



CORPORATE
SOCIAL
RESPONSIBILITY

REPORT 2012

2012

Palsgaard®
♥ Heart working people

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WHAT IS CSR?

AT THE END OF 2011, THE EU ADOPTED A NEW AND SHORTER DEFINITION OF THE CONCEPT OF CSR (CORPORATE SOCIAL RESPONSIBILITY):

"THE RESPONSIBILITY OF ENTERPRISES FOR THEIR IMPACTS ON SOCIETY".

This definition has been further elaborated on by the EU so that it is made clear that businesses should have processes in place to integrate social, environmental, ethical, human rights and consumer issues in their operations and strategy with the purpose of creating 'shared value' for both the business itself and society and to counteract any adverse impact the business may have on society.

The Danish Business Authority
www.samfundsansvar.dk



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2 ABOUT THE REPORT

THIS IS PALSGAARD'S THIRD CSR REPORT. WE PRODUCE A CSR REPORT EVERY YEAR, AND IT IS A TOOL TO PROVIDE A BALANCED VIEW OF THE CSR-RELATED GOALS, SUBJECTS, ACTIVITIES AND RESULTS IN THE BUSINESSES COVERED.

After having received positive feedback on previous reports, we have structured this year's report in the same way as our award-winning CSR Report for 2010 (FSR-Danske Revisorers Prize for Best First Report).

SCOPE

The report includes the following legal entities: Schou Fondet, Palsgaard Gods A/S and its associated forest and agricultural areas, Palsgaard A/S and its subsidiaries and Nexus A/S (see figure in Section 3). For the purposes of this report, these entities will all be treated as one entity called 'Palsgaard'. Affiliated companies in which Palsgaard does not have a majority shareholding are not included in the report. The scope of the reported data is detailed in Section 15. This report covers 2012.

REPORTING PRINCIPLES

The report has been prepared using the principles set out in the Sustainability Reporting Guidelines from Global Reporting Initiative (GRI) and the associated sector supplement for food production. A list of applicable GRI indicators, including references, can be found in Section 16. The subjects we report on have been selected on the basis of evaluations of stakeholders and the importance of the issues in the development

of Palsgaard's CSR strategy (see Section 5). Our most important stakeholders in terms of this report have been deemed to be the company's customers, employees, trend-setting retail trade, local community, the media, important competitors and NGOs..

This report and its data have been reviewed by an independent third party. The auditor's statement can be found in Section 14. Our reporting practice is explained in Section 15.

STRUCTURE OF THE REPORT

The report follows our value chain (Sections 5-12) and is based on our cultural values. The value chain covers the life of the product from original idea to the finished product which, as a food ingredient, lands on the consumer's table. Our contribution to society is then described. This structure represents a logical structure for our processes and products. Readers who are interested in particular subjects should consult the references in the GRI table in Section 16.

For any further information about the report please contact Managing Director Jakob Thøisen.

FIGURE 1:
STRUCTURE OF THE REPORT



3 PALSGAARD IN BRIEF

PALSGAARD DEVELOPS AND MANUFACTURES EMULSIFIERS AND STABILIZERS FOR THE FOOD INDUSTRY. WE HAVE PRODUCTION FACILITIES IN DENMARK, MEXICO, CHINA AND THE NETHERLANDS. A NEW FACTORY IS UNDER CONSTRUCTION IN MALAYSIA AND WILL BE READY FOR PRODUCTION IN THE MIDDLE OF 2013. WE HAVE APPLICATION CENTRES IN DENMARK, SINGAPORE, CHINA AND MEXICO AS WELL AS A SALES ORGANISATION COVERING 108 COUNTRIES. PALSGAARD FURTHER MANAGES 4,075 HECTARES OF FOREST AND AGRICULTURE IN DENMARK AND LATVIA.

MOST IMPORTANT CSR KEY FIGURES AND AIMS

	2008	2009	2010	2011	2012	GOAL 2015	GOAL 2020
CO ₂ EMISSIONS (KG CO ₂ PER KG FINISHED PRODUCT)	0.44	0.40	0.32	0.18	0.18	0.15	0
ACCIDENT FREQUENCY (ACCIDENTS WITH ABSENCE PER MILLION WORKING HOURS)	10	18	20	7	13	3	-
WASTE WATER EMISSIONS (LITRES PER KG FINISHED PRODUCT)	1.50	1.47	1.22	1.42	1.53***	1.00	-
RAW MATERIAL CONSUMPTION (KG PER 100 KG FINISHED PRODUCT)	106.90	107.60	107.90	107.19	106.49	104.00	-
RSPO-CERTIFIED PALM OIL*	-	-	-	-	-	100%	-
RECYCLING OF RAW MATERIAL PACKAGING**	-	-	-	-	-	90%	-

*See Section 7 on sustainability partnerships production of palm oil

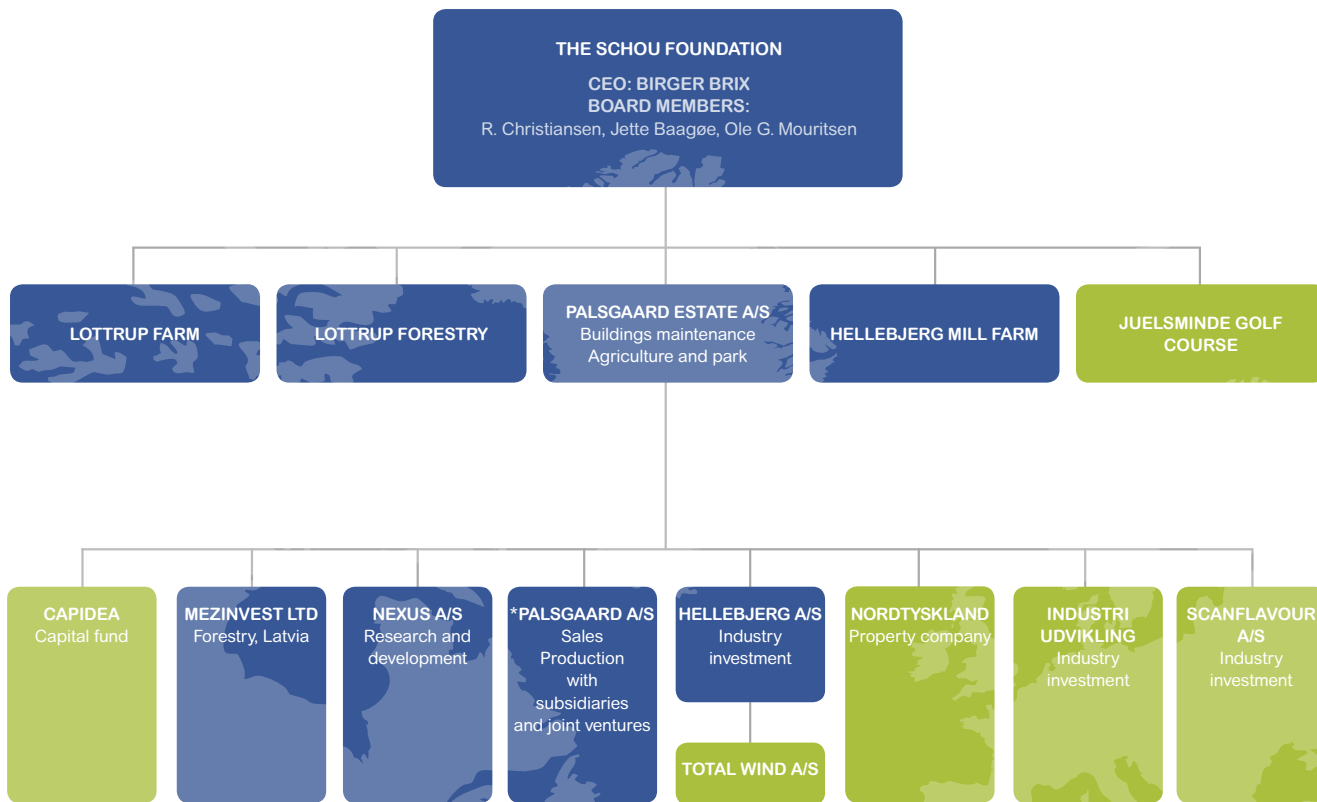
**Data not available
***See Section 9 on environmental conditions, water and waste water

We have the aim of becoming CO₂-neutral by 2020. For the remaining factors, no targets have been defined for 2020

FIGURE 2: THE SCHOU FOUNDATION

ORGANISATIONAL CHART

THE ORGANISATIONAL CHART SHOWS THE ENTITIES COVERED BY THE REPORT HIGHLIGHTED IN BLUE. MANAGEMENT STRUCTURE AND DISTRIBUTION OF RESPONSIBILITY ARE DESCRIBED IN DETAIL IN SECTION 5.



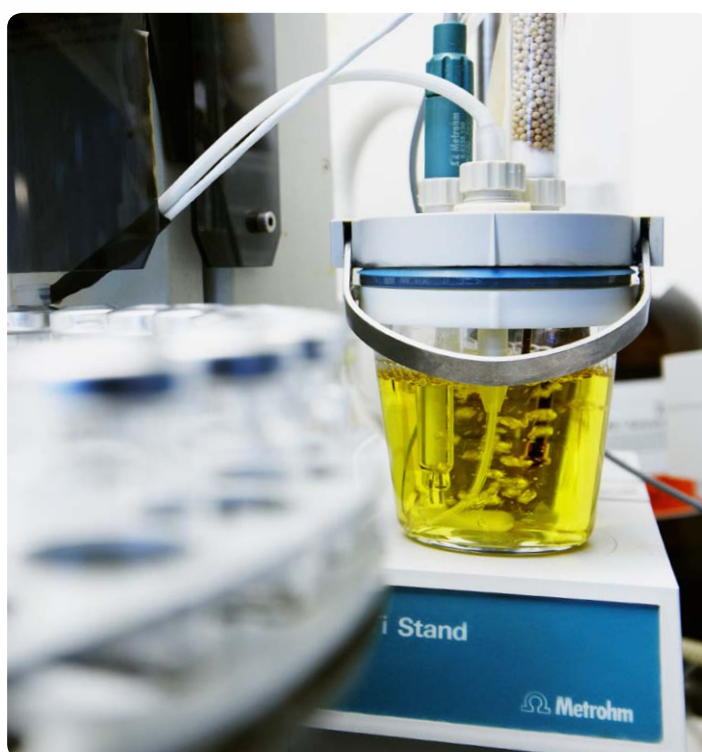
* Production unit

FIGURE 3: PALSGAARD A/S SUBSIDIARIES AND JOINT VENTURES



* Production units

A STRONG, COLLABORATIVE AND ADAPTABLE ORGANISATION IS A PREREQUISITE FOR CONTINUED GROWTH AND SUCCESS IN A WORLD WHERE COMPETITIVENESS IS CONSTANTLY CHALLENGED AND WHERE SUSTAINABLE AND ETHICAL BUSINESS CONDUCT IS A REQUIREMENT.



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A MESSAGE FROM
THE MANAGEMENT

DEAR READER

Palsgaard has set an overall target of becoming CO₂-neutral by 2020. This is an extremely ambitious target for a company with very energy-intensive production processes. It is therefore gratifying to note that Palsgaard in 2012 managed to keep its CO₂ emission per kilo of finished product at 2011 levels.

As one of the larger measures to tackle CO₂ emissions, a solar cell system was installed at Palsgaard's factory in Mexico in 2012. This ensures that min. 85% of Palsgaard Mexico's electricity consumption is CO₂ neutral.

In 2012, in the area of palm oil, we became certified to RSPO SCCS (Roundtable of Sustainable Palm Oil Supply Chain Certification Standard). This means that we have now, as is the case with parts of the rest of the supply chain, been certified to handle certified palm oil-based products. In this way, we support stability in biodiversity and responsible production in the manufacture of palm oil. During this process, we have also tightened up our management of responsibility in the supply chain in general.

In 2011, we signed up to the ten principles contained in the UN's Global Compact whose purpose is to promote ethical business conduct. We have incorporated these principles in our CSR strategy and work purposefully on permanent improvements in the ethical area which are then communicated to our customers, employees, suppliers and other stakeholders.

In keeping with the UN Global Compact's focus on employee conditions, it is also part of Palsgaard's culture to ensure that the company has satisfied employees. In 2012/13, the board, management and specialists completed a training course to strengthen collaboration, knowledge sharing and communication.

A strong, collaborative and adaptable organisation is a prerequisite for continued growth and success in a world where competitiveness is constantly challenged and where sustainable and ethical business conduct is a requirement.

In this CSR report, we will describe the successes – as well as the challenges – we face in our CSR work and thereby do what we can to achieve transparency in our activity reporting. We hope you enjoy the report. Thank you for your interest.



Birger Brix
CEO of the Schou Foundation.
Palsgaard, 29 May 2013



Jakob Thøisen
CEO, Palsgaard A/S
Palsgaard, 29 May 2013

UN GLOBAL
COMPACT'S
10 PRINCIPLES

HUMAN RIGHTS

- Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights and
- Principle 2. make sure that they are not complicit in human rights abuses

ARBEJDSTAGERRETTIGHEDER

- Principle 3. Businesses should support the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4. support the elimination of all forms of forced and compulsory labour
- Principle 5. support the effective abolition of child labour, and
- Principle 6. eliminate discrimination in employment and occupation

ENVIRONMENT

- Principle 7. Businesses should support a precautionary approach to environmental challenges
- Principle 8. undertake initiatives to promote environmental responsibility, and
- Principle 9. encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10. Businesses should oppose all types of corruption, including blackmail and bribes

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OUR BASIS AND AGENDA FOR SUSTAINABILITY



Einar Viggo Schou
Founder of Palsgaard



THE OBJECTIVES OF THE SCHOU FUNDATION

1. To own companies that the Foundation senior management may find appropriate for the fulfilment of the Foundation general aims.
2. To preserve and further develop Palsgaard Estate in all its splendour as a beautiful and pleasant workplace for all employees.
3. To set up, own and support independent companies for research and development within the areas that the Foundation senior management may find appropriate to promote the Foundations activities.
4. To provide support for the Palsgaard Foundation to the extent that the Schou Foundation senior management deems it justifiable in consideration of the Schou Foundation other aims.

The Schou Foundation businesses is characterised by a unique culture which is strongly influenced by our long history. The physical framework for our culture is the majestic Palsgaard Estate and its park which are home to our headquarters. While we have a strong association with the local community, the core of our business is the close partnerships we have with our customers all over the world. We see this combination of local and global presence as well as a high level of employee satisfaction, commitment and collaboration as one of our greatest strengths.

Our tradition for treating each other, our society and environment responsibly is a direct consequence of the values and way of doing business that Einar Viggo Schou, the company's founder, celebrated. This tradition took root with us long before the term 'Corporate Social Responsibility' (CSR) was coined.

OUR REPUTATION

At Palsgaard, we want our name to be known for and associated with high quality and service. To us, this means that our products meet our customers' expectations in terms of functionality and also that they live up to the most stringent food safety standards. We achieve this through our quality assurance procedures and innovation work which to a large extent takes place in partnership with our customers at our application facilities (see Section 6)

As an employer, we want the company to be an attractive and stimulating workplace. Through our fund structure, we have given our employees a special status as it is part of the aim of the Schou Fund to ensure that Palsgaard is a welcoming workplace for everyone (see Section 8).

In our relations with the world around us, we have a declared aim to act responsibly - not only at the local level via active participation in the local community, but also globally via effective measures to reduce our impact on the climate and the environment (cf. sections 9 and 12).

