

<b>Ledelsens evaluering 2019</b>		<b>Sikane as</b> <small>INNOVATIVE FURNITURE</small>
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Ansvar: KBH	Godkendt: BD/LA	Version: 16-12-2019

## **Management Report**

### **General**

During 2019 we have further renewed our Navision computer system, Barcode labels on all products, stock counting, BTB, and latest a supplier portal. All things that will give us a better overview and easier follow up tools.

In 2018 we have also updated our software for Cane-line BTC sales, and Sika-Design has started BTC sales.

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

We have also developed many new products and been very visible on many shows around the world.

In 2019 we had focus on the contract market in both companies – and this will continue in 2020.

In Cane-line we have seen a positive growth in 2019.

Cane-line have won this years “owner management company reward” in our local county, and we have also won “Entrepreneur of the year” in our local county – and been nominated to the “Danish Entrepreneur of the year award”

In Sika-Design we have experienced delivery problems from our factory in Indonesia, which have affected our growth in 2019.

We expect this to be solved for 2020, and expect growth in both companies. Sika-Design has won a price for educating young people in trade, a price given for the academically, collegiate, management and social values.

In 2019 we have like in 2018 hired a lot of new colleagues in Denmark, to secure our growth for the future. It is very important for us, that these new colleagues quickly become a part of the business, and we do a lot of effort to secure this by creating a good daily atmosphere, among other. We work hard, and it is important that we are all aware and work towards our common goal. Last but not least, it is a fact, that it should be fun working at Cane-line & Sika-Design every day.

During the 2019 we have again had good communication and co-operation with the local council regarding an extension of our warehouses.

In 2019 the local county plan, have been changed, so we now have the possibility of growth of our warehousing.

We have also very good communication with our neighbor company Orana, from who we among others get some electricity and heat from there process, heating up our offices.

When we plan to build new warehouse facilities, we also have a plan of installing sun panels, to secure green electricity to our buildings and to our neighbor company.

We have purchased land close to our premises, and as another green thing, we also plan to build a forest nearby, to compensate our CO2 use.

In 2020 we will be working more with the UN 17 goals for sustainable development.

We will take some of the goals out, and work closely with them, starting with goal number 12, responsible consumption and production.

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

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

We are working with separation of waste and we have a good system, which follows the local waste regulation.

Regarding the working environment, we are complying with the Danish law.

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

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

We have completed internal audit for management systems ISO14001 (environment) within 2019. In 2020 we will move our SA8000 certificate to SMETA, 2 pillar in DK (CSR) and also implement SMETA in the factory in Indonesia with 4 pillar (CSR and environment)  
We are working very systematically with our management systems and we intend to continue doing this in 2020.

On a longer term, our goal is to implement SMETA at our biggest suppliers also. We are getting good feedback from DVN and have a good cooperation with them.

At our suppliers, we will continue completing audits, using a our app, which makes it easy to perform the audits despite the distance.

**3. Has the Danish Working Environment Service made inspection at our premises in Denmark?**

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

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

We have not received any requests from the neighborhood. In connection with our change to the local county plan, we have not had any objections against our plans of expanding the building from our neighbors.

We have like previously had requests from our existing and potential customers regarding our system.

**5. Have the employees commented on the environment issue and CSR?**

There have not been any particular requests from the employees, but the general position among our employees, is that they are happy about the courses, in first aid and first aid in case of fire, which they have joined in 2019 – and they are looking forward to more courses during 2020.

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

We have reached a satisfactory level on cost savings on electricity, water and heating, which were set from the start and in the daily work. We are very attentive only to use the light necessary, and we do remember to turn the light off, when not needed. Further cost savings in this field will demand that we overall, for example within the electricity, invest in a reduction of voltage of electricity in connection to lighting at the warehouse.

The packing at Cane-line & Sika-Design has been optimized in a running process in respect of packing in cardboard. Cardboard boxes with smaller items can contain more items and the cushions now always follow the frame.

The cardboard packing is also optimal in respect of transport damages, as we have hardly seen any damages since we started using this kind of cardboard packing. In 2020 we will continue to be working with this, and in corporation with our factory in Indonesia and other suppliers we will optimize also the way the containers are packed and loaded.

In 2018 we cleaned up in our warehouse, and as a KPI we now have our complete waste held up against our m3 of goods send out from our warehouse. We have in 2019 seen a small reduction in this.

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**7. Comments on the 8 criteria's of SA8000 and the compliance of same in Denmark – also in relation to the co-operation with our suppliers on this subject.**

All 8 criteria's are fulfilled in Rynkeby.

In periods, we are still close to the limit regarding overtime, as we cannot foresee the level in the high season. Nevertheless, we are very attentive on it, and have in 2019 reduced the overtime quite a bit. Senior workers are working more hours in the high season, and less in the low season, and normally we hire more people in for the high season, and then give them notice, when the season is over.

