



ScanCom International A/S

UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS
SEASON 2014/15



PREFACE

ScanCom International A/S became signatory to the UN Global Compact in April 2011. In this report we present our Fourth Communication on Progress.

The Progress Report is based on the reporting framework of the 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 2014 to 30 June 2015.





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SCANCOM PROFILE

- Since being founded on the 1st April 1995, ScanCom has grown to become a leading global manufacturer of outdoor furniture. Legal headquarters is in Denmark and top management is located in Ho Chi Minh City, Vietnam.
- ScanCom have sales offices in Denmark, the United Kingdom, Germany, the USA and Vietnam and 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 lead us in everything we do.

OUR VISION

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

OUR 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

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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 manufacturer in the global market for outdoor furniture. To maintain and develop this position, we are convinced it is a prerequisite to conduct our business in a responsible manner – “Doing Business the Right Way”.

However, we must admit our principles are under intense pressure from competitors NOT doing business the right way.

ScanCom’s approach to doing business the right way was recognized in 2014 when we were the recipient of the “CSR Abroad Prize”, an award established by Denmark’s Ministry of Foreign Affairs, and this provided great encouragement to continue our CSR strategy.

Sustainability for materials, products, and operations

To create and offer sustainable products, ScanCom controls all materials and products in order to meet all relevant regulations in our markets. For the wood used in our products, ScanCom was a pioneer in using FSC certified hardwood, and today we use 100% FSC hardwood with an objective to increase the level of FSC teak year by year.

At the same time we continuously optimize our operating activities to reduce consumption of energy and resources, increase recycling, and reduce emissions. Our main operation site in Vietnam is operated under ISO 14001 certificate.

Social accountability

It is important for ScanCom to assure respect for human and labor rights. Key features of this are: BSCI monitoring of all operations in Vietnam since 2008, SA 8000 certificates for the operations in Brazil (2012) and Indonesia (2001), and having our own Code of Conduct. OHSAS 18001 certification for health and safety management was obtained for the Vietnamese operation in 2014.

Being signatory to the UN Global Compact, in addition to BSCI monitoring and certifications, sends a clear signal to all our stakeholders that we are committed to doing business the right way and also supports our activities in terms of meeting the CSR requirements of our global customers.

Requirements for contract manufacturers and key suppliers

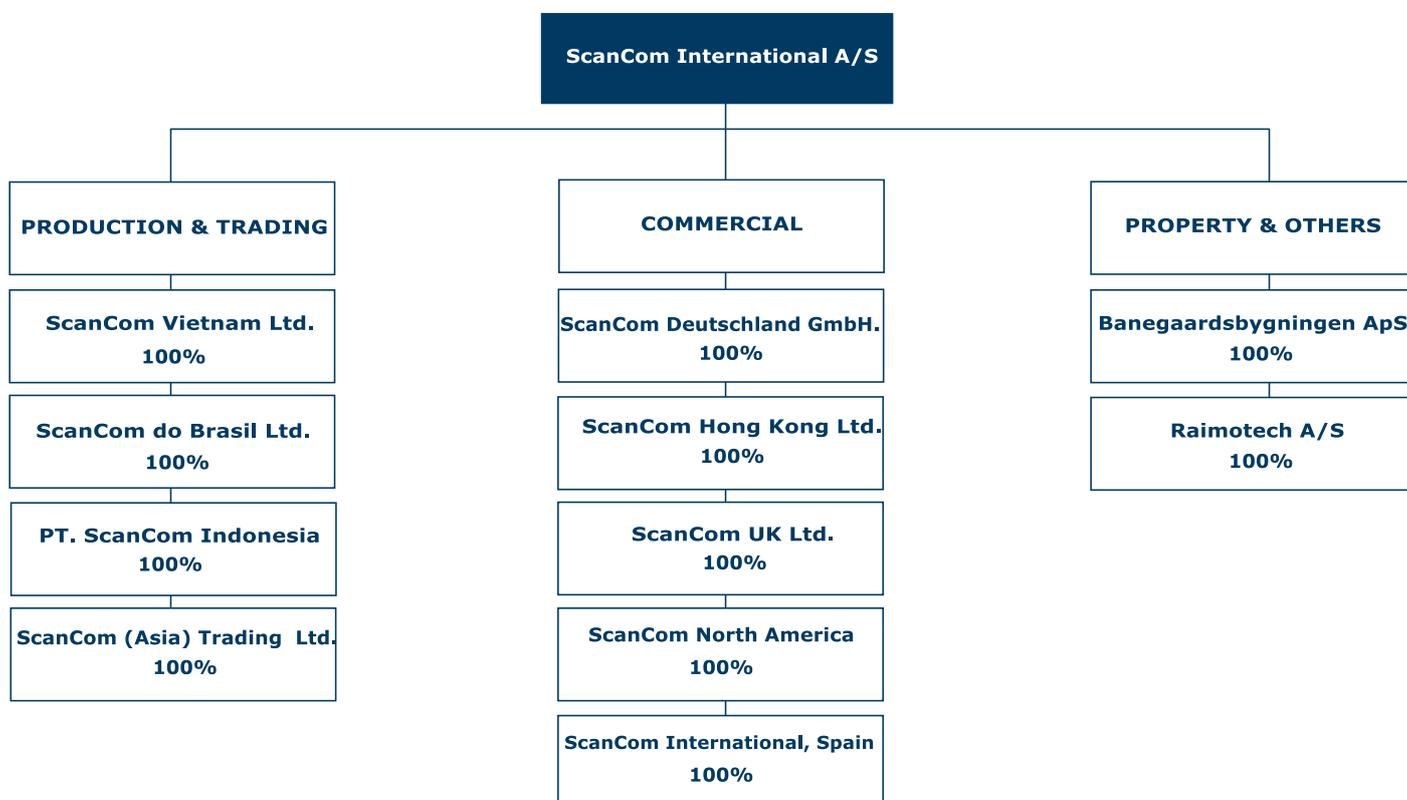
Built into the BSCI CoC, SA 8000, and UN Global Compact are requirements for the improvement of CSR level in the supply chain. ScanCom actively practises this by performing CSR audits at key suppliers and contract manufacturers and requesting them to sign our Code of Conduct, and targets are set for continuous improvement in terms of that policy.

