



## BRAND PERFORMANCE CHECK

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ODLO International AG

PUBLICATION DATE: NOVEMBER 2015

this report covers the evaluation period 01-07-2014 to 30-06-2015

## ABOUT THE BRAND PERFORMANCE CHECK

Fair Wear Foundation believes that improving conditions for apparel factory workers requires change at many levels. Traditional efforts to improve conditions focus primarily on the factory. FWF, however, believes that the management decisions of clothing brands have an enormous influence for good or ill on factory conditions.

FWF's Brand Performance Check is a tool to evaluate and report on the activities of FWF's affiliate members. The Checks examine how affiliate management systems support FWF's Code of Labour Practices. They evaluate the parts of affiliate supply chains where clothing is assembled. This is the most labour intensive part of garment supply chains, and where brands can have the most influence over working conditions.

In most apparel supply chains, clothing brands do not own factories, and most factories work for many different brands. This means that in most cases FWF affiliates have influence, but not direct control, over working conditions. As a result, the Brand Performance Checks focus primarily on verifying the efforts of affiliates. Outcomes at the factory level are assessed via audits and complaint reports, however the complexity of the supply chains means that even the best efforts of FWF affiliates cannot guarantee results.

Even if outcomes at the factory level cannot be guaranteed, the importance of good management practices by affiliates cannot be understated. Even one concerned customer at a factory can have significant positive impacts on a range of issues like health and safety conditions or freedom of association. And if one customer at a factory can demonstrate that improvements are possible, other customers no longer have an excuse not to act. The development and sharing of these types of best practices has long been a core part of FWF's work.

The Brand Performance Check system is designed to accommodate the range of structures and strengths that different companies have, and reflects the different ways that brands can support better working conditions.

This report is based on interviews with affiliate employees who play important roles in the management of supply chains, and a variety of documentation sources, financial records, supplier data. The findings from the Brand Performance Check are summarized and published at [www.fairwear.org](http://www.fairwear.org). The online Brand Performance Check Guide provides more information about the indicators.

# BRAND PERFORMANCE CHECK OVERVIEW

ODLO International AG

Evaluation Period: 01-07-2014 to 30-06-2015

| AFFILIATE INFORMATION  |  |
|--|--|
| Headquarters:  | Hünenberg, Switzerland   |
| Member since:  | 18-09-2008   |
| Product types:   | Sportswear   |
| Production in countries where FWF is active:   | China, India, Romania, Viet Nam  |
| Production in other countries:   | Germany, Hungary, Indonesia, Israel, Italy, Jordan, Korea, Republic of, Portugal, Slovenia, Sri Lanka, Thailand, United States |
| BASIC REQUIREMENTS   |  |
| Workplan and projected production location data for upcoming year have been submitted? | Yes  |
| Actual production location data for evaluation period was submitted?                   | Yes  |
| Membership fee has been paid?  | Yes  |
| All suppliers have been notified of FWF membership?                                    | Yes  |
| SCORING OVERVIEW   |  |
| % of own production under monitoring   | 90%  |
| Benchmarking score   | 76   |
| Category   | Leader   |

## Summary:

ODLO meets most of FWFs management system requirements and goes beyond several. At 90%, ODLO's monitoring percentage meets the 90% monitoring threshold required for members beyond their third year of membership.

ODLO has long-lasting relationships with most suppliers and owns two production sites in Romania and Portugal. This, as well as a high leverage at most suppliers, allows effective work on implementing FWF's Code of Labour Practices.

During their last financial year, ODLO has made considerable efforts to set up a systematic due diligence process for selecting new suppliers as well as a risk assessment system.

Challenges remain in addressing structural issues such as dialogue between workers and management or excessive overtime, especially at suppliers where ODLO only has little leverage. ODLO can motivate more suppliers to participate in FWF's Workplace Education Programme to stimulate dialogue between workers and management.

## PERFORMANCE CATEGORY OVERVIEW

**Leader:** This category is for affiliates who are doing exceptionally well, and are operating at an advanced level. Leaders show best practices in complex areas such as living wages and freedom of association.

**Good:** It is FWF's belief that affiliates who are making a serious effort to implement the Code of Labour Practices—the vast majority of FWF affiliates—are 'doing good' and deserve to be recognized as such. They are also doing more than the average clothing company, and have allowed their internal processes to be examined and publicly reported on by an independent NGO. The majority of affiliates will receive a 'Good' rating.

**Needs Improvement:** Affiliates are most likely to find themselves in this category when major unexpected problems have arisen, or if they are unable or unwilling to seriously work towards CoLP implementation. Affiliates may be in this category for one year only after which they should either move up to Good, or will be moved to suspended.

**Suspended:** Affiliates who either fail to meet one of the Basic Requirements, have had major internal changes which means membership must be put on hold for a maximum of one year, or have been in Needs Improvement for more than one year. Affiliates may remain in this category for one year maximum, after which termination proceedings will come into force.

Categories are calculated based on a combination of benchmarking score and the percentage of own production under monitoring. The specific requirements for each category are outlined in the Brand Performance Check Guide.

