



ScanCom International A/S

UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS
SEASON 2017/18



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 2017 to 30 June 2018.





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SCANCOM PROFILE

- Since being founded on the 1st April 1995, ScanCom has grown to become a leading global manufacturer of outdoor furniture.
- Legal headquarters is in Denmark and top management is located partly in Denmark, Vietnam and Spain.
- ScanCom have sales offices in Denmark, the United Kingdom, Germany, the USA, Spain and Vietnam, with manufacturing sites in Brazil, Indonesia and Vietnam.
- We credit our achievements to attractive designs, high standards of quality and social responsibility combined with precise delivery planning and competitive prices. Always an active and responsible partner, ScanCom is guided by a firm set of principles that guides us in everything we do.

VISION AND MISSION STATEMENT OF SCANCOM

VISION

To become the preferred business & development partner for selected customers - medium and larger retail - and DIY chains globally and Garden centres - within the furniture industry.

MISSION

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

- Customized, full-range quality collections at competitive prices
- Environmental and social correct products, process and behavior
- Continuous improvement in all we are doing
- Total quality approach and world class operations
- Customized marketing and logistics services
- On-time delivery and after-sales services

Create continuous profitable growth based on Doing Business the Right - the sustainable Way

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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 – the sustainable way”.

However, we must admit our principles are under pressure from competitors NOT doing business the right way, which will not let us change our focus on what we believe is the right long-term strategy.

It is important to stress that our CSR strategy and business values are not a project that starts and ends, but an ongoing willingness to improve our sustainable business model.

“Doing Business the Right Way” and focus on sustainability can go hand in hand with improved operational performances and profitability, as our 2017/18 results are showing.

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 certificate.

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, SMETA 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 under 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 in ScanCom CSR is not a project that starts and ends, but a strategy integrated in daily business and in our business plan.



LEGAL STRUCTURE



FINANCE FIGURES

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

Key figures (DDK million):	2017/18	2016/17	2015/16	2014/15	2013/14
Income Statement:					
Revenue	911.3	886.1	898.1	880.8	672.2
EBITDA	51.7	45.3	47.3	32.6	21.2
Profit/loss on ordinary operating activities	31.5	19.6	22.8	10.3	6.7
Financial income and expenses, net	-12.8	-12.0	-9.0	5.1	-12.6
Profit/loss on ordinary activities before tax	18.7	7.6	13.8	15.4	-5.9
Tax on profit/loss	-6.2	-4.4	-7.3	-5.2	0.1
Net Profit/loss for the year	12.5	3.3	6.5	10.1	-5.8
Balance:					
Balance sheet total	599.3	538.3	564.9	593.8	506.1
Purchases of property, plant, and equipment, gross	35.9	22.8	31.2	35.0	20.2
Current Assets	435.6	392.6	393.5	427.3	357.9
Equity	160.0	154.0	156.1	152.7	150.3
Short-term debt	398.1	377.6	401.3	432.8	301.3
Employees:					
Average number of employees	3,598	3,144	3,459	3,932	4,415



PERFORMANCE INDICATORS AND OBJECTIVES

For season 17/18 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>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights</p>	<p>HR2: Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.</p> <p>HR6: Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour</p>	
	<p>Principle 2: : Make sure that they are not complicit in human rights abuses</p>		
		<p>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.</p>	<p>100% BSCI audit report, human rights at ScanCom and all contract manufacturers. This includes the rights to freedom of expression, security, health and education, food and clean water and development. ScanCom does not accept child labour. We worked together with our suppliers and partners to actively promote children's rights throughout our value chain. We based our work on the ScanCom values and our ScanCom customers. ScanCom was committed to respecting all children's rights</p> <p>100 % employees to be trained in ScanCom Code of Conduct and policies. Besides procedures concerning aspects of human rights that are relevant to operations.</p>
Labor	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p>	<p>LA1: Total workforce by employment type, employment contract</p>	<p>100% BSCI audit at ScanCom and all contract manufacturers. This is our requirement before supplying.</p>
	<p>Principle 4: Elimination of all forms of forced and compulsory labour</p>	<p>LA2: Total number and rate of employee turnover by age group, gender</p>	<p>Maintained with no incident of forced labour at ScanCom and contract manufacturers.</p>



