

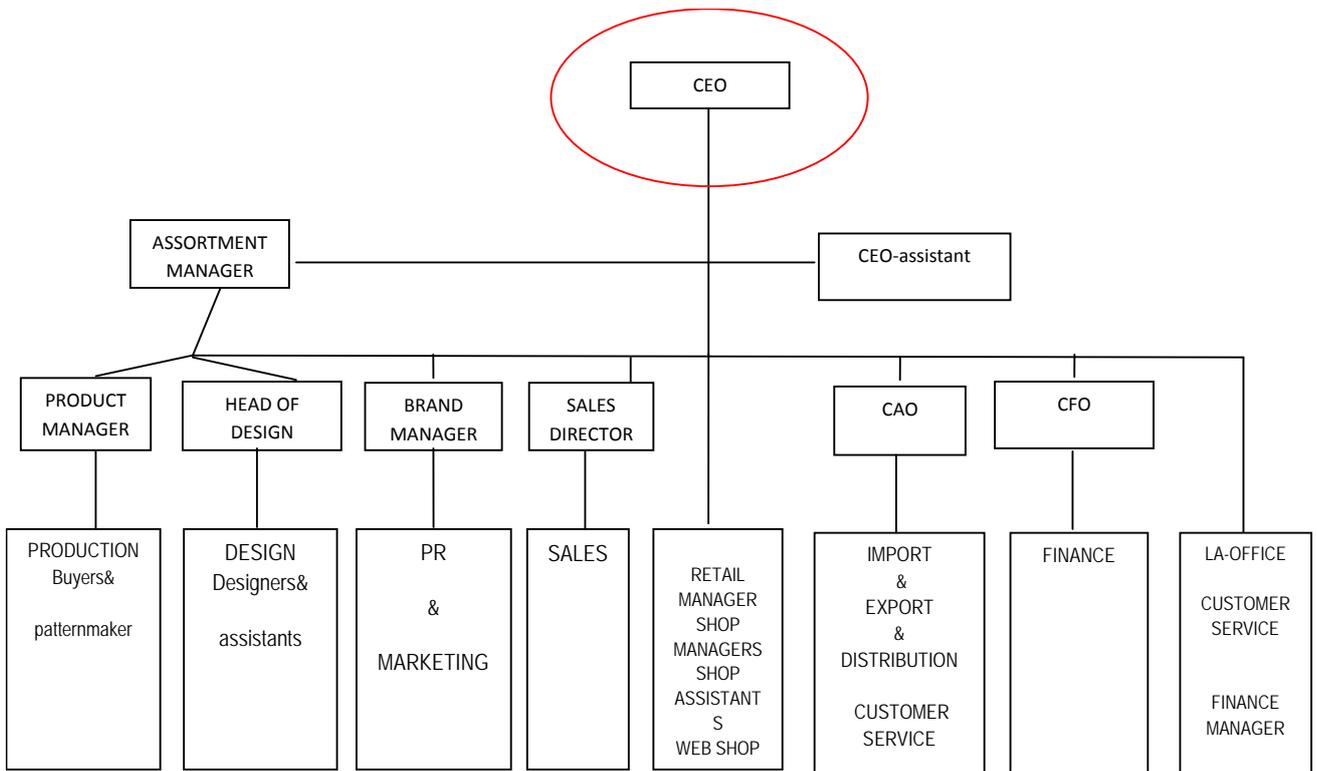
SOCIAL REPORT 2015

Member of Fair Wear Foundation since June 2009

Reporting year (Financial year) January 2015 - December 2015

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Odd Molly in brief

Odd Molly is a Swedish company that designs, markets and sells fashion primarily through outside retailers around the world. In addition, our products are sold through 12 stores and in Odd Molly's own web shop. The products are distinguished by beautiful, personal and daring design, combined with high quality and a distinctive profile. The brand is positioned at the upper end of the medium price segment.

In 2015 Odd Molly's amounted to 345 MSEK.

Odd Molly is concerned about its fellow humans and the environment – and how these may be affected by the company's operations. Since its inception in 2002, Odd Molly has prided itself on being a good world citizen and accepting responsibility for its business relations.

Odd Molly's goal is that all its contacts, from end consumers to business partners, will find value-added in their relationship with the company. Odd Molly's future growth will be achieved while maintaining an attention to quality and acting responsibly toward stakeholders with the help of corporate responsibility, among other, as a strategic step.

Odd Molly is a member of Fair Wear Foundation, a non-profit independent organization, working together with its members to improve the labor conditions in factories within the textile industry. As a member, Odd Molly has undertaken to comply with the Fair Wear Foundation's Code of Labour Practices and to continuously push the supplier toward improvements. Together with the audit team from Fair Wear, we make regular inspections at the factories producing our garments.