We also believe that it is a general and basic prerequisite that we conduct ourselves in a financially responsible way to ensure a stable business through innovation, process optimisation and risk minimisation. In this way, we become a reliable supplier for our customers and provide a sound workplace for our employees.

GOVERNANCE STRUCTURE AND DISTRIBUTION OF RESPONSIBILITY

Palsgaard is owned by the Schou Foundation whose overarching aim is to run the business, support business-related research and development and to run the Palsgaard Estate in all its splendour as a beautiful and pleasant workplace for all our employees.

The foundation structure allows us the freedom to think further ahead than, for example, many listed, companies, and to prioritize holistically so that, through responsible growth, our work is motivated by our objectives and not by exclusive focus on financial profits. Our ownership structure also works as protection against e.g. undesirable hostile takeovers. The board of the Schou Foundation has three members, two men and a woman. A new member of the board is elected jointly by the other board members, the retiring member and the CEO of the Foundation.

The CEO is responsible for safeguarding the Schou Foundation objectives and managing the Foundation assets to ensure that the aims are fulfilled. The manager of the Schou Foundation simultaneously works as the managing director of the holding company Palsgaard Estate A/S.

The Schou Foundation owns a number of companies as can be seen from the organisational chart in Section 3. The managing directors of the companies controlled by the Foundation are under obligation to run the company in compliance with the objectives of the Schou Foundation and to follow any guidelines provided by the board.

Palsgaard's CSR strategy and action plans have been determined up to 2016. During this period, the company's CSR organisation will be responsible for implementing the strategy and continuously anchor CSR across the organisation.

PALSGAARD'S MISSION

With an attractive workplace and advanced technology as our basis, we produce and sell highly refined and customised emulsifier and stabiliser solutions for the global food market

PALSGAARD'S VISION

We wish to be the preferred partner and supplier of quality products, service and knowledge to regional and multinational food producers

PALSGAARD'S VALUES

Loyalty – responsibility – commitment

HEART WORKING PEOPLE

At the end of 2010 we coined a phrase to express our unique culture. The phrase "Heart working people®" was devised to express our attitude to our colleagues and stakeholders generally, and in particular:

- Our close and confidential cooperation and knowledge-sharing with our customers
- Our dedication to our day-to-day work and to creating solutions to further improve food products
- Our caring approach to each other as colleagues
- Our commitment to our surroundings.

we are
experts in
emulsifiers and
stabilizers for bakery,
 confectionery, dairy, ice cream,
 margarine and fine foods - and we
 are happy to share our expertise. our
 company values can be defined
 words: **loyalty, responsibility** and
 we aim to be the preferred partner
 products, application service and know-
 national food companies. to Palsgaard
 in just three
commitment.
 and supplier of quality
 how to regional and multi-
loyalty means that we act as a reliable and honourable business
 partner for our customers. we treat information confidentially and know
 how to keep a business secret. to Palsgaard **responsibility**
 means caring about the environment and being aware of our corporate
 social responsibility; we have a goal to be CO₂ neutral by 2020 and
 are members of SEDEX and RSPO. to Palsgaard **commitment**
 means we are dedicated to getting the best results for our customers'
 products - to the benefit of their customers. we care about our
 employees and have a declared aim that Palsgaard must be
 a pleasant place to work. Palsgaard we know that our
 most important resource is the know-how and dedication
 found in our employees. **Heart** we are committed to
 getting the best results with our products in our pilot plants
 and in your facilities. **Working** at Palsgaard we
 don't sell standard solutions - we start with YOUR needs.
 Palsgaard - Heart Working **People**® heart work is
 the best way to achieve success - let us help YOU
 get it. our products are produced according to the
 strictest quality criteria. we are **experts**
 in **emulsifiers** and **stabilizers**
 and we are happy to share our
 expertise with you. let our
 pilot plants help you shorten
 the step between **idea**
 and your new product.
 heart work is the best
 way to succeed
 - let us help
 you do
 so.

STRATEGIC AIMS:

- CO₂-NEUTRALITY IN 2020
- REDUCTION OF VOLUMES OF WASTE WATER
- REDUCTION OF VOLUMES OF WASTE AND INCREASED PRODUCTION YIELD
- REDUCTION OF PACKAGING VOLUMES
- IMPROVEMENT OF THE WORKING ENVIRONMENT
- INCREASED EMPLOYEE SKILLS
- IMPROVED MANAGEMENT AND INTEGRATION OF CSR IN SUBSIDIARIES
- IMPROVED SUPPLIER MANAGEMENT
- INCREASED EFFORTS TO REDUCE CORRUPTION AND THE FORMATION OF CARTELS
- CONTINUED INITIATIVES IN THE LOCAL COMMUNITY
- INCREASED SHARE OF CERTIFIED PALM OIL
- KNOWN FOR SUSTAINABILITY

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GENERAL AREAS FOR SUSTAINABILITY POLICIES

- CODE OF CONDUCT
- ENVIRONMENTAL POLICY
- PRODUCT AND QUALITY POLICY
- PURCHASING POLICY
- EMPLOYEE POLICY

POLICIES

To ensure that we achieve the objectives of both the Schou Foundation and the individual company, Palsgaard has adopted a number of policies and guidelines to express our attitudes and set out guidelines for our activities. Our policies reflect our ambitions in the area of CSR and apply to the same legal entities covered by this report (see Section 2). We continuously update our policies to ensure that our guidelines reflect current circumstances.

New policies and guidelines will be introduced as and when we believe formal guidelines are required. This means that some areas do not have written policies, but are managed through the individual company's responsibility for working according to the objectives of the Schou Foundation and in compliance with legislation, general decency and common sense.

The fields in which we have considered it necessary to express a specific attitude and to define areas for improvement are covered by the policies listed on the left.

To ensure that our processes live up to our policies, standards and legal requirements, we have an ISO-certified quality assurance system in place just as written guidelines are contained in the company's staff handbook.

CORRUPTION AND CARTELS

In our Code of Conduct, we have described our policy on corruption and cartels. In 2012, we implemented measures documenting the ban on cartels in our business. All affected employees in Palsgaard's companies have received information on and have agreed in writing to accept the company's policy and recognise the consequences of lack of compliance with the company's policy in this area. An employee found not to be following the company's policy in this area will be dismissed and will additionally incur a considerable fine.

'Facilitation payments' may be difficult to avoid in certain countries, but, irrespective of this fact, it is Palsgaard's objective to do business without resorting to such payments. It is important that our employees are aware of Palsgaard's policy in this area and act in accordance with them. Employees who are approached in attempts at corruption, bribes or the formation of cartels must register these incidents and bring them to the attention of senior management.

OUR AGENDA FOR SUSTAINABILITY

As our business grows and develops and greater attention is paid to the company's environmental and social responsibilities, a need for an overall CSR strategy has arisen. On this basis, we will work systematically with our aims and formalise the way in which we exercise our responsibility. At the end of 2010, we commenced work on this strategy which was finally formalised in 2011. The framework and basis of our CSR strategy were established with due consideration for our customers, employees and other stakeholders.

The focus areas and aims are outlined in this section and are elaborated later in this report.



PALSGAARD'S FORESTS IN DENMARK ARE PEFC-CERTIFIED AND ARE MANAGED ACCORDING TO PRINCIPLES OF SUSTAINABLE FORESTRY.



PALSGAARD'S MEMBERSHIPS OF A NUMBER OF ORGANISATIONS AND NETWORKS CONTRIBUTE TO THE DEVELOPMENT OF BUSINESS CONNECTIONS. CERTAIN MEMBERSHIPS ALSO CONTRIBUTE TO PROMOTING ETHICS AND SUSTAINABILITY IN THE SUPPLY CHAIN.



ORGANISATIONAL MEMBERSHIPS

Palsgaard's commitment to a variety of organisations is motivated by desire to act not only in our own best interests but also in the interest of our industry, our customers and the consumers.

- **The Confederation of Danish Industry (Dansk Industri)**

(we are also a member of a number of their subdivisions) working to influence political decisions that may affect the company's ability to create growth and jobs. This especially involves our participation in the Confederation of Danish Industry's CSR network where new legislation and trends are discussed. Knowledge sharing is also important for companies to development their CSR work. See www.di.dk

- **European Food Emulsifiers Manufacturers Association (EFEMA)** whose aim it is to create and maintain contact to applicable authorities and to propose standards for good production practice, food safety and consumer protection in the production of emulsifiers. See www.emulsifiers.org

- **Supplier Ethical Data Exchange (Sedex)** which supports the continuous development and improvement of work-related and other ethical issues in the supply chain. See www.sedex.org.uk

- **Roundtable for Sustainable Palm Oil (RSPO)** which supports sustainable production of palm oil. See www.rspo.org

- **United Nation Global Compact**, which is an initiative for businesses who voluntarily undertake to align their activities and strategies according to the ten internationally accepted principles in the areas of human rights, employee rights, environment and anti-corruption. See www.unglobalcompact.org

- **Virksomhedsnetværk for Socialt Ansvar (VFSA - Business Network for Social Responsibility)** which promotes dialogue between businesses about social responsibility. See www.vfsa.dk
We have been in discussion with VFSA and will be collaborating with them in future and become part of their network.

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CUSTOMER-DRIVEN INNOVATION



"I COMPLETED A FIVE-MONTH WORK PLACEMENT AT NEXUS A/S. MY PROJECT INVOLVED INVESTIGATING THE FUNCTIONALITY OF PGPR IN CHOCOLATE. IT IS ANTICIPATED THAT THE BASIC KNOWLEDGE GAINED WILL BE USEFUL IN THE CONTEXT OF OTHER PROJECTS. IT WAS A GREAT PLEASURE TO WORK WITH PEOPLE WHO WERE REALLY INTERESTED IN THEIR WORK AND IN THE PEOPLE THEY WORK WITH. I HAD A GREAT EXPERIENCE AT PALSGAARD – BOTH PROFESSIONALLY AND SOCIALLY."

Pauline Christien,
*Ingénieur agroalimentaire, Palsgaard
/ Agrocampus Ouest, Centre de Rennes,
France*

When Palsgaard's development team is making decisions about the properties of a new product, how it should be produced and the raw materials that should be incorporated in the product, the team does not only determine the properties that will add to the structure and shelf life of the food it is to form part of, but also ensure that the nutritional and environmental properties of the food are enhanced throughout the value chain. This is why the innovation process is often driven by a close partnership with our customers while our other development projects are driven internally and e.g. aimed at researching entirely new opportunities in the food industry or creating processes that offer improved utilisation of raw materials and energy.

NEXUS – PALSGAARD'S DEVELOPMENT COMPANY

At Palsgaard development takes place in NEXUS A/S. This company is organising all large projects in groups consisting of a wide range of experts from all over Palsgaard. The projects are managed and documented in our quality assurance system to ensure efficient and targeted development where all issues are taken into consideration – from customer needs to requirements involving process resource utilisation and potential environmental impact. Development may take place with a view to marketing new or enhanced products, but the aim may also be to develop new or improve existing processes. If so, the aim of the development work will be to create alternative and less resource-intensive processes, be it in terms of raw materials, energy, capacity or other aspects of the business. One example of such a development project is the refinement of oils described at the end of this section.

GLOBAL APPLICATION FACILITIES

The core of Palsgaard's customer partnerships is our application facilities where we can simulate production conditions at a customer's facility and where we can work with customers to develop new food products, enhance the quality or nutritional profile of existing foods or optimise the customer's processes. By creating a research environment that closely simulates the real world, the path from idea to production is shortened. In order to be able to service customers globally, we have set up application facilities in Denmark, Singapore, Mexico and China. This ensures that local market trends and requirements for environmental and food safety are transferred to our product development. We also thereby reduce our customers' needs for international travel.

CERTIFIED SAFETY IN PRODUCT DEVELOPMENT

The FSSC 22000 certification of Palsgaard's management system for food safety (see Section 11) includes an extended procedure for systematically assessing a range of questions about food safety when we are considering new raw materials. This fixed procedure ensures the risk-assess and document the safety of future products in a proactive way.

PARTNERSHIPS WITH UNIVERSITIES AND KNOWLEDGE CENTRES

Palsgaard is dependent on attracting and maintaining highly qualified work force, and we see it as our duty to help to shape and contribute to the education of coming generations at universities, technical colleges and schools. This is why we work with educational establishments and knowledge centres at several levels both in Denmark and internationally.

As in previous years, several students of food engineering have completed work placements in our R&D divisions. Final year projects have also been carried out at Palsgaard's laboratories. Students take part in the company's day-to-day activities where they are assigned to independent development projects which are completed in close collaboration with our laboratories and with the aim of giving the students experience and imparting new knowledge about physics and chemistry in the area of food emulsifiers. In addition to the professional side of these work placements, we emphasise the social side where students and Palsgaard employees get to know each other through different environments and cultures.

Other forms of partnership with educational establishments and knowledge centres include mutual exchange of knowledge about shared areas of interest. These partnerships are both formal and informal. Palsgaard hosts study trips, company visits etc. We regard it as our duty to generate interest in the natural sciences and food chemistry, physics and technologies.

FUTURE ENERGY REDUCTION IN THE REFINEMENT OF OILS

Traditionally, refinement of cooking oils means that the oils go through a complex process consisting of several energy-intensive process stages, including heating to remove flavour-disrupting substances. At Palsgaard, we have taken advantage of our comprehensive knowledge of the properties of cooking oils and their refinement processes to develop a new refinement method. Our method involves a simpler and gentler process

"IN PALSGAARD'S EXPERIENCE, A CREATIVE AND EFFICIENT INNOVATION ENVIRONMENT MUST MAKE ROOM FOR NEW AND UNCONVENTIONAL THINKING WHICH IS THE BASIS FOR PALSGAARD'S RESEARCH AND DEVELOPMENT BEING HANDLED BY THE INDEPENDENT COMPANY NEXUS A/S. THIS MUST NOT BECOME AN EXCUSE FOR NOT SEEKING INSIGHT INTO CUSTOMER REQUIREMENTS, MARKET TRENDS AND NOT LEAST THE SCIENTIFIC DEVELOPMENTS TAKING PLACE THAT MAY BE A CATALYST FOR INNOVATION. PRODUCT DEVELOPMENT MUST, OF COURSE, TAKE PLACE WITHIN THE FRAMEWORK OF FOOD SAFETY, RESPONSIBILITY AND GOOD ETHICS."



