



Brand Performance Check

ODLO International AG

Publication date: April 2020

this report covers the evaluation period 01-07-2018 to 30-06-2019

About the Brand Performance Check

Fair Wear Foundation believes that improving conditions for apparel product location workers requires change at many levels. Traditional efforts to improve conditions focus primarily on the product location. FWF, however, believes that the management decisions of clothing brands have an enormous influence for good or ill on product location conditions.

FWF's Brand Performance Check is a tool to evaluate and report on the activities of FWF's member companies. The Checks examine how member company management systems support FWF's Code of Labour Practices. They evaluate the parts of member company supply chains where clothing is assembled. This is the most labour intensive part of garment supply chains, and where brands can have the most influence over working conditions.

In most apparel supply chains, clothing brands do not own product locations, and most product locations work for many different brands. This means that in most cases FWF member companies have influence, but not direct control, over working conditions. As a result, the Brand Performance Checks focus primarily on verifying the efforts of member companies. Outcomes at the product location level are assessed via audits and complaint reports, however the complexity of the supply chains means that even the best efforts of FWF member companies cannot guarantee results.

Even if outcomes at the product location level cannot be guaranteed, the importance of good management practices by member companies cannot be understated. Even one concerned customer at a product location can have significant positive impacts on a range of issues like health and safety conditions or freedom of association. And if one customer at a product location can demonstrate that improvements are possible, other customers no longer have an excuse not to act. The development and sharing of these types of best practices has long been a core part of FWF's work.

The Brand Performance Check system is designed to accommodate the range of structures and strengths that different companies have, and reflects the different ways that brands can support better working conditions.

This report is based on interviews with member company employees who play important roles in the management of supply chains, and a variety of documentation sources, financial records, supplier data. The findings from the Brand Performance Check are summarized and published at www.fairwear.org. The online [Brand Performance Check Guide](#) provides more information about the indicators.

Brand Performance Check Overview

ODLO International AG

Evaluation Period: 01-07-2018 to 30-06-2019

| Member company information | |
|--|---|
| Headquarters: | Hunenberg , Switzerland |
| Member since: | 2008-09-18 |
| Product types: | Sportswear |
| Production in countries where FWF is active: | China, India, Indonesia, Myanmar, Romania, Turkey, Viet Nam |
| Production in other countries: | Cambodia, Croatia, Georgia, Germany, Italy, Poland, Portugal, Sri Lanka, Thailand |
| Basic requirements | |
| Workplan and projected production location data for upcoming year have been submitted? | Yes |
| Actual production location data for evaluation period was submitted? | Yes |
| Membership fee has been paid? | Yes |
| Scoring overview | |
| % of own production under monitoring | 97% |
| Benchmarking score | 79 |
| Category | Leader |

Summary:

ODLO has shown advanced results on performance indicators. With 97% of its own production under monitoring, ODLO meets the monitoring threshold required for members beyond their third year of membership. With a benchmarking score of 79, ODLO has achieved 'Leader' status.

The brand has a strong due diligence process in place. When planning to select a new supplier in a new production country, a country factsheet is produced assessing possible risks. This year a new sheet was developed for Indonesia. ODLO has updated its supplier evaluation this year, integrating social compliance indicators with other indicators. Using data visualisation, the scores of its main suppliers, including social performance, can be compared with one another. ODLO has a strong production planning process in place and made progress on the prevention of excessive overtime in its own production location in Romania. At the same time, the prevention of excessive overtime in Vietnam, China and Indonesia remains a challenge.

ODLO continued with its living wage approach at its own production location in Romania. The brand is currently in the implementation stage of assuring payment of the target wage to all employees of ODLO Romania. The brand started an approach on a living wage for workers at six main suppliers in Turkey, Sri Lanka and Vietnam and made specific calculations based on a local living wage benchmark. ODLO has not yet taken steps to identify and discuss the root causes of why wages are below a living wage, and has not yet started to systematically agree with suppliers to work towards higher wage benchmarks

Performance Category Overview

Leader: This category is for member companies who are doing exceptionally well, and are operating at an advanced level. Leaders show best practices in complex areas such as living wages and freedom of association.

Good: It is FWF's belief that member companies who are making a serious effort to implement the Code of Labour Practices—the vast majority of FWF member companies—are 'doing good' and deserve to be recognized as such. They are also doing more than the average clothing company, and have allowed their internal processes to be examined and publicly reported on by an independent NGO. The majority of member companies will receive a 'Good' rating.

Needs Improvement: Member companies are most likely to find themselves in this category when major unexpected problems have arisen, or if they are unable or unwilling to seriously work towards CoLP implementation. Member companies may be in this category for one year only after which they should either move up to Good, or will be moved to suspended.

Suspended: Member companies who either fail to meet one of the Basic Requirements, have had major internal changes which means membership must be put on hold for a maximum of one year, or have been in Needs Improvement for more than one year. Member companies may remain in this category for one year maximum, after which termination proceedings will come into force.

Categories are calculated based on a combination of benchmarking score and the percentage of own production under monitoring. The specific requirements for each category are outlined in the Brand Performance Check Guide.

