Levi Strauss

M&G’s bond investors believe that the steps Levi’s has taken to mitigate any negative impacts from its operations and supply chain, combined with its encouraging financial performance, put the company in a good position to navigate a rapidly evolving retail landscape.

About Levi Strauss

**Industry:** Textiles  
**Headquarters:** San Francisco, United States

Our future depends on using the planet's resources sustainably. Companies have a critical role to play and share a responsibility with those who own and finance them.

As responsible stewards of our customers’ investments, we recognise the importance of companies’ impact on the environment and society, as well as the way they are run.

Bond investors at M&G believe rigorous assessment of these factors can complement traditional financial analysis and paint a more complete picture of a company’s prospects. Potential investments can be screened, with poor corporate citizens filtered out.

Levi Strauss & Co is one company that passed such a screen with flying colours, paving the way for us to help finance its future by investing in its debt.

**The 'original' jeans maker**

Even if you don’t own a pair of its denim jeans, you will almost certainly have heard of Levi’s. The US-based clothing company is privately-owned – its shares are not listed on a stockmarket – but it has publicly-traded debt owned by the likes of M&G.

The company, founded in 19th century San Francisco, has continued to grow steadily over the past few years and reported a solid rise in revenues in 2017. It continues to target growth in emerging economies like China and online, while also expanding its brand further beyond its core jeans products.

**Supply chain challenges**
A range of environmental and social challenges must be overcome to manufacture textiles responsibly. From sourcing cotton, a thirsty crop, in a way that doesn’t deplete local water resources, to ensuring those making garments have a fair and safe working environment.

Global textile companies that fail to manage their supply chain run an acute danger of long-term reputational damage if poor practices come to light. When much of a company’s value resides in its brand, ignoring non-financial risks could end up in losses for investors.

**Levi Strauss & Co in numbers**

- **1873** – Year of the first pair of rivet-reinforced blue jeans
- **770 grams** – weight of cotton used to make a men’s pair of Levi’s 501™ jeans
- **>30** – number of countries where products are sourced
- **55%** – of products made using Water<Less™ techniques that reduce the amount of water used in the finishing process (target 80% by 2020)

**People, planet, product**

Levi’s has made clear commitments, and demonstrable progress, towards improving environmental and labour standards in its supply chain.

The company compares favourably with industry peers for its efforts to promote the responsible sourcing of cotton. Since 2010, it has been a member of the Better Cotton Initiative, an organisation that promotes better environmental, social and economic standards in cotton farming.

Levi’s also has strong policies and programmes to help ensure that its suppliers treat their workers fairly. Suppliers need to adhere to strict guidelines and standards that address a range of issues such as child labour, forced labour, disciplinary practices, working hours, wages and benefits, freedom of association, discrimination, and health and safety.

**Investing in a sustainable fashion**

No company, however great its products, can enjoy sustainable success if it disregards the environment or society. Ignoring the wider impact of its business can have a material impact on financial performance and can detract from its long-term prospects.

Bond investors at M&G believe that the steps Levi’s has taken to mitigate any negative impacts from its operations and supply chain, combined with its encouraging financial performance and effective online presence, put the company in a good position to navigate a rapidly evolving retail landscape.

Ultimately, this resilience should help ensure the company keeps up with its bond repayments, providing a stream of long-term income for many of our investors.

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate.

This information is not an offer or solicitation of an offer for the purchase of shares in any of M&G’s funds.

**Before subscribing you should read the Prospectus and the Key Investor Information Document.**

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