Odd Molly believes that long term and tight cooperation with our suppliers is very positive for both parties. Some of our suppliers have been with us since the company started, and

most of them for many seasons. We visit each supplier on regular basis, normally twice a year. This close relationship helps us a lot to make the suppliers understand the importance and the benefits of implementing the Code of Labour Practices.

Odd Molly wouldn't exist without Molly. A skater girl in Venice Beach in the 80s, whose courage to break free from conventions and follow her own dreams inspired us to start Odd Molly in the first place. But Molly is more than just a part of our history; Molly is Odd Molly's soul. Her values reflect upon everything we do.

Odd Molly will always be inspired by Molly, and fight to have more Molly's in the world.

Odd Molly is a brand with a mind, a heart and a conscience.

Odd Molly is also a loving brand with high ambitions, still a brand that will never take itself too seriously.

The Odd Molly mind loves to submit to its appetite for more, always being damn fabulous meanwhile.

We want to believe that our customers, great women worldwide, possess the same cool core values.

This is our way to celebrate the things we love the most.

The people, the places and the moments is what brought us to where we are today.

1. Summary: goals & achievements 2015

"The membership in Fair Wear Foundation gives us a possibility to realize the objectives of our core values – that Odd Molly is a brand with a mind, a heart and a conscience. Our goal is that everyone working with Odd Molly should feel good – including the people producing our garments. Every season we learn more about our suppliers and we are proud to see real improvement happen even if it is happening in small steps... We will always continue to try – always for the love of feeling good!" - Anna Attemark / CEO

During 2015 we continued our work to improve the social standards in the factories we work with. We have done in 4 new audits in China and India. In total we have done more than 20 audits since we became a member of Fair Wear Foundation in 2009.

The work to follow up on audits and verify that suppliers are taking action according to the Corrective Action Plans has been going on continuously during the year. In November, Odd Molly's production manager visited our suppliers in China together with the chief auditor from FWF, and in India we also had several meetings to follow up.

In total this year we have audited suppliers who carry 75% of our production volume in total, and 95, 5% including the low-risk countries, well above that threshold of 90%.

After seven years of membership of Fair Wear Foundation, we have found that the audits we do are a good tool to learn more about our factories and we have succeeded to make a difference in some cases. Anyhow when it comes to issues like wages, overtime and workers awareness, we find it very hard contribute to real change. Therefore we believe that the Workplace Education Program offered by Fair Wear is a better way to go. The program is designed to give in-house factory trainings for workers and managers to raise awareness for the Code of Labour Practices, to strengthen grievance mechanisms and improve communication between workers and management.

During 2015 we had 2 supplier in India and 4 suppliers in China participating.

Moving forward, our goal is to convince all suppliers to participate in the programme.

Internally we continue to improve our management system to make sure all buyers are aware and can follow up on CAP's at each factory visit - this is constant work in progress!

Brand Performance Check for year 2014 was made according to the new scoring system 2015. The result for Odd Molly was GOOD. The check concerning year 2015 will be done in end of May 2016.

Brand Performance Check Summary from Fair Wear Foundation:

Odd Molly meets most of FWF's management system requirements. The company's sourcing strategy is based on long-term relationships and it works with a stable supplier base. 25% of Odd Molly's 2013 purchasing volume comes from suppliers located in low risk countries. Together with the suppliers the company audited the past years, it has reached a monitoring threshold of 84%. This is below the 90% required of brands in 3+ years of membership; however, FWF awarded a good rating. In light of Odd Molly's strong monitoring system and confirmed plans to conduct audits that will exceed 90% in early 2015.

The company has demonstrated improvements at factories that have been audited. Its monitoring system includes frequent visits to suppliers where buyers are responsible for discussing the status of corrective actions. Odd Molly has uploaded their last Brand Performance Check on the company website, a good practice for increased transparency.

In the future, Odd Molly should investigate the root causes of excessive overtime in factories where the brand has high leverage. Odd Molly also needs to develop a pricing policy where the company knows the labor cost of garments. Odd Molly should continue to actively work on enrolling suppliers in the Workplace Education Program.

The full report can be downloaded from:

<http://www.fairwear.org/ul/cms/fck-uploaded/documents/PerformanceChecks/2015/Odd-Molly-performance-check-2015.pdf>

Or

<https://oddmolly.com/csr>

After another year of membership with FWF, we still feel that the most important lesson learned, is that there is no such a thing as a perfect factory - but it is possible to make a change even if it is done in small steps!



