As travel restrictions caused by Covid-19 prevented us from physical customer visits, we have invested heavily in digital tools, so that we have been able to continue supporting our customers through video conferences.

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Welcome

Welcome to our Corporate Social Responsibility (CSR) report for the year 2020.

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 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 CO2-neutral production sites have been realised through initiatives dating back to 2005, when we implemented straw-fired heating. We aim to achieve CO2-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 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 eleventh annual CSR report, covering the 2020 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 99a and 99b.

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 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 26.

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. This year, we have implemented the new GRI Standard disclosure GRI 207 Tax. See our GRI content index on page 28 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, 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 24.

This Communication on Progress qualifies for the Global Compact Advanced level.
Dear reader,

No commentary about 2020 would be appropriate without first mentioning the Coronavirus pandemic and the effect this has had, and will continue to have, on the global population.

It is now just over a year since the pandemic started to have truly worldwide consequences, and during that time we have all been made acutely aware of several important things:

Firstly, how we are all globally interconnected and reliant upon one another. We have learnt that our own actions can and do affect both those in our immediate communities, but also those thousands of miles away.

Secondly, the health and wellbeing of our families and colleagues is absolutely paramount to a well-functioning business and the worldwide economy as a whole. This has never been more apparent than during this pandemic.

The aforementioned aspects of the pandemic have helped to confirm our belief that Palsgaard’s commitment to decarbonising our energy usage and continuing to support and lobby for sustainable farming practises for our raw materials is both the right thing morally, but also economically.

In our new “Good Growth Strategy 2025” document, we have the aim of being a CO2-neutral enterprise by the end of 2025. This will require further large investments including establishing a solar park near Palsgaard in Denmark, and a waste-water facility to generate biogas, which will help to power our Danish site with 100% green energy by mid-decade.

We are proud to have further reduced our overall energy consumption in 2020 by 5% per kg finished product, this is in addition to the energy improvements we have made in previous years.

We will also continue to examine our international travel activity, with 2020 proving that whilst in-person meetings are often optimal, on many occasions online and video-call meetings can be optimised to provide a suitable alternative and further reduce our reliance on air transportation.

Another aspect of our “Good Growth Strategy” is the continuation of auditing and assisting our main suppliers to practise sustainable sourcing. Post-pandemic this area will have even more focus.

Our commitment to ensuring the health and wellbeing of our own staff, and those visiting Palsgaard locations around the world will be further enhanced. As well as corona-virus specific initiatives, we have increased our focus on work related accidents and the reporting of near misses. We have made large strides in reducing our overall global accident frequency and will continue this work to ensure Palsgaard becomes an even safer place to work.

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

We are proud of our achievements highlighted in this document, which were made under challenges unlike any we had faced in living memory. In 2021 further opportunities will present themselves – the journey is everlasting, and very much part of the DNA of Palsgaard.

Anders Brix
Group CEO
Schou Foundation
Palsgaard
25 May 2021

Jakob Thøisen
CEO
Palsgaard A/S
Palsgaard
25 May 2021

Our journey to the 2020 targets

We are proud to announce that Palsgaard has almost accomplished our targets for 2020. Regrettably, the exception is too many work accidents. We are, however, highly focused on work-related accidents and near misses to reduce the number. A new CSR strategy “Good Growth”, with updated CSR targets and KPIs is in progress. We maintain our focus on work-related accidents as well as climate. What we strive for next is to become a CO2-neutral enterprise globally by looking into GHG scope 3. Equally, the use of sustainable raw materials from responsible suppliers becomes even more important to us.

<table>
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<th>Core CSR figures and targets</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Target 2020</th>
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<tr>
<td>CO2-emission (kg CO2 per kg finished product)</td>
<td>0.12</td>
<td>0.11</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Energy consumption (gross) (kWh per kg finished product)</td>
<td>1.27</td>
<td>1.21</td>
<td>1.12</td>
<td>1.07</td>
<td>1.01</td>
<td>1.05</td>
</tr>
<tr>
<td>Water consumption (l per kg finished product)</td>
<td>3.74</td>
<td>3.36</td>
<td>3.34</td>
<td>2.92</td>
<td>2.88</td>
<td>3.17</td>
</tr>
<tr>
<td>Accident frequency (per million working hours)</td>
<td>13</td>
<td>20</td>
<td>11</td>
<td>9</td>
<td>8</td>
<td>3</td>
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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 objects of the Schou Foundation
A. To own companies that the Board of Directors of the Foundation may find appropriate for the fulfilment of the other objects of the Foundation.
B. 1) To preserve and further develop Palsgaard Estate with all its splendours, as a beautiful and pleasant workplace for all employees.
   2) To preserve the main building through maintenance and renewal in a manner consistent with the architecture and history of the building, not as a lifeless monument, but in accordance with its purpose and structure as a vibrant family home for either the Director of the Foundation’s activities or for another person linked to the Foundation, who is considered to be a suitable candidate by the Board of Directors of the Foundation in terms of publicly representing the Foundation.
   3) To preserve – or expand – the park through maintenance and renewal, which must always be in accordance with the natural conditions and aesthetic values of the Estate.
C. To establish, own and support independent companies within research and development in connection with the areas that the Foundation’s Board of Directors may find appropriate to promote the activities of the Foundation.
D. To support the Palsgaard Foundation to the extent that the Schou Foundation deems to be consistent with the other objects of the Schou Foundation.

