



Fair Wear Foundation

Management system audit report

Odd Molly

1 July 2010

FWF member since: June 2009

Sources of information

Database FWF

Annual report and work plan

Archived documents

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1. Introduction

In July 2010 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Odd Molly. The MSA is a tool for FWF to verify that Odd Molly implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the MSA has been the work plan for 2010. FWF tailored the MSA to the specifics of the management system of Odd Molly in order to assess the key issues of interest. During the MSA, employees of Odd Molly were interviewed and internal documents have been reviewed.

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

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

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



2. Executive summary

Odd Molly is a fast expanding Swedish fashion company that has been affiliated to FWF for one year. The first year of affiliation has focused on internal capacity building and starting to audit suppliers using FWF audit teams.

During the first year two of the main suppliers in India were audited and two factories in China. Representatives from Odd Molly were present to learn more and discuss the outcomes with the factory management at three of these factory audits. The factory audits showed that important subcontractors doing sewing had not been included in the monitoring system of Odd Molly.

Odd Molly has covered about 60% of their production during its first year of affiliation taking into account that 30 percent is produced in low risk countries. At the time of the MSA, it was not possible to calculate the exact percentage that had been covered by monitoring activities or to verify that the correct supplier register had been submitted. This because not all information regarding production at subcontractors was included. Odd Molly has after the MSA submitted figures showing how much is produced at the different suppliers.

Odd Molly is asking agents and local service providers to report on the progress of the corrective action plans. They report to the product manager who keeps an overview of the progress of suppliers and inform other staff.

Due to high pressure to increase production, Odd Molly has found it difficult to keep time schedules and sees a need to improve their production planning system to give suppliers more predictable lead times. The high pressure to expand has also lead to difficulties in finding human resources to implement a coherent monitoring system for the FWF Code of Labour Practices.

3. Positive findings

Conclusions
1. Odd Molly has after one year of affiliation covered approximately 60% of their supplier base in their monitoring system.
2. Odd Molly is actively cooperating with other buyers (and FWF affiliates) to follow up working conditions at production site level.
3. Odd Molly has started a project to change the production cycle to give more time and transparency as well as predictability on time schedule for everyone involved in production, including suppliers.
4. Odd Molly is actively cooperating with other FWF affiliates in following up working conditions shared suppliers and are open to sharing audit results and follow up of corrective action plans.

Recommendations
3. Odd Molly should try to include feedback from suppliers on how production planning

and lead times can be improved.

4. Sourcing

Conclusions

1. The sourcing policy of Odd Molly is to build long term relations with suppliers that can produce goods to the quality specifications of Odd Molly.
2. When choosing new suppliers Odd Molly firstly follows recommendations and chooses suppliers where they know other brands with high quality standards source. In Odd Molly's experience there is a high correlation with the ability to produce quality goods and decent working conditions. Before start of sample production staff from Odd Molly makes a visual inspection of the factory. Before the full production starts the supplier has to have answered the FWF questionnaire and signed the Code of Labour Practices. Odd Molly has a check list for starting the work with new suppliers which includes asking for any social audits that have been done and informing about the FWF Code of Labour Practices.
3. Odd Molly does not yet have a system to take the factory audit result into consideration when placing new orders (i.e. a system to reward good suppliers or suppliers that have made big improvements). Odd Molly stresses that if serious violations would come out from the factory audit results they would not continue cooperation.
4. The staff responsible for sourcing at Odd Molly is aware of the importance of delivery times and the pricing in relation to excessive overtime and the ability to pay a living wage. However, due to big pressure to increase production the sourcing department has not been able to look into this issue systematically and states that lately the company has not always had the possibility to offer the lead times they would want to. At Odd Molly they are doing a project to "turn back time" in the production cycle. This is intended to give everyone in the production process more time and allow for better planning, something that will also benefit the suppliers planning of their work and their ability to limit excessive overtime.