2. Sourcing strategy

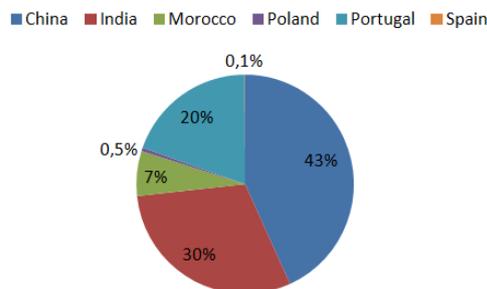
2.1. Sourcing strategy & pricing

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 produce our products at external manufacturers.

To cover the needs for the merchandise we produce, we are today operating in six production countries: China, India, Portugal, Morocco, Poland and Spain. For the moment, we work with approximately 30 suppliers, depending on the season.

Production countries 2015



We choose our suppliers very carefully. Quality in terms of both product and delivery performance are taken into consideration, as well as the suppliers standard when it comes to environmental and social issues.

Odd Molly is a design driven company where the product stands in the first room, 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.

The base criteria 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 Fair Wear Foundation questionnaire/Code of Labor practice, and Odd Molly's Quality Assurance & Chemical agreement.
- Over all professionalism in running a factory and previous experience
- Reference customers

2.2. Organisation of the sourcing department

Sourcing and production department:

We do not have a separate department for sourcing, design and production since we find it more efficient to work with the product development and production in small teams for each product group.

The department is managed by assortment manager, design manager and production manager who work closely together.

The teams for each product group consist of designer, buyer, design assistant and production assistant. Today the teams are:

Light woven/jersey, Heavy woven, Heavy knit, Accessories & Home.

The production manager is also responsible for CSR.

2.3. Production cycle

Odd Molly designs and produces four collections per year: pre-spring, spring/summer, pre-fall and fall/winter.

This is a new system and was effective from 2014. Compared to our old system with only two selling-periods, this allows longer lead-time for production without any risk in terms of pre-bookings from our side. It also evens out the workload for the suppliers as well as in our office.

Main collection	Design and samples	Salesperiod	Production/shipping	Delivery
	26-30 weeks	12 weeks	12-24 weeks	12 weeks
Pre collections	Design and samples	Salesperiod	Production/shipping	Delivery
	16 weeks	8 weeks	12-24 weeks	12 weeks



2.4. Supplier relations

During 2015 Odd Molly introduced some new concepts: *Odd Molly HOME, Beachwear and Rainwear and Shoes*. This means our supplier base has been extended with a number of new factories in India, Portugal and China as well as two production countries, Poland and Spain. Odd Molly staff has been visiting the factories to ensure quality level and social standards. No audits have been done by FWF in those factories yet but will be done if the concept turns out to be successful.

2.5. Integration monitoring activities and sourcing decisions

The outcome of the audits done so far did not affect our sourcing strategy. 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

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

We choose the factories for auditing and follow up on CAPs based on importance of the supplier and size of actual orders, as well as earlier performance.

Odd Molly staff visit all factories at least twice a year to work with product development and quality assurance. The factories are also visited regularly by our local production agent in India who helps to follow up on the CAP: s.

Odd Molly buyers normally follow up on CAPs from previous audits during every visit at the factory. In between visits the follow ups are done by e-mail if necessary.

3.1. INDIA

In 2015 30% of Odd Molly's buying volume was bought from India. We worked with in total 17 factories in India. However, only 5 of these stand for 28% of the total volume and we have concentrated the monitoring activities to these factories.

*Supplier no 3734, India 10,8% of Odd Molly's total buying volume 2015
Audit date August 2013*

We have been working with this factory since 2010 and it has become one of our most important suppliers with growing orders every season. The first full audit by FWF was done 2013. Before that, Odd Molly staff and an auditor from FWF visited the factory for CAP verification based on previous audits done by SGS. During 2015 we visited the supplier to follow up on the CAP from the audit made 2013. For 2016 this supplier has been chosen for verification audit.

This supplier has also been engaged in Sweden Textile Water Initiatives project to improve management of water and chemicals.

- Since two years back this supplier has developed their own workers education program together with an outside consultant. This is based on respect towards each other and also to make people aware of effects of the way you treat each other. This is an ongoing process

with monthly meetings. Due to their engagement in this program the supplier do not feel they can take on another program, such as WEP at the moment. We will evaluate during an audit 2016 if the content in WEP from Fair Wear Foundation is covered.

- One positive point of interest in this factory is that the turnover of workers is very low – many have been staying with the factory for years.
- Overtime is an issue in this factory. During the last audit, managers were hesitant to show records due to bad past experience. We have had a dialogue with the management to ensure transparency.
- Workers were not fully aware about FWF complaints procedure, and contract workers not aware of the company policies, committees or suggestion box. The management confirms that training has been held and introduction to the complaints procedure is now part of the introduction training. Nevertheless this is a constant challenge since contract workers are highly mobile.
- A number of health and safety issues were found during the first audit and most have been corrected by now. For example the drinking water has been tested and the fire drills have been conducted more regularly.
- No complaints have been filed against this supplier.