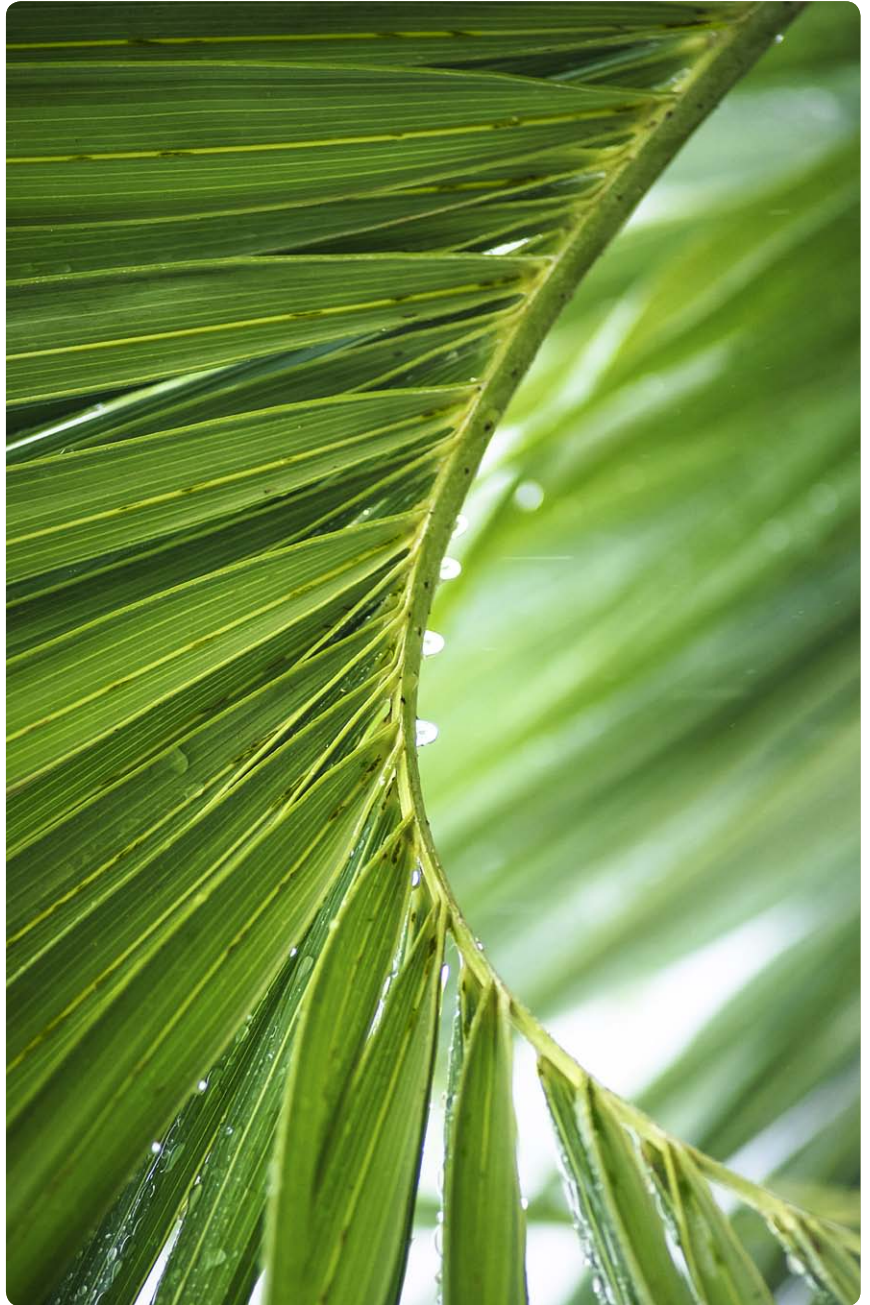
Viggo Norn, direktør
Nexus A/S
(Palsgaard's development company)



which reduces energy consumption by up to 80%.

The process has also shown itself to utilise raw materials more efficiently as well as reduce the amount of trans fats in the product. We anticipate that this will contribute to refinement processes that involve triple benefits in terms of financials, nutritional properties and the environment. Our on-going work on this process has been positive, and we have applied for patents for this development in a number of countries.





THE RAW MATERIALS USED IN PALSGAARD'S PRODUCTS MAINLY INCLUDE DIFFERENT TYPES OF VEGETABLE OIL, GUMS AND STARCHES.



Guar gum

7 RAW MATERIALS AND SUPPLIERS

The raw materials used in Palsgaard's products primarily consist of different types of vegetable oils, gums (hydrophilic polysaccharides), starch and glycerol. Most suppliers are European companies, but a large part of the first link in the value chain involving these raw materials originates in developing countries (e.g. palm oil and palm oil derivatives). There is therefore always a certain risk that the standards for environmental and working conditions that we wish to maintain for our products are not fully incorporated into early links in the value chain – e.g. as a result of local legislation either not being in place or not being as advanced as the standards we wish to maintain.

In our CSR strategy, we have therefore defined supplier conditions as an area that needs to be addressed.

SUPPLIER MANAGEMENT

For several years, supplier management has formed part of Palsgaard's quality assurance system. This ensures that raw materials meet our standards and that we, in partnership with our suppliers, are able to continuously improve and optimise quality and reliability of supply. Among other things, we use supplier visits to check that our suppliers comply with the required food safety standards (HACCP).

In 2011, we commenced a project which is designed further to professionalise and organize our supplier management in terms of CSR. Our supplier policy provides a framework for this work, and our ambition is to increase our collaboration with our suppliers in the area of CSR. In 2012, we further developed this project and further specified our requirements for ethical responsibility in the supply chain. A point system based on issues of CSR and the UN Global Compact forms part of our supplier assessment process. If a supplier does not meet our requirements, we will – through discussion with the supplier – attempt to find solutions to ensure that the ten principles contained in the UN Global Compact are observed. In the Palsgaard Code of Conduct, we have also defined the requirements we wish to impose on suppliers and partners in terms of business ethics, human rights and employee rights.

In the coming years, we will continue to work on our supplier management guidelines, but, irrespective of the initiatives we will be commencing in future, we have to recognise that influencing suppliers who are more than one trading and production link away from us in the value chain is a difficult and resource-intensive job. Palsgaard is a relatively small player in the global market for the raw materials we purchase. This means that our ability to make specific requirements for responsibility in the supply chain and to check that these requirements are actually complied with is limited.

With our existing activities to ensure responsible supplier management, we hope to be able to promote sustainability and stability in the supply chain further through dialogue with suppliers and by demanding quality certification.

PARTNERSHIP ON SUSTAINABLE PRODUCTION OF PALM OIL

Palm oil is the most popular cooking oil in the world. It is extracted from oil palms which grow mainly on plantations in Southeast Asia (for the most part in Indonesia and Malaysia). Some concern exists about the consequences that growing oil palms may have on the climate and biodiversity in Southeast Asia. Working conditions for plantation workers are likewise under discussion. For this reason the RSPO (Roundtable on Sustainable Palm Oil) was founded in 2004. The RSPO is a broad organisation of parties from all parts of the palm oil industry as well as NGOs who work with social conditions and the environment. In 2007, the organisation set up a certification standard containing a number of criteria for sustainable production of palm oil within the seven principles listed on the right.

Palsgaard has been a member of the RSPO since the beginning of 2008. In 2011, we commenced a project that involved preparing Palsgaard for becoming a supplier of products manufactured with certified RSPO SCCS (Supply Chain Certification Standard) palm oil raw materials. In the spring of 2012, Palsgaard was audited by the RSPO-certified Control Union Certification, and we are now certified to handle RSPO Mass Balance products in our business. We are experiencing increased interest in products with RSPO-certified palm ingredients from our customers, and without having set

up subsidiary targets for the use of RSPO-certified palm oil, we expect that we will only see a further increase in this demand in 2013. Not all raw materials and derivatives have been available from our RSPO SCCS-certified suppliers, but we are also seeing positive developments in this area towards more RSPO-certified variations of raw material. We will continue to advocate the use of RSPO-certified raw materials through our sales work and information to our customers. In this way we intend to work towards using raw materials where palm oil-based parts are produced exclusively with RSPO-certified palm oil.

As a result of increased availability of RSPO-certified palm oil and palm oil-based derivatives, the anticipated increased demand for RSPO-certified raw palm materials as well as a stable lower price for RSPO-certified products, it is our aim solely to use RSPO-certified raw palm materials effective 2015.

RSPO SCCS CERTIFICATION:

- Obligation to maintain open communication.
- Compliance with legislation and regulations.
- Obligation to ensure long-term economic and financial sustainability.
- Implementation of best practice in growing and production.
- Environmental responsibility and preservation of natural resources and biological diversity.
- Responsibility to employees, individuals and communities affected by our growing and production.
- Responsible cultivation of new areas.



8

OUR EMPLOYEES



"IN OUR RUSSIAN COMPANY, THE CULTURE IS VERY INFORMAL AND VALUES SUCH AS SECURITY, UNDERSTANDING AND HELPFULNESS ARE KEY CONCEPTS IN OUR DAY-TO-DAY ACTIVITIES WHICH IS SOMETHING NOT SEEN VERY OFTEN IN RUSSIAN WORKPLACES.

OUR EMPLOYEE SATISFACTION SURVEY SHOWED AN EXTREMELY HIGH LEVEL OF EMPLOYEE SATISFACTION IN PALSGAARD RUSSIA.

THESE RESULTS ARE VERY GRATIFYING AND SHOW THAT OUR VALUES REACH OUT TO ALL PARTS OF THE INTERNATIONAL PALSGAARD TEAM."

Maiken Lorensen
HR manager, Palsgaard A/S

Palsgaard's slogan of 'heart working people' expresses the core in our working culture: that our employees are committed and hard-working, and that their heart is in their work. In our daily partnership with customers, we want our customers to encounter us as 'heart working people' who are deeply committed to our customers' problems and continuously work hard to help them.

As a foundation-owned company, Palsgaard is first and foremost driven by a wish for long-term development rather than concentrating on short-term profit optimisation. Our foundation structure provides us with a unique opportunity to prioritise our business aims in a relatively open way. As described in Section 5, it is part of the Schou Foundation's aim to ensure an attractive workplace for all our employees which is also the basis of Palsgaard's mission. We have made a reality of this aim through a set of basic values – loyalty, responsibility and commitment. These values work as our maxims and apply to our business, managers and employees with a view to creating a safe, secure and stimulating workplace.

WELL-BEING AND EMPLOYEE RETENTION

Should we experience, an employee not thriving at work, we try very hard to improve the situation and to solve problems in a suitable way. Our relationship with our employees rests on the premise that a working life should be able to accommodate both strong and weak phases and that the workplace should serve as part of the solution in difficult times. As an example, we systematically arrange absence interviews in the event of long-term illness with the purpose of discussing any measures that we may be able to implement to reduce the employee's period of absence or adapt the job to changed circumstances. It is often the case that employees with a long-term illness are able to return to work on a part-time basis. We are convinced that a gradual return to work is often a sensible solution for the employee. Palsgaard thus endeavours to retain or relocate employees who are no longer able to meet the requirements of their original job. Here is one example of how we have helped an employee to retain his job:

An employee, who had been with us for 20 years, was involved in a serious car crash outside working hours. After a long stay in hospital and a long period of treatment, the employee felt ready to return to work and to Palsgaard, but he was no longer able to carry out his normal job. A scheme involving significantly reduced working hours – with only a few working days a week – was set up. This scheme means so much to the em-

ployee who said that "it would have been a double defeat to lose my job as well, and living a life without my colleagues and my job would just not have been the same".

Palsgaard's employees are ensured confidentiality and the option of job-related advice from our HR manager who also works to support vulnerable employees. This support is especially provided in the form of trial periods and work placements to help people who have been out of work for a long time and who need to clarify what they are able to offer a future employer. After their trial period or work placement, they generally have a much clearer idea of what they are capable of in the workplace.

LOCAL AND GLOBAL ANCHORAGE

Palsgaard's headquarters are located in the small community of Juelsminde, which is a town of approx. 4,000 inhabitants. As a responsible business, we see it as our special duty to contribute to the community. This view forms an important part of Palsgaard's culture, and in the local communities that our subsidiaries form part of we likewise seek to spread and adapt this culture, depending on the circumstances present in the countries we operate in.

In our subsidiaries around the world, we attempt to provide our employees with the health options we are used to in Denmark. Schemes are adapted to local conditions. In Russia and Poland, for example, we have set up health insurance and company life and accident insurance schemes. Our approach to improving the lives of our employees globally ties our employees and businesses abroad closer to Denmark. It also increases the quality of life for our employees in different health-related situations. We offer applicable training, e.g. language courses, to employees in our subsidiaries.

In 2011, Palsgaard took over a former affiliated company in South Africa. In 2012, we set up a company health and pension scheme for our employees in our South African subsidiary. Employees have thus achieved personal and work-related benefits from Palsgaard's takeover of the company.

In 2012, we took the initiative to improve lighting conditions in the production areas in our Dutch subsidiary. The natural light from the windows sometimes occasioned a rise in temperature on one side of the factory despite sun screens having been installed. Trees have now been planted near the building to provide



PALSGAARD'S
SLOGAN OF 'HEART
WORKING PEOPLE'
EXPRESSES THE
CORE IN OUR
WORKING CULTURE



Palsgaard
Netherlands B.V.

8

EMPLOYEE SATISFACTION

PALSGAARD'S VERY LOW EMPLOYEE TURNOVER AND AN AVERAGE SENIORITY IN DENMARK OF 12.19 YEARS IN 2012 IS A SIGN THAT OUR EMPLOYEES FEEL VERY LOYAL TO THEIR WORKPLACE (SEE FIGURE 4). WE BELIEVE THAT IT IS A GREAT STRENGTH FOR US TO HAVE SATISFIED AND MOTIVATED EMPLOYEES. PALSGAARD'S GREATEST STRENGTH LIES IN HAVING SATISFIED AND HIGHLY MOTIVATED EMPLOYEES. WE ARE FIRMLY CONVINCED THAT THIS NOT ONLY SAVES US THE COSTS INVOLVED IN EMPLOYING NEW STAFF BUT ALSO PROVIDES INVALUABLE CONTINUITY IN OUR PROCESSES, HELPS MAINTAIN QUALITY AND, IN THE FINAL ANALYSIS, ALSO INSPIRES OUR CUSTOMERS' CONFIDENCE IN US.



THE PALSGAARD MEDAL AND ITS HISTORY:

- The Medal was founded by the dowager lady of the manor Elisabeth Schou in 1933
- The Medal is awarded to Palsgaard employees after 25 years' employment and loyal work
- The Medal is made of silver and is embossed with the Palsgaard Manor and the year 1933 and has a purple ribbon
- Einar Viggo Schou purchased Palsgaard in 1908. In the following years, he set up the industrial businesses on the property.
- He summarised his own and the businesses' values in the motto:
- LOYALTY – WORK – PERSEVERANCE, three words that became the main concepts of his life and work.
- When the Medal was introduced in 1933, these concepts became associated with the Medal which was established to commemorate Einar Viggo Schou (1866-1925)
- In 2007, we modernised the motto, which then became LOYALTY – RESPONSIBILITY – COMMITMENT
- The list of recipients of the Medal shows several second- and third-generation recipients
- By the end of 2012, Palsgaard had awarded 253 25th anniversary medals
- The Medal is awarded to employees both at Palsgaard in Denmark and its subsidiaries abroad

shade and help reduce the temperature in the affected work areas. This works as far as the employees are concerned and is a very environmentally friendly solution. Absence due to illness is very low in our Dutch subsidiary.

In 2012, Palsgaard's subsidiary in China received the Integrity Company Prize awarded by the Chinese government. The award was given to Palsgaard for integrity in its business dealings and for complying with food safety legislation. The initiative for the award is based on the potential created by EXPO Shanghai. It is the wish of the Chinese government to create a public forum in which consumers, among others, are able to obtain knowledge about companies and their activities, a public forum that Palsgaard in China is set to become part of.

See our case story about Palsgaard Mexico at the end of this chapter.