UN Global Compact Principles		Level C, Global Reporting Initiative (GRI) Performance Indicators	Related ScanCom objectives
Labor	Principle 5: Effective abolition of child labor	<p>LA4: Percentage of employees covered by collective bargaining agreements.</p> <p>LA6: : Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.</p> <p>LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities</p>	<p>100% compliance with regulations and customer requirements for training of all employees on environmental issues and health and safety.</p> <p>24,000 hours as competence development for health and safety deliver to all workers.</p> <p>No major occupational safety and health case.</p>
	Principle 6: Elimination of discrimination in respect of employment and occupation	<p>LA10: Average hours of training per year per employee by gender, and by employee category.</p> <p>LA14: Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.</p>	Maintained information/activities to improve understanding of groups of other e.g. age, gender, sexual preference, ethnicity, religion, disabilities, etc.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	EN1: Material used by weight or volume	Good result for ScanCom sustainability index with reducing hazardous material, waste, saving energy, good REACH solutions prevent pollution.
	Principle 8: Undertake initiatives to promote greater environmental responsibility	EN2: : Percentage of materials used that are recycled input materials	Maintained all emissions were within legal limits.
	Principle 9: Encourage the development and diffusion of environmentally friendly technologies	<p>EN3: Direct energy consumption by primary energy source.</p> <p>EN 8: Total water withdrawal by source</p>	<p>Reduced of 10% in energy used per piece in season 17/18</p> <p>Improved electricity consumption by using 100% LED light.</p>
		EN21: : Total water discharge by quality and destination	Collected data and monitored.
		EN22: Total weight of waste by type and disposal method	Collected data and controlled waste handling procedure.
	EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	<p>CO² emission within the legal limits of Vietnam.</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	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	Implemented ScanCom Code of Conduct with all business partners.
Economic		EC1: Direct economic value generated and distributed	Maintained generate profit and pay tax, and keep our employees benefits above minimum wages and insurance.

CSR HIGHLIGHTS SEASON 2017/18

- Compliance 100% with code of conducts, passed as good result with highest ethical standards BSCI, SMETA, ICS, OEKO-TEX, ISO 14001; OHSAS, C-TPAT.
- Good result with sustainability index - GreenSteps with reducing hazardous material, waste, saving energy, good REACH solutions prevent pollution.
- 100% FSC certification and maintaining sustainability with FSC certified wood in all ScanCom supply chain.
- Fully comply the European Union Timber Regulation (EUTR) prohibits the placing if illegally harvested timber of the European market.
- Fully REACH compliance to improve the protection of human health and the environment better by controlled chemicals, materials.
- Increase social compliance for all Contract Manufacturers (CM) with 100% BSCI audit.

WORKPLACE CONDITIONS ASSESSMENT

During season 2017/18 with result of audits, ScanCom was passed with high level related to areas as Labour, Wages and Hours, Health and Safety, Management System and Environment with respect to widely-held industry standards and best practices as BSCI, SMETA, ICS, FSC, OEKO-TEX, ISO 14001; OHSAS.

SUPPLIER OF THE YEAR

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

HUMAN RIGHTS

ScanCom International A/S 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>

ScanCom used the BSCI, SMETA, ICS monitoring system to ensure that its contract manufacturers, as a minimum, comply with basic human rights and local regulations pertaining to labour conditions.

Besides, for season 2017/18 ScanCom verified social compliance for 27 contract manufacturers and used 25 contract manufacturers, all of which were registered on the BSCI platform and audited completely.



BSCI monitoring of Contract Manufacturers

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

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 continued commit 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.

SCVN: ScanCom Vietnam

SCBR: ScanCom Brazil

SCIN: ScanCom Indonesia



Human resource management figures	SCVN SS 16/17	SCVN SS 17/18	SCIN SS 16/17	SCIN SS 17/18	SCBR SS 16/17	SCBR SS 17/18
Average head count	2699	3190	246	243	99	66
Total number of people leaving company	1321	1605	14	19	98	21
Annual employee turnover rate	49%	51%	5.7%	7.8%	46%	31,54%
Total overtime hours used	380,960	519,604	4,593	4,689	12,221	8,949
Average overtime hours used per head per year	141	163	18.67	19.29	123	136

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	2017-2018	Male	7		1103	1457	2567
		Management	2		31	180	213
		Staff	3		59	53	115
		Worker	2	0	1013	1224	2239
		Female	7		265	635	907
		Management	1		11	93	105
		Staff			48	63	117
		Worker	6	0	206	479	685
		Grand Total	14		1368	2092	3474
	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	2063	2934