## 1. PURCHASING PRACTICES

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION                               | SCORE | MAX | MIN |
|---|--------|---|---|-------|-----|-----|
| 1.1 Percentage of production volume from suppliers where affiliate buys at least 10% of production capacity | 79%    | Affiliates with less than 10% of a factories' production capacity generally have limited influence on factory managers to make changes. | Supplier information provided by affiliate. | 4     | 4   | 0   |

Comment: ODLO produces 39 % of its production at its own production sites in Romania and Portugal, which produce exclusively for them. At most of its external suppliers, ODLO buys at least 10% of production capacity. High leverage at its suppliers allow ODLO to work effectively on the implementation of FWF's Code of Labour Practices (CoLP). At the same time, the company has some supplier, suppliers, where it accounts for a smaller percentage of production capacity, due to specific requirements for expertise and machinery.

|  |     |  |   |   |   |   |
|--|-----|--|---|---|---|---|
| 1.2 Percentage of production volume from suppliers where a business relationship has existed for at least five years | 84% | Stable business relationships support most aspects of the Code of Labour Practices, and give factories a reason to invest in improving working conditions. | Supplier information provided by affiliate. | 4 | 4 | 0 |
|--|-----|--|---|---|---|---|

Comment: Long-term supplier relationships are an important part of ODLO's sourcing strategy. The company aims to work with one strategic supplier and one back-up supplier for every product category. ODLO rarely looks for new suppliers. Two new suppliers have been added in the last financial year, after severe quality issues did not allow continuation with another supplier of products concerned. ODLO will phase out production with another supplier and has informed the factory several seasons ahead. Production from this supplier will be moved to an existing supplier of ODLO.

|  |     |   |                           |   |   |   |
|--|-----|---|---------------------------|---|---|---|
| 1.3 All new suppliers are required to sign and return the Code of Labour Practices before first orders are placed. | Yes | The CoLP is the foundation of all work between factories and brands, and the first step in developing a commitment to improvements. | Signed CoLPs are on file. | 2 | 2 | 0 |
|--|-----|---|---------------------------|---|---|---|

Comment: ODLO added two new suppliers in its last financial year and could show signed FWF questionnaires including the CoLP for both suppliers. One of those suppliers was already producing for another FWF member. ODLO's FWF membership is always discussed with potential suppliers during initial meetings. Endorsement of the CoLP is required, before orders can be placed.

|   |     |   |   |   |   |   |
|---|-----|---|---|---|---|---|
| 1.4 Company conducts human rights due diligence at all new suppliers before placing orders. | Yes | Due diligence helps to identify, prevent and mitigate potential human rights problems at new suppliers. | Documentation may include pre-audits, existing audits, other types of risk assessments. | 4 | 4 | 0 |
|---|-----|---|---|---|---|---|

Comment: ODLO has a strong due diligence process in place. When planning to select a new supplier in a new production country, a factsheet is produced assessing possible risks using FWF country studies as well as information by ILO and NGOs.

ODLO staff visits every potential new production site, uses the FWF Health&Safety Checklist, collects existing audit reports and discusses FWF requirements already during the first visit.

One of the new suppliers added in ODLO's last financial year also produces for another FWF member. While this was not the initial reason to consider this supplier, it had a considerable impact on ODLO's decision to start production there. The other FWF member was consulted beforehand.

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| 1.5 Supplier compliance with Code of Labour Practices is evaluated in a systematic manner. | Yes | A systemic approach is required to integrate social compliance into normal business processes, and supports good decisionmaking. | Documentation of systemic approach: rating systems, checklists, databases, etc. | 1 | 2 | 0 |
|--|-----|--|---|---|---|---|

Recommendation: FWF encourages ODLO to integrate compliance with labour standards as a separate category of its existing supplier rating system. Part of the system can be to create an incentive for rewarding suppliers for realised improvements in working conditions.

**Comment:** ODLO has started to systematically assess the social performance of its suppliers, especially the follow-up on Corrective Action Plans (CAP). However, the general supplier rating system of ODLO, assessing quality, lead times etc., does not yet include social performance as a separate category.

ODLO feels that all suppliers are generally willing to make improvements on social compliance. Due to the small supplier base it is difficult for ODLO to reward well-performing suppliers with larger orders.

|   |                                      |   |   |   |   |   |
|---|--------------------------------------|---|---|---|---|---|
| 1.6 The affiliate's production planning systems support reasonable working hours. | Strong, integrated systems in place. | Affiliate production planning systems can have a significant impact on the levels of excessive overtime at factories. | Documentation of robust planning systems. | 4 | 4 | 0 |
|---|--------------------------------------|---|---|---|---|---|

**Recommendation:** FWF recommends ODLO to ensure that planned changes in its production planning system do not add pressure on its suppliers to operate with excessive overtime.

**Comment:** ODLO has strong systems in place to plan production in a way that supports reasonable working hours.

An online database allows both suppliers and ODLO to access a shared transparent production planning system. Suppliers receive forecasts almost one year in advance and are given long lead times of up to 145 days. If possible, orders are split to allow spreading production more evenly throughout the year. At its own production sites, ODLO places never-out-of-stock items during low season.

