



Corporate Social Responsibility

REPORT 2017

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About this report

This is Palsgaard's eighth annual CSR (Corporate Social Responsibility) report, covering the 2017 calendar year. It aims to provide a balanced overview that identifies the impacts and risks of our work with food ingredients and functional polymer additives, as well as our activities to counter these and to make positive contributions towards a more sustainable world. This report forms part of the management report in the company's annual report in compliance with the Danish Financial Statements Act, Section 99a.

Report scope

The scope of the report focuses on Palsgaard's manufacturing companies, and the research and development company Nexus A/S. Where noted, data also includes the Schou Foundation, Palsgaard Estate A/S and additional subsidiaries. The entities in scope 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 50.

Reporting principles

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, comprehensive option, and the associated supplement for the food processing sector. See our GRI Content Index on page 52 for a list of GRI indicators and references.

The topics included in this report, and the material aspects we cover, were selected and prioritised by Palsgaard management and the CSR team on the basis of their relevance to our own and our stakeholders' reporting needs. These are detailed in the section on Materiality on page 10.

We consider our most important stakeholders for sustainability to be our customers, our employees, regulatory authorities and local communities.

Independent review

This report and its data was reviewed by an independent auditor, which has provided limited assurance. See the auditor's statement on page 48.



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

This Communication on Progress qualifies for the Global Compact Advanced level

Make the change

If food manufacturers all around the globe used sustainably sourced and produced emulsifiers, we could go much further toward solving some of the world's most important food supply issues and environmental challenges.



Dear Reader,

Palsgaard has consistently been at the forefront of sustainability in the food ingredients industry. We continue to move closer toward our goal of global carbon neutrality in 2020 and to lift performance in responsible sourcing, employee well-being, and other sustainability focus areas.

2017 performance

The year saw continued economic growth for Palsgaard and production optimisation efforts during the year certainly paid off, with reductions in energy consumption, waste water and water consumption per kilogram of finished product across all of our production sites.

Our effort to promote and supply Roundtable on Sustainable Palm Oil (RSPO) SG-certified emulsifiers was further solidified by our ability to offer a full product range of these from Denmark. This year, we experienced considerable growth in the sale of these products and it is satisfying to observe the increase in customer purchasing trends for SG-certified emulsifiers.

The latest employee survey revealed an increase in overall employee satisfaction and motivation, and in the level of satisfaction of substance in their jobs. We are pleased that we have a highly satisfied workforce and identified an area for improvement to provide clear processes and tools to support employees in doing their job.

Regretfully, despite considerable effort to reduce the number of work accidents, 20 accidents with absence, per million working hours, were reported. This of course, is unacceptable and has spurred us to create a global QEHS department focused on health and safety projects to significantly reduce these numbers.

Towards the end of 2016, Palsgaard acquired a majority share of a leading Brazilian food ingredients company. The activities of this new entity, Palsgaard Candon, are now within reporting scope for our CSR report.

Going forward

We aim to steadily and transparently continue toward achieving our set goals, within the frame of our company values and CSR targets. Due diligence processes will be further developed and adapted as we grow, aligning with requirements from regulatory authorities. We will continue to support the UN Global Compact (UNGC) and also extend our support of the UN Sustainable Development Goals (SDGs), focusing even more on human rights and product innovation.

Birger Brix
Group CEO
Schou Foundation
Palsgaard 26 April 2018

Jakob Thøisen
CEO
Palsgaard A/S
Palsgaard 26 April 2018

Making it all possible

“

Everything we have achieved and are preparing to achieve began with a singular, powerful vision.”

Birger Brix, Group CEO

The Schou Foundation

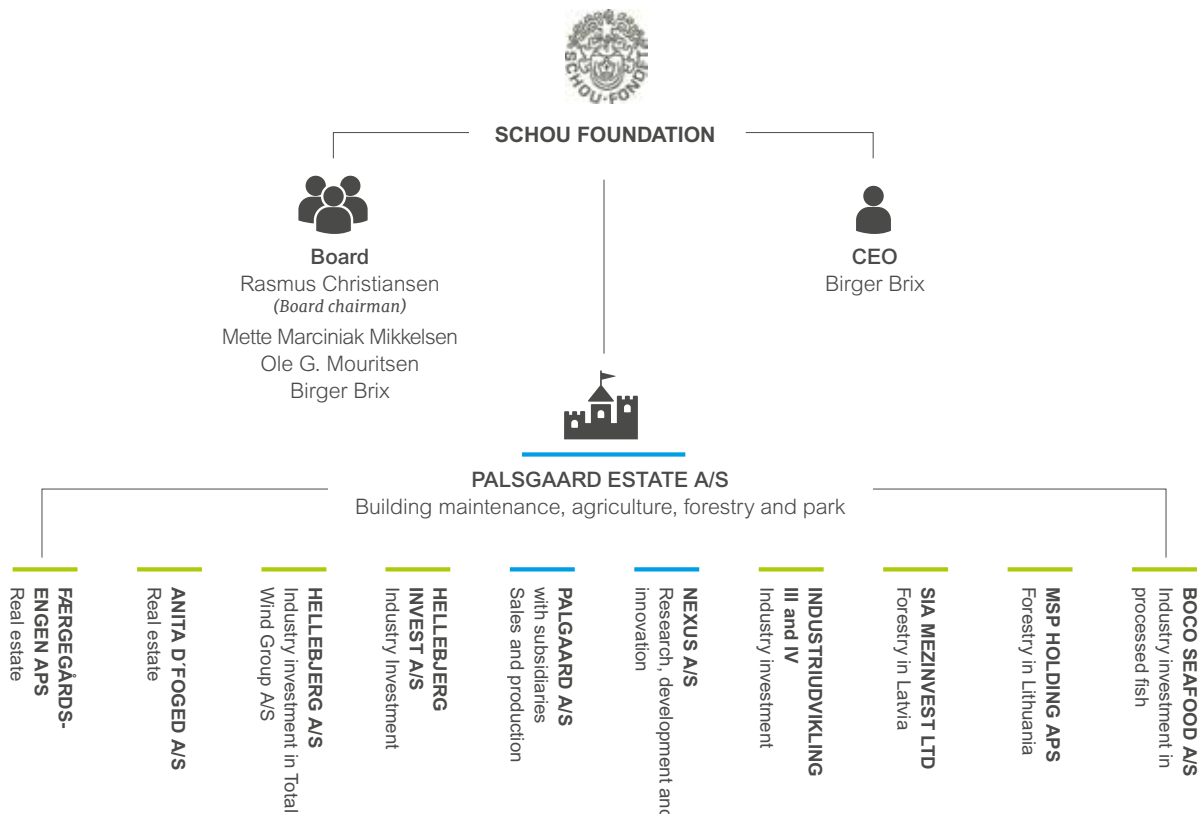
The Schou Foundation oversees the activities of its companies that work to fulfil the foundation's aims, including Palsgaard A/S and its subsidiaries. The foundation is charged with preserving and further developing the Palsgaard Estate, where Palsgaard's head office and its factories are located, as 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, and establishes and sustains research and development companies in areas that promote its activities.



Einar Viggo Schou, Founder of Palsgaard

The companies that share the Schou Foundation's legacy have a common extended 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".

Figure 1
The organisation chart below shows entities owned or partly owned by the Schou Foundation. Entities in blue are explained further in the Reporting Practice section and denoted Palsgaard A/S++ (see page 50). Entities that are not in scope for this report are shown in green.



Sustainable land management

The Schou Foundation and its subsidiaries own 6,222 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 respectfully consider nature, the environment and employees.

The objects of the Schou Foundation

- A. To own companies that the Board of Directors of the Foundation may find appropriate for the fulfilment of the other objects of the Foundation.
- B. 1) To preserve and further develop Palsgaard Estate with all its splendours, as a beautiful and pleasant workplace for all employees.
2) To preserve the main building through maintenance and renewal in a manner consistent with the architecture and history of the building, not as a lifeless monument but in accordance with its purpose and structure as a vibrant family home for either the Director of the Foundation's activities or for another person linked to the Foundation, who is considered to be a suitable candidate by the Board of Directors of the Foundation in terms of publicly representing the Foundation.
3) To preserve – or expand – the park through maintenance and renewal, which must always be in accordance with the natural conditions and aesthetic values of the Estate.
- C. To establish, own and support independent companies within research and development in connection with the areas that the Foundation's Board of Directors may find appropriate to promote the activities of the Foundation.
- D. To support the Palsgaard Foundation to the extent that the Schou Foundation deems to be consistent with the other objects of the Schou Foundation.






Sales offices


Production sites


Agents/distributors


Application centers


Warehouse

Our journey to the 2020 targets

Figure 2

Core CSR figures and targets	2013	2014	2015	2016	2017	Target 2020
CO ₂ emission (kg CO ₂ per kg finished product)	0.17	0.17	0.12	0.12	0.11	0
Energy consumption (gross) (kWh per kg finished product)	1.11	1.36	1.34	1.27	1.21	1.05
Waste water emissions (l per kg finished product)	1.39	1.64	1.42	1.56	1.44	1.00
Raw material consumption (kg per 100 kg finished product)	107.37	108.39	107.71	107.11	106.01	104.00
Accident frequency (per million working hours)	11	16	18	13	20	3

Helping customers make better products

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

Established in Denmark in 1908, and still headquartered at the historic Palsgaard Estate in Denmark, the company has expanded significantly throughout the years, with many of our activities having global reach. Today,

our products are marketed and sold in over 100 countries primarily under the Palsgaard, Emulpals and Einar trademarks.

Our product application areas include:

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

1.3 billion
2017 turnover (DKK)

20.2%
Effective tax rate off 20.2%, with tax being paid where it is earned

495
jobs provided by the end of the year

Inventing the future of food – and more

Nexus is an independent sister company to Palsgaard that engages in research and development work. Nexus serves Palsgaard with innovation, quality control, and physical and chemical analysis services. Its efforts help to develop and improve emulsifiers, and make the benefits of plant-based, sustainable 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 focused efforts 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.

New acquisition:

Brazil factory

Palsgaard has acquired a majority stake in a Brazilian food ingredients company that supplies a range of special ingredients and premixes, as well as a series of bakery emulsifiers. Now called Palsgaard Candon, the company delivers solutions for increased shelf-life and fat reduction – and is founded on ethical values that emphasise innovation, reliability, commitment and entrepreneurship. The Brazilian company will also be included in Palsgaard's plan to become carbon-neutral around the world in 2020.

Among the CSR leaders

EcoVadis operates a collaborative platform providing Supplier Sustainability Ratings for global supply chains. In 2016 (the latest available data), for suppliers assessed by EcoVadis in the category Manufacture of Other Food Products, Palsgaard A/S Group achieved the following scorecard ratings:



Top 10%

Environment
among the top 10% of suppliers assessed

Top 23%

Labour Practices
among the top 23%

Top 17%

Fair Business Practices
among the top 17%

Top 1%

Suppliers
among the top 1%

Top 3%

Across all categories
among the top 3% all assessed suppliers

Excellence in CSR reporting

In 2017, Palsgaard won Denmark's most prestigious prize in CSR, the FSR Danish Auditors' CSR Award, for the third time. Judged by a panel of experts on reporting, CSR and communication, as well as representatives from the investor community, the award focuses on inspirational best practices in CSR reporting.



Palsgaard's sustainability approach is driven by our vision, mission and values along with relevant UN Sustainable Development Goals (SDGs). The UN's 2030 Sustainable Development Agenda outlines 17 SDGs to guide companies in advancing broader societal goals, emphasising collaboration and innovation. The goals are interconnected and address poverty, the environment and human rights.

Palsgaard has conducted a thorough analysis of each goal's targets to identify those where we can make an authentic and worthwhile difference. During 2017, we strengthened our support for the agenda and many of the SDGs, which align with our long-standing tradition of responsibility.

In 2017, Palsgaard joined a UNDP (United Nations Development Program) initiative, SDG Accelerator. The two-year programme aims to boost the engagement of 30 companies in the business opportunities presented by the SDGs.

Our attitude

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

Our vision and values

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 values are **loyalty, responsibility and commitment.**

Our mission

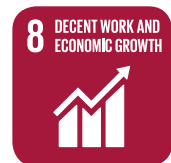
With a good workplace and advanced technology as our foundation, we produce and sell highly refined, customer-tailored emulsifier and stabilizer solutions for the global food industry, as well as non-food markets such as polymers and personal care.



End hunger, achieve food security and improved nutrition and promote sustainable agriculture



Ensure healthy lives and promote well-being for all at all ages



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



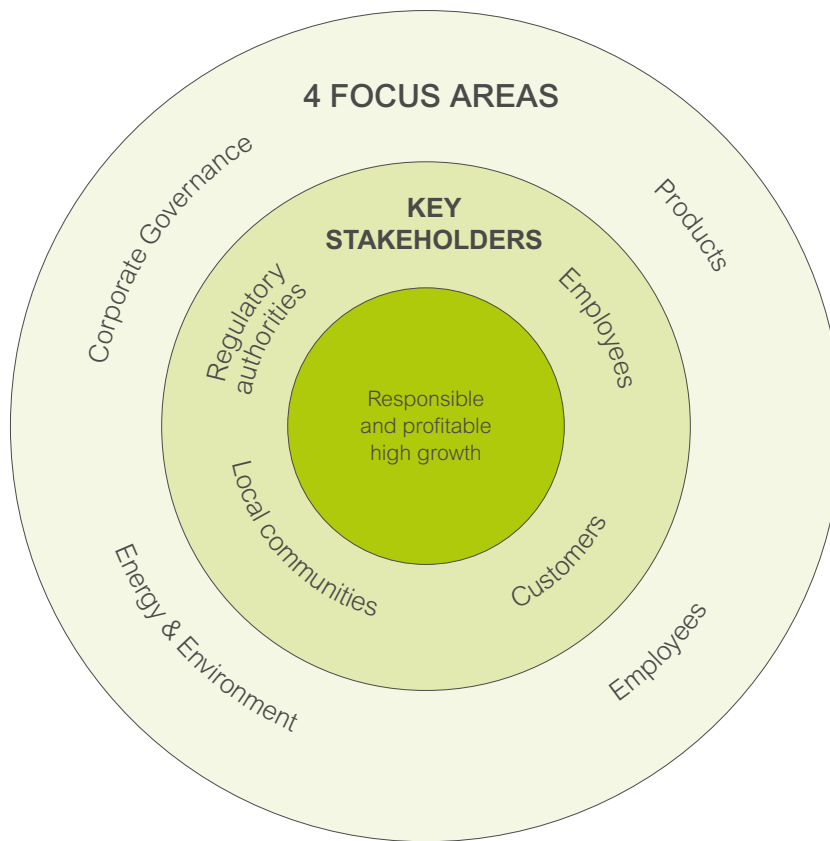
Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



Our 4 Focus Areas

We have strategically identified and worked with the following CSR focus areas



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. This focus area addresses SDGs 8 and 16.



