

2021 REPORT

# Corporate Social Responsibility

**Palsgaard®**





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In early 2021, our new 40,000 m<sup>2</sup> Mexican facilities opened, hosting application centres, offices, quality control and temperature controlled warehouses. All electricity for the facilities is supplied by its 412 solar panels, ensuring the continued CO<sub>2</sub>-neutrality of Palsgaard México.





# Welcome

Welcome to our Corporate Social Responsibility (CSR) report for the year 2021.

Here is what you can find in this year's report: Our CSR approach is underpinned by Palsgaard's long-standing core values, open communication with our stakeholders, a materiality review, the UN Global Compact (UNGC) and the UN Sustainable Development Goals (SDGs).

Four CSR focus areas and engagement in supporting the UN Development Goals help to keep us aligned when implementing CSR-related activities throughout the organisation.

Having a comprehensive governance portfolio is essential in managing our people, stakeholders along the value chain and our production processes.

Our Responsible Sourcing Programme and Anti-corruption policies are guided by human rights principles outlined by global bodies. By focusing on responsible sourcing of raw materials, we aim to influence other food manufacturers, our customers, our suppliers and consumers in making responsible decisions. We acknowledge the impact that large-scale production has on the environment.

Focusing on energy and environment, we are working tirelessly to reduce our impact as much as possible. Our CO<sub>2</sub>-neutral production sites have been realised through initiatives dating back to 2005, when we implemented straw-fired heating. We aim to achieve CO<sub>2</sub>-neutrality for the whole company by the end of 2025, while carbon-neutral production was accomplished in 2018.

Supplying the food and non-food industries with emulsifier and stabiliser products since our inception over a century ago, food quality and safety is essential in how we do business. Our production sites comply with internationally recognised standards with regular auditing. We are diligent in our approach and our clean food recall record is a testament to that.

From the beginning, we have aimed to offer a rewarding, meaningful and safe workplace for all our "heart working people" – no matter where in the world they work.

Our employee satisfaction and motivation results continue to top-rank within the Global Employee and Leadership Index (GELx).

We want to make a meaningful impact in the communities in which we work and throughout the world. Palsgaard engages in a number of activities to give back to those who are less fortunate, addressing areas such as education, job security, physical activity and preservation of local culture.



## About this report

This is Palsgaard’s twelfth annual CSR report, covering the 2021 calendar year. It aims to provide a balanced overview that identifies the impacts and risks of our work with food ingredients and plant-based polymer additives, as well as our activities to counter these risks 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, Sections 99b and 99d.

### 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 Palsgaard Gods (Estate) 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 28.

### 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. There hasn’t been any significant changes in reporting this year. This year, we have implemented the new GRI Standard disclosure GRI 303: Water and Effluents 2018 and GRI 403: Occupational Health and safety 2018. See our GRI content index on page 30 for a list of GRI indicators and references. The report also forms our Communication On Progress, being a signatory to the UN Global Compact.

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 8.

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

### Independent review

This report and its data were reviewed by an independent auditor. See the auditor’s statement on page 26.



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*



# CEO statement 2021

Dear Reader,

It is now over two years since the emergence of the Coronavirus pandemic in early 2020. A worldwide crisis which started in one territory, but which rapidly affected every corner of the globe.

During these years our highly interconnected world has been challenged across many fronts, from addressing public health emergencies to maintaining stretched supply chains.

What is evident is the ability of the global population to work collectively together across borders, faiths and beliefs for the better good of our fellow global citizens. The development and rollout of Covid-19 vaccine programmes and support systems shows the astonishing results we can achieve when there is a collective will.

Whilst the past two years have been challenging for Palsgaard as a business and as a place of work, we believe that our deep-rooted values and our century of experience have enabled us to support our employees, their families, our partners, and customers in finding solutions and new ways of working which support both the business and the individual during a heavily disrupted period.

During 2021 we continued to focus on employee well-being and their health and safety in the workplace. Our bi-annual Employee Satisfaction Survey indicated significant areas for improvement in employee engagement and well-being, particularly at our Danish site. We have made immediate corrective actions in this area and hope to report a noted improvement in results before the publication of our 2022 CSR report.

In our "Good Growth Strategy 2025" document we have the ambition of becoming a CO<sub>2</sub>-neutral enterprise by the end of 2025. This will require investments and innovations, and we are pleased to report that 2021 saw us take further steps in the right direction in this area.

Our investment in a Biogas facility has also seen ground broken on the project.

The planned solar park project, together with a collective of other companies from the Juelsminde area, is progressing through the local authority approval process.

Other initiatives such as a ground-breaking wastewater recovery system at our new Mexico site; a movement into hybrid and electric vehicles for our company car fleet, and the establishment of e-charging stations for employees are small but significant actions which all contribute to the journey we are on to reaching CO<sub>2</sub>-neutral status, and limit our negative impact on our environment where possible.

Palsgaard has been a UNGC signatory since 2011, with a commitment to adopting the ten UNGC principles in our strategy, culture and day-to-day operations. We will continue to report annually on our progress and supporting the UNGC.

We are proud of our achievements highlighted in this document, which were made during challenging circumstances. If the past two years have shown anything, it is that Palsgaard is a highly resilient global company and able to meet new challenges head-on, whilst maintaining our focus on our obligations to our employees, society and our natural environment.



**Anders Brix**  
Group CEO  
Schou Foundation  
Palsgaard  
22 May 2022



**Jakob Thøisen**  
CEO  
Palsgaard A/S  
Palsgaard  
22 May 2022

## Our journey to the 2021 targets

We are proud to report that Palsgaard has met most of our core targets for 2021. Maintaining CO<sub>2</sub> neutrality across production sites, and meeting targets for energy and water consumption

are all accomplishments to be proud of. One area of concern is the increase in accident frequency, and this will be a domain of heightened focus for us going forward.

Figure 1

Core CSR figures and targets	2017	2018	2019	2020	2021	Target 2021	Target 2022
CO <sub>2</sub> -emission (kg CO <sub>2</sub> per kg finished product)	0.11	0	0	0	0	0	0
Energy consumption (gross) (kWh per kg finished product)	1.21	1.12	1.07	1.01	1.04	1.05	1.03
Water consumption (l per kg finished product)	3.36	3.34	2.92	2.88	2.81	3.17	3.0
Accident frequency (per million working hours)	20	11	9	8	17	5	5



# Making it all possible

## 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 Schou Foundation also supports the Palsgaard Foundation, and establishes and sustains research and development companies in areas that promote its activities.

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

The board of Schou Foundation is the same as the Board for Palsgaard A/S. The board consists of 40% females. It complies with the set target of min 40% of minority representative

## 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 Gods (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.

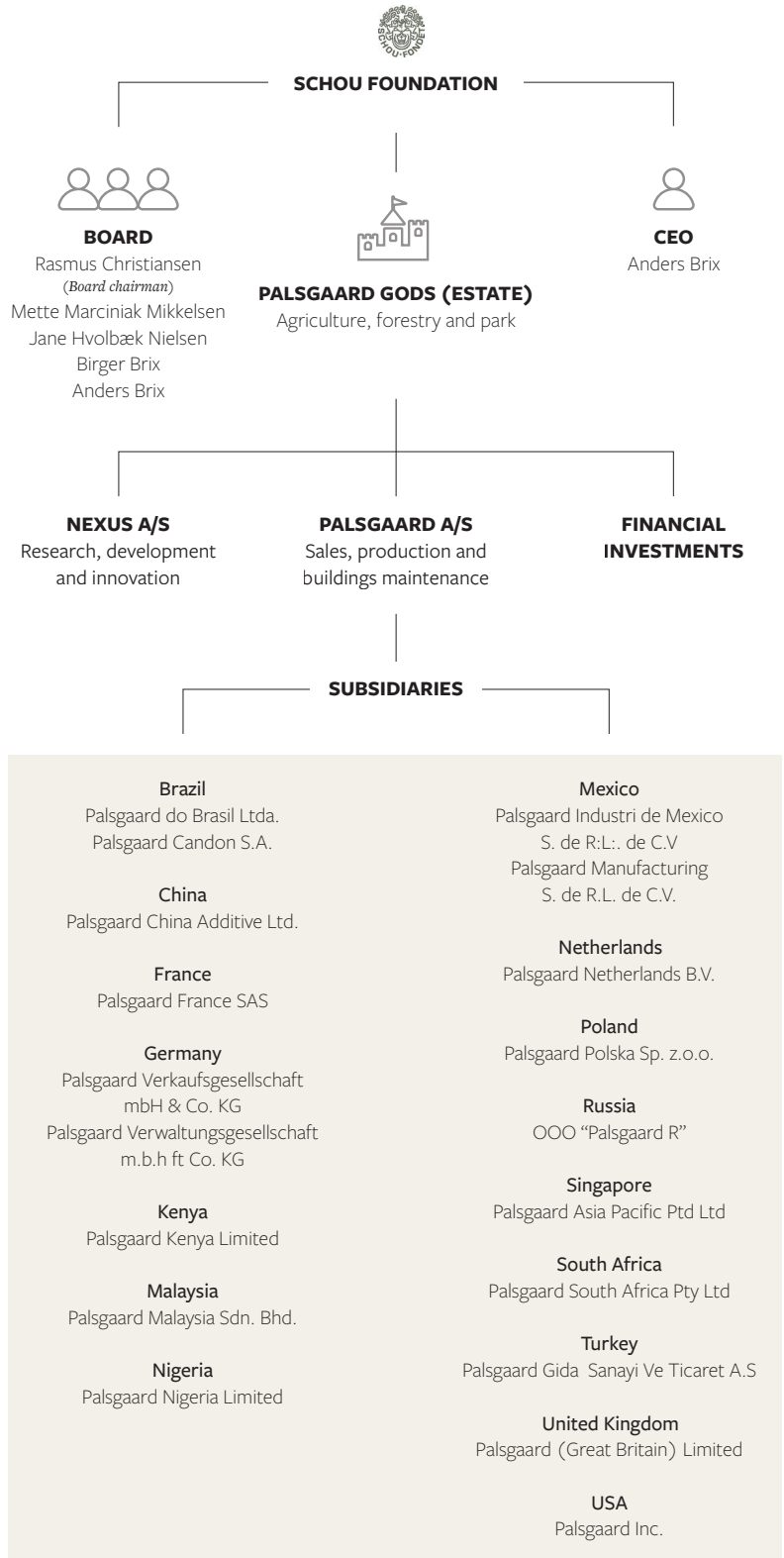


Figure 2: This organisation chart shows entities controlled by the Schou Foundation. For explanation of reporting scope, see page 28.





PRODUCTION SITE



PRODUCTION SITE WITH SALES OFFICE



SALES OFFICE

## Helping customers make better products

Palsgaard develops and manufactures emulsifiers, stabilisers and other ingredients for the food industry. Some are highly specialised, such as emulsifiers for the bakery and confectionery markets. All palm oil-based products are offered as RSPO certified. Our main customers are food manufacturers, but we also supply non-food manufacturers with plant-based and food-grade polymer additives, personal care ingredients and products for other technical applications. Palsgaard A/S has been registered as a feed producer in 2020, which offers new business opportunities.

Established in Denmark in 1919, 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, Monopals and Einar trademarks.