For most suppliers, ODLO has a good understanding of the general production capacity.

In the future, ODLO plans to have seasonal supplier summits to further optimize production planning.

Furthermore, ODLO plans to shorten lead times in the future in order to reduce time-to-market. At the same time, orders will more often be divided over several months to allow suppliers steady production.

|  |                      |  |   |   |   |   |
|--|----------------------|--|---|---|---|---|
| 1.7 Degree to which affiliate mitigates root causes of excessive overtime. | Intermediate efforts | Some production delays are outside of the control of affiliates; however there are a number of steps that can be taken to address production delays without resorting to excessive overtime. | Documentation of root cause analysis and positive steps taken to manage production delays or improve factory processes. | 3 | 6 | 0 |
|--|----------------------|--|---|---|---|---|

**Recommendation:** ODLO could discuss with factory management on the causes of excessive overtime and provide support to manage overtime. If necessary, ODLO could hire local experts to analyse root cause of excessive overtime in cooperation with the supplier. FWF could recommend qualified persons upon request. At suppliers with high risk of excessive overtime, where ODLO only has small leverage, FWF recommends to involve other clients of the supplier.

**Comment:** Both audits done by FWF in ODLO's last financial year at suppliers in China and Vietnam, as well as a complaint of workers at a Chinese supplier shared with another FWF member, showed excessive overtime was performed.

In the case of the complaint as well as the audited supplier in China, another FWF member took the lead in addressing the issue and finding solutions. As ODLO has less than 1 % leverage at the suppliers and sources only very little quantities, they are of the view that it is unlikely that their production caused the overtime. In the case of the audited supplier in Vietnam, ODLO started production after the audit. Due to several issues, they do not intend to continue sourcing there.

ODLO analysed that excessive overtime is not a major issue at its own production site in Romania. A FWF audit in 2013 verified this.

In general, if suppliers announce possible problems with meeting the agreed shipping deadline, ODLO tries to split orders. Airfreight is accepted and paid by the party that caused the delay.

ODLO analysed that last year some delays were caused by late approvals by ODLO (airfreight was then paid by ODLO), but most delays were due to late material deliveries. Roundtable meetings with fabric suppliers are done to agree on solutions.

|  |                    |  |  |   |   |   |
|--|--------------------|--|--|---|---|---|
| 1.8 Affiliate's pricing policy allows for payment of at least the legal minimum wages in production countries. | Style-level policy | The first step towards ensuring the payment of minimum wages - and towards implementation of living wages - is to know the labour costs of garments. | Formal systems to calculate labour costs on per-product or country/city level. | 4 | 4 | 0 |
|--|--------------------|--|--|---|---|---|

Comment: ODLO uses detailed costing sheets for all suppliers. For its own production sites, ODLO knows the exact wage share per style. However, it remains a challenge for ODLO to get a good insight into labour cost per working minute of production sites, which are not owned by the company.

To calculate close estimates, ODLO uses data from its own production to develop minutes per style benchmarks for production sites not owned by ODLO and systematically cross-checks their wage estimates with wage data collected during FWF audits.

|   |                                   |  |   |   |   |    |
|---|-----------------------------------|--|---|---|---|----|
| 1.9 Affiliate actively responds if suppliers fail to pay legal minimum wages. | No minimum wage problems reported | If a supplier fails to pay minimum wage, FWF affiliates are expected to hold management of the supplier accountable for respecting local labour law. | Complaint reports, CAPs, additional emails, FWF audit reports or other documents that show minimum wage issue is reported/resolved. | 2 | 2 | -2 |
|---|-----------------------------------|--|---|---|---|----|

Comment: None of the audits conducted by FWF in ODLO's last financial year found that workers were paid below legal minimum wage.

|   |    |  |  |   |   |    |
|---|----|--|--|---|---|----|
| 1.10 Evidence of late payments to suppliers by affiliate. | No | Late payments to suppliers can have a negative impact on factories and their ability to pay workers on time. Most garment workers have minimal savings, and even a brief delay in payments can cause serious problems. | Based on a complaint or audit report; review of factory and affiliate financial documents. | 0 | 0 | -1 |
|---|----|--|--|---|---|----|

Comment: None of the audits conducted by FWF in ODLO's last financial year showed evidence of late payments to suppliers.

|   |                        |   |  |   |   |   |
|---|------------------------|---|--|---|---|---|
| 1.11 Degree to which affiliate assesses root causes of wages lower than living wages with suppliers and takes steps towards the implementation of living wages. | Factory-level approach | Sustained progress towards living wages requires adjustments to affiliates' policies. | Documentation of policy assessments and/or concrete progress towards living wages. | 4 | 8 | 0 |
|---|------------------------|---|--|---|---|---|

**Recommendation:** FWF encourages ODLO to discuss with suppliers about possibilities to work towards higher benchmarks.

In case FWF members are interested to develop a joint approach to improve wages at a shared supplier, FWF is in the position to give advice on measures that need to be taken by the members to ensure compliance with anti-trust/anti-competition legislation in relevant jurisdictions.