ENERGY & ENVIRONMENT

Contribute to sustaining and replenishing our natural environment in the way we select raw materials, consume energy, handle waste and conduct logistics. This focus area addresses SDGs 8, 12 and 13.



PRODUCTS

Meet our responsibility toward the company, our customers and society to develop high-quality products from sustainably-sourced raw materials. Ensure that our products are effective, safe, and cost-efficient, and to produce and market them in a responsible manner. This focus area addresses SDGs 2, 3 and 16.



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. This focus area addresses SDGs 3 and 8.

Top of mind

Which economic, environmental and social impacts strongly affect Palsgaard’s ability to meet the needs of the present without compromising the needs of future generations?

And which are considered important enough to require active management or engagement by Palsgaard?

Our materiality review draws upon employee, customer and other stakeholder surveys, highlighting and categorising corporate social responsibility issues.

Palsgaard’s CSR reporting focuses on customers, management, employees and communities. The four focus areas guide our corporate responsibility strategy. These reflect the topics of highest concern to Palsgaard and its stakeholders.

An annual review is conducted to identify changes in materiality aspects. The most recent review identified food safety, environmental impact and employee engagement, health and safety as high-priority.

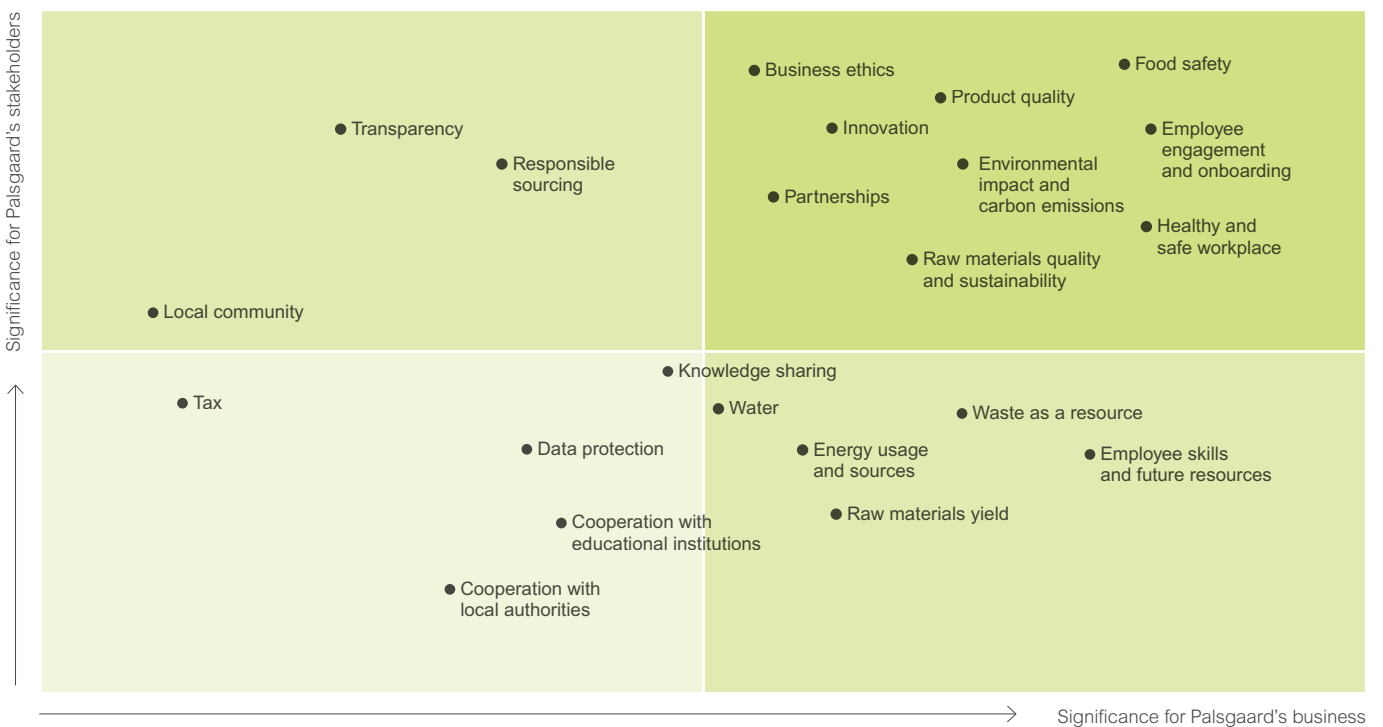
Food safety is ranked of highest importance because we produce ingredients for food applications. This has the potential to impact consumers, if neglected. Therefore, we have strict governance controls in food safety.

The high energy consumption of production means that we have an impact on the environment. So, we place a lot of effort into mitigating these impacts as much as possible.

Setting a carbon-neutral goal for 2020 and continuous efforts in reducing waste, energy and water consumption are just some of the examples of how we make a difference.

Our employees make us who we are, and this has been a long-standing part of Palsgaard’s history. Therefore, we prioritise employee engagement and value feedback. Additionally, health and safety at work is of utmost importance, particularly in our production plants. We are focused more than ever on improving employee health and safety through comprehensive training during the onboarding process.

Figure 3: Material aspect review



Customer input

In our most recent customer satisfaction survey, conducted by research firm Ennova, respondents gave insight into their experiences with Palsgaard. In three separate CSR-related statements, customers rated Palsgaard as a top performer in social responsibility. We are pleased that the result for this statement has been on a steady increase. Customers also rated buying sustainable raw materials and RSPO-certified products as top priority.

In terms of service, the response to the statement, "The staff at Palsgaard have a positive attitude when we are in contact with any of them," was rated in the top performance range.

Ennova informs that customer perception scores between 80-100 are generally interpreted as top performing. When reporting on these scores, we have defined 'customer' scores as the average of all categories including existing customers, purchasers, developers, development customers and agents/distributors.

Figure 4: To me, Palsgaard appears as a socially responsible company (has a clear CSR profile)

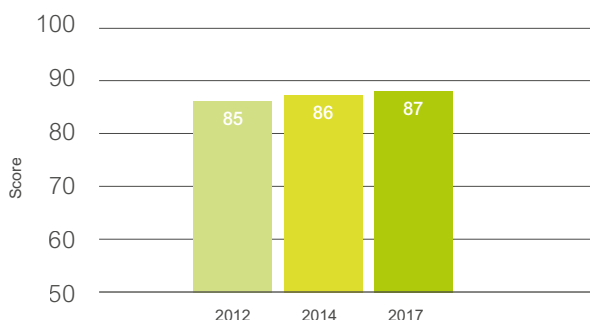
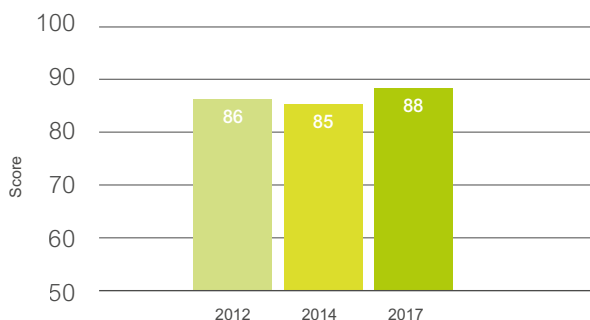


Figure 5: The staff at Palsgaard have a positive attitude when we are in contact with any of them.



Employee input

For the first time in our company history, we conducted a short survey at our headquarters to gather information about what our employees think about the four focus areas and our CSR activities. The survey was distributed to our employees in Denmark.

In terms of CSR activities, respondents rated highly (8.2 on a 10 scale) that it is important to them that Palsgaard is generally active in accountability and sustainability. The survey was a pilot project and we are considering implementing it across our subsidiaries in the future.

Employees rated on a scale of zero to 10, the importance of each of the four focus areas.



Material aspects in focus

We address material aspects, which align with our focus areas on the pages listed below

Food safety	36-37
Responsible sourcing	16-19
Employee engagement and onboarding	10, 38-41
Healthy and safe workplace	42-43
Product quality	36-37
Innovation	7, 34-35
Partnerships	7, 16, 29
Business ethics	14-15
Raw materials quality and sustainability	28-29
Environmental impact and carbon emissions	6, 20-21, 51
Transparency	14-15, 31
Knowledge-sharing	35
Water consumption	26-27, 51
Waste as a resource	22-23
Employee skills and future resources	38, 40, 42
Energy usage and sources	22-23, 51

A valuable difference

We make a positive difference to society, and we are committed to mitigate any adverse impacts that our operations have on our surroundings – particularly environmental impacts.



Suppliers



Own factories



Value creation

Ensure responsible sourcing by

- Carefully selecting suppliers
- Monitoring our supplier policies
- Encouraging ethical supplier behaviour
- Strengthening purchasing policies
- Sourcing sustainable palm oil
- Establishing transparency and robust due diligence processes to reduce risk
- Collaborating with suppliers to ensure continuous development

Challenges & risks

- Controlling suppliers one or more links away is challenging
- Our global reach carries potential for encountering corruption and cartels
- Access to sufficient and fairly-priced sustainable palm oil
- Some raw materials are transported internationally over long distances
- During transport, food safety requires careful control to avoid contamination
- The potential for food fraud cases

Value creation

Reduce energy and emissions by

- Setting ambitious targets for carbon neutrality and energy reduction
- Maximise utilisation of raw materials as well as energy and water during production

Reduce waste by

- Improving raw material utilisation
- Exploring ways to reduce waste water
- Optimise use of production by-products for re-use or recycling

Improve our workplace by

- Creating a safer workplace for our employees
- Maintain work enjoyment
- 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

Challenges & risks

- 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
- Variations and demands for special products challenge production plants' water and energy consumption



Food manufacturers



Consumers



Value creation

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

- Preventing safety issues via our quality control systems and processing practices
- Meeting international food safety and food labelling 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

Challenges & risks

- Food production uses considerable amounts of energy and raw materials
- We often need to travel internationally to visit customers or attend conferences
- When selling direct from our factories, we have little influence on transport sustainability
- Goods may become contaminated during transport
- Addressing customer demand for non-palm products

Value creation

Our products can help to address many of the problems associated with population growth, lifestyle diseases and climate change

Healthier lives

- Enabling lower calorie content in confectionery, baked goods, ice cream, margarine products, and mayonnaise and dressings
- Supporting the production of more sustainable food choices

Safer food products

- Applying food-grade additives to polymer processing to avoid undesirable chemicals entering food

Less food waste

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

Challenges & risks

- Many consumers see emulsifiers as undesirable additives, forcing manufacturers to strive for 'clean' labels
- Resistance even to sustainable palm oil as an ingredient in some markets

Our governing culture



We support sustainable growth through our Responsible Sourcing Programme and by sourcing from RSPO-approved suppliers.



We participate in the fight against corruption and contribute to transparency through memberships of international institutions.

Goal

Build long-term value and balance stakeholder interests by aligning with national and international law, standards and best practices, and via our own policies and processes.

Activities completed in 2017

- Malaysia was SMETA 4-pillar audited
- Code of Conduct for sub-contractors in Malaysia
- All new selected employees, agents and distributors receive Anti-Corruption Guidelines
- Handbook for Chinese staff with Code of Conduct, anti-corruption and anti-cartel statements
- All suppliers within our Responsible Sourcing Programme scope must sign Supplier Code of Conduct
- Commenced risk management analysis in Denmark
- Included Brazil in reporting scope

Planned activities beyond 2017

- Deliver anti-corruption e-learning programme
- New level of risk management in selected subsidiaries
- Increase % of key suppliers by spend assessed for sustainability by our Responsible Sourcing Programme
- Intensify CSR assessment in supplier selection
- Integrate new CSR initiatives in subsidiaries
- Continue to measure CSR in customer satisfaction survey
- Revise our CSR strategy
- Expand focus on food fraud in the supply chain

Activities completed in previous years

- 4 out of 5 production sites are Sedex members
- Employees received anti-corruption guidance
- Anti-corruption booklet for distribution partners
- Updated Code of Conduct and other policies
- Denmark and the Netherlands SMETA 4-pillar audited

Impact assessment

Value creation

- We support social and environmental responsibility, and ethical business among distributors, agents and customers
- Our sites around the world positively impact local activities
- We influence our suppliers to conduct business respectfully and in line with our standards for ethical behaviour and human rights

Challenges and risks

- We source globally, making transparency of supply and control over suppliers difficult
- Business practices and regulations differ among countries and regions
- Corruption exists in some industries or countries where we operate
- Our sustainability ambitions can be held back by local development realities and by the speed of supplier progress
- Food fraud such as deliberate misinformation about raw materials

Management approach

Guiding values and actions

- The social responsibility example set by founder Einar Viggo Schou and his son Herbert Schou
- The priorities and principles of the Schou Foundation
- Being a responsible producer and business partner
- Responsible, sustainable sourcing
- Combatting facilitation payments and cartels
- Payment of tax where income is earned
- We engage with our subsidiaries on common market conditions
- Employees must report attempted corruption to management
- Relevant staff sign anti-corruption and anti-cartel agreements
- Non-compliance with anti-cartel stipulations results in dismissal with considerable penalties
- Our new sites increase local job opportunities, implement our company policies and values and pay government taxes
- Customer grievances handled via ISO 22000-FSSC system

Risk management

A new level of risk management was implemented at our headquarters in 2017 to strengthen awareness around risk identification and mitigation to avoid issues such as injuries, accidents and financial losses. Risk management evaluation has been extended to our subsidiaries.

Internal governance

Palsgaard A/S and its sister company, Nexus A/S, are owned by Palsgaard Estate, which is 100%-owned by the Schou Foundation. Palsgaard's governance is closely connected with the interests and principles of the Foundation. This ownership form gives us the freedom to focus on long-term, responsible growth rather than short-term financial returns alone.

The Group CEO fulfils the objectives of the foundation in line with its purpose, Articles of Association, relevant legislation, and the Danish Act on Foundations Carrying on Business for Profit. The Foundation's Board comprises four members. New members are chosen by the resigning member and the existing members including the Group CEO, who is also CEO of the holding company, Palsgaard Estate A/S.

Palsgaard A/S is governed by a three-member Board. 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 company's CEO.