Figure 2: This organisation chart shows entities controlled by the Schou Foundation. For explanation of reporting scope, see page 26.
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 CO2-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.

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.
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. Since 2018, we have made some changes to the format of our report and also introduced new channels of communicating our CSR stories, including both social media and through a new company intranet.

Our biennial Employee Satisfaction Survey is an important tool when managing the welfare of our employees - an area in which we have focus. The survey, (managed in co-operation with research agency Ennova), carried out in late 2019 reached the highest response level ever with 99% of employees completing the questionnaire. The overall result for employee satisfaction increased by +1 point, to 78 on a 100 point scale across the whole group. We believe this indicates our success in listening to our employees and implementing changes which benefit their workplace satisfaction. The next survey will be carried out in 2021.

Our Customers
Some of our most important customers use the platform EcoVadis as an additional guide to select their suppliers when it comes to sustainability. The platform is regarded one of the the world’s most trusted providers of business sustainability ratings, intelligence and collaborative performance improvement tool for global supply chains. Their background survey for defining trends in various industries, including food and beverage, presents trends and interests of Palsgaard customers. On a group level, Palsgaard has obtained the EcoVadis Gold rating for all four rating years, which indicates that we transparently report the sustainability issues that our industry requires.

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 biennial Customer Satisfaction Survey is conducted by independent research agency, Ennova. Our most recent survey in 2019 has shown that Palsgaard is a top performer within CSR. It also clearly indicates that sourcing sustainable raw materials including RSPO certified palm oil has top priority amongst our customers. 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.

Consumers
In 2020, we conducted a consumer survey of 600+ consumers in Mexico, USA, UK and Singapore to take the temperature of how the Covid crisis had affected their views on environmental concerns with a focus in food manufacturing. The aim of the survey was to consider whether our “sustainability agenda” was still hot topic – or whether it had taken a step back in general consumer consciousness. It turned out that sustainability engagement is more important now than ever – see figure 5. This is in line with Palsgaard’s overall strategy and is a very positive input for continuing our dedication to becoming a CO2-neutral enterprise and to responsible sourcing.

Figure 5: Results from Palsgaard’s 2020 survey of 600+ consumers.

Sustainability matters

75% of consumers believe food companies have a lot of responsibility for protecting the environment.

24% believe they have a little responsibility.

Only 2% think they have no responsibility at all.

66% would be more likely to buy a company’s products if they knew it used sustainably produced ingredients.

92% say it’s important that the ingredients in the food products they buy are produced sustainably...

...and for half (49%) it’s very important.

41% say environmental concerns have become more important since the Coronavirus crisis.
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.

Value creation

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

Reduce energy and emissions by
- Setting ambitious targets for CO2-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

- 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

Increase efficiency by
- Obtaining more sustainable food 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

- 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

Challenges & risks

- Food 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
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

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

Carageenan is an important raw material for our emulsifier/stabiliser products, and cultivation of the seaweed is an important source of income for families in the small island communities of Southeast Asia. It contributes to the economic development of the area and ensures that production takes place in a responsible manner – with respect for culture and traditions, as well as for life at sea and on land.
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 2020

- Initiated working groups to further incorporate the 2025 strategy “Good Growth”
- A highly efficient high bay warehouse has been built in Denmark, ready for use in 2021
- Contingency plans established globally (DK, NL, MY)
- 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
- 91% of suppliers assessed in Responsible Sourcing Programme
- Obtained a higher score on our EcoVadis Gold rating for the fourth time

Planned activities beyond 2020

- Continue the work with our CSR strategy in 2021
- ISO 9001 certification to be carried out in Denmark in 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
- Engage in multistakeholder working groups and initiatives
- SMETA audit to be carried out in Denmark and the Netherlands in 2021
- New production site with offices and application facilities is built in Mexico and opens in 2021

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 Philantrophy, 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
- Whistleblowing 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 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 reviewed the risk management approach as needed. During 2019, a tool for structured mapping and assessment of risks was introduced. Biannually, 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
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’s 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.

Whistleblowing
An ethic hotline system allows any party to report ethic incompliance 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 whistleblowing 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 if they have been exposed 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

Figure 6: CSR governance

Palsgaard A/S

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
- 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.

CSR governance
- A CSR Working Committee, commissioned by the CEO of Palsgaard A/S, is chaired by a Senior CSR Specialist, with members selected by executive management. It reports to the CSR Steering Committee.
- The CSR Steering Committee includes the CEO of Palsgaard A/S and top management.
- The CSR working committee consists of members from Procurement, Human Resources, QEHS and Production Management.
- Critical CSR concerns may be raised with management via the Global CO2-neutrality Workgroup and RSPO Workgroup reports to the CEO of Palsgaard A/S.

Human rights
We comply with relevant legislation and guidance including, for example, the EU’s General Data Protection Regulation (GDPR) when handling personal data.

Employee Policy, Supplier Code of Conduct, Responsible Sourcing Programme and Anti-Corruption Guidelines. We also ensure compliance with the EU’s General Data Protection Regulation (GDPR) when handling personal data.

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.

Figure 6: CSR governance

- Local rules and regulations
- Sedex (4-pillar SMETA audit)
- EcoVadis

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.

Corporate Governance

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. They are:

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

We 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.

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.

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 one woman and two 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.

