

GLOBAL COMPACT ANNUAL COMMUNICATION ON PROGRESS

2019



Modström

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WHO WE ARE

Modström is a Danish fashion brand founded in 2004. Colorful, yet feminine, designs come in 4 ready-to-wear collections and 2 outerwear collection. In addition, our express diffusion range Special Selection is released around 6 times a year as a testament to our dedication to staying curious and in the now. Spearheaded by CEO and owner Helle Wagner along with Creative Director Anne Nøhr, the hardworking duo brings a hands-on female perspective to the fashion industry. With focus on creating a meaningful business model throughout the supply chain and all the way to the girl in the streets.

Company culture is characterized by a passion for fashion, entrepreneurship and hard work. The overall mission is not to aim the Modström design at an exclusive crowd but rather create a beautiful and easy-to-wear wardrobe relevant to many women.



BRAND VALUES

AUTHENTICITY

Authenticity to shine through at all times, we always keep our promises and we work for an honest and transparent partnership.

RESPECT

Respect means that we admire and celebrate each other and our partners.

PASSION

Passion is the heart of Modström. We always go that extra mile to improve and to develop our design and our people.

PERSISTENCE

We always see opportunities rather than limitations and strive to evolve and deliver that extra bit of something.

JOY

For us, the feeling of joy is fundamental for creativity to flourish and for a strong teamwork to persist.

RESPONSIBILITY

We believe it is important that we take responsibility and strive to improve on matters where we can make a difference.

STATEMENT OF SUPPORT

To our stakeholders,

I am pleased to confirm that Modström ApS reaffirms its support of the 10 Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

We take pride in our designs and we take pride in being a responsible company in the fashion industry. To us, Corporate Responsibility is about taking an open and active stand on how our designs are produced. Therefore, we have decided to work within the standards of the UN global compact and their 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

We work closely with our trusted suppliers to make sure all of our garments are produced under proper conditions, and inform and guide our suppliers and subcontractors on our values and the 10 principles we wish to adhere to. In addition, we visit our suppliers every year to keep a strong and transparent relationship.

For Modström to keep progressing each year, we actively take an approach to reaching the 10 principles by having a representative from each department meet every 3rd months to discuss how Modström and everyone involved in Modström can influence, impact and inspire positive action. Our CSR team work actively towards maintaining and keeping our sustainable goals.



Helle Wagner
CEO, Modström

1. HUMAN RIGHTS

“Businesses should support and respect the protection of internationally proclaimed human rights and they should make sure that they are not complicit in human rights abuses.”

1.1 COMMITMENT

All human beings are born free and equal in dignity and rights. We believe that discrimination regardless of race, sex, color or religion is unacceptable. Working conditions must be safe and hygienic for all employees, as well as lodgings at our suppliers (if applicable). All work must be voluntary and child labour shall not be used. In case of non-compliance of our principles we immediately take action and we work alongside our suppliers to help them improve their work processes. We believe in helping and guiding our suppliers to understand our principles and why they are of such great importance to us, but if it is a matter of a serious violation of Modström’s Supplier Code of Conduct, we do not hesitate to terminate the cooperation.



1.2 ACTION

SUPPLIER CODE OF CONDUCT

When entering into a contract with a supplier, we stipulate that the supplier signs a declaration stating that the supplier under no circumstances will manufacture garments that bear risk to consumers' safety. In specific, no products can contain any harmful substances. Further, we require that no employees are exposed to substances that bear risk to the employees' health. We closely monitor the development of the legal regulation of substances, and if new requirements occur, we immediately inform our suppliers. Just as well, as we expect our suppliers to constantly follow the legal situation in their countries. We strive for long term relationships with our suppliers and believe that together we can grow. Our suppliers have shown great interest in supporting our commitment to UNGC and they all have a very constructive view on human rights.

WORLD'S BEST NEWS

Modström is in partnership with the Danish company "Verdens Bedste Nyheder", meaning World's Best News, as we share a passion for promoting positive news and supporting the Sustainable Development Goals.

Working within UNGC's 10 principles we contribute to a number of the goals, especially focusing on goals 1, 8, 12 & 13.