Our internal policies and guidelines are continually reviewed to accommodate a moving market landscape. These policies are available on our website www.palsgaard.com. They are:

- Code of Conduct
- Environmental policy
- Procurement policy
- Product and Quality policy
- Supplier Code of Conduct
- Anti-Corruption Guidelines

We also practice due diligence by addressing responsible sourcing management, strategic risk assessment and anti-corruption.

We comply with all relevant legislation and engage in analysis and guidance with subsidiaries on common market conditions.

External governance, compliance and certification

Palsgaard is a signatory to, in compliance with or audited by:

- UNGC
- ISO 22000-FSSC/ISO9001
- Relevant EU regulations
- Local rules and regulations
- Sedex (4-pillar SMETA audit)
- EcoVadis Gold

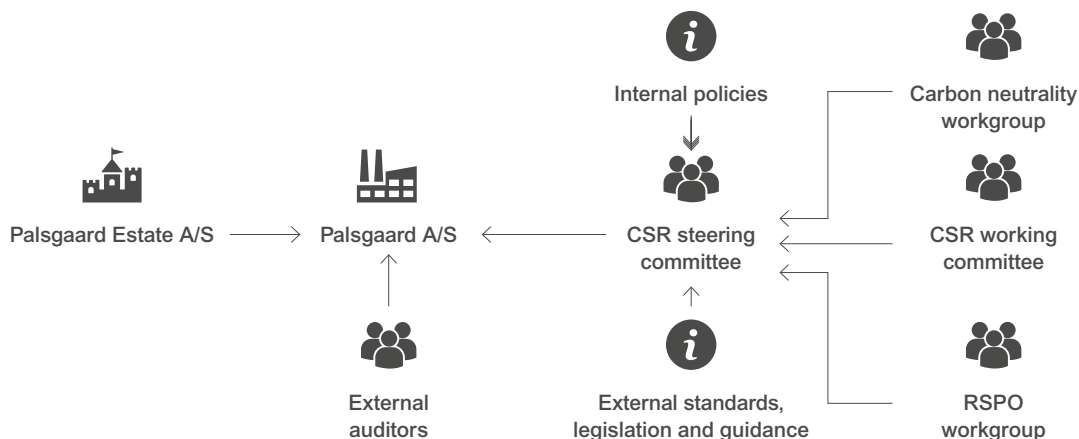
ISO-certified quality assurance systems, supplemented by guidelines in the employee manual and our approved strategy, ensure compliance with current policies, applicable standards and legal requirements.

Palsgaard A/S and Nexus A/S are audited annually, and reports are provided to the Schou Foundation Board.

CSR governance

- A CSR Working Committee, commissioned by the CEO of Palsgaard A/S, is chaired by a Senior CSR Specialist, with members selected by executive management. It reports to the CSR Steering Committee
- The CSR Steering Committee includes the CEO of Palsgaard A/S and top management
- The CSR working committee consists of members from Sales, Procurement, Human Resources, QEHS and Production Management
- Critical CSR concerns may be raised with management via the CSR specialist or the CEO of Palsgaard A/S
- The sustainability report is approved at its highest authority by the CEO of Palsgaard A/S and the Group CEO
- A Carbon-neutrality Workgroup and RSPO Workgroup reports to the CEO of Palsgaard A/S

Figure 6: CSR governance



A responsible approach

We aim to align our practices with the principles outlined in the International Bill of Human Rights. In order to respect and address these, bribery and corruption and the threat of food fraud cases are closely monitored through our governance processes.

Human rights

Palsgaard respects and promotes human rights, aligning with the UN Universal Declaration of Human Rights and the ILO (International Labour Organisation) Declaration on Fundamental Principles and Rights at Work. We aim to create a universal employment environment that promotes and respects the rights of the individual, maintaining these principles wherever we operate.

We achieve these aims via the principles in our:

- Supplier Code of Conduct
- Sub-contractor Code of Conduct (Malaysia)
- Responsible Sourcing Programme
- Anti-Corruption Guidelines
- Code of Conduct (for employees)
- Employee Policy

And through engaging with organisations such as:

- UNGC
- RSPO
- Sedex
- Danish Task Force Group on Sustainable Palm Oil
- UNDP for the SDG Accelerator Programme

Bribery and corruption

Addressing bribery and corruption is a priority for Palsgaard. We believe business should be conducted without facilitation payments, and internal analysis has been undertaken to highlight countries with heightened risk of corruption. Employees must register exposure to attempted corruption, bribery or cartel formation and alert top management.

100% of targeted sales and procurement employees have confirmed that they have received guidance in anti-corruption behaviour and signed an anti-cartel agreement. The anti-corruption policies are outlined in a booklet, and have been circulated to selected employees, agents and distributors.

Our Code of Conduct describes our zero-tolerance policy to corruption and cartels. Employees receive materials outlining their duties in this respect, and all relevant 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.

Palsgaard has selected a suitable bribery and corruption e-learning programme, facilitated by UNGC. It will be introduced for the first time in 2018 to employees with a procurement or sales role. The programme will be implemented at our headquarters and all subsidiaries.

Food fraud

As a manufacturer of ingredients for food applications, it is important to have robust due diligence processes in place for assessment of food fraud in our raw materials. Food fraud refers to cases in which the intentional tampering of food is committed for economic gain. An example is when a liquid is diluted with water without appropriate labelling by the producer.

The prevention of food fraud has been formalised in the latest version of the FSSC 22000 standard. Companies are required to develop a risk analysis process to identify if they are vulnerable to food fraud. Our Global QEHS department is working alongside Global Procurement and Global Regulatory Affairs to address this additional requirement for certification across all our production sites.

We currently have measures in place to detect food fraud, if present. The quality control of raw materials involves a range of highly specialised and detailed analyses. This ensures that each delivery meets the specifications for identity, physical form, chemical purity and functionality. Our finished products also undergo an intensive process before being released for distribution. They are analysed in a positive release system, which checks compliance of functional performance parameters and chemical specifications defined for the product.



Sourcing responsibly

Our Responsible Sourcing Programme is managed by headquarters, which sources 98% of all raw materials. Suppliers in the top 85% of our supplier spend are assessed under this programme. The percentage of suppliers within this category who have been assessed has increased significantly from 73% (2016) to 87% (2017).

Supplier evaluation and management

Supplier management has long been an integral component of our quality assurance system and is a measurable KPI. Our Supplier Code of Conduct, Responsible Sourcing Programme and our corporate culture and ethics, dictate supplier due diligence and define the CSR requirements we set for suppliers and partners.

New suppliers sign a Supplier Code of Conduct that includes a provision identifying Palsgaard as a signatory to the UNGC and answer a CSR Supplier Information Sheet (SIS). The SIS is a point-based system that determines their sustainability status and is applied to suppliers within the top 85% of spending on raw materials and packaging.

By signing the documents, suppliers warrant that they will conduct business pursuant to the UNGC's 10 principles within four areas: Human Rights, Labour, Environment and Anti-corruption. Suppliers are reassessed at regular intervals. Additionally, a sub-contractor code of conduct has been implemented in Malaysia.

Supplier sustainability evaluations take place three times a year and are part of the overall Quality Management System evaluation.

The raw materials challenge

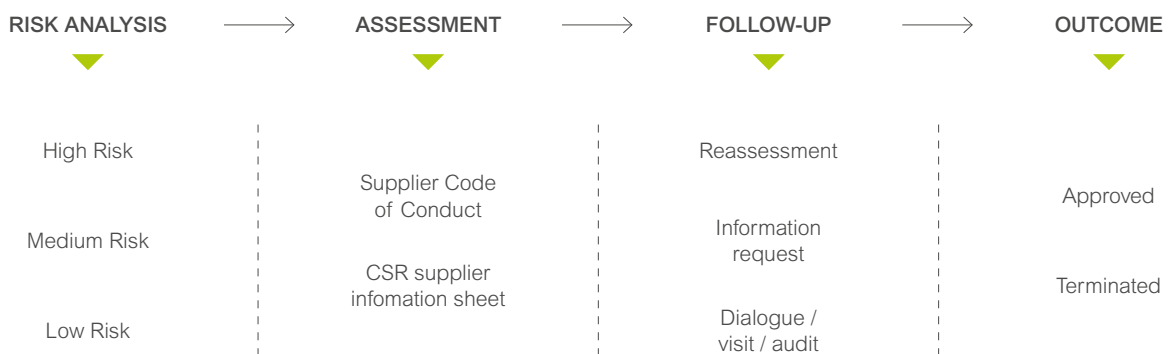
Our raw materials are grown, and therefore sourced from countries all over the world. This diverse mix of countries naturally comes with a mix of cultures and beliefs, especially when it comes to sustainability and fair labour conditions. The challenge is that not all of these countries prioritise these elements, which contrasts with Palsgaard's own ambitions and principles. The Responsible Sourcing Programme helps us to address some of these issues yet it is a challenge that we openly recognise.

While suppliers more than one link away are a challenge, we still set ambitious goals, express our attitudes and exploit every opportunity. For example, one supplier in India achieved an award for good corporate citizenship from the local chamber of commerce, partly as a result of Palsgaard's encouragement. Overall, most suppliers are well on the way to improving sustainability, while the remainder require further dialogue.

Palsgaard will collaborate with a supplier following an extensive evaluation covering specifications, food safety, CSR performance and compliance with EU legislation. A risk profile is created based on country of origin, production and location of harvest. Where relevant, a continuous improvement plan is made in collaboration with suppliers, to address sustainability.

We are scoping the inclusion of a Sedex evaluation into our Responsible Sourcing Programme in an effort to have an extended overview of our suppliers' performance on human rights.

Figure 7: Managing responsible sourcing





98%

of all raw materials used are sourced centrally by Palsgaard's headquarters

87%

of key suppliers (based on current scope of top 85% of spend) have been assessed by our Responsible Sourcing Programme

25%

of suppliers in scope are members of Sedex



Top priority: Carbon footprint



We take urgent action to combat climate change and its impacts.

Goal

We aim to become carbon-neutral at all production sites in 2020.

Activities completed in 2017

- Initiated a project with logistics company to optimise internal transport, handling of finished goods, packaging and raw materials in Denmark
- Mexico received Environment Protection Bureau certificate for meeting environmental and safety laws
- Reduced total energy consumption by 5% per kg of finished product
- Malaysia was SMETA 4-pillar audited

Planned activities beyond 2017

- Introduce LED lighting at more of our facilities
- Reduce energy consumption per kg of finished product to 1.05 kWh
- Become carbon-neutral at our sites in Malaysia, Brazil and the Netherlands in 2020
- Change light fuel oil to greener fuel in Malaysia
- Investigate achieving carbon neutrality in Brazil
- Install solar panels in the Netherlands in 2018/19, to provide approx. 12% of electricity for the factory
- Wind power and biogas for the Netherlands (2018)

Activities completed in previous years

- 100% carbon-neutrality was achieved at our Mexican manufacturing plant
- Purchased offset certificates for biogas, enabling Denmark to become 100% carbon-neutral
- More energy-efficient lighting minimised electricity consumption
- Denmark buys certified wind and water energy
- Regenerative heat exchangers in Denmark boost heat recovery efficiency by over 30%
- Converted all industrial boilers at our Danish plant from heavy fuel oil to natural gas
- Implemented combustion of waste straw from grain produced in our own fields in Denmark to fuel indoor heating

Impact assessment

Value creation

- We influence the upstream value chain by setting the standard and leading the way for environmental responsibility in the industry of food manufacturing
- We influence the downstream value chain by acting on and communicating CSR goals and activities, increasing awareness amongst our stakeholders

Challenges and risks

- Our production processes are energy-intensive
- The nature of the manufacturing process generates by-products
- We transport large quantities of goods over long distances
- As a global company, we need to travel internationally
- It is challenging to find alternative energy sources for our Malaysian plant
- Local circumstances can make sustainability ambitions difficult to fulfil

Management approach

Guiding values and actions

- We strive to meet our goal through making tangible changes to the energy sources for our factories and if this is not possible, we opt for offsets until we find a solution
- Our efforts to reduce energy consumption and emissions do not stop when we achieve carbon neutrality
- Mexican employees can join a company programme that helps fund the installation of solar panels in staff homes

Key internal governance

- Environmental policy
- Procurement policy
- System administration of environment and energy data from subsidiaries
- QEHS representative validates data from subsidiaries

Key external governance

- UNGC
- Relevant EU regulations
- Local rules and regulations



On track for carbon-neutrality

We are on track to reach our carbon-neutral goal across all our production sites in 2020

2015  Denmark

2016  Mexico

2018  The Netherlands

2020  Malaysia and Brazil

Figure 8: Carbon emissions per kg of finished product (kg)

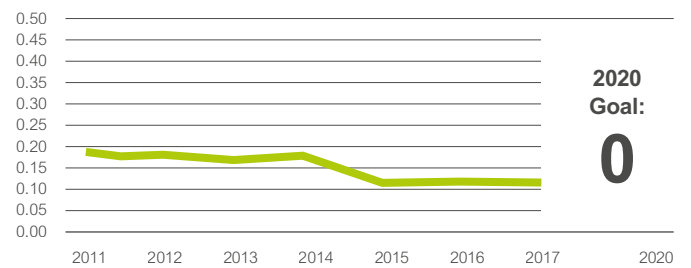
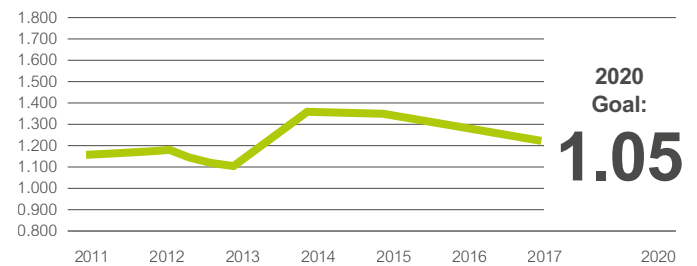


Figure 9: Energy usage per kg of finished product (kwh)



A remarkable journey

By 2020, Palsgaard aims to have a zero-carbon footprint – globally

The production of food ingredients such as emulsifier and stabilizer solutions is energy-intensive. Yet Palsgaard’s target for all production entities is to achieve carbon-neutrality in 2020.

Palsgaard’s Danish and Mexican operations are already carbon-neutral, representing the vast majority of production. And our facilities in the Netherlands and Malaysia are well on their path towards carbon-neutrality in 2020.

The independent auditor has verified that Palsgaard has offset its consolidated carbon emissions related to electricity consumption and natural gas consumption for the Juelsminde, Denmark production site in 2017 (see www.palsgaard.com/deloitte-verification). The independent auditor has also verified our Mexican production site and has issued a similar verification.

