



ScanCom International A/S

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# **UN GLOBAL COMPACT**

COMMUNICATION ON PROGRESS  
SEASON 2016/17

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# 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 2016 to 30 June 2017.





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## SCANCOM PROFILE

- Since being founded on the 1<sup>st</sup> 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 Centres.

## 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, process and behaviour
- Continuous improvement within total quality and operations
- Customized marketing and logistics services
- On-time delivery and after-sales services
- Trendsetter within design and innovation

### Company information:

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**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 late 2014 when securing 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.

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 certificates.

### ***Social accountability***

It is important for ScanCom to assure respect for human and labour 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 stakeholders that we are committed to doing business the right way and 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***

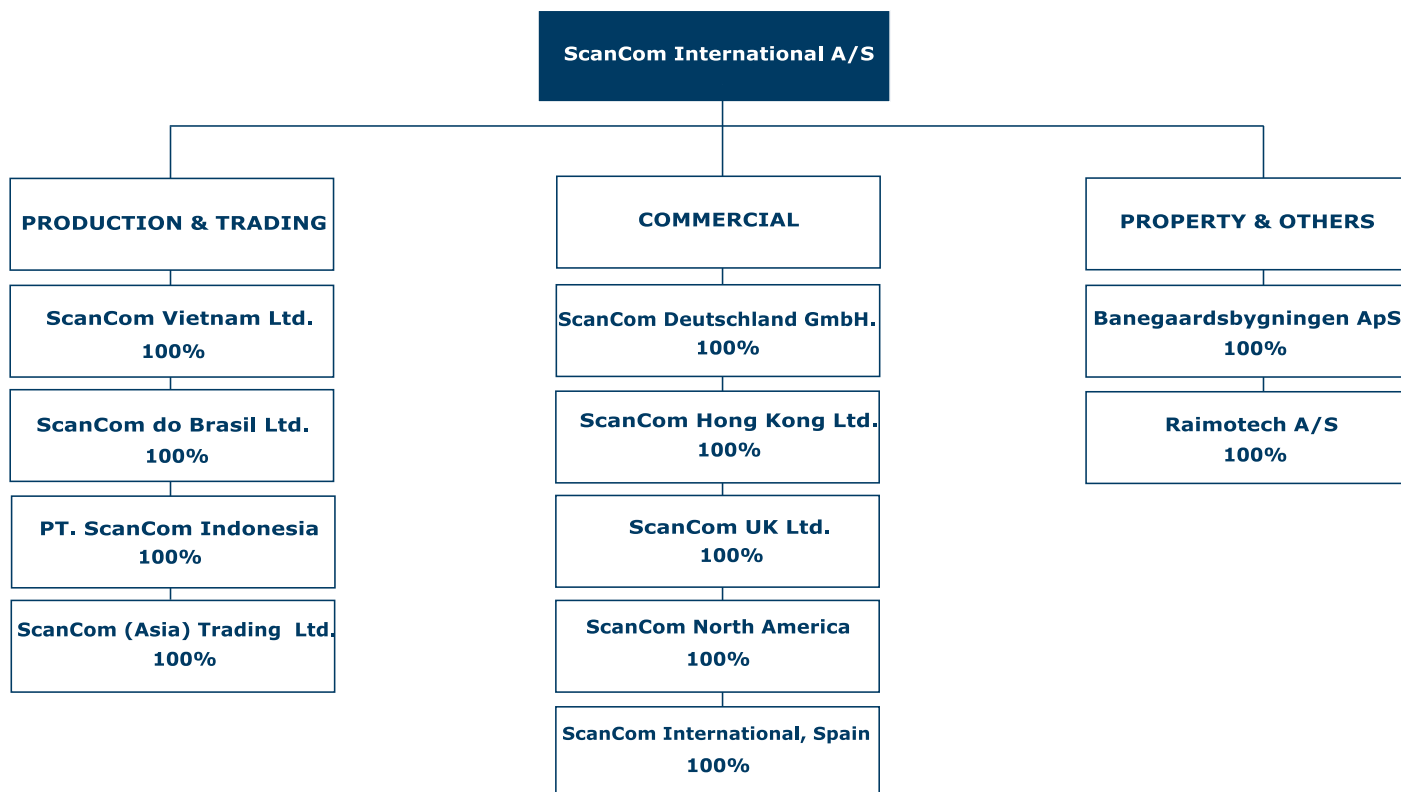
I am very pleased that ScanCom, even with the difficult market conditions, has been able to remain true to its basic CSR values and to make progress, or at least maintained the same high level, in all 10 of the UN Global Compact principles.