1. Purchasing Practices

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------|--|--|-------|-----|-----|
| 1.1a Percentage of production volume from production locations where member company buys at least 10% of production capacity. | 85% | Member companies with less than 10% of a production location's production capacity generally have limited influence on production location managers to make changes. | Supplier information provided by member company. | 4 | 4 | 0 |

Comment: ODLO sources 24% of its production from its own factories in Romania and Portugal, which manufacture exclusively for ODLO. 61 % of ODLO's production volume is produced at suppliers where ODLO buys at least 10% of production capacity.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------|---|---|-------|-----|-----|
| 1.1b Percentage of production volume from production locations where member company buys less than 2% of its total FOB. | 12% | FWF provides incentives to clothing brands to consolidate their supplier base, especially at the tail end, as much as possible, and rewards those members who have a small tail end. Shortening the tail end reduces social compliance risks and enhances the impact of efficient use of capital and remediation efforts. | Production location information as provided to FWF. | 2 | 4 | 0 |

Comment: With 12% of the production volume from production locations where ODLO buys less than 2% of its total FOB, the brand has a relatively long 'tail end' for production. These suppliers mostly produce accessories or other specialized products with limited order volumes. The manufacturing structure, including a decrease of production partners and reduction of the tail-end, is a key area for Odlo. The tail-end decreased compared to 13% last year.

Recommendation: FWF recommends ODLO to continue its efforts to consolidate its supply base by limiting the number of suppliers in its 'tail end'. An important step could be to review the progress made so far and incorporate learnings into its strategy to limit 'tail-end'.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|---|--|-------|-----|-----|
| 1.2 Percentage of production volume from production locations where a business relationship has existed for at least five years. | 49% | Stable business relationships support most aspects of the Code of Labour Practices, and give production locations a reason to invest in improving working conditions. | Supplier information provided by member company. | 2 | 4 | 0 |

Comment: 49% of Odlo's production volume comes from production locations where the brand's business relationship has existed for at least five years, compared to 47% last year. Maintaining stable relations with suppliers is included in Odlo's sourcing strategy.

Recommendation: FWF recommends the member to maintain stable business relationships with suppliers. Long term relationships support most aspects of the Code of Labour Practices, and give factories a reason to invest in improving working conditions.

It is advised to describe policies regarding maintaining long term business relationships in a sourcing strategy that is agreed upon with top management/sourcing staff.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------|--|---------------------------|-------|-----|-----|
| 1.3 All (new) production locations are required to sign and return the questionnaire with the Code of Labour Practices before first bulk orders are placed. | Yes | The CoLP is the foundation of all work between production locations and brands, and the first step in developing a commitment to improvements. | Signed CoLPs are on file. | 2 | 2 | 0 |

Comment: ODLO could show the returned signed and stamped questionnaire for all the new production locations and for the production locations that were missed during performance check last year.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|----------|---|---|-------|-----|-----|
| 1.4 Member company conducts human rights due diligence at all (new) production locations before placing orders. | Advanced | Due diligence helps to identify, prevent and mitigate potential human rights problems at suppliers. | Documentation may include pre-audits, existing audits, other types of risk assessments. | 4 | 4 | 0 |

Comment: ODLO has a strong due diligence process in place. When planning to select a new supplier in a new production country, a country factsheet is produced assessing possible risks using FWF country studies as well as information by ILO and NGOs. ODLO started to produce this year in Indonesia after the development of the country sheet.

ODLO staff visits potential new production locations, conducts an internal assessment to check FWF CoLP compliance, collects existing audit reports and discusses FWF requirements in the first visit. The brand gives a detailed description of its due diligence process in the 2019/2020 sustainability report, which is publicly available.

After starting production in a new country, ODLO actively monitors development on country-level and evaluates whether to further expand business or not.

Recommendation: Fair Wear recommends ODLO to annually update the country risk sheets and share them internally to inform buyers, QCs and other visitors of the production locations about the local context.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--|--|---|-------|-----|-----|
| 1.5 Production location compliance with Code of Labour Practices is evaluated in a systematic manner. | Yes, and leads to production decisions | A systemic approach is required to integrate social compliance into normal business processes, and supports good decisionmaking. | Documentation of systemic approach: rating systems, checklists, databases, etc. | 2 | 2 | 0 |

Comment: ODLO is systematically monitoring the social performance of its suppliers, especially the follow-up on Corrective Action Plans (CAP). Dialogue with factories and results of visits are documented.

ODLO already has a formal supplier evaluation process where social performance has been integrated and has updated this supplier evaluation this year. The evaluation process has two main categories: 1) performance and 2) attractiveness. Social compliance, including audit results, implemented improvements and responsiveness of the supplier, are included as a KPI in the category 'performance'. Currently, all KPIs have the same weight. The scores of all main suppliers are plotted in a graph, which creates a clear and accessible data-visualization to evaluate suppliers.

There is active follow-up and discussion with suppliers with the lower scores, while ODLO also identified some suppliers with a good performance where production will increase.