In booth 2018 and 2019, we have kept the seasonally employed workers, and arranged for them to do other tasks in the low season. This gives us good skilled people in the high season, and we can also see that it has slightly reduced our overtime.

We have no comments on the remaining 7 criteria's of SA8000.

In our next Management Report this point will be removed, as we move from SA8000 to SMETA in 2020.

We have continuously been working determined with one of the elements in SA8000 as to "Guidance & Checklist for Assessment of Fire Safety Systems".

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

1. Regarding the environment – we have succeeded in reducing the amount of waste from our warehouse.
2. We have also again managed to reduce our amount of electricity, heating, gas etc.
3. Regarding social responsibility – we have in 2019 been supporting;

SA8000 Projects, comprising:

- Local football team
- Breast Cancer
- The Danish Cancer Society
- SOS Children's Villages
- Fair Trade Denmark
- 25.000,- kr. to "Danmarks Indsamling" = Danish Fund Raising".
- LEV handicap foreningen FYN

In Denmark we have a number of people working on special social contracts. This is about 9% of the total employments in Denmark. This has increased a little bit in 2019, and this is rather high, compared with other businesses in this area.

On top of this, we also have trainees in offices and warehouse and people in job training from the local job centers, where we in 2019 have made a contract including a mentor-agreement to help people on the edge of the working society.

**9. Status on deviation and corrective action**

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

We have been running test on an app for corrective actions, this will be fully implemented in 2020.

**10. Follow up on latest report from Sikane**

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

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

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

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

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

Update from Silcane Indonesia:

The new complete factory (16.000 m2) was finished in middle of 2018, and the production is today running according to our plans. In 2019 we have seen that the production has doubled in level of the 2018 production. And the goal is to continue a growth the coming years.

We have been working on optimizing the production flow on the new factory, in order to avoid unnecessary lifts and handling. We are also sorting waste and material, in order to minimize our emissions in the outside environment.

In 2019 we have been working with implementing SOP's (Standard Operating Procedures) in the factory, this will continue in 2020.

From Denmark we have been very visible in the factory, and very often visited the factory for following up, and making plans for continues improvements. This will continue in 2020.

We have in 2019, rented a neighbor building, for us to have finished goods warehouse, which is very important for us, to secure that we can send goods directly from our factory to our end customers. This helps us to reduce our delivery time, and it helps us to reduce our CO2 footprint doing direct deliveries.

Our goal is to increase the factory and warehouse facilities in Indonesia, during the coming years to for fill our expected growth the coming years.

Cleaning and tidiness at the facilities are for us very important, and is therefore incorporated in the daily work at the factory. All workers are provided with the needed health and safety equipment, and we have installed two water tanks to store rainwater, so workers get access to clean water.

Hydrant equipment are installed all over the factory. In addition, Fire- and evacuating plans have been made for the complete premises.

Working hours are from 8am to 16pm, Monday to Friday, and from 8am to 13pm on Saturdays, including 1 hour lunch and other breaks during the day.

There is a small canteen, where people can buy a cheap meal, and there is a small Mosque for the employees who wants to pray during the day.

In 2019 we have had focus on our communication between the factory and our headquarter in Denmark. We have therefore implemented an online supplier portal in our IT system, which in the future will be our communication platform regarding orders, planning, quality etc. In 2020 we will continue to implement more and more features to this portal.

Social initiatives locally in Indonesia:

In 2019 we have still collaborating with the Hope and future Relief Society.

We support two local students with an education at the university. Cane-line pays for the entire education. We hope to offer the young people a good job at our factory when they have finished their education. It seems that in the future there will be lack of good people who can communicate in English between our factory and the headquarter in Denmark. Especially on logistics and production planning the young people are a good option.

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### **13. Is the managing system suitable and well implemented?**

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

### **14. Is the policy ok?**

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

### **15. Yearly discussion of working environment**

- In cooperation with SPT (Social Performance Team) we have described the working environment for 2019 by issuing a workplace evaluation. We have been working with this area and with the cases on-going, as well as we have determined the goals and action plans stating both responsible person and deadlines

In 2020 we will be working with the actions plans, and implement improvements for booth office people and workers.

- Our goals for working accidents for 2020 is like other years to be zero. In 2019, we have unfortunately had two minor accidents. Not serious accidents, but nevertheless accidents

We constantly have focus on the fact, that our working conditions are up-to-date, and in good order. If necessary, we will do our utmost to involve EQ (local consultant in working environment) in our way we handle our goods.

The cooperation with EQ will continue in 2020 as we increase the focus on ergonomics and lifts in the warehouse, where goods on pallets will increase, as the B2C market is in growth.

- One of the ways to prevent accidents is that we still have decided, to keep focusing on "House Keeping" – and that the warehouse in general is better organized.