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

It is important for me to highlight that for ScanCom CSR is not a project that starts and ends, but a strategy integrated into daily business and into our business plan.



# LEGAL STRUCTURE



# FINANCE FIGURES

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

Key figures (DDK million):	2016/17	2015/16	2014/15	2013/14	2012/13
<b>Income Statement:</b>					
Revenue	886.1	898.1	880.8	672.2	710.6
EBITDA	45.3	47.3	32.6	21.2	39.7
Profit/loss on ordinary operating activities	19.6	22.8	10.3	6.7	16.7
Financial income and expenses, net	-12.0	-9.0	5.1	-12.6	-13.7
Profit/loss on ordinary activities before tax	7.6	13.8	15.4	-5.9	3.0
Tax on profit/loss	-4.4	-7.3	-5.2	0.1	-0.4
Net Profit/loss for the year	3.3	6.5	10.1	-5.8	2.6
<b>Balance:</b>					
Balance sheet total	538.3	564.9	593.8	506.1	431.6
Purchases of property, plant, and equipment, gross	22.8	31.2	35.0	20.2	12.4
Current Assets	392.6	393.5	427.3	357.9	280.3
Equity	154.0	156.1	152.7	150.3	160.1
Short-term debt	377.6	401.3	432.8	301.3	210.4
<b>Employees:</b>					
Average number of employees	3,144	3,459	3,932	4,415	4,284



# PERFORMANCE INDICATORS AND OBJECTIVES

For season 16/17 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

UN Global Compact Principles	Level C, Global Reporting Initiative (GRI) Performance Indicators	Related ScanCom objectives
Human rights	<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights</p>	<p>All contract manufacturers had BSCI certificate.</p> <p>Maintained 100% human rights at ScanCom and all contract manufacturers and selected critical suppliers. This included the rights to freedom of expression, security, health and education, food and clean water.</p> <p>Maintained zero child labour at ScanCom companies and contracted manufacturers.</p>
	<p><b>Principle 2:</b> : Make sure that they are not complicit in human rights abuses</p>	
		<p><b>HR2:</b> Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.</p> <p><b>HR6:</b> Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour</p>
	<p><b>HR3:</b> 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.</p>	<p>All new employees trained in ScanCom Code of Conduct and Human Rights.</p> <p>Promoted human rights by policy and training.</p>
Labor	<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p>	<p>All contract manufacturers received ScanCom internal BSCI audit before supplying.</p>
	<p><b>Principle 4:</b> Elimination of all forms of forced and compulsory labour</p>	<p>Maintained no incidents of forced labour at contract manufacturers.</p> <p>Reduced labour turnover by 5% in season 16/17.</p>



