

Clean Clothes

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Greg Dalton: Welcome to Climate One, a conversation about America's energy, economy, and environment. To understand any of them, you have to understand them all. I'm Greg Dalton.

Today, we're taking a look into the clothes that people wear with executives from two iconic apparel makers, Levi's and Patagonia. American consumers these days often want to know about the social and environmental impact of the products they buy, where it was made, what materials were used, the impact on their personal health, and the health of the planet. Transparency is an expectation, especially among young consumers that companies covet. Over the next hour, we'll discuss what the global clothing industry is doing to come clean and reduce its carbon footprint. Along the way, we'll have questions from our live and well-clothed audience here at the Commonwealth Club in San Francisco. This program is underwritten by Blue Sky.

We're pleased to have with us, Chip Bergh, the CEO and President of Levi Strauss & Co., and Rick Ridgeway, Vice President for Environmental Affairs at Patagonia. Please welcome them to Climate One.

[Applause]

Greg Dalton: Thanks for coming both of you. Chip Bergh, take us through the life of a pair of blue jeans from, you know, cotton in the fields to -- they go into our consumers closet. Levi's has been a leader in sort of measuring and understanding the full life cycle of the products it made.

Chip Bergh: That's right. Making a pair of jeans, as I've come to discover over the last 18 months, is actually a pretty complex process going all the way back to the cotton that's grown.

And one of the things about this company is we are heavily dependent on cotton, about 95 percent of all the product that we sell is cotton based. We also take the manufacturing of our product very, very seriously and its sustainability impact. We're a big believer in having it underpinned by science.

One of the things that we did a couple of years ago is a full life-cycle analysis of where energy and where water is consumed through the life cycle of a pair of jeans. And a couple of fun facts out of that, first of all, 60 percent of the energy is actually used once the consumer has the product in their wardrobe, in their closet, so a big chunk of the energy is consumed by the consumer.

The second big fun fact is because we're so dependent on cotton, about 50 percent of the water use, happens before the product ever winds up in a pair of jeans. It happens in the growing of the cotton itself. The other 45 percent of cotton -- of water use happens once it's in the consumer's home.

About five percent is within our direct control. So we put a lot -- based on that science, we put a lot of effort into educating the consumer and working with our suppliers in the supply chain to really tackle the opportunity to make a more positive impact on the world and, you know, make an impact from a sustainability standpoint.

Greg Dalton: And part of that is washing your jeans less frequently, right? So getting -- which I don't know how that went over in your house but they're --

Chip Bergh: Yeah. So I've got a little story on that. Well, two stories. First of all, are there any real denim heads? I call them denim heads like real hardcore denim people in the audience. Do you

guys wash your jeans at all?

[Laughter]

Chip Bergh: So true denim heads --

Greg Dalton: A couple of people.

Chip Bergh: -- will never put their jeans in a pair -- into a washing machine. They might spot clean it with a wash cloth or a toothbrush or something but --

Greg Dalton: I've heard of people put them in the freezer to kill that -- yeah? No?

Chip Bergh: Yeah, some people.

Greg Dalton: Okay.

[Laughter]

Chip Bergh: The other story, and I told you this when we talked earlier, we actually engage consumers but also our own employees with challenges, and we ran a challenge back in the spring time challenging our employees, and we've got 17,000 employees around the world, to wear one pair of jeans or one pair of Dockers for a week without washing them. And I know it sounds gross, but you know what?

Greg Dalton: I don't think that's not that long.

[Laughter]

Chip Bergh: It -- it's not that long, and it's easily doable, and it taught a lot of people about the real feasibility of doing that. And so that's part of -- it's about engaging in a two-way dialogue and to continue to educate the consumer on how they can make a difference with their own practices.

Greg Dalton: Rick Ridgeway, Patagonia is a leader in that kind of engagement with its customers in some ways that are kind of scary for companies. You actually include customers in conversations about the products you make, whether Patagonia should continue making a jacket that has a waterproof substance. It's quite toxic. Why do you do that?

Rick Ridgeway: Well, a few years ago, we realized just as the recession was starting to hit hard, that there was a shift in consumption going on just amongst a small group of people but we felt it was potentially a really important shift where people were reacting to hard times by investing in more expensive products that will last a longer time, that they were recognizing that value proposition so we wanted to engage with those people. Those were our folks. We make really good stuff that last a long time. It's an investment. So we thought how can we engage with them in a way that might, you know, actually leverage this idea further?

And we decided that we need to do it in a partnership with them. And as we started to think more about how engaging around quality products is a real way to, with our customers, joining them and figuring out how to lower the impact of the stuff that's in our lives, we also realized that that's just a small part of it. That we needed to engage with our customers over, as Chip just said, the full life cycle of our products. So whether or not you buy a quality product, or whether you didn't buy anything at all in the first place, is just step one. Once you do make the decision to buy it, then we want to encourage our customers to use it as much as they could, for as long as they could, we want

to encourage them to repair it if it's broken, and we want to help them fix it. So we really repaired our repair facility. And since we launched this initiative called Common Threads, this partnership with our customers that repair facility has more than doubled its business as it were.

We also want to encourage people to clean out their closets and their garages and take the clothes that are in there that they're no longer using and put them back in circulation. So to make that easier, we formed a partnership with eBay to create a store front as it were on eBay, where if you took a pledge towards mutual responsibility for your stuff, your Patagonia product would go in the store front on eBay, and it would be a store front that would allow you to tell more stories about your product and maybe enhance that value that way. But also, most importantly, we would co-list your product on Patagonia.com and give you double the eye balls. That's gone really well. The amount of Patagonia products on eBay since we launched, has also more than doubled. And then finally, we wanted to encourage people to take their clothes when they're really worn out, the end of their life, and bring it back to us and we'll use the best technology available to recycle them.

So, that's the Common Threads partnership. We put the pledge out on our website a year ago.

We've got about 60,000 people now that have taken that pledge and joined us in this mutual responsibility part. And the most controversial part of this is the decision whether you'd buy anything in the first place or not. And to launch this partnership a year ago, we took out a full-page ad in the New York Times, which I know a lot of you guys probably saw. It was on Black Friday.

