



Nudie JEANS co

SOCIAL REPORT 2012

www.nudiejeans.com
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1. SUMMARY: GOALS & ACHIEVEMENTS 2012

In 2012 we had the goal to extend our monitoring of our suppliers in all our production countries; we started to audit a major part of our suppliers both in Europe and elsewhere. We have gone through stitching units, laundry units and their subcontractors. From the production volume the audit percentage is above 90%.

The audits and follow ups have resulted in improvements in a number of factories. In Italy we have in one case moved the entire production to a new unit due to non-compliances in the previous factory building regarding health and safety related issues. In India, the results after the audit has shown in an increased number of workers committees, improvements in terms of health and safety related issues. In Turkey a well working grievance procedure has been made as well as increased number of workers is included in the payment of social security insurance and a proper storage room for chemicals has been built.

During the year we launched Empowerment Challenge, a new design competition where 10 euro per t-shirt goes straight to Amnesty for their work with human rights. The T-shirts with 8 different prints came out in December 2012 and are made with fairtrade organic cotton and with an extra payment that goes directly to the workers. With this payment we are paying our share of the living wages for our production. It is still a long way for all the workers to get a living wage, but our ambition is to show one way of implementing living wages and act as an inspiration for other brands.

Our major achievement during 2012 was to get all our denim products made of 100% organic cotton. This was first implemented for the FW12 collection and we have spread the word with the help of our customers through instagram photos of our 100% organic newspaper.

During 2012 the RE:pair, RE:use, RE:duce project continued 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. This project has been extended into our outlet shops and will be implemented in the new concept stores. An addition is that we offer a free repairkit which can be ordered from our website, for those customers who does not have the possibility to hand in their jeans at one of our concept stores. This is all a part of our idea to longer the life of the products we make.

Another recycled project we started to work with during 2012 was rugs made of old Nudie jeans, they are hand-woven and will be in the shops spring 2013.

A new project is our transparency goal which we started to work with and will continue in 2013. Our aim is to be transparent with how and where our products are made; it will be shown to the customers through our website.

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 company's audits. It is of high importance that the new supplier works towards a sustainable production and is within our priceframe.

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.

When we need to source new suppliers the most important thing 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 and quality together with a commitment to work for sustainability both regarding to 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

Since we do not make an extensive sourcing we do not have a specialized department for sourcing. The Product development department, the Production manager and the CSR manager works 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 making 2 head collections + 2 smaller 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 3-6 months after order placed.

For head collection the general timeline is following:

Design Development	Sales meetings	Order Placement	Production	Delivery/ in Shops
26–28 weeks	10 weeks	1–2 week	12–20 weeks	1–4 weeks

For the small collection the general timeline is following:

Design Development	Sales meetings	Order Placement	Production	Delivery/ in Shops
20 weeks	6 weeks	1 week	12–20 weeks	1–4 weeks

2.4. SUPPLIER RELATIONS

In the last year we have started some new relationships. One of them concerns production of a smaller part of the denim in Tunisia. The factory was selected by the previous criteria. Before we started the production we had several meetings and visits. The new unit was informed before starting up production by FWF practices and code of labour practise and their cooperation in these questions is essential for a long term relationship.

During 2012 we also ended one relationship, this has not to do only with the CSR performance but a combination of quality, price and delivery times that wasn't up to Nudie standards. In this case we let the supplier continue another season with the existing products but we did not place new developments there.

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 on 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

3. COHERENT SYSTEM FOR MONITORING AND REMEDIATION

3.1. COUNTRY A ITALY

In beginning of 2012 the first full audit was made 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 was satisfying, most of the issues on the Corrective Action Plan were issues that are fairly easy to improve. One of the main problems was the lack of a system for grievance and awareness of FWF Code of labour practices among workers. To be able to improve, the staffs from our main supplier together with our agent worked together and hold a meeting with the workers there to inform about the FWF Code of Labour practice. The audit results have been shared with the agents, main supplier and the subcontractor audited. We have done audits at several units in Italy during the year both stitching units and laundry units and their subcontractors, the results have been similar in both types but with more focus on health and safety related issues at the laundries. Our main suppliers together with our production agent have been very active in the follow up and monitoring activities.