**Comment:** For its own production site in Romania, ODLO has made some progress during its last financial year to address the challenge of paying a living wage. The company has gathered information about the socio-economic situation in the region and the demographic situation at the factory. Based on this and the latest FWF wage ladder, ODLO is currently in the process of agreeing on a suitable living wage benchmark and defining a roadmap towards implementation.

With production sites that are not owned by ODLO, the company discusses the topic regularly during supplier visits and is able to estimate the amount needed to raise wage levels to living wage benchmarks. ODLO has not yet started to systematically agree with suppliers to work towards higher wage benchmarks. One supplier could show to ODLO that they have been significantly raising wage levels.

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|--|-----|---|---|---|---|---|
| 1.12 Affiliate sources from an FWF factory member. | Yes | When possible, FWF encourages affiliates to source from FWF factory members. On account of the small number of factories this is a 'bonus' indicator. Extra points are possible, but the indicator will not negatively affect an affiliate's score. | Supplier information provided by affiliate. | 1 | 1 | 0 |
|--|-----|---|---|---|---|---|

**Comment:** In its last financial year, ODLO bought 23 % of its production at a FWF factory member.

|   |     |   |   |   |   |   |
|---|-----|---|---|---|---|---|
| 1.13 Percentage of production volume from factories owned by the affiliate. | 39% | Owning a supplier increases the accountability and reduces the risk of unexpected CoLP violations. Given these advantages, this is a bonus indicator. Extra points are possible, but the indicator will not negatively affect an affiliate's score. | Supplier information provided by affiliate. | 1 | 2 | 0 |
|---|-----|---|---|---|---|---|

Comment: ODLO owns one production site in Portugal and one in Romania. Both production sites produce exclusively for ODLO.

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## PURCHASING PRACTICES

Possible Points: 43

Earned Points: 34

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## 2. MONITORING AND REMEDIATION

| BASIC MEASUREMENTS  | RESULT | COMMENTS   |
|---|--------|--|
| % of own production under standard monitoring (excluding low-risk countries)                          | 77%    |  |
| % of own production in low risk production countries where FWF's Low Risk policy has been implemented | 13%    | FWF low risk policy should be implemented. 0 = policy is not implemented correctly. N/A = no production in low risk countries. |
| Total of own production under monitoring  | 90%    | Minimums: 1 year: 40%; 2 years 60%; 3 years+: 90% Measured as a percentage of turnover.  |

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--------|--|--|-------|-----|-----|
| 2.1 Specific staff person is designated to follow up on problems identified by monitoring system | Yes    | Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis. | Manuals, emails, etc., demonstrating who the designated staff person is. | 2     | 2   | -2  |

Comment: ODLO has defined clear responsibilities to follow up on monitoring and remediation. Staff from product development and sourcing departments have both reserved time to monitor working conditions at ODLO suppliers.

|   |              |   |   |   |   |    |
|---|--------------|---|---|---|---|----|
| 2.2 Degree of progress towards resolution of existing Corrective Action Plans | Intermediate | FWF considers efforts to resolve CAPs to be one of the most important things that affiliates can do towards improving working conditions. | Documentation of remediation and followup actions taken by affiliate. | 4 | 8 | -2 |
|---|--------------|---|---|---|---|----|

**Recommendation:** FWF recommends ODLO to actively support its suppliers with remediation, especially concerning structural issues like dialogue between workers and management and excessive overtime.

To facilitate this process, ODLO could consider:

- Hire a local consultant to assist factory in developing an action plan and to assist factory management in investigating root causes.
- Organise supplier seminars.
- Provide factory training and motivate suppliers to participate in FWF's Workplace Education Programme.
- Share knowledge/material.

**Comment:** ODLO has a system in place to systematically follow up on audit findings. All findings are registered in an overview document. Staff from product development and local quality control staff in China support remediation when visiting suppliers. One person of the local team has joined a FWF audit and received training on CSR issues. At its own production sites, designated ODLO staff is responsible for monitoring and remediation, including subcontractors.

Structural issues are discussed during visits by management and the Head of Sourcing.

For both FWF audits conducted during ODLO's last financial year, other FWF members also sourcing at the production locations took the lead in remediation and raised issues concerned with the supplier also on behalf of ODLO. Efforts have been made to address production planning issues resulting in excessive overtime.

|   |     |   |   |   |   |   |
|---|-----|---|---|---|---|---|
| 2.3 Percentage of production volume from suppliers that have been visited by the affiliate in the past financial year | 93% | Formal audits should be augmented by annual visits by affiliate staff or local representatives. They reinforce to factory managers that affiliates are serious about implementing the Code of Labour Practices. | Affiliates should document all factory visits with at least the date and name of the visitor. | 4 | 4 | 0 |
|---|-----|---|---|---|---|---|

**Comment:** ODLO staff visited almost all production sites during ODLO's last financial year.

|  |  |   |  |   |   |   |
|--|--|---|--|---|---|---|
| 2.4 Existing audit reports from other sources are collected. | Yes, quality assessed and corrective actions implemented | Existing reports form a basis for understanding the issues and strengths of a supplier, and reduces duplicative work. | Audit reports are on file; evidence of followup on prior CAPs. Reports of quality assessments. | 3 | 3 | 0 |
|--|--|---|--|---|---|---|