UN Global Compact commitment

I am very pleased that ScanCom, even under the difficult conditions of recent years, has been able to remain true to its basic CSR values and to make progress, or at least maintain the same high level, in all 10 of the UN Global Compact principles.

For the following seasons ScanCom will continue to further develop commitment to the UN Global Compact – **“Doing Business the Right Way”** will remain part of our DNA.

LEGAL STRUCTURE



FINANCE FIGURES

The finance figures for ScanCom International A/S are presented below:

Key figures (DDK million):	2014/15	2013/14	2012/13	2011/12	2010/11
Income Statement:					
Revenue	880.8	672.2	710.6	752.7	882.3
EBITDA	32.6	21.2	39.7	44.5	62.8
Operating profit	10.3	6.7	16.7	23.3	36.5
Financial income and expenses	5.1	-12.5	-13.7	15.8	-33.0
Profit/loss before tax	15.4	-5.9	3.0	39.1	3.5
Corporation tax	-5.2	0.1	-0.4	-8.3	-3.7
Net Profit for the year	10.1	-5.3	2.5	30.8	-0.2
Balance:					
Total assets	593.3	506.1	431.6	479.3	455.8
Investment in property, plant and equipment	35.0	20.2	12.4	33.2	40.7
Current Assets	427.3	357.9	280.3	305.2	313.8
Equity	152.7	150.3	160.1	166.0	161.9
Current liabilities	432.8	301.3	210.4	244.6	227.3
Employees:					
Average number of employees	3,932	4,415	4,284	4,541	4,725



PERFORMANCE INDICATORS AND OBJECTIVES

For season 14/15 ScanCom selected the performance indicators given below and set related objectives. This year's Communication of Progress in performance focuses on the selected indicators and objectives, and also reports on other related areas.

	UN Global Compact Principles	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 complicit in human rights abuses</p>	<p>HR2: Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.</p> <p>HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor</p>	<p>Maintain human rights screening of all contract manufacturers and selected critical suppliers.</p> <p>Maintain zero child labor for ScanCom companies and contracted manufacturers</p>
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 labor</p> <p>PRINCIPLE 5: Effective abolition of child labor</p> <p>PRINCIPLE 6: Elimination of discrimination in respect of employment and occupation</p>	<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>LA4: Percentage of employees covered by collective bargaining agreements.</p> <p>LA6: Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.</p> <p>LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities</p> <p>LA10: Average hours of training per year per employee by gender, and by employee category.</p> <p>LA14: Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.</p>	<p>All contract manufacturers receive ScanCom internal BSCI audit before supplying.</p> <p>Maintain no incidents of forced labor at contract manufacturers.</p> <p>Reduce number of accidents by 30% before end of season 14/15.</p> <p>Comply with regulation and customer requirements for training of all employees on environmental issues and health and safety.</p>

