

UN Global Compact

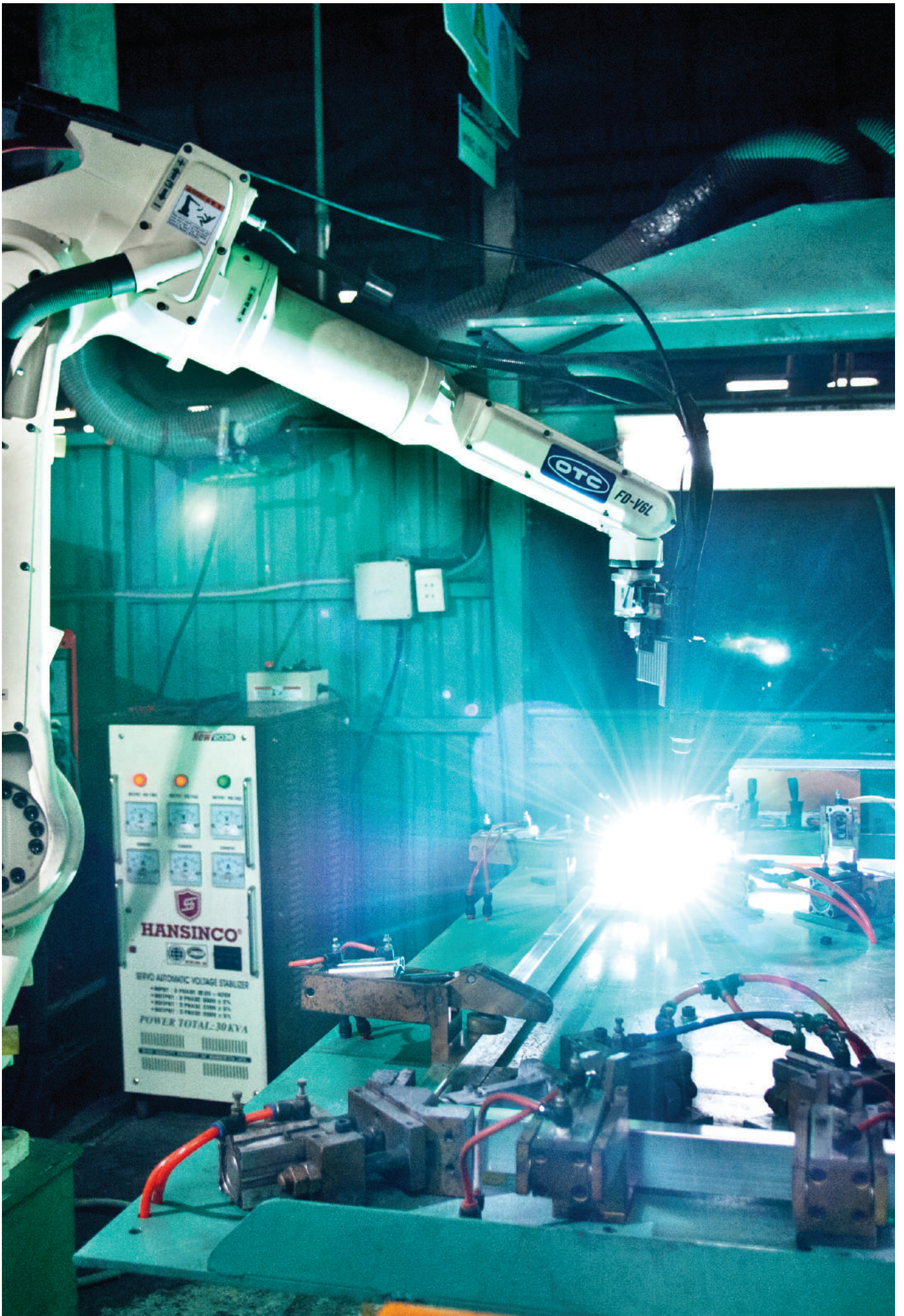
Communication on Progress

Season 2018/2019



ScanCom International A/S





PREFACE

ScanCom International A/S became signatory to the UN Global Compact in April 2011. In this report we present our 8th 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 2018 to 31 August 2019 (14 months due to the change of our book year in line with the new ownership. Our new financial period from 1 September 2019 to 31 August 2020.

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SCANCOM'S MANAGEMENT PRINCIPLES

ALWAYS AN ACTIVE AND RESPONSIBLE PARTNER, SCANCOM IS GUIDED BY A FIRM SET OF PRINCIPLES THAT GUIDES US IN EVERYTHING WE DO.

**ACTIVE
PARTNERSHIP
WITH FLEXIBLE
SOLUTIONS**

SCANCOM'S VALUES

ACTIVE

To be active means to take the initiative without waiting for the other party

PARTNER

To be a partner means to be trustworthy, honest and equal

FLEXIBLE

To be flexible means to be open towards others and to offer alternative options

SCANCOM CORPORATE OBJECTIVES

Market

ScanCom wishes to be valued as a competent, reliable, innovative and competitive business partner towards our customers.

Quality

All ScanCom's products meet all necessary standards for each customer and market.

Economic

ScanCom seeks to achieve a sustainable growth in sales and market share, and to provide acceptable level of return on investments and profit.