### Our product application areas include:

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

### Our attitude

Our company's culture is embodied in our tag-line 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 strive to 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

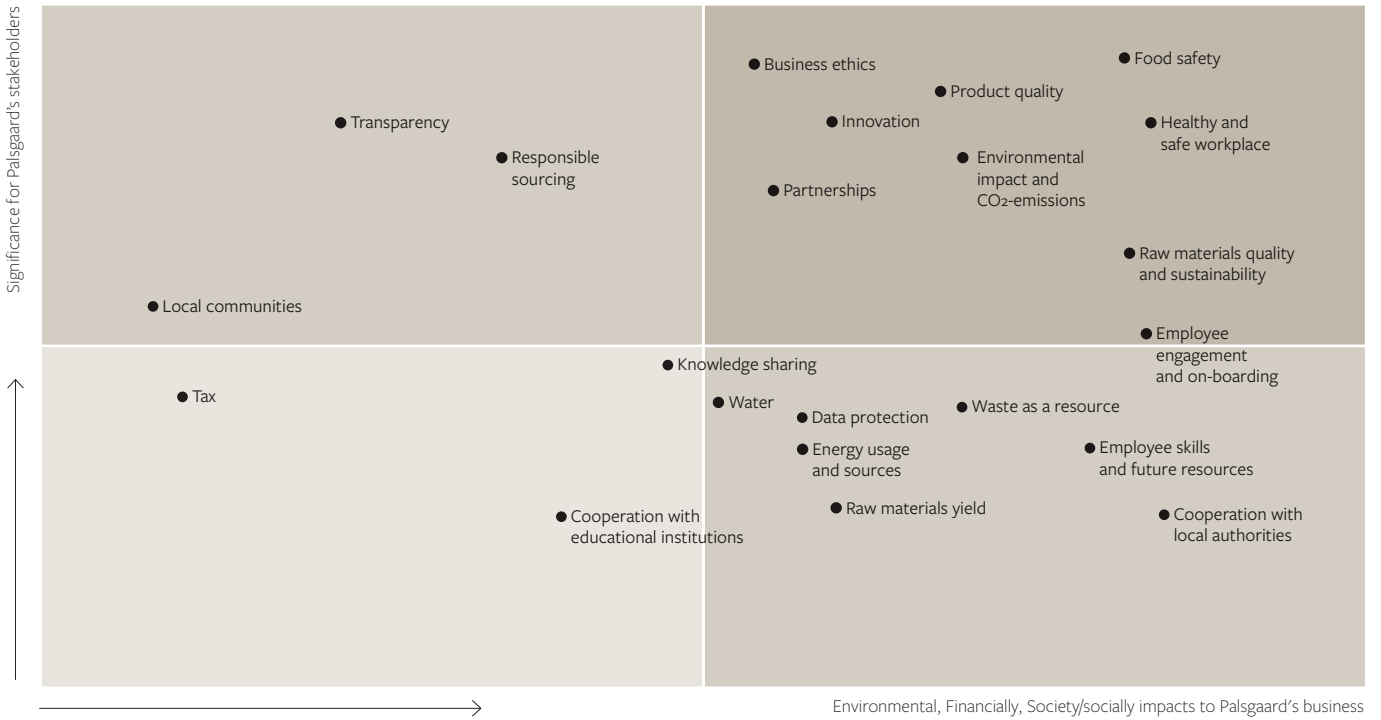
With a good workplace and advanced technology as our foundation, we produce and sell highly refined, customer-tailored emulsifier and stabiliser solutions for the global food industry, as well as non-food markets such as polymers and personal care.



# Materiality in focus

Our materiality review draws upon employee, customer and other stakeholder surveys, highlighting and categorising CSR issues. The Materiality aspect is re-assessed once a year for relevant updates. The most recent materiality review identified food safety, environmental impact, employee engagement, and health and safety as high-priority areas. Increased focus on sustainability in the supply chain and striving to become CO<sub>2</sub>-neutral enterprise form part of our new 2025 strategy “Good Growth”. The findings from the material review support our CSR focus areas corresponding to impact and significance to Palsgaard’s business.

Figure 3: Material aspect review



## Our 4 focus areas

Through a material aspects review, we have strategically identified and worked with four focus areas: Corporate Governance, Energy and Environment, Products and Employees. Additionally, we strive to directly affect some of the UN SDGs that are relevant to our business. The SDGs help to guide companies in advancing broader societal goals, emphasising collaboration and innovation. The goals are inter-connected and address poverty, the environment and human rights.

Our goals, actions and achievements reflect how we support the UN Sustainable Development Goals and selected targets.

### CORPORATE GOVERNANCE



Targets: 8.3, 8.6, 16.5

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.

### ENERGY & ENVIRONMENT



Targets: 8.4, 12.2, 13.2, 13.3

Contribute to sustaining and replenishing our natural environment in the way we select raw materials, consume energy, handle waste and conduct logistics – with continued efforts to maintain a CO<sub>2</sub>-neutral production and go even further to become a CO<sub>2</sub>-neutral enterprise..

### PRODUCTS



Targets: 2.3, 2.4, 3.8, 12.2

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.

### EMPLOYEES



Targets: 3.8, 8.8

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



# Stakeholder input

## Our people

It is important to us to understand what our employees think about our overall CSR strategy and that we act accordingly, to listen to all stakeholders. During the past number of years we have introduced new channels of communicating our CSR stories, including both social media and through a new company Intranet. Both of these platforms have helped to deliver an increase in engagement around the subjects.

Our biennial Employee Satisfaction Survey is an important tool when managing the welfare of our employees – an area of focus for us. The survey, managed in co-operation with research agency Ennova, was most recently carried out in late 2021, and reached a satisfactory response level of 96%.

The overall result for employee satisfaction showed an increase in employee engagement amongst the non-Danish subsidiaries, however there was a marked reduction in the score in the Palsgaard Denmark response group. The fall in overall satisfaction was particularly pronounced in the group of employees retained on an hourly wage, who had a 19-point fall in overall work satisfaction.

In order to mitigate any further reduction in employee well-being, we have started a number of initiatives to address specific areas which need to be improved. To ensure we monitor the progress of this, we will be introducing “Pulse Surveys” to be held in between the biannual survey which will take a more regular measurement of sentiment. Results from these will be published in the next CSR report for the year 2022. The company’s aim is to be score in the Top 10% of benchmark companies.

## Our customers

We experience an extended interest from the food industry in Sedex. Many customers use the Sedex platform and encourage suppliers to have a SMETA (Sedex Members Ethical Trade Audit) audit. Four of our 6 production sites are SMETA audited every 3rd year.

## Our partners and suppliers

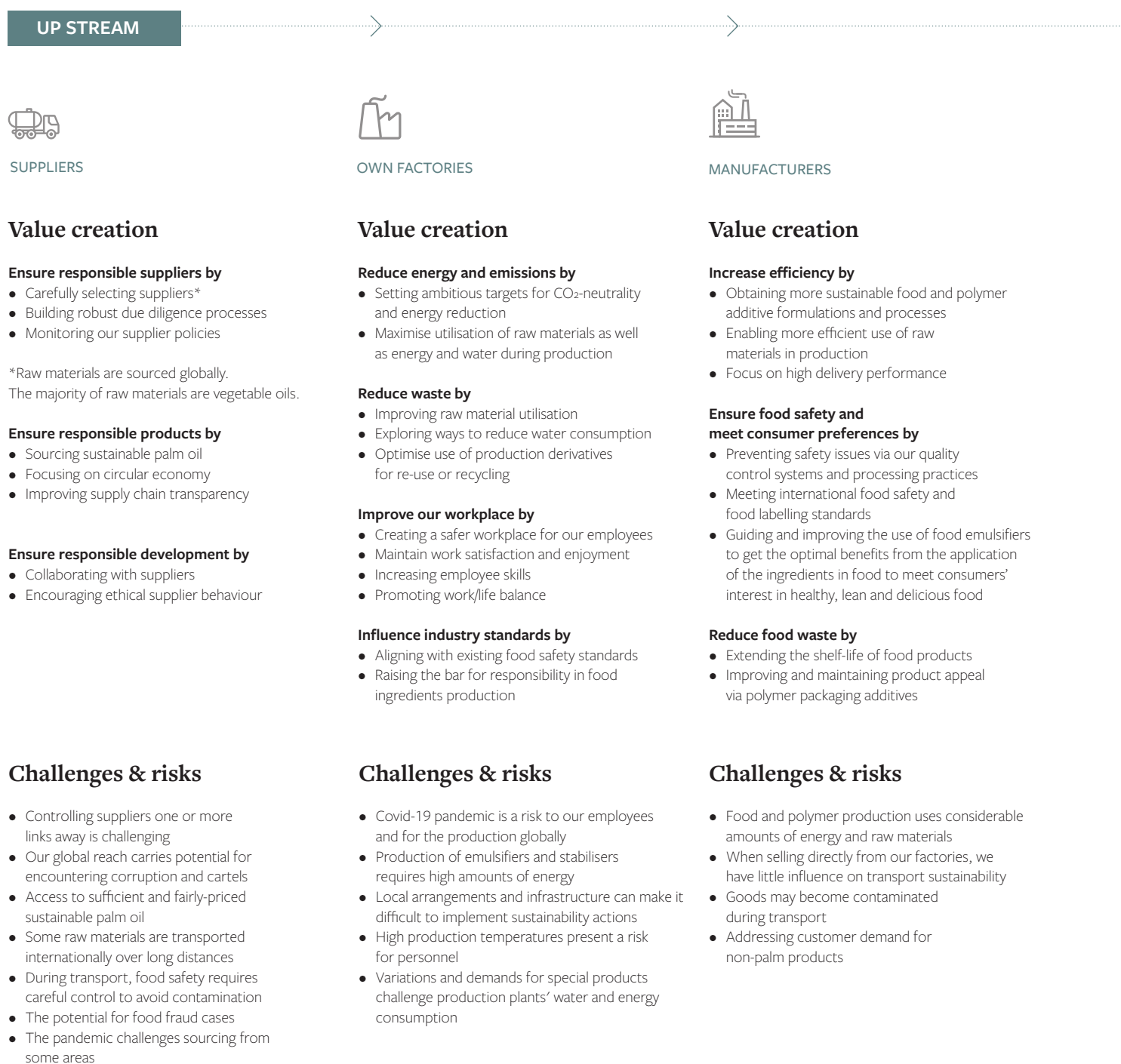
Our Responsible Supplier Programme ensures that our suppliers are aware of Palsgaard’s focus on ethics, the environment and responsibility in the supply chain, and they sign our Supplier Code of Conduct. A new platform to measure customer satisfaction and interests is being prepared for the upcoming survey.





# A valuable difference

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



**UP STREAM**



SUPPLIERS

## Value creation

**Ensure responsible suppliers by**

- Carefully selecting suppliers\*
- Building robust due diligence processes
- Monitoring our supplier policies

\*Raw materials are sourced globally. The majority of raw materials are vegetable oils.