	UN Global Compact Principles	Level C Global Reporting Initiative (GRI) performance indicators	Related ScanCom objective
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>	<p>EN1: Material used by weight or volume</p> <p>EN2: Percentage of materials used that are recycled input materials</p> <p>EN3: Direct energy consumption by primary energy source.</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>Maintain 100 % control of restricted substances.</p> <p>Ensure that all emissions are within legal limits.</p> <p>Maintain monitoring of CO₂ emission.</p> <p>Improve monitoring of electricity consumption.</p>
ANTI-CORRUPTION	<p>PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery</p>	<p>SO3: Percentage of employees trained in organization's anti-corruption policies and procedures</p>	<p>Implement ScanCom Code of Conduct with all business partners.</p>
ECONOMIC		<p>EC1: Direct economic value generated and distributed,</p>	

PERFORMANCE AND PROGRESS

ScanCom's Communication on Progress includes performance and progress of activities in Vietnam (**SCVN**), Indonesia (**SCIN**), and Brazil (**SCBR**).

CSR HIGHLIGHTS SEASON 2014/15

- ScanCom received the CSR Abroad Prize 2014 from the Danish Ministry of Foreign Affairs.
- Achievement Award from Intertek after Working Conditions Assessment.
- Supplier of the Year at large customer.
- Approval from IKEA of SCVN's Social Compliance System according to IWAY standard.



- Successful first re-audit for OHSAS 18001 certification of SCVN.
- Safeguards fully implemented on all manufacturing machines in SCVN.
- Significant improvements in temperature levels in SCVN manufacturing units.

CSR ABROAD PRIZE

In November 2014 ScanCom received the CSR Abroad Prize, an award established by the Danish Ministry of Foreign Affairs, as recognition of the ongoing commitment to "Doing Business the Right Way".

The reasons cited for the award were: ScanCom's co-operation with labor unions; the systematic improvement of CSR activities within the supply chain; the incorporation of CSR into ScanCom's business strategy; and the longstanding commitment to the use of FSC certified wood.



WORKPLACE CONDITION ASSESSMENT

During season 14/15, as a result of requests from some customers, SCVN underwent an audit as part of the Intertek Workplace Conditions Assessment (WCA) program. The WCA addresses the areas of Labor, Wages and Hours, Health and Safety, Management Systems, and Environment with respect to widely-held industry standards and best practices. ScanCom received the Intertek "Achievement Award".

SUPPLIER OF THE YEAR

In 2014 ScanCom International was nominated "Supplier of the Year" by one of our biggest customers, Bettenwelt. The reasons cited for the nomination were: ScanCom's ongoing significant improvements in terms of CSR and our commitment to the use of FSC certified wood.

HUMAN RIGHTS

ScanCom International is committed to influence our employees and business partners to respect the United Nations Universal Declaration of Human Rights.

For several years ScanCom has had its own, annually updated Code of Conduct for employees and business partners. It can be seen in full on our website: <http://www.scancom.net>

BSCI monitoring of contract manufacturers

SCVN uses the BSCI monitoring system to ensure that its contract manufacturers, as a minimum, comply with basic human rights and local regulations pertaining to labor conditions.

For season 14/15 ScanCom used a total of 21 contract manufacturers, all of which were registered on the BSCI platform.

An updated version of the SCI Code of Conduct was introduced in March 2014. It is more focused and stricter in terms of actual operations and compliance with relevant local laws

ScanCom increased collaboration with the individual contract manufacturers in order to ensure implementation and upgrade to meet the new BSCI requirements.

As usual, ScanCom supported our supply chain to follow up on non-conformance found by 3rd parties or customers in order to, as a minimum, meet the new rating C (Acceptable).

The new ratings in the BSCI system are A, B, C, D, E:

A and **B** correspond to the previous rating "Good".

C corresponds to the previous rating "Improvement Needed".

D is equivalent to the previous rating of "Non-Compliant".

E is "Zero Tolerance" where business must stop immediately.

CONTRACT MANUFACTURERS	SS 12/13	SS 13/14	SS 14/15
Production site registered on BSCI audit platform	25	25	21
Total number of BSCI audits, initial and re-audit	18	17	4
Total number of ScanCom Code of Conduct audits	25	25	21
BSCI COMPLIANCE RATING	SS 12/13	SS 13/14	SS 14/15
Good	19/25	19/25	12/21
Improvement needed	6/25	5/25	4/21
Non-compliant	0/25	1/25	0/21
B (Good)			1/21
C (Acceptable)			3/21
D (Non-Compliant)			1/21

Supplier audits

ScanCom is continually developing higher CSR levels at our suppliers. By June 2015 all suppliers had signed ScanCom's Code of Conduct. 100% of new suppliers, where relevant, were subject of an onsite CSR audit conducted by ScanCom and approximately 30% of existing suppliers were re-audited.

