

NUDIE JEANS

Sourcing Strategy

Nudie JEANS CO



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COMMITMENT

Nudie Jeans' goal is to work with suppliers that share our ambitions and values regarding product quality, human rights, labor practices and the environment. Nudie Jeans consolidates and evaluates the supplier base throughout the year during developments, visits, audits, and discussions. The primary preference is always to source from existing suppliers. Nudie Jeans strives to maintain long-term relationships with our primary suppliers, which are based in a limited number of countries. To achieve this goal, we might occasionally have to re-think the product, design, or details. We must also take responsibility for responsible quantities and lead times in the supply chain.

CONSOLIDATION

Nudie Jeans supplier base consists of around 40 Tier 1 suppliers. Nudie Jeans have had longer than 5-year relationships with 92% of them. The suppliers are internally evaluated once a year. The evaluation considers different aspects such as product quality, time-delivery, compliance, and risks.

We track the leverage at each supplier to assess our influence. At all suppliers, especially at those with low leverage, Nudie Jeans cooperates with other brands to increase the influence, efficiency and to decrease workload for the supplier when it comes to ensuring fair working conditions. Nudie Jeans values long-term relations over complex supply chain structure i.e. more sub suppliers as we make no difference between main suppliers and sub suppliers within tier 1, we apply the same requirements to all.

It is not a common practice to source at new suppliers, it is only done when a new product group is introduced, or a specialization is offered. The supplier onboarding follows the guidelines and requirements below.

GUIDELINES

The choice of accepted sourcing countries is based on an evaluation of following indices:

- Human Development Index¹
- Democracy Index²
- Global Peace Index³
- Corruption Perception Index⁴
- Environmental Index⁵

Nudie Jeans combines these indices and calculate a NJ sourcing score per country. Our lowest acceptable score per country, corresponding with 48% of the total NJ sourcing score for production and 47% of the total NJ score for raw materials, ginning, spinning, weaving and trims.

If the total NJ sourcing score falls below our criteria for two consecutive years, a thorough evaluation of existing suppliers in the country are made as well as an evaluation of how the country's development affects our possibility to uphold our high ambition of responsible production within the country. The evaluation of suppliers is based on the annual internal supplier evaluation result, focusing especially on the aspects within

¹ <https://hdr.undp.org/data-center/country-insights#/ranks>

² <https://www.eiu.com/n/campaigns/democracy-index-2022/>

³ <https://www.visionofhumanity.org/maps/#/>

⁴ <https://www.transparency.org/en/cpi/2022>

⁵ <https://epi.yale.edu/epi-results/2022/component/epi>

the areas where the benchmarks scores are the lowest. The length of the business relationship will be taken into consideration as well as the importance of the suppliers for the specific product category. The evaluation will result in a decision of withdrawal in line with Nudie Jeans Exit Policy, or a set-up of a monitoring plan until further developments in the scoring can be seen.

Our evaluation of materials is based on the Nudie Jeans Material Tool. This tool is based on the Made-By Environmental Benchmark for Fibers and the Higg Materials Sustainability Index (MSI).

1 TIER 1 (CMT+LAUNDRY)

When sourcing new suppliers for production, the first preference is to work within the existing supplier countries: Tunisia, Portugal, Italy, Türkiye, India, Poland, Lithuania, and Sweden.

When sourcing is not possible from the countries mentioned above, an exception might be made. This must be decided beforehand through a discussion in the product development department and the sustainability department. In this discussion, the country NJ sourcing score should be balanced against Nudie Jeans ability to check environmental and social standards in the production process, the cost of auditing, production control, and the cost of due diligence at an early stage. Internal risk assessments on country, supplier, and product level are taken into consideration during discussion. Specific risks are investigated early in the process.

