

## GLOBAL COMPACT ANNUAL COMMUNICATION ON PROGRESS – SME VERSION

**Company;**  
CMS Group I/S  
Strandlodsvej 6B, 2  
DK – 2300  
Copenhagen S  
Denmark

**UNGC Responsible;**  
Katja Lemmens  
Purchasing  
manager  
kl@modstrom.com

**Date;**  
20<sup>th</sup> of May 2012

**Member since;**  
May 2011

**Number of  
employees;**  
18

**Sector; Textile**

### Brief description of nature of business

CMS group is a Danish fashion company behind the brand Modström. Modström designs and sells fashion for the young female crowd and has done such since the beginning in 2004.

Today we are represented in Northern Europe and are recognized as an innovative brand that fulfill the present's needs for new express fashion, and our short-term delivery gets us closer to the fashion tendencies now and in the future.

The Company was born in Northern Jutland as a little sister to the retail chain Butler-Loftet, but are now located in Copenhagen and has 18 employees. We design and sell 6 yearly collections besides our monthly must haves "Special Selection". Most of our production are made in China and Turkey.

### Statement of support

By joining United Nations Global Compact Modström has taken a strategic decision to support the 10 principles outlined by the Global Compact initiative.

Besides this Modström is in the advisory board of the Nordic association NICE – Nordic Initiative for Clean and Ethical.

We endeavour to influence our suppliers and partners to support the Modström Code of Conduct and from 2011 also influence them to live up to the intentions of the 10 principles of the Global Compact.

We believe that we can take an proactive approach together in reaching the goals of the ten principles year by year. Therefore we have made a Modström UNGC team consisting of a representative from each department, so all employees knows what is happening in this respect. The group meets 4 times a year and focuses on how Modström can live up to the principles, in the best way.

This Communication On Progress report is a stand alone report

**Signature**  
Helle Wagner

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**Position**  
CEO



**PRINCIPLE 1 BUSINESS SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS**

**PRINCIPLE 2 BUSINESS SHOULD ENSURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES**

**Our Commitment or Policy**

Modström supports United Nations Universal Declaration of Human Rights. It is embedded in our company code of conduct and one of the strong values of our company.

Modström and all suppliers must comply with our principles on social responsibility. At the head office in Denmark no one must discriminate regardless of race, sex, colour or religion, and we expect the same from our business partners.

Our vision is to be an attractive partner for our employees and suppliers and at the same time be the preferred fashion brand of the young consumer. To reach this vision we have 9 core values and 3 of those relates to social responsibility;

- We believe in teamwork//Cooperation
- We respect each other
- We show responsibility

Besides this we have 2 Modström Must Win Battles 100% dedicated to comply with the 10 principles;

**A brief description of our Processes or Systems**

Our Code of Conduct contains mainly points regarding social responsibility. Until 1 year ago we did not consider any animal welfare issues, and expected our suppliers to follow the rules given by the governments. However, Modström uses fur as an accessory and also down filling in our winter jacket collection and due to this we have been approached by local NGO's questioning the welfare of these animals.

In Denmark each employee have individual contracts according to Danish legislation, which does not allow any discrimination of any sort and Modström follows this strict.

**Actions implemented in the last year / planned for next year**

- All suppliers have signed the Code of Conduct, and our purchasing manager has visited them and made sure all points are clear and made an inspection.
- Animal welfare; Modström immediately consulted professionals to find out what standards etc to follow in order to live up to international standards. However it turns out that this is a grey area. Instead Modström implemented a new point in our Code of Conduct in regards to animals – taken from the NICE Code of Conduct, which shows respect to the way animals are treated if taking their lives.  
Besides this our CEO and Purchasing manager have worked hard with our suppliers to implement standards and make sure the NICE code is being kept, which is difficult to monitor.
- The 3 points so far in reaching the Must win Battle on SR ;
  - UNGC team – first 2 meetings have been held and minutes from the meetings are uploaded on our intranet, and also discussed in each department.
  - 40% of our suppliers must be BSCI certified by the end of 1213
  - A blog to communicate with our stakeholders – called the right flow.  
<http://modstrom.com/category/categories/right-flow>

**Measurable Results or Outcomes**

As this is our first year we are still not able to measure. But the most important focus point for the purchasing department is to reach the goal of at least 40% of the suppliers must be BSCI certified.

