

Nudie JEANS CO

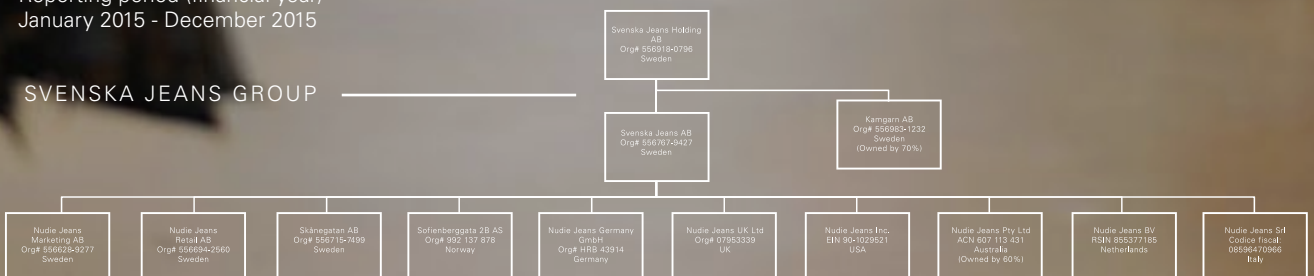
# SOCIAL REPORT 2015

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

Start date membership: November 2009

Reporting period (financial year)  
January 2015 - December 2015

SVENSKA JEANS GROUP



# CONTENT

<b>1. SUMMARY: GOALS &amp; ACHIEVEMENTS 2015 .....</b>	<b>3</b>
<b>1. SOURCING STRATEGY .....</b>	<b>3</b>
1.1. SOURCING STRATEGY & PRICING .....	3
1.2. ORGANISATION OF THE SOURCING DEPARTMENT .....	4
1.3. PRODUCTION CYCLE .....	4
1.4. SUPPLIER RELATIONS .....	4
1.5. INTEGRATION MONITORING ACTIVITIES AND SOURCING DECISIONS .....	4
1.6. LELIJA/LITHUANIA .....	5
1.7. FIORIMA/PORTUGAL.....	5
1.8. TECLOTENDENCIA/PORTUGAL.....	5
1.9. MERGU/TURKEY .....	5
1.10. EVEREST/ITALY.....	6
1.11. MP LEATHERS/INDIA.....	6
1.12. EXTERNAL PRODUCTION.....	6
<b>2. COMPLAINTS HANDLING .....</b>	<b>6</b>
<b>3. TRAINING AND CAPACITY BUILDING.....</b>	<b>7</b>
3.1. ACTIVITIES TO INFORM STAFF MEMBERS.....	7
3.2. ACTIVITIES TO INFORM AGENTS .....	7
3.3. ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS .....	7
<b>4. INFORMATION MANAGEMENT.....</b>	<b>7</b>
<b>5. TRANSPARENCY &amp; COMMUNICATION .....</b>	<b>7</b>
<b>6. STAKEHOLDER ENGAGEMENT.....</b>	<b>8</b>
<b>7. CORPORATE SOCIAL RESPONSIBILITY .....</b>	<b>8</b>

## 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 2015 we took the work further by visiting cotton fields, joining the Chetna Coalition and took further steps in paying our share of living wages at our suppliers in India. We are proud to share the results of this work with all our stakeholders. “

- Joakim Levin (CEO)

2015 was a year of following up previous year's work and in addition auditing new core suppliers. 6 new audits were made during 2015. One made in Turkey and one made in India (Done by FWF team) and our own external auditors also did audits in Portugal, Italy and Lithuania.

To support our suppliers in implementing our code of conduct we continued to train suppliers during the year. In August 2015 our Indian supplier participated in training for employees and supervisors, which was much appreciated by the employees. In 2015 we worked on resolving complaint received through the FWF complaints mechanism at a supplier in India. We also closed complaints from previous year from a supplier in India.

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 2015 we followed up the work of implementing a new restricted chemicals policy at supplier level.

In end of 2015 we decided to pay our share of living wages at our shirt supplier in India, this is the second factory in our supply chain we implement this system of paying increased wages at.

## 1. SOURCING STRATEGY

### 1.1. 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 2015 we visited potential suppliers in Turkey, Tunisia, Italy and Portugal. We started new collaborations with supplier in Poland, Sweden and Turkey.

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.

1.2. 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.