**Ensure responsible products by**

- Sourcing sustainable palm oil
- Focusing on circular economy
- Improving supply chain transparency

**Ensure responsible development by**

- Collaborating with suppliers
- Encouraging ethical supplier behaviour

## 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
- The pandemic challenges sourcing from some areas



OWN FACTORIES

## Value creation

**Reduce energy and emissions by**

- Setting ambitious targets for CO<sub>2</sub>-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 water consumption
- Optimise use of production derivatives for re-use or recycling

**Improve our workplace by**

- Creating a safer workplace for our employees
- Maintain work satisfaction and 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

- Covid-19 pandemic is a risk to our employees and for the production globally
- Production of emulsifiers and stabilisers requires high amounts of energy
- Local arrangements and infrastructure can make it difficult to implement sustainability actions
- High production temperatures present a risk for personnel
- Variations and demands for special products challenge production plants' water and energy consumption



MANUFACTURERS

## Value creation

**Increase efficiency by**

- Obtaining more sustainable food and polymer additive formulations and processes
- Enabling more efficient use of raw materials in production
- Focus on high delivery performance

**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 and polymer production uses considerable amounts of energy and raw materials
- When selling directly from our factories, we have little influence on transport sustainability
- Goods may become contaminated during transport
- Addressing customer demand for non-palm products


**DOWN STREAM**


CONSUMERS

**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 mayonnaises 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 certified 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-certified 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 2021

- Started working groups to further incorporate the 2025 strategy “Good Growth”
- New production site with offices and application facilities in Mexico opens
- ISO 9001 certification carried out in Denmark
- SMETA audit carried out in Denmark and the Netherlands
- All suppliers of indirect products and services are asked to sign our Supplier Code of Conduct or provide documentation for equal requirements
- Introduced online CSR questionnaire for suppliers – allowing a global reach
- 90% of suppliers assessed in Responsible Sourcing Programme

### Planned activities beyond 2021

- Redefine our Responsible Sourcing Programme
- Further increase transparency of back-end supply chain
- Introduce Supplier Code of Conduct to all suppliers globally
- Announce Palm Oil Policy

### Activities completed in previous years

- Four of our six production sites are SMETA audited
- All suppliers to Denmark signed our Supplier Code of Conduct/conformed to requirements that align with it
- Process in place to ensure new suppliers to sign Supplier Code of Conduct
- Mexico was recognized for their outstanding performance within CSR and received the ESG Award from CEMEFI (Mexican Center for Philanthropy, A.C.) (2019)

## Impact assessment

### Value creation

- Our sites around the world positively impact local activities
- We support social and environmental responsibility, and ethical business among distributors, agents and customers
- 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
- Supplier visits are not possible due to COVID-19
- Food fraud such as deliberate misinformation about raw materials
- Pandemic Covid-19 is a risk to our employees and our business. It has been a challenge to maintain the same, high level application service to customers but solutions has been developed
- Green solutions for energy generation such as a solar park require local approvals

## 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
- Payment of tax where income is earned
- We engage with our subsidiaries on common market conditions
- Combating facilitation payments and cartels
- Whistle-blowing hotline can be used by all interest groups not just employees
- Employees must report attempted corruption to management
- Relevant staff sign anti-cartel agreements and complete an e-learning programme on anti-corruption and bribery facilitated by UNODC\*
- Non-compliance with anti-cartel stipulations results in dismissal with considerable penalties
- Globally established subsidiaries increase local job opportunities, implement our company policies and values and pay government taxes
- Customer grievances handled via ISO 9901/FSSC 22000 system

### Risk management

Strategic risk management was implemented at our headquarters in 2018 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 and Palsgaard reviews the risk management approach as needed. During 2019, a tool for structured mapping and assessment of risks was introduced. Annually, key stakeholders across all regions contribute with their perspectives on perceived risk of specific risk incidents to potentially impact Palsgaard. Scope in the self-assessment considers both internal and external factors, covers End-2-End value chain and includes evaluation of the organization’s ability to detect risk incidents before they are happening. The outcome from self-assessment is used to ensure that resources are prioritized to put relevant measures in place to areas where mitigation efforts are perceived to have highest impact.

\*United Nations Office for Drugs and Crime

### 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 five members, three men and two women. 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. Palsgaard A/S is governed by a three-member Board comprising of women and men. 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 reviewed biennially to accommodate a moving market landscape. These policies are available on our website [www.palsgaard.com](http://www.palsgaard.com). They are:

- Code of Conduct
- Environmental policy
- Procurement policy
- Food Safety and Quality policy
- Supplier Code of Conduct
- Anti-Corruption Guidelines
- Whistleblowing policy

We also practice corporate due diligence by addressing responsible sourcing management, strategic risk assessment and anti-corruption as an example. 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:

- UN Global Compact (UNGC)
- FSSC 22000/ISO 9001
- Relevant EU regulations
- Local rules and regulations
- Sedex (4-pillar SMETA audit)

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

Palsgaard A/S has a clear ambition to maintain and develop our leading CSR profile established over the last decades. Thus, our CSR efforts are an integral part of our 2021-2025 strategy, which is formulated by the board of directors, and approved by the Schou Foundation, who is the sole owner of Palsgaard A/S.

Consequently, CSR is established as an independent strategic focus area with overall 5 year goals, and annually revised targets based on our continuous progress. We strive to include CSR in all our business decisions, and the strategic efforts are monitored directly by the Board of Directors based on monthly updates from all relevant leaders.

A CSR team is established to consolidate actions, achievements, and communication. The CSR-organisation is planned to be reorganised in 2022.

## A responsible approach

### Human rights

Palsgaard respects and promotes human rights and is guided by the UN Universal Declaration of Human Rights and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work.

Human rights principles are reflected in our Code of Conduct, Employee Policy, Supplier Code of Conduct, Responsible Sourcing Programme and Anti-Corruption Guidelines. We also ensure compliance with the EU General Data Protection Regulation (GDPR) when handling personal data.

Our approach is further strengthened through engaging with organisations such as the UNGC, Sedex, Roundtable on Sustainable Palm Oil (RSPO) and the Danish Alliance for Responsible Palm Oil

### Whistle-blowing

An ethic hotline system allows any party to report ethic non-compliance to Palsgaard A/S. Reports are managed by the Group CEO, the CEO of Palsgaard A/S, Global Human Resources Director and a high level external accountant from BDO Denmark. A whistle-blowing policy has been published as well including guidance for reporting on the hotline.

### Bribery and corruption

- Our Code of Conduct outlines zero-tolerance to corruption and cartel activities
- Our anti-corruption policies are circulated to all employees, agents and distributors and is referred to in a written agreements
- All employees must register exposure to attempted corruption, bribery or cartel formation
- Selected sales and procurement employees and selected managers receive additional training based on our Anti-Corruption Guidelines, participate in an anti-corruption e-learning course and sign an anti-cartel agreement
- We observe the Corruption Perception Index (Transparency International)

### Food fraud

- We comply with FSSC 22000 standard, which addresses food fraud
- Our raw material quality control involves highly specialised and detailed analyses
- Our finished products are checked for compliance of functional and chemical specifications defined for the product



# Sourcing responsibly

## 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.

Our Responsible Sourcing Programme is managed from headquarters where a central Procurement function sources most raw materials used. In 2021, suppliers of raw materials and packaging to all factories globally were asked to complete an online CSR questionnaire – enabling expanded scope and assessment of 91% of all direct supply.

Suppliers to Palsgaard are expected to 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. The CSR supplier information sheet is a point-based system that determines sustainability status. 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. Sustainability is included as a parameter in general supplier performance evaluations

## The raw materials challenge

The plant-based raw materials we use originate from countries across the world as do our suppliers. The diversity in this portfolio inherently displays significant and varying complexity in the supply chain, for example, in relation to sustainability and fair labour conditions. The Responsible Sourcing Programme helps us to address these challenges through having an open dialogue with our supply partners where we focus on continuous improvements within any identified critical areas. We recognise that having such conversations can be challenging as there are often different perspectives, yet the dialogue is necessary to gain a better understanding of local conditions.

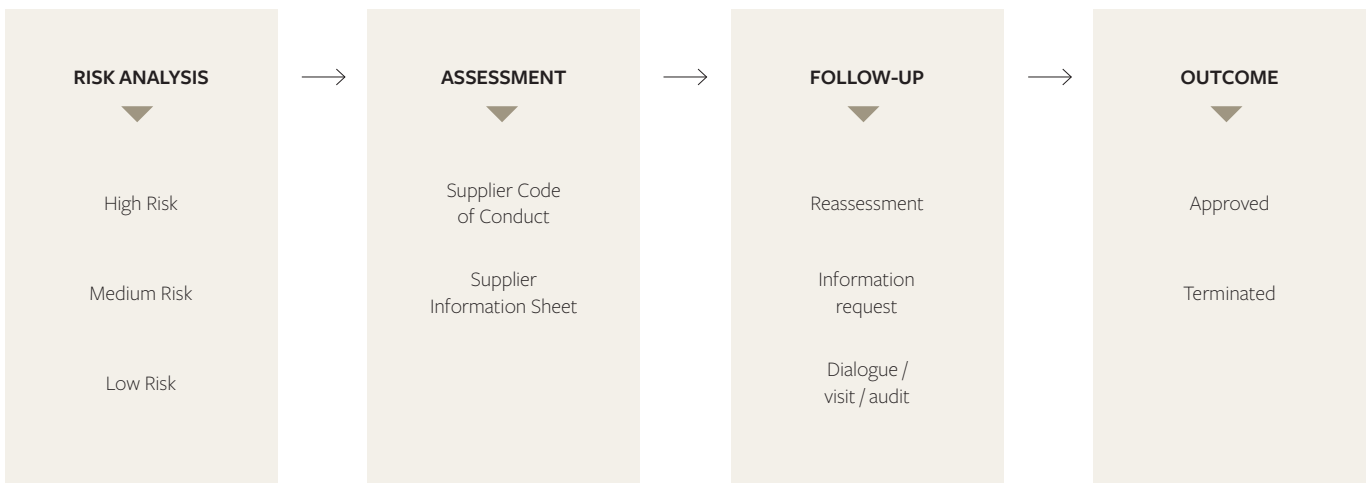
Palsgaard will collaborate with a supplier following an extensive evaluation covering specifications, food safety, CSR performance and compliance with EU legislation. A CSR-risk profile is created based on country of origin, production and location of harvest. Where relevant, a continuous improvement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

## Upstream focus

Having a thorough understanding of the full supply chain is important. Since 2019, we have further increased our focus on producers of those commodities which are used to produce some of our strategic raw materials – the so-called Tier 2 and Tier 3 suppliers.

While managing suppliers beyond tier one can be challenging, we still set ambitious goals, express our attitudes and exploit every opportunity to enter into dialogue with upstream raw material suppliers.

Figure 4: Managing responsible sourcing



# 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 2021

- Carried out yearly RSPO audit

## Planned activities beyond 2021

- Encourage food manufacturers globally to use sustainably produced ingredients, based on certified sustainable palm oil
- Continue to use RSPO SG certified palm oil wherever possible considering our business and sustainability strategies
- Introduce our new palm oil policy

## Activities completed in previous years

- Palsgaard joined the RSPO in 2008
- Achieved traceability back to plantations
- Denmark and Malaysia plants received RSPO Supply Chain Certification Standard (SCCS) for SG and MB
- Full range of SG-certified food ingredients made available in Denmark
- Acquired RSPO distributor license for the US and Poland subsidiaries
- Established overview of palm oil mills and supply chain
- Palm oil suppliers signed Supplier Code of Conduct or conformed to requirements that align with our Supplier Code of Conduct. The latter approach is validated by Palsgaard

## Impact assessment

### Value creation

- Palsgaard offers a complete RSPO SG certified product range for food emulsifiers
- 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 certified sustainable palm oil
- By using RSPO-certified palm oil, we support improved work conditions for local workers, conservation of natural resources and biodiversity, long-term economic viability and continuous improvement in key areas of activity
- Supply chain transparency – setting higher standards. As a member of RSPO we are obliged to publish a list over relevant mills from which palm oil is sourced. Palsgaard's purchase of SG-certified palm oil, gives us an even greater transparency back to the plantations, which supply the mills

### 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
- It can be difficult to achieve widespread adoption of sustainable palm oil in the industry, especially outside Europe
- A higher premium on SG-certified raw materials
- Some of our customers insist on non-palm alternatives

## Management approach

### Guiding values and actions

- We endeavour to use sustainable palm oil as it is the main ingredient in many of our products and is an area where we can potentially have an impact
- We train relevant employees and inform subsidiaries, agents and distributors about sustainable palm oil via an expanded Intranet and seminars and via our website
- We joined the Danish Task Force group on sustainable palm oil therefore, committed to the Amsterdam Declarations, which are non-legally binding political commitments
- Through using RSPO-certified palm oil in our products, we address a wide spread of human rights issues including freedom of association and collective bargaining, child labour, forced or compulsory labour, security practices, rights of indigenous people, local communities and supplier social assessment

### Key internal governance

- Environmental policy
- Procurement policy
- Supplier Code of Conduct
- Food Safety and Quality policy

### Key external governance

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



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RSPO CERTIFICATION  
AT [RSPO.ORG](https://www.rspo.org)



# Top priority: CO<sub>2</sub>-neutrality



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

## Goal

We aim to maintain CO<sub>2</sub>-neutrality at all production sites and to become a CO<sub>2</sub>-neutral enterprise by 2025.

