

GLOBAL COMPACT ANNUAL COMMUNICATION ON PROGRESS – SME VERSION

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

UNGC Responsible;
Charlotte Lyngberg
Communication &
Marketing Manager
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Date;
August 18th 2016

Member since;
May 2011

Number of
employees;
20

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, feminine brand that fulfill the present's needs for contemporary fashion. Our short-term delivery gets us closer to the fashion tendencies now and in the future.

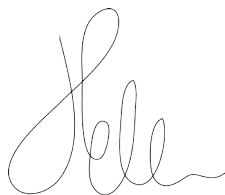
The company was established in Northern Jutland as a sub-company to the retail chain Butler-Loftet, but is now located in Copenhagen and has 20 employees. We design and sell 4 yearly collections, additionally we feature a "Special Selection" a few times a year. Most of our garments are produced in China 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 Modström'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 to be done, however, as a small/medium sized company, we alone can do only so much, therefore, we strive to work together with organizations, to gain synergies' and to set standards in the industry. With these efforts, we 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 thus, 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. Hence, the 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

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 must not be used. We respect and endorse 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 have participated in developing the NICE code of conduct based on UNGC principles.

A brief description of our Processes or Systems

At the 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. Additionally, each employee has a yearly planned personal development/wellbeing interview.

All employees are introduced to our Employee Handbook, which also covers social responsibility and proper conduct at Modström as a working place.

Every two months, a working group, consisting of one employee of each department, meet and discuss UNGC and CR with the aim of creating new ways and actions to implement at Modström and ways 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 on 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 us. They all have a very constructive view on human rights and workers standards, which in most cases are exceed 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 including the 10 principles, which we ask them to read carefully 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 until September 2015 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 2016.



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 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. Modström continues to do so.

Each season Modström introduces a so-called 'Charitee'. The t-shirt is made with the aim to create further capital for YourAid, and thus from each piece sold, 2 Euro's goes directly to the organization. We take great pride in supporting this good cause.

Measurable Results or Outcomes

As a consequence of our close dialog with our suppliers, we were happy to learn that one of Modström's long term suppliers have started a charity project of their own. This project is to help unemployed poor women in New Delhi. The project aims at giving women sewing skills, so they will have greater opportunity to find work and support their livelihood. They found a location and provided sewing machines and instructors to teach these skills to the women to try to give them a better future. This tells us that we truly are cooperating with people of the same mind-set as Modström.

By participating in World's Best News campaign each year Modström shows support to United Nations and DANIDA, while raising awareness amongst 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 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 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 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 on our online web store are packed and sent in recycled plastic bags, and furthermore the plastic bags used in our Modström stores are made of recycled plastic.

Additionally, 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.

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.



We do what we can to encourage our suppliers to always think more environmentally 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 on our website, we also encourage end-customers to be more environmentally friendly washing and taking care of their Modström clothes by advice given on care labels.

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 airfreight shipments and always aim at reducing our carbon footprint.



Every year, we contribute to the worldwide 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.

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 that remains a goal for Modström.

Measurable Results or Outcomes

In 2015/16, we have successfully reduced our carbon foot print index per piece compared to both last year and previous year, which is our 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.

	CFP index on shipmode 2011-12	CFP index on shipmode 2012-13	CFP index on shipmode 2013-14	CFP index on shipmode 2014-15	CFP index on shipmode 2015-16
Sea	100	187	192	213	156
Air	100	114	87	55	39
Road	100	60	89	60	97
Pcs index	100	113	104	106	86
CFP index per pc:	1,00	1,07	0,96	0,70	0,61

Because we re-use copy paper, we further reduced our consumption of new copy paper in 2015/2016 compared to 2014/15. The reduction is quite significant.

<i>Copypaper Consumption</i>	<i>Boxes</i>	<i>Pages of paper</i>
2012/13	215	537.500
2013/14	105	262.500
2014/15	161	402.500
2015/16	41,5	103.000
Total reduction	<u>119,5</u>	<u>299.500</u>

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

According 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