



Fair Wear Foundation

Brand performance check report

Odd Molly

23 October, 2012

FWF member since: June 2009

Sources of information

Interview with Anna Attermark (CEO)

Interview with Kristin Roos (Production Manager, FWF contact person)

Interview with Martina Jall (Buyer)

Interview with Kajsa Nyman (Buyer)

Interview with Lotta Cederqvist (Buyer)

Annual report and work plan

Archived documents

Database FWF

Performance check carried out by:

Annabel Meurs



Fair Wear Foundation

Index

Introduction	3
Executive summary	4
Positive findings	4
1. Sourcing	5
2. Coherent system for monitoring and remediation	7
3. Complaints procedure	8
4. Labour conditions and improvements	8
5. Training and capacity building	9
6. Information management	10
7. Transparency	11
8. Management system evaluation and improvement	11
9. Basic requirements of FWF membership	11
10. Recommendations to FWF	11



Introduction

In October 2012 Fair Wear Foundation (FWF) conducted a brand performance check at Odd Molly AB (hereafter Odd Molly). The performance check 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 performance check has been the work plan for 2012. FWF tailored the performance check to the specifics of the management system of Odd Molly in order to assess the key issues of interest. During the performance check, employees of Odd Molly were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the performance check. The report contains conclusions, requirements and recommendations. If FWF concludes that the management system or performance 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 2012. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that performance check reports of subsequent years will focus on different aspects of the management system.

FWF will publish the conclusions, requirements and recommendations of all performance checks on www.fairwear.org. FWF encourages Odd Molly to include information from the performance check report in its social report.



Executive summary

Odd Molly meets most of FWFs management system requirements. The company's sourcing policy is primarily based on consolidating the supply base and building long term relationships. Odd Molly actively works on obtaining suppliers' commitment to the FWF Code of Labour Practices (CoLP). New suppliers are requested to commit to the CoLP before the first order is placed. When supplier is not willing to commit by signing the CoLP, Odd Molly will not start production. To date, Odd Molly has received all the questionnaires signed and returned.

Odd Molly has systems in place to ease production pressure on suppliers. Delivery times and deadlines are calculated in close cooperation with the supplier. The company adjusts deadlines in discussions with suppliers, books material in advance, uses pre-orders and can change ship mode to facilitate production planning at the factories.

FWF has verified that 76% of Odd Molly's total turnover is covered by their monitoring system. This does not correspond with the required percentage of 90% based on the duration of FWF membership after three years.

Staff of Odd Molly is sufficiently informed about FWF membership and the implementation of the Code of Labour Practices. Training and presentations to staff on the implementation of the CoLP is documented which creates the capacity to discuss social compliance with suppliers.

The member company informs the public and its customers about its FWF membership through its corporate website and in the annual report that is sent out to all shareholders. The annual social report of the previous year has been received in time but is not placed on the website of the Odd Molly.

Positive findings

Conclusions

1. Odd Molly is currently in the process of implementing its 2 year plan to slowly extend their production period. In this new system, Odd Molly moves back the delivery dates of selling samples in order to facilitate the suppliers' production planning. Odd Molly currently uses 2 selling periods a year; in the new system the company is moving towards 4. Given that during sampling periods the suppliers experience the most pressure, spreading out to 4 selling periods, the company expects to ease the pressure and spread out production more easily. Combined with placing pre-orders and extending the lead times for yarns and fabrics, suppliers get more time and flexibility.
2. Odd Molly designers work in close cooperation with suppliers; together they decide what their strengths are and what the products should focus on. Suppliers give ideas/feedback to develop the product together.
3. For the specific treatment of denim, Odd Molly buyers and designers are present at the production site when washes and designs are developed.

Recommendations

1. Once the new production cycle is implemented, Odd Molly could evaluate with its suppliers to what extent this program has led to better production planning and the

impact it has on working hours in the factories.

