

COMMUNICATION ON PROGRESS REPORT 2021

Modström

INDEX

Who we are	4	Goal 12 - responsible consumptions and production	14
Facts	5	Modström action and belifes	14
Values	6	Packaging	14
Joy	7	Micro-pak	14
Statement of support	10	Modstrom.com	14
U.N. sustainable development goals	11	Modström Market	14
Goal 1 - no poverty	12	Goal 13 - climate action	15
Modström actions and belifes	12	Modström actions and belifes	15
Supplier code of conduct	12	Copenhagen Fashion Week	15
Goal 8 - decent work and economic growth	13	Thor Heyerdahl Climate Park	15
Modström actions and belifes	13	Freight	15
Modstrom HQ	13	Materials	16
Future plans	13	Future plans	17

MODSTRÖM - THE POWER OF JOY



WHO WE ARE

Modström is a Danish fashion brand founded in 2004. Colorful prints and feminine designs are our characteristics, which comes in 6 ready-to-wear collections and 2 outerwear collections. Furthermore, we release around 6 express collections around the year called Special Selections as a testament to our dedication to stay curious and playful.

Modström is a company with a high passion for fashion, entrepreneurship, and hard work. We strive to create a meaningful business strategy all the way from our suppliers to the end consumer. Modström's mission is not to limit our target group but embrace a wide range of women with our beautiful designs.

FACTS

At Modström we are 22 dedicated employees who has experiences in retail, sales, marketing, and design. 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. Our head office is in Copenhagen, where we also manage our website. We have two Modström stores, located in Aarhus and Aalborg.

We distribute our collections to more than 400 retailers around the world, mainly in Europe, from our warehouse, located in Kolding, which we have outsourced to Prime Cargo A/S.





VALUES

To ensure that all employees understand the idea of the brand values we continuously assemble the entire company for a 'Summit Day', where we work thoroughly with Modström's core values, to make sure that each of us know what Modström stands for.

It is important to us that the entire company, regardless of the role of the employee, understand our aspiration, how we will act and what goals we will achieve.

JOY

To embrace one of our core values we have created two concepts.

CREATIVES OF AMSTERDAM

“Creatives of Amsterdam” is the title of Modström’s latest portrait series, which focuses on creative women who work with and create art in the heart of Amsterdam. Every season, Modström pays tribute to strong, passionate women and their joy at what they do through the mantra, The Power of Joy. Based on creativity and joy, Modström focuses on five cool women, who all have Amsterdam as their creative work base. The women let us into their everyday life whilst wearing their favorite styles from the latest Modström collection. Furthermore, we get a close look at their work along with the joy it brings.





CREATIVES OF CHRISTIANSHAVN

As mentioned above, every season, Modström pays tribute to strong, passionate women and their joy at what they do through the mantra, The Power of Joy. Based on young creative students from Christianshavn, Modström focuses on five cool, female students, all of whom have had Christianshavn as the center of their creative education. Again, these women let us into their daily life, shows us their favorite styles from the latest Modström collection whilst telling us about the processes behind their works and how they wish to inspire other creative souls.



POWER OF JOY BREAKFAST CLUB

In the summer of 2021, we launched our first ever “Power of Joy Breakfast Club” as a final part of our Joy campaign. The event was held at gallery Collaborations surrounded by beautiful paintings made by the Danish artist Evren Tekinotay. Joined by galley owner Tania Asbæk, ten powerful and inspiring women were invited for breakfast to hear about the purpose of our “Power of Joy”-concept and to discuss the female role in the art industry.



To our stakeholders

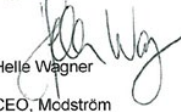
I am pleased to confirm that Modström ApS reaffirms its support of the 10 Principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption.

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.

