

**CORPORATE SOCIAL
RESPONSIBILITY REPORT**

2018/2019

The word of the CEO

It is with pleasure that I introduce to you our company's sixth annual social responsibility report which overviews the progress made by JSC "Scandye" as a responsible enterprise.

Social responsibility is much more than the mere declaration of values and commitments. The principles of social responsibility are, and must be, followed in everyday activities. The provision of top quality services must go hand in hand with active contributions to creating an ethical and empowering environment for employees, businesses, and the wider society.

JSC "Scandye" owes its success to its team. We are proud of our employees who are experts in their respective fields. The company's growth and achievements are the direct result of their collective and individual efforts.

Every year we are raising the bar and reaching for more ambitious targets. In continuation of earlier work, last year we focused primarily on work safety, optimization of production processes and environmental protection:

- Upgrades were made in work processes related to our automatic dye and chemical dosage system. This resulted in improved work safety, optimized usage of dyes and chemicals, and reduced needs for redyeing;
- Continued progress was made in projects related to the use of solar energy for production of electricity;
- Measures were taken in preparation for the implementation of a new energy resource optimization project "Waste Water Treatment and the Secondary Usage of Water in Production";
- Production processes were powered by green Lithuanian energy (produced locally from renewable energy sources);
- Project for textile PES waste reduction was implemented;
- Continued progress was made in the implementation of LEAN methods that help improve production efficiency, reduce the need for corrective work, optimize the use of energy resources and achieve better results in environmental protection;
- Investments were made in new equipment that allowed to improve production processes and product quality, while also contributing to work safety, health safety, and environmental protection.

Each year we seek to build on earlier successes and to take on even bigger challenges. It is our mission to follow and advance the principles of the UN Global Compact, while also developing a culture of sustainable development.

I invite you to read through our corporate social responsibility report for 2018/2019 which overviews our results and social impacts, and outlines future goals.

Have a pleasant reading!

2019/2020 strategija

- ✓ Development of new services for clients-shareholders
- ✓ Development of innovations and new products
- ✓ Introduction of new measures to optimize the production process
- ✓ Implementation of environmental projects to optimize the use of natural and energy resources

The publication and public accessibility of social responsibility report

The corporate social responsibility report of JSC "Scandye" is available at www.scandye.lt in both Lithuanian and English. The report will also be presented to UN Global Compact partners.

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JSC “Scandye” business philosophy

MISSION

We are a flexible and sustainable company creating high quality and high value products in the field of textile dyeing and finishing.

VISION

To be an appreciated, reliable and reputable provider of wool dyeing and finishing services.

VALUES

Cooperation – we are united by our common goals.

Responsibility – our activities are transparent. Every decision is made with a sense of responsibility for the results.

Reliability – we always keep our word. We respect the universal principles of morality.

Progress – we seek new knowledge. And we always seek to implement the good practices.

The ten principles of the united nation global compact

The social responsibility report was prepared according to the ten principles of the Global Compact.



HUMAN RIGHTS

Business should:

1. Support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.



LABOUR STANDARDS

Business should uphold:

3. The freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour;
6. The elimination of discrimination in employment and occupation.



ENVIRONMENT

Business should:

7. Support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.



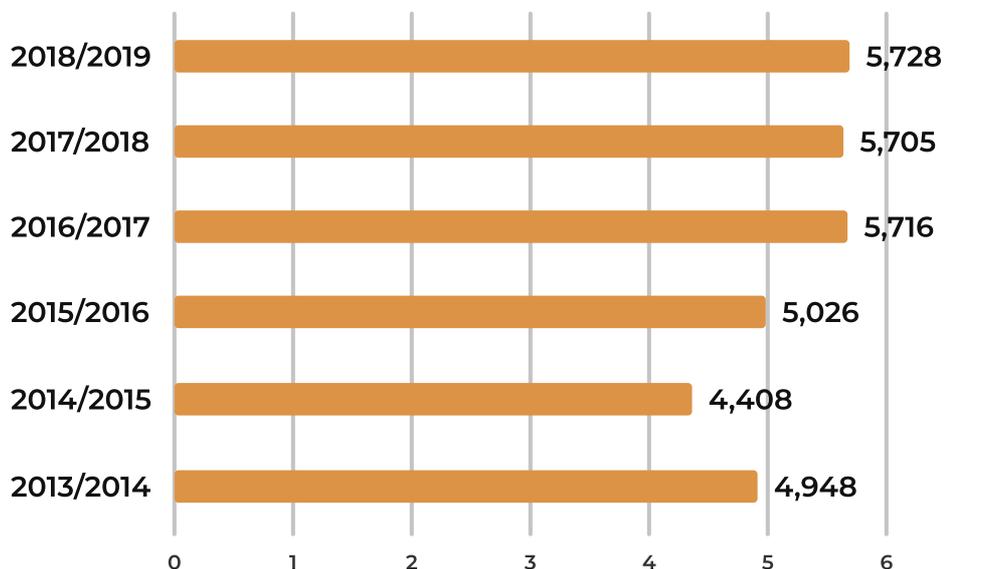
ANTI-CORRUPTION

10. Businesses should work against corruption in all its forms, including extortion and bribery.



JSC “Scandye” production and revenue results

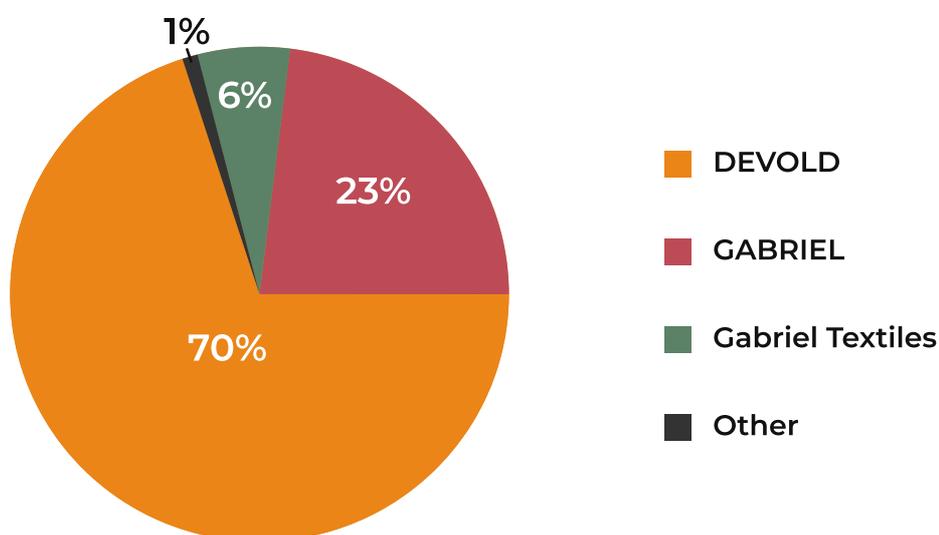
JSC “Scandye” annual results (mln. EUR)



In 2018/2019, the total annual production output amounted to 1856 tons. This number represents a 0.3% growth compared to 2017/2018 (1851 tons).

In 2018/2019, annual revenues amounted to 5.728 million euros, which represents a 0.4% annual increase compared to 2017/2018.

