



Nudie Jeans co

# SOCIAL REPORT 2014

[www.nudiejeans.com](http://www.nudiejeans.com)

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# 1. SUMMARY: GOALS & ACHIEVEMENTS 2014

"At Nudie Jeans we want to be fully transparent, from cotton field to ready made garment. This means we have to know and trust all our suppliers. During 2014 we took the next step up the supply chain by starting to audit our fabric suppliers. We are proud to share the results of this work with all our stakeholders. " - Joakim Levin (CEO)

2014 was a year of consolidating the work we have been doing with our suppliers. Nudie Jeans has now audited all suppliers accounting for more than one percent of our production, and during the year we started our second and third round of audits to verify improvements. Nudie Jeans also started moving up the supply chain by commencing auditing of our fabric suppliers.

14 audits were made during 2014. Five were done in India (two audits by FWF, two FWF worker interview reports and one audit by an external service provider), FWF also did one audit in Turkey and one in Tunisia), our own external auditors also did five audits in Italy and two in Portugal.

To support our suppliers in implementing our code of conduct we continued to train suppliers during the year. In September 2014 we arranged a training session for our suppliers, auditors and agent in Portugal together with FWF. During the year we also arranged training with FWF for the management and staff at our Romanian supplier.

In 2014 we worked on resolving complaints received through the FWF complaints mechanism at suppliers in Italy, Tunisia, Turkey and India. Although some of these were resolved, a couple remains to be dealt with in 2015 at some of these suppliers.

Our engagement with stakeholders continued through our transparency work (the production guide), by initiating cooperation with other brands regarding improvement plans at several suppliers and cooperating with researcher analysing our CSR work. During 2014 we also started implementing a new restricted chemicals policy at supplier level.

## 2. SOURCING STRATEGY

### 2.1. SOURCING STRATEGY & PRICING

Sourcing – finding new suppliers

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 values. When we do need to find new production places we will either look for these ourselves or our agents will suggest new ones. We always visit the production location and discuss our criteria with the management before production starts. All new suppliers need to meet Nudie Jeans' expectations regarding quality, price, product development, lead-time, working conditions and ability to work with sustainable materials. In order to assure this, new suppliers must:

- Sign the Nudie Jeans code of conduct before production starts (if a direct supplier).
- Have documented high social, ethical and environmental ambitions.
- Have vertical manufacturing or a limited number of subcontractors.
- Be transparent regarding all units in their production chain and open to auditing.
- Have the potential for a long-term partnership and growth with Nudie Jeans.
- If located in a high risk country, demonstrate a democratic environment in the workplace.
- If located in a high risk country, be able to show proof of decent working conditions.

In 2014 we visited potential suppliers in Turkey, Romania and India.

#### **Purchasing**

The product development department and the denim & accessories department negotiate prices as part of developing each new collection. This work follows the production cycle outlined below.

### 2.2. ORGANISATION OF THE SOURCING DEPARTMENT

Our sourcing and purchasing is divided into two departments: the product development department and the denim & accessories department.

The product development department is responsible for tops and special projects. At this department Peter Frank (manager product development department) and Jenny Henriksson (buyer) are responsible for sourcing and purchasing. At the denim and accessories department Jon-Ivar Unsgaard (buyer) and Joel Stenberg (Production Manager) are responsible for sourcing and purchasing.

Sandya Lang/Henrik Lindholm (CSR) is involved in all sourcing decisions regarding high risk countries.

### 2.3. PRODUCTION CYCLE

Nudie Jeans has four collections per year, two main collections and two small injection collections. The main seasons are spring (35%) and autumn (50%), while summer (10%) and winter (15%) are smaller.

After the design phase, the first stage of production is that suppliers provide about 40 sales man samples of each style. The sales team then take orders from retailers during the sales period. After this the final orders are placed at the suppliers. Lead times for samples and orders are decided in agreement with suppliers.