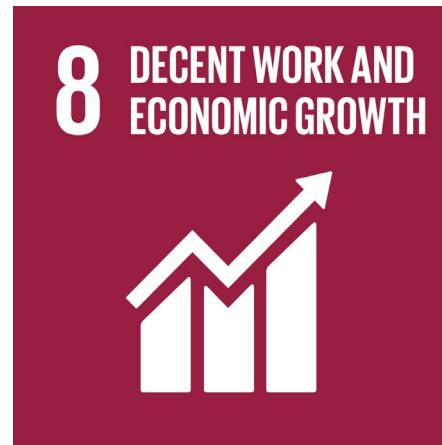
We work closely with our trusted suppliers to make sure all our garments are produced under proper conditions and inform and guide our suppliers and subcontractors on our values and the 10 principles we wish to adhere to. In addition, we visit our suppliers every year to keep a strong and transparent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

Signature



Helle Wagner
CEO, Modström



U.N. SUSTAINABLE DEVELOPMENT GOALS

Modström is doing their best to work within the 17 goals of U.N., and by focusing on SDG 1, 8, 12 & 13, we will elaborate on our progress with the 10 principles of the U.N. Global Compact.

GOAL 1 - NO POVERTY

More than 700 million people, or 10 percent of the world's population still live in extreme poverty today and are struggling to fulfil the most basic needs like health, education, and access to water and sanitation. Most of these people are living in sub-Saharan Africa, with less than 1.90 dollars to spend each day. Worldwide, the poverty rate in rural areas is 17.2 percent—more than three times higher than in urban areas.

For those who work, having a job does not guarantee a decent living. In fact, 8 percent of employed workers and their families worldwide lived in extreme poverty in 2018. One out of five children live in extreme poverty. Ensuring social protection for all children and other vulnerable groups is critical to reduce poverty.

MODSTRÖM ACTIONS AND BELIEFS

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 process. 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.

SUPPLIER CODE OF CONDUCT

When entering 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 human safety. No products can contain any harmful substances. Furthermore, we require that no employees are exposed to substances that bare 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. Our suppliers have shown great interest in supporting our commitment to UNGC and they all have a very constructive view on human rights.

We take great pride in visiting our factories and suppliers to make sure that our principles are complied with. We nurture our relationship and discuss any topics that are matter at the time. This is also where we remind our suppliers of our 13 marks in our Code of Conduct, that help us make sure that we support decent work:

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

GOAL 8 - DECENT WORK AND ECONOMIC GROWTH

Sustained and inclusive economic growth can drive progress, create decent jobs for all and improve living standards.

According to Danish law bribery is forbidden and no employees are allowed to receive any personal gifts from suppliers or business partners.

COVID-19 has disrupted billions of lives and endangered the global economy. The International Monetary Fund (IMF) expects a global recession as bad as or worse than in 2009. As job losses escalate, the International Labor Organization estimates that nearly half of the global workforce is at risk of losing their livelihoods.

Even before the outbreak of COVID-19, one in five countries – home to billions of people living in poverty – were likely to see per capita incomes stagnate or decline in 2021. Now, the economic and financial shocks associated with COVID-19 such as disruptions to industrial production, falling commodity prices, financial market volatility, and rising insecurity—are derailing the already tepid economic growth and compounding heightened risks from other factors.

MODSTRÖM ACTIONS AND BELIEFS

COVID-19 has challenged all levels of life over the past two years. Fortunately, cooperation between Modström and suppliers and customers have shown resilience, and most have managed well during these difficult times. It is so important for us to continue our work and keeping our loyalty to both customers and suppliers, when something like a pandemic leaves its mark on the economy. Over the course of many years, we have built strong relations with our suppliers making it faster and easier to adapt when crisis like these occurs. An open debate and support are how we manage to help our suppliers improve their work process. 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. 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.

MODSTRÖM HQ

At Modström head office in Copenhagen, we follow the Danish legislation and therefore all employees have individual contracts.

We have introduced a stress policy at Modström HQ and at our retailers, to protect the health and welfare of our employees. Workplaces can be stressful, which poses a risk for our employer's wellbeing. We would like to acknowledge the importance of identifying and reducing the factors which may cause stress to our employer's, and by doing so hopefully create a better work environment. We will start by introducing a stress manual that is guiding employer's 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.

Monthly brief form a department

Each month a department brief the office about their current situation, what they are working on and how it is going. This makes everyone aware of what their colleagues are working on. We celebrate wins and discuss obstacles. It makes us more aware of each other and our day-to-day tasks.