SUPPORT

Modström believes in human rights and a case very close to our heart is DINNoedhjaelp organization founded by Anja Ringgren Lovén. Modström has taken a conscious choice to support the organization DINNoedhjaelp, fighting for children's rights. It is a voluntary non-governmental non-profit organization, meaning they work independently of any political, religious or financial interests. Their focus is putting an end to the accusations of witchcraft particularly those directed at children in Nigeria. Modström has since 2014 sponsored a Child Development Officer to the DINNoedhjaelp orphanage in Nigeria and with each collection, made by Modström, we design a special charity style and donate the profit to DINNoedhjaelp.



1.3 FUTURE PLANS

In 2020 we are introducing a stress policy at Modström HQ and retailers, to protect the health and welfare of our employees. Workplaces can be stressful, which poses a risk for our employee's wellbeing. We would like to acknowledge the importance of identifying and reducing the factors which may cause stress to our employees, and by doing so hopefully create a better work environment. We will start by introducing a stress manual, guiding employees on how to identify stress within themselves or their colleagues and how to deal with it in the best way possible. We will also try to eliminate the taboo of stress in workplaces by talking openly and honest about the seriousness of it and identifying it as an illness.

Modström will also be looking into ways in which we can help out in our local community by supporting local businesses, attend donations collections for the less fortunate and beach cleanups.

2. LABOR

“Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labor and the elimination of discrimination in respect of employment and occupation.”

2.1 COMMITMENT

We have a clear stance, when it comes to the working conditions of the employees at our suppliers and subcontractors' factories. We do not tolerate any form of forced labor or child labor and all employees are entitled to a safe and healthy environment. We strive to ensure that all of our garments are produced under proper conditions, and inform and guide our suppliers and subcontractors on our values and principles.



2.2 ACTION

OUR SUPPLIERS

We have great trust in our suppliers, and wish to build up long-lasting work relationships. Therefore, in case of non-compliance of our principles, we immediately take action and work alongside our suppliers to help them improve their work processes. If it is a matter of a serious violation of Modström's Supplier Code of Conduct, we do not hesitate to immediately terminate the cooperation. We visit our factories around the world to make sure that the above principles are complied with. In 2019 we renewed our Code of Conduct and send new contracts to our suppliers, reminding them of our principles and to accept these terms when cooperating with Modström. In our Code of Contract, the following points are covered:

- | | |
|--|------------------------------|
| 1. Voluntary work | 7. Reasonable working hours |
| 2. Rights of association and collective bargaining | 8. Fixed employment |
| 3. Safe and hygienic working conditions | 9. No discrimination |
| 4. Safe and hygienic lodgings | 10. No extortion and bribery |
| 5. Prevention of child labor | 11. No harassment and abuse |
| 6. Wage shall be sufficient to meet basic needs | 12. No animal cruelty |
| | 13. Think of the environment |

MODSTRÖM HQ

In Denmark at Modström's head office we follow Danish legislation and all employees have individual contracts.

It is a continuous focus for the management to ensure a good work environment at Modström, and in 2019 we have introduced a series of new actions to create an even better work environment at our headquarters. We also introduced a CSR guideline to give an introduction to Modström's CSR policy and to form a toolbox for the way we work, understanding where we are now, where we want to be in the future and how everyone involved in Modström can influence, impact and inspire positive action. Modström also hosts an annual summer and an annual Christmas party for the employees along with 2-3 Friday night events.

To inspire teamwork and make sure all employees are informed of the company ambition and goals, Modström held a summit day in 2019. The day focused on motivating employees along with inspiring and informing them on the ambitions and plans for Modström.

2.3 FUTURE PLANS

We will continue to visit our factories yearly and check on the working conditions, this will also bring us closer to our suppliers and help built even better, stronger relationships in the future.

From our Modström summit day a S.W.A.T team has been developed to follow up on the things discussed during the summit. Modström is planning to do another summit on 2020. On this summit we will make CSR a subject and spend time educating employees on the subject.

