

2012 CLIMATE CHANGE STRATEGY

SEPTEMBER 2012

LEVI STRAUSS & CO.

A MESSAGE FROM THE CEO



When facing the challenges of our times, Levi Strauss & Co. has a history of taking an industry-leading stance, from establishing the first code of conduct for our suppliers to our leadership in sustainable design. We also face significant business risks, rang-

ing from disruptions to our operations, to the availability of water, and to potential impacts to cotton supply, our core raw material. This is why we measured our baseline global climate footprint in 2007 and established a goal to reduce it by 11% by 2011. We beat that goal, achieving a 13% reduction.

And when it comes to the next stage in our climate change strategy, our ambitious approach is no exception to our legacy: our vision is to reduce carbon dioxide and other greenhouse gases through maximizing energy efficiency and using 100% renewable energy — first in our operations and then throughout the supply chain.

With this Climate Change Strategy, I am pleased to present a summary of our current climate change mitigation progress and updated targets. Just as our groundbreaking Terms of Engagement changed the landscape for suppliers worldwide, our climate change strategy and efforts are setting the stage to raise the bar for companies worldwide. That's why we have committed to take action by measuring and reducing our climate impact, advocating for government policy, and engaging our supply chain and our consumers.

Today, Levi Strauss & Co. recognizes that human-produced greenhouse gas emissions are a key contributor to climate change — perhaps one of the greatest challenges of our time. Climate change mitigation is vital to the long-term success of our business, as well as the health and

well-being of the people who make and buy our products. Many of the countries where we operate are already beginning to feel the effects of climate change, including drought, floods, and the spread of disease.

We recognize that to be pioneers, we must take a holistic approach to fully address climate change: water and other materials are inextricably linked with energy and have broader effects of their own. For more than two decades, Levi Strauss & Co. has been working to reduce our environmental impacts. When we were concerned about water discharge polluting local waterways, we implemented the apparel industry's first Global Effluent Requirement for our factories and contract laundries. When we wanted to understand all of the environmental impacts from operating our business, we completed a groundbreaking study of the entire lifecycle of our top products. When we challenged Levi's® designers to significantly cut the water used in the finishing process for our jeans, they created our Water<Less™ collection, which reduced 172 million liters of water in the Spring of 2012 alone. While we are proud of all of these accomplishments, we know we must continue to innovate and champion bold solutions.

At Levi Strauss & Co., we're embedding sustainability into everything we do. This Climate Change Strategy details one important step along the journey to our long-term vision to eliminate the climate impact of our business by maximizing energy efficiency and operating with 100 percent renewable energy.

A handwritten signature in black ink that reads "Chip". The signature is written in a cursive, slightly slanted style.

Chip Bergh,
President & CEO
Levi Strauss & Co.

EXECUTIVE SUMMARY

OUR VISION is to reduce carbon dioxide and other greenhouse gases through maximizing energy efficiency and using...



...renewable energy — first in our operations and then throughout the supply chain.

OUR NEW TARGETS



Offices, Retail and Distribution:

reduction in greenhouse gas emissions by 2020



Manufacturing:

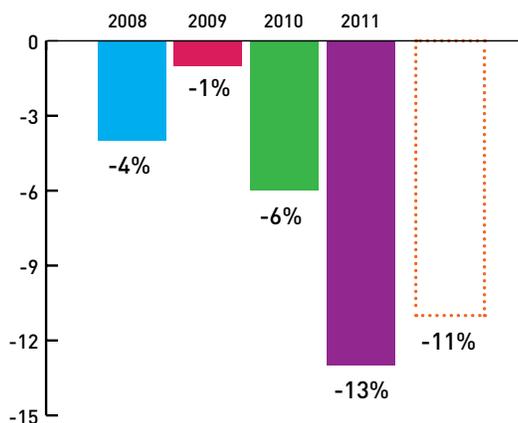
annual reduction in greenhouse gas emissions per product shipped



All LS&Co.:

of energy purchases from renewable sources by 2020

In 2011, we met our climate target, a reduction in global corporate greenhouse gas emissions of 11 percent from 2007 levels, by improving energy efficiency and purchasing renewable electricity.



Our holistic approach and efforts to address climate change are guided by our values:

EMPATHY: We are concerned about the impacts of climate change on our customers, employees, and other key stakeholders. We focus on understanding the risks and implications of climate change, and the potential effects on major resources, our operations, and supply chain.

COURAGE: Our understanding of climate change necessitates action. We are committed to reducing our climate impact by maximizing energy efficiency and using energy from renewable sources. We set rigorous targets to guide change within our operations. Since government leadership is essential for widespread action on climate change, we also play a strong role in climate and energy advocacy.

OUR APPROACH

INTEGRITY: We are following through on our climate commitment by targeting every major source of our direct and indirect emissions — in our manufacturing facilities, distribution centers, retail stores, and offices. From changing fuel sources to energy efficiency retrofits, we employ a multitude of projects to drive emissions reductions.