In general the top level management of suppliers is integral to developments in this area, as the awareness and commitment of suppliers is improved due to the allocation of resources and time in order to make improvements.

Child labor and forced labor

During the past season, as with those previous, ScanCom maintained regular audits of contract manufacturers together with customer audits and BSCI audits, and again for this season we can report that no cases of child labor or forced labor were recorded.

LABOR

ScanCom is committed to the support and protection of labor rights including: abolition of child labor, elimination of forced labor, freedom of association, and eradication of any kind of discrimination.

Workforce, employment, and labor turnover

Human resource management figures	SCVN SS13/14	SCVN SS14/15	SCIN SS13/14	SCIN SS 14/15	SCBR SS 13/14	SCBR SS 14/15
Average head count	3,861	3,354	318	327	62	125
Total number of people leaving company	2,894	1,923	79	45	12	72
Annual employee turnover rate	75%	57 %	25%	14%	19%	58%
Total overtime hours used	431,700	412,916	5,884	5,581	9,759	17,388
Average overtime hours used per head per year	108	123	19	17	157	139



Workforce and employment

Practically all ScanCom employees are fulltime direct employees, and all have a labor contract. Detailed information about terms of contracts is given in the table below:

Labor contract terms (Figures are season average data)

Site/ Season	Category of employees	Labor contract term				Grand Total
		Probation	Seasonal	1-2 years	Indefinite	
SCVN 2013-2014	Male	4	431	478	1,856	2,769
	Management	1	0	22	205	228
	Staff	0	0	26	55	81
	Worker	3	431	430	1,596	2,460
	Female	0	182	120	790	1,092
	Management	0	0	5	74	79
	Staff	0	0	27	93	120
	Worker	0	182	88	623	893
	Grand Total	4	613	598	2,646	3,861
SCVN 2014-2015	Male	3	265	398	1,815	2,481
	Management	1	0	26	185	212
	Staff	1	0	37	51	89
	Worker	1	265	335	1,579	2,180
	Female	1	35	79	758	873
	Management	0	0	7	72	79
	Staff	1	0	26	84	112
	Worker	0	35	46	602	682
	Grand Total	4	300	477	2,573	3,354
SCIN 2013 - 2014	Male	0	153	0	97	250
	Management	0	0	0	21	21
	Staff	0	0	0	22	22
	Worker	0	153	0	54	207
	Female	0	33	0	35	68
	Management	0	0	0	8	8
	Staff	0	0	0	15	15
	Worker	0	33	0	12	35
	Grand Total	0	186	0	132	318
SCIN 2014-2015	Male	0	0	0	99	267
	Management	0	0	0	21	21
	Staff	0	0	0	12	12
	Worker	0	168	0	66	234
	Female	0	0	0	30	60
	Management	0	0	0	6	6
	Staff	0	0	0	12	12
	Worker	0	30	0	12	42
	Grand Total	0	198	0	129	327

Labor contract terms

Site/ Season	Category of employees	Labor contract term				Grand Total
		Probation	Seasonal	1-2 years	Indefinite	
SCBR 2013 - 2014	Male	0	0	0	43	43
	Management	0	0	0	5	5
	Staff	0	0	0	13	13
	Worker	0	0	0	25	25
	Female	0	0	0	19	19
	Management	0	0	0	0	0
	Staff	0	0	0	10	10
	Worker	0	0	0	9	9
	Grand Total	0	0	0	62	62
SCBR 2014-2015	Male	0	0	0	92	92
	Management	1	0	26	5	5
	Staff	1	0	37	14	14
	Worker	0	0	0	73	73
	Female	0	0	0	38	38
	Management	0	0	0	0	0
	Staff	0	0	0	15	15
	Worker	0	0	0	23	23
	Grand Total	0	0	0	130	130

Labor turnover

In total for the group, there was a significant improvement during season 14/15.

SCVN's activities are situated in an area with a traditionally very high labor turnover in the furniture industry. ScanCom was affected by this for several years and actively addressed the problem by creating incentives for employees to stay. These have taken the form of an improvement in working conditions and the provision of a range of benefits: supporting the children of employees, providing a transportation allowance, and assistance with house rental. The focus on making it attractive to stay in ScanCom was continued over season 14/15 and seems to have had a positive impact. The employee turnover rate for SCVN was reduced from 75 % in season 13/14 to 57 % in season 14/15, and although this figure may still be considered high, it meets the objective set for this parameter.