CSR

ScanCom will strive to deliver the highest standards and behavior relating to corporate social compliance and a strict -but fair- Code of Conduct.

Environment

ScanCom Group will continue to DO BUSINESS THE RIGHT WAY to protect the environment and natural resources. We will continuously improve our operational efficiency to reduce waste for the benefit of the environment.

SCANCOM PROFILE

ABOUT SCANCOM

Since being founded on the 1st April 1995, ScanCom has grown to become a leading global manufacturer of outdoor furniture.

ScanCom has its legal headquarters 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 owned a good set of principles that guides in everything ScanCom do.

VISION

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

Doing Business the Right Way is a cornerstone of our business vision; we believe that it is the only way of operating and the approach can be seen in everything we do: from the sourcing and processing of raw materials, through production and design stages until the final product is delivered to your door.

MISSION

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

- Customized full-range quality collections at competitive prices
- Environmental and social correct products, process and behaviour
- Continuous improvement in all we are doing
- Customized marketing and logistics services
- On- time delivery and high level of after-sales services
- Create continuous profitable growth based on Doing Business the Right Way- the sustainable Way

COMPANY INFORMATION:

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CVR No.: 18 47 98 93
Registered office: Korsør

Financial year:
1 September– 31 August

Business Focus:
Manufacturing and trade of garden furniture



MESSAGE FROM GROUP CEO



SCANCOM'S CSR STRATEGY AND BUSINESS VALUES ARE NOT A PROJECT THAT STARTS AND ENDS, BUT AN ONGOING WILLINGNESS TO IMPROVE OUR SUSTAINABLE BUSINESS MODEL.

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 2018/19 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 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

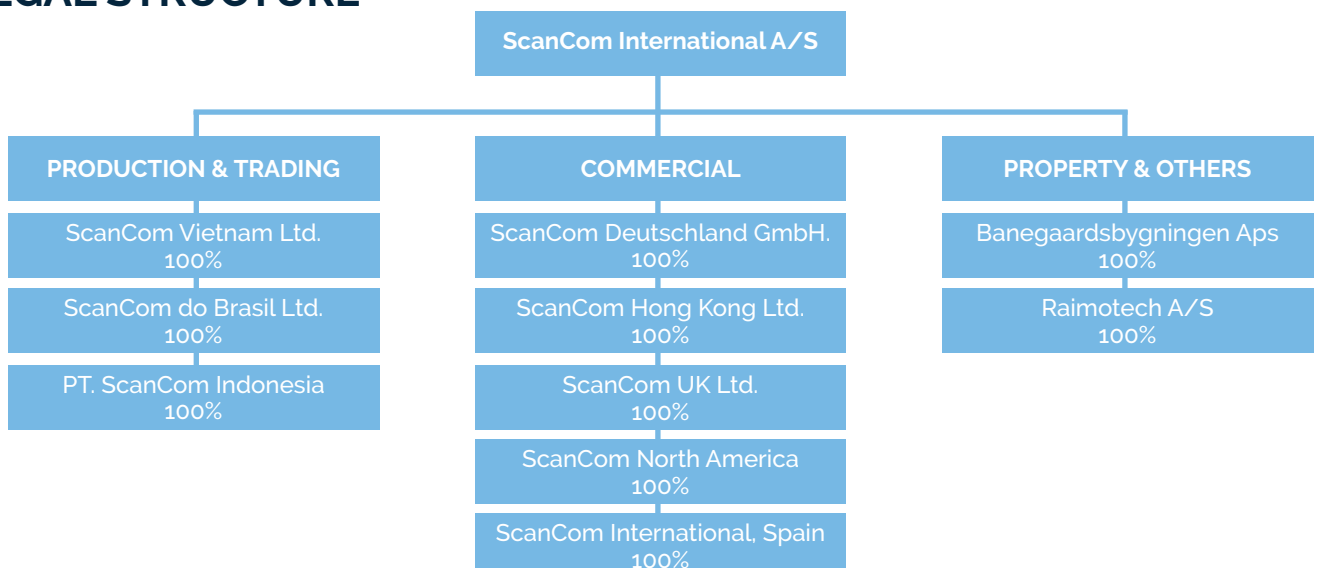
I am very pleased that ScanCom, even under the difficult market conditions, has been able to remain true to its basic CSR values and to make progress, or at least maintained the same high level, in all 10 of the UN Global Compact principles.

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

Further to above, ScanCom has decided to support UN SDG (Sustainability Development Goals) for the current season and onwards, and will in the next strategic period mainly focus on increased recycling from Ocean and Land.

Stig Maasbøl
ScanCom Group CEO

LEGAL STRUCTURE



FINANCE FIGURES

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

Key figures (DKK million):	2018/19	2017/18	2016/17	2015/16	2014/15
Income Statement:					
Revenue	1.242,6	911,3	886,1	898,1	880,8
EBITDA	71,4	51,7	45,3	47,3	32,6
Balance:					
Balance sheet total	915,7	599,3	538,3	564,9	593,8
Equity	182,8	160,0	154,0	156,1	152,7
Employees:					
Average number of employees	4.281	3.598	3.144	3.459	3.932
Financial Ratios:					
EBITDA-margin	5,7	5,7	5,1	5,3	3,7
Return on equity	12,3	8,0	2,1	4,2	6,7

PERFORMANCE INDICATORS AND OBJECTIVES

For season 2018 /2019, 14 months ScanCom continued with the performance indicators given below and set related objectives.