ORIGINALITY: We look beyond the gates of our operations to address the full climate footprint of our products including emissions in our supply chain. After learning that the largest climate impact in the lifetime of a pair of Levi's® jeans is from consumer washing, we initiated an education program to empower consumers to reduce their own climate impact by changing their laundry habits. publicly owned water treatment facilities. We also require that our suppliers regularly submit wastewater samples for laboratory analysis and report on the results on a semiannual basis.

EMPATHY: UNDERSTANDING THE IMPORTANCE AND IMPACTS OF CLIMATE CHANGE

Levi Strauss & Co. (LS&Co.) recognizes that the emission of carbon dioxide is a major contributor to global climate change. If left unchecked, carbon dioxide emissions will trigger large-scale economic, social and environmental consequences for our business and the communities in which we operate. Within our operations globally, we are committed to reducing emissions of carbon dioxide and other greenhouse gases.

Why are we committed to focusing on climate resilience and adaptation? First, many of our employees and consumers have already begun to feel the impact of climate change.

In September and October 2009, LS&Co. employees in the Philippines were affected by a series of powerful typhoons that swept through the country. The first storm resulted in the heaviest rainfall in 40 years and at one point, 80 percent of Manila — a city of almost 12 million people — was submerged.

While, thankfully, all LS&Co. employees were safe, many were impacted by the flood waters. Through our Red Tab Foundation, we provided support to employees for their longer term needs: essential home repairs, replacement of furnishings and, in some cases, even relocation.

We also operate a distribution center in Canton, Mississippi that employs about 300 people and was affected by Hurricane Katrina. Though only minor damage was sustained in the Jackson and Canton communities where many of those employees live, we provided small cash grants for approximately 40 percent of our Canton, Mississippi employees, many of whom took in families who lost their homes.

While typhoon in the Philippines and Hurricane Katrina may not have been directly caused by climate change, we do know that climate change is increasing the incidence and severity of storms, heat-waves, droughts, and other extreme weather events. The communities where we work and sell our products will need to adapt to the changing weather patterns.

Second, we are deeply concerned about the threat climate change is posing to the natural and agricultural resources that provide the material bases for our products. For our company, that resource is cotton. It makes up 95 percent of the material in our supply chain.

Cotton is produced in more than 100 countries around the world, many of which are already starting to feel the impact of climate change and the need to implement adaptation strategies. There are approximately 40 million cotton farmers in those countries facing arable land constraints and water scarcity as climate change occurs.

Cotton, like other agricultural commodities, is at risk for crop failure and reduced yield as weather patterns change and there are water shortages. Risks also stem from countries deciding to switch from cotton fiber production to food crops as commodity crops compete with food crops for decreasing land and water resources.

All of this creates business risk and uncertainty around cotton availability, quality and pricing. We have therefore

recognized the need to be very focused on the impacts of climate change and how it may impact the global cotton supply and the farmers who produce it.

Lastly, much of our manufacturing supply chain is in developing countries. LS&Co. products are manufactured in more than 30 countries around the world, many of which are already or are expected to feel the effects of climate change more prominently, including increased water shortage (e.g., India and Nicaragua), disease (Cambodia), and flooding and salt water intrusion (e.g., Bangladesh and Vietnam).

The Intergovernmental Panel on Climate Change listed Bangladesh, the Mekong Delta in Vietnam, and the Nile Delta in Egypt as the world's three hot spots for potential migration because of their combination of sea-level rise and existing population. All three are important sourcing regions for LS&Co.

Extreme weather events pose increasing risks to production and supply chain operations. The volatility of weather patterns also present monumental challenges for planning inventory and supply levels.

We have to act on climate change, because it is vital to the long term success of our business.

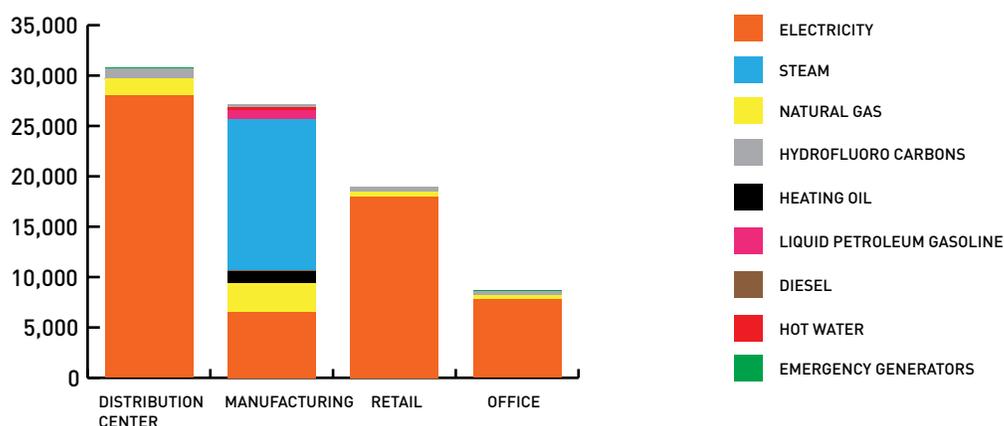
COURAGE: COMMITTED TO REDUCING OUR CLIMATE IMPACT

MEASURING OUR IMPACT

We have been tracking our carbon emissions from direct fuel combustion (Scope 1) and indirect emissions from electricity and steam purchases (Scope 2) for several years — starting in 2006 for the Americas and in 2007 for our global operations. LS&Co. was the first apparel company to report global greenhouse gas emissions to The Climate Registry and our emissions inventories from 2006 to 2011 are posted in their public domain. The inventories follow globally-recognized guidelines outlined by the World Resources Institute and World Business Council for Sustainable Development protocol for Corporate Accounting and Reporting. We are committed to continue following global standards and obtaining third-party verification for our inventory.

