



CORPORATE SOCIAL RESPONSIBILITY

REPORT 2014



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 words: **loyalty, responsibility** and **commitment**. we aim to be the preferred partner for 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. **Working at Palsgaard** we know that our most important resource is the know-how and dedication of 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. **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.

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Heart working people

We put our hearts into lifting overall food quality, saving energy and reducing waste. Our sustainability efforts focus on four specific areas: Corporate Governance, Energy & Environment, Products and Employees.

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ABOUT THIS REPORT

This is Palsgaard's fifth annual CSR report, covering the 2014 calendar year. It aims to provide a balanced overview that identifies the impacts and risks our work with food ingredients involves, as well as our activities to counter these and to make positive contributions to a more sustainable world.

Report scope

For 2014, we have adjusted the scope of our CSR report to focus on Palsgaard's food ingredient companies, and the research and development company Nexus A/S. Where noted, data also includes the Schou Foundation and Palsgaard Estate A/S and additional subsidiaries.

These entities are collectively defined and referred to as 'Palsgaard' throughout the report. The underlying methodologies of the reported data are defined in the table 'Reporting Practice' on page 66.

Reporting principles

This report has been prepared in accordance with the Core principles in the Global Reporting Initiative's G4 Sustainability Reporting Guidelines, and the associated supplement for the food processing sector. See our GRI Content Index on page 68 for a list of GRI indicators and references.

The topics included in this report, and the material aspects we cover, have been selected and prioritised by Palsgaard management on the basis of their interest and relevance to our own and our stakeholders' reporting needs. These are detailed in the section on Reporting Practice.

We consider our most important stakeholders for sustainability to be our customers, our employees, trend-setting retail trade, regulatory authorities, the local community, the media, industry competitors and NGOs.

Independent review

This report and its data have been reviewed by an independent auditor, which has provided limited assurance. See the auditor's statement on page 64.



Figure 1:

CORE CSR FIGURES AND TARGETS	2009	2010	2011	2012	2013	2014	Target 2015	Target 2020
CO ₂ emission (kg CO ₂ per kg of finished product)	0.40	0.32	0.18	0.18	0.17	0.17	0.15	0
Accident frequency (accidents with absence per million working hours)	20	22	8	14	11	16	–	3
Waste water emissions (l per kg of finished product)	1.47	1.22	1.42	1.53	1.39	1.64	–	1.00
Raw material consumption (kg per 100 kg of finished product)	107.60	107.90	107.19	106.49	107.37	108.39	–	104.00
RSPO-certified palm oil (%)	–	–	–	–	–	8	100	100

Our CSR targets were initially set in 2010. During 2014, three factors played a primary role in slightly increasing our energy consumption and waste: the implementation phase of the Malaysian plant, increased production levels throughout the company, and the production of an intermediate product previously sourced from suppliers.



WELCOME TO OUR 2014 CSR REPORT

Dear Reader,

By 2050, the world could be home to almost 10 billion people*. As a leading supplier of ingredients to food manufacturers, Palsgaard has a supporting role to play in helping to feed this expanding population, while minimising the impact of increasing food production on the environment and its ecosystems.

In food production, no single solution can create a sustainable future. But with a business model based around optimising food production, content and shelf life for our customers – as well as one of the longest histories of social responsibility in the industry – Palsgaard is in a position to support manufacturers in sustainably meeting their customers' needs.

Our ingredients and know-how can help, for example, to turn more of the calories that will be required to feed so many mouths into healthier nutrition. And to minimize food waste.

As the inventor of the modern emulsifier, we already view some of our achievements as pioneering within our industry. And we intend to continue going above and beyond baseline requirements to create benefits for our stakeholders and society, and to minimise any negative impacts.

2014 PERFORMANCE

As a food ingredients manufacturer that uses energy-intensive production processes, we see our most significant impact as environmental.

In 2014, for example, we undertook several projects to reduce our carbon footprint. And we focused on palm oil – a key raw material in our processes. It's the highest-yielding vegetable oil, but when produced without regard for the environment, the effects on ecosystems, bio-diversity and endangered species

can be devastating. In 2014, our Danish plant achieved RSPO segregated (SG) certification, expanding on our existing RSPO Mass Balance (MB) capability by enabling us to manufacture SG-certified products, too.

GOING FORWARD

For 2015 onward, our top priority is to lay plans and introduce new activities to achieve CO₂-neutrality at all production facilities by 2020. In Malaysia, for example, we are examining greener fuel alternatives for our production facilities, and in the Netherlands, we are pursuing more sustainable solutions for electricity.

We will also continue projects to reduce water usage and waste water emissions. At our Danish plant, we will be installing electronic water meters to measure and monitor water usage in real time. And in Malaysia, we already go beyond the local legislative requirements for waste water treatment, but we will intensify our efforts.

We also intend to continue to increase the use of RSPO-certified palm oil in plant locations outside Denmark, and we are working in Malaysia to identify potential suppliers. We will also remain a dedicated partner to our customers, innovating to bring sustainable advantages to them and their customers wherever possible.

Finally, we are pleased to confirm our continued support for the UN Global Compact and renew our ongoing commitment to the initiative and its principles.

We hope that this report will provide you with insight into how we work with corporate social responsibility – and that you will enjoy reading it.



Birger Brix
CEO and chairman
Schou Foundation

Palsgaard 22 May 2015



Jakob Thøisen
CEO
Palsgaard A/S

Palsgaard 22 May 2015

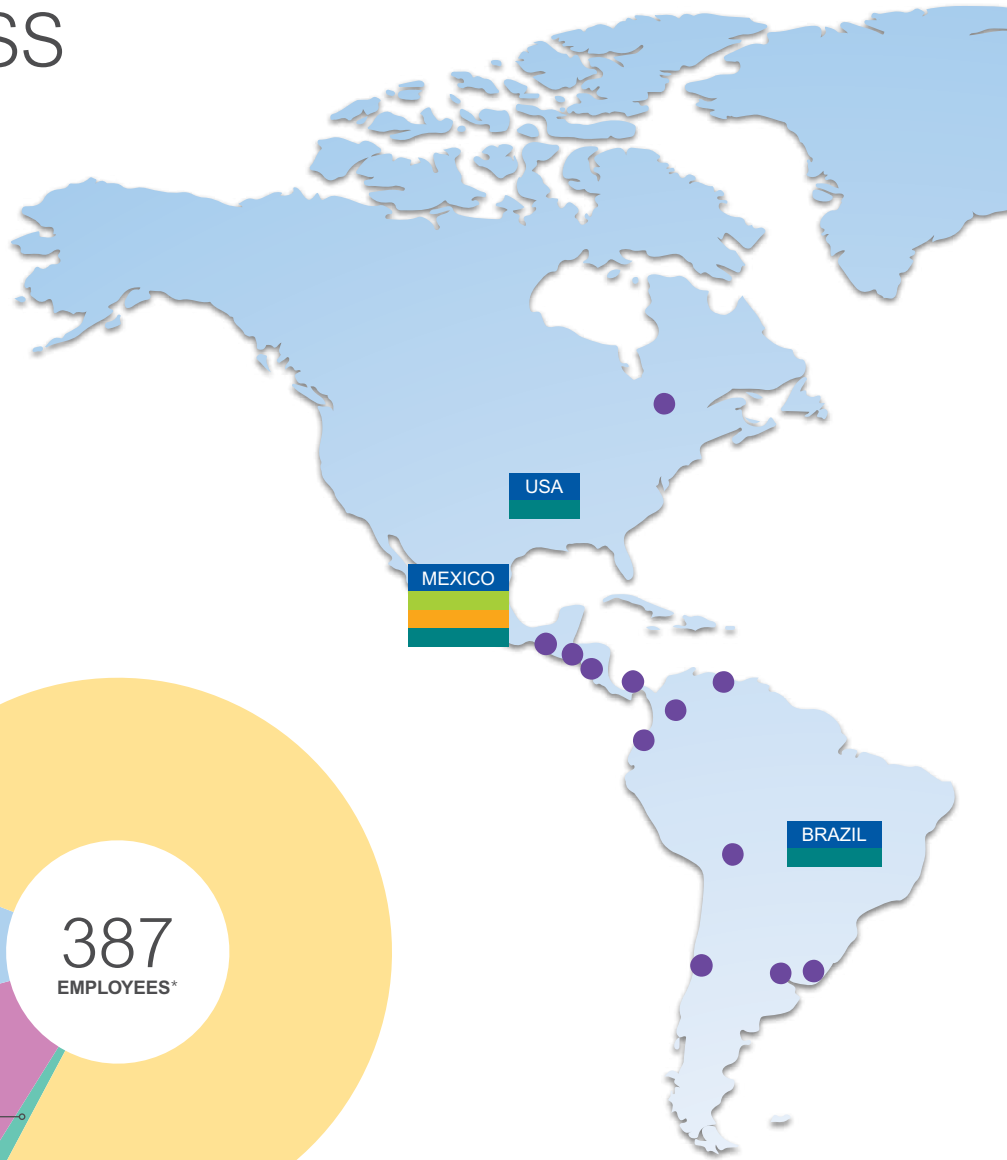
*Source: World Resource Institute

OUR BUSINESS

106 YEARS AS A RESPONSIBLE ENTITY

Established in 1908 in the historic grounds of the Palsgaard Estate in Denmark, the company has expanded significantly. Palsgaard's activities have become increasingly global, with specialised production facilities now operating in Mexico, China, the Netherlands and most recently, in Malaysia. We also have application centers in Denmark, Singapore, China and Mexico, and a sales organisation covering over 100 countries.

- Head office in Denmark
- 5 production locations
- 4 application centers
- 13 subsidiaries



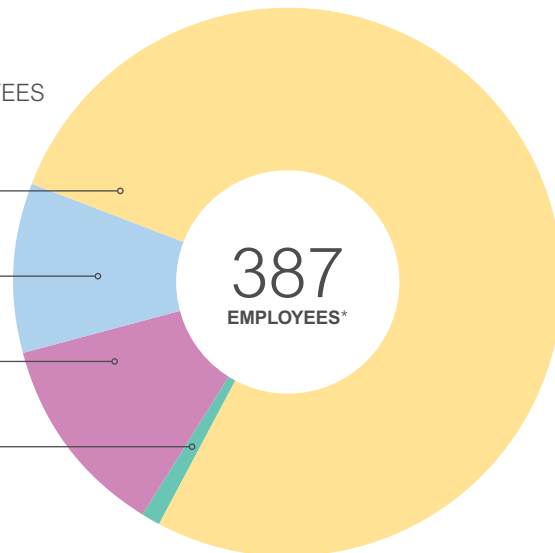
DISTRIBUTION OF EMPLOYEES

EU: 77%
Average age: 47 years
Male: 188 Female: 110

Americas: 10%
Average age: 39 years
Male: 26 Female: 15

Asia: 12%
Average age: 39 years
Male: 31 Female: 14

Africa: 1%
Average age: 51 years
Male: 1 Female: 2



*Year end 2014

WE HELP BUSINESSES MAKE BETTER PRODUCTS

Palsgaard develops and manufactures emulsifiers, stabilizers and other ingredients for the food industry. Some are highly specialised, such as emulsifiers for confectionery. Our main customers are food manufacturers, but we also supply non-food manufacturers with polymer additives, personal care ingredients and other technical applications.

Our products are marketed and sold in over 100 countries under the Palsgaard® trademark.

Our product application areas include:

- Bakery
- Confectionery
- Dairy
- Ice cream
- Margarine
- Mayonnaise & dressings
- Processed meat
- Soya-based products
- Personal care
- Polymers

NEXUS: INVENTING THE FUTURE OF FOOD

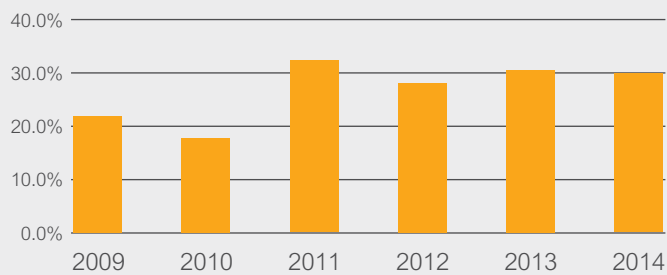
We don't just adjust the formulation of existing emulsifiers to meet the needs of our customers – we also use our know-how to invent entirely new ones. Nexus, our specialised research and development company, is based at Palsgaard's headquarters in Denmark. Nexus consists of several laboratories, serving Palsgaard with innovation, quality control, and physical and chemical analysis services.



OUR ECONOMIC CONTRIBUTION

During 2014, Palsgaard earned DKK 1 billion in revenue, paid an effective tax rate of 30% and provided 387 jobs.

Figure 2:
EFFECTIVE TAX RATE





OUR SUSTAINABILITY APPROACH

CREATING SHARED VALUE

The European Commission defines Corporate Social Responsibility (CSR) as “the responsibility of enterprises for their impacts on society”*.

For businesses, this starts with adhering to legislation and collective agreements, but it also means looking long-term to strategically integrate social, environmental, ethical, human rights and consumer concerns into operations.

The aim is to maximise the creation of shared value for business owners and stakeholders, and explore opportunities for developing products that contribute to societal well-being and lead to better jobs. At the same time, businesses should seek to minimise any adverse impacts from their activities.

At Palsgaard, we make a positive difference to society through our interactions, including our business activities.

We seek to maximise shared value by producing high-quality food ingredient products that enhance the food experience for consumers, help feed a growing world population, and at the same time, sustain a profitable business and a caring workplace. We are also committed to mitigating adverse impacts that our operations have on our surroundings – particularly environmental impacts.

Our long-sighted, strategic approach to CSR is facilitated by our private ownership structure and well-entrenched traditions in responsibility.

*EU COM(2011) 681 final

ENERGY & ENVIRONMENT

Contribute to sustaining and replenishing our natural environment in the way we select raw materials, consume energy, dispose of waste and conduct logistics.
See pages 26-39

CORPORATE GOVERNANCE

Build long-term value by aligning with national and international legislation and best practices so that the rules and processes that direct and control us balance the interests of stakeholders in our company, our supply chain and the communities in which we work.
See pages 16-25



PRODUCTS

Meet our responsibility toward the company, our customers and society to develop high-quality products that are effective, safe, and cost-efficient, and to market these products in a responsible manner.
See pages 40-49

EMPLOYEES

Create an inclusive workplace that is rewarding, safe, healthy and motivating for our employees, and in balance with the wider context of their lives.
See pages 50-57

OUR FOUR FOCUS AREAS

We work strategically with four specific CSR focus areas:
Corporate Governance, Energy & Environment, Products and Employees

Virksomhedsnetværk for Socialt Ansvar (VFSA – Business Network for Social Responsibility) promotes dialogue between Danish businesses on social responsibility.

www.vfsa.dk

The Confederation of Danish Industry (DI – Dansk Industri) seeks to influence political decisions concerning growth creation and jobs. As part of DI's CSR network and sub-groups, we discuss legislative proposals and trends and share knowledge.

www.di.dk

The European Food Emulsifiers Manufacturers Association (EFE-MA) maintains links to relevant legislative and advisory bodies and authorities and takes active part in the preparation and regular updating of product specifications, consistent with good manufacturing practice, safety in use, and protection of the consumer.

www.emulsifiers.org

CSR DIALOGUE

GROWTH & KNOWLEDGE SHARING

INDUSTRY BEST PRACTICES

OUR COMMITMENTS

GROUNDING PRINCIPLES

OUR LEGACY

OUR TRADITIONS

OUR VALUES

Palsgaard is owned by the Schou Foundation, which has always maintained a strong tradition in responsibility. This provides us with a strong starting point for sustainability.

Being foundation-owned also means that Palsgaard is protected from hostile takeovers, and can focus on development without the same pressure for generating short-term profits that listed companies may face.

For over 100 years, it's been a Palsgaard tradition to do things right. Part of this means looking after our employees, the communities in which we are located, and society in general. It also means fostering a caring workplace culture with freedom, flexibility, good prospects for job and financial security, and personal development opportunities.

Our values are loyalty, responsibility and commitment.