Figure 6: CSR governance

- Human rights
- Whistleblowing
- Bribery and corruption
- Food fraud
- Human rights
- Palsgaard A/S
- Nexus A/S
- Palsgaard Estate
- CSR steering committee
- Internal policies
- Whistleblowing
- Climate neutrality workgroup
- RSPO workgroup
- External standards, legislation and guidance
- External auditors
- Palsgaard A/S
- Palsgaard Estate
- External standards, legislation and guidance
- External auditors
- Palsgaard A/S
- Palsgaard Estate
- Climate neutrality workgroup
- RSPO workgroup
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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 2020, 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.

Since 2018, we have extended responsible sourcing principles to suppliers of indirect products and services for our Denmark-based operations.

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 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. We met with farmers and traders of seaweed in the Philippines to better understand what their everyday looks like and how their role is within the supply chain. Similarly, in Cambodia, our talks to rice-growers helped us appreciate how the locals work to provide decent work and economic growth to the community as well as how they are continuously improving and implementing best practices for responsible production.

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 7: Managing responsible sourcing

![Managing responsible sourcing](image-url)
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
- Product and Quality policy

Key external governance
- Annual RSPO audits
- FSSC 22000/ISO 9001
- Relevant EU regulations
Top priority: CO₂-neutrality

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

Goal

We aim to maintain CO₂-neutrality at all production sites and to become a CO₂-neutral enterprise

Activities completed in 2020

- We have managed to continue CO₂-neutral production at all our factories
- Initiated projects to become a CO₂-positive company and strive to become independent of green energy suppliers where possible
- Initiated a project on planting forest on our land in Lithuania to compensate for CO₂-emissions
- A number of charging stations have been established at parking areas in Denmark
- We have initiated partnerships on climate related issues with transport suppliers
- Achieved 5% reduction in energy consumption (per kg finished product) globally, compared with 2019
- Environmental Risk Prevention Program introduced in Brazil

Planned activities beyond 2020

- Our “Good Growth” strategy directs us to become a CO₂-neutral enterprise
- Erect solar cell park near the Danish site
- Build a biogas plant together with the municipality for our Danish site
- Define and calculate company activities within GHG scope 3 to make an overview of initiatives required to compensate CO₂-emissions
- Finish the new storage facility and equipment to handle finished goods, packaging and raw materials in Denmark to optimise handling and logistics
- Invest in opportunities for using renewable energy sources in Brazil and Malaysia without using offsets

Value creation

- All of our products are manufactured on CO₂-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 CO₂-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 CO₂-neutral production sites we set goals to become a CO₂-neutral enterprise
- We prioritize to share our experience with various interest groups and talk about our CO₂-neutral success at events regularly
- We will make investments in CO₂-neutral energy solutions during the coming years and several projects are in pipeline

Key internal governance

- While expanding our production and storage facilities in Denmark by new buildings and plants, energy consumption and optimization is in focus
- 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, CO₂-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 2020

- 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 rain water for technical water usage in Denmark.
- Strengthened procedures of waste collection focusing on recycling in our plant in The Netherlands and Brazil.
- The site in the Netherlands use rain water as technical water.
- Initiated internal treatment of waste water for reuse in green areas in Mexico.

Planned activities beyond 2020

- Further focus on the biological content of waste water 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.
- Finetune project on compiling rain water for use as technical water.
- Evaluate suitability of alternative packaging with lower CO₂-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, 5% of Palsgaard’s waste is externally reused or recycled. The remaining (95%) is combustible waste, which is externally used for energy or biogas generation. Less than 1% is for landfill.
- Environmental initiatives extend to Mexico, too, where the construction of the new factory is designed with focus on green solutions.
- Where water is a short resource we have focus on water usage and reuse where the opportunity is.

Challenges and risks

- Difficulty in defining waste globally in all of our sites due to differences in national legislation, making reporting and data collation across departments challenging.
- Chemical waste at Palsgaard originates in small quantities from plant maintenance and our control and quality laboratories’ use of analytical chemicals.
- Process waste water contains remnants of oil, fat, protein, phosphorus and nitrogen.
- 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 energy production.
- Our pre-treatment plant removes the majority of product remnants from process waste water before release into the municipal water treatment plant.
- Reduce water consumption and waste water via cooling water recycling systems, optimising cleaning procedures, producing larger batches, reducing water 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.
**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 2020**

- New factory including application labs for all product areas constructed in Mexico
- New polymer additives website and sales tools launched to increase focus on plant-based additives
- Innovation on virtual possibilities to continuously support our customers in application during COVID-19

**Planned activities beyond 2020**

- 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**

- 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 Sustainable 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

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**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 standstill 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 5G-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 and record of zero food safety incidents and product recalls.

**Activities completed in 2020**

- In 2020, there were no product recalls
- All production sites completed FSSC 22000 5.0., covering food fraud mitigation, food defense and environmental monitoring
- New procedure to ensure food safety and quality in all phases of Capex project management

**Planned activities beyond 2020**

- Develop an internal global standard for Food Quality and Safety
- All sites to comply with ISO 9001
- Develop IT system for global management system to cover all main production sites
- Build and align global processes for QEHSS issues and more

**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
- 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 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 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 and Good Manufacturing Practices (GMP) audits, and glass audits are conducted

**Key external governance**

- Relevant EU regulations, including Regulation 852/2004 on the hygiene of foodstuffs
- Local and international rules and regulations
- FSSC 22000 (Denmark, Brazil, Mexico, Malaysia and the Netherlands. China is ISO 22000 certified)
- ISO 9001 (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 2020