The employee turnover rate for **SCIN** decreased from 24% in season 13/14 to 14% in season 14/15. The reduction is a result of less seasonal workers resigning and not completing their contract – probably due to the improved recruitment process that was implemented.

SCBR is still experiencing a negative situation in terms of labor turnover after the opening of the new unit in Minas do Leão/RS. The situation is not yet stabilized, but the labor turnover was falling month by month. Of the total SCBR labor turnover for the season 14/15, 80% came from the new unit.

ScanCom is working together with the local authorities in the area to educate workers coming from agricultural jobs about what is required in an industrial workplace.



Headcount Turnover by Category

Site	Employee category	Age					Total leaving	Average headcount	Turnover %
		18-25	26-35	36-45	46-55	56-60			
SCVN	Male								
	Official worker	359	402	77	6	0	844	1,920	44%
	Seasonal worker	409	256	33	2	0	700	265	264%
	Staff	5	14	4	1	0	24	83	29%
	Management	0	25	12	3	0	40	213	19%
	Total Male	773	697	126	12	0	1,608	2,481	65%
	Female								
	Official worker	66	93	19	4	0	182	647	28%
	Seasonal worker	57	36	11	2	0	106	35	304%
	Staff	3	17	3	0	0	23	113	20%
	Management	0	3	1	0	0	4	78	5%
Total Female	126	149	34	6	0	315	873	36%	
Grand Total SCVN	899	846	160	18		1,923	3,354	57%	
SCIN	Male								
	Official worker	0	0	0	0	0	0	66	0%
	Seasonal worker	26	5	0	0	0	31	168	18%
	Staff	0	1	0	0	0	1	12	8%
	Management	0	0	0	1	0	1	21	-5%
	Total male	26	6	0	1	0	33	267	12%
	Female								
	Official worker	0	0	0	1	0	1	12	-8%
	Seasonal worker	8	2	0	0	0	10	30	33%
	Staff	0	1	0	0	0	1	12	-8%
	Management	0	0	0	0	0	0	6	0%
Total Female	8	3	0	1	0	12	60	20%	
Grand Total SCIN	34	9	0	2	0	45	327	14%	
SCBR	Male								
	Official worker								
	Seasonal worker	0	0	0	0	0	0	0	0%
	Staff	25	20	8	5	0	58	82	71%
	Management	0	0	0	0	1	1	5	20%
	Total male	25	20	8	5	1	59	87	68%
	Female								
	Official worker								
	Seasonal worker	0	0	0	0	0	0	0	0%
	Staff	4	6	2	0	1	13	38	34%
	Management	0	0	0	0	0	0	0	0%
Total Female	4	6	2	0	1	13	38	34%	
Grand Total SCBR	29	26	10	5	2	72	125	58%	

Overtime

Overtime rates have now stabilized for all companies in the group and are all in compliance with local regulation. For SCBR the new unit opening had a particular impact.

Wages and benefits

In Vietnam the legal minimum wage is frequently adjusted – last time by 15 % in January 2015 – but SCVN has always compensated employees at a significantly higher level, applying principles for actual living costs rather than the minimum wage. In season 14/15 SCVN continued this principle and the lowest wage level for SCVN workers was around 26 % higher than the legal minimum. Furthermore, SCVN continued the policy of an extra 2.5 % health and social and unemployment insurance for workers compared to the legal requirement plus extra support for employees with children.

SCIN pays contract workers at a rate that is just a few percent above the minimum level in the regulation for this group of employees. However, all permanent employees are paid at a minimum of 10% higher level than regulation, depending on position and responsibility.

SCBR pays wages based on an agreement with the Union and the wage pattern of the local area. SCBR has attractive benefit policies which are successful in the long-term retention of workers.

For the latter period 2014/2015, SCBR salaries are minimum of 28% above the national regulation, which is positive for labor retention.

Discrimination

ScanCom continuously enforces its policy of not accepting any kind of employment discrimination of the workforce due to gender, age, or origin.