The UN Global Compact sets out ten principles in human rights, employee welfare, environment and anti-corruption. We are committed to abiding by these principles.

www.unglobalcompact.org

The Roundtable on Sustainable Palm Oil (RSPO) seeks to make sustainable palm oil the norm. Members can seek supply chain certification. Our Danish plant is certified to RSPO MB and SG levels.

www.rspo.org

The Supplier Ethical Data Exchange (Sedex) is a database that gives customers access to information about supplier working environments and other ethical issues.

www.sedex.org.uk

ETHICAL
PRACTICES

SUSTAINABLE
PALM OIL

RESPONSIBLE
SUPPLY CHAIN



SHAPING OUR SUSTAINABILITY APPROACH

OUR ATTITUDE

Our company's unique culture is embodied in our tagline Heart Working People®. This sums up our caring approach towards colleagues and stakeholders, and reflects our close collaboration and knowledge sharing with customers, our dedication to day-to-day work and food product innovations, and our commitment to our surroundings.

OUR VISION

We will be the preferred, responsible partner and supplier of quality products, services and knowledge for regional and multinational food companies as well as non-food manufacturers within polymers and personal care.

OUR MISSION

On the foundation of a good workplace environment and advanced technology, we produce and market highly processed emulsifiers and stabilizers adapted to meet individual customer requirements in the global food market.

CREATING SHARED VALUE

OPPORTUNITIES & INITIATIVES

WE WORK WITH OUR SUPPLY CHAIN TO:

ENSURE RESPONSIBLE SOURCING BY

- Carefully selecting and monitoring suppliers
- Constantly refining our supplier Code of Conduct
- Strengthening purchasing policies
- Increasing efforts to reduce corruption and the formation of cartels
- Sourcing 100% sustainable palm oil
- Minimising transport of raw materials

IN OUR PLANTS, WE WORK TO:

REDUCE ENERGY & EMISSIONS BY

- Setting aggressive targets for CO₂-neutrality

REDUCE WASTE BY

- Improving raw material utilisation
- Minimising volumes of waste water

IMPROVE OUR WORKPLACE BY

- Creating a safer workplace for our employees
- Increasing employee skills
- Promoting work/life balance

INFLUENCE INDUSTRY STANDARDS BY

- Aligning with existing food safety standards
- Raising the bar for responsibility in food ingredients production

OUR VALUE CHAIN

01 SUPPLIERS



02 OUR PRODUCTION



IMPACTS AND RISKS

- Controlling suppliers one or more links away is a challenge
- Our global reach carries potential for encountering corruption and cartels
- Palm oil is a key raw material for most of our products
- Some raw materials are transported internationally over long distances
- During transport, food safety requires careful control to avoid contamination

- Production of emulsifiers and stabilizers requires high amounts of energy
- Local legislation, arrangements and infrastructure can make it difficult to implement sustainability measures
- High production temperatures present a risk for personnel
- We produce moderate amounts of waste water

WE WORK WITH CUSTOMERS TO:

REDUCE ENERGY & EMISSIONS AND INCREASE EFFICIENCY BY

- Obtaining more sustainable food formulations and processes
- Enabling more efficient use of raw materials in production

ENSURE FOOD SAFETY AND MEET CONSUMER PREFERENCES BY

- Meeting international food safety and food labeling standards
- Guiding and improving the use of food emulsifiers to get the optimal benefits from the application of the ingredients in food to meet consumers' interest in healthy, lean and delicious food

REDUCE FOOD WASTE BY

- Extending the shelf life of food products
- Improving and maintaining product appeal via polymer packaging additives

WE HELP CONSUMERS TO:

LIVE HEALTHIER LIVES BY

- Enabling lower calorie content in confectionery, baked goods, ice cream, margarine products, and mayonnaise and dressings

EAT SAFER FOOD PRODUCTS BY

- Preventing safety issues via our quality control systems and processing practices
- Applying food-grade additives to polymer processing in order to avoid undesirable chemicals in the food

REDUCE HOUSEHOLD FOOD WASTE BY

- Enabling foods with longer shelf life and lasting appeal in taste and texture

03 FOOD MANUFACTURER



- Food production uses considerable amounts of energy and raw materials
- We often need to travel internationally to visit customers or attend conferences
- When selling directly from Palsgaard's process plants, we have little influence on transport vehicle sustainability levels
- Goods may become contaminated during transport

04 CONSUMER



- Consumers are eating foods with high levels of fat – and saturated fats in particular
- At household level, foods that quickly lose their appeal in the consumer's hands are often disposed of earlier than necessary
- Many consumers see emulsifiers as undesirable additives, forcing manufacturers to strive for 'clean' labels



01 FOCUS AREA CORPORATE

We build long-term value by aligning with national and international legislation and best practices so that the rules and processes



GOVERNANCE

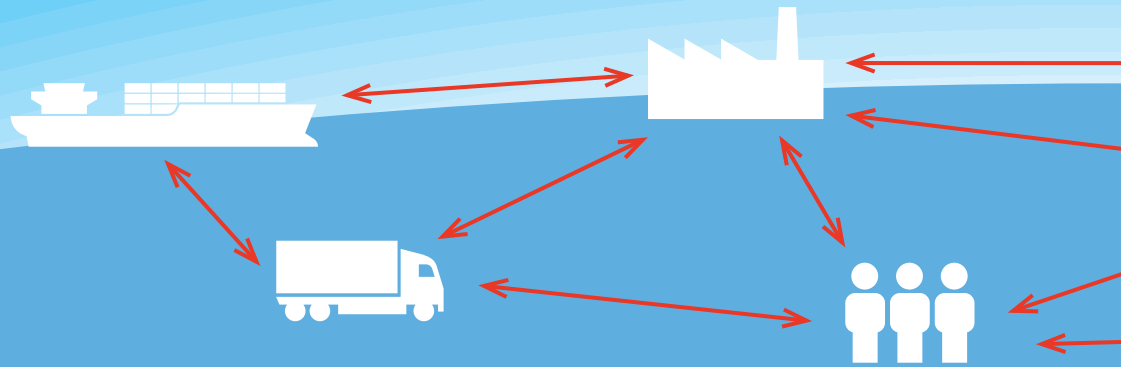
that direct and control us balance the interests of stakeholders in our company, our supply chain and the communities in which we work.

100%

of targeted sales and procurement employees have received guidance in anti-corruption behaviour

6

formalised internal policies guide our actions



FOCUS AREA

01 CORPORATE GOVERNANCE

CHALLENGES

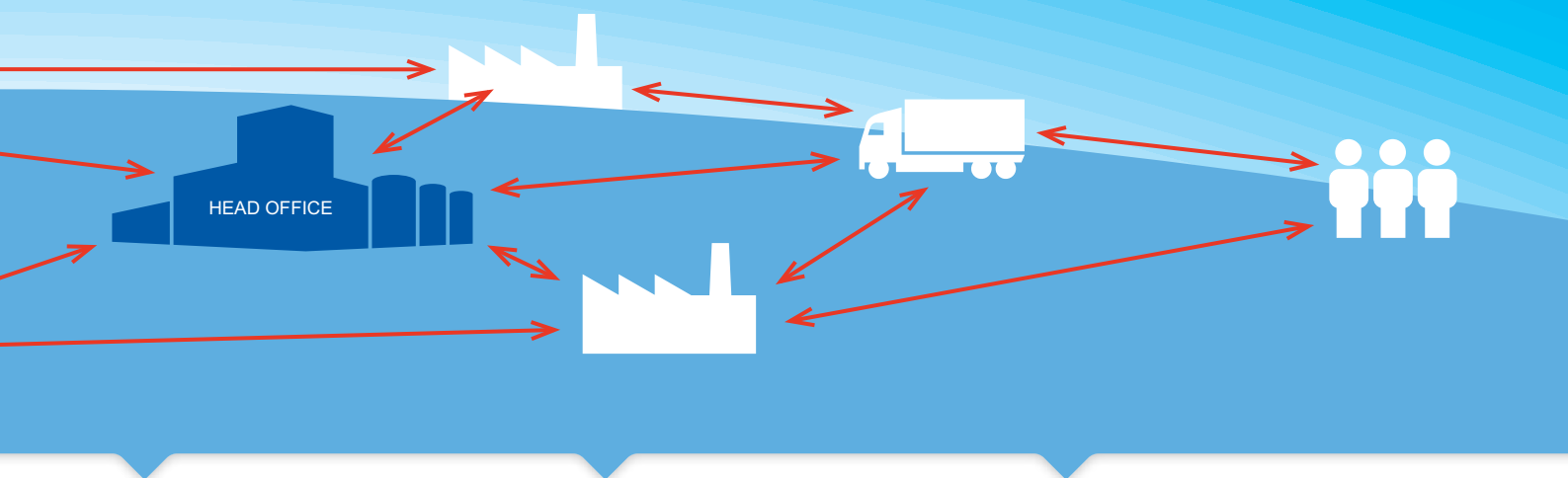
- We source globally, making transparency of supply and control over suppliers more difficult
- Business practices and regulations differ among countries and regions
- Corruption is present in some industries and countries in which we work
- Our sustainability ambitions can be held back by local development realities

56%

of key suppliers (based on current scope of top 80% of spend) have already been assessed by our Responsible Sourcing process and 44% are in process

97%

of all raw materials used are sourced by headquarters in Denmark



PRINCIPLES

WE EMPHASISE

- The social responsibility example set by our founder, Einar Viggo Schou, and his son Herbert Schou
- Being known as a responsible producer and business partner
- The priorities and principles of our owner, the Schou Foundation
- Responsible, sustainable sourcing
- Combatting facilitation payments and cartels
- Payment of corporate tax where income is earned

WE ALIGN/COMPLY WITH

- International guidelines and standards
 - The UN Global Compact
 - ISO 9001/26000/FSSC 22000
 - Sedex (Supplier Ethical Data Exchange)
- Relevant EU regulations
- Local rules and regulations
- Internally established policies
 - Code of conduct
 - Environmental policy
 - Product and quality policy
 - Procurement policy
 - Employee policy
 - Supplier code of conduct

2014 ACTIONS

- 80% of suppliers based on spend are now within responsible sourcing scope for product raw materials and packaging
- Aligned our CSR activities with ISO 26000
- Conducted our biennial customer satisfaction survey
- Updated our CSR strategy and management system
- Established a CO₂-neutrality work-group reporting to the CEO
- Joined a two-year project with Red Cross and Danida to discover best practices in creating shared value in partnership with NGOs
- Strengthened our supplier code of conduct and Responsible Sourcing programme, making it part of our quality management system
- Strengthened the other five formal internal policies, relating them more closely to the UN Global Compact
- Initiated new materials for communicating our policies and processes regarding corruption

FUTURE

- Further strengthen our anti-corruption/cartels programme, including new policy materials for employees
- Work to have our subsidiaries adopt the various measures more closely
- Implement a new CSR management system
- Increase the percentage of key suppliers by spend assessed for sustainability by our Responsible Sourcing process
- Continuous improvement in the CSR performance evaluation section of our biennial customer satisfaction survey

STRUCTURE & RESPONSIBILITIES

FOUNDATION OWNERSHIP

Palsgaard A/S is owned by Palsgaard Estate A/S, which is owned by the Schou Foundation. The foundation's primary objective is to conduct business, support business-related research and development, and manage Palsgaard A/S, Nexus A/S and the Palsgaard Estate as a beautiful and pleasant workplace for its employees. Palsgaard's governance is closely connected with the interests and principles of the Schou Foundation.

Foundation ownership provides the company with the freedom to consider our business in a more focused and visionary way, and it allows us to achieve our goals through long-term, focused, responsible growth rather than solely focusing on short-sighted financial returns.

GOVERNANCE STRUCTURE

Palsgaard A/S is governed by a board consisting of a chairman and two board members. The Schou Foundation and Palsgaard Estate's Group CEO are closely involved in determining the direction and actions of the company. Responsibility for the development, approval and updating of the company's purpose, value and mission statements, strategies, policies, and goals related to economic, environmental and social impacts lies with management and ultimately the CEO of Palsgaard A/S.

The leadership of Palsgaard A/S, in alignment with the principles and objectives of the Schou Foundation, is ensured by a stringent succession process for executive positions.

SUSTAINABILITY GOVERNANCE

CSR activities are planned and governed by a CSR steering committee comprising the executive management of Palsgaard A/S and its sister R&D company Nexus A/S. Nexus plays a key role in supporting Palsgaard's sustainability work, primarily focusing on product-based innovation.

The steering committee has overall responsibility for specifying and implementing CSR work:

- A CSR working committee is chaired by the CSR coordinator, and its members selected by executive management
- A CSR coordinator manages the various activities
- Committee members are qualified to lead the sustainability agenda on the basis of more than 50 years of combined experience within the area
- Internally or externally arising critical concerns on CSR may be raised with executive management via the CSR coordinator or the CEO

- The sustainability report is approved at its highest authority by the Palsgaard CEO and the Group CEO in combination.

POLICIES

Palsgaard conducts its business according to approved, frequently updated overall policies and guidelines. New policies and guidelines are introduced to the extent we deem necessary. Key written policies comprise:

- Code of conduct
- Environmental policy
- Product and quality policy
- Procurement policy
- Employee policy
- Supplier code of conduct

Functional areas do not have written policies but are managed through the responsibility of the individual in line with the objectives of the company and current legislation.

ISO-certified quality assurance systems ensure that our procedures are compliant with current policies, applicable standards and legal requirements. This is supplemented by written guidelines in the company employee manual and the company's approved strategy.

BRIBERY AND CORRUPTION

Palsgaard believes that business should be conducted without facilitation payments. Employees exposed to any attempted corruption, bribery or cartel formation must register this and alert senior management. As of 2014, 100% of targeted sales and procurement employees have received guidance in anti-corruption behaviour.

Our code of conduct specifically describes our attitude to corruption and cartels. Employees receive materials outlining their duties in this respect, and all relevant Palsgaard employees must comply with the stance of the company and know the consequences of non-compliance. Non-compliance with anti-cartel stipulations, for example, results in dismissal with considerable penalties.

FINANCIAL RESPONSIBILITY

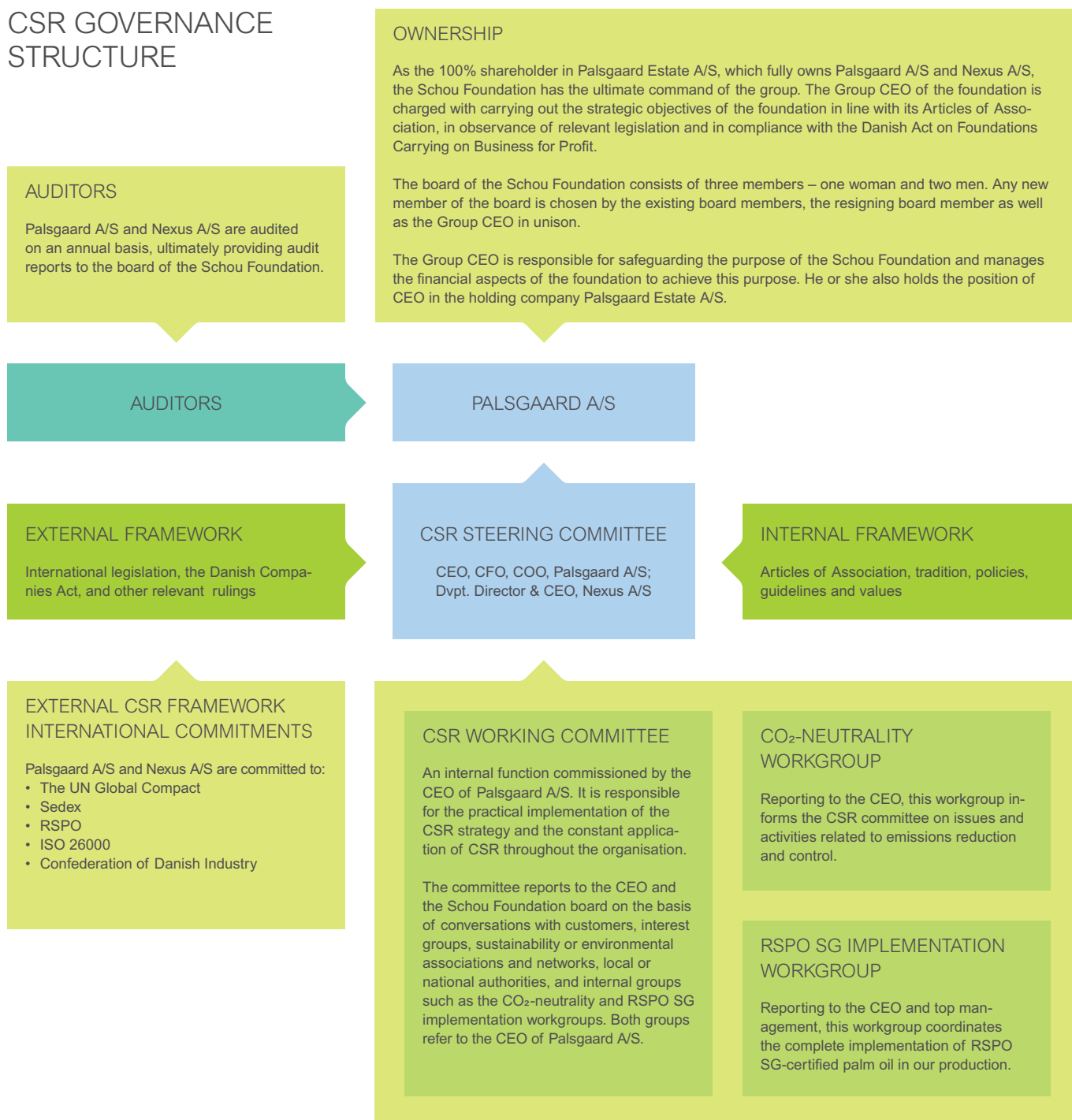
It is fundamental that we conduct ourselves in a financially responsible way to ensure a stable business through innovation, process optimisation and risk minimisation. For example, we are a global company, subject to varying local taxation conditions.