1. Sourcing

Conclusions

1. Odd Molly's sourcing strategy in general supports effective implementation of the FWF Code of Labour Practices. The company has a written sourcing policy that mentions the position of working conditions in the decision making process. The policy is fundamentally based on consolidating the supply base and building long term relationships. Odd Molly's products require specific and complex quality. Once a supplier can reach that level of quality with intercut products and delicate material, Odd Molly strongly invests in maintaining and strengthening the business relationship.
2. Odd Molly maintains a business relation for more than 5 years with suppliers that jointly account for 72% of its total 2011 purchasing volume. The company has substantial leverage as a customer (at least 10% of factory's total production capacity is produced for Odd Molly) at suppliers that jointly account for 74% of its total 2011 purchasing volume. This enables the company to effectively request improvements in working conditions.
3. 22% of Odd Molly's total purchasing volume is sourced in low risk countries. Odd Molly does not source from factories that are owned by the company or that are FWF member factories.
4. Working conditions and the willingness of suppliers to cooperate on improvements are critical criteria in the selection of new suppliers and the continuation of business relationships. New suppliers are requested to commit to the Code of Labour Practices before the first order is placed. When the supplier is not willing to commit by signing the CoLP, Odd Molly will not start production. To date, Odd Molly has received all the completed questionnaires. The commitment of suppliers is documented. When selecting a new supplier, Odd Molly collects and assesses previous audit reports from the factory. In countries where Odd Molly works with an agent, the agent recommends potential new suppliers. The agents are considered part of Odd Molly staff and are aware of the FWF Code of Labour Practices.
5. When terminating a business relationship the social compliance level is taken into consideration. Although not a decisive criterion, it is part of several reasons for terminating a relationship. Odd Molly has not ended relationships with many suppliers in 2011 and 2012. In one case both social as environmental noncompliance were reasons for terminating the business relationship.
6. Odd Molly does not have a formal system for evaluating (grading) suppliers. Odd Molly states it naturally places bigger orders at suppliers who are performing well on all levels.
7. Delivery times and production planning of Odd Molly provides sufficient room for implementing reasonable hours of work at its suppliers. Odd Molly takes the production capacity of the factory with regular working hours into account. Buyers of Odd Molly are aware of the capacity of the factory; particularly in case of knitting exact calculations of working hours are made. At three audits in India no excessive overtime was found. The audit in China did show overtime, although the supplier also deals with low production periods where the factory cannot offer regular working hours to all employees.

Odd Molly has systems in place to ease production pressure on suppliers. Delivery times and deadlines are calculated in close cooperation with the supplier. The company starts the production process with selling samples, which is followed by larger production order. In production of selling samples there are never changes in styles given that these products are sold to the consumer. The company adjusts deadlines in discussions with suppliers, books material in advance, uses pre-orders and can change ship mode to facilitate production planning at the factories. Odd Molly makes sure suppliers are being informed at an early stage regarding lead times of materials and production. However, Odd Molly does make use of strict penalties in case of delay is caused by a supplier. Odd Molly is currently in process of developing a new production cycle where both the company as its suppliers get more time in between design and shipment of orders.

8. Odd Molly does not have a pricing policy that contributes to a systematic approach towards a living wage for workers. Audit reports show payments are below living wage levels as estimated by local stakeholders. When establishing prices the wage component of the price is not discussed. Buyers of Odd Molly find it contradictory to negotiate prices and delivery dates while at the same time taking the costs of labour into account. Over the past two years, Odd Molly did accept higher prices, particularly in China due to the increase in the cost of labour and materials. Buyers and other Odd Molly staff discuss the wage levels of workers separately during monitoring visits.

9. Odd Molly has never used abrasive blasting to treat its denim products. The small percentage of denim that has a 'worn-out look' is achieved by laser treatment, washing and hand scraping. Odd Molly buyers and designers are present at the production site when washes and designs are developed. For that reason, it would immediately come up when the look is changed or a different technique is used.

Recommendations

6. It may be of added value to develop a system to track the performance of suppliers. Evaluating suppliers on social conditions can serve as additional input for designers and buyers. For designers when they are designing the collection.

7. 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.

8. Considering the role of buyers in price, - and lead time negotiations, it is recommended to have the production manager visit the suppliers in separate meetings to discuss social compliance issues. 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. In 2013, FWF will propose methodologies to better understand the costs of implementing living wages.

9. When making use of other methods for creating a worn-out look on denim, FWF

requires Odd Molly to research potential harmful risks to workers using that technique. Odd Molly should ensure proper PPE is used and invest in regular health checks at the laundry and/or washing facilities.