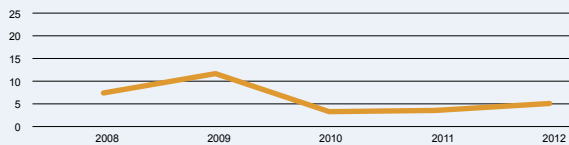
Every other year, we carry out an employee satisfaction survey on a range of parameters with a view to identifying areas of improvement. This is an important part of ensuring that Palsgaard remains an attractive

workplace. In pace with Palsgaard's globalisation, employees in all Palsgaard companies have participated in this survey since 2011. In order to be able to compare ourselves with similar European businesses, we have chosen to partner with Ennova, which means that our results in this area can be compared internationally in the European Employee Index® (EEI). Since we started our surveys in 2006, we have continuously implemented initiatives for improvement in those areas where employee satisfaction needed to be increased. We have raised the level of both the physical and mental working environment. We also continuously work to improve collaboration across our organisation.

Despite satisfactory survey results, areas that need our attention still remain. In 2012, we focused on adapting our organisation and improving internal workflows. This has been positively received by our employees as many internal procedures are now being carried out in a more efficient way. To follow up on the restructuring of our organisation in Denmark in the spring of 2012 and to further strengthen collaboration and knowledge sharing across the organisation, all managers and specialists are participating in a coaching course which will continue into 2013.



FIGURE 4:
EMPLOYEE TURNOVER (%)



At their annual appraisal, our employees and their managers align their expectations and discuss any areas that may need improvement. These appraisals are also an opportunity to discuss company strategy and value basis. As a result of our employee survey, we have launched a general initiative to improve our annual appraisals. We intend to focus on constructive dialogue with specific objectives and action plans. This entails a higher degree of systematisation to allow more strategic work on employee skills development. This gives us a better chance to identify training needs. It will also allow for enhanced utilisation of special employee resources. The idea is that the appraisal form, which is used by managers and employees in the annual appraisals, is to be developed when a new staff administration system is implemented in Palsgaard companies in Denmark and in our subsidiaries. This will make it easier to identify mutual requirements.

A clear demonstration of our employees' satisfaction in their jobs at Palsgaard is the many anniversary medals we give. In 2012, we had a 'medal anniversary year' as medal no. 250 was issued. In 2012, we celebrated five people's 25th anniversaries and three people's 40th anniversaries. An employee anniversary is celebrated with a breakfast for the employee to which the employee's private guests, all employees and previous employees who have celebrated an anniversary with Palsgaard are invited.

The high level of employee satisfaction at Palsgaard clearly contributes to the fact that we continue to celebrate many anniversaries each year.

WORKPLACE RISK ASSESSMENT, WORKING ENVIRONMENT AND SAFETY

Palsgaard's working environment organisation consists of a working environment committee in both Palsgaard A/S and Nexus A/S. At Palsgaard A/S, we have also set up seven working environment groups. Our working environment organisation processes working environment issues related to day-to-day operations and handles workplace risk assessments as well as the recording and evaluation of industrial accidents and near-misses. These assessments form the basis of the identification of areas for improvement and setting up objectives for new initiatives re-

lated to the working environment. At the beginning of 2012, workplace risk assessments were carried out in all divisions of Palsgaard in Denmark. These assessments will be concluded in 2013.

New workplace instructions (APB) have been prepared in compliance with the CLP (Classification, Labelling and Packaging of Chemicals) Regulation which focuses on increased safety in the handling of chemicals. This Regulation forms part of EU legislation and is a general set rule (GHS – Globally Harmonised System), that the UN introduced in EU member countries.

In 2012, the Danish Working Environment Authority carried out a risk-based inspection of Palsgaard in Denmark which was extremely satisfactory.

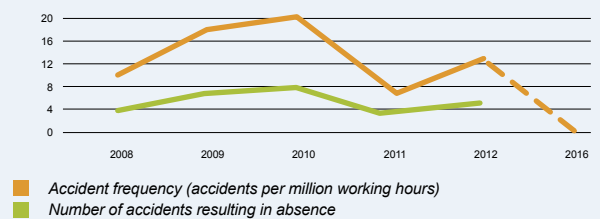
Our work on safety and the working environment has meant that Palsgaard had its green working environment smiley renewed.

In 2012, we recorded five industrial accidents that resulted in absence of one or more working days. This is the equivalent to an accident frequency of 14 per million working hours which is an increase compared to 2011. In 2013, our working environment organisation will continue to concentrate on the improvement of working routines and the development of our safety culture through high prioritisation of preventive action in our day-to-day activities.

PENSION SCHEME WITH PROFIT SHARING

To secure our employees financially after the end of their working lives, Palsgaard has offered a unique pension scheme with profit share for all its employees in Denmark since 1941. The profit-sharing element is established via the Palsgaard Foundation's Pension Savings Association. The employer and the member (the employee) agree that the member pays in 2.5 - 5% of his/her salary after which Palsgaard on the basis of our annual accounts pays in an equivalent amount multiplied by a contribution factor. This factor has in recent years been in the range of 0.9 to 1.8. The scheme was set up before state pensions were introduced in Denmark. In 1941, a scheme in which the employer and employee were privately able to make savings provisions had never been seen before. As far as we know, the Association is still the only one of its kind in Denmark.

FIGURE 5:
WORKING ENVIRONMENT



"PALSGAARD'S UNIQUE PENSION SCHEME CONTRIBUTES TO AN EXTRA STRONG FINANCIAL BASE FOR OUR EMPLOYEES' RETIREMENT. THIS SCHEME PLACES PALSGAARD FAR ABOVE THE AVERAGE IN TERMS OF SIMILAR BUSINESSES. THIS MEANS THAT IT IS A COMPANY THAT TAKES RESPONSIBILITY FOR ITS EMPLOYEES – EVEN AFTER THEY HAVE RETIRED."

Morten Jensen
Sales Manager, Nordea Liv & Pension

8

PALSGAARD MEXICO – AN EXAMPLE OF BROADLY BASED CSR WORK SO FAR



In 2012, a new solar cell system was installed which is capable of producing so much electricity that more than 85% of the factory's consumption is covered by it. Miguel Hidalgo, Managing Director of our Mexican subsidiary, explains:

"THIS SYSTEM WILL MINIMIZE THE NEED FOR EXTERNAL ENERGY SUPPLIES AND REDUCE CO₂ EMISSIONS INTO THE ATMOSPHERE WHEREBY OUR CARBON FOOTPRINT WILL BE SIGNIFICANTLY REDUCED."

This energy project will contribute to Palsgaard's overall aim to become CO₂-neutral by 2020. Our factory in Mexico is located in an area that enjoys a great deal of sunshine, and Hidalgo adds:

"MEXICO DOES NOT HAVE MANY SIMILAR SYSTEMS, AND WE WISH TO BE A GOOD EXAMPLE FOR OUR INDUSTRY."

*Miguel Hidalgo,
Managing Director, Palsgaard Industri de
Mexico S. de R.L. de C.V.*

Our Mexican subsidiary is a strong example of how our many social and environmental CSR initiatives are combined. The company is involved in a wide range of projects to benefit customers, employees, the local community and the environment.

"CLEAN INDUSTRY" CERTIFICATION

Being forward-thinking in the environmental arena has also meant that Palsgaard Mexico has won several awards for its CSR work. In 2009 and in 2011, the company was awarded the Industria Limpia Clean Industry certificate by the Mexican Federal Attorney of Environmental Protection. The award was given in recognition of the fact that we had, on our own initiative, introduced a number of activities to protect the environment. In 2012, we received support from the same organisation which dedicated a special certification to us in recognition of the company's compliance with the Mexican government's guidelines and contribution to and strengthening of the organisation's high environmental aims (Recognition Award).

CONTINUED STREAMLINING

"We are constantly looking at opportunities to find new technologies and systems to help us manufacture with the help of more efficient processes, and we continuously invest in new technologies," explains Hidalgo. This is something we apply in our efforts to reduce the use of water, electricity, waste water and refuse. We have optimised our facilities so to minimise the use of gas as much as possible and by that the CO₂ emissions. In a completely different area, we have also supported the replanting of 330 hectares of forest in the local community. Here in Mexico, we have areas where no running water is available. It has therefore been of great help to the local population that we have donated reusable plastic water storage drums. Among our other activities are the replacement of lightbulbs with more energy-saving light sources, the start-up of waste sorting and replacement of roof tiles with transparent tiles so that we are able to utilise daylight better which, in turn, reduces our electricity consumption.

OUR RELATIONSHIP WITH THE BAKERY INDUSTRY

Our initiatives are also being recognised by this industry. In 2010, Palsgaard Mexico was named Supplier of the Year by Grupo Bimbo which is the largest industrial bakery group in the world and is headquartered in Mexico City. Mr. Javier Gonzalez, Managing Director

of Bimbo, explains why Palsgaard was selected to receive this award: "With this award, Grupo Bimbo recognises Palsgaard as a supplier of quality products, a high level of technical service and a great capacity for innovation. By having been recognised as a Safe and Clean business, Palsgaard has shown commitment to environmental considerations and social responsibility". Our close partnership with Grupo Bimbo was further strengthened when Palsgaard received the Grupo Bimbo Certification as a Trustee Supplier in 2011.

OUR FOCUS ON THE EMPLOYEE

Employee satisfaction is very important to Palsgaard. Our Mexican employees are invited to participate in a Life Quality programme that focuses on each employee's personal development and family welfare. The company also offers personal insurance. Employees are able to attend professional and language courses to help them in their jobs. Such initiatives are by no means standard in Mexico. Our company in Mexico is therefore – as is the case with other Palsgaard companies offering similar employee initiatives adapted to local conditions – encouraging very long lengths of service among our employees.

Our employees get advice and training in safety and good health in the workplace. For these initiatives we were honored with a Safe Company Recognition from the Secretariat of Labour and Social Welfare. The award is given to companies that engage in formal prevention of industrial accidents and health and safety at work, and who at the same time prevent, reduce and control their impact on the environment.

FOCUS ON THE ENVIRONMENT AND CO₂ EMISSIONS

The environmental awareness of our employees is of great importance. Once a year our Mexican company arranges a training seminar for its employees on how to reduce CO₂ emissions. Topics are not just work-related, but also concern the home and the family. Hidalgo adds: "We teach our employees about responsibility and sustainability in such a way that they are able to convey this information to their surroundings, neighbours and local community. This means that we can all contribute to creating a culture that shows responsibility towards the environment."



RECOGNISED COMMITMENT

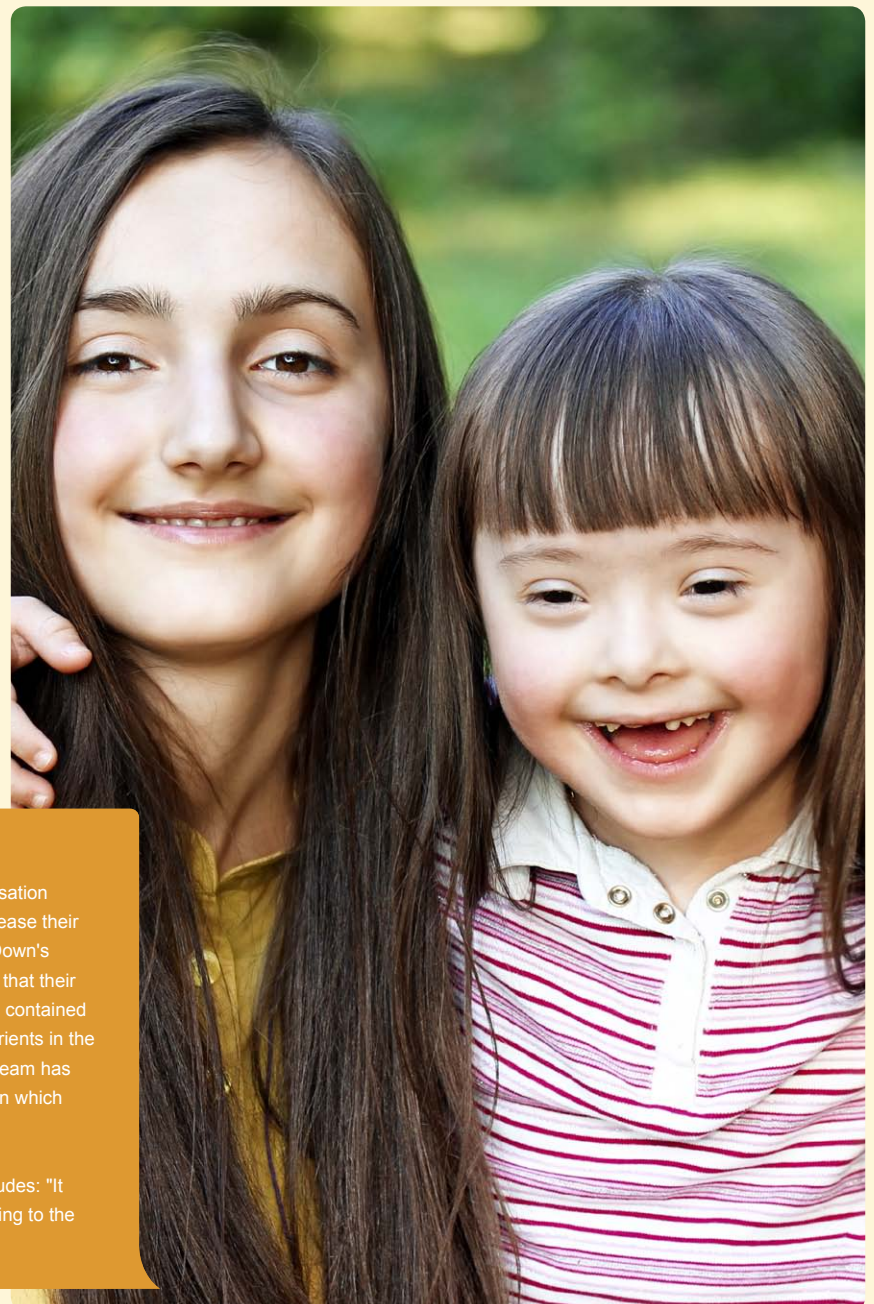
Palsgaard Mexico has received several awards for its wide-ranging CSR work on both the environment and for its employees. See the text on the left.



SPECIAL NUTRITION

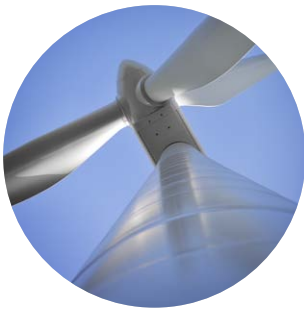
Palsgaard Mexico has partnered with CTUCA, an organisation working on helping children with Down's Syndrome to increase their learning abilities. Research has shown that children with Down's Syndrome are often allergic to dairy products. This means that their ability to digest a sufficient quantity of the special nutrients contained in dairy products, which contribute to the absorption of nutrients in the central nervous system, is limited. Our Mexican research team has developed a milk substitute which is based on whey protein which contains these very important nutrients.

The project has shown positive results, and Hidalgo concludes: "It is our belief that we must all commit ourselves to contributing to the sustainable development of our society."



9

PRODUCTION AND ENVIRONMENT



WE HAVE ELECTED TO PURCHASE ENVIRONMENTALLY FRIENDLY ELECTRICITY FROM A NUMBER OF SPECIFIED AND CERTIFIED DANISH WIND TURBINES. WITH THIS PURCHASE OF ENVIRONMENTALLY FRIENDLY ELECTRICITY, THE TOTAL ELECTRICITY CONSUMPTION OF PALSGAARD'S FACILITIES IN DENMARK HAS BECOME CO₂-NEUTRAL.

The location of Palsgaard's headquarters in the middle of an area of great natural beauty gives us a special incentive to protect the local area and reminds us every day that production must go hand in hand with sustainability. We have expressed our commitment to the environment in a written policy – our Environmental Policy which obligates us to run our business in a responsible way and to ensure that our impact on the environment is continually reduced and that our areas of natural beauty are preserved and, if possible, expanded. The aim is to preserve the natural condition and beauty of these areas.

