

Purchasing Practice Policy

OVS is committed to be a fair business partner for its suppliers. We do not own any production plant but we outsource our production to manufacturing partners. We buy from locally owned or multi-national garment manufacturers.

We are aware that our approach to the supply chain can generate a positive impact on environment, local communities and economic development by transferring knowledge and through fair business relationships.

The OVS Responsible Buyer's Code outlines some core principles that OVS upholds during its commercial relationship with suppliers.

PLANNING & FORECASTING

- OVS commits on sharing regular forecasts 120 days in advance of formal order placement with strategic suppliers or with suppliers where OVS production is allocated to more than 30% of the factory capacity. In other cases OVS commits to share a production forecast at least 50 days in advance of formal order placement;
- OVS reserves production capacity, accurately and in advance, to reduce adverse impacts at factory level that could determine pressure to deliver unplanned orders;
- OVS doesn't use the Open-to-Buy ordering practice for seasonal orders in order to avoid unexpected chase orders. The Open-to-Buy method can be agreed with suppliers in case of recurring styles, stock fabrics, etc;
- In case of leftover materials, OVS commits to evaluate their reuse for future orders.

SOURCING & ORDER PLACEMENT

- OVS periodically monitor the available production capacity to respond to the demand for emerging styles, products and materials;
- OVS spreads order volume out over months contributing reducing production unevenness and a more stable ordering pattern across the months trying not to leave empty production lines that otherwise could be difficult to fill at the last minute;

- Lead times are agreed with the manufacturer prior to order placement, as OVS is aware that sufficient lead times enable suppliers to accurately plan and manage their production capacity;
- OVS clearly indicates the agreed shipment date in Purchase Orders at the order placement and commits not to change the expected shipment date;
- OVS commits not to cancel or change purchase orders without sufficient notice to avoid pressing factories to deliver successfully, avoiding overtime and other non-compliances with social and labor requirements; dates and frequency for adjustments are mutually agreed upon.
- In case of orders changed or late orders placement OVS does all the necessary to mitigate risks for rushed order delivery (i.e. providing a list of prequalified subcontractors to fill a portion of the order);
- Any possible penalty for late delivery is explicitly stated in the General Conditions of Supply and is not applicable when the cause of the late delivery is up to OVS;
- OVS has established an internal control system to monitor possible orders changes or cancellations to identify any possible improvement.

COST & COST NEGOTIATION

- OVS adopts an open cost methodology at the negotiation stage evaluating with the supplier the product cost breakdown;
- Every six months OVS plans its seasonal buying process assessing inflation trends, cost of labor, import duties, transportation costs and other external elements with an impact on product cost. This assessment is used to define the minimum target costs, in order to exclude external cost components from product costs negotiation.

PAYMENT TERMS

- The OVS payment policy is agreed with the supplier and enclosed in the General Conditions of Supply;

- OVS commits to timely pay its suppliers to avoid that late payments or extended terms outside the contract agreement may cause adverse impact on supplier's workers;
- OVS has established an internal control system to monitor timely payments or purchased orders.

FEEDBACK COLLECTION

- OVS collects through an annual survey, an anonymous feedback from its suppliers to check correct implementation of its purchasing practices and discloses the findings on the corporate website.
- Any claims in relation to the actual implementation of the policy can be reported to sustainability@ovs.it