on the world. But if this moment has taught us anything, it’s that you have to be nimble, flexible, and ready to adapt. That is how you both meet the moment and build for the long term.

We used to talk about maintaining “license to operate” by being a good corporate citizen. Now we talk about securing “license to grow” by delivering value to communities and actively trying to make the world a better place. With the pandemic upending lives, livelihoods, and industries, we know that we have to earn that license

to grow – just as we have to earn the right to be the brand people turn to in this moment, because of the quality of our products, our values, and our sustainability commitments.

Our sustainability strategies and our broader ESG approach are critical to this work. It is more critical to my work than it's ever been. That's part of a larger shift we've seen in recent years, where the role of the CFO has evolved enormously with regard to sustainability. I think most of us see it now: Sustainability is essential to our operations, our performance and our strategy to create long-term value for all stakeholders.

We believe our value and our values are linked. Our sustainability efforts make us a better company.

- Harmit Singh, Chief Financial Officer, Levi Strauss & Co.

Resources

Business performance and economic contributions

Data Privacy and Security

Safeguarding consumer, employee and business data

LS&Co. strongly supports individuals' rights to control their own personal information. Our privacy program is based on a documented global privacy framework with implementation overseen by our Chief Privacy Officer in partnership with other leaders, including our Chief Information Security Officer. The global breadth of our privacy program is supported by a network of privacy champions embedded in the business.

More than 130 countries have enacted at least one unique privacy and/or data protection law. By basing the core elements of our program on the Fair Information Processing Principles, LS&Co. can more easily respond and adjust to the rapid legislative change in this area. We monitor changing legal requirements and engage numerous external resources and experts to help us appropriately respond to data protection laws and regulations in the jurisdictions where we operate. Our commitment to data protection has visibility at the

most senior levels of the organization and forms part of the unique LS&Co. culture. Regular data privacy and data security updates are given by our Chief Privacy Officer and Chief Information Security Officer to senior leadership, the LS&Co. Enterprise Risk Committee and the Board of Directors' Audit Committee. In addition, we provide mandatory annual information security training for all employees, along with supplementary training on topics such as phishing and social media risk.

Our [Privacy Policy](#) (available on all our websites) describes how we use the information we collect about customers when they interact with us in our stores, through customer service, on our retail websites, through our mobile app or on our corporate website (levistrauss.com). LS&Co. is not engaged in the direct sale of consumer data to third parties. We also do not add customers to our marketing communications list or to any membership programs, such as our RedTab™ loyalty program, without their consent. We provide customers with opportunities to join the program and subscribe to communications, and they are free to opt out at any time.

The LS&Co. consumer Privacy Policy is updated at least annually. We also maintain an Employee Privacy Notice that details how LS&Co. processes the personal information of its employee base, and a [Candidate Privacy Notice](#) that provides information about LS&Co.'s privacy practices for job applicants.

We apply a number of approaches to protect company, employee, applicant and customer data from risk, including risks of unauthorized disclosure, loss or misuse. These approaches include vendor security assessments; privacy impact assessments; and legislative monitoring, analysis and benchmarking. In addition, LS&Co. maintains standard data processing agreements and security templates for use in our contract processes that are developed in line with our data use, privacy and security requirements. We actively participate in the data privacy initiatives of multiple third-party associations and industry organizations such as the International Association of Privacy Professionals, the Retail Industry Leaders Association (RILA) and the National Retail Federation (NRF). Together, these help LS&Co. in its commitment to meet applicable legal requirements and to protect data and systems against the greatest risks and latest cybersecurity threats.

Resources

[Privacy Policy](#)

[Candidate Privacy Notice](#)

Product Safety and Quality

Delivering on our brand promise

At LS&Co., “Quality Never Goes Out of Style” is more than a marketing slogan. It is a brand promise to our consumers that our company products will meet and exceed their expectations. To that end, we have in place product standards and process requirements designed to consistently deliver durable, high-quality products that will perform as expected, comply with government regulations and keep people safe.

We have programs and processes to make sure all products that go to market under any of our brands have been made in keeping with our stringent requirements for fiber, fabric and production quality, and for environmental and social responsibility in the supply chain. We further ensure the integrity of our products by actively monitoring the marketplace to uncover and seize counterfeit items posing as LS&Co. products.

In 2000, we established a Restricted Substances List (RSL), identifying chemicals that are restricted in the

manufacturing of our products due to their potential effects on consumers, workers and the environment. In 2012, LS&Co. joined the Joint Roadmap Toward Zero Discharge of Hazardous Chemicals (ZDHC), pledging to reach zero discharge of hazardous chemicals by 2020 – a set of goals we met. The pioneering Screened Chemistry program we launched in 2014 is designed to understand the potential human and environmental hazards of chemicals before they enter the supply chain, and to help us find safer and more sustainable alternatives. Together, these initiatives have resulted in the use of safer chemicals in our supply chain and finished garments.

Climate



**Progress in our
operations and
supply chain**

Contributing to these Sustainable Development Goals:

During 2020, as in other recent years, unprecedented fires, heatwaves, droughts and floods demonstrated the drastic changes to our climate, highlighting the urgency for meaningful climate action and the need to support communities around the globe that continue to bear the brunt of the impact. As a company, we're committed to doing our part to help mitigate climate change and build resilience in the face of increasingly volatile and unpredictable weather conditions. This includes reducing energy use and emissions in our own operations and our supply chain – which makes up the biggest part of our footprint – as well as supporting biodiversity and reducing waste, especially single-use plastics.

Climate Action

On track to meet our science-based targets

During 2020, as in other recent years, unprecedented fires, heatwaves, droughts and floods demonstrated the drastic changes to our climate, highlighting the urgency for meaningful climate action and the need to support communities around the globe that continue to bear the brunt of the impact. As a company, we're committed to doing our part to help mitigate climate change and build resilience in the face of increasingly volatile and unpredictable weather conditions. This includes reducing energy use and emissions in our own operations and our supply chain – which makes up the biggest part of our footprint – as well as supporting biodiversity and reducing waste, especially single-use plastics.

Water-Climate Nexus

Water and climate issues are inextricably connected, often called the water-climate nexus, so we approach the two in tandem. The impacts of climate change often manifest as water-related events like droughts and floods. At the same time, nearly half of all water withdrawn in the U.S. is used to keep power plants cool, and additional water is used for geothermal and other forms of renewable energy. Conversely, energy is used to pump water from aquifers for consumption, for water treatment and distribution, and for heating and cooling. This presents an opportunity for us to mitigate some water and climate impacts simultaneously. For instance, many of our Water® techniques also reduce energy use by decreasing the amount of water pumped into the factory. And the International Finance Corporation (IFC) Partnership for Cleaner Textile (PaCT) program, a key pillar of our climate efforts, helps to strengthen suppliers' water reduction performance to achieve their facility-level water targets.

An ongoing consideration in any environmental improvement initiative is the need for balance so that the reduction of impacts in one area, such as wastewater treatment, do not cause knock-on or secondary effects in others, such as energy use. The Zero Liquid Discharge program, which includes nine of our suppliers in India, is one such example. This government program incentivizes suppliers to recycle wastewater sludge onsite, but doing so requires a lot of energy. We will continue working with suppliers to balance their energy and water use on this and other initiatives for the greatest net benefit considering both local water stress and energy consumption. Through this holistic approach, we can ensure we are creating the most positive climate impact possible.

Aggressive Science-Based Targets

In 2017, we developed our Climate Action Strategy, outlining science-based emissions reduction goals across our direct operations and global supply chain. We set aggressive science-based targets to reduce emissions in our owned-and-operated facilities by 90%, shift to 100% renewable electricity* in those facilities, and reduce emissions by 40% across our supply chain – all by 2025, which is five years earlier than most of our industry. Because these targets are absolute rather than compared to company revenues, size or other economic metric, we established a baseline year, 2016, against which to measure our progress going forward. Our goals are consistent with limiting temperature rise to 1.5°C compared to pre-industrial levels. We were among the first companies in any sector to commit to emissions reductions consistent with the 1.5°C trajectory, and our targets remain among the most aggressive in our industry.

We have work to do to achieve these science-based targets, but our commitments and collaborations are driving progress. Renewable electricity accounts for 76% of the total electricity at our owned-and-operated facilities, for example, putting us ahead of schedule on our path to 100% by 2025. In 2020, we also switched on a new solar power array at our Leadership in Energy and Environmental Design (LEED) Platinum-certified distribution center in Henderson, Nevada, which will meet 20% of the facility's electrical demand, with room to expand. Electricity makes up 81% of the total LS&Co. owned-and-operated energy footprint, so achieving our goal of 100% renewable electricity in all owned-and-operated facilities will help reduce our overall impacts.

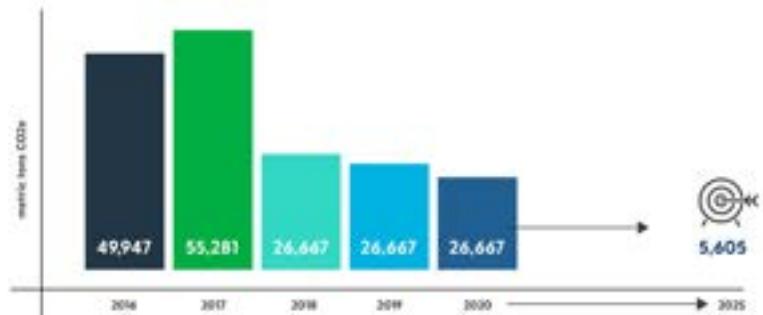
**While it has become common to use “renewable energy” and “renewable electricity” interchangeably, they are different. Electricity refers to purchased-from-the-grid electricity, as opposed to other forms of energy, such as natural gas, diesel and other fuels.*

Science-Based Target Initiative-approved GHG emissions reduction targets (by 2025 from a 2016 baseline)

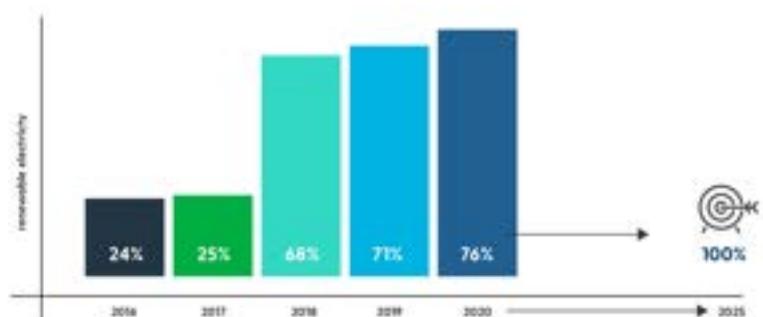
LS&Co. intends to achieve the following by 2025 (from a 2016 base year):



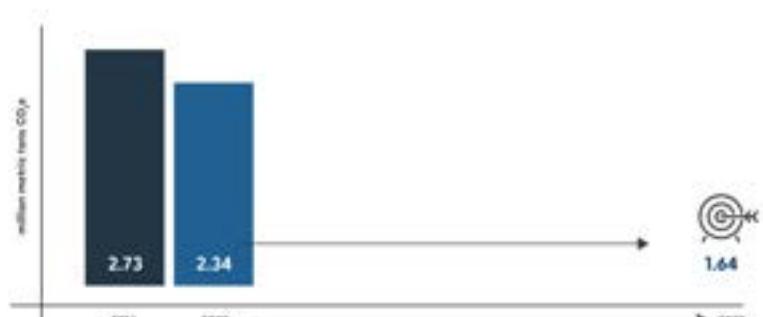
reduction in GHG emissions in all owned-and-operated facilities



renewable electricity in all owned-and-operated facilities



reduction in GHG emissions across our global supply chain



Top Rankings for Transparent Disclosures

CDP. Formerly the Carbon Disclosure Project, CDP represents major capital markets and hundreds of investors with more than \$100 trillion in assets under management. By focusing on climate change disclosures, CDP gives investors information to make decisions based on company resiliency. Since 2010, LS&Co. has disclosed our work to mitigate climate change and build greater climate resilience. In 2020, we were one of just three pure-play apparel companies that made the CDP Climate A List for transparency and management of strategies to combat climate change.

CITI. The Corporate Information Transparency Index (CITI) annual rankings, released by the Institute of Public and Environmental Affairs (IPE), rate companies leading the way on transparency and supply chain practices in China. We have consistently ranked among the top apparel companies on the list, out of hundreds of brands. In 2020, LS&Co. was ranked second among textile companies. From 2017 to 2019, we ranked in first place in the textile industry and also scored within the top three among all brands ranked across all sectors.

Reducing Emissions in Our Own Facilities

A Stronger Baseline

In 2020, we took a more granular look at our climate target baseline to ensure integrity of the data we track. The previous footprint was based on assumptions reaching as far back as 2012. We have calculated a new baseline based on refined estimates and more recent and localized data that have improved the quality and specificity of our footprint. We had hoped to incorporate primary data from suppliers in 2020, but this continues to prove challenging. While we have successfully engaged a majority of our key suppliers on significant energy and water reduction efforts, our careful reviews have revealed the overall quality and completeness of data disclosed to the centralized systems on which we rely to be highly inconsistent. This makes it difficult to track progress and creates a need for further review and verification of data entries.

While we continue working on a solution, we have used estimates based on highly localized lifecycle analyses. Over time, we will incorporate our suppliers' data so we can track their progress as part of our footprint – instead of separately, which is what we do now. The recalculated baseline is 4.7 million metric tons of carbon dioxide equivalent (mtCO₂e), down from 5.2 million mtCO₂e, which we previously disclosed.

LS&Co.'s owned-and-operated facilities include more than 1,000 retail stores, more than 80 offices – including administrative and sales offices, data centers, photo studios and others – 10 distribution centers and two manufacturing plants. Emissions from our owned-and-operated activities generally fall into the Scope 1 and 2 emissions categories. Collectively, these emissions make up less than 1% of our carbon footprint. Even so, we have direct control over these emissions, so we can make meaningful change quickly. In 2020, we achieved a 57% reduction in Scope 1 and 2 emissions from the 2016 baseline, keeping us on track toward our goal of a 90% reduction by 2025. Electricity represents the majority of energy used at our owned-and-operated facilities (81% as of the end of 2020). By 2025, it will all come from renewable sources. A smaller portion of our energy (17%) is from natural gas, which we plan to reduce through efficiency improvements and purchased biogas credits.

LEED Certification

Leadership in Energy and Environmental Design, or LEED, is a widely used green building rating and certification system that provides a framework for healthy, highly efficient, and cost-saving green buildings. LS&Co. has eight LEED-certified facilities, including two recent certifications:

- LEED Platinum-certified Henderson, Nevada, distribution center, the largest of its kind to receive the Platinum designation at the time of its certification
- LEED Silver-certified Levi's® Shanghai Beacon store, Nanjing East, a state-of-the-art 672.5 m² store that was the first Levi's® store in mainland China to be certified LEED Silver when opened in 2020

Our Distribution Centers

Along with retail stores, the 10 distribution centers we operate make up the largest portion, about 39%, of our owned-and-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, such as LED lighting and motion sensors to control lights. This certification was initially achieved in 2015 and we re-certified to the more rigorous updated standard in 2020.

In 2020, as part of our climate action strategy, we built a solar installation capable of generating up to 20% of the facility's electricity needs, while also serving as a shade structure over employee parking. This distribution center also has energy-saving features such as 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. A small factory in the basement where we use our innovative laser-based denim finishing process includes a water recycling system, furthering the resilience and environmental performance of this top-rated facility.

At Henderson, as well as our distribution centers in Rexdale, Canada, and Hebron, Kentucky, we completed 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. As a result, Rexdale underwent a total LEED-qualifying retrofit and converted to LED lighting.

181,780 kWh

Generated by on-site solar at Henderson facility (October – November 2020)

Our Most Innovative Distribution Center

Development is underway for a new LS&Co. distribution center in Germany designed to feature building materials that support a circular economy and be net positive on climate and water. Groundbreaking takes place later in 2021, with operations scheduled to begin in late 2023.

The 70,000 m² 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 also will 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 the use of 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, featuring communal and green areas to inspire social connection, while maximizing efficiency. As we look to future growth, the facility will serve as our standard for distribution center design.

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 completed a number of energy-saving projects:

- 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
- LED lighting
- New HVAC system for sewing area
- Bicycle and motorcycle parking zone to make it easier for employees to leave their cars at home

Thanks to its ongoing energy efficiency improvements, the Plock facility also 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.

Our factory in Epping, South Africa, has focused on lighting upgrades, has installed LED lighting throughout the facility and is planning a solar project to further reduce the need for purchased electricity. Additionally, the Epping facility has significantly reduced its water consumption through use of Water® techniques – reducing water use for manufacturing by more than 25%, which indirectly improves energy efficiency because less water needs to be heated for production processes. The Epping facility has also completed a Partnership for Cleaner Textile (PaCT) assessment to identify additional potential energy efficiency improvements. Our Plock plant will complete its PaCT assessment in 2021. Both factories are also certified to the ISO 14001 Environmental Management Systems Standard, which includes guidance for managing energy use, and to ISO 45001, which covers occupational health and safety management.

Our Retail Stores

Because retail spaces need to be brightly lit, they use much more lighting per square foot than our distribution centers and factories. As a result, 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.

Retail Sustainability Playbook

We have also developed a Retail Sustainability Playbook based on a series of detailed energy audits and supported by regional surveys. It encourages our owned-and-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 in four main areas:

- Engaging with landlords to assess the performance of HVAC equipment, the presence of LED lighting and access to renewable energy
- 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
- Providing guidance for waste and water reduction

Retail Store Design

Reducing store-level energy usage is an important part of our carbon footprint reduction strategy. In addition to energy efficiency, other features under consideration for store design include sustainable materials:

- Shelves made of Straw Board, which is biodegradable, and various recycled and upcycled materials for fixtures and floors
- Printed imagery made from upcycled plastics
- Fit directory signage made with 3D printing technology from upcycled material, and décor made with non-toxic dyes and glues
- Fabric campaign graphics printed on post-consumer waste fabric
- Upcycled material fitting room walls that can be removed and reused at a new store, and wallpaper made from recyclable open-weave paper

In addition, all owned-and-operated U.S. and Canada retail locations and all U.S. wholesale locations use 100% post-consumer waste stock for print materials. Mannequins are made from 100% recycled base stock that blends both post-industrial and post-consumer materials, and we are piloting recycled denim coat hangers in several locations as well.

First Nextgen Levi's® Store in North America

Next-generation, or nextgen, Levi's® stores are designed to give our consumers an authentic, compelling and consistent experience with the Levi's® brand. After piloting this store concept in Europe and Asia, in 2020 we opened the first nextgen store in North America.

Located in Palo Alto, California, the store includes a Tailor Shop where customers can customize their Levi's® jeans, jackets and other items; digitally focused design and sustainable lighting; reimagined fitting rooms; and personalized shopping and product pick-up options. The LS&Co. Retail Sustainability Playbook provides additional guidance to reduce energy, water and waste in stores.

Product Shipping

Product shipping accounts for less than 10% of emissions in our global value chain. While ocean shipping makes up 85% of our shipments from country of origin to distribution centers, we also use other methods, including rail, trucking, barge transport and air freight, depending on location and the distance a shipment has to cover, weighed against the emissions profile of available options. For instance, within Europe, shipping by rail instead of air significantly lowers our emissions because air freight is 24 times more carbon intensive (per metric/kilometer) than rail. In Asia, we use 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.

Maersk, our largest global shipping partner, has an ECO Delivery program that uses waste-based biofuels to move large containers with net zero CO₂ emissions. In 2020, we shipped 500 containers through ECO Delivery, a number that will increase to 1,000 containers in 2021. Likewise, LS&Co. has been a member of the Clean Cargo Working Group since 2018. This allows us to work 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.

We are also collaborating with Maersk, other companies and a university as part of the LEO Coalition, which is exploring the environmental benefits and commercial viability of LEO – a blend of lignin and ethanol – that could support sustainable shipping. A structural bio-polymer found in plants, lignin is also a byproduct of the paper industry. It is often disposed of through incineration to produce steam and electricity.

Optimizing 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 housing our products allows each one 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 that 90% of products could be optimized by packing them in just two footprints. Refining the carton design by just 1.5 inches on one side and 2 inches on the other side saves 17% of container space. So far, the new carton design has been introduced in seven countries, leading to a reduction in carbon emissions in 2020. We intend to roll out the new cartons in the Americas to achieve further size, space and emissions reductions.

Our owned-and-operated distribution centers reuse a majority of the cartons that come into the facility from suppliers, repack them and ship products out to large retail customers. Of the remaining cartons, about 7% arrive damaged and get broken down for recycling, as do any cartons not needed for reuse.

Direct Ship

A shipping system that streamlines the shipping and distribution process, allowing certain shipments to go directly to the retail customer without stopping at a distribution center. It involves a close partnership with our third-party logistics provider to make sure they have the necessary labeling in place for certain retail accounts. To date, we have initiated Direct Ship with several smaller-scale third-party retailers and are looking to scale it to much larger retailers such as Target, Walmart and Costco to reduce packaging waste and transportation emissions even further.

Reducing Emissions in Supplier Facilities

LS&Co. estimates one of the most comprehensive climate footprints in the apparel industry, including all Scope 3 Greenhouse Gas Protocol categories identified as relevant to LS&Co. operations (11 of 15). Of these, the biggest contributor to our footprint is our supply chain, referred to as Purchased Goods and Services (Category 1), and representing 60.4% of our footprint in 2020. To make progress on these impacts and achieve our climate goals, we must collaborate with our suppliers. That means working with them to set clear and ambitious targets, while also supporting their efforts to become more water and energy efficient and increasing their use of renewable electricity.

Between 2017 and 2020, we reduced Scope 3 emissions – those associated with our supply chain – by 14% over our 2016 baseline. This progress is on track to meet our 2025 science-based target of a 40% reduction. However, several conditions associated with such an unprecedented year contributed to the reduction. For

instance, sourcing mix changes and sourcing base location changes played a role in reducing supply chain emissions, as did improvements to the electrical grid in some locations. Our continued efforts to source more sustainable raw materials, such as more sustainable cotton and responsible manmade cellulosics, also played a role in reducing emissions.

How We Help Suppliers Set Targets

Fabric mills and garment manufacturers account for the majority of our full value chain carbon footprint, especially given that many of our fabric mills are also yarn spinners. We are working with our key suppliers – those representing approximately 80% of final product volume – in these two supply chain tiers to make sure their emission reduction targets are at least 40%. To date, key suppliers have agreed to targets between 40% and 60%. Achieving these goals will require not only facility changes to equipment, but also investment in renewable energy of multiple forms.

Supplier Support through the Partnership for Cleaner Textiles

Since 2017, we have collaborated with the International Finance Corporation (IFC), the financing arm of the World Bank, on the Partnership for Cleaner Textile (PaCT). 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, but need technical support or upfront capital to do so.

We initially engaged six key 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 about 30 factories and mills in seven countries as of mid-2021. 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 which we have been involved since 2014. The GTSF program is making available approximately \$120 million for participating suppliers developing products for LS&Co.

Even more recently, in 2021, we expanded our partnership with IFC to provide further support to suppliers that have already begun implementing low-carbon investment plans and have conducted PaCT energy 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 Terms of Engagement – LS&Co.'s supplier code of conduct. It provides access to capital for sustainability investments, which the supplier may otherwise not be able to finance. As of early 2021, participating suppliers have reduced their GHG emissions and energy use by an average of 5.3% and 6.9%, respectively, per metric ton of product. Suppliers have also reduced water use by 1.75% per metric ton of product. These initiatives have helped participating suppliers save \$2.4 million in operating costs in total.

Where IFC has not launched the PaCT program, we encourage supplier participation in Clean by Design, a program now overseen by the Apparel Impact Institute and served by RESET Carbon. LS&Co. previously participated in this program when it was operated by the Natural Resources Defense Council. In China, 10 fabric mills that are part of our supply chain participated in Clean by Design between 2016 and 2020. The Clean by Design approach to supply chain efficiency works to improve supplier use of both energy and water.