## Activities completed in 2021

- We have managed to continue CO<sub>2</sub>-neutral production at all our factories
- Initiated projects to produce green energy and strive to become independent of green energy suppliers where possible
- Commenced the building of a biogas plant together with the municipality for our Danish site
- All new company cars in Denmark are now hybrid electric as a minimum
- An increase in the number of electric car charging stations for employees in Denmark

## Planned activities beyond 2021

- Our "Good Growth" strategy directs us to become a CO<sub>2</sub>-neutral enterprise by 2025
- Establishment of a 60 hectare solar cell park near the Danish site in collaboration with Juelsmindehalvøens Solar, a joint venture
- Define and calculate company activities within GHG scope 3 to make an overview of initiatives required to compensate CO<sub>2</sub>-emissions
- Investigate opportunities for using renewable energy sources in Brazil and Malaysia without using offsets
- Establish several more electric car charging stations in parking areas in Denmark

## Activities completed in previous years

- Enabled Denmark to become 100% CO<sub>2</sub>-neutral (2015)
- 100% CO<sub>2</sub>-neutrality achieved at Mexico production site (2016)
- Achieved global CO<sub>2</sub>-neutrality at all production sites in 2018
- Reduced energy consumption through optimizations and implementing more energy-efficient projects.
- Planted forest on our land in Lithuania to compensate for CO<sub>2</sub>-emissions from business flights

## Impact assessment

### Value creation

- All of our products are manufactured on CO<sub>2</sub>-neutral production sites
- 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

- Investments in projects to generate green energy at our sites wherever possible and suitable in a wider context
- Our production processes are energy-intensive
- Risks for lack of access to reliable green energy
- The nature of the manufacturing process generates derivatives
- We transport large quantities of goods over long distances
- As a global company, we need to travel internationally
- It is challenging to find renewable energy sources for our Malaysian plant
- Local circumstances can make sustainability ambitions difficult to fulfil

## Management approach

### Guiding values and actions

- We have met our CO<sub>2</sub>-neutral goal through making tangible changes to the energy sources for our factories. Where this is not possible, we are purchasing UN-based carbon offsets until we find a solution
- Having obtained CO<sub>2</sub>-neutral production sites we set goals to become a CO<sub>2</sub>-neutral enterprise
- We prioritize to share our experience with various interest groups and talk about our CO<sub>2</sub>-neutral success at events regularly
- We will make investments in CO<sub>2</sub>-neutral energy solutions during the coming years and several projects are in pipeline

### Key internal governance

- While expanding our production facilities in Denmark the energy consumption is a focus area within new buildings, new equipment etc.
- 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

# Reducing waste



We responsibly handle, optimise and transparently report on raw material consumption, CO<sub>2</sub>-emissions and waste products.

## Goal

Increase our material and waste utilisation rates and optimise production processes, minimising the amount of derivatives, production waste and water consumption

## Activities completed in 2021

- Initiated a project together with the local municipality for building a biogas plant near our Danish site
- Intensified the amount of product waste used for biogas production and less is sent to combustion
- Initiated a project on using rainwater for technical water usage in Denmark
- Strengthened procedures of waste collection focussing on recycling in our plant in The Netherlands and Brazil

## Planned activities beyond 2021

- Further focus on the biological content of wastewater to reduce residues that are released during cleaning
- Further focus on handling of derivatives and product waste
- Improve waste management and recycling with a focus on sorting at the source
- Cooperate with a new supplier on disposal systems to innovate and reduce waste with focus on combustible waste
- Fine-tune project on compiling rainwater for use as technical water in production processes
- Evaluate suitability of alternative packaging with lower CO<sub>2</sub>-footprint

## Activities completed in previous years

- Established a Global QEHS team to report more consistently and improve on the environmental activities throughout the subsidiaries
- Converted production waste from Denmark site to biogas (externally), which is used as renewable energy source
- Optimised use of production derivatives for re-use or recycling
- A reduction of 50% in water consumption in Malaysia (2018-2019) was obtained through optimisation of cleaning procedures and production planning
- Initiated project on waste sorting in Malaysia for cardboard, plastic, pallets, metal, and chemical waste

## Impact assessment

### Value creation

- We aim to keep our use of raw materials and water to a minimum
- Extending value creation of waste by focusing on waste sorting, reuse and fractions for energy generation
- In Denmark, 38% of Palsgaard's waste is externally reused in production of Feed. And 5% of the waste is reused or recycled. In Denmark, 50% of Palsgaard's waste is for energy generation, which is externally used for energy- or biogas generation. And 7% of the waste is energy for incineration and less than 1% is for landfill and hazardous waste.
- Where water is a short resource, we have focus on water usage and reuse where the opportunity is. We used rainwater at our cooling towers in Denmark and The Netherlands.

### 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 wastewater contains remnants of oil, fat, protein, phosphorus and nitrogen
- Increased production volume can affect the water consumption despite optimizations in production flow and processes

## Management approach

### Guiding values and actions

- Palsgaard works actively 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
- Where possible, we discharge all production waste according to its waste hierarchy – using it for alternative external production of Feed or energy
- Our pre-treatment plant removes the majority of product remnants from process wastewater before release into the municipal water treatment plant
- Reduce water consumption and wastewater via cooling water recycling systems, optimising cleaning procedures, producing larger batches, reducing water consumption in vacuum pumps, automatic closure valves and more
- All inbound packaging is sorted for recycling in Denmark and transport pallets are sold for re-use
- In Denmark, all packaging cartons are Forest Stewardship Council (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

\*FSC® certification means that the material used to make the product was sourced responsibly.





In Palsgaard Mexico, the wastewater is cleaned to a level of technical water and the water reused for watering the green areas around the new plant. The plant in Mexico has managed to lower the water-related impacts of the use of water and the water withdrawal by reusing the water.



# 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 2021

- New factory including application labs for all product areas in Mexico finalised
- Innovation on virtual possibilities to continuously support our customers in application during COVID-19

## Planned activities beyond 2021

- 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 produced additives in non-food products
- Cooperation with universities in the Asia Pacific to extend partnerships on R&D
- Implement new customer satisfaction survey including product evaluation

## Activities completed in previous years

- New polymer additives website and sales tools launched to increase focus on plant-based additives
- Awarded "Sustainability Champion of 2019" prize at the FI Innovation Awards at the Food Ingredient Europe trade show
- Awarded the sustainability award Best in Baking at the IBIE in Las Vegas, US. The award covers excellence in commitment to sustainability, supply chain innovation and workforce development
- Received runner-up Sustainably Leadership Award at the 2018 Sustainable Food Awards in Amsterdam
- Achieved the ability to offer an entire range of RSPO MB- and SG-certified products
- Opened specialised application labs in Denmark, Mexico, Singapore, the US and China
- Invested in facilities, machinery, and new employees to significantly expand our capabilities in sustainable emulsifiers for the polymer 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
- We aim for complete uptake of RSPO-certified palm oil-based ingredients by food manufacturers
- Public perception about palm oil demands products based on alternative vegetable oils
- Most of our products comprise one or more additives (though with internationally recognised E-numbers)
- The uptake of RSPO certified products may come to a stand-still while non-palm products obtain an increased interest in the food industry
- Changes in the food legislation may cause challenges for an ingredient manufacturer

## Management approach

### Guiding values and actions

- Constant innovation seeking more efficient solutions
- Build partnerships with customers and stakeholders to innovate in response to their needs
- 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
- Supporting the food industry with sustainable raw materials
- We offer a full product range of RSPO SG-certified products
- We provide objective, accurate and legally compliant information about our products
- We monitor correct trademark and IP handling
- All Denmark-based printing of marketing material is certified by the Nordic Swan Ecolabel, ClimateCalc and FSC®

### Key internal governance

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

### Key external governance

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



# The key is food safety and quality



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 record of zero food safety incidents and product recalls

## Activities completed in 2021

- In 2021, there were no product recalls
- All production sites with FSSC 22000 completed version 5.1, covering food fraud mitigation, food defence and environmental monitoring
- Global QEHS KPI reporting system established
- New procedure to ensure food safety and quality in all phases of Capex project management
- In Denmark a new risk-based system to food safety non-conformances and corrective actions was implemented
- Palsgaard Denmark certified to ISO 9001

## Planned activities beyond 2021

- Develop Palsgaard Global Quality management system to be able to share documents across all sites.
- Build and align global processes for QEHS issues and more

## Activities completed in previous years

- New Global QEHS management and department introduced to implement improvements at all sites
- No food safety recall incidents to date
- All production sites in reporting scope (page 28) are certified to meet FSSC 22000 Food Safety System and additional requirements for Prerequisite Programmes (PRPs) laid down in ISO/TS 22022-1 except for Palsgaard China, which is ISO 22000 certified.
- Improved efficiency of complaints management system, focusing on rapidly processing critical complaints and minor non-conformances

## 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 food quality and 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 when required
- 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 quality and safety process, including all policies, procedures, work instructions, and registration forms, from raw material sourcing to distribution of products
- Employees in Denmark across various departments have been trained as internal FSSC 22000/ISO 9001 auditors
- Employees are trained in personal hygiene and in food safety awareness, and supervised by appropriately qualified managers
- Robust cleaning and sanitation, foreign body control and allergen handling methods
- All manufacturing sites comply with Kosher and Halal requirements where local culture or customer demands require it

### Key internal governance

- External storage facilities are controlled by contracts and performance is monitored
- 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 audits, food safety practice 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
- FSSC 22000 (Denmark, Brazil, Mexico, Malaysia and the Netherlands. China is ISO 22000 certified)
- ISO 9001 (Denmark, Mexico, Malaysia and the Netherlands)
- Food safety is managed via HACCP and the requirements for Prerequisite Programmes (PRPs) laid down in ISO/TS 22022-1

# Heart working people



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



We develop and strengthen local work conditions and create local economic growth by establishing subsidiaries around the world.

## Goal

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

## Activities completed in 2021

- Continuation of a Palsgaard leadership programme
- Employee satisfaction and motivation analysis conducted with resulting activities to address issues
- Company-paid gymnastics and yoga sessions in Denmark
- Accommodate working from home where possible during the Covid-19 pandemic
- Blue collar employees joined a Communication and Cooperation course as a follow up on Employee Satisfaction Survey
- Intensified focus on near misses and accidents to learn and avoid work related accidents
- Improved focus on safety behaviour and safety culture
- Focus on work environment risk prevention program including lectures and guidelines for employees in Brazil
- In Denmark we have implemented a risk-based system for handling HS non-comformance.
- Global KPIs for health and safety implemented

## Planned activities beyond 2021

- Pulse survey for employee satisfaction
- Maintain focus on stress issues and prevention
- Sales training for global sales employees
- Further improve on-boarding activities on a global scale
- Continue specialized leadership training globally
- Activity on better cooperation among employees through work with DISC profiles
- Maintain focus on safety culture, near-miss incidents, and preventive actions with a special focus on PADK
- Globally sharing knowledge regarding accidents
- Blue collar workers will be offered health examinations, e.g. Audiometric surveillance, vision test and general health for night shifts (DK)
- Introducing a new global Health & Safety policy

## Activities completed in previous years

- Extra week of paid vacation annually for all employees
- Met global employee satisfaction/motivation KPI and continuously improve "a good workplace"
- Educated stress mentors meet and work to prevent stress among employees (DK)
- Safe Company Level 3 (Mexico Ministry of Labour)

## 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 which require clever management of human resources and of change within the organisation
- We work in a global organisation with diverse cultures, which require agile HR management
- 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 and manual handling creates a risk of accidents
- Global pandemic Covid-19 is a risk to our workforce and business and has reduced our possibilities to help people to further job and education situations positive

## Management approach

### Guiding values and actions

- Improve workplace conditions
- Intensive and continuous focus on safety at work
- Prevent work accidents by providing comprehensive safety training for new employees
- 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 and motivation survey
- Employees can freely join collective bargaining or other labour organisations without disclosure
- Employees and other stakeholders can freely report ethical deviations through our ethic hotline supported by our Whistle-blowing Policy

### Key internal governance

- Employee Policy
- Code of Conduct
- Whistle-blowing Policy

### 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 (4-pillar SMETA audit)



# Employee well-being

We seek to improve the lives of all employees, where possible extending the same or similar employment benefits globally. Such benefits include sickness insurance, life insurance, maternity leave schemes, pension schemes and many more. Some examples include:

- Additional one week paid vacation on top of what is set by local regulations
- A Palsgaard Foundation Pension Fund (for employees in Denmark) since 1941. The pension scheme works by profit-sharing, which meant that in 2021 employees received an extra 10% company paid contribution on the basis of the results for 2021
- In our subsidiaries we have set up health insurance, and company life and accident insurance schemes

## Well-being and retention

- Our relationship with our employees rests on the premise that a working life should be balanced with life's wider contexts
- 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 employees
- We endeavour to retain employees who are no longer able to carry out their former duties
- We work with local authorities and job placement services to help people in the community get further in working life

## Satisfaction survey

Since 2006, we have conducted a biennial employee satisfaction and motivation survey at all locations through an independent company, Ennova. Using Ennova ensures the results can be compared with other global businesses via the GELx.

