

MADS NØRGAARD

COPENHAGEN

UN GLOBAL COMPACT REPORT
REPORT 2020

OUR COMMITMENT

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1. INTRODUCTION

“Being sustainable as an active member of the fashion industry is a conundrum in itself. The word industry implies active production of goods that inevitably will leave a trace on our planet. Hence, being 100% sustainable as an operating business is utopia.

What we as an industry can do, preferably in unison, is to commit ourselves and our businesses to becoming increasingly responsible in all actions of our business operations and take responsible decisions outside legislative frameworks and CSR code of conducts. We commit ourselves to do more, do better and dream big.

We commit to a constant responsible evolution of our business practices and we commit to our common responsibility to take care of the planet for future generations. We want to give them the opportunity to create a new and exciting fashion industry. We want to make sure the fashion playground still exists into the future.

At Mads Nørgaard – Copenhagen (hereinafter MNCPH) we are committed to creating a better planet for future generations and we are committed to constantly improve, develop and evolve the industry in general and our business in particular towards a more sustainable future.”

- *Mads Nørgaard, Owner / Founder*

1.1 MADS NØRGAARD CSR DICTIONARY

In order to ensure a consistent understanding of the frequently used concepts in CSR reporting the following paragraph specifies some of these key concepts and how they are defined in this context.

Corporate Social Responsibility: Corporate Social Responsibility is defined as responsible entrepreneurial acting and seen as a voluntary contribution above legal requirements.

<https://www.un.org/esa/socdev/rwss/docs/2001/20%20Corporate%20social%20responsibilities.pdf>

Sustainability:

Sustainability was defined by the Brundtland Commissions in 1987 as “meeting the needs of today, without compromising the ability of future generations to meet their own needs”.

<https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>

Commitment:

The definition of the word commitment in this context relates to our desire to operate above and beyond our responsible and legal requirements within the field of CSR, to elevate our sustainable approach to business operations beyond set regulations. We are committed to change our ways and processes constantly at own volition.

Tier 1 Suppliers:

Tier 1 suppliers are defined in this report as direct partners that manufacture products and with whom the company has a legally binding relationship. In some supplier relations there is an agent involved.

Tier 1 Subcontractors:

Subcontractors to Tier 1 suppliers are defined as partners that Tier 1 suppliers engage to fulfil the production requirements. Those partners can be other sewing facilities, washing facilities, ironing facilities etc.

Tier 2 Suppliers:

Tier 2 suppliers are defined as manufacturers of fabric and trims used by Tier 1 suppliers in the production. This includes fabric, buttons, zippers, labels, embroideries, batches, prints etc.

The following paragraph outlines the history and current ownership structure of the Mads Nørgaard A/S holding company and its included subcompanies.

1.2 HISTORY

Mads Nørgaard A/S is not just a clothing brand. It's a third-generation family business deeply rooted in the Danish fashion industry.

The first generation to build a business in fashion was Mathias M. Nørgaard who established his company back in 1936. In 1958, the second generation, Jørgen Nørgaard opened the shop Nørgaard på Strøget (hereinafter NPS), which was one of the first shops in Denmark to accommodate the growing market of youth consumers. In 1967 Jørgen Nørgaard launched the #101 T-shirt, which has since become an iconic staple for the company and is imbedded into the Danish design heritage with its iconic striped design.

Mads Nørgaard, son of Jørgen Nørgaard, started his menswear brand, Mads Nørgaard - Copenhagen in 1986 in a small store located next to his father's. The brand has since included a womenswear and kidswear line to the assortment.

Today Nørgaard A/S and Mads Nørgaard - Copenhagen are owned by Mads Nørgaard, including a flagship store in Aarhus and several shop-in-shops in both Denmark and abroad.

1.3 COMPANY STRUCTURE

The company structure includes the holding company Mads Nørgaard A/S which is defined as the flagship store located at Amagertorv 13 under the name of NPS.

Furthermore, it includes the production machines operated in external facilities in Korsør and the Danish wholesale operation focusing on the sale of the #101 t-shirt.

In 2020, the sewing facility in Korsør has produced 93.000 pieces of #101 t-shirts.

Secondly, the holding company includes the Mads Nørgaard - Copenhagen brand defined as the local and international wholesale of the brand along with warehouse facilities (Priorparken), an online webshop, the B2C operations of the #101 t-shirt, shop-in-shop contracts in local and international warehouses, the Mads Nørgaard - Copenhagen store in Aarhus and the outlet store in Tullingsgade.

Of the Mads Nørgaard - Copenhagen brand Jacob Østergaard Bing, Managing Director and Partner, owns 10% of the total share value and Pia Øhrgaard, CFO and Partner, owns 1% of the total share value. Finally, the Mads Nørgaard A/S holding company includes the Mads Nørgaard-Ejendomme APS which owns and manages part of the properties in Amagertorv 13-15 as well as a proportion of a property in Holmen, Copenhagen.

This report is based on the Mads Nørgaard – Copenhagen operations. However, due to the organic nature of the company structure other entities, such as the flagship store Nørgaard på Strøget will be mentioned with interdependent distinguishments between Mads Nørgaard – Copenhagen and Nørgaard på Strøget.

The following paragraph outlines the internal and external social commitments of Mads Nørgaard – Copenhagen.

1.4 ANTI CORRUPTION

MNCPH does not engage in Business Relations with suppliers and partners where there could be a risk of bribe and corruption.