And when we called up the New York Times to reserve the space for the ad, they got all excited because they felt they had a new advertising customer, and they were kind of shocked when they got the ad because it had a picture of our best-selling jacket, and then in bold headline above it said, "Don't buy this jacket."

And then under it, was a message about what consumption is doing to our planet and how -- you know, if we go from seven to nine billion people in the next four years, and if the affluence of those people grows three percent per annum compounded, then we're gonna go from -- our current over reach of using one and a half planets a year to support our human society to five or seven planets.

And you don't need to be a business man to know, you don't need an MBA to know that that's bankruptcy. And that's what the copy said underneath. So, we were encouraging people to begin to think about consumption, to begin to think about whether you need to buy anything at all in the first place. And a lot of people took us up on that, you know, but a lot of people --

[Applause]

Greg Dalton: So are you saying that the sale of those jackets went down or people say, "Well, I'm going to --

Rick Ridgeway: No, they kind of stay the same which was really interesting.

Greg Dalton: Okay.

Rick Ridgeway: So some people took us up on it. Some thought they were so stoked about, you know, the moxie of a company telling people not to buy but they would buy it. And sure enough, a lot of people said, "You guys are the biggest hypocrites on the planet." Like, "This is the most clever reverse psychology ad that's ever been done."

[Laughter]

Greg Dalton: Right, right, right.

Rick Ridgeway: But we were -- we're serious about this topic.

Greg Dalton: So Chip Bergh, sustainable consumption, is that an oxymoron? Can we buy our way to a lower carbon, less impactful future? Are there inherent tensions and consumption and the constraints that Rick was just talking about?

Chip Bergh: Well, as Rick was talking, I was thinking to myself, right down the street in our headquarter, we've got a vault where we've got the oldest pair of jeans on the face of the planet and it's about 140 years old. So when you talk about quality product, I mean, it is one of the things that this company and this brand really stand for. And like Patagonia, we put a lot of emphasis on what to do at the end of the usable life cycle of a pair of jeans with consumers. We run almost 3,000 stores around the world. But the biggest store in the United States is probably Goodwill selling Levi's because we encourage consumers to recycle jeans and, you know, donate them to Goodwill and we've got a partnership that we work with Goodwill. And it speaks to, you know, the usable life cycle of the product. So I do think there's an inherent tension because obviously, businesses are in business to sell product, but I think it comes down to, again, working with consumers, having that two-way dialogue with consumers where we educate them that, well, maybe at the end of your usable life in your closet, for your wardrobe, there's a need for the product out there somewhere. And if the jeans are literally to the point where they're not usable anymore, we also have a program where we will recycle jeans into insulation. So a part of my house is actually insulated with denim.

Greg Dalton: Does that cheapen your brands to have to promote this sort of -- these sort of later in the life cycle use of your products?

Chip Bergh: I don't think so at all. I think it actually enhances the brand value because it does speak to -- it speaks to the quality and the long term value of our brand. And I think, you know, many consumers feel good about the fact that they're extending the use of a pair of jeans even if it may no longer fit into their wardrobe.

And that's why we have consumers who will, you know, donate jeans to Goodwill. We also ran programs in some markets overseas, where if you bring in a pair of jeans, we'll give you a credit towards a new pair and then we take care of the recycling.

Greg Dalton: Patagonia and Levi's are both privately-owned companies. Levi's has some publicly traded debt. So other company, other CEOs would have different pressures. Quarterly profits, they got to make their quarterly numbers and kind of drives. So don't you have a luxury of being private that allows you to think in this way?

Rick Ridgeway: Yeah, absolutely. Our owner, the Chouinard family, with Yvon Chouinard who founded the company, says that as a private company, that means we get to do whatever we want and that's a luxury. And we recognize that. And in fact, I consider it a privilege. It's also a privilege to work at a company whose owners, whose shareholders are not interested in personal wealth out of this. They live pretty simply. And instead, they use the tool -- the company as a tool for an environmental take. That's why Patagonia is in business actually. Our mission is to implement solutions to the environmental crisis. We feel that we're in crisis that that is the word to describe the situation on our planet right now. And the degree to which we can use our company to demonstrate models of how a business can be run successfully and still manage for minimal environmental impacts, and for being a tool for philanthropy and still come in with double digit profit is another area, a way in which we hold our company up as a model.

Greg Dalton: Chip Bergh, how do you approach that balance?

Chip Bergh: Well, I will jokingly say, I still feel the pressure every quarter in every year to deliver the financial results.

However, having said that, one of the things that attracted me to this company is the history of their company. The company is 160 years old and the values of the company that go all the way back to the founding father, Levis Strauss himself, and those values that he had and led the company with, you know, 160 years ago are the same values that carried through kind of the spine of the company even up to this day, and you can shorthand it in to do the right thing. And so, while sustainability might not have been a word 160 years ago, from the very first profits that Levis Strauss made, he was donating money to the local orphanages here in San Francisco. So he is a person where it was always about doing right by the community. You know, in the earthquake here in San Francisco, we kept employees on the payroll even after the fact we burned down. I told you the story, what's today the Friends School down the street on Mission, was one of the original factories of the company. And during the depression, when we weren't making a lot of jeans, he put employees to work laying the wood floor that is still the wood floor in that school today.

So, it is part of the jeans, no pun intended, of this company, and it is one of the things that attracted me to the company, and it's one of the things that I think attract and retain a lot of our employees.

We also have kind of a guiding principle we call it "profits through principal." So, it is very consistent with our values about doing the right thing. And we believe, as a leader in the industry, that we have a responsibility, not just to our shareholders, but also to the world at large, to our employees, to our consumers, to our customers, and making a positive impact in the world.

Greg Dalton: And when doing the right thing costs more or is harder, how do you manage that tension? Pass that price on to consumers saying, "Hey, if we're going to use these inputs, they're cleaner. They cost more." That's the consumers ought to bear that cost or is it the shareholders ought to share the cost?

