



ScanCom International A/S

UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

SEASON 2015/16



PREFACE

ScanCom International A/S became signatory to the UN Global Compact in April 2011. In this report we present our fifth 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 2015 to 30 June 2016.





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

- 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 guides 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 behaviour
- 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

Tel : +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 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 pressure from competitors NOT doing business the right way.

ScanCom’s approach to doing business the right way was recognized in 2014 when we secured 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):	2015/16	2014/15	2013/14	2012/13	2011/12
Income Statement:					
Revenue	898.1	880.8	672.2	710.6	752.7
EBITDA	43.7	32.6	21.2	39.7	44.5
Profit/loss on ordinary operating activities	22.8	10.3	6.7	16.7	23.3
Financial income and expenses, net	-9.0	5.1	-12.6	-13.7	15.8
Profit/loss on ordinary activities before tax	13.8	15.4	-5.9	3.0	39.1
Tax on profit/loss	-7.3	-5.2	0.1	-0.4	-8.3
Net Profit/loss for the year	6.5	10.1	-5.8	2.6	30.8
Balance:					
Balance sheet total	565.9	593.8	506.1	431.6	479.3
Purchases of property, plant, and equipment, gross	31.2	35.0	20.2	12.4	33.2
Current Assets	393.5	427.3	357.9	280.3	305.2
Equity	157.1	152.7	150.3	160.1	166.0
Short-term debt	401.3	432.8	301.3	210.4	244.6
Employees:					
Average number of employees	3.459	3.932	4.415	4.284	4.541



PERFORMANCE INDICATORS AND OBJECTIVES

For season 15/16 ScanCom selected the performance indicators given below and set related objectives. This year's Communication on Progress in performance focuses on the selected indicators and objectives, and also reports on other related areas.

PERFORMANCE AND PROGRESS

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

UN Global Compact Principles		Level C, Global Reporting Initiative (GRI) Performance Indicators	Related ScanCom objectives
Human rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	HR2: Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	All contract manufacturers receive ScanCom internal BSCI audit before supplying.
	Principle 2: Make sure that they are not complicit in human rights abuses	HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Maintain human rights screening of all contract manufacturers and selected critical suppliers. Maintain zero child labor for ScanCom companies and contracted manufacturers
		HR3: Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	All new employees to be trained in ScanCom Code of Conduct and Human Rights
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA1: Total workforce by employment type, employment contract	All contract manufacturers receive ScanCom internal BSCI audit before supplying.
	Principle 4: Elimination of all forms of forced and compulsory labor	LA2: Total number and rate of employee turnover by age group, gender	Maintain no incidents of forced labor at contract manufacturers. Reduce labor turnover by 5% in season 15/16.



UN Global Compact Principles		Level C, Global Reporting Initiative (GRI) Performance Indicators	Related ScanCom objectives
Labor	Principle 5: Effective abolition of child labor	LA4: Percentage of employees covered by collective bargaining agreements. 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. LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	Comply with regulation and customer requirements for training of all employees on environmental issues and health and safety. Reduce number of accidents by 30 % before end of season 15/16.
	Principle 6: Elimination of discrimination in respect of employment and occupation	LA10: Average hours of training per year per employee by gender, and by employee category. LA14: Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	EN1: Material used by weight or volume	
	Principle 8: Undertake initiatives to promote greater environmental responsibility	EN2: Percentage of materials used that are recycled input materials	Ensure that all emissions are within legal limits.
	Principle 9: Encourage the development and diffusion of environmentally friendly technologies	EN3: Direct energy consumption by primary energy source. EN 8: Total water withdrawal by source	5% reduction of energy used per piece in season 15/16 Improve monitoring of electricity consumption.
		EN 21: Total water discharge by quality and destination	
		EN 22: Total weight of waste by type and disposal method	
		EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	



UN Global Compact Principles		Level C, Global Reporting Initiative (GRI) Performance Indicators	Related ScanCom objectives
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	SO3: Percentage of employees trained in organization's anti-corruption policies and procedures	Implement ScanCom Code of Conduct with all business partners.
Economic		EC1: Direct economic value generated and distributed	

CSR HIGHLIGHTS SEASON 2015/16

- Achievement Award 2015 from Intertek after Working Conditions Assessment (WCA)
- Supplier of the Year from one large customer
- Application of new BSCI code of conduct 2014, passed with A level (outstanding)
- Successful renewal of ISO 14001 certification for SCVN
- Compliance with fire fighting standards for all factories with fire alarms and sprinkler systems
- Apply KPI of energy for all production units

WORKPLACE CONDITIONS ASSESSMENT

During season 15/16, 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" in 2015.