Main buyers in 2018/2019



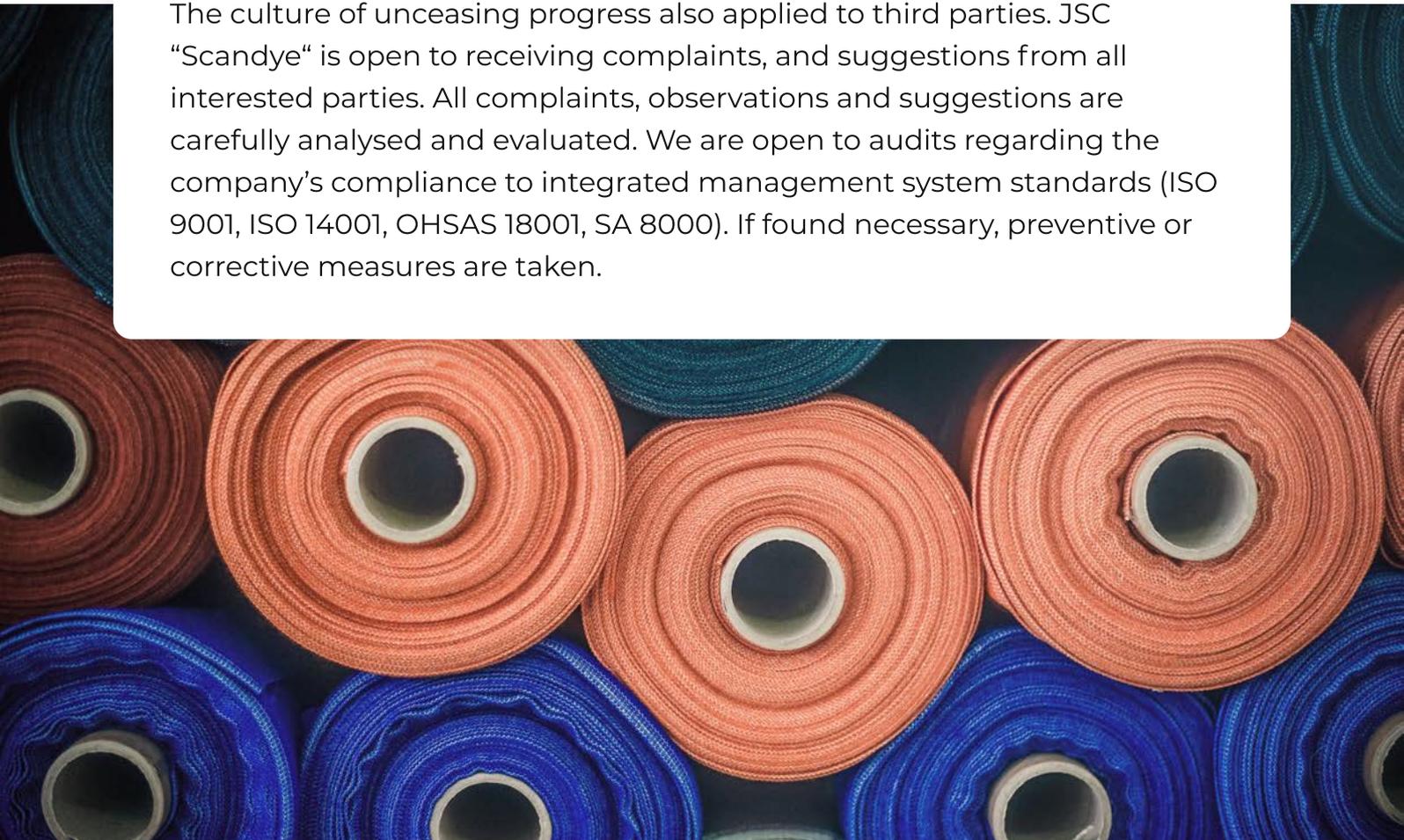
The culture of unceasing progress

A strive for progress is our company's core value.

Our commitment to this value is evidenced by our continued investments in modern production and information technologies. Another key area of progress is regular employee training. At Scandye, we believe that improved knowledge and shared professional experiences are instrumental in improving both production quality and workplace happiness. We take it upon ourselves to make sure that all employees are included in decision making.

Production processes are constantly improved in line with Scandye's integrated management system. The system includes daily accountability boards; entries in the discrepancy journal in all production zones; annual revision of production objectives and discussions on discrepancies; internal audits; annual evaluations of the workings of the management system (undertaken by the upper management); quality days with the clients; client satisfaction surveys. These tools help us evaluate progress, and make the right decisions to optimize the processes that allow us to achieve our strategic objectives.

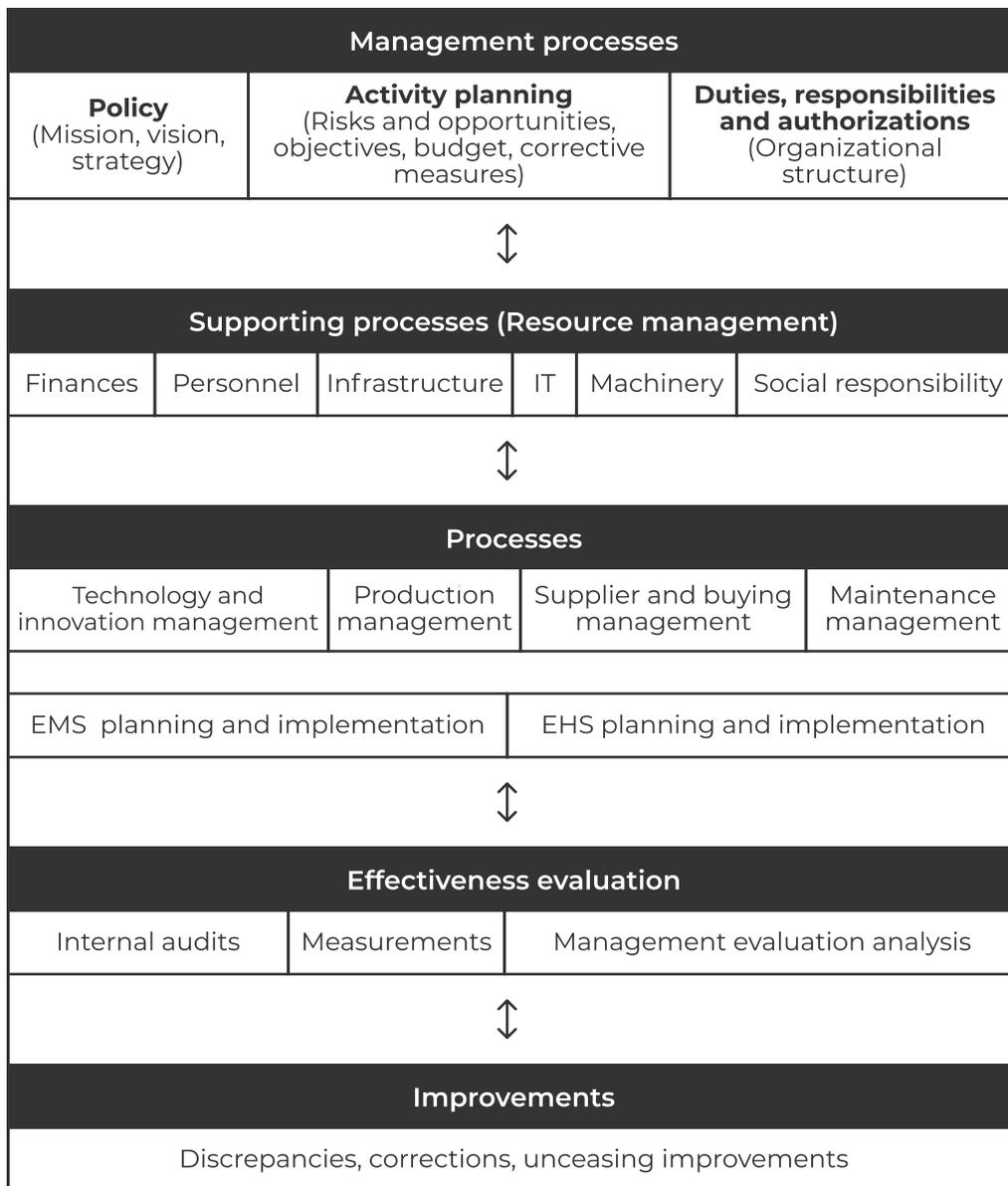
The culture of unceasing progress also applied to third parties. JSC "Scandye" is open to receiving complaints, and suggestions from all interested parties. All complaints, observations and suggestions are carefully analysed and evaluated. We are open to audits regarding the company's compliance to integrated management system standards (ISO 9001, ISO 14001, OHSAS 18001, SA 8000). If found necessary, preventive or corrective measures are taken.