Chip Bergh: We fundamentally believe that by doing the right thing ultimately, it's gonna be good for business. Okay? I really do believe that kind of what goes around comes around. One of the stories I love to tell, and Bob is sitting here, so I can't resist this opportunity. But there was a story that really appealed to me, as I was doing my due diligence on the company back -- now 21 years ago, the company implemented the first terms of engagements. So this was when the pearl industry was starting to outsource all over the world, and there were issues around child labor and health and safety of workers. This company, on its own established terms of engagement with our suppliers that set a substantially higher bar and it was risky at the time. But the rest of the industry ultimately followed. And when I think about that when I was doing my homework on the company before I joined, that decision to set a much higher bar for the industry and to set expectations with our suppliers in the industry ultimately, impacted millions of workers in this industry, and it was about doing the right thing, and it was good for business.

Greg Dalton: Do you think --

Chip Bergh: It was more expensive, but ultimately it was good for business.

Greg Dalton: Do you think that people who buy Levi's jeans know and care about that?

Chip Bergh: Whether they do or don't -- some do. And the ones that do know and care about it, it's important to them. Some don't, but as long as they're getting a good quality pair of jeans, they're happy.

Greg Dalton: Rick Ridgeway, Patagonia has been a leader in transparency. Actually, on your website, there's a map of the mills and the factories, where they are, the address, et cetera, this is quite a controversial thing for companies and consumer product goods. You know, a lot of them don't want to reveal their supplier so talk about that transparency and why that happened.

Rick Ridgeway: Yeah. Well, the -- it's called the Footprint Chronicles. I suspect some of you are familiar with that on our website at Patagonia.com. But the Footprint Chronicles came out of a need for a CSR report. And when I joined the company as a full time employee seven years ago, I was just given -- I had to take over a process and place to create a first CSR report.

Greg Dalton: It's a Corporate and Social Responsibility.

Rick Ridgeway: Exactly, a report on our social responsibility initiatives and performance. And so I managed the tail end of this and then it was delivered. And I looked at this thing and I didn't know what to do with it. It looked just like an annual report for large publicly-traded company. And I went to Yvon, I said, "This thing sucks."

[Laughter]

Rick Ridgeway: I said, you know, first of all, it tells part of the story and then it tells it in a way that makes us look like, you know, what you call business geeks talking to Yvon. And so he agreed and we put the thing on a shelf but we still needed that because we're getting asked for it all the time by our customers, by the press. Very interestingly, everyday almost by business schools that wanted to see more about how Patagonia does it so I didn't know what to do. When one of my colleagues returned from a trip to Europe where she had a little video that five tiny companies making apparel in Holland had collaborated to make a video tape of their supply chain that introduce you as their customers to their suppliers all the way up to the farmer in Turkey who was growing the cotton in his little field, and it was done with interviews with human beings who talked about their role in the supply chain. And I'm like, "That's it." It's like the light bulb came on. So we put a team together to create a platform that would allow our customers to go into our supply chain and become acquainted with it through the people that are in the various stocks on the life cycle of our products all the way back to the guys growing the sheep out in the field or the farmers growing the cotton or the resource extraction making the synthetic fibers.

And then most importantly, we, and thinking this through, realized that the only way it would truly reflect our own values at the company, is if we truly told the story, have those people in the supply chain tell their stories of what was both good and bad with that particular waypoint on the evolution of our products. So the Footprint Chronicles right from the beginning was dedicated to this idea of what we call the good, the bad and the ugly. And we, in some of our products would actually say that, you know, the tension that you mentioned before, Greg, between trying to reduce the environmental impact of a product while maintaining its performance, is so difficult with this product and we've aired so much on performance of the cost of environmental footprint, we're not sure if we should be making this thing anymore. I mean the footprint is bad so what do you think? We would invite our customers to comment on that. That, that's --

Greg Dalton: Have you ever canceled a product because your customers say, "Look, this is too big of an impact."

Rick Ridgeway: You know, we've gone back and redesigned our products. And I must say, again, in full transparency here, that is attention that goes on everyday at our company. I, in confidence saying, to my colleague here that it goes on every day at Levi's, there is an apparel company in the world who doesn't manage themselves for environmental reductions who also doesn't have to manage that tension that goes on everyday. And where do you draw the line? Well, as much art as it is science, there's no black and white. It's always gray and we're forever more trying to manage that. We'd love to do it in disclosure and dialogue with our customers because some of these issues are so thorny that you just can't do it on your own.

You got to have help. You got to have help from the customers, the consumers, you got to have help from the NGOs representing civil society, you got to have help from your cohorts, and other companies.

Chip Bergh: And just one other comment on the tension. One of the things that I really do believe in is that, that tension, that trade-off is one of the things that can drive real innovation. I'm a big believer that the best innovation happens when they're constraints and when you're forced with a choice, and then how do you figure for the both end. And, you know, we are -- as we speak right now, we're investing in an innovation center here in San Francisco right down the street from our headquarters on Battery Street that's gonna be really focused on innovation and innovation around a sustainability platform. How do you solve that tension? How do you solve those trade-offs and give the consumer the performance or the quality that they want while reducing its impact in this -- in the environment.

Greg Dalton: Chip Bergh is CEO of Levi Strauss & Co. Our other guest today at Climate One is Rick Ridgeway, Vice President of Environmental Affairs at Patagonia. I'm Greg Dalton. Rick, earlier, you mentioned some NGOs. Non-profits are often pressuring companies to do more. In December of last year, GreenBiz, which is a website that's generally favorable towards incremental steps that countries take regarding their practices, ran a story that quote -- the headline was, "Levi's, GAP not keeping supply chains sustainable." According to and I guess this is more for Chip, toward -- according to a report which cited, a Greenpeace report on the zero discharge challenge, calling on companies to discharge zero toxic waste by 2020. That same day, Levi's announced -- put out a press release that you are gonna commit to zero discharge by 2020. So talk about that process and that external pressure from something like Greenpeace.

Chip Bergh: Well, I guess, I will start by saying that it was -- December was an interesting month. And, you know, we have been working down a path on sustainability and some of the chemistry that Greenpeace had an issue with and we're already part of a coalition of apparel companies committed to eliminating some of these hazardous chemicals by 2020. So we were a part of a 2020 road map already. You know one of the things about being a big company and a leading brand is you become a lightning rod.