Much of Palsgaard's contribution to society comes from corporate tax, which we believe should be paid in the country in which income is earned. To assist this aim, we comply with all relevant legislation and engage in analysis and guidance with our subsidiaries to set correct product prices in accordance with common market conditions.

GRIEVANCE PROCEDURES

A customer complaint system is included in Palsgaard's established ISO 9001 instructions. These and other grievances are normally referred for the CEO's attention.

CSR GOVERNANCE STRUCTURE



THE SCHOU FOUNDATION

The Schou Foundation oversees the activities of its companies that work to fulfil the foundation's aims, including Palsgaard A/S and its subsidiaries. The foundation is charged with preserving and further developing the Palsgaard Estate, where Palsgaard's head office and its factories are located, as a beautiful and pleasant workplace for employees and an enjoyable park area open to the general public. The Schou Foundation also supports the Palsgaard Foundation (see page 57), and establishes and sustains research and development companies in areas that promote its activities.

The companies that share the Schou Foundation's legacy have a common history and the same special culture. Our company's founder, Einar Viggo Schou, particularly valued responsibility, community and the environment. These are the standards that frame our traditions and our business conduct. They have served as essential cornerstones for Palsgaard for over a century, well before the development of the term "Corporate Social Responsibility".

The Palsgaard Estate owns 4,125 hectares of forest and cultivated land in Denmark, Latvia and Lithuania. A large area of uncultivated land, lakes, the manor park and buildings situated near the Palsgaard Manor also belong to the Palsgaard Estate. The Danish forests are PEFC-certified (Programme for the Endorsement of Forest Certification). Audited annually, the certification ensures sustainable management with high levels of forestry and administrative expertise, including sustainable principles in terms of financials, consideration for the environment and recreational conditions. The agricultural land managed under the Palsgaard Estate in Denmark is cultivated with wheat, malt barley, rapeseed and grass. The straw from the farmland is used in Palsgaard's own straw-fired heating plant, which provides indoor heating for our Danish buildings. It is a significant priority that this agriculture is carried out under conditions that consider nature, the environment and employees.

THE PURPOSE OF THE SCHOU FOUNDATION



Einar Viggo Schou, Founder of Palsgaard

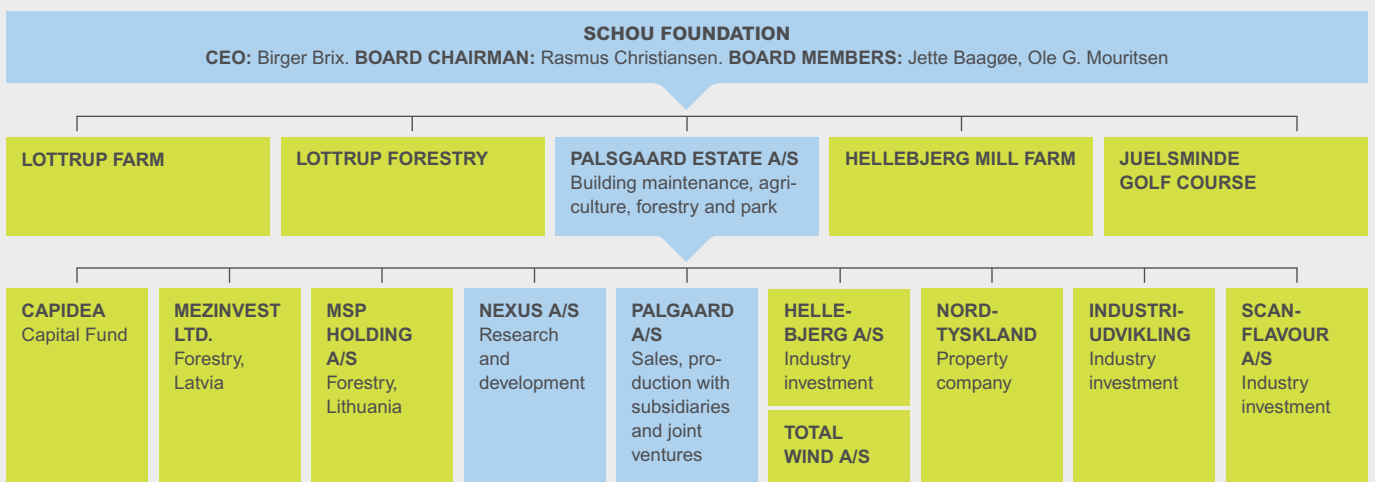
1. To preside over companies that the foundation's senior management may find appropriate for the fulfilment of the general targets of the foundation.
2. To preserve and further develop Palsgaard Estate with all its delights, as a beautiful and pleasant workplace for all employees.
3. To create, own and support independent companies for research and development within the areas that the foundation's senior management may find appropriate to promote the activities of the foundation.
4. To provide support for the Palsgaard foundation to the extent that the Schou foundation's senior management deems it justifiable in consideration of the other targets of the Schou foundation.





ORGANISATION

The organisation chart below shows all the entities under the control of the Schou Foundation. Entities that are not part of this report's scope are highlighted in green. Entities in light blue are explained further in the Reporting Practice section and denoted Palsgaard A/S++ (see page 66).



RESPONSIBLE SOURCING

THE RAW MATERIALS CHALLENGE

A significant proportion of the raw materials used in our products, such as palm oil and palm oil derivatives, are initially cultivated in nations where environmental activities and employee conditions may be at odds with Palsgaard's own CSR ambitions and governing principles.

Raw materials are often sourced from distant locations, such as India and Pakistan. Palm oil is primarily purchased from Malaysia or Indonesia.

As a relatively small participant in the global market for raw materials, our ability to set and monitor specific CSR requirements in the value chain is limited. Additionally, influencing suppliers more than one business or production link away is difficult and resource-intensive. But this doesn't prevent us from setting ambitious goals. We ensure that our attitudes in this area are clearly expressed, using every opportunity to influence our suppliers in the right direction.

SUPPLIER EVALUATION AND MANAGEMENT

For several years, supplier management has been an inte-

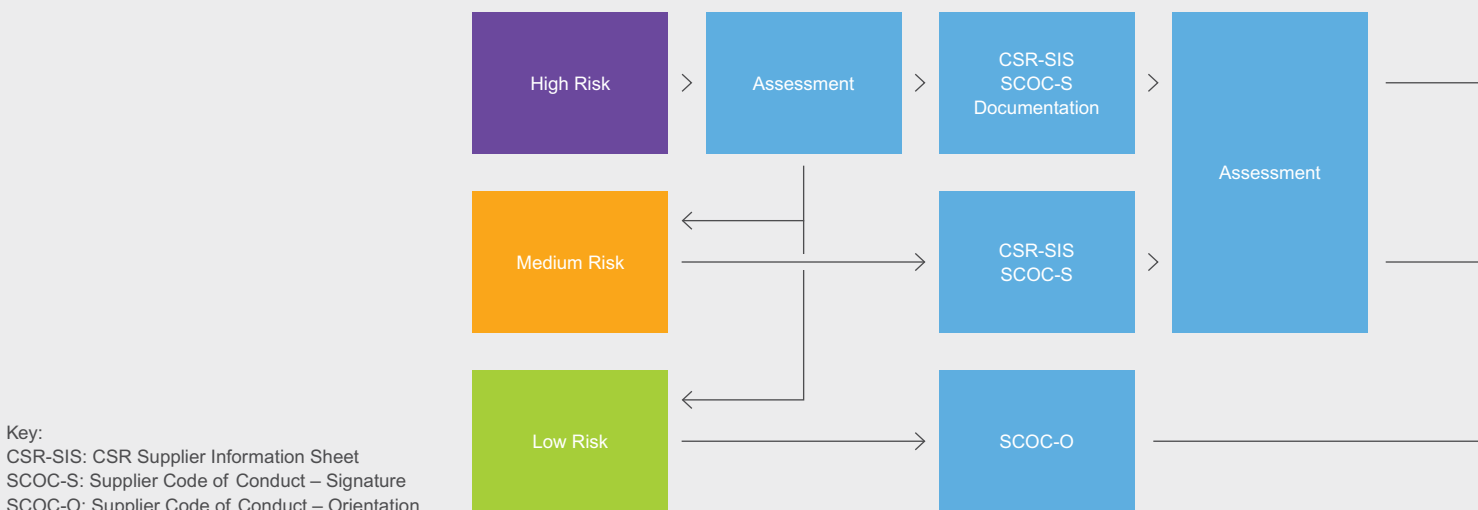
gral component of our quality assurance system, helping to ensure that the raw materials we use meet our standards for quality, legality, reliability of supply and sustainability.

Our supplier code of conduct, which is based on the UN Global Compact as well as our corporate culture and ethics, defines the requirements we set for suppliers and collaboration partners in terms of business ethics, human rights and employment rights.

Depending on the results of risk assessment, we require new suppliers to sign a specific declaration that includes a provision identifying Palsgaard as a signatory to the UN Global Compact. By signing the agreement, suppliers warrant that they will conduct business pursuant to the UN Global Compact's 10 principles.

Management evaluations of our suppliers are carried out three times per year. In 2014, evaluation in relevant CSR areas became part of the total QMS (Quality Management System) evaluation.

MANAGING RESPONSIBLE SOURCING



Each evaluation includes a point system based on a questionnaire around CSR aspects to determine the supplier's relationship to the principles of the UN Global Compact.

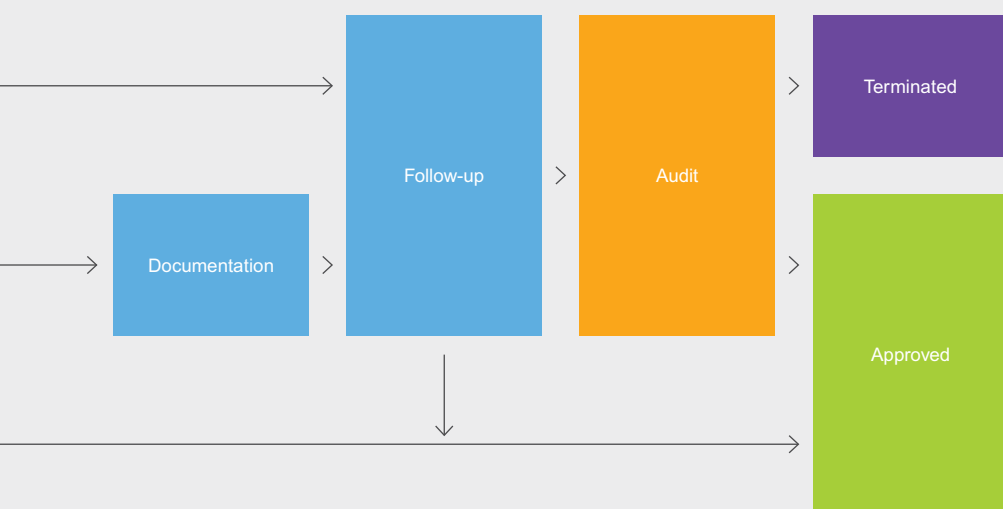
We have determined routines for responsible supply management and continued to advance this project during 2014. In addition to the evaluation questionnaires, the project also includes guidelines for possible further auditing with the supplier.

Whether Palsgaard will collaborate with a specific supplier is based on an overall evaluation that includes specifications, food safety and CSR. A risk profile is created based on country of origin, production and location of harvest for the supplier, and a specific plan is made where necessary to attempt to guide the supplier via dialogue to a higher level of responsibility. In 2014, 56% of key suppliers (based on the top 80% of spend, currently comprising 64 suppliers) had been assessed by our Responsible Sourcing process and 44% were in process.

Our Responsible Sourcing programme is managed by headquarters, which sources 97% of all raw materials used in Palsgaard's production facilities. Supplier evaluation shows that a certified environmental reporting system in the supply chain is not a focus area for most. We will consider how to influence our suppliers toward focusing more on energy and environmental issues.

SEDEX MEMBERSHIP

Palsgaard has been a member of Sedex (Supplier Ethical Data Exchange) since 2008. The Sedex database provides information about the ethical conduct of suppliers, and of Palsgaard itself, as employers. This information, which applies to Palsgaard A/S in Denmark and our Dutch and Mexican subsidiaries, is available to other Sedex members. The former two entities have completed a SMETA 4-Pillar Audit (Sedex Members Ethical Trade Audit), carried out by Bureau Veritas Certification.





02 FOCUS AREA ENERGY &

We contribute to sustaining and replenishing our natural environment in the way we select raw materials, consume energy, dispose of waste and conduct logistics.



ENVIRONMENT

100%

CO₂-neutrality will be achieved in 2015 at our Danish manufacturing plant

By 2015, we are aiming for
100%
RSPO segregated production in Denmark

100%

of indoor heating at Palsgaard Denmark comes from straw-fired burners

Chemical waste was reduced by

49%

during 2014



FOCUS AREA

02 ENERGY & ENVIRONMENT

KEY TARGET:

WE WILL BECOME 100% CO₂-NEUTRAL AT ALL FACILITIES BY 2020

CHALLENGES

- Our production processes are energy-intensive
- It can be difficult to achieve widespread adoption of sustainable palm oil in the industry
- We produce moderate amounts of waste derivative products including water
- We transport relatively bulky goods over long distances
- As a global company we need to travel internationally
- We currently use light fuel oil at our Malaysian plant
- Local circumstances can make sustainability ambitions difficult to fulfil

100%

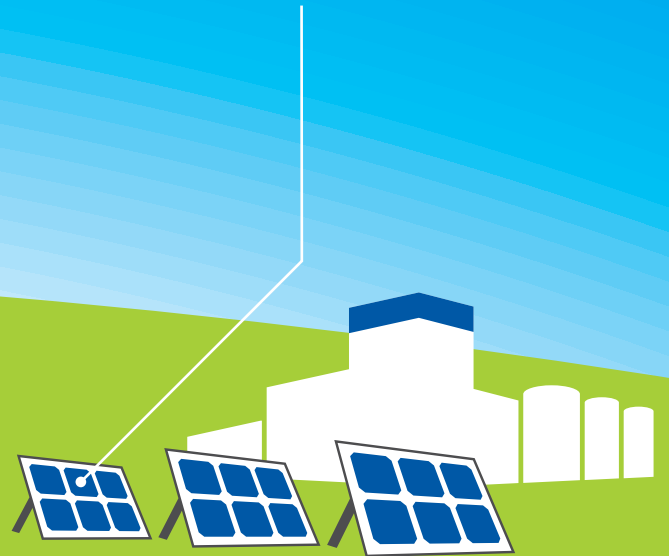
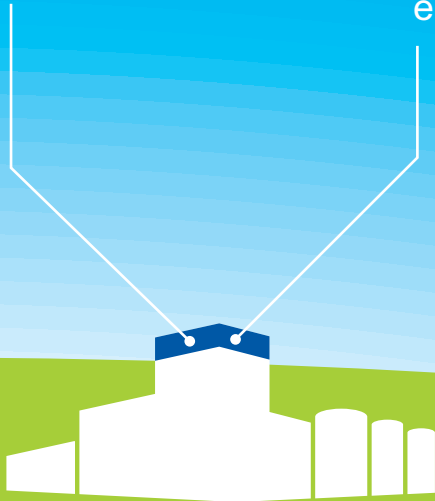
of our waste water in Malaysia is cleaned above and beyond the required standard

30%

of combustible waste in Denmark is recycled as products or raw materials. The rest is used to generate energy

85%

of our electricity in Mexico can be generated by roof-mounted solar panels



PRINCIPLES

WE EMPHASIZE

- Reducing energy consumption and emissions
- Reducing waste water and waste products
- Minimising raw material and product transport requirements

WE ALIGN/COMPLY WITH

- The 10 principles of the UN Global Compact
- Roundtable on Sustainable Palm Oil (RSPO)
- Internationally and locally applicable legislation
- Denmark's 'Green Accounts' guidelines

2014 ACTIONS

ENERGY AND EMISSIONS

- The new Malaysian plant is closer to the source of key raw materials

WASTE

- Began changing a number of vaccum pumps to use recycled instead of fresh water
- Experienced a minor increase in derivative products due to insourcing of intermediate goods production

RAW MATERIALS

- A slight increase has been recorded to 1.08 kg of raw materials used for every kg of finished product
- Achieved RSPO SG certification for the Danish plant

FUTURE

- Become CO₂-neutral at all plants by 2020
- Change from light fuel oil to green alternatives in Malaysia
- Convert most vaccum pumps to recycled water
- Introduce LED lighting at more of our facilities
- Reduce waste water to 1 litre per kg of finished product in 2020
- Reduce combustible waste per kg of finished goods without exceeding the total 2009 level
- Reduce total incidental derivative products from 107.9 kg of raw materials per 100 kg of finished goods in 2010 to 104 kg in 2020
- RSPO certification of our Malaysian production plant in 2015

REDUCING EMISSIONS THROUGH KNOW-HOW

Refining cooking oil requires complex, multi-stage and energy-intensive processing, including heating of oils to remove flavour-disrupting substances. A four-year Nexus project began applying our knowledge of the properties of cooking oils and their refinement to develop a new method involving a simpler and gentle process. So far, results of the four-year project promise financial, nutritional and environmental benefits, slashing energy consumption by up to 80%, more efficiently utilising raw materials, and reducing trans fatty acids in the final product.

