



Fair Wear Foundation

Management system audit report

Odd Molly

6 September 2011

FWF member since: June 2009

Sources of information

Database FWF

Annual report and work plan

Archived documents

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Introduction

In September 2011 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Odd Molly. The MSA is a tool for FWF to verify that Odd Molly implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the MSA has been the work plan for 2011. FWF tailored the MSA to the specifics of the management system of Odd Molly in order to assess the key issues of interest. During the MSA, employees of Odd Molly were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the MSA. The report contains conclusions, requirements and recommendations. If FWF concludes that the management system needs improvement to ensure effective implementation of the Code of Labour Practices, a requirement for improvement is formulated. The implementation of required improvements is mandatory under FWF membership. In addition, FWF formulates recommendations to further support Odd Molly in implementing the Code of Labour Practices. The numbering of the requirements and recommendations correspond with the numbers of the conclusions.

This report focuses on those aspects of the management system of Odd Molly that have been identified as key areas of interest for the first year of affiliation. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that MSA reports of subsequent years will focus on different aspects of the management system.

FWF will publish the conclusions, requirements and recommendations of all MSAs on www.fairwear.org. The annex with detailed findings will remain confidential. FWF encourages Odd Molly to include information from the MSA report in its social report.



Executive summary

At the time of the MSA, Odd Molly had been affiliated to FWF for two years. The second year of affiliation has focused on following up audits from year one and also planning to cover bigger parts of its supply chain with audits. The company is in a process to implement FWF management system requirements.

Odd Molly has now covered 39% of their production through auditing with FWF audit teams. A further 26% is produced in low risk countries and covered through the low risk policy. This puts 65% of Odd Molly's supply chain within their monitoring system. As not all subcontractors doing sewing have been audited, the actual figure might be a bit lower, but still above the 60% threshold for two years affiliation to FWF.

Follow up of audits is done by the product managers responsible for the respective factory through factory visits, correspondence and visits by the supplier. The responsible person keeps an overview of the progress of the suppliers and informs other staff. Odd Molly was able to show documentation regarding improvements at all factories audited during the MSA. Odd Molly is now planning to improve the way in which the follow up visits are being made. This is something positive that also shows that Odd Molly is critically evaluating its performance and looking for ways to improve.

During the second year two suppliers have been audited, one in China and one in Turkey. The audits show that there are still challenges, especially in the area of wages and working times. At the Turkish supplier, the follow up was done in cooperation with other affiliated companies, however little progress had been done here, which can indicate that this cooperation needs to be strengthened.

The company has focused a lot of the CSR work on water issues through the Swedish Water Textile Initiative (www.stwi.se) during the last year. Although the ambition was to increase staff time for CSR-activities during the year, however this has not been possible to realise yet. This is one reason why some of the ambitions for the second year outlined in the workplan have not been realised yet.

Positive findings

Conclusions

1. Odd Molly has been working on improving time for production and to become better at meeting deadlines throughout the production process, something that will also give suppliers better ability to plan their work.

Recommendations

1. Once the improvement program is finalised, Odd Molly could together with its supplier evaluate to what extent the actions have made it possible for suppliers to plan production better and hence decrease any excessive overtime.



1. Sourcing

Conclusions

1. The sourcing policy of Odd Molly is to build long term relations with suppliers that can produce goods to the quality specifications of Odd Molly. According to the factory register submitted to FWF, at least 50% is sourced from suppliers that Odd Molly has worked with for over five years. The sourcing strategy has not changed since the last MSA, but some changes in practice have been made.

2. New suppliers are not often required, when this happens, Odd Molly firstly follows recommendations and chooses suppliers where they know other brands with high quality standards source. Before start of sample production staff from Odd Molly makes a visual inspection of the factory. Before the full production starts the supplier has to have answered the FWF questionnaire and signed the Code of Labour Practices. Odd Molly has a check list for starting the work with new suppliers which includes asking for any social audits that have been done and informing about the FWF Code of Labour Practices.

3. Odd Molly's staff placing the orders at the factories are all informed about the outcomes of the audits. There is however not yet a system that weights the factory audit result into the decision making process when placing orders (i.e. a systematic way to reward good suppliers or suppliers that have made big improvements). However, audit results from factories have been discussed among buyers and Odd Molly stresses that if serious violations would come out from the factory audit results they would not continue cooperation. The ambition was to develop a system to include social performance in the supplier grading system during 2011, this has not yet happened.