And while I may not agree necessarily with all Greenpeace's tactics, their intent is clearly right. You know, Levi's by itself cannot change the industry, but we as a lightning rod, can become a coalition to get other apparel companies to work together. It is a very, very complex issue. It requires us changing the chemical industry and changing the entire supply chain to really tackle some of these hazardous chemicals. What they were asking for is no -- none of these difficult or challenging chemicals in any of our suppliers. We also have about 650 suppliers around the world.

I mean many of these suppliers, we are a minor player and it's very difficult to impact the entire supply chain in some of these smaller suppliers but we've made commitments. And by the end of 2015, we'll be out of PFCs for example. So we are working with Greenpeace to address some of the areas of concern. I was just talking to Michael earlier, from our supply chain, he was in Egypt last week and it's beginning to have an immediate impact on the supply chain. So while I might not like Greenpeace's tactics, it's definitely having an impact and starting to change the industry.

Greg Dalton: Puma, Nike, Adidas, H&M were among the companies that had already signed on to that zero discharge pledge. Where's -- I didn't see Patagonia. Is Patagonia also interested in zero discharge?

Rick Ridgeway: Yes, but not with that group. Not the companies but with Greenpeace. We are, as Levi's is and the companies you mentioned on that list, founding members of the Sustainable

Apparel Coalition. And that group is creating measurement tools that are in place right now in the supply chain, measuring the impacts of things like the toxic chemicals that Chip just mention. And the group firmly believes that management begins with measurement and so that's what it is focused on. And through that measurement, you were able to identify the most egregious hotspots in your supply chain, which include toxics but aren't limited to just toxics. There are many other impacts that require management and the trick is to strategically focus your resources on the areas where you can get the biggest change for your investment. And we believe that going to zero discharge as soon as possible, would be at the cost of management of other areas of impact.

And in fact, we believe that managing towards 80 or 90 percent, you know, zero toxics might actually be a better strategy over a fixed timeline while you also apply resources to other impacts, other categories of impacts. So that's our strategy. And we're doing that in full collaboration with this coalition, which I should point out is not only a group of companies, but it includes NGOs, including some of the big players representing civil society like NRDC, and Environmental Defense Fund, and World Resources Institute. It includes academia with universities leading in life cycle assessments science in the organization and it includes governments. So we're in dialogue with the EU and with China and other governments.

And in fact, some of those governments have representatives that sit in the table as the group tries to solve some of these problems and it is a culture of collaboration. And we, at Patagonia, feel that collaborative solutions to these challenges are what -- it is the best response to the global challenges that all of us face. Those of you out in the room, those of us up here that make the clothes that you wear, we're in this together. And together, we need to in common find solutions to this. The realization of how important collaboration is to solving these issues came to me almost in an epiphany in 2007 when Patagonia received an invitation from then French President Jacques Chirac to come to the Elysée Palace where the Intergovernmental Panel on Climate Change was about to announce their latest findings when, as you may recall, they told the world that the climate is changing. It's getting hotter and we're causing it.

And the next day, all over -- well, in the palace and as soon as the announcements were made, I looked around the room, 400 or 500 people, and they were just what I just told you. They were representatives from every constituency of human society on the planet from its religious leaders, to its corporate leaders, to its government leaders, to the NGOs representing those civil societies. And everybody in that room heard the same thing. They heard the same threats. And collectively, I could tell they were all looking at each other, figuring -- willing to get together to find solutions to this. And collaboration for these solutions is born out of these common threats, and that's where the opportunity is for all of us.

The politics of confrontation belonged to the 80s and 90s. I think we're passed that. There's still a place for it because you always going to get companies that are dragging their feet, but you can't label all companies bad guys. It's just -- we're way beyond that. It is now the time for all us to get passed that and to work together in common to find solutions to common threat.

Greg Dalton: Chip Bergh, can competitors really collaborate like that?

Chip Bergh: On this issue, I think that's the only way we're gonna make meaningful progress.

Greg Dalton: It's a necessity.

Chip Bergh: You know, one company, no matter how big it is, cannot change the world by itself on an issue that's complex. The only way its going to happen is collaboration and recognizing that we're collaborating for the better good. It doesn't necessarily have to be the basis for competition.

Greg Dalton: One area where the collaboration is happening is on the idea of consumer-facing labels, nutrition labels, and there's some things happening in Europe where the European Union is considering mandating kind of like nutrition style labels of the water and environmental impacts of garments and other goods. So how is Levi's anticipating or preparing for that?

Chip Bergh: Well, we actually -- we're one of the -- I think we might have been the only apparel company that was part of a test that was ran in France last year on a nutrition type label. We are believers in it. You know, it gets back to the point, as you mentioned earlier, about transparency that we've already talked about, and we do believe that the more transparent that the industry can be with consumers, the more consumers will, you know, care about it. The key thing for us is that it'll be based in science, and that it'll be scientifically grounded as we communicate to the consumer. The test ran for a year. There was learning coming out of it. I think there's probably another wave or two of testing that needs to be done, and a lot of this was also been done through the Sustainable Apparel Coalition which Patagonia led, and which Levi's was one of the founding members of it as well.

So, there's progress being made. I think it is a question of time before it ultimately happens. But I think it would ultimately be a good thing because of the, you know, importance of transparency.

Greg Dalton: And it'll be a good thing if the government mandated it. Often times, companies bristle with the idea of government mandates. They want more voluntarily approaches.

Chip Bergh: You know, the issue if it becomes mandated by a government is every government in the world made mandate something slightly differently and then you've got chaos, right? I think, again, this gets back to the coalition, you know, competitors working together to come up with the right solution that the industry can define what's the right solution from a transparency standpoint, and is consumer meaningful, and it resonates with the consumer. It'd be better if the industry take the lead on it than be regulated into it.

Greg Dalton: Rick Ridgeway, consumer labels?