This is a clear paragraph in our supplier framework contracts, as well as our Code of Conduct which got renewed by 2020 and send out during the beginning of 2021 to all active suppliers.

2. SOCIAL

As part of the social commitment of the company, MNCPH sees it as the highest priority to protect all people involved in the company's value chain and social surroundings. The purpose is to act as a motivator to allow people to develop and freely express themselves in a way that feels right for the individual.

As a company, MNCPH is committed to face the challenges presented throughout the value chain and to work actively towards improving them. In order to do so, the company strives to create increased transparency in all components of the value chain. It is important to emphasize that as an operating company, MNCPH cannot singlehandedly address all challenges presented in the value chain in the short term but the company is committed beyond responsibility to change its business practices from an evolutionary perspective.

2.1 STAFF

At Mads Nørgaard A/S all staff is considered invaluable social capital. Every employee convey the Mads Nørgaard DNA in every aspect of their work and as such the company benefits from the overall wellbeing and health of all members of staff. As part of these social benefits MNCPH offer organic fruits, additional health insurance and before the Covid19 Pandemic restricted staff on social interaction, the company arranged a monthly lunch, serving organic food and celebrating togetherness.

MNCPH is convinced that the concept of 'togetherness' acts as an important connective in a well-functioning company. Part of this understanding is exemplified in the company's determination in maintaining and encouraging more traditional ways of working in the office and in the company's physical interaction with retail and wholesale partners.

MNCPH as a company has always supported a good internal climate through several social outings. All staff was invited to attend Roskilde Festival, at which MNCPH has a Pop-Up Shop every year. Additionally, with the love and passion for art as one of the core values of the company and the founder, regular trips for staff has been arranged to attend local relevant art exhibitions.

2020 and the global Covid-19 pandemic put all the above-mentioned initiatives to the test. Togetherness became physically impossible and working from home became mandatory. MNCPH was forced to learn from this challenging year, that togetherness is more than being physically

together in an office and as such the company has implemented the possibility to allow staff working more flexible hours and from more task suitable locations to improve the work-life balance.

Another measure of MNCPH's efforts to improve the wellbeing of all staff became evident during the high peak of the Covid-19 health crisis. When the test capacity in Denmark was under the highest stress, MNCPH offered all staff free Covid-19 tests at their workplace, in order to ensure all members of staff would feel safe in their everyday life balancing between families, work and the need for seeing each other according to the restriction allowances.

However, despite the numerous efforts described in the above, it has become clear that togetherness outside of normal working conditions, is something no one can live without. MNCPH hosted digital Friday's Bar and tested one of the most valued traditions, singing together, in a digital form. The result is clear – it's not the same.

All MNCPH staff are looking forward to embracing physical togetherness in 2021 in an outside of normal working hours.

COMMITMENT:

1. During 2021, a series of workshops for all staff in MNCPH and NPS has been scheduled. The purpose of the workshops is to become more aware of gender equality, diversity and gender stereotyping in general and throughout the company in particular. The workshops are hosted by Cecilie Nørgaard, Educational- and Gender Sociologist and owner of the platform mangfold.dk. MNCPH and NPS consider it a relevant topic to educate all colleagues about in order to facilitate and further enhance the integration of inclusion in all different departments of MNCPH and NPS.
2. MNCPH prides itself on a flat hierarchy management structure, which is comparatively democratic. Despite this, MNCPH wants to offer all staff a go-to-person for all matters that could trouble at work and/or in private. This person will be an internal employee, found through an election in which every employee must participate. The trust person will get support from an external advisor if needed and shall otherwise be the middle function between employee and employer should the individual staff have hesitations to approach the management directly.

2.2 SUPPLY CHAIN

The Fashion industry is heavily human labor intensive. The production of clothes is mainly done by manual labor in complex supply chains. Textile production facilities are often based in emerging countries with lack of social compliance to labor or human rights in general. Working on social

compliance in our supply chain, is one of the company's main focus areas in our COMMITMENT strategy. In the following points it is exemplified how we as a company approach this complex issue.

2.2.1 THE EFFECT OF COVID-19

With most of our production based in Turkey and Europe, the Covid-19 global pandemic affected our Supply Chain simultaneously. MNCPH approached all suppliers in a cooperative way and tried to find the best possible solutions for both parties to ensure a level of continuity despite circumstances.

In March 2020, autumn orders were decreased by 30% as a principle of cautiousness. However, MNCPH did not reduce already placed orders given suppliers already had purchased large quantities of preproduction components, which would ultimately result in them not only losing out on the 30% expected turnover, but additionally an extra loss, due to prepurchase of production components that they would not be able to use. Furthermore, MNCPH did not apply any penalties towards suppliers for delayed shipments or partial deliveries rather instant dialogue was ensured to support the suppliers in their shipment planning.

During the summer of 2020, MNCPH realized that the concern of missing customers and declining sales was avoided and rather MNCPH experienced an increased demand for additional production. Reorders were placed with all suppliers, based on left-over materials in stock to adjust the 30% loss the suppliers had to endure in the initial cancelation process.

2.2.2 SHAPING THE SUPPLY CHAIN

In 2018, MNCPH actioned an extended mapping of all Tier1 suppliers, which led to the result revealing a total of 40 Tier1 supplier, spread across 12 countries, covering production for all three main categories; womens-, mens- and kidswear.