UN Global Compact Principles		Level C, Global Reporting Initiative (GRI) Performance Indicators	Related ScanCom objectives
Labor	<b>Principle 5:</b> Effective abolition of child labor	<p><b>LA4:</b> Percentage of employees covered by collective bargaining agreements.</p> <p><b>LA6:</b> : Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.</p> <p><b>LA7:</b> Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities</p>	<p>100% compliance with regulations and customer requirements for training of all employees on environmental issues and health and safety.</p> <p>Launching I Care Campaign to prevent fire.</p> <p>Maintained number of major occupational accidents: 0 cases.</p>
	<b>Principle 6:</b> Elimination of discrimination in respect of employment and occupation	<p><b>LA10:</b> Average hours of training per year per employee by gender, and by employee category.</p> <p><b>LA14:</b> Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.</p>	<p>Last season, there was an increase in hours of training because we focused on safety and health training in order to prevent accidents, incidents and work related illness.</p>
Environment	<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges	<b>EN1:</b> Material used by weight or volume	We focused on waste treatment among our suppliers to reduce waste landfill method.
	<b>Principle 8:</b> Undertake initiatives to promote greater environmental responsibility	<b>EN2:</b> : Percentage of materials used that are recycled input materials	All emissions are within legal limits.
	<b>Principle 9:</b> Encourage the development and diffusion of environmentally friendly technologies	<p><b>EN3:</b> Direct energy consumption by primary energy source.</p> <p><b>EN 8:</b> Total water withdrawal by source</p>	<p>2% reduction of energy used per piece in season 16/17.</p> <p>Improved monitoring of electricity consumption.</p>
		<b>EN21:</b> : Total water discharge by quality and destination	Collected data and monitored.
		<b>EN22:</b> Total weight of waste by type and disposal method	Collected data and controlled waste handling procedure.
		<b>EN26:</b> Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	<p>Maintained monitoring of CO<sup>2</sup> emission.</p> <p>Maintained 100% control of restricted substances.</p>





UN Global Compact Principles		Level C, Global Reporting Initiative (GRI) Performance Indicators	Related ScanCom objectives
Anti-corruption	<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery	<b>SO3:</b> Percentage of employees trained in organization's anti-corruption policies and procedures	Implemented ScanCom Code of Conduct with all business partners.
Economic		<b>EC1:</b> Direct economic value generated and distributed	We generated profit and paid tax, our employees' benefits were above minimum wages and insurance.

## CSR HIGHLIGHTS SEASON 2016/17

- Awarded prize in 2016 for Typical FDI (Foreign Direct Investment) enterprises in Vietnam
- Passed SMETA/ SEDEX audit with good level
- Successful renewal of OHSAS 18001 certification for SCVN
- Supplier of the Year from one large customer
- Achieved high level of sustainability management through energy saving to protect the environment, reducing the amount of waste produced onsite and promoting human rights in the ScanCom supply chain
- Successfully upgraded FSC certificate to new version
- All Contract Manufacturers (CM) passed BSCI with 100%
- Launched I Care Campaign to prevent fire

## WORKPLACE CONDITIONS ASSESSMENT

During season 16/17, as a result of audits from some customers, SCVN was passed with high level related to areas as Labour, Wages and Hours, Health and Safety, Management Systems, and Environment with respect to widely-held industry standards and best practices.

## SUPPLIER OF THE YEAR

ScanCom International received a "Supplier of the Year" award from one of our biggest customers, Jysk.

## 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>

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 labour conditions.

For season 16/17 ScanCom verified quality and social compliance for 30 contract manufacturers and used 27 contract manufacturers, all of which were registered on the BSCI platform.



## BSCI monitoring of Contract Manufacturers

<b>Contract manufacturers</b>	<b>SS 15/16</b>	<b>SS 16/17</b>
Production site registered on BSCI audit platform	30	27
Total number of BSCI audits, initial and re-audit	18	25
Total number of ScanCom Code of Conduct audits	30	27
<b>BSCI compliance rating</b>	<b>SS 15/16</b>	<b>SS 16/17</b>
A (Outstanding)	1/30	3/27
B (Good)	2/30	1/27
C (Acceptable)	25/30	22/27
D (Improvement needed)	2/30	1/27
E (Non-Compliant)	0/30	0/27

ScanCom continued to increase 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. Applied with new audit announcement method (Semi-Announced).

### 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 labour or forced labour were recorded.

## LABOR

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

### Workforce, employment, and labor turnover.



Human resource management figures	SCVN SS 15/16	SCVN SS 16/17	SCIN SS 15/16	SCIN SS 16/17	SCBR SS 15/16	SCBR SS 16/17
Average head count	2,923	2,699	303	246	146	99
Total number of people leaving company	1,502	1,321	38	14	55	98
Annual employee turnover rate	51%	49%	13%	5.7%	37.67%	46%
Total overtime hours used	304,081	380,960	6,080	4,593	17,472	12,221
Average overtime hours used per head per year	104	141	20	18.67	119.67	123