- Finished part three of Authentic leadership course - in Denmark. Introduced the leadership course part one globally
- 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
- General safety training course for all blue collar workers with focus on risk assessment, Takes and special working conditions
- Improved focus on safety behaviour and safety culture
- Focus on work environment risk prevention program including lectures and guidelines for employees in Brazil
- Safety awareness on site, change to anti-slip floor, wearing safety glasses as mandatory, the Netherlands
- During construction of the new factory in Mexico safety was in focus and no working accidents occured during construction

Planned activities beyond 2020

- Survey employee satisfaction/motivation biennially
- Further improve onboarding 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
- Take5 continues, with a high focus on not taking chances when doing potential hazardous work
- Blue collar workers were hearing and vision tested and night shift workers were health checked (DK)
- Improve safety introduction course: Roll out of Palligaard OSP (operational safety procedures), with focus on safety culture, 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 creates a risk of scalding 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
- 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.

Measurements of employee satisfaction and motivation from the last four surveys have consistently been above the GELx. Survey participants are asked to rate each parameter out of 100. Satisfaction and motivation was rated 75 in 2013, 74 in 2015, 77 in 2017 and 78 in 2019. The latest survey had a response rate of 99%. The results correspond with ‘high job satisfaction and motivation’. Results are handled as part of our strategy and includes internal targets for 2025.

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 8: Distribution of employees 2020

<table>
<thead>
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<th>Region</th>
<th>% of employees</th>
<th>Average age</th>
<th>Number of employees (W/M)*</th>
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<th>New hires (W/M)</th>
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</tr>
</tbody>
</table>

* W = woman M = man

Total number of employees year end 2020: 595

Health & safety

- Palsgaard’s Occupational Safety and Health (OSH) organisation comprises working environment committees at Palsgaard A/S. It handles workplace issues related to day-to-day operations, as well as workplace risk assessments, industrial accidents and near-misses
- The work environment committee has representatives from top management, managers and employees for each of the working environment groups. Its aim is to increase awareness on health and safety, reducing the risk for OSH accidents
- Nexus A/S has its own OSH organisation that works closely with Palsgaard’s organisation, sharing experiences and advice on health and safety issues

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 with many supporting activities. Among others these included: more focus on safety culture and near-miss incidents, preventive measures and an improved safety introduction course. Through a number of initiatives we aim to improve the safety behaviour of all employees. Our overall safety recommendations to employees: Take no risks, report near-misses, prevent accidents and search for improvements during your working day.
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

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.
**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**
- Support to Red Cross to help reduce the spread of Covid-19 in less developed countries
- A yearly donation to the refugee support organisation, Dansk Flygtningehjælp
- 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
- Donation and 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
- Participation as a landowner to complete a 22-km coastal path
- Work with the local authorities to help people further their education/career, and support with flexible work hours or placements

**Malaysia**
- Donation of personal protection equipment due to COVID-19 to the local organisation OrphanCare

**Mexico**
- Supported the earthquake disaster fund through the Carlos Slim Foundation
- Supporting the Boys and Girls Club, an organisation that provides care for children while their parents work, helping to keep them away from criminal risk
- Scholarship programme is carried out in cooperation with the organisation Leaders of Tomorrow and support young peoples’ positive change of life and future

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

**Russia**
- Donations to support a regional foundation for interaction with orphans and children left without parental care “Ray of Childhood”, which supports children from more than 125 social institutions in 8 regions of Russia.

**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 for the second time entered at 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
- Previous projects include: Local education on hygiene, and the construction of water storage and toilet facilities at a local nursery to improve water quality and reduce water-borne diseases. Purchase of a boat for school students to cross a river to school. Donations have also sponsored a technical school for young people with scholarships, purchased tools, and bicycles for student transport
Independent Auditor’s Assurance Report

To Management and the stakeholders of Palsgaard A/S

We have reviewed the 2020 Corporate Responsibility Report (“the Report”) to provide limited assurance that the data on page 27 has been stated in accordance with the reporting practice specified on page 26. 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 compiled with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

We have reviewed data from the major sites in April 2021. 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 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.
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 is the eleventh annual CSR Report by Palsgaard, 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
Palsgaard A/S continues to strengthen its internal data collection and control procedures, particularly for environmental data, to ensure a higher level of quality and reliability.

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 27 in the Report has not been prepared in accordance with the reporting practice stated on page 26. 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, 25 May 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Henrik Vedel
State-Authorised Public Accountant
MNE no mne10052