Recommendations

2. Many high quality brands do not have a well developed system for checking working conditions at their supplier. Odd Molly should have a good picture of the level of commitment to decent working conditions among other buyers when using their presence as an indication on level of compliance.
3. Odd Molly should develop a system whereby results from factory audits can be weighted into the sourcing decisions. Several companies today have rating / ranking systems (or balanced scorecards) that take social performance into consideration. FWF can provide examples of how other affiliates have done this.
4. Lead times as well as avoiding delays and changes in production are instrumental to allowing suppliers' to plan their production. This is also a prerequisite to limit excessive overtime.

5. Coherent system for monitoring and remediation

Conclusions

1. The exact percentage of the Odd Molly's turnover that has been audited could not be verified at the time of the MSA. Since the majority of production had been subcontracted at one audited factory, calculating the exact percentage of the sewing suppliers covered was impossible. However, with about 30 percent produced in low cost countries and four factory audits done by FWF audit teams Odd Molly lives up to the 40 percent rule for one year's affiliation. According to information from the annual report and the factory register submitted, about 60% of production had been audited or was produced in low risk countries.
2. The corrective action plans resulting from conducted audits are followed up and reported on. This is done differently depending on production country. In some supplier countries, agents follow up visits at the factory and report back to Odd Molly by filling in the status in the corrective action plan. In other countries, for example China, the follow up will be done by a local consultant or staff from Odd Molly.
3. Staff from Odd Molly visits the production locations every season. However, it is not always that staff visits the main production location.
4. Odd Molly has actively sought cooperation with other customers of manufacturers regarding monitoring and the execution of Corrective Action Plans. At the moment, they are actively cooperating with other buyers (and FWF affiliates) at two suppliers. This includes sharing audit reports and discussing how best to follow up the corrective action plans.

Requirements

1. Sewing subcontractors should be listed in the supplier register and their contribution to total production should be estimated.
3. Make sure that someone from Odd Molly, or a representative well aware of the FWF Code of Labour Practices, visits the main production locations at least once per year.

Recommendations

3. Since purchasing / quality staff from Odd Molly often visits the suppliers, Odd Molly could develop a system for staff to report on observations regarding the Code of Labour Practices. Easier things like checking if health and safety measures in the corrective action plan have been implemented can easily be done.

6. Complaints procedure

Conclusions

1. Odd Molly has a designated person to handle complaints of workers
2. Factory audits show that the FWF Code of Labour Practices with the contact details to the local complaints handler is not always displayed in the factories.
3. FWF has not received any complaints from workers at suppliers to Odd Molly.

Requirements

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

Recommendations

2. If staff visiting suppliers (the production sites) is informed that they should check if the code is posted on the wall, Odd Molly would quickly be able to make sure the code is posted in all factories.

7. Improvement of labour conditions

Conclusions

Four factory audits carried out on behalf by FWF audit teams during the first year of affiliation indicated several areas for improvement.

1. In China two factories were audited. The FWF Code of Labour Practices was not posted in one of the factories. One of the factories had no independent union branch or an independent workers committee which is run by workers without management involvement. The other factory had too few workers in the committee. Both factories paid incorrect wages for overtime. In one factory a significant share of workers were not covered by all obligatory insurances.
2. In India two factories were audited. Both factories received remarks for code awareness and the obligatory committees for workers were not functioning properly. In one of the audited factories the majority of production takes place in facilities that are owned by the company but outsourced to sub-contractors where all workers are not registered or given contracts and social dues are not paid. The factories also received some recommendations on improvements regarding ergonomics and safety issues. Both factories had recently before the audits undertaken steps to improve their human resource systems to better live up to the Code of Labour Practices.

Based on results of audits carried out by FWF teams and complaints of workers, FWF has drawn up an overview of labour conditions in factories. The overview is annexed to this report.