Supplier Climate Roadmaps

Until recently, it has been hard to accurately measure emissions in our supply chain. Our brands are rarely the majority customer at the factories and mills we source from. This means we have to work closely with suppliers to understand what percentage of emissions correspond to our operations, and to help them recognize the benefits of reducing their energy and emissions and embrace opportunities to improve performance in these key categories.

In 2020, we collaborated with our key suppliers to make sure they could collect the necessary data and get it verified through the Sustainable Apparel Coalition's Higg Facility Environmental Module (FEM). We had the data further verified by IFC, then applied it to create supplier roadmaps for change.

The resulting supplier roadmaps include:

- **Baseline energy and water usage**
- **Current year energy and water usage**
- **Progress to date against their supplier targets for carbon emissions, renewable electricity, and water reduction**
- **A living 2025 action plan developed by the supplier**

These roadmaps will guide suppliers as they make both big changes – such as replacing an old coal-fired boiler – and smaller ones, such as adding more efficient lighting. Along the way, we will provide resources and other support, such as innovative financing mechanisms and educational webinars, to help them implement changes. Their success at meeting their climate targets, and ours, depends on it.

Supporting Renewable Electricity through Power Purchase Agreements

A solar power purchase agreement (PPA) is a financial agreement where a developer arranges for design, permitting, financing and installation of a solar energy system on a customer's property at little to no cost. In 2021, we began exploring a group PPA in Pakistan in partnership with the International Finance Corporation (IFC). The PPA would reach multiple factories where opportunity exists to source onsite or offsite local solar energy at a better rate than the existing energy market. This work and projects like it will have a positive impact on our Scope 3 footprint.

Reducing Fiber Impacts

We recognize the climate impact of our raw materials and are continually assessing and developing programs to reduce impacts related to their cultivation and processing. As of mid-2021, we are working on two key actions:

- 1. Understanding which materials are most carbon intensive and identifying interventions to minimize energy use, and**
- 2. Understanding our use of petroleum-based inputs in order to reduce our reliance on fossil fuel-derived materials.**

Of the raw materials in our portfolio, manmade cellulosic fibers are one of the most energy intensive, with the most energy consumed processing the raw material into fibers and spinning the fibers into yarn. Identifying this area of impact enabled us to assess the manufacturing and energy management practices of manmade cellulosic suppliers in order to set guidance for our sourcing practices. We now work with a select set of manmade cellulosic suppliers that use renewable energy and energy reduction programs.

We also use a small amount of polyester, nylon and elastane – materials that are not only made from fossil fuels, but are also energy intensive to process into yarn. In light of these issues, we have initiatives in place to

reduce our use of these virgin synthetic fibers. We are using recycled polyester and nylon in outerwear and accessories, and using recycled elastane in some of our collections. Going forward, we will continue to minimize our use of virgin synthetic materials, opting for more sustainable alternatives, with the intent to reduce our climate impact.

We are also developing and implementing initiatives to reduce the petroleum-based inputs in our raw materials. Noting that 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. Specifically, we have worked with the Better Cotton Initiative since 2010 to invest in reducing fossil fuel-based chemicals in global cotton agriculture. Similarly, our partnership with the U.S. Cotton Trust Protocol promotes farming practices to reduce synthetic chemicals for better soil health, which in turn can absorb more carbon dioxide. Finally, 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 are maintaining soil health to the certified organic standard.

2020 Climate Data Limitations

Our supplier-level climate, or energy, data for a given year, as well as supplier water use data, comes from third-party-verified Higg data we receive in September of the following year. Our approach to addressing this challenge with water data is described in [Water Stewardship](#). For climate, we have used estimates based on highly localized and manufacturing step-specific product lifecycle analyses. Over time, we will incorporate primary supplier data so we can track their progress as part of our footprint.

For 2020, we decided to make the third-party data verification step optional to help suppliers address costs in light of the pandemic's financial impacts on their businesses. As of this report's publication, many suppliers had not yet submitted their Higg data. This affects results for both our climate and water footprints.

Collaborating for Change

Collaboration and partnerships are crucial to driving impact outside our four walls. We join forces with other brands, with our suppliers and with other external partners in pursuit of coordinated, systems-level change.

International Finance Corporation

In 2020 we set renewable energy and emissions targets with 59 key garment manufacturers and fabric mills – with more to come.* At the same time, we initiated work to support these suppliers in developing facility-level roadmaps for energy efficiency and emissions reduction. A four-year partnership among the LS&Co. finance team, sustainability team and International Finance Corporation (IFC) is enabling this work by providing suppliers with resources and financing to invest in both energy and water efficiency. In addition to the PaCT work with IFC, we have several other key partners in our efforts to drive meaningful climate action in and beyond our business.

*We define “key” suppliers or vendors as those manufacturing facilities responsible for approximately 80% of LS&Co.’s final product volume.

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 2020, for example, we engaged in successful advocacy for the adoption of California's Advanced Clean Truck Rule and commitments by 14 other states and Washington D.C. to transition to 100% zero-emission medium- and heavy-duty vehicles. We are also 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.

Making the Business Case for Climate Policy

In 2020, we joined the BICEP network and more than 300 companies in a virtual Lawmaker Education and Advocacy Day on Climate. We also collaborated with more than 30 leading companies on a letter to the U.S. Congress, calling for a climate-smart economy recovery from the COVID-19 pandemic and an extension of clean energy tax credits. The U.S. Congress passed legislation extending those credits and addressed another LS&Co. advocacy priority by agreeing to phase down production and use of hydrofluorocarbons – refrigerants with global warming potential 1,000 to 3,000 times that of carbon dioxide.

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.

Continued Support for the Paris Climate Agreement

Since 2015, LS&Co. and CEO Chip Bergh have been vocal advocates for a strong Paris Agreement. We believe this is a must to drive coordinated global action to address the climate crisis. In 2020, upon the U.S. withdrawal from the Paris Agreement, LS&Co. joined a We Are Still In letter with cities, companies, and financial, educational, healthcare and faith organizations endorsing the goals of the Paris Agreement and committing to collaborate with the Biden-Harris Administration on science-based climate action. Then, following the U.S. re-entry into the agreement, LS&Co. participated in a successful campaign calling on President Biden to institute a national 2030 GHG emissions reduction target of at least 50%.

Our CEO also signed a business letter calling on the European Union to increase the ambition of its commitment to the Paris Agreement and 2030 GHG emissions reduction target. The European Commission ultimately adopted the science-based target called for in the letter.

Fashion Industry Charter for Climate Action

As a signatory to the Fashion Industry Charter for Climate Action, we are committed to support the implementation of its principles, both by pursuing the principles within our own organization and by working collectively with other signatories. The Charter is an initiative of the United Nations Framework Convention on Climate Change.

In 2020, LS&Co. signed a letter of UN Fashion Charter members to the office of the Prime Minister of Vietnam, encouraging adoption of a proposed direct power purchase agreement pilot program, which would increase renewable electricity options for businesses in Vietnam. And we have joined the call for the establishment of a national Clean Electricity Standard in the U.S.

What's Next – Climate Action

We are making progress reducing our own greenhouse gas emissions, achieving a 57% reduction in Scope 1 and 2 emissions in 2020 from the 2016 baseline. We also procure 76% of our electricity from renewable sources for use in our owned-and-operated retail, distribution and manufacturing operations. But to meet the reduction trajectories needed to limit global temperature rise to 1.5°C and avoid the worst of climate change, we must continue focusing on energy efficiency and emission reductions in our supply chain.

We will continue our partnership with IFC to engage even more suppliers in the PaCT program. And we will work closely with suppliers participating in Clean by Design to make sure they have access to the resources they need to meet their energy and emissions reduction targets.

Fabric mills and garment manufacturers together account for nearly half of our carbon footprint. We are working with the key suppliers – those representing approximately 80% of final product volume – in these two supply chain tiers to make sure they are setting aggressive facility-level carbon-equivalent emissions reduction targets and renewable energy procurement targets. To date, key suppliers have agreed to reduction targets between 40% and 60%.

Achieving these goals will include not only facility changes to equipment, but also involve incorporating more sustainable raw materials into the fabrics used in our products. We plan to work with additional suppliers on target setting as well. In 2022, we will continue collaborating with our key suppliers to make sure they are positioned to access the resources needed to implement their climate roadmaps. Strengthening supplier performance measurement and supporting their engagement on effective reduction pathways and renewable energy projects also will be key because our target cannot be met by efficiency upgrades alone. We will also engage the rest of our suppliers, including licensees, as well as footwear, accessory, and sundry

suppliers.

We plan to fully roll out the next-generation Retail Sustainability Playbook, incorporating its guidance on energy, water and waste reduction as well as behavioral changes for reduced energy use in retail stores. We are also building questions into our retail real estate review process regarding HVAC age, availability of renewable energy and lighting efficiency. To take the new building plans and specifications to the next level of efficiency, we are working to standardize heating and air conditioning units. Our analysis uses life cycle management tools to link the energy and cost savings of various options with the intent of identifying the best options going forward, considering country, market, region and climate. Not only will standardized heating and cooling systems help reduce energy and emissions, but will also eliminate construction change orders and inefficiency.

Resources

[Climate Action Strategy](#)

[Solar power array](#)

[LEED Platinum-certified distribution center](#)

[2020 CDP Response](#)

[LEED Silver store in Shanghai](#)

[LEED Platinum Nevada distribution center](#)

[Nextgen store in California](#)

[Clean Cargo Working Group](#)

[Partnership with IFC](#)

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

Water Stewardship

Working to use only as much water as replenishes naturally

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 areas of high water stress. Although clean water access is an issue for many, it is also highly variable geographically. As water stress manifests to varying degrees around the world and across the apparel supply chain, we see opportunities to take additional steps to use the science and tools at our disposal to focus reduction actions where they are most critically needed.

This includes, among other important actions, setting geographically contextual water use targets for suppliers based on local water stress, increasing the number of products made using Water® techniques, scaling our water recycle and reuse program across our supply base, increasing access to clean and safe drinking water for local communities in sourcing locations, and inspiring the collective action needed to lessen the apparel industry's impact on water issues around the world.

2025 Water Action Strategy

Our track record in water stewardship dates to the early 1990s, when 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. It also informs updates to our Water® program in which we are incorporating these contextual water targets. As with other LS&Co.-developed resources, we published our Water Action Strategy in an open-source document to inspire collective action and progress. We also held a seminar with other brands and stakeholder partners to discuss our thinking and opportunities for collaboration.

Furthermore, part of the 2025 Water Action Strategy focuses on driving resilience beyond the four walls of manufacturing facilities in areas experiencing high water stress. This is intended to bring greater resilience to our operations and the communities and watersheds touched by our business.

Measuring our Finishing Impact

Jeanologia Environmental Impact Measurement (EIM) software is a third-party digital platform developed to measure water and chemicals use in garment finishing processes for individual products. An EIM score of “green” (for water only) is an approved pathway for a product to be designated Water. We continue encouraging suppliers to use the EIM self-accreditation tool to improve the environmental performance of jeans finishing, and more LS&Co. suppliers are doing so each season. The EIM tool is also used in our two owned-and-operated factories.

Water

Water, our flagship water stewardship program launched in 2011 to maximize water efficiency in apparel production, has become more than a series of garment finishing techniques and water recycling guidelines. Today, the Water program is the driving force for our continued innovation and improvement in water stewardship. We have shared our Water innovation manual and Recycle & Reuse Standard and Guidelines with the industry to foster broader water stewardship, and we continue to evolve the program for more positive impacts.

The Water program was originally built on technical innovations that save water compared with traditional methods in fabric development and garment finishing. We continue deploying and scaling new water-saving innovations, while also recognizing that the program highlights some of the opportunities apparel companies have to decrease manufacturing water use through a variety of changes in equipment and processes. As of the end of 2020, 67% of all LS&Co. products were made using Water finishing techniques or in facilities that meet our water recycle and reuse guidelines. And through 2020, we have saved almost 13 billion liters cumulatively since the Water program began in 2011, thanks to water-saving techniques, more efficient equipment, as well as our Reuse and Recycle standard for suppliers.

Helping Suppliers Set Contextual Water Targets

We use the widely respected 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 used the Water Risk Atlas to 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 baseline. Collectively, the targets are intended to contribute to our overall 50% reduction target in areas of high water stress by 2025.

How Water® Innovation Intersects with Supplier Targets

One of our key 2025 Water Action Strategy intentions is to evolve our Water® program into a facility-level qualification to simplify the program implementation and deepen our impact in local communities. The primary mechanism for suppliers to achieve this facility-level Water® qualification is to attain their 2025 facility-level contextual water targets.

We have also set intermediate 2021 and 2023 reduction targets to serve as milestones for suppliers as they progress to their final 2025 target. These intermediate targets will indicate which suppliers are on track and can be considered Water® suppliers for a two-year period. Suppliers that already used recycled and reused water for production purposes prior to 2018 (our baseline year) are allowed partial “credit” toward their 2025 contextual water targets in recognition of their proactive measures to reduce impacts. Any products manufactured by a designated Water® supplier are deemed as Water® garments in the marketplace.

Recycle and Reuse in Supplier Facilities

LS&Co.'s efforts to address manufacturing water use and pollution converged in 2014, when we became the first major apparel brand to author 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 2014 and 2020, approximately 8.5 billion liters of water have been recycled at product and fabric manufacturing facilities that apply our water Recycle & Reuse Standard.

Recycle & Reuse Standard: Water Recycling

Recycled Water for LS&Co. Products:

- 2018: 742,914,113 liters
- 2019: 4,068,068,908 liters
- 2020*: 3,510,094,240 liters

*The reduction from 2019 to 2020 reflects the impacts of the COVID-19 pandemic on production.

Water Use in Our Own Factories

At our owned-and-operated factories in Poland and South Africa, a variety of water-savings processes are in place. Both facilities use Water® production processes and have installed water efficient retrofits on washing machines.

In addition, our facility in South Africa recently created an innovative public-private partnership with the Cape Town municipal government to construct a pipeline to return recycled water from the municipal treatment plant to Epping. The team also installed a water treatment plant that receives and treats the recycled water, enabling the facility to use 100% recycled water in manufacturing, rather than relying on the stressed local freshwater supply.

At the same time, product development and finishing teams increased their use of LS&Co.'s Water® finishing techniques, which reduced water use for manufacturing by more than 25%. These actions allowed our factory to decouple its production from Cape Town's fresh water, helping to protect local water supplies and build resilience to future water 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 invasive shrubs, freeing up more than 120 million liters for the local water supply – part of the 4.8 billion liters of water freed up per year under the fund.

Waves for Water

In 2020, the Dockers® brand partnered with surfer Jon Rose and his foundation Waves For Water in a three-year collaboration 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.

The Water-Chemicals Nexus

Water pollution also 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. Our partnership with the ZDHC Foundation and success at meeting our own zero discharge of hazardous chemicals goal in 2020 contribute to cleaner wastewater from the apparel manufacturing process. We are working to scale the adoption of ZDHC's Manufacturing Restricted Substances List (MRSList) and our own Screened Chemistry approach to encourage more industry peers to adopt preferred chemical lists and screening any new formulations for hazards.

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. In 2020, we joined the Water Resilience Coalition, which will 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.

Supply Chain 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. 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 lifecycle analysis data to determine impact levels at each stage of the supply chain, focusing on water consumption in the context of regional water stress, as well as energy use, carbon intensity, chemical use and wastewater quality.

2020 Water Reduction Data Challenges

Our supplier-level water and climate, or energy, data for a given year comes from third-party-verified Higg data we receive in September of the following year. For water, we are using the Higg data available to us at the time of this report and plan to update our complete water data for 2020 when it is available later in 2021.

For 2020, we decided to make the third-party data verification step optional to help suppliers address costs in light of the pandemic's financial impacts on their businesses. In 2021, we are working with suppliers to resume normal data verification processes. As of this report's publication, many suppliers had not yet submitted their 2020 Higg data. This affects results for both our climate and water footprints. Our approach to the use of estimates in our climate data is described in the Climate Action section.

What's Next – Water Stewardship

Starting in 2022, we will move to qualify our Water® program at the facility level. This means that mills and factories that meet the facility-level contextual targets we issue – which will vary depending on the degree of water stress – will qualify as Water® 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® program and amplifies our impact, because the Scope of facility-level targets also encompasses other brands' production volume manufactured in the same supplier facility. The net result of meeting our 50% reduction target in areas of high water stress by 2025 will thus have positive ripple effects beyond the Scope of 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® 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 expand beyond the factory walls of our suppliers. For example, one of our key 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. After all, our lifecycle analysis of a pair of 501® jeans shows that 68% of the necessary water is for cotton cultivation. Our product circularity work similarly benefits our water efforts because it reduces the amount of water required to create virgin materials.

The vision laid out in our Water Action Strategy also includes a shift toward a more basin-level perspective that considers the health of the entire watersheds where we operate. A great example is our partnership with The Nature Conservancy to restore habitat upstream from our South Africa factory to improve stream

flows. We have also partnered with World Wildlife Fund, Earth Genome and Arizona State University to identify and diagnose sources of water stress in the Ravi River basin surrounding Lahore, Pakistan. Using a mapping tool, local stakeholders can use findings on water levels, supply and demand, and forecasted stress to bring the basin back into balance. The ultimate goal is to replicate this work beyond the Ravi River and inspire collective action.

Resources

[2025 Water Action Strategy](#)

[Reuse & Recycle Standard and Guidelines](#)

[Dockers® Waves for Water partnership](#)

Biodiversity

Working to safeguard and restore nature

Threats to biodiversity include climate change, land degradation, clear-cutting of forests, habitat loss, poor water quality and pollution, habitat destruction, over-exploitation and others. Since 1970, there has been an average 60% decline in global populations of mammals, fish, birds, reptiles and amphibians, according to WWF. The loss of biodiversity is significant, and the degradation of nature creates direct risk for both human well-being and global economic activities. The World Economic Forum notes that \$44 trillion, or over half the world's total GDP, is moderately or highly dependent on nature and its services. Consequently, LS&Co. and our suppliers have a reason and responsibility to support biodiversity and healthy ecosystems through responsible sourcing of raw materials, responsible production and chemical management practices, effective waste management and other actions.

Improving Cotton Cultivation

Growing cotton is one of the largest contributors to biodiversity loss associated with the apparel industry. In 2020, 88% of the fiber content in our products was cotton, so we are focusing on sustainable materials and supply chain processes, with an emphasis on sourcing more sustainable cotton. This includes recycled, organic and transitional cotton, as well as cotton grown with more sustainable farming practices such as Better Cotton and cotton following the U.S. Cotton Trust Protocol.

We are evaluating the impact 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 continued as we incorporated organic cotton into our products, and we will continue to increase our use of organic and in-transition cotton with the intent to restore soil health, promote cleaner waterways and support farmer livelihoods.

Exploring Alternative Fibers

With a purpose to understand land use, soil health and water consumption, we are also exploring alternative natural fibers that may have a lower environmental impact than cotton. 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 most environmentally conscious clothing collection – 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.

Protecting Forests, Habitat and Water Quality

Forests not only help stabilize the climate by absorbing about 2.6 billion metric tons of carbon dioxide every year, but they are also home to 80% of the world's terrestrial biodiversity, according to the International Union for Conservation of Nature (IUCN). We are committed to doing what we can to help protect the world's forests. In 2020, we updated 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.

The responsible sourcing and use of wood-based fibers like viscose can have significant impacts on biodiversity. In 2014, we pledged to prevent fiber sourcing from ancient and endangered forests by 2020, a commitment we met. The only wood-based fibers in LS&Co.-developed products are sourced from Canopy Green Shirt-rated suppliers who 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 inputs from recycled and regenerative sources. As of 2020, we accept manmade cellulosic fibers from the companies Lenzing, Birla, Tangshan Sanyou for Circulose® fiber and Kelheim. 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.*

In addition to sourcing more sustainable fibers, we also require suppliers to adhere to our preferred list of screened, safer chemicals. Applying the LS&Co. Screened Chemistry preferred chemicals list – which now includes about 1,300 of our highest-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

eliminate chemical use, support clean water and prevent freshwater contamination through runoff.

Consumer education, product repair and take-back, as well as sales of vintage products, also support biodiversity by managing our land use to grow cotton for new clothes, reducing textile waste of used garments 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.

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

What's Next – Biodiversity

All these steps are critically important, but biodiversity is affected by a wide range of factors, so we must do more. We are developing a biodiversity policy and a more comprehensive framework aligned with science-based targets for nature as outlined by the Science Based Targets Network. These are designed to:

- Avoid negative impacts in areas of high conservation value.
- Reduce unavoidable impacts through alignment with science and credible certifications.
- Restore and regenerate ecosystems where impact is unavoidable.
- Minimize and restore all unavoidable local impacts and take action elsewhere to compensate for the impact.

We began our policy development process by reviewing 2020 research on biodiversity and the apparel industry, biodiversity impact quantification methodology, and the biodiversity impact mitigation framework published by the Science Based Targets Network, as well as frameworks and reports by the Textile Exchange and WWF. In addition, benchmarking familiarized us with the ways our peers are addressing biodiversity concerns.

We also considered the apparel industry's impacts on different levels of biodiversity – genetic, species and ecosystem diversity. This included assessing biodiversity impacts from seed to landfill degradation, as well as any impacts associated with our owned-and-operated facilities. Through this process, we identified the most significant biodiversity impacts to be (from most to least significant):

1. Cotton cultivation
2. Manmade cellulosics
3. Fabric dyeing and treatment

- 4. Textile waste**
- 5. Microplastics**

As a result, our policy development focuses on sustainable materials and supply chain processes, especially more sustainable cotton cultivation and management. In the coming year, we plan to finalize and begin executing our biodiversity policy as well as potentially set science-based targets for nature.

Consumption



**Using innovation and
advocacy to create
change**

Contributing to these Sustainable Development Goals:

We have long been committed to contributing to a more just society and a better world. This means using our scale, reach and platform to advocate for positive change, address overconsumption and drive toward a more sustainable, less resource-intensive apparel industry. It also means looking past the traditional take-make-waste model toward a circular economy, where nothing is wasted in the manufacture, use and reuse of products. And it means engaging consumers, peers and industry groups in this shared journey to a sustainable future.

During 2020, Levi Strauss & Co. continued to encourage innovation and broader action on the path to embracing a circular economy in order to reduce resource consumption. This included bringing to market innovative denim featuring Circulose® fiber by Re:NewCell – which contains a blend of organic cotton and fiber spun from discarded denim – in our WellThread® line.* We increased the use of cottonized hemp and recycled fibers across our product assortment. In 2021, we launched Buy Better, Wear Longer – a global marketing campaign that both exhorts consumers to be more intentional about purchasing decisions and emphasizes our own commitment to getting more sustainable across our operations. And we launched Levi's® Secondhand, a buy-back and resale platform that extends our products' useful lives. In addition to these innovations, we continued to drive progress toward our bold goals on climate and water.

All of this comes from our understanding that the fashion industry not only can be more sustainable – it has to be. Brands must establish a different relationship with the idea of consumption as it applies to consumers and to themselves. That's why consumption is a key part of our broader approach to sustainability, because if we're not talking about consumption and acting where we must to change the paradigm, we will not see the kind of progress our business, our communities and our planet require.

We also joined the Ellen MacArthur Foundation Jeans Redesign project in 2021 to help reduce consumption and advance circularity in denim. The initiative provides guidelines for brands and suppliers to make jeans that can be used more, are designed to be made again, and are made of safe, recycled and renewable inputs. The guidelines align with LS&Co.'s minimum requirements for denim jean durability, and set standards for material health, recyclability and traceability.

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

Buy Better, Wear Longer

A proposition and a promise

Global clothing consumption has doubled since 2000. Almost 100 billion pieces of clothing are now made each year, and too many garments get thrown out after being worn just seven to 10 times. It's part of a wasteful cycle of overproduction and overconsumption that clogs landfills, wastes natural resources and worsens apparel's impact on our planet.

For the apparel industry to be truly sustainable, we have to reconsider the way clothing is designed, produced and consumed. The Levi's® Buy Better, Wear Longer campaign, launched in April 2021, aims to raise awareness about overproduction and overconsumption, and to deliver a call to action – for ourselves, our consumers and our industry – to be more intentional about how we design, make, sell and buy clothes.