Helena Barton
Lead Reviewer
Reporting practice

The data basis for this report includes the entities indicated in Figure 8. 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 2020 to 31 December 2020.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data Basis</th>
<th>Indicator method description</th>
<th>Reporting Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy consumption, electricity</td>
<td>M</td>
<td>Electricity consumption has been determined on the basis of statement from electricity provider. In Mexico and the Netherlands, electricity consumption from solar panels has been measured.</td>
<td>Padsgaard A/S</td>
</tr>
<tr>
<td>Energy consumption, fossil</td>
<td>M</td>
<td>Natural gas and oil consumption are measured on basis of invoices.</td>
<td>Padsgaard A/S</td>
</tr>
<tr>
<td>Emissions</td>
<td>C</td>
<td>Emissions are calculated based on energy consumption and available emission factors for each country.</td>
<td>Padsgaard A/S</td>
</tr>
<tr>
<td>Water consumption</td>
<td>M, E</td>
<td>Water consumption has been measured on the basis of meter readings, invoices or estimates where rain water is used as technical water.</td>
<td>Padsgaard A/S</td>
</tr>
<tr>
<td>Waste water</td>
<td>M, E</td>
<td>Waste water volumes have been measured on the basis of meter readings on the waste water system or estimations.</td>
<td>Padsgaard A/S</td>
</tr>
<tr>
<td>Raw material consumption</td>
<td>M</td>
<td>Annual production volumes are based mainly on company purchasing statistics.</td>
<td>Denmark</td>
</tr>
<tr>
<td>Derivative products</td>
<td>C</td>
<td>The calculation of derivative products is based mainly on production reports.</td>
<td>Denmark</td>
</tr>
<tr>
<td>Waste (for energy generation)</td>
<td>M</td>
<td>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.</td>
<td>Denmark</td>
</tr>
<tr>
<td>Chemical waste</td>
<td>M</td>
<td>Chemical waste volumes have been measured on the basis of weight slips received from waste removal companies and bearing of tank.</td>
<td>Denmark</td>
</tr>
<tr>
<td>Finished products</td>
<td>M</td>
<td>The statement is based mainly on sales statistics. The volume of finished products is therefore measured.</td>
<td>Padsgaard A/S</td>
</tr>
<tr>
<td>Incidents of non-compliance</td>
<td>M</td>
<td>Total number of incidents of non-compliance with regulations with significant fines and sanctions.</td>
<td>Padsgaard A/S +</td>
</tr>
<tr>
<td>Industrial accidents</td>
<td>M</td>
<td>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).</td>
<td>Padsgaard A/S +</td>
</tr>
<tr>
<td>Accident frequency</td>
<td>C</td>
<td>Accident frequency has been calculated per one million working hours. Number of working hours is a calculated figure of working hours.</td>
<td>Padsgaard A/S +</td>
</tr>
<tr>
<td>Employee turnover</td>
<td>C</td>
<td>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 31.12.2020, based on Palsgaard’s payroll system.</td>
<td>Denmark ++</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>M, C</td>
<td>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).</td>
<td>Denmark ++</td>
</tr>
<tr>
<td>Tax</td>
<td>C</td>
<td>The effective tax rate is calculated based on the results of Palsgaard A/S and its subsidiaries, and the accounts and tax declarations.</td>
<td>Denmark +</td>
</tr>
</tbody>
</table>

M=Measured, C=Calculated, E=Estimated

Figure 9: Summary of reporting entities: PADK = Palsgaard in Denmark, PAMY = Palsgaard in Malaysia, etc.
## Data summary

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td><strong>Energy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy consumption, total (gross)(^2)</td>
<td>kWh per kg finished product</td>
<td>1.27</td>
<td>1.21</td>
<td>1.12</td>
<td>1.07</td>
<td>1.01</td>
</tr>
<tr>
<td>Energy consumption, electricity (gross)</td>
<td>MWh</td>
<td>16,282</td>
<td>16,586</td>
<td>18,039</td>
<td>17,562</td>
<td>17,109</td>
</tr>
<tr>
<td>Energy consumption, fossil (gross)</td>
<td>MWh</td>
<td>45,264</td>
<td>45,676</td>
<td>49,120</td>
<td>49,557</td>
<td>49,759</td>
</tr>
<tr>
<td><strong>Emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO₂-emissions (gross)(^5)</td>
<td>tonnes</td>
<td>15,853</td>
<td>15,362</td>
<td>15,080</td>
<td>14,181</td>
<td>4,694</td>
</tr>
<tr>
<td>CO₂-emissions (net)(^6)</td>
<td>tonnes</td>
<td>5,678</td>
<td>5,731</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CO₂-emissions (net) kg per kg finished product</td>
<td></td>
<td>0.12</td>
<td>0.11</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water consumption</td>
<td>litre per kg finished product</td>
<td>3.74</td>
<td>3.36</td>
<td>3.34</td>
<td>2.92</td>
<td>2.88</td>
</tr>
<tr>
<td>Waste water</td>
<td>litre per kg finished product</td>
<td>1.56</td>
<td>1.44</td>
<td>1.46</td>
<td>1.26</td>
<td>1.23</td>
</tr>
<tr>
<td>Waste water m(^3)</td>
<td></td>
<td>75,637</td>
<td>74,408</td>
<td>87,429</td>
<td>79,450</td>
<td>81,479</td>
</tr>
<tr>
<td><strong>Raw materials</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw material consumption</td>
<td>kg per 100 kg finished product</td>
<td>107.11</td>
<td>106.01</td>
<td>111.17</td>
<td>104.69</td>
<td>103.04</td>
</tr>
<tr>
<td><strong>Derivative products and waste</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative products kg per kg finished product</td>
<td></td>
<td>0.08</td>
<td>0.07</td>
<td>0.07</td>
<td>0.09</td>
<td>0.08</td>
</tr>
<tr>
<td>Waste (for energy generation) kg per kg finished product</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.09(^7)</td>
<td>0.08</td>
<td></td>
</tr>
<tr>
<td>Waste (for energy generation) tonnes</td>
<td></td>
<td>402</td>
<td>408</td>
<td>373</td>
<td>3,955(^7)</td>
<td>3,663</td>
</tr>
<tr>
<td>Chemical waste(^8)</td>
<td>tonnes</td>
<td>8</td>
<td>17</td>
<td>2.4</td>
<td>9(^9)</td>
<td>2</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of incidents of non-compliance(^4)</td>
<td>number</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Working environment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work-related accidents, total</td>
<td>number</td>
<td>8</td>
<td>15</td>
<td>9</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Work-related accidents, Denmark</td>
<td>number</td>
<td>8</td>
<td>13</td>
<td>8</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Work-related accidents, Netherlands</td>
<td>number</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Work-related accidents, Malaysia</td>
<td>number</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Work-related accidents, Mexico</td>
<td>number</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Work-related accidents, China</td>
<td>number</td>
<td>-</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Work-related accidents, Brazil</td>
<td>number</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Work-related accident frequency(^1)</td>
<td>number per million working hours</td>
<td>13</td>
<td>20</td>
<td>11</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td><strong>Employee conditions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee turnover(^6)</td>
<td>turnover rate, %</td>
<td>8.5</td>
<td>10.8</td>
<td>13.8</td>
<td>11.3</td>
<td>10.32</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective tax rate(^7)</td>
<td>%</td>
<td>27.6</td>
<td>20.2</td>
<td>33.2</td>
<td>23.4</td>
<td>23.7</td>
</tr>
</tbody>
</table>