HERE COMES THE SUN

In Mexico, up to 85% of the electricity required for our manufacturing plant can be generated by photovoltaic solar panels. Palsgaard Mexico has invested in environmental activities for a number of years, reducing electricity and water consumption, ensuring proper handling of gas emissions and optimising disposal of water and solid waste. These initiatives extend to our personnel, training them in ecological issues so they bring know-how to their communities to create and strengthen a culture of caring for the environment.



ENERGY CONSUMPTION & EMISSIONS

Palsgaard has prepared 'Green Accounts' in line with Danish legislation since 1996, primarily involving the environmental issues included in our environmental approvals and the requirements of green accounts. We have a long tradition of optimising our production processes so that financial performance, quality and environment go hand in hand. In 2005, for example, we built one of the largest privately owned straw-burning plants in Denmark, enabling the replacement of light fuel oil for heating with straw from our own fields as a renewable energy source. In 2009, we further converted the primary energy source from light fuel oil to natural gas on all kettles, both steam and heat-oil.

PRIORITY NO. 1: CO₂-NEUTRALITY BY 2020

Palsgaard's target for all production entities is to achieve CO₂-neutrality by 2020 through projects and initiatives regarded as appropriate by the company and its stakeholders. To achieve this, we focus on reducing our energy consumption to 1.05 kWh per kg of finished product. Remaining CO₂ emissions will be neutralised by other means.

A list of energy optimisation initiatives planned for 2014 has been successfully implemented. For example: tank isolation, the purchase of new, energy-efficient boilers and the conversion of more lighting to LED technology. Further production and energy-efficient processes have been implemented in several factory divisions.

In 2011, we signed an agreement with Energy Denmark to purchase electricity from Danish wind farms. As a result, all

electrical consumption at Palsgaard's facilities in Denmark is now CO₂-neutral, and we expect to continue to purchase electricity from sustainable energy sources, continuing the agreement for 2015.

We are continually working to replace traditional energy sources with greener alternatives around the world. In 2014, Palsgaard in Denmark elected to take another step toward CO₂-neutrality: green energy via the purchase of natural biogas certificates. This investment enables the replacement of traditional natural gas with non-fossil, natural biogas.

“All electrical consumption at Palsgaard's facilities in Denmark is CO₂-neutral”

In biogas production, methane from the waste products of food processing and agricultural industries, for example, is converted to gas and distributed through the existing natural gas supply network. Biogas is a CO₂-neutral form of energy.

Palsgaard has not registered any grievances in relation to environmental impacts in the reporting period.

CLOSER TO THE CUSTOMER

To serve customers globally, we have located application facilities in Denmark, Singapore, Mexico and China, and we are in the planning phases for further facilities in Dubai and the USA. This helps to reduce the need for international travel.

WASTE & WATER

PRODUCTION WASTE

Our production waste is very limited. In 2012, we developed a system for the internal recording and labelling of all types of derivative products, effectively sorting products and optimising our ability to re-use them. Much of our waste is used for feed, while the remainder is converted to biogas. We also continuously work to increase our raw material utilisation rate, which is already significantly above 90%. In 2014, we stated a goal to use only 1.04 kg of raw materials to produce 1 kg of finished product by 2015. Due to increased production volumes and the start-up of our Malaysian facility, this has been postponed to 2020. The quantity of derivative products can be seen in the data summary on page 67.

PACKAGING

At less than 1.5% of the overall weight of our products, out-bound packaging volumes are small. All in-bound packaging is sorted for recycling. Specialised external companies handle the majority of our in-bound packaging for recycling purposes, while transport pallets are sold for re-use.

ENVIRONMENTAL CONDITIONS, WATER AND WASTEWATER

Process waste water mainly comes from the cleaning of containers and pipes, and contains remnants of vegetable oil, fat, protein, phosphorus and nitrogen. Our own pre-treatment plant removes the majority of these remnants before release into the municipal water treatment plant.

We are working to reduce waste water via cooling water recycling systems, optimised cleaning procedures, the production of larger batches, reduction of water usage in vacuum pumps, automatic closure valves and more. In 2014, Palsgaard produced 1.64 litres of waste water per kg finished product – in part increased by the large number of test production runs involved in the introduction of our Malaysian plant. Our goal is to reach 1 litre per kg of finished product by 2020. In Malaysia, 100% of our waste water is cleaned to 'A' level, above and beyond the locally required 'B' standard.

In 2013, a project to identify the more water-intensive processes at the Danish

plant was completed. The resulting water-saving initiatives will continue to be implemented in 2015.

COMBUSTIBLE, RECYCLABLE WASTE

Since 2010, we have actively worked towards recycling as much waste as possible. It is better to sort and recycle waste rather than incinerating it, borne by improved utilisation of waste resources through new sorting technologies for received waste and increased prices on recycled paper and plastic. In most cases, this also contributes to a reduction in CO₂ emissions.

Palsgaard in Denmark has a central waste-sorting area, which sorts waste according to its source. Approximately 30% of Palsgaard's combustible waste is recycled as products or raw materials. The rest is used for generating energy.

CHEMICAL WASTE

Chemical waste at Palsgaard originates in small quantities from our control and quality laboratories' use of analytical chemicals. All such waste is collected, classified and sent to environmental

Figure 3:

CO₂ EMISSIONS PER KG OF FINISHED PRODUCT (KG)

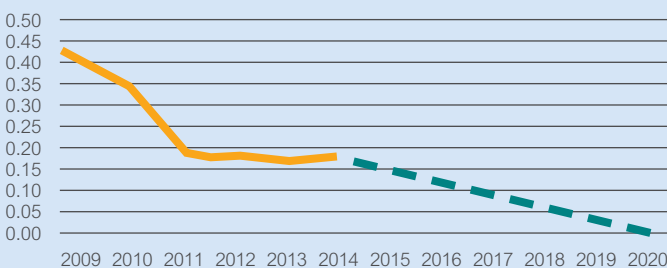
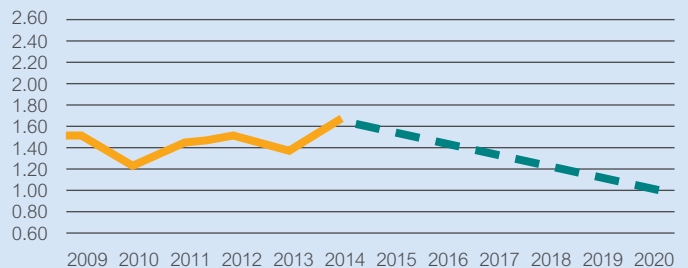


Figure 4:

WASTE WATER EMISSION PER KG OF FINISHED PRODUCT (LITRE)



■ Target

■ Target



companies to ensure it is handled in an efficient and safe manner, for the benefit of humans as well as the environment. The laboratories conduct studies to arrive at exchange chemical waste-generating techniques that apply modern spectroscopic methods, yielding no or only very small quantities of chemical waste.

GOODS TRANSPORT

Palsgaard’s ability to influence transport aspects are limited, and we currently have no strategic CSR targets in this area.

LOCAL INITIATIVES

Palsgaard has implemented many sustainability initiatives at our international locations. For example:

- In 2012, a rooftop solar panel facility was installed at Palsgaard Mexico, able to produce up to 85% of the factory’s electricity. In 2014, we produced 65% in this way.
- In 2013, Palsgaard Mexico was certified to ISO/FSSC 22000, achieving a high food safety level and becoming awarded the highest possible level within the “Industria Limpia Clean Industry” certification by Grupo Bimbo.

- An annual seminar is held for Mexico-based employees on environmental awareness, designed to benefit employees, their families, neighbours and the local community.
- Palsgaard Netherlands’ environmental management system ensures that energy consumption, water usage, materials utilisation, waste recycling and noise reduction are evaluated and prioritised each year.

Figure 5:

RAW MATERIAL PER 100 KG OF FINISHED PRODUCT (KG)

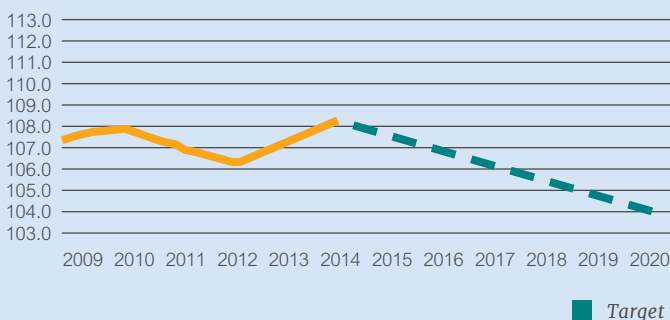
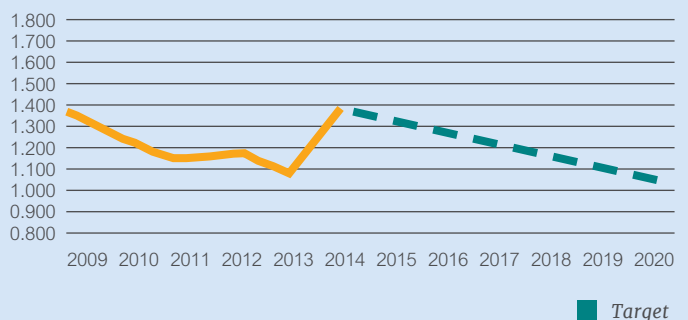


Figure 6:

ENERGY USAGE PER KG OF FINISHED PRODUCT (KWH)



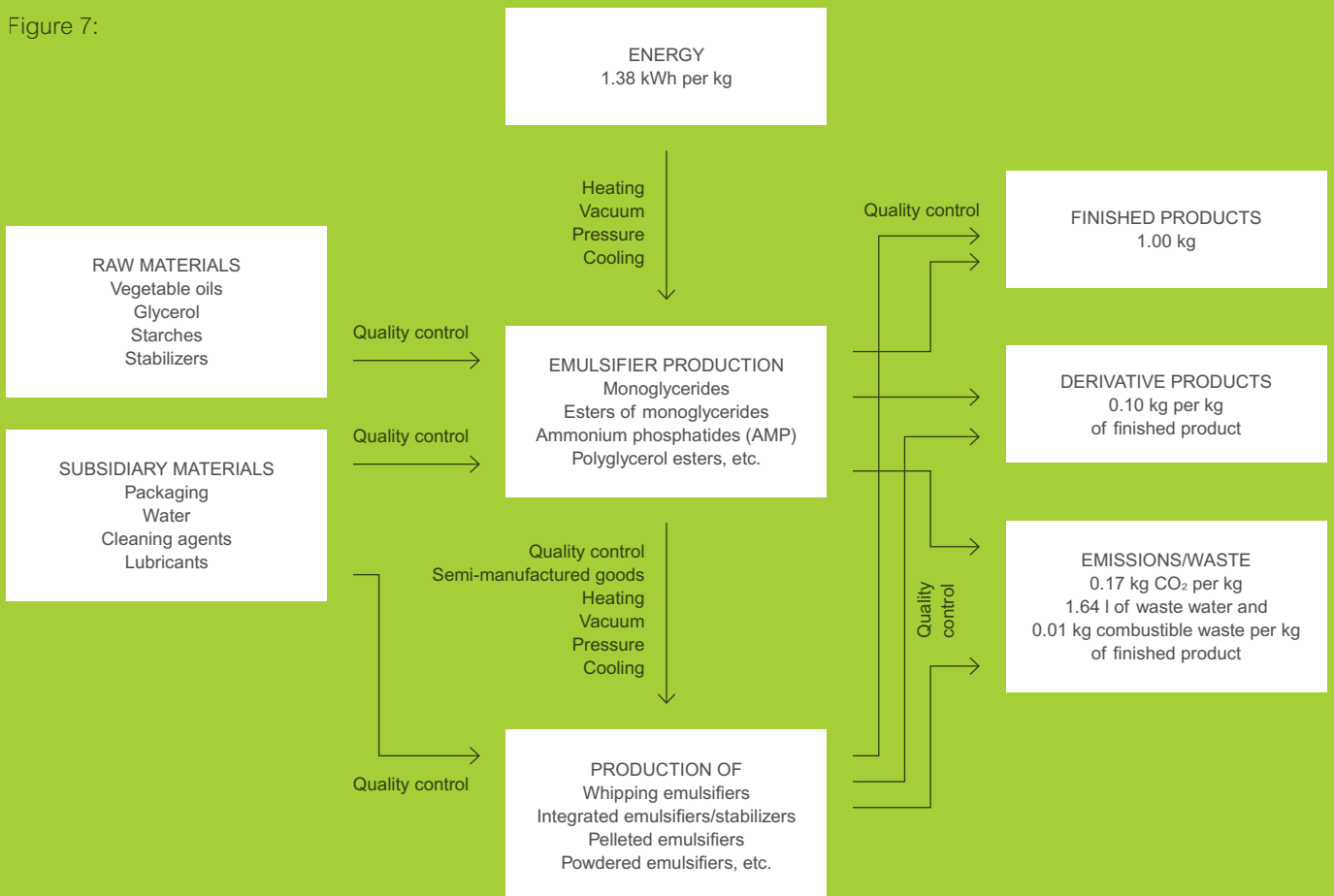


OUR PRODUCTION PROCESSES

Palsgaard's production processes comprise emulsifier production, of which certain products are sold as finished products and others are processed further before they are sold.

Palsgaard Denmark's most important production processes are illustrated in the chart in figure 7. Material and resource streams have been calculated per kg of finished product.

Figure 7:







A HIGH-TECH REGIONAL INVESTMENT

Located at Nusa Jaya, Johor, in the southern part of Malaysia, our latest plant was officially opened on 20 August 2013. The USD 36 million facility produces emulsifiers and a variety of emulsifier and stabilizer blends, and has a capacity of 20,000 metric tons per annum. Its location was specifically chosen to ensure proximity to key raw material sources, primarily palm oil and its derivatives, to sustain Palsgaard's

continued growth, and to reduce our CO₂ footprint in transporting raw materials and finished goods to large Asian customers. The highly automated factory covers approximately 7,300m², comprising a high-tech manufacturing plant and R&D facility, as well as a laboratory, warehouse and administration center. In 2014, it formed a workplace for 21 staff, 16 of whom have a Bachelor of Science.

SUSTAINABILITY PROFILE

While Palsgaard Malaysia applies up-to-date standards in terms of production technology, energy consumption and environmental safeguards, current levels necessarily reflect what it is possible to achieve in terms of sustainability in the region.