The majority of our Scope 1 and Scope 2 emissions result from electricity purchases at all of our operated locations. We also have emissions from steam purchases and direct combustion of fuels such as natural gas.

GREENHOUSE GAS EMISSIONS BY FACILITY TYPE (2011)

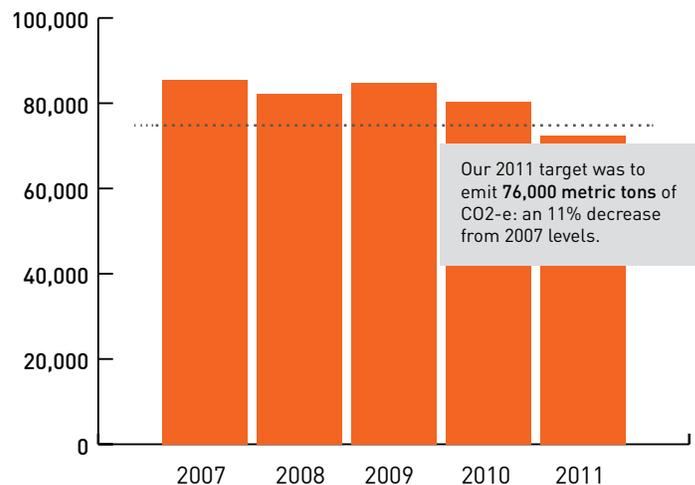


	FUEL SOURCE	FACILITY SOURCE
Direction Emissions Scope 1 Direction Emissions are generated from the on-site combustion of fuels at LS&Co. facilities. Examples include: <ul style="list-style-type: none"> • boilers, furnaces, heaters • refrigerants (typically related to building heating and cooling) 	Natural Gas	Some distribution centers, manufacturing plants, retail office space
	Heating Oil	Manufacturing plants
	Diesel Fuel	Manufacturing plants
	Liquid Petroleum Gasoline (LPG)	Manufacturing plants
	Hydroflouorocarbons	All facility types except retail
	Emergency Generators	All facility types
Indirect Emissions: Scope 2 Emissions from the consumption of acquired fuels such as electricity, steam, heating, or cooling	Electricity	All facility types
	Steam	Manufacturing plants
	Hot Water	Manufacturing plants

2011 TARGETS AND ACHIEVEMENTS

In 2009, we publicly announced a target to reduce Scope 1 and 2 greenhouse gas emissions 11 percent by the end of 2011 as compared to a 2007 baseline. We are proud to announce that we achieved that goal by implementing energy efficiency and conservation programs at our stores, offices, manufacturing plants, and distribution centers, and by procuring electricity generated from 100 percent renewable energy sources (RES-E) in Europe and Green-e® renewable energy certificates (RECs) in the United States. Through these initiatives, **we were able to obtain 11 percent of our energy from renewable sources and reduce our total emissions by 13 percent from 2007 levels.**

LS&CO. GREENHOUSE GAS EMISSIONS / 2007 - 2011



LS&CO. GREENHOUSE GAS EMISSIONS AND RENEWABLE ENERGY SUMMARY

	2007	2008	2009	2010	2011
Scope 1 & 2 Emissions (MT CO2-e)	85,393	82,246	84,742	80,406	74,062
Renewable Energy	0%	0%	1%	2%	11%

In meeting our 2011 target, we found that greenhouse gas emissions from our distribution centers, offices, and retail facilities are predictable, although growth in our retail operations can offset gains made through energy efficiency. We also learned that the manufacturing plants we operate can have highly variable energy use since emissions from these locations are mostly driven by production quantities and intensity. When we open or close manufacturing facilities, it makes a substantial impact on our global emissions. With these findings, we set targets for specific areas of our business that better align with their operating characteristics and growth forecasts.

NEW VISION AND TARGETS

After meeting our 2011 targets, we reviewed our progress, made key updates to our vision, and set new targets to further drive reductions in our emissions. We believe that substantial reductions in our greenhouse gas emissions are necessary given the urgency of climate risk and magnitude of potential impact.

In our new vision, we are committed to reducing carbon dioxide and other greenhouse gases through maximizing energy efficiency and using 100 percent renewable energy — first in our operations and then throughout the supply chain.

We prioritize energy efficiency, because it is the most cost effective way to reduce our emissions. By selecting energy efficiency projects that have favorable financial returns, we

can also improve the cost-effectiveness of our business operations. Once we maximize energy efficiency, our secondary target is to procure all remaining energy needs from renewable sources. We have set targets for greenhouse gas reduction from both energy efficiency improvements and renewable energy, and also added a specific target for renewable procurement.

