



# EMERGING STRONGER

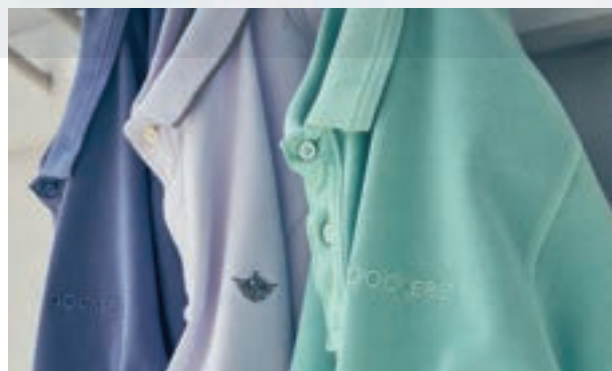
2020 ANNUAL REPORT

LEVI STRAUSS & CO.









# Dear Shareholders,



**CHIP BERGH**  
President and Chief  
Executive Officer

**Levi Strauss & Co. has a 168-year history of surviving – and even thriving – through adversity.** The company has weathered wars, economic recessions, natural disasters, and now our second major global pandemic. In every instance, our values have guided our response and, ultimately, these crises became defining moments and made us stronger. The COVID-19 pandemic will prove to be no exception. It has had a profound impact on our world, our industry and our business. And yet, in the face of extraordinary challenges, this company has demonstrated resilience, agility, creativity, as well as a clear commitment to our values.

From the start of the pandemic, our teams acted quickly to protect our people, our consumers and our business, all while positioning ourselves to meet the accelerated changes that will shape the next decade. I am incredibly proud of our team, particularly our frontline workers in our factories, distribution centers and stores around the world, who kept our business going despite the significant challenges. The innovation our teams demonstrated gives me confidence we will emerge from this crisis stronger than ever.

## Fiscal 2020 Results

When the pandemic hit and closed the majority of our stores and wholesale partner doors in the second quarter, our fiscal year plan went out the window and we faced real uncertainty for the balance of the year – how long would this last? What kind of impact will this have on our stakeholders and operations? How do we keep our brand relevant with everyone sheltered at home? While our results were far short of our going-in plan and below the prior year, we quickly adjusted our cost structure, focused on cash and delivered a solid result, in light of the headwinds. Fiscal 2020 revenues were \$4.5 billion, adjusted net income was \$84 million and adjusted EBIT was \$181 million. More importantly, we were able to position ourselves to emerge from this crisis a more profitable and cash-generative company.

The pandemic fast-tracked many consumer shifts in our industry that play to our strengths – such as the move toward casualization, a shift to digital channels, a heightened focus on sustainability and more conscious consumption. As expectations and habits continue to evolve beyond the pandemic, we will continue to succeed by putting the consumer at the center of everything we do, focusing on what we can control and executing against our strategies.

\* All figures are presented in constant currency unless stated otherwise. For more information regarding constant-currency revenues, adjusted net income, adjusted diluted earnings per share, adjusted gross margin, adjusted free cash flow, adjusted EBIT and the other non-GAAP financial measures discussed within this annual report, refer to the Management's Discussion and Analysis – Non-GAAP Financial Measures section of our Annual Report on Form 10-K for fiscal year 2020 enclosed herewith.





## Our Strategic Choices

This year, we sharpened our focus on the areas that are making an outsized contribution to our business performance, things that will differentiate us and drive value for our shareholders.

We define these efforts as our “where to play” choices – **leading with our brands**, operating with a “**direct-to-consumer first**” mindset, **diversifying** our portfolio by driving outsized growth in under-penetrated areas and **digitally transforming** our business.

- **Brand-Led.** The Levi's® brand heritage and authenticity is unmatched. In 2020, we deepened our connections to consumers through product, marketing, stores and especially through digital experiences. We maintained our denim-share leadership globally and increased share in key markets in Europe. We remain the global leader in denim by a mile, even as we leverage the strength of our brand to increase our share of closet in other categories. In 2020, 37% of revenues were in categories other than denim bottoms, and we have a long runway of growth ahead with our brands leading the way.
- **Direct-to-Consumer (DTC) First.** Our owned channels allow us to connect directly with our consumers and bring them the best experience of our brand. In 2020, DTC reached a record-high 39% of revenues as we accelerated a host of omnichannel initiatives to allow safer, more convenient shopping during the pandemic. Our owned ecommerce business also grew at a record rate this year – up 29% – and is now profitable on a fully allocated basis. We continued to grow our store footprint, opening 90 new doors this year, expanding our NextGen retail concept and delivering breakthrough innovations – both in-store and online – that elevate the consumer experience.
- **Diversification.** This year, we made significant progress in further diversifying our business. In 2020, international sales accounted for 56% of revenues, women's was 34%, tops was 21% and other categories such as accessories, footwear and chinos have grown to 16% of revenues. In 2020, our total digital ecosystem, comprising both our own digital sales and those of our customers, grew to nearly a fourth of revenues. Just five years ago, it was less than a tenth. As we focus on achieving outsized growth in under-penetrated areas, each area is poised to become a considerable portion of our business.
- **Digital Transformation.** We are digitally transforming everything we do to deliver a superior consumer experience, increase efficiency, reduce costs and drive profitable growth. We're investing in digital and artificial