Integrated and documented management system



Management processes



The company and its context ↔

Buyer requirements ↔

Needs and expectation of interested parties ↔

Buyer satisfaction ↔

Management system results ↔

Services ↔



Certificates and labels

Scandye production meets the requirements of our main clients “Gabriel” and “Devold”. These requirements prohibit the unsafe use of chemically hazardous materials. Most of the products are certified and come with organic labels. These labels prove that products are safe and environment-friendly.



This is a label for green Lithuanian energy. It means that 100% of electric energy used by Scandye was produced from renewable energy sources. Renewable energy is a way to reduce atmospheric waste which contributes to climate change.



This label (Oeko Tex) ensures that the products were made without using environmentally harmful chemicals or dyes. The label is a guarantee that the product was tested according to the international requirements of Oeko-Tex association. These requirements relate to chemicals which are or may be harmful: formaldehyde, chemical waste with acidic or basic properties, pesticides, phenols, heavy metals, special colorants, and phthalates. There are four basic groups of requirements that apply to different usage (relation to body) of textile.



The flower label is the “EU Ecolabel”. It means that production meets the strict criteria for organic certification, and that production processes were based on principles of renewable energy, resource preservation, and reduction of hazardous materials. In the field of textile, the label refers to the quality of the materials, care of untreated wool, and the elimination of chemically hazardous or toxic materials, as well as heavy materials (in both the end-product, and the production processes). In other words, not only the product itself, but the whole life cycle of the product must be environmentally friendly.



“Cradle to Cradle” is a label that relates to the life cycle of the product. Products must be biodegradable, whereas other products used in the production should be reusable in new production processes. The idea was developed by the team of Michael Braungart (Germany), and William McDonough (USA) in 2002. For “Cradle to Cradle” certification, the product undergoes testing in five different classes: renewable energy; water consumption; identification of health risks; social responsibility; recycling. According to this evaluation, specific tier certification is awarded.



“The Nordic Swan” is an environmental label that also encompasses certain aspect of social responsibility. Production processes must respect the environment and comply with the requirements of social responsibility: from the extraction of raw materials to the final product. These requirements apply to all countries of the world.

Culture of social responsibility

Culture of social responsibility

At Scandye, we take full responsibility for the impact our activities have on the environment and society. We make sure that we are committed not only to achieving our strategic business objectives, but also to doing that in a socially responsible way. Following the principles of ethical employment, we are building successful and transparent relationships with employees, buyers, suppliers and other interested parties.

