



Fair Wear Foundation

Brand performance check report

Nudie Jeans Co.

25 October, 2012

FWF member since:

1 November 2009

Sources of information

Interview with Sandya Lang(CSR Manager / FWF contact person)

Interview with Melker Lindström(Media & Communications)

Interview with Palle Stenberg (CEO)

Interview with Peter Frank (Manager Product Development)

Annual report and work plan

Archived documents

Database FWF

Performance checkcarried out by:

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Fair Wear Foundation

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Introduction

In October 2012 Fair Wear Foundation (FWF) conducted a brand performance check at Nudie Jeans. The performance check is a tool for FWF to verify that Nudie Jeans implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the performance check has been the work plan for 2012. FWF tailored the performance check to the specifics of the management system of Nudie Jeans in order to assess the key issues of interest. During the performance check, employees of Nudie Jeans were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the performance check. The report contains conclusions, requirements and recommendations. If FWF concludes that the management system or performance needs improvement to ensure effective implementation of the Code of Labour Practices, a requirement for improvement is formulated. The implementation of required improvements is mandatory under FWF membership. In addition, FWF formulates recommendations to further support Nudie Jeans in implementing the Code of Labour Practices. The numbering of the requirements and recommendations correspond with the numbers of the conclusions.

This report focuses on those aspects of the management system of Nudie Jeans that have been identified as key areas of interest for 2012. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that performance check reports of subsequent years will focus on different aspects of the management system.

FWF will publish the conclusions, requirements and recommendations of all performance checks on www.fairwear.org. FWF encourages Nudie Jeans to include information from the performance check report in its social report.



Executive summary

Nudie Jeans meets most of FWF's management system requirements. The company has a coherent and integrated vision on sustainability and social standards, and has a formal sourcing policy that takes code implementation into account. Nudie Jeans maintains a business relation for more than 5 years with 28% of its suppliers, which accounts for 88% of its total purchasing volume. Over 90% of Nudie Jeans' total purchasing volume is sourced from low risk countries Italy and Portugal, where it has implemented the low risk policy of FWF.

In 2011 and 2012 Nudie Jeans started sourcing small percentages from suppliers in Turkey, India and Tunisia. With audits to monitor working conditions in those three countries and sourcing countries in low risk areas, Nudie Jeans meets the required monitoring threshold of 90% based on the duration of FWF membership.

In 2011, Nudie Jeans cooperated with FWF and FLO in a process to audit additional production units of their main supplier in India. FWF has done audits at several stages of the supply chain to test the FWF verification approach in the spinning, knitting and dyeing stage.

Nudie Jeans has decided to no longer use abrasive blasting in their denim production. The company has altered the design in order to avoid abrasive blasting.

In 2012, FWF received a complaint from a worker working in a factory supplying to Nudie Jeans. Nudie Jeans responded adequately to the complaint, by immediately taking action and putting pressure on factory management to ensure workers are able to take leave.

Staff of Nudie Jeans is kept informed about FWF membership through internal meetings and presentations. A training session on social standards was held for distributors, sales agents and staff of Nudie Jeans stores in 2011. A presentation was given on the FWF Code of Labour Practices with examples from audits and remediation efforts.

Positive findings

Conclusions

1. Nudie Jeans is a member of CSR West Sweden, a collaboration of companies from different industries that work on implementing effective CSR strategies. Nudie Jeans gave a workshop on labour conditions and Fair Wear Foundation membership in the textile industry.
2. With their supplier in India, Nudie Jeans participated in the pilot project of Fair Wear Foundation and the Fair Trade Labelling Organization to explore how an independent verification approach can be applied on other stages of the textile chain (ginning, spinning, knitting/weaving, dyeing and printing). The audit was carried out according to the FWF audit methodology at those facilities in all stages of the supply chain of Nudie Jeans.
3. After achieving the objective to produce 100% organic cotton, Nudie Jeans has set a new goal for the coming years: to improve their transparency towards the public. This includes being open about supplier information and audit results.