Recommendation: Fair Wear recommends ODLO to assure in the new system that the compliance with the Code of Labour Practices is sufficiently included in the system., for example by giving certain weight to this element or identify where a relatively good score is required.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------------------------------------|---|---|-------|-----|-----|
| 1.6 The member company's production planning systems support reasonable working hours. | Strong, integrated systems in place. | Member company production planning systems can have a significant impact on the levels of excessive overtime at production locations. | Documentation of robust planning systems. | 4 | 4 | 0 |

Comment: ODLO has strong systems in place to plan production in a way that supports reasonable working hours. The brand shares styles per order, has a system in place with forecasting, is aware of production capacity for most suppliers and discusses and agrees on lead time with suppliers. ODLO has a system to place and track orders for materials and production. This allows ODLO to detect possible problems and set production priorities with the supplier. In 2018-2019 focus was on splitting production to move the peak of the production per supplier according to capacity.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|----------------------|--|--|-------|-----|-----|
| 1.7 Degree to which member company mitigates root causes of excessive overtime. | Intermediate efforts | Some production delays are outside of the control of member companies; however there are a number of steps that can be taken to address production delays without resorting to excessive overtime. | Evidence of how member responds to excessive overtime and strategies that help reduce the risk of excessive overtime, such as: root cause analysis, reports, correspondence with factories, etc. | 3 | 6 | 0 |

Comment: In two of the Fair Wear audits, conducted during its last financial year at a production location in China and Indonesia, excessive overtime was identified. In addition to this, another Fair Wear audit that was conducted end of the financial year at a Vietnamese supplier showed excessive overtime. When excessive overtime is found in an audit, ODLO always discussed this with the supplier. At the Chinese supplier, the issue of working 14 days consecutive was addressed. For the Vietnamese supplier, there are monthly calls about working times, which started in the current financial year. From their side, ODLO has extended lead-time and split shipments. ODLO has stopped production at a supplier that was not willing to improve on overtime earlier and is proactively monitoring the progress made at the Indonesian supplier.

At the same time, the audit at ODLO's own Romanian production location confirmed that the factory had made improvements since the complaint about this topic earlier. The CSR manager monitors the working time records of their own production locations and ways to improve and prevent overtime are identified and discussed.

Recommendation: The efforts of ODLO to analyse and address overtime issues, deliver valuable learning and can to be further channelised to ensure prevention and mitigation. FWF recommends that ODLO actively capture and document learning, in a manner to support holistic remediation and prevention.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|----------|---|--|-------|-----|-----|
| 1.8 Member company can demonstrate the link between its buying prices and wage levels in production locations. | Advanced | Understanding the labour component of buying prices is an essential first step for member companies towards ensuring the payment of minimum wages – and towards the implementation of living wages. | Interviews with production staff, documents related to member's pricing policy and system, buying contracts. | 4 | 4 | 0 |

Comment: ODLO uses detailed costing sheets for all suppliers. For its own production locations, ODLO knows the exact wage share per style. For other production locations, ODLO has insight into labour costs. The brand has an automated system for calculation and updating in their Product Lifecycle Management (PLM) system. For subcontractors, the cost sheets are also distributed and collected.

ODLO monitors in audits that there is no indication of payment below minimum wage and proactively follows-up to make sure that after a raise of the minimum wage in a production country, all workers are paid minimum wage or more. ODLO does not yet cross-check systematically whether prices are sufficient to guarantee the legal minimum wage. Baseline calculations confirm that the legal minimum wage is met or exceeded at all production locations.

Recommendation: Fair Wear recommends ODLO to have a cross-check mechanism in place related to prices and wages, especially when the brands asks for price discounts for low quality, late delivery or other omissions from the supplier side.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------|--|---|-------|-----|-----|
| 1.9 Member company actively responds if production locations fail to pay legal minimum wages and/or fail to provide wage data to verify minimum wage is paid. | Yes | If a supplier fails to pay minimum wage or minimum wage payments cannot be verified, FWF member companies are expected to hold management of the supplier accountable for respecting local labour law. Payment below minimum wage must be remediated urgently. | Complaint reports, CAPs, additional emails, FWF Audit Reports or additional monitoring visits by a FWF auditor, or other documents that show minimum wage issue is reported/resolved. | 0 | 0 | -2 |

Comment: in a Fair Wear audit, one of the findings was that an Indonesian supplier did not pay leaves and benefits to workers according to legal requirements. ODLO could show proof of fast, active and consistent follow up on this issue.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|---|---|-------|-----|-----|
| 1.10 Evidence of late payments to suppliers by member company. | No | Late payments to suppliers can have a negative impact on production locations and their ability to pay workers on time. Most garment workers have minimal savings, and even a brief delay in payments can cause serious problems. | Based on a complaint or audit report; review of production location and member company financial documents. | 0 | 0 | -1 |

Comment: No evidence was found of late payments in the Fair Wear audits of the tier 1 suppliers.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------------|--|---|-------|-----|-----|
| 1.11 Degree to which member company assesses and responds to root causes for wages that are lower than living wages in production locations. | Intermediate | Assessing the root causes for wages lower than living wages will determine what strategies/interventions are needed for increasing wages, which will result in a systemic approach | Evidence of how payment below living wage was addressed, such as: Internal policy and strategy documents, reports, correspondence with factories, etc | 4 | 6 | 0 |

Comment: ODLO has a living wage project at its own production location in Romania. An external organization has conducted a wage analysis determining a target wage, including a survey of 100 workers. Based on this, a target wage has been determined and ODLO made a decision on the approach of the brand how to address root causes and implement the process towards paying the target wage. January 2020 (next financial year) target wages will be paid to all workers.