CSR responsible Sandya Lang (From May 2015 onwards)/Henrik Lindholm (Jan – May 2015) is involved in all sourcing decisions regarding high risk countries. Sandya Lang/Henrik Lindholm is involved in the ongoing evaluation of all suppliers in both high and low risk countries.

1.3. 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 period	Order Placement	Production	Delivery to 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 period	Order Placement	Production	Delivery to Shops
20 weeks	6 weeks	1 week	12–20 weeks	1–4 weeks

In this setup no late changes are made on the final order, the style can't be changed after the salesman samples. The negative aspect, for production planning, is that we don't know the exact amount until after the orders have been placed by the retailers.

1.4. SUPPLIER RELATIONS

During 2015 we started cooperating with a new supplier in Poland and a few in Italy. First production with these units will take place during autumn 2015. These 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 at the initial visit at the factory. For some of the new units in Italy, audits has already been made, for the one in Poland an audit are scheduled to end of March 2016.

During 2015 we have terminated one supplier relationship. This was with an Italian supplier for trims we had long relationship with. The reason for discontinuing the cooperation after so long time had to do with price discussions among other things.

1.5. INTEGRATION MONITORING ACTIVITIES AND SOURCING DECISIONS

From the outcome of our previous monitoring activities in Italy, we selected carefully the new Italian suppliers. CSR performance and willingness to work towards improved conditions was a major points. During the regular evaluation of suppliers, CSR performance is one aspect. The CSR manager is responsible to bring up critical issues that will affect 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.

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,) as well as other companies (G-Star, T-shirtstore, 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 2016 and expand it to other factories where we see a need for this.

#### 1.6. LELIJA/LITHUANIA

In early 2015 we made an audit at our Lithuanian supplier Lelija. The factory was selected as we have had production there earlier and are planning to continue using this supplier. The audit report showed some non-compliances such as;

- Blocked evacuation paths
- Fire extinguisher's not placed on the wall
- The FWF code of labour practice not posted
- Excessive working time in one case.

In the communication or follow up, the factory have taken all corrective actions needed from the CAP

#### 1.7. FIORIMA/PORTUGAL

We started to work with this supplier in 2013, but we waited to audit this supplier until 2015 since the factory was in a low risk country, was very organized and had several certifications including SA8000. Finally we decided to make the audit. The results were entirely positive, no point of corrective action was found by the auditor.

The positive points were:

- All employees have permanent contracts
- The CBA is posted and employees are aware of the agreement
- The factory is SA8000, ISO 18001, ISO 14001 certified.
- The factory pays above the minimum salary level

#### 1.8. TECLOTENDENCIA/PORTUGAL

This supplier is subcontractor to one of our jacket supplier, we started the collaboration in 2014 and during 2015 we scheduled for an audit. The factory had several visits before the audit was scheduled. Some of the non-compliances we found was:

- No grievance mechanism was established in the factory
- No health and safety training was documented
- The collective Bargaining Agreement is not posted
- No first aid training has been conducted

The follow up after the audit has been through mail and visits, so far no major improvements have been made. We will evaluate the collaboration during the coming months.

#### 1.9. MERGU/TURKEY

We started collaboration with Mergu in 2015, and since located in a high risk country we wanted to schedule an audit quite soon. The audit was made before the main production was started.

Some non-compliances found were

- The employees does not get copy of the written contracts
- The salary level was above the minimum wage and slightly higher but not according to living wage benchmarks
- The facility does not calculate annual leaves in line with the legislation

The follow up has been through mail where the factory have showed improvements in many of the points from CAP.

#### 1.10. EVEREST/ITALY

Everest is a laundry we started to work with in 2015. The laundry also uses a subcontractor which is located in the next building, and was a reason for scheduling an audit at an early stage. The result of the audit was in general positive, some non-compliances found at the subcontractor was following:

- Ensure that there are no binding employment terms.
- Management shall ensure that overtime is compensated according to the CCNL at all times.
- Management shall ensure that chemical training is delivered to employees using chemicals.
- Management shall ensure that temporary contracts are renewed to a maximum of five times within 32 months

At the follow up visit in September 2015, most of the points was already corrected.

#### 1.11. MP LEATHERS/INDIA

The audit at MP leathers was a verification audit to follow up on the actions taken from previous audit in 2014. Some of the previous points were corrected but the audit team also found new issues:

- There are no democratically elected workers' representatives.
- Percentage of women in supervisory roles and other high-paid positions is low.
- Workers do not understand how wages are calculated
- The factory does not provide contracts or appointment letters to (all) workers.