Age distribution of employees (Numbers are per end of season)

Site	Season	Group	Age					Grand Total
			18-25	26-35	36-45	46-55	56-65	
SCVN	2013-2014 (HEADCOUNT IN JUNE 2014)	Management	0	187	103	17	0	307
		Staff	20	150	23	6	2	201
		Worker	780	1,589	568	123	3	3,063
		Total Headcount	800	1,926	694	146	5	3,571
	2014-2015 (HEADCOUNT IN JUNE 2015)	Management	4	189	97	15	0	305
		Staff	41	146	24	6	2	219
		Worker	695	1,359	492	110	3	2,659
		Total Headcount	740	1,694	613	131	5	3,183
SCIN	2013-2014 (HEADCOUNT IN JUNE 2014)	Management	0	4	22	2	0	28
		Staff	0	18	4	1	0	23
		Worker	42	76	47	10	0	175
		Total Headcount	42	98	73	13	0	226
	2014-2015 (HEADCOUNT IN JUNE 2015)	Management	0	3	22	2	0	27
		Staff	0	16	7	1	0	24
		Worker	57	84	58	11	0	209
		Total Headcount	57	103	87	14	0	261
SCBR	2013-2014 (HEADCOUNT IN JUNE 2014)	Management	0	1	2	1	1	5
		Staff	7	7	7	1	2	24
		Worker	9	16	5	4	0	34
		Total Headcount	16	23	14	6	3	63
	2014-2015 (HEADCOUNT IN JUNE 2015)	Management	0	1	1	1	2	5
		Staff	10	13	4	1	1	29
		Worker	32	32	15	17	2	98
		Total Headcount	42	46	20	19	5	132

The low median age of ScanCom's employees reflects the age distribution in the population of the countries where manufacturing occurs. Furthermore the official retirement ages are relatively low with 55/60, 55/55, 60/65 years for women/men in Vietnam, Indonesia, and Brazil respectively.

Salary comparison for female and male employees (USD/month).

Category	SCVN SS 13/14		SCVN SS 14/15		SCIN SS 13/14		SCIN SS 14/15		SCBR SS 13/14		SCBR SS 14/15	
	Male	Female										
Management	617	884	663	911	460	470	476	505	8,162	N/A	7529	N/A
Staff	340	349	349	353	191	236	221	238	1,022	895	940	706
Worker	205	195	228	215	129	127	139	135	636	561	423	395

At ScanCom salaries for each country are commensurate with qualifications and role, not gender. Differences in the above figures are related to different kinds of jobs.

For Brazil the comparison between seasons is heavily impacted by changes in the currency exchange rate, as the Brazilian Real lost 38% against the USD over the season.

HEALTH AND SAFETY

OHSAS 18001

In the early part of season 14/15 SCVN received the OHSAS 18001 certificate for the occupational health and safety management system, and at the end of the season the first surveillance audit was passed with good results. Related to the OHSAS 18001 SCVN has now fully implemented safeguards on all machines.

Another significant area of progress is an improvement in temperature levels at hot workplace areas in SCVN.

Health and Safety data

Health and safety data	SCVN		SCIN		SCBR	
	SS 13/14	SS 14/15	SS 13/14	SS 14/15	SS 13/14	SS 14/15
Average headcount for accident calculation	3,861	3,354	318	327	62	132
Sick leaves days recorded	12,332	12,550	1,375	1,113	57	252
Total cases of accidents with lost working day	37	29	3	3	0	10
Total lost days due to accidents	285	163	4	5	0	46
Lost days, all types (incl. maternity leave)	14,971	14,297	3,474	3,114	270	740
Accident frequency rate per 100 employees	1.0	0.9	0.9	0.9	0	0.7
Fire cases detected	2	0	0	1	0	0
Total hours general labor safety training	54,492	56,202	672	693	1,626	1,412

SCVN experienced a decrease of around 22% in the number of accidents in the period, and the number of lost days due to accidents fell even further. Although the objective of a 30% decrease was not met, it was a significant improvement that is probably related to the increased amount of safety training and a general improvement in workplace safety in the preceding years.

SCIN increased its focus on a reduction in the amount of sick leave and a considerable improvement of a



19% drop was recorded.

In the unit of Telemaco Borba, **SCBR** did not have any work accidents in the period. For this site there have been 493 days without accidents.

In Lion Mines unit, the procedures are in the implementation phase, and improvements are being seen on a daily basis.

Increases in sick leave and accidents (none of them serious) are all related to the new unit, but we expect significant improvements over the present period due to the initiation of improvement activities.

ENVIRONMENT

SCVN's environment management system according to ISO 14001 was maintained and improved over the period.

Materials used, recycling, and waste

Data

Over the preceding years ScanCom has worked towards an improvement in the collection of reliable data and this has now reached a satisfactory level.

However, the changed and improved procedures for data collection have led to difficulties in comparisons with previously reported data in several cases.