From a production standpoint, we're focusing these efforts in four primary areas:

1. **Durability and quality** – a pair of Levi's® jeans is designed to stand the test of time, to be worn for years if not decades, to be repaired or refashioned if need be, and to be passed along to new wearers, even across generations, all the while contributing to the owner's authentic self-expression rather than the waste stream.
2. **Design and material innovations** – in keeping with our commitment to a circular economy, we are designing and producing more clothes that are made to be made again, using safe, recycled and renewable inputs.
3. **Make only what we can sell** – we are pursuing technology and innovation to enable a shift from the industry's prevailing sell-what-you-make approach to a make-what-you-sell approach that optimizes resource use and minimizes excess inventory.
4. **Collaboration** – we realize we cannot reach the scale the industry – and the world – needs without working with other brands, partners, platforms and customers to achieve lasting change.

Built on Durability, Quality, Innovation

The Buy Better, Wear Longer campaign reflects the Levi's® brand's ongoing efforts to drive more sustainable production practices, reduce its resource footprint and contribute to a circular, less consumptive apparel sector. This includes implementing science-based climate targets and geographically contextual water actions, investing in materials such as cottonized hemp and organic cotton, scaling Water® manufacturing, and pushing the boundaries of sustainable design with innovations like the Levi's® WellThread® collection. Through Buy Better, Wear Longer, consumers around the world can come together to rethink fashion production and consumption.

Buy Better, Wear Longer is both a proposition and a promise. The Levi's® brand will keep making products that stand the test of time and encourage consumers to keep wearing them as long as possible. This promise builds on the brand's history of high-quality products made responsibly and made to last longer.

2020 Water® Progress

By the end of 2020, 67% of LS&Co. products and 75% of all LS&Co. bottoms were made using our Water® technology. The numbers are even higher for the Signature by Levi Strauss & Co. and Denizen® brands, for which 94% of products were Water by the end of 2020, and the Dockers® brand, which achieved 84% in 2020.

Connecting with Consumers

At launch, 87% of recorded social sentiment for the Buy Better, Wear Longer campaign was positive, signaling what we suspected – that our consumers are aligned with the message and that the more deliberate approach to consumption that took hold during the pandemic has real staying power.

Everywhere we operate, whether in our stores or online, we aim to give our customers a connected experience. We understand their passion for our iconic brands and want to honor that passion in every interaction – whether they're buying a new pair of jeans, reworking a beloved Trucker jacket in one of our Tailor Shops, looking for a soft pair of secondhand Levi's® jeans, or interested in renting one of our iconic products.

Consumer research conducted by GlobeScan in 2020 showed that people around the world are open to adopting more sustainable and healthy behaviors, but often do not know where to start. A majority, 74%, indicated they want to significantly reduce their impact on the environment. Our own consumer surveys also indicate growing concerns about sustainability issues like climate change – concerns that have increased since the beginning of the COVID-19 pandemic.

The action consumers most want companies to take to enable sustainable living is to make more affordable

products that are better for people and the planet. In the majority of countries where LS&Co. surveys consumers, most associate Levi's® with products that are durable and high quality. This recognition positions us to meet consumer expectations with products designed to last, that can be worn again and again, and can ultimately be recycled where the appropriate infrastructure exists, rather than discarded.

LS&Co. is a GlobeScan partner in the next iteration of their Healthy & Sustainable Living Study – one of many key studies we draw from to learn more about consumer perspectives and behaviors when it comes to sustainable fashion and circular economy approaches.

Partners in Sustainability

Designing quality products that are durable, repairable and worth repairing, and ultimately recyclable where the appropriate infrastructure exists, is just one key step to enabling a more circular approach. We know that for the apparel industry to progress toward circularity, customers also play a role. Just as we have a role to play in making responsible products that are designed to last, we can also inform consumers on how to care for those products to promote their lasting quality with minimal impact.

Our garment care instructions encourage reducing water and energy use by not over-washing garments, washing in cold water and line-drying. We are also trying to provide customers with access to resources for reuse, repair and recycling of items that might otherwise wind up in landfills, such as offering vintage products through our SecondHand platform, continuing to grow our Levi's® Authorized Vintage line and expanding in-store take-back options to help old clothes find new life.

At the same time, we will continue communicating with them transparently so consumers can feel confident in our products – that they are safe, responsibly sourced and made by people whose well-being is supported.

Awareness and Transparency through Labeling

As the apparel industry offers more garments labeled “sustainable,” it can be harder for consumers to determine which innovations are truly making a difference. One way we are working to enhance awareness is through labeling, including complying with applicable regulations regarding the country of origin, manufacturer identification address or code, care instructions and fiber content and size, as required in certain countries.

Our products include what we call a Care Tag for the Planet to provide consumers with straightforward, more sustainable care instructions. These labels have been sewn into our products to encourage washing less frequently, using cold water, line drying, and donating when no longer needed. Our e-commerce site also offers product care tips for customers to support sustainability. Likewise, LS&Co. products that include cottonized hemp, organic cotton, and innovative fibers like Refibra™ and Circulose® also include labels identifying those environmentally friendly fibers.*

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

Resources

[**Buy Better, Wear Longer**](#)

[**Water® innovations video**](#)

Circular Economy

Toward a circular apparel industry where nothing is wasted

Across the apparel industry, a product is discarded after being worn only seven to 10 times on average. Global fashion production has also more than doubled since 2000, with increased impacts on natural resources.

Aside from knowing that we must be responsible stewards of the resources we use, the business case for cultivating greater circularity in our value chain is clear: the raw materials used to produce LS&Co. products represent 8% of our carbon footprint. Sourcing more sustainable materials and implementing a circular approach that keeps materials in use as long as possible reduces our footprint.

We are committed to playing a central role in taking the apparel industry to a circular future – one where materials are used and reused safely, where ecosystems are protected and regenerated, and where people

have good work and livelihoods. This means making products with their next use in mind. It means we no longer talk about end of life, but about end of use. And it means evolving each part of the apparel supply chain toward a circular economy – starting with our own.

For 168 years, we have focused on long-wearing clothing, and when it comes to product sustainability, we have accomplished a lot. From innovations like Water

The Business Case for Circular Apparel

Circular business models deliver value to LS&Co. stakeholders by creating new revenue streams, driving strategic growth and fostering innovation. In fact, circular business models specifically involving rental and recommerce were determined in a recent study by Fashion for Good and Accenture to be financially viable for fashion retailers.

Circular products also mitigate risks throughout the supply chain by using more sustainable fibers and fabrics made with safer chemicals, less water, less energy and less waste. They support healthier workplaces for the people in our supply chain, from farm to factory to retail store. They reduce our company's exposure to environmental risks and reduce our share of garment waste in landfills. They meet growing consumer demand for more sustainable and circular apparel options. And they retain value for our customers by extending product life and usability.

Circularity Challenges

Of course, moving to a circular business model is not without its challenges, even outside a global pandemic. In addition to changing mindsets, beliefs and perceptions, there are practical hurdles as well. For instance, some promising new fibers that support circularity cost more, have longer lead times or are less durable. Some plant- or mineral-based “natural” dyes can produce too much color variability. Safer chemicals sometimes pose scaling challenges due to lack of resources for industrial use or because safer alternatives are not as easy for suppliers to use as the chemical they are designed to replace. And while many suppliers are eager to partner with us on more sustainable innovations, a supply chain spread across many countries makes it more difficult to apply new approaches everywhere in a short period of time.

We are tackling many of these challenges through our own innovation hub, the Eureka Innovation Lab;

through the sustainable design practice that is our WellThread® line; and through collaboration with other brands and leading organizations working to deliver more sustainable, circular and less resource-intensive apparel. For example, we recently joined Fashion for Good to accelerate and scale cutting-edge R&D and start-up technology that can be applied to the apparel value chain. We plan to leverage Fashion for Good's expertise and network to create pilots that address the most pressing sustainability issues in our value chain.

We will begin our focus on collaborative projects to address the challenges of plastics, sorting technologies for recycling garments, fiber transparency and traceability, and the potential to shift from wet to dry fabric and garment finishing processes. And we continue to work closely with our suppliers, many of whom have been with us for more than a decade, to partner on solutions to challenges around water use, emissions and worker health and well-being.

The Power of Collaboration

Transforming an industry is hard work that takes years, not months. We don't have all the answers, but we know we can go further, faster and at greater scale by teaming up with others, whether other retail brands, manufacturers who share our vision for a circular economy, or nonprofits.

By participating with organizations like Fashion for Good, which funds and scales sustainable innovation, and circular apparel initiatives like the Ellen MacArthur Foundation's Jeans Redesign project, we are collaborating with others to realign the industry and create economies of scale. We are also a sponsor of the 27-country Healthy & Sustainable Living Study underway by GlobeScan, which looks at consumer opinions about circularity, among other topics, to help us in our continued efforts to better understand consumer needs and move from a sell-what-you-make approach to a make-what-you-sell approach.

We are also working with industry groups, such as the Policy Hub and the European Branded Clothing Alliance to inform development of European Union policy that supports the transition to a more circular, less resource-intensive apparel sector.

Our Circular Strategy

By its very nature, circular fashion is intended to create a closed loop. But it has to start somewhere. For us, circularity starts with originality, bold ambitions, pioneering principles and fundamental philosophies that guide our ideation and design from the earliest stages. As we move forward, our merchandising, design, product development and marketing teams have embraced a circular mindset in keeping with the Ellen MacArthur Foundation's Make Fashion Circular vision to make sure our products are:

- **Used more** – kept at the highest value at all times
- **Made to be made again** – designed so they can be reused, remade, recycled and safely composted
- **Made from safe and recycled or renewable inputs** – to protect the health of people and ecosystems

By integrating circularity at the design stage, we can develop products that last, can be repaired if necessary and can be reused or recycled – building a more sustainable and circular system. When designed with consideration for not just their next wear, but also their next life, our products can help transition the apparel industry from the take-make-waste model to one capable of rebuilding and restoring resources.

We are developing a strategy to be circular-ready in 2025. This would mark the first milestone in our holistic approach to circularity, in which we stand up each of the three pillars of the Make Fashion Circular framework and identify changes in production and innovation so that LS&Co. is “ready” for a circular economy. Our approach will make the most of existing and planned cross-functional sustainability innovations and programs in sustainable materials and production, circular business models, product design, recommerce, consumer engagement and other areas. Concurrently, we will strive to foster positive social impacts in the supply chain, working to ensure a just transition to a circular economy. Governance procedures and key performance indicators will help us track progress and accountability.

There is much more to do, but we took meaningful action in 2020, launching important circular product innovations like our WellThread® jeans with Circulose® fiber, growing sustainable fiber initiatives like cottonized hemp, exploring rental options for selected products, and joining Fashion for Good for ongoing projects.* We also launched Buy Better, Wear Longer, our consumer-focused invitation to join the circular fashion journey along with us by making conscious purchasing decisions and managing consumption.

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

Made to Be Used More

We are leveraging the durability, quality and timeless style of our products to help consumers use their garments more and longer. We are scaling our SecondHand recommerce platform; continuing to grow our Levi's® Authorized Vintage line; expanding our in-store Tailor Shops, where people can repair, repurpose and customize their “pre-loved” jeans or Trucker jackets; piloting rental programs; and partnering with diverse organizations to upcycle our products.

As we push ourselves to create more sustainable products at scale, we will also encourage consumers to keep them as long as possible before passing them on to friends or relatives, returning them to a Levi's® store, updating them for a new look, upcycling them into new items, or recycling them when the time is right and the infrastructure is in place.

Durability and Reuse: Standing the Test of Time

Across all LS&Co. brands, we use innovations and practices that help our products stand the test of time, and everything we make is rigorously tested for durability. We are committed to keeping our clothing in use as long as possible in support of a circular economy. Levi's® Tailor Shops can repair or redesign clothing to literally last a lifetime. In the U.S., we also introduced SecondHand in 2020 to extend the life of our products even further and offer customers access to popular vintage styles.

We have also made vintage products available through clothing rental programs. In 2020, we teamed up with Ganni on a for-rent-only capsule collection of upcycled denim made from vintage Levi's® 501® jeans. Known as Love Letter, this is the first rental-only collection from the Levi's® brand and will extend across the UK and United States. So far, pieces include a button-down shirt, jeans and a shirtdress, available to rent for up to three weeks. Items are shipped with reusable material for returning them.

Selling vintage Levi's® products through Sellpy and sales platforms like Re/Done is another way to give consumers even more access to vintage clothing and support the circular economy. We are piloting additional peer-to-peer programs in Europe.

Tailor Shop – Repair, Reimagine, Recycle

One of the unique aspects of denim – and Levi's® pieces in particular – is that they're a blank canvas for the wearer to make their own. The Levi's® Tailor Shop concept was designed with that very desire in mind.

Grounded in the Levi's® brand's heritage of craftsmanship and commitment to authentic self-expression, Tailor Shops allow fans to get beloved pieces repaired or updated with their own personal stamp. Tailor Shops reflect the emotional connection of the wearer to their cherished garment – and to the brand – while unlocking creativity through customized pieces. Some Levi's® stores have a Tailor Shop, and our tailors have also taken their talents to festivals to reach customers outside the retail world, sometimes traveling by bicycle or trailer to get where they are needed.

Over the years, expert tailors have taken well-worn or torn pieces and reworked them, added embroidery, paint or patches to customize an item, turned shorts into wallets or patches, even sewn non-Levi's® items like a baby blanket onto a Trucker jacket. Tailor Shop content is also available on the Levi's® blog for DIYers who want to learn from Levi's® master tailors how to embellish, repair, or upcycle their denim.

In 2020, we also offered virtual denim upcycling workshops in Taiwan and Hong Kong, in collaboration with designer Jesse Lee.

Levi's® by Levi's®

A new product solution – Levi's® by Levi's® – is made from entirely repaired, reimaged and recycled Levi's® products and is currently only available at Levi's® Haus, London. Made exclusively of Levi's® faulty and returned items, as well as donations from employees and consumers, the products enable shoppers to shop more sustainably. Levi's® Haus, London also offers the Levi's® Vintage Clothing line and a Tailor Shop.

The Levi's® by Levi's® program has also collaborated with designers to create one-of-a-kind pieces

featuring indigo dip dyeing and leftover furnishing fabrics.

Levi's® Haus, London

Opened in 2020, Levi's® Haus, London reflects our sustainable approach to the retail experience, centering around longevity and circularity. The first of its kind for the Levi's® brand, this unique space serves as a new blueprint for an in-store consumer experience and is dedicated to making Levi's® products last even longer. Whether customers need a simple patch repair or want to create something entirely new from their pre-loved jeans, Levi's® Haus, London exists to help customers extend the life of their denim.

Durable Glamour

A 2021 collaboration with Prada Group's Miu Miu features pre-owned 501® jeans and Trucker jackets from the 1980s and 1990s, revamped with playful embellishment and color. By customizing these extremely durable, vintage garments, Miu Miu has elevated them for the luxury market. Other collaborations with Nordstrom and Gallerie Lafayette extend availability of our vintage products to an even broader range of consumers.

Authorized Vintage

Vintage Levi's® jeans and jackets are some of the most coveted items for people shopping secondhand. Levi's® Authorized Vintage is our proprietary resale capsule in which we source and re-sell authentic pieces, many of which are decades old.

Levi's® SecondHand

Buying used garments instead of new saves water, reduces greenhouse gas emissions and cuts waste.

Levi's® SecondHand platform aims to help consumers do just that. Launched in 2020 as a pilot, Levi's® SecondHand makes some of our most-loved vintage items available to consumers and invites them to join us in a more sustainable future. The platform gives jeans, jackets and shorts a second, third or fourth life, while providing consumers with the confidence they're getting something that's still in great shape and that consumes a fraction of the natural resources a new garment would require.

Levi's® SecondHand is both a buy-back and resale platform. It gives Levi's® fans the ability to purchase second-hand Levi's® jeans and jackets, and turn in worn jeans and jackets in-store for a gift card toward a future purchase. The program encourages people to not throw away used denim and helps them see that second-hand garments can help preserve the natural resources that would be needed to make a new item. Trove, a recommerce company, cleans the collected garments and processes inventory. Cleaning, repurposing and repairing jeans uses a minimal amount of energy and water, and no dyes. Buying a used pair of Levi's® jeans saves approximately 80% of the carbon emissions compared to buying a new pair, according to ThredUp.

So far, the SecondHand program is in the U.S. only as we learn more about what consumers want when it comes to recommerce. We hope to extend it globally for even greater positive environmental impacts. Amid growing consumer interest, the recommerce market is projected to double over the next five years, and we want to make our vintage products available to as many customers as possible.

In addition, if jeans are too worn or damaged to sell again, consumers can still drop them off at a Levi's® store for recycling. We also give them a gift card toward a future purchase. Our partner Blue Jeans Go Green then converts that used denim into insulation for buildings, a greener alternative to standard insulation. We also take back unwanted denim in the U.K. and Germany, along with partner ICO, and offer smaller take-back programs in the Middle East and Australia.

Used Clothing Collected in 2020

- ~10,000 items of denim (Americas)
- 4,355 kg of denim (Europe)

Vintage Items on SecondHand

- SecondHand units sold in October-November 2020: 1,132
- Units posted for sale on the SecondHand site in 2020: 4,799*

*Number of units sent to Trove, including consumer trade-ins, vintage products from resellers and Levi.com returns. Remaining 3,667 units were available on the SecondHand site into FY21.

Made to Be Made Again

We continue advancing design and material innovations to make clothes that can be made again, using safe, recycled and renewable inputs that contribute to a more circular product cycle. This includes:

- Ensuring our suppliers adhere to the Screened Chemistry protocols LS&Co. has developed over the past decade to support the health and safety of supply chain workers, promote healthier water systems and help us work toward the goal of safely compostable materials at the end of our products' useful lives.
- Using responsibly-sourced fibers like organic cotton and cellulosics certified by Canopy to not have come from Ancient and Endangered Forests. We also believe that more sustainable fibers make a better quality garment.
- Revolutionizing the use of water-saving hemp to make it soft and comfortable like cotton.
- Partnering with innovators like Re:NewCell on state-of-the-art fibers made from post-consumer recycled jeans and other responsible components.
- Expanding the application of our WellThread® design methodology – a reinvention of the total concept-to-consumer value chain that prioritizes sustainability and circularity at every stage of the product life cycle.

Eureka Innovation Lab

Innovation is complicated and expensive, but we're committed to relearning how to make our products and scaling our innovations. Some of this begins at the Eureka Innovation Lab, where a diverse team of creative thinkers, scientists, technology experts and others continue the pioneering legacy started by Mr. Levi Strauss himself in the late 1800s. The lab conducts research at the component level, investigating fiber, fabric, fit, finish and functionality to develop the best holistic solutions. And because the lab includes a small factory, ideas can be made and tested in-house to see if they are viable and scalable.

Early on, the lab tackled the challenge of Screened Chemistry, playing a role in moving the industry to consider chemical hazards instead of risks. This is notable because hazards are inherent dangers in any process, while risks measure the level of exposure to those dangers. By tackling hazards, we can address the cause of the risk, rather than just addressing its effects.

The lab's next significant breakthrough was F.L.X., a laser finishing process that, among other benefits, helps suppliers transition away from potassium permanganate and represents a radical change from traditional methods of finishing. Today, Eureka continues to advance design, research, creative development and fashion-forward denim prototypes.

Cottonized Hemp – Less Water, Fewer Pesticides

Several Levi's® WellThread® collections now feature "cottonized hemp"—hemp that's been altered to feel just like cotton. Hemp requires less water and fewer pesticides to grow, but it feels coarse. The rain-fed hemp that the Levi's® brand is using goes through a unique softening process that gives it a look and feel almost indistinguishable from cotton. This advancement marks an important step toward sustainability and circularity, and the use of cottonized hemp is one piece of our multifaceted approach toward a circular economy.

Recycling Levi's® Products Supports Refugees

As millions of refugees and asylum seekers continue migrating in search of better lives, LS&Co. has launched various projects to help support economic stability in certain communities. The Levi's® x Cooperative Porto Alegre is a capsule collection of handmade recycled denim products created in collaboration with the Porto Alegre Cooperative in Italy. The collection is sold in 28 Levi's® stores and on Levi.com in 13 countries across Europe. The program not only provides refugees with training and new skills, but also donates 100% of net

sales proceeds directly to the social cooperative to further support the vulnerable populations they serve.

Digital Sampling

We are continuing to shift from the apparel industry's traditional sell-what-you-make approach to a make-what-you-sell approach. In 2020, the Eureka Innovation Lab continued exploring how digital prototyping and renderings might be used to minimize or eliminate sample production and its associated waste. We are continuing to grow our use of digital prototyping technologies in many product categories. However, digital rendering had not been viable for denim, since it has been difficult to accurately capture the character of the fabric on a screen. But the lab is developing a working technological infrastructure through which new styles and finishes can be shared with buyers and consumers can see what products could look like.

New digital sampling capabilities help reduce the number of samples needed, which in turn preserves the resources that would have been required to make them. Coupling this approach with improved AI-based forecasting that allows us to better predict who will buy what, where and when, offers the potential to greatly reduce waste associated with overproduction. It can also reduce the amount of inventory we need to carry and minimize what's known as "excess and obsolete" product.

F.L.X. – Future Finish®

Project F.L.X., launched in 2018 by the team at Eureka, is a 3D digital design and laser finishing technology that enables a more responsive supply chain while vastly reducing the number of chemicals needed for the finishing process. The technology has also been incorporated into our Future Finish® customization service, which offers consumers a new level of denim personalization.

Digital sampling, F.L.X. and Future Finish® together comprise a suite of digital design and manufacturing tools that are helping us work to change the prevailing apparel model from selling what we make – utilizing design forecasts determined up to 18 months in advance – to making what we sell, based on a much clearer picture of consumer tastes, with a production platform that is far more agile and much closer to the consumer. This helps us better deliver the same timeless, built-to-last products consumers want most, when they want them, saving resources and reducing waste in the process.

WellThread® - A Lab for Innovation

Our continued circularity work builds on the achievements and breakthroughs of the Levi's® WellThread® collection, which is essentially a living R&D lab for sustainable design and innovation. First launched in 2015, WellThread® subscribes to four prevailing use principles:

- Materials and processes that prioritize environmental stewardship
- Production in facilities that support worker well-being
- Design that promotes durability and celebrates timelessness
- Garment engineering that enables efficient material recovery and reuse

Initially, the WellThread® collection was a way to push the sustainable boundaries of how we make our clothes. Today, it is a vehicle for continued progress with which we work through design and manufacturing challenges to create more innovative products that incorporate multiple sustainability attributes.

Recently that progress has come in the form of exciting innovations and styles, including new 55% hemp-blended fabrics, new natural-dye techniques, post-consumer recycled fibers, more organic cotton and the recyclability of every WellThread® garment. WellThread® innovations are helping us make sustainably produced, fully recyclable garments a reality, and as we scale them, these innovations are being brought into our mainline products. For instance, our first use of cottonized hemp was roughly 12,000 units, but we've scaled this innovation and delivered more than a million units in less than two years.

Even so, we don't have all the answers. Through the WellThread® platform, we test new ideas and technologies, partnering with inventors and suppliers alike to explore the possibilities of sustainable

innovation. For instance, we recognize that we need to learn more about transitional cotton – cotton on its way to becoming organic cotton in a farming and soil management process that takes about three years. We believe it is important to support organic cotton production from this transition phase onward to eventually increase access to organic cotton throughout the industry. We are looking into ways we can best support farmers as they work toward organic cotton, using the WellThread® platform, which has a history of working directly with farmers and fiber suppliers on sustainable material innovation.

The Most Sustainable Levi's® Jean Ever

In 2020, the Levi's® brand launched what we called our most sustainable jean ever. Made with a blend of organic cotton and Circulose® fiber – a breakthrough material from Re:NewCell made from worn-out jeans and sustainably sourced viscose – these groundbreaking jeans were named a [World Changing Idea](#) by *Fast Company* in 2021.