NEW GLOBAL GREENHOUSE GAS REDUCTION TARGETS

- **25 percent reduction in emissions by 2020** for offices, retail, and distribution centers (compared to our global 2007 baseline)
- **5 percent annual reduction target in greenhouse gas emissions per product shipped** from our owned and operated manufacturing

New Global Renewable Energy Target: Obtain 20 percent energy purchases from renewable sources by 2020

By setting these aggressive long term targets, we are committing to tapping every major source of our corporate emissions for substantial reductions. This involves engagement at every level of the company, from the front-line employees who operate our stores and make our products, to our financial managers and building operators. We are committed to transforming our operations and moving towards long-term change in how we do business.

CLIMATE AND ENERGY ADVOCACY

We believe government leadership is essential for wide-spread action to address climate change and create an environment that enables companies like ours to invest in renewable energy and achieve the greatest savings from energy efficiency.

We can do more, faster and cheaper with government policy that incentivizes utilities to work with us to capture efficiencies and invest in renewable energy. Reduced business costs from these investments can be reinvested in the company to grow our business and create jobs. Put simply, we can run our business better with the certainty of a price on carbon and government policies and incentives to help us to maximize energy efficiency and draw our energy from renewable sources.

Examples of policy advocacy include:

- **BICEP (Business for Innovative Climate and Energy Policy)** – To bring our voice for energy and climate action to Washington, LS&Co. was one of the founding members of Business for Innovative Climate and Energy Policy (BICEP). BICEP's members — more than 20 major United States brands and retailers — believe that climate change will impact all sectors of the economy and that various business perspectives are needed to provide a full spectrum of viewpoints for solving the climate and energy challenges facing the United States. BICEP's goal is to work directly with key allies in the business community and with members of the United States Congress to pass meaningful energy and climate change legislation that is consistent with BICEP's core principles. As a BICEP member, we have been advocating on Capitol Hill and with the Obama Administration for comprehensive domestic climate and energy legislation. In December 2010, Richard Kauffman, LS&Co.'s then-chairman of the board, presented testimony before the House Select Committee on Energy Independence and Global Warming.

Put simply, we can run our business better with the certainty of a price on carbon and government policies and incentives to help us to maximize energy efficiency and draw our energy from renewable sources.

- **Oxfam America Partnership for Resilience and Environmental Preparedness (PREP)** - Recognizing that business has a critical role to play in building climate preparedness LS&Co. joined the Partnership for Resilience and Environmental Preparedness (PREP) as a founding member. PREP is coordinated by Oxfam America, the international relief and development organization, and builds on their climate adaptation advocacy by engaging the business community to take action and promote public policies that facilitate adaptation efforts to prepare for and respond to the consequences of a changing climate. As a PREP member, we have participated in Congressional briefings to share our story on the potential climate adaptation needs and business impact in our supply chain. We also met with Congressional and Administration staff on the need for public and private investments that promote climate adaptation and resilience in vulnerable communities.
- **California Low Carbon Fuel Standard** – Our climate and energy policy advocacy is at the global, country and local level where we do business. In December 2011, together with other prominent California-headquartered companies and business associations, we added our name to a media ad to be placed in the Sacramento Bee supporting California's low carbon fuel standard (LCFS), requiring oil companies to reduce carbon pollution from their gasoline and diesel fuel. California business support for the LCFS enabled the state government to strengthen the standard with a clear business, as well as environmental, rationale.

- **No on 23 Campaign** – We were proud to be one of the first California-headquartered multinational companies to join the campaign against the California ballot initiative (Proposition 23) to overturn California’s Global Warming Solutions Act of 2006 (AB 32), which set the California’s 2020 greenhouse gas (GHG) emissions reduction target into law. We produced a blog post arguing for the defeat of Proposition 23 that was posted on our public facing corporate website and was widely circulated by the campaign.

PARTNERSHIPS AND MEMBERSHIPS

We also believe that coordination with non-profit organizations and industry groups is critical to our success in comprehensively addressing climate change within and outside of our business. We work with:

- **Carbon Disclosure Project** – A non-profit that works to reduce greenhouse gas emissions and improve availability of climate change and water information for business, investment, and policy decision-making. We voluntarily reported our annual greenhouse gas emissions, risks from climate change, and management practices for the past four years.
- **Climate Counts i2** – As a member of Climate Counts Industry Innovators (i2) program we work with the other members to share best practices to improve our climate change mitigation efforts.
- **The Climate Registry** - A non-profit collaboration among North American jurisdictions that sets consistent and transparent standards to calculate, verify and publicly report greenhouse gas emissions in a single registry. We have reported our greenhouse gas emissions to The Climate Registry for the past six years.
- **Sustainable Apparel Coalition** – An industry group that seeks to find common approaches to measure and evaluate the sustainability performance for footwear and apparel products. We are an active member in developing indices and tools to measure the environmental performance of

our products, including measurements of greenhouse gas intensity.

