

Management report – 2015

Generel

Through our audit visits at our supplier and following issuance of reports, we have been able to create a tool, which enable us to focus on the important and relevant issues including subsequently action plans. The reports are focusing on both environment and social responsibility.

As to social responsibility we have come far with a school project in Indonesia, where the education standard has increased significantly. On this project we also do ongoing follow up.

During 2015 we have build and further renewed our computer system, which through its various follow up tools, gives us a good overview of, for example, claims, type of claim and the reason for the claim. This way we can communicate faster and more efficient with the factories in case of fluctuations and complaints. The system has also given us the opportunity to improve on the communication directly towards our customers. Particularly within the B2C market, we have increased the volume with 3 %, which orders we have received directly in our system.

With the decision about offering this service during 2015 to customers in Sweden and Germany among others, we are looking forward to offering a high service and a more focused service directly to the end-user and in that way keep economizing on the transport costs (CO2). Due to the fact that the orders are being created and saved directly in our system, we consequently reduce the quantity of paper in the company.

In both companies we have focused a lot on creating product lines, which produces furniture under controlled and environmental good conditions.

A good example is our new wood line; tables and table tops, which we will launch in 2015.

Cane-line has hardly sold any teak wood for the last 5 years; however we have sensed an increasing demand on a global level. Through a good co-operation with our suppliers, we have ensured, that the teak wood comes from certified woods and that the supplier is being certified by an external audit unit.

Both woods and suppliers are being certified by the organization GFTN (Global forest and trade Network-Indonesia), who organizes under the organization WWF.

At Sika we have seen a positive development in 2015 and we have extended the assortment in the collection, ICONS. We have established a co-operation with the sons of the well-known Italian Designer Franco Albini and prepared a "Franco Albini Ottoman" for production in 2 sizes.

We have the rights to produce one of the great Danish design classics "Hanging Egg Chair", which has been designet by Nanna & Jørgen Ditzel. "Hanging Egg Chair" is a well-known design icon and in the top ten of wellknown Danish Classic designers, internationally.

We have also with great success extended our "Affaire" collection with many new colours.

At the end of 2015 we have invested in a new program serie in concern of development of products. In order to get a better insight in the development of the company and also drawings from external designers, we decided to buy the program, called Autodesk Product Design.

The program gives the opportunity to create Digital Prototypes and in that way minimize the amount of physical prototypes until the final product is developed. The digital prototypes also give a better opportunity to optimize on the use of material on the total product and in that way the total use of material, used in production.

During the year 2015 we have had good communication with the local council regarding an extension of our stock capacity, which is now increased with 1550 m2.

Late in 2015 we have worked with the council in Kertemin as to our suggestion to chance the local county plan, as we would like to ensure future possibility of growth of our company.

This proposal which we have forwarded the council at the beginning of December 2014 is now in procesin the Environment and Technical Committee, and there has been given a green light to us in regards to creating a new local county plan. They are far in the process already and we expect that there will be a hearing among the neighbor hood within the first 8 weeks of 2015.

Danish designers at Cane-line have a mission as to both combine and complement aesthetic and functionality.

The garden tables will extend the time you can spend outside in the summer period, and the many different chairs, you can pick, to any of the tables, can be chosen according to your preferences.

The designer is primary focusing on the look and expression of the furniture, but for Cane-line, the comfort is just as important and central. The whole collection is created with the purpose of creating a valuable outdoor life. Therefore the durable quality and minimal of maintenance goes hand in hand with the exclusive garden furniture and complete comfort.

Cane-line are strongly opposed to any kind of use of corruption and in our daily business around the world, we do not accept any form whatsoever of use of corruption / bribery. Our opinion is simply, that bribery is a serious felony.

1. Do we comply with the current law within environment and working legislation?

We have been working determined with separation of waste and we have a good system, which complies with the regulation of waste by the municipality of September 2009.