\(^1\) All production entities are included in the “Accident frequency” number

\(^2\) Local calorific values are used for calculating emission factors

\(^3\) The tax rate has been reduced from 2016 to 2017, mainly due to instances of non-recurring non-taxable income and non-recurring non-deductible costs in the reporting period

\(^4\) Number of incidents of non-compliance: See GRI 201-34

\(^5\) Remaining CO₂-emissions have been neutralised by investing in offsets from UNFCC (United Nations Framework Convention on Climate Change). The CO₂-neutral sources in The Netherlands and Mexico have been subtracted from the total CO₂-gross amount for 2018, 2019 and 2020

\(^6\) From 2018, we switched from annual to quarterly calculations

\(^7\) Since 2019, waste has changed from combustible to energy generation, which consists of two fractions (“combustible” and “for energy generation”). Almost 95% of Palsgaard’s waste is used for energy generation. The significant increase of waste for energy consumption is due to the fact that both combustible waste for energy generation and waste for biogas generation are included. Previously the number counted only combustible waste

\(^8\) 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

\(^9\) 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.

<table>
<thead>
<tr>
<th>GRI Standard</th>
<th>Disclosure</th>
<th>Disclosure description</th>
<th>Page, comment or omission</th>
<th>UNGC active cross reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 101: Foundation 2016 - This report has been prepared in accordance with the GRI Standards: Comprehensive option</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI 102: General Disclosures 2016**

<p>| 102-1 | Name of the organisation | Page 5 | 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 21 and Annual report | Organisational profile and Operational context |
| 102-8 | Information on employees and other workers | Page 21 and Annual report | Organisational profile and Operational context |
| 102-9 | Supply chain | Pages 10-11 | Organisational profile and Operational context |
| 102-10 | Significant changes to the organisation and its supply chain | Building new facilities in Mexico and new warehouse in Denmark. Increased number of employees from 563 to 595. Covid-19 pandemic has challenged our supply chain |
| 102-11 | Precautionary Principle or approach | Pages 12-13 |
| 102-12 | External initiatives | Pages 12-13 |
| 102-13 | Membership of associations | Pages 12-13 |
| 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, Figure 6 |
| 102-19 | Delegating authority | Pages 12-13, Figure 6 |
| 102-20 | Executive-level responsibility for Economic, Environmental, and Social (EES) topics | Pages 12-13, Figure 6 |
| 102-21 | HGB consultation on EES topics | Pages 12-13 and Annual report |
| 102-22 | Composition of governance bodies | Pages 12-13 |
| 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, Figure 6 |
| 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, Figure 6 |
| 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, Figure 6 |
| 102-30 | HGB’s review of management of EES risks | In accordance with ISO-documented procedures |</p>
<table>
<thead>
<tr>
<th>GRI Standard</th>
<th>Disclosure</th>
<th>Disclosure description</th>
<th>Page, comment or omission</th>
<th>UNGC active cross reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-31</td>
<td>Frequency of EES risk reviews</td>
<td>Twice a year together with review of Global Risk Management</td>
<td></td>
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<td>No critical concerns raised in 2020</td>
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<td>Described in the Schou Foundation’s Articles of Association</td>
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<td>Stakeholder views on remuneration</td>
<td>Remuneration policies are confidential and not shared with our stakeholders</td>
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<td>Collective bargaining agreements</td>
<td>In Denmark, 57% of employees are covered by a collective bargaining agreement. This is not measured in our subsidiaries</td>
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<td>Selection of stakeholders</td>
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<td>Issues raised and responded to</td>
<td>Page 9, Figure 5 Customer satisfaction survey is carried out every second year. Compiles questions on service, support, innovation, CSR and more.</td>
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<td>30 April 2020</td>
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<td>102-53</td>
<td>Report contact</td>
<td>Senior CSR Specialist, Lisa Drejer Mortensen, <a href="mailto:ldm@palsgaard.dk">ldm@palsgaard.dk</a></td>
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**GRI 103: Management approach 2016**