This year Communication on Progress in performance has focused on the selected indicators and objectives and the reports on other related areas as well.

UN Global Compact Principles		Level C, Global Reporting Initiative (GRI) Performance Indicators	Objective Result (CSR/SCVN)
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. HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	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 workers, increase internship project as part of the ScanCom Sustainability Strategy to promote human rights and the development of communities and social advancement. 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.
	Principle 2: Make sure that they are not complicit in human rights abuses.		
		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.

UN Global Compact Principles		Level C, Global Reporting Initiative (GRI) Performance Indicators	Objective Result (CSR/SCVN)
Labour	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 Code of conducts, highest ethical standards BSCI, SMETA, ICS, at ScanCom and all contract manufacturers.
	Principle 4: Elimination of all forms of forced and compulsory labour.	LA2: Total number and rate of employee turnover by age group, gender.	Maintain with no incident of forced labour at ScanCom and contract manufacturers.
	Principle 5: Effective abolition of child labor.	LA4: Percentage of employees covered by collective bargaining agreements.	Continue to compliance with regulations and customer requirements for training of all employees on environmental issues and health and safety.
		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.	Continue with competence development for health and safety deliver to all workers.
	LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities.	Maintain number of major occupational with no case.	
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.	Increased more 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.	Reach 80% sustainability index with reducing hazardous material, waste, saving energy, good REACH solutions, and prevent pollution.
	Principle 8: Undertake initiatives to promote greater environmental responsibility.	EN2: Percentage of materials used that are recycled input materials.	Maintain sustainability index and improve emissions comply to legal limits.
	Principle 9: Encourage the development and diffusion of environmentally friendly technologies.	EN3: Direct energy consumption by primary energy source.	Continue to reduce 5% in energy used per piece in season 19/20.
		EN 8: Total water withdrawal by source.	
		EN 21: Total water discharge by quality and destination.	Continue to make plans properly for continuous improvement of discharged water in place
		EN 22: 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 anticorruption policies and procedures.	Implemented 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.

PERFORMANCE AND PROGRESS

CSR HIGHLIGHTS SEASON 2018/2019

ScanCom continued to be compliant with the customers' Code of Conducts, BSCI standard, SMETA 2-4 Pillars standard, ISO 14001 standard; OHSAS 18001 standard, ISO 9001 standard, and C-TPAT requirements.

ScanCom was compliant with FSC-COC and European Union Timber Regulation (EUTR) in the overall ScanCom Supply Chain.

ScanCom was compliant with the REACH law and LRS requirements on using proper chemicals and materials in outdoor manufacturing industry for the purpose of overall health and environment protection.

ScanCom was compliant with CSR requirements in ScanCom's group overall Supply Chain with acceptable results in BSCI audits and ScanCom Code of Conduct audits.

WORKPLACE CONDITIONS ASSESSMENT

During season 2018/19 with result of audits, ScanCom has achieved good results at all the CSR audits from customer's standards to international standards as BSCI, SMETA 2-4 Pillars, ISO 14001; OHSAS 18001, ISO 9001, and SCAN.

INDEPENDENT SUPPLIER RECOGNITION

Ikea, after 6 years of business cooperation, recognized ScanCom's commitment from the top management and the entire organization towards CSR and HSE. Our transparency combined with our track record and the internal CSR and HSE control and monitoring systems in place to ensure compliance resulted in awarding ScanCom in August 2019 with the Iway Independent Supplier status. This confirms the trust in our commitment and abilities and will allow self-monitoring of performance and continuous improvement.

HUMAN RIGHTS

ScanCom International A/S is committed to influence the employees and the 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 reviewed in our website: <http://www.scancom.net>

ScanCom used the BSCI and SMETA monitoring system to ensure that the contracted manufacturers, as a minimum, are in compliant with the basic human rights and local regulations pertaining to labour conditions.

Besides, for season 2018/19 ScanCom has verified the social compliance performance at 24 contract manufacturers and put in use for all 24 contract manufacturers who were registered and audited under the BSCI platform with acceptable rating.

BSCI MONITORING OF CONTRACT MANUFACTURERS

ScanCom has continued to increase the collaboration and commitment from the existing contract manufacturers (CMs) and new CMs over the requirements from BSCI platform with acceptable rating from BSCI audits. Besides, ScanCom has also extended the support to the new business partners, who ScanCom is going to set the business relationship with, in conducting the gaps assessment at their facilities on their request and guiding them on remediation of the non-conformance areas to prepare for the BSCI audit.

One partner was rated at D level, a re-audit will take place in December and we're confident that this partner will achieve C rating or better once more.

