

GLOBAL COMPACT ANNUAL COMMUNICATION ON PROGRESS – SME VERSION

Company;
Modström I/S
Strandlodsvej 6B, 2
DK – 2300
Copenhagen S
Denmark

Date;
August 18th 2014

Member since;
May 2011

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

Number of
employees;
27

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 have done such since the beginning of 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 is now located in Copenhagen and has now 27 employees. We design and sell 6 yearly collections as well as 2 yearly outerwear collections besides our regular must haves "Special Selection". Most of our productions are made in China and Turkey.

Statement of support

Since joining the United Nations Global Compact in 2011 Modström has taken a strategic decision to support the 10 principles outlined by the Global Compact initiative.

Global Compact is a natural part of Modstrom's Code of Conduct and represents our beliefs in way to do business. As a fast fashion company we have committed ourselves to implement these principles in our value chain. We work hard every day to communicate our beliefs to our stakeholders but most importantly to our co-workers and suppliers. Together we are stronger.

It's a great responsibility to be in the fashion industry and there is a lot that can be done, but as a small/medium sized company we alone can do only so much, therefore we strive to work together with organizations so we can set standards in the industry that will support the principals.


Signature
Helle Wagner

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

Our Commitment or Policy

Modström strongly supports all 6 principles concerning social responsibility, which is why all points are covered in our code of conduct. Modström and all our suppliers must comply with our principles on social responsibility and according to our code of conduct suppliers must as a minimum comply with national legislation covering these principles.

Our vision is to be an attractive partner for our employees and business partners and therefore following 3 statements related to social responsibility are part of Modström core values;

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

Therefore discrimination regardless of race, sex, colour or religion is not acceptable. Working conditions must be safe and hygienic as well as lodgings at our suppliers (if applicable). All work must be voluntary and child labour shall not be used. We respect and believe in the rights of association and collective bargaining.

Modström is a member of the Danish federation of Textile & Clothing. We also support the Danish initiative NICE – Nordic Initiative, Clean and Ethical and are a member of their advisory board and participated in developing the NICE code of conduct based on UNGC principles.

A brief description of our Processes or Systems

In Denmark at Modström head office we follow Danish legislation and all employees have individual contracts. We have 6 weeks of vacation each year and all employees have an 8% private pension paid by the company. Besides this each employee has a yearly planned personal development/wellbeing interview.

Additional all employees are being introduced to our Employee Handbook, which is also covering social responsibility and proper conduct at Modström as a working place.

Every two months a working group, consisting of one employee of each department, is discussing UNGC and CR trying to come up with new ways and actions to implement at Modström and to involve our business partners. Each member of this working group will keep their department updated on topics discussed at these meetings.

To communicate with our stakeholders we post updates about CR activities and new initiatives taken under WHAT'S NOW in our website.

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 as well as following ILO's principles on several points. We strive for long term relationships with our suppliers 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. We stipulate that all suppliers sign our code of conduct to accept these terms cooperating with Modström. We have also created a letter directed to new as well as existing suppliers explaining about

Modström's commitment to support UNGC and follow the 10 principles which we ask them to read carefully through and sign as an indication of understanding and interest in working towards this together with Modström.

Modström has taken a conscious choice to support charity organizations, where we feel our help makes a difference.

Actions implemented in the last year / planned for next year

Since committing to support UNGC in 2011 Modström has continuously been in dialog with our supplier to ensure the mentality about social responsibility is unchanged and to encourage a stronger commitment and work towards following UNGC 10 principles. When starting cooperation with new suppliers we carefully choose these looking into their standards on social responsibility.

From August till September 2013 Modström participated in the Danish campaign called Verdens Bedste Nyheder – World's Best News. Modström participated in this campaign by putting a banner on all employees email signatures and by informing on our website as well as on other social medias.

Modström is also to participating in same campaign in August/September 2014 as well as 2015.

In 2012 Modström decided to support the Danish organisation SIND – an organisation for people with mental problems and illness and their relatives. Modström designed and sold printed T-shirts Tawn Charitee in August 2013, Tandie Charitee in February 2014 and Think Charitee in August 2014 and promoted these together with the Danish singer/song writer Mathilde Falch, who is also involved with SIND and have herself experienced problems with substance abuse and eating disorders. Both problems/illness which in the fashion industry are difficult issues and something Modström wants to take a stand against.

To support SIND Modström also designed and produced bicycle saddle covers with Modström and SIND logo. These were handed out at CPH Fashion Fair August 2013 as well as at the Danish national political meeting "Landsmøde" 2013, which SIND attended.

During 2013/2014 Modström has taken initiative to also support other charity organizations. Donations were made to Red Cross and YourAid.

In 2014 Modström decided to support another Danish charity organization, DINNødthjælp – YourAid. YourAid is a voluntary non-profit organization, which primary purpose is to support the world's poorest children so they can get a more dignified life. YourAid is especially focusing on putting an end to the accusations of witchcraft particularly those directed at children in Nigeria.

In June 2014 Modström volunteered to sponsor a "Child Development Officer" for an orphanage in Nigeria founded by YourAid.

Besides that during Copenhagen Fashion Week August 2014 Modström collaborated with Holm's Bakery to design and sell an iconic round "hindbærsnitte". For each sold hindbærsnitte both Modström and Holm's Bakery donated 5DKK to YourAid.

In 2014/2015 Modström will continue the charity work with YourAid in order to support this good cause of helping children in the developing countries to a better future.

Measurable Results or Outcomes

Having a close dialog with our suppliers about cooperate social responsibility we were happy to learn that in particularly one of Modström's long term suppliers has started a charity project. This project is to help unemployed poor women in New Delhi. The project is made to give women sewing skills so they will have greater opportunity to find work. They found a location and provided sewing machines and instructors to teach these skills to unemployed women to try and give them a better future. This tells us that we truly are cooperating with people of the same mindset as Modström.