Despite these limitations, for example:

- The plant is certified to ISO/FSSC 22000 food safety standards

INVESTING IN ASIA



- Products are manufactured in accordance with the principles of the Hazard Analysis and Critical Control Points (HACCP)
- The factory works with integrated energy saving functionalities
- Waste water is cleaned to A level (above and beyond local B level requirements)
- Staff benefits include sickness and accident insurance extended to employees and their families, plus free canteen and laundry arrangements

KEY IMPACTS AND OPPORTUNITIES

Currently, the new plant uses light fuel oil as an energy source, leading to relatively high CO₂ emissions, and local energy regulations restrict our options for using green energy sources. Attempts are being made, however, to reduce CO₂ emissions, exploring possibilities for using alternative energy sources such as bio-based fuels from oil palm plantations, biogas and solar boilers. Simultaneously, efforts are underway to

introduce RSPO certification of the plant and inclusion in the Sedex database.

And, while it can be a challenge to implement working routines that accurately reflected optimised routines from our Danish headquarters, programmes are in place to address such issues.



SUSTAINABLE PALM OIL

By the end of 2014, 8% of our total sourced palm oil and palm oil-based ingredients were purchased in accordance with a certified sourcing standard (RSPO). We are working toward an ambitious target of 100% sustainable palm oil by the end of 2015.

Palm oil is an important raw material for Palsgaard products – particularly our emulsifiers. In 2014, around 90% of the finished products at our Danish plant included palm oil or palm oil-based ingredients sourced mainly from Southeast Asia.

Palm oil is the world's most popular, highest-yielding and most traded vegetable oil. And as living standards increase, so too does the demand for pre-packaged foods containing palm oil-based ingredients, such as bread, cakes, yoghurt, ice cream and spreads. This means that palm oil is likely to play an increasingly key role in feeding the planet's growing population.

WHY SUSTAINABLE PALM OIL MATTERS

There are many concerns about the adverse social and environmental effects of palm oil production – such as the clearing of important forest areas and habitats for endangered animals, and poor working conditions on oil palm plantations. Against this background, the Roundtable on Sustainable Palm Oil (RSPO) was founded in 2004 to promote the production and use of sustainable palm oil. RSPO brings social and environmental NGOs together with parties from all sectors of the palm oil industry (see www.rspo.org).

The RSPO promotes a certification system under which growers can have their palm oil certified as sustainable if they meet social and environmental criteria. Producers of palm oil-based products can have their supply chains certified in accordance with one of three models: Identity Preserved (IP), Segregation (SG), or Mass Balance (MB). Of these, IP is the most intensive. Additionally, a Book and Claim supply chain model provides tradable Green Palm certificates for RSPO-certified palm oil to the palm oil supply base.

Palsgaard joined the RSPO in 2008. In 2012, our Danish plant achieved the RSPO Supply Chain Certification Standard (SCCS) for MB, and in 2014, for SG. We are audited annually

on our application of the standard and the requisite eTrace commitment. Further details are available at <http://www.rspo.org/members/209/Palsgaard-AS>

HELPING TO PROMOTE RESPONSIBILITY

Increasing stakeholder interest in Palsgaard products that use RSPO-certified palm oil ingredients has allowed us to guide them towards participating in an RSPO SCCS-certified supply chain. We pass on materials that explain the RSPO, its certification standards, supplier requirements and how Palsgaard meets its own obligations.

We also extend information on responsible production to our subsidiaries, agents and distributors through an expanded intranet and at seminars. So far, increasing demand from the supply chain has widened our suppliers' assortment of RSPO-certified raw materials and allowed us to extend our RSPO-certified product programme to include a wider circle of customers in the RSPO-certified supply chain.

At Palsgaard, it is our aim to be at the forefront of our industry regarding sustainable palm oil. We will continue to move toward certified palm oil ingredients, and encourage suppliers and other stakeholders to do the same.

2015 AND ONWARDS

During 2015, our goal is to put the necessary systems in place to allow us to exclusively rely on RSPO-certified palm oil raw materials for our products. Also in 2015, we will start work towards having our newest plant in Malaysia RSPO-certified since, like our Danish plant, it manufactures products that contain palm oil. We are also continuing to make our supply chain as responsible as possible, one step of which is to situate plants closer to raw material sources.



THE FOUR RSPO SUPPLY MODELS

Palm oil can be processed or traded through one of four supply chain models:

- 1. IDENTITY PRESERVED (IP):** All palm ingredients to the end user are uniquely traceable to each individual mill and its supply base.
- 2. SEGREGATION (SG):** All of the palm oil is from RSPO-certified sources. It is kept separate from conventional palm ingredients throughout the supply chain.
- 3. MASS BALANCE (MB):** Administrative monitoring of the trade of RSPO together with conventional palm oil in production. Data on certified palm oil and derivatives based on palm oil and the traded amount of MB products for incoming consignments can be transferred to outgoing consignments.
- 4. BOOK AND CLAIM (BC):** Trading of 'Green Palm Certificates' for RSPO-certified palm oil via a global website. There is no need for certification.

RSPO CERTIFICATION FOR GROWERS PROMOTES:

- Commitment to transparency.
- Environmental responsibility and conservation of natural resources and biodiversity.
- Compliance with applicable laws and regulations.
- Responsible consideration of employees, and of individuals and communities affected by growers and mills.
- Commitment to long-term economic and financial viability.
- Responsible development of new plantings.
- Use of appropriate best practices by growers and millers.
- Commitment to continuous improvement in key areas of activities.



Licence no.: RSPO-1106336



03

FOCUS AREA

PRODUCTS



We meet our responsibility toward the company, our customers and society to develop high-quality products that are effective, safe, and cost-efficient, and to market these products in a responsible manner.

WHAT DO WE MAKE?

Primarily based on vegetable raw materials and other natural components, Palsgaard's emulsifiers and stabilizers are developed mainly for use in foods such as bakery products, dairy products, chocolate, ice cream, margarine products, mayonnaise and dressings.

The main purpose of our products is to give processed food the required consistency, and to ensure stability and shelf life while helping to reduce, for example, calorie content.

60%

of the normal applied lecithin dosage in chocolate can be saved using Palsgaard® AMP 4455

FOCUS AREA

03 PRODUCTS

CHALLENGES

OUR IMPACT/RISKS

- Our products require significant quantities of palm oil
- Most of our products comprise one or more additives (though with an internationally recognised classification reference)
- Constant effort is required to maintain the highest standards of food safety

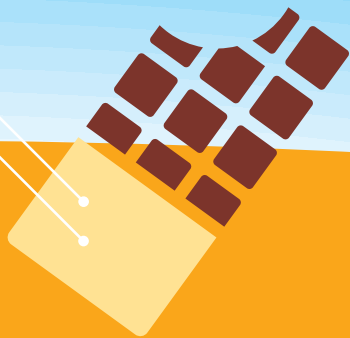
OUR CHALLENGES/ OPPORTUNITIES

- Helping to make many foods healthier
- Supporting leaner label trends
- Improving raw materials utilisation in production
- Reducing food wastage in production and in households
- Providing emulsifiers free of allergens and with non-GMO-based ingredients
- Converting our production to use 100% sustainable palm oil and palm oil-based ingredients

Our products help to achieve a stable chocolate with up to

20%

fewer calories and without requiring more energy



50%

fat reduction can be achieved in puff pastry margarines without affecting functional properties



All of our emulsifiers are

100%

vegetable-based



PRINCIPLES

WE EMPHASISE:

- All oils used in our products originate from vegetable, non-GMO sources
- The purity of our products as a key competitive differentiator
- Ensuring excellent food safety procedures
- Halal and Kosher suitability
- Supporting the industry within sustainable raw materials and processes

WE ALIGN/COMPLY WITH:

- International and national legislation including EU Regulation 852/2004
- ISO 9001
- ISO/FSSC 22000 (Denmark, Mexico, the Netherlands, Malaysia)
- Kosher/Halal certification of plants, raw materials and finished products

2014 ACTIONS

- Certified all Danish production processes to RSPO Segregated (SG) standard
- Introduced Palsgaard® AMP 4455 – a sunflower-based emulsifier that enables low-fat, low-calorie chocolate
- Launched gluten-free cake mix in the USA
- Completed majority of ISO/FSSC 22000 certification at Palsgaard Malaysia
- Set up work group to implement RSPO SG production in Denmark

FUTURE

- In 2015, use only RSPO SG palm oil and palm oil-based ingredients for production of our emulsifiers in Denmark
- Work to obtain RSPO MB and/or SG certification in Malaysia
- Continued dialogue with our customers about RSPO SG production and the value sustainable raw materials bring to food products
- Promote the use of sustainable emulsifiers for polymers in food packaging applications

INVENTING THE FUTURE OF FOOD – AND MORE

Nexus is an independent company engaged with research and development work for Palsgaard. Nexus consists of several laboratories and functions, serving Palsgaard with innovation, quality control, and physical and chemical analysis services. Its efforts help to develop and improve emulsifiers, and make the benefits of vegetable-based emulsifiers more widely applicable.

Typically the end goal is to create alternative and less resource-intensive processes in terms of raw materials, energy, capacity or other aspects.

Nexus organises all larger projects in groups comprising experts from across the company. Each project is managed and documented through our quality assurance system. This ensures efficient, targeted and sustainable development where all issues are considered – from customer needs and requirements for resource utilisation to potential environmental impacts.



SAFER FOODS

Food safety is critical to Palsgaard's many stakeholders. To date, we have never had to recall products for food safety reasons. In fact, during the years of reporting, we have had only one non-conformance event due to a gap beside a closed gate. In 2014, no incidents of non-compliance with regulations or voluntary codes were registered.

“HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.”

- We manage food safety via our HACCP (Hazard Analysis and Critical Control Points) system in compliance with the requirements of EU Regulation 852/2004.
- We are certified to ISO/FSSC 22000, which contains requirements for the management system, methods and controls.
- Since 1996, our quality management system has been certified according to ISO 9001.

- We have set more stringent standards by certifying Palsgaard according to FSSC 22000, which includes the technical specification ISO/TS 22002-1.
- We conduct annual ISO/HACCP/FSSC courses in food safety for new employees.

We systematically analyse and manage food safety at all stages of the supply chain. A permanent cross-company group is tasked with ensuring efficient communication routes via our Food Safety Team and working groups. This ensures that changes and new requirements from authorities and customers are continuously aligned and managed.

ISO/FSSC 22000 certification of Palsgaard's management system for food safety includes an extended procedure for systematically assessing a range of questions on food safety connected to new raw materials. This ensures that we proactively evaluate risks and document the safety of future products. Our production facilities in Denmark, Mexico, the Netherlands and Malaysia are all ISO/FSSC 22000-certified.

HEALTHIER FOODS

We continuously seek to adapt our product range to match the latest knowledge about the impact of food products on consumer health and well-being. Our food ingredients play a positive role in this context, helping, for example, in the fight against obesity. This requires making improvements to the nutritional profile of food, while avoiding undesirable ingredients in our products.

A BETTER BALANCE

Since the 1990s, it has been known that trans fatty acids (or 'trans fats') may negatively effect health. Recognising this, we work to develop emulsifiers with reduced trans fatty acid content, but without compromising their useful

“Most of our emulsifiers have a content of trans fatty acid of less than 1%”

functionality in food products. Most of our emulsifiers have a content of trans fatty acid of less than 1%, but more importantly, they can contribute to producing foods with reduced levels of trans fatty acids – yet with unchanged sensory and shelf life quality in the final food product.

- Conventional puff pastry margarine has a fat content of up to 80%. Our products can reduce the fat content of margarine up to 50% without affecting its functional properties.
- In chocolate, we focus on reducing fat. Fat reduction, however, causes problems during processing, increasing the chocolate's viscosity and making production difficult and

energy-intensive. Our products help to achieve a workable and appealing chocolate with up to 20% lower fat content.

- Additionally, when fewer saturated fats are used, chocolate confectionery becomes more difficult to produce, lengthening the production process and increasing energy consumption. Our products help counter these effects.
- The coconut oil or partially hardened palm kernel oil often used as a fat source in ice cream is high in saturated fat. We have developed emulsifier/stabilizer blends that help shape the structure of ice cream so it still has the right mouth feel, melting properties and storage stability even though a fat with a lower level of saturated fat is used.

FEWER ADDITIVES

Most of our food ingredients comprise one or more additives with an internationally recognised E-number or other classification reference. Many consumers are, however, sceptical towards food additives. Palsgaard has developed stabilizers whose properties enable only one or two E-numbers to deliver the consistency, shelf life and resistance to temperature fluctuations that several ingredients would normally be required to achieve.





REDUCING FOOD WASTE

A PUBLIC PRIORITY

Studies show that 30 to 50% of food is wasted throughout the production chain and in the hands of consumers, burdening the environment, society and business viability. The 2010 Transforming Food Waste into a Resource conference at the EU Parliament drafted a commitment to reducing food waste by at least 50% by 2025 as a UN development goal.

Our emulsifiers and stabilizers support this agenda by increasing shelf life and maintaining food product freshness.

Together with other Danish companies, Palsgaard has contributed to an innovation project for some 800 students from the Business Academy in Aarhus, Denmark, and other business-oriented educational establishments in Europe. Palsgaard was tasked with creating a problem formulation for a sustainability project for a group of students, and we chose the topic of 'Reduction of Food Waste'. The winning solution involved our customers and resulted in a range of ideas to increase the effectiveness of reducing food waste in food production.

RESPONSIBLE SALES AND MARKETING

Palsgaard's primary market contact is handled by our own sales team and by a number of external sales agents. Combined, they cover more than 100 countries on all continents. This personal contact is supplemented by brochures, technical articles and marketing material, which can be downloaded from our website or via our "myPalsgaard" extranet. At seminars, all material is delivered electronically rather than printed. Printed materials such as brochures are made available for customer visits and trade shows. All material printed in Denmark (approx 95% of the total production) is environmentally certified with the Nordic Swan Mark. Printing is documented to be either CO₂-neutral or carbon-compensated according to ClimateCalc, and the paper is produced in compliance with the standards of the FSC® (Forest Stewardship Council). A small number of our brochures are printed in China, where we also set requirements in terms of environmental production.

It has always been one of our principles to provide fully objective information about our products. Our marketing material includes, for example, the results of product testing, often by independent parties.

GOING BEYOND FOOD

Palsgaard's know-how is also used outside the food industry. For example:

- Our vegetable-based emulsifiers can replace petrochemical products in traditional technical/chemical applications that require emulsions or suspensions. For example, our products are used in personal care products, replacing undesirable chemicals with natural plant-based ingredients.
- Palsgaard now offers the polymer and plastics industry emulsifiers based on vegetable oils such as RSPO-certified palm oil, and approved for anti-static and anti-fogging applications in food packaging.
- In 2012, Palsgaard began a four-year project (Superior Bio Based Coating Systems) to develop wood protection coating and paints that can protect outdoor woodwork with the lowest possible impact on the environment. Supported by the Danish National Advanced Technology Foundation, Palsgaard's task in this interdisciplinary work is to develop emulsifiers based on vegetable oils.



04

FOCUS AREA

EMPLOYEE



S

We work to create an inclusive workplace that is rewarding, safe, healthy and motivating for our employees, and in balance with the wider context of their lives.

10 years

average employment
time in the company

3 per

million is our targeted
maximum frequency
of work accidents with
sick leave by 2020



FOCUS AREA

04 EMPLOYEES

A central purpose of the Schou foundation is to “Preserve and further develop Palsgaard Estate with all its delights, as a beautiful and pleasant workplace for all employees.”