Resources

Resources and recycling	SCVN		SCIN		SCBR	
	SS 13/14	SS 14/15	SS 13/14	SS 14/15	SS 13/14	SS 14/15
Total electrical energy, MWh	19,300	22,681	361	215	3,200	3,840
Water consumption, 1000 m ³	138	149	7.9	6.9	4.20	9.95
Industrial waste, MT	5,985	3,995	0	1.5	20,700	22,300
Waste water, 1000 m ³	121	125	7.9	6.9	0.11	0.22
Sawn timber, 1000 m ³	30.1	24.9	4.42	5.15	75.5	96.5
Aluminum billets, MT	3,280	4,059	0	N/A	N/A	N/A
Plastic resin, MT	2,330	3,040	N/A	N/A	N/A	N/A
Recycled saw dust, MT	660	582	0	1.5	7,200	13,440
Recycled aluminum waste, MT	115	273	N/A	N/A	N/A	N/A
Recycled Poly Rattan waste, MT	30	83	0	2.4	N/A	N/A

In general, the reported data now reflect development in our business with increased volumes and opening of new business areas, but specific changes are commented on below.

SCVN

The decrease in industrial waste is mainly a consequence of replacing the external sourcing of wood pellets for boilers for wood drying with ScanCom's own wood waste. This leaves less wood waste for external sale.

The decrease in volume for sawn timber is due to a 60% increase in efficiency in using the wood and also reflects a decrease in the volume of wood furniture produced. Furthermore, for seasons 13/14 and 14/15 a significant amount of wood used for production – especially for 13/14 - came from internal stocks of already dried wood. Therefore, there is no direct correlation to the amounts of wood provided above for the kiln drying of wood.

Increases in the use of aluminum and plastic resins are due to increased activity levels – a new plastic injection factory was established in season 14/15.

The decrease in the amount of aluminum waste is due to market prices for the waste. If the price offered for the waste by our aluminum supplier is low, the waste is instead sold in the local market and is then not used in future products. However, regardless of the buyer, the waste is recycled.

Recycling of polyethylene waste from the Poly Rattan production was significantly increased – we now recycle all waste.

SCIN increased focus on electricity consumption during the report period and succeeded in reducing the amount by 40% compared to the previous season – a positive result based on many focused initiatives.

Waste volumes (Metric Tons)

Waste type (MT)	SCVN		SCIN		SCBR		Disposal method
	SS 13/14	SS 14/15	SS 13/14	SS 14/15	SS 13/14	SS 14/15	
Domestic waste	120	124	11	17	3.4	8.7	Authorized contractor
Hazardous waste	476	458	0	0	0.4	1.4	Authorized contractor
Recyclable waste	5,383	3,414	2.7	8.5	20,700	22,300	Sold to contractors

SCVN: Recycled waste sold to contractors is reduced since there is more internal reuse for boilers for wood drying. Domestic and hazardous waste handling is now fully under control and are at the same level as last season.

CO₂ emissions

Since 2012 ScanCom has continuously monitored CO₂ generating consumptions with the aim of a stepwise reduction in CO₂ emissions.

CO₂ emissions data

Site	Source	Quantity SS 13/14	CO ₂ emission (MT) SS 13/14	Quantity SS 14/15	CO ₂ emission (MT) SS 14/15
SCVN	Gas	587 MT	1,578	575 MT	1,546
	Diesel Oil	154 MT	490	135 MT	430
	Wood	3,828 MT	6,699	4,301 MT	7,527
	Electricity	19.3 GWh	6,774	22.6 GWh	7,932
	Total CO₂, SCVN		15,541		17,435
SCIN	Electricity	0.361 GWh	292	0.215GWh	174
	Total CO₂, SCIN		292		174
SCBR	Wood	7,200 MT	12,600	13,440 MT	23,520
	Electricity	3.20 GWh	314	3.84 GWh	376
	Total CO₂, SCBR		12,914		23,896
	TOTAL CO₂		28,747		41,505

For electricity local conversion factors according to "IEA Energy Statistics 2014" are used. Conversion factors for Gas, Diesel oil, and Wood are from "Greenhouse Gas Protocol".



The total amount of CO₂ emissions increased over the period due to the opening of a new business area, which has a greater need for the burning of wood waste in order to dry wood. Added to this was the depletion of SCVN's existing stock of dried wood, which was exhausted over the period, leading to an increased need for wood drying. If these areas are discounted, the total level of CO₂ emissions was reduced although production volume increased.

Around 75% of ScanCom's total CO₂ emissions derives from the burning of wood from FSC certified plantations, where all harvested trees are replaced by re-planting.

Impact of products on health and environment and use of restricted substances

In season 14/15 ScanCom continued to keep its own List of Restricted Substances up to date to always meet relevant legal and customers' requirements.

We experienced a continued increase in customer focus on restricted substances, and our system was in all cases able to provide the requested information for materials used in our products.