MNCPH has grown continuously over the last years and the three main categories; womens-, mens- and kidswear were working more or less independently in terms of production and planning, resulting in an extensive supply chain of primarily Tier1 suppliers.

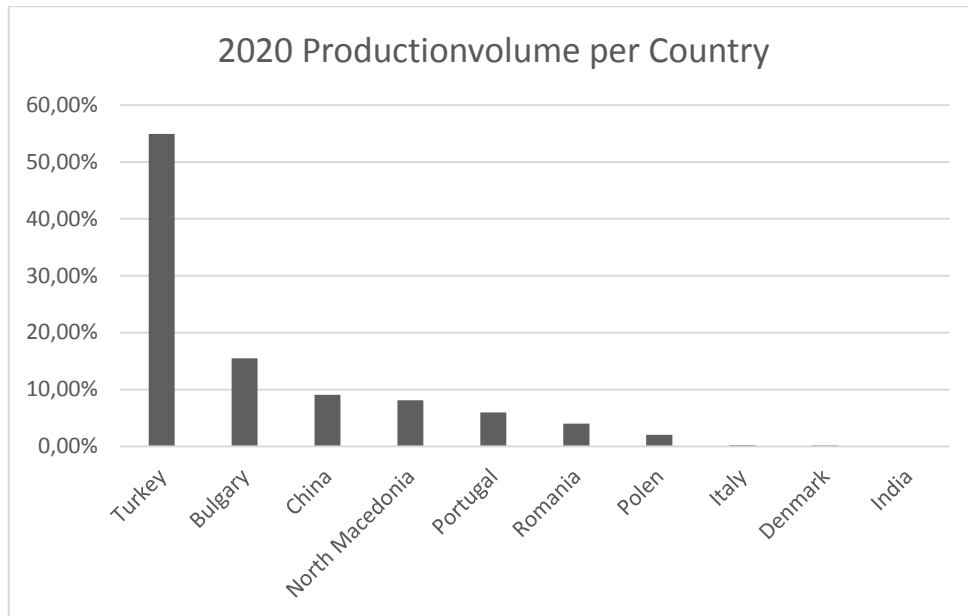
With this amount of Tier1 suppliers, it would not only be impossible for MNCPH to conduct a profound social compliance mapping, it also meant the company had to control production across 40 different partners and manage the import of goods from 40 different supply destinations, which ultimately result in unnecessary Co2 consumption.

Additionally, the number of suppliers made it impossible for MNCPH to be physically present at the various production facilities on a regular basis. Being present at supply chain partners' facilities is not only necessary to tighten the cooperation with the given partners but also to gain trust in each other's business practices. Most importantly, a physical, regular inspection of partner facilities allows increased control and review of general Social Compliance and work conditions in order to monitor if agreed improvement implementations are being properly executed.

The results revealed from the Tier1 mapping concluded the establishment for our four 2020 Commitment goals:

Goal 1: Cut down to total Tier 1 supplier to 20 by 2022,

Result: By 2020, MNCPH has reduced its supplier from 40 Tier1 to 31 Tier1 suppliers, based in 10 different countries.



The continuous goal of 20 Tier1 suppliers will according to internal projections be reached by 2021, where MNCPH is expected to have a total of 20 Tier suppliers, based across 8 countries.

Goal 2: Create a risk assessment of the supply countries by 2020

Result: In terms of social compliance, we follow the risk categorization of the Fair Wear Foundation and have categorized the countries of our Tier1 suppliers based in a High Risk and Low Risk factors according to the FWF categorization matrix.

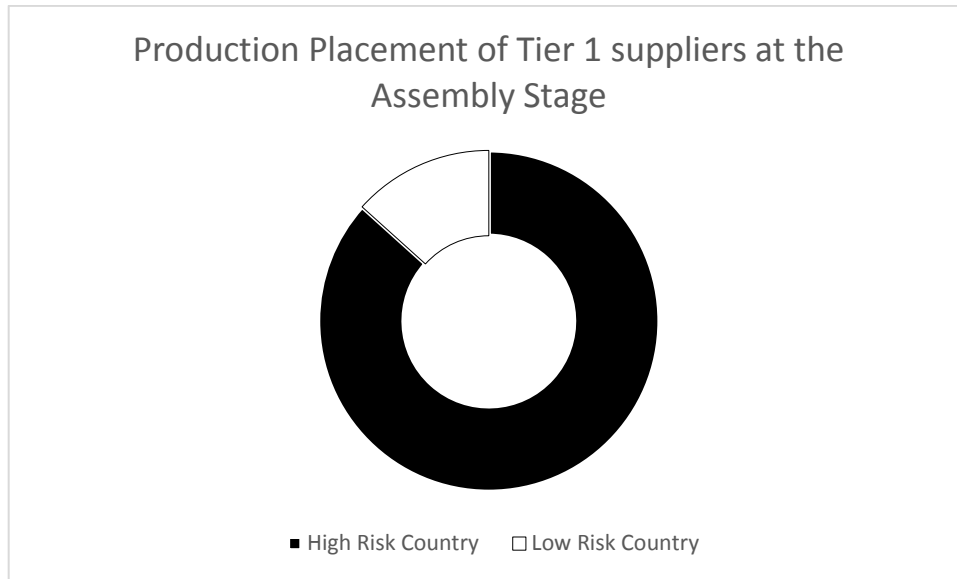
High risk Countries: Are defined as countries, where workers' rights legislation is not sufficient and where a coherent claim and remediation system is lacking to protect workers' rights against violations and misconduct.