From 2022 onwards, between the regular biannual surveys, Pulse surveys will be conducted to show a snapshot of the development, so we'll always ensure that we are moving in the right direction. And we have continuously implemented initiatives based on the findings of the survey, working to lift our results across the entire Palsgaard Group.

Survey participants are asked to rate each parameter out of 100. Satisfaction and motivation was rated 75 in 2021, with a response rate of 96%. The results still correspond with "high job satisfaction and motivation" but unfortunately we have seen a drop in the overall score when compared to recent previous years. We are addressing this issue by increasing activities in relevant departments, with a special task-force of employees and management participating.

## Employee development conversations

We carry out annual development conversations with all employees to address:

- How the individual is feeling and developing professionally
- Personal and professional development for the following year
- Alignment with company values and business strategy

## Employee care during Covid-19

During the pandemic, we have had extreme focus on informing globally and to execute recommendations set by the local authorities on Covid-19. Many preventive initiatives have been initiated, such as working from home, including the needed IT equipment, protective equipment at work, guidelines for employees and visitors, and more. Where a vaccination has a cost and is available we offer full payment to our employees and their closest family.

Figure 5: Distribution of employees 2021

Region	% of employees	Average age	Number of employees (W/M)*	People management (W/M)	New hires (W/M)
Europe	64	47	150 / 258	13 / 45	17 / 34
Americas	20	37	56 / 70	4 / 15	20 / 12
Asia	15	37	33 / 65	5 / 7	7 / 13
Africa	1	46	2 / 4	1 / 1	0 / 1

\* W = women M = men

Total number of employees year end 2021: **638**

## Health & safety

- All Palsgaard production sites have a health and safety system in place. The systems used are based on a voluntarily approach focusing on compliance with relevant law and regulation. All employees are covered by this together with relevant external contractors.
- Hazards are identified locally followed by a risk assessment to secure appropriate preventive measures are taken.
- Incidents are investigated locally, and serious incidents are shared globally. Typical injuries are due to manual handling or working near hot liquid/surfaces.
- We have contracted with local occupational health services to secure a good surveillance of the occupational health of our employees. Surveillances are done according to legislation and are addressing identified hazards on local plants. Examples of surveillances are audiometric testing on regularly basis, medical consulting for groups of employees and measurements of dust. To improve the health of our employees, we have contracts with health professionals eg. physiotherapist.
- On each production site Palsgaard have HS committees or safety groups according to legislation. Employees are part of these committees and groups that are consulted about occupational health and safety. Communication about safety matters is done on all levels of the organization.
- The HS Committees have representatives from all levels of the organization.
- Palsgaard employees are trained about HS. Production sites have a system to introduce new employees to Health & Safety.
- Palsgaard has a Supplier Code of Conduct where we define the CSR requirements for suppliers and partners and focus on sustainability and fair labour conditions. We have assessed health and safety risks on CAPEX projects and registered incidents related to external workers.

Health and safety at work has been a global strategic focus area for several years. This is one of the reasons why we initiated a stronger and continued focus on this subject with many supporting activities. Through several initiatives we aim to improve the safety behaviour of all employees. Our overall safety recommendations to employees are: Take no risks, report near-misses and prevent accidents.

We have a Global Health & Safety group so lessons learned can be shared globally by Safety Alerts, general Life Saving Rules are implemented, and risk assessments are done in production areas.

There has been an increase in the number of LTI's for 2021, primarily in PADK. The causes of the accidents have changed so we have more accidents due to falls and manual handling in 2021 and less accidents due to burns and scalding. We have addressed this challenge specifically in our strategic work for 2022 where we continued to focus on employee health and safety in the workplace including management responsibility, mind-set and involvement in RCA.





## Partnering for the future



Palsgaard has partnered with the Denmark-based PlanBørnefonden (Children & Youth Foundation also part of the organization Plan International) for more than 10 years. The foundation provides children and youths with opportunities to improve their future prospects through activities in several countries and continents. The work directly addresses many of the UN 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 PlanBørnefonden.

[www.plan-international.org](http://www.plan-international.org)

## Connecting with tomorrow's experts

Palsgaard collaborates with educational institutions and knowledge centres throughout the world, participating in formal and informal knowledge exchanges. We host study trips, company visits and similar events to stimulate interest in 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. During the Covid-19 pandemic it has not been possible to collaborate with the usual number of students and visits by organisations at our sites globally.

### 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.

Our subsidiary in Mexico supports students from disadvantaged backgrounds in cooperation with the organisation "Leaders of Tomorrow". The first scholars under the scholarship programme began their studies in 2015 and in 2020, 272 graduated with a Bachelor's degree.

Our subsidiary in Singapore selects two students from Asian-Pacific countries per year. So far, we have extended the programme to the Philippines, Pakistan, Sri Lanka and Bangladesh. We have engaged with coming student from Vietnam to begin scholarship in 2021.

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## Contributing to the global community



#### **Borneo**

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

#### **Brazil**

- Supporting a community project for children, adolescents with serious health problems and their families of the children's hospital, Hospital Pequeno Príncipe
- Tested and approved surplus bread from R&D is distributed among employees and occasionally donated to institutions in the municipality, such as Asylum and church charities

#### **Denmark**

- Continuous support to Red Cross to help reduce the spread of Covid-19 in less developed countries
- Donation to support the Danish Cancer Society
- Donation to the association Families with cancer-stricken children
- Supporting the local museum to encourage tourism and initiatives in the local society
- Support to the establishment of a large playground including a path from the town to the playground
- Invested in hotel to encourage tourism in the town of Juelsminde
- Work with the local authorities to help people further their education/career, and support with flexible work hours or placements

#### **Indonesia**

- We have started a Scholarship programme with University IPB in Indonesia

#### **Mexico**

- Scholarship programme in cooperation with the organization Leaders of Tomorrow and support young peoples' positive change of life and future
- Donation to Intégrame Down association, who are committed to educating and employing young people with special needs

#### **Pakistan**

- Scholarship programme for food technology students with support throughout their education
- One student has finished his education in 2018 and one in 2019

#### **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

#### **Sri Lanka**

- Scholarship programme continued for several years. Two student have graduated in 2020 and we continue the cooperation with the university to offer a scholarship to two new students

#### **The Philippines**

- Scholarship for food technology students with support throughout their education. In 2019 two new students have joined our scholarship programme

#### **Vietnam**

- Scholarship is sponsored for two students to commence their education as food technologists in 2021

#### **West Africa**

- Palsgaard has a 5-year contract of sponsorship with Planbørnefonden with a yearly contribution. The sponsorship includes support to sustainable development projects – especially development and education of children and young people have our attention. The support helps secure further development of the local communities and a better future for all



# Independent Auditor's Assurance Report

## To Management and the stakeholders of Palsgaard A/S

We have reviewed the 2021 Corporate Social Responsibility Report ("the Report") to provide limited assurance that the data on page 29 has been stated in accordance with the reporting practice specified on page 28. 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 requirements for independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants

(IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

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 have reviewed data from the major sites in April 2022. 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 to obtain all information and explanations necessary to support our conclusion. We used the reporting practice described in the Report on page 28 combined with the GRI reporting criteria as an appropriate basis for our review. Our procedures included the following:

- Reviewing procedures at Palsgaard A/S 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.

# Auditor's Observations regarding the GRI Reporting Principles

## Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the data on page 29 in the Report has not been prepared in accordance with the reporting practice stated on page 28. 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, 22 May 2022

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Business Registration No. 33 96 35 56



**Henrik Vedel**  
State-Authorised  
Public Accountant

**Marie Voldby**  
Lead Reviewer

MNE no mne10052

# Deloitte.

## Materiality and sustainability context

The Report reflects the Company'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 mitigate risks and contribute to global sustainable development.

## Comparability, completeness and timeliness

This annual Report by Palsgaard is providing a timely update to stakeholders of the Company's CSR performance and enabling comparability with previous years' performance. Within the reporting boundary and scope defined by the Report, we have not found any significant omissions of important information.

## Clarity and balance

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

## Stakeholder involvement

Palsgaard A/S continues to monitor and respond to stakeholder needs with a specific focus on customers and employees. The Company is committed to procuring certified sustainable palm oil and actively engages in initiatives relating to sustainable palm oil production.

## Accuracy and reliability

With a view to ensuring data quality and reliability, Palsgaard A/S continuously works on strengthening internal data collection and control procedures for particularly environmental data.

# Reporting practice

The data basis for this report includes the entities indicated in Figure 2. 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 2021 to 31 December 2021.

Indicator	Data Basis	Indicator method description	Reporting Entities
Energy consumption, electricity	M	Electricity consumption has been determined on the basis of invoices from electricity provider. In Mexico, Brazil and the Netherlands, electricity consumption from solar panels has been measured	Palsgaard A/S
Energy consumption, fossil	M	Natural gas, bio gas, diesel, LPG and oil consumption are measured on basis of invoices. The use of straw has been measured.	Palsgaard A/S
Emissions	C	Emissions are calculated based on energy consumption and available emission factors IEA and DEFRA Scope 1: Direct eqCO <sub>2</sub> -emissions (LPG, diesel, natural gas, straw, oil, and refrigerants) Scope 2: Indirect eqCO <sub>2</sub> -emissions (electricity) Emissions from corporate cars and transport vehicles are not included. In 2020 the eqCO <sub>2</sub> outlet from corporate cars was less than 1%. CO <sub>2</sub> -intensity is eqCO <sub>2</sub> -emissions per kg of finished product	Palsgaard A/S
Water consumption	M, E	Water consumption has been measured on the basis of meter readings, invoices or estimates where rainwater is used as technical water	Palsgaard A/S
Waste water	M, E	Wastewater volumes have been measured on the basis of meter readings or invoices. Use of rainwater is estimated.	Palsgaard A/S
Raw material consumption	M	Annual production volumes are based mainly on company purchasing statistics	Denmark
Derivative products	C	The calculation of derivative products is based mainly on production reports. Derivative products are produced products, that do not meet our specifications.	Denmark
Waste (for energy generation)	M	Waste volumes have been measured on the basis of invoices from waste removal companies. Waste for recovery (energy generation) is split into two fractions - biogas or incineration	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. Chemical waste includes used heat oil, aerosol cans, fluorescent lamps and waste from the laboratory.	Denmark
Finished products	M	The statement is based mainly on sales statistics. The volume of finished products is therefore measured	Palsgaard A/S
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 one day of absence (LTI=Lost Time Injury)	Palsgaard A/S +
Accident frequency	C	Accident frequency has been calculated per one million working hours. Number of working hours is a calculated figure of working hours (LTIF = Lost Time Injury Frequency)	Palsgaard A/S +
Employee turnover	C	Employee turnover has been calculated on the basis of headcount of permanent employees quarterly, based on Palsgaard's payroll system for PADK and reported data from the subsidiaries. Average seniority and average age has been calculated on the basis of the employees at the end of the year 31.12.2021, based on Palsgaard's payroll system	Denmark ++
Employee satisfaction	M, C	Employee satisfaction is based on Palsgaard's employee satisfaction and motivation 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 based on the results of Palsgaard A/S and its subsidiaries, and the accounts and tax declarations	Denmark +

M=Measured, C=Calculated, E=Estimated

Figure 6: Summary of reporting entities: PADK = Palsgaard in Denmark, PAMY = Palsgaard in Malaysia, etc.