*Supplier no 3739 India, 9,3% of Odd Molly's total buying volume 2015.
Audit date November 2014*

This is one of Odd Molly's oldest suppliers and was first audited 2009. However, in 2010 we stopped the co-operation due to logistic problem. In 2013 we started again and a new audit was done in 2014. We were happy to see that big improvements had been made since the first audit. During 2015 they participated in Workers Education Program. This supplier has also been engaged in Sweden Textile

Water Initiatives project to improve management of water and chemicals.

- Many findings raised during last audit by FWF audit team had been taken care of. The worker safety and ergonomics are followed, like fire management and first aid systems are good, trained workers wear badges for identification, good practices are posted on the shop floor. Policies are well maintained. Worker committees (works committee, anti-sexual harassment committee, health and safety) are maintained and representatives are elected by the workers. Records are maintained.
- However, some mismatch between offsite and onsite interviews, suggested that workers could be coached and some documents might be incorrect. As a good point, management agreed to it, which shows their willingness to be transparent. Secondly, they regard the audit process as beneficial and learning.

*Supplier no 4849 India, 4,6% of Odd Molly's total buying volume 2014
Audit date August 2013*

We placed the first order with this supplier 2012. Odd Molly staff has visited the factory regularly and an audit performed by FWF was made during 2013 with follow-up in 2014 and 2015. In 2015 they participated in the Workers Education Program. This supplier has also been engaged in Sweden Textile Water Initiatives project to improve management of water and chemicals.

Important findings:

- Management provides a Trust Fund, which invests a profit margin, for the welfare of the workers, such as education scholarship for the children of workers and health expenses for tailors.
- The workers consider this factory as one of the best factories in the region, as it provides a good working atmosphere.
- The audit team observed good practice regarding; (1) document maintenance. All documents were up-to-date, as per legal requirement, and their retrieval time was incredible (2) OHS of the factory (3) worker-management interaction at the shop floor.
- Overtime is an issue in this factory and overtime hours are not visible in the pay slips. Management agreed to improve the production planning. This is work in progress and we could not yet verify that it has been fully implemented.
- No complaints has been filed against this supplier

Supplier no 7214 India, 2,5% of Odd Molly's total buying volume 2014.

Audit date January 2015

We placed the first order with this supplier during 2013. Odd Molly staff has visited the factory several times – however in 2014 they moved to new premises and the audit was done in the new factory in January 2015. This is the first audit ever done in this factory. The management expressed its willingness to learn from the audit.

- Safe and Healthy conditions were in general good. The HR team was found to be experienced and understand the need of a safe working environment, even if this was the first audit in this factory. Factory management is also very concerned about environmental issues. A solar power plant is installed and a system for harvesting rainwater is planned to be built.
- However, also in this factory mismatches between the offsite and onsite interviews were observed which raise the suspicion of coached workers and falsified documents. Odd Molly will have a dialogue with the management to ensure full transparency for the future.
- After the audit we have had a dialogue with the management who ensures us that they had no intention to give out information not being true. We will continue this dialogue as well as we will try to enroll this supplier in Workers Education Program during 2016.

Supplier no 3742 India, 1,8% of Odd Molly's total buying volume 2015.

Audit date: January 2015.

We placed the first order with this supplier during 2008. First audit was done in 2011 and second one in 2015. The factory has been audited several times by various brands and they have a SA8000 audit certification in process.

Overall, the audit team had a good impression of the factory and received positive feedback by workers during the offsite visit.

- During the previous audit, FWF observed some good points like double bonus at 17 percent annual; loan advances to workers; employment of family members of deceased workers and so on. Unfortunately some of these practices have now been discontinued since their business orders fluctuate a lot.
- Wages is an issue in this factory. The workers are paid just the minimum wage, irrespective of new or old work.
- Some of the issues on overtime hours have been addressed since the past audit. At the same time some issues concerning 'employment is freely chosen' were observed. The factory works with the system "Pro Con" for better control and productivity in the production lines. This helps to increase the

efficiency and to control overtime hours, but on the other hand worker's every movement in the factory is monitored.

Most important findings per FWF labor standard, India:

Employment is freely chosen:

We have found no signs of forced labor. Appointment letters are given to workers in all factories but in some cases we found them being incomplete and not updated.

No discrimination in employment:

We have found no proof of discrimination during recruitment or during workers stay in the factory. Most factories do have policies on sexual harassment, discrimination and women's rights. However the functionality of these policies and the committees in the factories is a constant subject of improvement. We are happy that we have had several factories enrolled in the Workers Education Program (WEP) and we will continue to push the suppliers to join the WEP training during 2016.