SUPPLIER OF THE YEAR

ScanCom International received a "Supplier of the Year" award from one of our biggest customers, Jysk. The reasons cited for the nomination were: ScanCom's continued and significant improvements in the area of CSR and our commitment to the use of FSC certified wood.

HUMAN RIGHTS

ScanCom International is committed to influencing 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 15/16 ScanCom used a total of 30 contract manufacturers, all of which were registered on the BSCI platform.

Contract manufacturers	SS 13/14	SS 14/15	SS 15/16
Production site registered on BSCI audit platform	25	21	30
Total number of BSCI audits, initial and re-audit	17	4	18
Total number of ScanCom Code of Conduct audits	25	21	30
BSCI compliance rating	SS 13/14	SS 14/15	SS 15/16
Good	19/25	12/21	14/30
Improvement needed	5/25	4/21	2/30
Non-compliant	1/25	0/21	0/30
B (Good)		1/21	1/30
C (Acceptable)		3/21	13/30
D (Non-Compliant)		1/21	0/30

ScanCom increased collaboration with more contract manufacturers and their production sites were registered on BSCI in order to meet the new code of BSCI requirements and to ensure implementation.

As with years past, 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 previous rating "Improvement Needed".

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

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

Supplier audits

ScanCom is continually developing higher CSR levels at our suppliers. All suppliers signed ScanCom's Code of Conduct. 100% of new suppliers, where relevant, were subject to an onsite CSR audit conducted by ScanCom.

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, BSCI and SMETA audits. 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 SS 14/15	SCVN SS 15/16	SCIN SS 14/15	SCIN SS 15/16	SCBR SS 14/15	SCBR SS 15/16
Average head count	3,354	2,923	327	303	125	146
Total number of people leaving company	1,923	1,502	45	38	72	55
Annual employee turnover rate	57 %	51%	14%	13%	58%	38%
Total overtime hours used	412,916	304,081	5,581	6,080	17,388	17,472
Average overtime hours used per head per year	123	104	17	20	139	120

Workforce and employment

Practically all ScanCom employees are fulltime direct employees, and all have a labor contract.

Labor contract terms. (Figures are season average data)

Site	SEASON	Category of employees	Labor contract term				
			Probation	Seasonal	1-2 years	Indefinite	Grand Total
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
	2015-2016	Male	10	245	329	1,546	2,130
		Management	3	0	33	185	221
		Staff	3	0	38	49	90
		Worker	4	245	258	1,312	1,819
		Female	6	7	59	721	793
		Management	0	0	6	84	90
		Staff	5	0	34	79	117
		Worker	1	7	19	224	251
		Grand Total	16	252	388	2,267	2,923



SCIN	2014 - 2015	Male	0	168	0	99	267
		Management	0	0	0	21	21
		Staff	0	0	0	12	12
		Worker	0	168	0	66	234
		Female	0	30	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
	2015-2016	Male	0	142	0	98	240
		Management	0	0	0	21	21
		Staff	0	0	0	11	11
		Worker	0	142	0	66	208
		Female	0	34	0	29	63
		Management	0	0	0	6	6
		Staff	0	0	0	12	12
		Worker	0	34	0	11	45
		Grand Total		176	0	127	303
SCBR	2014 - 2015	Male	0	0	0	92	92
		Management	0	0	0	5	5
		Staff	0	0	0	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
	2015-2016	Male	0	0	0	112	112
		Management	0	0	0	6	6
		Staff	0	0	0	12	12
		Worker	0	0	0	94	94
		Female	0	0	0	34	34
		Management	0	0	0	0	0
		Staff	0	0	0	14	14
		Worker	0	0	0	20	20
		Grand Total	0	0	0	146	146



Labor turnover

For the group overall, there was a significant improvement during season 15/16.

