



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<Less® techniques, and shared the Screened Chemistry program we developed. By open-sourcing our learnings, we welcome others to join us in moving the industry forward.

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 with 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](#)



More About Community



Community Overview



A Look at Our Diversity, Equity & Inclusion



Employee Support and Development



Supply Chain: Going Beyond Compliance



Map of Supplier Factories



Using Our Voice



Philanthropy and Volunteering

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