No exploitation of child labor:

We have found no signs of child labor. None of our factories in India recruited workers below 18 years old. Proof of age is demanded and some factories also keep dental certificate for this reason.

Freedom of Association and the right to collective bargaining:

Most factories do not have any unions. It seems to be a common practice in the region since the unions are seen more like political organizations that pay less attention to workers welfare. Instead it is a common practice to have Workers Committees which take up concerns of workers with the management. All factories do have such committees, still in many cases we found that workers are not aware of their rights and they need more training. Also the method of selecting members to these committees needed in some cases to be improved. Inspection of documents in all factories showed that the workers do have right to bargain collectively.

Further noted, even though the factories do have improved training it is still a case that many workers are unaware of their rights. Thereby this seems to be something which requires monitoring continually.

Payment of Living Wage:

We have found payment of living wage according to the wage ladder being our biggest challenge in India. All factories are paying more than the legally required minimum wages but still not reaching the living wage at all levels in the factories. Most suppliers actually pay considerable more than living wage to those workers who are considered to be most skilled. However, there remains a large gap between skilled and unskilled workers with regard to payment.

Odd Molly as a company is not in a position to guarantee a certain amount of production orders from season to season and we normally hold only a small percentage of the total production capacity in each factory. We will continue to encourage the management in each factory to work towards the living wage level but we see this as a long term project that can only be successful if all customers of a factory work towards the same goal.

No excessive working hours:

We try to work together with factories to plan the production in order to avoid overtime as much as possible. Still overtime occurs during peak periods in most factories. In some cases we found overtime hours not being properly recorded on wage slips which needs to be improved.

Again it is hard for Odd Molly to make a difference by changing our own production planning. We only stand for a small part of the factories total orders and all brands tend to follow the same timetable in terms of delivery periods.

Safe and healthy working conditions:

All factories are organized with health and safety committees and provide training for the workers. Still in many cases we find this not being good enough since workers are not very well aware of the functioning and purpose of these committees.

We have no reports on cases of serious injury at any of the factories even though we found many practical issues that needed to be improved in regards of safe and healthy conditions. In most cases management has been very open for improvement and immediate actions have been taken according to the CAPs.

Although it has been observed in CAPs multiple times and further improvements have been rectified, new observations with regard to safe and healthy working conditions constantly emerge. It requires constant monitoring.

Legally binding employment relation:

We find that most factories provide an appointment letter in the local language to all workers along with the company rules and policies for the workers awareness on their rights and responsibilities. However, we have found some cases with casual workers where records were not kept.

3.2. CHINA

China carries apx. 43% of Odd Molly's buying volume. During 2015 we worked with in total 10 factories in China. We have concentrated the audit activities during the year to the 5 biggest ones standing for the approximately 40% of the buying volume.

Supplier no 2571, China 5,3% of Odd Molly's total buying volume during 2015

Audit date: May 2013 and January 2016

Odd Molly has been working with this factory since 2012. Another FWF member is also a client and we are cooperating to avoid double work as well as to get a greater impact at the factory.

We are happy to see that factory made a lot of important improvements from the first to second audit.

- Workers think that the factory is helpful to provide solutions to most of their complaints and they think their voices are taken seriously.
- The factory revised its payment system to the hourly rate plus performance bonus from the piece rate system as of September 2013. Moreover, all employees are now properly paid for their annual leave and statutory holiday leaves.
- The overtime premiums are now paid according to legal requirements, 150% for regular overtime hours, 200% for weekend overtime.
- There has been a considerable improvement regarding overtime. The factory has been running a project together with local consultants to increase efficiency and decrease overtime. Wages were raised accordingly. Regular overtime hours are up to 3 hours per day which is compliant with the legal requirements. Workers also now receive one day off per 7 days. However, in case of tight delivery, some workers still work up to 68 hours per week.
- Around 95% of the workforce is now provided with social security benefits.
- Workers now receive their labour contract.
- If workers follow the legal requirements to submit resignation application, they are free to quit.
- The factory has a functional Daycare center for the workers children where 70-80 children are taken care of by teachers free of charge.

There are still some important issues that remain:

- Workers are not aware of FWF Code of Labour Practices or FWF complaint mechanism. To improve this, the factory participated in Workers Education Program in June 2015.
- The chairman of the trade union is the administration plant manager instead of rank-and-file worker. In addition, workers have weak awareness towards freedom of association.
- Some health and safety issues remain.
- No complaint has been filed against this factory.

*Supplier no 3751, China 5,3% of Odd Molly's total buying volume 2015.
Audit date: June 2014.*

October 2015 Odd Molly staff visited together with the chief auditor from FWF to do follow up and discuss the CAP face to face.

