



Fair Wear Foundation

Management system audit report

Nudie Jeans

19 April, 2011

FWF member since: 1 November 2009

Sources of information

Database FWF

Annual report and work plan

Archived documents

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Introduction

In April 2011 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Nudie Jeans. The MSA 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 MSA has been the work plan for 2010 and 2011. FWF tailored the MSA to the specifics of the management system of Nudie Jeans in order to assess the key issues of interest. During the MSA, employees of Nudie Jeans were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the MSA. The report contains conclusions, requirements and recommendations. If FWF concludes that the management system 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 2011. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that MSA reports of subsequent years will focus on different aspects of the management system.

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



Executive summary

Nudie Jeans had been a member for FWF for one year and five months at the time of the MSA. The company is in the process of implementing FWF's management system requirements. The company has focused its sourcing to low risk countries to minimise the risk of labour rights violations. Through Nudie Jeans close cooperation with their suppliers the company meets the requirements of FWF's low risk policy. During the last six months, the company has also started to work on implementing a systematic approach to checking working conditions at their suppliers in low risk countries that goes beyond FWF's low risk policy. A minor part of production has also been done in Turkey during 2010. Nudie Jeans has taken the decision to expanding its production to India and Tunisia in 2011.

Nudie Jeans need to improve its internal systems in order to be able to follow up corrective actions in a systematic way and to provide FWF with correct information regarding its suppliers. During the MSA no systematic way to implement corrective actions was presented. Neither is there a comprehensive information management system to keep track of compliance. During Nudie Jeans expansion to high risk countries, it is of even greater importance that these systems are put in place.

Nudie Jeans treats some of their jeans with abrasive blasting to create a worn look. Abrasive blasting of denim has been found to cause silicosis, a deadly lung disease, when done in an environment where crystalline silica is released. Because of this, FWF has taken the decision to immediately ban all abrasive blasting containing free silica, and to phase out abrasive blasting using abrasive material containing no free silica. Nudie Jeans are during 2011 concentrating all abrasive blasting to one production unit. At this unit, lab test of air quality and abrasive material has been done. Nudie Jeans is also following up the purchasing of all abrasive material bought at this facility to make sure only approved abrasive material are used. To avoid that any subcontracting is done from this facility, the premises are visited every week during production by Nudie Jeans representative in Italy. However, as FWF does not have the resources or capacity to verify that all abrasive blasting is done at this supplier, and that all safety requirements are followed at all times, Nudie Jeans is asked to submit time bound plan for the phase out of abrasive blasting.

Positive findings

Conclusions

1. Suppliers ability to assure good working conditions is at the core of the sourcing strategy and the company's expansion to high risk countries is made under the premise that only suppliers with a commitment to social and environmental standards are accepted.
2. Nudie Jeans has a very strong presence in the production. Their Italian agent has five persons working exclusively for Nudie Jeans. These people are trained by FWF to effectively monitor production locations. They visit the production locations at least once per week during production periods.
3. Nudie Jeans has clear information to customers regarding their FWF affiliation. All jeans sold carry an information booklet explaining the FWF affiliation as well as environmental aspects and general information on Nudie Jeans.

1. Sourcing

Conclusions

1. Nudie Jeans has no written sourcing policy or strategy. However, the company has had an outspoken policy to focus production in European low risk countries. This is also a major reason why almost all production has been in Italy and Portugal, with only a minor part being done in Turkey. One of the major reasons for this strategy is to minimise risk of labour rights violations in the supply chain. During 2011, Nudie Jeans will expand production to India as part of a pilot project together with Fair Wear Foundation and the Fair Trade Labelling Organisation. The decision to start sourcing in India is directly connected to the possibility to have a socially and environmentally responsible production. Production will also start in Tunisia during 2011.

2. From the information provided to FWF on production in 2010 it is not possible to estimate exact percentage of production done in each country. The company had two suppliers in the high risk country Turkey, one for shirts and one for leather jackets.

3. The production department is responsible for sourcing and works in close cooperation with Nudie Jeans' agents in Portugal and Italy. In Italy Nudie Jeans is working with an agent with five employees that exclusively works with Nudie Jeans and their suppliers. The agent of Nudie Jeans in Italy has a strong presence in the production and Nudie Jeans estimates that during production all suppliers are visited on a weekly basis. In Portugal Nudie Jeans work through an agent that has been trained on code compliance and is responsible for factory visits.

4. The willingness of suppliers to cooperate on improvements of working conditions is a prerequisite in the selection of new suppliers and the continuation of business relationships. Potential new suppliers are visited to check basic working conditions including working times, payment and trade union presence. All potential new suppliers are informed about FWF before sampling starts.

5. There is no system to evaluate / grade suppliers regarding performance on working conditions. There is also no formalised incentive system to reward suppliers for realised improvements of working conditions.