For six other production locations, ODLO has an overview available of the wages, including and excluding benefits and overtime. For the Vietnamese production locations, ODLO has estimated a target wage based on the difference between the minimum wage and living wage benchmark in region 1. ODLO calculated the difference between paid wages and this estimate. The selected production locations pay wages above this estimate.

For a production location in Turkey, the Fair Wear Labour Minute Value Calculator has been used and for two production locations in Sri Lanka, there is an estimate available. For some production locations, ODLO experiences a lack of openness to share information about wages. The brand has not yet taken steps to identify and discuss the root causes of why wages in Turkey and Sri Lanka are below a living wage. ODLO has not yet started to systematically agree with suppliers to work towards higher wage benchmarks.

Recommendation: Fair Wear encourages ODLO to discuss with suppliers about different strategies to work towards higher wages. It is advised to start with suppliers where the member is responsible for a large percentage of production and long term business relationship.

For the next financial year, Fair Wear advises ODLO to use the recommended living wage benchmarks specified in the appendix of the FWF Living Wage Policy.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|--|--|-------|-----|-----|
| 1.12 Percentage of production volume from factories owned by the member company (bonus indicator). | 24% | Owning a supplier increases the accountability and reduces the risk of unexpected CoLP violations. Given these advantages, this is a bonus indicator. Extra points are possible, but the indicator will not negatively affect an member company's score. | Supplier information provided by member company. | 1 | 2 | 0 |

Comment: ODLO owns one production location in Portugal and one in Romania. Both produce exclusively for ODLO.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|----------|---|--|-------|-----|-----|
| 1.13 Member company determines and finances wage increases | Advanced | Assessing the root causes for wages lower than living wages will determine what strategies/interventions are needed for increasing wages, which will result in a systemic approach. | Evidence of how payment below living wage was addressed, such as: internal policy and strategy documents, reports, correspondence with factories, etc. | 4 | 4 | 0 |

Comment: In its own production location in Romania, ODLO has calculated costs and determined to increase wages and has developed a strategy on how to finance this. Worker representation was involved and specific local circumstances were included for the calculation. The target wage is lower than the calculation of CCC for Romania, which is not specifically focused on this region. The methodology of calculation also differs, as for the ODLO calculation house ownership is included.

ODLO is currently in the implementation process of this strategy and monitors progress. January 2020 payment of target wage for all employees aims to be realized.

For other suppliers, ODLO is currently developing a process on how to proceed with living wages. Although the costs related to increasing wages at several main suppliers are not yet calculated, there is some idea on how to finance wage increases, for example through larger purchase orders or invest in the skills of the workers. For some products, ODLO aims to increase consumer prices and is confident that this will create an added benefit for the consumer.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------|--|---|-------|-----|-----|
| 1.14 Percentage of production volume where the member company pays its share of the target wage | 21% | FWF member companies are challenged to adopt approaches that absorb the extra costs of increasing wages. | Member company's own documentation, evidence of target wage implementation, such as wage reports, factory documentation, communication with factories, etc. | 1 | 3 | 0 |

Comment: ODLO pays a target wage at its own production location, totaling 21 % of their total FOB volume. There has been a discussion between a local stakeholder and the brand whether this target wage can be considered as a living wage or not. The 2019 verification audit at ODLO Romania indeed shows that the wages paid cannot be seen as a living wage as estimated by local stakeholders. Regardless of this discussion, for the assessment of indicator 1.14, the payment of the target wage is measured. ODLO has set a target wage and has an implementation strategy to pay this. During this financial year, not all employees have received the full target wage. The brand is planning to realize this in January 2020 for all employees.

For three Vietnamese locations, ODLO has calculated a target wage between minimum wage and living wage benchmark. A first gap analysis, however, shows that current average wages paid at three production locations are above the target wage (see indicator 1.11 which describes how the calculation is done). ODLO has not yet compared this to living wage benchmarks in the relevant region and not yet identified the differences between average and lowest wages at these production locations. The current status of this analysis means that for this year the 16% of the production volume of the Vietnamese production locations cannot yet be included in this calculation.

Recommendation: We encourage ODLO to show that discussions and plans for wage increases have resulted in the payment of a target wage at its own production location in Romania. ODLO is encouraged to roll out its approach to other suppliers. Where ODLO discovered that wages were already at the level of the estimated target wage, Fair Wear stimulates ODLO to take the next steps towards living wages, as identified in the Fair Wear Living Wage policy (2019).

