Nudie Jeans co

SOCIAL REPORT 2013

www.nudiejeans.com
Start date membership: November 2009

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1. SUMMARY: GOALS & ACHIEVEMENTS 2013

"Even if we knew it internally before, 2013 was the year when we proved that good labour conditions gives a positive effect on the brand and ourprofit. " - Palle Stenberg (CEO)

During 2013 we implemented the payment of our share of living wages at our Indian supplier. For us it is important that all people involved in the production of our garments have a wage they can live on. The principle of living wage is one of the most difficult points on the FWF Code of Labour practice and we are happy that we have been able to move forward in this work.

The production guide, where we show all our suppliers, subcontractors, our leverage at each unit, audit summaries from all units and more was launched during July 2013. Before being able to launch the production guide, we have made audits at all our main suppliers and most of the subcontractors as well as started to make follow up at all suppliers. All aspects of the Code of Labour practice has been evaluated in the audits and the most visible improvements have been in the health and safety area.

During 2013 we made in total 20 audits, 3 with FWF team in India and Turkey and 6 in Portugal and 11 in Italy with an external consultant working according to FWF methodology.

In April 2013 we arranged a training session, 1.5 days in collaboration with FWF for brands sourcing in Italy. Nudie Jeans stood for the majority of the participants, as our two main suppliers and production agent as well as the laundry where the training took place were involved are where we have the majority of our washes. It was also participants from local stakeholders present and a risk assessment for Italy was presented and discussed. The tour in the laundry focused mostly on health and safety issues even if other aspects of the CoLP were included.

During the year we have been interviewed regarding different aspects of our sustainability work in different magazines such as Sportswear International, Forbes, Entreprenören, Denimhunters, Businessoffashion among others.

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 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 & Jenny Henriksson
Production Manager: Joel Stenberg
CSR Manager: 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:

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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 is a new vertical integrated leather jacket supplier in India. The factory was selected by previous (2.1) criteria's, one of the main points was their collaboration of sustainability work and transparency. During 2013, we made our initial visits and samples have been made. The new unit was informed before starting up production by FWF practices and code of labour practice and their cooperation in these questions is essential for a long term relationship. In 2014 an audit will be made and we will also have our first production batch.
During 2013 we have terminated one supplier relationship; it was due to several non-compliances found and lack of trust for the production to take place where we had decided it to. As transparency is our main goal for the future, we had to make an active stand. They had been giving several chances to correct and improve the failing parts, but after more than one year of discussions which didn't lead to concrete improvements we had to take a decision not to continue.

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. In Portugal we have tried to optimize the production and concentrated our orders to a few suppliers who meet our standards instead of having several suppliers making the same type of garment. This helps our monitoring work as well as we have less number of supplier to monitor and can focus more on making improvement needed.

During 2013 we have terminated one supplier relationship as mentioned above, when this occurs we take a decision after discussing with all departments involved, such as purchase, logistics, development, production and CSR. In this specific case it was a combination of many parts, mostly transparency and production related information not only due to noncompliance of the Code of Labour Practice.

3. COHERENT SYSTEM FOR MONITORING AND REMEDIATION

3.1. PORTUGAL FACTORY A

We made a first audit at this supplier during 2013, we have had collaboration a few seasons before and only made regular visits there to check on basic standards. Each visit has included a tour of the factory with discussions regarding health and safety issues mainly. The code of Labour practice has been posted on the wall and explained to the employees and the feedback from the management has been entirely positive. It was an active choice to wait with the audit at this supplier since the standard was quite good to start with, all production is made inhouse, the management was very cooperative and interested and we could have an open dialogue about non- compliances, while other suppliers and subcontractors in Portugal was more urgent to audit first. The audit was made with Italian consultant Melisa Cerizza who is well informed about the FWF auditing methods, during the audit our production agent was present and she is involved in the follow up process.

The most important findings were concentrated to health and safety, for example that the employees were not trained regularly on evacuation drills, firefighting or fist aid training. Other examples were that signs were missing and one emergency door was open inwards.