SCIN	2017 - 2018	Male	0	97	0	94	191
		Management	0	0	0	22	22
		Staff	0	0	0	12	12
		Worker	0	97	0	60	157
		Female	0	25	0	27	52
		Management	0	0	0	5	5
		Staff	0	0	0	10	10
		Worker	0	25	0	12	37
		Grand Total	0	122	0	121	243
	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
SCBR	2017 - 2018	Male				47	47
		Management				3	3
		Staff				7	7
		Worker	0	0	0	37	37
		Female	0	0	0	19	19
		Management	0	0	0	0	0
		Staff	0	0	0	6	6
		Worker	0	0	0	13	13
		Grand Total				66	66
	2016-2017	Male				65	65
		Management				3	3
		Staff				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				99	99



Labor turnover

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 17/18 and seems to have had a positive impact. The employee turnover rate for SCVN was increased a little bit from 49% in season 16/17 to 50% in season 17/18, and although this figure may still be considered high, it meets absolutely the objective for this parameter.

Related to this area, it is worth noting that the headcount was significantly increased in 17/18 due to increase orders, containers export.

SCIN

In terms of labor turnover for season 17/18, the employee turnover rate for SCIN was increased from 5.7% in season 16/17 to 7.8% in season 17/18.

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.

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	596	528	140	12	0	1276	2055	62%
	Seasonal worker	0	0	0	0	0	0	0	0
	Staff	11	18	2	0	0	31	106	29%
	Management	1	25	19	4	0	49	196	25%
	Total Male	608	571	161	16	0	1356	2357	58%
	Female								
	Official worker	62	96	40	5	0	203	628	32%
	Seasonal worker								
	Staff	12	23	0	1	0	36	108	33%
	Management		7	2		1	10	97	10%
	Total Female	74	126	42	6	1	249	833	30%
Grand Total SCVN	682	697	203	22	1	1605	3190	51%	



Site	Category employees	Age					Total leaving	Average headcount	Turnover %
		18-25	26-35	36-45	46-55	56-60			
SCBR	Male								
	Official worker	5	12	17	3	0	7	37	17,68%
	Seasonal worker	0	0	0	0	0	0	0	0
	Staff	2	4	1	0	0	1	7	3,34%
	Management	0	1	1	1	0	0	3	1,43%
	Total Male	7	17	19	4	0	8	47	22,45%
	Female								
	Official worker	0	9	3	1	0	4	13	6,21%
	Seasonal worker	0	0	0	0	0	0	0	0
	Staff	2	3	0	1	0	8	6	2,87%
	Management	0	0	0	0	0	0	0	0
	Total Female	2	12	3	2	0	12	19	9,08%
Grand Total SCIN	9	29	22	6	0	20	66	31,53%	
SCIN	Male								
	Official worker	0	0	1	0	0	1	60	1.67%
	Seasonal worker	12	4	1	0	0	17	97	17.5%
	Staff	0	0	0	0	0	0	12	0%
	Management	0	0	0	0	0	0	22	0%
	Total Male	12	4	2	0	0	18	191	9.42%
	Female								
	Official worker	0	0	0	0	0	0	12	0%
	Seasonal worker	0	0	0	0	0	0	25	0%
	Staff	0	0	1	0	0	1	10	10%
	Management	0	0	0	0	0	0	5	0%
	Total Female	0	0	1	0	0	1	52	1.9%
Grand Total SCIN	12	4	3	0	0	19	243	7.8%	



Overtime

Overtime rates have now stabilized for all companies in the group and all are in compliance with local regulations. Besides; ScanCom Brazil with average overtime 2017-2018 little bit increased since there is additional holiday from government related to general election.

Wages and benefits

SCVN the legal minimum wage is frequently adjusted 6% in Jan 2018, and ScanCom has always compensated employees at a significantly higher level, applying principles for actual living costs rather than the minimum wage. In season 17/18 the lowest wage level for ScanCom workers was around 28% 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 a rate of minimum wages level as decided by government and all permanent employees are paid at (minimum 12.8%) higher level than regulation (minimum wages), depending on position and responsibility.