Palsgaard has prepared 'green accounts' since 1996, and these have mainly involved the environmental issues included in our environmental approvals and the requirements of green accounts. In conjunction with the development of Palsgaard's CSR strategy (see Section 5), we have evaluated the environmental issues that we ourselves and our stakeholders believe to be important for the company. These issues and their links to our production processes are described below.

PROCESSES

Palsgaard A/S' most important production processes can be illustrated as shown in the chart in Figure 6. The material and resource streams have been calculated per kilo of finished product.

ENERGY AND CLIMATE

Palsgaard has set itself the aim of becoming CO₂-neutral by 2020. This neutrality is to be achieved through suitable projects and initiatives that are regarded as valid and appropriate by both the company and its stakeholders. We believe that the most sensible solution is first and foremost to focus on reducing our energy consumption to a minimum after which the remaining CO₂ emissions will be neutralised by other means. We have therefore set ourselves the target of reducing our energy consumption per kilo of finished product to 1.05 kWh per kilo of finished product.

In the period up to 2012, we chose to purchase environmentally friendly electricity from a number of unspecified Danish wind turbines which are certified for the supply of such electricity. By purchasing environmentally friendly electricity, Palsgaard ensures that all its facilities in Denmark become CO₂-neutral. On 1 January 2012, we signed an agreement with Energi Danmark, and in 2012 we only purchased electricity from specified and certified wind turbines. This ensures that for the amount of electricity Palsgaard consumes, the equivalent amount of electricity is produced from wind energy on named wind turbines.

Palsgaard has for many years had a tradition for optimising and streamlining its production processes in such a way that financials, quality and environment go hand in hand. In 2005, we built one of the largest privately owned straw-burning plants in Denmark. This meant that we replaced fuel oil with straw from our own fields as a renewable energy source for heating the entire business and thereby saved 1,900 tonnes of CO₂ per year. In 2009, we made the decision to invest in projects with the aim of further reducing our energy consumption and minimising the impact of our activities on the climate. These projects are expected to reduce our annual energy consumption by approx. 1.2 million kWh.

As part of our on-going work on energy-reducing and CO₂-saving projects, we have decided to look into whether setting up a biofuel plant would be technically possible and financially attractive. The overwhelming part of our energy consumption is currently covered by natural gas, and the first stage of the new project will be to clarify the benefits that setting up a biofuel plant may bring. We anticipate that we will complete this research in 2013.

By continuously optimising of our plants, including installing new, contemporary and energy-friendly cooling towers, new controls on cooling compressors and the replacement of cooling circuits in the factory, we have achieved significant savings on our electricity consumption. In 2012, we also completed a number of major insulation projects in several areas of the factory, just as we installed more energy-efficient lighting which includes replacements with LED tubes contributing to a further reduction of our electricity usage.

In the office buildings, some old, inefficient double glazing has been replaced by energy panes which, in addition to energy savings, has resulted in an improved indoor climate in the affected areas.

At the end of 2009, we changed the energy source for all our boilers – both steam boilers and heat-oil boilers – to natural gas. We see a very positive effect of this change when we compare our present energy consumption with previous years. In 2012, we used 1.17 kWh per kilo of finished product compared to 1.36 kWh in 2008. Natural gas has CO₂ emissions that are 20% lower than fuel oil. At the same time, the local impact of sulphur dioxide and nitrogen oxide on the environment has been significantly reduced, and we now are able to avoid more than 100 annual oil supply deliveries by tanker.

9



PALSGAARD ESTATE MANAGES 540 HECTARES OF AGRICULTURAL LAND IN DENMARK WHERE WE GROW WHEAT, MALT BARLEY, RAPE AND GRASS. OUR AGRICULTURE IS BASED AS MUCH AS POSSIBLE ON PRINCIPLES ENSURING A LONG-TERM PRODUCTION WITH MODERN MACHINERY AND THE BEST OPPORTUNITIES TO TAKE NATURE, THE ENVIRONMENT AND EMPLOYEES INTO ACCOUNT.

In August 2012, a fire started on one of Palsgaard's production lines in Denmark. The fire was very intense, but was put out after only a few minutes. No one was injured, but the affected production plant was damaged as were parts of the building near the fire. This has resulted in an increased amount of chemical waste in the form of waste oil and scrap iron.

Because of the fire, we have had to reorganise parts of our production temporarily to more energy-intensive processes. The anticipated effect of our energy-saving initiatives will therefore not be visible in our overall energy accounts for 2012.

UTILISATION OF RAW MATERIALS AND DERIVATIVE PRODUCTS

At Palsgaard the yield on our raw materials is well over 90%. We work continuously to increase our raw material utilisation rate which, in turn, helps to reduce our total use of resources. One example of this is that, in planning our production, we strive to reduce the number of product changes. This work has meant that we have implemented changes in our production processes to ensure enhanced utilisation of raw materials.

Palsgaard has very small amounts of actual production waste. In 2012, we developed a system for the internal recording and labelling of all types of derivative products. This means that we are able to work with defined initiatives in a very targeted way to reduce the amount of derivative products. This also ensures that products are sorted effectively which, in turn, optimises our ability to sell them. The majority of our derivative products are suitable for animal feed and are therefore sold to specialist companies who process these derivative products into feed mixes. A minor part of the derivative products is sold and used for biogas.

It is our aim to improve our utilisation of raw materials so that by 2015 we will only need to use 1.04 kilos of raw materials to produce 1 kilo of finished product. The quantity of derivative products can be seen in the data summary in Section 13.

PACKAGING

Palsgaard's packaging volumes are generally small and constitute less than 1.5% of the overall weight of our products. It is our aim to recycle 90% of our raw material packaging by 2015, and we are continuously working to reduce packaging volumes – both for in- and outbound products. Our cardboard, plastic and paper packaging waste is sorted by source. Transport pallets are sold for reuse, and external specialist companies handle the majority of our packaging waste for the purpose of recycling it.

WASTE HANDLING

In 2011, the Municipality of Hedensted carried out a waste inspection of Palsgaard. All the company's waste sections were reviewed to ensure that waste handling was carried out in compliance with current regulations. The inspection went very satisfactorily, and the only remark was a requirement that our office and administration should increase their work on the sorting of cardboard and paper. We have worked continuously on sorting waste in 2012 and have established a new central waste sorting site at Palsgaard DK. We are also continuing work to reduce waste and optimise sorting by section.

ENVIRONMENTAL CONDITIONS, WATER AND WASTE WATER

Waste water from Palsgaard's production mainly comes from the cleaning of containers and pipes and contains vegetable oil and fat as well as phosphorus and nitrogen. Our waste water is treated in our own pre-treatment plant before it is led out into the municipal waste water system. Palsgaard's pre-treatment plant removes the majority of fats, oil, protein, phosphorus and nitrogen.

In 2011, we started to investigate setting up a vegetation filter using willows which are able to clean the waste water and thereby reduce emissions into the municipal treatment plant to a minimum. In 2012, this project was approved by the authorities, and in 2013 we will decide if we will implement these plans.

FIGURE 7: CO₂ EMISSIONS PER KG FINISHED PRODUCT (KILO)

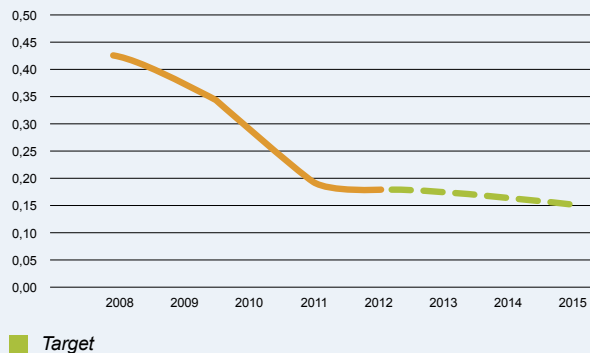
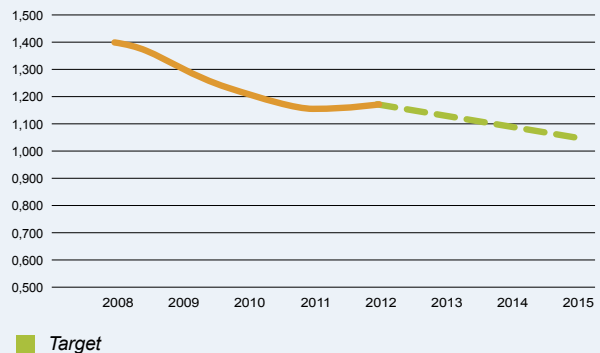


FIGURE 8: ENERGY USAGE PER KG FINISHED PRODUCT (kWh)



The way we measure our use of water now includes all Palsgaard production companies. This has, of course, resulted in an increase in the total recorded amount. Likewise, volumes of waste water from Palsgaard also rose in 2012. This is mainly due to the rinsing of a water reservoir and a defective cooling tower which has occasioned increased use of water for cooling. The cooling tower was replaced at the end of 2012. This replacement has also reduced noise level for the benefit of our employees and the local community.

We have chosen to focus on the reduction of waste water volumes through activities which are planned to be implemented over the coming years to reach our strategic target of reducing volumes to 1 litre per kilo finished product by 2015.

This reduction is achieved by producing larger batches, reducing vacuum pump water consumption and using automatic shut-off vales on all water hoses.

ENVIRONMENTAL CONDITIONS IN OUR FACILITIES ABROAD

Palsgaard's production at its emulsifier factory in the Netherlands is managed with the help of an environmental management system that ensures that important environmental issues are assessed annually and prioritised systematically with a view to setting targets and reducing risk. The most important areas of initiative are the reduction of energy and water consumption, waste recycling and noise reduction. In recent years, Palsgaard Netherlands B.V. has e.g. completed a number of projects whose overall aim is to reduce energy usage. A large compressor was replaced by two smaller ones in 2012 so that one or both compressors can be used as required. This investment has resulted in significant savings on energy.

In Singapore, we introduced initiatives to reduce the use of paper and increase the recycling of paper waste. Local sales agents have also helped us in a campaign to increase recycling.

In Mexico, Palsgaard has carried out a number of activities in recent years. These are described in Palsgaard Mexico, last part of Chapter 8, Our Employees.

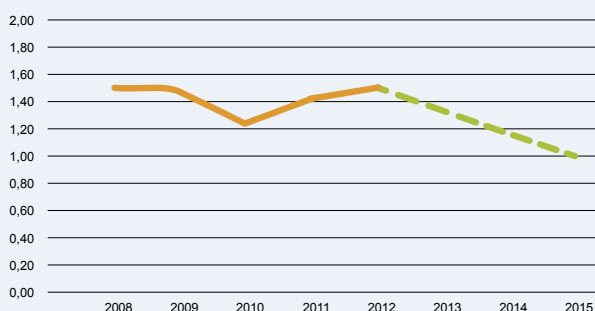
FORESTRY AND AGRICULTURE

Palsgaard owns 2,670 hectares of forest in Denmark and Latvia. The Danish forests are PEFC-certified (Programme for the Endorsement of Forest Certification). This certification means that the forests are managed on sustainable principles. Our certification is regularly audited to ensure "that the forests are managed with high levels of forestry and administrative expertise, including sustainable principles in terms of financials, consideration for the environment and recreational conditions" which is required by our PEFC certification.

Palsgaard Estate manages 540 hectares of agricultural land in Denmark on which wheat, malt barley, rape and grass are grown. Our agriculture is based as much as possible on principles to ensure a long-term production with modern machinery and the best opportunities to take nature, the environment and employees into account. At the same time, we wish to ensure a long-term approach that is financially viable. We have e.g. invested in tractors equipped with Intelligent Power Management which ensures optimum fuel utilisation. These tractors can be controlled by GPS satellite which has reduced our use of seed, fertiliser and plant protection agents by 10-15%. New engine technology reduces the emission of NO_x (nitrogen) during operation. The working environment for the driver of the tractor has been improved as state-of-the-art and user-friendly driving and operational features have been installed on the equipment in the new tractors.

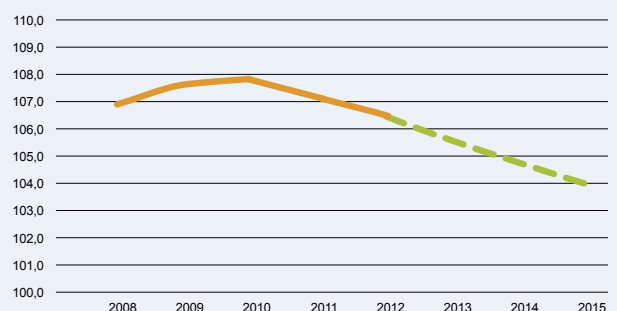


FIGURE 9:
WASTE WATER EMISSION PER KG
FINISHED PRODUCT (LITER)



■ Target

FIGURE 10:
RAW MATERIAL USAGE PER 100 KG
FINISHED PRODUCT (KG)



■ Target



A HISTORIC PART OF PALSGAARD IS THE MANOR WHICH IS USED ON SPECIAL OCCASIONS AND FOR BUSINESS PURPOSES. THE MANOR PARK IS OPEN TO THE PUBLIC AND IS OFTEN USED BY LOCAL INSTITUTIONS AND ORGANISATIONS.



Video conferencing reduces the need for travel



10

SALES AND LOGISTICS

Palsgaard continuously develops its activities with customers and partners from a global perspective. This often presents challenges in maintaining our network of contacts without resorting to extensive travelling. Our sales and logistics solutions are therefore of great significance to the overall CSR profile of our products. We are in continuous dialogue with our customers and partners about how we ensure long-term and sustainable partnerships and how we ensure, through our warehousing and transport solutions, that our products reach our customers on time while CSR is still prioritised.

MARKETING

It is very important to our sales that our customers are fully aware of the properties and options that Palsgaard's food ingredients can offer them. As described in Section 6 on innovation, our product development often takes place in close collaboration with our customers at our application facilities in order to ensure that our products create the greatest possible value. Our application facilities also work as demonstration laboratories where existing and potential customers are able to test our food ingredients in their own products. The geographical spread of the laboratories reduces travelling distances and thereby our impact on the climate.

Palsgaard's primary market contact is handled by our own sales team and by a number of external sales agents, covering 108 countries on all continents. This personal contact is supplemented by brochures and technical articles which can be downloaded from our website or obtained in printed versions. In order to save on resources for printing, we try to refer to our website as much as possible, but it is sometimes necessary to distribute printed brochures during customer visits and at trade fairs and seminars. To minimise the environmental impact of printing, we have chosen to have all the brochures that are produced in Denmark environmentally certified with the Nordic Swan Mark. These brochures make up approx. 95% of our total printing.

Palsgaard's marketing materials include results of product tests, and it has always been a principle of ours to provide objective information. Guidelines for this were formalised at the beginning of 2012.

Our user-friendly website, www.palsgaard.com, includes information about the company, and the site includes a CSR section where customers and other stakeholders are able to read about our CSR activities and download CSR reports.

DIALOGUE WITH CUSTOMERS AND PARTNERS

The distance between Palsgaard's headquarters and our global markets inevitably involves travelling for our employees, customers, subsidiaries and agents. As our expertise lies in our close dialogue with customers about products and production, we run a number of application laboratories with local specialists in Denmark, Mexico, Singapore and China. The combination of local laboratories and our many subsidiaries and sales entities all over the world means a reduced need for our business contacts to travel to Denmark. We also make good use of video conferencing equipment in our organisation to ensure efficient contact and further reduction of travel activities to subsidiaries and customers abroad.