Currently our partners categories as high-risk countries are geographically located in the following countries: Turkey, Bulgaria, China, North Macedonia, Romania and India.

Low risk Countries: Are defined as countries that have strong workers rights legislation and a sufficient and coherent claim and remediation system in place, so workers can report violations and receive support in remediation.

Currently our partners categorized as low-risk countries are geographically located in: Portugal, Italy, Denmark and Poland.

The below diagram visualize the distribution for our 2020 collections.



Goal 3: Create a Risk assessment for the Set-Up process and evaluation of Tier1 suppliers at the assembly stage¹.

The assembly stage is the stage where the highest number of human labour is employed and resultingly also the stage where the most human rights violations are frequently and widely violated and reported. Especially when partners in this stage use unknown facilities (satellite locations) and subcontractors that are not under monitoring activities of MNC PH.

It is also in this stage MNC PH as a company has the responsibility, based on a direct relationship with the Tier1 suppliers to leverage and enforce necessary changes.

Result:

In 2020 MNC PH extended the mapping to possible satellite locations of Tier1 suppliers and subcontractors that stand for 70% of the production, based on buying volume.

Based on this investigation it was made evident that some of the long-term Tier1 partners use subcontracting suppliers in the assembly stage. An immediate dialogue with the relevant Tier1 suppliers were commenced to define the need and the cause of the usage of aforementioned subcontractors.

COMMITMENT:

1. By end of 2021, MNC PH will extend the mapping of all subcontractors and satellite locations to the remaining 30% of the total production.
2. MNC PH will extend the mapping to Tier 2 suppliers in order to expand the Risk Assessment of the Supply Chain. The final goal for having full transparency on Tier 2 suppliers is set for 2023.
3. From 2021, MNC PH will develop a checklist, to be used on-site at production facility visitations. This measure will create the foundation for an ongoing dialogue about social compliance with all suppliers in the supply chain.

¹ The assembly stage is defined by the stage into production where the product gets assembled and commonly referred to "everything after fabric" stage.

4. For 2021, MNC PH is committed to find the right partner to monitor social compliance in the Assembly stage and to start a profound social dialogue with all Tier1 suppliers and possible subcontractors, to ensure continuous improvement of working conditions outside local legal frameworks.

2.3 PARTNERS

As a brand, MNC PH is inevitably interrelated with all wholesale partners. Based on the heritage from NPS, MNC PH sees it as a responsibility to support physical retail all the whilst tightening the focus on the inexorable online shop expansion potential. As a company MNC PH is convinced one does not exist without the other and both platforms, online and physical retail should benefit from each other and leverage on their individual strengths.

2.3.1 A FAIR BUSINESS RELATION

When the Covid-19 pandemic shut down Europe in March 2020, MNC PH resolutely reached out to all retail partners as a proactive business measure. MNC PH has always embraced a fair and supportive relation towards retail partners.

During the pandemic, MNC PH commenced a dialogue about how both sides as partners would be able to get through the global crisis together and how best to support each other in the process. Customized relief solutions was formed for each retail partner, by agreeing on measures such as extended payment terms, reducing orders free of charge or split orders if needed amongst other supportive measures. MNC PH considers this a fair business relations strategy.

2.3.2 OFFLINE COLLECTION

Each season MNC PH makes a small selection of key items that are only available offline in physical stores. This selection is suitably called 'Offline' and is created due to our love for the physical stores' ability to promote and display products. We always make exclusive campaign material and storytelling surrounding this collection for our clients to use in-store.

2.3.3 BLACK FRIDAY

In 2020 we have chosen again, like many years before, to close our webshop on Black Friday and use it for our inventory. We are taking this action, to show our disagreement to high consumerism and the out of season price reduction of our products. We value our products for the time and effort we and our partners have invested in them, so it is against our ethical guidelines, to reduce the value of those products beyond the classical season ending sales.

2.4 THE SURROUNDING SOCIETY

As a Copenhagen based brand, MNC PH consider it an obligation to support local talent and the local environment.

In April 2020 MNC PH teamed up with Danish fashion brands; Soulland, LeFix, Norse Projects and Wood Wood, to collaboratively design and promote a t-shirt under the name of the 'Together-Shirt' to epitomize solidity between Copenhagen based fashion brands and their shared stake in getting through the pandemic

as an industry rather than as individual companies. The profits of this project were donated to Hus Forbi, an organization supporting the homeless in Denmark.

An additional local cooperation was launched with design company, TAKT in October. The project was launched under the title “Sit down and reflect”. The profits of this project were donated to The Royal Academy of Arts, supporting their further implementation of the Sustainable Development Goals in their learning objectives.

3. ENVIROMENT

Acknowledging the fact that the fashion industry is widely believed to be the second most polluting industry in the world entangled in complex global supply chains, leaves industry stakeholders with a responsibility for improvements in a broad spectrum of areas. Transparency is key in solving this complex task.