- During the audit in 2014 it was found that workers were not aware of the FWF CoLP or the grievance mechanism. Therefore the factory participated in Workers Education Program in October 2015.
- During the audit in 2014 workers complained about the temperature in the factory. During our visit in October it could be verified that air-conditioning has been installed and this is no longer an issue.
- Overtime is still an issue during peak season. Management is planning to start to use one more factory for some product categories to reduce it.
- Wages has been slightly increased since last audit but does not reach Asia Floor wage except for a few workers. Most workers are paid wages in between the Legal Minimum Wage and the Industry average. Factory claims that many of their clients are from America and will not accept prices that workers wage to meet the living wage benchmarks. Odd Molly's leverage in the factory is low and therefore we do not have a big influence.
- Before the stitching workers complained that the price for the thin and thick needle sweater was the same, even though a thin needle is more time consuming and the price should be better than the thick needle sweater. This is now adjusted and pricing is fair.
- The factory has invested in an ergonomic program such as chairs with backrest, anti-fatigued floor mats etc. They state they will try their best to perfect the ergonomic program step by step.
- Progress has been made on social security; the coverage rate is for pension has been increased to 63.16% from previously 39.19%; 63.16% for unemployment compared with previously 39.19%, 100% injury and medical compare with previously 70.95%.
- In November 2015 one complaint was filed against this factory. One worker claimed she had been laid off against her will and without proper payment. The factory responded that the case was a misunderstanding and that the worker was not laid off – instead offered to go home early for CNY against 80% payment since the department was out of work. FWF was unable to get in contact with the worker to follow up and therefore the case was closed.

*Supplier no 3719, 16% of Odd Molly's total buying volume 2015.
Audit date: July 2009, March 2013 and September 2015.*

This supplier is one of the very first to produce for Odd Molly, they have been with us since the company started 2002. We have done three audits and October 2015 Odd Molly staff also visited together with the chief auditor from FWF to do follow up and discuss the CAP face to face. We found that several improvements took place since last audit of March 2013:

- Wages have increased significantly since 2013, but the Asia Floor wage has also gone up. The majority of workers are paid well above the industry average, but still below the Asia Floor Wage. Some of the more skilled workers operating on special functions are paid above the Asia Floor Wage.
- There was an official trade union in the factory, but the chairman & committee were appointed instead of democratic elections. Functions of the trade union were not active neither were workers aware of their rights of freedom of association.
- Excessive overtime was still found in peak season. The Factory feedback is that they have a shortage of workers and at the same time workers want to do the overtime hours to earn more. The factory actually does not want to have excessive overtime hours as to reduce the operation cost, they want to recruit more workers to share the workload.
- Social security: Oct 2015, 167 out of 222 employees are provided with pension, unemployment, and 218 employees are provided with medical, all employees are provided with injury insurance. Till mid of 2016, as required by the local government, the insurance coverage rate shall be 100%.
- During the audit, it was found that workers awareness of the Code of Labour Practice was low. Therefore the factory participated in the Workers Education Program in October 2015. The factory also has internal trainings on the labour standards every 2-3 months.

*Supplier no 3768, 11,7% of Odd Molly's total buying volume 2015
Audit date: May 2013 and November 2014.*

This factory has been supplying to Odd Molly since 2011. During 2015 they relocated to a new place to reduce operation cost/rents. Odd Molly staff visited in October 2015 together with the chief auditor from FWF to follow up on previous CAP and to see the new factory.

- It was found that after the relocation the workers are no longer willing to be permanent staff and working hours are flexible since they like that kind of working style. Everyone is paid by piece rate.
- There is no attendance record available and therefore it is not possible to have a wage ladder and also very hard to verify overtime hours. Odd Molly has strongly emphasized the management to improve this and it will be followed up by a full audit in 2016.
- Some health and safety issues were found - For example no pulley guards were found equipped at the linking machines. The management took immediate action and corrected this the week after our visit.

*Supplier no 8263, 2,4 % of Odd Molly's total buying volume 2015
Audit date: April 2015*

This factory is supplying for Odd Molly since 2013 and this is the first audit conducted by Fair Wear.

- Awareness about labour rights was found low in the factory. Therefore they participated in the Workers Education Program after the audit.
- Excessive overtime was found especially in the finishing section.
- Living wages are not reached in this factory– all workers are paid above legal minimum wages but below industry standard.
- It was found that factory management was not aware that juvenile workers should be registered with the local labor bureau and provided with physical examination.
- Safe and healthy working conditions are in general in good order, some minor issues regarding chemicals, machinery and ergonomics were found.

The management were cooperative and willing to advance the working conditions. Odd Molly will follow up on CAP continuously during 2016.

