

## Supply Chain Briefing Part 3: Levi Strauss - Take ethics in your strides

Posted by [Rajesh Chhabara](#) [1] on Jul 5, 2010

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The jeans icon Levi Strauss is also a pioneer of supply chain responsibility. Levi Strauss, the company that created the world's first pair of blue jeans in 1873 also developed the world's first code of conduct for suppliers 20 years ago. Launched in 1991, it covers labour, health and safety and environmental standards, and set a trend soon followed by the rest of the retail industry.

"When we released our code of conduct, our competitors laughed at us," says Michael Kobori, vice-president for social and environmental sustainability at Levi Strauss. "They thought that implementing the code would be very costly, would disqualify many of our suppliers and push us out of business."

Kobori says when the company began sourcing outside the US for the first time in 1980s, the sourcing team noticed working conditions in factories with which they were not comfortable.

Sourcing managers suggested that the company should establish a global code of conduct. A cross-functional taskforce was put together that then came up with a code adopting various standards from the International Labour Organisation and the UN.

But implementing the code of conduct was a challenge for suppliers that did not understand it and had no experience with it. The company developed training programmes, guide books, audit manuals, verification of standards and remediation procedures.

### Code violations

Challenges in the initial years of implementing the code were so huge that Levi made an unprecedented decision in 1993 to end relations with suppliers in China due to violations of human rights. The company returned to China in 1998 after it closed down a number of plants in the US. China now accounts for the largest number of suppliers for the company.

Soon every other retailer launched its own code of conduct and factory monitoring. This resulted in, and continues to be, an enormous duplication of factory audits by retail brands, causing audit fatigue for suppliers.

Kobori says Levi's surveys revealed factories were busy preparing documents for the auditors rather than focusing on remediation measures that would result in better working conditions.

Levi decided to reach out to other brands with common suppliers to work together to minimise the duplication. The efforts led to an informal grouping of brands and retailers, now numbering 20, which started sharing factory monitoring information to work jointly with factories to make improvements.

"We have reduced audit fatigue. We have shifted 80% of the resources that we were spending on monitoring to actual work to build factory capacity," Kobori says.

Levi started with supply chain monitoring of clothing factories or "cut and sew" operations. So did the rest of the industry. Kobori says that in recent years Levi has realised the need to take the code of conduct to the next supply chain tier, which includes fabric and textile mills and makers buttons and rivets.

And Levi does not want to do it alone. “The one lesson we learnt from the cut and sew monitoring was that we did not want everybody in the industry to go to these suppliers with their own standards and monitoring programmes,” Kobori says.

Three years ago, the company approached Business for Social Responsibility, a non-profit consulting organisation in the US, to work with it and other like-minded companies to develop an industry-wide monitoring framework for textile and fabric mills.

Twelve other brands and retailers, including Wal-Mart, Gap and Timberland, and a number of suppliers have since joined the initiative. The group has already agreed on a common set of principles and a monitoring approach that includes sharing information from audit reports.

Multistakeholder collaboration is the model for the future, Kobori says. He points to the ILO-led Better Factories Cambodia, a multistakeholder factory monitoring programme in which ILO-appointed auditors assess the factory for labour standards and share the report with all the buyers the factory works with. Buyers then work with the factory to address issues raised by the auditors.

ILO Better Factories Cambodia is now being extended to several other countries including Vietnam, Indonesia, Jordan, Haiti and Lesotho.

Kobori says the next phase of Levi’s sustainability programme is to take standards all the way to the beginning of the supply chain starting with cotton growers. The company sits on the governing council of the Better Cotton Initiative, a multistakeholder group addressing social-environmental issues in cotton cultivation.

A product life-cycle assessment of a pair of jeans conducted by the company has recently revealed that most of the environmental footprint comes from growing the cotton and in consumer use in washing and drying.

“Our vision for the future is to implement social and environmental sustainability throughout the entire life cycle of the product, from cotton to consumer,” Kobori says.

**Links:**

[1] <http://www.ethicalcorp.com/users/rajesh-chhabara>