Weekly department meetings with new topics

For every department weekly meeting we have created a new topic of discussion. They must talk about one of Modström's core values and how it applies to their work and themselves

on a more personal level. It is a way to make sure all employees are familiar with Modström's core values and that they values are reflected in themselves.

FUTURE PLANS

Summit days

We will continue to work with our summit days throughout the year 2022. It is a newly implanted workshop, that we will keep working on, as we will always be able to evolve and grow with. Throughout COVID-19 we have been quite restricted in our social events and have for health purposes been forced to cancel some of our well-planned events. Luckily, we were able to gather the whole office for two summit days even with the COVID-19 situations. For 2022 we hope to plan more fun activities that can boost our work morale and keep the good relation to our colleagues.

Sustainawear

As a growing company part of the fashion industry, we at Modström understand and focuses on the great importance of both the environment and climate. Therefore, a collaboration with the Danish company Sustainawear have been establish in order to formalize our CSR-policy both at the HQ and at our suppliers worldwide. By the 1st of February 2022 this sustainable partnership will begin. Starting off with some relevant steps as listed below:

- Mapping of Modström's entire Supply Chain
- Segmentation and risk analysis of Modström's Supply Chain
- Resumé of specific customer demands
- Review of Modström's Code of Conduct and policies
- Elaboration of an In-house Business & CSR Manual
- Development of external communication material

We are looking forward to this journey towards a greener end more sustainable future. We are certain that this approach will bring nothing but a positive outcome both regarding our own CSR-policy as a company but also as part of the fashion industry in general.

GOAL 12 - RESPONSIBLE CONSUMPTIONS AND PRODUCTION

Worldwide consumption and production - a driving force of the global economy - rest on the use of the natural environment and resources in a way that continues to have destructive impact on the planet.

Over the last century economic and social progress has been accompanied by environmental degradation that is endangering the very systems on which our future development and indeed, our own survival is dependent.

A few facts and figures:

Each year, an estimated one third of all produced food – equivalent to 1.3 billion tons worth around 1 trillion USD – ends up rotting in the bins of consumers and retailers, or spoiling due to poor transportation and harvesting practices.

If people worldwide switched to energy efficient light bulbs the world would save 120 billion USD annually. Should the global population reach 9.6 billion by 2050, the equivalent of almost three planets could be required to provide the natural resources needed to sustain current lifestyles.

The COVID-19 pandemic offers countries an opportunity to build plans to recover. Plans that will reverse current trends and change our consumption and production patterns towards a more sustainable future.

Sustainable consumption and production are about doing more and better with less. It is also about decoupling economic growth from environmental degradation, increasing resource efficiency, and promoting sustainable lifestyle. Sustainable consumption and production can also contribute substantially to poverty alleviation and the transition towards low-carbon and green economies.

MODSTRÖM ACTIONS AND BELIEFS

Modström is a small order company, meaning that most of our orders are developed by the made-to-order mechanism. Primarily we work sell-ins around 6 months prior to a delivery date. This means we primarily buy what we have sold. By not over producing we minimize our wastage. We do not have big stock supplies and therefore will save both the use of fabric and the use of plastic.

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.

Plastic pollution is a big problem and at Modström we wish to do our best 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 web shop or in one of Modström's stores are packed in recycled plastic bags.

MICRO-PAK

In 2021 we changed the use of desiccants from silica bags to a more environmental solution called Micro-Pak. This is a plastic-free desiccant made from natural bentonite clay which is packaged in biodegradable FSC-certified Kraft paper. In this way we safely protect all goods from mold and moisture damage without the use of any synthetic materials.

MODSTROM.COM

On our website we are creating more focus on our responsible materials and have added a responsible tag on styles that are made from responsible materials. This way makes it easy for the customers to consciously choose a more responsible approach to their shopping.

MODSTRÖM MARKET

End of 2021 Modström launched a new platform for the reselling of used Modström products. Initially Modström Market is available on the Danish market allowing customers to hand in their used styles from previously collections in exchange of a 25% off voucher. Modström Market is launched both as an extra service for our customers and to maintain our values of thinking more responsible regarding the environment and supporting a circular economy.

