

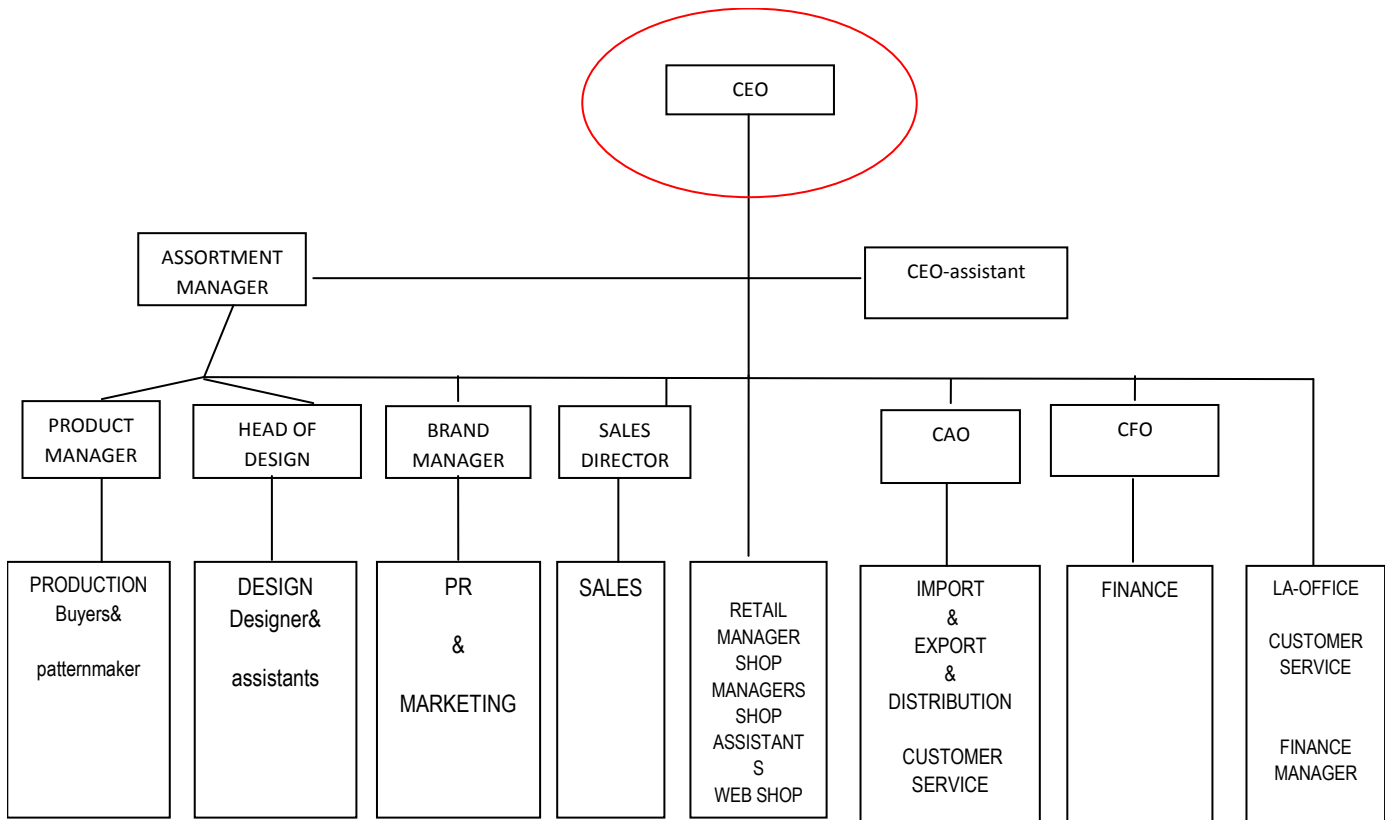
odd molly international ab



www.oddmolly.com

Member of Fair Wear Foundations since June 2009.

Organisational chart



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1. Summary: goals & achievements 2011

Our main goals for 2011 were:

- Perform audits at our main factories in India and China according to the work plan.
- Follow up on the corrective action plans made during the audits performed 2010.
- Internal training - increase the awareness, knowledge, and aim for the buyers to take a more active part in the CSR work on a daily basis.

Achieved in 2011

One of our main suppliers in China and two in India were audited for the first time. FWF also made a second audit at one supplier in Turkey that we share with two other affiliates. We also worked to follow up on the previous audits in India together with our local buying office and a representative from FWF: s team. The factories has shown very positive attitude and we feel that progress has been made. Some of the factories claim that they found the audits very positive since it helped them to be more organised and efficient. A clear win-win situation!