We will also introduce a series or CSR facts that can be used by our sales team to educate, involve and inspire our agents and customers on the CSR work that Modström is doing. We believe it is important to spread the knowledge and in doing so hopefully help inspire others to take action as well. Sustainability is something we must do together and getting as many involved as possible will help the progress.

3. ENVIRONMENT

“Businesses should support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies.”

3.1 COMMITMENT

At Modström we are aware of our environmental responsibilities and want to produce as sustainable as possible. We are continuously to educating ourselves and want 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. We believe in being transparent about our work.

3.2 ACTION

CHEMICAL RESTRICTIONS

We do what we can to encourage our suppliers to always think more about the environment and to avoid all unnecessary use of chemicals. We are in close contact with them on all matters CSR related. We expect all suppliers to live up to the REACH regulations and will randomly make tests to see if the garments will pass. REACH is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry. REACH means more knowledge of dangerous chemicals and ensuring products can be used without risk to the environment or people, as well as enhancing the development of methods that can be used as alternatives to animal testing. We require all suppliers to sign a document stipulating the same to ensure their commitment.

PACKAGING

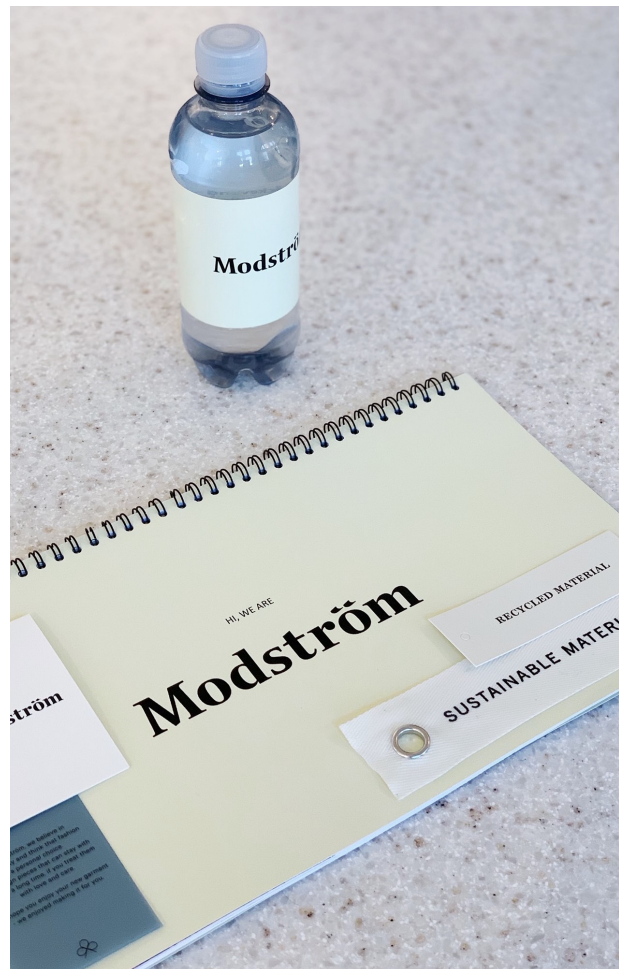
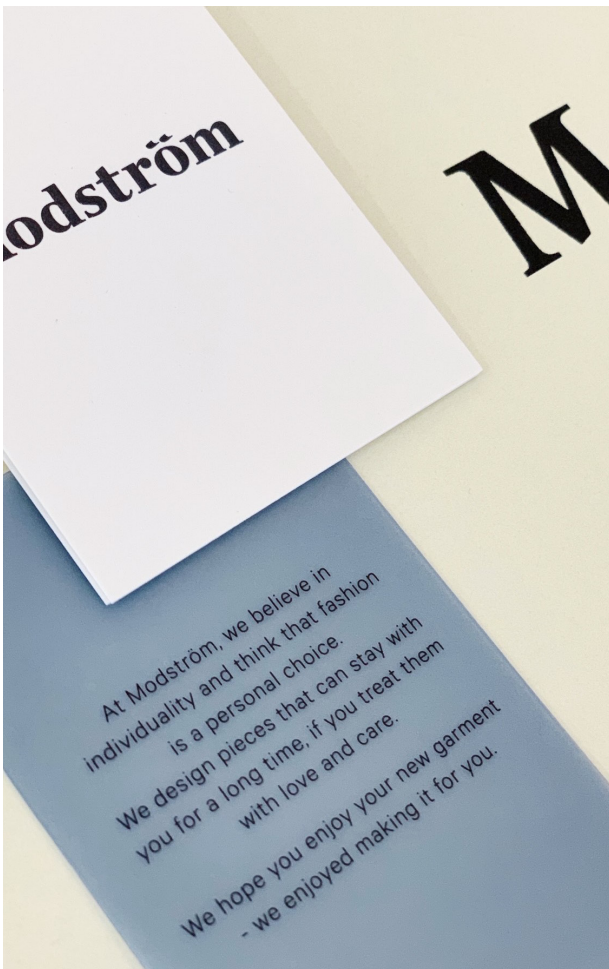
To avoid any waste from packing, we use export cartons from our suppliers instead of using new cartons when sending out goods to customers. Any new cartons we order in case we need them are FSC marked. We also strive to use FSC marked paper for our collection look books.