1. Sourcing

Conclusions

1. Nudie Jeans has a formal sourcing policy that takes code implementation into account. It gives buyers a mandate to consider both environmental as well as social aspects in the decision making process. The policy describes the choice for production countries and requires collections of documents for social and environmental performance. In addition, being transparent through membership of Fair Wear Foundation is mentioned as a vital part. Nudie Jeans' sourcing policy is available on their website.
2. The company maintains a business relation for more than 5 years with 28% of its suppliers, which accounts for 88% of its total purchasing volume. Nudie Jeans has substantial leverage as a customer at its two most important suppliers (factory is producing 57% and 29% of the total production capacity is for Nudie Jeans). Both the long term relationship and substantial leverage allows the company to effectively implement improvements in working conditions.
3. Over 90% of Nudie Jeans' total purchasing volume is sourced from low risk countries Italy and Portugal. The company has a written policy to focus production in European low risk countries. In 2011 and 2012 Nudie Jeans started sourcing small percentages from suppliers in Turkey, India and Tunisia.
4. Working conditions and the willingness of suppliers to cooperate on improvements are important criteria in the selection of new suppliers and the continuation of business relationships. When selecting new suppliers the level of working conditions is taken into consideration. Particularly the willingness of factory management to cooperate on improvements is a crucial element in deciding to start and continue a business relationship. However, quality and pricing remain the most critical elements in selecting new suppliers. In some cases, new suppliers visit Nudie Jeans' office, where the FWF Code of Labour Practices and CSR policy is presented. Nudie Jeans staff visits the

factory before bulk production starts. In countries where Nudie Jeans works with an agent, the agent recommends a supplier. The agents in Italy and Portugal are trained on code compliance and are responsible for factory visits. All potential new suppliers are informed about FWF before sampling starts and the company collects questionnaires from the supplier before first order is placed. Nudie Jeans does not do pre-audits before placing orders.

5. Nudie Jeans has a system for evaluating suppliers. The grading system includes progress on willingness and communication regarding social compliance. When terminating a business relationship, the social compliance level and efforts made by factory management to improve working conditions are taken into consideration.

6. Even though excessive overtime is not a decisive aspect in the order placement process of Nudie Jeans, FWF can conclude that the structure of Nudie Jeans offers suppliers sufficient space to avoid excessive overtime. As a result of its business model and design, Nudie Jeans is able to offer its suppliers flexibility on lead times. Delivery times are set in cooperation and agreement with suppliers. Lead times are in general 6-8 weeks. However, when the supplier cannot make the order, Nudie Jeans can postpone deadlines and complete its orders with other denim production. Nudie Jeans never experiences late changes given that the design and styles do not change during production.

7. Nudie Jeans shares its order forecasting system with suppliers. The company eases production pressure on suppliers by setting priorities on orders. In agreement with the supplier, priority is given to a particular order and other orders can be postponed. Nudie Jeans also places pre-orders almost a year ahead that calculates risks of late deliveries. In addition, the company also has many items in stock that could be used in several countries to block a delay. With the many different denim styles Nudie Jeans produces, a delay therefore does not cause huge problems.

8. When establishing prices, the wage component and the cost of labour are not taken into account. Workers at the suppliers in Italy and Portugal are covered by national or regional Collective Bargaining Agreements. Factory audits in Turkey and Tunisia indicate wages levels are above legal minimum wage, however below estimates of a living wage.

9. Nudie Jeans no longer uses abrasive blasting in their denim production. In a laundry facility in Italy the company had invested in fully shut machines that ensures the worker is not in contact with the sand that may contain a harmful substance of crystalline silica. The company has done health tests that showed less than 1 % crystalline silica in the abrasive material¹. However, since sandblasting is no longer a common practice at the suppliers where Nudie Jeans sources, they stop using this technique. Nudie Jeans decided to no longer use this method given that other brands of the factory also no longer use it. Nudie Jeans has initiated trials for other treatments such as scraping and spraying.

Requirements

4. When working with agents and intermediaries, the member company must ensure that its FWF membership is made known to subcontractors of its first tier suppliers.

9. When looking into other methods for creating a worn-out look on denim, FWF requires

¹ The max limit is set to 1 % crystalline silica in most EU countries.

Nudie Jeans to research potential harmful risks to workers using that technique. Nudie Jeans should prevent harmful risks and invest in regular health checks at the laundry and washing facilities.

Recommendations

5. In addition to evaluating suppliers on social conditions, there could clear incentives in place to reward suppliers who do well regarding social compliance.

6-7. Given that Nudie Jeans has just started with conducting audits and monitoring activities at the new suppliers in Turkey, Tunisia and India, it is recommended that the company evaluates its purchasing practices after assessing the audit results next year. FWF recommends investigating the root causes of overtime in cooperation with factories.

8. FWF encourages Nudie Jeans to take wages into account in a more formal manner in product pricing. The company could use the wage ladder tool developed by FWF to further work towards implementation of living wages in factories, for example by focusing on improvements in the departments with lowest wage levels. FWF recommends to assess in cooperation with key suppliers which have demonstrated a reasonable amount of progress in implementation of a CAP how further steps forward towards payment of living wages for a regular working week can be made.