**For spring and autumn 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 summer and winter collections 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

During 2014 we started cooperating with a new supplier in Turkey and one in India. First production with these units will take place during spring 2015. Both factories were evaluated from a health and safety perspective, previous audit reports were collected and the code of conduct was explained and discussed with the supplier. During 2015, when production starts, both facilities will be audited by FWF.

During 2014 we have terminated one supplier relationship. This was with the Indian shirt manufacturer that we started to work with in 2014. The reason for discontinuing the cooperation after only one order was the fact that our production was far too small for a supplier of this size.

### 2.5. INTEGRATION MONITORING ACTIVITIES AND SOURCING DECISIONS

During the regular evaluation of suppliers, CSR performance is one aspect. The CSR manager is responsible to bring up critical issues that will effect the production. When Nudie Jeans place orders, the key factors are quality, price, working conditions and the ability to meet our environmental requirements. As we mostly have only one product type made at each supplier, the order stock fluctuates with changes in sales. This means that it is hard for us to reward a supplier with more orders when they improve their performance regarding to code compliance.

### 3. COHERENT SYSTEM FOR MONITORING AND REMEDIATION

During audits a corrective action plan (CAP) is written with a time frame agreed between the auditor and the factory management. Relevant Nudie Jeans staff is informed about the outcome of the audit and the CAP.

The follow up of the CAP is coordinated by the Nudie Jeans CSR manager. The first step will be done through email communication in which the supplier updates Nudie Jeans on the progress. At a second stage an on-site visit will be scheduled. In cases where we have agents, such as Portugal, they will be involved in the follow up visits.

Nudie Jeans strives to have close communication with the supplier regarding the measures taken to improve working conditions. This includes discussing how Nudie Jeans can assist the supplier in reaching the corrective actions required. Documentation of the progress with the CAP is done in a CAP-excel sheet and kept on the common server at Nudie Jeans. Our ambition is to cooperate and work with other clients using the same suppliers as we do. During 2014 we have done so with several FWF members (Continental Clothing, Acne Studios, hessnatur, Blackout and Brandless) as well as other companies (G-Star, Tshirtstore, Mini Rodini and ATC). In our cooperation with these brands, we have shared our audits, updates on CAPs and encouraged them to join our living wage efforts. We plan to continue this cooperation in 2015 and expand it to other factories where we see a need for this.

#### 3.1. PORTUGAL FACTORY A

Factory A is a subcontractor of Nudie Jeans' supplier of jersey in Portugal. It is a small family owned sewing unit only employing nine persons. The facility was audited by a local auditor on behalf of Nudie Jeans in December 2014.

Positive points included:

- All employees reported a very good relation with the management
- The management was very cooperative and receptive to findings
- No remarks on working times or payment of wages

Points for improvements included:

- Staff needs to be trained in first aid procedures
- Some sewing machines missing pulley guard
- The collective bargaining agreement was not posted

#### 3.2. PORTUGAL FACTORY B

Factory B is a sewing subcontractor to Nudie Jeans' Portuguese shirt supplier. The factory has 44 employees and recently moved location to a new facility. Nudie Jeans audited the facility in December 2014.

Positive points included:

- All interviewed workers reported being pleased with workplace relations and management
- The new factory is spacious, clean and well kept
- No remarks on payments or working times

Points for improvements included:

- Some health and safety documentation was missing
- Factory needs to install a proper time recording system
- No internal grievance mechanism
- Some fire safety improvements needed

#### 3.3. ITALY FACTORY C

Nudie Jeans first audited factory C in 2012 and again in 2014. At the time of the latest audit the company had 26 employees. Nudie Jeans occupies the full production of the factory and have done so since 2002. At both audits the audit team worked with a cooperative and receptive management. Since the first audit Nudie Jeans has regularly followed up the improvement plan and at the second audit, the company had corrected all corrective required.