Most important findings per FWF labor standard, China:

Employment is freely chosen:

We have found no signs of forced labor. All workers are free to hand in their letter of resignation and leave the factories.

No discrimination in employment:

We have found few signs of any discrimination during recruitment or during workers stay in the factory. Most factories do have policies on sexual harassment, discrimination and women's rights. Workers are recruited and promoted based on their skills rather than cultural background, nationality, religious belief etc.

No exploitation of child labor:

We have found no signs of child labor. All factories show that their staff at HR department is well trained in factories prohibition of child labor and they follow these policies strictly. There are systems in place to verify the authentic of ID card via internet.

Some factories might from time to time employ juvenile workers, between 16-17 years. In these cases the worker is registered with the local labor bureau according to the legal requirements. Juvenile workers cannot perform any dangerous work and are mostly used in the sewing department. At the time of our audits, there has been no juvenile worker employed in any of the factories.

Freedom of Association and the right to collective bargaining:

Most of the factories are unionized, even though the chairman normally is appointed by management and not by democratic elections, and even though there is only one union allowed in China, the official national trade union. All factories state that they respect workers' choice and the freedom of association and never intervenes workers to join the trade union or to organize any kind of worker committee. Nevertheless, it seems to be the common fact that the workers themselves show very little interest in the trade union. They are not aware of freedom of association or collective bargaining and see the union as a symbol that cannot give any practical benefits. Instead they like to go directly to the management with any kind of complaints or expressions. Factories confirm to give more training but this is an area that needs constant monitoring.

Payment of Living Wage:

Also in China, we find payment of living wage being one of the biggest challenges. Most factories are claiming that they actually have a shortage of manpower and therefore need to increase wages. But still the big gap between skilled and unskilled workers remains. We also find big difference in wage level between our factories. In some cases all workers are paid between Industry Average and the

Asia Floorwage – or even above that for the most skilled workers. In some factories the level is between Legal minimum and Industry average.

Odd Molly is not in a position to guarantee a certain amount of production orders from season to season and we normally hold only a small percentage of the total production capacity in each factory. We will continue to encourage the management in each factory to work towards the living wage level but we see this as a long term project.

No excessive working hours:

We try to work together with factories to plan the production in order to avoid overtime as much as possible. Still overtime is an issue in most Chinese factories. Unfortunately our leverage is low and overtime is not caused by Odd Molly but other bigger clients.

We have though some good examples to share – we have one factory that reduced overtime significantly by improving their production efficiency. We hope that this can inspire others to do the same.

Safe and healthy working conditions:

All factories provide on-going training for the workers and conduct fire drills on a regular basis.

We have no reports on cases of serious injury at any of the factories even though we found many practical issues that needed to be improved with regard to safe and healthy conditions. In most cases management has been very open for improvement and immediate actions have been taken according to the CAPs.

Although it has been observed in CAPs multiple times and further improvements have been rectified, new observations with regard to safe and healthy working conditions constantly emerge. It seems to require constant monitoring.

Legally binding employment relation:

We find that workers in all factories sign labor contracts that are legal and fair. Probation period is 1 month.

3.3. PORTUGAL

Portugal carries apx. 19% 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.

3.4. MOROCCO

*Supplier no 15, Morocco, 10,6% of Odd Molly's total buying volume 2015
Audit date June 2012 and June 2014*

Since FWF doesn't have a set up in Morocco, the audit 2012 was conducted by UL-STR but according to FWF monitoring system. In 2014 FWF conducted a Verification audit.

Since 2014, the factory has been awarded BSCI status Good, and WRAP Gold Status. They have shared the reports with us.

- In general there is a good social atmosphere in the factory. Workers confirm that the manager initiates many social actions and medical help for workers and they believe working conditions have been much improved.
- The factory has a program against illiteracy for workers.

- Most workers in the factory earn more than the Living Wage. Still there is a big variation in wages between the most skilled and unskilled workers. Everybody is paid over the legal minimum wage.
- During audit it was found that for big loans given to workers, the concerned worker has to sign an agreement letter that obliges him to pay back the loan increased by an amount of 10% if he decides to leave the job. This routine has now been cancelled.
- Some remarks with regard to Safe and Healthy regulations were found – all of them have been adjusted – for example all stairs are equipped with anti slip strips, more fire detectors are installed, ventilation is installed in the ironing area.
- OHS responsible has now been trained in health and safety and first aid.
- The health and safety committee is active and conducts meetings regularly.
- Better contract between the factory and home workers has been established since our audit.
- All improvements will be verified during visits in 2016.

3.5. POLAND

Poland with one supplier only carries 0,5 % of Odd Molly's buying volume:

This supplier is Swedish with its own factory set-up in Poland. They have been informed about the FWF membership. The questionnaire has been signed and Code of Conduct has been sent out. No other monitoring activities so far.