9. FWF recommends Nudie Jeans to include their abrasive blasting policy in the general Code of Conduct. Given the public debate around this topic, the company should be transparent about its approach concerning sandblasting. Due to the seriousness of the consequences of using abrasive blasting, the difficulty to secure safety and FWF not being able to verify that abrasive blasting is done in a safe way, FWF adopted a policy to ban all abrasive blasting using abrasive material containing free silica and to require a phase out of all abrasive blasting.

2. Coherent system for monitoring and remediation

Conclusions

1. As part of FLO pilot project, several production facilities of a supplier in India were audited by the FWF audit team in June and July 2011. Between January and September 2012, two more factories have been audited on behalf of Nudie Jeans; one in Tunisia and one in Turkey by making use of local FWF audit teams. The three audits together represent 3.24% of the purchasing volume. 93,63% of the company's purchasing volume is produced in what FWF considers low risk countries Portugal and Italy. As a result, Nudie Jeans meets the required monitoring threshold based on the duration of FWF membership (which is 90% for the third year of membership since 2009).

2. During 2011 and 2012 the low risk policy of FWF was implemented at all suppliers in Portugal and Italy. All suppliers were visited by staff of Nudie Jeans, the FWF Code of Labour Practices signed and questionnaires filled in, information sheets for workers posted and country specific issues were followed up. Nudie Jeans does not distinguish

between low risk and high risk countries. The company ensures to extend their monitoring activities also to their most important suppliers in Italy and Portugal. In Italy, Nudie Jeans has worked with an independent auditor who has conducted several audits according to FWF audit methodology that meets FWFs quality requirements.

3. FWF has not yet done a verification audit to verify whether the monitoring activities of Nudie Jeans in Tunisia, Turkey and India have led to realized improvements.

4. Staff of Nudie Jeans visits the suppliers at least once a year. As a part of these visits, follow-up of corrective action plans is discussed and improvements documented. In Italy the agent is responsible for follow up and frequently visits the production sites. The agent is expected to provide evidence for reported improvements, such as photos or soft copies of internal documentation. Nudie Jeans actively follows up the corrective action plans from audit reports through on-going discussions over e-mail directly with the main suppliers.

5. FWF has verified that corrective action plans resulting from conducted audits are systematically agreed upon, followed up and reported on. The CSR Manager of Nudie Jeans makes a summary of corrective action plans and status updates with positive and negative points. The actions are discussed internally with the product development staff. Afterwards, they are discussed with the supplier and a timeline is agreed for establishing improvements. In a case where an audit report finding indicated workers were unaware of Fair Wear Foundation and the Code of Labour Practices, the agent had a meeting to explain FWF labour standards at the production site.

6. Nudie Jeans is willing to cooperate with other customers of manufacturers regarding monitoring and the execution of Corrective Action Plans. It has shared the follow up of corrective action with one other FWF member at their supplier in India.

Requirements

2. FWF was not able to verify if the low risk policy was implemented at all subcontractors of Nudie Jeans. The company must ensure that its FWF membership is made known to subcontractors of its first tier suppliers where CMT operations take place (which include manual embroidery, sewing, cutting, and knitting). FWF also requires Nudie Jeans to collect questionnaires from subcontractors.

Recommendations

2. It is recommended to extend the process of monitoring working conditions at subcontractors where the process is other than CMT (automated embroidery, washing, printing) through factory visits by the CSR manager accompanied by a local auditor. See for more information FWF's [subcontracting policy](#).

Nudie Jeans can make sure to collect inspection protocols from other audits done at their suppliers including reports from the local labour inspectorate as well as factory audit protocols from other buyers in the low risk countries.

5. It is suggested to further develop a standard approach to brief staff in preparation of factory visits. Part of this briefing could be a discussion of the most important

improvement points which should be discussed with factory top management during a visit. This includes briefing and training the agents Nudie Jeans works with.

3. Complaints procedure

Conclusions

1. Nudie Jeans is sufficiently aware of the FWF complaints procedure and has a designated person to handle complaints. Nudie Jeans does not have an internal procedure on paper how to handle complaints and to route/stream information. Product developers and agents who visit production sites check whether the FWF Code of Labour Practices including the contact information of the local complaints handler of FWF is posted in the factory.
2. FWF verified that the FWF Code of Labour Practices including the contact information of the local complaints handler of FWF is posted in the work place at the supplier in India and Tunisia. At the supplier visited by FWF in Turkey, the FWF Code of Labour Practices was not posted.
3. To date FWF has received one complaint from a worker employed in a factory producing for Nudie Jeans. The intermediate report can be [found here](#). The complaint dealt with adequate payment of annual leaves. The complainant informed FWF that the factory management is forcing workers to sign an annual leave log without providing annual leaves. Nudie Jeans responded adequately to the complaint, by immediately taking action and putting pressure on factory management to ensure workers are able to take leave. FWF will conduct another audit to verify remediation in January 2013.

