



UN Global Compact Communication on Progress

ScanCom International A/S

2012



Preface

As part of our strong commitment to Corporate Social Responsibility ScanCom became signatory to UN Global Compact on April 2011. On these pages we present our first Communication on Progress (COP) report.

The Progress Report is based on the reporting framework of Global Reporting Initiative according to self-declared C level requirement.

Financial data and management statements in this Progress Report are consistent with the Annual Report for ScanCom International A/S for the financial year 01 July 2011 to 30 June 2012.





Contents

1. ScanCom profile
2. Message from Group CEO
3. Organizational structure and group policies
4. Performance indicators and objectives
5. Performance and progress
6. Performance indicators for next period



ScanCom profile

- Founded on the 1st April 1995, ScanCom has grown to become one of the leading manufacturers of outdoor furniture in the world. With legal headquarters in Denmark and top management located in Ho Chi Minh City, Vietnam.
- ScanCom owned sales offices can be seen in Denmark, United Kingdom, Germany, U.S.A. and Vietnam with manufacturing sites in Brazil, Indonesia and Vietnam.
- We credit our achievements to attractive designs, high standards of quality and social responsibility combined with precise delivery planning and competitive prices. Always an active and responsible partner, ScanCom is guided by a firm set of principles that guides us in everything we do.

VISION

To become the preferred business and development partner for selected customers, medium and large retailers, Do-It-Yourself chains and Garden Centers globally within the garden furniture industry

MISSION

To provide our customers with solutions to grow their outdoor furniture business, by offering:

- Customized, full-range collections at competitive prices
- Environmentally and socially correct products and behavior
- Continuous improvement within total quality
- Customized marketing and logistics services
- On-time delivery and after-sales services

Company information:

ScanCom International A/S
Gl. Banegårdsplads 10
DK-4220 Korsør

Telephone: +45 58 35 14 25

Fax: +45 58 35 14 20

Website: www.scancom.net

E-mail: info@scancom.net

CVR No.: 18 47 98 93

Registered office: Korsør

Financial year:

1 July – 30 June

Business Focus :

Manufacturing and trade of garden furniture



Message from Group CEO



*Stig Maasbøl - Group CEO
ScanCom International A/S*

ScanCom Group is a leading player in the global market for outdoor furniture. To keep and develop this position, we are convinced it is a prerequisite to conduct our business in a responsible manner – "Doing Business the Right Way".

Sustainability for materials, products, and operations

To create and offer sustainable products, ScanCom control all materials for meeting all relevant regulation in our markets. For the wood used in our products, ScanCom as a pioneer regarding this, has more than 10 years' history in using FSC certified hardwood and today use 100 % FSC hardwood with an objective within short time to reach 100 % FSC for teak as well.

At the same time we continuously optimize our operation activities to reduce consumption of energy and resources, increase recycling, and reduce emissions. Related to this our main operation site in Vietnam will soon receive ISO 14001 certificate.

Social accountability

It is important for ScanCom to assure respect for human and labour rights. BSCI monitoring of all operations in Vietnam since 2008 and SA 8000 certificates for the operations in Brazil (2012) and Indonesia (2001) with own Code of Conduct is part of this. SA 8000 and OHSAS 18001 certificates in near future for the Vietnamese operations will reinforce this policy.

Now also being a UN Global Compact participant sends a clear signal to all our stakeholders we are committed to do business the right way.

Requirements to contract manufacturers and key suppliers

Built into the BSCI CoC, SA 8000, and UN Global Compact are requirements for improving CSR level in the supply chain. ScanCom actively practice this by performing CSR audits at the key suppliers and contract manufacturers and requesting them signing our Code of Conduct, and we have targets for continuous improvement on that policy.