2. Coherent system for monitoring and remediation

Conclusions

1. Factories that have been audited on behalf of Odd Molly by making use of local FWF audit teams represent 53% of its 2011 purchasing volume. 23% of the purchasing volume is produced in low risk country Portugal. The total percentage of 76% of Odd Molly's turnover that is covered by their monitoring system does not correspond with the required percentage of 90% based on the duration of FWF membership.
2. In Portugal, Odd Molly has implemented the low risk policy: all suppliers were visited by staff, the FWF Code of Labour Practices is signed and questionnaires filled in, information sheets for workers is posted and country specific issues are followed up.
3. Odd Molly has collected and evaluated existing audit reports from their suppliers. With information from those reports, Odd Molly has actively worked on follow up of findings. At one factory in India, the company has conducted a follow up monitoring visit with a local FWF audit team member. In China, Odd Molly works with an additional third party that performs local quality control which in addition provides social compliance service.
4. Staff of Odd Molly visits the suppliers at least twice a year. As part of these visits follow-up of corrective action plans is discussed and improvements are documented. The company actively follows up the corrective action plans from audit reports through on-going discussions over e-mail or phone directly with management of factories. Odd Molly developed a checklist for buyers, which guides other staff in the type of information that is needed from suppliers. The checklist includes the eight FWF Code of Labour Practices, questions regarding subcontracting, whether the factory has been audited before and questions to discover whether the supplier has a positive attitude towards FWF audits. Retrieving this information is integrated in the buyers' practices when visiting suppliers. All documents must be signed and communicated before bulk order is placed. Improvement of working conditions is not a task of one CSR manager, but integrated in the production department. Buyers are also responsible for monitoring the corrective actions. Whenever they visit the supplier, they bring up the findings of audits and discuss implementation of improvements.
5. Odd Molly has cooperated with other customers of manufacturers regarding monitoring and the execution of Corrective Action Plans. The company has shared two audits with two other Swedish FWF members at suppliers in Turkey. Monitoring and follow up actions have been conducted with one other FWF member at a supplier in India. Odd Molly actively approaches FWF members when they learn of a shared supplier.

Requirements

1. FWF affiliates are expected to develop a monitoring system that enables them progressively cover all suppliers in order to get full insight into working conditions in their



supply chain. By the end of the third year 90% of the production commissioned by Odd Molly must have originated in factories which have been audited or from factories in low risk countries.

Recommendations

3. FWF recommends using the audit quality checklist that has been issued by FWF to assess quality of existing audit reports. The checklist can be freely downloaded from the FWF website.

4. It is suggested to develop a standard approach to brief staff in preparation of factory visits. Part of this briefing could be a discussion of the most important improvement points which should be discussed with factory top management during a visit. Outcomes from factory visits should be recorded and shared with relevant staff within the company.

3. Complaints procedure

Conclusions

1. Odd Molly is sufficiently aware of the FWF complaints procedure has a designated person to handle complaints of workers.

2. Odd Molly has a workflow in place to monitor that the Code of Labour Practices including the contact details of FWFs local complaints handlers is posted in factories where clothing is made. However, during a factory audit in December 2011 and in November 2011 FWFs audit team in India and China found that a translated copy the Code of Labour Practices including the contact details of FWFs local complaints handlers had not been posted in the work place.

4. In 2012 FWF received no complaints from workers employed in factories producing for Odd Molly.

4. Labour conditions and improvements

Conclusions

Since the last performance check, FWF audit teams carried out 3 audits at factories producing for Odd Molly in India. One audit was carried out on behalf of FWF to verify improvements. Two audits were part of the activities of Odd Molly to monitor working conditions in its supply chain. An additional audit as part of Odd Molly's monitoring system was conducted in China.

1. The factory audited in India to verify improvements indicated several areas of improvement, particularly in setting up management systems of the factory to monitor working conditions. Workers and compliance committees has been set up in the factory. Buyers of Odd Molly have visited the factory in November 2012 to discuss implementation of the findings. Improvements still have to be made regarding payment of overtime; overtime is paid at a regular rate and the payment of the overtime paid is not mentioned in the wage slip. The supplier also needs to improve several health and



safety issues, including raising awareness of evacuation process, chemical handling and proper use of Personal Protection Equipment.