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

Here comes the sun

In Mexico, 95% of the electricity required for our manufacturing plant is 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. The subsidiary even supports employees in installing solar energy cells for hot water heating in their homes.

See our remarkable journey, starting with the Danish production plant

2005

Straw-fired heating

Burned at our large-scale straw burning plant, waste straw from our own fields is a renewable energy source and a carbon-neutral alternative to fossil fuels.

2009

Boiler conversions

Industrial boilers are at the heart of our production plants. We converted all boilers at our Danish plant from heavy fuel oil to natural gas.

2010

More efficient plants

When rebuilding two of our largest production plants, we took the opportunity to install regenerative heat exchangers that boosted the heat recovery efficiency by over 30%.

2011

Wind energy

Wind power has helped our Danish plant to become carbon-neutral. In 2011, we began purchasing certified wind energy.

2013

Lightening the load

We converted to more energy-efficient lighting options as part of a comprehensive effort to optimise electricity consumption via, for example, sensors and LED technology.





2014

Process insulation

We ran a highly specialised project to insulate our processing plants, reducing the amount of gas required for production processes heating.

2015

Carbon-neutral in Denmark

All consumption of fossil energy (natural gas) has been converted to biogas by purchasing offset certificates.

2016

Carbon-neutral in Mexico

About 95% of the electricity used is generated by solar panels. The remaining 5% is offset.

2020

Carbon-neutral Worldwide

A variety of new projects and initiatives are already underway to ensure we can achieve our 2020 ambition.



Optimising operations

We continually search for innovative ways to reduce our carbon footprint throughout the entire production process. By optimising operations, we work to ensure that we get the most out of our raw materials, saving cost and the environment, too. In 2017, we reduced energy consumption by 5% (per kg of finished product). We also managed to use 10% less water (per kg finished product) across our production plants. Our efforts will hopefully continue to reduce these numbers for years to come.

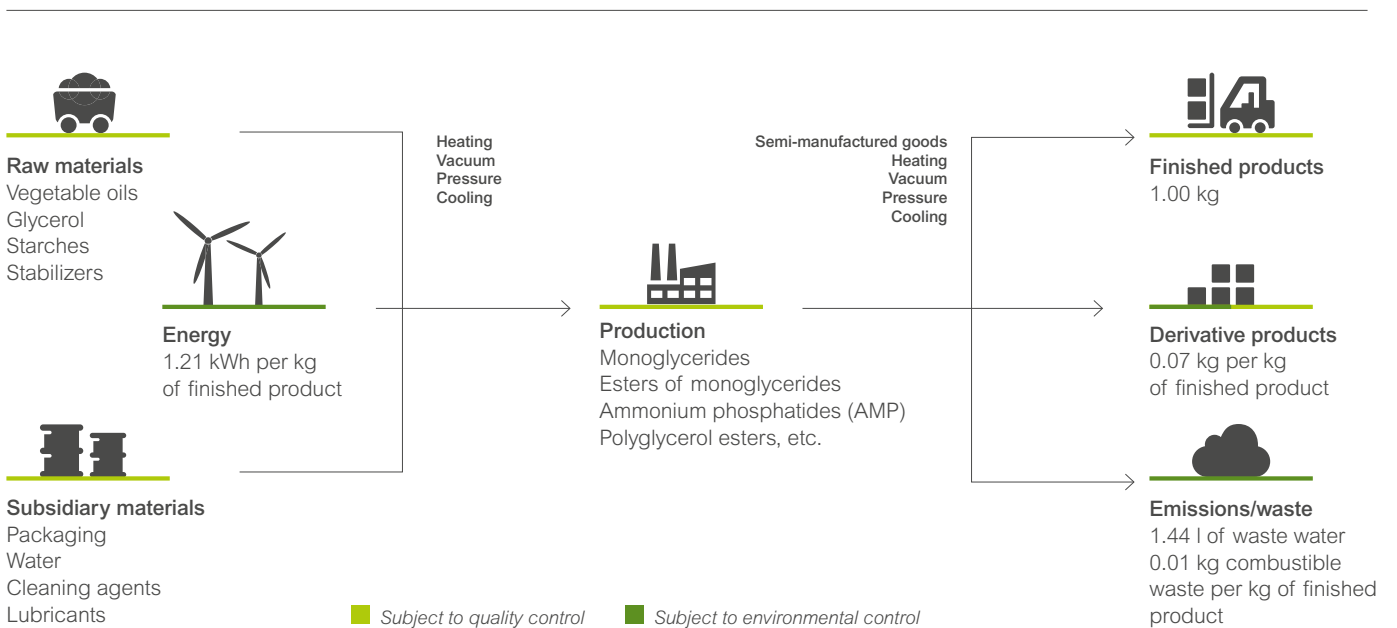
Palsgaard Denmark's most important production processes are illustrated in figure 10. Material and resource streams are calculated per kg of finished product.



Our emulsifiers provide benefits for the food industry and address consumer preferences all over the world, but production is energy-intensive. We work to address this through implementing environmentally friendly capacity optimisation projects, establishing a scalable production setup and focusing on production execution."

Henrik Højager Nielsen, COO, Palsgaard AIS

Figure 10: Production process





Reducing waste



We responsibly handle, optimise and transparently report on raw material consumption, carbon emissions and waste products.

Goal

Increase our material utilisation rate and optimise production processes, minimising the amount of by-products, production waste and waste water.

Activities completed in 2017

- Established a Global QEHS team to report more consistently on the environmental activities throughout the subsidiaries
- Achieved a 10% reduction in water consumption per kg of finished product, recovering losses from 2016
- Initiated a project on waste sorting in Malaysia for cardboard, plastic and pallets
- Metal and chemical waste are currently sorted in Malaysia
- Reduced total waste water by 7.8% per kg of finished product

Planned activities beyond 2017

- Reduce waste water to one litre per kg of finished product in 2020
- Improve waste management and recycling with a focus on sorting at the source
- Focus on the biological content of waste water to reduce residues that are released during cleaning
- Reduce raw material consumption of finished products to 104 kg per 100 kg finished products in 2020
- Greater focus on handling of by-products and product waste
- Establish group definitions on different types of waste products and present a target for improved waste handling by the end of 2018
- Optimise distribution footprint

Activities completed in previous years

- Optimised use of production by-products for re-use or recycling

Impact assessment

Value creation

- We aim to keep our use of raw materials and water to a minimum and to keep our generation of waste water as low as possible
- Approximately 17% of Palsgaard's combustible waste in Denmark is recycled as products or raw materials. The rest is used for generating energy
- Environmental initiatives extend to our personnel in Mexico, too, training them in environmental issues so they bring know-how to their communities to create and strengthen a culture of caring for the environment

Challenges and risks

- Difficulty in defining waste globally in all of our sites due to differences in national legislation, making reporting and data collation across departments challenging
- Chemical waste at Palsgaard originates in small quantities from plant maintenance and our control and quality laboratories' use of analytical chemicals
- Process waste water contains remnants of oil, fat, protein, phosphorus and nitrogen
- Our production waste is very limited and mostly comprises by-products and packaging material

Management approach

Guiding values and actions

- Since 2010, Palsgaard has actively worked to recycle as much waste as possible via sorting
- Hazardous waste is removed by licensed waste management companies to ensure it is handled in an efficient and safe manner
- Production employees are trained in cleaning procedures according to food safety standards
- Where possible, we discharge all production waste according to its waste hierarchy – using it for alternative feed or energy production
- Our pre-treatment plant removes the majority of chemical remnants from process waste water before release into the municipal water treatment plant
- Reduce water consumption and waste water via cooling water recycling systems, optimising cleaning procedures, producing larger batches, reducing water usage in vacuum pumps, automatic closure valves and more
- In Malaysia, 100% of our production waste water is cleaned to 'A' level, above and beyond the locally required 'B' standard

- In Mexico, we have 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
- All inbound packaging is sorted for recycling in Denmark. Specialised external companies handle the majority of this for recycling purposes, while transport pallets are sold for re-use
- In Denmark, all packaging cartons are FSC®-certified* and labelled as such, while many bags are FSC-certified

Key internal governance

- Environmental policy

Key external governance

- Relevant EU regulations
- Local rules and legislation

Figure 11: Waste water emission per kg of finished product (litre)

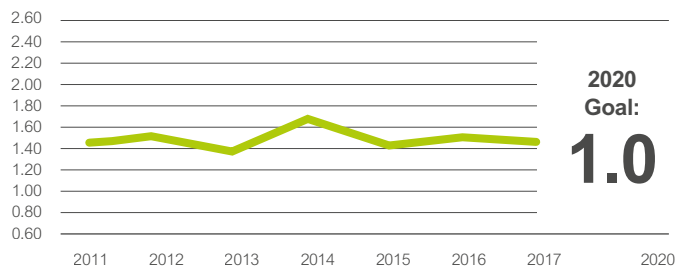
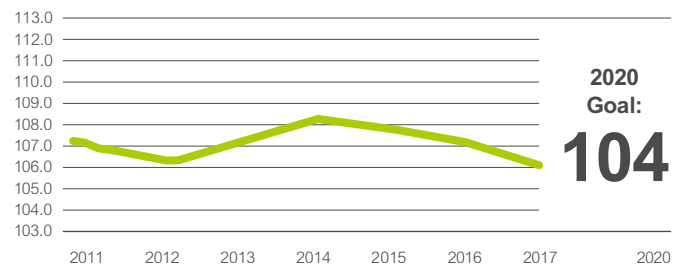


Figure 12: Raw material per 100 kg of finished product (kg)



*FSC (Forest Stewardship Council)- certification means that the material used to make the product is sourced responsibly.

100% sustainable palm oil



We support sustainable production and protect natural resources by being at the forefront of sustainable palm oil and palm oil-based ingredients sourcing – and in encouraging others to learn from our know-how.



We support sustainable growth through our Responsible Sourcing Programme and by sourcing from RSPO-approved suppliers.

Goal

A world where every food manufacturer would only use sustainably sourced and produced emulsifiers – based on the most sustainable, plant-based crop.

Activities completed in 2017

- Acquired RSPO distributor licence in the US and Poland subsidiaries
- Launched Emulsifiers for Good blog (see page 37)
- Established overview of palm oil mills and supply chain

Planned activities beyond 2017

- Encourage food manufacturers globally to use sustainably produced ingredients, based on sustainable certified palm oil
- Move towards RSPO-certified emulsifiers in non-food products

Activities completed in previous years

- Full range of SG products made available in Denmark
- RSPO certification achieved in Malaysia
- Joined the Danish task force group on sustainable palm oil, a national initiative connected to the Amsterdam Declaration
- Danish plant received the RSPO Supply Chain Certification Standard (SCCS) for SG and MB
- Palsgaard joined the RSPO in 2008

Impact assessment

Value creation

- Palsgaard is able to exclusively rely on RSPO-certified palm oil raw materials, enabling us to offer our complete product range as MB- or SG-certified
- We influence the upstream value chain by insisting on RSPO-compliant raw materials and ensuring viability for RSPO-certified suppliers
- We influence the downstream value chain by providing RSPO SG-certified emulsifiers – encouraging and guiding customers to prioritise sustainable palm oil

Challenges and risks

- The environmental impact of palm oil production has traditionally included the clearing of important forest areas and habitats of endangered animals
- Public perceptions about human rights on palm oil plantations regarding fair working conditions
- RSPO certification of sustainable palm oil has faced criticism in terms of ethical issues, but was ranked number one in addressing the challenges facing palm oil production by the Forest Peoples Programme
- It can be difficult to achieve widespread adoption of sustainable palm oil in the industry, especially outside Europe
- The complexity of derivative products hinders progress
- A higher premium on SG-certified raw materials

Management approach

Guiding values and actions

- We insist on sustainable palm oil as it is the main ingredient in many of our products and is an area where we can potentially have the biggest impact
- We emphasise fair working conditions for plantation staff, and the well-being of individuals and communities affected by growers and mills
- We train relevant employees and inform subsidiaries, agents and distributors about sustainable palm oil via an expanded intranet and seminars
- We participate in the Confederation of Danish Industry's Business Initiative for Sustainable Palm Oil
- Palsgaard participates in RSPO and EPOA (European Palm Oil Alliance) conferences and seminars
- We joined the Danish Task Force group on sustainable palm oil therefore, committed to the Amsterdam Declarations, which are non-legally binding political commitments that aim to support the implementation of private sector commitments on deforestation and sustainable palm oil

Key internal governance

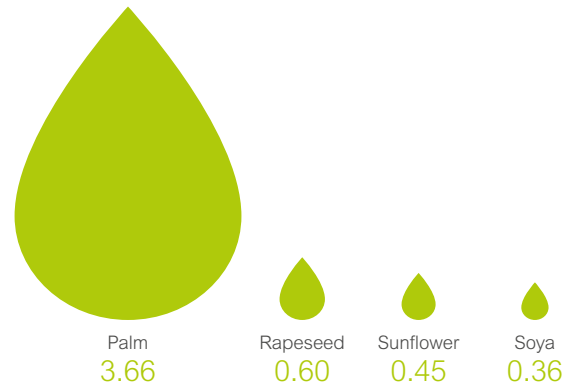
- Environmental policy
- Procurement policy
- Supplier Code of Conduct
- Product and Quality policy

Key external governance

- Annual RSPO audits
- ISO 22000-FSSC/ISO 9001
- Relevant EU regulations

Palm oil stands tall

*Palm oil is the clear winner when it comes to yield per hectare.
Source: The European Palm Oil Alliance*



RSPO-1106336

RSPO

Palm oil can be processed or traded through one of four supply chain models: Identity Preserved (IP), Segregation (SG), Mass Balance (MB) or Book and Claim (B&C). Today, we offer 100% of our palm oil-based products as RSPO SG-certified.

RSPO certification for growers promotes:

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

When properly cultivated, palm oil is considered to be the most sustainable, best-functioning vegetable oil on the planet. In fact, palm oil has several built-in sustainability advantages, including year-round production, a long productive lifespan (over 20 years), the highest yield per hectare of any vegetable oil crop and the highest energy efficiency.

Production that complies with RSPO stipulations convincingly addresses a broad range of environmental and human rights issues that have plagued palm oil, soy bean and other crop types. From 2016 to 2017, customer requests for Palsgaard's RSPO SG products increased notably.

Alternative products

Some consumers uncertain about the differences in palm oil sources choose to avoid palm-based ingredients altogether – even if it is, ultimately, a move away from the most sustainable path. To cater for this market need, Palsgaard has developed a range of non-palm emulsifier solutions.