Comment: ODLO collected existing audit reports from its production locations in Israel and Sri Lanka, where FWF is not conducting audits. ODLO assessed the quality of those audits with FWF's audit quality assessment tool and ensured follow up on audit findings. Those audits are therefore counted towards FWF's monitoring threshold (16% of total FOB).

|  |     |   |  |   |   |    |
|--|-----|---|--|---|---|----|
| 2.5 Audit Report and Corrective Action Plan (CAP) findings are shared with factory. Improvement timelines are established in a timely manner | Yes | 2 part indicator: FWF audit reports were shared and discussed with suppliers within two months of audit receipt AND a reasonable time frame was specified for resolving findings. | Corrective Action Plans, emails; findings of followup audits; brand representative present during audit exit meeting, etc. | 2 | 2 | -1 |
|--|-----|---|--|---|---|----|

|  |                       |   |  |   |   |   |
|--|-----------------------|---|--|---|---|---|
| 2.6 High risk issues specific to the affiliate's supply chain are identified and addressed by the monitoring system. | Intermediate Capacity | Different countries and products have different risks associated with them; monitoring systems should be adapted to allow appropriate human rights due diligence for the specific risks in each affiliates' supply chain. | Documentation may take many forms; additional research, specific FWF project participation; extra monitoring activities, extra mitigation activities, etc. | 3 | 6 | 0 |
|--|-----------------------|---|--|---|---|---|

Recommendation: FWF recommends ODLO to systematically address structural risks like excessive overtime, low wage levels and lack of dialogue between workers and managements as well as other risks that have been addressed by the risk management system.

**Comment:** During its last financial year, ODLO put considerable efforts into implementing a risk assessment system. The company has developed detailed country factsheets assessing risks and opportunities based on extensive research taking into account information by FWF, ILO and other international and local stakeholders. ODLO does not strategically address the risk of freedom of association at its Vietnamese and Chinese suppliers. At the same time, ODLO buys less than three percent of its FOB at those suppliers (except for one FWF factory in China).

|  |                            |   |   |     |   |    |
|--|----------------------------|---|---|-----|---|----|
| 2.6a High risk issues specific to Bangladesh are identified and addressed by the monitoring system and remediation activities. | Not sourcing in Bangladesh | Affiliates sourcing in Bangladesh should take additional action to address both building and fire safety and the prevention of violence against women.  | Building, electrical and fire safety inspection reports, evidence of cooperation with other customers sourcing at the same factories (Accord signatories and/or FWF affiliates), etc. | N/A | 3 | 0  |
| 2.6b High risk issues specific to Myanmar are identified and addressed by the monitoring system and remediation activities.    | Not sourcing in Myanmar    | Myanmar is still in the process of establishing the legal and civil society infrastructure needed to ensure compliance with labour rights. Extra care must be taken when doing business in Myanmar.                                     | Shared CAPs, Wage Ladders per factory.  | N/A | 3 | 0  |
| 2.7 Affiliate cooperates with other customers in resolving corrective actions at shared suppliers                              | Active cooperation         | Cooperation between customers increases leverage and chances of successful outcomes. Cooperation also reduces the chances of a factory having to conduct multiple Corrective Action Plans about the same issue with multiple customers. | Shared CAPs, evidence of cooperation with other customers.  | 2   | 2 | -1 |

**Recommendation:** FWF recommends ODLO to occasionally take the lead in remediation at shared suppliers.

Comment: For both FWF audits conducted during ODLO's last financial year, other FWF members also sourcing at the production locations took the lead in CAP follow up. Information was shared with ODLO and remediation was discussed with the supplier on behalf of ODLO.

|  |     |   |   |   |   |   |
|--|-----|---|---|---|---|---|
| 2.8 Monitoring requirements are fulfilled for production in low-risk countries | Yes | Low risk countries are determined by the presence and proper functioning of institutions which can guarantee compliance with basic standards. | Documentation of visits, notification of suppliers of FWF membership; posting of worker information sheets, completed questionnaires. | 2 | 2 | 0 |
|--|-----|---|---|---|---|---|

Comment: ODLO could show signed CoLPs and pictures of the CoLP on display for all production locations in low risk countries. Except for some production sites in Italy and Portugal, where ODLO sources less than 1 % of its FOB, all production sites were visited or are owned by ODLO.

|  |                           |  |                             |     |   |   |
|--|---------------------------|--|-----------------------------|-----|---|---|
| 2.9 External brands resold by the affiliate who have completed and returned the external brand questionnaire. (% of external sales volume) | No external brands resold | FWF believes it is important for affiliates that have a retail/wholesale arm to at least know if the brands they resell are members of FWF or a similar organisation, and in which countries those brands produce goods. | Questionnaires are on file. | N/A | 3 | 0 |
|--|---------------------------|--|-----------------------------|-----|---|---|

|   |                           |   |   |     |   |   |
|---|---------------------------|---|---|-----|---|---|
| 2.10 External brands resold by affiliates that are members of another credible initiative. (% of external sales volume) | No external brands resold | FWF believes affiliates who resell products should be rewarded for choosing to stock external brands who also take their supply chain responsibilities seriously. | External production data in FWF's information management system. Documentation of sales volumes of products made by FWF or FLA members. | N/A | 3 | 0 |
|---|---------------------------|---|---|-----|---|---|