Positive points included:

- All the employees reported a good environment and relationship with management.
- The factory has made many improvements and are very receptive to improvement suggestions
- The factory consults both a local trade union and an external company in order to make improvements

### 3.4. ITALY FACTORY D

Factory D is a subcontractor to a laundry working for Nudie Jeans. A first audit was made in 2012. Due to an anonymous complaint filed in 2013, two further audits have been made. The first audit was done in 2013 and a second one in 2014 was done together with one of FWF's Chinese auditors. These audits could not confirm the allegations brought forward by the plaintiff and found that most issues from the 2012 audit had been resolved. However, wage payments as well as the documentation regarding working times and wages needed improvement and this will be followed up during 2015. For further information on this supplier, see the complaint section.

### 3.5. ITALY FACTORY E

Factory D is a subcontractor to a laundry working for Nudie Jeans. A first audit was made in 2012. The factory was audited a second time in 2014 together with one of FWF's Chinese auditors. At the time of the second audit the factory had corrected most non compliances found at the first audit. However, wage payments as well as the documentation regarding working times and wages needed improvement and this will be followed up during 2015.

### 3.6. ITALY FACTORY F

Factory F is one of Nudie Jeans' denim weavers. The factory employs over 600 workers and is SA8000 certified. The factory was audited by Nudie Jeans in March 2014.

Positive points included:

- There is a trade union committee at the factory

Points for improvements included:

- Nudie Jeans Code of Conduct was not posted
- Evacuation paths are not sufficiently marked with signs in all areas.
- Some improvements of fire safety needed

### 3.7. INDIA FACTORY G AND H

At the factory G in Madhya Pradesh the sampling and packing of Nudie Jeans leather jackets takes place. The sewing of the garments takes place at a subsidiary company, factory H. Both units were audited in June 2014 when production for Nudie Jeans started.

Positive points included:

- There are two trade unions present and the union-management relations are good and workers are generally aware of their rights and responsibilities.
- There are several communication channels between workers and management in the factory.
- Benefits like health insurance, attendance bonus, transportation, subsidised food, target achievement bonus are provided to workers.

Points for improvements included:

- Improvements regarding evacuation plans are needed
- Improvements regarding handling of chemicals

### 3.8. INDIA SUPPLIER I

Nudie Jeans has been working with supplier I for fairtrade organic jersey production since 2011. The supplier consists of four different units including spinning, CMT and processing units. Nudie Jeans' cooperation started with a project together with FWF and Fairtrade to pilot fairtrade certifications through the full supply chain. The supplier has been audited by FWF in 2007, 2011, 2013 and in December 2014 worker interviews were conducted at one of the CMT units and the spinning unit to verify progress on the corrective action plan.

Although several visits have been made to discuss the corrective action plan and a workers' training program has been implemented at the spinning unit, improvements are still needed on a number of critical issues, among other things the freedom of movement of workers staying in the dormitories. In order to gain leverage on this and other issues, Nudie Jeans has gathered other brands (including FWF members) to together convince the supplier of the improvements needed. This work will continue during 2015.

At this supplier, Nudie Jeans has also implemented a system to pay a contribution towards a living wage. During 2014 we have reached out to other brands to join these efforts and now three other companies have joined our living wage project at Armstrong.

### 3.9. INDIA FACTORY J

Nudie Jeans started producing shirts at Factory J in Bangalore, India, in 2014. The factory was audited on behalf of Nudie Jeans by a local health and safety expert in December 2014. The results of the audit were positive with only a few remarks on improvements needed. The outcome has been shared with the management of factory J who reported to Nudie Jeans on that all outstanding issues had been resolved.

Positive points included:

- Good human resource management
- Good attention paid to the health and safety of the workers.
- The factory employs people of different abilities.

Points for improvements included:

- Communications with committees needed improvement
- Improve use of personal protective equipment
- No wages are below minimum wage, but need to be improved to reach living wage levels

The cooperation with Factory J was terminated after the first audit as Nudie Jeans' production did not suit the factory.