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

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	2017-2018 (Headcount in June 2017)	Management	3	144	144	26	1	318	
		Staff	55	138	31	4	4	232	
		Worker	698	1329	710	176	11	2924	
	Total Headcount		756	1611	885	206	16	3474	
	2016-2017 (Headcount in June 2016)	Management	5	147	135	20	1	308	
		Staff	41	141	23	5	3	213	
		Worker	520	1184	561	141	7	2413	
	Total Headcount		566	1472	719	166	11	2934	
	SCIN	2017-2018 (Headcount in June 2017)	Management	0	0	16	10	0	26
			Staff	0	13	7	2	0	22
Worker			22	58	72	22	0	174	
Total Headcount		22	71	95	34	0	222		
2016-2017 (Headcount in June 2016)		Management		2	19	5	0	26	
		Staff		15	8	2	0	25	
		Worker	24	56	71	18	0	169	
Total Headcount		24	73	98	25	0	220		
SCBR	2017-2018 (Headcount in June 2017)	Management	0	1	1	1	0	3	
		Staff	4	7	1	1	0	13	
		Worker	5	21	20	4	0	50	
	Total Headcount		9	29	22	6	0	66	
	2016-2017 (Headcount in June 2016)	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		



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

Category	SCVN				SCIN				SCBR			
	SS 17/18		SS 16/17		SS 17/18		SS 16/17		SS 17/18		SS 16/17	
	Male	Female										
Management	792	975	772	950	551	658	526	630	5,25	0	6,230	0
Staff	410	402	387	389	282	308	269	285	863	643	1,045	949
Worker	277	262	262	247	224	217	214	199	488	422	624	492

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 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.

Reduce the average wages of all levels, motivated by the reduction of the currency exchange rate of the Minas do Leão/RS, and also by the variation of the dollar.

HEALTH AND SAFETY

OHSAS 18001

To build a strong culture to prevent accidents, incidents and work related illness is important at all level of The ScanCom. Everyone should go home healthy from work and doing the right thing by protecting your workers' health.

During season 17/18 SCVN received annual 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 and customer requirement related to health and safety.

Health and Safety data

Health and safety data	SCVN		SCIN		SCBR	
	SS 17/18	SS 16/17	SS 17/18	SS 16/17	SS 17/18	SS 16/17
Average headcount for accident calculation	3,190	2,699	243	246	66	99
Sick leave days recorded	10,905	10,985	789	547	155	284
Total cases of accidents with lost working time	41	23	1	1	3	1
Total lost days due to accidents	358	264	1	1	20	1
Lost days, all types (incl. maternity leave)	17,919	10,880	666	544	417	296
Accident frequency rate per 100 employees	1.28	0.85	0.4	0.4	0,05	0.01
Fire cases detected	0	2	0	1	0	0
Total hours general labor safety training	35,057	31,136	1,164	621	1,544	1,816

SCVN

The case of minor accidents in season 17/18 increase high compare to last season16/17. Root cause the some of the increases due to a higher percentage of new workers in a growth environment. Therefore, our management will focus and improve in season 18/19 to reduce, we target those sectors and activities with the most serious risks and where the risks are least well-controlled and significant improvements will need to be made, probably related to the implementation of a safety training programme to enhance awareness within the workplace and an associated action plan.

SCIN

SCIN trains all new employees in health and safety, including evacuation and fire drill and this is repeated twice a year for employees. SCIN also give general training to give information related to health and safety such as first aid training, safety riding motorbike, HIV-AIDS, insurance, etc. For new worker supervisor gives training about machinery and quality of product.



SCBR

During this period, there was a reduction in personnel, reflecting the closure of the Minas do Leão /RS unit and adjustments at the Telemaco Borba/PR Unit.

There was also a reduction in sick leave, motivated by prevention campaigns proportioned by Scancom (note: vaccination against Influenza A1n1);

About accidents, there has been an increase, all slight accidents, which by the activity we are exposed. Consequently increasing the number of days of work lost.

In addition to all absences including maternity leave, we also had an increase over the previous year. Under our analysis, it is controlled.

Because of the greater number of accidents in the period, the attendance rate per employee also increased. We continue with policies to prevent and control accidents.

As for training in matters related to work safety, we maintained an average for the Telemaco Borba unit, which is lower than in the previous year due to a reduction in the number of employees

ENVIRONMENT

SCVN's environmental management system, upgraded completely with new version the requirements of ISO 14001:2015 and audited with a good result. Besides, applied sustainability program induce GreenSteps with reducing hazardous material, waste, saving energy, good REACH solutions prevent pollution.