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## MONITORING AND REMEDIATION

Possible Points: 29

Earned Points: 22

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### Additional comments on Monitoring and Remediation:

During the verification of FOB data, ODLO was not able to show the order amount (FOB) distributed to different production sites of one supplier. This concerned however only suppliers that received below two percent of ODLO's annual FOB.to

### 3. COMPLAINTS HANDLING

| BASIC MEASUREMENTS                                       | RESULT | COMMENTS   |
|--|--------|--|
| Number of worker complaints received since last check    | 1      | At this point, FWF considers a high number of complaints as a positive indicator, as it shows that workers are aware of and making use of the complaints system. |
| Number of worker complaints in process of being resolved | 0      |  |
| Number of worker complaints resolved since last check    | 1      |  |

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--------|--|--|-------|-----|-----|
| 3.1 A specific employee has been designated to address worker complaints | Yes    | Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis. | Manuals, emails, etc., demonstrating who the designated staff person is. | 1     | 1   | -1  |

Comment: ODLO has designated staff resources and defined clear responsibilities to handle complaints.

|   |     |   |  |   |   |   |
|---|-----|---|--|---|---|---|
| 3.2 System exists to check that the Worker Information Sheet is posted in factories | Yes | The Worker Information Sheet is a key first step in alerting workers to their rights. | Photos by company staff, audit reports, checklists from factory visits, etc. | 2 | 2 | 0 |
|---|-----|---|--|---|---|---|

Recommendation: FWF recommends ODLO to ensure that the Worker Information Sheet is displayed in a location that is frequented regularly by workers.

Comment: ODLO asks its travelling staff to check whether the Worker Information Sheet has been posted and collects pictures for proof. Both FWF audits showed that the WIS was either not posted or posted in a location not frequented by workers. ODLO could show pictures of the posted CoLPs that prove that the CoLPs have been posted following the relevant audit finding.

|  |     |  |  |   |   |    |
|--|-----|--|--|---|---|----|
| 3.3 Percentage of FWF-audited factories where at least half of workers are aware of the FWF worker helpline. | 33% | The FWF complaints procedure is a crucial element of verification. If factory-based complaint systems do not exist or do not work, the FWF worker helpline allows workers to ask questions about their rights and file complaints. Factory participation in the Workplace Education Programme also count towards this indicator. | Percentage of audited factories where at least 50% of interviewed workers indicate awareness of the FWF complaints mechanism + percentage of factories in WEP programme. | 2 | 4 | -2 |
|--|-----|--|--|---|---|----|

**Recommendation:** ODLO can stimulate its suppliers to participate in WEP trainings, to raise awareness about the existence and the functioning of FWF's worker hotline. In addition to sending the Worker Information Sheet, ODLO can use the worker information cards available for download on FWF's website.

**Comment:** Both FWF audits conducted in ODLO's last financial year indicated that less than half of all interviewed workers were aware of the FWF helpline. One production site participated in FWF's Workplace Education Programme.

|  |     |   |   |   |   |    |
|--|-----|---|---|---|---|----|
| 3.4 All complaints received from factory workers are addressed in accordance with the FWF Complaints Procedure | Yes | Providing access to remedy when problems arise is a key element of responsible supply chain management. Affiliate involvement is often essential to resolving issues. | Documentation that affiliate has completed all required steps in the complaints handling process. | 3 | 6 | -2 |
|--|-----|---|---|---|---|----|

**Recommendation:** FWF recommends ODLO to check whether excessive overtime is still occurring at the production site. If so, other, non-FWF clients should be contacted in order to increase leverage.

**Comment:** In March 2015, ODLO received a complaint via FWF's helpline filed by workers of a factory supplying ODLO and five other FWF members. The complaint concerned excessive, unpaid overtime. ODLO, together with the other FWF member companies, followed up swiftly. ODLO also discussed the issue with the supplier when they visited ODLO. The production site has submitted an action plan to improve production planning. Given the low order volumes of ODLO and the other FWF members at the production site, it might be necessary to also involve other, non FWF, clients to allow working hours to remain within the legal limits. The group of FWF members involved in the complaint decided to contact other clients at a later stage to give the factory a chance to remedy the situation first.

|  |                    |  |  |   |   |    |
|--|--------------------|--|--|---|---|----|
| 3.5 Cooperation with other customers in addressing worker complaints at shared suppliers | Active cooperation | Because most factories supply several customers with products, involvement of other customers by the FWF affiliate can be critical in resolving a complaint at a supplier. | Documentation of joint efforts, e.g. emails, sharing of complaint data, etc. | 2 | 2 | -2 |
|--|--------------------|--|--|---|---|----|