Offering non-palm alternatives that use less sustainable raw materials goes somewhat against the grain at Palsgaard, but we are determined that, if non-palm products are going to gain market share, then they should be available with the same strict attention to responsible supply chain practices and carbon-neutral production as Palsgaard's other emulsifier products.

Sustainable products



Our emulsifiers support more efficient, more affordable and less wasteful production processes.



Emulsifiers have a positive role to play in fighting lifestyle diseases by improving the nutritional profile of food, while avoiding undesirable ingredients.



We help to prolong the shelf-life and quality perceptions of consumer products, reducing food waste.

Goal

Reduce food waste and work towards a world where every food manufacturer would only use sustainably sourced and produced emulsifiers.

Activities completed in 2017

- Expanded distribution points of RSPO-certified products
- New application lab in US and China
- Palsgaard US, a new line of emulsifiers was introduced, enabling bakeries to remove partially hydrogenated oils from cake mixes and industrial cakes

Planned activities beyond 2017

- Continue and expand dialogue with our customers about using sustainable raw materials
- Extend our partnership with customers to involve them in development of innovative products
- Expand the use of sustainable emulsifiers for polymers in packaging applications

Activities completed in previous years

- Achieved the ability to offer an entire range of RSPO MB- and SG-certified products
- Invested in facilities, machinery and new staff to significantly expand our capabilities in sustainable emulsifiers for the polymers industry

Impact assessment

Value creation

- We influence the upstream value chain by requiring ethically responsible production of raw materials and engaging our supply chain to focus more on CSR activities
- We influence the downstream value chain by building long-term partnerships with customers and interest groups
- Our solutions give processed food the required consistency, ensuring stability and shelf life while helping to reduce, for example, fat content and food wastage
- Our emulsifier range for polymers provides anti-fogging and anti-static properties for packaging, helping to increase and maintain consumer appeal, reducing food waste
- Helping to make many foods healthier
- Supporting lean or clean label trends
- Providing emulsifiers free of allergens and with non-GMO-based ingredients
- Helping manufacturers to make the change to sustainable ingredients
- Providing solutions for manufacturers adding value to their production processes

Challenges and risks

- The main ingredient in many of our products is palm oil and it can be difficult to achieve widespread adoption of sustainable palm oil
- Perceptions about palm oil means that some of our customers request products based on alternative vegetable oils
- Most of our products comprise one or more additives (though with internationally recognised E-numbers)

Management approach

Guiding values and actions

- Constant innovation seeking more efficient solutions
- All oils used in our products originate from vegetable, non-GMO sources
- The purity of our products is a key competitive differentiator
- We ensure excellent food safety procedures
- Halal and Kosher suitability
- Supporting the food industry with sustainable raw materials and processes
- We make RSPO SG-certified products available when requested

Key internal governance

- Procurement policy
- Supplier Code of Conduct
- Product and Quality policy

Key external governance

- UNGC
- Relevant EU regulations, including Regulation 852/2004 on the hygiene of foodstuffs
- Local rules and regulations
- ISO 22000-FSSC/ISO 9001
- Kosher/Halal certification of factories, relevant raw materials and finished products



A safe choice

Most people have a basic knowledge of what food additives are, regularly seeing them on food labels and even reading about them in the news. Many don't realise, however, that they are subject to intensive scientific and regulatory scrutiny aimed at identifying any health risks and developing safe limits for their use in foods and beverages. In Europe, helping to ensure that additives are safely used is the task of the European Food Safety Authority (EFSA). And in the US, the Food and Drug Administration (FDA) is charged with their regulation. To date, overwhelming evidence indicates that consuming the food emulsifiers and stabilizers Palsgaard manufactures, within the limits prescribed by European and US guidance and legislation, is entirely safe for the world's consumers.

Responsible sales and marketing

Palsgaard's brochures, technical articles and marketing material can be downloaded from our website or extranet. At seminars, materials are delivered electronically rather than printed. Printed materials such as brochures are made available for customer visits and trade shows. Material printed in Denmark (approx. 95% of the total production) is environmentally certified with the Nordic Swan Mark. Printing is either carbon-neutral or carbon-compensated according to ClimateCalc, and paper is produced to the standards of the Forest Stewardship Council (FSC®). A small number of 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 objective, accurate and legally compliant information about our products. Our marketing material includes, for example, the results of product testing, often by independent parties. Last but not least, we treat trademarks and IP rights with respect, making correct investigations and monitoring trademark use appropriately.

The privacy policy for Palsgaard's website states that it treats all confidential information that it collects according to the policy. The data is stored securely to ensure privacy is protected. It explicitly states what the information will be used for.

Healthier world

Reducing and replacing fats

A diet high in saturated fat has been linked with cardiovascular disease (CVD), which according to the World Health Organization (WHO), is the number one cause of death globally – more people die annually from CVD than from any other cause. We have developed emulsifiers that help to reduce the overall fat content of food products as well as replace unhealthy fats.

Reducing fat content in foods

Palsgaard's emulsifiers are helping food manufacturers deliver high quality products that are healthier options for consumers all over the world. They can help to reduce the saturated fat content of some of the world's favourite treats.

The structure and creamy texture of ice cream for example, is attributable to the use of coconut oil or partially hardened palm kernel oil, both of which are high in saturated fat. We have developed emulsifier and stabilizer solutions 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 source with a lower level of saturation is used.

Replacing trans fats

A large body of evidence shows that consumption of excess trans fatty acids may negatively affect health. By using our non-trans emulsifiers, we can help to lower the amount of trans fat in the food supply. Most importantly, these emulsifiers can achieve this without disturbing sensory properties and shelf-life quality.

- Conventional puff pastry margarine has up to 80% fat content. We reduce the fat content of margarine by up to 50% without affecting its functional properties
- In chocolate, fat reduction causes problems during processing, increasing the chocolate's viscosity and making production difficult and energy-intensive. Our products help to achieve appealing chocolate with up to 20% less fat
- When less fat is used in chocolate confectionery production, the production process lengthens and energy consumption increases. Our products help to counter these effects.



Plentiful world

Reducing food waste and spoilage

A public priority

Around a third of food is lost or wasted throughout the supply chain and in the hands of consumers, amounting to around 1.3 billion tonnes annually. Alarmingly, if just one fourth of the food currently lost or wasted globally could be saved, it would be enough to feed 870 million hungry people in the world*. Palsgaard supports the UN SDG target to halve per capita food waste at the retail and consumer level by 2030, and reduce food losses along the food production and supply chain. Our targeted effect is to apply our sustainable emulsifiers and stabilizers to increase shelf life and maintain food product freshness and appeal.

Maintaining food quality and appeal

With the right blend of emulsifiers, stabilizers and know-how, Palsgaard can help food manufacturers and their distribution chains to keep food appealing for longer. Emulsifiers in ice cream, for example, can improve resistance to the heat shock effect – making the ice cream less likely to be discarded uneaten.

Another way to reduce food waste is to make sure that packaged food appears fresh and attractive on display in supermarkets so that consumers select the products. Fogging in packaged food such as salad, vegetables, fruit and meat is undesirable for several reasons. It reduces the visibility of the product, makes packaging less attractive, and the presence of water droplets may cause deterioration of product quality.

The demand for good and reliable anti-fog solutions is on a steady growth path, particularly in a food packaging market where consumers are increasingly choosing ready meals and pre-prepared food. Palsgaard offers efficient anti-fog solutions for a broad range of food packaging applications. They are all based on sustainable emulsifiers made from vegetable oils, such as RSPO-certified palm oil, and approved as food contact materials worldwide.

*Food and Agricultural Organization of the United Nations (FAO), 2016



Healthier consumer products

Living a healthy lifestyle is becoming increasingly important for consumers. But they still like to enjoy an occasional sweet treat.

Science tells us, however, that excess sugars and fats in the diet is linked to cardiovascular disease, diabetes, cancer and other debilitating or even deadly illnesses. Our products typically enable food manufacturers to reduce either or both sugar and fat content in their indulgent snacks and treats – while maintaining high-quality sensory and storage properties for consumers to view them as desirable alternatives.

Less saturated fat, same rich experience for ice cream

Traditionally, most ice cream was made from dairy cream. Today, vegetable fat types that typically contain 80-90% saturated fat are a common ingredient. Food and Agriculture Organization of the United Nations (FAO) and WHO recommend that consumers decrease the amount of saturated fat in their diets to a maximum of 10% of daily energy intake.

Palsgaard produces blends of lactic acid esters of mono- and diglycerides (LACTEM) and mono- and diglycerides (MDG) that can be used to produce ice cream with lower levels of saturated fat.

Indulgent, satisfying eating with a clearer conscience

Palsgaard® Creamer is an integrated blend of emulsifier and stabilizers developed for use in thick cream and equally suited for UHT-treated and sterilised products. By adding just a little of this innovative creamer, product developers can reduce butter fat or animal fat from a traditional cream product, yet keep the same smooth texture, mouthfeel and shininess. In fact, being a thick cream

product, adding as little as 1% of Palsgaard® Creamer allows the replacement of 10% of animal fat with skim milk or water.

Choosing this solution delivers heavy cost savings for fat as a raw material. And the reduction in transport volumes reduces carbon emissions, too. Palsgaard® Creamer can also be used to make an aseptic product with longer shelf life than that of normally pasteurised cream products (six months instead of four weeks), helping to reduce food waste.

Cut to the cake

With only two components to declare on the label, Palsgaard® SA 6615 is the world's first non-palm oil emulsifier in powder form for industrial cakes. Using it shortens a cake's list of additives compared with other commonly used emulsifiers, which may contain five or six different ingredients. Furthermore, Palsgaard® SA 6615 is sustainably produced, contains no alcohol whatsoever, is gluten-free, non-allergenic, non-GMO and Kosher/Halal certified. It's sugar-free, too, enabling the development of healthier recipes.





Emulsifiers for Good



Emulsifiersforgood.com

Launched at the end of 2017, Emulsifiers for Good is a new blog that aims to inspire and share knowledge and ideas for realising the full potential of sustainably sourced and produced emulsifiers, helping to solve some of the world's food and non-food challenges.

Not many people know that emulsifiers, typically listed on food and drink product labels in small print or contained in everything from polymers to cosmetics and even asphalt, are already playing a role in achieving these goals.

The team behind Emulsifiers for Good believes that emulsifiers used in food and non-food products should, as much as possible, be based on sustainably sourced ingredients, and they should also be sustainably produced.

Emulsifiers for Good is an open, free forum. So, if other industry players have expertise in the field to share, and they accept that this isn't the place to promote specific product brands or companies, we're keen to hear their perspective, too!

“

Emulsifiers for Good aims to inspire and share knowledge and ideas for realising the full potential of sustainably sourced and produced emulsifiers to help people and the planet.”

*Claus Hviid Christensen
Editor, Emulsifiers for Good*

World-class food quality & safety



Support healthy living and well-being by providing safe food ingredient products.



Ensure sustainable consumption and production patterns.

Goal

We will continue to maintain our first-class food safety results and record of zero food safety incidents and product recalls.

Activities completed in 2017

- Improved efficiency of complaints management system, focusing on rapidly processing critical complaints and minor non-conformances
- New Global QEHS management and department introduced to implement improvements at all sites

Planned activities beyond 2017

- Establish global food safety team for knowledge-sharing across manufacturing sites
- Global QEHS policy review in 2018
- Development of a global standard for Quality and Food Safety

Activities completed in previous years

- No food safety recall incidents to date
- Factories in Denmark, Malaysia, the Netherlands, Mexico and Brazil certified to meet ISO 22000-FSSC Food Safety System and additional requirements for Prerequisite Programmes (PRPs) laid down in ISO/TS 22022-1

Impact assessment

Value creation

- We influence the upstream value chain through placing requirements on our suppliers to ensure food safety and adherence to guidelines and EU regulations, reducing the risk of food fraud
- We influence the downstream value chain by enforcing food safety procedures in our production sites, ensuring a safe food supply for food manufacturers and consumers

Challenges and risks

- Constant effort is required to maintain food safety standards
- Food safety recalls could potentially occur as a result of factory or supplier failure

Management approach

Guiding values and actions

- Raw materials and finished, quality-controlled ingredients fully conform to relevant quality and food safety criteria
- We source high-quality raw materials and avoid GMO raw materials
- Product specifications are required of suppliers and provided with our deliveries, as are analysis certificates and reference samples
- Built-in traceability in every production batch allows specific delivery recalls if it is ever necessary
- A food safety management system covers the entire food safety and quality process, including all policies, procedures, work instructions, and registration forms, from raw material sourcing to distribution of products
- Around 10% of our employees in Denmark across various departments have been trained as internal ISO 9001 and ISO 22000-FSSC auditors
- All manufacturing sites comply with Kosher and Halal requirements where local culture demands require it
- Cleaning and sanitation, foreign body control and allergen handling
- Employees are trained in personal hygiene and in food safety awareness, and supervised by appropriately qualified managers
- Storage facilities are approved according to relevant regulations and the quality of packaging/sealing is closely monitored

Key internal governance

- Raw material approval procedures
- Regular supplier performance reviews
- Procurement policies
- Product and Quality policy
- Access to factories, stores and related equipment is strictly controlled
- Best practices are deployed in pest control, and Good Manufacturing Practices (GMP) audits and glass audits are conducted

Key external governance

- Relevant EU regulations, including Regulation 852/2004 on the hygiene of foodstuffs
- Local and international rules and regulations
- ISO 22000-FSSC (Denmark, Brazil, Mexico, Malaysia and the Netherlands)
- ISO 9001 (Mexico, Malaysia and the Netherlands)
- ISO 9001 ceased in Denmark in 2017, but compliance continues
- Food safety is managed via HACCP and the requirements for Prerequisite Programmes (PRPs) laid down in ISO/TS 22022-1

Robust conformance

In 2017, there were no product recalls, demonstrating the efficacy of our robust quality and food safety management system. A solid culture of awareness and understanding of our critical control points (CCPs) by our employees results in efficient management of production incidents. Our raw materials control programme and good working relationship with suppliers also ensure that non-conforming products are captured before entering production.



Figure 13: **Food traceability process overview.**
 Our robust food safety management system offers 100% traceability from supplier to customer and is regularly tested.

Heart working people



Promote health and well-being via a safe and positive work culture for all employees.



We support sustainable growth through our responsible sourcing programme and by sourcing from RSPO-approved suppliers.

Goal

Create an inclusive workplace that is safe, healthy and motivating - and balanced with life's wider contexts.

