

# odd molly international ab



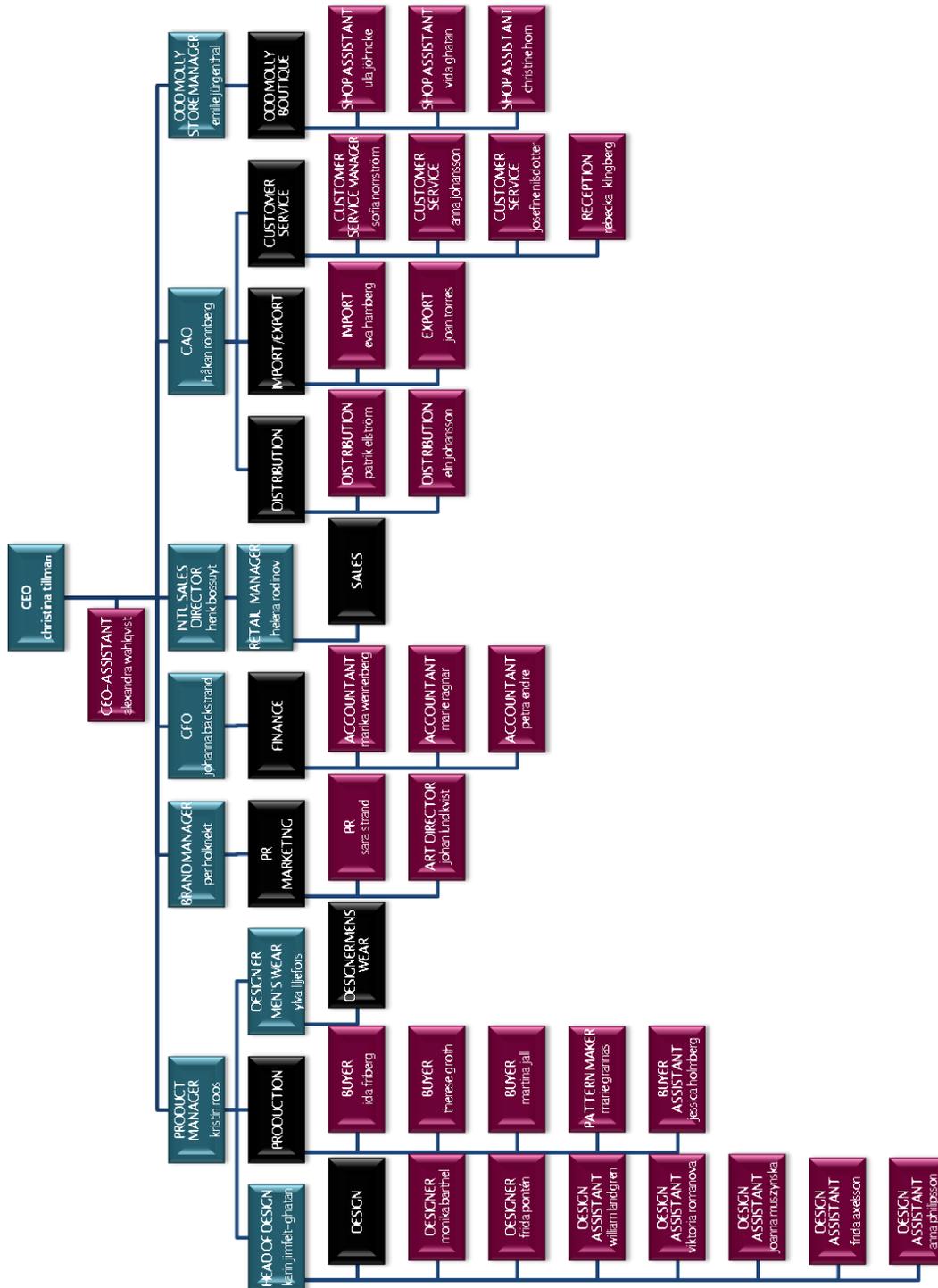
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Member of Fair Wear Foundations since June 2009.

Organisational chart



## Contents

Contents .....	3
1. Summary: goals & achievements 2009 .....	4
2. Sourcing strategy .....	4
2.1.Sourcing strategy & pricing .....	4
2.2.Organisation of the sourcing department.....	6
2.3.Production cycle.....	6
2.4.Selection of new factories .....	6
2.5.Integration monitoring activities and sourcing decisions .....	7
3. Coherent system for monitoring and remediation .....	7
3.1.India .....	7
3.2.China.....	8
3.3.Turkey .....	8
3.4.Portugal.....	9
3.5.Morocco .....	9
3.6.Italy.....	9
3.7.Peru.....	9
4. External production.....	9
5. Training and capacity building .....	9
5.1.Activities to inform staff members.....	9
5.2.Activities to inform agents .....	10
5.3.Activities to inform manufacturers and workers .....	10
6. Transparency & communication .....	10

## 1. Summary: goals & achievements 2009

*Describe what you have achieved in 2009 in terms of implementing the FWF Code of Labour Practices along your supply chain.*

Odd Molly became a member of Fair Wear Foundation in June 2009. Our main goal for this year was to inform all suppliers about our membership and what it would mean to them. This has been done successfully. All suppliers received the FWF questionnaire and signed it back to us with a very positive attitude. The Code of Conduct in local languages was sent to all factories. Our buyers will check that it is displayed accordingly when visiting the factories.