CHALLENGES

- We work in a global organisation with diverse cultures
- Legislation and local regulations vary from country to country
- It can be difficult to maintain close, frequent contact – and thereby a deeper understanding of employee well-being in all our subsidiaries
- Night shifts may pose a health risk to employees
- At our manufacturing plants, most working accidents involve scalding by hot water or oil

387

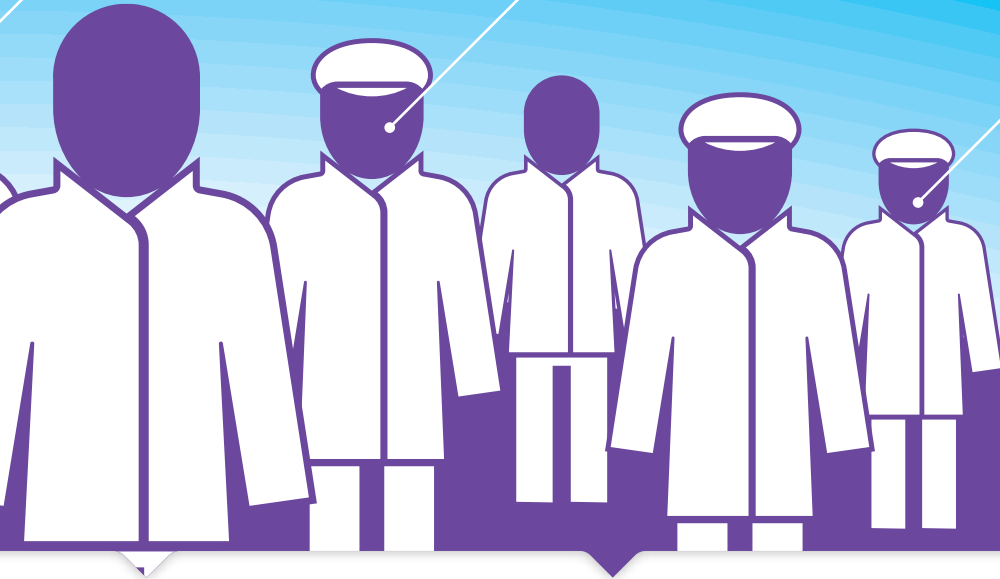
employees at the end of 2014

8.7%

staff turnover rate in 2014

83 points

were measured out of a possible 100 in the most recent job satisfaction survey at our subsidiaries, indicating “very high job satisfaction”



PRINCIPLES

WE EMPHASISE:

- Being an attractive, safe and stimulating workplace
- Improving workplace conditions
- Aligning working conditions around the world, as far possible, with those in Denmark
- Accommodating both productive and less productive phases in a working lifetime
- Increasing employee skills
- Employees’ rights to join collective bargaining or other labour organisations without disclosure

WE ALIGN/COMPLY WITH:

- International, EU and national legislation
- UN Global Compact
- European Employee Index® (EEI) survey process
- International Labour Organisation (ILO)
- Sedex, including SMETA 4-pillar audits

2014 ACTIONS

HEALTH & SAFETY

- Initiated nudging projects
- Completed a project to increase traffic safety at our Danish plant
- Audit of Russian workplaces conducted by employee commission

WELL-BEING

- Conducted a four-pillar SMETA Sedex audit at our Danish facility
- Employee turnover was 8.7% in 2014

PERSONAL DEVELOPMENT

- Increased IT support for employee development interviews
- Assisted local authorities in helping 19 people further their education
- Operated an on-the-job fitness programme (customer service department)

FUTURE

HEALTH & SAFETY

- Reduce the frequency of work accidents with sick leave to maximally 3 accidents per million working hours by 2020
- Focus on safety culture, near-miss incidents and preventative actions
- Expand current office exercise programmes

WELL-BEING

- Create a gender diversity policy
- Conduct an employee satisfaction survey during 2015
- Achieve at least 75 points in the 2015 EEI Index employee survey
- Conduct 3-yearly workplace evaluations and first-aid training

PERSONAL AND SKILLS DEVELOPMENT

- Expand employee development interviews



EMPLOYEE HEALTH & SAFETY

A central aim of Palsgaard's owner, the Schou Foundation, is to ensure an attractive place of work for all our employees. And as a foundation-owned company, we are driven by a desire for long-term development rather than short-term optimisation. We've made these principles operational through our values: loyalty, responsibility and commitment.

THE OSH ORGANISATION

Palsgaard's OSH (Occupational Safety and Health) organisation comprises working environment committees at Palsgaard A/S and Nexus A/S.

focus strongly on safe behaviours and preventative actions. Work instructions and rules will be evaluated and clarified, and an intranet project will address communication around safe behaviours. In 2014, a new IT system for registering near-miss incidents was developed and implemented at Palsgaard in Denmark during November. The system will assist to identify risky behaviours as part of our accident prevention strategy. Further, our safety culture will be improved via skills development. In 2015, a new workplace evaluation system will also be introduced to give workplace representatives greater influence on action plans.

“We continually strive to reduce the number of work-related accidents”

At Palsgaard A/S, we have set up seven working environment groups. Our OSH organisation handles working environment issues related to day-to-day operations, as well as workplace risk assessments, industrial accidents and near-misses.

In 2014, we witnessed a regrettable increase in total work-related accidents with absences. This increase applies to the Danish facility alone, where 9 incidents occurred, primarily involving scalding and minor injuries. Workplace safety is important to us and we continue to strive to reduce the number of accidents. In 2015, therefore, the work environment organisation will

Other OSH activities include:

- In 2014, to increase safety in connection with internal traffic in company areas, all production employees have been issued with jackets with fluorescent materials and reflectors to replace their previous black working jackets.
- A ten-minute daily exercise programme using elastic bands, balls and exercises has been introduced on a trial basis for a small group of the administration staff with stationary jobs. This has proved to have a positive effect on the reduction of tension in the shoulders and neck. It has also had a positive effect in social capacity.
- The OSH organisation will work even harder to improve working routines and further develop our safety culture in 2015, prioritising preventative actions in everyday work.
- We have introduced on-premises physiotherapy in Denmark.

Figure 8: REGISTERED SICK LEAVE AT PALSGAARD A/S++*

YEAR	2009	2010	2011	2012	2013	2014
Days absent with sick leave (%)	3.49	3.42	3.12	2.54	2.74	2.38

*See Reporting Practice section

EMPLOYEE WELL-BEING

WELL-BEING AND RETENTION

Our relationship with Palsgaard’s employees rests on the premise that a working life should be able to accommodate both strong and weak phases.

- Palsgaard endeavours to retain or re-locate employees who are no longer able to meet the requirements of their original job.
- We arrange systematic absence interviews in the event of long-term illness, discussing any measures that we may be able to implement to reduce the employee’s period of absence, initiate gradual return, or adapt the job to changed circumstances.
- Palsgaard’s HR manager provides confidential job-related advice, and works to support vulnerable employees.

SETTING THE STANDARD

We seek to improve the lives of our employees in a global perspective, where possible extending the same or similar employment conditions, such as company-based health and pension schemes, to all locations. Through this,

we tie our employees and businesses abroad closer to Denmark.

- At Palsgaard Malaysia, we offer attractive conditions, such as pension plans, sickness and accident insurance for employees and their families.
- In Russia and Poland, we have set up health insurance and company life and accident insurance schemes for employees.
- When a particularly dangerous influenza epidemic erupted in Mexico, we carried out a vaccination programme for all employees and their families.

SATISFACTION SURVEY

Every other year, we carry out an employee satisfaction survey at all our locations – with the next survey due in 2015. Since 2006, we have worked with the internationally recognised analysis company Ennova (dk.ennova.com) to conduct the survey, thus ensuring that the results can be compared with other European businesses via the European Employee Index® (EEI). And we have continuously implemented initiatives based on the findings where required.

The 2013 survey showed a small reduction in the combined work satisfaction across the entire company by 2 points to 75 points. The result is, however, still very positive, as a level of 70-79 points indicates high work satisfaction in the EEI category. In Denmark, we achieved 71 points in work satisfaction and have set a target of 75 points for the 2015 survey.

For our subsidiaries, the survey result was 83 points, indicating very high job satisfaction.

EMPLOYEE DEVELOPMENT CONVERSATIONS

We carry out annual development conversations with all employees, evaluating expectations and possible areas of improvement. Agreements are made regarding personal/professional development for the following year. The conversations also provide room for dialogue on soft values, such as how the individual employee is faring or if there are areas that the specific manager should be aware of. Business strategy, basic values and skills can also be discussed.

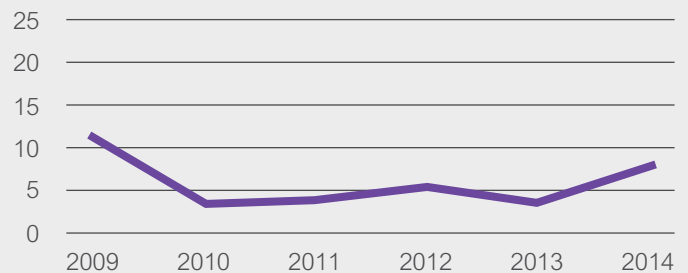
EMPLOYEE SATISFACTION

Palsgaard’s very low staff turnover rate in 2014 of 8.7% in Denmark, where some two-thirds of employees are located, is continued evidence of high loyalty (see figure 9), despite increasing from 3.1% in 2013. The increased turnover partly reflects the new employees joining with the startup of our Malaysian facility, and the expanded scope of data to include subsidiaries.

Palsgaard regularly celebrates employee anniversaries, the longest of which has been an impressive 65 years of employment at the company. In 2014, one employee celebrated 40 years with the company and 22 celebrated 10 years.

Figure 9:

EMPLOYEE TURNOVER (%)





COMMUNICATION AND KNOWLEDGE-SHARING

In 2013, a cross-organisational development project for managers and specialists concluded with a training course for all other employees at Palsgaard Denmark. The coursework concerned: communication, knowledge-sharing and cooperation. A personality profile (DiSC), which assists employees to gain insight into their own and colleagues' behaviour patterns, was completed for all who requested it.

PENSION SCHEME WITH PROFIT SHARING

Palsgaard has offered a unique pension scheme with profit sharing for all

employees in Denmark since 1941. The profit-sharing element is established via a special body called the Palsgaard Foundation's Pension Savings Association. The employee contributes 2.5 to 5% of their salary, and Palsgaard pays an equivalent amount multiplied by a contribution factor depending on the previous year's financial results. In recent years, this factor has ranged from 0.9 to 1.8.

In 2014, we tested a skills-based pay system in Denmark. The results will drive decisions around how best to motivate and reward all employees in the future.

Palsgaard was nominated for the CSR People Prize by the Virksomhedsforum for Socialt Ansvar (Business Forum for Social Responsibility) CSR Awards in 2014.

The prize is given in recognition of concrete initiatives that demonstrate social responsibility is anchored in both everyday operations and the visions of management.



Figure 10:

EMPLOYEE SURVEY 2013



*See Reporting Practice section

COMMUNITY CONNECTIONS

IN DENMARK

Palsgaard's headquarters are located within the small Danish community of Juelsminde, which is a town of around 4,000 inhabitants.

In 2014, our local activities included:

- Supported Juelsminde Golf Club with an energy reduction project.
- Supported Team Rynkeby 2015 (a charity cycling group for child cancer victims).
- Donated funds for a HeartStart De-fibrillator at a local community center.
- Participation in a two-year project to address global challenges – Partnership Arena with the Red Cross.
- Contribution to production of entertainment program "Fællessang på Charlie" (Community Singing on Charlie), at Juelsminde Harbour.
- Donation in support of the Danish Cancer Society.

Previous CSR reports have described:

- Donation of Juelsminde Church and land for a parking space.
- Donation of 16.5 hectares of land to Hellebjerg Sports and Youth College.
- Donation of land for a road to Palsgaard.
- Participation as a landowner to complete a 22 km coastal path from Juelsminde to Horsens.
- Palsgaard employees that are voluntary fire fighters are available for emergencies during daylight hours.
- Support for the local theatre group "Palsgaard Sommerspil" and loan of outdoor staging on the Palsgaard estate.
- Supported the establishment of a harbour museum in Juelsminde to support its roots in fishery, shipping and sailing.
- Public access to the Palsgaard Manor library.
- Established a golf course in Juelsminde.

- Work with the local authorities to help people further their education/career, and support with flexible work hours or placements.

BEYOND DENMARK

MEXICO

- Installed solar energy cells for hot water heating in employee homes.
- Participated in the replanting of 330 hectares of forest.
- Life Quality programme for all employees and their families, and a focus on employee training, job safety and health.

THE PHILIPPINES

- Scholarship program for food technology students.

SOUTH AFRICA

- Support for B-BBEE (Broad-Based Black Economic Empowerment) which helps the black population achieve a higher socio-economic level.

CHARITABLE DONATIONS

DENMARK

An ongoing program to reduce food waste allows employees to purchase surplus food from the lunch buffet. Proceeds go to BØRNEfonden (Children's Foundation) to support youth education.

WEST AFRICA

Annual donation to BØRNEfonden for sustainable development projects in Cape Verde, Benin and the archipelago

Fogo, focusing on development of infrastructure and education, and entrepreneurial support for higher employment and an improved standard of living.

In Benin: local education on hygiene, and the construction of water storage and toilet facilities at a local nursery to improve water quality and reduce waterborne illnesses. Purchase of a boat for school students to cross a river to get to school, even in the monsoon season. Donations have also sponsored a trainee in Benin, and supported a technical school for young people with scholarships, tools and bicycles for student transport.

SOUTH AFRICA

Donation to a local home for children from 6 to 16 years.

MEXICO

Donation of recycled plastic barrels for water storage.

THE PHILIPPINES

Support of local areas in urgent need of help such as donations to help Red Cross provide aid in typhoon-affected areas of the Philippines.

RUSSIA

Company and Russia-based employee donations to the "Children Foundation", which runs an orphanage in the Ural area, applied to the purchase of toys.



CONNECTING WITH TOMORROW'S EXPERTS

Broadening the pool of talent from which future food ingredients specialists might be recruited, Palsgaard's R&D company, Nexus, hosts work placements for international food engineering students, and our laboratories collaborate with them on independent development projects.

Students get to expand their food emulsifier-related physics and chemistry knowledge and experience different work environments and cultures.

GLOBAL KNOWLEDGE-SHARING

Palsgaard also collaborates with educational institutions and knowledge centers throughout the world, participating in formal and informal knowledge exchanges.

We host study trips, company visits and similar events to stimulate interest in the natural sciences and food chemistry, physics and food technologies.

LENDING A HELPING HAND

During 2014, Palsgaard assisted 19 people to further their education or keep their jobs at the company under special circumstances. This number includes students from Denmark and abroad carrying out their practical work, students and others in job rotation schemes, and people in flexible jobs. We work closely with educational institutions, local authorities and job placement services to help people to get further in their working life.

We're helping people with Down's syndrome by applying our expertise

LIFTING THE QUALITY OF

In Mexico, Palsgaard has been working a long-term project to create a new product that promises a better life for many thousands of Trisomy 21, or 'Down's syndrome' children and adults.

In 2010, we partnered with Down's syndrome organisation CTDUCA in a project to improve metabolic function for these people and, consequently, their cognitive and learning abilities. As the core of the project, our Mexico research team developed a dairy replacement product based on whey protein. This food supplement supports nutritional intervention and enhances the absorption and digestion of important components necessary for the production and activation of brain neurotransmitters.

PROMISING RESULTS

Testing has shown promising results. Clinical, cognitive, bio-medicinal, ethnological and physiological studies were carried out in collaboration with the University of Mexico, the University of San Luis Potosi, Iberoamerican University, COPOCY, CONACYT and parents of children with Down's syndrome.

Findings conclude that regular usage of the food supplement improves cognitive, psychological and social abilities in children, and enhances psychological and social well-being. The supplement also seems to help stimulate mobility and movement, reduce fear-related behavior, and improve sleep patterns.



LIFE

Testing also suggests that the product can improve the quality of life for people with autism and ADHD, and influence other conditions with similar characteristics, such as diabetes, gluten allergies and high blood pressure.

FUTURE PROSPECTS

The food supplement is produced by Palsgaard and will be distributed in the Mexican and American markets as a special nutrition product. Patent applications have been filed in Mexico and a number of other countries.

Research has shown that those affected by Down's syndrome are often intolerant to certain foods containing essential nutrients.

CSR REPORTING

KEY STAKEHOLDERS

Palsgaard’s sustainability efforts and reporting focus on the following key stakeholders:

- Customers
- Owners
- Management
- Employees
- Competitors

MATERIALITY ANALYSIS

As with previous years, Palsgaard has conducted an updated materiality analysis to identify our priority issues in advance of developing this report (see figure 11).