2. The other two factories that were audited by FWF teams in India showed no excessive overtime was found in the three months prior to the audit. Both factories have policies on paper on grievance procedures and workers committees; however workers awareness about these policies and labour rights in general was low.

3. The audit in China showed the Code of Labour Practices was not posted in the factory. No major non-compliances were found regarding the forced labour, child labour or discrimination in employment. However, piece rate workers are not paid for statutory holiday leaves and weekly working hours exceeded 60 hours. Workers did not receive at least one day off in a 7-day period. During follow up visits Odd Molly was under the impression overtime was no longer an issue given the low orders received in the factory.

4. Wage levels in all audited factories were above legal minimum wage, but below stakeholders' estimate of a living wage.

Based on results of audits carried out by FWF teams an overview of improvements in labour conditions in factories has been drawn up. The overview is annexed to this report. Results of audits by other initiatives are not summarized.

Requirements

1. Odd Molly is expected to prioritize follow up on the issues that relate to payment of excessive overtime and fire and machine safety. Secondly, FWF expects Odd Molly to ensure that the translated version of the CoLP, including the contact details of FWFs local complaints handler, is at all times posted in all factories, including subcontractors, where clothing is made.

Recommendations

2. In order to increase awareness among workers of labour rights and work effective social dialogue in the factory, Odd Molly could invest in setting up trainings offered by FWFs Workplace Education Programme. See the section Training and Capacity Building below.

4. 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 Floorwage and other living wage benchmarks, collective bargaining agreements and industrial best practice wage levels are provided in the wage ladder. 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 is sufficiently informed about FWF membership and the



implementation of the Code of Labour Practices. Information is provided through the website and internal meetings. Buying staff of Odd Molly have participated in trainings by FWF and have observed FWF audits. Sales agents and in store staff is updated through sales meetings where a presentation on CSR issues is given including developments regarding FWF membership. Training and presentations to staff on the implementation of the CoLP is documented which creates the capacity to discuss social compliance with suppliers.

2. In cases where Odd Molly works with local buying offices, agents are systematically informed about FWF membership.

3. Manufacturers are informed about FWF membership through on-going discussions and by sending the questionnaire. Odd Molly did not take steps to encourage factories to participate in capacity building for management and workers.

Recommendations

3. FWF recommends Odd Molly to engage manufacturers in training projects that aim at strengthening social dialogue and dispute handling. The trainings will be offered by FWF as part of the Workplace Education Programme for factory managers and workers in India, Turkey and China during 2012-2015. These trainings are set up to strengthen awareness of and access to grievance mechanisms and alternative channels for dispute solving.

6. Information management

Conclusions

1. Odd Molly has a clear procedure to keep the supplier register updated. There is a designated person to update the supplier register. During the performance check FWF was able to verify that the supplier register was accurate. Subcontractors are listed, however, information regarding production percentages are missing.

2. There is a system in place to effectively integrate information regarding sourcing and the implementation of the Code of Labour practices. Agents and suppliers have access to the database which lists all policy documents of Odd Molly; from shipping instructions to the FWF Code of Labour Practices and the supplier register. Buyers include information regarding monitoring and social compliance updates. The production manager updates all the percentages after orders are placed.

Requirements

1. The supplier register must contain all suppliers and sewing subcontractors. Odd Molly needs to make sure that supplier (intermediaries) understand the importance of passing on information to subcontractors and update information on subcontractors after information has been obtained during an audit. If possible, the company can make an estimate of the production percentage and/or processes of the subcontractor.

7. Transparency

Conclusions

1. The member company informs the public and its customers about its FWF membership through its corporate website and in the annual report that is sent out to all shareholders. Odd Molly does not make use of references to FWF with product communication.
2. The annual social report of the previous year has been received in time but is not placed on the website of the Odd Molly.
3. Information about FWF membership is posted on the website of Odd Molly in correct wording. The information includes a description of implementation of membership and has a link to the FWF website.

Requirements

2. The annual social report must be posted on Odd Molly's website. To be transparent, it is an important tool to be transparent and report about progress made in implementing the FWF Code of Labour Practices.

8. Management system evaluation and improvement

Conclusions

1. Odd Molly evaluates in a systematic manner to what extent goals related to its FWF membership are achieved. Evaluation meetings take place at least once a year when writing the workplan. Buyers and the company's CEO are included in the evaluation meetings. Odd Molly uses feedback from manufacturers to evaluate the implementation of the Code of Labour practices.