However, our team of dedicated employees in Denmark have shown great interest in the UNGC and give very positive feedback,. All suppliers have received information and we also encourage them to sign up, as the awareness also benefit them in other issues. Most of the



suppliers we have worked with for a long time and luckily must say that due to the tremendous focus on human rights over the last 20-30 years, we hardly face any issues on these principles.

<b>PRINCIPLE 3</b>	<b>BUSINESS SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING</b>
<b>PRINCIPLE 4</b>	<b>BUSINESS SHOULD SUPPORT THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR</b>
<b>PRINCIPLE 5</b>	<b>BUSINESS SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR</b>
<b>PRINCIPLE 6</b>	<b>BUSINESS SHOULD SUPPORT THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION</b>

### **Our Commitment or Policy**

We strongly support all 4 principles, which are also covered in our Code of Conduct. We are a member of the Danish federation of Textile & Clothing, and support the NICE with whom we have participated in developing the new NICE Code of Conduct which is based on UNGC.

We respect the rights of association and collective bargaining, all work must be voluntary, there must be safe and hygienic working conditions and at our suppliers (if applicable) lodgings. Child labour shall not be used, we follow ILO's principles on these issues and if we find that this is violated, the children must be protected and a transition plan must be prepared, in order to ensure their educational and financial safety until they are adults.

According to the Modström code of conduct all suppliers must comply with both national legislations and if Modströms codes are better for the employees this should be followed.

### **A brief description of our Processes or Systems**

In Denmark we follow the Danish legislation and all employees have individual contracts. During 2011/12 the management group has been through a leadership development process called "The common management goal" based on Peter Millings Must Win Battles in order to give them better tools to have a strategic clarity, personal development, team-building and focus on the right battles.

Besides this every year each employee have a planned personal development/wellbeing interview. A questionnaire are being sent out at least 2 weeks before in order for the employee to prepare and focus on what issues are important. After the interview an action plan consisting of maximum 5 points, will be signed by the staff and their manager.

We have 6 weeks vacation each year and all employees have an 8% private pension paid by the company. According to the Danish law we have an safety committee with representatives from employees and the management which is monitored by the labour inspectorate // last visit from 1. March 2012 we achieved the highest score.

On the supplier side our policies are embedded in our Code of Conduct, in line with those recommended by NICE which is approved by United Nations. We strive for long term relationships with our supplier base and seldom change suppliers. We believe that together we can grow and our suppliers have shown great interest in supporting and they all have a very constructive view on human rights and workers standards, which in most cases are higher than the local laws.

### **Actions implemented in the last year / planned for next year**

The management group all participated in the MWB process and have now made a guideline and a plan to reach all 4 battles that have been agreed on



- The 3 points so far in reaching the Must Win Battle of being an attractive workplace
  - UNGC team – first 2 meetings have been held and minutes from the meetings are uploaded on our intranet, and also discussed in each department
  - Later this year, all employees from the head office will participate in a MWB day, so the goals and the way to reach them are clear for all.
  - The management team has given 21 points to the CEO, what they think makes Modström an attractive workplace. These points will be discussed and narrowed down to 5 key points, that will sum up the essence. When this has been done, Modström will make sure to live up to these, and they will be uploaded on our website latest 2012/13.

During our first year as a supporter of UNGC it has been important for us to find the right track for Modström, still keeping our business in mind.

However it's always been Modströms vision to act responsible in all ways, and we will continue doing so, making sure that all employees and suppliers knows and live up to our standards.