INTEGRITY: FOLLOWING THROUGH ON OUR CLIMATE COMMITMENT

We take our commitment to address all major sources of Scope 1 and 2 greenhouse gas emissions seriously. The targets that we set for major areas of our operations undergo annual review by LS&Co. executives. In addition, we are including consideration for projects that reduce greenhouse gas emissions as part of our financial planning process.

Our strategy encompasses all of the facilities we operate, including offices, retail, distribution centers, and manufacturing facilities. We have identified the business owners and outlined specific tactics to enable each area of our operation to achieve success.

2011 GREENHOUSE GAS EMISSIONS BY FACILITY TYPE





Offices: We target energy efficiency improvements when we start new leases, by looking at opportunities for lighting, heating, ventilation and air conditioning retrofits when we move into a new space or when a lease is renewed.

Our San Francisco headquarters recently underwent a large renovation, with the goal of attaining LEED™ (Leadership in Energy and Environmental Design) certification. LEED™ is an internationally recognized green building certification system developed by the United States Green Building Council. As we reviewed and made each decision during design and construction — everything from building insulation to the heating and air conditioning system to lighting fixtures and beyond — we looked for ways to drive more energy efficiency and sustainability. The result: in 2011, electricity use per employee was down 37 percent and natural gas use per employee was down 70 percent. The building earned LEED™ Gold for its holistic sustainable design elements.



Retail Stores: Retail stores are increasing as a component of our greenhouse gas footprint, growing from 9 percent of our emissions in 2007 to 22 percent in 2011. Since our global retail presence will continue to expand, our stores will continue to be an important focus of our greenhouse gas reduction efforts.

We implemented LEED™ best practices and successfully achieved LEED™ certification for Commercial Interiors (CI) for three Levi's® stores in Paris, France; Liege, Belgium; and Birmingham, England. Our three LEED™ certified Levi's® stores have a number of features that reduce energy by at least 37 percent compared to our average European retail stores, including:

- energy-efficient ambient and spot lighting
- integration of daylight into the store
- automatic sliding doors with synchronized air curtains
- energy efficient heating, ventilation and air conditioning systems.

All three stores also procure electricity produced from 100 percent renewable sources.

We are now making many of the energy efficiency features from our LEED™ stores standard in new store design. For example, we continue to expand the number of our stores that use LED (light-emitting diode) rather than halogen lighting both in Europe and in the United States.



Distribution Centers: The 12 distribution centers that we operate makeup the largest portion of our Scope 1 and 2 emissions. We have focused heavily on energy improvements in our distribution centers which resulted in \$1.3 million in avoided costs and a 27 percent decrease in greenhouse gas emissions from 2007 to 2011.

One of our largest distribution centers, in Henderson, Nevada, started tracking its performance through the Energy Star Portfolio Manager, a benchmarking tool operated by the United States Environmental Protection Agency and Department of Energy. The facility first scored 37 out of 100 in 2010, signifying poor energy performance in comparison to peer facilities. Since then, the Henderson employees started a Green Team and completed several energy efficiency retrofits, including deploying an energy management system upgrade to better control the building's air conditioning and heating, adding motion sensors, replacing roof tiles with white surfaces to reduce cooling needs, and installing variable frequency controls to reduce operating times for mechanical equipment. Their efforts have resulted in a 26% reduction in the facilities energy use, bringing its Energy Star score up to 53. The team continues to focus on raising the score with a goal of 75, signifying superior energy performance.

All of our distribution centers set annual energy efficiency targets and have onsite staff to assess energy reduction projects. Our three largest facilities are all planning major renovations to consolidate mechanical equipment, upgrade lighting, and improve climate controls.



Manufacturing: We directly operate four manufacturing plants, which are located in Vietnam, South Africa, Poland, and Turkey. In 2010 and 2011, our Turkey and Poland plants received ISO 14001 and OHSAS 18001 certification, respectively. To reach these standards we focused on improving our monitoring systems, including energy management systems. These certifications recognize excellence in environment, health and safety (EHS) management and are valid for three years. They also trigger ongoing reviews and continuous improvement of EHS in the workplace.

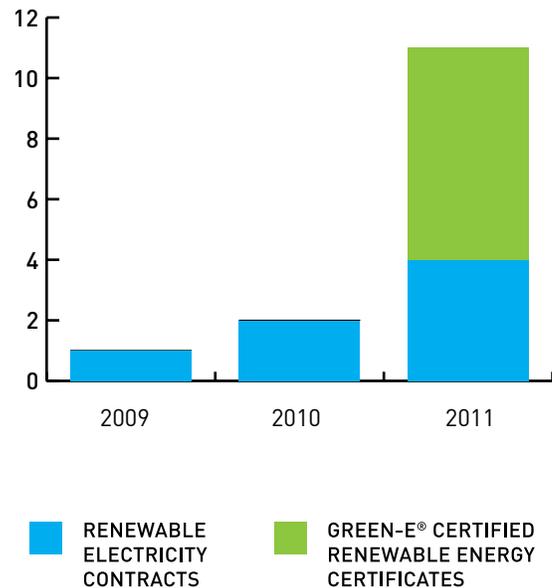
We commissioned extensive energy audits at our Turkey, Poland, and South Africa plants and completed several energy efficiency retrofits. Our Turkey plant installed several heat recovery systems that use waste heat for some of the plant's heating needs, yielding considerable energy savings. We are expanding the use of heat recovery technology in our other manufacturing plants to reduce energy used for garment finishing. Each of our plants sets annual energy efficiency targets and plans long-term energy efficiency projects to improve environmental performance.