9. Basic requirements of FWF membership

Conclusions

1. The work plan for the current year has been received in time and approved by FWF.
2. Membership fee for the previous and current year has been paid.

10. Recommendations to FWF

Recommendations

1. Odd Molly would appreciate a second training in one of the low risk countries similar



Fair Wear Foundation

to the one FWF provided in Italy. This training was experienced as very useful by Odd Molly staff who work in low risk countries.

2. Odd Molly recommends FWF to set up a database. This would allow FWF affiliates to see whether a supplier has been audited before. Odd Molly would be willing to share CSR related information of their suppliers with other FWF affiliates.

Improvement of labour conditions: summary of most important findings	Factory in India audited in July 2012 to verify improvements	Factory in India audited in Dec 2011 on behalf of Odd Molly	Factory in India audited in Dec 2011 on behalf of Odd Molly
Sourcing practices of Odd Molly	The wage level of the factory does not meet the level of living wage recommended by local stakeholders of FWF.	Odd Molly has not established direct contact with the factory.	
Monitoring system of Odd Molly	Interviewed workers were not aware of the FWF CoLP or their rights.		Odd Molly has not provided 'Code of Labour Practices' including local complaints handler's details to the factory.
Management system of factory to improve labour standards	Factory has mechanisms such as workers committee and grievance box, but could be more structured and formal to be effective for the workers.	Factory has set up several committees on paper, but interviewed workers were not aware of the committees.	No documents were maintained on grievances or suggestions received from the workers. Written policy of factory grievance procedure is not posted or made available for workers' knowledge
Communication and consultation			
Employment is freely chosen	Appointment letters are not provided to all workers although letters are maintained in their personnel files.	No findings	No findings
No discrimination in employment	A policy on non discrimination exists, however it is recommended that factory shows its tolerance towards handicap people, HIV/AIDS and other marginalised people by engaging them in the workforce.	No findings	No findings
No exploitation of child labour	No findings	No findings	No findings
Freedom of association and the right to collective bargaining	The worker representatives are selected on an informal basis.	There is no union present in the factory. Workers committee is present, however workers are not aware of the functioning of this committee.	According to the information gathered from workers, they were not aware of their rights to association or collective bargaining.
Payment of a living wage	Wage slip is in English, which is not the local language. The payment of the overtime paid is not mentioned in the wage slip.	The wage level of the factory does not meet the level of living wage recommended by local stakeholders of FWF.	The wage level of the factory does not meet the level of living wage recommended by local stakeholders of FWF.
Reasonable hours of work	Overtime hour is paid at single rate. The payment of the overtime paid is not mentioned in the wage slip.	No findings	No findings
Safe and healthy working environment	The spot cleaning method does not let the chemical evaporate while workers do not wear PPEs or use any machines to ensure safe cleaning.	Factory should have a medical room, nurse, and labour welfare officer as stipulated by law.	Workers in the production floor did not have chairs with backrest or floor mats
Legally binding employment relationship	Workers are provided ID-cards however the cards do not contain Employee Code Number and their Date of Joining.	No findings	

Improvement of labour conditions: summary of most important findings	Factory in China audited in November 2011 on behalf of Odd Molly
Sourcing practices of Odd Molly	Wages for a regular working week are below living wage estimated by local stakeholders consulted by FWF.
Monitoring system of Odd Molly	Odd Molly does not have a social compliance system in place to monitor factory's compliance status.
Management system of factory to improve labour standards	
Communication and consultation	Workers are not informed and consulted about PRC Labour Law or FWF Code of Labour Practices. Information about FWF Code of Labour Practices are not posted in the factory.
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 no independent trade union or workers committee which is run by workers without management involvement in place, for bilateral communications and dialogue with management on labour dispute and other labour issues.
Payment of a living wage	Piece rate workers are not paid for statutory holiday leaves (11 days / year).
Reasonable hours of work	Weekly working hours exceed 60 hours. Workers do not receive at least one day off in a 7-day period.
Safe and healthy working environment	Standing workers are not provided with floor mat and sitting workers are not provided with chairs with back supports.
Legally binding employment relationship	As per review of social insurance receipt not all workers are provided with pension, medical, unemployment, injury and maternity insurance.