



Nudie JEANS CO

SOCIAL REPORT 2011

www.nudiejeans.com
Start date membership: November 2009

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1. SUMMARY: GOALS & ACHIEVEMENTS 2011

We have posted the FWF Code of Labour Practices on the wall in every production unit. In the beginning of 2011 CSR Manager Karin Stenmar visited the biggest suppliers in Italy to understand the situation and to make an adequate action plan for 2011. We participated in different kinds of production studies, for example ICRT to show our transparency. The ICRT study was made by Engaged, an independent consumer organization and the control was through the supply chain where they followed up the transparency in our production chain, through our main supplier, laundry, stitching and packing units. The transparency was checked through a validation questionnaire and then by visits from Engaged at our suppliers.

From the end of October 2011 Sandya Lang is the CSR manager. The audit at our new supplier in India was followed up by communication with the unit and a visit in December 2011 where all units were visited from spinning, knitting, dyeing and CMT together with FWF team supervisor. We could see improvements in the labour standards for the points mentioned in the main audit earlier in 2011. For example better communications with meetings and workers representatives, increased training on health and security, payment directly to the workers etc.

We also participated in a pilot project which aims for new Fairtrade standards throughout the production chain and not only for the cotton as it is now. The project was initiated by FLO, FWF and some selected companies and was carried out at our Indian supplier for CMT and also at our cotton supplier. The project continues into 2012 and will be evaluated to see if a new standard is possible.

During 2011 we launched several projects, for example **RE:Pair, RE:Use, RE:Duce** where consumers could hand in second hand jeans and receive a discount on a new pair or get it repaired. If they preferred the discount we took the old pair and repaired it, re-labelled it and sold it again with the certification for Good Environmental Choice.

We also presented the Post Recycled dry's, jeans made from old jeans cut into pieces, blended with new organic cotton and produced into new pairs, an exclusive batch of 500 pairs. The project has received a lot of attention in international media and blogs.

See the movie at <http://www.nudiejeans.com/post-recycle-dry-the-movie/>

A new project together with Amnesty International about Empowerment was initiated and will continue for 2012. <http://www.nudiejeans.com/empowerment-challenge/>

On the site, we try to be transparent with how the production is made.

We took a final decision to not longer use sandblasting on our products. During this year the health tests we have done at the sandblasting units showed very good results with very little - to no indication of silica crystalline in the air and on the test on the sand itself the results were 5% lower than on the declaration from the supplier which showed that the sandblasting was done in a safe way at our Italian suppliers. Despite the fact that we used safe and well maintained sandblasting units, we have decided that from December 2011 we will not use any product that has been sandblasted. The background for the decision is that for the coming collection F/W12 we do not have any products that have been sandblasted. We have now informed our agents and suppliers that for the future they can only present samples made with alternative methods.

The percentage of organic cotton in our denim products increased to 42% in 2011, and for 2012 we will see a major increase in the total percentage of organic cotton used in the collection. For the coming collection which was developed during 2011, the total denim collection is made by 100% organic cotton. A major part of the cotton is certified by GOTS and a minor part by other initiatives as Eco cert.

2. SOURCING STRATEGY

2.1 SOURCING STRATEGY & PRICING

When searching for new suppliers we take into account the knowledge we have from ourselves and our agents and in applicable cases other companies' audits. It is of high importance that the new supplier works towards a sustainable production, and is within our price frame.

Nudie Jeans is not an aggressive sourcing company, we are working with suppliers that we have established a good relationship with and that share our concern for environmental and CSR issues. We have a written sourcing policy which we send to all new potential suppliers we meet.

When we need to select new suppliers the most important elements for us are;

- » That the suppliers are specialist and concentrate on a specific garment type
- » The Environmental & Code of conduct issues are in focus with an understanding of our philosophy.
- » That no workers are being exposed to harmful chemicals at the workplace and that health and safety is at a high value.
- » Possibility to grow together in a long-term relationship

When we source for new production units the main issue is the quality of the products together with a commitment to work for sustainability both regarding CSR and environment. We would not choose a production unit with a low price if the CSR/ environmental issues and the quality are not up to our level.

2.2 ORGANISATION OF THE SOURCING DEPARTMENT

Given the size of our company and we do not have a specialized department for sourcing. The Product development department, the Production manager and the CSR manager work together when we need to find new production units.

Product development Department: Peter Frank, Jon- Ivar Unsgaard

Production Manager: Joel Stenberg

CSR: Sandya Lang

2.3 PRODUCTION CYCLE

We are creating 2 head collections + 2 injection collections each year. Deadlines for sampling and orders are decided after agreement with suppliers. We inform about our deadlines and the supplier confirms or replies with their possible dates of deliver. Head collections are delivered within 3-5 months after the order is placed.

For head collection the general timeline is following:

| Design Development | Sales meetings | Order Placement | Production | Delivery/ in Shops |
|--------------------|----------------|-----------------|-------------|--------------------|
| 20–22weeks | 8 weeks | 1 week | 12–20 weeks | 1–4 weeks |

For the injection collection the general timeline is following:

| Design Development | Sales meetings | Order Placement | Production | Delivery/ in Shops |
|--------------------|----------------|-----------------|-------------|--------------------|
| 12 weeks | 8 weeks | 1 week | 12–20 weeks | 1–4 weeks |

2.4 SELECTION OF NEW FACTORIES

When we started to look for new production units, we are using the best-practices cases. We strived to find FLO members with environmentally friendly surroundings. During 2011 we started the production with a new supplier, Armstrong Knitting Mills in India - who is also a part of the FLO project. The new unit can besides the quality offer both fair trade and organic cotton and share our commitment for sustainability and long term relationships. We also produced a collection of khakis in Tunisia; in collaboration with our Italian supplier. The full audit for the unit in Tunisia will take place in April 2012 by FWF team. Before starting production, a new unit is informed of FWF Code of Labour Practices and their cooperation in these questions is essential for a long term relationship.