Contract Manufacturers	SS 17/18	SS 18/19
Production site registered on BSCI audit platform	25	24
Total number of BSCI audits, initial and re-audit	25	24
Total number of ScanCom Code of Conduct audits	25	24
BSCI Compliance Rating	SS 17/18	SS 18/19
A (Outstanding)	0/25	0/24
B (Good)	0/25	1/24
C (Acceptable)	25/25	22/24
D (Improvement neededt)	0/25	1/24
E (Non-Compliant)	0/25	0/24

SUPPLIER AUDITS

ScanCom is continually developing higher CSR performance levels at the suppliers. All suppliers signed ScanCom's Code of Conduct. 100% of new suppliers, where relevant, were subjected to an onsite CSR audit conducted by ScanCom or a required audit by external audit firm for BSCI and/or SMETA.

CHILD LABOR AND FORCED LABOR

During the past season, as with those previous, ScanCom maintained regular audits at CMs together with customer audits, BSCI and SMETA audits. Again, for this season, ScanCom continues to report that there was no cases of child labour or forced labour happening at ScanCom and our business partners. Current control procedures prove sufficient to ensure no child nor forced labor enters the supply chain.

LABOR

ScanCom continuously committed to the support and protection of labour rights including abolition of child labor, elimination of forced labor, freedom of association, and eradication of any kind of discrimination or harassment and abuse.

WORKFORCE, EMPLOYMENT AND LABOUR TURNOVER

Human resource management figures	SCVN SS 18/19	SCVN SS 17/18	SCIN SS 18/19	SCIN SS 18/19	SCBR SS 18/19	SCBR SS 17/18
Average head count	3,938	3,190	225	243	82	66
Total number of people leaving company	2,714	1,605	12	19	31	21
Annual employee turnover rate	69%	51%	5.33%	7.8%	37.80%	31.54%
Total overtime hours used	706,562	519,604	5,252	4,689	11,840	8,949
Average overtime hours used per head per year	179	163	23.33	19.29	144	136

-SCVN: ScanCom Vietnam - SCBR: ScanCom Brazil - SCIN: ScanCom Indonesia

SCVN WORKFORCE

All ScanCom employees are fulltime direct employees and all have a labour contract. HC figures are average of season 18/19, 14 months from July 2018 till August 2020.

SCVN OVERTIME

Comparing a 14 month with a 12 month season as well as an increase in total headcount were the drivers of higher overtime in season 18/19 compared to season 17/18. Season 18/19 was compliant with local regulations of maximum 200 hours a year as well as the international standard of maximum 60 hours a week. Changes in the national health insurance regulations in Vietnam caused an increase in the number of sick days and hours compared to previous years which were compensated by OT hours.



EMPLOYMENT BY CONTRACT TERMS. (FIGURES ARE ACTUAL- AUGUST 2019)

Site	Season	Category of employees	Labour contract term				Grand Total
			Probation	Seasonal	1-2 years	Indefinite	
SCVN	2018-2019	Male	50		1,922	1,496	3,468
		Management	15		45	192	252
		Staff	6		63	63	132
		Worker	29		1,814	1,241	3,084
		Female	13		490	690	1,193
		Management	4		19	98	121
		Staff	5		76	66	147
		Worker	4		395	526	925
		Grand Total		63		2,412	2,186
SCVN	2017-2018	Male	7		1,103	1,457	2,567
		Management	2		31	180	213
		Staff	3		59	53	115
		Worker	2		1,013	1,224	2,239
		Female	7		265	635	907
		Management	1		11	93	105
		Staff			48	63	117
		Worker	6		206	479	685
		Grand Total		14		1,368	2,092
SCIN	2018-2019	Male	0	82	0	92	174
		Management	0	0	0	22	22
		Staff	0	0	0	11	11
		Worker	0	82	0	59	141
		Female	0	24	0	27	51
		Management	0	0	0	5	5
		Staff	0	0	0	10	10
		Worker	0	24	0	12	36
		Grand Total		0	106	0	119
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
SCBR	2018-2019	Male	0	0	0	51	51
		Management	0	0	0	3	3
		Staff	0	0	0	6	6
		Worker	0	0	0	42	42
		Female	0	0	0	31	31
		Management	0	0	0	0	0
		Staff	0	0	0	13	13
		Worker	0	0	0	18	18
		Grand Total				82	82
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

