

A photograph of a tall industrial building with a large blue sign that reads "CO2 NEUTRAL" and features a graphic of the Earth. The Palsgaard logo is visible at the top of the sign. The building is set against a clear blue sky with some trees in the background.

**Palsgaard**

**CO<sub>2</sub>**  
**NEUTRAL**

# CORPORATE SOCIAL RESPONSIBILITY

REPORT 2015



we are experts in emulsifiers and stabilizers for bakery, confectionery, dairy, ice cream, margarine and fine foods - and we are happy to share our expertise. our company values can be defined in just three words: **commitment**, **loyalty**, **responsibility** and **heart**. we aim to be the preferred partner and supplier of quality products, application service and know-how to regional and multi-national food companies. to Palsgaard **loyalty** means that we act as a reliable and honourable business partner for our customers. we treat information confidentially and know how to keep a business secret. to Palsgaard **responsibility** means caring about the environment and being aware of our corporate responsibility; we have a goal to be CO<sub>2</sub> neutral by 2020 and are members of SEDEX and RSPO. to Palsgaard **commitment** means we are dedicated to getting the best results for our customers' products - to the benefit of their customers. we care about our employees and have a declared aim that Palsgaard must be a pleasant place to work. **Heart** we know that our most important resource is the know-how and dedication of our employees. **Heart** we are committed to getting the best results with our products in our pilot plants and in your facilities. **Working** at Palsgaard we don't sell standard solutions - we start with your needs. **People** Palsgaard - Heart Working **People** heart work is the best way to achieve success - let us help you get it. our products are produced according to the strictest quality criteria. we are experts in emulsifiers and stabilizers and we are happy to share our expertise with you. let our pilot plants help you shorten the step between idea and your new product. heart work is the best way to succeed - let us help you do so.



### ***Heart working people***

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



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# ABOUT THIS REPORT

This is Palsgaard's sixth annual CSR report, covering the 2015 calendar year. It aims to provide a balanced overview that identifies the impacts and risks our work with food ingredients involves, as well as our activities to counter these and to make positive contributions to a more sustainable world. This report forms part of the management report in the company's annual report for 2015 in compliance with the Danish Financial Statements Act, Section 99a.

## REPORT SCOPE

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

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

## REPORTING PRINCIPLES

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

The topics included in this report, and the material aspects we cover, have been selected and prioritised by Palsgaard management on the basis of their interest and relevance to our own and our stakeholders' reporting needs. These are detailed in the section on Materiality on page 12.

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

## INDEPENDENT REVIEW

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

 <p>THE GLOBAL COMPACT</p> <p>COMMUNICATION ON PROGRESS</p>	<p>This is our <b>Communication on Progress</b> in implementing the principles of the <b>United Nations Global Compact</b> and supporting broader UN goals.</p> <p>We welcome feedback on its contents.</p>
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Figure 1:

CORE CSR FIGURES AND TARGETS	2010	2011	2012	2013	2014	2015	Target 2020
CO <sub>2</sub> emission (kg CO <sub>2</sub> per kg finished product)	0.32	0.18	0.18	0.17	0.17	0.12	0
Accident frequency (accidents with absence per million working hours)	22	8	14	11	16	18	3
Wastewater emissions (l per kg finished product)	1.22	1.42	1.53	1.39	1.64	1.42	1.00
Raw material consumption (kg per 100 kg finished product)	107.90	107.19	106.49	107.37	108.39	107.71	104.00
RSPO-certified palm oil (%, Denmark)	–	–	–	–	8	100	100

*Our CSR targets were initially set in 2010. During 2014 and 2015, three factors played a primary role in slightly increasing our energy consumption and raw materials consumption: The implementation phase of the Malaysian plant, increased production levels throughout the company, and the production of an intermediate product previously sourced from suppliers.*



# WELCOME TO OUR 2015 CSR REPORT

Dear Reader,

2015 was a year to celebrate for Palsgaard, not just because the company prospered, but because we simultaneously achieved the first part of our goal to declare a zero carbon footprint globally by 2020.

The company's Danish plant, which produces the majority of our products, proudly became CO<sub>2</sub>-neutral during the year. The announcement event was attended by government officials, scientists, the press and business connections (see page 32 in this report).

Palsgaard is a foundation-owned enterprise with a long history of social responsibility and deep ingredients expertise. So we are in a unique position to help the food industry meet consumer needs and regulatory priorities by facilitating more sustainable, higher-quality production and low-fat products. As the inventor of the modern emulsifier, we have expanded our pioneering agenda to help lead the way in CO<sub>2</sub> emission reductions, sustainable palm oil raw materials sourcing and more. We intend to continue going above and beyond baseline requirements to create benefits for our stakeholders and society, and to minimise any negative impacts on the world in which we live.

We continue our support of the UN Global Compact and in 2015 warmly welcome the UN Global Compact's 17 Sustainable Development Goals (SDGs). Early indications point to the SDGs becoming a CSR focus for thousands of companies in many industries, as well as a business opportunity. Our CSR committee is reviewing the goals to determine where Palsgaard can make a real difference, and where to implement specific SDG initiatives in the near future.

## 2015 PERFORMANCE

The year saw a mix of triumphs and challenges on the sustainability front. We are pleased to announce that waste and derivative products decreased per kg of finished product, water consumption was reduced, and Palsgaard Malaysia achieved RSPO certification. Regrettably, work-related accidents rose, only part of which may be attributed to increased production volumes.

## GOING FORWARD

In the years to come we will continue to plan and introduce new activities to achieve CO<sub>2</sub>-neutrality at all production facilities by 2020. In Denmark, Malaysia, Mexico and the Netherlands and in other countries, we will continue to identify greener fuel alternatives and more sustainable sources of electricity, as well as ways to reduce water usage. We will also increase our RSPO-certified production capabilities in plant locations outside Denmark. In the workplace, 2016 will see renewed focus on safe behaviours and preventative measures.

We remain a dedicated partner to our customers, innovating to bring them sustainable advantages and supporting the wider community wherever possible. We hope that this report will provide you with insight into how we work with corporate social responsibility – and that you will enjoy reading it.