2.5 INTEGRATION MONITORING ACTIVITIES AND SOURCING DECISIONS

When we place orders, the key factors are the quality and price and good conditions at the production unit. We have more or less one product made at one supplier, which means that the order stock increases only by sales. For example in the jeans production; the different styles are made at different suppliers which makes it difficult to place more orders to one supplier if sales are not increasing in the same way. For jersey items now also produced in India, the reason for sourcing a new unit outside of Europe was mainly to keep the price towards consumer and get the added value with GOTS and Fairtrade certifications of the cotton. One scenario in the future is that if we have several units producing the

same article we could place more orders at the unit with best CSR performance. For the Jeans production in Italy we are trying to keep the order percentage more or less at the same quantity every season at our two main suppliers.

3. COHERENT SYSTEM FOR MONITORING AND REMEDIATION

During 2011 we only made visits for CSR purpose at our suppliers in India and Italy. The Italian production stands for about 80% of our total production. The other production countries are Turkey, Portugal and Tunisia, Lithuania and Sweden where have started to monitor and follow up during beginning of 2012. Tunisia and Turkey is relatively new countries for our production, however Portugal is the oldest and many of the suppliers we have there are the same as when the company started. We also have a production agent in Portugal visiting our suppliers on a weekly basis during developments and daily during the production. The production agent participated in the FWF training in 2010 to also have the CSR aspects in mind when visiting old and new suppliers.

3.1 ITALY

In 2010 our production agent and other member companies received a first training with FWF to be able to take part in monitoring activities in low risk countries. Our CSR manager visited the production in the beginning of 2011 together with the agent to have a general view of the production.

The result of the visits has been informed to the Nudie Jeans staff, our agents and all people involved.

In beginning of 2012 the first full audit was done at one of the main stitching units, producing 100% for Nudie jeans. Nudie agent and CSR manager as well as staff from our main supplier join the audit. The audit was performed by an independent consultant recommended by FWF. The results were satisfying; most of the issues on the Corrective Action Plan were issues that are at fairly easy to improve. The major findings from the first audit include:

Lack of awareness of FWF code of labour practice among the workers

Exit signs must be properly posted

No meetings or other ways to discuss labour related issues

No training on to handle chemicals for the laundries

To be able to improve, the staff from our main supplier together with our agent will together hold a meeting with the workers there to inform about the FWF Code of Labour practice. Other findings were lack of knowledge at the workers of FWF standards even if the Code of Labour practice was posted in the factory. The audit results have been shared with the agents, main supplier and the subcontractor audited.

3.2 INDIA

We have one supplier in India where we can monitor the full production chain from spinning, knitting, dyeing to a ready garment. This unit was audited by FWF team in July 2011 and then followed up during autumn and later a follow up visit in December 2011 where Nudie CSR manager together with FWF team supervisor went to see if the improvements they informed were actually made. The results were good; almost all issues FWF raised during the first audit had been improved to meet our standards. The major findings from the first audit include;

- » Not enough health and safety training
- » Lack of meeting with workers representatives
- » Restricted movements for the workers in spinning unit
- » Lack of direct payment to some workers (young workers at spinning unit) as it was given to their parents

Those issues not yet improved were discussed with the management and they explain the reasons behind it, for some issues we agreed that it must be improved, and in some cases alternative ways of dealing with the issue was presented, which we accepted. One example was the use of crèche, which was mentioned in FWF audit, but as it turns out the workers prefer to leave the children closer to home in a government run children's crèche. We think it is important to see the cultural context and if the supplier has an alternative way of dealing with problematic issues we are willing to hear that. Then we can decide together if we can accept it. After the audit follow up, we had communication with the supplier for the improvements. We also shared the outcome of the audit with another FWF member with production at the same supplier.

3.3 EXTERNAL PRODUCTION

N/A

4. TRAINING AND CAPACITY BUILDING

4.1 ACTIVITIES TO INFORM STAFF MEMBERS

During 2010 we had a meeting internally to inform staff of our latest developments. This meeting was held in November by the CSR responsible. In 2010 FWF was also holding a meeting at the head office to inform Nudie Staff about FWF.

In 2011 we started to use Fairtrade cotton for our backbone products, the responsible from Fairtrade Sweden held a presentation at our sales meeting for all our agents to inform about Fairtrade cotton.

During 2011 employees at the head office are continuously updated on progress, audit results and other relevant information in meetings as well as through newsletters and e-mail.

4.2 ACTIVITIES TO INFORM AGENTS

Theory in practice advices have been discussed and a first check-up round been implemented together with our Italian agent. Prior and during the audits in 2011 the CSR manager and the agents had discussions with regards to audits performance and CSR monitoring.

4.3 ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

We have informed all our suppliers to put the FWF Code of Labour Practice at all production sites including subcontractors and Laundries and Pressing houses.

During January 2012 this was checked at some selected suppliers and subcontractors in Italy, a few of them did have the document but didn't have it posted on the factory site. They were instructed to immediately do so and the main supplier was instructed to hold information meeting regarding the Code of Labour Practice and FWF in general.

5. TRANSPARENCY & COMMUNICATION

Consumers have been informed about our ethics in the booklet that comes with every pair of Nudie Jeans. There is a section about FWF membership and the common goals. The collection book is available in full at our webpage where we present how we work with sustainability. For our Backbone products made in India with Fairtrade and organic cotton we have a special hangtag including a presentation of the concept.

During late 2011 and early 2012 we have started to share audit reports with other customers producing at the same suppliers, so far we have had positive responses to that. Our aim is to improve the situation for the workers at the suppliers together.