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<td>201-1</td>
<td></td>
<td>Direct economic value generated and distributed</td>
<td>Turnover: DKK 1.5 billion. Effective tax rate: 23.7% (tax is being paid where it is earned). Jobs provided: 595.</td>
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<td>201-2</td>
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<td>Financial implications and other risks and opportunities due to climate change</td>
<td>Page 12, 16. Strategic risk is managed on a global scale and climate change-related risks are considered.</td>
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<td>201-3</td>
<td></td>
<td>Defined benefit plan obligations and other retirement plans</td>
<td>Page 21.</td>
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<td>201-4</td>
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<td>Financial assistance received from government</td>
<td>10 years tax-free scheme in Malaysia. The Danish government has supported export initiatives with DKK 181,000 over 3 years.</td>
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<td>202-1</td>
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<td>Ratios of standard entry level wage by gender compared to local minimum wage</td>
<td>We ensure that all employees &amp; workers are paid at or above the minimum wage, according to local legislation.</td>
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<td>202-2</td>
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<td>Proportion of senior management hired from the local community</td>
<td>75% of Senior Management in our subsidiaries are local. Senior Management is Site Director, General Director, General Manager etc.</td>
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<td>Pages 10-11. Significant locations of operation page 7. Local refers to the communities surrounding the areas in which we operate.</td>
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<td>203-1</td>
<td></td>
<td>Infrastructure investments and services supported</td>
<td>Commercial investment in technology in Malaysia, Brazil and Mexico. Application laboratories globally, increasing our number of distributors worldwide and a new factory in Mexico will be producing in 2021</td>
<td>1, 10</td>
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<td>203-2</td>
<td></td>
<td>Significant indirect economic impacts</td>
<td>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.</td>
<td>1, 10</td>
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<td>FP1</td>
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<td>% of purchased volume from suppliers compliant with company’s sourcing policy</td>
<td>Pages 12, 15. 91% 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.</td>
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<td>FP2</td>
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<td>% of purchased volume verified to be in accordance with responsible standards, by standard</td>
<td>Pages 13, 19. 100% of products are manufactured at FSIS 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.</td>
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<td>204-1</td>
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<td>Proportion of spending on local suppliers</td>
<td>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. 100% of our products are based on palm oil and are available as RSPO SG-certified</td>
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<td>Operations assessed for corruption risks</td>
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<td>207-1 Approach to Tax</td>
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<td>Our strategy is to comply with the tax legislation in all the countries where we operate and that trade with intercompany 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.</td>
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<td>207-2 Tax governance, control, risk management</td>
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<td>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.</td>
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<td>We have a relative 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.</td>
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<td>207-4 Country-by-country reporting</td>
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<td>Further details are not reported for confidentiality reasons.</td>
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<td>Further breakdown of numbers commercially sensitive</td>
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<td>301-2 Recycled input materials used</td>
<td>Due to food safety regulations, we cannot use recycled input materials in production</td>
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<td>301-3 Reclaimed products and their packaging materials</td>
<td>Due to food safety regulations, reclaimed input materials are not added to our products</td>
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<td>302-2 Energy consumption outside of the organisation</td>
<td>We currently do not measure this. Information not available</td>
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<td>302-3 Energy intensity</td>
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<td>We define energy intensity as kWh per kg finished product</td>
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<td>302-4 Reduction of energy consumption</td>
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<td>Calculations not available</td>
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<td>303-1 Water withdrawal by source</td>
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<td>We use only ground water at our Denmark facilities. In our subsidiaries, we use water that complies with required food quality and safety regulations</td>
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<td>303-2 Water sources significantly affected by withdrawal of water</td>
<td>Water consumption per production unit is relatively small. No water sources are significantly affected</td>
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<td>303-3 Water recycled and reused</td>
<td>Due to food safety regulations, water is not recycled within our production facilities</td>
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<td>305-1 Direct GHG emissions (scope 1)</td>
<td>Pages 26, and page 27 for gross and net CO2-emissions</td>
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<td>306-2 Energy indirect GHG Emissions (scope 2)</td>
<td>Page 26, and page 27 for gross and net CO2-emissions (Company cars are excluded)</td>
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<td>Currently not measured</td>
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<td>305-5 Reductions of GHG emissions</td>
<td>Pages 16, 26-27</td>
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<td>305-6 Emissions of ozone-depleting substances</td>
<td>Not applicable</td>
<td>7, 8, 9</td>
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<td>305-7 NOx, SOx, and other air emissions</td>
<td>We do not currently measure NOx and SOx</td>
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<td>Reuse is waste for reuse</td>
<td></td>
<td>7, 8, 9</td>
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<tr>
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<td>Recycling is waste for recycling</td>
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<td>Recovery, including energy recovery and incineration is waste for energy generation</td>
<td></td>
<td>7, 8, 9</td>
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<tr>
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<td></td>
<td>Landfill is waste for landfill</td>
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<td></td>
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<td>The disposal method is determined by regulations and waste regulations set by the authorities</td>
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<td>Water bodies affected by water discharges and/or runoff</td>
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<td>Non-compliance with environmental laws and regulations</td>
<td>No incidents in 2020</td>
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<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>Pages 20-21</td>
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<td>401-3</td>
<td>Parental leave</td>
<td>Pages 20-21</td>
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Employee turnover rate is reported without breakdown of age and gender:
- Denmark: 10.36%
- Subsidiaries to Palsgaard A/S totally: 10.17%
- Subsidiaries per country:
  - Malaysia: 12.7%
  - Mexico: 3.9%
  - Singapore: 5.9%
  - Russia: 5.9%
  - The Netherlands: 12.1%
  - China: 5.6%
  - Poland: 12.0%
  - South Africa: 50%
  - Kenya: 0%
  - Iran: 0%
  - USA: 0%
  - Brazil: 17.8%
  - France: 0%
  - Germany: 0%
  - Turkey: 11.1%