### **Measurable Results or Outcomes**

As this is our first year we are still not able to measure. But the most important focus point for the purchasing department is to reach the goal of at least 40% of the suppliers must be BSCI certified.

<b>PRINCIPLE 7</b>	<b>BUSINESS SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES</b>
<b>PRINCIPLE 8</b>	<b>BUSINESS SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY</b>
<b>PRINCIPLE 9</b>	<b>BUSINESS SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES</b>

### **Our Commitment or Policy**

At Modström we are aware of our environmental responsibilities, and want to produce as sustainable as possible knowing that any production will lead to a negative impact on the environment.

We want to educate ourselves to become aware of the possibilities that still complies within our business in fast fashion.

We expect all suppliers to live up to the REACH regulations, and will randomly make check ups to see if our garments can pass the tests.

### **A brief description of our Processes or Systems and actions implemented in the last year / planned for next year**

In our efforts to become a more green company, we have decided that our catalogues should be printed accordingly to the standards of Nordic Ecolabelling.

Besides this we use recycled paper whenever possible and encourage all to save paper and think before they print.

At the head office we help each other to remember to turn off screens and other electrical devices when not in use and our fresh fruit that are delivered twice a week are organic. Electric bulbs are changed into more environmental LED bulbs when they must be changed.

In the sourcing process we are trying to educate ourselves about new fabrics and dyestuff available, that are more environment friendly. Our CEO has participated in 2 seminars



hosted by Textile Exchange, and our design and purchasing department have attended a 2x2 day seminar hosted by NICE as an introduction to becoming a more sustainable fashion company – thus networking with other SME in the same industry to share experiences.

We have changed our carelabel instructions, to include advises to our end-consumer on how to be Green when treating your clothes.

To avoid any waste from packing we now use the export cartons from our suppliers instead of using new cartons when sending out goods, except if they are broken. We have also decided to use recycled carton with only one colour print, before we used white coloured carton boxes with 2 coloured print.

On the supplier side we do what we can to encourage our suppliers to always think environmentally friendly and to avoid all unnecessary use of chemicals. The REACH regulations must be followed at all times.

We strive to reach the shipment dates in due time, to avoid any airfreight. As a fast fashion company this is a challenge, but we have lowered this during the last 3 years by 50% by optimizing the approval procedures. It is our goal that only re-orders and express styles will be shipped by air.

We also encourage our suppliers to participate in the Textile Exchange seminars held in the Far East

### **Measurable Results or Outcomes**

Focus on environmental issues are top of mind in our designers and purchasers mind, they are working constructively to implement this in the Modström collection keeping the fashion in mind. It cannot be measured yet, but the awareness is the first step as we know that the biggest impact is in the supply chain. We work with our suppliers on these issues but we also believe we need governmental help to really make an impact.

In the head office we can do small things everyday....we have a whiteboard where employees write ideas on how to be more eco friendly in our office.

## **PRINCIPLE 10 BUSINESS SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY**

### **Our Commitment or Policy**

Modström strongly refrains from any sort of corruption or bribery. It is our company policy that bribery must not be offered, accepted or demanded at any time.

### **A brief description of our Processes or Systems, actions implemented in the last year / planned for next year**

Accordingly to Danish law bribery is forbidden and no employees at Modström are allowed to receive any personal gifts from suppliers or business partners.

We do not have any procedures to monitor our employees in Denmark as we consider this irrelevant, we believe in freedom of responsibilities.

Bribery has not been a part of our code of conduct, but will be added when an updated version will be sent to suppliers in June 2012.

We believe that it may be quite relevant to focus on this principle together with our suppliers in China and India where bribery and extortion is more commonly accepted. We want to fight this wherever possible and raise awareness.

### **Measurable Results or Outcomes**

Modström have never been involved in bribery or anti-corruption of any kind, and we are confident that we comply with the Danish legislation in this respect.

### **How do you intend to make this COP available to your stakeholders?**

This COP will be available at our homepage [www.modstrom.com](http://www.modstrom.com)