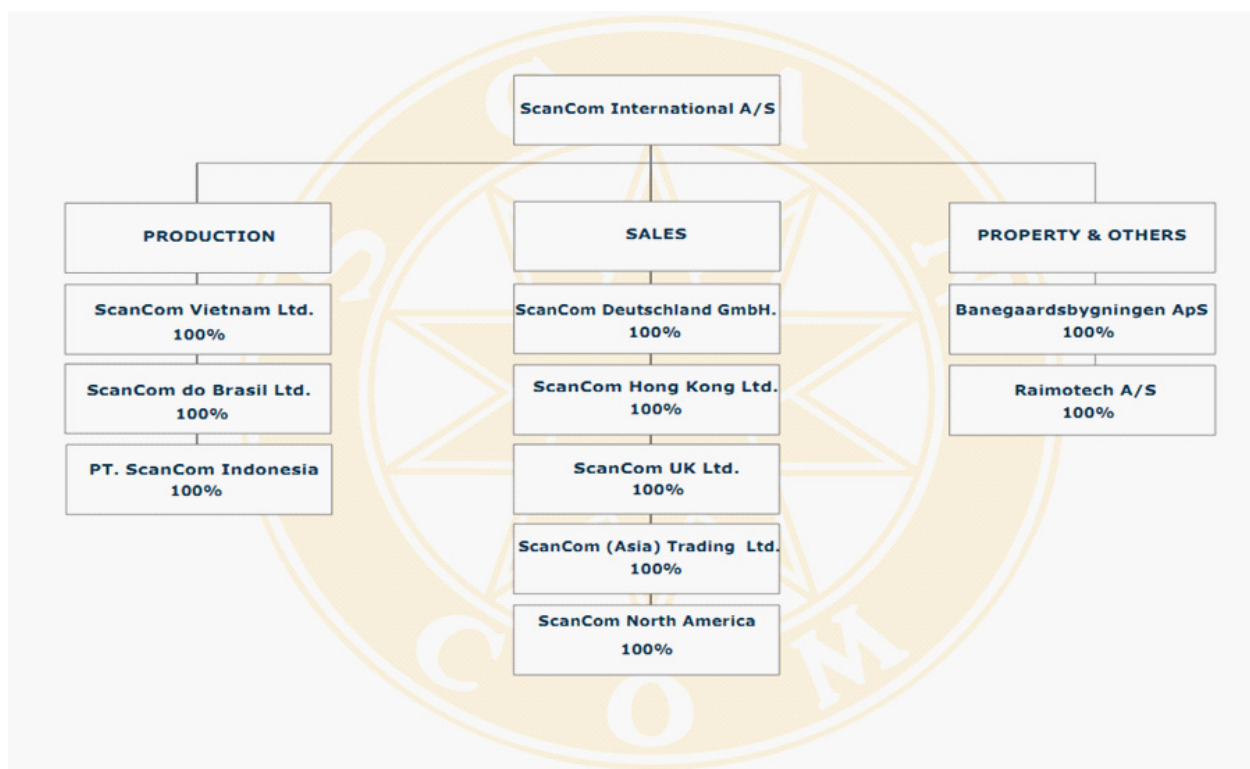
UN Global Compact commitment

After a difficult year with economy problems in key markets I am very pleased that ScanCom even under these conditions were able to remain true to our basic CSR values and make progress or keep same high level on all the 10 UN Global Compact principles.

For the new season ScanCom will continue commitment to UN Global Compact – Doing Business the Right Way is part of our DNA.



Legal Structure



Finance figures

Below are given the finance figures for ScanCom International A/S.

Only comment here is that the lower activity due to economical problems in key markets and bad summer weather in Europe in 2011 is reflected in the financial results of the year.

| Key figures (DKK million): | 2011/12 | 2010/11 | 2009/10 | 2008/09 | 2007/08 |
|---|---------|---------|---------|---------|---------|
| Income Statement: | | | | | |
| Revenue | 752.7 | 882.3 | 813.7 | 1,033.1 | 1,095.9 |
| EBITDA | 44.5 | 62.8 | 41.9 | 78.1 | 68.1 |
| Profit/loss on ordinary operating activities | 23.3 | 36.5 | 25.9 | 59.4 | 51.0 |
| Financial income and expenses, net | -10.6 | -19.2 | 14.2 | -48.6 | -23.2 |
| Profit/loss on ordinary activities before tax | 12.7 | 17.4 | 40.1 | 10.8 | 27.8 |
| Tax on profit/loss | -8.3 | -3.7 | -24.5 | -10.9 | -6.1 |
| Net profit/loss for the year | 4.4 | 13.7 | 15.6 | 0 | 20.5 |
| Balance: | | | | | |
| Balance sheet total | 479.3 | 455.8 | 492.0 | 472.9 | 522.4 |
| Purchases of property, plant and equipment, gross | 33.2 | 40.7 | 13.8 | 19.4 | 59.4 |
| Current Assets | 305.2 | 313.8 | 361.8 | 318.8 | 361.9 |
| Equity | 166.0 | 161.9 | 157.2 | 132.1 | 133.2 |
| Short-term debt | 244.6 | 227.3 | 243.9 | 280.1 | 333.1 |



Performance indicators and objectives

For the first year of participating in UN Global Compact ScanCom selected the performance indicators given below and set related objectives.