4. The staff responsible for sourcing at Odd Molly is aware of the importance of delivery times and the pricing in relation to excessive overtime and the ability to pay a living wage. During the last year, the company has worked on a process to "turn back time" in the production cycle. One part of this has been a new order system where producers are informed earlier on exactly what should be produced. This has given supplier more time for production. There has also been some pre-booking of fabrics to make it possible to start production earlier. At both audits done by FWF, excessive overtime and below local stakeholders estimates of a living wage were found at supplier level. However, none of the audited factories raised too short lead times and too low prices as an issue.

Recommendations

3. Including social compliance results in a supplier evaluation system is best way to make sure this aspect feeds into the business relationship.

4. FWF recommends investigating the root causes of overtime in cooperation with factories. Incidents of overtime, their origin and severity should be recorded to support this analysis. It is recommended that a period be defined which is representative for an entire business year for the factory to carry out this analysis. After this analysis, a step-by-step plan can be drafted by the factory to bring the amount of working hours down to legally allowed levels. The plan should explain how and if and to what extent the factory can control overtime hours, and to what extent the buyer could support remediation.

4. It is recommended to assess how further steps forward towards payment of living wages for a regular working week can be made. This assessment should preferably be



done together with the supplier and if possible other important buyers. In this discussion the FWF wage ladder tool can be used. One possible solution is to agree to a higher price conditioned to the increase of the regular wages for the workers. On request FWF can share expertise to help the involved parties define a practical framework for such an agreement.

2. Coherent system for monitoring and remediation

Conclusions

1. Odd Molly has now has covered 39% of their production through auditing with FWF audit teams. A further 26% is produced in low risk countries and covered through the low risk policy. This puts 65% of Odd Molly's supply chain within their monitoring system. As not all subcontractors doing sewing have been audited, the actual figure might be a bit lower, but still above the 60% threshold for two years affiliation to FWF.
2. The corrective action plans resulting from conducted audits are followed up and reported on by product responsible. This is done by a combination of asking suppliers to report on improvements and through factory visits. Suppliers also report on progress when visiting the Odd Molly head office. During the MSA, Odd Molly could show documented improvements at all suppliers audited since the start of their affiliation. Odd Molly is now looking for a new way of doing the factory visit follow up as it has proven hard to find enough time for this when visiting the supplier for sourcing purposes.
3. It is the ambition that all main production locations, i.e. where the majority of the sewing is being made, is visited on at least a yearly basis. There is however not yet a systematic check that this is being done at all suppliers. Staff from Odd Molly visit all suppliers every season, but it is not yet certain that all major production locations are visited every season.
4. Odd Molly has actively sought cooperation with other customers of manufacturers regarding monitoring and the execution of Corrective Action Plans at two suppliers, one in Turkey and one in India. However, there has been no system of follow up at the Turkish supplier (see "Labour conditions and improvements" below). At the Indian supplier, the contacts have not yet lead to any concrete actions.

Requirements

3. Odd Molly should assure that someone from the company, or a representative well aware of the FWF Code of Labour Practices, visits the main production locations at least once per year.
3. The member company must ensure that its FWF membership is made known to subcontractors of its first tier suppliers.

Recommendations

4. Cooperation between several buyers can be essential for creating real improvements. However, this cooperation must be organised in such a way that responsibilities are

clearly divided and results of actions shared and followed up by both parties.

3. Complaints procedure

Conclusions

1. Odd Molly has a designated person to handle complaints of workers
2. Factory audits show that the FWF Code of Labour Practices with the contact details to the local complaints handler is not always displayed in the factories.
3. FWF received one complaint from a worker at a supplier of Odd Molly in India in July 2010. According to the plaintiff he had been unjustly dismissed. The FWF investigation showed that the factory had fired several workers including the plaintiff without following legal procedure and required them to sign resignation letters to avoid having to pay retrenchment compensation. The investigation also showed excessive overtime and that overtime was not paid according to legislation. After the investigation, the plaintiff informed FWF that he had received the owed salary and retrenchment compensation from the factory. FWF drew up a corrective action plan together with Odd Molly. During the year Odd Molly decided to stop sourcing at this supplier due to logistic problems that Odd Molly been having over a long period with this supplier.

Requirements

2. The FWF Code of Labour Practices with the contact details to the local complaints handler has to be displayed in all production sites.