### Workforce and employment

Practically all ScanCom employees are fulltime direct employees, and all have a labour 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	2016-2017	Male	30	303	395	1,431	2,159
		Management	2		25	184	211
		Staff	6		49	51	106
		Worker	22	303	321	1,196	1,842
		Female	8	37	98	632	775
		Management	1		6	90	97
		Staff	6		37	64	107
		Worker	1	37	55	478	571
		Grand Total	38	340	493	2,063	2,934
	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	2016 - 2017	Male	0	101	0	95	196
		Management	0	0	0	22	22
		Staff	0	0	0	11	11
		Worker	0	101	0	62	163
		Female	0	21	0	29	50
		Management	0	0	0	6	6
		Staff	0	0	0	12	12
		Worker	0	21	0	11	32
		Grand Total	0	122	0	124	246
	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	0	176	0	127	303
SCBR	2016 - 2017	Male	0	0	0	65	65
		Management	0	0	0	3	3
		Staff	0	0	0	10	10
		Worker	0	0	0	52	52
		Female	0	0	0	34	34
		Management	0	0	0	0	0
		Staff	0	0	0	15	15
		Worker	0	0	0	19	19
		Grand Total	0	0	0	99	99
	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



### Headcount Turnover by Category.

Site	Category employees	Age					Total leaving	Average headcount	Turnover %
		18-25	26-35	36-45	46-55	56-60			
SCVN	<b>Male</b>								
	Official worker	287	824	343	81	4	558	1,304	43%
	Seasonal worker	155	114	33	1	0	504	303	166%
	Staff	23	66	11	3	3	21	106	20%
	Management	4	102	91	14	0	30	211	14%
	Total Male	469	1,106	478	99	7	1,113	1,924	58%
	<b>Female</b>								
	Official worker	66	231	176	58	3	100	534	19%
	Seasonal worker	12	15	9	1	0	72	37	195%
	Staff	18	75	12	2	0	26	107	24%
	Management	1	45	44	6	1	10	97	10%
	Total Female	97	366	241	67	4	208	775	27%
Grand Total SCVN	566	1,472	719	166	11	1,321	2,699	49%	
SCIN	<b>Male</b>								
	Official worker	0	1	0	0	0	1	62	1.6%
	Seasonal worker	4	2	2	0	0	8	101	7.9%
	Staff	0	0	0	0	0	0	11	0%
	Management	0	0	0	0	0	0	22	0%
	Total Male	4	3	2	0	0	9	196	4.6%
	<b>Female</b>								
	Official worker	0	0	0	0	0	0	11	0%
	Seasonal worker	2	1	1	0	0	4	21	19%
	Staff	0	0	0	0	0	0	12	0%
	Management	0	0	0	1	0	1	6	16.7%
	Total Female	2	1	1	1	0	5	50	10%
Grand Total SCIN	6	4	3	1	0	14	246	5.7%	



Site	Category employees	Age					Total leaving	Average headcount	Turnover %
		18-25	26-35	36-45	46-55	56-60			
SCBR	<b>Male</b>								
	Official worker	3	12	13	2	0	74	30	21%
	Seasonal worker	0	0	0	0	0	0	0	0%
	Staff	1	3	2	0	0	6	6	4%
	Management	0	1	1	1	0	2	3	2%
	Total Male	4	16	16	3	0	82	39	27%
	<b>Female</b>								
	Official worker	0	10	2	2	0	10	14	10%
	Seasonal worker	0	0	0	0	0	0	0	0%
	Staff	5	5	2	0	0	6	12	9%
	Management	0	0	0	0	0	0	0	0%
	Total Female	5	15	4	2	0	16	26	19%
Grand Total SCIN	9	31	20	5	0	98	65	46%	

## Labor turnover

### SCNN

For the group overall, there was a significant improvement during season 16/17.

**SCVN's** activities are situated in an area with a traditionally very high labour 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 16/17 and seems to have had a positive impact. The employee turnover rate for SCVN was reduced from **51%** in season 15/16 to **49%** in season 16/17, 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 16/17 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 labour as well.