Requirements

2. All suppliers of Nudie Jeans should have the CoLP visibly posted in the factory. Nudie Jeans could improve the procedure that ensures suppliers post CoLP with complaints handlers contact details in the factory.

4. Labour conditions and improvements

Conclusions

Based on results of audits carried out by FWF teams an overview of improvements in labour conditions in factories has been drawn up. The overview is annexed to this report. Results of audits by other initiatives are not summarized. The overview includes results of audits by FWF local audit teams. Results of audits by other initiatives are not listed.

1. Since last Performance Check in April 2011, Nudie Jeans has conducted one audit in Tunisia and one audit in Turkey with FWF audit teams. The supplier in India is audited as part of the FLO pilot project for third party verification. [See the report here](#). Corrective Action Plans are executed and Nudie Jeans systematically follows up on corrective actions. FWF has not yet conducted an audit to verify Nudie Jeans' system to monitor

working conditions has led to improvements.

2. Even though it is not required by FWF's Low Risk policy, Nudie Jeans conducts regular audits in Italy and Portugal. A local FWF stakeholder in Italy performs independent audits according to FWF's audit methodology.

3. In the factories in Tunisia and Turkey no non-compliances were found on forced labour, child labour and discrimination in employment. However, both factories tend to lack formal policies to prevent violations on these labour standards. The factory in Turkey does not keep copies of ID card of workers who do not have social security insurance, which means the age of all workers is not verifiable.

Neither one of the factories had an active, independent union or workers committee which is run by workers without management involvement. Workers have very little awareness of their legal rights and role in consultation and negotiation.

Wages in both factories are above the legal minimum wage but not at the level of local stakeholders' estimate of a living wage. One worker in the Turkish factory was paid below legal minimum wage. In the factory in Tunisia, four workers were not classified on CBA level corresponding to their functions and the factory did not adequately pay the monthly productivity bonuses.

There was no excessive overtime found in the Tunisian factory. On contrary, workers had to stay home given the low production orders.

Excessive overtime was found at the supplier in Turkey. Overtime on national holidays was not paid by the premium rate legislated by the local government.

Many areas for improvement were found in the Turkish factory regarding the labour standard safe and healthy working environment. Overall PPE was limited and there were no formal programmes with regard to fire safety, chemical safety and machine safety. A majority of workers in the factory does not receive social insurance benefits.

Recommendations

3. It is recommended to arrange additional factory trainings that aim at strengthening social dialogue on factory level. FWF offers trainings as part of the Workplace Education Programme that is focused on effective dispute handling in the countries India, China, Turkey and Bangladesh.

5. Training and capacity building

Conclusions

1. Staff of Nudie Jeans is kept informed about FWF membership through internal meetings and presentations. Relevant staff of Nudie Jeans that visit suppliers are sufficiently informed to follow up on corrective action plans during factory visits. Management staff of the company is sufficiently aware of the implications of FWF membership.

2. A training session on social standards was held for distributors, sales agents and staff

of Nudie Jeans stores in 2011. A presentation was given on the FWF Code of Labour Practices with examples from audits and remediation efforts.

3. All audit reports are shared with communication staff. Documents and/or updates on the implementation of FWF membership are sent through the general headquarters email.

4. Agents have been informed about the FWF affiliation through frequent meetings and by inviting them to Nudie Jeans headquarters. The agents in Italy and Portugal have participated in a factory based training in Italy arranged by FWF. Agents regularly observe factory audits by FWF audit teams to learn about the audit process and to obtain an understanding of how they should follow up on corrective action plans.

6. Information management

Conclusions

1. FWF has verified that the register of suppliers handed in to FWF is accurate. The supplier register lists all known subcontractors Nudie Jeans works with completed addresses, contact details and all production processes. However, given that Nudie Jeans' payment orders is through agents, FWF could not specify the share of each supplier in the total purchasing volume.

2. Staff responsible for purchasing has access to information on social compliance of suppliers. The supplier register is available on internal server for designated persons. Nudie Jeans' CSR manager is the person responsible for code implementation, for gathering information regarding compliance at factory level and to make sure that relevant staff within the company is informed.

Recommendations

1-2. Nudie Jeans could develop a standard procedure to include information from visits to suppliers by different staff members in the system with supplier information. It could be beneficial to formalise the responsibilities of product managers to provide accurate information regarding factory contact information and addresses.

It is recommended that factory address information from audit reports be cross-checked against the information registered in the central supplier register to assess if accurate information has been registered.