**Birger Brix**  
Group CEO  
Schou Foundation  
Palsgaard 26th April 2016



**Jakob Thøisen**  
CEO  
Palsgaard A/S  
Palsgaard 26th April 2016

# OUR BUSINESS

## 107 YEARS AS A RESPONSIBLE ENTITY

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

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

## DISTRIBUTION OF EMPLOYEES

### Europe: 77%

Average age: 47 years  
Male: 190 Female: 111

### Americas: 11%

Average age: 40 years  
Male: 27 Female: 15

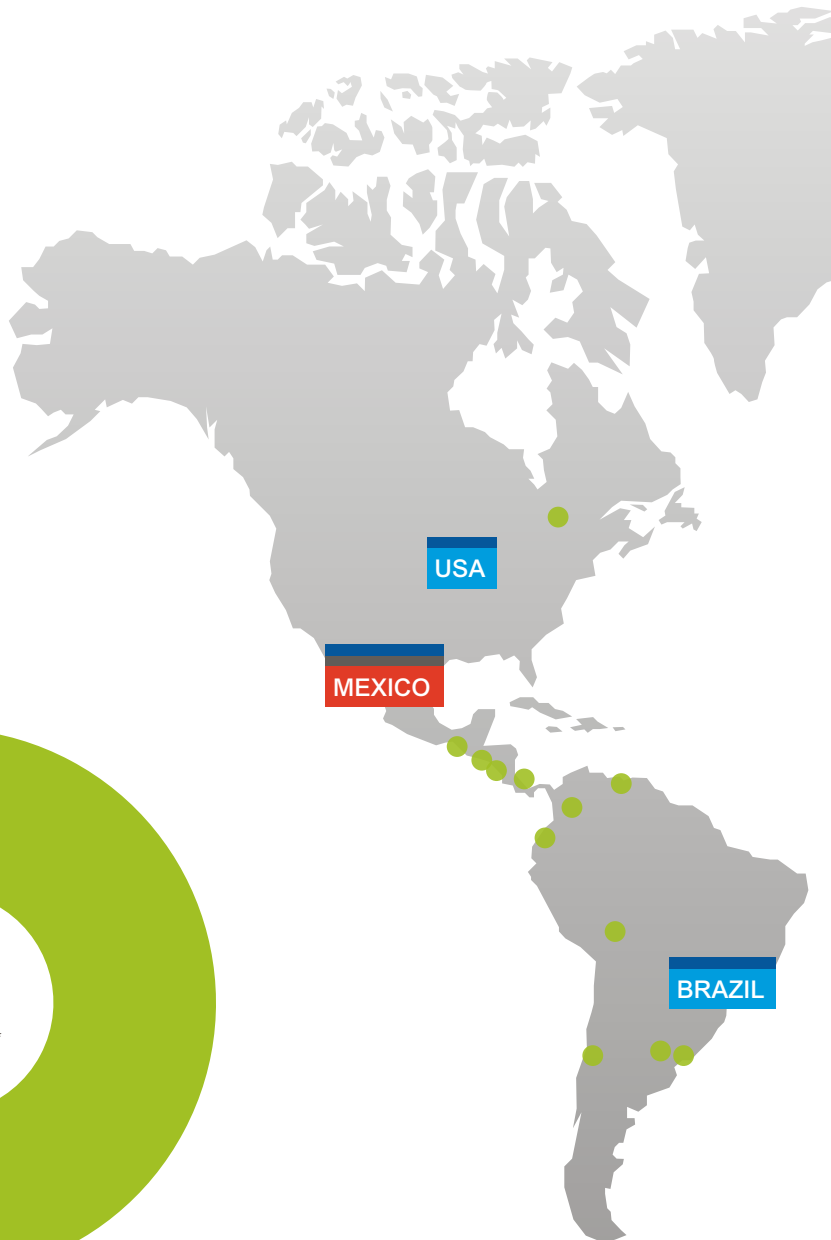
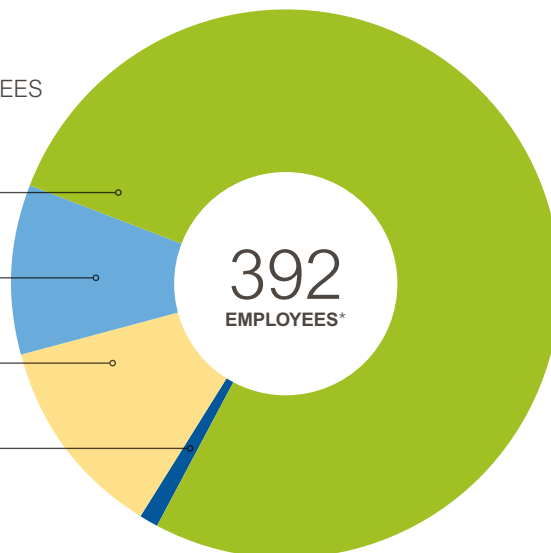
### Asia: 11%

Average age: 39 years  
Male: 28 Female: 17

### Africa: 1%

Average age: 46 years  
Male: 2 Female: 2

\*Year end 2015



## WE HELP BUSINESSES MAKE BETTER PRODUCTS

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

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

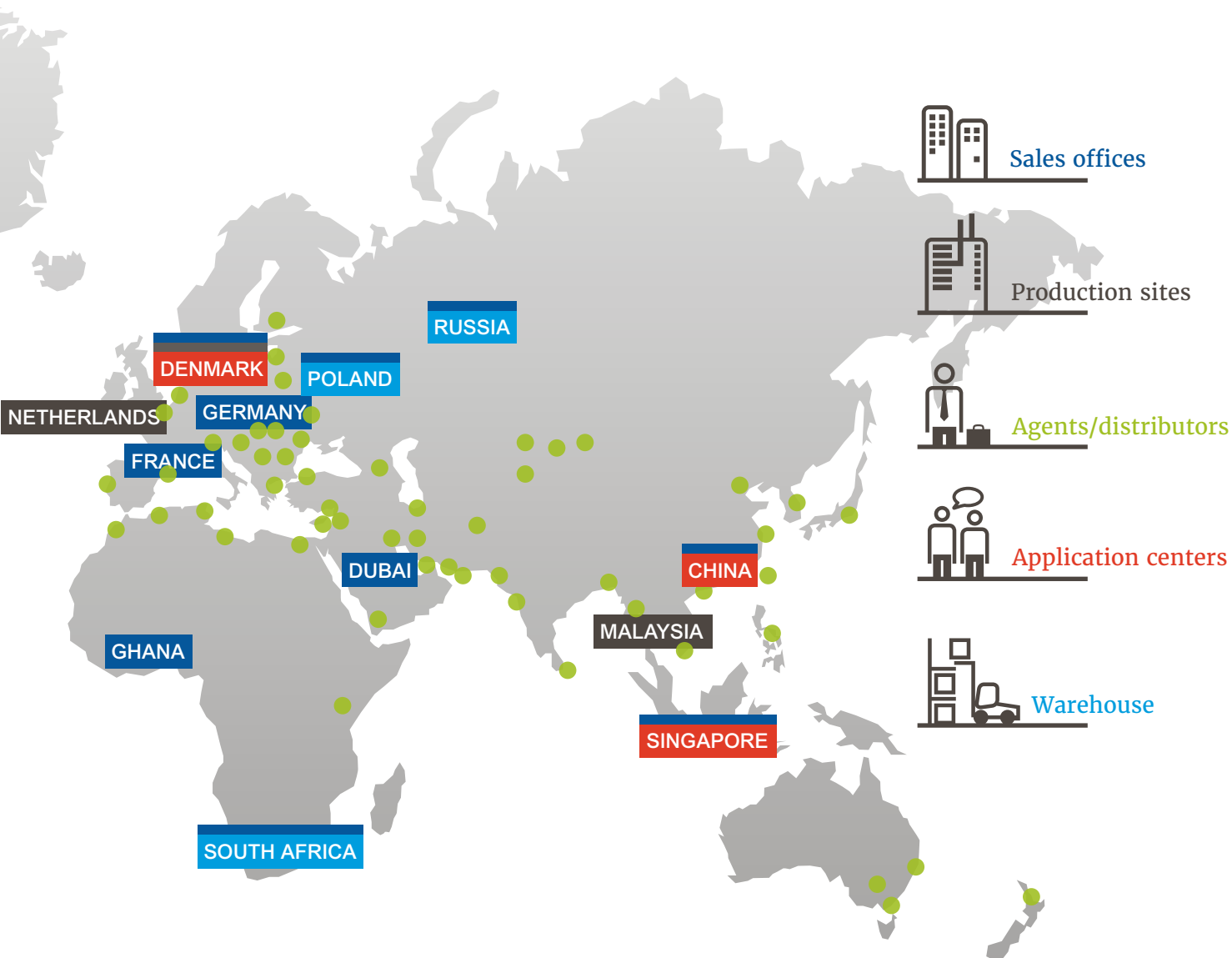
Our product application areas include:

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

## NEXUS: INVENTING THE FUTURE OF FOOD

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





## OUR ECONOMIC CONTRIBUTION

During 2015, Palsgaard's turnover was DKK 1,080 million. We paid an effective tax rate of 33.5% and provided 392 jobs.