Renewable Energy: In combination with reducing the energy use in our facilities, we also target energy procurement from renewable sources to reduce greenhouse gas emissions. In Europe, over the past two years, 23 of our retail stores, nine Levi Strauss & Co. offices and a distribution center in the United Kingdom started purchasing electricity generated from 100 percent renewable energy sources. This renewable energy procurement, together with previous years' efforts helped us reduce greenhouse gas emissions by 3,039 metric tons in 2011.

In the United States, we purchased renewable energy for our San Francisco headquarters and several other facilities. Our Green-e® certified Renewable Energy Credit purchases amounted to 12,151 metric tons of greenhouse gas emissions in 2011. We are exploring additional opportunities for renewable energy procurement and renewable energy production in all areas of our global portfolio.

RENEWABLE ENERGY PURCHASES



ORIGINALITY: MEASURING AND REDUCING LIFECYCLE CLIMATE IMPACT

At LS&Co., we place a high importance on mitigating the full environmental impact of our products. This includes assuming the responsibility to understand and develop strategies to reduce the carbon impact of our core products, even when that impact lies outside of our direct operations.

In 2007, we wanted to better understand the major environmental impacts of our products using the most credible and scientifically robust methods available. We commissioned a lifecycle assessment for two of our core products — a Levi's® 501® Medium Stonewash jean and a Dockers® Original Khaki. We studied the environmental impacts related to the entire lifecycle of these products by tracing all of the input

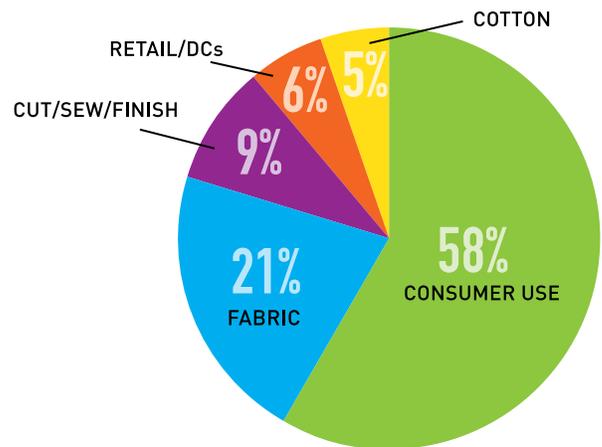
materials, such as cotton, and continuing through the supply chain, transport, consumer use, recycling and, finally, disposal.

This groundbreaking study revealed some surprising results: the greatest impact on climate change was outside of our direct control, resulting from consumer use. Over the life of a pair of jeans, the carbon impact from consumers who wash and dry their jeans once a week over the course of two years is more than the carbon impact of producing the jeans. Furthermore, consumers who wash their jeans less, wash in cold water, or air dry their jeans can significantly reduce the total environmental impact of our products.



Following our 2007 LCA study, we continued researching our products' lifecycle climate impact. In 2009 we completed a lifecycle based impact assessment method we call E-evaluate. Using our E-evaluate method we assessed the environmental impact, including the global warming potential, for **11 Levi's® products**. We continue to expand our use of E-evaluate to track our efforts in reducing environmental and climate impact and inform our designers during the product design and development phases.

LEVI'S® 501® CLIMATE IMPACT FROM 2007 LCA STUDY



In 2010, we were one of 60 companies selected to road-test two new protocols to measure greenhouse gas emissions — one designed to measure the impact of a product and the other to measure the impact of our entire supply chain (Scope 3 emissions). These new protocols, developed by the World Resources Institute (WRI) and World Business Council for Sustainable Development, are intended to help companies focus on the areas with the greatest opportunities for greenhouse gas reduction. As in our 2007 lifecycle assessment, we found some of the largest impacts to be during consumer use as well as upstream production.

These findings have guided our environmental focus towards building consumer awareness and implementing initiatives in all high-impact phases of the product lifecycle.

CONSUMER ENGAGEMENT

In 2009, we initiated a global dialogue with consumers — Care for Our Planet — about how caring for their clothes affects the environment. Through this initiative we:

- Started a “Care Tag for Our Planet” campaign, changing the product care tags in our clothing to include instructions about ways consumers can reduce the environmental impact of their clothes after leaving the store. The tags encourage consumers to wash less, wash in cold water, line dry when possible, and donate clothing to charity when no longer needed.
- Launched a contest — Care to Air — to find a better way to air dry jeans, as well as every other article of clothing that typically ends up in the dryer. With \$10,000 in prizes, we received nearly 140 designs from around the world, with submissions that included artistic designs and drying racks optimized for urban dwellers.
- Established a partnership with Goodwill® in the United States to encourage consumers to increase the life cycle of a pair of jeans by donating them.