Regarding the wage level, all employees are receiving above minimum wage which currently 485Euro/month for textile sector in Portugal. Local stakeholders have estimated a living wage to be around 500-600 Euro.

3.2. TUNISIA FACTORY B

We made the first audit here during November 2012, and have since then an ongoing discussion regarding the improvements made from the CAP. We have been visited several times since the audit and follow up directly with the CSR responsible at the factory. We could see that many things improved quite quickly while others have been taking some time. The management is very cooperative and there is a will to work with the issues, they also made extra improvements that we requested after the audit. We decided to audit the unit directly after we saw the potential of production and we knew that we could build a long-term relationship with this supplier.

The audit was made by FWF team and our production agent participated during the audit days and has been involved with the follow up.

The most important findings from the audit was related to health and security, such as low maintenance in the department for special effects and training regarding the use of PPE has not been held. There were also points regarding the payment of wages, for example regarding the bonus system, and the calculation of living costs has not used the most updated data for foodprice rates. There is also a point regarding the grievance process and that is something that we have discussed a lot with the supplier.

Regarding the wage ladder, wages paid in the factory ranges from 294 to 484 dinars (for production workers) while the minimum wage level is 286 dinar and a living wage estimate is 450 dinar. We have worked to optimizing our production flow in the factory, and hence reduced cost of production.

3.3. TURKEY FACTORY C

The audit made in Turkey was a verification audit after receiving a complaint. The audit was made by FWF audit team. This was the second audit made at this unit since 2012. The factory did improve many points between the first audit and the complaint received.

During the complaints procedure we discovered difficulties with the cooperation which is shown in the latest audit report. . The major issues in CAP were related to the management system to improve working conditions as well as payment and reasonable hours of work. The management was not willing to make the improvements needed according to CAP until we could increase our order quantity which is still very limited at this supplier due to the style.

3.4. INDIA FACTORY D

During 2013 we made an audit at an Indian subcontractor to our Swedish main supplier. The audit was made by FWF audit team. The audit was made after we made salesmen samples but before bulk production. The findings of the audit showed non compliances in many aspects, such as health and safety and the management system of improving working conditions and communications. The follow up was made and initially we could see improvements for many of the points, however it turned out during the year that the factory did not make our production in this audited unit but at a subcontractor not confirmed by us, a process that repeated itself despite our discussions on the matter. This together with other issues with this supplier and their subcontractors lead us to terminate the relationship in early 2014.

3.5. EXTERNAL PRODUCTION

Not applicable

4. COMPLAINTS PROCEDURE

In all units where we have production, including subcontractors, we have posted the Code of Labour practice in the local language for the employees to read, the content has also been informed verbally by the factory manager.
When we receive a complaint, we immediately have an internal meeting to set a strategy- a complaint can be handled a little bit different depending on where in the production chain it takes place, at direct supplier or at a subcontractor. We have open communication with our supplier and FWF about the complaint. Normally we inform our main supplier directly that a complaint has taken place, and try to give all details without mentioning sensitive details regarding the plaintiffs. Depending on the kind of complaint, we give the supplier possibility to investigate and come back with a reply; a second step is that we make a verification visit to speak directly with the supplier. In case we make a verification visit, we use an external consultant or FWF team due to language barriers.

In 2013 we received 2 complaints; one from Turkey related to the principle of Legally binding employment relationship. The plaintiff claimed that his employment contract was terminated by the factory management without any valid reason. After the communication with the factory management, the factory proposed the plaintiff to be reinstated with a salary increase. The plaintiff accepted the proposal and started to work in the accused factory again.

The other complaint was coming from a Chinese subcontractor in Italy. The complaint relates to the labour standard 'Payment of a Living Wage', 'Reasonable hours of Work' and 'Safe and Healthy Working Conditions',
We informed their supplier and agent about the complaint. Limited information was given to protect the identity of the workers. We also stressed that the complaints mechanism is considered positive and that they are conducting random checks on conditions at Italian suppliers. FWF is supporting this work as part of our activities to review our low risk policy.