Figure 2:  
EFFECTIVE TAX RATE



# OUR SUSTAINABILITY APPROACH

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

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

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

<sup>\*</sup>EU COM(2011) 0681 final

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

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

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

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## OUR 4 FOCUS AREAS



### CORPORATE GOVERNANCE

Build long-term value by aligning with national and international legislation and best practices so that the rules and processes that direct and control us balance the interests of stakeholders in our company, our supply chain and the communities in which we work.  
*See pages 18-27*



### ENERGY & ENVIRONMENT

Contribute to sustaining and replenishing our natural environment in the way we select raw materials, consume energy, dispose of waste and conduct logistics.  
*See pages 28-41*



### PRODUCTS

Meet our responsibility toward the company, our customers and society to develop high-quality products that are effective, safe, and cost-efficient, and to market these products in a responsible manner.  
*See pages 42-51*



### EMPLOYEES

Create an inclusive workplace that is rewarding, safe, healthy and motivating for our employees, and in balance with the wider context of their lives.  
*See pages 52-59*

*In 2015, Denmark's leading CSR conference, hosted by FSR Danish Auditors in conjunction with the Confederation of Danish Industry and The Danish Business Authority, recognised our 2014 CSR report as Denmark's best in the Under 2000 Employee category. The award was presented to the company's CEO, Jakob Thoisen, by Her Royal Highness Crown Princess Mary.*



# MATERIALITY

As with previous years, Palsgaard has conducted an updated materiality analysis to identify our priority issues in advance of developing this report (see Figure 3). Materiality analysis determines which topics influence our ability to create, maintain or erode economic, environmental and social value for Palsgaard, our stakeholders, and society at large. These topics then form our corporate social responsibility efforts and help to determine our reporting practices.

## KEY STAKEHOLDERS

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

- Customers
- Owners
- Management
- Employees
- Competitors

We use a core set of priority issues to guide our corporate responsibility strategy. These issues reflect the topics of highest concern to Palsgaard and its stakeholders. First, we defined a set of priority issues through analysis in 2011. Since then, we have completed several rounds of review and refinements, the last of which was a review that took place in 2015.

As part of the materiality process, we have:

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

Changes recommended by the internal review process and by Palsgaard's external CSR advisors contributed to Palsgaard winning the CSR Award 2015 at Denmark's 21st CSR conference, hosted by FSR Danish Auditors, the Confederation of Danish Industry and The Danish Business Authority. The judging panel described the 2014 CSR Report as "a complete, clear report that gives its reader a good understanding of the company's CSR activities and Palsgaard's determination to create 'shared value' based on the opportunities and risks it identifies in the value chain."

Figure 3:

## MATERIALITY ANALYSIS

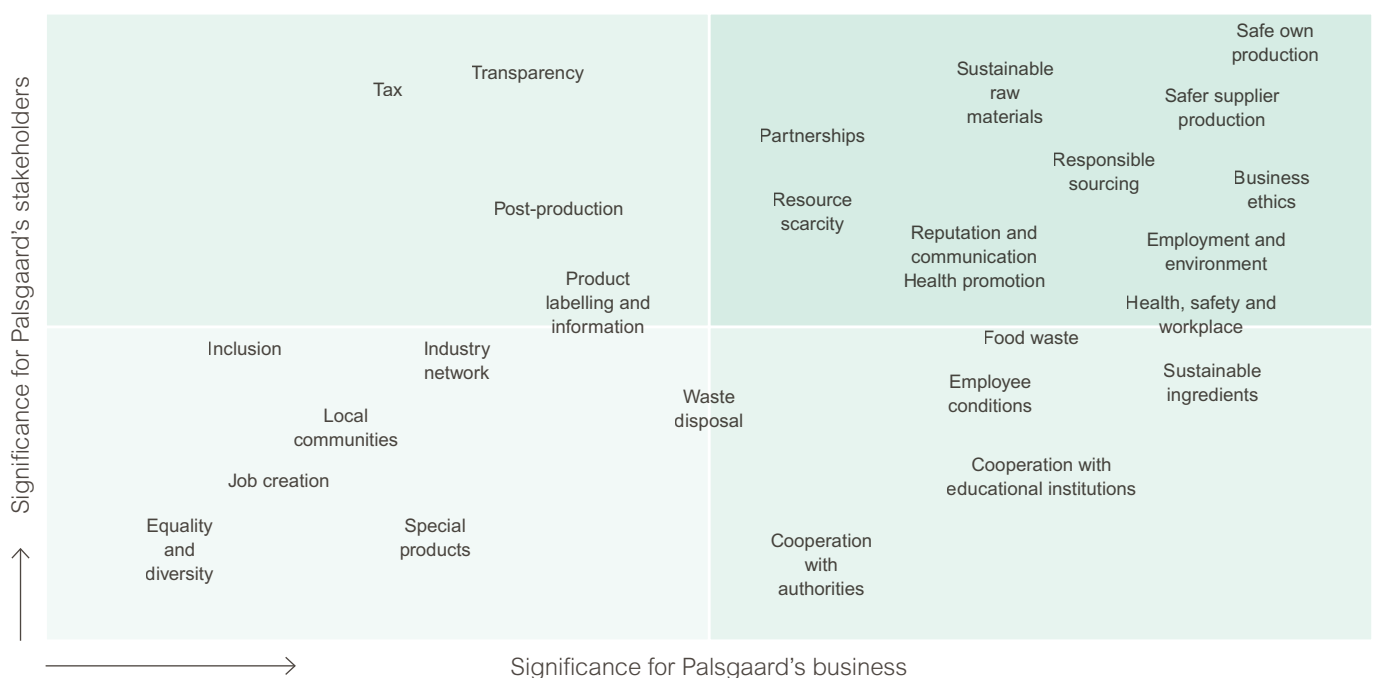




Figure 4:  
CUSTOMER INPUT

Customer perceptions of Palsgaard as a sustainable supplier, measured by international research firm Ennova, are considered to be key performance indicators for the company. The input of procurement staff and technicians,

for example, helps to guide and optimise our efforts. The 2014 results showed high satisfaction with our sustainability efforts. The next survey is due in 2016.



## WELCOMING THE SUSTAINABLE DEVELOPMENT GOALS

# SHAPING OUR SUSTAINABILITY APPROACH

### SUSTAINABLE PALM OIL

The Roundtable on Sustainable Palm Oil (RSPO) seeks to make sustainable palm oil the norm. Members can seek supply chain certification. Our Danish and Malaysian plants are RSPO-certified.

[www.rspo.org](http://www.rspo.org)

### GROWTH & KNOWLEDGE SHARING

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

[www.di.dk](http://www.di.dk)

### RESPONSIBLE SUPPLY CHAIN

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

[www.sedex.org.uk](http://www.sedex.org.uk)

### CSR DIALOGUE

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

[www.vfsa.dk](http://www.vfsa.dk)

### ETHICAL PRACTICES

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

[www.unglobalcompact.org](http://www.unglobalcompact.org)

### INDUSTRY BEST PRACTICES

The European Food Emulsifiers Manufacturers Association (EFEMA) maintains links to overseeing authorities and – through its members – proposes best practices for emulsifier production, food safety and consumer protection.