Rick Ridgeway: Well, I believe they're inevitable and I think that, you know, the landscape in Europe right now led by France but also by the EU, there is legislation and development right now, as Greg said, that will mandate labeling like that. And as Chip said, the challenge for us in business is to work with governments. So the solutions that they end up with that they mandate are not necessarily watered down or weakened. In fact, it's very interesting in these conversations that the Sustainable Apparel Coalition and their discussions with the EU, is advocating for a very robust measurement of these impacts. But the measurement tool needs to be realistically implementable by the companies that are gonna be tasked with and mandated to implement it. And that's where our learnings and our expertise in working in our supply chain is potentially really valuable to government. And I might add as well, it's important that all of you understand that even in dialogue with the EU right now which the Sustainable Apparel Coalition is engaged, it's a positive dialogue.

It is built on a spirit of collaboration. And think about that, that is such a ground shift in our discussions about these issues, and how we're gonna find solutions to them. But again, I think that environment -- that a consumer-facing label that allows consumers to make, to understand the environmental and social labor and health impact of the product, the footprint of the product that they're considering is inevitable, and it also is going to be a very useful in achieving these goals that we're all striving for. That can be a major driver towards change.

Greg Dalton: Let's talk about organic. There was a big push for organic garments a few years ago and yet, companies seemed to have pulled back from organics. Levi's discontinued in 2008. Wal-

Mart is still selling some but they seemed to have pulled back. What's the challenge with organic cotton, in particular, perhaps other organic garments? Chip Bergh. It's before your time in the company. So--

Chip Bergh: Yeah. Well, our focus is on better cotton as opposed to organic. And I think, you know, organic carries a lot of issues with it whether it's cotton or lettuce or tomatoes, right? What truly is organic? And a lot of consumer confusion around it as well. So we have really shifted our emphasis to better cotton which is focused on sustainable farming techniques to reduce the use of water in growing cotton, and we've been using better cotton. The focus is to continue to increase the amount of better cotton that we put into our products over time, and we really think that that's where you're going to get the biggest impact in terms of sustainability and impact to the planet.

Greg Dalton: Was organic cotton just too expensive? People weren't will to pay the premium for it?

Chip Bergh: I'm not sure if it was and it's before my time. I'm not sure if it was really a matter of economics or consumer confusion or is there really a consumer benefit to it? And in fact, better cotton, we're not even marketing it. It's really -- we're doing it because it's the right thing to do. We're doing it because we believe by working with farmers to reduce the impact of water consumption in growing cotton, that that's the right thing for us to be doing. We're doing that, again, with a coalition of companies. I think organic cotton, as with organic many things, has a lot of consumer confusion and consumer issues within, and probably came at a premium price as well.

Greg Dalton: Rick Ridgeway, organics not what they're all sold up to be?

Rick Ridgeway: No, not entirely. That's really true. And we have a long history, our company, with organically grown cotton. It goes back to the early 90s and 1991-1992, when following the principle at our company which we articulated to lead and examine life, you know, no full impact of all your decisions as deeply as you can. We launched an assessment of our fibers at that time, a footprint assessment, which was a bit of ahead of its time. And when that was delivered, we had assumed that the synthetic fibers in our products were gonna be the bad guys, and the natural fibers would be the good guys, and it's just the opposite.

And the real -- the biggest footprint and impact of all was traditionally grown cotton, and its use of pesticides and insecticides. So we started to introduce increasing amounts of organically grown cotton at that time into our products. And by '96, that had increased to 20, 30 and 40 percent. But Yvon -- you know, and I really compliment him for this -- he went from the company and he said, "That's not good enough. We've got to convert to 100 percent organically grown cotton." And the people in the company pushed back and said, "There's not enough organically grown cotton on the planet to supply our own apparel needs, our own supply chain needs." And he said, "I don't care if we go out of business. I'm not gonna be in business of doing evil." And it's exactly what he said.

So in '96, we made the commitment to 100 percent organically grown cotton, and our sales dropped 20 percent. It almost bankrupted especially the sportswear part of our business. But then our company had to go out and actually worked with farmers to convert them to organically -- organic farming. We had teams out in the field up and down California, and in Texas, and over in Turkey working with farmers, and it took two years for them to get certified because they got -- you know, there's a cycle before you can get certified. So for about three years, we were losing money. And then finally after that, we got back to where we were, and then it's been a continual improvement since then, and we have continued to maintain that commitment to only using organically grown cotton.

So where are we now? Organically grown cotton still sucks because of the water issue, and it's a bigger problem than the pesticide, the insecticides. I mean, you could legitimately argue that, especially as we're all getting more visibility over the diminishing, you know, amount of freshwater left on the planet for our societies. So what are we gonna do about that? Well, this is, as Chip said, you've got to then go back into your supply chain and try to identify those vendors who are growing cotton from rainfall. And so we do. You know, we identified that we get most of our cotton from Southern India right now where it's not drawing down in aquifer, it's being irrigated by rainfall. And then we find out that most of that rainfall was being caught in cisterns that have plastic linings and weren't allowing any of the rain to go back into the groundwater and that's creating more problems and then we're going, "Ayayay". Is synthetic fiber the solution? And then you start to examine that and then you got to do the whole footprint for polyester but then we got a close loop recycling thing for polyester so maybe we shift there.

I'm just sharing with you guys a little bit of the complexity of what goes behind trying to reach our goal of making our product with no unnecessary harm to this planet that you guys buy and wear. It is not an easy solution. And of course, it's just not apparel. Every consumer good that we buy it is a pretty on-risk challenge, isn't it?

Greg Dalton: It's not that simple.

Chip Bergh: It sure is.

Greg Dalton: Rick Ridgeway is Vice President of Environmental Affairs at Patagonia. Our other guest today at Climate One is Chip Bergh, CEO of Levi Strauss. Let's talk briefly about Greenwashing. There's a lot of it out there. One particular example is there's a Dasani bottle made by Coca-Cola that has up to 30 percent plant ingredient. So that's like your boss saying, "You're going to get a raise up to 30 percent. It might be one percent, but it could be 30 percent." How do you look at greenwashing, is it a problem. Is it just a fact of life? Chip Bergh, you're from a marketing guy with Procter & Gamble?

Chip Bergh: I'd like to think I'm still a marketing guy, but --

Greg Dalton: Okay, no longer with Procter & Gamble?

