



GLOBAL COMPACT ANNUAL COMMUNICATION ON PROGRESS – SME VERSION

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

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

Date;
August 18th 2015

Member since;
May 2011

Number of
employees;
24

Sector; Textile

Introduction

At Modström we pride ourselves on being the ones who interpret the latest trends for young women. We design and sell 6 yearly collections as well as 2 yearly outerwear collections besides our regular must haves "Special Selection".

With these collections we fulfill the present's needs for the newest express fashion and our short-term delivery gets us closer to the fashion tendencies now and in the future. Our collections are represented in our 6 concepts stores and with more than 400 retailers in 13 countries around the world.

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

This starts within our own company and with selecting the right suppliers and building trusting relationships with them to ensure they live up to the same high standards, in regards to working conditions, the environment and production processes. To us Corporate Responsibility is about taking an open and active stand on how our designs are being produced.

Every two months a working group, consisting of one employee of each department, is discussing UNGC and CR to find 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.

Modström is also 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.

**Statement of support**

Modström has been a member of United Nations Global Compact since 2011 and we strive to fulfill the intentions of the 10 principles outlined by the initiative.

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

By working on the COP we will extend our measurements of our performance and set new goals for the future.

This Communication On Progress report is a standalone report.

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 and processes

Modström strongly supports all 6 principles concerning social responsibility, which is why all points are covered in our code of conduct and embedded in Modström core values and beliefs.

We believe that discrimination regardless of race, sex, colour or religion is unacceptable. 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.

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.

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 our commitment to UNGC 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.

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. Several of the suppliers we work with are in some way certified with BSCI, ISO, SEDEX, SGS or other kind.

This is also why Modström has taken a conscious choice to support charity organizations or other news campaigns, where we feel our help can make a difference in regards to human and labour rights.



Actions, results and plans for next year

During 2015 we introduced massage for employees at Modström head office each month to relieve work related problems due to sedentary work and stress. Work related illnesses has not been a problem at Modström and by offering massage to the employees we hope to keep it like this and even improve the wellbeing of all employees in general.

To strengthen the dynamics in the office and to create a deeper respect for each other and a better work environment we have also been through a series of workshops in 2015 focusing on Modström core values and beliefs.

It will be a continuous focus for the management to ensure a good work environment at Modström.



From August till September 2014 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 will also be participating in same campaign in August/September 2015.

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.



In 2014 Modström decided to support another Danish charity organization, DINNødhjælp – 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.

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. Besides continuing to sponsor the "Child Development Officer" at the orphanage, we have plans to collaborate with YourAid about charity t-shirts, where part of the proceeds from these t-shirts will go to YourAid.

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 the orphanage as well as helping to put them through school. This is also closely connected to UN's 2015 Goal 1+2+3+4.



In 2014 Modström was one of the 11 Danish design companies to take part in the Elefashion by decorating an elephant statue to take part in the elephant parade in Denmark to create a link between fashion and charity donations to the Asian elephants.

After ending the parade, the elephants where put up for auction during 2015 and off course we had to buy the one designed and decorated by the Modström team. The statue is now decorating one of the offices at Modström and 6000dkk went to the elephant hospital in Chaing Mai, Thailand.



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

Our commitment and processes

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 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.



We believe we have to start with ourselves so within Modström we have taken different conscious choices to be more sustainable. This means that the fresh fruits delivered to us once a week are organic, the detergent used for laundry and washing tests is marked with The Nordic Eco-label, in order to save paper we re-use copy paper when possible and we are part of HP/Canon take back printer programs. We have also changed all our spot lights to be LED spot lights in our office and stores in order to save energy. Trying to save energy we also turn off our computer screens every night before leaving the office.

In our warehouse we also try to be more sustainable which means purchases made in our online web store are packed and sent to customers in recycled plastic bags, the same type of plastic are used for the bags in our Modström stores.

Another thing is that we use export cartons from our suppliers instead of using new cartons when sending out goods to customers in order to avoid any unnecessary waste from packing.

Any new cartons we order in case we need them are FSC marked. We also strive to use FSC marked paper for our collection look books.



Furthermore we have in cooperation with suppliers reduced unnecessary 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 as these would not be possible to re-use.

Another way not to contribute to further direct wastage is that our left over garments, returns and sample collections will never be destroyed but will always be sold through other channels like stock sale and outlets.

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.

Besides the above mentioned 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

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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, results and plans 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 to reduce our carbon foot print.

In 2014/15 we have successfully reduced our carbon foot print index per piece even further compared to the previous two years. 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.

Shipmode	CO²/ton factor	CFP index 2011/12	CFP index 2012/13	CFP index 2013/14	CFP index 2014/15
Sea	112,00	100	187	192	213
Air	7.640,00	100	114	87	55
Road	130,00	100	60	89	60
	Pcs index	100	113	104	106
	CFP index/pc:	<u>1,00</u>	<u>1,07</u>	<u>0,96</u>	<u>0,70</u>

Besides the re-use of copy paper when possible, we also in 2014 invested in a new printer and copying machine on which it is possible to print on both sides in order to try to reduce our use of copy paper further.

Copypaper Consumption	Boxes	Pages of paper
2012/13	215	537.500
2013/14	178	445.000
2014/15	161	402.500
Total reduction	<u>54</u>	<u>135.000</u>



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 28th of March 2015. Modström is planning to do the same again leading up to EARTH HOUR 2016 29th of March. By supporting EARTH HOUR we try to emphasize our commitment to protect our planet reaching further than what we do in Modström head office every day and reaching further than the one hour event.

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

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All though this has shown to be a challenge for us being a smaller company as minimums are often rather high on these fabrics, especially recycled fabrics, we are now including more and more sustainable fabrics such as tencel and cupro in our collections. We also did include organic cotton on our Autumn 2015 collection. It continues to be a goal for Modström to use more sustainable fabrics in our collections.

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

Our Commitment

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.

Our Processes

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.

Results

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