[www.emulsifiers.org](http://www.emulsifiers.org)



*Palsgaard welcomes the UN's 2030 Agenda for Sustainable Development. While our work already addresses many of the Agenda's 17 goals, they add fresh inspiration and new perspectives on collaboration to our CSR strategy.*



#### 17 GOALS TO TRANSFORM THE WORLD

Launched during 2015, and widely applauded, the 2030 Sustainable Development Agenda encourages companies to advance broader societal goals, emphasising collaboration and innovation. See page 62 for further details.

## OUR LEGACY

Palsgaard is owned by the Schou Foundation, which has maintained a tradition of social responsibility for more than 100 years. Being foundation-owned gives us a strong starting point for sustainability, protecting Palsgaard from hostile takeovers, and enabling us to focus on development with less pressure for short-term profits.

## OUR VISION & VALUES

We wish 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 ATTITUDE

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

## OUR MISSION

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

# CREATING SHARED VALUE

## OPPORTUNITIES & INITIATIVES

WE WORK WITH OUR  
SUPPLY CHAIN TO:

### **ENSURE RESPONSIBLE SOURCING BY**

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

## IMPACTS AND RISKS

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

## OUR VALUE CHAIN

### **01 SUPPLIERS**





## IN OUR PLANTS, WE WORK TO:

### REDUCE ENERGY & EMISSIONS BY

- Setting aggressive targets for CO<sub>2</sub>-neutrality

### REDUCE WASTE BY

- Improving raw material utilisation
- Minimising volumes of waste water

### IMPROVE OUR WORKPLACE BY

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

### INFLUENCE INDUSTRY STANDARDS BY

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

## WE WORK WITH CUSTOMERS TO:

### REDUCE ENERGY & EMISSIONS AND INCREASE EFFICIENCY BY

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

### ENSURE FOOD SAFETY AND MEET CONSUMER PREFERENCES BY

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

### REDUCE FOOD WASTE BY

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

## WE HELP CONSUMERS TO:

### LIVE HEALTHIER LIVES BY

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

### EAT SAFER FOOD PRODUCTS BY

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

### REDUCE HOUSEHOLD FOOD WASTE BY

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

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

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

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

## 02 OUR PRODUCTION



## 03 FOOD MANUFACTURER



## 04 CONSUMER





01

FOCUS AREA

CORPORATE

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



# GOVERNANCE

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

100%

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

6

formalised internal policies guide our actions



## FOCUS AREA

## 01 CORPORATE GOVERNANCE

## CHALLENGES

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



# 97%

of all raw materials  
used are sourced  
by headquarters in  
Denmark



# 84%

of key suppliers (based on  
current scope of top 80% of  
spend) have already been  
assessed by our Respon-  
sible Sourcing process and  
9% are in process



## PRINCIPLES

### WE EMPHASISE

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

### WE ALIGN/COMPLY WITH

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

## 2015 ACTIONS

- 84% of suppliers (based on top 80% of spend) are now within responsible sourcing scope for product raw materials and packaging
- 9% of suppliers are in the process of sustainability evaluation but as yet not complete
- Further strengthened our anti-corruption/cartels program, including new guidelines for employees, agents and distributors
- Initiated corruption risk analysis
- Implemented a new CSR management system, including more regular sustainability reporting from subsidiaries
- Chaired the committee for sustainable palm oil under the Confederation of Danish Industry

## FUTURE

- Work to have our subsidiaries adopt the various sustainability measures more closely
- Increase the percentage of key suppliers by spend assessed for sustainability by our Responsible Sourcing process
- Continuous improvement in the CSR performance evaluation section of our biennial customer satisfaction survey
- Continue to advance sustainability in our supplier base with particular focus on developing countries
- Intensify CSR assessment in the selection process for new suppliers

# STRUCTURE & RESPONSIBILITIES

## FOUNDATION OWNERSHIP

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

Foundation ownership gives the company the freedom to consider its business in a more focused and visionary way, allowing Palsgaard to focus on long-term, responsible growth rather than short-term financial returns alone.

## GOVERNANCE STRUCTURE

Palsgaard A/S is governed by a board comprising three members. 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 board.

Palsgaard A/S's continued leadership, following the Schou Foundation's principles and objectives, is ensured by a stringent succession process for executive positions.

## SUSTAINABILITY GOVERNANCE

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

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

- A CSR working committee is chaired by a CSR coordinator, and its members selected by executive management
- Over 50 years of combined experience qualify the committee members to lead the sustainability agenda
- Internally or externally arising critical concerns on CSR may be raised with executive management via the CSR coordinator or the CEO
- The sustainability report is approved at its highest authority by both the Palsgaard CEO and the Group CEO

## POLICIES

Palsgaard conducts its business according to approved, frequently updated overall policies and guidelines. Updates are introduced when deemed necessary. Key written policies comprise:

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

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

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

## BRIBERY AND CORRUPTION

Palsgaard believes business should be conducted without facilitation payments. Employees must register exposure to attempted corruption, bribery or cartel formation and alert senior management. As of 2015, 100% of targeted sales and procurement employees have received guidance in anti-corruption behaviour and a new anti-corruption booklet was circulated to employees, agents and distributors. The CEO has explained the importance of ethical behaviour in our operations at face-to-face meetings.

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

## FINANCIAL RESPONSIBILITY

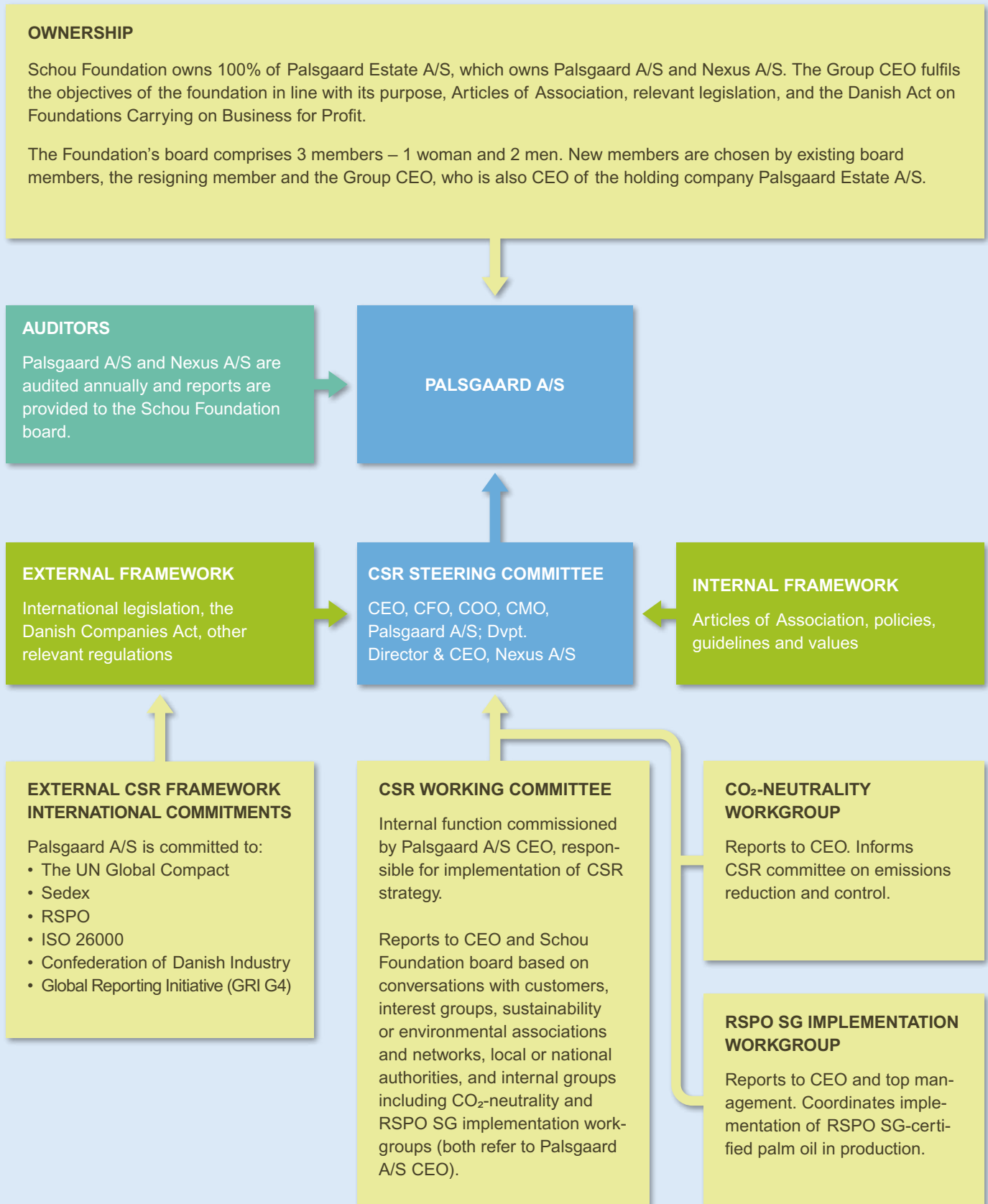
It is fundamental that we conduct ourselves in a financially responsible way to ensure a stable business through innovation, process optimisation and risk minimisation. Much of Palsgaard's contribution to society comes from corporate tax, which we believe should be paid in the country in which income is earned. To assist this aim, we comply with all relevant legislation and engage in analysis and guidance with our subsidiaries to set correct product prices in accordance with common market conditions.