3.6. SPAIN

Spain with one supplier only carries approximately 0,1% of Odd Molly's buying volume:

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

4. Complaints procedure

During audits we have confirmed that factories display the information about FWFs complaint service in a proper way (posted on visible notice boards and in local language). In case of any complaint, FWF will forward the same to Odd Molly. We will then communicate with FWF and start a dialogue with the supplier in order to solve the situation.

During 2015 we have had three complaints filed towards one factory in India and two in China. The cases are relevant to the following labor standards of FWF's Code of Labor Practices:

- Payment of living wage
- Legally binding employment relationship
- No excessive working hours

Odd Molly had discussions with the factories to solve the issues in the best possible way. Both cases in China have been closed and the one in India is still being investigated.

5. Training and capacity building

5.1. Activities to inform staff members

Product manager is updating all employees about all FWF-related activities in weekly meetings. We continuously work on increasing the buyer's awareness of various CSR issues in their daily work. During 2015 all buyers participated in a training session with Fair Wear to increase their ability to make proper follow up on CAPs when they visit our suppliers.

5.2. Activities to inform agents

Production agents in countries where we are using such 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

All information concerning our membership in Fair Wear is included in the general package with documents sent to all suppliers we work with. We will not place any orders with a supplier unless they have signed our General Terms, our RHS lists as well as the Code of Labour Practice from Fair Wear. The responsible buyer is to follow up that all these documents are answered and signed. Managers at each factory are informed about the FWF system in a direct dialogue with Odd Molly production manager or our local buying offices.

We control when we visit the factories that CoLP are posted or we ask for photo-evidence– this needs to be monitored constantly.

To keep track on all the production locations we ask all suppliers to fill in a spreadsheet with the details for their main factories as well as the subcontractors. Main suppliers are quite easy to track since we pay visits every season. However, to keep track on the sub-contractors are a challenge and constant work in progress.

Odd Molly is encouraging all suppliers to take part in the WEP training provided by FWF. Until now we had 7 factories in China and India participating and more planned during 2016. The response from the suppliers has been very positive.

Factory managers

Number of Suppliers participating in Workers Education Program			
	India	China	Total
2014	1		1
2015	2	4	6
Total until now			7
Planned 2016	2	3	3

6. Transparency & communication

Odd Molly aims to be fully transparent regarding all our CSR activities.

We inform on the website www.oddmolly.com about the membership of Fair Wear Foundation which was also announced in a press release 3 June 2009.

Sales agents and staff in our shops are continuously informed about our CSR work to be able to fully understand and communicate to our end consumers.

Any question related to CSR that might be raised from customers, are answered directly by CSR manager & production manager through our Customer Service.

7. Corporate Social Responsibility

Other CSR activities during 2015:

STWI

To contribute to a better and more efficient water management in the factories we use, Odd Molly was in 2010 one of 34 Swedish companies who formed Sweden Textile Water Initiative (www.stwi.se) together with Stockholm International Water Institute

By developing guidelines for sustainable water use in the production and manufacturing processes of textiles and leather, we aim to contribute to wiser water management in our supply chain.

SIWI and Swedish brands (STWI) in cooperation with local consultants, support production units by identifying factory-based projects to become more efficient in water, wastewater, energy and chemical management. The production units get education and technical support to implement these projects. (

Swedish International Development Cooperation Agency, Sida, is financing 50% of the project.

3 of Odd Molly's suppliers were participating in the project during 2015. The result was amazing – by doing a lot of small investments or changes in routines, a lot of savings could be done in terms of money, energy, water and Chemicals. To read more details, please follow the link below for the first Global Report:

<http://stwi.se/2015/11/24/modelling-sustainability-stwi-global-report-launched/>

Chemicals

All Odd Molly's suppliers have to sign our lists of Restricted Chemicals, following the European legislation. To make sure that all suppliers are following the rules, we test our materials at accredited laboratories. Odd Molly is also a member of "Kemikaliegruppen" within the Swedish research center SWEREA, supporting textile companies in their management of chemicals within their supply chain.

Animal Welfare

To make a clear statement regarding our policy to not use what is classified as "real fur" we in November 2012 joined the "Fur Free Retailers program".

This means Odd Molly does not use real fur, only skin and fur from animals bred for the food-industry.

We do not accept Mulesing and all our Merinos are certified to be non-mulesd.

We do not accept harmful sheering methods of Angora rabbits therefore we do not use angora yarns.

All our down fillings are certified by IDFL to not be plucked from living birds.

To learn more about our work with sustainability within the supply chain, please visit <https://oddmolly.com/csr>