1.1 Requirements for new tier 1 suppliers:

- A documented visit from a Nudie Jeans representative, using the audit assessment manual.
- The supplier must sign the Nudie Jeans documents including Code of Conduct, Chemical Policy, FWF Questionnaire before production starts, and post the Workers Information sheet in the factory.
- The supplier must sign the Nudie Jeans Transparency Policy and be open to auditing.
- Have no or limited number of subcontractors and provide information about them as early as possible.
- Have the possibility to support Nudie Jeans with energy data (electricity and fuel consumption) on a yearly basis for Nudie Jeans' emissions calculations.
- Have possibility to produce products with preferred materials and be able to show supporting documents.¹
- Be able to show documentation of decent working conditions.²
- Have documented high social, ethical, and environmental ambitions.³
- Demonstrate a democratic environment in the workplace, such as workers committees/ focus groups.
- Have the potential for a long-term partnership and growth with Nudie Jeans.

1 See the Nudie Jeans Material Tool.

2 Documentation demonstrating social and ethical ambitions can include certifications such as SA8000, GOTS, ISO and Fairtrade as well policies that are consistent with the Nudie Jeans Code of Conduct or global guidelines such as Global Compact and ISO 26000.

3 An audit protocol regarding working conditions is accepted as a first indication from a supplier.

2 TIER 2-4 (FABRIC PRODUCTION, YARN PRODUCTION, RAW MATERIALS & TRIMS)

Nudie Jeans aims to source materials and trims from as few countries as possible. The score we follow for material and trims is 47% of the total NJ sourcing score at the lowest and we endeavor to work with preferred materials, as defined by the Nudie Jeans Material Tool.

When sourcing new suppliers for materials/trims, the preference is to source from existing supplier countries: Germany, India, Italy, Lithuania, Japan, Poland, Portugal, Sweden, Tunisia, Turkey and US.

When sourcing is not possible from the countries mentioned above, an exception might be made. This must be decided beforehand in a discussion in the product development department together with the sustainability department. In this discussion, the country's NJ sourcing score should be balanced against Nudie Jeans' ability to check environmental and social standards in the production process, the cost of auditing and production control, and the cost of due diligence at an early stage.

2.1 Requirements for new suppliers in tier 2-4:

- A company profile must be submitted.
- Possibility to produce products with preferred materials and to be able to show supporting documents.⁶
- The supplier must sign the Nudie Jeans Transparency Policy.
- Signed Chemical Policy for products with chemical risks.
- Have the possibility to support Nudie Jeans with energy data (electricity and fuel consumption).

Further points to include in the sourcing decision:

- Be able to show documentation of decent working conditions.⁷
- Have the potential for a long-term partnership and growth with Nudie Jeans.
- Have documented high social, ethical, and environmental ambitions.⁸

⁶ See the Nudie Jeans Material Tool.

⁷ Documentation demonstrating social and ethical ambitions can include certifications such as SA8000, GOTS, ISO and Fairtrade as well policies that are consistent with the Nudie Jeans Code of Conduct or global guidelines such as Global Compact and ISO 26000.

⁸ An audit protocol regarding working conditions is accepted as a first indication from a supplier

3 SUPPLIERS FOR MERCHANDISE AND GIVEAWAYS

For suppliers of marketing merchandise, we approve supplier countries with 50% of the total NJ sourcing score at the lowest. The preference is to produce with existing suppliers. If this is not possible, the requirements below apply:

3.1 Requirements for marketing merchandise and giveaways:

- A company profile must be submitted.
- Possibility to produce or deliver products with sustainable materials and to be able to show supporting documents.⁹
- The supplier must sign the Nudie Jeans Transparency Policy.
- Signed Chemical Policy for products with chemical risks.

Further points to include in the sourcing decision

- Have documented high social, ethical, and environmental ambitions.¹⁰

⁹ See the Nudie Jeans Material Tool

¹⁰ An audit protocol regarding working conditions is accepted as a first indication from a supplier

4 IN-HOUSE PRODUCTS AND SERVICES

For products used in-house, production and certification should be consistent with the Responsible Business Conduct Policy at Nudie Jeans. For details see Internal Purchase Policy within the Scope of the Nudie Jeans Internal Environmental Management System (NJEMS).