LABOR TURNOVER BY AGE

Site	Category of employees	Labour contract term					Total	Average	Turnover%
		18-25	26-35	36-45	46-55	56-60	left	head count	
SCVN	Male								
	Official worker	986	928	226	23		2163	2595	83.4%
	Seasonal worker								
	Staff	11	25	1		1	38	132	28.8%
	Management	1	23	20	3		47	250	18.8%
	Total male	862	774	242	26	1	2248	2977	75.5%
	Female								
	Official worker	137	167	86	6	2	398	698	57.0%
	Seasonal worker								
	Staff	23	24	5			52	148	35.1%
	Management		10	7			17	115	14.8%
	Total female	103	149	70	6	2	467	961	48.6%
	Grand Total SCVN	965	923	312	32	3	2715	3938	68.9%
	SCIN	Male							
Official worker		0	0	1	0	0	1	59	1.69%
Seasonal worker		6	0	0	0	0	6	82	7.31%
Staff		0	0	0	0	1	1	11	9.09%
Management		0	0	1	1	0	2	22	9.09%
Total male		6	0	2	1	1	10	174	5.74%
Female									
Official worker		0	0	0	1	0	1	12	8.33%
Seasonal worker		0	0	0	1	0	1	24	4.16%
Staff		0	0	0	0	0	0	9	0
Management		0	0	0	0	0	0	6	0
Total female		0	0	0	2	0	2	51	3.92%
Grand Total SCIN		6	0	2	3	1	12	225	5.33%
SCBR		Male							
	Official worker	3	17	17	5	0	18	42	42.86%
	Seasonal worker	0	0	0	0	0	0	0	0
	Staff	1	3	1	1	0	1	6	0.00%
	Management	0	1	1	1	0	0	3	0.00%
	Total male	4	21	19	7	0	18	51	35.29%
	Female								
	Official worker	1	8	6	3	0	8	18	44.44%
	Seasonal worker	0	0	0	0	0	0	0	0
	Staff	5	7	1	0	0	5	13	38.46%
	Management	0	0	0	0	0	0	0	0.00%
	Total female	6	15	7	3	0	13	31	41.94%
	Grand Total SCBR	10	36	26	10	0	31	82	37.80%

LABOR TURNOVER

-SCVN

SCVN's activities are located in an area with traditionally very high labor turnover in general and more so in the furniture Industry. ScanCom invests in incentive systems, education, skill building and subsequent allowance as well as childcare, transportation allowance and house rental allowance. Besides paying wages well above the minimum requirement the company also invests in the working conditions such as ergonomics, environment temperature, canteen, and bathroom facilities.

Going beyond the legal requirements on working environment, ScanCom has installed an in-house air-cooling system in labor intensive areas to deal with the regional normal high temperatures.

Season 18/19 saw a spike in labor turnover from 51% to 69%. A fast growing economy, driven by the industrial sector has increased labor competition in general and allowed migrated workers to find new suitable jobs close to their rural home towns in new established industrial clusters.

-SCIN

In terms of labor turnover for season 18/19, the employee turnover rate for SCIN was positive compared to season 17/18 from 7.8% to 5.33%.

-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.



AGE DISTRIBUTION OF EMPLOYEES (FIGURES ARE ACTUAL- AUGUST 2019)

Site	Season	Group	Labour contract term					Grand total	
			18-25	26-35	36-45	46-55	56-60		
SCVN	2017-2018 (Headcount in June 2018)	Management	3	144	144	26	1	318	
		Staff	55	138	31	4	4	232	
		Worker	698	1,329	710	176	11	2,924	
	Total Headcount			756	1,611	885	206	16	3,474
	2018-2019 (Headcount in August 2019)	Management	16	142	184	34	3	379	
		Staff	56	163	53	8	4	284	
		Worker	1,082	1,717	943	239	17	3,998	
		Total Headcount			1,154	2,022	1,180	281	24
	SCIN	2017-2018 (Headcount in June 2018)	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	
2018-2019 (Headcount in August 2019)		Management	0	2	13	12	1	28	
		Staff	0	11	7	2	0	20	
		Worker	16	38	73	24	0	151	
		Total Headcount			16	51	93	38	1
SCBR		2017-2018 (Headcount in June 2018)	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
	2018-2019 (Headcount in August 2019)	Management	0	1	1	1	0	3	
		Staff	6	10	2	1	0	19	
		Worker	4	25	23	8	0	60	
		Total Headcount			10	36	26	10	0

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.



WAGES AND BENEFITS

SALARY COMPARISON FOR FEMALE AND MALE EMPLOYEES (USD/MONTH).

Category	SCVN SS 17/18		SCVN SS 18/19		SCIN SS 17/18		SCIN SS 18/19		SCBR SS 17/18		SCBR SS 18/19	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Management	792	975	913	1052	551	658	547	622	525	0	5,981	0
Staff	410	402	476	501	282	308	277	312	863	643	1,074	564
Worker	277	262	283	267	224	217	223	216	488	422	524	403

ScanCom salaries for each country commensurate with qualifications and role. Differences in the above figures are relating to different kind of effort, skills and responsibilities.

-SCVN

The legal minimum wage is annually adjusted in January, ScanCom has always compensated employees at a significantly higher level compared to this minimum. ScanCom applies principles for actual living costs and market competition rather than the minimum wage for remuneration strategy.

In season 2018/2019, the lowest wage level for ScanCom workers was around 29% higher than the legal minimum. Furthermore, ScanCom continues the policy of an extra payment of 2.5% health, social and unemployment insurance monthly as the financial support to the workers.

Most production jobs that require skills such as grinding, welding, painting, special machine operation (CNC, robot, etc.) are traditionally filled by male workers. This explains the current discrepancy in monthly wages between male and female workers. The hiring and education for such skill positions is made available to all workers without discrimination.

-SCIN

To increase efficiency of contract worker usage (minimize number of contract worker in certain months), SCIN increase 20.9% of overtime hours instead of hiring contract worker. SCIN pays contract workers at a rate of minimum wages level as decided by government and all permanent employees were at the (minimum 11.3%) higher level than regulation (minimum wages), depending on position and responsibility.

-SCBR

Paid 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.