Equal Opportunities

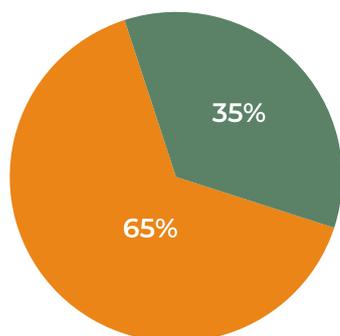
Our activities are grounded in the sixth principle of the Global Compact – we are committed to providing equal work conditions for everybody without any forms of discrimination, harassment or coercion. Our commitments in this respect are expressed in our Ethical Employment Policy. Specific measures are set out in our Rules of the Workplace. We are proud to confirm that, in 2018/2019, there were no internal, or external reports of discrimination.

Fair pay

We guarantee a transparent and clear pay policy. The rules for calculating and paying wages and other payments are explained in our work pay policy document. Scandye adheres to strict anti-discriminatory principles. Salaries, bonuses and other payments are paid in accordance with these principles. We respect everyone's right to minimum wage, and employ a special method for calculating the Minimum living wage.

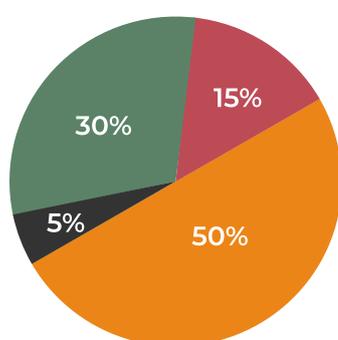
At Scandye, we are also utilizing a system for determining the qualification level of production operators and mechanics. The objective of this system is to motivate our employees to raise their qualification and to acquire skills in different working zones. Employee salaries are being regularly reviewed based on achieved qualification levels. This system guarantees that salaries are determined based on qualification and merit, and not on gender, age or other characteristics that are not related to employee skills and work functions.

Gender



Employee breakdown by gender (2018/2019)

- Female
- Male



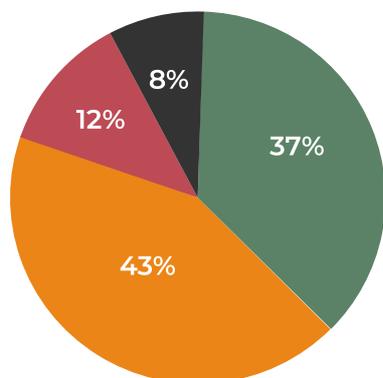
Employee breakdown by position and gender (2018/2019)

- Female administrative employees
- Female non-administrative employees
- Male administrative employees
- Male non-administrative employees

Important: as of September 30, 2019, Scandye had a workforce of 91 employees. The number is unchanged compared to the previous financial year. Gender distribution trends remain stable. Women outnumber men by a ratio of 2-to-1 (just as it was in 2017/2018). Women in administrative positions outnumber men in administrative positions by a ratio of 3-to-1. In the non-administrative positions, there are 20% more females than males.

A careful analysis of these data shows that they are not indicative of discrimination. At Scandye, there are – and cannot be – no “male” or “female” positions. When new positions open up, it is always clearly communicated that both male and female candidates are welcome to apply. Female employees outnumber male employees because employment at Scandye is more often sought by women than by men. Whenever a new person is hired, we make sure to choose a person who is best for the job in terms of qualifications and fit with company values and culture.

Age



Employee breakdown by age (2018/2019)



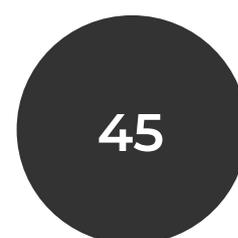
Average age in (2018/2019)



Administrative employees



Non-administrative employees



All employees

Important: Age averages in both groups (administrative and non-administrative) show an annual increase. There are two factors at play here. First, staff turnover is low. Therefore, average age has a natural tendency to grow. Second, we are open to hiring older people because we do not practice age discrimination.

Employee Training and Transfer of Experience

In 2018/2019, the company allocated more than 2600 hours for formal and informal training (1589 hours – production, and 1106 hours – administration).

Employees were trained to perform special functions. Training programmes were also selected to renew employee knowledge of work health and safety, as well as environmental protection. During the training sessions, employees were encouraged to exchange knowledge and experience, so that they would get a better grasp of the entire production process.

Communication and collaboration

Measures used to increase employee involvement in decision making:

- Remote direct communication with managers; general, shift and division meetings.
- Communication through representatives in the company's work council.
- Information exchange with the company's social efficiency team regarding compliance to SA8000 standard requirements.
- Indirect, anonymous and confidential sharing of information through the "Questions-Answers" boxes. The messages are addressed to the management, and the social efficiency team.
- Discrepancies related to social responsibility, employee safety and health, environment, and quality, are entered in F28 discrepancy journals.
- LEAN tool Kaizen Teian (employee initiative programme) is used to involve employees in the improvement of their workplaces. In 2018/2019, this programme allowed to improve six workplaces (improvement of work safety, elimination of time waste). Initiative employees collected point which could later be exchanged into financial rewards.