# \$4.5 billion

FY20 revenues

# 56%

FY20 revenues from international sales

# 22%

FY20 revenues from digital footprint\*

*\* Our digital sales and those of our wholesale customers*

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**Our owned e-commerce business grew at a record rate this year – up 29% – and is now profitable on a fully allocated basis.**



intelligence tools to power our ways of working, streamline our global supply chain and optimize promotions and assortment planning — all of which help us shorten our go-to-market timeline, improve margins and enhance profitability.

## Leading With Our Values

Our values guided our actions this year, including our response to the pandemic. Together with the Levi Strauss Foundation, we quickly responded with \$3 million in grants to support COVID-19 relief. We expanded our paid sick leave policy to all part-time hourly workers, introduced paid family leave and rolled out new safety measures across our stores. The Red Tab Foundation, our “Employee Helping Employee” assistance fund, allocated more than double the number of grants and grant dollars to employees and retirees who were negatively impacted financially due to the pandemic. The Red Tab Foundation provided a total of \$2.1 million in financial aid to employees and retirees facing crises this year.

We made good progress on our sustainability programming, receiving recognition for our strategies on climate, water use, chemicals and fibers as well as advancing product innovations, such as our growing use of Cottonized Hemp and recycled denim. We leaned into our advocacy on climate change, racial equity, paid family leave and efforts to get out the vote, through which we helped rally nearly 2,000 companies to join the Time to Vote campaign.

Our values were also embodied by the Levi Strauss Foundation and company grantmaking, which generated a total of \$13 million in grants to organizations and individuals working to protect the civil liberties of vulnerable communities, expand voter participation and access and support the well-being of workers in our supply chain.



We also doubled down on cultivating a diverse and inclusive workplace in a year that put an urgently needed spotlight on structural inequalities that exist across industries and communities. We were fully transparent with our demographic representation data and made a series of commitments that will ensure we make meaningful progress on becoming a more diverse, equitable and inclusive company. For me, this is a moral and business imperative, because it's the right thing to do, and because a diverse and inclusive company will outperform a homogenous one every time.

## Looking Ahead

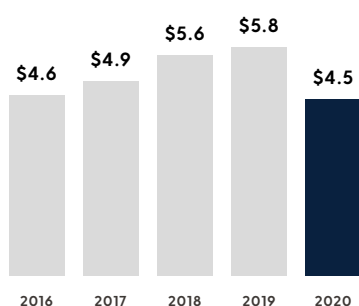
In this extraordinary year, I'm proud of what this company has accomplished. We accelerated our efforts to elevate our iconic brand, connect directly with consumers, advance our digital business and further diversify our portfolio – all while staying true to our values. We remain in very uncertain times. But as we look ahead, I am certain we will continue to drive profitability, build our business for the future, and emerge stronger for the next chapter in this company's storied history.

Sincerely,

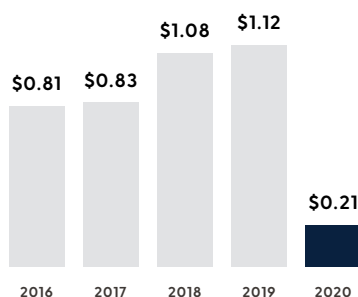
A handwritten signature in black ink, appearing to read 'Jeffrey M. Pfeffer'.

# Our Fiscal Year 2020

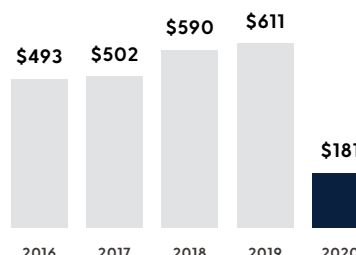
The COVID-19 pandemic had a material impact on our business and revenues. The peak of the impact was felt in the second quarter of our fiscal year, when the majority of our stores were closed. Since then, we've seen a sequential improvement in revenues each quarter. As we navigate and emerge from these uncertain times, we're committed to driving profitable growth and returning capital to our shareholders.