By participating in World's Best News campaign each year Modström shows our support to

United Nations and Danida while raising awareness among all our stakeholders that the fight to end poverty is working and that UN's 2015 goals are being reached. We always receive a lot of positive feed-back both on the social medias as well as in our stores while the campaign is running.

By designing and selling charity T-shirts Modström has again been able to donate part of the proceeds from these t-shirts to SIND. Besides donating money we have learned that it has had great effect for all the people involved with SIND to see and hear about the organisation through other channels.

By making donations to YourAid we are supporting the organization in their work to help mistreated and excluded children in Africa with a place to stay in a newly started orphanage as well as helping to put them through school. This is also closely connected to UN's 2015 Goal 1+2+3+4.

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

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.

Modström is a member of the Danish federation of Textile & Clothing. We also support the Danish initiative NICE – Nordic Initiative, Clean and Ethical as a member of their advisory board and participated in developing the NICE code of conduct based on UNGC principles.

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

We strive to have a close dialog with our suppliers on what we can do to become more sustainable in our production as well as working continuously on finding more sustainable ways and procedures at our own office.

A brief description of our Processes or Systems

At Modström we do what we can to be as environmentally friendly as possible. This means that in the office the fresh fruits delivered to us once a week are organic, detergent used to do washing test of garments is "Svanemærket" – The Nordic Eco-label, we re-use copy paper to save paper and we are part of HP/Canon take back printer programs.

To avoid any waste from packing we use export cartons from our suppliers instead of using new cartons when sending out goods to customers.

Purchases made in our online web store are packed and sent in recycled plastic bags and also the plastic bags used in our Modström stores are made of recycled plastic.

Furthermore we have in cooperation with suppliers reduced plastic waste by reducing weight of polybags in which our basic t-shirt programs are packed and our outerwear being shipped to external warehouse for pressing and re-packing are not packed in single polybags.

In our Modström UNGC/CR working group we every two months discuss new initiatives to implement.

We do what we can to encourage our suppliers to always think more environmental friendly and to avoid all unnecessary use of chemicals. We expect all suppliers to live up to the REACH regulations and will randomly make tests to see if the garments will pass. We require all suppliers to sign a document stipulating the same to ensure their commitment.

We think information is the key to change so we also make an effort to involve our customers. Besides communicating through social medias and WHAT'S NOW in our website, we also encourage customers to be more environmentally friendly washing and taking care of their Modström clothes by advice given in carelabels.

Actions implemented in the last year / planned for next year

We strive to reach the shipment dates in due time to avoid airfreight. We will impose a delay penalty on our suppliers rather than asking them to ship by air on their account due to delay in shipment dates.

Modström will keep striving to avoid air freight shipments and hopes reduce our carbon foot print.

At our head office in Copenhagen we have been in the process of changing all our normal spotlights to LED spotlights. LED spotlights are using a lot less energy and are lasting much longer. During 2013/14 the remaining normal spotlights have now been changed and we are happy about that.

We also decided to do the same in our retail stores. In existing stores we are changing from normal spotlights to energy saving lights when necessary and new stores will from start be with energy saving lights.

Every year we contribute to the world wide EARTH HOUR event asking for support/participation to all stakeholders through all employees email signatures, our website and social medias throughout the week leading up to the event, which was on 29th of March 2014. Modström is planning to do the same again leading up to EARTH HOUR 2015 28th of March.

We are continuously working on using more sustainable materials such as recycled fabrics or organic cottons or in other ways more sustainable fabric.

This has shown to be a challenge for us being a smaller company as minimums are often rather high on these fabrics. Nevertheless this is something which remains to be a goal for Modström.

Measurable Results or Outcomes

In 2013/14 we have successfully reduced our carbon foot print index per piece compared to both last year and previous year which is starting point. We have been able to accomplish this by further reducing air freight shipments through planning and buying smarter in order to control shipments being made by air and keeping this to an absolute minimum.

<i>Shipmode</i>	<i>CO²/ton factor</i>	<i>CFP index 2011/12</i>	<i>CFP index 2012/13</i>	<i>CFP index 2013/14</i>
<i>Sea</i>	112,00	100	187	192
<i>Air</i>	7.640,00	100	114	87
<i>Road</i>	130,00	100	60	89
	<i>Pcs index</i>	100	113	104
	<i>CFP index per pc:</i>	<u>1,00</u>	<u>1,07</u>	<u>0,96</u>

By changing remaining normal spotlights to LED spotlights at our head office we have saved around 1006,50kwh and by changing in our retail stores we have saved 2867kwh.

Because we re-use copy paper we reduced our consumption of new copy paper in 2013/2014 compared to 2012/13.

<i>Copypaper Consumption</i>	<i>Boxes</i>	<i>Pages of paper</i>
<i>2012/13</i>	215	537.500
<i>2013/14</i>	105	262.500
<i>Total reduction</i>	<u>110</u>	<u>275.000</u>

We believe information is the way we can contribute to greater changes for the environment. By participating in the EARTH HOUR campaign Modström has supported WWF and raised awareness about the climate changes threatening our global environment.

All the initiatives taken to be more environmentally responsible are also closely connected to UN's 2015 Goal 7 – ensure the development of a sustainable environment.

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 and 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.

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

We did not have paragraph about bribery in our code of conduct before. This was added in 2012 and our code of conduct was sent to all suppliers again for signing.

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.

In general we hear from our suppliers that corruption and bribery is not a big issue for them and we are confident that they are also focused on working towards a zero tolerance.

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

This COP will be available at our website www.modstrom.com