HEALTH AND SAFETY

OHSAS 18001

To build a strong culture to prevent accidents, incidents and work related illness is an important priority for all ScanCom subsidiaries and departments. Everyone should go home healthy from work and all management is focussed on protecting our workers' health.

For season 2018/2019, SCVN passed the annual OHSAS 18001:2007 audit for the occupational health and safety management system with the positive result.

In relation to the OHSAS 18001 requirements, SCVN has now fully implemented standards associated with firefighting, safety regulations and customer requirements related to health and safety.

Health and safety data	SCVN		SCIN		SCBR	
	SS 17/18	SS 18/19	SS 17/18	SS 18/19	SS 17/18	SS 18/19
Average headcount for accident calculation	3,190	3,938	243	225	66	82
Sick leave days recorded	10,905	25,203	789	802	155	821
Total cases of accidents with lost working time	41	59	1	0	3	1
Total lost days due to accidents	358	974	1	0	20	75
Lost days due to maternity leave	6,656	12,953				128
Lost days, all types (incl. maternity leave)	17,919	39,130	666	1,153	417	1,363
Accident frequency rate per 100 employees	1.28	1.5	0.4	0	0,05	0,01
Fire (damage property)	0	0	0	0	0	0
Total hours general labour safety training	35,057	62,032	1,164	1,875	1,544	1,633

-Season 2017 lost days due to maternity are added in this report and were not reported in the previous version.





-SCVN

Both sick day leave and accident frequency is up comparing season 18/19 with season 17/18. A large part is due to the increase in headcount and comparing 14 months to 12 months. Besides these statistical differences the higher labor turnover and inflow of new workers - supporting the company's growth - increased the number of new and in-experienced workers. This higher ratio of new workers has, despite the training, contributed to more incidents as well.

During our 18/19 season the government adjusted the health insurance legislation allowing for more treatable cases at hospital and doctor offices. Additionally both the father and mother are allowed to take personal leave in case if a child sickness. These developments are good for the society overall but were cause to increased sick leave days.

Going forward the management has decentralized the HSE function to the operational management away from the centralized CSR department. Aim is to enhance the ownership focus and priority of the shop floor management on HSE.

Risk assessment, risk based internal audits, machine safety specification and compliance, improved high level of electrical standard implementation, and effective training and part of the focus and improvements.

To mitigate the impact of new workers on labor accidents the training program will be updated going forward. Existing standard health and safety, Fire Safety, and evacuation training for all sites and shifts has been maintained properly.

-SCIN

SCIN provided training to all new employees in health and safety, including evacuation and fire drill. These activities were twice a year for employees. SCIN also provided general training about new regulation related to health and safety with the Labour Department Officer.

For new workers, supervisors conducted the training on machinery safety and quality of product. SCIN also got inspection from Labour Department in connection with health and safety at the work place (production area).

-SCBR

SCBR recorded an increase in the sick leave days this increase in season 18/19 besides monitoring 14 months in season 18/19 and a growth in total headcount of over 30% the numbers were also increased due domestic accidents occurred outside the company working hours and premises.

Despite the reduction in the number of accidents, the time of absence of the employee was longer in season 18/19.

ENVIRONMENT

SCVN's environmental management system was upgraded with the new requirements from new version of ISO 14001:2015. Observed annual re-audited with a good result. Besides, applied sustainability program has induced Green-Steps in eliminating hazardous materials, reducing production waste, saving energy, and complying with REACH in preventing pollution.

MATERIALS USED, RECYCLING AND WASTE

DATA

Over the preceding years, ScanCom has been working towards an improvement in the collection of reliable data and this has been strengthening over time to reach a higher satisfactory level.

RESOURCES

Resources and recycling	SCVN		SCIN		SCBR	
	SS 17/18	SS 18/19	SS 17/18	SS 18/19	SS 17/18	SS 18/19
Total electrical energy, MWh	7.799	34.908	201	200	158	193
Water consumption, 1000 m ³	174.9	215.0	4.7	5.2	0.5	0.7
Waste water, 1000 m ³	122.0	172.0	4.5	4.9	0.2	0.2
Sawn timber, 1000 m ³	28.5	75.4	3.2	3.4	8.7	12.5
Sawdust in use, MT	905.4	1,984.0	0.5	1.8	3.4	5.5
Aluminium billets & profile, MT	5,075	8,505	N/A	N/A	N/A	N/A
Aluminium waste, MT	513	724	N/A	N/A	N/A	N/A
Recycled aluminium in use, MT	-	41	N/A	N/A	N/A	N/A
Plastic resin in use, MT	4,552	5,441	N/A	N/A	N/A	N/A
Recycled plastic resin, MT		42	N/A	N/A	N/A	N/A
Poly Rattan waste, MT	27.5	6.2	0.8	1.0	N/A	N/A

-Season 2019 reporting includes the SCVN Quy Nhon Branch for the first time.

-SCVN

In line with 39% output growth in pieces produced and comparing 14 months of season 18/19 with 12 months of season 17/18 we see energy, water and material consumption increase. The average energy consumption per output unit has however been reduced following our energy saving focus.

Increased sales of our Wood Plastic Composite materials has allowed for higher in-house recycling of wood and plastic waste, both PP from injection molding and PE from Petan Fiber production.