6. There has been no fixed system to negotiate prices with suppliers. In the beginning, prices were set according to the quotes from the factories. Now the jeans are produced to match the three different price categories of Nudie Jeans. The suppliers are sometimes asked to help come up with ways of producing the different jeans to meet the price categories. The wage component of the price is not separated during price negotiations. There is an understanding within the company that lead times, late changes in design or orders can contribute to, for example, problems for suppliers to keep working times within legal limits. There is an ambition to not change orders and approve samples within three days, but this has not always been possible due to staff shortage. The general feedback from suppliers is rather that they would need more orders to keep staff than that they are pressured to overtime because of the amounts of orders.



Requirements

2. Nudie Jeans should provide FWF with information about suppliers that makes it possible to estimate their relative importance.

Recommendations

1. A written sourcing policy or guidance that takes code implementation into account can give buyers a clearer incentive and mandate to take social aspects into account when placing orders at suppliers. Such a document can also contain steps to make sure that new suppliers are properly registered in an information management system to keep track of suppliers. This can be especially helpful when expanding production to high risk countries.

5. A system to evaluate suppliers' performance on social standards that is taken into consideration when placing orders can serve as an important incentive system for improvements at supplier level.

4. FWF recommends asking potential new suppliers as well as existing suppliers to share reports from previous audits as a means to assess the level of working conditions in these factories.

2. Coherent system for monitoring and remediation

Conclusions

1. During 2010 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. At the production locations in Turkey, no factory audits were carried out.

2. In January 2011, the CSR responsible at Nudie Jeans visited ten production sites in Italy. The purpose was not to do full social audits, but to collect information on certifications and find out suppliers knowledge and awareness on CSR issues. The visits included interviews with management and workers as well as a visual inspection of the facilities. No formal corrective action plans resulted from these factory visits.

3. Less than 5% of the Nudie Jeans sold have been treated with abrasive blasting. Abrasive blasting of denim using abrasive material containing free silica has been shown to cause silicosis, a deadly lung disease. 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 immediately ban all abrasive blasting using abrasive material containing free silica and to require a phase out of all abrasive blasting. The time scale for this phase out would depend on the individual company's ability to assure that it is done in a safe way. During 2010, Nudie Jeans focused their effort in this area to mitigate the risk at those suppliers doing abrasive blasting. This included the following steps:

- a) Nudie Jeans has cut down the number of facilities doing abrasive blasting to only one supplier in 2011 (during 2010 it was two locations). The address to this



supplier has been made public in order to provide full transparency on the situation at supplier level concerning abrasive blasting.

- b) The material used in the abrasive blasting has been sent to labs to be tested for silica content. Receipts are also collected for all abrasive material purchased to make sure only the approved material is used in production. Every time new abrasive material is bought, the receipt is sent to Nudie Jeans.
- c) Tests have been done on the air quality at the production location to measure free silica levels in both the facilities used in 2010. The test results have been sent to FWF. The result showed 0.029 mg/m³ at ITACLAB and <0.006 mg/m³ at Fimatex. Both values below required levels. Nudie Jeans will only continue to use Fimatex for abrasive blasting of denim from 2011 onwards.
- d) Checks have been done that abrasive blasting is done either in blasting chambers completely separating the workers from the abrasive material or using type CE abrasive-blasting respirator (SAR), operating in a pressure demand or other positive pressure mode.
- e) Nudie Jeans' agent in Italy is responsible to check that no subcontracting of blasting is done. The agent has an office in the region of the two sandblasting facilities and visits the factory on a weekly basis during production. The agent has five employees working exclusively with monitoring Nudie Jeans' suppliers.
- f) Health checks will be done of workers at the suppliers during 2011.

4. Nudie Jeans is open to cooperate with other customers of manufacturers regarding monitoring and the execution of Corrective Action Plans.

Requirements

1-2. Nudie Jeans should implement a systematic way to make corrective action plans for issues that need improvements at the factories visited.

3. Nudie Jeans has showed a coherent and systematic way to assure safe working conditions in the abrasive blasting. However, FWF cannot verify with enough certainty that the abrasive blasting is done in a safe way in the supply chain of its member companies. Therefore, FWF has taken the decision that all abrasive blasting should be phased out (any blasting use silica should immediately be stopped). Nudie Jeans is therefore required to hand in a plan for how abrasive blasting will be phased out, and over what time period. During the phase out period, Nudie Jeans should continue the safety system outlined above (see also requirement below).

3. To show that the routine of checking blasting material bought, Nudie Jeans should be able to provide receipts of the blasting material bought if this is asked for. Once health checks are done, the results of these should also be provided to FWF.

Recommendations

1. Although the suppliers in Turkey only produce a small part of Nudie Jeans' production, it is recommended to start auditing the high risk production sites at an early stage to identify violations or risks.



1-3. As mentioned previously, Nudie Jeans can make sure to collect inspection protocols from other audits done at their suppliers, this can include inspection protocols from the local labour inspectorate as well as factory audit protocols from other buyers.

