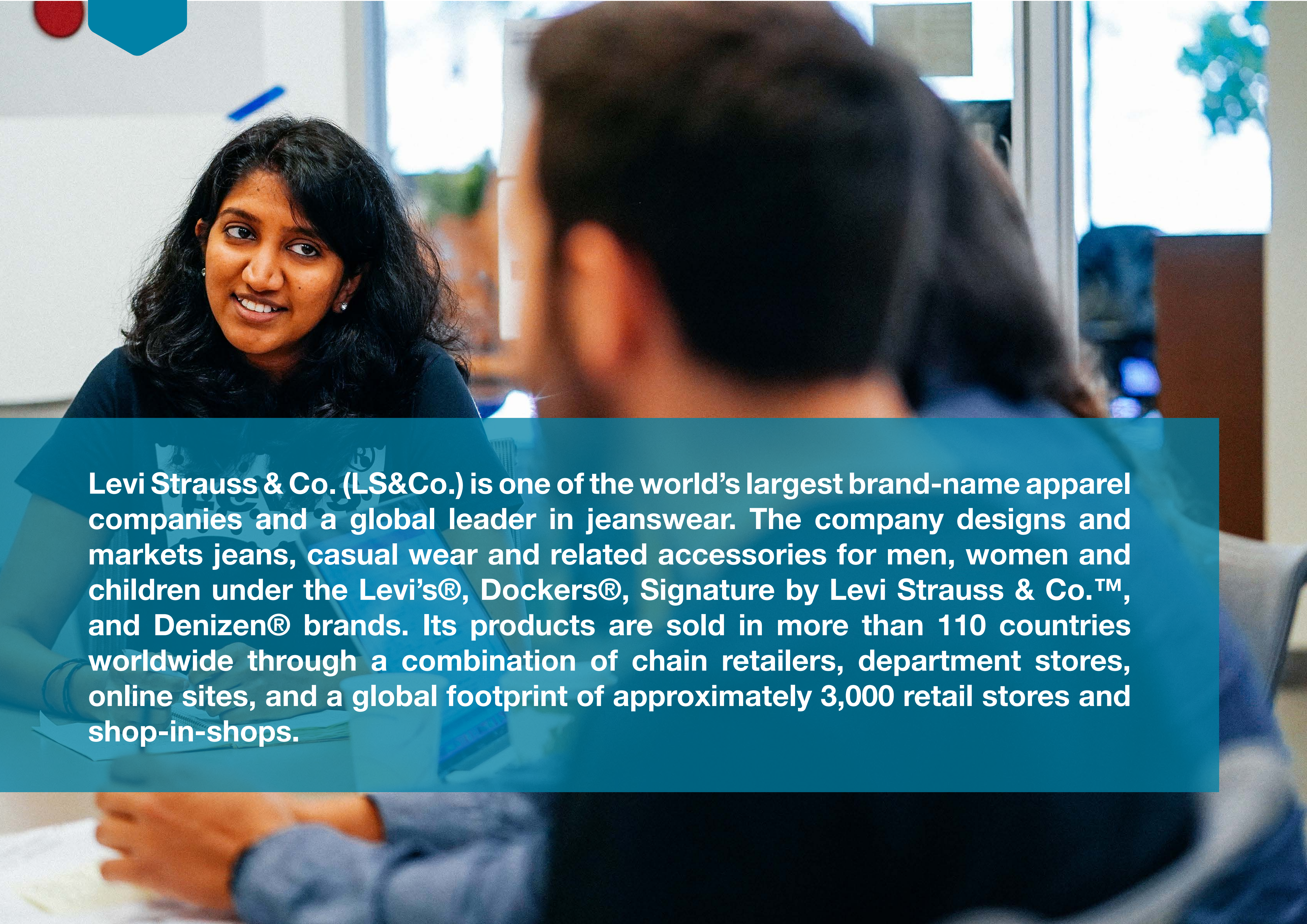
A4S CFO LEADERSHIP NETWORK

OPTIMIZING RETURNS AND SUPPORTING COMPANY VALUES THROUGH **SUSTAINABLE INVESTING**

Case study: Levi Strauss & Co.

THE PRINCE OF WALES'S CHARITABLE FUND

LEVI STRAUSS & CO.



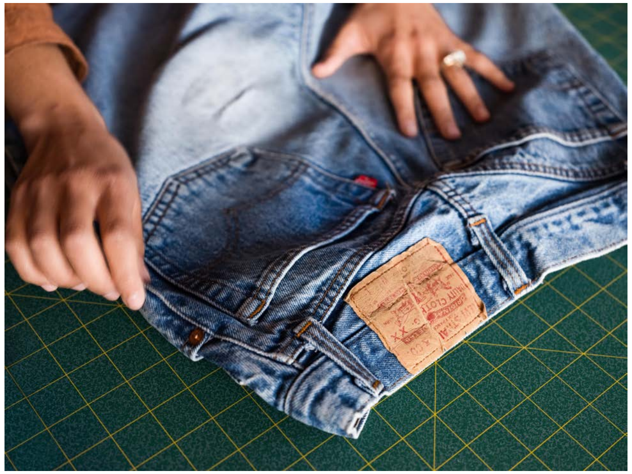
Levi Strauss & Co. (LS&Co.) is one of the world's largest brand-name apparel companies and a global leader in jeanswear. The company designs and markets jeans, casual wear and related accessories for men, women and children under the Levi's®, Dockers®, Signature by Levi Strauss & Co.™, and Denizen® brands. Its products are sold in more than 110 countries worldwide through a combination of chain retailers, department stores, online sites, and a global footprint of approximately 3,000 retail stores and shop-in-shops.