Purchasing Practices

Possible Points: 49

Earned Points: 37

2. Monitoring and Remediation

| Basic measurements | Result | Comments |
|---|--------|--|
| % of own production under standard monitoring (excluding low-risk countries) | 71% | |
| % of production volume where monitoring requirements for low-risk countries are fulfilled | 26% | To be counted towards the monitoring threshold, FWF low-risk policy should be implemented. See indicator 2.9. (N/A = no production in low risk countries.) |
| Meets monitoring requirements for tail-end production locations. | Yes | |
| Requirement(s) for next performance check | | |
| Total of own production under monitoring | 97% | Measured as percentage of production volume (Minimums: 1 year: 40%; 2 years 60%; 3 years+: 80-100%) |

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|--|--|-------|-----|-----|
| 2.1 Specific staff person is designated to follow up on problems identified by monitoring system | Yes | Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis. | Manuals, emails, etc., demonstrating who the designated staff person is. | 2 | 2 | -2 |

Comment: The Sustainability Manager is responsible and during maternity leave this is covered by the Supply Chain Director and Sourcing Manager.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--|---|-----------------------------------|-------|-----|-----|
| 2.2 Quality of own auditing system meets FWF standards. | Member makes use of FWF audits and/or external audits only | In case FWF teams cannot be used, the member companies' own auditing system must ensure sufficient quality in order for FWF to approve the auditing system. | Information on audit methodology. | N/A | 0 | -1 |

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|---|--|-------|-----|-----|
| 2.3 Audit Report and Corrective Action Plan (CAP) findings are shared with factory and worker representation where applicable. Improvement timelines are established in a timely manner. | Yes | 2 part indicator: FWF audit reports were shared and discussed with suppliers within two months of audit receipt AND a reasonable time frame was specified for resolving findings. | Corrective Action Plans, emails; findings of followup audits; brand representative present during audit exit meeting, etc. | 2 | 2 | -1 |

Comment: ODLO shares audit Reports in a timely manner with the supplier. The CAPs are shared with the worker representatives, except where the CAPs are not available in the local language

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------------|---|--|-------|-----|-----|
| 2.4 Degree of progress towards resolution of existing Corrective Action Plans and remediation of identified problems. | Intermediate | FWF considers efforts to resolve CAPs to be one of the most important things that member companies can do towards improving working conditions. | CAP-related documentation including status of findings, documentation of remediation and follow up actions taken by member. Reports of quality assessments. Evidence of understanding relevant issues. | 6 | 8 | -2 |

Comment: ODLO has dedicated resources and process to systematically follow up on audit findings. This year, the local Quality Control Team was trained and started to be active in the CAP follow-up. At its own production locations, designated ODLO staff is responsible for monitoring and remediation, including subcontractors. For other suppliers, ODLO follows up through emails and phone calls and at times on-site visits. During the Brand Performance Check, ODLO could show active follow-up on corrective actions and status of remediation for a random sample of Fair Wear and other audit findings.

For some suppliers, the brand started a root cause analysis, for example on more complex issues as overtime and social dialogue. This remains challenging as the quality of answers received can not yet necessarily lead to adequate follow-up. Another challenge is the role of independent worker representation in CAP follow-up.

Recommendation: FWF recommends ODLO to gradually ensure factories establish independent worker representation and involve these representatives in monitoring and remediation of findings.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|--|---|-------|-----|-----|
| 2.5 Percentage of production volume from production locations that have been visited by the member company in the previous financial year. | 98% | Formal audits should be augmented by annual visits by member company staff or local representatives. They reinforce to production location managers that member companies are serious about implementing the Code of Labour Practices. | Member companies should document all production location visits with at least the date and name of the visitor. | 4 | 4 | 0 |

Comment: ODLO has visited almost all production locations and discussed labour conditions.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--|---|--|-------|-----|-----|
| 2.6 Existing audit reports from other sources are collected. | Yes, quality assessed and corrective actions implemented | Existing reports form a basis for understanding the issues and strengths of a supplier, and reduces duplicative work. | Audit reports are on file; evidence of followup on prior CAPs. Reports of quality assessments. | 3 | 3 | 0 |

Comment: ODLO has collected existing audit reports from its production locations and assessed the quality of those audits with FWF's audit quality assessment tool. During the performance check, ODLO showed active follow-up on corrective actions.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--|---|---|-------|-----|-----|
| 2.7 Compliance with FWF risk policies. | Average score depending on the number of applicable policies and results | Aside from regular monitoring and remediation requirements under FWF membership, countries, specific areas within countries or specific product groups may pose specific risks that require additional steps to address and remediate those risks. FWF requires member companies to be aware of those risks and implement policy requirements as prescribed by FWF. | Policy documents, inspection reports, evidence of cooperation with other customers sourcing at the same factories, reports of meetings with suppliers, reports of additional activities and/or attendance lists as mentioned in policy documents. | 4 | 6 | -2 |
| Compliance with FWF enhanced monitoring programme Bangladesh | Policies are not relevant to the company's supply chain | | | N/A | 6 | -2 |
| Compliance with FWF Myanmar policy | Advanced | | | 6 | 6 | -2 |
| Compliance with FWF guidance on abrasive blasting | Policies are not relevant to the company's supply chain | | | N/A | 6 | -2 |
| Compliance with FWF guidance on risks related to Turkish garment factories employing Syrian refugees | Intermediate | | | 3 | 6 | -2 |
| Other risks specific to the member's supply chain are addressed by its monitoring system | Intermediate | | | 3 | 6 | -2 |

Comment: MYANMAR

ODLO has one production location which is shared with another Fair Wear member. For this production location, ODLO did extensive due diligence and risk assessment before production started. The location was audited and has participated in a WEP Basic training. ODLO visited the supplier and is active to install a functioning union. The wage ladder of the production location has been included in ODLO's social report.

TURKEY

For Turkey, ODLO showed proof that suppliers are informed about the risks related to the working conditions of Syrian refugees and showed supplier declarations on refugees. Two of the three production locations have been audited, all three are visited. The brand believes that the risk of subcontracting is low as the production process is mostly automated.