Performance and progress reported below focus on the selected indicators and objectives, but also other related areas are reported.

| UN Global Compact Principles | | Status of report | Level C Global Reporting Initiative (GRI) performance indicators | Related ScanCom objective |
|------------------------------|---|------------------|--|--|
| Human rights | <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights</p> <p>Principle 2: Make sure that they are not conflict in human rights abuses</p> | Full | HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor | Maintain zero child labour for ScanCom companies and contracted manufacturers |
| Labor | <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <p>Principle 4: Elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: Effective abolition of child labour</p> <p>Principle 6: Elimination of discrimination in respect of employment and occupation</p> | Full | <p>LA1: Total workforce by employment type, employment contract</p> <p>LA2: Total number and rate of employee turnover by age group, gender</p> <p>LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities</p> | <p>All contracted manufacturers receive BSCI audit before contracting.</p> <p>Reduce labour turnover in SCVN production area for season 11/12 by 10 %</p> <p>Reduce number of serious accidents by 50 % before end of season 11/12</p> |
| Environment | <p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: Undertake initiatives to promote greater environmental responsibility</p> <p>Principle 9: Encourage the development and diffusion of environmentally friendly technologies</p> | Full | <p>EN1: Material used by weight or volume</p> <p>EN2: Percentage of materials used that are recycled input materials</p> <p>EN 8: Total water withdrawal by source</p> <p>EN 21: Total water discharge by quality and destination</p> <p>EN 22: Total weight of waste by type and disposal method</p> | <p>Relevant ScanCom companies ready for ISO 14001 certification by end of season 11/12</p> <p>Prepare for measuring CO2 emission per product type from July 2012</p> |
| Anti-corruption | Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery | Partial | SO3: Percentage of employees trained in organization's anti-corruption policies and procedures | Establish and implement specific training for all office staff |
| Economic | | Full | EC1: Direct economic value generated and distributed, | |



Performance and progress

This year’s COP report focuses on performance and progress for the activities in Vietnam. The activities in Vietnam count for more than 90 % of ScanCom’s manufacturing.

Human rights

Child labor

During the season ScanCom maintained regular audits of contract manufacturers together with customer audits and BSCI audits. No cases of child labor were recorded.

Forced labor

Similar to the above, no cases of forced labor were recorded.

Labour

| Human resource management figures | SS 10/11 | SS 11/12 |
|---|----------|----------|
| Average head count | 4,016 | 3,968 |
| Total people leaving company | 3,475 | 2,767 |
| Annual employee turnover rate | 87% | 69% |
| Total overtime hours used | 588,967 | 310,974 |
| Average overtime hour used per head per year | 147 | 71 |
| Total hours code of conduct introductory training | 285 | 148 |

Workforce and employment

Practically all ScanCom employees are fulltime direct employees, and all have a labour contract. The number of full-time production employees are approximately 3800 people.

Labor turnover

ScanCom’s activities are situated in an area with tradition for high labour turnover. ScanCom suffered with this for several years and has actively addressed the problem by creating incentives for people to stay.

Employee turnover rate was reduced from 87 % in season 10/11 to 69 % in season 11/12, and although still high fully meets our objective set for this parameter.



Health and safety

| Health and safety data | SS 10/11 | SS 11/12 |
|---|----------|----------|
| Average headcount for accident calculation | 3,360 | 3,417 |
| Sick leaves days recorded | 9,740 | 9,580 |
| Total cases of accident with lost working day | 87 | 49 |
| Total lost days due to accident | 1,011 | 738 |
| Lost days, all types (incl. maternity leave) | 15,718 | 14,375 |
| Accident frequency rate per 100 employees | 2.3 | 1.43 |
| Severity rate per 100 employees | 30.1 | 21.3 |
| Fire cases detected | 11 | 6 |
| Total hours general labor safety training | 72 | 95 |
| Total onsite HSE talks, headcount | 1,129 | 2,964 |

The ScanCom safety performance in 2012 improved considerably compared to 2011. "Zero fatalities" goal was achieved, but for incidents causing lost working days the decrease from 87 to 49, i.e. 44 %, was a little below the target of 50 %. The figure may seem high but is actually below normal level in similar industries in South East Asia.

Although suffering from a high rate of employee turnover, ScanCom still account and manage effectively occupational health and safety training for its direct employees. General introductory training course on safety was delivered to 2065 new employees. Safety technical know-how and compulsory safety courses – such as for pressure vessels, chemical handling, fire safety, boilers, and forklifts – were conducted for 1383 people. Beside the organized training concept, the health and safety team has also delivered so-called HSE talks on the shop floors during their routine inspections. 2964 employees participated in these talks.

Overtime

The high labour turnover mentioned above together with the seasonal nature of outdoor furniture industry has in the past caused problems with too high overtime rates. However, by improved planning and reduced labour turnover rate this is now coming under control. Number of overtime hours per head was reduced from 147 to 71 from season 10/11 to season 11/12, i.e. 52 %.