WHAT?

In 2017, Levi Strauss & Co. (LS&Co.) went through the process of reassessing its retirement assets. It wanted to identify and evaluate options to ensure its investments are aligned with the company's values and commitment to sustainability, while maintaining fiduciary duty. This review covered funds available to participants of the company's 401k defined contribution retirement plan, assets within the corporate pension program, and the Levi Strauss Foundation's assets. The reassessment highlighted the strong financial performance of environmental, social, and governance (ESG)-focused funds and led to their adoption in all three portfolios.

WHY?

LS&Co.'s experience and track record on sustainability has demonstrated that focusing on environmental and social performance supports long-term financial success. In 2017, LS&Co. experienced a significant uptick in employee interest in the sustainability of the company's retirement asset options. LS&Co.'s commitment to sustainability across the organization and the strong relative performance of ESG funds made this an attractive opportunity to pursue.



HOW?

When LS&Co. initially assessed the opportunity to integrate sustainability-focused funds into its investment portfolios in 2012, ESG-filtered investment options were more limited, and the inclusion of such funds may have led to reduced financial performance. Therefore, given the overriding commitment to fiduciary responsibilities, no changes were made. At the time of the reassessment in 2017, however, the ESG investment landscape had matured considerably and ESG-focused funds were demonstrating very strong performance, frequently outperforming conventional funds. This was reaffirmed by the findings of the company's asset managers, who were asked to re-evaluate a range of sustainability funds for potential inclusion. Based on these findings, the company began to incorporate sustainable investing across its portfolio, beginning with the Levi Strauss Foundation.

KEY TAKEAWAYS

ESG INFORMATION IS RELEVANT TO THE HEALTH OF COMPANIES

ESG factors address material, non-financial considerations that are relevant to the health of companies.

This, experts suggest, has enabled them to outperform traditional funds in many cases. BlackRock's research shows that 88% of sustainable indices outperformed alternatives for the first four months of 2020 amidst COVID-19-related market disruption and uncertainty.

Three quarters of sustainable indices also provided better returns than traditional indices during market downturns between 2015 and 2018, suggesting the consistent relative resiliency of ESG funds.

COMPANIES CAN ACT RESPONSIBLY AND IMPROVE RETURNS

LS&Co. has been able to fulfil its fiduciary responsibility, be responsive to employee sentiment, and generate improved returns by integrating ESG funds across the Levi Strauss Foundation, LS&Co.'s pension plan and 401k plan investment assets, while also aligning investment options with the company's values and commitment to sustainability. In the words of LS&Co.'s Executive Vice President and Chief Financial Officer, Harmit Singh, "This is about optimizing returns and doing the right thing."

CONSIDERING ESG AND FINANCIAL METRICS TOGETHER IS KEY TO SUCCESS

The thoughtful, rigorous approach LS&Co. has taken to considering ESG and other sustainability-focused funds for potential investment against key financial metrics has been key to its successful transition to date and LS&Co. intends to maintain this approach into the future.

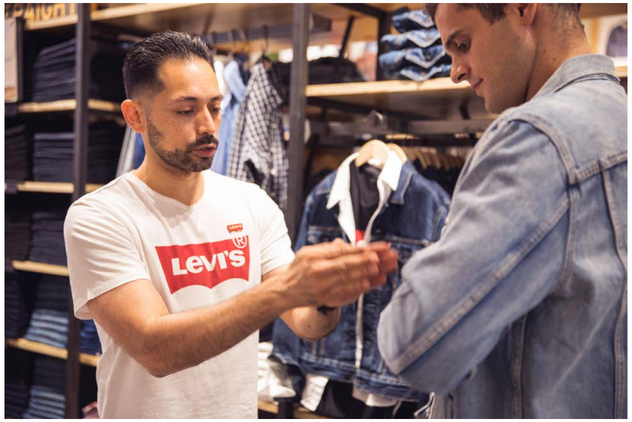
> "This is about optimizing returns and doing the right thing."
>
> **Harmit Singh,**
> **Executive Vice President and Chief Financial Officer,**
> **Levi Strauss & Co.**

LEVI STRAUSS FOUNDATION

The mission of the Levi Strauss Foundation is to advance the human rights and well-being of underserved people in regions where LS&Co. has a business presence. As such, the opportunity to incorporate high-performance ESG funds was aligned with the Foundation's mission. Traditionally, the Foundation has primarily invested in index funds. After evaluating several options, the Foundation's finance committee identified a global equity ESG investment alternative that was a low expense and passively managed fund with an ESG optimization component. In early 2018, the finance committee decided to move 100% of its equity portfolio to this global equity ESG fund due to the fund's financial performance and consistency with the Foundation's mission and values. Since its implementation, the fund has consistently outperformed the non-ESG-filtered global index.