Palsgaard A/S	Palsgaard A/S +	Denmark	Denmark +	Denmark ++
<ul style="list-style-type: none"> <li>• Nexus A/S</li> <li>• PADK</li> <li>• PAMY</li> <li>• PANL</li> <li>• PAMX</li> <li>• PABR</li> <li>• PACN</li> </ul>	<ul style="list-style-type: none"> <li>• Palsgaard Gods (Estate)</li> <li>• Nexus A/S</li> <li>• PADK</li> <li>• PAMY</li> <li>• PANL</li> <li>• PAMX</li> <li>• PABR</li> <li>• PACN</li> </ul>	<ul style="list-style-type: none"> <li>• PADK</li> <li>• Nexus A/S</li> </ul>	<ul style="list-style-type: none"> <li>• PADK</li> <li>• PAMY</li> <li>• PANL</li> <li>• PAMX</li> <li>• PABR</li> <li>• PACN</li> <li>• PAFR</li> <li>• PADE</li> </ul>	<ul style="list-style-type: none"> <li>• PANG</li> <li>• PAKE</li> <li>• PAPL</li> <li>• PARU</li> <li>• PASG</li> <li>• PATR</li> <li>• PAZA</li> <li>• PAUS</li> </ul>
				<ul style="list-style-type: none"> <li>• Palsgaard Gods (Estate)</li> <li>• Nexus A/S</li> <li>• PADK</li> <li>• PAMY</li> <li>• PANL</li> <li>• PAMX</li> <li>• PABR</li> <li>• PACN</li> <li>• PAFR</li> <li>• PADE</li> <li>• PAKE</li> <li>• PAPE</li> <li>• PARU</li> <li>• PASG</li> <li>• PATR</li> <li>• PAZA</li> <li>• PAUS</li> </ul>



# Data summary

Indicator	Unit	2017	2018	2019	2020	2021
<b>Energy</b>						
Energy consumption, total (gross) <sup>1</sup>	kWh per kg finished product	1.21	1.12	1.07	1.01	1.04
Energy consumption, electricity (gross)	MWh	16,586	18,039	17,562	17,109	20,335
Energy consumption, fossil (gross)	MWh	45,676	49,120	49,557	49,759	59,380
<b>Emissions</b>						
CO <sub>2</sub> -emissions (gross) <sup>1,5</sup>	tonnes	15,362	15,080	14,181	4,694	7,206
CO <sub>2</sub> -emissions (net) <sup>2</sup>	tonnes	5,731	0	0	0	0
CO <sub>2</sub> -emissions (net)	kg per kg finished product	0.11	0	0	0	0
<b>Water</b>						
Water consumption	litre per kg finished product	3.36	3.34	2.92	2.88	2.81
Waste water	litre per kg finished product	1.44	1.46	1.26	1.23	1.27
Waste water	m <sup>3</sup>	74,408	87,439	79,450	81,479	97,304
<b>Raw materials</b>						
Raw material consumption	kg per 100 kg finished product	106.01	111.17	104.69	103.04	107.05
<b>Derivative products and waste</b>						
Derivative products	kg per kg finished product	0.07	0.07	0.09	0.08	0.07
Waste <sup>3</sup> (for energy generation)	kg per kg finished product	0.01	0.01	0.09 <sup>3</sup>	0.08	0.06
Waste (for energy generation)	tonnes	408	373	3,955 <sup>3</sup>	3,663	2,860
Chemical waste <sup>4</sup>	tonnes	17	2.4	9 <sup>4</sup>	2	4
<b>Compliance</b>						
Number of incidents of non-compliance	number	0	1	0	0	0
<b>Working environment</b>						
Work-related accidents, total	number	15	9	8	7	17
Work-related accidents, Denmark	number	13	8	4	4	15
Work-related accidents, Netherlands	number	0	0	0	0	0
Work-related accidents, Malaysia	number	2	1	3	1	1
Work-related accidents, Mexico	number	0	0	0	0	1
Work-related accidents, China	number	-	0	0	1	0
Work-related accidents, Brazil	number	0	0	1	1	0
Work-related accident frequency, total	number per million working hours	20	11	9	8	17
<b>Employee conditions</b>						
Employee turnover	turnover rate, %	10.8	13.8	11.3	10.3	12.2
<b>Tax</b>						
Effective tax rate	%	20.2	33.2	23.4	23.7	22.4

<sup>1</sup> In 2018, 2019 and 2020 local calorific values are used for calculating emissions factors. In 2021 the CO<sub>2</sub> outlet is measured as eqCO<sub>2</sub>, where the eqCO<sub>2</sub> emissions factor is from IEA or DEFRA.

<sup>2</sup> Remaining CO<sub>2</sub>-emissions have been neutralised by investing in offsets from UNFCCC (United Nations Framework Convention on Climate Change). The CO<sub>2</sub>-neutral sources in The Netherlands and Mexico have been subtracted from the total CO<sub>2</sub>-gross amount for 2018, 2019 and 2020.

<sup>3</sup> Since 2019, waste has changed from combustible to energy generation, which consists of two fractions ("combustible" and "for energy generation"). Previously the number counted only combustible waste.

<sup>4</sup> Pickup of waste oil is done irregularly. 2019's amount of chemical waste is waste oil from a transformer station where isolation oil is only changed very seldom.

<sup>5</sup> In 2020, we updated the method and the Danish green energy certificates are excluded from the calculation.

# 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
<b>GRI 101: Foundation 2016 - This report has been prepared in accordance with the GRI Standards: Comprehensive option</b>				
<b>GRI 102: General Disclosures 2016</b>				
	102-1	Name of the organisation	Page 6	Organisational profile and Operational context
	102-2	Activities, brands, products and services	Page 7	Organisational profile and Operational context
	102-3	Location of headquarters	Page 7	Organisational profile and Operational context
	102-4	Location of operations	Page 7	Organisational profile and Operational context
	102-5	Ownership and legal form	Page 6, 12	Organisational profile and Operational context
	102-6	Markets served	Page 7	Organisational profile and Operational context
	102-7	Scale of organisation	Page 22 and Annual report	Organisational profile and Operational context
	102-8	Information on employees and other workers	Page 22 324 full time, 19 part time (Denmark). Data compiled for DK from global HR system. This number is calculated at the end of the year	Organisational profile and Operational context
	102-9	Supply chain	Pages 10-11	
	102-10	Significant changes to the organisation and its supply chain	Increased number of employees from 595 to 638 Covid-19 pandemic has challenged our supply chain	
	102-11	Precautionary Principle or approach	Pages 16, 21	
	102-12	External initiatives	Pages 12-13	
	102-13	Membership of associations	Pages 13, 15	
	102-14	Statement from senior decision-maker	Page 5	High-level commitment and Strategy
	102-15	Key impacts, risks and opportunities	Pages 10-11	High-level commitment and Strategy
	102-16	Values, principles, standards, and norms of behaviour	Page 7	
	102-17	Mechanisms for advice and concerns about ethics	Page 13: A responsible approach	
	102-18	Governance structure and Highest Governance Body (HGB)	Pages 12 - 13. The board of Schou Foundation is the same as the Board for Palsgaard A/S. Palsgaard is a private company, and the board is set up in a minimum manner.	
	102-19	Delegating authority	Pages 12-13	
	102-20	Executive-level responsibility for Economic, Environmental, and Social (EES) topics	Pages 12-13	
	102-21	HGB consultation on EES topics	Page 4	
	102-22	Composition of governance bodies	Pages 12-13 and Annual report	
	102-23	Relationship between Chair and CEO	The chair of the HGB is not the CEO	
	102-24	Nomination and selection of governance body	Pages 12-13	
	102-25	Conflicts of interest	Limitations are noted in employment contracts	
	102-26	HGB's role in setting purpose, value and strategy	Pages 12-13	
	102-27	HGB's knowledge of EES topics	Pages 12-13	
	102-28	Performance evaluation of HGB on EES topics	Part of the Board evaluates its performance on a regular basis.	
	102-29	HGB's role in identifying EES risks	Pages 12-13	
	102-30	HGB's review of management of EES risks	In accordance with ISO-documented procedures	

GRI Standard	Disclosure	Disclosure description	Page, comment or omission	UNGC active cross reference
102-31	Frequency of EES risk reviews		Twice a year together with review of Global Risk Management	
102-32	Highest approval of sustainability report		Pages 12-13	
102-33	Raising critical concerns with HGB		Pages 12-13	
102-34	Critical concerns raised and addressed		No critical concerns raised in 2021	
102-35	Remuneration policies		<p>Described in the Schou Foundation's Articles of Association</p> <p>The remuneration for the board of directors is a fixed fee, the calculation of the fee is fixed in the statutes of The Schou Foundation, this also applies to the CEO of The Schou Foundation.</p> <p>The remuneration for the senior executives of Palsgaard A/S and Nexus A/S is a combination of a fixed fee and a bonus. The bonus is calculated on basis of the profit for Palsgaard A/S including subsidiaries.</p> <p>There are no sign-on bonuses or other recruitment incentives. There are no contracts with agreed termination payments. There are no retirement benefits for the board of directors, for the senior executives there are the same retirement benefits as for all other employees. There are no contracts with claw back clauses.</p>	
102-36	Process for determining remuneration		Described in the Schou Foundation'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		Page 9	
102-41	Collective bargaining agreements		In Denmark, 56% of employees are covered by a collective bargaining agreement. This is not measured in our subsidiaries	
102-42	Selection of stakeholders		Pages 8, 9	
102-43	Approach to stakeholder engagement		Page 9	
102-44	Issues raised and responded to		Page 9	
102-45	Entities included in the consolidated financial statements		Page 6, Figure 2	
102-46	Defining report content and topic Boundaries		Page 4	
102-47	List of material topics		Page 8	
102-48	Restatements of information		No restatements to report	
102-49	Changes in reporting		Page 4	COP Report Profile
102-50	Reporting period		Page 4	COP Report Profile
102-51	Date of previous report		30 April 2021	COP Report Profile
102-52	Reporting cycle		Page 4	COP Report Profile
102-53	Report contact		Global QEHS Director Helle Skjold, HSK@palsgaard.dk	COP Report Profile
102-54	Claims of reporting in accordance with the GRI standards		Page 4	
102-55	GRI Content Index		Pages 30-38	COP Report Profile
102-56	External assurance		Pages 26-27	External assurance of COP

### GRI 103: Management approach 2016

103-1	Explanation of the material topic and its Boundary	Pages 32-38
103-2	The management approach and its components	Pages 32-38
103-3	Evaluation of the management approach	Pages 32-38