3.1 FIBERS

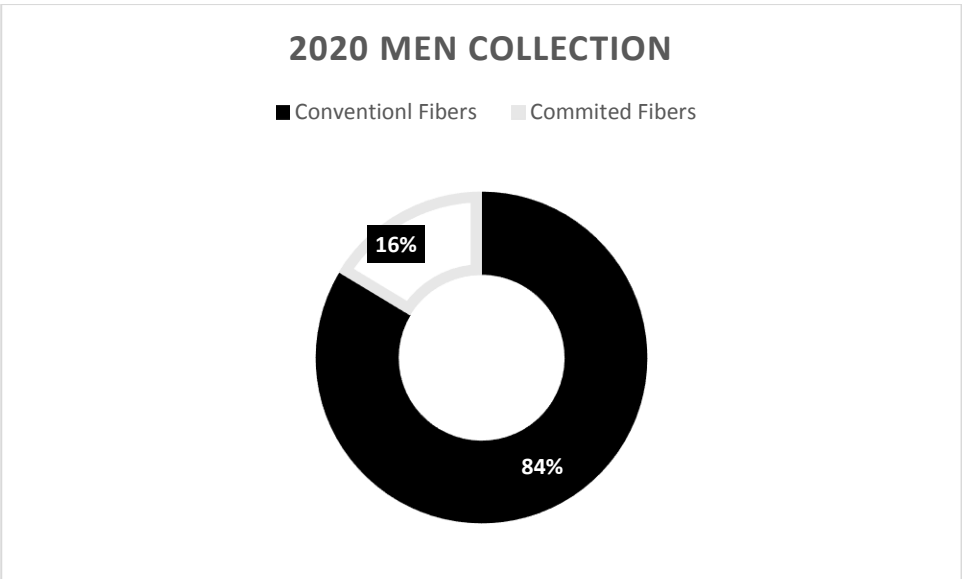
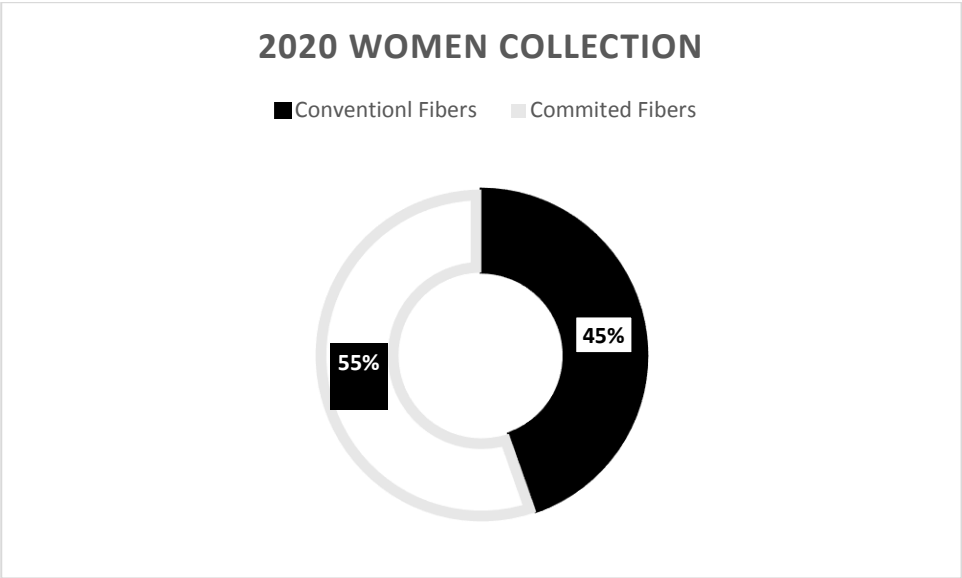
MNCPH has always strived to work with what is generally known as sustainable fibers. In 2020, the definition of a sustainable fiber needed to be revised based on current knowledge and research and it had to be considered whether fibers produced in complex supply chains with pollution as a result can be defined as sustainable? MNCPH considers fibers produced with any level of pollution as a result as unsustainable. Fabric will always have a negative impact on the environment due to production processes and transport. As a result MNCPH are committed to lessen the impact on the environment from the fibers used in production by using less water, less energy as well as less chemicals that can be harmful for the nature and the human environment.

MNCPH has created an internal Fiber Tool, which is an ongoing evolving framework. The Fiber tool will make it easier for external suppliers and the internal team to define what can be sourced as committed fibers.

Considering the fibers used in the current collections, COMMITTED FIBERS are defined as fibers that must contain a minimum of 60% of the following fibers:

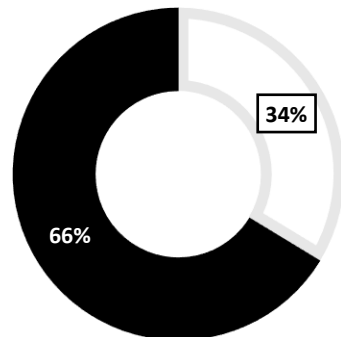
Organic Cotton, Recycled Polyester, Recycled Wool, Recycled Cotton; Ecovero Viscose.