Recommendations

1 / 2. Several of the parts in the corrective action plans need further discussion between management of factories and workers. It is important that such a discussion takes place and that the outcome of the discussion is documented in order to make progress at the factory level.

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

8. Training and capacity building

Conclusions

1. Staff of Odd Molly has been informed about FWF membership and the implementation of the Code of Labour Practices at a seminar for the whole staff in October 2009. Relevant staff is updated about activities regarding the FWF affiliation during the year. In May 2010 Odd Molly staff from all over the world was informed about the affiliation to FWF at an event. All sales agents meet two times per year and have at one of these occasions been briefed about FWF. Sales agents are updated at agent meetings twice a year about the progress in Odd Molly's work.

2. Production agents/buying offices have been informed about FWF membership and the implementation of the Code of Labour Practices by Odd Molly staff. The agent in India took part in the two factory audits done with FWF audit teams so that they would learn and also be able to better follow up on improvements needed.

3. Manufacturers are informed through the questionnaire and by signing the code as well as through dialogue with Odd Molly staff.

Recommendations

3. FWF recommends that Odd Molly assess if hiring a local service provider to support factories in achieving improvement outlined in the corrective action plans. Often suppliers might need new knowledge and skills to implement some improvements. FWF recommends choosing this approach if the factory has demonstrated its commitment to this process. It is beneficial to share the cost of hiring the expert between Odd Molly and the factory concerned. FWF can make further suggestions and provide references of credible service providers on request.

9. Information management

Conclusions

1. The factory register submitted to FWF did not contain all correct production site addresses and the percentage of the affiliate's total production at each factory (relative importance of the factory to the FWF affiliate) for all suppliers. Also addresses of important subcontractors were missing.
2. The production manager and CSR responsible is now responsible to keep the supplier register updated. Odd Molly plan to make each buyer responsible to keep the data on their factory updated.
3. The system to store information regarding FWF and the implementation of the FWF Code of Labour Practices is a shared folder system on the company's server. At this place everyone within the company can access information regarding conducted audits, answered questionnaires, etc.

Requirements

1. The supplier register of Odd Molly must contain the sewing subcontractors, the percentage that each supplier produces for Odd Molly in terms of value of production as well as the correct address to the location where the production takes place.

Recommendations

1. Inform all agents and local service providers helping Odd Molly with contacts with production sites about the misunderstanding regarding the addresses to make sure they are aware of what addresses that need to be collected.
2. After factory audits are made the correct address can be found in the audit report. This can be used to update the factory register to make sure that correct addresses are recorded.

10. Transparency

Conclusions

1. Odd Molly informs the public about its FWF membership through its homepage. FWF affiliation is not something that Odd Molly more actively goes out to promote towards customers, they think it should be self evident that the company does this kind of work. Odd Molly has organised an evening event for bloggers writing about Odd Molly and informed them about their affiliation to FWF.
2. The annual social report of 2009 has been received by FWF, but has not been placed on the website of the member company.



Requirements

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

11. Management system evaluation and improvement

Conclusions

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

Recommendations

1. Use feedback from agents and manufacturers to evaluate the implementation of the Code of Labour Practices.

12. Basic requirements of FWF membership

Conclusions

1. Odd Molly meets the basic requirements of FWF membership for 2009: the membership fee has been paid and a work plan for 2009 was handed in.

13. Recommendations to FWF

Recommendations

1. FWF could develop short information in English that can be distributed electronically to sales agents.
2. Odd Molly is interested to have capacity building events in Sweden bringing together Swedish affiliates to share experiences and learn.