**net revenue**  
(in billions)



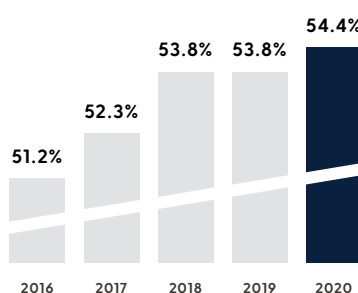
**adjusted diluted earnings per share**



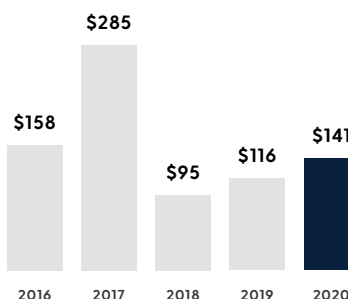
**adjusted EBIT**  
(reported currency, in millions)

## Focus on Financial Excellence

Our financial results were solid in fiscal year 2020. We delivered higher than prior year gross margins, were profitable in all but one quarter and generated even stronger cash flows than prior year, all driven by financial discipline and strong execution.



**adjusted gross margin**



**adjusted free cash flow**  
(in millions)



# Snapshot of Our Business Today

**\$4.5 billion**

FY20 net revenue



approx  
**14,800** employees



approx  
**50,000** retail locations

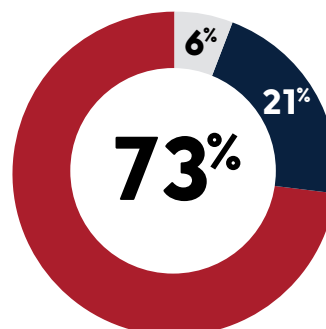
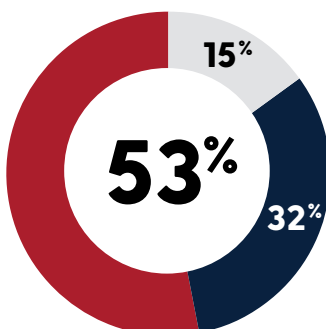
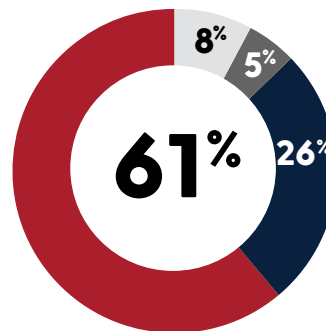
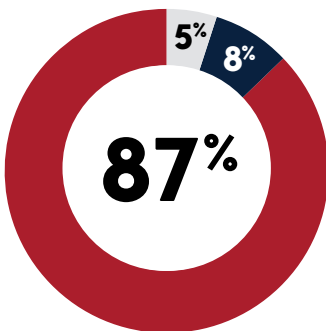


approx  
**3,100** brand-dedicated stores & shop-in-shops

**\$64 million**

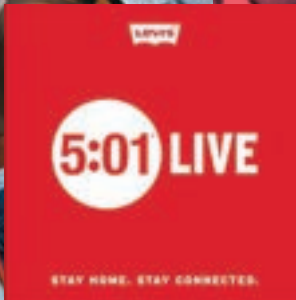
FY20 shareholder dividends

FY20 revenue share



Levi's®

#1 global  
denim brand



women's  
**34%**  
share of total  
revenues



**32**  
collaborations  
in 2020





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# Brand-Led

**Our brands are authentic, original and loved by consumers the world over. In 2020, we drove deeper connections with our fans through our product, marketing and digital and physical experiences.**

Levi's® has an unmatched brand heritage that has resonated with consumers for more than 150 years. This year, we maintained our position as the global leader in denim, holding our jeans market share leadership in the U.S. and growing share in women's in key markets in Europe like Germany, France and Spain. We have a long runway of growth, both within denim and as we continue growing in other categories to secure a greater share of closet.

As people sheltered at home this year, we pivoted to connecting digitally with consumers, starting with our popular 5:01 Live virtual concert series on Instagram. We launched and expanded our Levi's® brand mobile app and loyalty program and expanded our reach on Gen Z-centric channels such as TikTok and Snapchat. And our diverse collaborations continue to create brand energy and delight fans. We launched 32 collaborations this year, with partners ranging from New Balance, LEGO and Nintendo to famed fashion house Valentino.