### SCIN

In terms of labour turnover for season 16/17, there was a decrease of 7.3% compared to 15/16. This is because this year the total number of shipments was lower than last year so we did not employ as many contract workers. Additionally, the job market is so competitive that most employees try to keep their work as it is difficult to find alternative employment.



## **SCBR**

The labour turnover of SCBR saw significant variation from the previous year due to high movement at the Rio Grande do Sul "Minas do Leão" site, which was adjusting its staffing.

A positive for SCBR in this area is the permanence of the employees on its staff, which would see the turnover as low if only the Telemâco Borba was considered.

In the last three years, labour turnover was relatively high due to the activation of the unit at Minas do Leão in Rio Grande do Sul/RS. The population of the city is considered "agricultural" rather than experienced in logging. This has caused ScanCom to hire many people, a lot of whom subsequently resigned due to lack of experience and difficulty in adapting to the segment. The number improved by 21% in the period of 15/16, when people were adapting and finding the work attractive, motivated by the organizational climate, benefits and guarantees of certain wages at the end of each month. For the period 16/17 this number increased by 9%, raising the total to 46%. The reasons for this were: shutdowns imposed by ScanCom in light of estimates of production reduction which were motivated by the low price marketing of pine wood. This led to an immediate reduction in Fixed costs, causing the personnel frame to be adjusted to suit the demands of the operation.

## **Overtime**

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

## **Wages and benefits**

**SCVN** In Vietnam, the legal minimum wage is frequently adjusted, most recently by 7% in Jan 2017, and ScanCom has always compensated employees at a significantly higher level, applying principles for actual living costs rather than the minimum wage. In season 16/17 the lowest wage level for ScanCom workers was around 23% 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 rate of the minimum wage as decided by the government and all permanent employees are paid at a minimum of 16.4% above the minimum wage level, 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 16/17, 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)**

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.

Site	Season	Group	Age					Grand Total	
			18-25	26-35	36-45	46-55	56-65		
SCVN	2016-2017 (Headcount in June 2017)	Management	5	147	135	20	1	308	
		Staff	41	141	23	5	3	213	
		Worker	520	1,184	561	141	7	2,413	
	Total Headcount		566	1472	719	166	11	2,934	
	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	2016-2017 (Headcount in June 2017)	Management	0	2	19	5		26
			Staff	0	15	8	2		25
Worker			24	56	71	18		169	
Total Headcount		24	73	98	25		220		
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		
SCBR		2016-2017 (Headcount in June 2017)	Management	0	1	1	1	0	3
			Staff	6	8	4	0	0	18
	Worker		3	22	15	4	0	44	
	Total Headcount		9	31	20	5	0	65	
	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	

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

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.

The salaries of SCBR are readjusted, according to the Union's determination, at least once a year.

In relation to the previous year, there was a restructuring of some sectors and closure of the unit at Minas do Leão - RS. Due to layoffs and hiring, salaries in some categories have suffered reductions.





The variation also occurred due to the adjustment of the staff in general terms. Older company employees have been disconnected from higher salaries, directly impacting on the average.

Category	SCVN				SCIN				SCBR			
	SS 16/17		SS 15/16		SS 16/17		SS 15/16		SS 16/17		SS 15/16	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Management	772	950	729	898	526	630	518	548	6230	0	7,474	0
Staff	387	389	350	368	269	285	250	268	1045	949	1,084	817
Worker	262	247	250	235	214	199	161	154	624	492	453	418

## HEALTH AND SAFETY

### OHSAS 18001

During season 16/17 SCVN received re-certification audit OHSAS 18001:2007 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 firefighting and safety regulations.

### SCVN

The number of accidents in season 16/17 was reduced by 18 % compared to season 15/16. Last season the CSR Objective focused on the importance of reporting Lost Time Injuries. The improvement came about due to a CSR management system that was launched to focus on Personnel Safety and Occupational Health and measures to be taken to prevent accidents, incidents and work related illness.

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, allied to regular testing in order to prevent fire. Additionally, a fire prevention and firefighting course including evacuation and fire drill procedures are held for all workers every year with the aim of raising awareness and giving employees relevant, useful knowledge and skills. These include: following the rules and instructions given, actively listening and participating during the "HSE tour" report, asking supervisors for advice, stopping work when it is unsafe or when you see unsafe acts or unsafe conditions.