Recommendations

2. If staff visiting suppliers (the production sites) is informed that they should check if the code is posted on the wall, Odd Molly would quickly be able to make sure the information sheet for workers is posted in all factories.
3. Stopping production should always be the last resort when dealing with labour issues in the supply chain. If the decision is taken to stop production, the buying company should clearly communicate to the factory what it needs to do to get production back. A specified written list can clarify this and minimise the risk that the supplier does not appreciate the seriousness of the situation. Such a list can include improvement in other areas as well, for example quality and delivery reliability, but should be very clear so that the factory has a possibility to meet these requirements, report back to the buyer to restart cooperation.

4. Labour conditions and improvements

Conclusions

Two factory audits carried out by FWF audit teams during the second year of affiliation indicated several areas for improvement. Based on results of audits carried out by FWF teams and complaints of workers, FWF has drawn up an overview of labour conditions in factories. The overview is annexed to this report.

1. In China one factory was audited. The FWF Code of Labour Practices was not posted in one of the factories. Wages meet legal requirements but are below stakeholders' estimates of a living wage. At the facility excessive overtime was found and not all workers are provided with legally required insurances. The factory also needed to improve fire safety and chemical handling. There was a trade union in the factory but its committee mostly consisted of management representatives.

2. In Turkey one factory was audited. This factory had previously been audited by FWF on behalf of Filippa K in 2008. Filippa K, Odd Molly and another FWF affiliate cooperated in the follow up of this audit. The audit done in July 2011 showed that improvements had been slow in several important areas such as overtime, health and safety and payment of social security costs.

Requirements

2. Affiliates must be able to demonstrate progress on corrective action plans at supplier level. In cases where no progress is made although extensive efforts have been made, the affiliate can contact FWF for assistance.

Recommendations

1. Considering the situation regarding freedom of association, FWF recommends that Odd Molly consider facilitating factory trainings that aim at improving social dialogue on factory level at Chinese suppliers that do not have functioning workers committees or a union. FWF can recommend organisations that could carry out factory trainings.

2. In cases where improvements are this slow, FWF recommends investigating to what extent it is of added value to hire a local service provider to support factories in the process of realising improvements. FWF recommends choosing this approach if the factory has demonstrated its commitment to make improvements. According to FWFs experience with other factories of similar size, a specialised consultant can help the factory to adopt new practices that increase productivity, decrease overtime usage and improve the quality of social dialogue between workers and management. FWF can make suggestions and provide references of credible service providers on request.

1-2. Odd Molly should take an active role in discussing living wages with their suppliers. The FWF wage ladder can be used as a tool to implement living wages. Most relevant wages, such as local minimum wage, Asia Floor Wage, collective bargaining wage and industrial best practice wage are provided in the wage ladder. The wage ladder is included in FWF's audit reports. It demonstrates the gaps between workers' wages at a



factory and living wages demanded by major local stakeholders. Odd Molly can use the wage ladder to document, monitor, negotiate and evaluate improvements in wages at its suppliers.

5. Training and capacity building

Conclusions

1. Staff of Odd Molly that visits suppliers attended a half day seminar on FWF in October 2010. One person from Odd Molly also participated in the audit training arranged by FWF in Italy in October 2010.
2. No special activities have been undertaken to inform or educate agents during the second year of membership apart from the ongoing dialogue between Odd Molly and their agents on these issues.
3. Manufacturers are informed through the questionnaire and by signing the code as well as through dialogue with Odd Molly staff.

Recommendations

1. It is recommended to let CSR / purchasing staff participate in FWF's training for company staff to get more familiar with FWF's work. FWF is organising a training programme in 2011 to help companies to improve their management system. Alternatively in house training could be provided for company staff.
3. FWF has during 2011 arranged supplier seminars in Turkey and China. These seminars are a good occasion for management at suppliers to find out more about the Code of Labour Practices and exchange experiences with other suppliers.

6. Information management

Conclusions

1. The audits done by FWF showed that the factory register submitted to FWF did not contain addresses of subcontractors doing sewing.
2. The production manager and CSR responsible is responsible to keep the supplier register updated.
3. The system to store information regarding FWF and the implementation of the FWF Code of Labour Practices is a shared folder system on the company's server. At this place everyone within the company can access information regarding conducted audits, answered questionnaires, etc.

Requirements

1. The supplier register of Odd Molly must also contain the details of subcontractors



doing sewing.

Recommendations

1. After receiving audit reports the supplier register can be immediately updated with any subcontractors that are discovered during the audit.