Legality of wood

The European Union Timber Regulation is now increasingly being enforced, and ScanCom experienced this in season 14/15 in terms of customers requesting more documentation about the whole supply chain.

Although ScanCom's Due Diligence System (DDS) was in all cases able to provide the requested documentation for our customers, we experienced a need to try to simplify the documentation process. Besides the FSC certification ScanCom therefore now has our DDS certified with annual renewal by an independent 3rd party approved by the EU as a control organization. The certificate covers all wood used by ScanCom.

ANTI-CORRUPTION

ScanCom maintains its own Code of Conduct with annual updates.

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 suppliers – and they are requested to sign the code.

All subcontractors' employees working on ScanCom's premises in season 14/15 have received the training in ScanCom's Code of Conduct and were monitored on workplace safety.

TRAINING ACTIVITIES

In season 13/14 ScanCom again continued systematic training of employees to support the understanding and practice of social compliance and good environmental behavior.

SCVN Training programs

No.	Course	Season 13/14	Season 14/15
		Time of training (hours)	Time of training (hours)
1	Management skills	4,608	1,208
2	English communication	2,400	3,960
3	Vietnamese communication for Expats	216	288
4	Labor Safety and Hygiene for Employees	54,492	56,202
5	Awareness training for ISO 14001:2004	768	
6	Handling of chemicals and waste	8,700	5,900
7	Code of Conduct for onsite subcontractors	117	117
8	Code of Conduct for ScanCom employees	2,900	2,950
9	Security procedure for employees	2,900	2,950
10	Stamping safety	160	60
11	Electricity, Pressure Equipment, and Forklift Safety	1,112	1,408
12	Firefighting and prevention training	912	1,000
13	Firefighting and prevention drills	3,500	7,000
14	General Safety for new workers	50,752	28,496
15	Safety of machinery, PPE, Environment for new workers	25,376	14,248
	Total	141,869	125,746

The above changes in training activities for SCVN reflect changes caused by identified needs as well as “training courses being completed”, fewer new employees, and new focus areas from management - but altogether a high training level was maintained.

CERTIFICATION STATUS AND PROGRESS

The table below provides an overview of the certifications obtained and those in progress for ScanCom Group companies.

Where N/A is stated, management found it not relevant at this time.

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	x	x	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

For season 15/16 ScanCom will use the updated performance indicators listed below together with updated objectives.

	UN Global Compact Principles	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 complicit in human rights abuses</p>	<p>HR2: Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.</p> <p>HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor</p>	<p>All contract manufacturers receive ScanCom internal BSCI audit before supplying.</p> <p>Maintain human rights screening of all contract manufacturers and selected critical suppliers.</p> <p>Maintain zero child labor for ScanCom companies and contracted manufacturers</p> <p>All new employees to be trained in ScanCom Code of Conduct and Human Rights</p>
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 labor</p> <p>Principle 5: Effective abolition of child labor</p> <p>Principle 6: Elimination of discrimination in respect of employment and occupation</p>	<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>LA4: Percentage of employees covered by collective bargaining agreements.</p> <p>LA6: Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.</p> <p>LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities</p> <p>LA10: Average hours of training per year per employee by gender, and by employee category.</p> <p>LA14: Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.</p>	<p>All contract manufacturers receive ScanCom internal BSCI audit before supplying.</p> <p>Maintain no incidents of forced labor at contract manufacturers.</p> <p>Reduce labor turnover by 5% in season 15/16.</p> <p>Comply with regulation and customer requirements for training of all employees on environmental issues and health and safety.</p> <p>Reduce number of accidents by 30 % before end of season 15/16.</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>	<p>EN1: Material used by weight or volume</p> <p>EN2: Percentage of materials used that are recycled input materials</p> <p>EN3: Direct energy consumption by primary energy source.</p> <p>EN8: Total water withdrawal by source</p> <p>EN21: Total water discharge by quality and destination</p> <p>EN22: Total weight of waste by type and disposal method.</p>	<p>Ensure that all emissions are within legal limits.</p> <p>5% reduction of energy used per piece in season 15/16</p> <p>Improve monitoring of electricity consumption.</p> <p>Maintain monitoring of CO₂ emission.</p> <p>Maintain 100 % control of restricted substances.</p>
ANTI-CORRUPTION	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery</p>	<p>SO3: Percentage of employees trained in organization's anti-corruption policies and procedures.</p>	<p>Implement ScanCom Code of Conduct with all business partners.</p>
ECONOMIC		<p>EC1: Direct economic value generated and distributed.</p>	



Doing business
the right way!



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