We also wanted to enable consumers to make smart purchasing decisions, so in 2011, we launched our version of an environmental “nutrition label” for our products, based on our lifecycle research. We participated in an experiment in France to find the most effective ways to provide environmental impact data — including carbon dioxide emissions — to consumers on the products they purchase.

The National Experiment, led by the French Ministry of Ecology, Sustainable Development, Transport and Housing, included eight jean styles on our French Levi’s® website and also at our LEED certified store in Paris. The pilot ran from July 1, 2011 to June 30, 2012, and the 168 participating companies will submit evaluations of the pilot for consolidation into a recommendation to the French Parliament early 2013 on next steps for environmental labeling of consumer products.

TRANSPORTATION

When we studied the carbon footprint of transporting our finished goods from factories to our distribution centers, we were surprised to learn that the amount of greenhouse gas



emissions varies substantially with the mode of transport. We also came to the conclusion that with some innovative efforts, we can both reduce emissions and also reduce costs from transportation while still meeting our delivery timeframes. For example, we can reduce our emissions by switching from air to ocean transport and truck to either water or rail transport.

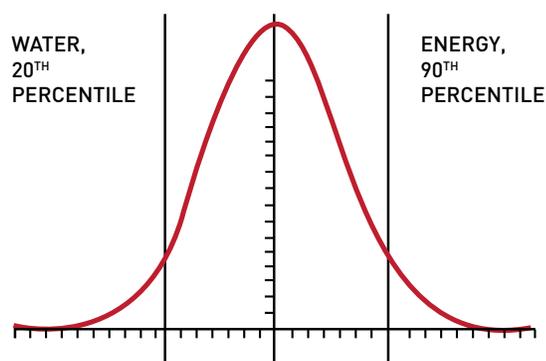
Realizing that we can only improve what we measure, in 2010 we tracked the amount of goods transported by air, truck, ocean, and rail to estimate our carbon footprint. In 2011, we started a quarterly carbon dashboard for all transport from manufacturing facilities to distribution centers globally. We also assess environmental sustainability criteria in our carrier selection, including corporate policies, annual carbon reporting, vessel design, and the extent to which they share best practices in the industry. By doing so we are influencing the transportation industry to do more and encouraging transparency in their sustainability practices.

SUPPLY CHAIN INITIATIVES

Recognizing that our supply chain represents a big portion of our product climate impact, we are also focused on working with our suppliers on greenhouse gas reduction efforts. In 2011 we started collecting annual water and energy consumption data from 63 of our high volume and strategic suppliers. The goal of this initiative is to identify best sustainability practices and share them with our partners.

Each supplier received a personalized one-page summary document of their 2010 water and energy performance, based on a comparison of regional and global average consumption per manufactured unit. Suppliers received two percentile rankings: one for energy use per unit and one for water use per unit. Our regional teams worked closely with each supplier to review their performance scores, answer questions, and gather insights.

REGIONAL PERCENTILE RANKING



Many of our suppliers have reduced energy use by up to 30%. The actions our suppliers are taking to improve their energy efficiency ratings include installing:

- Energy efficient lighting in offices and on the manufacturing floor
- Switches or motion sensors for lighting in areas with low use
- Heat recovery systems to capture and reuse waste heat in manufacturing
- Direct drive sewing machines that improve efficiency
- Variable speed drives for air compressors
- Solar panels

We will continue to provide annual performance reports for our direct suppliers and engage in deeper dialogues on strategies and projects to reduce their energy and water footprints.

Another way we work with our suppliers on reducing their climate impact is through our partnerships.

National Resource Defense Council (NRDC)'s Responsible Sourcing Initiative:

The Responsible Sourcing Initiative works with Chinese mills to identify practical, low-cost opportunities to increase operational efficiencies, while reducing materials, water use, energy use, waste, and emissions.

In 2011, we engaged four mills in the initiative: two from North China, one in Central China, and one in South China, covering Jiangsu, Hebei, Shandong and Guangdong provinces. The fabric mills first were introduced to the Responsible Sourcing Initiative and the **10 Best Practices for Responsible Sourcing from Textile Mills**. They then went through training on technical guidance to implement the best practices. All four mills were visited by NRDC and submitted action plans outlining the steps they could take to implement the practices.

Cleaner Production Initiative:

The World Bank's International Finance Corporation (IFC) and several partners started a cleaner-production initiative targeted at increasing the efficiency of textile facilities in Bangladesh. The initiative has already helped textile factories reduce water consumption by several million liters. These facilities are also realizing substantial reductions in energy used to heat water for washing, dyeing, and finishing.