OTHER RISK

ODLO has a thorough understanding of risks in different production countries, which are identified in the country factsheets. For Indonesia ODLO explained how it is monitoring suppliers' progress on excessive overtime and for Vietnam the brand mentioned how it works on worker representation.

Recommendation: Fair Wear recommends ODLO to organize a process to keep the country risk sheets up to date.

For Turkey, Fair Wear recommends the brand to ensure that practices are aligned with the 2019 update of the enhanced monitoring policy for Turkey.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------------------|---|--|-------|-----|-----|
| 2.8 Member company cooperates with other FWF member companies in resolving corrective actions at shared suppliers. | Active cooperation | Cooperation between customers increases leverage and chances of successful outcomes. Cooperation also reduces the chances of a factory having to conduct multiple Corrective Action Plans about the same issue with multiple customers. | Shared CAPs, evidence of cooperation with other customers. | 2 | 2 | -1 |

Comment: At 5 shared production locations ODLO has active cooperation with one or more other members with regard to supplier discussions and CAP follow up.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--|---|---|-------|-----|-----|
| 2.9 Percentage of production volume where monitoring requirements for low-risk countries are fulfilled. | 50-100% AND member undertakes additional activities to monitor suppliers | Low-risk countries are determined by the presence and proper functioning of institutions which can guarantee compliance with national and international standards and laws. FWF has defined minimum monitoring requirements for production locations in low-risk countries. | Documentation of visits, notification of suppliers of FWF membership; posting of worker information sheets, completed questionnaires. | 3 | 3 | 0 |

Comment: All requirements for low-risk countries are fulfilled, including visits to all production locations. In addition to this, two Italian production locations are audited.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------|---|--|-------|-----|-----|
| 2.10 Extra bonus indicator: in case FWF member company conducts full audits at tail-end production locations (when the minimum required monitoring threshold is met). | Yes | FWF encourages its members to monitor 100% of its production locations and rewards those members who conduct full audits above the minimum required monitoring threshold. | Production location information as provided to FWF and recent Audit Reports. | 2 | 2 | 0 |

Comment: ODLO has achieved a monitoring threshold of 97% and has conducted full audits/ collected audit reports and actively followed up on corrective action plans at some of the tail - end suppliers.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|---------------------------|--|-----------------------------|-------|-----|-----|
| 2.11 Questionnaire is sent and information is collected from external brands resold by the member company. | No external brands resold | FWF believes it is important for affiliates that have a retail/wholesale arm to at least know if the brands they resell are members of FWF or a similar organisation, and in which countries those brands produce goods. | Questionnaires are on file. | N/A | 2 | 0 |

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|---------------------------|--|---|-------|-----|-----|
| 2.12 External brands resold by member companies that are members of another credible initiative (% of external sales volume). | No external brands resold | FWF believes members who resell products should be rewarded for choosing to sell external brands who also take their supply chain responsibilities seriously and are open about in which countries they produce goods. | External production data in FWF's information management system. Documentation of sales volumes of products made by FWF or FLA members. | N/A | 3 | 0 |

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|---|---|---|-------|-----|-----|
| 2.13 Questionnaire is sent and information is collected from licensees. | Yes, and member has information of production locations | FWF believes it is important for member companies to know if the licensee is committed to the implementation of the same labour standards and has a monitoring system in place. | Questionnaires are on file. Contracts with licensees. | 1 | 1 | 0 |

Comment: ODLO has two licensees, the questionnaire is included in their contract.

Monitoring and Remediation

Possible Points: 33

Earned Points: 29

3. Complaints Handling

| Basic measurements | Result | Comments |
|--|--------|--|
| Number of worker complaints received since last check | 0 | At this point, FWF considers a high number of complaints as a positive indicator, as it shows that workers are aware of and making use of the complaints system. |
| Number of worker complaints in process of being resolved | 2 | |
| Number of worker complaints resolved since last check | 2 | |

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|--|--|-------|-----|-----|
| 3.1 A specific employee has been designated to address worker complaints | Yes | Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis. | Manuals, emails, etc., demonstrating who the designated staff person is. | 1 | 1 | -1 |

Comment: ODLO has designated staff resources and defined clear responsibilities to handle complaints..

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------|--|--|-------|-----|-----|
| 3.2 Member company has informed factory management and workers about the FWF CoLP and complaints hotline. | Yes | Informing both management and workers about the FWF Code of Labour Practices and complaints hotline is a first step in alerting workers to their rights. The Worker Information Sheet is a tool to do this and should be visibly posted at all production locations. | Photos by company staff, audit reports, checklists from production location visits, etc. | 2 | 2 | -2 |

Comment: A sample of Worker Information Sheets was checked and available. This sample included the sheets that were missing during the previous performance check.