3.2. COUNTRY B INDIA

We have one supplier in India for jersey items where we can monitor the full production chain from spinning, knitting, dyeing to a ready garment. After the audit in 2011 we have been follow up the improvements made with visits both in 2011 and 2012. The results has been good, almost all issues FWF raised during the first audit had been improved to meet our standards. 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. 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. We also shared the outcome of the audit with another FWF member with production at the same supplier and been having some collaboration in the audit follow up. We have early started the discussions about raising the wages for the workers, and during 2012 we took the first step by paying an extra amount for the empowerment t-shirts and SS13 collection of Backbone that was produced during fall of 2012. The calculation for the extra amount has been made in collaboration with the supplier and with Asian Floor wage as a benchmark. This supplier also participates in FWF workplace training programme.

3.3. COUNTRY C TUNISIA

We've made two audits during 2012 in Tunisia, the findings after the audit has been mostly related to health and safety related issues. In one factory the non-compliances related to the building structure, in terms of no space for canteen, dressing rooms etc. We also discovered some issues in relation to the worker's contract and lack of internal communication. In the other unit, also a vertically integrated company, there were non-compliances regarding a special part of the building used for special treatments as well as the lack of internal communication and a functional grievance procedure. The communication with the suppliers and follow up is on-going and all improvement can't be verified yet. Many of the issues are being improved by spring 2013.

3.4. COUNTRY D ROMANIA

During the year we made one audit at our subcontractor in Romania, the order procedure from Nudie jeans side is handled through our Italian supplier and only stitching is made in Romania. The main non-compliances at this unit is related lack of communication to the workers, also due to low order quantity the unit has been having financial problems. The corrective actions is in implementation and we expect many of the issues to be improved by spring 2013.

3.5. COUNTRY E TURKEY

The audit at our supplier in Turkey showed non-compliances in health and safety related issues, as well as regarding payments and communications. The management was very receptive and immediately started to make improvements. The main improvements have been shown in communication and health and safety related issues such as workers representatives, grievance procedure, information to the workers and construction of a separate room for chemicals and boilers.

3.6. COUNTRY F PORTUGAL

We have during the year made three audits at our suppliers, the findings has mostly been concentrated to health and safety issue such as training for first aid and fire fighting training but also non-compliances in regard to overtime records and payments. During the follow ups we have seen result in the communication process, training for health and safety and payment of overtime.

4. COMPLAINTS PROCEDURE

In 2012 we have received one complaint from our supplier in Turkey. The complaint was communicated through FWF complaints handler to FWF who contacted us. We responded immediately and contacted our supplier to verify the complaint. We have had an open dialogue with the factory regarding the complaints, the cause of the complaint and solutions for closing the complaint. It is clear that the complaints mechanisms for the employees work in this factory which we see as a positive sign. The workers have received information on the FWF CoLP and how the complaints mechanism worked, the fact that Nudie jeans are present at the factory regularly might help in monitoring as well as finding solution when a complaint occur.

5. TRAINING AND CAPACITY BUILDING

5.1. ACTIVITIES TO INFORM STAFF MEMBERS

During 2012 we have informed all our staff, agents and distributors at our collection presentation twice a year. In these presentations we have had a section about CSR and the information shared has been both in general terms about our membership in FWF and certifications we have but also more specific about the results after the audits at the supplier.

During 2012 employees at the head office are continuously updated on progress, audit results and other relevant information in meetings as well through e-mail. The information on each audit is available for anyone at the HQ to see.

5.2. 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 2012 the CSR manager and the agents had discussions with regards to audits performance and CSR monitoring. In 2013 there is a new planned activity for training for agents and suppliers in Italy.

5.3. ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

We have informed all our suppliers to put the FWF Code of Labour Practice at all production sites this includes subcontractors as 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. The same has been checked at our suppliers in Portugal.

6. 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 the 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 of that. Our aim is to together improve the situation for the workers at the suppliers.

We have a new goal of Transparency that will be shown at our website during 2013. We will present how and where we produce our garments, there will be details about each of our suppliers. We will show both positive and less positive sides of our production chain and hope to create an understanding for the complexity of the textile industry and at the same time give all the relevant information regarding the products our customers buy.

7. STAKEHOLDER ENGAGEMENT

Before all audits made in Italy and Portugal local stakeholders has been contacted to check the current information, in India we have had contact with a local NGO to know more about the local context. We have also participated in round table discussion in India regarding violence against women in textile factories where many different stakeholders participated. We also participated in seminar regarding living wages hosted by FWF and ETI Norway.

8. CORPORATE SOCIAL RESPONSIBILITY

In Sweden we participate in CSR related forums, where we either present our company or participated in discussions/panels/groups with other companies with topics as sustainable purchasing methods, monitoring the supply chain etc