In 2020, consumers increasingly looked to brands to stand up for what's right. In line with our values, the Levi's® brand advocated for social and racial justice and supported voter education and turnout. We continued to lead in sustainability, offering quality products designed to last generations and encouraging consumers to wear what they love and live with it longer. And we expanded our use of innovative fabrics such as Cottonized Hemp and launched Levi's® SecondHand in the United States,

a new recommerce program that allows consumers to trade in and purchase previously owned Levi's® directly from the brand they trust.

Our value brands, Signature by Levi Strauss & Co.™ and Denizen®, again demonstrated success in providing quality and design to value-conscious consumers. Signature by Levi Strauss & Co.™ finished the year strong, with more than 20% growth in the third quarter and fourth quarter. The Denizen® brand expanded in markets and channels, including a successful launch in Japan.

The Dockers® team took an important step this year as it became a standalone, autonomous internal organization accountable for bringing the brand back to health. The team continues to develop a head-to-toe assortment of lifestyle apparel that inspires optimism and confidence and delivers the casual aesthetic of the brand, all while prioritizing sustainability and values through both product and partnerships.

Being brand-led means that our consumers will be at the heart of everything we do. As we look ahead, we are doubling down on our efforts to elevate our brands and deepen connections with our most important audience — our fans.

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# Direct-to-Consumer First

**In fiscal year 2020, our direct-to-consumer (DTC) business reached 39% of revenues as we prioritized our efforts to connect directly with our fans. We thought and acted “DTC first,” accelerating key investments in our own retail stores and e-commerce business.**

Physical stores continued to be critical to our strategy, delivering the best expression of our brands. We opened 90 new doors this year and added another 85 from organic acquisitions, bringing our total owned-and-operated door count to 1,042 at year end. We continued to expand our Next Gen retail store format to new markets, including in the United States. These digitally enabled, smaller format doors are delivering a superior consumer experience and a strong return on invested capital.

We bolstered our DTC performance by fast-tracking a series of omnichannel capabilities in response to the pandemic, including Buy Online Pick Up in Store, Line Queuing, Same-Day Delivery and Appointment Scheduling. We improved store efficiency with innovations such as mobile checkout and added flexible payment solutions such as Afterpay. And our ship-from-store capability, which allows us to drive operational efficiency and optimize inventory across channels, expanded to Canada, the United Kingdom and Germany, with additional expansion planned across Europe.

We made significant progress across our digital business, which resulted in our owned e-commerce revenues growing 29% for the year. We revamped the levi.com site to be faster and more user-friendly, while also growing both our Levi's® mobile app and loyalty program. The mobile app helped drive fan engagement as well as increased average order value, offering exclusive collaborations and content, early product access and personalized recommendations. And our loyalty program, introduced at the beginning of 2020, has grown rapidly to reach more than 4 million members worldwide. These programs are helping us build lifelong fans that return again and again to the brand they trust and love.

Across our DTC channels, we are leveraging data and artificial intelligence (A.I.) to bolster our performance. For example, we are using A.I. to optimize e-commerce promotions as well as store assortment, helping to ensure we have the right product in the right place at the right time. Going forward, our rapidly growing A.I. capabilities will continue to drive value across channels.



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## DIRECT-TO-CONSUMER

# Connecting Directly With Our Fans

Our DTC business reached a record-high share of our revenues in fiscal year 2020.

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direct-to-consumer  
**39%**

share of total revenues

owned-and-operated  
**1,042**

stores globally

e-commerce  
**+29%**

owned e-commerce growth

loyalty program  
**4 million**

members worldwide



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We bolstered our DTC performance by fast-tracking a series of omnichannel capabilities in response to the pandemic.

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2015 VS 2020

## Our diversification progress

From fiscal years 2015 to 2020, we made considerable progress toward becoming a more diversified business across geographies, categories and channels.

international sales

**47% → 56%**

share of total revenues

tops

**11% → 21%**

share of total revenues

women's

**20% → 34%**

share of total revenues

direct-to-consumer

**29% → 39%**

share of total revenues

digital ecosystem\*

**≤10% → 22%**

share of total revenues

\* Our digital sales and those of our wholesale customers



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# Diversified Portfolio

**As we build for the future and ensure our next chapter of growth, diversifying our business across channels, geographies and categories continues to be a top strategic priority.**

In 2020, we drove significant progress in further diversifying our portfolio in underpenetrated areas. International sales now account for more than half of total revenues – by 2030, we expect that to grow to two-thirds by expanding in markets such as China, where we have ample opportunity to grow. Our women's business, 34% of total revenues in fiscal year 2020, continues to outpace our men's business in growth and we believe will become half of our business in the next decade. We're also growing beyond denim bottoms and capturing additional share of closet with casual pants, sweats, tops and accessories. Over the next decade, we expect half our revenues will come from products that are not denim bottoms.