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 17/18	SS 16/17	SS 17/18	SS 16/17	SS 17/18	SS 16/17
Total electrical energy, MWh	27,799	23,204	201	209	158	225
Water consumption, 1000 m ³	174.9	148.2	4.73	5.63	0.53	0.66
Industrial waste, MT	11,682	7,522	1.172	1.8	0.763	1.026
Waste water, 1000 m ³	122	108	4.48	5.63	0.158	0.197
Sawn timber, 1000 m ³	28,5	20.9	3.21	3,104	8.65	7.83
Aluminium billets, MT	5,075	3,553	N/A	N/A	N/A	N/A
Plastic resin, MT	4,552	4,504	N/A	N/A	N/A	N/A
Recycled saw dust, MT	905,4	845,6	0.45	0.57	3.36	9.05
Recycled aluminium waste, MT	512.8	213.6	N/A	N/A	N/A	N/A
Recycled Poly Rattan waste, MT	27.5	26.9	0.75	0.79	N/A	N/A

In general, all parameters show positive results due to effective management for year 17-18 compared with 16-17.

SCVN

As an improvement in sustainability recycling, resource use, 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 2017-2018 is 3.8% lower than 2016-2017 but the amount is not so significant. Water: water consumption is for employee toilet purpose only and this is lower than 2016-2017 since lower in total employee. Sawn timber and industrial waste are lower.

SCBR

In the latter period, a SCBR deactivated its unit in the city of Minas do Leão/RS. In this way, we have had a reduction of the numerous in relation to a last session.

The numbers of this session 17/18 are updated based on the Telemâco Borba / PR unit.

Waste volumes (Metric Tons)

SCVN

Waste type (MT)	SCVN		SCIN		SCBR		Disposal method
	SS 17/18	SS 16/17	SS 17/18	SS 16/17	SS 17/18	SS 16/17	
Domestic waste	113.4	150.3	7.5	8.97	0.11	0.16	Authorized contractor
Hazardous waste	366	335	0.06	0.09	0.37	0.08	Authorized contractor
Recyclable waste	11,203	7,037	2.1	3.5	0.76	0.11	Sold to contractors

Recycled waste was increased remarkable, it was sold to contractors for reuse. Domestic waste handling reduced during last season. Hazardous waste was increased because our production volume increase about 20%.

SCIN

Hazardous waste was handle small hazardous waste such as lamp, oil, cotton rag, finishing material, based on government regulation and do coordination with third party for disposal. We make periodical report regard this hazardous waste to local environmental department.

SCBR

The SCBR, continued to control, remained steadily forming for the corrective training processes always. Keep the subject warm throughout the year, so that everyone will continue with a consensus on the importance of reducing and improving the use of all processes, to avoid dispersion and to improve the way of disposal.



CO² emission

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

CO² emission data

Site	Source	Quantity SS 17/18	CO ² emission (MT) SS 17/18	Quantity SS 16/17	CO ² emission (MT) SS 16/17
SCVN	Gas (MT)	1,312	3,926	915	2,738
	Diesel Oil (MT)	178.7	481	153	412
	Wood (MT)	9,023	1,332	6,368	939
	Electricity (GWh)	27.8	9,869	23.2	8,237
	Total CO ² , SCVN		15,608		12,326
SCIN	Electricity	0.201 GWh		0.209 GWh	74
	Total CO ² , SCIN				
SCBR	Wood	8,653MT	1,279	9,065MT	1,338
	Electricity	0.158GWh	57	0.224GWh	80
	Total CO ² , SCBR		1,336		1,418
TOTAL CO²					13,818

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 17/18 ScanCom updated its List of Restricted Substances version 15 (191 SVHCs) to the Candidate list in order to continue to meet relevant legal requirements (ECHA) and those of customers. REACH/LRS compliance - make chemical testing to submit all customers with all material & products testing. 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. Besides; controlled all suppliers follow REACH/ Customer Standards.

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 3rd 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 17/18 have received the training in ScanCom's Code of Conduct and were monitored in terms of workplace safety.

Training activities

In season 17/18 ScanCom continued systematic training of employees to support the understanding and practice of social compliance and good environmental behaviour.