Wages and benefits

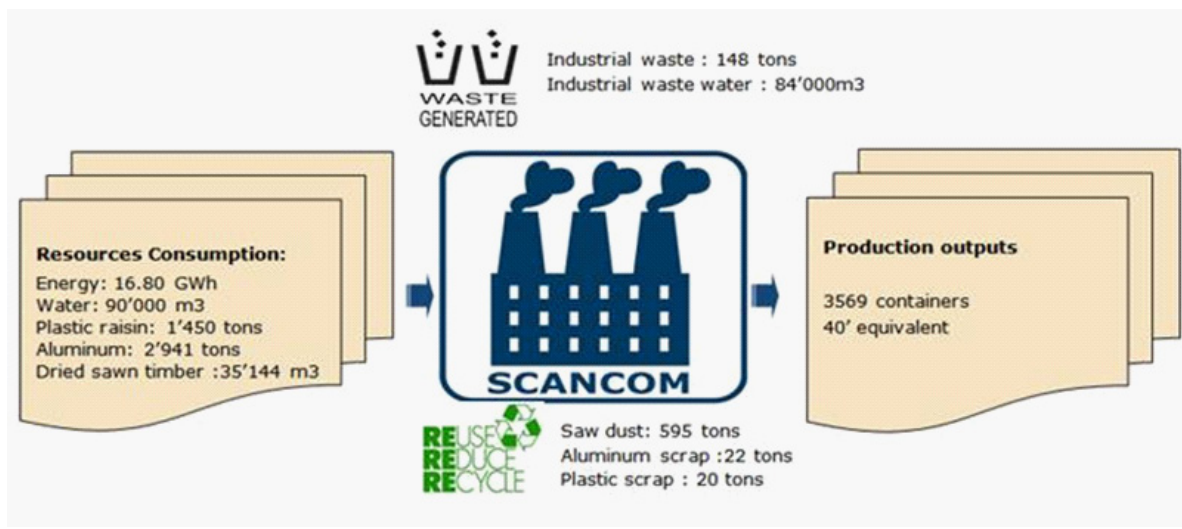
In Vietnam legal minimum wage is frequently adjusted, but ScanCom always compensated employees at a significant higher level, applying principles for actual living costs instead of minimum wage. In season 11/12 lowest wage level for workers was around 30 % higher than legal minimum. Furthermore, ScanCom continued policy of extra 2.5 % health and social insurance for workers compared to legal requirement plus extra support for employees with children.

Environment

Materials used, recycling, and waste

Data

Resource consumption for season 11/12 and related output and waste figures are shown below.



| Environment related figures | SS 1011 | SS 1112 |
|---|---------|---------|
| Total energy consumption in production, GWh | 19.20 | 16.80 |
| Water consumption, m3 | 92,000 | 90,000 |
| Industrial waste required report by law, tons | 105 | 148 |
| Industrial waste water required report by law, m3 | 76,000 | 84,000 |
| Total sawn timber consumption in production, m3 | 37,831 | 35,144 |
| Total aluminum billet consumption in production, tons | 3,275 | 2,941 |
| Total plastic resin consumption in production, tons | 1,720 | 1,454 |
| Total saw dust being recycled, tons | 291 | 595 |
| Total aluminum waste being recycled, tons | 24 | 22 |
| Total poly rattan waste being recycled, tons | 11 | 20 |

Materials and resources used

The decrease in materials and resources used reflects the lower activity level due to economic crisis in key markets and general low activity in the industry due to bad summer weather in Europe in 2011.

Water

ScanCom in the reported seasons partly used water from own wells, and the figures given only cover water from public supply. Use of own wells will be continued until the industrial zone is able to supply sufficient water.



Recycling

ScanCom continuously try to increase recycling of materials. New methods for recycling together with increase in sales volume of products – mainly wood plastic composite furniture – based on recycled materials are the reasons for the general increase in recycling.

Development activities in recycling will be continued.

Waste

Principles for registration of waste have been changed – and changes are still ongoing – so the development in waste figures for the listed two seasons are not comparable.

Solid waste is segregated and disposed of by licensed contractors and following local regulation. Details are reported to the management of the industrial zone and other local authorities.

ScanCom is cleaning waste water to level B before discharging to the centralized waste water treatment plant of the industrial zone. The waste water is checked and reports quarterly. Two new operational units are included for 11/12.

ISO 14001 certification of environment management system

In line with ScanCom's strategy for certification of management systems for relevant units we had the objective of having ISO 14001 certificate mid 2012. The project got slightly delayed and certificate will be received spring 2013.