ODLO requests pictures from all suppliers to ensure that the worker information sheet is posted in factories. This is checked by local staff in Central Europe during regular visits.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|--|--|-------|-----|-----|
| 3.3 Degree to which member company has actively raised awareness of the FWF CoLP and complaints hotline. | 47% | After informing workers and management of the FWF CoLP and the complaints hotline, additional awareness raising and training is needed to ensure sustainable improvements and structural worker-management dialogue. | Training reports, FWF's data on factories enrolled in the WEP basic module. For alternative training activities: curriculum, training content, participation and outcomes. | 4 | 6 | 0 |

Comment: Six production locations have participated in FWF's Workplace Education Programme basic module in 2017 and 2018 collectively accounting for 47 % of ODLO's production volume in high-risk countries. The factories are located in Vietnam, Romania, and China.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|------------------------|--|--|-------|-----|-----|
| 3.4 All complaints received from production location workers are addressed in accordance with the FWF Complaints Procedure | No complaints received | Providing access to remedy when problems arise is a key element of responsible supply chain management. Member company involvement is often essential to resolving issues. | Documentation that member company has completed all required steps in the complaints handling process. | N/A | 6 | -2 |

Comment: This financial year no complaints were received. For the overtime complaints in Vietnam that started during the most recent financial year, some were resolved and proof of the overtime payments shared with ODLO.

Last financial year there was a complaint filed in ODLO's own factory in Romania. ODLO took serious efforts to resolve the complaint by arriving at a reasonable proposal for compensation, a revision of the Employee Code of Conduct to avoid a comparable situation in the future and closer contact between ODLO head office in Switzerland and the production location in Romania.

Recommendation: It is recommended to uncover the root causes of complaints and prevent them from recurring. When appropriate, the investigation includes incidents at other factories.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|---|--|--|-------|-----|-----|
| 3.5 Cooperation with other customers in addressing worker complaints at shared suppliers | No complaints or cooperation not possible / necessary | Because most production locations supply several customers with products, involvement of other customers by the FWF member company can be critical in resolving a complaint at a supplier. | Documentation of joint efforts, e.g. emails, sharing of complaint data, etc. | N/A | 2 | 0 |

Complaints Handling

Possible Points: 9

Earned Points: 7

4. Training and Capacity Building

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------|--|--|-------|-----|-----|
| 4.1 All staff at member company are made aware of FWF membership. | Yes | Preventing and remediating problems often requires the involvement of many different departments; making all staff aware of FWF membership requirements helps to support cross-departmental collaboration when needed. | Emails, trainings, presentation, newsletters, etc. | 1 | 1 | 0 |

Comment: All new employees receive a detailed introduction training on Sustainability at ODLO including the FWF Code of Labour Practises. On the first day of the financial year, ODLO organized a sustainability day with a focus on a holistic integration and embedding within the organisation.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|--|---|-------|-----|-----|
| 4.2 All staff in direct contact with suppliers are informed of FWF requirements. | Yes | Sourcing, purchasing and CSR staff at a minimum should possess the knowledge necessary to implement FWF requirements and advocate for change within their organisations. | FWF Seminars or equivalent trainings provided; presentations, curricula, etc. | 2 | 2 | -1 |

Comment: CSR is regularly updating teams that are in direct contact with suppliers on audits and complaints. In addition to the development, quality control, and sourcing teams, now local staff is trained in support with Health and Safety checks, social compliance checks and CAP follow-up.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--|--|---|-------|-----|-----|
| 4.3 All sourcing contractors/agents are informed about FWF's Code of Labour Practices. | Member does not use agents/contractors | Agents have the potential to either support or disrupt CoLP implementation. It is the responsibility of member company to ensure agents actively support the implementation of the CoLP. | Correspondence with agents, trainings for agents, FWF audit findings. | N/A | 2 | 0 |

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------|--|---|-------|-----|-----|
| 4.4 Factory participation in training programmes that support transformative processes related to human rights. | 2% | Complex human rights issues such as freedom of association or gender-based violence require more in-depth trainings that support factory-level transformative processes. FWF has developed several modules, however, other (member-led) programmes may also count. | Training reports, FWF's data on factories enrolled in training programmes. For alternative training activities: curriculum, training content, participation and outcomes. | 1 | 6 | 0 |

Comment: There was one Workplace Education Programme (WEP) Violence Prevention at an Indian supplier. One Better Work training was conducted at a production location in Indonesia and one at a production location in Cambodia.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------------|---|--|-------|-----|-----|
| 4.5 Degree to which member company follows up after a training programme. | No follow-up | After factory-level training programmes, complementary activities such as remediation and changes on brand level will achieve a lasting impact. | Documentation of discussions with factory management and worker representatives, minutes of regular worker-management dialogue meetings or anti-harassment committees. | 0 | 2 | 0 |

Comment: ODLO did not actively follow up on the WEP Violence Prevention at the Indian supplier.

Requirement: FWF requires members to discuss the outcome of advanced training with their supplier and agree on the next steps such as regular dialogue or committee meetings.