**Comment:** ODLO actively cooperated with five other FWF members sourcing at the same factory.

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## COMPLAINTS HANDLING

Possible Points: 15

Earned Points: 10

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## 4. TRAINING AND CAPACITY BUILDING

| PERFORMANCE INDICATORS                                     | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION                                      | SCORE | MAX | MIN |
|--|--------|--|--|-------|-----|-----|
| 4.1 All staff is made aware of FWF membership requirements | Yes    | Preventing and remediating problems often requires the involvement of many different departments; making all staff aware of FWF membership requirements helps to support cross-departmental collaboration when needed. | Emails, trainings, presentation, newsletters, etc. | 1     | 1   | -1  |

Comment: Information about FWF membership is shared regularly on ODLO's intranet and during sales conferences. At a staff meeting in ODLO's last financial year, FWF was invited to give a presentation.

|  |     |  |   |   |   |   |
|--|-----|--|---|---|---|---|
| 4.2 Ongoing training in support of FWF requirements is provided to staff in direct contact with suppliers. | Yes | Sourcing, purchasing and CSR staff at a minimum should possess the knowledge necessary to implement FWF requirements and advocate for change within their organisations. | FWF Seminars or equivalent trainings provided; presentations, curricula, etc. | 2 | 2 | 0 |
|--|-----|--|---|---|---|---|

Recommendation: FWF recommends that ODLO staff participates in the FWF member seminar.

Comment: ODLO staff has attended FWF's annual conference in April 2015. The development team received training by the person responsible for FWF membership at ODLO.

|  |                             |   |   |   |   |    |
|--|-----------------------------|---|---|---|---|----|
| 4.3 All sourcing contractors/agents are informed about FWF's Code of Labour Practices. | Yes + actively support CoLP | Agents have the potential to either support or disrupt CoLP implementation. It is the responsibility of affiliate to ensure agents actively support the implementation of the CoLP. | Correspondence with agents, trainings for agents, FWF audit findings. | 2 | 2 | -2 |
|--|-----------------------------|---|---|---|---|----|

Comment: ODLO uses one agent in China with whom ODLO works already since 1998. A second agent is located in the United States, production takes place in China. Although ODLO sources via the agent, the company is still in direct contact with the production site when needed. The agents are informed well, the agent in China participated in an audit and follows up on CAPs together with staff from ODLO.

|   |     |  |  |   |   |   |
|---|-----|--|--|---|---|---|
| 4.4 Factory participation in Workplace Education Programme (where WEP is offered; by production volume) | 34% | Lack of knowledge and skills on best practices related to labour standards is a common issue in factories. Good quality training of workers and managers is a key step towards sustainable improvements. | Documentation of relevant trainings; participation in Workplace Education Programme. | 4 | 6 | 0 |
|---|-----|--|--|---|---|---|

Comment: In ODLO's last financial year, one Chinese supplier participated in a WEP. Two production sites in Romania had participated the year before.

|   |    |  |   |   |   |   |
|---|----|--|---|---|---|---|
| 4.5 Factory participation in trainings (where WEP is not offered; by production volume) | 0% | In areas where the Workplace Education Programme is not yet offered, affiliates may arrange trainings on their own or work with other training-partners. Trainings must meet FWF quality standards to receive credit for this indicator. | Curricula, other documentation of training content, participation and outcomes. | 0 | 4 | 0 |
|---|----|--|---|---|---|---|

Recommendation: All factory workers should be informed about the labour standards and the process of monitoring and remediation. In order to further communication between employers and workers in the workplace FWF recommends ODLO to ensure suppliers participate in trainings. Trainings must meet FWF quality standards to receive credit for this indicator: top management, supervisors and workers should be included in the trainings separately. Workplace standards and dispute handling should be included in the training. At least 10-20% of the workforce must be trained, depending on the size of the factory. Worker participations should be balanced and representative.

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## TRAINING AND CAPACITY BUILDING

Possible Points: 15

Earned Points: 9

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## 5. INFORMATION MANAGEMENT

| PERFORMANCE INDICATORS                                   | RESULT   | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|----------|---|--|-------|-----|-----|
| 5.1 Level of effort to identify all production locations | Advanced | Any improvements to supply chains require affiliates to first know all of their production locations. | Supplier information provided by affiliate. Financial records of previous financial year. Documented efforts by affiliate to update supplier information from its monitoring activities. | 6     | 6   | -2  |

Comment: ODLO has a strong system in place to identify all production locations. For their own production sites, they are aware which subcontractors are being used. Those are also visited by ODLO staff. With production sites that are not owned by ODLO, ODLO has made agreements whether, and if so, which subcontractors can be used. Local ODLO staff visits production sites regularly and also checks for subcontracting.

|  |     |  |   |   |   |    |
|--|-----|--|---|---|---|----|
| 5.2 A system exists to allow purchasing, CSR and other relevant staff to share information with each other about working conditions at suppliers | Yes | CSR, purchasing and other staff who interact with suppliers need to be able to share information in order to establish a coherent and effective strategy for improvements. | Internal information system; status CAPs; reports of meetings of purchasing/CSR; systematic way of storing information. | 1 | 1 | -1 |
|--|-----|--|---|---|---|----|

Comment: Staff from both sourcing and product development is involved in CSR activities. Information is shared in regular meetings, especially before and after supplier visits. Not only ODLO staff, but also suppliers are able to access a joint database with relevant information.