The distribution of committed fibers used in our 2020 main line collections are depicted in the below chart. (based on bought pieces):



2020 KIDS COLLECTIONS

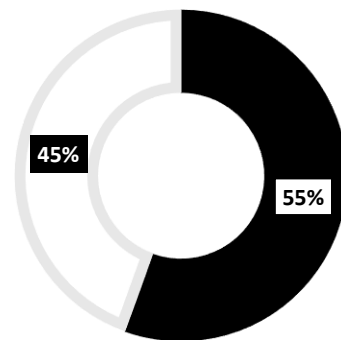
■ Conventional Fibers ■ Committed Fibers



The overall distribution of committed fibers used in the 2020 main lines combined (based on bought pieces):

2020 MN COLLECTIONS (ALL 3 LINES)

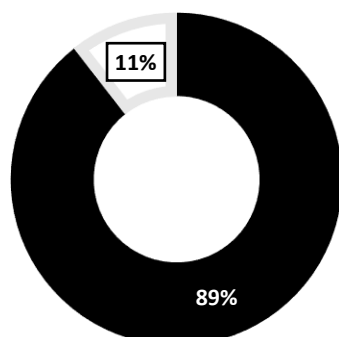
■ Conventional Fibers ■ Committed Fibers



Furthermore, we started to keep track on our Recycled Fibers with the aim to increase the use of Post-consumer Fibers towards Pre-consumer Fibers. The results are as below:

RECYCLED FIBERS SEPARATION

■ Pre-consumer ■ Post-consumer



COMMITMENT:

1. For the 2022 collections the aim is to use 70% Committed Fibers overall.
2. An increased focus will be put on the use of post-consumer fibers instead of pre-consumer fibers. In 2022, 80% of the recycled fibers used must be post-consumer fibers.
3. By 2022, 90% of the Favorite programs (NOOS styles) across all collections, must be made from COMMITTED FIBERS.

3.2 CHEMICAL TESTING

The compliance with the Reach Regulation is law given and our suppliers have always been informed to ensure the compliance.

In 2020 Mads Nørgaard - Copenhagen established a partnership with Intertek as a part of the internal Due Diligence program on chemical testing.

In this partnership a Restricted Substance List was redefined and a testing scheme established based on a risk analyses of all MNC PH products.

3.3 LOGISTICS

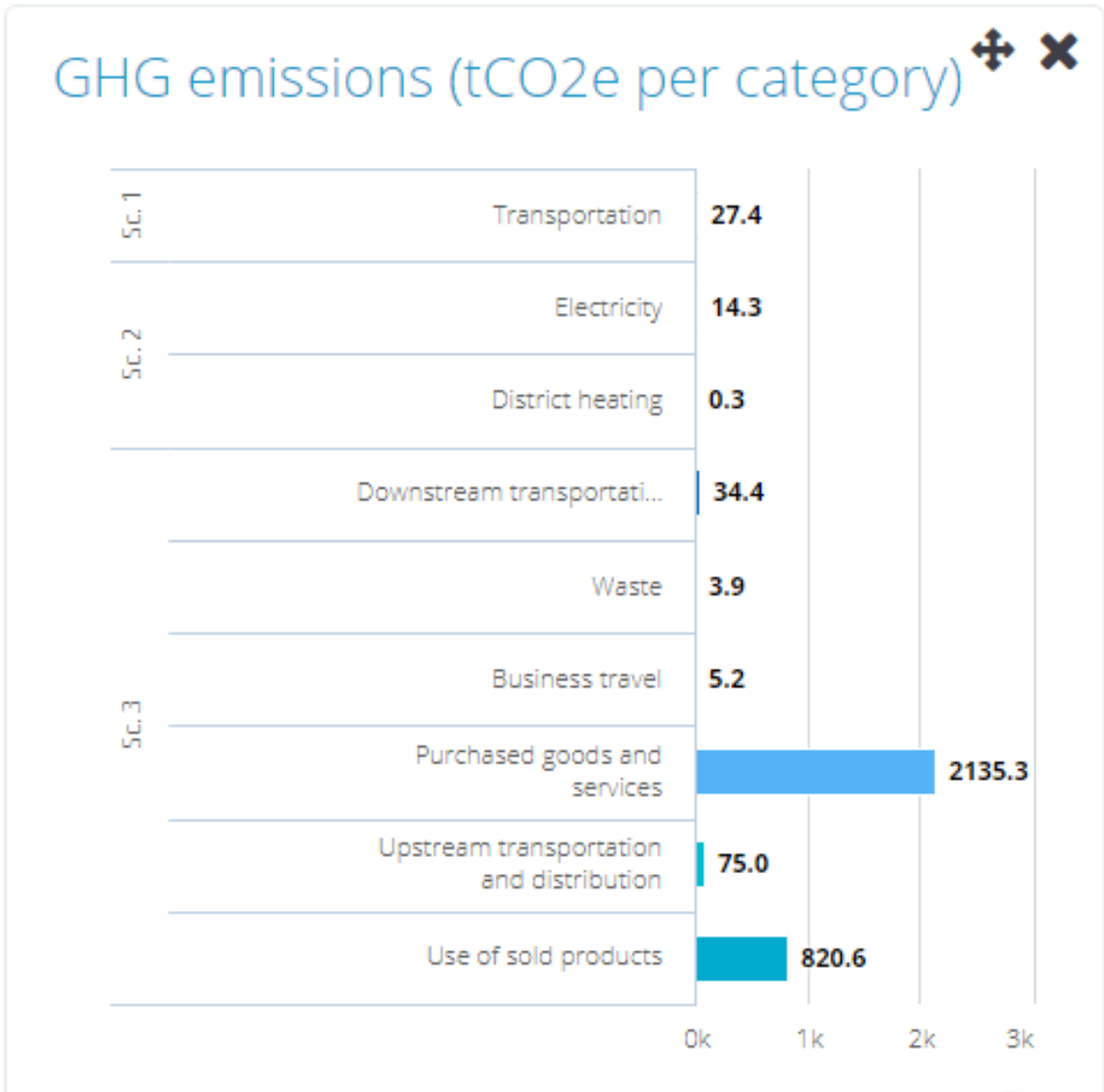
Another crucial aspect of simplifying the supply chain is to reduce the numbers of shipments from different locations and from the Far-East in particular.