Female ratio of SCVN in season 2015/26 (27%), higher than 1% season 14/15 (26%)

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. Specifically to meet legal requirements, in the previous year we installed an air cooling system to reduce temperatures at most production areas which had a high temperature. The focus on making it attractive to stay with ScanCom was continued throughout season 15/16 and seems to have had a positive impact. The employee turnover rate for SCVN was reduced from 57% in season 14/15 to 51% in season 15/16, and although this figure may still be considered high, it meets the objective for this parameter.

Related to this area, it is worth noting that the headcount was significantly reduced in 15/16 due to advanced robotics technology and the installation of CNC machinery at production areas. The aim of this shift was to increase capacity and reduce the amount of manual labor as well.

The employee turnover rate for **SCIN** decreased from 14% in season 14/15 to 13% in season 15/16.

The employee turnover rate for **SCBR** in season 15/16 was unchanged compared to season 14/15, which meets the objective for this parameter.

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

Headcount Turnover by Category.

Site	Category employees	Age					Total leaving	Average headcount	Turnover %
		18-25	26-35	36-45	46-55	56-60			
SCVN	Male								
	Official worker	238	347	64	7	0	656	1,418	46%
	Seasonal worker	351	254	22	0	0	627	421	149%
	Staff	6	23	3	0	0	32	90	36%
	Management	2	29	12	3	0	46	221	21%
	Total Male	597	653	101	10	0	1,361	2,150	63%
	Female								
	Official worker	16	58	15	4	0	93	543	17%
	Seasonal worker	7	14	3	0	0	24	23	106%
	Staff	4	10	2	0	0	16	117	14%
	Management	0	7	0	1	0	8	90	9%
	Total Female	27	89	20	5	0	141	773	18%
	Grand Total SCVN	624	742	121	15	0	1,502	2,923	51%



Site	Category employees	Age					Total leaving	Average headcount	Turnover %
		18-25	26-35	36-45	46-55	56-60			
SCIN	Male								
	Official worker	0	0	0	2	0	2	66	3%
	Seasonal worker	16	12	1	0	0	29	142	20%
	Staff	0	1	1	0	0	2	11	18%
	Management	0	0	0	0	0	0	21	0%
	Total Male	16	13	2	2	0	33	240	14%
	Female								
	Official worker	0	0	0	0	0	0	11	0%
	Seasonal worker	1	2	1	0	0	4	34	12%
	Staff	1	0	0	0	0	1	12	8%
	Management	0	0	0	0	0	0	6	0%
	Total Female	2	2	1	0	0	5	63	8%
	Grand Total SCIN	18	15	3	2	0	38	303	13%
SCBR	Male								
	Official worker	25	20	8	5	0	58	68	85%
	Seasonal worker	0	0	0	0	0	0	0	0%
	Staff	0	0	0	0	0	0	14	0%
	Management	0	0	0	0	1	1	5	20%
	Total Male	25	20	08	05	1	59	87	68%
	Female								
	Official worker	2	6	2	0	0	10	24	42%
	Seasonal worker	0	0	0	0	0	0	0	0%
	Staff	2	0	0	0	1	3	14	21%
	Management	0	0	0	0	0	0	0	0%
	Total Female	4	6	2	0	1	13	38	34%
	Grand Total SCIN	29	26	10	05	2	72	125	58%

Overtime

Overtime rates have now stabilized for all companies in the group and all are in compliance with local regulations.



Wages and benefits

SCVN the legal minimum wage is frequently adjusted 13% in Jan 2016, and ScanCom has always compensated employees at a significantly higher level, applying principles for actual living costs rather than the minimum wage. In season 15/16 the lowest wage level for ScanCom workers was around 24 % higher than the legal minimum. Furthermore, ScanCom continued the policy of an extra 2.5 % health and social and unemployment insurance for workers compared to the legal requirement.

SCIN pays contract workers at the minimum wage level and all permanent employees are paid at a somewhat higher (minimum 15%) level than the minimum wage, depending on position and responsibility.

SCBR pays wages based on an agreement with the Union and the wage pattern of the local area.

For the latter period 15/16, SCBR salaries were at least 28% above the national regulation, which is a positive factor in terms of the retention of staff.