### 3.10. TUNISIA FACTORY K

Factory K is a vertically integrated company producing jeans for Nudie Jeans. The factory has a total of 1869 employees. The company has been audited by other brands and is SA 8000 certified. The first audit was made by FWF in 2012 and a second audit was done in September 2014.

Positive points included:

- There is a trade union in the factory and the company follows the national collective bargain agreement (CBA)
- The biggest parts of workshops are safe and clean
- Management is very cooperative during the audit and open to suggested improvements
- Several improvements made since the first audit and after a strike in 2014 workers report several improvements

Points for improvements included:

- The productivity bonus should be given according to an employee's quality, productivity and behaviour, and not as per the group in each unit
- Factory use of short term contracts needs to be revised
- Workers wages should be classified according to the correct CBA level
- Workers should be better trained on health and Safety

### 3.11. TURKEY FACTORY L

Factory L is an integrated textile corporation with three manufacturing facilities making outwear, denim and shirt fabric respectively. The factory employs 2600 workers and supplies both denim and shirting fabric to Nudie Jeans.

Positive points included:

- There is a trade union and a collective bargaining agreement

Points for improvements included:

- Internal grievance handling not well functioning
- A internal subcontractor is used for new employees
- There is an ongoing conflict with a dismissed worker
- There are cases of excessive overtime
- Chemical handling and fire safety needs improvements

## 4. COMPLAINTS PROCEDURE

In all production units, including subcontractors, we have posted the Code of Labour practice in the local language for the employees to read. The content should also be informed verbally to the workers by the factory manager or through trainings.

When receiving a complaint we immediately have an internal meeting to set a strategy as complaints are handled differently depending on the situation. In most cases we inform our main supplier directly that a complaint has been filed and try to give all details without disclosing sensitive details about the plaintiff. In some cases the supplier will then investigate the complaint further, in other cases, or as a second step, we will visit the supplier directly. A direct visit will usually be accompanied by an external consultant or a FWF audit team.

In 2014 Nudie Jeans received four complaints; one from a denim supplier in Turkey, one jeans supplier in Tunisia and two from our jersey supplier in India. We also worked on resolving a complaint received in 2012.

### **Complaint at Italian supplier received in 2012**

In 2012 we received a complaint for Chinese staff at a subcontractor Italy through the FWF complaints handler in China. The complaint related to the labour standards 'Payment of a Living Wage', 'Reasonable hours of Work' and 'Safe and Healthy Working Conditions'.

As an immediate measure Nudie Jeans requested copies of all relevant documentation and had these checked by FWF. Furthermore, an external auditor audited the factory to investigate this further. As this investigation did not yield sufficient results to verify or dismiss the complaint, a new audit was done in 2014 in cooperation with one of FWF's Chinese auditors. This audit showed that the factory were not paying wages correctly, needed to improve time attendance documentation and reduce working hours during peak season. The audit also showed improvements on several issues identified in previous audits.

### **Two complaints at Indian supplier received in 2014**

The first complaint from a worker at supplier I (see audits above) was received on 24 January 2014 by FWF's complaints handler in India. The complaint related to the following labour standards of the FWF's Code of Labour Practices: 'Legally binding employment relationship', 'Safe and healthy working conditions' and 'Payment of a living wage'.

Two workers claimed getting incorrect treatment after an accident at the factory. After the complaint was addressed to the factory, immediate response was given. With the help of local FWF staff, it was possible to verify that the workers did get proper medical attention and the correct compensation.

The second complaint was received in December 2014 from a worker who had stopped working at supplier I. The former worker listed a number of violations including non-functioning committees and excessive overtime, but the main concern was payment of social security fees. After communication with supplier I, it was possible to verify that payments had been made to the former employee.

### **Complaint at Tunisian supplier received in 2014**

On 29 April FWF received a complaint through its local complaints handler in Tunisia of a worker at factory K (see audits above). The complaint related to the following labour standards of the FWF's Code of Labour Practices: 'Legally-binding employment relationship' and 'Safe and healthy working conditions'.