**SCIN** trains all new employees in health and safety, including evacuation and fire drill procedures and this is repeated twice a year. SCIN also provides general training to give information related to broader areas of health and safety, such as first aid training, motorbike safety and HIV-AIDS prevention and awareness.

## SCBR

In the 16/17 period a solitary accident occurred and this improvement from the previous year was possible due to the work carried out by the Work Safety Department, which promoted awareness among all collaborators. In the previous year 15/16, a larger number of accidents occurred, with more days lost due to the need for recovery. "Nothing serious in general"

Lost days, all types (incl. maternity leave):

As for the lost days, in 15/16 we had the largest number of pregnant women and "miscellaneous" absences due to various symptoms of illness based on the "CID" International Code of illness. This raised the number, as in Brazil each pregnant woman stays at home for 120 days.

In the period, the number of staff was reduced due to the closure of the unit at Minas do Leão - RS. Days lost to sickness remained at the same level as the previous year; it is a difficult area to control as it is linked to the characteristics of individual employees. Due to accident prevention campaigns, we have managed to reduce and control the number of accidents and absences resulting from accidents. Maternity leave was also taken by two employees. Even with the reduction of the collaborators' framework, we have strengthened and intensified training on safety at work, which has resulted in a reduction in the number of accidents.

Health and safety data	SCVN		SCIN		SCBR	
	SS 17/16	SS 15/16	SS 17/16	SS 15/16	SS 17/16	SS 15/16
Average headcount for accident calculation	2,699	2,923	246	303	99	146
Sick leave days recorded	10,985	11,752	547	930	284	266
Total cases of accidents with lost working time	23	28	1	1	1	6
Total lost days due to accidents	264	288	1	1	1	266
Lost days, all types (incl. maternity leave)	10,880	11,840	544	2,904	296	1,608
Accident frequency rate per 100 employees	0.85	0.9	0.4	0.33	0.01	0.04
Fire cases detected	2	2	1	0	0	1
Total hours general labor safety training	31,136	44,972	621	576	1,816	1,750

## ENVIRONMENT

SCVN's environmental management system, with reference to the requirements of ISO 14001, was maintained and improved over the period. The annual audit was undertaken 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

In general, all parameters show positive results due to effective management for year 16-17 compared with 15-16.

Resources and recycling	SCVN		SCIN		SCBR	
	SS 16/17	SS 15/16	SS 16/17	SS 15/16	SS 16/17	SS 15/16
Total electrical energy, MWh	23,204	24,354	209	239	225	270
Water consumption, 1000m <sup>3</sup>	148.2	142.5	5.63	6.30	0.66	0.93
Industrial waste, MT	7,522	7,815	1.8	0.6	1.026	1.67
Waste water, 1000m <sup>3</sup>	108	114	5.63	6.3	0.197	0.279
Sawn timber, 1000m <sup>3</sup>	20.9	16.4	3,104	4.41	7.83	9.56
Aluminium billets, MT	3553	3642	N/A	N/A	N/A	N/A
Plastic resin, MT	4,504	3,923	N/A	N/A	N/A	N/A
Recycled saw dust, MT	845.6	689.6	0.57	0.6	9.05	13.59
Recycled aluminium waste, MT	213.6	240.2	N/A	N/A	N/A	N/A
Recycled Poly Rattan waste, MT	26.9	24.5	0.79	0.65	N/A	N/A

### SCVN

We continue to look for alternative solutions that will result in a more positive impact on the environment, continually attempting to increase the recycling of materials – mainly in SCVN. New methods for recycling wood and plastic composite furniture have resulted in increased recycling figures. Total electrical energy was reduced because we: applied an energy management system and made use of the energy monitoring data from sub-meters; installed LED lighting at all production sites and offices. We aim to continue this control when new machines are installed in future.

### SCIN

Electrical energy consumption for 16/17 was 12.5% lower than 15/16 but the amount is not so significant. Water consumption is for toilet facilities for employees only and this is lower than 15/16 due to lower numbers of employees.