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	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
	2015-2016 (Headcount in June 2016)	Management	3	169	115	14	1	302
		Staff	34	139	23	7	2	205
		Worker	385	1,111	491	117	4	2,108
	Total Headcount		422	1,419	629	138	7	2,615
SCIN	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
	2015-2016 (Headcount in June 2016)	Management	0	2	22	3	0	27
		Staff	0	15	7	1	0	23
		Worker	19	60	63	13	0	155
	Total Headcount		19	37	92	17	0	205



Site	Season	Group	Age					Grand Total
			18-25	26-35	36-45	46-55	56-65	
SCBR	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
	2015-2016 (Headcount in June 2016)	Management	0	1	1	2	2	6
		Staff	10	10	4	1	1	26
		Worker	30	40	22	20	2	114
	Total Headcount		40	51	27	23	5	146

The low median age of ScanCom's employees reflects the age distribution in the population of the countries where manufacturing takes place.

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				SCIN				SCBR			
	SS 14/15		SS 15/16		SS 14/15		SS 15/16		SS 14/15		SS 15/16	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Management	663	911	729	898	476	505	518	548	7529	N/A	7,474	0
Staff	349	353	350	368	221	238	250	268	940	706	1,084	817
Worker	228	215	250	235	139	135	161	154	423	395	453	418

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.

It should be noted that the level of salary paid to female management at SCVN in season 15/16 is lower than the previous year due to the resignation of some female managers who were not subsequently replaced.



HEALTH AND SAFETY

OHSAS 18001

During season 15/16 SCVN received its second surveillance audit OHSAS 18001 for the occupational health and safety management system – the result was a very positive pass.

In relation to the OHSAS 18001 regulations, SCVN has now fully implemented standards associated with fire fighting.

Health and safety data	SCVN		SCIN		SCBR	
	SS 14/15	SS 15/16	SS 14/15	SS 15/16	SS 14/15	SS 15/16
Average headcount for accident calculation	3,354	2,923	327	303	132	146
Sick leave days recorded	12,550	11,752	1,113	930	252	266
Total cases of accidents with lost working time	29	28	3	1	10	6
Total lost days due to accidents	163	288	5	1	46	266
Lost days, all types (incl. maternity leave)	14,297	11,840	3,114	2,904	740	1,608
Accident frequency rate per 100 employees	0.9	0.96	0.9	0.33	0.7	0.04
Fire cases detected	0	2	1	0	0	1
Total hours general labor safety training	56,202	44,972	693	576	1,412	1,750

SCVN The objective of a 30% reduction in accidents was not met. Therefore, significant improvements will need to be made relating to the implementation of a safety training programme to enhance awareness within the workplace and an associated action plan.

There were two incidences of small fires due to equipment. As a result, a schedule has been devised to follow a maintenance procedure for relevant equipment along with regular testing in order to prevent fire. Additionally, a fire prevention and firefighting course is held for all workers every year with the aim of raising awareness and giving employees relevant, useful knowledge and skills.

SCBR During season 15/16 the Minas do Leão Unit/ RS, saw absences of longer periods at intervals, caused by particular types of accident. Lost days of all types (including those for maternity leave) doubled on the previous season, but was due to the types of absences and also the turnover.

The total amount of hours given over to general labor safety training has remained stable for both units - meeting the requirements for compulsory training in addition to the general raising of awareness amongst staff. The minor variation was due to adjustments in the Minas do Leão/RS, Unit



ENVIRONMENT

SCVN's environmental management system, with reference to the requirements of ISO 14001, was maintained and improved over the period. The certification was renewed with a good result.

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.

Resources

Resources and recycling	SCVN		SCIN		SCBR	
	SS 14/15	SS 15/16	SS 14/15	SS 15/16	SS 14/15	SS 15/16
Total electrical energy, MWh	22,681	24,354	215	239	196	270
Water consumption, 1000m ³	149	142.5	6.9	6.30	0.35	0.93
Industrial waste, MT	3,995	3,547.5	1.5	0.6	22.3	1.67
Waste water, 1000m ³	125	114	6.9	6.3	0.350	0.279
Sawn timber, 1000m ³	24.9	16.4	5.15	4.41	5.59	9.56
Aluminium billets, MT	4,059	3642	N/A	N/A	N/A	N/A
Plastic resin, MT	3,040	3,923	N/A	N/A	N/A	N/A
Recycled saw dust, MT	582	689.6	1.5	0.6	13.44	13.59
Recycled aluminium waste, MT	273	458.2	N/A	N/A	N/A	N/A
Recycled Poly Rattan waste, MT	83	24.5	2.4	0.65	N/A	N/A

In general, all parameters show positive results due to effective management for year 15-16 compared with 14-15.