The complaint concerned the use of short term contracts and verbal abuse. After dialogue with the management they admitted that there is a problem with dialogue and communication between workers and management, as well as the use of short-term contracts, which is common in Tunisia.

After a short strike at the factory, workers management relations have now improved at the factory as also shown in the FWF audit. With regards to the short-term contracts, further remediation is necessary as the use of these contracts is widespread in the Tunisian garment sector.

### **Complaint at Turkish denim supplier received in 2014**

The complaint concerns a worker that has been rehired by the factory after having been fired. He now has to repay the compensation given to him when he was first fired. According to the plaintiff the rate of repayment is too high as only a part of the salary can be deducted for what a worker owes the factory. During the ongoing dialogue with the supplier about the situation for worker, he was dismissed again. FWF is presently investigating if the worker has any claim towards the factory at this point. According to the supplier, the dismissal has been done according to the law. This investigation will continue in 2015.



## 5. TRAINING AND CAPACITY BUILDING

### 5.1. ACTIVITIES TO INFORM STAFF MEMBERS

During 2014 we have informed all our staff, agents and distributors at our two collection presentations. In these presentations we have had a section about CSR and the information shared has been general information about our FWF membership and other sustainability related work.

During 2014 employees at the head office have been 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. We have also had special CSR info's session with staff in the shops to discuss further how we work.

### 5.2. ACTIVITIES TO INFORM AGENTS

During 2014 Nudie Jeans integrated part of the agents in Italy into our own organization by employing them directly. This makes information and cooperation regarding CSR issues easier and a natural part of their work. In 2014 we also had a one-day training for our agent and suppliers in Portugal in collaboration with FWF.

### 5.3. ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

We have instructed all our suppliers to post the FWF Code of Labour Practice at all production sites including sub contractors such as laundries and pressing houses.

In September 2014 we arranged a training session for our suppliers in Portugal together with FWF. Nine representatives from five suppliers as well as our agent and auditors actively participated during the day. The seminar focused on working conditions at sewing factories in Portugal and involved local stakeholder. During the year FWF also conducted a training for the management and staff at our Romanian supplier. In India the trainings at our jersey supplier have continued. The new shirt supplier that we visited was invited to training.

## 6. TRANSPARENCY & COMMUNICATION

In 2013 Nudie Jeans launched our Production guide. In this we present how and where we produce our garments. It also contains details about each of our suppliers and our relation to them, as well as the strengths and what needs to be improved regarding working conditions. There is an explanatory text about the role of FWF and how audits are done.

Furthermore, consumers have been informed about our FWF membership at the point of sales in the booklet that comes with every pair of Nudie Jeans. Retailers and sales staff are informed through our collection book which has a section on our FWF membership.

Our transparency and communication work has also included being interviewed for several publications regarding different aspects of our sustainability. We have also given talks about our CSR activities, our work with FWF, our transparency efforts and our living wage project. A lot of effort has also been put into being open towards academic research into our work and sustainability aspects of this.

## 7. STAKEHOLDER ENGAGEMENT

We have used resources as the country studies for our different production countries, as well as risk assessment made for Italy. During the FWF training in Portugal different stakeholders participated and we had the chance to discuss directly with them. Topics were risk handling and general working conditions.

During the year we also had communication with local stakeholders in Sweden such as Fairtrade Sweden, Djurens Rätt and Fair Trade Center. Nudie Jeans has also been engaged in CSR Västsverige activities and seminars.

## 8. CORPORATE SOCIAL RESPONSIBILITY

During the 2014 our further CSR activities have included:

- Continued our collaboration with Amnesty International by continuing to sell our Empowerment t-shirts and the children's jeans.
- Increasing our use of fairtrade organic cotton.
- Making products from recycled denim, in 2014 camper seats from the seams of jeans.
- Received prizes for our sustainability work, including the best practice award at FWF's annual conference and the sustainable store award at the Retail Awards.