3. Complaints procedure

Conclusions

1. The member company has a designated person to handle complaints of workers.
2. No complaints have been submitted by workers.
3. There is no system to check that the code of labour practices is posted at production sites in all production countries. Agents have now started checking this and have in some cases submitted photos to show posted information sheets.

Recommendations

3. FWF recommends that Nudie Jeans implements a system whereby all staff and agents visiting factories are responsible to check that the code of labour practices is posted. Suppliers can also be asked to email photos of the posted information sheet. To keep track of where the company has confirmed that the information sheet for workers has been posted, FWF recommends creating an overview of this as part of a future information handling system.

4. Improvement of labour conditions

Conclusions

1. FWF has not carried out any audits at suppliers of Nudie Jeans since the information we received was that all production was made at suppliers in low risk countries. During 2011, FWF will audit some of the factories used in India, Tunisia or Turkey to assure that Nudie Jeans system to assure good working conditions in factories in high risk countries is working.

5. Training and capacity building

Conclusions

1. All staff at Nudie Jeans was informed about the FWF affiliation at a presentation given by FWF at the Nudie Jeans head office in March 2010. In November 2010 the CSR responsible had a meeting to inform the staff about the latest development. The CSR responsible at Nudie Jeans also participated in a FWF training for affiliated companies. Staff from Nudie Jeans that visit retailers also briefly inform shop staff about the FWF membership.
2. Agents have been informed about the FWF affiliation through meetings and by inviting



the agent in Italy and Portugal to a factory based training in Italy arranged by FWF. The CSR responsible informed and discussed the issues with the Italian agent during the visit in January 2011.

3. Manufacturers have been informed about FWF through the signing of the code and answering the questionnaire. The most important suppliers have been informed at meetings where both Nudie's staff, agents and suppliers representatives take part. Smaller suppliers have received additional information through agents.

4. Workers have so far been informed through the posting of the information sheet for workers. See complaints handling above.

6. Information management

Conclusions

1. There is a procedure to keep the supplier register updated by which new suppliers will be registered and the overall supplier register will be updated every six month. The supplier register submitted to FWF for 2011 did not contain addresses of suppliers in Turkey and Tunisia. Furthermore, the supplier register did not contain information making it possible to assess the relative importance of each supplier according to FOB.

2. There are plans to create a register to keep track of the progress for all manufactures' progress regarding improvements.

Requirements

1. The supplier register submitted to FWF should be in the correct format and contain updated information on all suppliers. The supplier register must contain all suppliers and sewing subcontractors. The supplier register should also contain information on the relative importance of each supplier calculated from total amount paid to each supplier during the previous year.

Recommendations

1. It could be beneficial to formalise the responsibilities of product managers to provide accurate information regarding factory contact information and addresses.

1. 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 has informed the public about its FWF membership through press



releases, in the product catalogue, on their blog and in an information brochure that comes with every pair of jeans sold.

2. Nudie Jeans currently has no information about their FWF affiliation on their main site. The FWF code of labour practices is not posted, and there is no link to FWF for further information. Nudie Jeans is in the process of updating their complete homepage, and will include information on the affiliation to FWF on the updated homepage that comes online in June 2011.

3. Nudie Jeans has allowed the consumer research organisation ICRT full access to their production locations for a researched project by ICRT on working conditions in the jeans industry.

4. Nudie Jeans has submitted the annual social report of the 2010. It has not been published on the website of Nudie Jeans.

Requirements

2. Nudie Jeans should inform about their FWF membership on their homepage.

4. The annual social report should be posted on the homepage of the affiliated company.

8. Management system evaluation and improvement

Conclusions

1. Nudie Jeans regularly evaluates the FWF affiliation. Staff involved in the production, CSR responsible and management are involved in these discussions.

2. Nudie Jeans have collected feedback from agents and manufacturers to evaluate the implementation of the Code of Labour practices.

Recommendations

1-2. Member companies are expected to collect feedback from its suppliers, critically review the effectiveness of the activities conducted during the previous year regarding implementation of the Code of Labour Practices, revise the activity plans where necessary and define the next steps. FWF recommends that the conclusions from Nudie Jeans evaluation are clearly included in the work plan for 2012 to make sure that the lessons learned though the work done is not lost.

9. Basic requirements of FWF membership

Conclusions

1. Work plan for the current year has been received.



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2. Membership fee for the previous year has been paid

10. Recommendations to FWF

Recommendations

1. Nudie Jeans would appreciate it if FWF could share information regarding good suppliers that the organisation has audited.
2. When FWF starts getting factory members, the affiliated companies should be the first to know about this since it would be good to establish cooperation between factory members and affiliated companies.
3. FWF could provide members with short updates on what the organisation is doing so that parts of this can be used in for example customer communication. These should preferably be short items with relevance for the end consumer.