LS&CO. PENSION PLAN

LS&Co. has a frozen pension plan for retired US employees. The plan's assets are overseen by LS&Co.'s investment committee. The committee, working with its investment adviser, evaluated several ESG fund options, considering both financial performance and sustainability criteria. In late 2018, the committee identified a new ESG fund for potential investment. As the fund's performance history was limited, the committee assessed the fund's performance and risk by examining back-tested data. The committee found that this ESG fund would have consistently outperformed the global equity index benchmark across multiple time horizons. The fund was ultimately evaluated against a comparable benchmark and determined to satisfy the financial performance requirements, as well as aligning better with the company's values in comparison to other investments. Finally, the committee evaluated this fund against two other non-ESG options, selected through traditional performance screening processes. The investment committee selected the ESG-focused fund over the other finalists and the pension plan moved 20% of its equity portfolio to the ESG fund in April 2019. The committee continues to evaluate fund performance quarterly and has observed the ESG fund's financial outperformance on an ongoing basis. By March 2020, the committee had shifted an additional 20% of the plan's equity portfolio into the ESG fund. The committee intends to continue to transition into the ESG fund should its outperformance continue in the future.

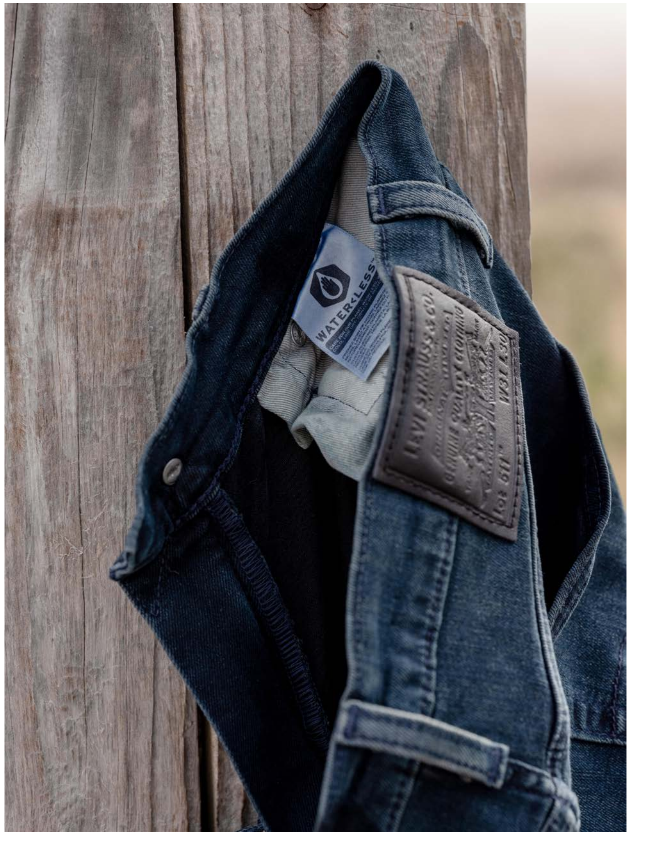


LS&CO. 401K PLAN

LS&Co. offers a 401k retirement plan for eligible employees, who can choose from a variety of investment options for their retirement assets. These options are regularly reviewed and approved by the 401k plan's investment committee. The committee takes its fiduciary responsibility seriously and follows Department of Labor guidance. This means that performance, fees and risk metrics are of utmost importance. In addition, the committee considers potential funds' ESG scores as part of their overall evaluation. As such, when deciding between two competing funds with similar financial performance, the one with the higher ESG score is chosen.

The plan's investment committee identified a US-based large cap blend fund (funds that are representative of the overall US stock market) with a socially responsible investment filter that met its primary consideration – financial performance benchmarks. It also offered low administrative fees and aligned with the company's values. The fund was introduced in early 2018 as a new investment option to participants and it quickly attracted employee interest and investment. Its performance has ranked in the top decile on the three-, five- and ten-year horizons since being introduced to the company's 401k plan.

In June 2019, as part of a fund search for a foreign (non-US) large blend manager, the committee compared several fund options including sustainability-focused funds. Alternatives were compared on fees, performance, risk and risk-adjusted returns, as well as ESG scores. The committee selected a fund that ranked in the top twelve percentile in Morningstar's sustainability criteria. The addition of this second ESG fund to the portfolio enabled ESG funds to grow to cover 8% of LS&Co.'s total 401k assets (for context, just 1% of US retirement assets are currently in ESG funds) and the company expects the share of the total to grow provided that ESG funds continue to outperform non-ESG-filtered funds.



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