Industrial waste is higher as we cleaned out unused material.

Sawn timber is lower due to the number of shipments being lower.

### SCBR

In general, SCBR presented a reduction in its use of resources, motivated by the awareness of our collaborators and disabling the Minas do Leão unit.

In the Telemachus Borba unit, the boiler and the drying activities were interrupted for a period of three months, which also contributed to the decrease.

## Waste volumes (Metric Tons)

### SCVN

Recycled waste was sold to contractors for reuse. Domestic waste handling increased during last season. Hazardous waste was reduced because we controlled all production processes closely and improved classification in the waste handling procedure.

### SCIN

Hazardous waste: this season we started to dispose of small items of hazardous waste such as lamp, oil, cotton rag, finishing material, in accordance with government regulations and coordination with a third party for disposal.

### SCBR

SCBR, during the last period, adjusted some controls, allowing a better preview of the processes, thus offering opportunities for improvement.

Following this line, we have campaigns to raise awareness of how best to use the resources and also classification for disposal, for which we allowed a reduction in residues destined for general disposal.

Waste type (MT)	SCVN		SCIN		SCBR		Disposal method
	SS 16/17	SS 15/16	SS 16/17	SS 15/16	SS 16/17	SS 15/16	
Domestic waste	150.3	128.6	8.97	12.4	0.16	0.51	Authorized contractor
Hazardous waste	335	394	0.09	0	0.08	0.1	Authorized contractor
Recyclable waste	7,037	7,292	3.5	2.4	0.11	0.29	Sold to contractors

## CO<sup>2</sup> emission

Since 2012 ScanCom has continuously monitored CO<sup>2</sup> generating consumptions with the aim of a stepwise reduction in CO<sup>2</sup> emissions.

### CO<sup>2</sup> emission data



Site	Source	Quantity SS 16/17	CO <sup>2</sup> emission (MT) SS 16/17	Quantity SS 15/16	CO <sup>2</sup> emission (MT) SS 15/16
SCVN	Gas (MT)	915	2,738	705	2,109
	Diesel Oil (MT)	153	412	120.3	322
	Wood (MT)	6,368	939	4,294	633
	Electricity (GWh)	23.2	8,237	24.3	8,529
	Total CO <sup>2</sup> , SCVN		12,326		11,593
SCIN	Electricity	0.209 GWh	74	0.239 GWh	84
	Total CO <sup>2</sup> , SCIN				84
SCBR	Wood	9,065MT	1,338	13,599 MT	2,006
	Electricity	0.224GWh	80	0.270GWh	96
	Total CO <sup>2</sup> , SCBR		1,418		4,326
<b>TOTAL CO<sup>2</sup></b>			13,818		16,003

### Impact of products on health and environment. Restricted substances.

In season 16/17 ScanCom updated its List of Restricted Substances as added 4 new SVHCs to the Candidate list 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. ScanCom continues to maintain its Due Diligence System (DDS) every year. To ensure that the requested documentation is provided to our customers, we experienced a need to try to simplify the documentation process. We also continue to maintain FSC certification at ScanCom with annual renewal by an independent 3<sup>rd</sup> party, approved by the EU as a control organization. The certificate covers all wood used by the ScanCom supply chain.

### 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 16/17 have received the training in ScanCom's Code of Conduct and were monitored in terms of workplace safety.



## Training activities

In season 16/17 ScanCom continued systematic training of employees to support the understanding and practice of social compliance and good environmental behaviour.

### SCVN Training program

Last season CSR focused safety and health training to be taken to prevent accidents, incidents and work related illness and what workers can do.