This unique collaboration between WellThread® and Re:NewCell marks a significant milestone in the fashion industry's transition to circularity. The resulting Levi's® WellThread® jean represents more than five years of research in circular denim design, employing a water-saving dye method and our Water® garment finishing practices. Parts of the jean, including all trims, labels and thread, were carefully calibrated to ensure the jeans meet recycling specifications, allowing for a second life when worn out. The fabric has 60% organic cotton and 40% Circulose® fiber, and garment components are consistent with industry norms for circular design. The result is a soft jean that lives up to our standards for quality and durability.

With any breakthrough innovation in the apparel industry, reaching commercial scale is a challenge. Startups rarely have the resources to provide large volumes of novel fibers. As Re:NewCell's initial partner in the jeanswear sector, we produced our first jeans made with Circulose® fiber as part of the WellThread® collection. For Spring 2022 we've grown our use of Circulose® fiber and will introduce our first Circulose® 501® jean for the core men's and women's Red Tab™ assortment. LS&Co.'s early launch and sustained

commitment is helping the Circulose® parent company, Re:NewCell, secure funding to expand their factory because our work together has helped them demonstrate that their technology is viable at industrial scale and can play an important role in circular fashion's future.

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

Made from Safe and Recycled or Renewable Inputs

From supporting organic cotton farming, to sourcing recycled fibers and sustainable cellulosics, to incorporating next-generation fibers like Circulose® by Re:NewCell, we are working to consider the entire product lifecycle in our raw material sourcing.

We also have been working to remove hazardous chemicals from our supply chain for more than two decades. In 2000, we were one of the first companies to issue a Restricted Substances List. Later, we pledged to reach zero discharge of hazardous chemicals by 2020 – a goal we met – and in 2013, we launched the Screened Chemistry program. This landmark approach to safer chemicals sought to understand the potential human and environmental impact of chemicals before they enter the supply chain, and to find alternatives for anything deemed unsafe.

We are making progress toward our goal of 100% renewable electricity in all owned-and-operated facilities by 2025. As of the end of 2020, renewable electricity accounts for 76% of the total electricity at our owned-and-operated facilities. Also in 2020, a solar array went into operation at our distribution center in Henderson, Nevada, where it will meet about 20% of the facility's electrical demand.

Because water is consumed throughout the apparel value chain, from cotton production and garment manufacture to consumer use and recycling, a circular approach demands that we make sure production, supply chain practices and technologies all support efficient water use. The LS&Co. Water Action Strategy builds on our water Recycle and Reuse Standard for suppliers, a key piece of our Water

Jeans Redesign Project

LS&Co. joined the Ellen MacArthur Foundation Jeans Redesign project in 2021 to help drive greater circularity in the denim world. The initiative provides guidelines for brands and suppliers to make jeans that can be used more; are designed to be made again; and are made of safe, recycled and renewable inputs – the three fundamentals of circular apparel.

The Jeans Redesign guidelines align with LS&Co.'s minimum requirements for denim jean durability, and set standards for material health, recyclability and traceability to support a circular economy. Its commitments

are in step with our WellThread® collection's established design methodology – while challenging us to deliver increased unit volume and a more transparent reporting protocol.

What's Next – Circular Economy

Building on the strong foundations provided by Water

At the Eureka Innovation Lab, where technical breakthroughs are born and diverse approaches, ideas and styles are championed, the team is continuing to build out our digital design and manufacturing platforms, while also contemplating ways to inspire innovation elsewhere at LS&Co. This could include inviting members of various functional departments to work at the lab to identify innovative solutions extending beyond what we think of as sustainable business today.

The Levi's® and Dockers® brands are pursuing reliable and scalable natural dyes, including some that save water. If successful, these could help drive circularity into Tier 3 supplier operations – those that provide fibers and yarns to the mills in our supply chain – by eliminating chemical dyes from yarns. Our work with partners to continue evolving our fiber portfolio includes understanding how best to incorporate transitional cotton. In these areas and others, we don't yet have all the solutions to the challenges of creating a truly circular apparel and less resource-intensive value chain. But we will forge ahead with our competitors and customers to find them.

Sustainable Fibers

Building the foundation for sustainable apparel

The fashion industry consumes a lot of predominantly virgin fibers, with an estimate by the Ellen MacArthur Foundation putting the annual number at 53 million metric tons. Cotton is the most used raw material in LS&Co. products. It also represents about 25% of the virgin fibers used in our industry. Unfortunately, nearly three-quarters of all virgin materials used in the apparel industry are eventually landfilled or burned. This wasteful overproduction and overconsumption of not only virgin fibers, but other natural resources as well, is far from sustainable.

It is therefore imperative that we deliver consistent, meaningful and transparent progress on our efforts to explore and support the cultivation of more sustainable cotton, while also continuing to diversify our cotton sourcing to include organic and recycled cotton, alternative fibers like hemp, and next-generation manmade

cellulosic fibers. More sustainable fibers are the building blocks of our products, so our efforts must begin from the ground up.

We took meaningful steps in 2020, launching initiatives that used and scaled more sustainable fibers, such as introducing WellThread® jeans with recycled Circulose® fiber, increasing cottonized hemp use across our product assortment, and continuing to support development of cultivation methods that use less water, involve fewer pesticides and promote healthy soil.

More Sustainable Cotton

Nearly 90% of LS&Co. products are cotton-based, which makes it critically important that we find more sustainable and resilient sources for that cotton, while continuing to investigate alternative fibers. This effort intersects with many other elements of our sustainability strategy, including action on climate change and water stress. At the end of 2020, 83% of our cotton came from more sustainable sources, including Better Cotton, organic cotton and recycled cotton. We intend to reach 100% more sustainable cotton by the end of 2025, while continuing to diversify our portfolio to incorporate more sustainable and less resource-intensive alternatives to conventional virgin cotton.

Organic Cotton

Organic cotton is grown without the use of toxic and persistent pesticides or fertilizers, compared to conventional cotton, which uses both. The impacts to human and environmental health associated with conventional cotton agriculture are well-documented, and life cycle studies by the Textile Exchange showed that organic cotton production can save water compared to conventionally grown cotton. We are committed to supporting organic cotton production and sourcing organic cotton for our WellThread® collection and other lines. The organic cotton we source is third-party certified to the Organic Content Standard (OCS) or Global Organic Textile Standard (GOTS).

As demand for organic cotton has grown, there have been challenges to global supply. Organic cotton makes up a small percentage of the global cotton supply, with 51% of organic cotton grown in India and 17% in China. Starting in 2020, two significant events limited the organic cotton supply:

- In October 2020, the Global Organic Textile Standard (GOTS) detected evidence of falsely certified organic cotton in India. Approximately 20,000 metric tons of cotton had fraudulent organic raw cotton transaction certificates. These transaction certificates were eliminated, which reduced India's estimated organic cotton supply.
- In May 2021, a cyclone overwhelmed parts of India, including one of the country's major cotton growing regions. This is symptomatic of an increasingly volatile climate and increasing risks of the supply chain and raw material disruptions.

As a result, LS&Co. is following a plan to incrementally increase our use of organic cotton to manage these challenges, increase the traceability of our cotton supply and reflect our continued commitment to sustainable agriculture.

Better Cotton

LS&Co. is a founding member of the Better Cotton Initiative (BCI) and joined the initiative in 2010. BCI's vision is to transform the cotton-producing sector by enabling more sustainable agricultural practices such as reduced water consumption, chemical use at the field level and increased market access for farmers. By aligning environmental and financial sustainability, reducing market barriers through a mass balance system and working with stakeholders at every stage of the supply chain, BCI has shown an exceptional ability to scale. By the end of the 2019-2020 cotton growing season, Better Cotton accounted for 22% of global cotton production and 2.1 million BCI farmers produced Better Cotton on 5.7 million hectares.

During the COVID-19 pandemic, BCI was able to work through its network of implementation partners and licensed farmers to provide personal protective equipment, updates on the pandemic and safety advice to remote cotton farming communities – proving its commitment to farmer wellbeing. For LS&Co., participating in BCI as a member and supporting Better Cotton demonstrates our commitment to improving cotton farming on a global scale, supporting farmers' livelihoods and driving environmental sustainability at the field level.

U.S. Cotton Trust Protocol

In 2021, we joined the U.S. Cotton Trust Protocol, a farm level, science-based program setting a new standard for more sustainably grown cotton. We also serve on the Trust Protocol Board of Directors as a representative of apparel retailers. Specifically, the Trust Protocol strives to bring quantifiable goals with verified impact to sustainable cotton production. The Trust Protocol offers several opportunities for us to drive more sustainable and transparent cotton cultivation. It supports ongoing efforts to make U.S. cotton production more sustainable, offers verified data in six key sustainability metrics, and provides a trackable cotton supply chain for all members. These benefits promise to help us measure progress toward our water and climate targets and communicate the impact of this work publicly.

U.S.-grown cotton makes up about 10% of the cotton in the LS&Co. supply chain, and our participation in the Trust Protocol supports greater sustainable practices in this region. It also aligns with our global sustainable fiber priorities. Our participation will allow us to further diversify our more sustainable cotton portfolio, which is both necessary and prudent given how much cotton we use.

Pioneering Fiber Innovations

Cottonized Hemp

Hemp requires less water and fewer pesticides to grow, but has traditionally felt too coarse on the skin for unaltered use in denim. We worked with other innovators to devise a way to soften rain-fed hemp so that it feels like cotton. This advancement aligns with our commitment to safer chemicals in the apparel supply chain and to responsible stewardship of the resources required to make our products.

Beginning in 2020, several Levi's® WellThread® collections featured cottonized hemp, and the brand has since included it in mainline products, bringing the environmental benefits and comfort of soft hemp to even more consumers. Innovating and scaling the use of alternative fibers like cottonized hemp are key steps along the way to delivering more sustainable apparel.

Post-Consumer Recycled Denim with Circulose® Fiber

Through a new recycling technology that transforms used cotton and other cellulose fibers into a biodegradable raw material, we can make our jeans more sustainable than ever. The groundbreaking denim features organic cotton and Circulose® fiber, which is made from worn-out jeans and sustainably sourced viscose. Invented by Re:NewCell, Circulose® fiber closes the loop from post-consumer fabric to new garments, which can then be recycled again.* Our collaboration with Re:NewCell to develop these groundbreaking jeans was named a [World Changing Idea](#) by Fast Company in 2021.

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

Responsible Manmade Cellulosics

We are committed to sourcing all fibers and materials used to produce our clothing responsibly. Fibers like viscose, modal and lyocell are produced using wood pulp. The sourcing of wood as well as the fiber manufacturing processes used to produce these fibers can have significant impacts on the environment, from air and water quality to biodiversity. We address the impacts of wood-based fiber production by sourcing 100% of our cellulosics from responsible sources.

In 2019, LS&Co. completed the shift of all manmade cellulosics – viscose (rayon), modal, and lyocell – from direct suppliers to Canopy “Green Shirt” suppliers who have earned a minimum of 25 buttons in Canopy’s 2020 Hot Button Ranking. This means they have eliminated or are on track to eliminate sourcing from Ancient and Endangered Forests in 2020. We have also moved away from generic viscose (rayon) to traceable viscose and expanded our use of lyocell, such as Lenzing’s Tencel™ fiber, which includes a process that continually recycles the chemical solvents used to produce the fiber and also requires less energy and less water than generic viscose.* As of 2020, we accept manmade cellulosics from the companies Lenzing, Birla, Tangshan Sanyou (for Circulose® fiber) and Kelheim.* All manmade cellulosic suppliers to LS&Co. must be Canopy Green Shirt-rated and committed to responsible manufacturing.

We source sustainable wood-based fibers consistent with our CanopyStyle commitment to work with suppliers to prevent wood-based materials from the world’s Ancient and Endangered Forests from entering our supply chain. Our work to address the impacts of manmade cellulosic fiber manufacturing is consistent with our Commitment to Zero Discharge of Hazardous Chemicals and the Changing Markets Roadmap. Collaborations with innovators and suppliers aim to develop and scale next-generation fibers made with circular manufacturing processes and recycled or regenerative raw material input, such as Circulose® fiber.

Additionally, about two-thirds of the manmade cellulosic fibers used in our products are lyocell fibers, made with closed-loop manufacturing processes that recover and reuse chemicals and water. This drastically reduces the environmental impacts and natural resources required for production. We are also incorporating the pioneering Refibra™ technology, which involves upcycling cotton scraps from garment production into our products.** These cotton scraps are transformed into cotton pulp and added to wood pulp, with the combined raw material resulting in new Tencel™ Lyocell fibers to make fabrics.

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

**Refibra™ is a registered trademark and Tencel™ is a trademark of Lenzing Aktiengesellschaft.

Animal Welfare

As detailed in our Animal Welfare Policy, LS&Co. aims to ensure that wherever materials derived from animals are used in the production of our products, their health and welfare is protected. Our suppliers are expected to use the international industry best practices known as the Five Domains for Animal Welfare. Additionally, we prohibit the use of animal-derived products and materials from any endangered species as identified by the IUCN Red List. We do not accept wool from mulesed sheep and we are working to ensure all virgin wool in new LS&Co. products will be Responsible Wool Standard-certified by 2025.

We are committed to the principles of the Responsible Down Standard (RDS), and 100% of our down products are certified to the standard. In 2021, we joined the Leather Working Group to support responsible leather processed using best practices by environmentally certified leather suppliers.

Synthetic Fibers

While synthetic fibers are a small portion of our fiber portfolio, we are committed to reducing our use of petroleum-based materials. Our expectation is to convert all virgin synthetic fibers to recycled or other more sustainable alternatives by the end of 2030.

Certification and Substantiation

LS&Co. uses the [Textile Exchange Certified Fibers](#) list and [Preferred Fibers and Materials](#) list to define our “sustainable materials.” One exception is hemp. Still considered an innovative fiber, hemp is not certified yet, but its significant sustainability potential is gaining recognition. In 2019 and 2020, we worked with third parties to substantiate water and chemical use reductions associated with hemp cultivation and the process we use for our cottonization. We are now working with industry associations such as the Sustainable Apparel Coalition to recognize hemp as a more sustainable material.

During 2020, we worked extensively to substantiate water and chemical use considerations associated with innovative fibers, materials and input for dye processes. This included making sure the bio-based fibers we source are not food turned into textiles and are grown with responsible land-use practices. We engaged a third party to identify ways to substantiate our claims regarding water and chemical use with a high degree of confidence.

In 2020, we also began using post-consumer waste recycled denim as part of our partnership with Re:NewCell to incorporate their groundbreaking Circulose® recycled fiber into denim. While the Circulose®

fiber is not third-party certified, our rigorous data tracking and substantiation process helps us ensure the overall product is sustainable.*

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

What's Next – Sustainable Fibers

Sustainable materials are just one element in our ongoing efforts to provide more sustainable apparel and support a circular economy, but they represent an important foundation. Today, more sustainable, next-generation fiber solutions are still emerging. We also will keep driving on each of these focus areas – sourcing fibers responsibly, engaging suppliers to address manufacturing impacts, and using next-generation fibers that are less resource-intensive – as we continue our work to deliver more sustainable products at scale.

Resources

[Animal Welfare Policy](#)

Safer Chemicals

A hazard-based approach to safer apparel chemistry

Textile mills use some 20,000 chemicals and are estimated to generate about 20% of the world's industrial water pollution. To address this issue, we introduced wastewater effluent standards to the industry in the early 1990s. Then in 2000, LS&Co. was one of the first apparel companies to establish a Restricted Substances List (RSL), identifying chemicals that are restricted in the manufacturing of our products due to their potential effects on consumers, workers and the environment.

In 2012, LS&Co. joined the Joint Roadmap Toward Zero Discharge of Hazardous Chemicals (ZDHC), pledging to reach zero discharge of hazardous chemicals by 2020 – a set of goals we met and a major milestone for our chemical management program. The pioneering Screened Chemistry program we launched in 2014 is designed to understand the potential human and environmental hazards of chemicals before they enter the supply chain, and to help us find safer and more sustainable alternatives.

We met our goal of zero discharge of hazardous chemicals by 2020 and we are now developing new targets for 2026.

Along this journey to sustainable chemical management, we have tried to play a central role in helping shift the apparel industry from a reactive system focused on products and RSL testing, to a more proactive approach that manages input chemistry through the Screened Chemistry program and the ZDHC Manufacturing Restricted Substances List (MRSList). Focusing on chemical inputs allows us to select the safest chemical options and better control options for the supply chain. This eliminates hazardous chemicals from consideration before they even get to manufacturing facilities.

With our suppliers, we have established an effective system to monitor chemicals going into our production processes. And we have moved from a risk-based evaluation of chemicals to one based on hazards. We also measure chemical output through factory wastewater testing, but believe controlling chemical inputs is the best approach to ensuring more sustainable chemical management in the apparel supply chain, along with safer products and wastewater outputs.

Restricted Substances Stewardship Program

We launched the Restricted Substances Stewardship Program (RSSP) to ensure conformance with the ZDHC Roadmap and the successful elimination of priority chemicals, as identified by Greenpeace and ZDHC. The program provides guidance and a plan to eliminate priority chemical use and discharge, while supporting safe and responsible chemicals management.

Through the RSSP, LS&Co. requires manufacturing suppliers to prioritize responsible chemicals management. Our suppliers are required to work closely with chemical suppliers and analytical laboratories to ensure that responsible management extends throughout the supply chain. This provides us with transparency into program implementation and promotes accountability. LS&Co. checks on RSSP performance and compliance status monthly.

Since 2015, we have focused on implementing the program with suppliers and aligning the RSSP with the ZDHC MRSL. We also have focused on other tools and trainings developed within the ZDHC Roadmap. We believe in industry collaboration to bring scale and scope to our commitment to zero discharge of hazardous chemicals.

From Chemical Risk to Chemical Hazard

Although the words are sometimes used synonymously, *hazard* refers to a substance's inherent properties that make it capable of causing harm to human health or the environment. *Risk*, on the other hand, is the possibility or likelihood of a harmful event coming from exposure to a substance. That's why we see preventing hazards as the right approach to chemical management.

As part of our continued evolution in sourcing the safest possible chemicals in our supply chain, the Screened Chemistry system was designed to shift us and our suppliers from a risk-based to a hazard-based chemical management approach. Since 2014, we have been evaluating chemical formulations from a hazard lens with the help of third-party toxicology experts. This includes looking at the full material disclosure of chemical compounds in a given substance to make the right selection. Screened Chemistry allows us to validate all incoming chemicals through hazard assessment and make sure they are free of harmful substances. This is in contrast to the risk-based approach, which does not require full disclosure and can only reduce the likelihood of negative outcomes and unsafe outputs at the end of the wastewater pipeline.

Our RSL and the ZDHC MRSL indicate chemicals that are banned or limited to a certain threshold in our products and in our manufacturing processes, respectively. But for the effective elimination of restricted substances from supplier sources, materials and products, we also consider the hazards posed by full

chemical formulation disclosures through the Screened Chemistry program.

Screened Chemistry

LS&Co.'s pioneering [Screened Chemistry](#) program examines chemicals used to manufacture our products against specific health and environmental impacts, allowing us to identify better alternatives and areas for innovation. Over the past five years, about 150 factories in the LS&Co. supply chain used our preferred chemicals list, which represents safer alternatives for manufacturing, and the aim is for all LS&Co. suppliers to use the preferred chemical list. This is a much more proactive approach to sustainable chemicals management in the industry, and one that we open sourced to benefit the entire supply chain.

To date, we have screened and cleared approximately 1,300 of our highest-use chemicals. Screening was performed by a toxicologist, validating RSL and ZDHC MRSL compliance as well as ensuring full material disclosure of the chemical formulation. We have shared the Screened Chemistry program with others in the industry and with the ZDHC Foundation, which is working on adopting the program as part of the ZDHC Aspirational Chemical Management level. As a result, other brands are now piloting the program with their suppliers.

Importantly, the Screened Chemistry approach exceeds legal requirements for chemical safety. It also includes commodity chemicals – the bulk chemicals that serve as building blocks in chemical processes and are the largest volume of chemicals used in apparel supply chains. Including commodity chemicals in the Screened Chemistry approach is a breakthrough for our supply chain. The commodity chemicals used in the apparel industry sometimes come from other industries, such as pharmaceuticals, and can contain impurities, residuals or contaminants from those other industrial uses. Under the Screened Chemistry process, any impurity or addition to a chemical must be disclosed and meet the ZDHC MRSL. This comprehensive and thorough approach is the first of its kind in the apparel industry.

The program screens impurities down to 100 parts per million. For example, in our F.L.X. program, this means that if a compound offers 99.99% purity, but the 0.01% includes a component we have screened out, we do not accept that chemical. All F.L.X. chemicals must be 100% Screened Chemistry conformant.

F.L.X. Reduces Chemicals

Through our game-changing operating model known as Project F.L.X., we are replacing manual techniques and digitizing the jeans-finishing process, allowing us to reduce the number of chemical formulations used in finishing from thousands to a few dozen. This is a major step in upholding our ZDHC commitment.

CleanChain Tool

Third-party toxicologists upload Screened Chemistry certificates to the CleanChain tool, where they can be accessed by our key suppliers. As of mid-2021, 108 factories in our supply chain are uploading their chemical purchases and deliveries. This allows us to see the chemicals used, by weight or volume, on a monthly basis in those factories. This tool allows us to have an outsized impact on safer chemical management beyond our own products, as our shared suppliers apply many of these preferred chemicals to the garments they produce for other, non-LS&Co. brands.

In Search of Scalable Botanical Dyes

Botanical, or plant-based, dyes offer potential as alternatives to synthetic chemical dyes. LS&Co. has tested the use of a variety of botanical dyes, but we have generally found they produce wide variations in color, in part because there is no non-chemical color fixing agent available to lock in a desired level of color saturation. While this might be acceptable for very small clothing lines, such as capsule collections, customers generally prefer to know the color jeans, jackets or tops they order will be in the color they chose. In 2020, we vetted botanical dyestuff and dyeing processes to evaluate some of their environmental benefits compared to conventional dye processes and feedstock. We determined that botanical dyes and process can save as much as 50% in water use than conventional processes.

Zero Liquid Discharge

The Zero Liquid Discharge (ZLD) program is a government waste management program in India. Participating factories must either recycle or dispose of sludge in a government-controlled landfill. Most choose to recycle their sludge onsite with the approval of government authorities. Nine factories in the LS&Co. supply chain have earned the ZLD designation.

Partnerships for Progress

Over the past two years, we also announced key partnerships to strengthen the program and prevent chemical hazards from entering apparel supply chains:

- We partnered with the Hohenstein Institute to use the Eco Passport™ by Oeko-Tex®* certification system to enable enhanced testing, verification and transparency to chemical suppliers.
- We collaborated with two companies working toward sustainable chemicals management, Scivera and NimkarTek Laboratory, to pioneer cutting-edge approaches to screen and track bulk commodity chemicals in apparel supply chains.

*Oeko-Tex® is a registered trademark of ÖTI – Institut Für Ökologie, Technik und Innovation GmbH.

Safer Chemicals, Safer Products

LS&Co. is committed to responsible chemical management and to driving sustainable progress within the apparel industry. Safer chemical use is fundamental to ensuring the safety of our products. As of January 1, 2016, LS&Co. stopped producing products with any perfluorinated compounds (PFCs) –chemicals that can make materials waterproof and stain resistant. We extended the ban to cover short-chain fluorinated compounds in 2018. Our ban on PFCs and per- and polyfluoroalkyl substances is significant, considering there are currently no equally effective water- and stain-repelling alternatives.

The LS&Co. RSL prohibits the use of priority chemicals, including alkyl phenol ethoxylates, phthalates, short- and medium-chained chlorinated paraffins, flame retardants and others. We are also taking measures to fully enforce our ban on alkyl phenol ethoxylates – chemicals used in some detergents and surfactants. Suppliers are not allowed to intentionally use these banned chemicals in LS&Co. products.

In addition to ensuring suppliers adhere to the Screened Chemistry program and encouraging them to use chemicals from our preferred list, we also conduct testing on finished garments. This includes product testing for chemicals as well as mechanical and construction characteristics, such as flammability and various product safety requirements for children's wear. Globally, LS&Co. is consistent in demonstrating the utmost product safety compliance with regulatory requirements. We experienced no safety non-compliances or recalls from 2018 to 2020.