Internally, our buyers have continued to work more in details to follow up on corrective action plans.

We have now audited 73% of our total production value, including Portugal (considered as a low risk country). We reached our goals for 2011.

2. Sourcing strategy

2.1. Sourcing strategy & pricing

Odd Molly's business concept is to design, market and sell women's fashion, primarily through independent retailers worldwide.

We do not have any factories of our own, but produces our products at external manufacturers.

To cover the needs for the merchandise we produce, we are today operating in five production countries: China, India, Turkey, Portugal and Morocco. For the moment, we work with approximately 20 suppliers, depending on the season.

We have an idea not to spread too much in order to be more present in each country and being able to visit on a regular basis, as well as place orders that are good for suppliers and enables us a stronger position at the factory. Odd Molly believes strongly that long term and tight cooperation with our suppliers is very positive for both parties. Some of the biggest and most important suppliers have been with us from the very start. We choose our suppliers carefully since quality and punctual deliveries are of high importance. Most time it starts with a personal contact from the past or

recommendation from a colleague or another supplier. In countries where we work via production agents (Portugal, India, Turkey), the agent will recommend new suppliers. Most of the time this supplier is already well known to them through production for other clients.

In countries where we work directly with the manufacturers, the responsible buyer will take the first contact. To secure that we get all basic details about the supplier, we have a checklist for the buyers to follow.

After the first contact, we start with making price quotations and prototypes. If we then decide to place a program with the supplier, they will start with making salesman samples. If all goes smooth and quality is up to standard, we will then place order for bulk production. Before placing the first bulk order, we aim to visit the factory, to make sure that they live up to the standards in terms of product quality and *FWF Code of Labour practice* and are willing to sign this document. They must also sign Odd Molly's list of *Restricted Chemicals*, following the REACH legislation and *Odd Molly Quality and garment test standard*.

Our aim is to start slowly with only a few styles in smaller quantities and gradually build and increase the business.

Odd Molly is a design driven company where the product stands in the first room, since we do not primarily compete on price. However, we always negotiate our prices in order to pay the right price for each product. We negotiate price in two stages, at the making of Selling Samples and at the placement of firm orders. If order quantity exceeds expectations, price can be re-negotiated. In case of orders below production minimum, we are willing to pay a reasonable surcharge, negotiated from case to case.

Odd Molly did not change its sourcing strategy over the years. We are always striving for long term relationships with our suppliers as this has proven fruitful for us and the suppliers as well as it builds a strong product.

Summary of steps when starting cooperation with a new supplier:

- First contact – recommendation from production agent / colleagues etc
- Ask supplier to send Company profile, pictures from factory, references, and samples from production.
- Find out basic facts about the supplier.
- First evaluation whether to proceed or not – done by Product manager and Buyer.
- Presentation of Odd Molly – inform about General Buying and delivery terms, REACH list of banned substances, Quality Standards, Shipping information, membership in Fair Wear Foundation. Hand over FWF Questionnaire.
- Price quotations
- Making of first prototypes
- Second evaluation – outcome of samples, general performance in terms of communication skills etc.
- Making of Selling samples
- Factory visit
- Before bulk order is placed, supplier must sign: General Buying and delivery terms, REACH list of banned substances, Fair Wear Foundation Code of Labour Practice.
- Bulk order

2.2. Organisation of the sourcing department

Sourcing-and production department:

Product manager – *overall responsible for planning, supervising the daily work in the department.*

Buyer 1 – Woven's and accessories in India and Portugal

Buyer 2 – Woven's and accessories in China and Turkey

Buyer 3 – Jersey in China and Portugal

Buyer 4 – Heavy Knit in China and Morocco

The buyers are the link between the design department and the suppliers. This includes sourcing, making instructions, orders, price negotiations, follow up on production of selling samples and bulk production. Travel to all suppliers on regular basis.

Two production Assistants – *supporting the buyers with all daily tasks, with focus on production follow up and quality control.*

One pattern cutter – *pattern construction, fittings, comments to supplier, travel to suppliers for inspections of samples and bulk production.*

One pattern cutter freelance – *pattern construction, fittings, comments to supplier*

2.3. Production cycle

Odd Molly design and produce four collections per year: Spring, Summer, Autumn and Winter. However, Spring/Summer resp. Autumn/Winter are designed and sold at the same time, but with different delivery periods.