SCVN

The increase in the volume of recycled aluminium waste is due to market prices. If the price offered for the waste by our aluminium supplier is low, the waste is instead sold in the local market and is not then used in future products. Significantly though, regardless of the buyer, the waste is recycled.

For the activities in Song Than Industrial Park waste water volume is calculated as 80% of water consumption and is not measured as it is on the small sites in other areas. Waste water volume therefore is reduced in line with the reduction of water consumption. In future, we will review and install water meters for every site in order to monitor the situation more effectively.

We continually try to increase the recycling of materials – mainly in SCVN. New methods for recycling in wood and plastic composite furniture have resulted in increased recycling figures.



Development activities in recycling are on-going and this should lead to a continued increase in the amount of internal waste being recycled.

Total electrical energy increased because more production machines were installed.

We continue to look for alternative solutions that will result in a more positive impact on the environment.

SCBR

The increase in the amount of electrical energy consumed was due to the installation of a new drying system (greenhouses and boiler) in the Minas do Leão unit.

The enormous improvement in terms of industrial waste and residue during the last season was a surprising and welcome result. In the current format, we are able to provide 100% of everything that is being generated as a residue, regardless of its classification.

We are seeking to make even further improvements going forward with awareness raising activities and increased employee engagement with this matter.

SCIN

All water consumption is due to employee toilet facilities, so all water consumption will be waste water.

For season 15/16 SCVN further improved its waste handling to meet ISO 14001 related objectives and legal requirements. Also, in SCIN and SCBR, waste handling is under control and the data now presented are reliable and traceable.

Waste volumes (Metric Tons)

Waste type (MT)	SCVN		SCIN		SCBR		Disposal method
	SS 14/15	SS 15/16	SS 14/15	SS 15/16	SS 14/15	SS 15/16	
Domestic waste	124	128.6	17	12.4	8.7	0.51	Authorized contractor
Hazardous waste	458	394	0	0	1.4	0.1	Authorized contractor
Recyclable waste	3,414	3,025	8.5	2.4	3.6	0.29	Sold to contractors

SCVN

The amount of recycled waste sold to contractors has fallen since there is more internal reuse in terms of boilers used for wood drying. Domestic waste handling is now fully under control and volumes are at the same level as last season, with hazardous waste also being reduced.

SCBR

In recent years there has been a conscious decision to improve the control of emissions. A big improvement has been seen in the recent past, mainly due to tighter controls and improvements in processes that minimize the generation of waste. For the forthcoming period, we expect to reduce the volume of generated waste in addition to making better use of it, in an attempt to avoid larger scale disposal, even if it is undertaken by a specialized company.

CO² emission

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



CO² emission data

Site	Source	Quantity SS 14/15	CO ² emission (MT) SS 14/15	Quantity SS 15/16	CO ² emission (MT) SS 15/16
SCVN	Gas (MT)	575	1,546	705	2,109
	Diesel Oil (MT)	135	430	120.3	322
	Wood (MT)	4,301	7,527	4,294	7,515
	Electricity (GWh)	22.6	7,932	24.3	8,529
	Total CO ² , SCVN		17,435		18,475
SCIN	Electricity	0.215 GWh	75	0.239 GWh	84
	Total CO ² , SCIN		75		84
SCBR	Wood	13,440 MT	23,520	13,599 MT	23,799
	Electricity	3.84 GWh	376	0.270GWh	157
	Total CO ² , SCBR		23,896		23,956
TOTAL CO²			41,505		42,515

For data relating to electricity, the local conversion factors according to "IEA Energy Statistics 2015" are used. Conversion factors for gas, diesel oil, and wood are taken from the "Greenhouse Gas Protocol".

Impact of products on health and environment. Restricted substances.

In season 15/16 ScanCom updated its List of Restricted Substances in order to continue to meet relevant legal requirements (ECHA) and those of customers.

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 increasingly being enforced now, and ScanCom experienced this in season 15/16 in terms of customers requesting additional documentation about the entire 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 FSC certification ScanCom therefore now has its DDS certified, requiring 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 during season 15/16 have received the training in ScanCom's Code of Conduct and were monitored in terms of workplace safety.