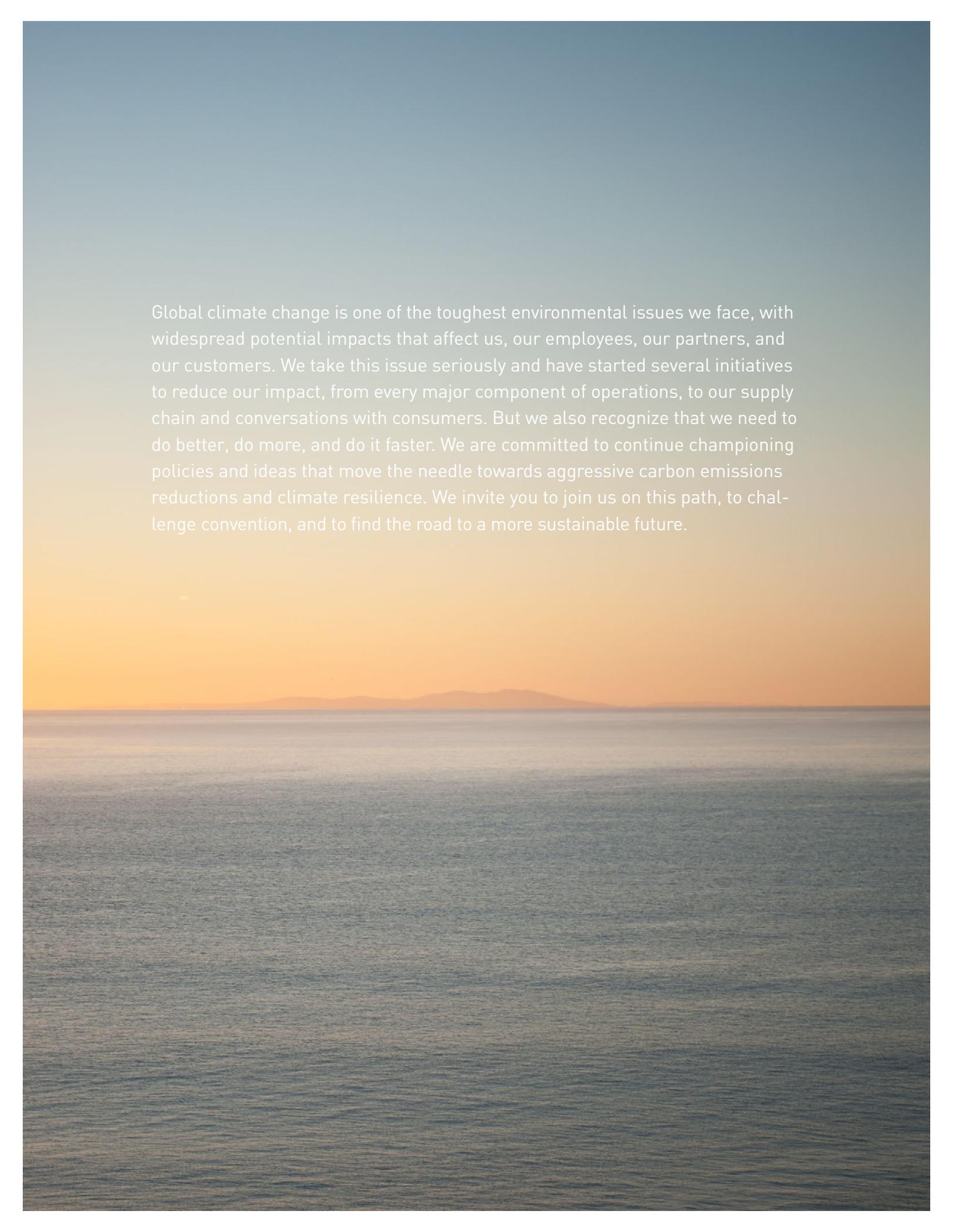
We are exploring how to extend the best practices and policies from the projects in China and Bangladesh to suppliers globally.

Better Cotton:

More than 95 percent of all Levi's® products are made with cotton grown in the United States, China, India, Pakistan, Turkey or one of the many other countries where cotton is farmed. Many cotton farmers — especially small-holder farmers that lack access to education — apply too much water, pesticides and chemical fertilizer to their crops. As climate change continues, millions of farmers will face increasing land constraints and water scarcity, further exacerbating the need to influence how cotton is grown and harvested and standardize more sustainable farming practices.

While LS&Co. is a big consumer of cotton, we use less than one percent of the world's annual cotton crop. By creating alliances with other major cotton consumers, we leverage the power of our brands to achieve faster and swifter change. We joined forces with other brands and retailers, nonprofits, and farmers' organizations to advance the Better Cotton Initiative.

The Better Cotton Initiative aims to make all cotton grown around the world more sustainable by reducing water and chemical use (including pesticides and fertilizers), protecting the health of the soil and promoting important labor standards including bans on child labor. By reducing water use and improving soil health, we are helping to improve the resilience of cotton grown for our products as the impacts of climate change spread. In 2011, we started incorporating Better Cotton in over two million pairs of Levi's® and Denizen® jeans around the globe and we plan to increase that amount every year.



Global climate change is one of the toughest environmental issues we face, with widespread potential impacts that affect us, our employees, our partners, and our customers. We take this issue seriously and have started several initiatives to reduce our impact, from every major component of operations, to our supply chain and conversations with consumers. But we also recognize that we need to do better, do more, and do it faster. We are committed to continue championing policies and ideas that move the needle towards aggressive carbon emissions reductions and climate resilience. We invite you to join us on this path, to challenge convention, and to find the road to a more sustainable future.