Community feeling



Table tennis



Christmas dinner and festive concert at Šiauliai arena



In September 2019, the company celebrated its sixteenth anniversary. All employees visited the nationally renowned Manor of Pakruojis where the whole team enjoyed an historical excursion and festive dinner.

Extra benefits for employees:

- Insurance against accidents.
- Extra support measures in case of accidents.
- Annual bonuses for great annual corporate results.
- Extra bonuses for great monthly corporate results.
- 70% discount for hot drinks purchased from the hot drinks vending machine.

Employee opinion survey

According to the results of the 2018/2019 opinion survey, employees feel good about working at JSC “Scandye”. Percentage of general satisfaction stands at 84%. Employee satisfaction with their working environment stands at 82%. While this is a positive result, it nonetheless marks a 10% annual decrease. In order to improve employee satisfaction with their working environment, we have analysed all the suggestions, and are moving forward with improvements that will help create a more pleasant and comfortable workplace environment.

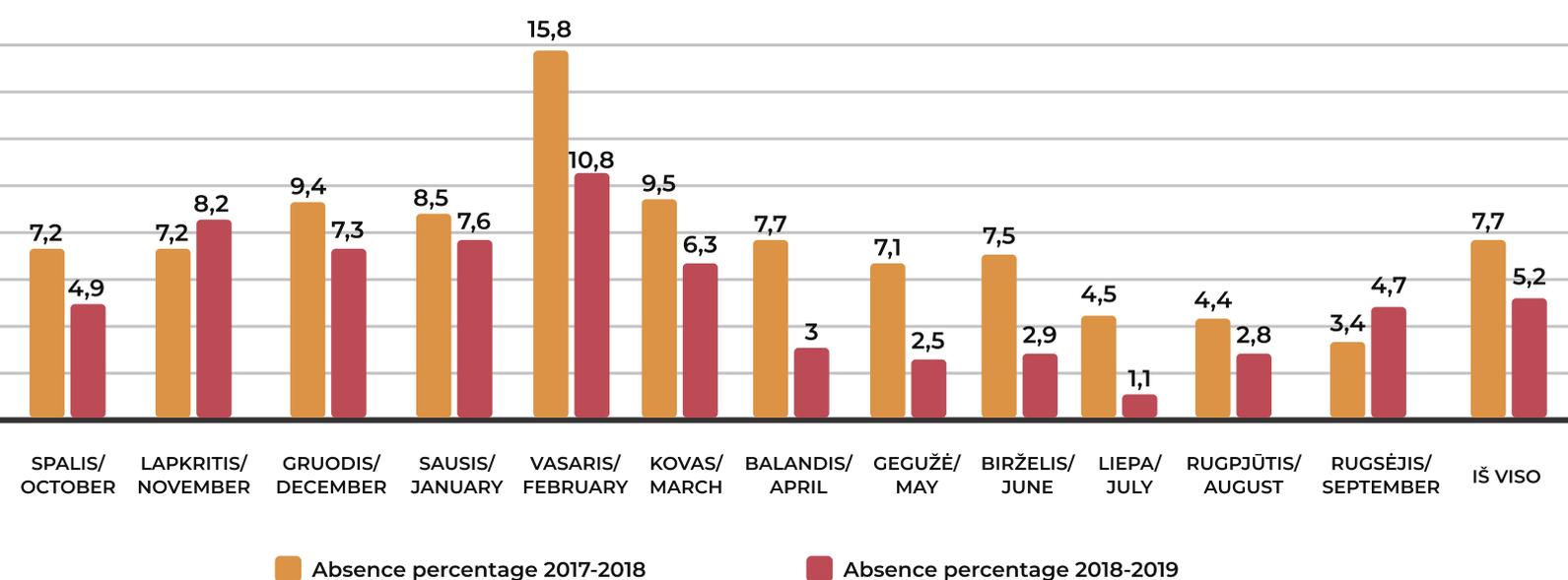
Safe and healthy work

At Scandye, employee safety and health are paramount objectives. Every day we make a special effort to secure a safe and harmless environment for all employees. The most important aspect to this objective is effective prevention. We record incidents and take proactive measures to eliminate potential risks. Not only division managers, but all employees play an active part in these undertakings. Two different teams oversee employee safety and health: Employee safety and health council, and Employee safety and health committee. Everybody has a role to play in identifying and eliminating potential safety and health risks. We pay special attention to employee education regarding safety and health topics, updating learning materials and improving their distribution. Both collective and personal safety measures are undertaken to secure employee health and safety, as well as to reduce professional risks.