Employees returning to work after taking parental leave remained employed 12 months later: 16 employees totally had parental leave in 2019 and are still employed in 2020, except one man in Denmark.
- Denmark (4 females/4 males)
- Malaysia (4 males)
- Mexico (1 female/ 3 males)
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<td>403-1</td>
<td>Work environment committee covers 100% of workers, across all sites. The definition of workers extends to those who are employed directly by Palgaard including its subsidiaries</td>
<td>Pages 21, 27</td>
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<td>403-2</td>
<td>Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</td>
<td>Page 27</td>
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<td>Workers with high incidence or high risk of diseases related to their occupation</td>
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<td>403-4</td>
<td>Health and safety topics covered in formal agreements with trade unions</td>
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<td>Training and education</td>
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<td>404-1</td>
<td>Average hours of training per year per employee</td>
<td>1.24% of work hours was related to education (Denmark, Brazil, Malaysia, Mexico &amp; The Netherlands) without breakdown of gender or employee category. The number is reduced since last year because of the pandemic.</td>
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<td>404-2</td>
<td>Programs for upgrading employee skills and transition assistance programs</td>
<td>Pages 12-13, 20-22</td>
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<td>404-3</td>
<td>% of employees receiving regular performance and career development reviews</td>
<td>100% of employees receive reviews yearly</td>
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<td>GRI 405</td>
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<td>405-1</td>
<td>Diversity of governance bodies and employees</td>
<td>Page 31 and Annual report</td>
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<td>405-2</td>
<td>Ratio of basic salary and remuneration of women to men</td>
<td>Remuneration monitored for production employees through Danish Industry’s (DI) gender specific salary statistics for Palgaard's production operators in Denmark. The latest data available is from 2019. In 2019, the remuneration ratio for men and women was 100.83/95.86</td>
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<td>406-1</td>
<td>Incidents of discrimination and corrective action taken</td>
<td>One incident in 2020. The reported case was not approved according to Palgaard whistleblowing policy and the Compliance team. It was handled and closed by local management and HR. Ethical hotline has been established Q4 2019</td>
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<td>Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk</td>
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<td>Operations and suppliers at significant risk for incidents of forced or compulsory labour</td>
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# GRI content index – material topics

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<td>Operations that have been subject to human rights reviews or impact assessments</td>
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<td>412-2</td>
<td>Employee training on human rights policies or procedures</td>
<td>All employees receive Code of Conduct. We do not measure training</td>
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<td>412-3</td>
<td>Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening</td>
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<td>Non-compliance with laws and regulations in the social and economic area</td>
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| Local communities | 103-2 | The management approach and its components | Pages 15, 22-23 | 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, 20-21 | 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 | 103-1 | Explanation of the material topic and its Boundaries | Page 14 | 1, 4, 5, 6, 10 |
| Supplier Social Assessment | 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 | 1, 4, 5, 6, 10 |
| | | | No further breakdown of data | |

| GRI 416 | 103-1 | Explanation of the material topic and its Boundaries | Pages 13, 19 | 10 |
| Customer Health and Safety | 103-2 | The management approach and its components | Pages 12-13, 15, 19 | 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, 19 | 10 |
| | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | There were no food recall incidents in 2020 | 10 |
| | FP5 | % of production volume audited by 3rd party to food safety compliance | 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 18 and www.palsgaard.com | 10 |

| GRI 417 | 103-1 | Explanation of the material topic and its Boundaries | Pages 8, 18 | 10 |
| Marketing and Labelling | 103-2 | The management approach and its components | Page 18 | 10 |
| | 103-3 | Evaluation of the management approach | Page 18 | 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 2020 | 10 |
| | 417-3 | Incidents of non-compliance concerning marketing communications | No incidents in 2020 | 10 |

| GRI 418 | 103-1 | Explanation of the material topic and its Boundaries | Page 13 | 10 |
| Customer privacy | 103-2 | The management approach and its components | Page 13 | 10 |
| | 103-3 | Evaluation of the management approach | Page 8 | 10 |
| | 418-1 | Complaints concerning breach of customer privacy | No complaints in 2020 | 10 |

| GRI 419 | 103-1 | Explanation of the material topic and its Boundaries | Pages 12-13 | 10 |
| Socioeconomic compliance | 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 2020 | 10 |
## Legal requirements

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

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<td>Systems &amp; due diligence processes</td>
<td>See “A responsible approach” on page 13</td>
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<td>Key risks</td>
<td>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</td>
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<td>KPIs</td>
<td>See Figure 1 on page 5</td>
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<tr>
<td>Means of reporting</td>
<td>Palsgaard provides a separate CSR report, which is available online <a href="http://www.palsgaard.com">www.palsgaard.com</a></td>
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<tr>
<td>Policy for increasing the share of the underrepresented gender</td>
<td>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</td>
</tr>
<tr>
<td>Target figure for the top management team</td>
<td>Status of the underrepresented gender within top management: see Figure 2 on page 6 and Internal governance on page 12</td>
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Tell us what you think

Send your feedback to ldm@palsgaard.dk

Front page photo
The 800+ solar panels installed in the parking area of Palsgaard Netherlands helped make the production CO2-neutral in 2018.