Training activities

In season 15/16 ScanCom continued systematic training of employees to support the understanding and practice of social compliance and good environmental behaviour.

SCVN Training program

No.	Source	Season 14/15	Season 15/16
		Time of training (hours)	Time of training (hours)
1	Management skills	1,208	2,896
2	English communication	3,960	720
3	Vietnamese communication for Expats	288	144
4	Labor Safety and Hygiene for Employees	56,202	44,972
5	Awareness training for ISO 14001:2004 for CSR team and managers	N/A	N/A
6	Handling of chemicals and waste, for new workers	5,900	5,500
7	Code of Conduct for onsite subcontractors	117	113
8	Code of Conduct for ScanCom employees	2,950	2,230
9	Security procedure for employees	2,950	2,230
10	Stamping safety	60	60
11	Electricity, Pressure Equipment, and Forklift Safety	1,408	1,568
12	Firefighting and prevention training	1,000	928
13	Firefighting and prevention drills	7,000	7,500
14	General Safety for new workers	28,496	16,064
15	Safety of machinery, PPE, Environment for new workers	14,248	8,032
Total		125,746	93,057

Because the headcount in season 15/16 reduced 13% compare to season 14/15, so that total amount of time dedicated to training was also reduced. There were a number of new initiatives launched and management skills training was increased by 240% with the objective of improving quality and productivity in our strategic decision-making.



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 AND OBJECTIVES FOR THE FOLLOWING YEAR

For season 16/17 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	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	HR2: Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Maintain BSCI internal audit to all contract manufacturers before supplying.
	Principle 2: : Make sure that they are not complicit in human rights abuses	HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Maintain human rights screening of all contract manufacturers and selected critical suppliers. Integrate human rights into policies and strategies (risk management processes) for promoting human rights as protect employees and communities who are risk from human rights violations.
		HR3: Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Maintain zero child labor for ScanCom companies and contracted manufacturers
LABOR	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA1: Total workforce by employment type, employment contract	Maintain all new employees to be trained in ScanCom Code of Conduct and Human Rights, and will be refresh annual training.
		LA2: Total number and rate of employee turnover by age group, gender	



LABOR	Principle 4: Elimination of all forms of forced and compulsory labor;	LA2: Total number and rate of employee turnover by age group, gender	Maintain no incidents of forced labor at contract manufacturers. Reduce labor turnover by 10% in season 16/17.
	Principle 5: Effective abolition of child labor	LA4: Percentage of employees covered by collective bargaining agreements. 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. LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	Comply with regulation and customer requirements for training of all employees on environmental issues and health and safety. Reduce number of accidents by 15% in season 16/17.
	Principle 6: Elimination of discrimination in respect of employment and occupation	LA10: Average hours of training per year per employee by gender, and by employee category. LA14: Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	
ENVIRONMENT	Principle 7: Businesses should support a precautionary approach to environmental challenges	EN1: Material used by weight or volume	
	Principle 8: Undertake initiatives to promote greater environmental responsibility	EN2: Percentage of materials used that are recycled input materials	Ensure that all emissions are within legal limits.
	Principle 9: Encourage the development and diffusion of environmentally friendly technologies	EN3: Direct energy consumption by primary energy source. EN8: Total water withdrawal by source	10% reduction of energy used per piece in season 16/17 with Review & Identify the high energy (electrical/gas) consumption in production processes or machines to improve. Continue to improve monitoring of electricity consumption
		EN21: Total water discharge by quality and destination	



ENVIRONMENT		EN22: Total weight of waste by type and disposal method	
		EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Maintain monitoring of CO ² emission. Make detail target to reduce greenhouse gas emission, reducing and substitution of chemical used in production process and water consumption. Maintain 100 % control of restricted substances.
ANTI-CORRUPTION	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	SO3: Percentage of employees trained in organization's anti-corruption policies and procedures	Maintain to implement ScanCom Code of Conduct with all business partners.
ECONOMIC		EC1: Direct economic value generated and distributed,	



**DOING
BUSINESS THE
RIGHT WAY**



ScanCom International A/S

Gl. Banegaardsplads 10, 4220 Korsør, Denmark
Tel.: +45 5835 1425 • Fax: +45 5835 1420 • www.scancom.net