# GRI content index – material topics

Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
<b>GRI 200 Standard: Economic Series 2016</b>				
GRI 201 Economic performance	103-1	Explanation of the material topic and its Boundaries	Page 6	
	103-2	The management approach and its components	Pages 12-13	
	103-3	Evaluation of the management approach	Pages 12-13	
	201-1	Direct economic value generated and distributed	Page 21 Turnover: DKK 1.7 billion Jobs provided: 638 Effective tax rate: 22.4% (tax is being paid where it is earned)	
	201-2	Financial implications and other risks and opportunities due to climate change	Page 12, 16 Strategic risk Management is implemented on a global scale and climate change related risks are considered.	
	201-3	Defined benefit plan obligations and other retirement plans	Page 21	
	201-4	Financial assistance received from government	10 years tax-free scheme in Malaysia. The Danish government has supported export initiatives with DKK 90,750 over 3 years.	
GRI 202 Market Presence	103-1	Explanation of the material topic and its Boundaries	Pages 21-22. Significant locations of operation page 7. 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	Pages 21-22	1
	103-3	Evaluation of the management approach	Page 22. Figure 5: Distribution of employees	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	75% of Senior Management in our subsidiaries are local. Senior Management is Site Director, General Director, General Manager etc.	1
GRI 203 Indirect economic impacts	103-1	Explanation of the material topic and its Boundaries	Pages 10-11	1
	103-2	The management approach and its components	Pages 12-13	1
	103-3	Evaluation of the management approach	Pages 12-13	1
	203-1	Infrastructure investments and services supported	Pages 24-25 Commercial investment in technology in Malaysia, Application laboratories globally, increasing our number of distributors worldwide	1
	203-2	Significant indirect economic impacts	Using RSPO-certified palm oil improves social conditions and reduces environmental impact locally. Investments in production sites in Malaysia, Mexico and Brazil have positive impacts on job creation and activity in the respective countries	
	FP1	% of purchased volume from suppliers compliant with company's sourcing policy	Pages 12, 15 90% of suppliers of direct materials have been evaluated through our Responsible Sourcing Programme. All suppliers of indirect products and services are signing our Supplier Code of Conduct by the first order.	1
	FP2	% of purchased volume verified to be in accordance with responsible standards, by standard	Pages 13, 20 100% of products are manufactured at FSSC 22000-certified sites except for China, which is ISO 22000 certified. Our full product range is available as RSPO SG certified. 100% of the palm oil used for production of food ingredients in Denmark is RSPO SG-certified. Four out of six sites are SMETA 4-pillar audited	1
GRI 204 Procurement Practices	103-1	Explanation of the material topic and its Boundaries	Pages 10-11, 14 Significant locations of operation page 7. Local refers to the communities surrounding the areas in which we operate (RSPO)	1, 10
	103-2	The management approach and its components	Pages 12-14	1, 10
	103-3	Evaluation of the management approach	Pages 12-13	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	Pages 12-14	1, 10
	103-2	The management approach and its components	Pages 12-13	1, 10
	103-3	Evaluation of the management approach	Pages 12-13	1, 10
	205-1	Operations assessed for corruption risks	Pages 12-13	1, 10
	205-2	Communication and training	Pages 12-13	1, 10
205-3	Incidents of corruption and actions taken	No incidents in 2021	1, 10	
GRI 206 Anti-competitive behaviour	103-1	Explanation of the material topic and its Boundaries	Pages 12-13	1
	103-2	The management approach and its components	Pages 12-13	1
	103-3	Evaluation of the management approach	Pages 12-13	1
	206-1	Anti-competitive behaviour	Pages 12-13 No legal actions in 2021	1

Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
<b>GRI 200 Standard: Economic Series 2016</b>				
GRI 207 Tax	103-1	Explanation of the material topic and its Boundaries	Pages 12, 32	1
	103-2	The management approach and its components	Pages 12, 32	1
	103-3	Evaluation of the management approach	Pages 12, 32	1
	207-1	Approach to Tax	Pages 12, 32 Our strategy is to comply with the tax legislation in all the countries where we operate and that trade with inter-company products and services are on arms-length. This means that we pay the right taxes in the countries where the income rightly is earned. The board of Palsgaard is the responsible governance body.	1
	207-2	Tax governance, control, risk management	Pages 12, 32 The Group management and the board of Palsgaard A/S has set the tax strategy. Local managers are instructed in company tax governance. Third party financial auditors conduct audit of the financial statements including tax governance and evaluate compliance. In case of non-compliance to the expected it will be followed up by Group Management. Concerns around tax can be reported through our Ethic Hotline. The tax for each subsidiary is audited by third party financial auditors at headquarters in Denmark.	1
	207-3	Stakeholder engagement and management concerns related to tax	Pages 12, 32 We have a relatively small organisation and have thus not resources to engage in the tax legislation and network related to tax in the countries where we operate, but we follow new initiatives and where applicable discuss these with our advisors to be sure to comply with the legislation.	1
	207-4	Country-by-country reporting	Page 6 Further details are not reported for confidentiality reasons.	1

# GRI content index – material topics

Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
<b>GRI 300 Standard: Environmental Series 2016</b>				
GRI 301 Materials	103-1	Explanation of the material topic and its Boundaries	Pages 15, 17	7, 8
	103-2	The management approach and its components	Pages 15, 17	7, 8
	103-3	Evaluation of the management approach	Pages 12-13, 15, 17	7, 8
	301-1	Materials used by weight or volume	Page 29 Further breakdown of numbers 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	Due to food safety regulations, reclaimed input materials are not added to our products	7, 8
GRI 302 Energy	103-1	Explanation of the material topic and its Boundaries	Pages 8, 16	7, 8, 9
	103-2	The management approach and its components	Page 16	7, 8, 9
	103-3	Evaluation of the management approach	Page 16	7, 8, 9
	302-1	Energy consumption within organisation	Page 29	7, 8, 9
	302-2	Energy consumption outside of the organisation	We currently do not measure this. Information not available	7, 8, 9
	302-3	Energy intensity	Page 29 We define energy intensity as kWh per kg finished product	7, 8, 9
	302-4	Reduction of energy consumption	Pages 16, 29	7, 8, 9
	302-5	Reduction in energy requirements of sold products/ services	Calculations not available	7, 8, 9
GRI 303 Water and Effluents 2018	103-1	Explanation of the material topic and its Boundaries	Page 8	7, 8, 9
	103-2	The management approach and its components	Page 17	7, 8, 9
	103-3	Evaluation of the management approach	Page 17	7, 8, 9
	303-1	Interactions with water as a shared resource	Water consumption per production unit is relatively small. No water sources are significantly affected. We comply with legal requirements for wastewater treatment and discharge and have not detected impacts on water bodies and related habitats. The water-related impacts are identified to cooling towers, cleaning, and steam to produce the product. Palsgaard has set a target for the use of water to a maximum use 3 liters of water per finish product. Page 29	7, 8, 9
	303-2	Management of water discharge-related impacts	The amount of water is monitored and measured/estimated. The wastewater meets the local regulatory requirements for discharging the water. In PADK the compounds of the wastewater is measured every month and a new wastewater plant is build and will produce biogas. In PAMX the wastewater is used for watering the factory area. Page 29	7, 8, 9
	303-3	Water withdrawal	In PADK and PANL we use mainly groundwater, but also a part of rainwater as technical water for our cooling towers. At the other productions sites we use ground water. In our subsidiaries, we use water that complies with required food quality and safety regulations.	7, 8, 9
	303-4	Water discharge	The wastewater meets the local regulatory requirements for discharging the wastewater. We do not have any statements from our suppliers.	7, 8, 9
	303-5	Water consumption	We currently do not measure the total water consumption from areas with water stress. Information not available.	7, 8, 9
GRI 305 Emissions	103-1	Explanation of the material topic and its Boundaries	Pages 8, 16, 28	7, 8, 9
	103-2	The management approach and its components	Page 16	7, 8, 9
	103-3	Evaluation of the management approach	Page 16	7, 8, 9
	305-1	Direct GHG emissions (scope 1)	Pages 28, and page 29 for gross and net eqCO <sub>2</sub> -emissions	7, 8, 9
	305-2	Energy indirect GHG Emissions (scope 2)	Page 28, and page 29 for gross and net eqCO <sub>2</sub> -emissions (Company cars are excluded)	7, 8, 9
	305-3	Other indirect GHG emissions (scope 3)	Currently not measured	7, 8, 9
	305-4	GHG emissions intensity	Pages 16, 28	7, 8, 9
	305-5	Reductions of GHG emissions	Pages 16, 28-29	7, 8, 9
	305-6	Emissions of ozone-depleting substances	Not applicable	7, 8, 9
	305-7	NO <sub>x</sub> , SO <sub>x</sub> and other air emissions	We do not currently measure NO <sub>x</sub> and SO <sub>x</sub>	7, 8, 9



Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
GRI 306 Effluents & waste	103-1	Explanation of the material topic and its Boundaries	Pages 17, 28	7, 8, 9
	103-2	The management approach and its components	Page 17	7, 8, 9
	103-3	Evaluation of the management approach	Pages 12-13, 17	7, 8, 9
	306-1	Water discharge by quality and destination	Page 29	7, 8, 9
	306-2	Waste by type and disposal method	Page 29 Reuse is waste for reuse Recycling is waste for recycling Recovery, including energy recovery and incineration is waste for energy generation Landfill is waste for landfill The disposal method is determined by regulations and waste regulations set by the authorities	7, 8, 9
	306-3	Significant spills	No incidents in 2021	7, 8, 9
	306-4	Transport of hazardous waste	No hazardous waste is transported, imported, exported or treated. Hazardous waste is removed by licensed waste management company (licensed by the authorities to transport, handle and treat hazardous waste). Waste fractions are converted to weight on calibrated weights of single units (n=3) and the average weight is found	7, 8, 9
	306-5	Water bodies affected by water discharges and/or runoff	We comply with legal requirements for wastewater treatment and discharge and have not detected impacts on water bodies and related habitats	7, 8, 9
GRI 307 Environmental compliance	103-1	Explanation of the material topic and its Boundaries	Pages 16-17	7, 8
	103-2	The management approach and its components	Pages 16-17	7, 8
	103-3	Evaluation of the management approach	Pages 12-13, 16	7, 8
	307-1	Non-compliance with environmental laws and regulations	No incidents in 2021. We are reporting on legal compliance (Health and Safety, Environmental, Harassments, Data-breach, Financials etc), which will lead to a fine to be paid in case of breach. We have set the level of significant fines at 10,000 DKK. The reported non-incident is based on input from the reporting entities.	7, 8
GRI 308 Supplier environmental assessment	103-1	Explanation of the material topic and its Boundaries	Page 14	7, 8, 10
	103-2	The management approach and its components	Pages 12-15	7, 8, 10
	103-3	Evaluation of the management approach	Pages 12-13	7, 8, 10
	308-1	New suppliers that were screened using environmental criteria	Page 14	7, 8, 10
	308-2	Negative environmental impacts in the supply chain and actions taken	Pages 13-14	7, 8, 10