Activities completed in 2017

- Extra week of paid vacation p.a. for all employees
- New focus on sick leave dialogue with employees
- Clarified skill/behaviour expectations for Danish jobs to lift performance, communication and teamwork
- Introduced life insurance policies in Mexico covering financial support for families
- One-day event for onboarding new staff in Mexico
- Safe Company Level 3 (Mexico's Ministry of Labour)
- Work place assessment (APV) conducted in Denmark
- Conducted employee satisfaction/motivation survey
- Met employee satisfaction/motivation KPI (Denmark)

Planned activities beyond 2017

- Reduce work accidents with sick leave to three or less accidents per million working hours by 2020
- Focus on safety culture, near-miss incidents and preventive actions; improve safety induction course
- Increase efforts to ensure a diverse work force
- Revise employee development strategy, focusing on production staff
- Implement security campaign
- Survey employee satisfaction/motivation biennially

Activities completed in previous years

- Health/well-being survey of shift workers in Denmark
- Monthly QEHS safety walks in Denmark
- Motion-sensing personal alarms in Denmark
- Improved recruiting/onboarding processes
- Medical insurance for Mexico employees and families
- 4-Pillar SMETA Sedex audit in Denmark, the Netherlands and Malaysia

Impact assessment

Value creation

- We continue to offer an attractive, safe and stimulating workplace
- We actively improve working conditions at all locations
- We encourage work-life balance
- Increase employee skills through training programmes and education

Challenges and risks

- We are a fast-growing company
- We work in a global organisation with diverse cultures
- Legislation and local regulations vary from country to country
- It is challenging to monitor employee well-being across our subsidiaries
- Night shifts may pose a health risk
- Working around hot substances and surfaces creates a risk of scalding accidents

Management approach

Guiding values and actions

- Improving workplace conditions
- Increased focus on safety at work
- We accommodate both productive and less productive phases in a working lifetime
- Bringing new employees quickly and positively on board
- We conduct a biennial employee satisfaction survey
- Prevent work accidents by providing comprehensive safety training for new employees
- Employees can join collective bargaining or other labour organisations without disclosure

Key internal governance

- Employee policy
- Code of Conduct

Key external governance

- Applicable EU and local legislation including General Data Protection Regulation (GDPR)
- UNGC
- Global Employee and Leadership Index (GELx)
- International Labour Organisation (ILO)
- UN Universal Declaration of Human Rights
- Sedex



Heart working people

For over 100 years, our company has been based on a culture of caring for our employees and offering a rewarding, meaningful and safe workplace for all. Our values of loyalty, responsibility and commitment are important for guiding our actions and helping us to determine the right path, both at an individual level and for our company as a whole in a fast-changing world.

Over the years, we've managed to build a culture that is strongly embedded across all of our sites globally, and strengthening this culture is a top priority for us. The recent employee satisfaction survey showed that our employees are generally highly satisfied in their jobs. That boosts engagement and, through this engagement, our ability to innovate, which is a valuable asset when collaborating with customers and colleagues.

The success of this philosophy is measured by the attractiveness of the company, its productivity and the results achieved by all.

“

I believe people want to work in a meaningful role – and for a company with a meaningful purpose. Palsgaard is able to offer both aspects to many different individuals from a wide variety of cultures."

Jakob Thøisen, CEO, Palsgaard

Employee well-being



Setting the standard

We seek to improve the lives of all employees, where possible extending the same or similar employment conditions globally.

- Palsgaard offers employees additional paid vacation on top of what is set by local regulations. In 2017, all employees were allocated an extra week of paid vacation
- Palsgaard has offered a unique pension scheme for employees in Denmark through the Palsgaard Foundation Pension Fund since 1941
- In Russia and Malaysia, we have set up health insurance and company life and accident insurance schemes
- In Mexico, we offer insurance for medical expenses for close family and life insurance for employees – and provide a Life Quality programme for employees and their families

Well-being and retention

- Our relationship with our employees rests on the premise that a working life should accommodate both strong and weak phases
- We arrange absence interviews in the event of long-term illness, discussing measures that may reduce the employee's period of absence, initiate gradual return, or adapt the job tasks
- Our HR management team provides confidential job-related advice and supports vulnerable staff

- We endeavour to retain or relocate employees no longer able to carry out their original jobs
- We work closely with local authorities and job placement services to help people in the community to get further in working life

Palsgaard's low employee turnover rate in 2017 of 10.8% indicates continued high loyalty among employees globally.

Satisfaction survey

Since 2006, we have conducted a biennial employee satisfaction survey at all locations through an independent company, Ennova. Using Ennova ensures the results can be compared with other European businesses via the GELx. And we have continuously implemented initiatives based on the findings of the survey, working to raise the GELx level for the whole Palsgaard Group.

In terms of job satisfaction, the 2017 survey revealed that Palsgaard Group rated 77, corresponding with a 'high job satisfaction and motivation' rating. This is a three point improvement from 2015 (see figure 15).

We are proud to have many long-standing employees at Palsgaard. In 2017, four celebrated 25 years of service and 12 celebrated 10 years.

Employee development conversations

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

The conversations also provide a platform to set clear expectations for employee competencies and behaviour, ensuring that these are aligned with the company values of loyalty, responsibility and commitment.

Employee benefits

Many factors must be considered to obtain a balance across all our sites for employee benefits such as contribution to or paid sickness insurance, life insurance, maternity leave schemes, pension schemes and many more.

We aim to give all of our employees comparable employment benefits. We view this as supporting human rights by careful consideration of all the different cultures and communities, particularly in the subsidiaries. The benefits we offer our employees are often far beyond national legislation.

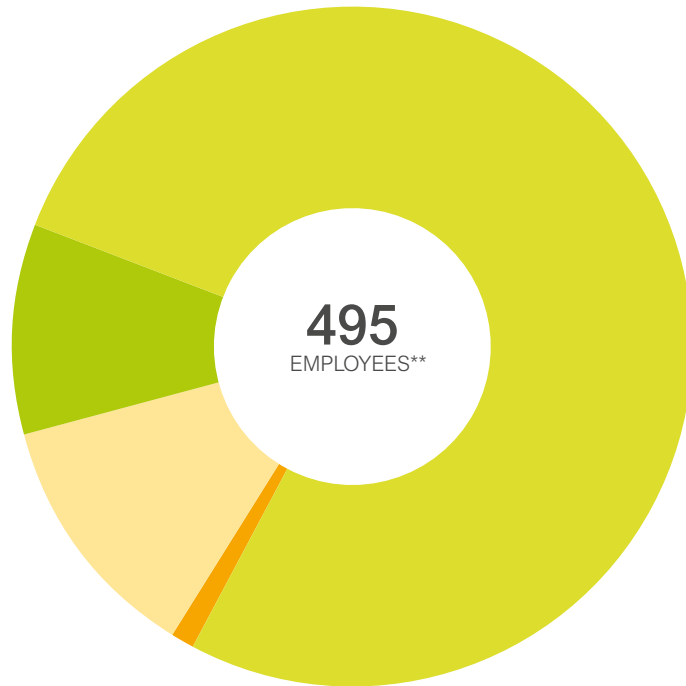


Figure 14: Distribution of employees

69%

Europe

Average age: 47
Female 120, male 219
(new hires in 2017:
female 17, male 35)

17%

Americas

Average age: 38
Female 29, male 56
(new hires in 2017:
female 4, male 12)

13%

Asia

Average age: 35
Female 25, male 40
(new hires in 2017:
female 6, male 10)

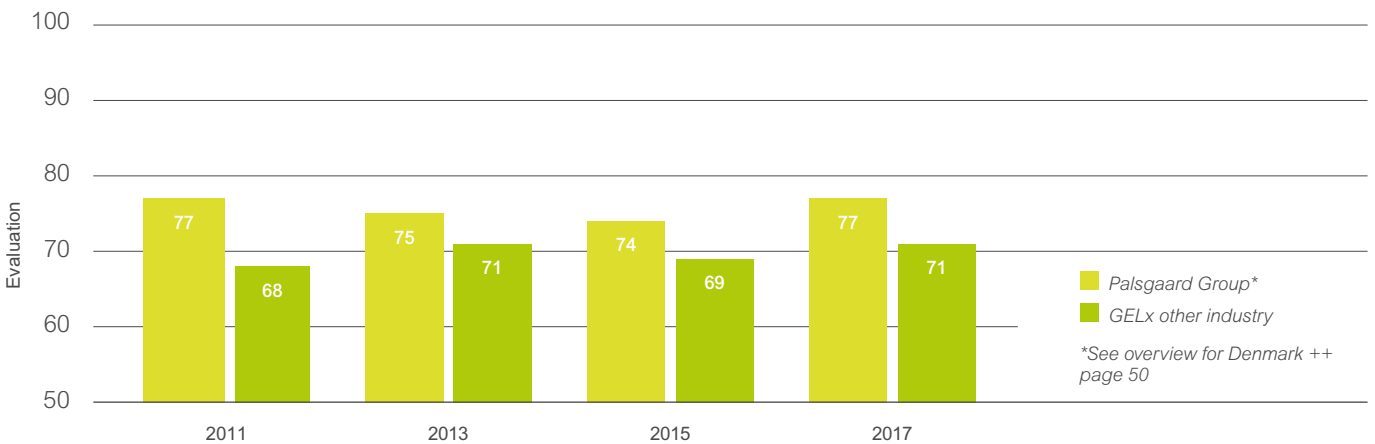
1%

Africa

Average age: 43
Female 3, male 3
(new hires in 2017:
female 1, male 2)

The average age and a low turnover rate (10.8%) are evidence of stability as well as employee loyalty and commitment. **Year end 2017

Figure 15: Measurement of employee satisfaction and motivation



Health & safety

The OSH organisation

Palsgaard's Occupational Safety and Health (OSH) organisation comprises working environment committees at Palsgaard A/S. Nexus A/S has its own OSH organisation that works closely with Palsgaard's organisation, sharing experiences and advice on health and safety issues.

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

We offer our employees sick leave conversations to address absence issues. In 2017, we increased focus on cases where absence from work was greater than 4%, encouraging active engagement in the conversations so that employees receive the necessary support. Registered sick leave rates in Denmark are shown in figure 16.

Work environment committee

The work environment committee has representatives from top management, managers and employees for each of the working environment groups. Its aim is to increase awareness on health and safety, reducing the risk for occupational accidents at Palsgaard. We have an expectation that everyone at Palsgaard

considers health and safety as a natural part of every day.

2017 activities

In 2017, we recorded a record high of 15 accidents at work. In response, a newly established QEHS team is working closely with all health and safety groups and an external partner to improve safety on and in between our sites globally. There will be extra focus on safety culture and root causes in production sites, including projects covering:

- Focused training of our health and safety organisation
- Improved written working instructions and accompanying photos
- Improved safety introduction to new employees and visitors
- Establishing a safety-related meeting in the work committee
- Continued improvement of equipment to improve safety in operations
- Creation of a new procedure to handle work-related accidents and improve reporting and communication on safety, minimising the risk of recurrence
- Revising action plans for workplace environment assessments
- Training of employees and specialisation within the individual areas of work
- Identifying focus areas and support with projects and working groups

Figure 16: Registered sick leave in Denmark

Year	2013	2014	2015	2016	2017
Days absent with sick leave (%)	2.74	2.38	2.54	3.01	2.81
DI statistic*	2.2	3.1	2.9	3.1	3.1

Sick leave rates have decreased since 2016 following a focused effort to engage employees with more than 4% absence, in sick leave conversations.

*DI (Confederation of Danish Industry) statistics are from the year prior to the year of reporting.





“

Maintaining the safety of our employees is a priority. We have allocated more resources around safety and implemented extra precautions to achieve a safer working environment in our factories.”

*Claus Hviid Christensen,
Executive Committee, Palsgaard AIS*

BØRNEfonden

Children & Youth Foundation

The Children & Youth Foundation contributes to multiple Sustainable Development Goals



Palsgaard has again renewed its five-year partnership with the Denmark-based Children & Youth Foundation (www.bornefonden.dk)



Community connections

Partnering for the future

Palsgaard has partnered with the Denmark-based BØRNEfonden (Children & Youth Foundation) for more than 10 years. The foundation provides children and youths with opportunities to improve their future prospects through activities focused on five countries in West Africa – Benin, Mali, Burkina Faso, Togo and Cape Verde. The work directly addresses many of the UN's SDGs, improving health and education, stimulating local economies and focusing on entrepreneurship and job creation.

Every little bit helps

The partnership also benefits from an ongoing programme at Palsgaard to reduce food waste. Employees are able to purchase surplus food from the daily lunch buffet, with all proceeds going to the foundation.

Activities in West Africa

- Helped build a public primary school in Al-loum, Togo, supporting the notion that every child has the right to access schooling
- Annual donation to Children & Youth Foundation 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
- Local education on hygiene, and the construction of water storage and toilet facilities at a local nursery to improve water quality and reduce waterborne diseases
- Purchase of a boat for school students to cross a river to school
- Donations have also sponsored a trainee, and supported a technical school for young people with scholarships, tools and bicycles for student transport



BØRNEfonden

af verdens fattigste
få en bedre fremtid
bornefonden.dk

BØRNEfonden



Local support

Palsgaard's headquarters are located within the small Danish community of Juelsminde, which is a town of around 4,000 inhabitants. In 2017, key local charitable activities included:

- A donation to the refugee support organisation, Dansk Flygtningehjælp
- Supported the development of a mountain bike trail on Palsgaard land
- Supported a new rescue station by the sea – Dansk Søredningselskab, in Juelsminde
- Donation to support Dansk produktions Univer, a non-profit member association designed to work with new and existing production companies
- Donation to support a local school in building a new outdoor area for physical activities
- Donation to the support the Danish Cancer Society

Milestones

- Invested in hotel to encourage tourism in the town of Juelsminde
- Donation of Juelsminde Church and land for parking
- Donations to support museums in Denmark
- Donation of 16.5 hectares of land to Hellebjerg Sports and Youth College
- Donation of land for a road to Palsgaard to reduce traffic through local village
- 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 local theatre group, 'Palsgaard Sommerspil'
- Work with the local authorities to help people further their education/career, and support with flexible work hours or placements

Community connections



Global support

West Africa

- See page 44 for activities based in West Africa

Pakistan

- Scholarship programme for food technology students with support throughout their education

Mexico

- All employees visited a nursing home or orphanage with Christmas gifts and clothes
- Supported the earthquake disaster fund through the Carlos Slim Foundation
- Supporting the Boys and Girls Club, an organisation that provides care for children while their parents work, helping to keep them away from criminal risk

South Africa

- We participate in Broad-Based Black Economic Empowerment (B-BBEE) which helps the black population achieve a higher socio-economic level
- COACH donation to a local home for children aged 6 to 16

The Philippines

- Support of local areas in urgent need of help, including helping Red Cross to provide aid in typhoon-affected areas
- Scholarship for food technology students with support throughout their education

Borneo

- Annual donation to support Save the Orangutan, which works to rescue this endangered species and its rainforest home

Russia

- Company and Russia-based employee donations to the 'Children Foundation', which runs an orphanage in the Ural area
- Supporting Ray of Childhood, assisting 'Childrens Houses' and boarding schools

Sri Lanka

- Scholarship programme continued for the fourth year running. Working with universities to get students for scholarship

Brazil

- Supporting a community project for patients and families of the children's hospital, Hospital Pequeno Príncipe



Connecting with tomorrow's experts

Palsgaard 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. Palsgaard's Research and Development company, Nexus, hosts work placements for international food engineering students, and our laboratories collaborate with them on independent development projects.