GOAL 13 - CLIMATE ACTION

2021 was yet again one of the warmest years recorded. Carbon dioxide (CO2) levels and other greenhouse gases in the atmosphere was almost on par with the record year 2019 after a dip of 5% in 2020 due to the pandemic. Climate change is affecting every country on every continent. It is disrupting national economies and affecting lives. Weather patterns are changing, sea levels are rising, and we see more severe weather patterns than previously. Climate change is not on pause. Once the global economy begins to recover from the pandemic, emissions are expected to return to higher levels. Saving lives and livelihoods requires urgent action to address both the pandemic and the climate emergency.

MODSTRÖM ACTIONS AND BELIFES

COPENHAGEN FASHION WEEK

During Copenhagen Fashion Week in August 2021, Modström teamed up with the company GreenMobility who operates an efficient free float carsharing platform consisting of 100 % electric cars. The cars were utilized to transport five women from show to show during this week in a sustainable way. These women were carefully chosen as part of the campaign due to their powerful characters and great sense of style. Amongst those were: Hanni Gohr (@hannigohr), Christel Winther (@christel_winther), Chloe Monchamp (@chloemonchamp), Tippiemaya Høgh (@tippiemaya) and Emma (@flavaplanet).

THOR HEYERDAHL CLIMATE PARK

Restoring Mangrove Forests

We at Modström take great pride in being part of the Thor Heyerdahl Climate Park project which aims to restore and plant mangrove trees in the Ayeyarwady Region of Myanmar.

Throughout this area only 16 percent of the original mangrove forest remains due to large destructions. Being part of this project Modström contributes to re-planting which benefits not only our climate but also local socio-economic conditions. Among these benefits one will find that:

- The mangroves protect coastal areas, including animals, people, and properties, from extreme weather conditions i.e., cyclones and hurricanes.
- The roots from the mangroves filters polluted water and hereby adds to the protection of seagrass and coral reefs.
- Planting the trees will create local jobs both directly through breeding and planting but also by strengthening the livelihoods of local communities.
- Mangroves mitigate up to five times more CO2 than other trees located in the rainforest and thereby contributes to reduce climate changes.
- Finally, the mangrove tree is the only sort on the planet that is able grow in saltwater, making it a perfect match for the Ayeyarwady Region of Myanmar.