## GRIEVANCE PROCEDURES

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

Figure 5:

## CSR GOVERNANCE STRUCTURE



# THE SCHOU FOUNDATION

The Schou Foundation oversees the activities of its companies that work to fulfil the foundation's aims, including Palsgaard A/S and its subsidiaries. The foundation is charged with preserving and further developing the Palsgaard Estate, where Palsgaard's head office and its factories are located, as a beautiful and pleasant workplace for employees and an enjoyable park area open to the general public. The Schou Foundation also supports the Palsgaard Foundation (see page 59), and establishes and sustains research and development companies in areas that promote its activities.

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

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

## THE OBJECTS OF THE SCHOU FOUNDATION



*Einar Viggo Schou, Founder of Palsgaard*

- 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.



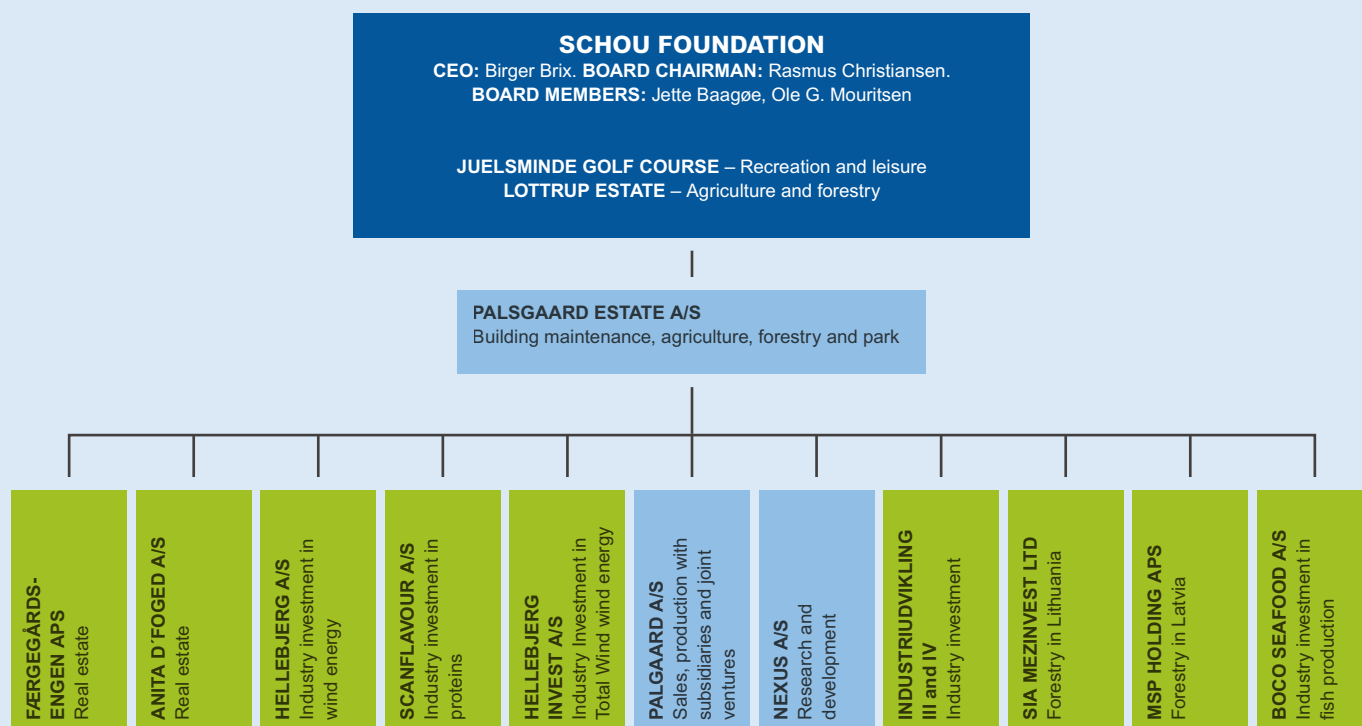




Figure 6:

## ORGANISATION

The organisation chart below shows entities owned or partly owned by the Schou Foundation. Entities that are not in scope of this report are highlighted in green. Entities in light blue are explained further in the Reporting Practice section and denoted as Palsgaard A/S ++ (See page 66)



# RESPONSIBLE SOURCING

## THE RAW MATERIALS CHALLENGE

A significant proportion of the raw materials we use, such as palm oil and palm oil derivatives, are cultivated in nations where environmental activities and employee conditions, in some cases, contrast with Palsgaard's own ambitions and principles. We regularly consider how to influence our suppliers toward focusing more on energy and environmental issues, as well as workers' rights.

Raw materials are often sourced from distant locations, including India and Pakistan. Palm oil is primarily purchased from Malaysia or Indonesia. As a smaller participant in the global market for raw materials, our ability to set and monitor specific CSR requirements in the supply chain is limited. While influencing suppliers more than one tier down is difficult and resource-intensive, this doesn't prevent us from setting ambitious goals. We clearly express our attitudes in this area, using every opportunity to influence our suppliers.

CSR practices vary significantly between manufacturers in developed countries and those from whom we source raw

materials in developing countries. Of the latter, some are well on the way to improving sustainability, while others, particularly those located in countries such as Pakistan, India and China, require additional effort from Palsgaard.