2020 Highlights

- 1,300 chemicals on the LS&Co. Preferred Chemical List

- 108 factories use LS&Co.'s Preferred Chemical List and report chemical use to CleanChain tool
- Nine Zero Liquid Discharge factories in India, Bangladesh and Pakistan

What's Next – Safer Chemicals

We remain as committed as ever to advancing more sustainable chemicals management. Above and beyond our 2020 commitments, we will continue to advance strategies, programs and collaborative efforts with key partners to develop and scale chemicals management across the apparel sector. This includes continuing to partner with ZDHC and fellow member organizations to create more sustainable change at scale, eliminate hazardous chemical use and improve wastewater treatment practices across the industry. We will also continue our collaboration with the Hohenstein Institute to use the Eco Passport™ by Oeko-Tex® certification system to better implement our chemicals management processes and create a template for the apparel industry.

Resources

Screened Chemistry

Restricted Substances List

Waste Reduction

Eliminating non-hazardous waste and single-use plastics

The apparel industry has earned its bad reputation when it comes to waste. Back in 2017, the Ellen MacArthur Foundation captured attention for noting that a garbage truck of textiles is landfilled or incinerated every second somewhere in the world. And aggregate textile waste is estimated to increase by about 57 million additional tons of waste annually by 2030.

We have opportunities to help turn this tide, reducing waste in our supply chain and our own operations, and making it more convenient for consumers to change their own consumption and recycling patterns. This includes developing more circular product designs that use recycled inputs and are themselves recyclable and using recycled or recyclable packaging for our e-commerce shipments and product packaging. These and other tactics will move us closer to our vision of zero waste.

Reducing Waste in Our Operations

To improve efficiency and reduce waste in building out our retail stores, we recently developed and are testing a master set of plans and specifications for construction. The set includes metadata to make it as easy as possible for construction teams to use, with the aim of minimizing change orders that are inherently inefficient and potentially wasteful. We anticipate the new plans and specs will cut waste once they are fully implemented.

Owned-and-Operated Factories

Our manufacturing facility in Plock, Poland, is working toward zero waste to landfill through a waste segregation and recycling program and collection of denim material scraps for recycling into household industry. The facility has also provided employees with reusable water bottles, eliminating the use of plastic cups. Our plant in Epping, South Africa, also aims to achieve zero waste to landfill through a robust waste recycling program and collection of denim material waste for reuse in the automotive industry.

Retail Stores

The LS&Co. Retail Sustainability Playbook includes operational guidelines for reducing waste generated in our retail stores. It provides guidance for reducing our environmental footprint by minimizing store waste and increasing recycling and reuse rates at all LS&Co. store locations. Among other guidance, the playbook advises retail store managers to:

- Partner with waste haulers to ensure all waste is sent to the proper location, such as a recycling center.
- Ensure all waste is separated at the store level for proper recycling, including cardboard boxes and polybags from shipments.
- Implement a recycle or reuse program for common store items, including clothes hangers, display features, and other recyclable materials.
- Establish in-store recycling programs for customer clothing, along with a local partner for proper donation or recycling of all used clothing.

A recent development, pre-fabricated fitting room walls, allows us to take the walls with us should we move to a new location, eliminating the waste associated with disposing of the old ones and using resources to build new ones. As of mid-2021, this is being done at our stores in India, and we aim to expand use of pre-fabricated fitting room walls to other regions in 2022.

All owned-and-operated U.S. and Canadian Levi's® retail locations and all U.S. wholesale locations use 100% post-consumer waste stock for their print materials. What's more, the newest mannequins we use are made from 100% recycled base stock that blends both post-industrial and post-consumer materials. Biodegradable window clings are replacing plastic window signage as of 2021. And we are piloting and setting goals for incorporating recycled denim coat hangers to further reduce wood use and waste in several locations as well. This recycled denim material was an ingenious idea by an LS&Co. employee.

Distribution Centers

Our 10 owned-and-operated distribution centers handle about 75% of our e-commerce volume globally. This gives us opportunities to make efficiency changes that reduce waste in logistics and shipping. To gain even more control over efficiency and waste, we have brought e-commerce operations in-house in India and China, and plan to bring e-commerce logistics operations in-house to our state-of-the-art, LEED Platinum-certified distribution center in Henderson, Nevada, as well. A new system in Henderson will eliminate polybags and save other plastic packaging while also reducing transportation needs – all of which will add up to environmental improvements. All our owned-and-operated sites have strong recycling programs that allow them to operate almost waste-free.

Our distribution centers are also able to reuse about 75% of the cartons that come into the facility from suppliers, repack them and ship products out to large retail customers.

E-Commerce and Third-Party Retail

Shipping packages to our customers and receiving returned packages generates a lot of waste. From paper to polybags, we are working to reduce the amount of packaging our online customers receive. Over the last two years, we have collaborated with a variety of third-party retailers to reduce or eliminate the polybags used to protect our garments during transport to their distribution centers and stores.

Strengthening Boxes for Reuse

Approximately 90% to 95% of our products travel across the ocean by ship. Before being placed into a shipping container, our garments are packed into boxes of various sizes. A wide assortment of different boxes are used across the world, which reduces loading efficiency and leaves wasted space inside the containers. Our shipping experts are working hard to optimize the size of boxes and match box size and durability to the product, but we have not yet resolved the issue of multiple box sizes being used around the world. In 2020, we also worked on strengthening the boxes in which our products ship so they are still intact when they reach the distribution centers and can be reused. This has included improving the moisture-resistant coatings on boxes to eliminate some of the polybags used by suppliers to protect our products during shipment.

Predictive Forecasting

Most apparel companies – and we are no exception – carry more units of apparel than they end up selling to be prepared to satisfy consumer demand across a variety of styles, colors and sizes. With this practice

comes waste in the form of “excess and obsolete” inventory. Optimizing this inventory could reduce environmental impacts significantly, from production, to shipping, to energy use in distribution. Much of this inventory can be sold through our brands’ outlets and third-party retailers, but resources were still consumed in its production and transportation.

Artificial intelligence (AI) and digitization offer the potential to bridge gaps between forecasted product needs and reality through more detailed demand forecasting. We also have opportunities to use digitization for product prototyping, eliminating the need to manufacture physical samples. In 2020, we pushed forward on digital evolution to incorporate more AI and predictive science for products across the company, which proved valuable in predicting uncertain demand during the COVID-19 pandemic and has already improved inventory efficiency. We will continue working toward a digitally powered organization to increase efficiency and eliminate waste wherever possible.

Reducing Plastics

Shifting the industry away from single-use, virgin plastics

Soft plastic packaging bags, or polybags, and other plastics are ubiquitous in the apparel industry, with an estimated 180 billion polybags produced for the industry every year and a small percentage collected for recycling. Polybags are the clear plastic bags commonly used to protect garments, footwear, and accessories during storage and shipping. Other forms of plastics used in the apparel industry include a range of items, from small hooks, clips and shirt collar supports to large shipping carton liners. Polyvinyl chloride, or PVC, is banned from use with any LS&Co. products, so all polybags used for our products are non-PVC, biodegradable or recycled. Even so, we are working to find ways to reduce their use in our supply chain, distribution centers and stores.

Eliminating Single-use Plastic Packaging

We eliminated plastic collar bands two years ago, and we are currently determining the feasibility of eliminating plastic hangers. This involves close cooperation with merchants and third-party retailers and will take some time. However, we were able to reduce the number of e-commerce products needing hangers by about 5 million between 2020 and the first half of 2021.

Reducing Polybags

In the LS&Co. value chain, our suppliers wrap light-colored t-shirts and tops in polybags to keep them clean, and all of our e-commerce shipments currently go out to customers in a polybag. Over the past few years, we have carefully examined our polybag use practices to replace them with paper wrapping and use different folding techniques to minimize the need for a polybag.

Within six months of our North American e-commerce operations moving to the state-of-the-art LS&Co. Henderson, Nevada, distribution center, we will eliminate polybags from e-commerce shipments. We have also begun discussions with third-party retailers such as Macy's and JC Penney about ways they can remove polybags from their e-commerce shipments of our products as well, especially with products like dark blue or black jeans. Some retailers continue to request that every unit be shipped in a polybag, so we are working with them to demonstrate the effective use of more sustainable approaches, such as paper-based wrapping.

Ongoing Challenges

There is a reason polybags are so common in our industry – they work well to protect folds and keep clothing clean. Finding alternatives that work as well is a challenge. In addition, some of our third-party retail partners receive pre-packed product shipments from us. This means these items do not get opened and repackaged at a distribution center and must be in a polybag to protect them.

What's Next – Waste Reduction

We continue looking at ways to reduce waste associated with our products and operations. Next steps include finalizing our waste reduction strategy to ultimately achieve zero waste to landfill. These efforts will further reduce product packaging, e-commerce and logistics waste, single-use plastics and waste related to manufacturing our products. We will continue to focus on the waste associated with shipping our products, specifically strengthening cartons for reuse and protecting our clothing, which may also help eliminate large poly carton liners. This change could save significant volumes of plastic. We will also take a deeper look at the waste generated from manufacturing, further engaging with our suppliers on waste management systems, circular production methods and measurable waste reduction.

In 2021, our owned-and-operated distribution centers will test the use of paper bags instead of polybags with some WellThread® products. The bags are strong with a slightly waxy finish that provides moisture resistance and protection from dirt and are easily recyclable. However, they cost more than twice that of polybags, so it will be challenging to make them a viable option for widespread use. We are also looking to test bio-based alternatives and will continue working with industrially compostable bags as well as

recyclable polybags made from recycled content.

Community



Putting people first

Contributing to these Sustainable Development Goals:

Levi Strauss & Co. is a unique and iconic American company, but we do not stand alone. We are part of a much larger ecosystem of relationships and partnerships that collectively shape our broader sense of community. Our actions within this ecosystem come from a belief that we must honor the touchpoints we have up and down our value chain. We must provide safe and supportive working environments to which people can bring their whole selves and from which they can expect dignity and respect. We must be diverse, equitable and inclusive. And we must use our voice and our philanthropy to address issues of importance to our various stakeholders, from employees to consumers to people who live and work in the areas where we operate.

Our actions and ambitions within this community framework include employee programs; diversity, equity and inclusion work; our supply chain standards and Worker Well-being initiatives; our social issue advocacy; and our philanthropic and volunteering programs. Together, these are linchpins of the “profit through principles” approach that has guided us in the past and will continue to guide us going forward.

In all these areas, collaboration – with peers, with industry-wide organizations and with consumers – is critical to realize our ambitions for employee, worker and community well-being. We join with others to share knowledge and lessons learned, explore and accelerate new ideas and work together on solutions that can make a meaningful difference in the lives of the various community members we serve.

A Look at Our Diversity, Equity & Inclusion

Cultivating an inclusive environment where everyone feels safe and valued

We know that businesses are stronger and more successful when they are diverse and represent the communities they serve. But working towards true equity, justice and inclusivity, in and beyond LS&Co., is both a moral and a business imperative. We're at our best when everyone can bring their true, authentic self to work every day, which is why we are committed to building an organization that better reflects the communities we work in and serve, and where everyone feels safe and valued.

Transparent Disclosures

This work begins with a transparent assessment of where we stand. In June 2020, we released [our representation data](#)

for the first time and committed to annual updates. Although LS&Co. has long championed diversity, equity and inclusion, sharing our representation data creates a clearer way for us to measure progress. We will continue to hold ourselves accountable in this ongoing process. Our assessment highlighted the rich diversity among LS&Co. retail staff. We saw a less positive picture at the leadership levels, where Black, Indigenous and People of Color (BIPOC) representation was very limited, and female employees were likewise underrepresented at higher levels.

Foundational Changes

We took several concrete steps to attract, retain and grow diverse talent, starting with the hiring of Elizabeth A. Morrison to the newly created position of Chief Diversity, Equity & Inclusion Officer in 2020. As part of our new DE&I strategy, she has been building her team, including bringing on a head of Diversity & University Recruitment.

We were pleased to welcome Elliott Rodgers, Chief Information Officer of Ulta Beauty, to the LS&Co. Board of Directors as well. His expertise in ecommerce, digital transformations and operational excellence in an omnichannel supply chain is especially valuable as we continue to look for innovative ways to get our products to our consumers when, where and how they want them.

We are also leveraging the latest tools and creative partnerships to ensure we recruit from the most

representative talent pools possible, including historically Black colleges and universities. To further diversify our talent pool, we committed to ensuring that half of the interviewees for open positions are racially diverse. We are also expanding our leadership and development opportunities for racially diverse employees. In the coming years, we will launch a career path program to help retail and distribution center employees advance to corporate roles.

In 2020 and into 2021, we made real near-term progress, but we also know that we're not there yet, and it will take time. We are committed to the long-term, sustainable investments we have made to hire, support, promote and elevate more people of color at LS&Co. across levels and functions.

Pay Equity

We conduct independent pay equity audits every other year, with the goal of maintaining fair and equitable pay. In 2018 and 2020, an outside firm conducted an audit across our U.S. non-union population, which includes corporate and retail employees, as well as distribution center management. The study considered job level, performance, experience and factors such as promotion recency to examine our relative pay practices across gender and ethnicity in each population. Both the 2018 and 2020 studies found no systemic pay differences across gender and ethnicity. We still have more to do globally to drive equity across all pay and career advancement practices, including increased transparency and objectivity around compensation rewards and development opportunities. These goals will be central to our ongoing work.

Employee Resource Groups

Our 12 [employee resource groups](#) (ERGs) are designed to celebrate our differences, create safe spaces and build our collective cultural intelligence. In 2020, we launched two new groups: Sawubona, which focuses on Black / African employees in Europe, and Team A.B.L.E (Adapting Beyond Limits & Expectations), which aims to create a community where families, allies and people with special needs feel safe and included. All ERGs went virtual in 2020 and attracted more than 2,000 employees globally through a variety of educational and inspirational events.

The ERGs are critical to driving honest, provocative conversations, while helping employees feel connected, engaged and encouraged to bring their whole selves to work. Some of our ERGs have also stepped up to tackle broad societal challenges. LS&Co.'s Black ERG, Project Onyx – which is committed to creating an inclusive work environment and raising awareness of the Black experience – played a leading role in formally recognizing and celebrating Black History Month at LS&Co., shaping the company's internal and external response to the killing of George Floyd, navigating the renewed focus on Black Lives Matter during the protests that followed, and partnering with other ERGs to plan cross-sectional events. They also have

offered invaluable counsel to our executive leadership team to further support DE&I at LS&Co. Other ERGs, such as Rivet (our women's ERG), InsideOut (our LGBTQ+ ERG) and the Asian ERG play similar roles on issues germane to their focus areas.

Inclusion and Allyship

Creating an inclusive workforce means connecting our employees to the issues that matter – and to each other. Our diversity and allyship events feature leading speakers and learning opportunities that strengthen our understanding of the world around us. A variety of events and resources keep employees informed about our collective efforts to create an inclusive culture, such as:

- Our first global virtual women's summit, RISE: Seen & Heard, attended virtually by more than 1,000 employees, including women and men, around the world in 2020.
- A 2020 Speaker Series focused on racial justice, DE&I and equality, attended virtually by almost 2,000 employees globally.
- Internal articles covering allyship, heritage, social and racial justice, intersectionality and related topics.

We also make sure to bring our values to life in our retail locations as a founding member of the Open to All campaign, a commitment to welcoming everyone into our stores regardless of race, ethnicity, national origin, sex, sexual orientation, gender identity and expression, immigration status, religion or disability.

Adding Our Voices

Speaking Up. As we've done for decades, we've spoken up on issues that directly affect our business and our people, many of which tie into our broader DE&I goals. This includes joining the Facebook boycott calling out the proliferation of misinformation; drawing a connection between structural racism, gun violence and voter disenfranchisement; and championing the importance of a stronger, more inclusive democracy.

Through the Use Your Voice campaign on Instagram, the Levi's® brand hosted conversations with Black and LGBTQ+ leaders, voting rights activists, educators and organizers, reaching more than 15 million people around the world.

Voting Initiatives. To root out the racism embedded in institutional structures and systems, we need a functioning, representative democracy. To that end, we put our weight behind a number of voting initiatives in the U.S. during 2020. Together, LS&Co. and the Levi Strauss Foundation supported more than 20 [voting rights and engagement organizations](#) working to remove barriers and improve access to the polls, mobilize voters in marginalized communities, and engage young voters in the democratic process.

Giving. In 2020, as every year, employees showed their support to organizations working toward equity and social justice, with nonprofit giving – including our company match – growing 471% over the previous year in civil rights, social action and advocacy. Unfortunately, organizations led by people of color – especially women leaders of color – are largely underfunded. The Levi Strauss Foundation currently directs an average 65% of philanthropic funds annually toward organizations led by people of color and is committed to increasing this level of financial support.

What's Next – Diversity, Equity & Inclusion

Over the last year we have made real near-term progress, but we also know there is more to be done. Our DE&I work is guided by a multi-year, multi-faceted global strategy centered around valuing diverse talent, seeking fairness, and building culture, brand and influence. This strategy captures our renewed commitment to creating a company that mirrors our consumers and communities, while continuing our longstanding external work to advocate for a more equitable and just society.

In 2021, building on our commitment to improve diverse representation and create an equitable playing field in our company and industry, LS&Co. joined the newly formed Diversity in Design Collaborative as a founding member. We will work with other leading companies to foster systemic change by increasing design career opportunities for Black youth, building an educational pipeline leading to full-time employment. LS&Co. also joined the Asian American Foundation's AAPI Giving Challenge, making a five-year commitment to support Asian American and Pacific Islander (AAPI) communities in the pursuit of belonging and prosperity, free from discrimination, slander and violence.

Building a culture of belonging takes everyone's active participation. That's why we launched and are asking every employee to take #thepledge, which is our commitment to action for DE&I. By participating in our curated and customized diversity training, engaging authentically in the learning experience, and finding ways to bring key takeaways to life, employees are doing their part to help us deliver on our commitments to increase the diversity of our workforce and enhance our culture of inclusion. This is how we create an environment where our workforce feels empowered to be their authentic selves. Investing in our employees' DE&I capabilities is key to achieving our goals. Going forward, we will be sharing annual DE&I impact reports that provide even more detail.

Employee Support and Development

Helping employees be their best at any stage of life and career

LS&Co. has approximately 14,800 employees around the world. They are part of a unique global community that grows and shapes our brands through creativity, innovation and teamwork. Wherever they are in life or in their career, we want them to feel they can have an impact and that we are providing the support they and their families need to stay healthy, meet their financial goals, protect their income, and balance their work and personal lives. This past year emphasized just how important this is, but our commitment to our people predates the pandemic and will remain a priority long after it is contained.

Employee Well-being

Because people are critical to our success as a business, we aim to support our employees and communities in ways that promote their well-being and allow them to flourish. We've been a longstanding leader in key

areas – decades ago, we were the first American company to provide benefits to same-sex partners. More recently, we extended paid sick leave to all part-time employees – and we continue to build on those foundations for a more diverse and equitable workplace.

Leading Benefits

While benefits vary by position, location, and eligibility, LS&Co. employees have access to competitive compensation, innovative well-being programs, and best-practice benefits. Depending on location, comprehensive benefits are generally available to full-time employees working in our offices, our retail stores and our distribution centers. In addition, all LS&Co. employees around the world, whether part-time or full-time, can take advantage of four important base benefits:

- Travel and accident insurance
- Global life insurance
- Employee Assistance Program, known as WorkLife
- Global mental well-being program, THRIVE

Health and Wellness for the Whole Self

We know that for employees to do their best work, they need support in their physical, financial, emotional and social well-being. Our holistic support program connects employees to information, resources, incentives and rewards through a range of avenues, starting with childcare and family support, WorkLife (our Employee Assistance Program), **live wellth** (our well-being program), performance coaching, and fitness discounts, among other benefits.

Paid Family Leave

In 2016, we amended our Paid Parental Leave program to offer eight weeks of paid leave for hourly and salaried LS&Co. employees, regardless of gender, at the time of a child's birth, adoption, or entry into a family from foster care. In early 2020, we took another step, offering up to eight weeks of paid family leave to help ease the strain on U.S.-based employees caring for an immediate family member with a serious medical condition.

Since then, we have advocated for national paid leave policies so employees of other companies have access to support when illness or caregiving needs affect their family. More than one in 10 U.S. adults are caring for an aging parent or immediate family member at the same time they are raising their own children, according to a Pew Research Center study, so the need for paid leave policies is urgent.

This policy is an important part of our commitment to building a best-in-class workplace that supports well-being and enables our employees to take care of themselves and their family members in the moments they need it most. In May 2021, we expanded bereavement leave for our employees to two weeks. Bereavement eligibility now also includes pregnancy loss.

Safety Nets for Part-Time Retail Employees

While many U.S.-based companies provide safety net provisions to full-time employees, most part-time workers go without these benefits. That is not the case at LS&Co. In our company, part-time employees may participate in the 401(K) retirement savings program. To help employees save for the future, we match \$1.25 for every \$1 contributed by employees to our 401(K) up to the first 6% of each paycheck, as well as a 15% discount on LEVI shares through our Employee Stock Purchase Plan.

In May 2020, we extended paid sick leave to all U.S. part-time hourly retail employees – who make up the majority of our retail team members – making them eligible for paid sick time of up to two weeks based on their average hours worked. An investment in the future of our workforce and our business, this benefit will continue after the pandemic subsides because we never want employees to feel they have to choose between their health and their income.

Additionally, the Red Tab Foundation, our employee hardship assistance initiative, runs the [Red Tab Savers](#) program. Available to employees in the U.S. and Canada, the Savers program helps hourly LS&Co. employees build a short-term emergency fund and a habit of savings. The 6-month matched savings program allows employees to build a safety net and receive a dollar-for-dollar match, up to \$260, from the Red Tab Foundation. The program also provides financial literacy support to help employees get started. In 2020, 620 frontline retail and distribution center employees participated, collectively saving more than \$280,000 of their own funds, with the Red Tab Foundation contributing more than \$72,800 in matching rewards.

Recognizing Excellence and Dedication

When employees truly go above and beyond, we recognize their contributions through several awards:

- Exceptional business results – Impact Award
- Substantial impacts that set a new global standard for our business – Koshland Award
- Innovative achievement in commercial, social and environmental sustainability – Haas Award
- Leadership in amplifying the voices of women – Meeta Award

In 2020, dedicated frontline employees in our owned-and-operated factories, distribution centers, and retail stores helped reopen after mandatory closures, adopted new health and safety measures, and worked tirelessly to serve customers and the business. In the face of the COVID-19 pandemic, our retail teams learned entirely new skillsets to deliver the best possible experience to consumers.

In early 2021, we honored them, about 12,000 frontline employees, including those newly hired during 2020, with the Impact Award and a financial bonus. It was an expression of our gratitude for those who safely

addressed customer needs under extraordinary circumstances.

Support During COVID-19

The pandemic presented a significant challenge for LS&Co. employees worldwide. From the outset, we prioritized the safety and well-being of our people, launching a suite of initiatives in our offices and stores designed to support physical, psychological, and financial well-being.

Thousands of our retail, distribution center and manufacturing employees were on the front lines during the worst of the COVID-19 pandemic. We updated and adapted our policies to ensure that their working environment was as safe as it could be and that we were following all applicable health guidelines – or exceeding them in circumstances where we believed they did not go far enough.

Due to business disruptions and prolonged store closures, we did have to furlough some retail employees. In those instances, we provided regular pay for several months, continued offering benefits and invited employees back as stores reopened. Around the world, we worked through a network of state and LS&Co. supplemental pay programs to take care of employees while stores were closed. In addition, the Red Tab Foundation implemented a no-interest loan program to help U.S. employees bridge the gap before unemployment payments arrived, issuing more than \$100,000 in loans this way.

Once stores were able to re-open, we adapted store policies to prioritize the safety of our staff and consumers alike, and we continue to adapt our retail and distribution center practices to support the well-being of workers.