7. Transparency

Conclusions

1. Nudie Jeans informs the external public about its FWF membership through its corporate website. Information about FWF membership is in correct wording with a link to FWF's website.
2. The company uses in store communication by accompanying jeans with a small booklet in the back pocket. The booklet contains general CSR information with a section on FWF. In addition, the company frequently writes blogs about CSR issues in general and has an active Facebook group where they communicate their social and environmental policy.
3. Nudie Jeans is working towards a new goal; improving transparency to the public. It has set up a traceability and transparency plan where they also want to make audit results and corrective actions public in the future.
4. The member company has submitted its 2011 social report to FWF and placed it on the corporate website. Conclusions from and steps taken to follow up on Brand Performance Check were not included in the social report.

8. Management system evaluation and improvement

Conclusions

1. Nudie Jeans evaluates its own performance on improving labour standards in the supply chain during meetings where production and CSR staff are present. The company's CEO is present in meetings about crucial follow up issues to jointly discuss strategy, for instance on living wages. A formal approach to evaluate on a structural basis is not present. In a weekly meeting between product developers and the CSR manager, information on social compliance is shared. Audit results are shared and staff reports back after visiting suppliers.
2. Nudie Jeans does not formally collect feedback from its manufacturers on the process of codeimplementation. The process on code implementation is discussed with agents.

Recommendations

1. FWF recommends to evaluate at least once a year to what extent the chosen approach to improve working conditions is effective. The evaluation would need to assess which improvements were (not) successfully implemented in factories, if communication with factories on this issue goes smooth, and whether the chosen approach is cost efficient. It is of added value to evaluate the process of following CAPs with suppliers now substantial steps to realize improvements in working conditions have been taken.
1. Nudie Jeans should ensure that every department is aware of supplier performance. It is recommended to involve all departments in the evaluation of FWF membership.
2. FWF recommends collecting feedback from agents and manufacturers to evaluate the



process towards implementation of the Code of Labour Practices. This is particularly of added value after corrective action plans from audits have been followed up.

9. Basic requirements of FWF membership

Conclusions

1. The work plan for the current year has been received in time and approved by FWF.
2. Membership fee for the previous year has been paid.

10. Recommendations to FWF

Recommendations

1. Nudie Jeans would appreciate a second training in one of the low risk countries similar to the one FWF provided in Italy.
2. Nudie Jeans recommends FWF to set up a database of all suppliers that produce for FWF affiliates. This database can be to some extent anonymized; as long as you could search for a supplier to check whether it is in FWF's database, without knowing which brand is sourcing at that particular supplier.

Improvement of labour conditions: summary of most important findings	Factory in Turkey audited in March 2012	Factory in Tunisia audited in April 2012
Sourcing practices of Nudie Jeans	According to provided wage records, wages do not meet local stakeholders estimate of a living wage.	
Monitoring system of Nudie Jeans	The FWF Code of Practices was not communicated to the factory.	Workers are not aware about the existence and the content of the FWF Code of Labour Practices.
Management system of factory to improve labour standards	Factory has no formal system to improve working conditions in the factory.	The management has no policy for improving working conditions in the factory.
Communication and consultation	The factory does not have formal grievance mechanism or freely elected worker representatives.	The collective bargaining agreement (CBA) is not posted. There is no written grievance and complaining procedure.
Employment is freely chosen	No findings	No findings
No discrimination in employment	Social security insurance records and wage lists showed unequal distribution of social security insurance.	No findings
No exploitation of child labour	Factory does not keep copies of ID card of workers who do not have social security insurance, which means the age of all workers is not verifiable.	No findings
Freedom of association and the right to collective bargaining	There was no written FOA procedure in place. There is no worker representative system and workers were unaware of complaint mechanism	There is no active trade union in the factory
Payment of a living wage	One worker was paid Net 600 TL/month which is less than legal minimum wage (Net 634,64 TL/month).	Four workers are not classified on CBA level corresponding to their functions.
Reasonable hours of work	Overtime premiums calculation method was not correct.	In low activity period workers are asked to stay at home for a half day without the agreement of labour inspection
Safe and healthy working environment	Overall PPE equipment was limited. There was a grinding machine for cutting knives without goggles, and no proper PPE and ventilation for stain removing section.	There is no evacuation plan posted. The production units are overcrowded and there is no canteen or changing rooms.
Legally binding employment relationship	4 foreign female workers from Azerbaijan are employed in the factory. They did not have any social security insurance or a valid work permit.	Workers who reach four years experience are transferred to another company for one year and then reintegrate the factory to avoid giving tenure. Labour contracts are not signed by management and worker.