This year, we hit a significant milestone with our direct-to-consumer business, which reached 39% of revenues. And our hard pivot to digital led to our total digital footprint – comprising both our own digital sales and those of our customers – becoming nearly one-fourth of revenues. By 2030, we expect this to get to one-third, with our own e-commerce comprising about half of that.

Additionally, we made progress diversifying our business within the wholesale channel. We focused on accounts in both the value and premium segments, as well as with partners that target a younger consumer. Our overall wholesale footprint has become much healthier, more diversified and more digital. Going forward, we expect the non-digital business with our largest traditional brick-and-mortar department stores to be less than 10% of our total revenues.

# Profits Through Principles

We maintained our commitment to sustainability in 2020. While the pandemic slowed progress on some fronts, we still made considerable strides and continued to pioneer sustainable products and processes. The year reinforced our sense that we must continue making our products and operations more sustainable, and that building an economically and environmentally resilient business is key to addressing the challenges we need to confront as an industry

Here is a snapshot of where we are and what we achieved in 2020:

## Water



**70%**

Levi's® bottoms are Water<Less®

**4.2B liters**

water saved via Water<Less® since inception

- **11 suppliers now approved** by LS&Co.'s Water Recycle and Reuse Standard *9.6 billion liters of water reused and recycled in those facilities*
- **Water use targets rolled out** to key suppliers
- **Launch of recycled water pipeline** in Epping, South Africa

## Climate



Henderson Distribution Center recertified as an **LEED Platinum facility**

**"A" score** on the Carbon Disclosure Project's climate change survey

**Greenhouse gas emissions targets** rolled out to all key suppliers

**Retail sustainability playbook** complete, pilots underway

## Product



- Launched **Levi's® SecondHand**
- **Wellthread x re:newcell** collaboration
- Opening of **Levi's® by Levi's® London** circularity concept store

## Worker well-being



- **118 factories in 16 countries**, reaching **195K workers**
- Learnings from Harvard's SHINE program being integrated into **WWB guidebook** and planning

## Fiber



**75%**

of cotton sourced through Better Cotton Initiative

- **Achieved commitment of 100%** more sustainable man-made cellulosic fibers
- **Named "frontrunner" by Changing Markets** for commitments to responsible wood-based fiber sourcing

## Chemicals

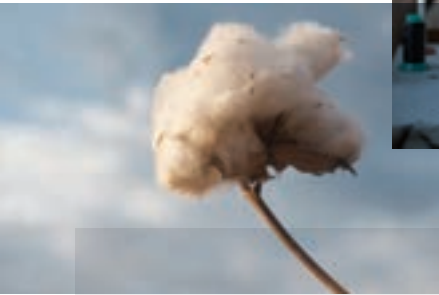


**80%**

of suppliers implementing Screened Chemistry, covering 1,200 chemicals

- **2020 Detox Commitments achieved**
- **16 hazardous chemicals eliminated** from our products and manufacturing
- **Chemical Management System** launched in **80%** of factories





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## DIVERSITY, EQUITY & INCLUSION

# Our Commitment to Do More

**We are cultivating an inclusive environment where everyone feels a sense of belonging and knows that their contributions are welcome and valued.**

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We renewed our commitment to diversity, equity and inclusion in 2020 by sharing our own diversity numbers publicly for the first time and announcing a new slate of commitments around our hiring and workplace practices. The goal is a workplace where everyone feels welcome, heard, and valued, and that fully reflects the communities we work in and serve.

We've since taken several foundational steps in this journey, chief among them hiring Elizabeth A. Morrison as Chief Diversity, Equity & Inclusion Officer and augmenting her team with additional hires. We made progress on our commitment to have 50% diversity on

candidate slates and on recruiting from historically Black colleges and universities (HBCUs) and other campuses with diverse student populations.