Measuring CO₂ emission

Systems are prepared for registration of data for calculation of CO₂ emission and registration is in implementation. Data will be available for season 13/14.

FSC wood

ScanCom was one of the pioneers in using FSC wood for outdoor furniture and is today the world's biggest manufacturer of FSC hardwood garden furniture.

ScanCom is today using 100 % FSC hardwood in our operations in Vietnam – including our contract manufacturers.

ScanCom Indonesia is now FSC certified and is working towards having all production made by FSC teak. What is not FSC today, is all made of legal teak.

Taken the above into account ScanCom can meet any regulation on wood in all markets and provide all relevant documentation for customers.

Anti-corruption

ScanCom two years ago established our own Code of Conduct which is updated every year.

The Code of Conduct is communicated to all employees and all new employees receive training in the content. Furthermore, the Code of Conduct is communicated to all subcontractors, contract manufacturers, and key suppliers – and they are requested to sign the code.



BSCI monitoring

Contract manufacturers

For season 11/12 social compliance training module was organized by ScanCom for 25 contracted manufactures in hardwood group, 6 in poly rattan weavers group and 3 cushion manufacturers. In this training, ScanCom CSR also communicated the updated ScanCom code of conduct to contracted manufacturers and message from ScanCom Group CEO on anti corruption and best practice of business relationship.

Of the 34 contract manufacturers 25 were registered under the BSCI platform.

| Contract manufacturers | SS 10/11 | SS 11/12 |
|--|-----------------|-----------------|
| Production site registered under BSCI audit platform | 23 | 25 |
| Total number BSCI audits, initial and reaudit | 8 | 9 |
| Total number of ScanCom Code of Conduct audits | 56 | 54 |
| Contract manufacturers joining BSCI led training | 8 | 4 |
| Contract manufacturers joining ScanCom led training | 27 | 34 |
| BSCI compliance rating | SS 10/11 | SS 11/12 |
| Good | 11/23 | 12/25 |
| Improvement needed | 08/23 | 12/25 |
| Non compliant | 04/23 | 01/25 |

Social compliance monitoring practice:

- ScanCom International A/S joined and became member of BSCI September 2008. ScanCom encourages all production units, including contracted manufacturers, to join the BSCI program. ScanCom by its own resources continuously provide and organize training, law updating service, internal audits, and monitoring. In SS1112, 12/25 contracted suppliers were awarded with status "good", 12/25 with "improvement needed", and 1/25 was with status of non-compliant.
- As documented in the internal monitoring report, in this season ScanCom CSR auditors have performed in total 54 audits and follow-up verifications of corrective actions on non conformances.
- ScanCom still maintains a financial support scheme by covering audit fee for those factories who are committed to working towards social compliance and who have no failures on crucial requirements such as no child labor, no violation of legal wage, and other national applicable law and regulation



Certification status and progress

Below is given an overview of the certifications obtained and in progress for ScanCom Group companies.

Where stated N/A, management found it not relevant for now.

| Certifications for ScanCom Group | ISO 9001 | ISO 14001 | OHSAS 18001 | COC/FSC | SA 8000 |
|---|-----------------|------------------|--------------------|----------------|----------------|
| ScanCom International | x | N/A | N/A | x | N/A |
| ScanCom Vietnam | x | in progress | in progress | x | in progress |
| ScanCom Brazil | x | N/A | N/A | x | x |
| ScanCom Indonesia | x | N/A | N/A | x | x |
| ScanCom Asia Trading | x | N/A | N/A | x | N/A |



Performance Indicators for following year

ScanCom will for the following year extend the number of performance indicators as given below.

Environment

1. **EN1.** Materials used by weight or volume.
2. **EN2.** Percentage of materials used that are recycled input materials.
3. **EN3.** Direct energy consumption by primary energy source.
4. **EN8.** Total water withdrawal by source.
5. **EN21.** Total water discharge by quality and destination.
6. **EN22.** Total weight of waste by type and disposal method.

Human rights

7. **HR2.** Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.
8. **HR6.** Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labour.

Labour

9. **LA1.** Total workforce by employment type, employment contract, and region.
10. **LA2.** Total number and rate of employee turnover by age group, gender, and region.
11. **LA4.** Percentage of employees covered by collective bargaining agreements.
12. **LA6.** Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.
13. **LA7.** Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region.
14. **LA10.** Average hours of training per year per employee by employee category.
15. **LA14.** Ratio of basic salary of men to women by employee category.

Society

16. **SO3.** Percentage of employees trained in organization's anti-corruption policies and procedures.

Economic

17. **EC1.** Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.