7. Transparency

Conclusions

1. Odd Molly informs the public about its FWF membership through its homepage and has chosen not to actively inform consumers about the affiliation to FWF.
2. The annual social report of 2010 has been received by FWF, but has not been placed on the website of the member company.

Requirements

2. The annual social report should be posted on the homepage of the affiliated company.

8. Management system evaluation and improvement

Conclusions

1. Odd Molly has not yet evaluated their affiliation in a systematic way but will put such occasion in the annual planning of the company.

Recommendations

1. FWF recommends to evaluate at least once a year to what extent the chosen approach to improve working conditions is effective. The evaluation would need to assess which improvements were (not) successfully implemented in factories, if communication with factories on this issue goes smooth, and whether the chosen approach is cost efficient. It is of added value to evaluate the process of following CAPs with suppliers now substantial steps to realize improvements in working conditions have been taken.
1. FWF recommends collecting feedback from agents and manufacturers to evaluate the process towards implementation of the Code of Labour Practices. This is particularly of added value after corrective action plans from audits have been followed up.



9. Basic requirements of FWF membership

Conclusions

1. Odd Molly meets the basic requirements of FWF membership for 2011: the membership fee has been paid and a work plan for 2011 was handed in.

10. Recommendations to FWF

Recommendations

1. FWF should arrange trainings for member companies on how to conduct and follow up audits at factory floor level. One such training was already done in Italy for company staff visiting factories. This time it could be done in Istanbul or in Portugal where many factories are easy to reach and Odd Molly is willing to assist in finding a factory location to do such training.

Annex. Improvement of labour conditions: Summary of most important findings

Audits in China

One factory audited by a FWF audit team on behalf of Odd Molly in July 2010.

China	FWF audit July 2010
Sourcing practices (price, leadtime, quality requirements)	The Code of Labour practices including contact to the complaints handler has not been provided to the factory.
Monitoring system of FWF member company	The factory has so far not reported their current practice or progress on social compliance status to Odd Molly.
Management system factory to improve labour standards	Workers do not know who is the responsible person for factory social compliance program.
Communication, consultation and grievance procedure	Workers are not informed and consulted about FWF Code of Labour Practices.
Employment is freely chosen	No findings
No discrimination in employment	No findings
No exploitation of child labour	No findings
Freedom of Association and the Right to Collective Bargaining	There is a trade union in the factory but trade union leaders are mainly management representatives and not elected by workers.
Payment of a Living Wage	Wages meet legal requirements but are below stakeholders' estimates of a living wage.
No excessive working hours	There is excessive overtime and a written voluntary overtime system is not set up.
Occupational health and safety	Remarks on fire safety and chemical handling. No ergonomic program is established in the factory.
Legally binding employment relationship	Not all workers are provided with legally required insurances.



Audits in China

Factory audited by FWF on behalf of Filippa K in 2008, re-audited by FWF audit team on behalf of FWF in 2011.

Turkey	FWF factory audit 2008.	FWF audit July 2011.
Sourcing practices (price, leadtime, quality requirements)	Not part of audit.	According to management price negotiations and lead times are acceptable and there is good communication.
Monitoring system of FWF member company	Not part of audit.	The person responsible for human resource was not informed about the outcomes of the FWF audit done in October 2008.
Management system factory to improve labour standards	Not part of audit.	Factory management has been trained by SGS to handle social compliance.
Communication, consultation and grievance procedure	Grievance and suggestion boxes in place but no proper procedures.	Grievance and suggestion boxes in place but no proper procedures. System is not being used by workers.
Employment is freely chosen	No findings	No findings
No discrimination in employment	No findings	No findings
No exploitation of child labour	No findings	Juvenile workers are working overtime and parental consent documents are not stored.
Freedom of Association and the Right to Collective Bargaining	No findings	No findings
Payment of a Living Wage	Workers receive no payslips.	Payslips are not available. Wages do not meet local stakeholders' estimate of a living wage.
No excessive working hours	There is excessive overtime.	There is excessive overtime and workers have worked for seven days without on days rest.
Occupational health and safety	Some personal protective equipment missing as well as protective parts of some machines. Several health and safety routines such as health and safety trainings and periodical controls of the water filtering system.	Some personal protective equipment missing as well as protective parts of some machines. Several health and safety routines such as health and safety trainings and periodical controls of the water filtering system.
Legally binding employment relationship	Social security services are not correctly informed about wages of workers. Over time is stated as obligatory in the contract.	Social security services are not correctly informed about wages of workers. Over time is stated as obligatory in the contract.