Plastic pollution is a big problem and at Modström we wish to do ours to reduce the use of plastic. Modström has made a set of actions to try and minimize single use plastics in collections. Purchases made from our webshop or in one of Modström's stores are packed in recycled plastic bags. We have, in cooperation with our suppliers, reduced plastic waste by reducing the 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 addition to that, we no longer pack size set and protos in individual polybags and we have stopped using master polybags for shipments. We have also made it a requirement for our suppliers to use polybags of recycled plastic rather than conventional plastic polybags.



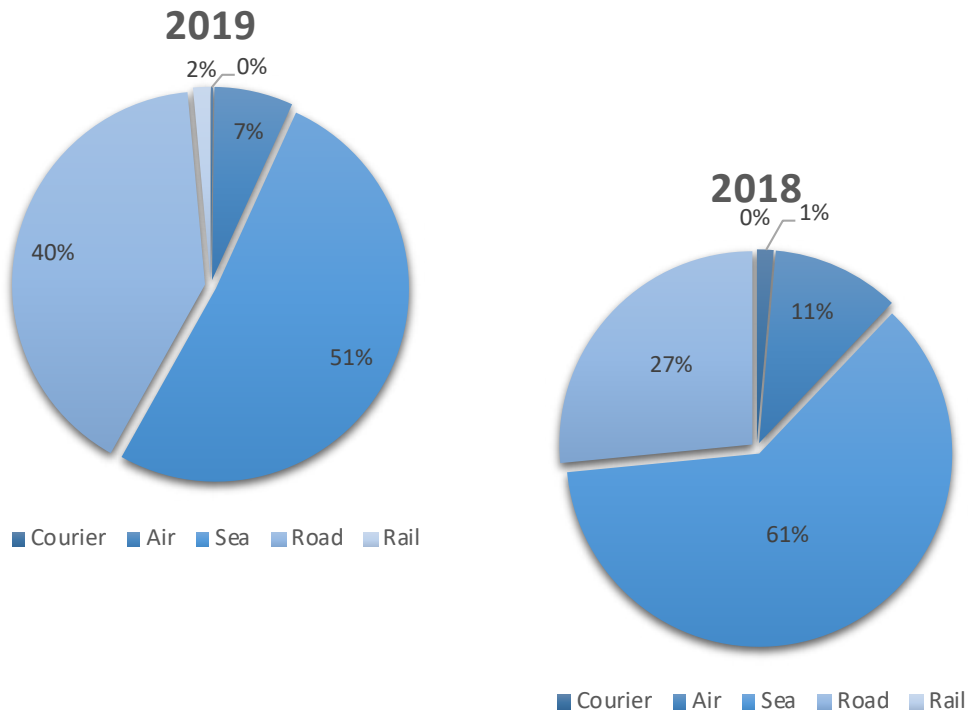
INFORMATION

We think information is the key to change so we also make an effort to involve our customers, by encouraging them to think more environmentally friendly when washing and taking care of their Modström clothes by advice given on our care labels. We also make sure to inform customers when they are buying items made from more sustainable materials so that they can make an informed choice.