In general, all parameters show positive results due to effective management for season 18-19 compared with season 17-18.

-SCIN

Electrical energy consumption 2018-2019 is 0.5% lower than 2017-2018.

Water: water consumption is for employee toilet and watering plants purpose only but this year is higher due to period of year (from 12 to 14 months).

Sawn timber consumption and industrial waste are lower compared to the previous season.

-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 updated numbers of this session 18/19 was basing on the Telemâco Borba / PR unit.

WASTE VOLUMES (METRIC TONS)

Waste type (MT)	SCVN		SCIN		SCBR		DISPOSAL METHOD
	SS 17/18	SS 18/19	SS 17/18	SS 18/19	SS 17/18	SS 18/19	
Domestic waste	113.40	56.10	7.50	9.50	0.11	0,19	Disposal by gathering via City Hall.
Hazardous waste	366.00	566.13	0.06	0.06	0.37	1,18	Gather via company specializing in hazardous waste.
Industrial waste	11,203.00	7,683.00	2.10	3.85	0.76	1,57	Gather via recycling company

-SCVN

Internal recycling of waste increased in plastic, wood, Aluminum and Durawood waste. Approved certified contractors have handled our waste for reuse, resell or treatment purpose. Domestic waste handling reduced during last season. Hazardous waste was up because of increased production volume and longer reporting time. Our annual waste reduction target is 5%.

-SCIN

Hazardous waste: we 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 output with the aim of a stepwise reduction in CO₂ emissions. Season 17/18 data as reported last season has been corrected related to Co2 conversion numbers.

Co2 emission output for the group has grown in line with the 14 month reporting in season 18/19 as well as with the production output growth.

DATA

Site	Source	Quantity	CO ₂ emission (MT)	Quantity	CO ₂ emission (MT)
		SS 17/18	SS 17/18	SS 18/19	SS 18/19
SCVN	Gas (MT)	1,312.0	3,936.0	1,126.0	3,378.0
	Diesel Oil (MT)	178.7	566.5	188.2	596.6
	Wood waste (MT)	9,023.0	15,763.2	9,518.0	16,627.9
	Electricity (GWh)	27.8	12,462.7	34.9	15,645.7
	Total SCVN		32,728.4		36,248.2
SCIN	Electricity (Gwh)	0.2	90.1	0.2	89.7
	Total SCIN		90.1		89.7
SCBR	Wood (MT)	8,653.0	15,116.8	12,524.0	21,879.4
	Electricity (Gwh)	0.2	70.8	0.2	86.5
	Total SCBR	8,653.2	15,187.6	12,524.2	21,965.9
	Total SCGroup		48,006.1		58,303.8

For data relating to electricity, diesel oil, and LPG gas, the conversion is according to the "SunEarthTools.com". Conversion factors for wood was from the "Greenhouse Gas Protocol".

IMPACT OF PRODUCTS ON HEALTH AND ENVIRONMENT. RESTRICTED SUBSTANCES.

ScanCom continued to update its List of Restricted Substances version 15 (191 SVHCs) to the Candidate list and continued 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 maintained its own Code of Conduct with annual updates. The Code of Conduct has been communicating to all employees and management. All new employees have received awareness training in the content.

Furthermore, the Code of Conduct has been communicating regularly to all subcontractors, contract manufacturers, and suppliers – and they were required to sign the code for the commitment.

All subcontractors' employees working on ScanCom's premises during season 18/19 have received the training in ScanCom's Code of Conduct and monitored in terms of workplace safety.

TRAINING ACTIVITIES

In season 18/19, ScanCom continued systematic training for employees to support the understanding and practice of social compliance and good environmental behaviour.

TRAINING PROGRAM

No.	COURSE	Season 18/19 - SCVN	Season 18/19 - SCBR	Season 18/19 - SCIN	Season 18/19 - SC Group	Season 17/18 - SC Group
		Time of training (h)				
1	Management skills	2,016	1,751	406	4,173	3,944
2	English communication	-	854	-	854	432
3	Vietnamese communication for Expats	220	-	-	220	240
4	Labour Safety and Hygiene for Employees	62,032	893	1,857	64,782	60,560
5	Awareness training for ISO 14001:2015 for CSR team and managers (BVC)	280	-	-	280	300
6	Handling of chemicals and waste for new workers	7,472	2	-	7,474	5,836
7	Code of Conduct for onsite subcontractors	92	9	25	126	350
8	Code of Conduct for ScanCom employees	4,736	90	619	5,445	2,918
9	Security procedure for employees	4,736	171	40	4,947	3,100
10	Stamping safety	-	-	-	-	150
11	Electricity, Pressure Equipment, and Forklift Safety	11,580	240	20	11,840	10,380
12	Firefighting and prevention training	2,400	128	475	3,003	2,528
13	Firefighting and prevention drills	7,600	62	96	7,758	8,700
14	General Safety for new workers	18,944	64	227	19,235	37,765
15	Safety of machinery, PPE, Environment for new workers	37,888	73	227	38,188	21,376
16	Training for ISO 9001:2015 (Quality Management System)	560	96	588	1,244	1,156
17	Training for ISO 17025:2005 (Laboratory Management System)	168	-	-	168	400
TOTAL		160,135	4,433	4,580	169,737	160,135

SCVN TRAINING PROGRAM

As the headcount in season 18/19 increased with 30% compared to season 17/18, the total amount of time dedicated to training was also increased. Health safety, security training was increased with the objective of reducing accidents, incidents and increase safety awareness.