Employee safety and health process objectives:

| 2018/2019 objective | Target | Fact |
|---|---------|---|
| Reduction of illness among employees | < 5% | 5,2% |
| Workplace accidents | 0 cases | 0 cases |
| Workplace emergencies (according to F19 „Accident Readiness and Response Plans “) | 0 cases | 1 case (pipeline accident, no danger to employee health and safety) |

The fact that there were no workplace accidents in 2018/2019 gives us great joy. We are carefully analysing employee illness statistics and are working to understand the causes of illness. In each case, efforts are made to know as soon as possible if a case of an employee falling ill could be related to his or her work at the company and whether additional preventive measures could be implemented to manage and reduce risks in the future. Even though the target for illness among employees was not met, there was nothing to suggest that workplace conditions could have played a negative role.



✓ Implemented Measures 2018/2019

- Internal evaluation of professional risks, preparation of the “Plan for risk reduction measures (*employee health and safety management efficiency improvement*)”;
- Improvement of workplace at the chemical station: prevention of surplus heat release, isolation of chemical mixers to prevent heat release into the environment;
- Barriers set up near machinery close to walkways, so that employees are protected against accidentally touching hot machinery surfaces;
- Installation of a voice-based fire alarm system which can be used as an additional fire alarm sounder in case of fire and evacuation necessity;
- Fire safety evacuation simulation and training regarding the proper use of fire extinguishers;
- Renewal of the company’s plan for the management of extreme situations. The plan was approved by the civil safety department of Telšiai city municipality;
- Employee training on the topic of the benefits of vaccines in preventing infectious diseases.

🎯 Social Responsibility Objectives 2019/2020

- To implement measures in accordance with the “Plan for risk reduction measures (*employee health and safety management efficiency improvement*)”;
- To implement illness-reducing measures: analysis of the causes of illness; employee education about protection against flu and the benefits of vaccines; employee education about hand hygiene and the proper washing of hands;
- To make available the use of hand sanitisers and single-use masks during annual flu epidemics;
- To install additional air humidification systems in order to decrease dustiness in drying, yarn winding, sorting and decaturation rooms;
- To perform, under the supervision of a team of managers, monthly inspections of work safety;
- To attach informational cards on all machinery to facilitate energy resource preservation;
- To continue various support projects.

Ties with local community 2018/2019

Financial Support:

Telšiai district Drama Theatre of Žemaitė.

Sharing of Knowledge and Experience:

Continuation of good practices

Transparency

At *Scandye*, we operate honestly and openly. We strive to build stable and trust-based relations with employees, suppliers, clients, the community, and the public institutions. We operate transparently and do not tolerate corruption. We do not accept gifts of any kind from job applicants. We work against corruption in all its forms, including bribes for public institutions. We are leading by example to promote fair competition, and to foster an ethical business culture.



Environment-friendly solutions

We care deeply about the environment, its protection and preservation. We, therefore, pay special attention to crucial environmental objectives, and take measures to achieve these objectives.

Environmental Areas of Action 2018/2019



Electricity consumption



Use of ground water



Use of natural gas



Industrial wastewater



PES waste



Chemical and dye control

Consumption of Energy Resources

| Consumption of energy resources | | | | | | |
|---------------------------------|--|-------|--|------|--|------|
| | Water usage (m ³ /kg production) | | Electricity usage (KWh/kg production) | | Natural gas usage (m ³ /kg production) | |
| | target | fact | target | fact | target | fact |
| 2014-2015 | 0,16 | 0,142 | 1,55 | 1,53 | 1,10 | 1,03 |
| 2015-2016 | 0,16 | 0,131 | 1,50 | 1,38 | 1,05 | 0,93 |
| 2016-2017 | 0,16 | 0,124 | 1,18 | 1,23 | 0,80 | 0,82 |
| 2017-2018 | 0,16 | 0,126 | 1,18 | 1,27 | 0,80 | 0,82 |
| 2018-2019 | 0,16 | 0,125 | 1,30 | 1,23 | 0,86 | 0,83 |

In 2018/2019, consumption of energy resources grew due to the rise in PES production

Implemented measures 2018/2019:

- We extended our contract with Kaunas Hydroelectric Power Plant, from which we are buying 100% green Lithuanian energy. "Green Lithuanian Energy" is a label that marks electric energy produced in Lithuania from renewable energy sources.
- All dyes and chemicals used in dyeing in finishing processes correspond to EU regulations for chemical materials (REACH), Oeko-Tex and Ecolabel standards.
- An automatic dye and chemical dosage system helped eliminate direct employee contact with dyes and chemicals. The system also reduced chemical concentration in the working area. Furthermore, the usage of dyes and chemicals was optimized, and the need for reprocessing reduced.
- We continued our project related to the use of solar energy for the production of electricity.
- We continued the implementation of the water treatment project "Waste Water Treatment and the Secondary Usage of Water in Production," which will help us reuse at least half of the water used in production.
- We continued the implementation of LEAN methods allowing to improve production efficiency, reduce the need for corrective work, optimize the use of energy resources and achieve better results in environmental protection.