## SUPPLIER EVALUATION AND MANAGEMENT

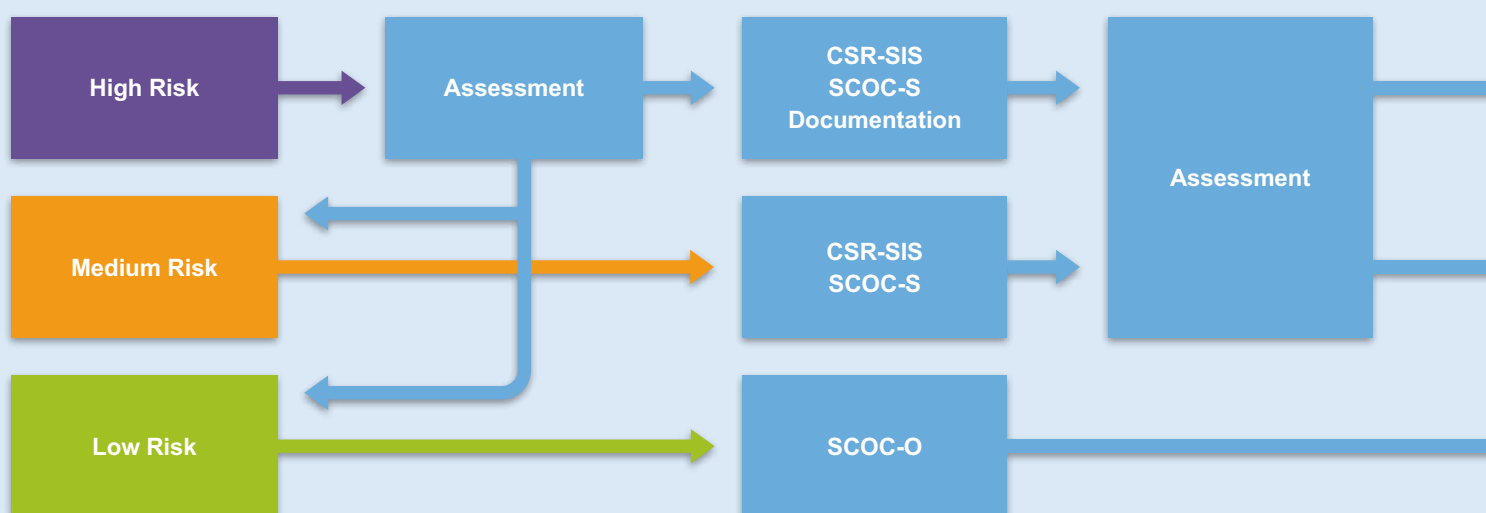
Supplier management has long been an integral component of our quality assurance system, helping to ensure that the raw materials we use meet our standards for quality, legality, reliability of supply and sustainability.

Our supplier code of conduct, based on the UN Global Compact (UNGC) and our corporate culture and ethics, defines the requirements we set for suppliers and partners concerning business ethics, human rights and employment rights.

We require selected new suppliers to sign a declaration that includes a provision identifying Palsgaard as a signatory to the UNGC. By signing the agreement, suppliers warrant that they will conduct business pursuant to the UNGC's 10 principles.

Figure 7:

## MANAGING RESPONSIBLE SOURCING



CSR evaluations of our suppliers are carried out three times a year, and are part of the total Quality Management System evaluation. Each evaluation includes a questionnaire-based point system to determine, among other things, the supplier's relationship to the principles.

We have determined routines for responsible supply management and continued to advance this project during 2015. In addition to the evaluation questionnaires, the project also includes guidelines for possible further auditing with the supplier.

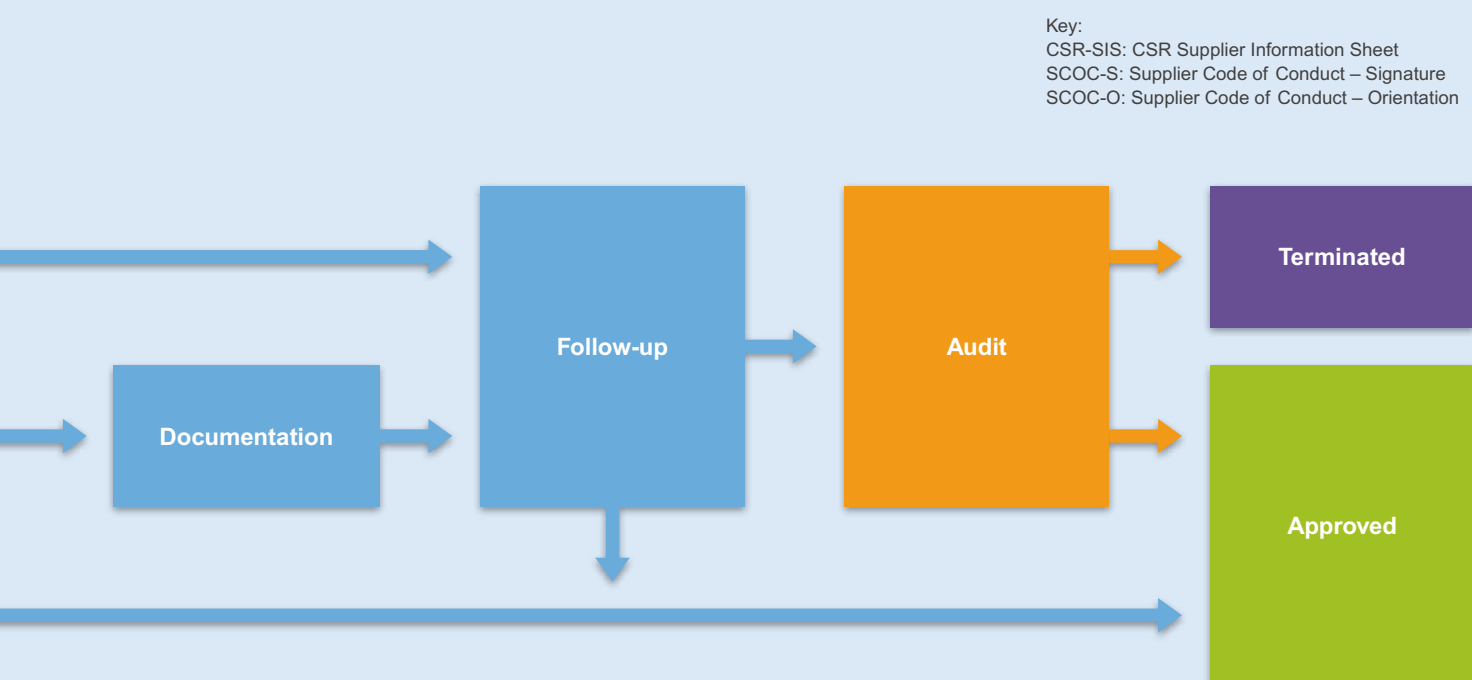
Whether Palsgaard will collaborate with a supplier is based on an overall evaluation that includes specifications, food safety and CSR. A risk profile is created based on country of origin, production and location of harvest, and a plan is made where necessary to attempt to guide the supplier via dialogue to a higher level of sustainability. By the end of 2015, 84% of key suppliers (based on the top 80% of spend, comprising 67 suppliers) had been assessed by our Responsible Sourcing

process and 9% were in process. Supplier evaluation shows that a certified environmental reporting system in the supply chain is not a focus area for most, and that there are no apparent significant breaches of labour rights that would require for further investigation.

Our Responsible Sourcing programme is managed by headquarters, which sources the majority of raw materials.