Improvement of labour conditions: summary of most important findings	Factory audit done on behalf of Odd Molly in China in 2010	Factory audit done on behalf of FWF in China in 2010 (different factory)
Workers interviews	Workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises outside the working hours. In addition, an hour-long meeting was held with randomly selected workers of the factory.	Workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises outside the working hours. In addition, an hour-long meeting was held with randomly selected workers of the factory
Documentation	Work time records are not completed, missing some OTs in weekday evenings & some OTs on Sundays.	Work time records are not completed, missing some OTs in weekday evenings & some OTs on Sundays.
Sourcing practices (price, lead-time, quality requirements)	None	None
Monitoring system of FWF member company	None	No FWF Code of Labour Practice was posted before the audit took place.
Management system factory to improve labour standards	Workers don't know who is the responsible person for factory social compliance program. Factory subcontracts some of its production processes (Embroidering) to other factories. These subcontractors are not properly informed and monitored regarding the FWF Code of Labor Practices.	None
Communication, consultation and grievance procedure	Information about the PRC Labor Law and Code of Conduct of other clients are not posted in the factory. Both management and workers do not receive any training on Code elements.	None
Employment is freely chosen	None	None
No discrimination in employment	None	None
No exploitation of child labour	None	There is no policy paper on management of young workers
Freedom of Association and the Right to Collective Bargaining	There is no independent union or workers committee which is run by workers without management involvement and workers have very little awareness of their legal rights.	Number of workers' representatives in the committee is too small. Meetings of the committee is not regular. Workers are not aware of the works of the workers' representative committee.
Payment of a Living Wage	All workers are paid 125% of normal wage for their Monday to Friday overtime work and are paid 175% of normal wage for their Saturday and Sunday work, which is below legal requirements of 150% and 200% of their regular pay rate.	Wages are being calculated based on a incomplete work time records and workers do not understand wage calculation system.
No excessive working hours	Working times in the factory are exceeding the legal limits and workers have not receive one day off in a 7-day period several months in 2010.	Work time are not accurately recorded. The estimated work time of the factory is in excess of the legal limits in some departments during high season. The factory does not ensure one rest day in every week.
Occupational health and safety	Some emergency lights and signs missing. First aid responders are not trained and available in the factory. No ergonomic program is established in the factory.	2 button machines are found without protection shields. Inside the warehouse for chemicals, the light is not shielded from breakage. The hot water tank was not guarded from being touched by people walking by
Legally binding employment relationship	Not all workers are covered by obligatory insurances.	None
Special remarks	None	None

Improvement of labour conditions: summary of most important findings	Summary of most important findings from audits carried out in India on behalf of Odd Molly in 2009 (2 factories)
Workers interviews	Workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises outside the working hours. In addition, an hour-long meeting was held with randomly selected workers of the factory.
Documentation	None
Sourcing practices (price, leadtime, quality requirements)	No issues raised by management, adequate lead times are given for production.
Monitoring system of FWF member company	Both factory addresses provided to the audit team were incorrect. At one factory the location audited is not the location where the majority of sewing takes place.
Management system factory to improve labour standards	Both factories have made efforts to bring systems into place as regards worker registration over the last months. At one supplier the majority of the production takes place in other facilities where the labour is out-sourced to sub-contractors. The management systems in these units are not up to the mark e.g. the workers are not registered or given contracts, social dues are not paid, there was evidence of overtime that is not documented, the house-keeping is not done well.
Communication, consultation and grievance procedure	The committees (Works, Health and Safety, Prevention of Sexual Harassment) had only recently been constituted, members had not been elected and were not aware of their roles. Factories also lacked functioning grievance mechanisms.
Employment is freely chosen	None
No discrimination in employment	None
No exploitation of child labour	None
Freedom of Association and the Right to Collective Bargaining	There are no trade unions represented in the factory. No signs of anti-union behaviour by management.
Payment of a Living Wage	Minimum Wage is being paid to all workers
No excessive working hours	At one of the factories overtime is not properly documented and compensated.
Occupational health and safety	Both factories received some remarks for ergonomics and missing safety equipment such as guards on sewing machines.
Legally binding employment relationship	Employment contracts missing information on grade of workers and at one facility short time employed staff does not receive proper contracts.
Special remarks	None