FREIGHT

Our production is based in China, Turkey, Italy and Greece. We always strive to reach shipment dates in due time to avoid airfreight and we see a positive result in decreasing the airfreight a bit with every year. Since 2018 we have managed to decrease airfreight by 4%. On the other side, we see an increase in roads shipment due to a shift in supplier, as more of our styles are now being produced in Europe. This is also shown by the down crease in shipments by sea, which is down by 10% from 2018.



MODSTRÖM HQ

We believe we have to start with ourselves and therefore, at Modström headquarter, we have taken a conscious choice to be more sustainable. This means using products such as detergent for laundry and washing marked with The Nordic Eco-label.

Where and when we can, we always try to save energy and have therefore changed all our spot lights to LED bulbs in our office and stores. We also turn off our computer screens every night before leaving the office and make sure light bulbs are only turned on when needed.

In order to save paper, we re-use copy paper when possible and encourage our employees to only print when necessary making sure to print on both sides. Copy paper which can't be re-used in the copy machine, due to clips or tearing, is being used as notes paper. For meeting and customer visits lunch is ordered from organic restaurants and water served is from the tap.

OUR CLOTHES

In 2017 we decided to add programs using more sustainable materials to our collections, such as recycle polyester. During 2018 we produced 12 programs, in 2019 we have increased that amount to double by also introducing Eco Vero viscose to our collections and adding this material to one of our NOOS styles. We also regularly use organic cotton rather than conventional and our leather comes from animals used for meat production.

Modström is strongly against incinerating old clothes and wish to recycle or reuse old or ruined styles in the most considerate way. Therefore, we have in 2019 entered a partnership with Trasborg, a company that reuses or recycles old clothes. Depending on the condition of the garments, clothes can either be resold in Africa or send to Bangladesh to be repurposed.



3.3 FUTURE PLANS

Modström will continue to improve their environmental footprint by continuously re-evaluating our approach to being as sustainable as possible. The earth's resources are precious and we should all play our part in protecting them. We understand the part our industry of fashion play and we wish to do our part to our best abilities.

In 2020 we hope to have 50% of our collection produced in more sustainable materials, such as recycled polyester, Eco Vero viscose and organic cotton. We also plan on introducing sustainable materials to more of our basic, never out of stock, styles and we will introduce a sustainable jacket. We will add a section to our website informing and guiding our customers to these new materials and why they are the more sustainable choice.

In partnership with Continued Fashion we will introduce a new system where customers can "rent" certain pieces of clothes at a reduced price and limited amount of time. This way we avoid customers buying pieces only to use them a few times and then throw them away. More people will get joy from the same pieces. Coffee and tea used at our headquarters will be changed to Fairtrade products.

We still plan on trying to minimize our use of plastic for polybags by trying to find an alternative. We are working hard with our suppliers to find the best possible option for a biodegradable polybag as an alternative to plastic and believe that we will succeed during 2020.

We will also be cutting down on the amount of proto types and sales samples we use by guiding our suppliers and using the pictures as alternatives.

In an effort to spread the knowledge of our sustainability and hopefully inspire others to also take action, Modström will make sustainability and our efforts more noticeable on social media platforms.

In 2019 we have signed a contract with CEMAsys to track our carbon footprint and compensate our usage by investing in projects that reduces carbon footprint in developing countries. We plan on having our carbon footprint tracking ready by beginning of 2020 to start investing in Gold Standard project for clean cookstoves in Ghana. The primary objective of this project is to significantly reduce wood fuel consumptions by providing affordable improved cookstoves to the low-income Ganesh households.

We will also keep striving to avoid airfreight shipments and always aim to reduce our carbon footprint.

4. ANTI-CORRUPTION

“Businesses should work against corruption in all its forms, including extortion and bribery.”

4.1 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.

4.2 ACTION

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 have renewed our code of conduct in 2019 to make sure our suppliers understand Modström in no way supports or tolerates bribery.

4.3 FUTURE PLANS

Modström has 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. From our suppliers we are told that corruption and bribery is not a big issue 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

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