Comparing the data with 2018, we have decreased our Co2 Consumption on upstream logistic with 45%.

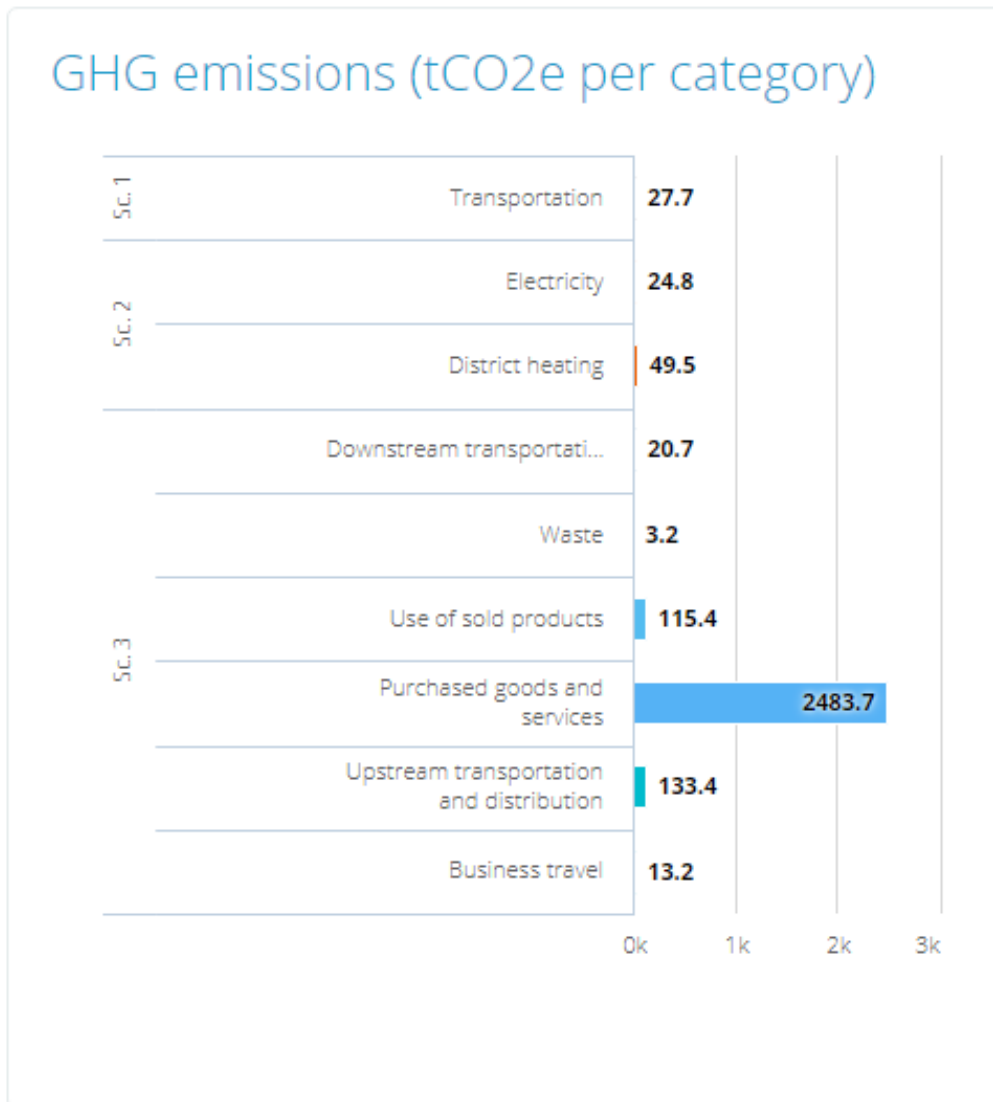
Our data reveal that Upstream Transportation (Imports) in 2018 caused 133 tCO₂e compared to Upstream Transportation (Imports) in 2020 causing a decreased 75 tCO₂e.

The main cause for this extreme decrease is, that we have decreased the amount of airfreight shipments, which alone account for a decrease from 76 tCO₂e in 2018, to 5 tCO₂e in 2020.

GHG Emissions for 2020



GHG Emissions 2018



During the Covid-19 global pandemic, MNC PH was in constant dialogue with the supply network to find an operative balance between fast transit times necessary due to the delays in production and still maintaining responsible decisions to avoid increased shipments and thus a rise in Co₂ output.

For 2020 1,2% of the upstream freight Co₂ consumption was created by rail shipments from the Far-East.

Furthermore, MNC PH insisted on reducing airfreight with the result that only 6,66% of our upstream freight Co₂ consumption was created by airfreight shipments.

Besides lowering our Co₂ consumption on freight, MNC PH is also looking into more responsible packaging materials used throughout the logistics operations in general.

At this point, the MNC PH webshop offers [Repack](#) as a sustainable packaging solution to our customers.

OUR COMMITMENT:

1. By 2022, MNCPH is committed to consolidate all bulk shipment to lower transport Co2 consumption by another 10%.
2. MNCPH is working on more responsible packaging materials used in all B2B and B2C logistics operations.