#### SEDEX MEMBERSHIP

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





# 02 FOCUS AREA ENERGY &

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



# ENVIRONMENT



100%

CO<sub>2</sub>-neutrality was achieved in 2015 at our Danish manufacturing plant



In 2015, we enabled

100%

RSPO Segregated production in Denmark



100%

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



## FOCUS AREA

## 02 ENERGY &amp; ENVIRONMENT

**KEY TARGET:**

WE AIM TO BECOME CO<sub>2</sub>-NEUTRAL AT ALL FACILITIES BY 2020

## CHALLENGES

- Our production processes are energy-intensive
- Implementing RSPO SG poses waste and workplace challenges for a period
- It can be difficult to achieve wide-spread adoption of sustainable palm oil in the industry
- We generate waste derivative products and waste water
- We transport relatively bulky goods over long distances
- As a global company we need to travel internationally
- We currently use light fuel oil at our Malaysian plant
- Local circumstances can make sustainability ambitions difficult to fulfil

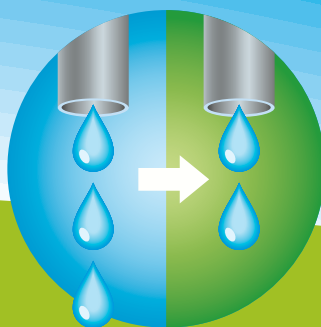
# 100%

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



# 12.6%

less water was used in Denmark during 2015



# 85%

of our electricity in Mexico is estimated to be generated by roof-mounted solar panels



## PRINCIPLES

### WE EMPHASIZE

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

### WE ALIGN/COMPLY WITH

- The 10 principles of the UN Global Compact
- Roundtable on Sustainable Palm Oil (RSPO)
- Internationally and locally applicable legislation

## 2015 ACTIONS

### ENERGY AND EMISSIONS

- 100% CO<sub>2</sub>-neutrality was achieved in Denmark
- Reduced CO<sub>2</sub> emissions to 0.12 kg per kg of finished product worldwide
- PANL converted entirely to electric forklift trucks

### WATER

- Reduced water consumption in Denmark by 12.6% compared with 2014

### WASTE

- Finished converting vacuum pumps in Denmark to use recycled instead of fresh water
- Reduced waste to 0.09 kg per kg of finished product
- Reduced waste water to 1.42 litres per kg of finished product

### RAW MATERIALS

- RSPO certification of our Malaysian production plant
- A slight decrease has been recorded to 108 kg of raw materials for 100 kg of finished product
- Reduced derivative products to 0.09 kg per kg of finished product

## FUTURE

- Become CO<sub>2</sub>-neutral at all plants by 2020
- Preparing RSPO certification for our Mexican facilities
- Change from light fuel oil to green alternatives in Malaysia
- Convert most vacuum pumps to recycled water
- Introduce LED lighting at more of our facilities
- Reduce waste water to 1 litre per kg of finished product by 2020
- Reduce total raw materials per 100 kg of finished goods to 104 kg by 2020

# CELEBRATING TODAY

IN 2015, PALSGAARD ACHIEVED CO<sub>2</sub>-NEUTRALITY IN DENMARK

2005



## STRAW-FIRED HEATING

Waste straw from grain produced in our own fields fuels our indoor heating. Burned at our large-scale straw burning plant, straw is a renewable energy source and a CO<sub>2</sub>-neutral alternative to mineral oil.

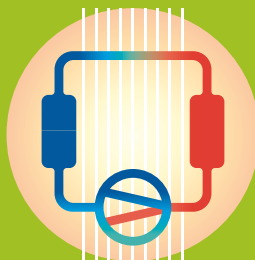
2009



## BOILER CONVERSIONS

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

2010



## MORE EFFICIENT PLANTS

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

2011



## WIND ENERGY

Wind power has helped our Danish plant to become CO<sub>2</sub>-neutral. In 2011, we began purchasing RECS-certified\* wind energy from Energi Danmark A/S.

2013



## LIGHTENING THE LOAD

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

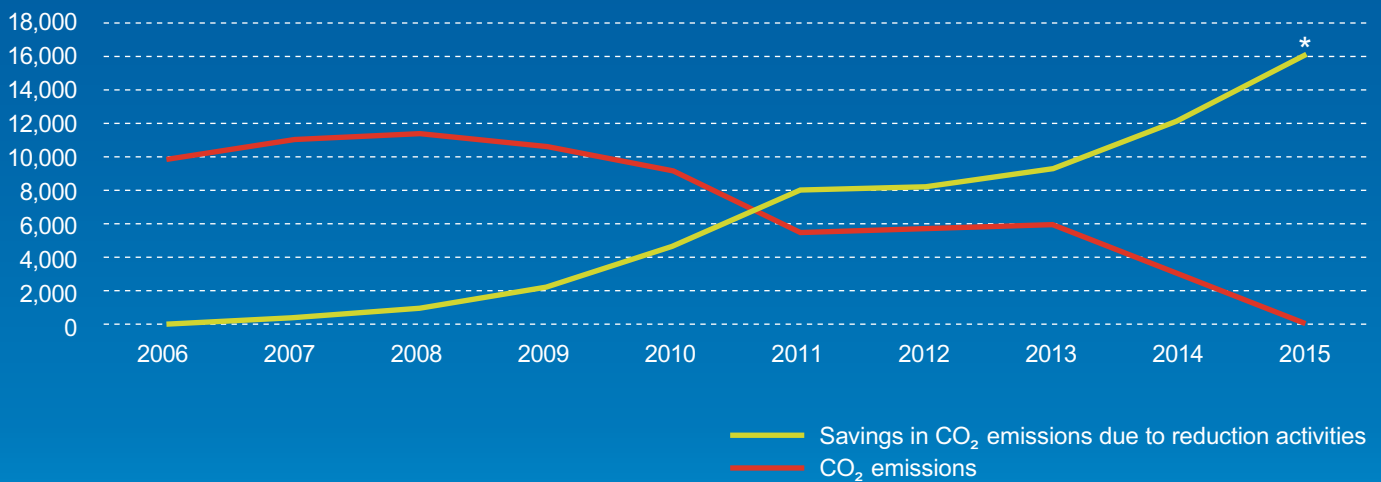
\* Renewable Energy Certificate System ([www.recs.org](http://www.recs.org))

Figure 8:

## PALSGAARD A/S – DENMARK

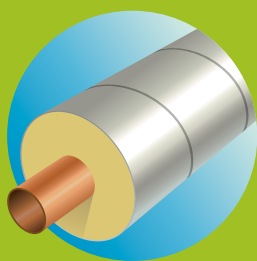
Annual CO<sub>2</sub> emissions vs. savings (in tons)

\* The reduction in CO<sub>2</sub> emissions for 2015 of 16,088 tons corresponds to the emissions of approximately 4,200 households.



2014

**2015** CO<sub>2</sub>-NEUTRAL  
IN DENMARK



### PROCESS INSULATION

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



### BIOGAS

All consumption of fossil energy (natural gas) has been converted to biogas by purchasing offset certificates from HMN Naturgas A/S.

## TARGETING TOMORROW

BY 2020, PALSGAARD AIMS TO HAVE A ZERO CARBON FOOTPRINT – GLOBALLY

Sharp focus on energy reductions, optimisation and the use of alternative, renewable solutions as energy sources have enabled us to achieve zero carbon emissions in Denmark five years earlier than expected. But Palsgaard's efforts to ensure sustainable production don't stop there. In fact, our facilities in the Netherlands, Mexico and Malaysia have already embarked on a similar process towards CO<sub>2</sub>-neutrality in 2020.