-ScanCom Trainee Management Program



-ScanCom Academy

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 A/S	N/A	N/A	N/A	X	N/A
ScanCom Vietnam	X	X	X	X	BSCI/SMETA
ScanCom Brazil	X	N/A	N/A	X	X
ScanCom Indonesia	X	N/A	N/A	X	SA8000

PERFORMANCE INDICATORS AND OBJECTIVES FOR THE FOLLOWING YEAR

For sFor season 19/20, 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 Objective
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>Continue BSCI, SMETA, SA8000 and other customers and internal audits for ScanCom and all contract manufacturers. This includes the rights in freedom of association, grievance mechanism, periodical labor dialogues, annual labor congress, non-discrimination, anti-forced labor, non-harassment and abuse, no use of child labor, the right to refuse unsafe work and promote the right to escalating unsafe practices at the floors.</p>
	<p>Principle 2: Make sure that they are not complicit in human rights abuses.</p>	<p>HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.</p>	<p>Continue with the young worker program, talent management project, and develop additional program as 6G, diversify & inclusion as part of the ScanCom Sustainability Strategy to promote human rights and the development of communities and social advancement.</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>Maintain integrated ScanCom Code of Conduct training all employees and and business suppliers.</p>



ScanCom Young Worker Development Program.

UN Global Compact Principles		Level C, Global Reporting Initiative (GRI) Performance Indicators	Related Objective
	<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>Maintain ScanCom Code of Conducts, BSCI & SMETA highest ethical standards, and customers Code of Conducts at ScanCom and all contract manufacturers.</p>
Labour	<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 the well respect over the Code of Conduct with no incident of forced labour or compulsory labor at ScanCom and contract manufacturers with regular internal audits and external audits.</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 on Child Labor with regular refreshment training for all Employees at ScanCom and contract manufacturers.</p> <p>Continue to promote the participation of employees, especially new employees to the factory Trade union via Trade union program awareness training.</p> <p>Modify the list of employees and management participating in health & safety program and re-establishing the team with provided necessary training to do the health and safety tasks.</p> <p>Continue to promote the health and safety and reducing the labor accident ratio and/or the loss time with appropriate programs set for health & safety requirements and safety respect culture at the floors for both employees and management.</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>Continue to maintain the well awareness of required non-discrimination and better monitor the non-discrimination compliance via internal & external audits at ScanCom and all contract manufacturers.</p> <p>Develop additional mechanism so to promote and engage the grievance practices from all the contract manufacturers.</p> <p>Develop a better and appropriate compensation system with recognition via fair competition between employees and fair evaluation system.</p>

UN Global Compact Principles		Level C, Global Reporting Initiative (GRI) Performance Indicators	Related Objective
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges.	EN1: Material used by weight or volume.	Reach 80% sustainability index with reducing hazardous material, waste, saving energy. Continue to comply with requirements from REACH, LRS, OEKO-TEX and extending to requirements from DETOX and others like HIGG-Index.
	Principle 8: Undertake initiatives to promote greater environmental responsibility.	EN2: Percentage of materials used that are recycled input materials.	Continue to maintain sustainability index and improve emissions comply to legal limits. Improve the sourcing using suppliers with higher percentage of recycled ratio. Internal increment of recycle percentage for plastic and Durawood. Replace materials or substances with friendlier ones as packing materials and glues.
	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.	Continue to reduce 5% in energy used per piece in season 19/20 Installation of equipment to monitor the energy consumption per production floor and/or per areas to maintain a better data used for analysis and reduction action plan.
		EN 21: Total water discharge by quality and destination.	Continue to properly monitor the legal requirements for continuous improvement and completely comply with the parameter of discharged water per industrial zone standards.
		EN 22: Total weight of waste by type and disposal method.	Continue to well monitor the in-house waste segregation program and invest more equipment to better collect the data and measure the date for analysis and reduction action plan Invest in compacting equipment to reduce the volume and Co2 footprint in waste handling.
		EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Continue to maintain the monitoring of CO2 emission. Maintain 100% control of restricted substances. Installation of equipment to monitor the energy consumption per production floor and/or per areas to maintain and control a better data used for analysis and reduction action plan.
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 anticorruption policies and procedures.	Continue to maintain ScanCom Code of Conduct within ScanCom and all business partners. Provide awareness training and promote/engage internal training practices and effective training at the contract manufacturers.
Economic		EC1: Direct economic value generated and distributed.	Maintain generate profit, paying tax, and keep our employees' benefits above the regional minimum wages with insurance.



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"In a world of mass production, quality and delicate design are becoming increasingly important. ScanCom creates products that generate a positive feeling through intensive and vigorous development in the areas of both quality and genuine design content. Customer satisfaction is our ultimate goal and the guiding principle in everything we do."

Boje Bendtzen
ScanCom Founder