Health and Wellness

The COVID-19 pandemic demanded a lot of employees, so we expanded our wellness and mental health programs to support resiliency and well-being in all areas of life. We made it easier to access the suite of integrated **WorkLife** well-being benefits, adding 24/7/365 access to a personal coach, offering enhanced mental health benefits, and connecting employees with the [Thrive Global](#) app to support mental, physical, financial, family and social well-being. Our partnership with Thrive will continue beyond the pandemic.

We also added access to Talkspace, a digital platform offering an alternative to face-to-face therapy with a licensed behavioral health clinician, providing greater flexibility to improve health. And we offered a new program, [Grief Warrior](#), to help employees and teams process grief through guidance, workshops and training. We expanded the program in 2021 to provide more support to global regions being deeply impacted by the pandemic.

In addition to our existing **live wellth** program, which offers opportunities to complete well-being-related activities to earn incentives throughout the year, we began offering new workshops on yoga, Pilates, and dealing with isolation – provided around the world in local languages. We also implemented a no-meeting-Friday policy for corporate employees and provided them with the last Friday off each month to encourage self-care and time with loved ones.

To help parents juggling remote work and parenting during the pandemic, we upgraded our childcare and parent support benefits and made them available to full-time retail employees. The new benefit includes support with childcare and eldercare, access to a network of 6 million live and virtual caregivers, full-time nanny placement services, an online curriculum of classes and parent support webinars and tutoring services.

Specialized Resources and Training

New training initiatives offered more help getting set up to work at home, while a host of other resources provided tips and tools for everything from ergonomics and remote work technology to managing isolation and working from home with the whole family. We earmarked \$1.2 million to make sure those working remotely had additional IT equipment they might need, such as a monitor or printer. The *Learning to Flex* newsletter connected employees to a wide variety of new resources via email, the intranet, live panels and virtual instructor-led training and webinars.

Manager Training

Training for managers in 2020 focused on supporting team members through frequent check-ins, empathy and flexibility. Other new resources included a Manager Reset workshop that was attended by 88% of managers, and courses on Starting New Hires Virtually¹ and Managing Remote Teams. We also conducted a specialized 10-week training for U.S. retail managers, U.S. wholesale managers, and district and store managers from Canada and Mexico on topics such as leading through change, thriving in the new normal, inclusive leadership, race and wellness, and physically distanced customer service.

Employees Helping Employees

As the COVID-19 pandemic affects people around the globe, the role of hardship funds has never been more critical. Widely considered to be the first corporate employee-funded hardship fund, the Red Tab Foundation is a public, nonprofit foundation that assists LS&Co. employees, retirees and their families during times of unexpected financial hardship. During the COVID-19 pandemic, the Red Tab Foundation served a valuable connecting point between employee giving and employee grants, disbursing more than \$720,000 in COVID-specific hardship relief.

Assistance to Departing Employees

The impact of the pandemic, coupled with a restructuring initiative, resulted in workforce reductions occurring in 2020 and 2021. These difficult steps were necessary to provide us with a path forward to be the strongest possible business and employer over the long term. In all instances, we sought to treat our employees with empathy and respect, providing additional support where possible. Most departing employees received severance packages and were allowed to retain company-issued computers and phones. Most remained eligible for [Red Tab Foundation](#) support and our Employee Assistance Program for an additional year.

Read more about [how we supported departing employees](#).

What's Next – Employee Support and Development

Many of the programs initiated during the pandemic – paid sick leave for part-time retail employees, for example, or participation in the Grief Warrior program – will continue going forward, even when the pandemic threat recedes. Much about work has changed over the past year, and we have additional

opportunities to support employees so they can be their best selves and do their best work.

We will also continue to make sure employees know they have a voice in our company, whether through the regular town halls during which anyone can ask questions of our CEO, or through our growing number of employee resource groups. And we will resume a regular cadence of employee surveys to learn more about our employees' experiences and continue refining or adding new programs to support holistic well-being.

Supply Chain: Going Beyond Compliance

Collaborating for holistic worker health and well-being

In 2020, we sourced apparel, accessories and footwear from suppliers located in approximately 40 countries for our Levi's®, Dockers®, Signature by Levi Strauss & Co.[™] and Denizen® brands.*

Since 2005, LS&Co. has publicly disclosed our Tier 1 suppliers. Today we publish Tier 1 and 2 suppliers and partner with the Open Apparel Registry (OAR) to open source our list and unique factory identifiers for better stakeholder engagement. We believe that this degree of transparency leads to accountability and a better-performing supply chain.

As of mid-2021, almost 457,000 people worked in our suppliers' Tier 1 facilities, while another nearly 88,000 worked in Tier 2 facilities supporting LS&Co. products. Continued partnership with our suppliers with a focus on worker well-being has been at the heart of our historical success. To make sure we have the most

resilient approach to our supply chain, we continually evaluate where and with whom we partner to produce our products based on a variety of factors, including supplier performance, country level risk, quality, capacity and time to market. Through regular factory assessments, supplier training and our Worker Well-being initiative, we collaborate with suppliers to drive improvement on the key social and environmental issues common to the apparel supply chain.

**This represents all sourcing countries, including those where we source from just one or two suppliers. Some other LS&Co. publications, including our Form 10-K, have reported our key sourcing countries, which is a smaller number.*

Our Supply Chain

Supply Chain Sustainability Guidebook and Terms of Engagement

In 1991, we pioneered a comprehensive workplace code of conduct for our suppliers, known as the Global Terms of Engagement. Based on international standards, such as the UN Universal Declaration of Human Rights and International Labor Organization core conventions, the Global Terms of Engagement were designed to help us improve the lives of the people manufacturing our products by requiring they be treated with dignity, respect and fairness within safe and environmentally responsible factories. While the Terms of Engagement were innovative and pioneering 30 years ago, they have since become standard for responsible sourcing across the industry.

Today, the supply chain social and environmental requirements codified in the LS&Co. Terms of Engagement (TOE) have been incorporated into our comprehensive [Sustainability Guidebook](#). In 2020, we updated the Sustainability Guidebook to incorporate more comprehensive guidance on pandemic safety, gender equity, migrant worker protections and other key topics. Our approach emphasizes the need for workers to be treated fairly and equitably by managing compliance as a foundational element. The TOE requirements are applicable to every factory, subcontractor, licensee, agent or affiliate that manufactures or finishes products for LS&Co., including our owned-and-operated factories.

2020 Guidebook Updates

In 2020 we made a number of updates to the Guidebook covering:

- Gender equity
- Foreign migrant worker protections
- Freedom of association
- Wages and benefit requirements
- Robust health and safety guidelines in response to the COVID-19 pandemic and to address multi-story building risks.

Assessments for Risk Management, Improvement, Transparency

Companies with strong supply chain standards, monitoring and engagement are better positioned to manage risks. The TOE assessments conducted at our suppliers' factories annually help us identify any business, social or environmental risks that could be posed by non-compliance and enable us to work with suppliers to improve their performance. The LS&Co. Sourcing Department is key to continued compliance and improvement among suppliers.

TOE Assessment Approach

Assessments are conducted by LS&Co.-approved third-party monitors when a new supplier is onboarded and annually thereafter, or more frequently if needed to evaluate corrective action compliance. To verify quality and integrity, we review and approve all third-party monitors and require them to go through training, examinations and annual performance evaluations that include shadow assessments. These shadow assessments evaluate a monitor's capabilities to conduct a TOE assessment onsite. They involve an LS&Co. sustainability team member joining a TOE assessment conducted by the external monitor. Supplier violations found during the assessments are categorized by three levels of severity:

- **Zero tolerance violation** – a serious breach of the TOE that LS&Co. believes could result in severe impact to individual rights, safety, and/or LS&Co.'s corporate reputation. Zero tolerance violations must be remediated immediately.
- **Immediate action item** – a breach of TOE that LS&Co. believes would result in negative impact to individual rights and safety and/or LS&Co.'s corporate reputation. Immediate action items must be remediated fully within two months.
- **Continuous improvement item** – a labor, health and safety, or environmental issue that LS&Co. believes the factory should address to enhance the well-being of its workers and/or improve the factory's reputation or management practice.

In both 2019 and 2020, 97% of our TOE assessments were conducted by LS&Co.-approved third-party monitors or ILO Better Work monitors. The remaining 3% of assessments were done by LS&Co. Responsible Sourcing team members. We perform assessments in a small number of cases, such as when we identify critical non-compliance issues or do not have a network of approved external monitors in a given market.

TOE Supplier Ratings

Every LS&Co. supplier is assigned a TOE rating from 1 to 10, with 10 being the best rating, based on overall performance, past record, and timeliness in completing corrective action plans (CAPs), when necessary. These ratings are used by our manufacturing operations team when considering which suppliers to use and how much production to allocate.

Top performers are those with no TOE violations, a good TOE management system and consistent high performance on our TOE requirements. Poor performing suppliers are those with zero tolerance violations and/or repeat violations, slow follow-up or lack of willingness to improve. These suppliers will be given formal warning that they are in danger of having their production orders reduced unless they improve. In most cases, such notification motivates the supplier to quickly improve.

Suppliers can enhance TOE rankings by establishing a strong record on compliance and systemic issues. Our expectations are high; we do not increase scores until issues have been resolved. If a supplier receives a rating of 6 or below, we work with them and in collaboration with other brands sourcing from the same facility to improve performance. The hope is always that the issues can be addressed, because pulling out of a factory can have long-term impacts on the workers in those facilities, potentially leading to job loss. Being part of the solution is the preferred way forward, whenever feasible.

The COVID-19 pandemic affected supplier performance in 2020 to some degree because our TOE assessments penalized them for delays in remittance of social security benefits, severance payments to workers, delays in permits renewal and other issues associated with the pandemic.

**This list of findings reflects the most frequently identified issues during 2020 facility assessments. To facilitate year-over-year comparisons, we have shared the percentage of 2019 assessments that also identified these issues, regardless of whether the issue was among the top five or six most frequently identified in 2019.*

Zero tolerance violations, continuous improvement findings and immediate action findings all require the supplier to implement a corrective action plan. Our TOE requires compliance on more immediate action issues than any other categories of TOE compliance and includes detailed safety requirements for laundering and finishing garments. For these reasons, our assessments find more immediate action issues, most of which have to do with health and safety. In addition, we have been working diligently to further improve worker health and safety, which includes significant updates and new requirements to our Sustainability Guidebook. While repeat health and safety violations are declining as suppliers apply our newest requirements, updates

to the Guidebook tend to lead to temporary increases in non-compliance findings as vendors implement the new requirements.

Notes

- Status based on data from January 2020 to December 2020.
- Continuous Improvement issues were included in the calculation of uncompleted actions. As per our requirements, we offer suppliers six to eight months to demonstrate improvement in those areas. This makes them appear incomplete in our reporting data, particularly with respect to health and safety and environment findings. We are aware that we provide suppliers more time to demonstrate improvement than some other brands and that this affects our reporting of overall completion rates. This is because we want to make sure the issue is actually addressed for the long term, and to our standards. We are looking closely at our CAP closure criteria and metrics to make sure they are in line with industry practice. We also anticipate continuing to shift suppliers to the SLCP Converged Assessment Framework, which aims to provide industry-wide assessment consistency.
- With respect to wages, the pandemic and its ripple effects caused delays in social security remittances and payments of severance, when applicable, across the industry in 2020.
- Legal Permits renewal was also a common issue.

Better Work Assessments

Better Work is an International Labor Organization (ILO) and International Finance Corporation (IFC) initiative to improve factory working conditions and honor worker voices. We were one of the first to join Better Work when it was formed in 2001 and remain committed to its principles. As of mid-2021, 10% of our Tier 1 suppliers are covered under the Better Work Program. In the countries where Better Work has a presence, all LS&Co. supplier assessments are carried out by Better Work.

Social & Labor Convergence Program

The Social & Labor Convergence Program (SLCP) is designed to help suppliers and brands move away from brand-specific factory assessments to a holistic industry approach through the Converged Assessment Framework. Some suppliers experience audits from multiple brands, duplicating effort and draining time from efforts to improve working conditions. The SLCP approach is designed to reduce duplication, enhance industry-wide consistency and strengthen accountability. In addition, the assessment framework supports joint remediation and shared responsibilities among brands in the same supplier factories.

We have begun the process of shifting from TOE-based assessments to the SLCP approach, and in 2021 we started testing it with approximately 20% of LS&Co. suppliers, with a goal of moving all key suppliers in SLCP countries to the converged framework by 2025. We are committed to SLCP and believe in the value of consistency across supply chain assessments. SLCP is not yet active in many of the countries where our suppliers are located, however. In addition, while a converged approach is beneficial when a factory serves multiple brands, for small suppliers that work exclusively for LS&Co., the TOE-based assessment approach may continue to be most effective.

Read more about the [Social & Labor Convergence Program](#).

Overcoming Assessment Challenges

Although factory assessments are commonplace in the apparel industry, we are learning that the process comes with challenges and limits. In fact, the recent Worker Well-being Impact Study conducted by The Sustainability and Health Initiative (SHINE) at Harvard University's T.H. Chan School of Public Health with grants from the Levi Strauss Foundation determined that the assessment mechanism has become outdated for catching certain issues. We are looking into ways we can use the Worker Well-being initiative to uncover and address these issues. For instance, implementing worker voice programs and empowering workers to speak up, whether through committees, grievance mechanisms or other platforms, can be an effective way to uncover concerns and begin addressing them.

Holistic Workforce Investments

Compliance with our TOE and its Sustainability Guidebook is a non-negotiable requirement. At the same time, we understand that lasting change happens when suppliers – and their factory managers – recognize that a safe, fair and empowered workplace contributes to their own business success. This means that in addition to complying with our requirements, suppliers must go beyond, investing in their workforce and ensuring the safety and holistic well-being of their employees. Through collaboration, training and initiatives like our Worker Well-being initiative, we support suppliers in making the transition from a strictly compliance-based approach to one that embraces holistic well-being for the people who make our products.

Addressing Priority Labor Issues

Our expectations and requirements of every supplier are detailed in the LS&Co. Sustainability Guidebook, which incorporates our Terms of Engagement (TOE). We update these requirements as needed to address any new risks identified and to align with new regulations. This includes providing suppliers with training and resources to make sure they understand and can comply. Although we provide a grace period before the new requirements are rated during assessments, we sometimes find that the addition of new requirements results in non-compliance assessment findings as suppliers work to adjust their procedures.

Like many apparel brands, our work with suppliers over the years has especially focused on three issues that appear in assessment findings:

- 1. Health and safety (detected in 54% of 2020 assessments)**
- 2. Working hours (detected in 13% of 2020 assessments)**
- 3. Wages and benefits (detected in 9% of 2020 assessments)**

In 2020, as in previous years, we focused on helping our suppliers address these common issues. We terminated one supplier relationship for non-compliance.

Strengthening Our Responsible Sourcing Strategy

To make sure we continue addressing the most pressing social and labor issues in the apparel supply chain, we developed a new Responsible Sourcing Strategy. Working with [ELEVATE](#), we conducted a thorough review of our sourcing program, from strategy and governance to transparency, monitoring and engagement. We used that analysis to develop a three-year roadmap for an even more effective responsible sourcing strategy that aims to go deeper into the supply chain beyond Tier 1 and 2 suppliers and include more robust mechanisms for worker grievance, stronger monitoring in high-risk countries, and even

greater transparency.

Health and Safety

The ability to work in a factory that is clean and safe is a basic worker right and LS&Co. suppliers are required to provide safe buildings, secure work environments and appropriate personal protective equipment. Our TOE includes detailed requirements in more than 20 categories for ensuring worker health and safety, including safety committees, training, hazard assessments and controls, emergency preparedness, building integrity, aisles and exits, lighting, electrical safety, machine guarding, product finishing, and many others.

Notably, the TOE and Sustainability Guidebook provide extensive guidance on safety while finishing garments. This includes hand scraping, laser engraving, screen printing, abrasive blasting and other finishing activities.

Because our health and safety requirements are so extensive, it is not uncommon for assessments to uncover a violation, sometimes due to workplace conditions or procedures, and sometimes due to worker non-compliance, such as removal of gloves or a mask. Frequently, health and safety assessment findings are related to paperwork management non-conformances, rather than issues that could threaten worker safety. We regularly remind suppliers how important it is to provide ongoing safety training so workers understand and abide by requirements designed to protect them from harm.

Building Integrity and Safety

In 2013, when the Rana Plaza garment factory in Dhaka, Bangladesh, collapsed, the tragedy highlighted the unsafe conditions present at some apparel factories in the country. LS&Co. products were not made at Rana Plaza and the number of factories producing our products in Bangladesh was and remains low. Even so, we took stronger action in the aftermath of the Rana Plaza collapse to assess health and safety practices and building integrity of our suppliers and to publicly disclose this information. This led to continued supply chain health and safety improvements.

Factories supplying to LS&Co. in Bangladesh are assessed annually with additional emphasis on fire safety and electrical and building stability. When new suppliers are brought on board in Bangladesh, we have a building assessment conducted to make sure supplier building safety requirements are in place. Any findings not compliant with our TOE leads to a corrective action plan and follow-up assessment.

Working Hours

Excessive overtime is a prevalent issue in the apparel industry due to fluctuations in product orders and seasonal demands, delays receiving raw materials, inconsistent government enforcement of working hours laws and other factors. We understand that suppliers find it difficult to deal with these challenges without resorting to overtime. However, excessive overtime hours affect worker well-being and productivity. Our TOE makes it clear that we favor partners who use fewer than 60-hour work weeks and that we will not use suppliers who regularly require in excess of a 60-hour week. Employees also must be allowed at least one day off in seven. Where a country's legal code requirements are more stringent on overtime hours, suppliers must meet the legal requirements.

The discovery of working hour non-compliance during an LS&Co. assessment is cause for immediate action and requires a corrective action plan. We are aware that this remains a systemic issue in the apparel industry and needs constant attention by our teams and monitors. The impacts of the COVID-19 pandemic exacerbated the issue, as factories closed and reopened intermittently in response to changing government mandates, demand fluctuation, and unpredictable timetables. As a result, the factory-level corrective action plans we mandate tend to remain open, reflecting the ongoing nature of the issue, and affecting the annual percentage of closed corrective action plans.

Wages

We will do business only with supply partners that provide wages and benefits that comply with any applicable law and match the prevailing local manufacturing or finishing industry practices. Non-compliance triggers immediate corrective action, usually including a demand for payment to workers in arrears and according to legal requirements.

Digital payments to workers provide greater transparency, ensuring workers are paid the right amount and on time. Electronic payments are also better for families by protecting funds from being stolen or spent impulsively. Our TOE stipulates that suppliers must pay their workers electronically and that workers be allowed to open bank accounts. The Worker Well-being initiative has played a key role in providing financial literacy training to assist with this process. As of mid-2021, between 85% and 90% of workers in our supply chain are covered by digital payments.

Homeworkers are those workers, usually women, who do jobs that need to be finished by hand, such as cutting off threads, sewing on buttons or doing embroidery. They generally receive extremely low pay, are not covered by benefits and are often paid irregularly or late. Homework is expressly prohibited in the LS&Co. supply chain.

Foreign Migrant Workers

For 10 years, our Sustainability Guidebook has included a section on foreign migrant workers, which we updated in 2020 to address areas for improvement identified through our TOE assessment process. We have defined supplier requirements regarding foreign migrant workers, from hiring through the end of employment. The Guidebook also includes best practices in the employment of foreign migrant workers and requirements for suppliers to make sure these workers are aware of their rights. Approximately 2,300 foreign migrant workers are employed in about 80 factories and mills in the LS&Co. supply chain.

Our 2020 TOE assessments did not uncover many compliance issues with respect to foreign migrant workers. However, they did identify a few issues associated with the payment of recruitment and documentation fees, expired work permits, and use of unapproved agents for recruitment. We make clear our expectations for protecting these workers, who are vulnerable to exploitation by unscrupulous recruiters and others.

Forced Labor and Child Labor

LS&Co. is committed to human rights and labor rights wherever we operate and throughout our supply chain. Consistent with international labor conventions and the Universal Declaration of Human Rights, our Terms of Engagement (TOE) govern the conduct of the vendors and suppliers we work with around the globe and expressly forbid any forced, prison, indentured, bonded or trafficked labor in the supply chain. These requirements are clearly detailed in our supplier Sustainability Guidebook and TOE. We will not contract with any entity that uses forced labor, whether prison, indentured, bonded or trafficked, nor will we utilize or purchase materials from a business partner using prison, indentured, bonded or trafficked labor. These forms of forced labor are defined as follows:

Prison Labor. Work performed by individuals incarcerated by either the state or military that is a requirement of their sentence and usually without compensation.

Indentured Labor. Work performed by an individual contractually bound to an employer for a specific time period, which is usually in return for payment of travel and living expenses.

Bonded Labor. An illegal practice in which employers give high-interest loans to workers who either individually or as an entire family then work at low wages to pay off the debt.

Trafficked Labor. A practice where a person is recruited, harbored, obtained, transported, or transferred with a view to that person being exploited.

All forms of prison or forced labor are considered zero tolerance violations of our TOE requirements. Likewise, all use of trafficked labor – whether the contractor is using labor that has been trafficked, or facilitating the trafficking of individuals for the purposes of their exploitation by another party – constitutes a zero tolerance violation. Subcontracting with prisons is also a prohibited zero tolerance violation.

The use of child labor is not permissible at any facility in the LS&Co. supply chain. Workers can be no less than 15 years of age and not younger than the compulsory age to be in school. We will not use any suppliers that have child labor in any of their facilities. These are considered zero tolerance violations that result in immediate corrective action and the potential termination of the supplier relationship.

Note: LS&Co. defines a child as anyone under the age of 15, and a juvenile as anyone between the ages of 15 and 18. However, in regions or countries where the legal definition of a child includes persons older than 15, the local definition will apply.

Sexual Harassment and Abuse

Sexual abuse and harassment are zero-tolerance violations of our supplier TOE and our company values. To comply with our standards, our suppliers' factories must have clear employment policies on harassment, abuse and coercion that are uniformly applied and made available to all workers in their local languages. If we learn of issues of abuse and harassment, it is incumbent on us to respond quickly and thoughtfully.

In 2018, after we received the Worker Rights Consortium (WRC) report on harassment and abuse in supplier facilities in Lesotho, we took immediate action. We informed the CEO of the supplier that the abuse alleged in the report would not be tolerated and required remediation regarding employment contracts, reporting systems and grievances raised by workers. To support the remediation process, we collaborated with local and international labor rights NGOs and unions to design a [program to end the abuses](#) and provide greater protection for women working in these facilities.

We have been watching closely to gauge the program's effectiveness and see how it might inform efforts to combat sexual harassment and abuse elsewhere. At the same time, we recognize these issues are difficult to detect and remediate through assessments alone. We have enhanced our assessment program to conduct off-site interviews and now require that assessment teams have female monitors, in order to create a safe environment, free of the possibility of retaliation.

As we have learned by listening to workers through our Worker Well-being programs, a culture of trust and respect is essential to any workplace. Oftentimes, harassment and abuse are symptoms of underlying gender inequities that can be mitigated by creating more gender-equal environments. These were among the primary themes of the [Gender Equity Report](#) published by the Levi Strauss Foundation, which outlined practices for enhancing gender equity at factories and building cultures in which workers feel safe. We have been working to put these learnings into practice throughout our operations. We also believe it is crucial that we seek to understand the root causes of sexual harassment and identify policies and partnerships that can address it at a systemic level. We will continue striving to ensure safe, productive working environments across our supply chain and to improve worker well-being.

Prohibiting the Sumangali Scheme

LS&Co. condemns and prohibits the Sumangali scheme, an illegal bonded or forced labor scenario involving girls and young women workers in the textile industry in the Indian state of Tamil Nadu. Under Sumangali, young women accept multi-year work contracts to earn money for a wedding dowry. However, their employers hold back a significant portion of their wages and do not pay them until after the contract term is completed – if at all. The women are not allowed to leave or change jobs and are forced to accept all work and conditions, which are generally exploitative and even abusive.

Both national and global efforts have attempted to address the issue, and apparel companies, including LS&Co., have taken a number of steps to eradicate the Sumangali scheme. Some of our actions over the years have included participating in the Tirupur Stakeholders Forum guidelines development, making grants to local NGOs focused on community intervention and women's empowerment, consolidating the supplier base, implementing additional due diligence measures, establishing a grievance management system, and advocating for a minimum wage on behalf of spinning mill workers in Tamil Nadu.