IT

Our current IT platform has been designed for use in Denmark and is not suitable for our foreign subsidiaries. Neither is the platform future-proof. We have therefore decided to replace our ERP system in order to improve information levels and increase our sharing of information and knowledge with all our subsidiaries abroad. This will strengthen our ability to optimise the logistics involved in product deliveries to customers as well as give us greater clarity in how we use our raw materials. We expect that this optimisation and tighter logistics management will mean fewer transport miles for our products. The system will also include an enhanced user interface to make it easier for our employees to access required information.

TRANSPORT

As Palsgaard's influence and options for action in the area of transport are limited, we have decided not to set strategic CSR targets for ourselves in this area. The vast majority of our products are delivered door-to-door by external carriers while some customers elect to pick up their products them-

selves. Products from Denmark to the rest of Europe are transported on trucks while overseas deliveries take place by ship from Northern European ports. For financial, logistical and environmental reasons, we strive to optimise packaging formats and volumes transported so that the capacity of these ships is utilised as efficiently as possible.



OUR NEW FACTORY IN MALAYSIA WILL REDUCE THE NEED FOR TRANSPORTING OUR PRODUCTS OVER LONG DISTANCES. THIS REDUCTION IN TRANSPORT REQUIREMENTS WILL PARTICULARLY APPLY TO PALM OIL-BASED RAW MATERIALS WHICH OFTEN ORIGINATE IN ASIA AND WHICH ARE IMPORTANT INGREDIENTS IN PALSGAARD'S PRODUCT RANGE.

THE NEW PRODUCTION FACILITIES WILL REDUCE THE IMPACT ON THE ENVIRONMENT THAT IS CAUSED BY TRANSPORTING FINISHED PRODUCTS FROM DENMARK TO THE GROWING ASIAN MARKET.

11

PRODUCT APPLICATION

Palsgaard's emulsifiers and stabilizers have mainly been developed for use in foods such as bakery products, dairy products, chocolate, ice cream, margarine products, mayonnaise, dressings etc. The purpose of our products is to give food the required consistency and to ensure stability and shelf life while taking into account consumer requirements for specialist foods, e.g. foods with reduced calorie content. Our products are also used to support special production processes that our customers may have to enable food processing to be carried out more gently or at lower temperatures.

It is vital to us that our products give food the required properties without in any way posing a health risk to our end consumers. This is why we are continuously working to improve food safety, our products' nutritional properties and the overall quality of foods by incorporating our products.

FOOD SAFETY

For many years, Palsgaard has managed food safety by using our HACCP system (Hazard Analysis and Critical Control Points) in compliance with the requirements contained in EU Regulation 852/2004.

In order to strengthen our food safety management system further, we are also certified to ISO 22000. Since 1996, our quality management system has been certified according to ISO 9001. In addition to our ISO 22000 certification which contains requirements for management system, method and control, we chose to set ourselves more stringent standards by certifying Palsgaard according to FSSC 22000, which includes the technical specification ISO/TS 22002-1. This sets out specific requirements for the basic programmes that form part of our food safety control.

For our FSSC 22000 certification we expanded our number of specific food safety goals, and the results are continuously monitored by our management. We have established a permanent organisation across the company tasked with ensuring efficient communication routes via our Food Safety Team and working groups so that changes and new requirements from authorities and customers are continuously aligned and managed. At the same time, we ensure systematic analysis of risk and systematic management of

food safety in all parts of the chain – from the purchase of raw materials to the delivery of the finished products to our customers.

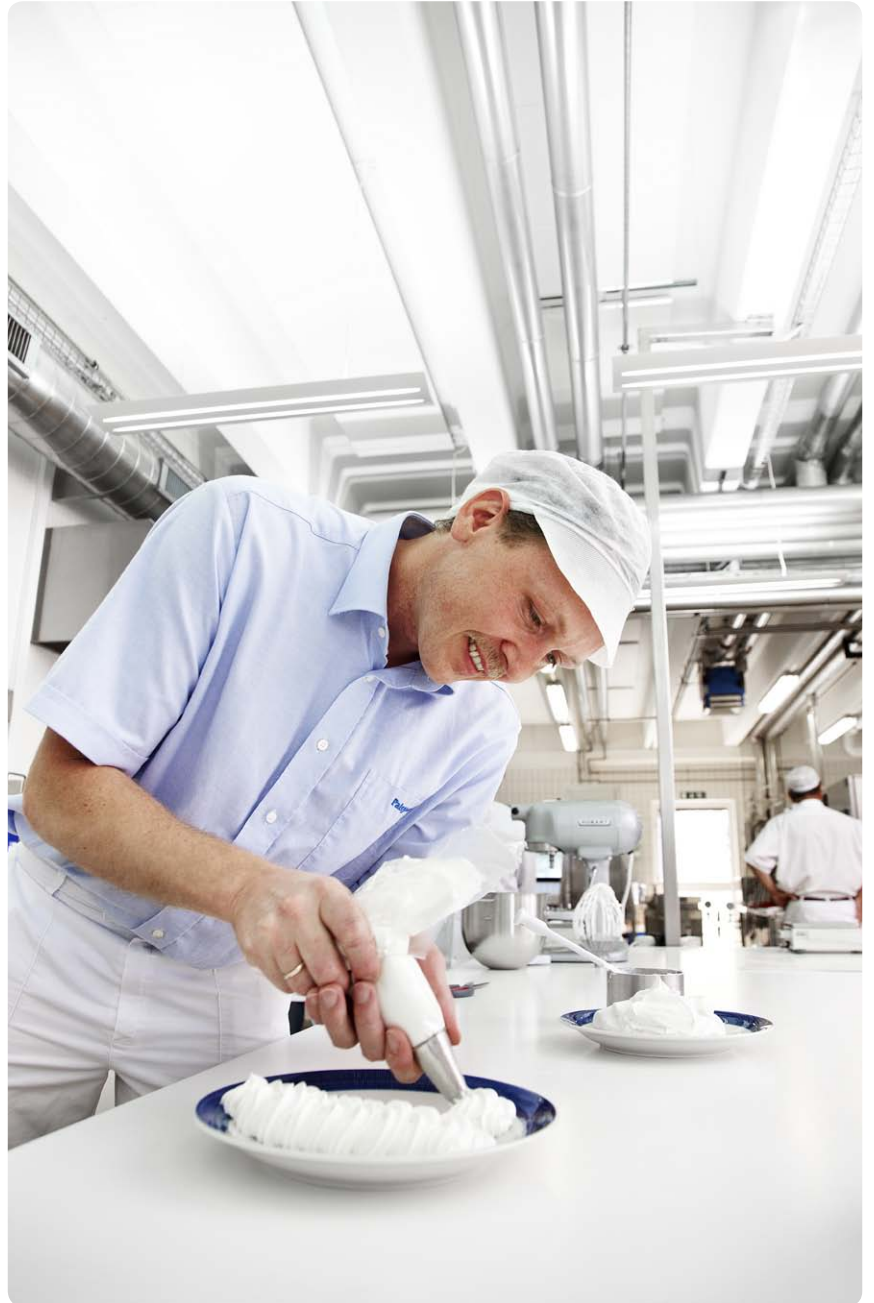
Standards are applied throughout the food chain and certification allows us to deliver food ingredients to national and international customers who require that we comply with these standards.

Our belief is that all our manufacturing subsidiaries should be FSSC 22000-certified, and we are continuously working to achieve this.

IMPROVING THE HEALTH PROFILE OF FOOD PRODUCTS

Many consumers have a generally sceptical attitude to food additives – the so-called E numbers. At Palsgaard we see that our food ingredients have a positive role to play in areas such as the reduction of obesity and food waste, and we believe that the debate about food ingredients should be more nuanced.

At Palsgaard we continuously seek to adapt our product range to match the latest know how about the impact of food products on consumer health and well-being. It is all about making improvements to the nutritional profile of food possible while avoiding unwanted ingredients in our products. We therefore concentrate on developing products which support the production of food with a low fat content and improved fatty acid composition and which reduce the content of trans fatty acids in our own products.



11



"E NUMBERS GIVE CONSUMERS SECURITY THAT THE SUBSTANCES USED HAVE BEEN ASSESSED AND APPROVED FOR FOOD BY DANISH AND EUROPEAN EXPERTS AND GIVES E.G. CONSUMERS WITH ALLERGIES TO CERTAIN SUBSTANCES DETAILED INFORMATION ABOUT WHAT A PARTICULAR FOOD PRODUCT CONTAINS."

Henrik Høegh
Former Food Minister for the Danish Liberal Party (V)
Source: Press release from the Danish Ministry of Food, 8 June 2011.

INGREDIENTS FOR FAT-REDUCED FOODS

As a response to the increasing awareness that consumers have about the fat content of food, Palsgaard has spent many years developing products that contribute to retaining the consistency, taste and shelf life of fat-reduced foods. This includes foods such as margarine, mayonnaise, cream, ice cream and chocolate.

Saturated and unsaturated fat in foods

Healthier products also mean increased focus on the level of saturated fat in foods. This is mainly for health reasons as saturated fats are linked to an increased risk of coronary heart disease. A higher content of unsaturated fat creates a healthier profile than for traditional fat.

Fat is a key ingredient in ice cream as this is what gives the ice cream the creamy, soft structure that consumers demand of ice cream. Because of their functional properties, coconut oil or partially hardened palmseed oil is often used as a fat source, but unfortunately these fats have a very high content of saturated fat. All other things being equal, the structure and creaminess of the ice cream will be poorer when a less saturated – i.e. healthier – fat is used. Palsgaard has developed emulsifier/stabilizer compounds which can contribute to shaping the structure of the ice cream so that it still has the right mouth feel and has the right melting properties as well as the storage stability that ice cream manufacturers and consumers require. (Figure 11)

Margarine with reduced fat content

In the area of margarine, Palsgaard has developed solutions that make it possible to reduce the fat content considerably. Puff pastry margarine, which is used in bakery products such as croissants, Danish pastries and puff pastry, often has a high fat content – 80%. In this area, Palsgaard has developed an emulsifier, which makes it possible to reduce the fat content of margarine to 50% – without affecting the functional properties of the product. For table margarine (spreads), Palsgaard has developed an emulsifier concept that makes it possible to produce spreads with a fat content of just 10%, but with the same mouth feel and stability as a traditional product with a significantly

higher content of fat. To ensure success with our customers, our technicians provide advice on process optimisation and recipe development.

Our products are also able to help manufacturers in their production of healthier confectionery products.

Saturated/unsaturated fat in chocolate

For the same health-related reasons, the confectionery industry has also focused on using healthier and more unsaturated fats. When an increased amount of unsaturated fats is used, the product becomes more difficult to work with during the production process as unsaturated fat crystallises much slower when cooled. The result is a longer production process and increased energy consumption. By using Palsgaard's crystal-promoting products, which are added in small amounts, the crystallisation process is accelerated and stabilised and processing time and energy consumption are thus reduced.

Chocolate with reduced fat

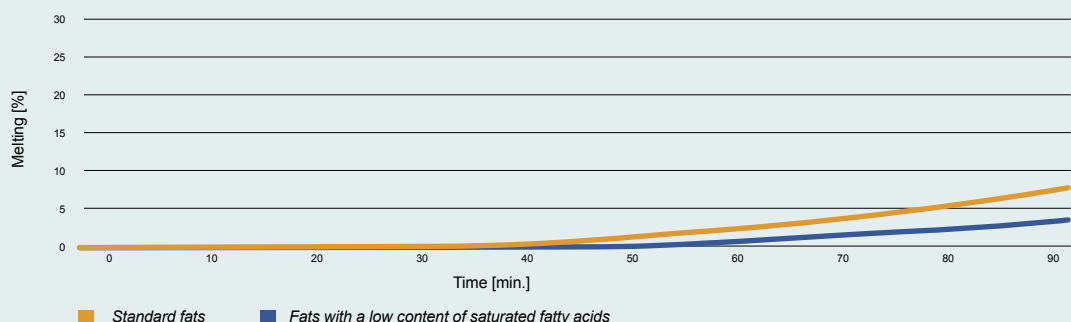
When creating fat reductions in confectionery products, we have mainly focused on the reduction of the calorie content by reducing the total fat content and adding sugar substitutes. For the manufacturer, fat reduction causes problems during processing as a reduced fat content increases the viscosity of the chocolate and makes it difficult and very energy-intensive to complete production. Adding Palsgaard® AMP and Palsgaard® PGPR emulsifiers eliminates the production problem. Through our development work, we have succeeded in creating production-stable chocolate where the fat content has been reduced by up to 40% while the use of energy in the production process remains the same.

TRANS FREE EMULSIFIERS

Since the 1990s, we have known that trans fats (see text about What is Trans Fat? on page 32) may have a negative effect on health. We recognise that there may be a link between trans fat and health, and it is partly the industry's responsibility to find a solution to this. That is why we are continuously working to develop emulsifiers with reduced trans fatty acid content without compromising on the functionality of the emul-

FIGURE 11:
MELT DOWN OF
ICE CREAM

THE MELT DOWN OF ICE CREAM PRODUCED WITH STANDARD FATS AND FATS WITH A LOW CONTENT OF SATURATED FATTY ACIDS. BY ADAPTING THE E/S SOLUTION, THE GOOD MELTING PROPERTIES OF THE ICE CREAM CAN BE RETAINED DESPITE THE CHANGE OF FAT





FOOD CONSISTENCY IS AN IMPORTANT FACTOR IN THE PRODUCTION OF HEALTHIER PRODUCTS AND IN REDUCING THE ENVIRONMENTAL IMPACT OF THE PRODUCTION.



11



"NUTRITIONAL ADVICE WITH A VIEW TO REDUCING THE RISK OF ISCHAEMIC* HEART DISEASE SHOULD FOLLOW EXISTING GUIDELINES FOR NUTRITIONAL FAT CONTENT AS CONTAINED IN THE RECOMMENDATIONS OF THE NOW DEFUNCT DANISH NUTRITIONAL COUNCIL. THIS MEANS THAT THE INTAKE OF SATURATED FAT SHOULD BE LIMITED TO A MAXIMUM OF 10% OF THE CALORIE INTAKE. A REDUCTION OF THE INTAKE OF SATURATED FATS SHOULD, HOWEVER, NOT BE REPLACED BY AN INCREASED INTAKE OF REFINED CARBOHYDRATES, BUT BY POLYUNSATURATED FAT BALANCED BY N-6 AND N-3 AND WHOLEMEAL PRODUCTS. A REDUCED INTAKE OF FAT OVERALL IS AN IMPORTANT ELEMENT IN CALORIE-REDUCED NUTRITION."

*reduced oxygen supply to the heart muscle (ed.)

Statement

By Jørn Dyerberg, Steen Stender and Arne V. Astrup:



WHAT IS TRANS FAT?

With the partial hardening of oils, the molecular structure in natural/vegetable oils and fats can be converted from their cis form to their trans form, and thereby trans fat is created. Many scientific studies have found that trans fats can increase cholesterol levels in the blood and thereby contribute to hardening of the arteries with an increased risk of blood clots in the heart. This is why health authorities in many countries generally recommend a reduction in the intake of trans fats.

sifiers. The majority of Palsgaard's emulsifiers thus have a trans fatty acid content of less than 1%. These emulsifiers can contribute to the development and production of foods with a reduced content of trans fatty acids. This is done without compromising on the sensory quality and shelf life of the finished food product.