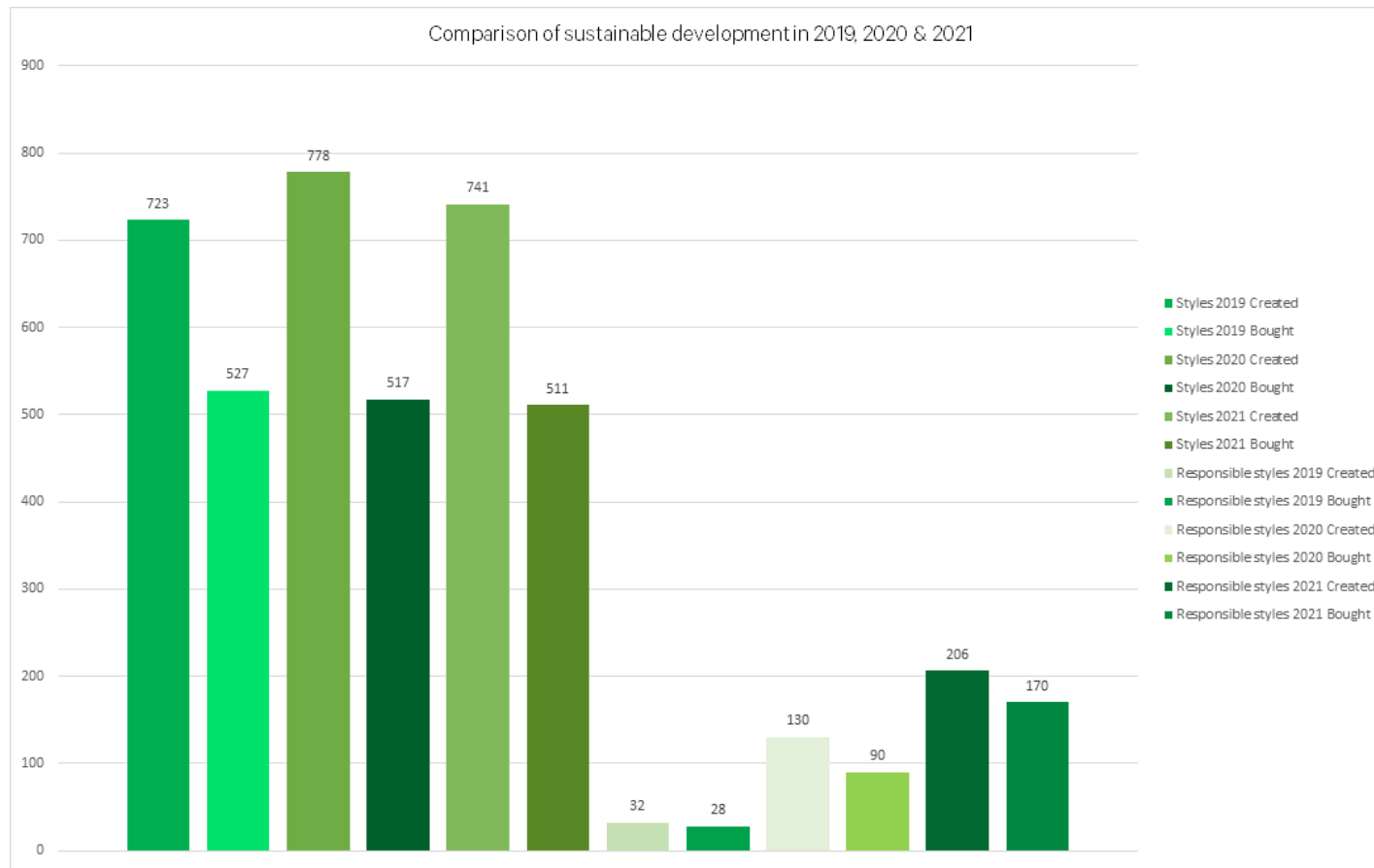
FREIGHT

Our production is based in China, Turkey, Italy, India and Bulgaria and our customer base is spread over much of Europe. This of course involves transporting the merchandise first from our suppliers to our warehouse for repacking and then transporting the merchandise to our customer's warehouse.

A global crisis in the transportation sector has increased shipping time from Far East which has forced Modström to move part of the Sea freight to Rail in order to reach deadlines for our customers. For 2022 we hope that the current crisis will ease up and transit time will return to more normal standards decreasing Rail and Air transports.

Furthermore, we have increased production in Europe which allows us to act faster with shorter lead time. This causes our

shipment by sea and by road to almost be even in percentages. Transportation in Europe is by Road but options for other types of carrying goods are being explored.



MATERIALS

In 2017 we started to work with more responsible materials in our collection. This process has gathered momentum over the last years with organic cotton, recycled cotton, Eco Vero Viscose, recycled polyester, Thermolit Ecomode and other responsible compositions. This is an ongoing process which will be pursued during the coming seasons.

In 2021 the number of styles created in a responsible fabric reached 28%, up from 16,5% in 2020 and 4,5% in 2019

We have in 2021 changed our biggest FAVOURITES program, Krown, to an Eco Vero certified quality.

ECOVERO Viscose fibers are derived from sustainable wood pulp, coming from certified and controlled sources. Fibers have been certified with the EU Ecolabel as meeting high environmental standards throughout their life cycle: from raw material extraction to production, distribution and disposal. The fibers can be robustly identified in the final product, assuring you that your purchase contains genuine LENZING™ ECOVERO™ Viscose fibers. In addition to Krown t-shirt, we are also exploring the possibility to use FSC certified Modal in other FAVOURITES programs.

FUTURE PLANS

In 2022 we hope to continue our journey towards more responsible collection.

Amongst our collection pieces we are sourcing RWS wool (Responsible Wool Standard), recycled wool, organic cotton for denim and recycled cotton, as well as pushing for more recycled polyester and polyamide for our outerwear program.

At present, more than 28% of our styles in each collection are in responsible materials and the aim is that by end 2024 we will have more than 65% of our new developments made in responsible materials.

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