Chip Bergh: Yes. It's an issue. And I think it's a credibility issue to an industry or to a brand and it's something that we're very, very careful about. We're doing a lot of good stuff. We've got a lot of innovation coming. And if you want to talk about those innovations credibly, you can't be caught in the jaws of greenwashing somewhere else in your company or on your brand. So we're launching, talking about plastic bottles, and synthetic fibers. Right now, it's probably on our stores already. If not, by February 1st, we're selling a product called "WasteLess" that is made with up to eight recycled bottles built into the fibers of the jeans. And so, it's a cotton-plastic blend, if you will, on using close loop recycling of recycled bottles and we're marketing it.

We can't market that if we're blowing smoke somewhere else. And so it really is the brand or the company's responsibility to make sure that they're being fully, you know, full of integrity in their marketing and in their claims as they go forward, you know, to try to use sustainability. Consumers are smart, you know, and this is the world of the Internet. And you try to stretch a claim too far, you're going to be called on it, and it will be global like that because of the Internet. So integrity is the underpinning of most brands and, you know, one of the things that the Levi's brand really has is the trust of its consumers, and we just will not let ourselves get caught in the position where there's any greenwashing and it's an industry issue. If somebody else does, it causes a question mark around all brands.

Greg Dalton: There's some famous example, SIGG, was a Swiss company that makes bottles and they got caught with BPA in the linings of their bottles, and the CEO was fudging on it.

Chip Bergh: Right.

Greg Dalton: And so the cost of that sort of thing can be really harmful to a brand. Rick?

Rick Ridgeway: Well, that was a bad one for us because SIGG had just joined the group that we chartered called 1% for the Planet, where companies give one percent of their sales back to environmental groups. And Yvon came out with an ad, standing next to the CEO of SIGG, lauding them for their 1% percent for the Planet position. The day that broke, the ad hit.

Chip Bergh: Wow. Timing is everything.

Rick Ridgeway: Oh, like we sent a strike force out there and try to find all the magazines and buy them back here.

[Laughter]

Rick Ridgeway: It was too late. But --

Greg Dalton: Can't do that in the age of the Internet.

Rick Ridgeway: On greenwashing, we always remember what Mark Twain remind us that the cool thing about telling the truth is that you never have to try to remember what you said. And there's a lot of wisdom in that.

But for us, it's all -- it circles back to how you define transparency. And for us, transparency is defined by our Footprint Chronicles. And you pledge to tell everything you know to your customers to open the kimono and let them know "the good, the bad and the ugly," to use a phrase I cited before. That's what, to us, transparency is. We hope that the Footprint Chronicles holds that up as an example of that. And, you know, your -- if you do that, you're protected from getting into position where you might be charged with greenwashing.

When I joined the company, as a full-time employee, seven or eight years ago, even though I've been associated with them from the beginning as a contract employee, and Yvon and I are climbing partners for 45 years now. But when I started full-time, I was given the charge of taking over the environmental department, but also creating a marketing department. Interestingly enough, Patagonia didn't really have an organized marketing department, even that recently. And then to see if there was a way to tell more actively the company's commitment to -- as the mission statement says, "Implementing solutions to environmental crisis without greenwashing." And the company had up till then really refused to tell us some stories, anything but kind of a cursory high-level for fear of people misunderstanding what the motivation of the company was. And I thought about that for a while, and realized that you were in a kind of a unique position, as I said before, being a privately held company that's in business to find solutions to these environmental crisis, that if we give one percent of our sales away to environmental groups.

And then what's left over, which is a double digit profit, goes into a foundation, the further goes to environmental groups to where we're gifting \$10 million to \$15 million or \$20 million a year back into the environmental community, and that's why you're in business, you're pretty bullet proof from greenwashing. Because if somebody says, "Oh, you did that really clever. Don't buy this jacket as people would buy more jackets," you can say, "Well, maybe they do buy more jackets. We hope it's our jackets because they last a long time. If you keep them forever, you'll reduce your footprint,

that's cool." We succeed as a business, but at the same time, as we succeed, we just give more back. So we're pretty bullet proof from greenwashing.

Greg Dalton: But you don't sell bullet proof vest. Okay. So the --

Rick Ridgeway: Not yet.

Greg Dalton: We're going to invite your participation and put a microphone right here. And if you are on this side, we'd invite you to please to go the door over there where our producer, Jane Anne. It's her birthday today. Happy Birthday, Jane Anne. And we'll put the microphone here and invite your one part question or comment. The short ones are the ones that get included. If they're too long, we cut them out, a little snip in there. So while that line is forming -- okay. Let's have audience question. Yes, welcome to Climate One.

Patricia Jurewicz: Hi. Thank you very much. I am Patricia Jurewicz Director of the Responsible Sourcing Network, and I want to thank both Levi's and Patagonia for signing our pledge not to purchase Uzbek Cotton, as much as you know, since they force children to pick cotton but they've also drained the Aral Sea about 90 -- 85 percent. What do you recommend to -- for the apparel industry to address conventional cotton? I know better cottons out there, organic cottons there, but there are still a majority of conventional cotton using the pesticides water and abuse of labor practices are there. So from the point of spinner's collaboration, do you have other ideas on what we can do? Thank you.

Greg Dalton: Who would like to tackle that one? Rick Ridgeway?

Rick Ridgeway: I'll try. First, good to see you, Patricia, and I think that a partial solution lies in the Sustainable Apparel Coalitions' effort to build this what is branded the Higg Index, which measures the impact of much of what you're talking about. And true measurement brings transparency to some of the issues of the traditionally grown cotton create some of the impacts that they create on our planet and its limited resources. So again, I would say that our effort to manage those impacts beginning with measurement, beginning with shining of real spotlight on, you know, all those impacts as fully as we can, is a great place to start. And we are well on our way.

Chip Bergh: I would agree with that. The other thing I would add is the Better Cotton Movement is now, you know, it's still on it's I would call "on its formative years." And I think there's an awful lot that we can learn from it, and then pour that learning back into the industry, to the extent that we can continue to advance the Better Cotton Movement, if you want to call it that, and get more of the world's cotton grown using those sustainable farming practices but that is, you know, part of the journey. So learning from what we've got already and then reapplying those learning more broadly.

Greg Dalton: We got about 13 minutes left. Let's get to as many questions as we can. Yes, welcome. Welcome.