Lending a helping hand

During 2017, Palsgaard Denmark assisted 18 people to further their education or keep their jobs at the company under special circumstances. This number includes people in flexible jobs, students from Denmark and abroad carrying out their practical work, and others in job rotation schemes.

Scholarship programme

Palsgaard has a scholarship programme to support students in a food technology, science or nutrition qualification. It assists applicants who come from a low-income family, helping to pay for tuition fees, books, living expenses, and other study-related expenses.



Bawanthi Hettiarachi, a student from Sri Lanka, joined the Palsgaard scholarship programme in 2017

Applicants must be a first-year student enrolled full time, have good moral standing and good grades. Throughout the duration of studies, grades are provided to Palsgaard for review before funding is released.

Our subsidiary in Singapore selects two students per year. The programme also extends to the Philippines, Pakistan, Sri Lanka and Bangladesh.

Education worldwide

We also work with students in our other subsidiaries including three students in our subsidiary in Mexico and one in the Malaysian subsidiary.

Independent Auditor's Assurance Report

To Management and the stakeholders of Palsgaard A/S

We have reviewed the 2017 Corporate Responsibility Report ('the Report') to provide limited assurance that the data on page 51 has been stated in accordance with the reporting practice specified on page 50. We have also checked that the Report is compliant with the principles and reporting criteria defined in the Global Reporting Initiative (GRI) Sustainability Reporting Standards (In Accordance – Comprehensive level). We express a conclusion providing limited assurance.

Management's responsibilities

Management is responsible for the preparation of the information in the Report, including the establishment of data collection procedures and internal control systems to ensure reliable reporting and that data are free from material misstatement.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion based on our engagement with Management and in accordance with the agreed scope of work. We have conducted our work in accordance with ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and additional requirements under Danish audit regulation to obtain limited assurance about whether the selected CSR data in the Report are free from material misstatement.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard

on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material error, we planned and performed our work to obtain all information and explanations necessary to support our conclusion.

We performed our work at the Palsgaard A/S head office in Denmark in April 2018. We have not visited any other sites or interviewed external stakeholders. We have not reviewed baseline data, financial information or forward-looking statements, such as targets and expectations included in the Report. Consequently, we draw no conclusion on those statements.

Based on an assessment of the risk of material misstatement, 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 combined with the GRI reporting criteria as an appropriate basis for our review. Our procedures included the following:

- Reviewing Palsgaard A/S procedures for identifying material issues to be included in the Report and challenging the material statements in the Report.
- Reviewing the procedures, tools, systems and controls for gathering, consolidating and aggregating data at group level, 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.
- Reviewing 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 assuring report quality as well as the reporting criteria of GRI Standards: In Accordance – Comprehensive, disclosure requirements.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the data on page 51 in the Report has not been prepared in accordance with the reporting practice stated on page 50. Nor has anything come to our attention that causes us to believe that the Report does not comply with the principles and reporting criteria of GRI Standards: In Accordance – Comprehensive level.

Copenhagen, 26 April 2018



Henrik Vedel
State-Authorised Public Accountant
MNE no mne10052



Marie Voldby
Lead Reviewer



Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Auditor's Observations regarding the GRI Reporting Principles

Materiality and sustainability context

The Report reflects Palsgaard A/S' ongoing commitment to operating its business in a sustainable manner by monitoring and managing material environmental and social risks arising from its activities. The Report demonstrates the Company's understanding of where in its value chain it can most effectively contribute to the global sustainable development.

Comparability, completeness and timeliness

This is Palsgaard A/S' eight 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 Palsgaard A/S' activities, highlighting challenges and dilemmas arising in the business.

Stakeholder involvement

Palsgaard A/S continues to monitor and respond to stakeholder needs. The Company is committed to procuring certified sustainable palm oil and actively engages in initiatives relating to sustainable palm oil production.

Accuracy and reliability

Palsgaard A/S continues to strengthen its internal data collection and control procedures, particularly for environmental data, to ensure a higher level of quality and reliability.

Reporting practice

The data basis for this report includes the entities indicated in figure 17. 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 2017 to 31 December 2017.

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.	Denmark
Finished products	M	The statement is based mainly on sales statistics. The volume of finished products is therefore measured.	Palsgaard A/S
Energy consumption, electricity	M	Electricity consumption has been determined on the basis of statement from electricity provider. In Mexico, electricity consumption from solar panels has been measured.	Palsgaard A/S
Energy consumption, fossil	M	Natural gas and oil consumption are measured on basis of invoices.	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: Direct greenhouse emissions (LPG, Diesel, natural gas) Scope 2: Indirect greenhouse emissions (electricity) Emissions from personal and transport vehicles are not included. CO ₂ intensity is CO ₂ emissions per kg of finished product	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.	Denmark
Waste (combustible)	M	Waste volumes have been measured on the basis of invoices from waste removal companies.	Denmark
Chemical waste	M	Chemical waste volumes have been measured on the basis of weight slips received from waste removal companies and bearing of tank.	Denmark
Incidents of Non-compliance	M	Total number of incidents of non-compliance with regulations with significant fines and sanctions.	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 permanent employees at the beginning of the year, based on Palsgaard's payroll system. Average seniority and average age has been calculated on the basis of the employees at the end of the year 31.12.2017, based on Palsgaard's payroll system.	Denmark ++
Employee satisfaction	M, C	Employee satisfaction is based on Palsgaard's employee satisfaction survey, which is carried out by Ennova every second year and includes all employees. The main indicator of work satisfaction is applied as a general target and is compared with Global Employee and Leadership Index® (GELx).	Denmark ++
Tax	C	The effective tax rate is calculated by the company's external accountant based on the results of the Palsgaard A/S and its subsidiaries and the accounts and tax declarations.	Denmark +

M=Measured, C=Calculated, E=Estimated

Figure 17

	Schou Foundation	Palsgaard Estate	Palsgaard production sites, Denmark, Brazil, the Netherlands, Mexico and Malaysia	Palsgaard A/S, Denmark	Nexus A/S	All subsidiaries (Palsgaard A/S)
Palsgaard A/S			•		•	
Palsgaard A/S ++	•	•	•		•	
Denmark				•	•	
Denmark +				•		•
Denmark ++	•	•		•	•	•

Data summary

Indicator	Unit	2012	2013	2014	2015	2016	2017
Energy							
Energy consumption, total (gross) ²	kWh per kg finished product	1.17	1.11	1.36	1.34	1.27	1.21
Energy consumption, electricity (gross)	mWh	11,337	11,539	14,401	15,557	16,282	16,586
Energy consumption, fossil (gross)	mWh	33,068	33,929	42,857	45,687	45,264	45,676
Emissions							
CO ₂ -emissions (gross) ²	tonnes			13,811	14,883	15,853	15,362
CO ₂ -emissions (net) ²	tonnes	6,856	7,021	7,063	5,248	5,678	5,731
CO ₂ -emissions (net)	kg per kg finished product	0.18	0.17	0.17	0.12	0.12	0.11
Water							
Water consumption	m ³	154,897	167,311	173,983	161,196	180,981	173,424
Waste water	litre per kg finished product	1.53	1.39	1.64	1.42	1.56	1.44
Waste water	m ³	58,126	56,857	69,173	64,865	75,637	74,408
Raw materials							
Raw material consumption	kg per 100 kg finished product	106.49	107.37	108.39	107.71	107.11	106.01
Derivative products and waste							
Derivative products	kg per kg finished product	0.08	0.08	0.1	0.09	0.08	0.07
Waste (Combustible)	kg per kg finished product	0.011	0.009	0.01	0.01	0.01	0.01
Waste (Combustible)	tonnes	341	322	330	358	402	408
Chemical waste	tonnes	18	18	9	11	8	17
Compliance							
Number of incidents of non-compliance	number	1	0	0	0	0	0
Working environment							
Work-related accidents, total	number	5	4	9	11	8	15
Work-related accidents, Denmark	number	5	4	9	11	8	13
Work-related accidents, Netherlands	number	0	0	0	0	0	0
Work-related accidents, Malaysia	number			0	0	0	2
Work-related accidents, Mexico	number	0	0	0	0	0	0
Work-related accidents, Brazil	number	-	-	-	-	-	0
Work-related accident frequency ¹	number per million working hours	14	11	16	18	13	20
Employee conditions							
Employee turnover	turnover rate, %	5.3	3.1	8.7	12.04	8.5	10.8
Tax							
Effective tax rate ³	%	29.2	31.4	29.9	33.5	27.6	20.2 ⁴

¹ From 2014 all production entities are included in the "Accident frequency" number

² Change in emission factors to use local calorific values (2014-2017)

³ From 2015, the tax rate includes Palsgaard A/S and its subsidiaries, as the contribution of Palsgaard Estate, the Schou Foundation and Nexus A/S to the total tax rate is insignificant

⁴ The tax rate has been reduced from last year, mainly due to instances of non-recurring non-taxable income and non-recurring non-deductible costs in the reporting period

GRI content index – disclosures

The GRI table is based on GRI Sustainability Reporting Standards 2016.
See the Reporting Practice section for an explanation of the terms used along with the GRI G4 Food Processing Sector Disclosures.

GRI Standard	Disclosure	Disclosure description	Page, comment or omission	UNGC active cross reference
GRI 101: Foundation 2016 - This report has been prepared in accordance with the GRI Standards: Comprehensive option				
GRI 102: General Disclosures 2016				
GRI 102: General Disclosures 2016	102-1	Name of the organisation	3	Organisational profile and Operational context
	102-2	Activities, brands, products, services	7	Organisational profile and Operational context
	102-3	Location of headquarters	7	Organisational profile and Operational context
	102-4	Location of operations	6	Organisational profile and Operational context
	102-5	Ownership and legal form	4	Organisational profile and Operational context
	102-6	Markets served	6, 7	Organisational profile and Operational context
	102-7	Scale of organisation	41 and Annual report	Organisational profile and Operational context
	102-8	Information on employees and other workers	41, 274 full time 25 part time (21 female, 4 male) Data compiled from global HR system	Organisational profile and Operational context
	102-9	Supply chain	7, 12-13	
	102-10	Significant changes to the organization and its supply chain	3, 7	
	102-11	Precautionary Principle or approach	16, 20-24, 28-29, 38	
	102-12	External initiatives	14-15	
	102-13	Membership of associations	16, 28-29	
	102-14	Statement from senior decision-maker	3	High-level commitment and Strategy
	102-15	Key impacts, risks, and opportunities	12, 13	High-level commitment and Strategy
	102-16	Values, principles, standards, and norms of behavior	5, 8, 15	
	102-17	Mechanisms for advice and concerns about ethics	16	
	102-18	Governance structure and Highest Governance Body (HGB)	14-15	
	102-19	Delegating authority	15	
	102-20	Executive-level responsibility for Economic, Environmental, and Social (EES) topics	15	
	102-21	HGB consultation on EES topics	10	
	102-22	Composition of governance bodies	14, 15 and Annual report	
	102-23	Relationship between Chair and CEO	The chair of the H.G.B. is not the CEO	
	102-24	Nomination and selection of governance body	14-15	
	102-25	Conflicts of interest	Limitations are noted in employment contracts	
	102-26	HGB's role in setting purpose, value and strategy	14-15	
	102-27	HGB's knowledge of EES topics	15	
	102-28	Performance evaluation of HGB on EES topics	Part of the Board evaluates its performance on a regular basis. The CSR report is evaluated yearly	
	102-29	HGB's role in identifying EES risks	15	
	102-30	HGB's review of management of EES risks	In accordance with ISO-documented procedures	
	102-31	Frequency of EES risk reviews	3 times a year	
	102-32	Highest approval of sustainability report	15	

GRI Standard	Disclosure	Disclosure description	Page, comment or omission	UNGC active cross reference
GRI 102: General Disclosures 2016	102-33	Raising critical concerns with HGB	14-15	
	102-34	Critical concerns raised and addressed	No critical concerns to report	
	102-35	Remuneration policies	Described in the Schou Foundations's Articles of Association	
	102-36	Process for determining remuneration	Described in the Schou Foundations's Articles of Association	
	102-37	Stakeholder views on remuneration	Remuneration policies are confidential and not shared with our stakeholders.	
	102-38	Ratio of highest and median compensation	Omitted for competitive reasons	
	102-39	% increase for highest and median compensation	Omitted for competitive reasons	
	102-40	List of stakeholders engaged	10 -11	
	102-41	Collective bargaining agreements	In Denmark, 56% of employees are covered by collective bargaining agreement. This is not measured in our subsidiaries	
	102-42	Selection of stakeholders	10	
	102-43	Approach to stakeholder engagement	10	
	102-44	Issues raised and responded to	7, 29, 32, 40	
	102-45	Entities included in the consolidated financial statements	4	
	102-46	Defining report content and topic Boundaries	2	
	102-47	List of material topics	10	
	102-48	Restatements of information	No restatements to report	
	102-49	Changes in reporting	3	COP Report Profile
	102-50	Reporting period	2	COP Report Profile
	102-51	Date of previous report	Published May 2017. Covering the year 2016	COP Report Profile
	102-52	Reporting cycle	2	COP Report Profile
	102-53	Report contact	Senior CSR Specialist, Lisa Drejer Mortensen, Idm@palsgaard.dk	COP Report Profile
102-54	Claims of reporting in accordance with the GRI standards	2		
102-55	GRI Content Index	52-58	COP Report Profile	
102-56	External assurance	48-49	External assurance of COP	