E NUMBERS

The majority of Palsgaard's food ingredients are additives, and the products therefore include one or more E numbers, which are part of an internationally recognised classification system for food and drinks additives. The classification with an E number ensures that the ingredient in question complies with identity and purity requirements on which a scientific toxicological assessment of the ingredient as part of a standard food is based.

Palsgaard's ingredients are more or less exclusively based on vegetable raw materials and other natural components. The products are used to improve and/or secure the structures and stabilities of food in modern food production without aiming to confuse the consumer as to the characteristics of the food. Through our participation in interest groups and industry organisations (see Section 5), we want to carry on a nuanced dialogue with decision-makers and consumer organisations about this subject.

In order to meet consumer demand for fewer E numbers, Palsgaard has developed a range of stabilizers for ice cream which combines the properties of several ingredients so that the ice cream only needs one or two E numbers to meet demands for consistency, shelf life and resistance to temperature fluctuations.

REDUCTION OF FOOD WASTE

The volumes of food ending up as waste instead of being eaten are of increased concern to the general public – and not without reason. Surveys show that the percentage of food that ends up as waste throughout the production chain and with consumers is 30-50% which is inexpedient in terms of the environment, society and economics. The subject of food waste was debated at the Transforming Food Waste into a Resource Conference at the EU Parliament at the end of 2010 where one of the results was a proposal for a global reduction of food waste by at least 50% by 2025 and to make this one of the UN's Development Aims for this century.

At Palsgaard, we believe that we contribute positively to this agenda because our emulsifiers and stabilizers mean increased food shelf life and longer freshness. As described in Section 9, we have achieved a high rate of utilisation of our raw materials and have identified recycling options for our production waste.



TECHNICAL APPLICATIONS

Palsgaard's products are also used outside the food industry where our vegetable-based emulsifiers are capable of replacing petrochemical products in traditional technical/chemical applications. Our emulsifiers are used in technical applications in a number of other contexts where emulsifiers or suspensions are formed.

Palsgaard's products are used in e.g. skincare and cosmetics products and in products where cosmetics producers wish to use natural plant ingredients or avoid certain chemicals which can be replaced by our products.

The polymer and plastics industry is a growth area where manufacturers are researching product development which is essential for reducing CO₂ emissions in the value chain and the products themselves. In the area of emulsifiers that have been certified for food packaging, Palsgaard is now able to offer emulsifiers based on vegetable oils which may e.g. be based on RSPO-certified palm oil. The functionality of emulsifiers in plastic packaging is to prevent dust formation (anti-static agents) and fog formation (anti fogging agents).

In 2012, in partnership with a group of stakeholders, Palsgaard commenced a four-year project in the area of surface treatment and paints. The purpose of the project is to develop wood protection agents and paints based on natural raw materials. The project was organ-

ised under the auspices of HøjteknologiFondet in Denmark who are also supporting the project financially. The general aim of the project is to develop coating and paint which, through the correct choice of raw materials, provides the best protection of outdoor woodwork and at the same time has the lowest impact on the environment. Palsgaard's task in this work is to develop emulsifiers based on vegetable oils. If the project succeeds, it will mean a reduced impact on the environment of wood protection agents in the future.





The coastal path was initiated by Her Royal Highness, crown Princess Mary

PALSGAARD OWNS HOLIDAY HOME PLOTS IN A VERY ATTRACTIVE AREA WITH DIRECT ACCESS TO THE BEACH. TWO LARGE PLOTS HAVE TWO SCOUT CABINS WHICH ARE USED BY DANISH SCOUT ORGANISATIONS. THE PLOTS ARE USED RENT-FREE BY THE DANISH SCOUT ORGANISATIONS WHICH ORGANISE SUMMER CAMPS AND SIMILAR EVENTS ON SITE. RATHER THAN SELL OR LEASE THE PLOTS, WE HAVE CHOSEN TO SUPPORT THE SCOUTS TO PROMOTE YOUTH WORK.



12

CONTRIBUTION
TO SOCIETY

In addition to contributing to society, e.g. through the properties and value our products add to foods and through the jobs we create, we add direct value to society in the form of donations, maintenance and preservation of areas of natural beauty and tax contributions. Social commitment is based on our mission to create a workplace with motivated employees who work together in harmony. We also need to ensure that our employees are proud of working at Palsgaard, that they thrive in their surroundings and that they want to make a visible difference. We hope that our commitment to local communities contributes to a positive relationship with our neighbours and local authorities and that it promotes health and skills development, in the local communities.

COMMITMENT TO LOCAL COMMUNITY

Palsgaard Estate has a 100-year-old tradition for engaging in the local community that we are part of. Over the years, Palsgaard and the Schou Foundation have contributed to the local community in the form of facilities for the benefit of the inhabitants of the area. One of the most important is access to the Manor library, donation of the church in Juelsminde, donation of 16.5 hectares of land for Hellebjerg Sports and Youth College and the establishment of a golf course.

To relieve the pressure of heavy traffic that has been inconvenient to the surrounding residential area, we have worked on getting an alternative public bypass built to take heavy traffic around the area. This work has resulted in a partnership with the Municipality of Hedensted. Palsgaard has donated an area to the municipality which has built the road.

Palsgaard has kept up the tradition of contributing and supporting the local community financially as well supporting local sports and leisure activities. We have contributed a range of facilities and activities. A selected few are described below.

Palsgaard has a defibrillator which is located outdoors so that anyone in the area can use it – even outside company office hours. All residents in the local area, associations and schools have been invited to a briefing meeting to inform them about the use of the defibrillator.

PART OF THE LOCAL FIRE BRIGADE

For 10 years, Palsgaard has successfully formed part of the local fire brigade in Juelsminde. The special scheme between (the fire department in Vejle), the Municipality of Hedensted and Palsgaard means that trained fire fighters working at Palsgaard are available during daylight hours. The scheme means reduced emergency response times for the fire brigade as both fire truck and fire brigade are in the same area. This helps to save lives and to streamline emergency fire rescue efforts.

Chairman Birger Brix says that although the company incurs salary costs with this scheme, Palsgaard will lead the way and show other companies in Denmark how to contribute in the same way to their respective municipalities. It also adds an element of security for the company to have its own fire brigade on its premises.

We are happy to support local school activities, e.g. with school visits to the company or presentations at schools about educational options.

For example, we participate in natural science projects with a local independent boarding school. In the subject of organic chemistry, pupils from Year 10 have prepared a visit to Palsgaard and, in partnership with our specialists, have tried to convert theory into practice at Palsgaard's application laboratories. In this way, we share our expertise with pupils while disseminating knowledge about emulsifiers.

In partnership with local authorities, we give people trial periods, flexi jobs and work placements. In 2012, we helped five people into flexi jobs and three young people into work placements. We also had three students in further education who completed part of their training at Palsgaard. In research and development, we have had both Danish and foreign university students working on projects with Nexus (see also Scetion 6).



IN 2012, PALSGAARD RECEIVED AN ENVIRONMENTAL AWARD FROM THE DANISH LIBERAL PARTY (V) PRESENTED BY PREVIOUS MINISTER TROELS LUND POULSEN. THE BASIS FOR THE AWARD WAS PALSGAARD'S LONG COMMITMENT TO THE LOCAL COMMUNITY – MOST RECENTLY REFLECTED IN OUR PARTICIPATION IN THE CONSTRUCTION OF THE COASTAL PATH. THE COASTAL PATH IS A 22-KILOMETRE-LONG ROUTE FROM JUELSMINDE TO HORSSENS WHICH HAS BEEN ESTABLISHED IN A PARTNERSHIP BETWEEN THE MUNICIPALITY OF HEDENSTED AND THE LAND OWNERS INVOLVED.

12



"A VERY SPECIAL THANK YOU IS DUE TO PALSGAARD A/S AND THE SCHOU FUNDATION WITHOUT WHOSE GOODWILL IT WOULD NOT HAVE BEEN POSSIBLE TO STAGE MISS SAIGON. THEY PROVIDE US WITH THIS PERFECT FRAMEWORK, AND THEIR SUPPORT CREATES EXACTLY THE CALM AND ATTRACTIVE ATMOSPHERE THAT WE NEED TO BE ABLE TO STAGE OUR SUMMER PLAYS HERE IN THE PARK. THESE UNIQUE FACILITIES AROUND GUDRUN SCHOU'S OPEN AIR STAGE AND THE HELP WE GET ARE JUST UNRIVALLED."

Finn Sonnich Andersen,

Every summer, the independent amateur dramatics society Palsgaard Sommerspil stages plays for local residents and anyone else who may be interested. The society has more than 350 members, and in 2012 it celebrated its 40th anniversary. As the first amateur and open air theatre in the world, Palsgaard Sommerspil staged Miss Saigon in its anniversary year. In addition to making the Palsgaard Manor Park and the open air stage available, Palsgaard has provided the Society with an interest-free loan to support the local community and its cultural activities.

SUPPORT FOR PEOPLE IN NEED

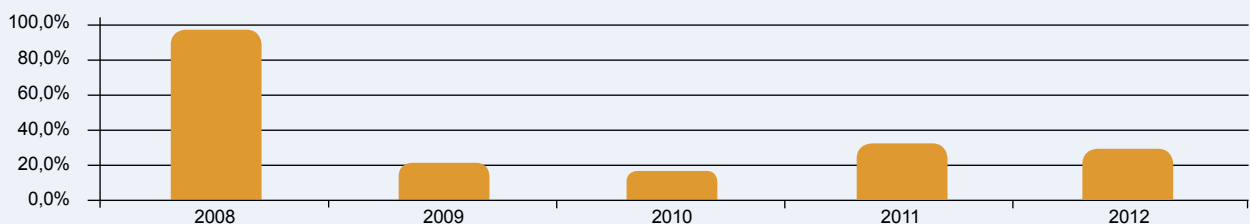
As part of a permanent agreement with BØRNE FONDEN (Child Fund, Denmark), we donate to projects in the West African republics of Cape Verde and Benin every year, e.g. help for development of infrastructure and help for entrepreneurs. This results in improved educational options and thereby an increase in living standards. The projects we participate in are chosen because we have a special interest in each stage of the project's development. Our most recently completed project was called Bread for Poor Families in Cape Verde. This developed into support for two initiatives which together resulted in 34 families being given stable means of supporting themselves. A brief description of the two projects can be found below:

1. Bakery in Moia-Moia. Four women started a bakery, but did not have sufficient knowledge of practical and theoretical entrepreneurship. The women were assisted in obtaining uniforms, aprons and equipment for the bakery, and they were taught how to run a business. The bakery became efficient, and it now bakes bread, pizzas and cakes which are sold in their own and surrounding villages. At least four families were helped to gain sensible means of supporting themselves.
2. Construction of a fruit processing centre in Chã das Caldeiras, Fogo. The project involves excess fruit from fruit production being made into marmalade. Our project supported the construction of a factory and contributed to start up a shop. The construction of a factory, various necessities and training in different areas of work have been completed, and the centre is now an efficient workplace for 30 women. An initiative to reduce food waste has also been implemented by this.

RESPONSIBLE TAX

A significant part of Palsgaard's contribution to society is through payment of corporate taxation. We have openly declared our belief that taxes should be paid in the country in which income is earned. Palsgaard is an international company and we are subject to different taxation conditions in the various countries in which we operate. It goes without saying that we comply with the legislative requirements of these areas. We engage in reasonable negotiations with our subsidiaries on the prices of our products with a view to setting our prices in accordance with the normal market conditions and we thus ensure that the income is taxed where it is generated.

FIGURE 12:
EFFECTIVE TAX RATE



PALSGAARD'S EFFECTIVE TAX RATE (SEE CALCULATION SECTION 15). THE HIGH TAX RATE FOR 2008 IS DUE TO THE GROUP'S PROFITS BEING VERY LOW IN THIS YEAR WHICH, COMPARED WITH THE CORRECTION FOR THE DIFFERENCE BETWEEN THE DANISH AND INTERNATIONAL TAX RATES, GIVES A HIGH EFFECTIVE TAX RATE.



Photographer:
Rikke Kidmose



EVERY YEAR, AS PART OF OUR PERMANENT AGREEMENT WITH BØRNEFONDEN, WE CONTRIBUTE WITH A DONATION TO DEVELOPMENT PROJECTS IN THE WEST AFRICAN REPUBLICS OF CAPE VERDE AND BENIN.

BØRNEfonden
Member of ChildFund Alliance



13 DATA SUMMARY

INDICATOR	UNIT	2008	2009	2010	2011	2012
ENERGY						
ENERGY CONSUMPTION, TOTAL	KWH PER KILO FINISHED PRODUCT	1.36	1.26	1.19	1.16	1.17
ENERGY CONSUMPTION, ELECTRICITY	MWH	11,140	10,946	11,215	10,910	11,337
ENERGY CONSUMPTION, FOSSIL	MWH	33,059	31,905	32,845	31,476	33,068
EMISSIONS						
CO ₂ EMISSIONS**	KG PER KG FINISHED PRODUCT	0.44	0.40	0.32	0.18	0.18
CO ₂ EMISSIONS	TONNES	14,406	13,438	12,029	6,554	6,856
NO _x EMISSIONS (NITROGEN)	KG	25,652	23,749	6,142	5,828	6,241
SO ₂ EMISSIONS (SULPHUR DIOXIDE)	KG	25,217	19,556	1,406	1,238	1,449
WATER						
WATER CONSUMPTION***	M ³	113,936	110,646	136,289	131,520	154,897
WASTE WATER	LITRES PER KG FINISHED PRODUCT	1.50	1.47	1.22	1.42	1.53
WASTE WATER	M ³	48,568	49,820	45,393	52,267	58,126
DERIVATIVE PRODUCTS AND WASTE						
DERIVATIVE PRODUCTS***	KG PER KG FINISHED PRODUCT	0.08	0.08	0.09	0.08	0.08
WASTE (FLAMMABLE)	KG PER KG FINISHED PRODUCT	0.015	0.012	0.012	0.011	0.011
WASTE (FLAMMABLE)	TONNES	429	339	360	339	341
CHEMICAL WASTE	KG	9,260	13,460	8,385	9,819	17,929
COMPLIANCE WITH AUTHORITY REQUIREMENTS						
NUMBER OF INCIDENTS OF NON-COMPLIANCE	NUMBER	0	0	0	0	0
WORKING ENVIRONMENT						
ACCIDENTS, TOTAL	NUMBER	4	7	9	3	5
ACCIDENTS, DENMARK	NUMBER	4	7	8	3	5
ACCIDENTS, THE NETHERLANDS	NUMBER	0	0	1	0	0
ACCIDENTS, CHINA	NUMBER	-	0	0	0	0
ACCIDENTS, MEXICO	NUMBER	0	0	0	0	0
ACCIDENT FREQUENCY, DENMARK***	NUMBER PER MILLION WORKING HOURS	11	20	22	8	14
EMPLOYEE CONDITIONS						
EMPLOYEE TURNOVER	TURNOVER RATE	7.5%	11.8%	4.4%	4.8%	5.3%
TAX						
EFFECTIVE TAX RATE	%	98.3%	21.2%	16.6%	32.8%	29.1%
TARGETS						
RAW MATERIALS CONSUMPTION (KG PER 100 KG FINISHED PRODUCT)		106.90	107.60	107.90	107.19	106.49
RSPO-CERTIFIED PALM OIL*		*	*	*	*	*
RECYCLING OF RAW MATERIALS PACKAGING*		*	*	*	*	*

*Data not available.