We requested copies of pay slips of workers, the employee list of the subcontractor and medical insurance documentation. FWFs liaison officer in China reviewed the documents for verification. We involved a Dutch fashion brand in the process that is planning to start production there. We also sent the independent auditor to visit the factory again. We tried to have a Chinese auditor present, but that was not feasible in the short term. Interviews will need to be conducted in Chinese as employees do not speak Italian. Before we decide to send a Chinese auditor, the FWF complaints handler must be able to get in contact with the plaintiffs again to verify the issues found during the audit and to confirm the plaintiffs are on the employee list provided by the subcontractor. FWFs local complaint handler will continue to get in touch with the plaintiffs again.

5. TRAINING AND CAPACITY BUILDING

5.1. ACTIVITIES TO INFORM STAFF MEMBERS

During 2013 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 2013 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. We also have had special CSR info´s session with staff in the shops to disucss further how we work.

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 2013 the CSR manager and the agents had discussions with regards to audits performance and CSR monitoring. In 2013 we had a 1,5 day training for agents and suppliers in Italy in collaboration with FWF. The training was held at one of the laundries we use and with our 2 main suppliers of jeans present as well as our production agent and representatives from different stakeholders.

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 sub suppliers as Laundries and Pressing houses. In 2013 we had a 1,5 day training for agents and suppliers in Italy in collaboration with FWF. The training was held at one of the laundries we use and with our 2 main suppliers of jeans present as well as representatives from different stakeholders. During the training a risk assessment for Italy was presented and discussed, the training also included a tour in the laundry to discuss potential risks and how to solve them. The feedback we have received from our suppliers from the training has been entirely positive and given more concrete tools for our production agent to work with the follow on production sites.

In India we have also introduced training opportunities to our Indian subcontractors for leather jackets, which both of them participated on in November 2013. The training was made by ETI Norway and had a focus on implementing Code of Conducts in factories in Delhi area.

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 were 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 the year we have been interviewed regarding different aspects of our sustainability work in different magazines sportswear international, Forbes, Entreprenören, Denimhunters, Businessoffashion among others.

During 2013 we also increased our efforts in paying our share of living wages at our Indian supplier. We have integrated the living wage amount into the purchase practice and have now a working process for the payment. A positive sign is that a few other couple of companies follows our approach and started to pay their share of living wages as well. In addition we have been in discussion with other textile brands, both those that are members of FWF and others regarding how to implement living wages in practice at supplier level. We hope that our work will be able to inspire even more brands to work more actively on this important point.

In 2013 we launched our Production guide, where we present how and where we produce our garments, it also contains details about each of our suppliers and our relation to them, leverage, share of the Nudie Jeans production etc. We are showing both positive and less positive sides of our production chain in the audit summary which is available for download at all suppliers we have made an audit on. There is an explanatory text about the role of FWF and how we are making audits following the FWF Code of Labour Practice. The purpose of the publication of the suppliers is a 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

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 Italy 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 Swedwatch, Fairtrade Center and our engagement in CSR Västsverige activities etc. topics discussed were mainly concentrated around living wages and transparency in the supply chain as well as dialogue with other companies about as purchasing practices and monitoring the supply chain.

In India we have had meetings and discussions with stakeholders such as Asian Floor wage office in Delhi, the NGO SAVE in Tiruppur. Topics has been generally about living wages, payment in practice of living wages, WEP progress at the our supplier which SAVE monitors.

8. CORPORATE SOCIAL RESPONSIBILITY

During the year we have continued our collaboration with Amnesty International and our Empowerment t-shirt challenge, the collaboration also took in new products such as children´s jeans – a project we worked on during fall 2013.
We extended our repair service to include a free repair kit which the customer can order online and the new shops we open (London for example) were all focused on repair, vintage furniture and sustainable material when renovating.
Besides the production guide mentioned under "Transparency chapter" we also built the foundation to move forward to full transparency of our production chain, in end of 2013 we discussed a new Life Cycle Assessment project that will be the first step in mapping our environmental impact on the product level.

During the year we received prizes for our sustainability work,
including Giraff award http://www.svnsweden.se/verksamhet/giraffpriset/vinnare-2013 and
Habit Honorary award, http://habitblogg.wordpress.com/2013/11/05/habits-hederspris/