The city council has adopted a new waste regulation as of 26th of June 2014 for both households and companies, which are into force as per 1st of July 2015. The regulations of waste are developed in the light of regulations of standards given from the Danish Environmental Protection Agency and consists among others regulations about how the waste must be assorted, as well as how the waste must be disposed. As to the working environment we are complying with the law.

Besides the above we comply with the few rules of environmental kind, which are relevant in our industry.

2. We have completed audits both internal and at our suppliers

We have completed internal audit for both systems; ISO14001 and SA8000.

In general we are working very well and very systematic within both areas.

Though, we have been challenged during the year, as we have been forced to re-organize, as our Production Manager has left the company for seeking new challenges. In November we succeeded in filling in the position with a new Manager, who is also working with SA and ISO.

3. Has the Danish Working Environment Service made inspection here in Rynkeby?

There has not been an inspection made by the Danish Working Environment Service, on any of our 3 tax numbers, which are registered by us.

4. Have you had requests from any outsider regarding the environment and SA8000?

We have not received any requests from the neighborhood.

In connection with our suggestion to the local county plan, which is in hearing by the neighborhood at the Beginning of 2015, we do not expect any objections against our plans of expanding the building.

We have just like previously had requests from our existing and potential customers regarding our system. In our new outdoor catalogue, SA8000 and the environment are in focus, wherefore our position in this respect has been placed in the beginning of the catalogue, mentioning "our Values".

5. Have the employees commented on the environment issue and SA8000?

There have not been any particular requests from the employees, but the general position among our employees, is that they are happy about the courses, in first aid and fire, which they have joined – and they are looking forward to more courses during 2015/2016.

6. What is the status on the action and work with the environment, also comprising the appointment of the significant environmental impact, which has been changed since last year.

We have reached a satisfactory level on cost savings on electricity, water and heating, which were set from the start and in the daily we are very attentive only to use the light necessary, and we remember to turn the light, if not needed.

Further cost savings in this field will demand that we overall, for example within the electricity, invest in a reduction of voltage of electricity in connection to lighting at the store.

In connection with the building of our new store, and in 2016 also new head building ~1000 m2, we have focus on choosing the right light / source and therefore chosen a new type of industrial lighting fixture with a T5 fluorescent lights,

Furthermore it has been decided to install these T5 florescent lights in some of the old buildings where we will be able to save even more because of that it is more power consuming lighting fixtures mounted in these old areas.

The packing of Cane-line tex and Icons from Sika-Design has been optimized in respect of packing in cardboard. Cardboard boxes with smaller items can contain more items and the cushions now always follow the frame.

The cardboard packing is also optimal in respect of transport damages, as we have hardly seen any damages by using this kind of cardboard packing.

7. Comments on the 8 criterias of SA8000 and the compliance of same in Rynkeby – also in relation to the co-operation with our suppliers on this subject.

All 8 criterias are fulfilled in Rynkeby.

In periods, we are still close to the limit regarding overtime, as we cannot foresee the level in the high season. Nevertheless we are very attentive on it.

We have no comments on the remaining 7 criterias of SA8000.

We have continuously been working determined with one of the elements in SA8000 as to “Guidance & Checklist for Assessment of Fire Safety Systems”, which is a superstructure in relation to our previous audits and plan to go for the new SA8000-2014 in 2016 .

This system has also been used during the audits at our suppliers and we have come far in the work. Our suppliers are upon an audit issuing a report to us. If we find something which is not in accordance with the agreed criterias, we are increasing focus on this matter and issuing a timeline for correction, if necessary.

8. Goals are being evaluated in relation to status on both environment and social responsibility

Regarding the environment – we have succeeded in reducing the amount of waste, which are being moved away from our store. See below statement;

	<u>2012-13</u>	<u>2013-14</u>	<u>2014</u>	<u>2015</u>	<u>(2016)</u>
Packing/Cardboard	= 12,43T	11,28T	12,75T	18,9 T	12,8T
Iron	= 12,72T	6,40T	5,94T	7,6 T	4,6T
Suitable for incinerate	= 18,45T	16,53T	16,0,T	12,0T	7,2T
Suitable for deposition	= 22,44T	20,88T	13,10T	27,2T	5,7T
SUM	= 66,04T	55,09T	45,12T	65,7T	(30,3T)26/9

We have conducted a reasonable amount of waste, which is primary caused by better packaging of the products and a good quality control prior to production, among ongoing control and less corrections being made on the products.