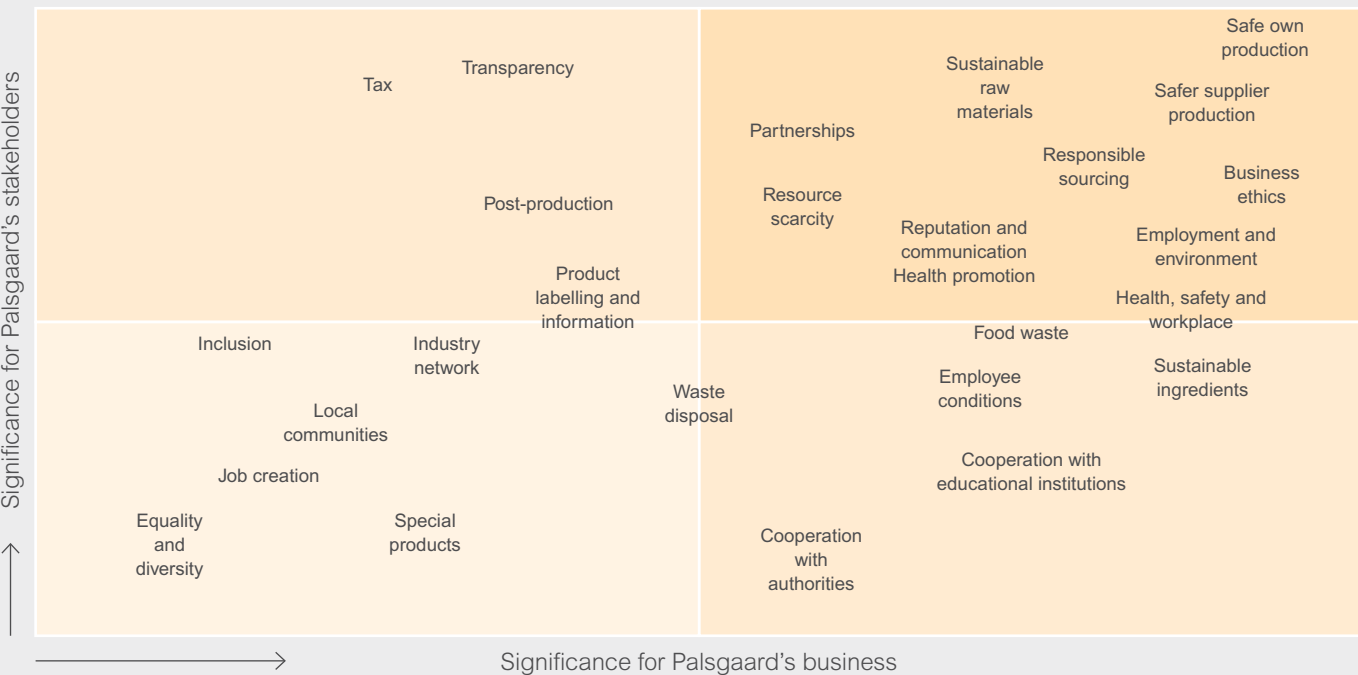
We use a core set of priority issues to guide our corporate responsibility strategy. These issues reflect the topics of highest

concern to Palsgaard and its stakeholders. First, we defined a set of priority issues through analysis in 2011. Since then, we have completed several rounds of refinement. The next round of refinements is due in 2015.

As part of the process, we:

- Reviewed and refined our existing set of issues to reflect new information found in the GRI G4 Reporting Guidelines and the supplementary GRI Food Processing Sector Disclosures framework.
- Analysed inputs from customers, investors, non-governmental organisations, regulators, and research and rating organisations to prioritise the importance of each issue to these stakeholders.
- Surveyed Palsgaard managers and employees to understand the internal importance of each issue.

Figure 11:
MATERIALITY ANALYSIS



- Solicited executive feedback to confirm the alignment of analysis results with strategic initiatives and corporate goals.

Specific improvements identified from the process (and implemented in this year's report) included:

- Better description of the sustainability context, risks, priorities and stakeholder engagement.
- More detailed employee data.
- More data on sustainable procurement/supplier management.
- Better coverage of the way we manage human rights.
- More comprehensive information on anti-corruption and anti-competitive behaviour.
- Description of grievance mechanisms.

Figure 12:

PALSGAARD A/S SUBSIDIARIES AND JOINT VENTURES

Throughout this report, the short-hand term "PADK" refers to Palsgaard in Denmark and Nexus A/S. Other terms used to refer to specific subsidiaries in the report are indicated in parentheses below:

SUBSIDIARIES

BRAZIL

Palsgaard Brasil Comércio Ltda.

FRANCE

Palsgaard France SAS

NETHERLANDS ("PANL")

Palsgaard Netherlands B.V.

CHINA ("PACN")

Palsgaard China Additive Ltd.

MALAYSIA ("PAMY")

Palsgaard Malaysia Sdn. Bhd.

DUBAI

Palsgaard DWC-LLC

MEXICO ("PAMX")

Palsgaard Industri de Mexico S. de R.L. de C.V.

POLAND

Palsgaard Polska Sp. z.o.o.

RUSSIA

000 "Palsgaard R"

SINGAPORE

Palsgaard Asia Pacific Ptd Ltd

SOUTH AFRICA

Palsgaard South Africa Pty Ltd

GERMANY

Palsgaard Verkaufsgesellschaft mbH & Co. KG

USA

Palsgaard USA Inc.

JOINT VENTURES

GERMANY

Kampffmeyer Food Innovation GmbH

INDEPENDENT REVIEW STATEMENT

TO MANAGEMENT AND BROADER STAKEHOLDERS OF PALSGAARD A/S

We have reviewed the Corporate Responsibility Report 2014 ('the report') to provide limited assurance on the text and data therein. The report covers Palsgaard's global activities from 1 January to 31 December 2014. Management of Palsgaard A/S is responsible for collecting, analysing, aggregating and presenting the information in the report. Our responsibility is to express a conclusion based on our engagement with Management and in accordance with the agreed scope of work.

SCOPE OF WORK

We have conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information and additional requirements under Danish audit regulation. Our task was to obtain limited assurance that the group level data and text in the report are presented in accordance with the reporting practice described and the information reported by countries and group functions. Compared to a reasonable assurance engagement, our work has been limited primarily to inquiries of group personnel as well as analytical procedures to ascertain the quality of underlying processes for data collection, analysis and consolidation.

Our scope of work also included a review of the report against the requirements of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 4 (In Accordance – Core).

We performed our on-site review at the Palsgaard A/S Head Office in Denmark in April 2015. We have not performed site visits or interviewed external stakeholders. We have not performed any assurance procedures on baseline data, any economic or financial data (including GRI Indicator G4-EC1) or forward-looking statements, such as targets and expecta-

tations, or individual case stories disclosed in the Report. Consequently, we draw no conclusion on these statements.

METHODOLOGY

Considering the risk of material error, we planned and performed our work so as to obtain all information and explanations necessary to support our conclusion. We used the Reporting Practice described in the report together with GRI reporting criteria as an appropriate basis for our engagement. Our procedures included the following:

- Reviewing Palsgaard's processes for determining material issues to be included in the report and challenging the material text statements in the report.
- Reviewing the processes, tools, systems and controls for gathering, consolidating and aggregating data at group level and performing analytical review procedures and obtaining additional explanations of data performance from both the group functions and from selected country sites.
- Interviewing management staff responsible for data and text in the report.
- Inspecting internal and external documentation to verify the extent to which it supports the information included in the report.
- Evaluating the overall presentation of the reporting, including consistency of information.
- Reviewing the report for adherence to the GRI principles for defining report content and ensuring report quality and the G4 disclosure requirements.

CONCLUSION

Based on our work, nothing has come to our attention that causes us to believe that the 2014 Corporate Responsibility Report, in all material respects, has not been prepared in accordance with the stated reporting criteria. However, environmental data collection and aggregation procedures need improvement to ensure greater quality and reliability. We confirm that the report complies with the GRI's G4 'In Accordance – Core' level.

OBSERVATIONS

Materiality and sustainability context

The company continues to demonstrate its active approach to managing material sustainability risks. Palsgaard has updated its materiality analysis, using the GRI G4 Guidelines and Sector Disclosure, and validated the results with different stakeholders. The report content reflects the company's ongoing monitoring of its material issues within a wider sustainability context as well as growing stakeholder expectations and information needs. Palsgaard has also updated its CSR strategy, policies and targets to ensure a continued alignment with developments in the business.

Completeness and timeliness

This is Palsgaard's fifth annual CSR report, providing a timely update to stakeholders of the company's CSR performance. Within the reporting boundary and scope defined by the report, we have not found any significant omissions of important information.

Clarity and balance

The report provides a straightforward and balanced presentation of the Palsgaard's activities, highlighting challenges and dilemmas arising in the business.

Stakeholder inclusiveness and responsiveness

Palsgaard has undertaken a thorough analysis of its stakeholders to better understand their interests and relationship with the company. Palsgaard stands out as a company that respects and responds to various stakeholders, and it undertakes a number of activities to ensure this, as demonstrated in this report.

Accuracy and reliability

Palsgaard is strengthening its internal data collection and control procedures, particularly for environmental data, to ensure greater quality and reliability. Palsgaard has also clarified

several accounting principles, which enable greater comparability. Due to ongoing difficulties in generating sufficiently reliable data on SO₂ and NO_x, Palsgaard no longer reports on these emissions.

OPPORTUNITIES FOR IMPROVEMENT

We have made a number of observations and recommendations to Management of Palsgaard, which include improving internal data collection and control procedures to ensure stronger accuracy and reliability.

Copenhagen, 18 May 2015

Deloitte

Statsautoriseret Revisionspartnerselskab



Lars Kronow

State Authorised Public Accountant

Helena Barton

Lead Reviewer

Deloitte.

REPORTING PRACTICE

The data basis for this report includes the entities indicated in the summary. All data, except for employee and tax data, only includes production units. We are continuously improving our data collecting system. Our environmental reporting does not cover agricultural and forestry activities. Our reporting period runs from 1 January 2014 to 31 December 2014. The targets listed in figure 1 on page 6 have been calculated using 2009 as a basis year.

INDICATOR	DATA BASIS	INDICATOR METHOD DESCRIPTION	REPORTING ENTITIES
Raw material consumption	M, C	Annual production volumes are based mainly on company purchasing statistics, production reports and counts.	PADK
Finished products	M, C	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.	Palsgaard A/S
Energy consumption, electricity	M, E	Electricity consumption has been determined on the basis of statement from electricity provider. In PAMX, electricity consumption from solar panels has been estimated.	Palsgaard A/S
Energy consumption, fossil	M	Natural gas and oil consumption are measured.	Palsgaard A/S
Energy savings	C	The result of energy-saving initiatives has been calculated on the basis of energy consumption compared with volume of finished products.	Palsgaard A/S
Emissions	C	Emissions are calculated based on energy consumption and available emission factors. Scope 1: Emission factors from Klimakompasset (www.klimakompasset.dk) Scope 2: Emission factors from supplier in Denmark and Defra (www.defra.gov.uk/publications/2012/05/30/pb13773-2012-ghg-conversion) Emissions from personal and transport vehicles are not included. We no longer report SO ₂ and NO _x due to challenges in obtaining sufficiently reliable data.	Palsgaard A/S
Water usage	M, E	Water usage has been calculated based on own meters or estimations.	Palsgaard A/S
Waste water	M, E	Waste water volumes have been calculated on the basis of meter readings on the waste water system or estimations	Palsgaard A/S
Derivative products	C	The calculation of derivative products is based mainly on sales statistics, production reports and counts.	PADK
Waste (combustible)	M	Waste volumes have been measured on the basis of invoices from waste removal companies.	PADK
Chemical waste	M	Chemical waste volumes have been measured on the basis of weight slips received from waste removal companies.	PADK
Incidents of Non-compliance	M	Total number of incidents of non-compliance with regulations and voluntary codes.	Palsgaard A/S ++
Industrial accidents	M	Industrial accidents have been measured on the basis of accident records for all employees entailing more than 1 day of absence.	Palsgaard A/S ++
Accident frequency	C	Accident frequency has been calculated per 1 million working hours. Number of working hours is a calculated figure of working hours.	Palsgaard A/S ++
Employee turnover	C	Employee turnover has been calculated on the basis of headcount of employees at the beginning of the year, based on Palsgaard's payroll system. Students are not included and comprise 2% in 2014. Average seniority and average age has been calculated on the basis of the employees at the end of the year 31.12.2014, based on Palsgaard's payroll system.	PADK ++
Employee satisfaction	M, C	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 with EEI (European Employee Index).	PADK ++
Tax	C	The effective tax rate is calculated by the company's external accountant based on the results of the group and the accounts and tax declarations.	PADK ++

M=Measured
C=Calculated
E=Estimated

Palsgaard A/S= Palsgaard entities in Denmark, Netherlands, Mexico, Malaysia, China and Nexus A/S
Palsgaard A/S ++ = Palsgaard A/S + Schou Foundation + Palsgaard Estate A/S
PADK = Palsgaard in Denmark and Nexus A/S
PADK ++ = PADK + Schou Foundation + Palsgaard Estate A/S + 13 subsidiaries

DATA SUMMARY

INDICATOR	UNIT	2009	2010	2011	2012	2013	2014
ENERGY							
Energy consumption, total (gross)	kWh per kg finished product	1.26	1.19	1.16	1.17	1.11	1.38 ³
Energy consumption, electricity (gross)	mWh	10,946	11,215	10,910	11,337	11,539	14,401 ³
Energy consumption, fossil (gross)	mWh	31,905	32,845	31,476	33,068	33,929	43,925 ³
EMISSIONS							
CO ₂ -emissions (gross)	tonnes						8,800
CO ₂ -emissions (net)	tonnes	13,438	12,029	6,554	6,856	7,021	5,236
CO ₂ -emissions (net)	kg per kg finished product	0.4	0.32	0.18	0.18	0.17	0.17
NO _x and SO ₂ ⁴							
WATER							
Water consumption	m ³	110,646	136,289	131,520	154,897	167,311	173,983
Waste water	litre per kg finished product	1.47	1.22	1.42	1.53	1.39	1.64
Waste water	m ³	49,820	45,393	52,267	58,126	56,857	69,173
DERIVATIVE PRODUCTS AND WASTE							
Derivative products ³	kg per kg finished product	0.08	0.09	0.08	0.08	0.08	0.1
Waste (Combustible)	kg per kg finished product	0.012	0.012	0.011	0.011	0.009	0.01
Waste (Combustible)	tonnes	339	360	339	341	322	330
Chemical waste	kg	13,460	8,385	9,819	17,929	17,979	9,125
COMPLIANCE OF AUTHORITY REQUIREMENTS							
Number of incidents of non-compliance	number	0	0	0	1	0	0
WORKING ENVIRONMENT							
Accidents, total	number	7	9	3	5	4	9
Accidents, Denmark	number	7	8	3	5	4	9
Accidents, the Netherlands	number	0	1	0	0	0	0
Accidents, China	number	¹	0	0	0	0	0
Accidents, Malaysia							0
Accidents, Mexico	number	0	0	0	0	0	0
Accident frequency, Denmark	number per million working hours	20	22	8	14	11	16 ²
EMPLOYEE CONDITIONS							
Employee turnover	turnover rate, %	11.8	4.4	4.8	5.3	3.1	8.7
TAX							
Effective tax rate	%	21.2	16.6	32.8	29.2	31.4	29.9
RAW MATERIALS							
Raw material consumption		107.6	107.9	107.19	106.49	107.37	108.39
RSPO-certified palm oil (kg per 100 kg finished product)	%	1	1	1	1	1	8

¹ Data not available

² From 2014 all production entities are included in the "Accident frequency" number

³ The calculation method has been changed so that all figures reflect actual amounts without energy-saving reductions

⁴ From 2014 we no longer report on SO₂ and NO_x due to the difficulty of obtaining sufficiently reliable data

GRI CONTENT INDEX – DISCLOSURES

The GRI table is based on GRI Sustainability Reporting Guidelines Version 4.0. See the Reporting Practice section for an explanation of the terms used.