# GRI content index – material topics

Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
<b>GRI 400 Standard: EMPLOYEES series 2016</b>				
GRI 401 Employment	103-1	Explanation of the material topic and its Boundaries	Pages 8, 21-22	1, 6
	103-2	The management approach and its components	Pages 21-22	1, 6
	103-3	Evaluation of the management approach	Pages 12-13, 21-22	1, 6
	401-1	New employee hires and employee turnover	Page 22 Employee turnover rate is reported without breakdown of age and gender, Denmark: 11.4% Subsidiaries to Palsgaard A/S totally: 13.3% Subsidiaries per country: Malaysia: 14.5% Mexico: 11.6% Singapore: 6.3% Russia: 16.4% The Netherlands: 0% China: 10.3% Poland: 0% South Africa: 0% Kenya: 0% USA: 25% Brazil: 23.6% France: 0% Germany: 50% Turkey 0% Nigeria 0 %	1, 6
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 21-22	1, 6
	401-3	Parental leave	Employees returning to work after taking parental leave remained employed 12 months later: 13 employees totally had parental leave in 2020 and are all still employed in 2021. Denmark (1 female/4 males), Malaysia (6 males), Mexico (1 female/ 1 male)	1, 6
GRI 403 2018 Occupational health and safety	103-1	Explanation of the material topic and its Boundaries	Pages 21-22	1
	103-2	The management approach and its components	Pages 21-22	1
	103-3	Evaluation of the management approach	Pages 21-22	1
	403-1	Occupational health and safety management system	Pages 23, 29 All production sites have a health and safety system in places, where we are in compliance with the law and regulations in the country where the site is located. The systems are not certified e.g. to ISO 45001.	1
	403-2	Hazard identification, risk assessment, and incident investigation.	Page 23 (Health and safety). We have a system for registration of Near-Miss and work-related accidents. We perform risk assessment and incident investigation on all incidents.	1
	403-3	Occupational health services.	Page 23 Examples of surveillances are audiometric testing on regularly basis, medical consulting for groups of employees. To improve the health of our employees, we have contracts with health professionals e.g. physiotherapist. Blue collar workers will be offered health examinations, e.g. Audiometric surveillance, vision test and general health for night shifts (PADK)	1
	403-4	Worker participation, consultation, and communication on occupational health and safety	Page 23	1
	403-5	Worker training on occupational health and safety	Page 23. Specific training is done according to legislation and identified hazards. This includes training about fork-lifting, ATEX, first aid and Lototo.	
	403-6	Promotion of worker health	Page 23. Palsgaard production sites offers health insurance for example physiotherapy and chiropractor to all workers. Or offers a yearly physical and occupational disease examination in hospital.	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 23 We have assessed health and safety risks on CAPEX projects and registered incidents related to external workers.		
403-8	Workers covered by an occupational health and safety management system	Page 23 Work environment committee covers 100% of workers, across all sites. The definition of workers extends to those who are employed directly by Palsgaard including its subsidiaries		
403-9	Work-related injuries	Incidents are investigated locally, and serious incidents are shared globally. Typical injuries are due to manual handling or working near hot liquid/surfaces. The safety information covers all workers and contractors employed at Palsgaard. But not contractors employed at other companies than Palsgaard.		

Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
	403-10	Work-related ill health	We have contracted with local occupational health services to secure a good surveillance of the occupational health of our employees. Surveillances are done according to legislation and are addressing identified hazards on local plants. Examples of surveillances are audiometric testing on regularly basis, medical consulting for groups of employees and measurements of dust. To improve the health of our employees, we have contracts with health professionals eg. physiotherapist. The safety information covers all workers and contractors employed at Palsgaard. But not contractors employed at other companies than Palsgaard.	
GRI 404 Training and education	103-1	Explanation of the material topic and its Boundaries	Pages 8, 21-23	1
	103-2	The management approach and its components	Pages 21-23	1
	103-3	Evaluation of the management approach	Pages 12-13, 21-23	1
	404-1	Average hours of training per year per employee	1.26% of work hours was related to education (Denmark, Brazil, Malaysia, China, Mexico & The Netherlands) without breakdown of gender or employee category.	1
	404-2	Programs for upgrading employee skills and transition assistance programs	Pages 12-13, 21-23	1
	404-3	% of employees receiving regular performance and career development reviews	100% of employees receive reviews yearly	1
GRI 405 Diversity and Equal Opportunity	103-1	Explanation of the material topic and its Boundaries	Pages 21-22 Palsgaard A/S Board has one woman and two men	1, 6
	103-2	The management approach and its components	Pages 21-22, 6 (Figure 2)	1, 6
	103-3	Evaluation of the management approach	Pages 12-13, 21-22	1, 6
	405-1	Diversity of governance bodies and employees	Page 22 and Annual report The board of Schou Foundation is the same as the Board for Palsgaard A/S. The board consists of 40% females. It complies with the set target of min 40% of minority representative	1, 6
	405-2	Ratio of basic salary and remuneration of women to men	Remuneration monitored for production employees through Danish Industry's (DI) gender specific salary statistics for Palsgaard's production operators in Denmark. The latest data available is from 2020. In 2020, the remuneration ratio for men and women was 100.41/97.90	1, 6
GRI 406 Non-discrimination	103-1	Explanation of the material topic and its Boundaries	Pages 12-13	3
	103-2	The management approach and its components	Pages 12, 21	3
	103-3	Evaluation of the management approach	Pages 12-13	3
	406-1	Incidents of discrimination and corrective action taken	No incidents in year 2021	3
GRI 407 Freedom of Association and Collective Bargaining	103-1	Explanation of the material topic and its Boundaries	Pages 12-13, 15	3
	103-2	The management approach and its components	Pages 12-14, 15	3
	103-3	Evaluation of the management approach	Pages 12-13	3
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Pages 12-13, 15, 21-22	3
GRI 408 Child Labour	103-1	Explanation of the material topic and its Boundaries	Pages 12-13	1, 4, 5
	103-2	The management approach and its components	Pages 12-13, 15	1, 4, 5
	103-3	Evaluation of the management approach	Pages 12-13	1, 4, 5
	408-1	Operations and suppliers at significant risk for incidents of child labour	Pages 12-15, and our Code of Conduct	1, 4, 5
GRI 409 Forced or compulsory labour	103-1	Explanation of the material topic and its Boundaries	Page 13	1, 4, 5
	103-2	The management approach and its components	Pages 12-13, 15	1, 4, 5
	103-3	Evaluation of the management approach	Pages 12-13	1, 4, 5
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Pages 13-15	1, 4, 5
GRI 412 Human Rights Assessment	103-1	Explanation of the material topic and its Boundaries	Page 13	1, 2
	103-2	The management approach and its components	Pages 12-13, 15	1, 2
	103-3	Evaluation of the management approach	Pages 12-13	1, 2
	412-1	Operations that have been subject to human rights reviews or impact assessments	Pages 12-13 SMETA audits focus on labour, Health and Safety, Environment and Business Ethics and include interviews with employees on employment and workers rights.	1, 2
	412-2	Employee training on human rights policies or procedures	All employees receive Code of Conduct. We do not measure training Whistle-blowing policy was introduced Q4 2019	1, 2
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Page 14 Production sites are considerable investments. We go above and beyond local human rights standards	1, 2



# GRI content index – material topics

Topic	Disclosure	Disclosure description	Page, comment or omission	UNGC principle
GRI 413 Local communities	103-1	Explanation of the material topic and its Boundaries	Pages 8, 15 and 25	1
	103-2	The management approach and its components	Pages 15, 24-25	1
	103-3	Evaluation of the management approach	Pages 12-13	1
	413-1	Operations with local community engagement, impact assessments, and development programs	Pages 15, 21-22 We consider differentiation in culture and socioeconomic status in our subsidiaries, and local communities where we operate. We have assisted 11 people at our sites in Denmark, 1 in Malaysia, 2 in Mexico and 3 in the Netherlands to further their education or keep their job under special circumstances	1
	413-2	Operations with significant actual and potential negative impacts on local communities	We do not consider any operations at our sites to have a negative impact on local communities	1
GRI 414 Supplier Social Assessment	103-1	Explanation of the material topic and its Boundaries	Page 14	1, 4, 5, 6, 10
	103-2	The management approach and its components	Pages 12-13, 15	1, 4, 5, 6, 10
	103-3	Evaluation of the management approach	Pages 12-13	1, 4, 5, 6, 10
	414-1	New suppliers that were screened using social criteria	Page 14	1, 4, 5, 6, 10
	414-2	Negative social impacts in the supply chain and actions taken	Pages 14-15 No 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	Pages 13, 21	10
	103-2	The management approach and its components	Pages 12-13, 15, 21	10
	103-3	Evaluation of the management approach	Pages 12-13	10
	416-1	Assessment of the health and safety impacts of product and service categories	Pages 13, 21	10
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were no food recall incidents in 2021	10
	FP5	% of production volume audited by 3rd party to food safety compliancy	100% of our products are manufactured in FSSC 22000/ISO 9001-certified factories, except for China, which is ISO 22000 certified	10
	FP6	% of total sales volume of consumer products by product category that are lowered in saturated fat, trans-fats, sodium and added sugars	Page 19 and www.palsgaard.com	10
GRI 417 Marketing and Labelling	103-1	Explanation of the material topic and its Boundaries	Pages 8, 19	10
	103-2	The management approach and its components	Page 19	10
	103-3	Evaluation of the management approach	Page 19	10
	417-1	Requirements for product and service information and labeling	100% of our products conform to EU legislation on labeling and we respond to customer requests for additional labeling	10
	417-2	Incidents of non-compliance concerning product and service information and labeling	No incidents in 2021	10
	417-3	Incidents of non-compliance concerning marketing communications	No incidents in 2021	10
GRI 418 Customer privacy	103-1	Explanation of the material topic and its Boundaries	Page 13	
	103-2	The management approach and its components	Page 13	
	103-3	Evaluation of the management approach	Page 8	
	418-1	Complaints concerning breach of customer privacy	No complaints in 2021	
GRI 419 Socioeconomic compliance	103-1	Explanation of the material topic and its Boundaries	Pages 12-13	10
	103-2	The management approach and its components	Pages 12-13	10
	103-3	Evaluation of the management approach	Pages 12-13	10
	419-1	Non-compliance with laws and regulations in the social and economic area	No incidents in 2021. We are reporting on legal compliance (Health and Safety, Environmental, Harassments, Data-breach, Financials etc.), which will lead to a fine to be paid in case of breach. We have set the level of significant fines at 10,000 DKK. The reported non-incident is based on input from the reporting entities.	10

# Legal requirements

Reference to sections 99a and 99b of Act no. 738 regarding changes to the Danish Financial Statements Act, June 1, 2015

Section 99a Reference	Page and/or comment
Sustainability definition Section 99a	See "Welcome" on page 3
Business model Section 99a §2.1	See Figure 2 on page 6
Governance Section 99a §2.2	See "Our governing culture" pages 12-13
Systems & due diligence processes Section 99a §2.4	See "A responsible approach" on page 13
Key risks Section 99a §2.5	See "Value chain" on pages 10-11. Specific risks and challenges for each CSR focus area are identified within each section of the CSR report
KPIs Section 99a §2.6	See Figure 1 on page 5
Means of reporting Section 99a §4.1 and §4.2	Palsgaard provides a separate CSR report, which is available online <a href="http://www.palsgaard.com">www.palsgaard.com</a>

Section 99b reference	Page and/or comment
Policy for increasing the share of the underrepresented gender Section 99b §2	We have a policy that addresses the underrepresented gender in management roles. Our policy sets out our commitment to, among other things, ensure that our recruitment and recruitment procedures help to make female leadership talent visible so that both female and male candidates are represented by internal as well as external recruitment; to work purposefully with competence and leadership development and promote effective internal recruitment and mobility in Palsgaard for the benefit of the individual employee's competence and career development and for Palsgaard's pipeline of leadership candidates; and to actively motivate more women in the organisation to take and maintain managerial jobs, including, for example, support for education, development in the job and internal management training. See also Figure 2 on page 6 and Internal governance on page 12
Target figure for the top management team Section 99b §3	Status of the underrepresented gender within top management: see Figure 2 on page 6 and Internal governance on page 12

Section 99d reference	Page and/or comment
Data ethics policy Section 99d	The foundation and the group have until now had focus on, at all times, being compliant with the GDPR legislation and has decided to have minor focus on data ethics policy (The Danish Financial Statements act § 99d). In the coming year focus will still be on being compliant with the GDPR legislation, but the management expects to appoint a task force that can begin to define the future data ethics policy.

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# Tell us what you think

Send your feedback to  
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**Front page photo**

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