Regarding social responsibility – we have been supporting;

SA8000 projects, comprising:

- Local school projects
- Breast Cancer
- The Danish Cancer Society
- SOS Children's Villages
- Fair Trade Denmark
- 25.000,- kr. to "Danmarks Indsamling" = Danish Fund Raising
- Ao.

9. Status on deviation and corrective action

The deviations are few, and if any, they are being corrected immediately.

10. Follow up on latest report from Sikane

The system is very well incorporated among all employees, and the last few years, we have not had many corrections of the system.

We have ensured that the concrete goals and follow-ups are being compared to the comparable previous period.

11. Has there been made any changes in the mix of products?

There has not been made significant fluctuations, which rise any special comments.

12. Are there any recommendations to new goals and action plans?

In 2014 we decided to invest in a new factory in Cirebon, Indonesia.

Until now, the common factory, Silcane, which produces for both Cane-line and Sika-Design, has been placed in a rented location. But because of the increase in sales and that way increase in production, the factory has become too small, and there has not been any possibilities of expanding in the existing building. Furthermore renting a factory has certain limitations as to improving rooms and conditions for the employees.

While growth, we have invested in land allotment in Cirebon, and have started up building a factory at 16.000 m² in Cirebon. On 28th of December the first 3400 m² factory was completed and soon the administration and special painting area will be ready.

We work on optimizing the production flow through the new factory, in order to avoid unnecessary lifts and handling. Also we are improving on stop-and-go control in the production flow, which will minimize waste in material and sorting of material.

We plan to build + ~ 3000m² new production in 2017 due to growing need of capacity for the future. And plan to build it the same goals for quality as for the newest building.

With an average temperature at 27,5 degrees Celcius all year, the temperature inside the factory, can easily reach 35 degrees Celcius when the sun is shining down on the factory roof.

We have decided to install a 20 cm lag under the roof profiles.

This is not normal for building factories in Indonesia, but in order to provide the best working conditions for the employees, this investment was included in the project.

Instead of regular fluorescent lamp, all light on the factory will be LED light. This is chosen both with concern to the environment but also in concern of economy.

In connection to the construction of the 3000 m² factory building, a side building will be established, which will only contain coating and painting area. This is made in order to establish best possible conditions of extraction and to keep the part of the factory separated from the other part of the production.

13. Is the managing system suitable and well implemented?

The system is well implemented and suitable for our use and the handbook / manual is to be found at our intra net, which all employees have access to.

14. Is the policy ok?

We have not found it necessary to change the policy, as it is sufficient in relation to what we intend to achieve with our system.

15. Yearly discussion of working environment

- In cooperation with BST-BV we will describe the working environment for 2014 by issuing a workplace evaluation. There is no firm plan of meetings arranged, but we have been working with the area and with the cases on-going, as well as we have determined the goals and action plans stating both responsible person and deadline.
- Our goals for working accidents for 2015 are of course sustained to be zero. Constantly we have focus on the fact that our working conditions in all joints are well designed and in good order and in any case necessary, we will do our utmost to involve BST in our way to handle the furniture.
The cooperation with BST will continue in 2015 as it contribute to the fact that we get beyond thinking same (due to habits). We also increase the focus on ergonomics and lifts in the future store, where goods on pallets will increase, as the market B2C is in growth.
- One of the reasons in accident prevention is that, we have decided to keep focusing on "House Keeping" – and at the store we will be better organized in the loading area and it will be more simple and manageable and in that way, we prevent accidents from happening.