We continue to monitor our supply chain to determine whether any supplier has links to forced, prison, indentured, or bonded labor, or to human trafficking. Based on what we find, we are prepared to take appropriate actions to address the situation in accordance with our values, our code of conduct and international human rights standards, to ensure our supply chain is free of forced labor. We continue to work with industry peers and partners to engage stakeholders on collective solutions to protect human rights and ensure the integrity of global supply chains.

Ongoing Transparency

We believe in the power of transparency – in giving our stakeholders the information they need to answer questions about where our clothes are made and who makes them. Since 2005, we have published the complete list of our Tier 1 suppliers twice each year, and are working to do so more frequently. In addition, we have shared many of our sustainability learnings in the hopes that other companies can benefit and help accelerate positive change in the apparel industry.

For instance, we made our Sustainability Guidebook and TOE publicly available, disclosed our innovative Water

Read more about the [factories and mills in our supply chain](#).

Capacity and Capability Building

We expect a lot of suppliers and understand that many of them simultaneously try to meet our expectations as well as those of other brands. That's why our capacity building support is specific and need-based. It follows the ILO Better Work approach to need assessment and draws from factory assessment findings, worker voice initiatives and the Worker Well-being initiative. The LS&Co. sourcing team is key to the needs assessment and to helping suppliers implement and improve their social and environmental performance, whether for TOE compliance or to begin using innovative sustainable materials and new technologies.

The ILO Better Work program also provides training to suppliers on key issues such as the worker-management relationship, worker dialogue, communication for supervisors and other soft skills that can make a difference in the workplace experience. All LS&Co. suppliers in Better Work countries participate in this training. More than 50 LS&Co. suppliers, along with trade union members in Bangladesh, Cambodia, Vietnam, Indonesia, Sri Lanka, Ethiopia and Nicaragua, participated in some or all of the following training programs:

- Industrial relationships
- Workplace cooperation and communication
- Preventing sexual harassment
- Supervisory skills trainings
- Grievance mechanisms
- Compensation and benefits

Worker Voice

We are striving to improve worker voice and grievance programs in the supply chain. We have developed guidelines for gathering information from workers during the TOE assessment process, which helps to make worker interviews central to our assessments. While some suppliers are implementing worker voice channels, we do not yet have a unified program to help make sure workers have dialogue with factory management and effective grievance mechanisms. We will continue encouraging suppliers to evolve their existing grievance approaches into more unified systems.

One of our first steps in this direction was the recent study with Harvard University's T.H. Chan School of Public Health, which included more than 13,300 workers, including those in our owned-and-operated Plock, Poland factory. This large-scale effort provided valuable input from apparel workers about their mental, emotional and physical health. The next version of our Worker Well-being initiative builds on this research and provides guidance to factories on ways to improve communication channels between workers and managers. As part of our updated approach, we will encourage factories to use the Well-being at Work survey, which was adapted from Harvard's survey and is publicly available.

Worker Well-being Initiative

Improving the lives of apparel workers with factory-based programs to address health, financial security and gender equality

The Worker Well-being initiative, introduced by LS&Co. in partnership the Levi Strauss Foundation in 2011, is designed to go beyond compliance to improve the lives of the people who make our products around the world. It reflects our understanding that what is good for workers is good for business, and that when we

elevate trust, respect and fairness in partnership with suppliers, we are all more innovative and resilient.

The [Worker Well-being Guidebook](#) outlines the criteria for supplier selection into the initiative, implementation standards and requirements for validating supplier programs. Then, nonprofit grantees of the Foundation partner with factories, providing guidance, resources and training to help address worker needs in three categories:

- 1. Economic empowerment and financial literacy**
- 2. Good health and family well-being, including sexual and reproductive health**
- 3. Gender equality**

The initiative operates on the premise that if workers experience high levels of well-being at work – if they are healthy, satisfied, and engaged – then business performance also improves. Our suppliers believe in this premise and we have launched well-being programs across our supply chain over the past decade. In each factory, WWB surveys workers about their well-being needs, rolls out responsive empowerment programs and builds the capability of factory management to sustain progress.

Reaching 200,000 Apparel Workers

In May 2019, the WWB initiative surpassed our 2020 goal of reaching 200,000 workers – 18 months ahead of schedule. What's more, 60% of suppliers now self-fund their own WWB initiatives, rather than relying on the Levi Strauss Foundation for support. Three quarters of participating factories reported improvements in worker engagement, and over half reported improved satisfaction and lower absenteeism. These results reflect valuable improvements in worker knowledge, but we have come to understand they don't always translate to a better work experience.

Some Worker Well-being factory initiatives were temporarily halted in early 2020 due to lockdowns, business disruptions and safety concerns, reducing the number of workers we could reach through these initiatives. However, Worker Well-being activities were implemented at 18 new factories during the year and continued at many others. By the end of 2020, LS&Co. suppliers had active Worker Well-being offerings at 118 sites where more than 195,400 employees worked. The Levi Strauss Foundation created virtual sharing and learning forums and moderated exchanges among organizations on innovative ways to cultivate trust, respect and fairness in factories.

Evolving the Initiative for More Meaningful Impacts

Therefore, to more closely examine the status of worker well-being throughout our broad supply chain, we set up a multi-year partnership with the Sustainability and Health Initiative for Net Positive Enterprise (SHINE) at the Harvard University T.H. Chan School of Public Health. Their research over the past 3 years – reflecting data from more than 13,300 workers in 15 factories concentrated in five countries – has demonstrated that high levels of well-being at work require trust, respect and fairness. In turn, these qualities lead to improvements in gender equity, well-being and productivity. To the best of our knowledge, we are the only apparel company to have taken such a close look at supply chain well-being. In line with our commitment to sharing our learnings with the field, the [Harvard SHINE study results](#) are publicly available and we hope they will be useful to others in the industry.

In 2020, we applied the Harvard research and our decade of implementation to update the WWB strategy and set new goals for even greater reach and impact, emphasizing improvements to the worker experience in health, satisfaction and engagement. LS&Co.'s refreshed Worker Well-being strategy, to be released in late 2021, will offer suppliers a self-directed, collaborative approach that goes beyond ongoing monitoring to identify locally relevant ways to improve well-being and business performance. It will include guidance for suppliers to invest in gender equity, workplace environment, and policies and systems. It will also encourage strong and inclusive worker-management teams.

As part of this process, we are also taking a hard look at our own actions to determine how – and whether – we are enabling an environment that brings about the improvements we want to see. This includes looking at our purchasing practices and relationships with factories to better understand the downstream impacts on worker well-being. For instance, we recognize that our factory-level interventions and corrective actions can affect our relationships with factory managers, leading to uncertainty or tension that can trickle down to workers. We also see opportunities to more closely collaborate with the LS&Co. sourcing team on changing purchasing practices that can inadvertently affect factory pay systems, and ultimately, worker well-being.

Gender Equity and Women's Empowerment

Women are the driving force of the LS&Co. supply chain. In fact, at the five factories participating in the Worker Well-being Impact Study conducted by The Sustainability and Health Initiative (SHINE) at Harvard University's T.H. Chan School of Public Health, women represent 60% to 80% of the workforce.

Women in the apparel industry have both different lived and work experiences than their male counterparts. Women are more likely to work in sewing areas, which tend to offer lower wages than the areas dominated by men, such as cutting, laundry and finishing. Women also have fewer opportunities to move out of their initial jobs, while men are more likely to receive promotions. As a result, women's well-being at work is often lower than that of men.

We are committed to changing this. Already, the Worker Well-being initiative and the Levi Strauss Foundation focus on gender equity through a variety of initiatives. The Worker Well-being initiative has also demonstrated to many of our suppliers that an empowered workforce is essential to their success, giving them a foundation they can build on to implement the systemic changes needed for gender equity. The next version of our Worker Well-being strategy puts even greater focus on gender equity. Among other tactics, it aims to establish gender promotion targets and hiring ratios in supplier facilities and make progress toward mixed-gender, diverse departments.

The HERproject is another initiative promoting gender equity, improving women's health and tackling violence against women in global supply chains. The Levi Strauss Foundation provided seed funding to BSR to initiate the program, and LS&Co. is scaling the training program in our supply chain as part of the Worker Well-being initiative.

Supplier Diversity

We are developing a supplier inclusion program to increase our engagement with a diverse range of indirect suppliers – those providing the goods we use in everyday operations, such as office furniture, computers, peripherals and many other items – and to ensure we are working with indirect suppliers that have high environmental and ethical standards. In the U.S., our first step is to get a better understanding of the indirect suppliers we partner with today, including whether they are owned by underrepresented groups and the value of the contracts in place with them. Globally, we are developing a broader program to provide transparency around the corporate social responsibility performance of our indirect suppliers. The supplier inclusion program will start to roll out in 2022.

Supplier Support During the Pandemic

Our suppliers faced unprecedented challenges in 2020, given the volatility and unpredictability in the industry. In line with our history of collaborative supplier relationships and commitments to worker well-being, we worked closely with suppliers to find the best way through the global COVID-19 pandemic.

In March 2020 – early in the COVID-19 pandemic – we used the learnings we had gained from working with our suppliers in China when the outbreak first hit to update our Sustainability Guidebook with pandemic-specific health and safety guidelines. This ensures the additional health and safety procedures will be in place now and in the future, should they be needed. We continue to use these practices in all LS&Co. sourcing countries through the different stages of the pandemic, including the emergence of new Coronavirus variants.

Early in 2020, we took full responsibility for all outstanding finished, ready-to-ship and in-progress orders. While we extended our payment terms, we believe our current terms are consistent with industry practice, and we have not asked for any discounts on payments. We also made sure suppliers have access to working capital financing, through programs like our ongoing partnership with the International Finance Corporation (IFC), which provides suppliers with early payments at favorable market rates. Through its Global Trade Supplier Finance (GTSF) program, IFC makes available up to \$120 million to LS&Co. suppliers. We began partnering with them on GTSF in 2014 and worked together to expand the facility significantly to support increased supplier needs for invoice financing during the pandemic.

We also launched new early payment programs to support suppliers in locations not covered by the IFC GTSF, so that all our suppliers have access to low-cost financing. Supplier interest rates for the IFC payments are linked to their performance against the LS&Co. Terms of Engagement, providing incentives for suppliers to improve social and environmental performance.

Even more recently, in 2021, we expanded our partnership with IFC GTSF to provide more discounted financing rates to suppliers that have already begun implementing low-carbon investment plans and have conducted Partnership for Cleaner Textile (PaCT) energy assessments.

The impact of market fluctuations, changing government health regulations, and unpredictable conditions during the pandemic has in some cases affected the ability of suppliers to retain and pay workers. We have been in continual communication with suppliers to make sure they compensated employees in accordance with local legal regulations, making it extremely clear that a condition for continuing to work for LS&Co. was complying with all our requirements.

In April 2020, to provide additional assistance to workers, the Levi Strauss Foundation committed an initial \$1

million to support organizations providing critical community services and direct relief in the form of food, cash and housing assistance, personal protective equipment, and medical care. Additional funding in 2020 and 2021 raised the amount of grant funds dedicated to this effort to \$2.2 million. It has been distributed to 26 grantees in 12 countries, and, as of mid-2021, the assistance had reached some 650,000 apparel workers and family members. Additionally, grantees trained at least 3,400 healthcare and frontline workers on hygiene and safety practices to help protect workers, families and communities.

What's Next – Supply Chain

Going forward, we will continue to update our compliance and assessment systems in line with changes in our operating environment, the nature of the pandemic and evolving industry best practice. We will work in partnership with our supplier partners, many of which have been with us for more than a decade, in order to address shared environmental, social, and operational challenges. And where possible, we will refine and offer access to financing mechanisms that can help them get the capital they need to fulfill their obligations under our TOE and make investments to improve sustainability performance.

In parallel, we will continue looking for ways to support workers in their day-to-day jobs and in terms of their well-being, with a focus on enabling and measuring improvements in worker health, satisfaction and engagement at work. This includes setting new targets and putting more emphasis on management systems that help our supply partners build strong and inclusive teams that honor worker voices. This will not only support workers in recovering from the impacts of the pandemic, but will also lay the groundwork for the next evolution of our Worker Well-being initiative and gender equity efforts.

We will share the updated Worker Well-being Guidebook with suppliers and other stakeholders so they can begin shifting toward programming focused on these better work experiences and impact-driven metrics of success. And just as we did with our original Worker Well-being Guidebook, we plan to make the updated guidelines and tools publicly available to the apparel industry. We are also committed to taking a hard look at our own actions – including purchasing practices – to determine how best to enable a sourcing environment that brings about the improvements we want to see.

*WWB photo courtesy of @BSR/CDS-M.Moawad/Egypt

*Hero image courtesy of VisionSpring

Resources

Supplier Map

Worker Well-being initiative

Harvard SHINE worker well-being study

Support to suppliers with the International Finance Corporation

LS&Co. Sustainability Guidebook

Map of Supplier Factories

Publishing our source base

LS&Co. publishes the names and addresses of the factories and mills in our supply chain using an interactive map designed to make it easy for interested stakeholders to see where our products are made. We update our factories quarterly and our mills semi-annually to reflect changes to our source base.

Using Our Voice

Addressing some of the most pressing issues of our time

More than 168 years of business has helped us build a platform to drive for meaningful social change and environmental action. When we advocate for public policies at the federal, state and local level, we do so by outlining the business, and sometimes moral, case for government policy action. Over the years we have taken stands on issues such as gun violence prevention, equitable access to the polls, the rights of LGBTQ+ people, and many other issues that are important to our business, our customers and the communities we serve. The Levi Strauss Foundation and the company underpin these efforts with grantmaking support to organizations working for lasting changes on these and other important issues.

Throughout our long history, we have also made changes to our own operations, from integrating our factories in the southern U.S. before it became law, to extending health benefits to unmarried domestic

partners – the first Fortune 500 company to do so. We will continue advocating for social change and encouraging others to do the same wherever we see opportunities to contribute to a more just, safe and inclusive society. We have no political action committee and we do not make political donations to candidates or causes.

Our advocacy seeks to advance voting rights, gun violence prevention, paid family leave, LGBTQ+ equality, as well as to make the business case for robust, science-based climate policy.

Voting Rights and Engagement

LS&Co. has a long history of supporting the issues that define our times – and our employees are often at the forefront of these movements, taking a stand on the issues they care about. In a time when voting rights are under attack and voter turnout is low, we believe that the fundamental tool for employees to engage civically and promote issues they care about is their vote.

Every year we make sure our U.S. employees have access to the information and tools they need to vote in their local elections. As we all dealt with the uncertainty and risks of COVID-19 in 2020, it was especially critical to provide safe, accessible and secure voting to all eligible voters and to inform employees about the changes on election dates, vote by mail specifics and evolving rules in their locations.

Getting Out the Vote

In 2020, we teamed with Rock the Vote, a nonpartisan, nonprofit organization, to help potential voters check their registration status, register to vote and sign up for election day reminders. We reminded employees of their five paid volunteer hours per month, which they can use to volunteer with campaigns, voter engagement efforts, or community registration drives, and to train as poll workers for election day. In 2020, we had 75 vote captains across the U.S. who led voter engagement efforts in their retail, distribution center and corporate offices, and nearly 200 employees trained to be poll workers. Through our partnership with the American Civil Liberties Union (ACLU), employees had opportunities to phonebank, canvass and educate voters on pro-voter ballot initiatives like early voting and same-day voter registration.

Time to Vote

Time to Vote is a business-led, nonpartisan coalition created to encourage voter participation by ensuring employees have the time and resources they need to cast their ballot. The program is not specific to any party, candidate or issue. It's about encouraging people to vote without having to make a choice between going to work and going to the polls.

What began as a 2018 effort by three California-based companies – LS&Co., Patagonia and PayPal – has become a national movement that spans industries and geographies and includes some of the largest employers in the U.S. By mid-2021, almost 2,000 companies with employees in all 50 states had joined Time to Vote. Together, Time to Vote companies can make it easier for nearly 10 million U.S.-based employees to vote.

We're proud of the traction Time to Vote has received to date, but this effort is far from over. Time to Vote aims to help bring about a true cultural shift, where America's business leaders maintain a working environment where their employees are encouraged to make the time to vote in every election.

Read more about [Time to Vote](#).

#VoteAboutIt

In 2020, the Levi's® brand #VoteAboutIt outreach campaign aimed to encourage consumers to build on posting and thinking about the issues they care about, to actually taking action and "voting about it." The campaign also connected consumers with Rock the Vote to check their registration status, register to vote and get their voting questions answered. To amplify the impact, the Levi's® brand partnered with influencer Hailey Bieber and filmmaker Oge Egbunu to create a powerful public service announcement (PSA) calling on all eligible voters to know their voting status, know their voting rights, register to vote and get to the polls on election day.

Gun Violence Prevention

In 2020, the U.S. experienced the highest rates of gun violence in decades, claiming the lives of more than 41,000 people in a worsening gun violence epidemic that disproportionately affects Black and Brown communities. LS&Co. has pledged ongoing support for gun violence prevention by rallying the business community on the issue, advocating for gun safety measures and providing philanthropic support to organizations on the frontlines of the epidemic.

In 2018, we established the Safer Tomorrow Fund to support nonprofits working to address gun violence in the U.S. In 2020, the Safer Tomorrow Fund supported five organizations that work closely with communities of color disproportionately affected by gun violence, providing direct support to community violence intervention programs and youth advocates working to make communities safer.

Our advocacy work also includes reaching out to elected officials to pass common-sense gun safety legislation. For instance, in 2019 Chip Bergh joined with other CEOs to send a letter to the U.S. House of Representatives supporting the Bipartisan Background Checks Act, which went on to pass the House. LS&Co. also led a [CEO letter to the U.S. Senate](#) calling for passage of background checks and red flag laws following several tragic mass shootings. In early 2021, LS&Co. joined Giffords' Impact Network as a founding member, lending our support for increased and coordinated corporate engagement to prevent gun violence and pass meaningful gun safety legislation.

LGBTQ+ Equality

LS&Co. has long been, and will continue to be, a vocal supporter of equality and non-discrimination. We were the first Fortune 500 company to extend health benefits to domestic partners and have continued to use our voice to advocate for an equitable society for all. We were the only California business in 2007 to file an amicus brief with the California Supreme Court in support of same-sex marriage, and we have proudly supported the Equality Act since the bill's introduction in 2015.

In recognition of our many ongoing efforts in support of full equality, we have received a perfect score of 100 points on the Human Rights Campaign (HRC) Corporate Equality Index for 17 years. We have awarded grants to fund the HRC Foundation Youth Ambassador Program, which tackles multiple issues around sexual orientation, gender identity, race, immigration and discrimination.

100 points on the HRC Corporate Equality Index in 2020, our 17th year

Paid Family Leave

We believe that no one should have to choose between a paycheck and taking care of themselves or their family in moments of need. We continue to improve benefits for our employees and advocate for national paid leave for America's workers. In early 2020, we implemented a new paid family leave benefit that provides U.S. corporate and retail benefits-eligible employees with up to eight weeks of paid time off per year to care for an immediate family member with a serious health condition.

LS&Co. has been a leading business advocate for national paid leave since 2018. National paid leave would make it possible for working people to take paid time off to take care of themselves and their loved ones

under job protection guarantees, no matter in what state they live or for whom they work. Our CEO Chip Bergh and Chief Human Resources Officer Tracy Layney have been advocating for national paid leave legislation as part of building back better following the COVID-19 pandemic.

Advocating for Dreamers

More than 168 years ago, an immigrant named Levi Strauss came to America and founded our company. He was pursuing his version of the American dream, just like Dreamers – undocumented immigrants brought to the U.S. as children – are pursuing theirs. We have been advocating for a permanent legislative solution for Dreamers since 2017, when more than 600,000 young people were put in legal uncertainty about their status. Dreamers are members of our workforce, they are our consumers, and they are members of the communities where we live and work, and they deserve their shot at the American dream.

Climate Advocacy

Climate change is the issue of our time. We embrace responsible environmental practices across the company – including limiting emissions and climate change contributions – and collaborate with others who share our commitment to limiting temperature rise to no more than 1.5°C compared to pre-industrial levels. LS&Co. has been advocating for meaningful policy to mitigate climate change for over a decade. Read more about our climate advocacy in [the Climate Action section](#).

What's Next – Using Our Voice

We will continue acting on the levers of change for which LS&Co. is well-known. Our efforts to protect voting rights and enable voter participation will continue as long as necessary to make sure all voters can vote freely, without facing challenges to their rights.

LS&Co. also remains committed to supporting organizations addressing gun violence. We will closely monitor the public policy landscape and consider opportunities for advocacy to promote gun safety. This includes continuing to fund organizations aligned with the Safer Tomorrow Fund's objectives – youth leadership, community building and storytelling – making sure we strengthen broad interest in and coverage of the everyday gun violence happening in communities across the U.S.

In 2021 and beyond, we will continue to make the business case for sound, comprehensive federal climate policy in the U.S. This includes partnering with the Ceres Business for Innovative Climate and Energy Policy (BICEP) network and America is All In (formerly We Are Still In) coalition to advocate for infrastructure

legislation that prioritizes investments in clean energy and modernizing electrical, water and transportation infrastructure.

Resources

[Vote About it PSA](#)

[Safer Tomorrow Fund](#)

Philanthropy and Volunteering

Championing equality, communities and a sustainable future

We have been sharing our profits with the community since Levi Strauss founded the company in 1853. Today, we invest a portion of our annual earnings back into the communities we serve, with an emphasis on addressing the issues important to us as a company and to our employees. We amplify our impact by further supporting nonprofit organizations through volunteering and by taking bold stands on social issues that align with our values of empathy, courage, integrity and originality. Grantmaking support comes from LS&Co. and our brands, the Levi Strauss Foundation and the Red Tab Foundation.

2020 Giving

A portion of 2020 donations, \$3 million, went to pandemic relief directed toward supply chain communities and to nonprofit partners struggling to stay afloat during the pandemic – 28 organizations in all. Beyond the

pandemic, the Foundation grants funds to organizations dedicated to improving the long-term rights of apparel workers. Some of these include facilitating “know your rights” workshops, building grassroots labor rights group capacity, engaging in dispute resolution with factories and brands, and working to strengthen labor laws. Collectively, these actions have affected hundreds of thousands of apparel workers.

Levi Strauss Foundation

Founded in 1952, the Levi Strauss Foundation advances pioneering social change on the issues and events of our time. Our community partners across the globe embody and bring life to LS&Co.'s values of originality, empathy, integrity and courage. The Foundation aims to take courageous risks in service of these values and strives for meaningful impact over the course of decades – with core program areas focused on advancing social justice, improving the lives of apparel workers and ending the HIV/AIDS epidemic.

The Foundation's focus is long term, while also tackling the issues of our time to work for lasting social change. Its grants are intended to bolster advocacy, leadership and engagement. The Foundation goes "beyond the grant" to build grantee capacity, link grantees with influencers and other funders, and tell the story of pioneering change.

For more than 25 years, the Levi Strauss Foundation has supported organizations devoted to advancing apparel worker rights and well-being in the countries where we operate. The Foundation also shares learnings with industry peers and strives to influence their giving as well.

A network of nonprofit organizations partners with factories in the LS&Co. supply chain to implement programs on financial literacy, worker health and other topics. They also advocate for workers with factory management, providing workers with a much-needed avenue to share their needs and concerns for improvements. Already, more than 200,000 workers have had access to Worker Well-being programs in supplier factories.

Over the past five years, our company and the Levi Strauss Foundation together have invested more than \$37 million in organizations advancing equality in the U.S. In addition to financial support, we use our voice to advocate for change at the policy and community levels, including initiatives supporting DE&I.

Pioneers in Justice

The Levi Strauss Foundation launched the first Pioneers in Justice initiative in 2010 to empower next-generation Black, Indigenous and People of Color (BIPOC) social justice leaders to drive nonprofit organizational growth and mobilize communities. The program has evolved to connect grassroots BIPOC leaders working on systemic change in gender equity, climate change, criminal justice, LGBTQ+ rights, racial equity, immigrant rights and gun violence.