No.	Source	Season 16/17	Season 15/16
		Time of training (hours)	Time of training (hours)
1	Management skills	3,756	2,896
2	English communication	672	720
3	Vietnamese communication for Expats	N/A	144
4	Labour Safety and Hygiene for Employees	40,465	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	4,820	5,500
7	Code of Conduct for onsite subcontractors	221	113
8	Code of Conduct for ScanCom employees	2,747	2,230
9	Security procedure for employees	2,311	2,230
10	Stamping safety	90	60
11	Electricity, Pressure Equipment, and Forklift Safety	10,038	1,568
12	Firefighting and prevention training	1,578	928
13	Firefighting and prevention drills	7,114	7,500
14	General Safety for new workers	31,376	16,064
15	Safety of machinery, PPE, Environment for new workers	15,767	8,032
16	Training for ISO 9001:2015 (Quality Management System)	960	N/A
17	Training for ISO 17025:2005 (Laboratory Management System)	800	N/A
Total		122,715	93,057



## 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/BSCI
ScanCom International	X	N/A	N/A	X	N/A
ScanCom Vietnam	X	X	X	X	X
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	X

## PERFORMANCE INDICATORS AND OBJECTIVES FOR THE FOLLOWING YEAR

For season 17/18 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><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights</p> <p><b>Principle 2:</b> Make sure that they are not complicit in human rights abuses</p>	<p><b>HR2:</b> Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.</p> <p><b>HR6:</b> Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor</p>
	<p><b>HR3:</b> 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.</p>	<p>To maintain all contract manufacturers with BSCI certificate</p> <p>To maintain 100% human rights at ScanCom and all contract manufacturers and selected critical suppliers. This includes the rights to freedom of expression, security, health and education, food and clean water.</p> <p>To maintain zero child labour for ScanCom companies and contracted manufacturers.</p>
LABOR	<p><b>LA1:</b> Total workforce by employment type, employment contract</p>	<p>All new employees to be trained in ScanCom Code of Conduct and Human Rights</p> <p>To continue promoting human rights through policy and training.</p> <p>To ensure and maintain that all contract manufacturers receive ScanCom internal BSCI audit before supplying.</p>

LABOR	<b>Principle 4:</b> Elimination of all forms of forced and compulsory labour	<b>LA2:</b> : Total number and rate of employee turnover by age group, gender	To maintain no incidents of forced labor at contract manufacturers.  To continue to make improvements to reduce labor turnover in season 17/18.
	<b>Principle 5:</b> Effective abolition of child labor	<b>LA4:</b> P: Percentage of employees covered by collective bargaining agreements.  <b>LA6:</b> 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.  <b>LA7:</b> Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	To maintain 100% compliance with regulations and customer requirements for training of all employees on environmental issues and health and safety.  To continue running I Care Campaign to save energy, stay safe and safety when driving.  To continue to meet objective with number of major occupational accidents: 0 cases.
	<b>Principle 6:</b> Elimination of discrimination in respect of employment and occupation	<b>LA10:</b> Average hours of training per year per employee by gender, and by employee category.  <b>LA14:</b> Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	To meet education objectives and to not discriminate on grounds of gender when recruiting.
ENVIRONMENT	<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges	<b>EN1:</b> Material used by weight or volume	To continue with the I Care Campaign to save energy and reduce hazardous waste with reductions in waste sent to landfill.
	<b>Principle 8:</b> Undertake initiatives to promote greater environmental responsibility	<b>EN2:</b> : Percentage of materials used that are recycled input materials	To maintain all emissions are within legal limits
	<b>Principle 9:</b> Encourage the development and diffusion of environmentally friendly technologies	<b>EN3:</b> Direct energy consumption by primary energy source.  <b>EN8:</b> Total water withdrawal by source	Reduction of 10% in energy used per piece in season 17/18  Improved monitoring of electricity consumption.
		<b>EN21:</b> Total water discharge by quality and destination	To continue to follow up data and objective to improve





ENVIRONMENT		<b>EN22:</b> Total weight of waste by type and disposal method	To continue to follow up data and objective to improve
		<b>EN26:</b> Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Maintain monitoring of CO <sup>2</sup> emission. Maintain 100% control of restricted substances.
ANTI-CORRUPTION	<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery	<b>SO3:</b> Percentage of employees trained in organization's anti-corruption policies and procedures	Implement and maintain ScanCom Code of Conduct with all business partners.
ECONOMIC		<b>EC1:</b> Direct economic value generated and distributed	Continue to generate profit and pay tax, and keep our employee's benefits above minimum wages and insurance.



**DOING  
BUSINESS THE  
RIGHT WAY**



**ScanCom International A/S**

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