**See Section 3 for long-term targets.

***As a result of data availability and for the application of current standards, the calculation method has been changed compared to what was previously reported.

14

THE INDEPENDENT
AUDITOR'S STATEMENT**TO THE MANAGEMENT OF PALSGAARD**

Pursuant to an agreement of 7 May 2013 we have reviewed Palsgaard's* reporting "Corporate Social Responsibility report 2012" (the "reporting") in order to issue a statement on the quantitative data for 2012 herein.

The reporting is the responsibility of the Company's Management.

Our responsibility is to express a conclusion based on our review of the reporting.

THE WORK CONDUCTED

We have conducted our work in accordance with International Standards on Auditing governing Other Assurance Engagements and additional requirements under Danish audit regulation to obtain limited assurance about our conclusion.

We have obtained limited assurance because, compared to a reasonable assurance engagement, our work has been limited primarily to enquiries of company management and personnel as well as analytical procedures.

The purpose has been to obtain limited assurance that the quantitative data for 2012 in the reporting at Group level are in accordance with the reporting practice described in sections 2, 3 and 15 and the information reported by the companies included. By agreement, we have not reviewed quantitative data at the companies' premises, as the review has only taken place at the head office in Juelsminde, Denmark.

Our review is based on an assessment of risk of misstatements.

We believe that our work conducted provides a reasonable basis for our conclusion.

CONCLUSION

During our review, nothing has come to our attention that causes us to believe that the reporting of quantitative data for 2012 for the Group is not in accordance with the described reporting practice and information reported by the companies included.

Copenhagen, 29 May 2013

Deloitte
Statsautoriseret Revisionspartnerselskab
(State-authorised Public Accountant Company)



Lars Kronow
State-authorised Public Accountant

This assurance statement is at translation of the Danish assurance statement. In case of doubt, please refer to the Danish version of the statement.

* The units which "Palsgaard" comprises are specified on page 3.

15 REPORTING PRACTICE

The data basis for this report includes the entities indicated in the summary. All data for resource and raw materials consumption and finished products only include production units. Data have been collected to the extent that they have been available within the framework of our existing systems. We will continue to add more units in our data reporting so that we will be able to present a more complete picture of the company in future. Agricultural activities are not included. Our reporting period runs from 1 January 2012 to 31 December 2012.

INDICATOR	DATA BASIS	CALCULATION METHOD	UNITS INCLUDED BY DATA
RAW MATERIAL CONSUMPTION	B	Annual production volumes are based mainly on company purchasing statistics, production reports and counts.	P
FINISHED PRODUCTS	B	The statement is based mainly on product usage statistics and volumes of derivative products and waste. The volume of finished products is therefore a direct calculation.	P, PANL, PAMX
ENERGY CONSUMPTION, ELECTRICITY	M	Electricity consumption has been determined on the basis of statement from electricity provider.	P, PANL, PAMX, PACN
ENERGY CONSUMPTION, FOSSIL	M	Natural gas and oil consumption are measured via direct meter readings.	P, PANL, PAMX
ENERGY SAVINGS	B	The result of energy-saving initiatives have been calculated on the basis of energy consumption compared to volume of finished products.	P
EMISSIONS	B	<p>ELECTRICITY: The most recently available data from EnergiNet DK's declarations have been used as emission factors for Denmark. We have included CO₂ emissions for scope 1 and scope 2 according to Green House Gas Protocol (GHG Protocol). Emissions from company cars and vans have not been included. The most recently available local emission factors have been applied to entities outside Denmark.</p> <p>Fossil fuels: CO₂, NOX and SO₂ emissions from fossil fuels have been calculated as consumption multiplied by current standard factors developed by: Dansk Gasteknisk Center A/S based on an assumption of complete incineration.</p>	P, PANL, PAMX, PACN
WATER USAGE	M	Water usage has been calculated based on own meters.	P, PANL, PAMX, PACN
WASTE WATER	M	Waste water volumes have been calculated on the basis of meter readings on the waste water system. The reason that the waste water volume is smaller than the used water volume is that a significant quantity of water evaporates in cooling towers.	P, PANL, PAMX, PACN
DERIVATIVE PRODUCTS	B	The calculation of derivative products is based mainly on sales statistics, production reports and counts.	P
WASTE (FLAMMABLE)	M	Waste volumes have been calculated on the basis of invoices from waste removal companies.	P
CHEMICAL WASTE	M	Chemical waste volumes have been calculated on the basis of weight slips received from waste removal companies.	P
NUMBER OF BREACHES	M	Breaches of terms and conditions as number of breaches of conditions applicable to metering.	P, PANL, PAMX
INDUSTRIAL ACCIDENTS	M	Industrial accidents have been calculated on the basis of accident records for all employees which have entailed more than one day of absence.	P, PANL, PAMX, PACN
ACCIDENT FREQUENCY	B	Accident frequency has been calculated per 1 million working hours.	P
EMPLOYEE TURNOVER	B	Employee turnover and average seniority has been calculated on the basis of data extracted from Palsgaard's payroll.	DK
EMPLOYEE SATISFACTION	M	Employee satisfaction is based on Palsgaard's employee satisfaction survey which is carried out every other year and includes all employees. The main indicator of work satisfaction is applied as a general target and is compared to EEI (European Employee Index).	DK, PANL, PAMX, PACN
TAX	B	The effective tax rate is calculated by the company accountant conditions applicable to metering.	DK, PANL, PAMX, PACN

M=measured
B=calculated
A=estimated

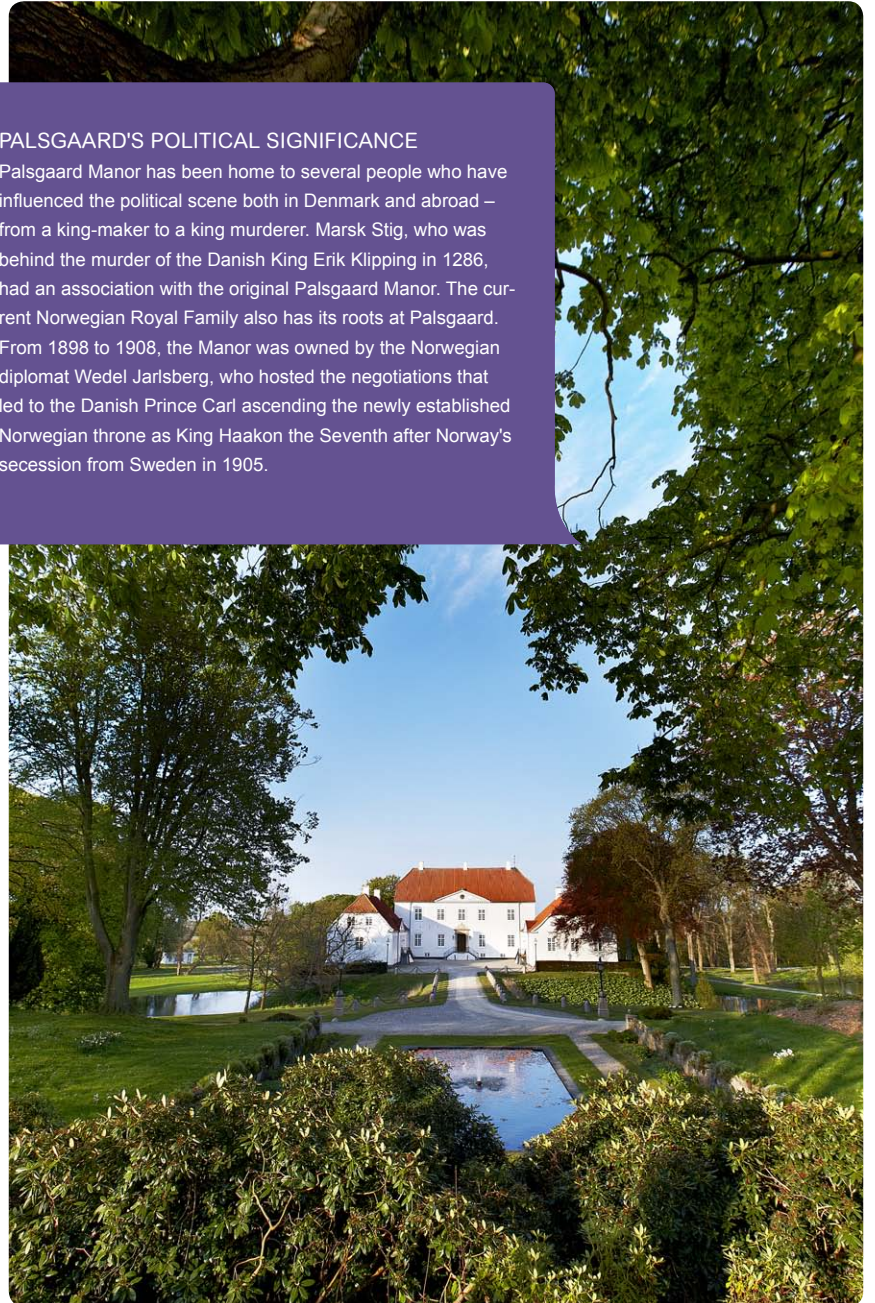
P: Palsgaard A/S and Nexus A/S
PANL: Palsgaard Netherlands
PAMX: Palsgaard Mexico

DK: All entities in Denmark
PACN: Palsgaard China



PALSGAARD'S POLITICAL SIGNIFICANCE

Palsgaard Manor has been home to several people who have influenced the political scene both in Denmark and abroad – from a king-maker to a king murderer. Marsk Stig, who was behind the murder of the Danish King Erik Klipping in 1286, had an association with the original Palsgaard Manor. The current Norwegian Royal Family also has its roots at Palsgaard. From 1898 to 1908, the Manor was owned by the Norwegian diplomat Wedel Jarlsberg, who hosted the negotiations that led to the Danish Prince Carl ascending the newly established Norwegian throne as King Haakon the Seventh after Norway's secession from Sweden in 1905.



16 GRI TABLE

The GRI table is based on GRI guidelines Version 3.0. Two indicators have been omitted in accordance with omission options ('reasons for omission') for reasons of competition..

GRI REFERENCE	DESCRIPTION	INDICATOR reference to the report or statement of indicator	SECTION
PROFILE INDICATORS			
1.1	Statement from the most senior decisionmaker of the organization about the relevance of sustainability to the organization and its strategy.	A message from the management	4
2.1	Name of the organization	Company name	2
2.2	Primary brands, products, and/or services.	Products	3
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Organisation	3
2.4	Location of organization's headquarters.	Headquarters	Back cover
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Geographic distribution	3
2.6	Nature of ownership and legal form.	Ownership	3
2.7	Markets served	Sales organisation	3
2.10	Awards received in the reporting period.	In 2012, Palsgaard has received: Danish Liberal Party (V) Environmental Award, PADK Recognition Award, PAMX Integrity Company, PACH	9 12 8
3.1	Reporting period for information provided.	Reporting year	2
3.2	Date of most recent previous report	This is Palsgaard's third CSR report	2
3.3	Reporting cycle	Every year	2
3.4	Contact point for questions regarding the report or its contents.		Back cover
3.5	Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report.	Sustainability agenda	2 and 5
3.6	Boundary of the report	Scope of the report, scope of data	2 and 15
3.7	State any specific limitations on the scope or boundary of the report	Scope of the report, scope of data	2 and 15
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Legal entities covered by the report	2
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Data basis	15
3.12	Table identifying the location of the Standard Disclosures in the report	GRI table	16
3.13	Policy and current practice with regard to seeking external assurance for the report.	Statement	14
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Management structure and distribution of responsibilities	5
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Responsible manager's position as Managing Director of Palsgaard Gods A/S	5
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	3 members of the Board, of whom one is a woman	5
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Palsgaard has no mechanisms in place for this	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Palsgaard's mission, vision, values and Code of Conduct support the principles contained in the UN's Global Compact	4 and 5
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic	Membership in associations	5
4.14	List of stakeholder groups engaged by the organization.	Stakeholders	2

GRI REFERENCE	DESCRIPTION	INDICATOR reference to the report or statement of indicator	SECTION
PERFORMANCE INDICATORS (C=CORE INDICATOR)			
EN1 (C)	Materials used by weight or volume.	Consumption of raw materials	9
EN3 (C)	Direct energy consumption by primary source.	Energy consumption, total	9
EN3 (C)	Direct energy consumption by primary source.	Energy consumption, distributed by electricity and fossil fuels	13
EN5	Energy saved due to conservation and efficiency improvements.	Energy savings as a result of optimisation	9
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Energy-saving products	6
EN8 (C)	Total water withdrawal by source	Water usage	13
EN13	Habitats protected or restored.	Preservation of areas of natural beauty	9
EN16 (C)	Total direct and indirect greenhouse gas emissions by weight.	CO ₂ emissions	13
EN20 (C)	NO, SO, and other significant air emissions by type and weight.	NO _x and SO ₂ emissions	13
EN21 (C)	Total water discharge by quality and destination.	Waste water	13
EN22 (C)	Total weight of waste by type and disposal method.	Waste	13
EN23 (C)	Total number and volume of significant spills.	Emissions into the ground	9
EN28 (C)	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Number of incidents of non-compliance	13
LA7 (C)	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region.	Accidents, accident frequency and geographical distribution. Palsgaard has not had any fatal accidents.	8 and 13
LA8 (C)	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Support for medical assistance and treatment	8 and 12
SO1 (C)	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Contributions to society	12
SO5 (C)	Public policy positions and participation in public policy development and lobbying.	Participation in organisations / lobbying	5
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes	Food safety	11
PR3 (C)	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Labelling with E numbers	11
EC8 (C)	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement.	Contributions to public roads, schools, etc.	12
FP4 (C)	Nature, scope and effectiveness of any programs and practices that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need (sector-specific).	Ingredients for fat-reducing foods and trans fat-free emulsifiers	11

FOR FURTHER DETAILS OF THE GRI STANDARD AND TERMS USED IN THE TABLE, PLEASE REFER TO WWW.GLOBALREPORTING.ORG

We are experts in emulsifiers and stabilizers for bakery, confectionery, dairy, ice cream, margarine and fine foods - and we are happy to share our expertise. our company values can be defined in just three words: **loyalty, responsibility** and **commitment**. we aim to be the preferred partner and supplier of quality products, application service and know-how to regional and multi-national food companies. to Palsgaard **loyalty** means that we act as a reliable and honourable business partner for our customers. we treat information confidentially and know how to keep a business secret. to Palsgaard **responsibility** means caring about the environment and being aware of our corporate social responsibility; we have a goal to be CO₂ neutral by 2020 and are members of SEDEX and RSPO. to Palsgaard **commitment** means we are dedicated to getting the best results for our customers' products - to the benefit of their customers. we care about our employees and have a declared aim that Palsgaard must be a pleasant place to work. Palsgaard we know that our most important resource is the know-how and dedication found in our employees. **Heart** we are committed to getting the best results with our products in our pilot plants and in your facilities. **Working** at Palsgaard we don't sell standard solutions - we start with YOUR needs. Palsgaard - Heart Working **People** heart work is the best way to achieve success - let us help YOU get it. our products are produced according to the strictest quality criteria. we are experts in emulsifiers and stabilizers and we are happy to share our expertise with you. let our pilot plants help you shorten the step between idea and your new product. heart work is the best way to succeed - let us help you do so.

Palsgaard®
 ♥ Heart working people

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