The 2021 Pioneer class, which includes 12 individuals from as many justice organizations, supports pioneering social change on the issues and events of our time. This third cohort is composed entirely of women, femme and nonbinary Black, Indigenous and People of Color (BIPOC) leaders. We look forward to learning from them how the Levi Strauss Foundation and LS&Co. can improve our ability to deliver on our core values.

In 2020, LS&Co. and the Levi Strauss Foundation provided \$2.8 million to more than 20 voting rights and engagement organizations. These groups worked to remove barriers and improve access to the polls, mobilize voters in marginalized communities, and engage young voters. Ultimately, they educated, empowered and activated more than 13 million voters across the U.S., leading to record turnout and increased participation among women of color, Native Americans and others.

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\$2.8 million donated to voting rights and engagement groups in 2020

Red Tab Foundation

The Red Tab Foundation is a public, nonprofit foundation set up to help LS&Co. employees, retirees and their families who face unexpected financial hardship. The first corporate hardship fund, it provides financial assistance, education and preventive programs to help these individuals in their own efforts to maintain their financial, physical and emotional health. A valuable safety net contributed to by employees for other employees, it serves as the connecting point among people needing help and those providing it. Current employees are eligible for support from their first day of employment and funds are distributed as grants or

short-term, no-interest loans.

\$2.4 Million in Grants in 2020*

In 2020, the Red Tab Foundation provided \$2.4 million in cash grants – 30% of which addressed COVID-19 pandemic impacts. During the year, the Foundation helped alleviate 1,825 hardships – more than ever before in its history. Since its founding in 1981, the Red Tab Foundation has helped more than 25,000 grantees, providing assistance of nearly \$26.5 million.

*This report covers the Red Tab Foundation's 2021 fiscal year, June 2020 – May 2021.

Expediting Funds in 2020

Five case managers in the U.S. and in our owned-and-operated factories in South Africa and Poland provided empathetic support and rapid access to funds, with assistance from human resources partners around the globe. In 2020, despite handling twice as many cases as pre-pandemic, these dedicated team members got critically needed funds to recipients as quickly as possible and approved 90% of requests for assistance. The Red Tab Foundation is at the core of how LS&Co. cares for its people. In a recent survey of Red Tab Savers participants, about 70% indicated they believe LS&Co. cares about their financial well-being.

Hardship funds like the Red Tab Foundation, which help employees experiencing emergencies, can be important tools to address racial injustices as well. In the U.S., Black, Indigenous and People of Color (BIPOC) are overrepresented among those living below the poverty line. In 2020, the [Harvard Business Review](#) highlighted employee hardship funds as one of the commitments companies can make to advance racial justice, ultimately giving people a chance to secure a better future. Every day, the Red Tab Foundation alleviates worry and provides critical aid to employees and retirees who are suffering through unexpected emergencies, along with education and proactive programs to help individuals maintain their financial health.

Sharing the Hardship Fund Playbook

During 2020, the Red Tab Foundation also created the [Hardship Fund Playbook](#), open sourcing its learnings from four decades of operations for others to use. As of mid-2021, the playbook had been downloaded by over 600 organizations, from global public institutions, to Fortune 500 companies, to nonprofits and small

businesses alike.

“My dad was fighting to live and you gave me the opportunity to help him.”

Eleane Perez, Logistics Senior Analyst | LS&Co. Mexico

Eleane reached out to Red Tab Foundation when her father fell seriously ill and doctors couldn't determine what was wrong. Red Tab Foundation helped by supporting several medical treatments. "I have no words to thank you for all the support, especially in these times of the pandemic," Eleane says.

Medical expenses make up 11% of the hardships Red Tab Foundation helps with each year.

Employee Giving and Volunteering

Each year, employees across the company give both time and money to the causes they care about, and 2020 was no different. Employees in more than 30 countries either made donations or volunteered in 2020, supporting 1,153 causes representing public safety, disaster relief, education, civil rights, social action, advocacy and others.

The amount donated by employees grew by 22% in 2020 compared to 2019, and employee participation was 45% over retail industry standards. A record high number of employees donated to the Red Tab Foundation during the year, a testament to their desire to help colleagues in times of need.

Volunteering

We provide employees with tools and resources to become informed on issues and make a difference in their own communities. Our company culture empowers them to use their voice and volunteer their time to make a difference on the issues that matter most to them. We connect them with opportunities to get involved and provide 5 paid hours per month for civic engagement and volunteering with causes important to them. Their charitable giving impact is also doubled up to \$2,000 per year with a match from the LeviStrauss Foundation. And in keeping with our commitment to voting rights, we provide U.S.-based employees with paid time off to vote.

Volunteering went virtual during 2020, with Community Ambassadors and the Employee Resource Groups creating opportunities for virtual support. That included Community Day, our company-wide volunteer event that takes place in more than 100 countries on the same day. Employees volunteer their time and talents, and the nonprofit they help receives a grant. Although in-person volunteering was rare in 2020, our employee participation in volunteer activities was higher than the retail industry average and all the nonprofit partners our employees engaged with still received grants.

What's Next – Philanthropy and Volunteering

2020 emphasized just how important our grantmaking and volunteering tools are in helping us to address pressing social issues, enable employees to engage on issues important to them, uphold our obligations to

the communities we engage with, and build a workplace that truly lives its values.

We will continue on all these fronts, seeing them as key elements to the delivery of profits through principles. We strive to increase our positive impact in our communities each year through our giving and volunteering efforts. We make commitments demonstrating focused, long-lasting engagement with grantee partners on civic engagement, equality, gun violence prevention and sustainability in LS&Co. communities around the world.

The Levi Strauss Foundation and LS&Co. will roll out an updated Worker Well-being Guidebook with our supplier and nonprofit partners, move the next class of Pioneers in Justice forward, and carry on with the work that has helped make the Levi Strauss Foundation a unique example of meaningful corporate philanthropy.

The Red Tab Foundation team has developed a 2024 strategic plan, which focuses on expanding program awareness and access around the globe, staying on the leading edge of program impact, and serving as a connection point for the LS&Co. community. The Foundation will continue to serve as a critical safety net for employees and retirees and a resource for other companies and organizations looking to support the financial health of their employees.

And when it is safe to resume in-person volunteering in large groups, we look forward to bringing back our global Community Day, expanding our network of community ambassadors and empowering all of our employees – corporate, distribution center and retail – to continue to be leaders and advocates in their local communities.

Resources

[**Levi Strauss Foundation**](#)

[**Pioneers in Justice**](#)

Reporting



**Sharing our
sustainability
journey**

Contributing to this Sustainable Development Goal:

In 2019, we published a Sustainability Review, highlighting the year's key sustainability progress. Now, in this 2020 Sustainability Report, we have sought to expand our reporting scope and provide comprehensive and meaningful information on the most pressing environmental, social, and governance issues for our stakeholders and our business – and across the apparel industry. We aim to report even more comprehensively in the future and to maintain an annual reporting cadence with more frequent performance updates on key metrics.

About Our Reporting

An honest review of our performance

Report Scope

Except where noted, this report covers performance during fiscal year 2020 (November 25, 2019 through November 29, 2020). Where we believed it would be of interest to stakeholders, we have also included more recent updates and key initiatives. Similarly, where fluctuations naturally occur throughout the year, such as with respect to the number of factories participating in certain initiatives or programs, we have reported as of mid-2021. Data presented in this report includes the entities that are consolidated for financial reporting purposes. Data generally covers apparel products and accessories, and where available, reflects the operations of all four Levi Strauss & Co. (LS&Co.) brands: Levi's®, Dockers®, Signature by Levi Strauss & Co.™

and Denizen®.

In some sections of this report, the focus is squarely on LS&Co. and brand corporate offices, distribution centers, factories and retail stores directly owned and operated by LS&Co. in all geographic clusters. In other sections, we necessarily include data and other information related to our work with suppliers, vendors, contractors, licensees and other partners – those third parties to which LS&Co. has assigned the right to manufacture, distribute or sell branded products. Throughout the report, data inclusions and exclusions are noted along with the corresponding graphs or tables.

Report content was informed by our sustainability materiality assessment completed in early 2021, which identified the topics that are priorities to our stakeholders and to the sustainable growth of our business. It also shares progress on a number of topics determined to be of comparatively lower importance, but still very much relevant. Our materiality matrix shows the prioritization of issues.

What We Mean When We Say

Levi Strauss & Co., LS&Co., the company, us, we or our: Unless specified otherwise, these terms refer to our owned legal entities and brands worldwide, including corporate and other business offices, LS&Co.-owned-and-operated retail stores, owned-and-operated Tailor Shops, owned-and-operated distribution centers, owned-and-operated manufacturing facilities, and the Levi's®, Dockers®, Signature by Levi Strauss & Co.™ and Denizen® brands. Retail stores located in leased spaces, which represent the vast majority of our retail sites, are considered to be “owned and operated” for the purposes of this report since they are operated by LS&Co. employees according to LS&Co. standards. This is also true of our owned-and-operated factories and distribution centers, which include leased spaces. These terms are used for convenience only and are not intended to identify one particular entity or brand.

Levi Strauss Foundation: The [Levi Strauss Foundation](#), an independent legal entity, advances the human rights and well-being of underserved people in places where LS&Co. has a business presence. Over the last five years (2016–2020), contributions from the Company have covered an average of 82% of the Foundation’s program budget.

Red Tab Foundation: The [Red Tab Foundation](#) is a public, nonprofit foundation funded by employees, shareholders and retirees that assists LS&Co. employees, retirees and their families when they face problems caused by unexpected financial hardship.

Suppliers or vendors: These are independent third parties with which we have a direct contractual relationship to produce our apparel and accessories. They make up our Tier 1 supply base and include both “cut and sew” suppliers and laundries, more broadly referred to as factories. All our suppliers operate their

own businesses and manage their own facilities. They are expected to operate in compliance with our [Global Sourcing and Operating Guidelines](#), [Sustainability Guidebook](#), [Restricted Substances List \(RSL\)](#) and detailed [Terms of Engagement](#). Tier 2 includes those facilities where our Tier 1 suppliers get their fabric, threads, buttons and other materials, commonly referred to as “fabric mills” or simply “mills.”

Owned-and-operated factories: These include LS&Co.’s two factories in Plock, Poland, and Cape Town (Epping), South Africa, where our products are made.

Reporting Frameworks

This sustainability report was informed by the Global Reporting Initiative (GRI) Standards (2020) as well as the Sustainability Accounting Standards Board (SASB) Standard (2018) for the Apparel, Accessories & Footwear industry. Progress on relevant metrics from the SASB Multiline and Specialty Retailers Distributors Standard and the SASB E-Commerce Standard is also included.

Download our [2020 GRI, UN Global Compact, UN Sustainable Development Goals Index](#) and [2020 SASB Table](#). Our climate-based risk assessment process follows the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. [Download our 2020 TCFD Response](#).

This report also reflects our commitment to the 10 principles of the United Nations Global Compact (UNGC), which addresses human rights, labor, environment, and anti-corruption for business. Likewise, we are a signatory to the UNGC CEO Water Mandate. This report serves as our 2021 Communication on Progress (COP) for both the UNGC and the CEO Water Mandate.

LS&Co. supports the UN Sustainable Development Goals (SDGs), which provide a global framework for advancing sustainability. Throughout this report, we have included relevant SDG icons to indicate the places where our work aligns with specific SDGs.

Data Verification

As part of our ongoing commitment to transparency, we applied a robust data substantiation process to the information provided in this report. This included detailed reviews and verification by members of our Legal and Finance teams of not only the report content, but also the databases, data analysis parameters, spreadsheets, certificates and other sources used in developing the report. This process gives us even greater confidence in our data integrity and we believe it enhances the credibility of our reported performance on key sustainability metrics as well.

Transparency Beyond Reporting

Annual sustainability reporting is not the only way we share our sustainability journey. We maintain a suite of sustainability [policies, resources and commitments](#). We are aligned with the [Transparency Pledge](#) as part of our commitment to meaningful corporate accountability. In 2005, we were one of the first apparel companies to publish a list of our manufacturing suppliers, representing 100% of our Tier 1 suppliers. In 2018, we also became one of the first apparel companies to publish a list of fabric mills – our Tier 2 suppliers. LS&Co. suppliers can also be viewed through the Open Apparel Registry, the open map of global apparel facilities.

We have shared our climate approach and progress through CDP (formerly the Carbon Disclosure Project) since 2010 – well before our public offering in 2019 – and were for several years one of the only privately held apparel companies to provide a CDP response. In 2020, LS&Co. was one of 313 companies (of more than 9,000 surveyed) and one of only three pure-play apparel companies that made the CDP Climate A List for transparency and management of strategies to combat climate change.

In 2020, we were the second-highest rated apparel company in the Corporate Information Transparency Index (CITI), managed by the Institute of Public and Environmental Affairs, a leading environmental NGO in China. The CITI ranks brands' management of the environmental impact of their supply chains in China. We also participate in IPE's [Green Supply Chain Map](#), a leadership initiative showcasing supply chain transparency and environmental management. The map directly links LS&Co. supplier factories in China with relevant environmental data.

Resources

[2020 GRI, UNGC, SDG Index](#)

[2020 SASB Table](#)

[2020 TCFD Response](#)

[2020 CEO Water Mandate COP](#)

[2020 UNCG COP](#)

2020 CDP Response

2019 Sustainability Review

Our Stakeholders

Collaborating to drive company and industry improvements

We stay in close contact with a diverse set of stakeholders to understand their perspectives on key environmental, social and governance issues. Their insights help us refine our priorities and develop meaningful policies, initiatives and goals that address the issues facing our business, the planet, our customers, employees, investors, and suppliers as well as the communities where we operate. The time we spend consulting and collaborating with our stakeholders is valuable. These are just some of the ways we engage with them:

Consumers

- Communication in our stores
- Outreach through email

- Social media engagement through our LS&Co. accounts
- Participation in the Levi's® Red Tab™ loyalty program
- Newsletters
- Information on our e-commerce site about product sustainability attributes
- Surveys on environmental concerns and perceptions of apparel brands' sustainability commitments
- Campaigns such as Buy Better, Wear Longer

Wholesale and Licensee Partners

- Regular communication with our wholesale partners' sustainability teams
- Regular assessment and monitoring
- As-needed input and collaboration on policy development
- Annual Sustainability Summit for licensees

Employees

- Surveys
- Team meetings
- CEO town hall meetings
- Company intranet
- Emails from leadership
- Employee Resource Groups
- Ethics and Compliance Reportline

Shareholders and Prospective Shareholders

- One-on-one engagement
- Conferences
- Financial press
- Earnings conference calls
- Formal communications including our press releases and Forms 10-K/10-Q

Suppliers and Supply Chain Workers

- Worker Well-being initiative
- Collaboration with the Sustainability and Health Initiative (SHINE) at Harvard University's T.H. Chan School of Public Health
- Supply chain worker studies and surveys
- Supplier assessments

- Interviews with suppliers
- Better Buying surveys
- Workshops and trainings

NGOs, Brands and Industry-Wide Coalitions

- Meetings
- Live events
- Industry group roundtables
- Partner collaborations
- Surveys

Key Memberships and Partnerships

Our memberships and partnerships are key to our success. Below are some of the organizations we engage with, either through direct participation or by adding our voice and support as a signatory.

Organization	Focus Area	Nature of Relationship	Year Joined
Accounting for Sustainability	General Sustainability	Founding Member and Chair, U.S. Chapter	2019
AIM European Brands Association	Business association	Participant	2019
AmCham China	Business association	Participant	2013
AmCham Hong Kong	Business association	Participant	2010
American Apparel and Footwear Association (AAFA)	Industry association	Member	1953
Apparel and Footwear International RSL Management (AFIRM) Group	Chemicals	Founding member, Steering committee member and Participant	2004
Better Cotton Initiative	Raw materials	Member	2010
BSR	General sustainability	Member	1993
Business Roundtable (BRT)	Business association	Participant	2020
Canopy Planet	Sustainable forestry	Signatory	2014
Ceres BICEP	Climate change (policy)	Founding member, Steering committee member	2009

Organization	Focus Area	Nature of Relationship	Year Joined
Ceres Company Network	General sustainability	Member	2013
Clean Production Action	Chemicals	Sponsor	2021
Ellen MacArthur Foundation Jeans Redesign Project	Circularity	Member	2021
European Branded Clothing Alliance (EBCA)	Public policy (Europe)	Founding member	2007
Fashion for Good	Sustainability innovation	Member	2020
Green Chemistry & Commerce Council (GC3)	Chemicals	Sponsor	2013
Haas Center for Responsible Business	Academic institution/general sustainability	Sponsor, Senior Advisory Board member	2003
ILO/IFC Better Work	Tripartite initiative	Member	2005
International Association of Privacy Professionals (IAPP)	Compliance	Silver Member	2019
Leather Working Group	Sustainable leather production	Member	2021
National Retail Federation (NRF)	Industry association	Participant	2003
Open to All	Non-discrimination campaign	Member	2018
Retail Industry Leaders Association (RILA)	Industry association	Board member (CEO)	2017
Social & Labor Convergence Program (SLCP)	Supply chain	Signatory	2015
Sustainable Apparel Coalition (SAC)	General sustainability	Founding member	2010
Textile Exchange	Raw materials	Member	2019
The Conference Board Chief Privacy Officer Council	Compliance	Participant	2019
UN Fashion Industry Charter for Climate Action	Climate change	Signatory	2018
UN Global Compact	General sustainability	Signatory	2006
UN Global Compact CEO Water Mandate	Water stewardship	Member	2008

Organization	Focus Area	Nature of Relationship	Year Joined
U.S. Cotton Trust Protocol	Sustainable cotton	Board member	2021
U.S. Fashion Industry Association (USFIA)	Industry association	Board member (VP, Public Affairs)	1992
Water Resilience Coalition	Water	Founding member	2020
World Federation of Advertisers	Business	Member	2020
ZDHC Foundation	Chemicals	Founding brand, board member	2011

Sustainability Materiality Assessment

To ensure we are addressing the issues with the most potential to impact our business and stakeholders, we maintain a sustainability materiality assessment. This includes a detailed assessment every few years, complemented by annual reviews to assess emerging issues and make sure we continue to focus on the issues of greatest relevance to our business and our stakeholders.

We completed our first formal sustainability materiality assessment in 2016. Since then, we have continually monitored and updated our priority issues. This year, we refreshed our 2016 assessment by taking a new approach, outlined below. We will continue to revisit our assessment and engage a broad group of stakeholders for their feedback on key environmental, social and governance topics.

Our Approach

We completed our first formal sustainability materiality assessment in 2016. Since then, we have continually monitored and updated our priority issues. This year, we refreshed our 2016 assessment by taking a new

approach, outlined below. We will continue to revisit our assessment and engage a broad group of stakeholders for their feedback on key environmental, social and governance topics.

Frameworks and Standards

To identify relevant issues to assess further, we worked with an independent consultant, GlobeScan, to review internal LS&Co. documents, including our original 2016 sustainability materiality assessment, sustainability strategy documents, key consumer insights and our supplier Sustainability Guidebook. GlobeScan also consulted external sources to review the priority issues identified by our peers as well as public reporting organizations and frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), United Nations Sustainable Development Goals (UN SDGs) and Global Reporting Initiative (GRI) Standards. Through this analysis, we compiled a list of 28 issues relevant to our long-term business success, to our stakeholders, to the industry and to society at large.

Internal and External Surveys

We surveyed a wide range of internal and external stakeholders on these 28 issues as they relate to our business success, importance to society and our ability to make an impact. Among the external stakeholders were NGOs, apparel industry peers, think tanks, retail partners, research institutions, corporate leaders and investors. Internal stakeholders included employees within our operations, finance, product, legal, communications and IT functions, across all regions in which LS&Co. operates.

All 28 issues are important, and LS&Co. will continue to address each one as part of our global sustainability strategy. To make sure we were able to identify relevant priorities among these issues, GlobeScan used an approach known as maximum differential, or max-diff, scaling, which uses “best-worst” scaling to gauge respondents’ preference score for each issue. This technique results in more accurate and actionable findings, as respondents are compelled to be decisive. Without this approach, respondents could have ranked everything as important or would have had to rank a long list of issues, which can introduce significant inaccuracies.

Using the results of the reviews and surveys, GlobeScan created a matrix detailing our priority issues. The x-axis, which refers to the relative importance of the topics to LS&Co.’s business, also includes a weighting derived from the SASB materiality map, including the specific issues highlighted for “Apparel, Accessories & Footwear companies.” The y-axis highlights the relative importance of the topics to society at large – those issues related to the best interest of people and the planet.

Our Results

Definitions of the 28 material issues are provided [here](#).

The results of our latest sustainability materiality assessment are shown in the matrix, with the highest priority issues reflected in the top right. These results are in line with the highest priority issues identified by our peers and others in the industry. Many of the highest priority issues are also interdependent, requiring a holistic approach. While the remaining issues were ranked relatively lower in importance, all were identified as material and will remain significant to LS&Co. We will continue to assess how they connect to other issues and have established a management plan for each.

Key Sustainability Themes

Overall, seven key themes emerged, reflecting the areas where we have the greatest opportunity to maximize our impact:

- **Supply Chain:** Proactive and dynamic management of the supply chain is key to managing important supply chain issues, especially the health, safety and well-being of workers.
- **Well-being:** The well-being of the people within LS&Co.'s communities, whether in the supply chain, in our offices or in the communities where we operate, is fundamental to our success.
- **Climate:** Our impact on – and how we manage impacts of – climate change is important not only within our own operations and supply chain, but also in our ability to make a positive impact through products and advocacy.
- **Product Impact:** Our product design, materials sourcing and manufacturing are all directly linked to the impacts, both positive and negative, our products can have on the environment.
- **Consumer Engagement:** Encouraging sustainable consumer behavior is key for us to have a wider positive environmental and social impact throughout the value chain, and to demonstrate to our consumers that we share their concerns and priorities.
- **Inclusion:** Fostering inclusivity throughout our ecosystem is a key priority, both in our own organization and in those of our suppliers.
- **Transparency:** Transparency in business practices and in the supply chain, which includes traceability, is critical. This also extends to sharing information with consumers about our products through various communications, marketing and labeling.

This sustainability report reflects the priorities identified through the assessment and provides detail about how we are addressing these priority issues and themes. Throughout this report, we have addressed these material issues through our management approaches and by establishing objectives and goals to manage them effectively.

Resources

[2020 GRI, UNGC, SDG Index](#)

[2020 SASB Table](#)

[2020 TCFD Response](#)

Material Issue Definitions

ESG Reporting Indices

This sustainability report was informed by the Global Reporting Initiative (GRI) Standards (2020) as well as the Sustainability Accounting Standards Board (SASB) Standard (2018) for the Apparel, Accessories & Footwear industry. Progress on relevant metrics from the SASB Multiline and Specialty Retailers Distributors Standard and the SASB E-Commerce Standard is also included.

Download our [2020 GRI, UN Global Compact, UN Sustainable Development Goals Index](#) and [2020 SASB Table](#). Our climate-based risk assessment process follows the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. [Download our 2020 TCFD Response.](#)

This report also reflects our commitment to the 10 principles of the United Nations Global Compact (UNGC), which addresses human rights, labor, environment, and anti-corruption for business. Likewise, we are a signatory to the UNGC CEO Water Mandate. This report serves as our 2021 Communication on Progress(COP) for both the UNGC and the CEO Water Mandate.

LS&Co. supports the UN Sustainable Development Goals (SDGs), which provide a global framework for advancing sustainability. Throughout this report, we have included relevant SDG icons to indicate the places where our work aligns with specific SDGs.

Resources

[2020 GRI, UNGC, SDG Index](#)

[2020 SASB Table](#)

[2020 TCFD Response](#)

[2020 CEO Water Mandate COP](#)

[2020 UNCG COP](#)

[2020 CDP Response](#)

[2019 UNGC COP](#)

[2019 Sustainability Review](#)

[Tier 1 and Tier 2 Factory List](#)

[Material Issue Definitions](#)