As part of our efforts to foster and promote diverse talent, we completed the first class of our RISE leadership development program, which included 52 high-performing women managers and directors. Additionally, our most recent pay equity audit did not find any significant pay differences across employee groups. We also implemented, on a permanent basis, paid sick leave for part-time hourly retail employees, so no one would have to choose between their health and a paycheck, and continued to offer and advocate for benefits such as paid family leave that offer the kind of support people, and especially women, need right now, given the pressures caused by the pandemic.

This work will continue in 2021 and well beyond, as will our efforts to use our platforms to address issues such as the pernicious and pervasive consequence of structural racism, and social and racial justice writ large.

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For our latest updates, visit  
<https://www.levistrauss.com/work-with-us/life-at-lsco/diversity-inclusion/>.

# OUR BOARD OF DIRECTORS



**Charles V. (Chip) Bergh**

President and  
Chief Executive Officer



**Troy Alstead** [2, 4]

President and Chief Executive  
Officer of Table 47  
and Ocean5



**Jill Beraud** [2, 3]

Retired Co-founder  
and CEO, Sh'nnong  
Beverage Company



**Robert A. Eckert** [1, 2]

Chair of the Board of Directors  
of Levi Strauss & Co. as of  
*March 26, 2021*  
Operating Partner at FFL  
Partners, LLC and Chairman  
Emeritus of Mattel, Inc.



**Spencer Fleischer** [2, 3]

Co-Founder and Managing  
Partner of FFL Partners, LLC



**David A. Friedman** [1, 2]

Retired Senior Principal  
and Emeritus President, CEO  
and Board Chair of Forrell/  
Elesser Engineers Inc.



**Yael Garten** [1, 4]

Director of Siri Data Science  
and Engineering at Apple



**Christopher  
McCormick** [1, 4]

Retired President and  
Chief Executive Officer  
of L.L. Bean, Inc.



**Jenny Ming** [1, 4]

Retired President and  
Chief Executive Officer  
of Charlotte Russe, Inc.



**Stephen C. Neal**

Chair of the Board of Directors  
of Levi Strauss & Co. *until his  
retirement on March 26, 2021*  
Chairman Emeritus of  
Cooley LLP



**Patricia Salas Pineda** [1, 3]

Retired Group Vice President,  
Hispanic Business Strategy  
for Toyota Motor North  
America, Inc.



**Josh Prime** [3, 4]

Partner, Idea Generation and  
Research, at Indaba Capital  
Management, L.P.



**Elliott Rodgers** [3, 4]

Chief Information Officer  
of Ulta Beauty

## COMMITTEE KEY

- [1] Nominating, Governance and  
Corporate Citizenship
- [2] Compensation Committee
- [3] Finance Committee
- [4] Audit Committee

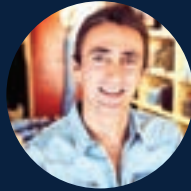


## OUR LEADERSHIP TEAM



**Charles V. (Chip) Bergh**

President and  
Chief Executive Officer



**Santiago Cucci**

Global Head of the  
Dockers® Brand



**Seth Ellison**

Executive Vice President and  
Chief Commercial Officer



**Karyn Hillman**

Senior Vice President  
and Chief Product Officer



**Seth Jaffe**

Executive Vice President  
and General Counsel



**Tracy Layney**

Senior Vice President  
and Chief Human  
Resources Officer



**Heidi Manes**

Senior Vice President and  
Chief Transformation Officer



**Kelly McGinnis**

Senior Vice President and  
Chief Communications Officer



**Liz O'Neill**

Executive Vice President and  
Chief Operations Officer



**Marc Rosen**

Executive Vice President  
and President, Levi Strauss  
Americas



**Jen Sey**

Executive Vice President and  
President, Levi's® Brand



**Harmit Singh**

Executive Vice President and  
Chief Financial Officer



**Katia Walsh**

Senior Vice President and  
Chief Strategy and Artificial  
Intelligence Officer



## FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements, including statements regarding future revenue growth and sustainability goals. We have based these forward-looking statements on our current assumptions, expectations and projections about future events. Words such as, but not limited to, “believe,” “will,” “so we can,” “when,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “could,” “plans” and “seeks” and similar expressions to identify forward-looking statements are used. These forward-looking statements are necessarily estimates that involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Investors should consider the information contained in our filings with the U.S. Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for fiscal year 2020 enclosed herewith, especially in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” sections. Other unknown or unpredictable factors also could have material adverse effects on our future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this annual report may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated or, if no date is stated, as of the date of this annual report. We are not under any obligation and do not intend update or revise any of the forward-looking statements contained in this annual report to reflect circumstances existing after the date of this annual report or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.