We mainly sell to external retailers via agents and distributors and not own shops and we are not taking any risk in placing order on speculation. This means we first produce Salesmen samples collections, then take in orders from retailers and then place order for production. Suppliers are informed about final quantities for production after sales period is closed.

The production lead-time varies between 12-20 weeks, depending on style, quality and quantity.

General collection time cycle (spring /summer collection):

Jan-Feb.: Planning of collection, design period

March: Sourcing/final design/instructions to suppliers

April-May: Making of prototypes

May-June: Making of Salesmen samples

July: Sales meeting with agents and distributors. Selling in period starts

July-September/October: Sales period

September/October: Final order quantity to suppliers

October: Confirmation of pre-production samples

October-January: Production period (depending on supplier/quality)

December- February/March: Delivery period

General collection time cycle (fall /winter collection):

Jul-Sep: Planning of collection, design period

Sep-Oct: Sourcing/final design/instructions to suppliers

Nov: Making of prototypes

Dec: Making of Salesmen samples

Jan: Sales meeting with agents and distributors. Selling in period starts

Jan-Mar/April: Sales period

Mar /April: Final order quantity to suppliers

May: Confirmation of pre-production samples

May/Aug: Production period (depending on supplier/quality)

July- September/October: Delivery period

2.4. Selection of new factories

The base criteria's to select a supplier are:

- General impression of production facilities and management attitude
- Product quality, making and details
- Delivery quality
- Price – prices must be reasonable for each product and we must meet our goal in terms of gross-margin.
- Compliance – the supplier must be able to sign our Code of Labour practice, Odd Molly List of Restricted chemicals and REACH candidate list.
- Over all professionalism in running a factory and previous experience
- Reference customers

All above points has to be taken into consideration when making the decision whether to give an order to a supplier or not.

Based on the above points, the assess of new suppliers are done by the buyers, together with the product manager on a case-to-case basis. Most important though is the product quality – if this is not right there is no need to go further.... In the countries where we work with local production offices, we always source new suppliers through these offices. They will then recommend a supplier, and present it to our buyer who will take the decision if we should proceed or not.

2.5. Integration monitoring activities and sourcing decisions

The outcome of the audits done so far did not affect our sourcing strategy, but it strengthens our basic idea to work with a limited amount of suppliers and to have a deep and long-term relation, in order to work together towards improvements according to FWF:s recommendations.

3. Coherent system for monitoring and remediation

General:

All the factories audited so far have shown a very positive attitude and willingness to improve. We have found no sign of child labour, no forced labour, no discrimination in employment. All factories pay at least minimum wages according to the local laws, however living wages according to FWF wage ladder is an issue in most cases.

3.1. India

India carries apx 18% of Odd Molly's buying volume. During 2011 two new audits were made as well as we worked with follow up on previous audits.

Supplier no 7, India. 5% of Odd Molly's total buying volume 2011

Audit date 26 November 2009 & December 2011. Follow up was made together with FWF representative in February 2012

Main findings:

- In general the result with this supplier is very positive since they have taken action on most of the points in the CAP:s
- All workers at sub-contract units are now under direct contracts and are aware of FWF and Code of Labour Practice.

Social Report 2011

- Meetings with the Committees of Works, Health and safety are held every month and a better system for election of the members has been instituted.
- Records of overtime are now well maintained and duly paid.
- A lot of issues concerning health and safety was improved such as fire drills and first aid training, needle guards being installed, chairs with backrest has been provided, eye wash stands were provided etc.

Supplier no 20, India. 1% of Odd Molly's total buying volume 2011

Audit date December 2011. Follow up was made together with FWF representative in February 2012. In general the supplier was very co-operative and willing to work towards improvement.

Main findings:

- The factory needs to provide an ambulance room as well as a crèche. This is a space problem but factory agrees to work on a solution.
- The system of selecting members to the committees for Health and safety, Works committee and sexual harassment needs to be improved, as well as workers awareness of their benefits of these committees. Factory agrees to discuss a solution.
- Information to workers regarding the suggestion box and FWF complaints service needs to be improved.
- Some safe and health- issues has been corrected immediately, like blocked fire exits, the boiler room to be manned and locked, re-painting the floor marks for fire evacuation etc.

Supplier no 13, India. 5% of Odd Molly's total buying volume 2011

This supplier is also used by another FWF member and has been audited by SGS. To avoid multiple audits we will work together with the other member to follow up on the CAPs. Odd Molly has not done a full audit but did a follow up on the SGS audit together with FWF representative during February 2012.

