

odd molly international ab



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Member of Fair Wear Foundations since June 2009.

Organisational chart



Organisationsschema
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Summary: goals & achievements 2010

Our main goals for 2010:

- Perform audits at our main factories in India and China according to the workplan.
- Follow up on the corrective action plans made during the audits performed 2009.
- Internal training - increase the awareness and knowledge and aim for the buyers to take a more active part in the CSR work on a daily basis.

Done 2010:

Three factories in China were audited. We also worked to follow up on the previous audits in India together with our local buying office. It showed to be an easy work at some factories and more difficult at others, but we feel that we are heading in the right direction.

Fair Wear Foundation held a one-day workshop with the buyers to make them more aware about what they actually can do and ask when they visit a factory. One of our buyers participated in a training organised by Fair Wear Foundation in Italy, to learn about the audit process.

We have now audited 49% of our total production value. We reached our goals for 2010.

Sourcing strategy

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 produce 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. (Production in Peru and Italy stopped during 2010). For the moment, we work with between 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 a production agent (Portugal, India, Turkey, Italy), 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 without an agent, 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 (see enclosed).

After the first contact, we start with making some price quotations and prototypes. If we then decide to place a program with the supplier, they will start with making the selling samples, approx. 23 pieces of each style. 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*. In

addition to signing the Code of Conduct, the supplier also has to sign on Odd Molly's list of *Restricted Chemicals, REACH Candidate list 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

Organisation of the sourcing department

Sourcing-and production department:

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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

Buyer 4 – Men's collection

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 assistant - *development and production of trimmings from our appointed suppliers, administrative support to the department.*

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*

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

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.

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.

Coherent system for monitoring and remediation

India

India carries apx 32% of Odd Molly's buying volume. During 2010, we focused on follow up on audits made in the factories during 2009.

*Supplier no 6, India. 9% of Odd Molly's total buying volume 2010
Audit date 26 November 2009. Follow up on the corrective action plan has been done ongoing during 2010.*

Main findings:

- Parts of production took place in facilities that are owned by the company but outsourced to sub-contractors. The management systems in these units were not up to the mark e.g. all workers were not registered or given contracts and social dues were not paid. Now management has reorganised and are working with one subcontractor only. All workers have proper contracts and overtime is registered and paid for.
- 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. In addition, some issues concerning health and safety have been improved such as fire drills and first aid training.
- Even though there is still work to be done, we feel it very positive that this supplier has made big efforts and showed a willingness to improve. FWF is planning a re-audit at the factory.

Supplier no 9, India. 12% of Odd Molly's total buying volume 2010

Audit date 25 November 2009. Follow up on the corrective action plan has been done ongoing during 2010.

Main findings:

- The factory had a dining room but did not have a canteen providing hygienic food at subsidised rates. The management agreed to build such and it has now been done
- Awareness of the Code of Conduct among the workers should be improved as well as the management should conduct regular training programmes to educate the committee members (Works, Health and Safety, Prevention of Sexual Harassment) about their roles and responsibilities. All workers are not aware of the Code of Conduct - it must be translated into local language and training has to be made accordingly. Odd Molly has been pushing the supplier to improve and it has been done partly – according to management all workers are now aware of their rights and the Code of Labour practice which has been displayed in local language.
- During 2010 one worker in the factory filed a complaint that concerned unlawful dismissal, excessive overtime and payment of a living wage. The investigation done by FWF confirmed the findings and a corrective action plan were drafted. Odd Molly discussed the issue with the supplier who admitted that the accusations were partly true and partly exaggerated. Odd Molly have tried to push the supplier to make sure that he will always follow the local law and the Code of Labour Practice. For reasons unrelated to the complaint, we have decreased production and may leave the factory.

Supplier no 13, India. 5% of Odd Molly's total buying volume 2010

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.

China

China carries apx 35% of Odd Molly's buying volume:

Supplier no 3, China. 20% of Odd Molly's total buying volume 2010

Audit date July 2010. Follow up has been done ongoing.

Main findings:

- Workers were not informed about the responsible person for factory's social compliance program and workers were not informed about FWF Code of Labour Practice. This has been immediately done and code is posted on wall in factory.
- 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.
- 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.

Social report 2010

- Some practical issues like blocked fire extinguisher and lack of anti-leakage facility were found and has been immediately corrected.
- 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.

Supplier no 16, China. 4,3% of Odd Molly's total buying volume 2010

Audit date April 2010. Follow up has been done ongoing.

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.
- Not all workers were paid the legally required overtime rate. Management agrees to discuss and improve.
- 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.

Odd Molly will do further follow up on the corrective action plan during 2011.

Supplier no 18, China. 1% of Odd Molly's total buying volume 2010

Audit date May 2010. The factory was audited on behalf of FWF since other members use it as well. Odd Molly took part of the audit report but did not do any follow up yet since our production volume with this supplier is minor.

Main findings:

- Work time records are not completed
- There are too few workers in the committee for freedom of association, workers are not aware of the work of the committee and meetings are not held regularly. Management agreed to improve.
- Overtime exceeds the legally allowed 36 hours per week. Management is willing to discuss and improve but this is not yet solved.

Turkey

Turkey carries apx 3% 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.

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.

Morocco

Morocco carries apx 5% 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.

External production

Not applicable.

Training and capacity building

Activities to inform staff members

Fair Wear Foundation held a workshop with all buyers to go through more in detail how an audit is performed and what they can do to follow up when they meet suppliers.

One buyer participated in workshop in Italy, arranged by Fair Wear Foundation, to learn about the audit process. This was good and we hope that more activities like that will be arranged.

Product manager is updating all employees about all FWF-related activities in weekly meetings within the production department.

Activities to inform agents

Production agents in countries where we are using such are all informed about our membership. In India, the agent took part in the audits done in November, and they have taken a very active part in the work to follow up on the CAPs.

Activities to inform manufacturers and workers

No actions has 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.

Transparency & communication

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