Audience: Great, this question is for Chip. I'm interested in Levi's strategies for adaptation to climate change. So in 2010, you had major drought in Western China, and worst flooding in 80 years in Pakistan, and that led to a tripling of prices of cotton over the historical norms, and I know it hit everybody in the industry but --

Chip Bergh: Yes.

Audience: -- you are particularly exposed with so much dependence on cotton. So how are you guys dealing with these macro effects at a global level? What are your strategies for adaptation?

Chip Bergh: So climate change is obviously a huge deal for us. I mentioned earlier that 95 percent of our product is made with cotton, so we are incredibly exposed, you know, from a financial standpoint, to cotton. And if you project the world's population growth, and you project how many jeans we might be selling in 20 years, there might not be enough cotton, right? So there are two things, I guess, really two vectors that we're working. One is, we ourselves are very committed to climate change, and reducing, you know, greenhouse gas. So we've made public commitments to that effect. Two years ago, I think, we committed to an 11 percent reduction in the areas that we control. We just reported out that we actually exceeded that. We delivered about 13 percent reduction in greenhouse gas. We are now setting a higher bar as we go forward in the future.

So we're doing what we can do within our own control, on greenhouse gas and sustainability from that standpoint. The other thing I mentioned earlier, you know, we're looking at alternative sources. So how do we blend? And I call it "formula flexibility" going back to my days in the coffee business, how do we reduce our reliance on cotton in the event that cotton is not available or we can't get the kind of cotton that we need? So things like WasteLess where we're actually tapping into another great source of fibers with recycled plastic bottles, and building up those kinds of capabilities. So we're really kind of approaching it from both standpoints strategically.

Greg Dalton: will.i.am is part of the plastic fiber --

Chip Bergh: He is indeed.

Greg Dalton: Yeah, that makes it cool.

[Laughter]

Chip Bergh: It does make it cool.

Greg Dalton: He does make everything cool. There's a cool video out there that's sort of Cradle to Cradle.

Chip Bergh: Yup.

Greg Dalton: So Rick Ridgeway, Patagonia is actually looking at selling fewer winter jackets in a warmer world. That's going to affect your business in a fundamental way.

Rick Ridgeway: Yeah, it probably will and not just ours. I think it's going to affect business in a fundamental way. I believe that innovation only provides a partial solution to this overuse of the world's limited resources and only a partial solution to reversing the indicators of the health of the planet that all continue to go in the wrong direction.

That in addition, to innovative technology that reduces the footprint of stuff that the amount of stuff that's made and used on the planet is going to have to go down. It's the only way. Only those two things in combination will reverse the indicators. That's what, in our company, we believe. We are trying to get our heads around right now what that means for business, what it means for the global economy, and it is a challenging thing to consider. There's nobody out there that can look into the crystal ball and predict with any clarity what capitalism is going to look like if it's no longer based on growth. Now, I may have gone to a little bit of a different topic in answering your question but yet, fundamentally, those are the challenges that we're all facing. Business as usual, on the planet, is not going to cut it. Capitalism based on growth is not sustainable. How do you solve that problem?

Greg Dalton: And we've done programs on that. If you listen to the Climate One podcast in iTunes, there are some programs there with Paul Gilding and some other authors talking about some of the

things that the Club of Rome brought up in the 1970's. Let's have our next audience question. Welcome.

Lynda Grose: Hi. I'm Lynda Grose with the Sustainable Cotton Project and with California College of the Arts. And thanks very much for being so transparent with your businesses and so on, and it's great to hear about these potentially new business models that are not based on growth. But I am going to just circle back to cotton because SCP or Sustainable Cotton Project, has been involved in California with Patagonia, you know, for many years, decades, really. And I just wanted to take up the issue of organic being used as a tool as opposed to an end goal.

And it seems like the industry is focused on organic as being that's where we need to be. And yet, you've touched a little bit on the picture, that's much bigger than that. And in California, we're finding that Cleaner Cotton is more scalable and actually reduces more chemicals. And so I wanted to ask both companies, actually, because it's not just about changing materials, is it? We're talking about changing culture as well and changing the culture of agriculture in California is enormously difficult and it's happening. It's happening in Cleaner Cotton. And so how, you know, how can we persuade you to come back to California, now that the San Joaquin River is flowing into our bay again, and with all those chemicals that are used coming into our bay? How can we persuade you California companies to tap into California resources?

Rick Ridgeway: Yeah. Well, that's where we started. It would be wonderful to go back. So we're open to any suggestions about how we can do that and I don't know if you're in dialogue with our teams right now, but I certainly invite you to begin the conversation with us because we definitely have an interest in that, if together, working together, we can figure out how to do it.

Greg Dalton: Chip Bergh, more California cotton?

Chip Bergh: I mean, talk to us, absolutely. This company started right here in San Francisco and it's still our home. And if there is an opportunity that makes sense for our business, we will definitely take it on.

Greg Dalton: Particularly with the water constraint in the future --

Chip Bergh: Yeah.

Greg Dalton: -- that we mentioned cotton, a lot of people think of water, should it be even grow in California. Let's have our next question. Yes.

Lisa Moeller: Great, thank you. Lisa Moeller, and I like to ask a little bit about tension as you mentioned, and about traceability, and bringing all of that information to a consumer, who many of you in the room know me, don't believe that they're going to act with that information, to benefit the cost that went into gathering and tracking that information through your extraordinarily complex supply chain.

At a time where, my personal belief is that, effort resources funding can go straight to agriculture where we know 70 percent is water, where we know you need to have raw materials, where we know the bigger social and environmental impacts and opportunities are. So what thought goes into your balancing traceability versus impact and helping farmer's farm better?

Greg Dalton: Who would like to tackle that one? Chip Bergh?

Chip Bergh: It's a pretty complex issue. You know, I think the day will probably come where traceability will be ultimately important to the consumer. I don't think the consumer is there today.

Greg Dalton: What do you exactly mean by traceability? What does that mean?

Chip Bergh: Going all the way back, you know, wanting to know where was the cotton for these jeans grown so that's kind of what you're asking, right?

Greg Dalton: This particular garment --

Chip Bergh: Yeah, right.