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## INFORMATION MANAGEMENT

Possible Points: 7

Earned Points: 7

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## 6. TRANSPARENCY

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION   | SCORE | MAX | MIN |
|---|--------|---|---|-------|-----|-----|
| 6.1 Communication about FWF membership adheres to the FWF communications policy | Yes    | FWF membership should be communicated in a clear and accurate manner. FWF guidelines are designed to prevent misleading claims. | Logo is placed on website; other communications in line with policy. Affiliates may lose points if there is evidence that they did not comply with the communications policy. | 1     | 1   | -2  |

Comment: ODLO informs the public about its FWF membership through its website, brochures and catalogs. All communication materials and channels contain information about the FWF membership in correct wording. ODLO uses on-garment communication on hang-tags and boxes. As of 2014 on-garment communication is only available to brands that have reached Leader status in the previous Brand Performance Check. This was not the case for ODLO, however they were allowed to use on-garment communication during a one year grace period as they had reached leader category in 2013.

|  |    |   |   |   |   |   |
|--|----|---|---|---|---|---|
| 6.2 Affiliate engages in advanced reporting activities | No | Good reporting by members helps to ensure the transparency of FWF's work and shares best practices with the industry. | Affiliate publishes one or more of the following on their website: Brand Performance Check, Audit Reports, Supplier List. | 0 | 1 | 0 |
|--|----|---|---|---|---|---|

Recommendation: FWF recommends ODLO to publish one or more of the following reports on its website: brand performance check, audit reports, supplier information. Good reporting by members helps to ensure the transparency of ODLO and FWF's work.

|   |                                  |   |   |   |   |    |
|---|----------------------------------|---|---|---|---|----|
| 6.3 Social Report is submitted to FWF and is published on affiliate's website | Published on affiliate's website | The Social Report is an important tool for affiliates to transparently share their efforts with stakeholders. | Report adheres to FWF guidelines for Social Report content. | 2 | 2 | -2 |
|---|----------------------------------|---|---|---|---|----|

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## TRANSPARENCY

Possible Points: 4

Earned Points: 3

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## 7. EVALUATION

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--------|---|--|-------|-----|-----|
| 7.1 Systemic annual evaluation of FWF membership is conducted with involvement of top management | Yes    | An annual evaluation involving top management ensures that FWF policies are integrated into the structure of the company. | Meeting minutes, verbal reporting, Powerpoints, etc. | 2     | 2   | 0   |

Comment: FWF membership has been evaluated at top management level during ODLO's last financial year.

|  |     |   |  |   |   |    |
|--|-----|---|--|---|---|----|
| 7.2 Changes from previous Brand Performance Check implemented by affiliate | 80% | In each Brand Performance Check report, FWF may include requirements for changes to management practices. Progress on achieving these requirements is an important part of FWF membership and its process approach. | Affiliate should show documentation related to the specific requirements made in the previous Brand Performance Check. | 4 | 4 | -2 |
|--|-----|---|--|---|---|----|

Comment: During the last Brand Performance Check, ODLO received five requirements. They have made significant progress regarding their due diligence process (see indicator 1.4) and risk assessment (see indicator 2.6). Monitoring requirements for low risk countries have been fulfilled for the last financial years (see indicator 2.8). Progress has been made regarding the root cause analysis of overtime (see indicator 1.7) and taking a leading role to implement living wages at production sites (see indicator 1.11), but challenges remain.

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## EVALUATION

Possible Points: 6

Earned Points: 6

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## RECOMMENDATIONS TO FWF

ODLO would appreciate more guidance on living wages, especially on determining which wage benchmarks to select.

Furthermore, ODLO is interested in working on labour right challenges that occur before CMT, e.g. at vertically integrated suppliers.

Lastly, ODLO would appreciate a more userfriendly database system (e.g. deleting production sites that are no longer used by the member from their production location overview) and easier access to information about shared suppliers.

## SCORING OVERVIEW

| CATEGORY                       | EARNED | POSSIBLE |
|--------------------------------|--------|----------|
| Purchasing Practices           | 34     | 43       |
| Monitoring and Remediation     | 22     | 29       |
| Complaints Handling            | 10     | 15       |
| Training and Capacity Building | 9      | 15       |
| Information Management         | 7      | 7        |
| Transparency                   | 3      | 4        |
| Evaluation                     | 6      | 6        |
| Totals:                        | 91     | 119      |

BENCHMARKING SCORE (EARNED POINTS DIVIDED BY POSSIBLE POINTS)

76

PERFORMANCE BENCHMARKING CATEGORY

Leader

## BRAND PERFORMANCE CHECK DETAILS

Date of Brand Performance Check:

05-10-2015

Conducted by:

Lisa Suess

Interviews with:

Daniel Mulvie, Head of Sourcing & Product Development

Ramon Kaelin, Inbound Logistics Specialist

Andrea Gerber, Product Developer

Knut Are Høgberg, COO

Audit Summary:

Publication of the audit summary section previously included in Brand Performance Checks has been suspended while Fair Wear Foundation develops a new information system to manage and summarize the data.