Training and Capacity Building

Possible Points: 11

Earned Points: 4

5. Information Management

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|----------|---|--|-------|-----|-----|
| 5.1 Level of effort to identify all production locations | Advanced | Any improvements to supply chains require member companies to first know all of their production locations. | Supplier information provided by member company. Financial records of previous financial year. Documented efforts by member company to update supplier information from its monitoring activities. | 6 | 6 | -2 |

Comment: ODLO has a strong system in place to identify all production locations and has made agreements whether, and if so, which subcontractors can be used. For its own production locations, the brand is aware and visiting subcontractors. For the production locations that are not owned by ODLO, (local) ODLO staff visits production locations regularly and checks for subcontracting.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|--------|--|---|-------|-----|-----|
| 5.2 CSR and other relevant staff actively share information with each other about working conditions at production locations. | Yes | CSR, purchasing and other staff who interact with suppliers need to be able to share information in order to establish a coherent and effective strategy for improvements. | Internal information system; status CAPs, reports of meetings of purchasing/CSR; systematic way of storing information. | 1 | 1 | -1 |

Comment: Staff from both sourcing and product development is involved in CSR activities and have bi-weekly meetings. Supplier visits are documented and shared. ODLO staff and suppliers have access to a joint database with relevant information and updates are shared at supply chain meetings and sustainability panel events.

Information Management

Possible Points: 7

Earned Points: 7

6. Transparency

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|---|---|--|-------|-----|-----|
| 6.1 Degree of member company compliance with FWF Communications Policy. | Minimum communications requirements are met AND no significant problems found | FWF's communications policy exists to ensure transparency for consumers and stakeholders, and to ensure that member communications about FWF are accurate. Members will be held accountable for their own communications as well as the communications behaviour of 3rd-party retailers, resellers and customers. | FWF membership is communicated on member's website; other communications in line with FWF communications policy. | 2 | 2 | -3 |

Comment: All ODLO's communication materials and channels contain information about Fair Wear membership in the correct wording. As a Fair Wear leader brand, ODLO uses on-garment communication on hang-tags and product boxes, in addition to the website, brochures, press releases and catalogs. ODLO will move to the new Fair Wear visual identity.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|---|---|---|--|-------|-----|-----|
| 6.2 Member company engages in advanced reporting activities | Supplier list is disclosed to the public. | Good reporting by members helps to ensure the transparency of FWF's work and shares best practices with the industry. | Member company publishes one or more of the following on their website: Brand Performance Check, Audit Reports, Supplier List. | 2 | 2 | 0 |

Comment: The most recent Brand Performance Check report has been published on ODLO's website and production locations are disclosed in ODLO's sustainability report.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--|---|--|-------|-----|-----|
| 6.3 Social Report is submitted to FWF and is published on member company's website | Complete and accurate report submitted to FWF AND published on member's website. | The social report is an important tool for members to transparently share their efforts with stakeholders. Member companies should not make any claims in their social report that do not correspond with FWF's communication policy. | Social report that is in line with FWF's communication policy. | 2 | 2 | -1 |

Comment: The 2019/2020 Sustainability report has been submitted to Fair Wear and published on ODLO's website.

Transparency

Possible Points: 6

Earned Points: 6

7. Evaluation

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|---|--|-------|-----|-----|
| 7.1 Systemic annual evaluation of FWF membership is conducted with involvement of top management | Yes | An annual evaluation involving top management ensures that FWF policies are integrated into the structure of the company. | Meeting minutes, verbal reporting, Powerpoints, etc. | 2 | 2 | 0 |

Comment: The ODLO sustainability strategy is integrated into the company's overall strategy. To ensure progress, status and achievements are reported quarterly to the Executive Management Team.

| Performance indicators | Result | Relevance of Indicator | Documentation | Score | Max | Min |
|--|--------|---|---|-------|-----|-----|
| 7.2 Level of action/progress made on required changes from previous Brand Performance Check implemented by member company. | 100% | In each Brand Performance Check report, FWF may include requirements for changes to management practices. Progress on achieving these requirements is an important part of FWF membership and its process approach. | Member company should show documentation related to the specific requirements made in the previous Brand Performance Check. | 4 | 4 | -2 |

Comment: ODLO had 5 requirements during last year's performance check:

Indicator 1.3: the brand has shown the returned signed and stamped questionnaires

Indicator 1.10: No evidence is shown of late payments in the audits of tier 1 suppliers

Indicator 2.9: monitoring requirements in low-risk production locations fulfilled

Indicator 3.2: Proof of posted worker information sheets was shown

Indicator 3.4: ODLO has taken efforts for timely follow up of complaints

Evaluation

Possible Points: 6

Earned Points: 6

Recommendations to FWF

1. The monthly newsletter is very useful and helps to stay up to date.
2. Valuable support in Romania in complaint remediation.
3. Time to get audit/training reports still needs to be improved.
4. Data management support: is it possible to have an automatic upload from excel file?
5. The CAP not always available in local language.
6. There is a lack of awareness for FWF

Scoring Overview

| Category | Earned | Possible |
|--------------------------------|--------|----------|
| Purchasing Practices | 37 | 49 |
| Monitoring and Remediation | 29 | 33 |
| Complaints Handling | 7 | 9 |
| Training and Capacity Building | 4 | 11 |
| Information Management | 7 | 7 |
| Transparency | 6 | 6 |
| Evaluation | 6 | 6 |
| Totals: | 96 | 121 |

Benchmarking Score (earned points divided by possible points)

79

Performance Benchmarking Category

Leader

Brand Performance Check details

Date of Brand Performance Check:

05-12-2019

Conducted by:

Mariette van Amstel

Interviews with:

CEO: Knut Are Hogberg

Supply Chain Director: Daniel Mulvie

Sourcing Manager: Mattia Aldeghi

Accountant: Andrin Zinner

Marketing Manager: Matt Hundhammer