Waste management

Waste management

- We extended our contract with the public agency “Žaliasis taškas” (Green Point) regarding the recycling of packaging waste. As a result, more than 87% of our paper and plastic packaging waste gets recycled.
- In order to reduce the formation of PES waste, each month an analysis is undertaken to understand the reasons for PES waste formation. Analysis leads to measures that aim to tackle this problem.
- We are managing textile waste in an efficient way. Specially sorted wool waste is made available for secondary use. Textile PES waste is burned. Unrecycled waste is used as a fuel.

🎯 Objectives 2019/2020

1. Taking into consideration the production of PES, Scandye aims to maintain optimal levels of energy resource use:

Gas: 0,87 m³/kg (current average – 0,83 m³/kg);

Electricity: 1,3 kWh/kg (current average – 1,27 kWh/kg);

Water: 0,13 m³/kg (current average – 0,125 m³/kg).

2. Scandye is planning investments into new equipment with an aim to optimize production process and production quality, as well as to improve employee safety and health, and environmental protection standards:

- investment in new sorting and winding equipment to improve efficiency and reduce manual labour;
- investment in new dyeing equipment with recuperation function, allowing to reuse heat in knitwear drying processes;
- investment in new high-temperature dyeing equipment (with small water module), enabling energy-efficient development of new products and technologies;
- investment in decaturation equipment that will improve the quality of finishing processes.

Ethical employment policy

We respect human rights and freedoms and, as an organization, we accept our responsibility to protect and realize those rights and freedoms. Conforming to the social responsibility standard SA8000:2014, the management's social commitments are inscribed in Scandye's Ethical Employment Policy. This policy is clearly formulated and available to all interested parties. These are the policy's main tenets:

CHILD LABOUR

To protect young persons from factors that may be harmful to their physical and mental development, Scandye does not employ persons under the age of 18.

DISCRIMINATION

We do not tolerate, and we fight against all forms of discrimination.

DISCIPLINE

We treat our employees with respect. We do not tolerate, and we do not practice physical punishments, nor do we practice psychological and verbal abuse. All disciplinary measures must, and do conform to the laws of the Republic of Lithuania.

FORCED LABOUR

Our respect for human rights and freedoms is incompatible with any form of forced labour, including unlawful employment conditions, employment fees, taking of personal documents, and restrictions of movement.

WORKING HOURS

Working hours conform to the laws and working time regulations of the Republic of Lithuania. At Scandye, overtime work is not a common practice. When it is practiced, we make sure to pay bonuses, and to adhere to the laws regulating work and overtime hours.

SAFETY AND HEALTH

We see it as our utmost priority to protect the safety and health of our employees. We guarantee a safe and healthy work environment. To make further improvements in this sphere, we always follow the suggestions of the Employee safety and health committee, and we always listen to complaints and suggestions from individual employees.

FREEDOM OF ASSOCIATION, AND THE RIGHT TO COLLECTIVE BARGAINING

We respect and acknowledge the right of our employees to form or join trade unions, and to use unions as platforms for collective bargaining regarding work conditions. We abstain from any kind of measures that could be seen as restrictions of these rights. We are fostering a favourable environment for employee representation through an active dialogue with the work council.

FAIR PAY

We respect the right of the employees to a fair pay. Weekly rates must never be inferior to the national or industry-specific minimal wage standards. Employee salaries must be sufficient to cover all basic expenses, as well as unexpected necessary expenses. Salaries are paid on time and according to agreed time intervals, and with full compliance with the laws and regulations of the Republic of Lithuania. We do not tolerate, and we do not practice unlawful payments.

Management's social commitments

- ✓ To implement ethical employment policy.
- ✓ To act transparently and practice a zero-tolerance policy towards corruption in all its forms, including extortion, bribery and unlawful forms of gratitude in relationships with interested parties.
- ✓ To adhere to social responsibility principles that are reflected in the laws of the Lithuanian Republic, International laws, and internal rules of the company.
- ✓ To improve the working of integrated management systems according to EN ISO 9001:2015, EN ISO 14001:2015, ISO 45001:2018, SA8000:2014 standards.
- ✓ To publish this policy in a way that is clear, easily understandable and accessible to all parties that are related to the company's activities.