In the communication regarding the follow up we could see that many of the points has already been corrected, the remaining points will be verified with the next visit at MP leathers.

#### 1.12. EXTERNAL PRODUCTION

N/A

## 2.COMPLAINTS HANDLING

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. This is how the employees can know about the FWF complaints system, they also get the information on WEP trainings we had at some of the suppliers.

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. In certain cases we can involve our local production team or a NGO we collaborate with. A direct visit will usually be accompanied by an external consultant or a FWF audit team.

In 2015 Nudie Jeans received one complaint; from a shirt supplier in India. The complaints was about the labour practice of:

- Payment of a living wage
- No excessive overtime
- Safe and healthy working conditions

As many of the grievances raised by workers are partly linked to a lack of social dialogue, FWF recommended that the factory participates in a WEP training. The factory was participation in the WEP training in December 2015 and February 2016. The complaint is now reported as resolved.

We document all the complaints we receive and try to draw conclusion on common issues between them, finding root causes, to be able to see similar problems and our own role. So far the complaints has been of various kinds and no immediate conclusions could be drawn.

## 3. TRAINING AND CAPACITY BUILDING

### 3.1. ACTIVITIES TO INFORM STAFF MEMBERS

We have presentations on CSR including the FWF membership twice a year for all our global sales staff. 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. In 2015 we tried a new concept of presenting; we had a CSR quiz and later on some CSR cases with real problems the participants could discuss around. It was much appreciated as it engaged the participants in another way than just listening to a presentation.

During 2015 employees at the head office have been continuously updated on progress, audit results and other relevant information in meetings as well through e-mail. There is a monthly CSR newsletter that goes out to all staff of Nudie Jeans Marketing, including the global sales offices as well as the shop staff in our own stores. 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.

### 3.2. ACTIVITIES TO INFORM AGENTS

During 2015 Nudie Jeans integrated the previous agent organisation 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.

### 3.3. 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 subcontractors such as laundries and pressing houses.

The FWF WEP trainings has been continuing at our Indian supplier, expanding to include supervisor/ management training, the sessions was hold at three units of the factory, two stitching units and one spinning unit.

We also had the first training sessions at our other Indian supplier, where the first training session were held in 2015 and the remaining two in early 2016.

Also at our Tunisian supplier we had FWF trainings, one session in 2015, additional ones will be held in 2016.

The feedback from the trainings as from the reports has been very positive, the employees are happy to get a chance to discuss matters like anti harassments, violence against women and general complaints procedure. Also electing members to the worker's committees has been a positive experience.

## 4. INFORMATION MANAGEMENT

As we have our own staff of five persons in Italy controlling the production we have high presence in the production and can easily identify all relevant production places. In Italy we have started to audit subcontractors used for specific prints ( jeans pocket prints) as well as fabric manufacturing. The Italian team also cover the denimproduction in Tunisia. We also have similar set up in Portugal and India where we have our production agents who keeps track of any new suppliers or subcontractors, and have daily presence at the production sites when our orders are running. We also audit the subcontractors in an early stage to discover if any unknown subcontractor is used.

The progress of the implementation of the Code of Labour practice is documented through the auditreport and mail conversations and stored at the HQ and on our common server.

## 5. TRANSPARENCY & COMMUNICATION

Since Nudie Jeans launched the Production guide in 2013, it has been a successful tool for the public and consumers to gain more in-depth info on our supply chain. In the production guide 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.

## 6. STAKEHOLDER ENGAGEMENT

We have used resources as the country studies for our different production countries, like Lithuania and Poland, 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 Svensk Handel- on participating in their report as good example of a sustainable business.

Fairtrade Sweden- about Fairtrade cotton and expanding the Fairtrade standard

Djurens Rätt – about animal welfare

Fair Action/ Fairtrade Center- about livingwages, leather industry and supply chain issues

Nudie Jeans has also been engaged in CSR Västsverige activities and seminars.

## 7. CORPORATE SOCIAL RESPONSIBILITY

During the 2015 our further CSR activities have included:

- Participating in different CSR activities in Sweden and UK such as presentations, panel discussions and exhibitions.
- Increasing our use of Fairtrade organic cotton.
- Join the Chetna Coalition for our Fairtrade organic cotton we use in India
- Received prizes for our sustainability work, including the sustainable style award from the Observer, UK.
- Creating the first sustainability report for Nudie Jeans.