Secondly our goal was to start with inspections together with the FWF audit team. We choose India as the country to start with and in November two audits were performed, in accordance with the workplan.

We also wanted to make sure that all our staff would be fully aware of our membership in FWF. In order to fulfill that, a represent from Fair Wear Foundation came to our office to make a presentation about the organisation and what our membership means, to all our staff.

We also took the opportunity to inform all our sales-agents about the membership and the outcome of the first two audits during our Agent-meetings in July and December.

To summarize we feel that we reached our goals for 2009.

## 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 seven production countries: China, India, Turkey, Portugal, Italy, Morocco and Peru (production in Peru starting 2010). For the moment, we work with between 15-20 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 make sure that all basic facts about the supplier are found out, we have a checklist, which the buyers can 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 salesmen samples, app. 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 quality *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 compete on price. However, we always negotiate our prices in order to pay the right price for each product. Prices are negotiated at two stages, at the making of Selling Samples and at the placement of firm orders. If order quantity exceeds what was communicated at the first stage, 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 - Light Wovens, India/Portugal/China

Buyer 2- Wovens & Accessories, China, Turkey, Italy

Buyer 3 – Jersey and Heavy Knit, China, Morocco, Portugal & Peru

Buyer 4 – Men's collection

*The buyers are the link between the design department and the suppliers and handling everything from sourcing, making instructions, orders, price negotiations, follow up on production of salesmen samples and bulk production. Travel to all suppliers on regular basis.*

Two Assistants – *helping the buyers with all daily tasks.*

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

## **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-Septemer: Sales period*

*September: Final order quantity to suppliers*

*October: Confirmation of pre-production samples*

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

*December- February: Delivery period from supplier*

*January – April – Delivery period to retailers*

## **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
- e for management and staff at factory.

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**

*Describe the way in which (the outcomes of) your monitoring activities influenced your sourcing strategy in 2009.*

During 2009 we made the first two audits as a FWF member. The outcome of these two audits 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**

### **3.1. India**

India carries apx 25% of Odd Molly's buying volume. During 2009, 2 audits in the main factories has been done. This two factories

*Supplier no 6, India. 9% of Odd Molly's total buying volume 2009*

*Audit date 26 November 2009*

Main findings:

Parts of production takes place in facilities that are owned by the company but outsourced to sub-contractors. The management systems in these units are not up to the mark e.g. all workers are not registered or given contracts and social dues are not paid. Management has agreed to take all necessary steps to improve within 8 months. Further on the worker interviews revealed that there is overtime - which has not been documented in the records. This should be corrected and overtime paid according to the law from next salary and onwards. Committees of Works, Health and safety was recently constituted and the members need more information to be aware of their roles. A better

system for election of the members needs to be instituted. All workers are not aware of the Code of Conduct - it must be translated into local language and training has to be made accordingly. It is very positive that this supplier has made efforts during the last month to improve the internal management system, in order to improve the labour conditions which is very positive. This included an internal audit to prepare for the FWF audit.

*Supplier no 9, India. 12% of Odd Molly's total buying volume 2009*

*Audit date 25 November 2009*

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 is now under construction. 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. Further on some broken steps in the stairs needs to be repaired and fence has to be installed around the boiler area. FWF also recommend the factory to provide high chairs for workers in standing positions and install rubber mats to stand on.

Management at both suppliers has agreed upon a plan to make all necessary corrections according to Fair Wear Foundations recommendations. Odd Molly will follow up through our local production agent in India and through own visits. The overall impression is that both factories are well organised and management are very trustworthy and shows a great will to improve. We feel very confident to continue our cooperation with those suppliers.

### **3.2. China**

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

All supplier has been informed about the FWF membership. Questionnaire has been signed and Code of Conduct has been sent out. No other monitoring activities so far. Audits will start during 2010 according to workplan.

### **3.3. Turkey**

Turkey carries apx 3% of Odd Molly's buying volume:

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

### **3.4. Portugal**

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

All supplier has 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 5% of Odd Molly's buying volume:

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

### **3.6. Italy**

Italy carries apx 1% of Odd Molly's buying volume:

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

### **3.7. Peru**

Peru carries less than 1% of Odd Molly's buying volume:

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

## **4. External production**

Not applicable.,

## **5. Training and capacity building**

### **5.1. Activities to inform staff members**

Fair Wear Foundation came to visit Odd Molly head office in Stockholm 2 October 2009, to give a general information about the organisation and what the membership means. All staff, including the people from administration and our own shop, took part in this meeting.

Product manager are updating the buyers about all FWF-related activities in weekly meetings within the production department. During 2010 workshops with the buyers will take place.

### ***5.2. Activities to inform agents***

Production agents in countries where we are using such, have been informed about our membership. In India the agent took part in the audits done in November, which we see as very important since they are the once following up with the supplier on a daily basis.

### ***5.3. 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.

## **6. Transparency & communication**

Odd Molly informs on the website [www.oddmolly.com](http://www.oddmolly.com) about the membership in Fair Wear Foundation. We announced the membership in a press release 3 June 2009.