GRI REFERENCE	DESCRIPTION	CROSS-REFERENCE OR ANSWER	PAGE NO.	UNGC ACTIVE CROSS-REFERENCE
STRATEGY AND ANALYSIS				
G4-1	CEO Statement		7	High-level Commitment and Strategy
G4-2	Key impacts and risks		14, 15	High-level Commitment and Strategy
ORGANISATIONAL PROFILE				
G4-3	Name of organisation	See Business Overview section.	8	Organisational Profile and Operational Context
G4-4	Primary brands, products, services	See Business Overview section.	8	Organisational Profile and Operational Context
G4-5	Location of HQ	See Business Overview section.	8	Organisational Profile and Operational Context
G4-6	Countries of operation	See Business Overview section.	8	Organisational Profile and Operational Context
G4-7	Ownership and legal form	See Business Overview and Schou Foundation sections.	8, 22	Organisational Profile and Operational Context
G4-8	Markets served	See Business Overview and Products sections.	8, 42	Organisational Profile and Operational Context
G4-9	Scale of organisation	See Business Overview section.	8	Organisational Profile and Operational Context
G4-10	Employees - breakdown	See Business Overview section.	8	Organisational Profile and Operational Context; principle 6
G4-11	% employees covered by collective bargaining agreement	Principles of employees.		
G4-12	Description of supply chain	See Creating Shared Value section.	14	
G4-13	Significant changes to organisation	There were none in 2014.		Organisational Profile and Operational Context
G4-14	Precautionary approach	The company implements a core principle of 'above and beyond', typically moving ahead of legislation to introduce e.g. product traceability mechanisms or sustainable raw material supply (e.g. RSPO Mass Balance and Segregated).	10	
G4-15	External principles endorsed	Throughout the report.		Principle 1
G4-16	Memberships	See Sustainability Approach section.	10	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	Entities and boundaries	See About this Report section.	5	Organisational Profile and Operational Context
G4-18	Defining report content	See About this Report, Materiality sections.	5, 62	
G4-19	List of material aspects	See About this Report, Materiality sections.	5, 62	
G4-20	Aspect boundary inside organisation	See Reporting Practice section.	66	
G4-21	Aspect boundary outside organisation	See Reporting Practice section.	66	
G4-22	Restatements	See Reporting Practice section and others.	66 et al.	
G4-23	Significant changes to report boundaries	See About this Report section.	66	
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholders engaged	See CSR Reporting section.	63	
G4-25	Selection of stakeholders	See CSR Reporting section.	63	
G4-26	Approach to stakeholder engagement	See CSR Reporting section.	63	
G4-27	Issues raised and responded to	Customers are asking for raw materials sustainability, fat reduction.		COP Report Profile
REPORT PROFILE				
G4-28	Reporting period	See About this Report section.	66	COP Report Profile
G4-29	Date of previous report	See About this Report section.	66	

GRI CONTENT INDEX – DISCLOSURES, Continued

GRI REFERENCE	DESCRIPTION	CROSS-REFERENCE OR ANSWER	PAGE NO.	UNGC ACTIVE CROSS-REFERENCE
G4-30	Reporting cycle	See About this Report section.	66	
G4-31	Report contact	CSR coordinator Lisa Drejer Mortensen, ldm@palsgaard.dk		
G4-32	GRI Content Index	Yes.		
G4-33	External assurance	See Extended Assurance section.	65	External assurance of COP
GOVERNANCE				
G4-34	Governance structure and Highest Governance Body (HGB)	See Structure & Responsibilities section.	20	
G4-35	Delegating authority	See Structure & Responsibilities section.	20	
G4-36	Responsibility for Economic, Environmental and Social (EES) topics	See Structure & Responsibilities section.	20	
G4-37	HGB consultation on EES topics	See Structure & Responsibilities section.	20	
G4-38	Composition of governance bodies	See Structure & Responsibilities section.	20	
G4-39	Relationship between Chair and CEO	See Schou Foundation and Corporate Governance sections	20, 22	
G4-40	Nomination and selection of governance body	See Corporate Governance section.	20	
G4-41	Conflicts of interest	Limitations are noted in employment contracts		
G4-42	HGB's role in setting purpose, value and strategy	See Structure & Responsibilities section.	20	
G4-43	HGB's knowledge of EES topics	See Structure & Responsibilities section.	20	
G4-44	Performance evaluation of HGB on EES topics	External CSR assurer and external CSR associations in Denmark.		
G4-45	HGB's role in identifying EES risks	See Structure & Responsibilities section.	21	
G4-46	HGB's review of management of EES risks	In accordance with ISO-documented procedure.		
G4-47	Frequency of EES risk reviews	3 times a year.		
G4-48	Highest approval of sustainability report	See Corporate Governance section.	21	
G4-49	Raising critical concerns with HGB	See Corporate Governance section.	20	
G4-50	Critical concerns raised and addressed	No specific critical issues were raised in 2014.		
G4-51	Remuneration policies	See Employees section.	57	
G4-52	Process for determining remuneration	See Employees section.	57	
G4-53	Stakeholder views on remuneration	Gathered from employee evaluation conversations.	56, 57	
G4-54	Ratio of highest and median compensation	Not disclosed for competitive reasons.		
G4-55	% increase for highest and median compensation	Not disclosed for competitive reasons.		
ETHICS AND INTEGRITY				
G4-56	Values, principles, codes	See Creating Shared Value section.	12, 13	Principle 10

GRI CONTENT INDEX – INDICATORS

MATERIAL ASPECT	INDICATOR	DESCRIPTION	CROSS-REFERENCE OR ANSWER	EXTERNAL ASSURANCE	SEE PAGE	UNGC PRINCIPLE
GOVERNANCE						
Economic performance	G4-EC1	Direct economic value generated and distributed	Business overview	Yes	9	
	G4-EC7	Development and impact of infrastructure investments and services supported	Commercial Investment in high technology factory in Malaysia. In MY and MX: Creating 59 jobs and contributing to local infrastructure and economic development. Continuous investment in energy reduction and production optimisation at our production plants.	Yes	36	
	G4-FP1	% of purchased volume from suppliers compliant with company's sourcing policy	See Responsible Sourcing section.	Yes	25	
	G4-FP2	% of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	8% of total sourced palm oil and palm oil-based ingredients is purchased as RSPO-certified, mainly from South-East Asia. All suppliers of palm oil are members of RSPO. Our Quality management systems register the country of origin for all ingredients.	Yes	38	
ENVIRONMENTAL						
Materials	G4-EN1	Materials used by weight or volume	Commercially sensitive information.	Yes	NA	Principles 7,8
Energy	G4-EN3	Energy consumption within the organisation	See Data Summary section. This figure does not include the electricity produced by solar panels in Mexico. 1 small LPG-fueled forklift truck is excluded because it contributes insignificantly total energy consumption .	Yes	29, 67	Principles 7,8
	G4-EN4	Energy consumption outside the organisation	Energy consumption is not measured outside Palsgaard but some of our products can reduce the energy required to manufacture customers' products.	No	15, 46	Principle 8
	G4-EN5	Energy intensity	See Data summary. We define energy intensity as kWh per kg finished product.	Yes	67	Principle 8
	G4-EN6	Reduction of energy consumption	By optimising production processes and changing from natural gas to natural bio gas as main energy source	Yes	31	Principles 8,9
	G4-EN7	Reductions in energy requirements of products and services	Examples of products where energy requirements are reduced.	No	30, 46	Principles 8,9
Water	G4-EN8	Total water withdrawal by source	Not provided – currently under review.			Principles 7,8
	G4-EN9	Water sources significantly affected by withdrawal water	No significant impacts on water sources. Waste water reduction/recycling is our focus area.	Yes	32	Principle 8
	G4-EN10	% and total volume of water recycled and re-used	See description of plant in PAMY. Description of installation of recycling water pumps in PADK, which we estimate will reduce waste water by 25%. Also refer to Data Summary.	Yes	32, 36, 67	Principle 8
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	One of the purposes of The Schou Foundation is to preserve and develop our natural surroundings. PAMY is located close to oil palm plantations.	Yes	22, 36	Principle 8
	G4-EN13	Habitats protected or restored	Conservation of areas of natural beauty is part of the Schou Foundation's purposes and we support local habitat protection through RSPO membership.	Yes	22, 39	Principle 8
	G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	See Data Summary section.	Yes	67	Principles 7,8
	G4-EN16	Energy indirect greenhouse gas emissions (scope 2)	See Data Summary section.	Yes	67	Principles 7,8
	G4-EN17	Other indirect greenhouse gas emissions (scope 3)	We do not currently measure scope 3 (only GHG Protocol 1 and 2).	Yes	67	Principles 7,8
	G4-EN18	Greenhouse gas emissions intensity	We measure CO ₂ emissions intensity as kg CO ₂ emissions per kg finished product.	Yes	67	Principle 8
	G4-EN19	Reduction of greenhouse gas emissions	See Data Summary section.	Yes	67	Principles 8,9

MATERIAL ASPECT	INDICATOR	DESCRIPTION	CROSS-REFERENCE OR ANSWER	EXTERNAL ASSURANCE	SEE PAGE	UNGC PRINCIPLE
	G4-EN20	Emissions of ozone-depleting substances (ODS)	We do not produce, import or export ozone-depleting substances.	Yes	8	Principles 7,8
	G4-EN21	NOx, SOx, and other significant air emissions	See Data Summary section.	Yes	67	Principles 7,8
Effluents & waste	G4-EN22	Total water discharge by quality and destination	See Waste & Water section.	Yes	32	Principle 8
	G4-EN23	Total weight of waste by type and disposal method	See Data Summary section.	Yes	67	Principle 8
	G4-EN24	Total number and volume of significant spills	No significant spills in 2014.	Yes	67	Principle 8
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel convention Annex I, II, III and VIII, and % of transported waste shipped internationally	Not applicable.	No	NA	Principle 8
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	We comply or perform beyond legal requirements for water discharge.	No	NA	Principle 8
Products & services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Examples of products able to reduce energy consumption are provided.		15, 46	Principles 7, 8,9
	G4-EN28	% of products sold and their packaging materials that are reclaimed by category	Omitted: We do not currently measure the percentage of reclaimed products and packaging materials.	Yes	NA	Principle 8
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No fines or significant non-monetary sanctions due to non-compliance in 2014.	Yes	NA	Principle 8
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	Transport is not within our GHG scope (1 and 2). Several of our raw materials are only available from distant sources.	Yes	24	Principle 8
Supplier environmental assessment	G4-EN32	% of new suppliers that were screened using environmental criteria	See Responsible Sourcing section.	Yes	25	Principles 7,8
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Results of supplier evaluation are so far undetermined. The ongoing process has not yet resulted in any termination of relationships.	Yes	25	Principle 8
Environmental grievance mechanism	G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	No grievances have been registered in 2014.	Yes	31	Principle 8
LABOUR PRACTICES & DECENT WORK						
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	See Employee Well-being section.		56	Principle 6
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	See Employee Well-being section.	Yes	56	
	G4-LA3	Return to work and retention rates after parental leave, by gender	100% for both genders. All employees who have returned to work after parental leave were still employed 12 months after their return.	Yes	NA	Principle 6
Labour/management relations	G4-LA4	Minimum notice periods regarding operational changes including whether these are specified in collective agreements	We comply with any applicable national regulations and collective agreements.	Yes	53	Principle 3
	G4-FP3	% of working time lost due to industrial disputes, strikes and or lock-outs by country	None of our facilities experienced strikes or lock-outs in 2014.	Yes	NA	
Occupational health & safety	G4-LA5	% of total workforce represented in formal joint management/worker health & safety committees that help monitor & advise on occupational health & safety programmes	100% of our workforce is represented in formal joint management/worker health& safety committees.	Yes	NA	

MATERIAL ASPECT	INDICATOR	DESCRIPTION	CROSS-REFERENCE OR ANSWER	EXTERNAL ASSURANCE	SEE PAGE	UNGC PRINCIPLE
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and by gender	In 2014, there were 9 accidents (2 female and 7 male), all in Denmark. We monitor absenteeism in Denmark and aim to expand our monitoring to all production sites in 2015.	Yes	55	
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Not applicable.	No	NA	
	G4-LA8	Health & safety topics covered in formal agreements with trade unions	Our Health and Safety organisation addresses a range of topics including the health and safety committee, training and education, the right to refuse unsafe work, etc.	Yes	NA	
Training & education	G4-LA9	Average hours of training per year per employee by gender and by employee category	Training data collection is being strengthened.	Yes	NA	Principle 6
	G4-LA10	Programmes for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings	Described in Employee Development Conversations (MUS). HR is always available to support employees. In involuntary employment termination cases, we offer further support with job-finding.	Yes	56	
	G4-LA11	% of employees receiving regular performance and career development reviews by gender and by employee category	Annual development conversations (MUS).	Yes	56	Principle 6
Diversity & equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	See Business Overview section.	Yes	8	Principle 6
Equal remuneration for women & men	G4-LA13	Ratio of basic salary & remuneration of women to men by employee category, by significant locations of operation	We monitor remuneration levels among our production staff in Denmark. In 2014, the remuneration ratio for males and females was 100/102.	Yes	NA	Principle 6
Supplier assessment for labour practices	G4-LA14	% of new suppliers that were screened using labour practices criteria	See Responsible Sourcing section.	Yes	24	
	G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	See Responsible Sourcing section.	Yes	24	
Labour practices grievance mechanism	G4-LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	No grievances on labour practices in 2014.	Yes	24	
HUMAN RIGHTS						
Investment	G4-HR1	Total number and % of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	We are committed to UNGC and its principles are part of our Code of Conduct. We encourage UNGC compliance among suppliers. Local risks are considered but human rights are not a formal part of our due diligence.	No	NA	Principle 2
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the % of employees trained	We do not currently provide training in human rights. We encourage a culture of respecting employees and individual human rights.	No	NA	Principle 1
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	No incidents in 2014.	Yes	NA	Principle 6
Freedom of association and collective bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Employees have free choice of association and several trade unions are represented in the workforce.	No	NA	Principle 3
Child labour	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	We do not consider child labour in our organisation as a risk. We recognise and monitor the risk of child labour in our supply chain.	Yes	NA	Principle 5
Forced labour	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	We do not consider forced labour in our organisation as a risk. We recognise the risk of forced labour in our supply chain and it is part of supplier monitoring.	Yes	24	Principle 4

MATERIAL ASPECT	INDICATOR	DESCRIPTION	CROSS-REFERENCE OR ANSWER	EXTERNAL ASSURANCE	SEE PAGE	UNGC PRINCIPLE
Security practices	G4-HR7	% of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	We do not currently train security personnel in human rights as they are externally employed.	No	NA	Principle 1
Indigenous rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	No incidents in 2014.	No	NA	Principle 1
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	As a member of Sedex we have published ethical data in the database from PADK, PANL and PAMX. There may be increased risk at our subsidiaries in e.g. Malaysia, Mexico, or Russia, but we strive to manage this risk.	No	NA	Principle 1
Supplier human rights assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	See Responsible Sourcing section.	Yes	25	Principle 2
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	See Responsible Sourcing section.	Yes	24	Principle 2
Human rights grievance mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	No incidents in 2014.	Yes	NA	Principle 1
SOCIETY						
Local communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	We do not currently measure operations with local community engagement. See Community Connections section.	Yes	58	Principle 1
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	We do not consider any operations to have a negative impact on local communities.	No	22	Principle 1
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Corporate Governance	Yes	20	Principle 10
	G4-SO4	Communication and training on anti-corruption policies and procedures	Corporate Governance	Yes	20	Principle 10
	G4-SO5	Confirmed incidents of corruption and actions taken	No incidents in 2014.	Yes	20	Principle 10
Public policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	It is our policy not to contribute to political interests.	No	NA	
Anti-competitive behaviour	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	No legal actions in 2014.	Yes	NA	
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No fines or significant non-monetary sanctions due to non-compliance in 2014. We received a visit by Danish work environment authorities due to the increased number of work-related accidents. None of the visits resulted in notices.	Yes	NA	
Supplier assessment for labour practices	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	See Responsible Sourcing section.	Yes	25	
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	See Creating Shared Value section.	Yes	14	
Grievance mechanisms for impacts on society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	No grievances in 2014.	Yes	NA	
PRODUCT RESPONSIBILITY						
Customer health & safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	More than 50% of Palsgaard products are designed to assist nutritional and safety aspects of food production.	No	46	

For further details of the GRI standard and terms used in the table, please refer to www.globalreporting.org

MATERIAL ASPECT	INDICATOR	DESCRIPTION	CROSS-REFERENCE OR ANSWER	EXTERNAL ASSURANCE	SEE PAGE	UNGC PRINCIPLE
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No incidents in 2014.	Yes	NA	
	G4-FP5	Percentage of production volume manufactured in sites certified to international food safety standards	Production sites in NL, MX, MY, DK are all certified to the food safety standards ISO/FSSC 22000 (almost 100% of total production). There are no requirements for China but regulatory developments are monitored.	Yes	NA	
	G4-FP6	% of total sales volume of consumer products by product category that are lowered in saturated fat, trans fats, sodium and added sugars	Our products are not aimed at end consumers but the majority help food processing companies to lower the fat content of their products.	Yes	NA	
	G4-FP7	% of total sales volume of consumer products by product category that contain increased nutritious ingredients like fibre, vitamins, minerals, phytochemicals, or functional food additives	Not applicable to our production.	No	NA	
Product & service labelling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Our labels contain the information required by law and any additional information required by our customers.	Yes	NA	
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	No incidents in 2014.			
	G4-PR5	Results of surveys measuring customer satisfaction	Commercially sensitive information.	No	42	
Marketing communications	G4-PR6	Sale of banned or disputed products	Palm oil-based products are discussed in the media and our stakeholders are interested in our position. Our goal is to use only RSPO-certified palm oil by 2015. We aim to achieve 100% SG-certified products by 2015 at our Danish plant, ahead of our previously stated target. We assist our customers with requirements for RSPO certification and support RSPO learning for customers.	Yes	39	
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	No incidents in 2014	No	NA	
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No incidents in 2014	No	NA	

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