GRI content index – material topics

Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
GRI 200 Standard: Economic Series 2016				
GRI 201 Economic performance	103-1	Explanation of the material topic and its Boundaries	4-5	
	103-2	The management approach and its components	14-15	
	103-3	Evaluation of the management approach	14-15	
	201-1	Direct economic value generated and distributed	7	
GRI 202 Market Presence	103-1	Explanation of the material topic and its Boundaries	38-40; significant locations of operation pg 6. Local refers to the communities surrounding the areas in which we operate. Our definition of senior management refers to CEOs and managers of subsidiaries	1
	103-2	The management approach and its components	38	1
	103-3	Evaluation of the management approach	41	1
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	We ensure that all employees & workers are paid at or above the minimum wage, according to local legislation	1
	202-2	Proportion of senior management hired from the local community	All senior management are local, except for Malaysia	1
GRI 203 Indirect economic impacts	103-1	Explanation of the material topic and its Boundaries	12	1
	103-2	The management approach and its components	14-15	1
	103-3	Evaluation of the management approach	14-15	1
	203-1	Infrastructure investments and services supported	45 Commercial investment in technology in Malaysia and Brazil. New application laboratories in China and Russia and increasing our number of distributors worldwide	1
	FP1	% of purchased volume from suppliers compliant with company's sourcing policy	18-19	1
	FP2	% of purchased volume verified to be in accordance with responsible standards, by standard	16, 36	1
GRI 204 Procurement Practices	103-1	Explanation of the material topic and its Boundaries	12,18 Significant locations of operation pg 50. Local refers to the communities surrounding the areas in which we operate	1, 10
	103-2	The management approach and its components	14-19	1, 10
	103-3	Evaluation of the management approach	14-15	1, 10
	204-1	Proportion of spending on local suppliers	No defined spending. Local palm oil growers are supported via RSPO when they are members of RSPO. Our Malaysia plant uses locally produced palm oil and we hire local workers for all subsidiaries	1, 10
GRI 205 Anti-corruption	103-1	Explanation of the material topic and its Boundaries	14-18	1, 10
	103-2	The management approach and its components	14-15	1, 10
	103-3	Evaluation of the management approach	14-15	1, 10
	205-1	Operations assessed for corruption risks	14, 16	1, 10
	205-2	Communication and training	14-16	1, 10
205-3	Incidents of corruption and actions taken	No incidents in 2017	1, 10	
GRI 206 Anti-competitive behaviour	103-1	Explanation of the material topic and its Boundaries	14-15	1
	103-2	The management approach and its components	14-15	1
	103-3	Evaluation of the management approach	14-15	1
	206-1	Anti-competitive behaviour	14-16 No legal action in 2017	1

Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
GRI 300 Standard: Environmental Series 2016				
GRI 301 Materials	103-1	Explanation of the material topic and its Boundaries	24 Further breakdown of numbers are commercially sensitive	7, 8
	103-2	The management approach and its components	24, 26-27	7, 8
	103-3	Evaluation of the management approach	14-15, 26-29	7, 8
	301-1	Materials used by weight or volume	6, 51 Further breakdown of numbers are commercially sensitive	7, 8
	301-2	Recycled input materials used	Due to food safety regulations, we cannot use recycled input materials in production	
	301-3	Reclaimed products and their packaging materials	For food safety reasons, recycled input materials are not added to our products	7, 8
GRI 302 Energy	103-1	Explanation of the material topic and its Boundaries	10	7, 8, 9
	103-2	The management approach and its components	20-24	7, 8, 9
	103-3	Evaluation of the management approach	20	7, 8, 9
	302-1	Energy consumption within organization	22, 50-51	7, 8, 9
	302-2	Energy consumption outside of the organization	We currently do not measure this Information unavailable	7, 8, 9
	302-3	Energy intensity	51 We define energy intensity as kWh per kg finished product	7, 8, 9
	302-4	Reduction of energy consumption	21, 24	7, 8, 9
302-5	Reduction in energy requirements of sold products/services	32, calculations not available	7, 8, 9	
GRI 303 Water	103-1	Explanation of the material topic and its Boundaries	10-11	
	103-2	The management approach and its components	20, 26-27	
	103-3	Evaluation of the management approach	27, 51	
	303-1	Water withdrawal	51, we use only ground water in our Danish facilities. In subsidiaries we use water that complies with required food and safety quality regulations	
	303-2	Water sources affected by withdrawal	Water usage per production unit is relatively small. No water sources are significantly affected	
	303-3	% and volume of water recycled and reused	For food safety reasons, water is not recycled within our production facilities	
GRI 305 Emissions	103-1	Explanation of the material topic and its Boundaries	20-21, 50	7, 8, 9
	103-2	The management approach and its components	20-21	7, 8, 9
	103-3	Evaluation of the management approach	20-21	7, 8, 9
	305-1	Direct GHG emissions (scope 1)	2,508 tonnes CO ₂ . See page 50	7, 8, 9
	305-2	Energy indirect GHG Emissions (scope 2)	3,223 tonnes CO ₂ . See page 50	7, 8, 9
	305-3	Other indirect GHG emissions (scope 3)	We do not currently measure Scope 3. See page 50	7, 8, 9
	305-4	GHG emissions intensity	50	7, 8, 9
	305-5	Reductions of GHG emissions	21, 50-51	7, 8, 9
305-6	Emissions of ozone-depleting substances	Not applicable	7, 8, 9	
305-7	NO _x , SO _x and other air emissions	We do not currently measure No _x and So _x	7, 8, 9	
GRI 306 Effluents & waste	103-1	Explanation of the material topic and its Boundaries	26-27, 50	7, 8, 9
	103-2	The management approach and its components	26-27	7, 8, 9
	103-3	Evaluation of the management approach	14-15, 26-27	7, 8, 9
	306-1	Water discharge by quality and destination	51	7, 8, 9
	306-2	Waste by type and disposal method	51	7, 8, 9
	306-3	Significant spills	No incidents in 2017	7, 8, 9
306-4	Transport of Hazardous waste	Hazardous waste is removed by licensed waste management companies	7, 8, 9	
306-5	Water bodies affected by water discharges and/or runoff	We comply with legal requirements for waste water treatment and discharge and have not detected impacts on water bodies and related habitats	7, 8, 9	

Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
GRI 307 Environmental compliance	103-1	Explanation of the material topic and its Boundaries	20	7, 8
	103-2	The management approach and its components	20	7, 8
	103-3	Evaluation of the management approach	14-15, 20	7, 8
	307-1	Non-compliance with environmental laws and regulations	No incidents in 2017	7, 8
GRI 308 Supplier environmental assessment	103-1	Explanation of the material topic and its Boundaries	18	7, 8, 10
	103-2	The management approach and its components	14-15, 18, 28-29	7, 8, 10
	103-3	Evaluation of the management approach	14-15, 18	7, 8, 10
	308-1	New suppliers that were screened using environmental criteria	18	7, 8, 10
	308-2	Negative environmental impacts in the supply chain and actions taken	16, 18, we do no further breakdown	7, 8, 10
GRI 400 Standard: Social series 2016				
GRI 401 Employment	103-1	Explanation of the material topic and its Boundaries	10, 38-39	1, 6
	103-2	The management approach and its components	38-39	1, 6
	103-3	Evaluation of the management approach	14-15, 38-39	1, 6
	401-1	New employee hires and employee turnover	40-41 Employee turnover rate is reported without breakdown of age group, gender and region	1, 6
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	40	1, 6
	401-3	Parental leave	Employees returning to work after taking parental leave remained employed 12 months later, with the exception of one from Denmark and one from Mexico	1, 6
GRI 403 Occupational health and safety	103-1	Explanation of the material topic and its Boundaries	38	1
	103-2	The management approach and its components	42-43	1
	103-3	Evaluation of the management approach	38	1
	403-1	Workers representation in formal joint management-worker health and safety committees	42 Work environment committee covers 100% of workers, across all sites. The definition of workers extends to those who are employed directly by Palgaard including its subsidiaries	1
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	42, 51 There were 15 work-related accidents (13 in Denmark and two in Malaysia) with no fatalities. Absenteeism monitored in Denmark and aiming to monitor in all production sites without reporting on ODR types of injuries or occupational diseases	1
	403-3	Workers with high incidence or high risk of diseases related to their occupation	12	1
	403-4	Health and safety topics covered in formal agreements with trade unions	42	1
	FP3	% of working time lost due to industrial disputes, strikes and or lock-outs by country	No incidents in 2017	1
GRI 404 Training and education	103-1	Explanation of the material topic and its Boundaries	10, 38-42	1
	103-2	The management approach and its components	38-42	1
	103-3	Evaluation of the management approach	14-15, 38	1
	404-1	Average hours of training per year per employee	1.59% of work hours was related to education (Denmark, Malaysia, Mexico & the Netherlands) without breakdown of gender and employee category	1
	404-2	Programs for upgrading employee skills and transition assistance programs	38, 40, 47	1
	404-3	% of employees receiving regular performance and career development reviews	100%	1

Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
GRI 405 Diversity and Equal Opportunity	103-1	Explanation of the material topic and its Boundaries	10, 16, 38-41	1, 6
	103-2	The management approach and its components	38-40	1, 6
	103-3	Evaluation of the management approach	14-15, 38, 40	1, 6
	405-1	Diversity of governance bodies and employees	41, Annual report In Denmark, 7% of employees are Non-Danish background. Palsgaard A/S Board comprises two men and one woman. Schou Foundation Board comprises three men and one woman	1, 6
	405-2	Ratio of basic salary and remuneration of women to men	Remuneration monitored for production employees in Denmark. The latest data available is from 2016. In 2016, the remuneration ratio for males and females was 102/100	1, 6
GRI 406 Non- discrimination	103-1	Explanation of the material topic and its Boundaries	10, 16	1, 6
	103-2	The management approach and its components	14, 18	1, 6
	103-3	Evaluation of the management approach	14-15	1, 6
	406-1	Incidents of discrimination and corrective action taken	No incidents in 2017	1, 6
GRI 407 Freedom of Association and Collective Bargaining	103-1	Explanation of the material topic and its Boundaries	14	3
	103-2	The management approach and its components	14	3
	103-3	Evaluation of the management approach	14-15	3
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	14-18, 28-29, 38	3
GRI 408 Child Labour	103-1	Explanation of the material topic and its Boundaries	14	1, 4, 5
	103-2	The management approach and its components	14-16	1, 4, 5
	103-3	Evaluation of the management approach	14-15	1, 4, 5
	408-1	Operations and suppliers at significant risk for incidents of child labour	14-16, 18, 28-29	1, 4, 5
GRI 409 Forced or compulsory labour	103-1	Explanation of the material topic and its Boundaries	16	1, 4, 5
	103-2	The management approach and its components	14-16	1, 4, 5
	103-3	Evaluation of the management approach	14-15	1, 4, 5
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	16-18, 28-29	1, 4, 5
GRI 412 Human Rights Assessment	103-1	Explanation of the material topic and its Boundaries	16	1, 2
	103-2	The management approach and its components	14-16	1, 2
	103-3	Evaluation of the management approach	14-15	1, 2
	412-1	Operations that have been subject to human rights reviews or impact assessments	14	1, 2
	412-2	Employee training on human rights policies or procedures	All employees receive Code of Conduct but we do not measure training	1, 2
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	18 Production sites are considerable investments and in Mexico and Malaysia we upgrade human rights for employees - compared with local standards	1, 2
GRI 413 Local communities	103-1	Explanation of the material topic and its Boundaries	14, 28-29	1
	103-2	The management approach and its components	28-29, 45-46	1
	103-3	Evaluation of the management approach	14-15	1
	413-1	Operations with local community engagement, impact assessments, and development programs	28-29 We consider differentiation in culture and socioeconomic status in our subsidiaries, and local communities where we operate. We have an employee development programme in Mexico for employees	1
	413-2	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	1

Topic	Disclosure	Disclosure description	Page, comment or omission	Omission	UNGC principle
GRI 414 Supplier Social Assessment	103-1	Explanation of the material topic and its Boundaries	18		1, 4, 5, 6, 10
	103-2	The management approach and its components	14-16		1, 4, 5, 6, 10
	103-3	Evaluation of the management approach	14-15		1, 4, 5, 6, 10
	414-1	New suppliers that were screened using social criteria	18		1, 4, 5, 6, 10
	414-2	Negative social impacts in the supply chain and actions taken	18, 28-29 Without further breakdown of data		1, 4, 5, 6, 10
GRI 416 Customer Health and Safety	103-1	Explanation of the material topic and its Boundaries	10, 16, 36-37		10
	103-2	The management approach and its components	14-15, 36-37		10
	103-3	Evaluation of the management approach	14-15		10
	416-1	Assessment of the health and safety impacts of product and service categories	16, 36-37		10
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were no food recall incidents in 2017		10
	FP5	% of production volume audited by third party to food safety compliancy	100% of our products are manufactured in ISO 22000-FSSC/ISO 9001 certified factories		10
	FP6	% of total sales volume of consumer products by product category that are lowered in saturated fat, trans-fats, sodium and added sugars	The majority of our products can help food processing companies to lower the fact content of their products		10
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		10	
GRI 417 Marketing and Labelling	103-1	Explanation of the material topic and its Boundaries	10, 31		10
	103-2	The management approach and its components	31		10
	103-3	Evaluation of the management approach	31		10
	417-1	Requirements for product and service information and labelling	100% of our products conform to EU legislation on labelling and we respond to customer requests for additional labelling		10
	417-2	Incidents of non-compliance concerning product and service information and labelling	No incidents in 2017		10
	417-3	Incidents of non-compliance concerning marketing communications	No incidents in 2017		10
GRI 419 Socioeconomic compliance	103-1	Explanation of the material topic and its Boundaries	14-15		10
	103-2	The management approach and its components	14-15		10
	103-3	Evaluation of the management approach	14-15		10
	419-1	Non-compliance with laws and regulations in the social and economic area	No incidents in 2017		10



Palsgaard A/S, Denmark

Subsidiaries

Brazil

Palsgaard do Brasil Ltda.
Palsgaard Candon S.A.

China

Palsgaard China Additive Ltd.*

Denmark

Einar A/S*
Scanflavour A/S*

France

Palsgaard France SAS

Germany

Palsgaard Verkaufsgesellschaft
mbH & Co. KG

Kenya

Palsgaard Kenya Limited

Malaysia

Palsgaard Malaysia Sdn. Bhd.

Mexico

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

Netherlands

Palsgaard Netherlands B.V.

Poland

Palsgaard Polska Sp . z.o.o.

Russia

OOO "Palsgaard R"

Singapore

Palsgaard Asia Pacific Ptd Ltd

South Africa

Palsgaard South Africa Pty Ltd

United Kingdom

Palsgaard (Great Britain)
Limited*

USA

Palsgaard USA Inc.

*Not included in Palsgaard Denmark ++

See page 4 for overview

Tell us what you think!

Send your feedback on this CSR report to ldm@palsgaard.dk

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