No.	Source	Season 16/17	Season 17/18
		Time of training (hours)	Time of training (hours)
1	Management skills	3,756	3,944
2	English communication	672	432
3	Vietnamese communication for Expats	N/A	240
4	Labour Safety and Hygiene for Employees	40,465	60,560
5	Awareness training for ISO 14001:2015 for CSR team and managers	N/A	300
6	Handling of chemicals and waste, for new workers	4,820	5,836
7	Code of Conduct for onsite subcontractors	221	350
8	Code of Conduct for ScanCom employees	2,747	2,918
9	Security procedure for employees	2,311	3,100
10	Stamping safety	90	150
11	Electricity, Pressure Equipment, and Forklift Safety	10,038	10,380
12	Firefighting and prevention training	1,578	2,528
13	Firefighting and prevention drills	7,114	8,700
14	General Safety for new workers	31,376	37,765
15	Safety of machinery, PPE, Environment for new workers	15,767	21,376
16	Training for ISO 9001:2015 (Quality Management System)	960	1,156
17	Training for ISO 17025:2005 (Laboratory Management System)	800	400
Total		122,715	160,135



SCVN Training program

Because the headcount in season 17/18 increase 30% compare to season 16/17, so that total amount of time dedicated to training was also increases. Health safety, security training was increased with the objective of improving accidents, incidents and increase safety awareness.

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/SMETA
ScanCom International	X	N/A	N/A	X	BSCI Participant
ScanCom Vietnam	X	X	X	X	BSCI, SMETA, ICS
ScanCom Brazil	X	N/A	N/A	X	X
ScanCom Indonesia	X	N/A	N/A	X	X

PERFORMANCE INDICATORS AND OBJECTIVES FOR THE FOLLOWING YEAR

For season 18/19, 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 Principle 2: Make sure that they are not complicit in human rights abuses	HR2: Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Continue BSCI audit report, human rights at ScanCom and all contract manufacturers. This includes the rights to freedom of expression, security, health and education, food and clean water and development. ScanCom will develop Young worker, increase internship project as part of the ScanCom Sustainability Strategy to promote human rights and the development of communities and social advancement.
	HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Continue to work with all suppliers and partners to actively promote children's rights throughout our value chain and commit to respecting all children's rights
LABOR Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	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 ScanCom Code of Conduct and policies to train all employees and human rights for operations. Open ScanCom Academy is part of training improvements.
	LA1: Total workforce by employment type, employment contract	Maintain Code of conducts, highest ethical standards BSCI, SMETA, ICS, at ScanCom and all contract manufacturers.

LABOR	<p>Principle 4: Elimination of all forms of forced and compulsory labour;</p>	<p>LA2: : Total number and rate of employee turnover by age group, gender.</p>	<p>Maintain with no incident of forced labour at ScanCom and contract manufacturers.</p>
	<p>Principle 5: Effective abolition of child labor</p>	<p>LA4: Percentage of employees covered by collective bargaining agreements.</p> <p>LA6: Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.</p> <p>LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities</p>	<p>Continue to compliance with regulations and customer requirements for training of all employees on environmental issues and health and safety.</p> <p>Continue with competence development for health and safety deliver to all workers.</p> <p>Maintain number of major occupational with no case.</p>
	<p>Principle 6: Elimination of discrimination in respect of employment and occupation.</p>	<p>LA10: Average hours of training per year per employee by gender, and by employee category.</p> <p>LA14: Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.</p>	<p>Increase more activities to improve understanding of groups of other e.g. age, gender, sexual preference, ethnicity, religion, disabilities, etc.</p>
ENVIRONMENT	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p>	<p>EN1: Material used by weight or volume</p>	<p>Reach 80% sustainability index with reducing hazardous material, waste, saving energy, good REACH solutions prevent pollution</p>
	<p>Principle 8: Undertake initiatives to promote greater environmental responsibility</p>	<p>EN2: : Percentage of materials used that are recycled input materials</p>	<p>Maintain sustainability index and improve emissions comply to legal limits</p>
	<p>Principle 9: Encourage the development and diffusion of environmentally friendly technologies</p>	<p>EN3: Direct energy consumption by primary energy source.</p> <p>EN8: Total water withdrawal by source</p>	<p>Continue to reduce 10% in energy used per piece in season 18/19</p>
		<p>EN21: Total water discharge by quality and destination</p>	<p>Continue to make plans properly for continuous improvement of discharged water in place</p>



ENVIRONMENT		EN22: Total weight of waste by type and disposal method	Continue to improve the discharged water to a quality within legal limits
		EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Maintain monitoring of CO ² emission. 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	Implement and maintained ScanCom Code of Conduct with all business partners.
ECONOMIC		EC1: Direct economic value generated and distributed	Maintain generate profit and pay tax, and keep our employees' benefits above minimum wages and insurance.



**DOING
BUSINESS THE
RIGHT WAY**



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