3.4 OWN PREMISES

MNCPH employs 46 employees across all entities of the business in 5 different locations.

The headquarter is located in Amagertorv – Copenhagen, hosting the following departments: Finance, Design, Production, Comm./Marketing, Sales and CSR.

The warehouse is located at Priorparken hosting the warehouse, webshop and customer service.

Aside from the above MNCPH has shops in Aarhus, Tulinsgade and a number of consignment shop-in-shops and additionally includes the operative management of Nørgaard på Strøget .

To make the right decision regarding which office supplies, food, paper, printer ink, packaging etc. to purchase can be challenging if guidelines are limited.

Given the challenges of 2020, most employees worked from home resulting in the decision to enroll the aforementioned internal guidelines into action in 2021, when all employees are back in a more regular routine.

In the following paragraph the commitments to improve our internal Co2 Footprint.

COMMITMENT:

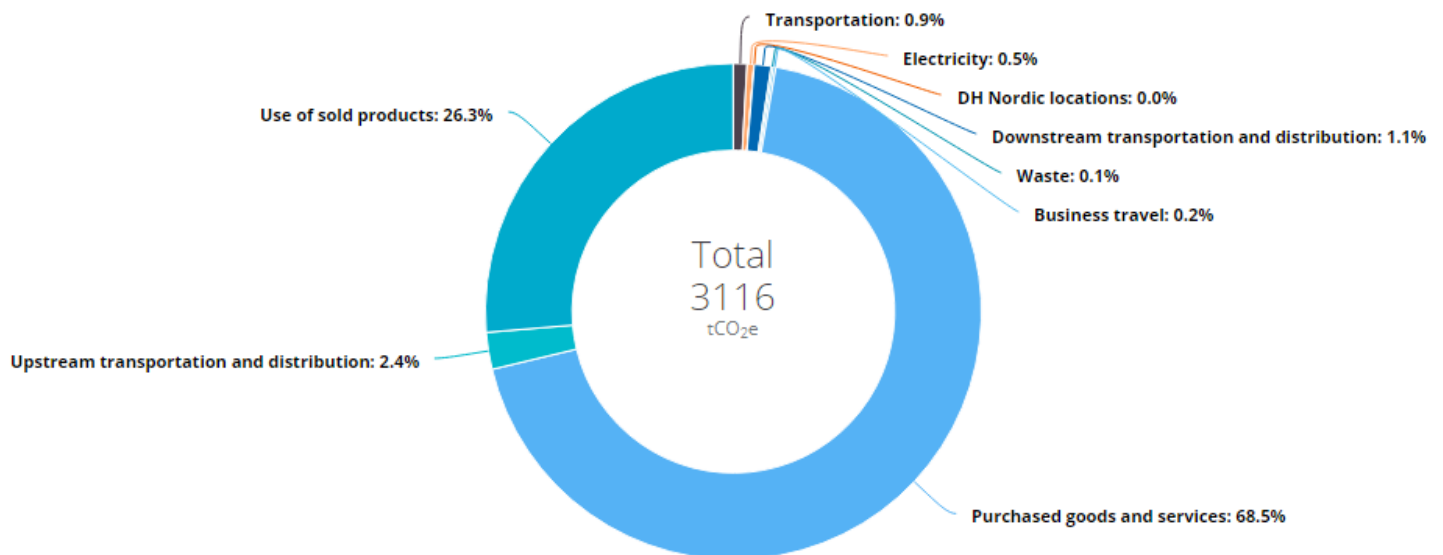
1. Integrate the “What to Buy Where” guidelines internally.
2. Enrol MNCPH in an electric car-sharing system, in order to move easier and with less impact between the various locations of the organization.
3. Ensure all MNCPH locations participate in the offered waste separation scheme provided by local authorities.

3.5 BALANCING THE CO2 FOOTPRINT

The overall goal for MNCPH is always to lower the Co2 footprint. That being said, it is acknowledged that there will always be a Co2 Footprint in relation to all manners of production. To compensate the Co2-emissions caused by production, involuntarily affecting the environment, MNCPH is committed to purchase ‘Carbon Credits’ to offset the negative impact of the production and has, as part of this process, partnered with [Cemasys](#), a specialized sustainability consultancy delivering solutions for the entire Environmental Social Governance (ESG) segment.

In 2020 MNCPH produced 3116 tCo2e. The offset compensation was used to establish a climate park in Myanmar. 17.500 Mangrove Trees were planted by Autumn of 2020 in Thor Heyerdahl Park. Each tree compensates per sequester one tonne of CO2 over the course of 20 years. With this

investment, MNCPH has laid the foundation for carbon dioxide sequestration five times our annual emission.



"We at Mads Nørgaard are proud to plant mangrove trees. Using nature's own mechanism to bind CO₂ (photosynthesis) is a cheap and effective way to reduce CO₂ from the atmosphere. We are proud to be able to contribute to such a great project. The world must undergo a hard and rapid change to achieve the goals of the Paris Agreement, and here the fashion industry has a great responsibility. In addition to the climate effect, the project provides work and income to the local population, better protection against floods/tsunamis, and restores the ecological balance in vulnerable coastal areas. This is a positive and simple tool to make up for its CO₂ emissions and one of several tools we as a responsible fashion house must use "

- Mads Nørgaard, Owner / Founder