Greg Dalton: -- the idea that these jeans where started in Pakistan --

Chip Bergh: Yeah, right.

Greg Dalton: -- and they went to China and they came.

Chip Bergh: Well, no, even further back from that, that the cotton for these jeans was grown in this particular field, and in this particular country --

Greg Dalton: Okay.

Chip Bergh: -- and in this particular state. Potentially, all the way back to that level.

Greg Dalton: Okay.

Chip Bergh: You know, and I would say that's a huge investment for any company to take on, and unless there is consumer poll for it, you are not going to see companies invest there versus investing in places where you know you are going to make an impact on the community and the planet. And that's where most of the investment that we're making whether it's Better Cotton or any of the other things, is geared towards trying to build sustainability and everything that we do. If traceability becomes a meaningful consumer need and consumer start demanding it, there are ways to do it.

But, you know, I don't think the consumer is there. I mean, even the test coming out of France, the interest in the nutrition labeling on carbon impact is kind of 50/50 almost. I mean, so the consumer still has a journey to make before companies are going to make a major investment on something like traceability.

Greg Dalton: And even on foods, some people will debate whether nutrition labels on food, some people read them a lot, a lot of people don't, right? You know, it had -- have they been effective, right? And --

Chip Bergh: Yeah, don't get me started.

Greg Dalton: Okay.

Chip Bergh: I could spend a lot of time on that one too.

Greg Dalton: Sure.

Chip Bergh: Having linked in the food business for a big part of my life.

Greg Dalton: As we are about to wrap up here, I want to ask you about your own personal carbon footprint. What have you done in your own life to produce your own impact, whether it's running the corporate jets on French or Greece or whatever it is?

[Laughter]

Greg Dalton: Chip Bergh?

Chip Bergh: First of all no corporate jets, so we can start there.

Greg Dalton: Okay.

Chip Bergh: I actually -- I've learned a lot in the 18 months that I've been in this job, and probably some of the biggest impacts have been the things that I've been doing to manage my own wardrobe in my own apparel choices, if you will. And so I mentioned, you know, I'm not washing my jeans nearly the way that I used to. I'm much more conscious about what I'm doing with my jeans if I decide to remove them from my closet, and they go somewhere else. So I'm donating my jeans, either to Goodwill or to one of the charities that comes around the neighborhood periodically. So I'm much more conscious there. The other thing is I am now walking as much as I possibly can. So I don't walk to work yet, but I have been keeping track of how far I walk now every day.

Greg Dalton: You got one of those little meters that measures your step? Ah okay.

Chip Bergh: Nike Fuel Band.

Greg Dalton: Nike Fuel Band. Okay.

Chip Bergh: And it keeps track of my steps. So I've been, you know, really trying to be much more conscientious about those kinds of things. But the biggest thing has been something very dear to my heart, which is trying to live what we're trying to engage consumers in a two-way dialogue around the life cycle of a product that's sitting in your closet, and how to have less of an impact on the planet as you maintain your closet.

Greg Dalton: And we're talking about clothing here. And most people, if you ask carbon experts, clothing wouldn't come up in the top of carbon impacts. It's sort of what you eat, what you drive, and clothing is just part of that.

Chip Bergh: Well, the other thing, I mean, you and I were talking, I'm vegan and so when I try to buy locally grown, you know, locally grown produce, largely at Farmers Market to support the local community here.

Greg Dalton: Yeah, I mean, it's the biggest impact a lot of people have. Rick Ridgeway, how about your personal carbon footprint?

Rick Ridgeway: You know, first, I'll deflect the question just for a second to say that, Yvon, my buddy --

Greg Dalton: Yvon Chouinard, the owner and founder of Patagonia.

Rick Ridgeway: He likes to tell people that he may have this really green company that's doing a lot of change, but when it comes to your personal carbon footprint, driven in his case by travel, he still is going straight to hell. And I am probably in the same category and travel is a big one.

Chip Bergh: Yeah.

Rick Ridgeway: We still have to do so much of it to affect the changes that we're trying to make, and what a dilemma that is. And as much as we try to have, you know, use technology for conference calls and all that, you still got to be there to read body language to do a little, you know, interpersonal stuff that gets the result you need as you're trying to lower the footprint of business on

the planet. So what a conundrum that is. Personally, I'm trying to just decrease my own consumption. You know, I am wearing my pants longer, like you are, you know, my wife is so far.

Chip Bergh: Levi's, I hope?

Rick Ridgeway: Yeah. She hasn't pushed back too much. I may be kind of pushing the limit on that a little bit.

[Laughter]

Rick Ridgeway: And I am also trying to get our family and me to just use less stuff to buy less stuff. I really think that is one of the biggest opportunities we have for personally lowering our footprints.

Greg Dalton: Are you both hopeful we are going to make it that we get it done?

Rick Ridgeway: Well, on that topic, my friend David Quammen, do you guys know David? He's a writer that writes on environmental issues. You know, as you look at all these challenges that we're facing, it's really easy to get into a funk. And it's really easy to get pessimistic. And, I guess, if I really think about it enough, I do kind of get pessimistic and I think, "Can we really figure this out?" But as David said, you know, the trouble with despair as a response is that not only does it offer no solutions and is it useless, but it also isn't any fun. So let's be optimistic, let's commit to collaboration, let's work together to find these solutions, and let's just cross our fingers we pull it off.

Chip Bergh: Yeah. I'm a big believer that the status quo is the worse place to live, right? So--and that there are only two ways to go, you either get better or you get worse, and that's in anything, it's in your own personal life, it's in your relationship, it's in your job, it's whatever. And so I believe that things are getting better. Will we ever get to the end state? I don't think there is an end state here. I think this is about constantly continuing to set a higher bar and challenging ourselves as a company and ourselves as an industry to continue to tackle the toughest problems, and to continue to make progress against them, and I think we are making progress.

Greg Dalton: And we have to end it on that note. Our thanks to Chip Bergh, CEO of Levi Strauss & Co., and Rick Ridgeway, Vice President of the Environmental Affairs at Patagonia. I'm Greg Dalton. Thank you for coming to Climate One today.

[Applause]

[END]