Main finding:

- Most points in the previous report from SGS were done.
- Monitoring of workers using of personal protective equipments still needs to be improved, since most workers tend not to use the same.

Supplier no 22, India. 3% of Odd Molly's total buying volume 2011

Audit date December 2011. Follow up was made together with FWF representative in February 2012

Main findings:

- The updated Code of Labour Practice was not properly posted, will be done immediately.
- Factory agrees to further improve the information to workers regarding Works Committee Health & safety committees.
- Written policy of factory grievance procedure should be posted for workers knowledge.
- Formal training of awareness of workers' rights in general will take place in April 2012.
- Safe and Healthy: MSDS was not adequate, will be updated, bottles of drinking water to be kept separate, chairs with backrest will be provided. Emergency plans will be updated,

3.2. China

China carries apx 37% of Odd Molly's buying volume. During 2011 one new audit were made as well as we worked with follow up on previous audits.

Supplier no 3, China. 25% of Odd Molly's total buying volume 2011

Audit date July 2010. Follow up has been done ongoing during 2011:

Main findings:

- There is a trade union but the members are not democratically elected and workers are not aware of their rights. *Factory agreed to make improvements.*
- Wages are paid more than minimum wages but lower than FWF recommendation for a Living Wage. Factory is willing to discuss this but cannot take immediate action – *still open point.*
- Overtime is an issue. Factory is willing to improve but this is also object for further discussions and not yet solved. A better system for written voluntary overtime will be set up shortly – *partly done but overtime remains an issue*
- In general, the factory showed a very positive attitude and openness towards the audit team. They are willing to work together to make further improvements, this work will continue during 2012.

Supplier no 16, China. 2% of Odd Molly's total buying volume 2011

Audit date April 2010. Follow up has been done ongoing by Odd Molly staff during 2011

Main findings:

- There is no independent union and workers are not aware of their rights. Factory management agreed to set up workers committee and start training - *has been done during 2011.*
- Not all workers were paid the legally required overtime rate. Management agrees to discuss and improve – *still ongoing discussions*
- Subcontractors were not informed of the FWF Code of Labour Practice and there is no system for factory to monitor the social compliance status of subcontractors. Management agrees to as a first step inform subcontractors of the code and require them to follow in daily operations – *has been done during 2011*

Supplier no 5b, China. 5% of Odd Molly's total buying volume 2011

Audit date November 2011.

Main findings:

- Code of Labour Practices was not posted in the factory. This has been corrected immediately.
- Workers were not properly informed about the Labour law and FWF Code of Labour practice. Factory agreed to arrange training.
- The election system for members of trade union needs to be improved.
- Piece rate workers were not paid for statutory holiday leaves, this was improved immediately.
- Overtime is an issue during peak periods – factory agrees to improve by better planning.

Our other suppliers in China as not yet been subject for auditing since their % of our total production is minor. If we decide to continue cooperation and if quantities will increase, audits are planned in 2012.

3.3. Turkey

Turkey carries apx 6% of Odd Molly's buying volume:

Supplier no 23, Turkey. 3% of Odd Molly's total buying volume 2011

Audit date July 2011.

This supplier is shared with two other FWF affiliates and we co-operate in follow up on the CAP:s

3.4. Portugal

Portugal carries apx 30% of Odd Molly's buying volume:

All suppliers have been informed about the FWF membership. Questionnaire has been signed and Code of Conduct has been sent out. No other monitoring activities so far.

3.5. Morocco

Morocco carries apx 9% of Odd Molly's buying volume:

All suppliers have been informed about the FWF membership. Questionnaire has been signed and Code of Conduct has been sent out. Audits are planned to take place during 2012.

4. External production

Not applicable.

5. Training and capacity building

5.1. Activities to inform staff members

Product manger is updating all employees about all FWF-related activities in weekly meetings within the production department. We continuously work on increasing the buyer's awareness of various CSR issues in their daily work.

5.2. Activities to inform agents

Production agents in countries are informed about our membership. In India, the agent takes part in the audits and is very active in the work to follow up on the CAPs.

5.3. Activities to inform manufacturers and workers

No actions have been taken from Odd Molly to train manufacturers and workers so far. Recommendation has been given to the management in the two audited factories in India to conduct regular training programmes to educate the committee members about their roles and responsibilities, and to increase the awareness of the Code of Conduct among the workers.

6. Transparency & communication

Odd Molly informs on the website www.oddmolly.com about the membership of Fair Wear Foundation. We announced the membership in a press release 3 June 2009.