## REDUCING EMISSIONS THROUGH KNOW-HOW

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

## HERE COMES THE SUN

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





# ENERGY CONSUMPTION & EMISSIONS

Ensuring a good balance between the natural environment and the continued growth of our company is an important parameter for Palsgaard. And we have a long tradition of optimising production processes so that financial performance, quality and environment go hand in hand. In 2005, for example, we built one of the largest privately owned straw-fired heating plants in Denmark, enabling the replacement of light fuel oil for heating with straw from our own fields as a renewable energy source. In 2009, we further converted the primary energy source from heavy fuel oil to natural gas on all boilers.

## **PRIORITY NO. 1: CO<sub>2</sub>-NEUTRALITY BY 2020**

The production of food ingredients such as emulsifiers and emulsifier/stabilizer blends is highly energy-intensive. Palsgaard's target for all production entities is to achieve CO<sub>2</sub>-neutrality by 2020 through projects and initiatives regarded as appropriate by the company and its stakeholders.

In 2015, our Danish plant became CO<sub>2</sub>-neutral. It's a vital milestone on our journey to attaining a zero carbon footprint encompassing all facilities worldwide by 2020. To do it, we examined every aspect of our operations, fine-tuning wherever possible to minimise energy consumption and use CO<sub>2</sub>-neutral energy sources. Since 2006, in fact, we've achieved CO<sub>2</sub> emission reductions year after year. Had it not been for constant investment since 2006 in optimising energy use and deploying renewable sources, over 16,000 tons of CO<sub>2</sub> would have been released during 2015 alone. Deloitte has verified that Palsgaard has offset its consolidated CO<sub>2</sub> emissions related to electricity consumption and natural gas consumption for the production site in Juelsminde, Denmark in

2015. For the full statement from Deloitte, see [www.palsgaard.com/deloitteverification/](http://www.palsgaard.com/deloitteverification/)

Going forward, Palsgaard's target calls for a variety of projects and initiatives. We will continue toward our goal of global CO<sub>2</sub>-neutrality for our other production facilities in the Netherlands, Mexico and Malaysia by increasing our focus on securing access to alternative energy sources in these regions. Remaining, unavoidable CO<sub>2</sub> emissions will be balanced by other means, such as certified wind energy and biogas.

*“All energy consumption at Palsgaard's production facility in Denmark is CO<sub>2</sub>-neutral”*

For example, Palsgaard Malaysia is working to optimise its compressed air systems, cutting 25 percent of the air consumption. Further reductions are expected by changing the drying procedure for the absorbers from timer- to requirements-based control. All production plants, including Malaysia where light fuel oils are still being used, strive to optimise energy consumption and convert to more renewable energy forms. Palsgaard has not registered any grievances in relation to environmental impacts in the reporting period.

## **CLOSER TO THE CUSTOMER**

To serve customers globally, we have located application centers in Denmark, Singapore, Mexico and China, reducing the need for international travel.

# WASTE & WATER

## PRODUCTION WASTE

Our production waste is very limited. Palsgaard strives to increase our material utilisation rate and to optimise production processes so as to minimise the amount of derivative products. A large proportion of our derivative products is used for feed, while the remainder is converted to biogas. In 2015, we used 107.71 kg of raw materials to produce 100 kg of finished product – a slight decrease in comparison with 2014.

We continue to aim for a level of 104 kg per 100 kg of finished product by 2020. Production waste will receive increased focus in the future, as resource efficiency is an important parameter for Palsgaard.

The quantity of derivative products for 2015 can be seen in the data summary on page 67.

Implementing RSPO SG-certified products, while overwhelmingly positive, necessitates greater waste for a period, as SG raw materials typically arrive in smaller volumes on pallets and in sacks. This also presents workplace handling challenges, potentially impacting safety.

## PACKAGING

At less than 1.5% of the overall weight of our products, out-bound packaging volumes are small. In Denmark, all packaging cartons are FSC®-certified and labelled as such. All in-bound packaging is sorted for recycling. Specialised external companies handle the majority of our in-bound packaging for recycling purposes, while transport pallets are sold for re-use.

## ENVIRONMENTAL CONDITIONS, WATER AND WASTEWATER

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

We are working to reduce water consumption and waste water via cooling water recycling systems, optimised cleaning procedures, the production of larger batches, reduction of water usage in vacuum pumps, automatic closure valves and more. In 2015, Pals-

gaard produced just 1.42 litres of waste water per kg of finished product, a reduction compared with 2014. Initiatives to reduce waste water in Denmark have been successful despite significantly increased production volumes. Our goal is to reach 1 litre per kg of finished product by 2020. In Malaysia, 100% of our waste water is cleaned beyond the locally required standard.

In 2015, the completed conversion of vacuum pumps and other initiatives in Denmark sharply reduced water usage from 154,818 to 135,240 m³.

## RECYCLABLE WASTE

Since 2010, Palsgaard has actively worked to recycle as much waste as possible via sorting. Approximately 20% of Palsgaard's combustible waste is recycled as products or raw materials. The rest is used for generating energy.

## CHEMICAL WASTE

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

\* FSC® (Forest Stewardship Council) standards for ethical and responsible forestry and wood products.

Figure 9:

### CO<sub>2</sub> EMISSIONS PER KG OF FINISHED PRODUCT (KG)

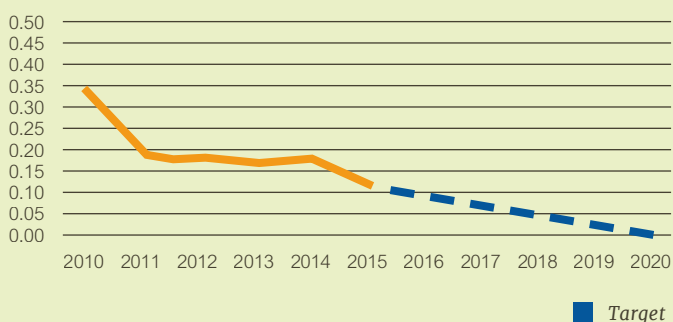
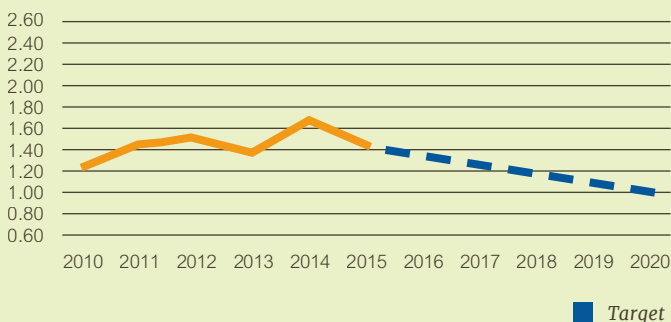


Figure 10:

### WASTE WATER EMISSION PER KG OF FINISHED PRODUCT (LITRE)





classified and sent to environmental companies to ensure it is handled in an efficient and safe manner, for the benefit of humans as well as the environment.

The laboratories conduct studies to arrive at exchange chemical waste-generating techniques that apply modern spectroscopic methods, yielding no or only very small quantities of chemical waste.

#### GOODS TRANSPORT

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

#### LOCAL INITIATIVES

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

- In 2012, a rooftop solar panel facility was installed at Palsgaard Mexico, able to produce up to 85% of the factory's electricity.
- In 2013, Palsgaard Mexico was certified to ISO/FSSC 22000, achieving a high food safety level and becoming awarded the highest possible level within the "Industria Limpia Clean Industry" certification by Grupo Bimbo.
- Palsgaard Netherlands' environmental management system ensures that

energy consumption, water usage, materials utilisation, waste recycling and noise reduction are evaluated and prioritised each year.

Figure 11:

#### RAW MATERIAL PER 100 KG OF FINISHED PRODUCT (KG)

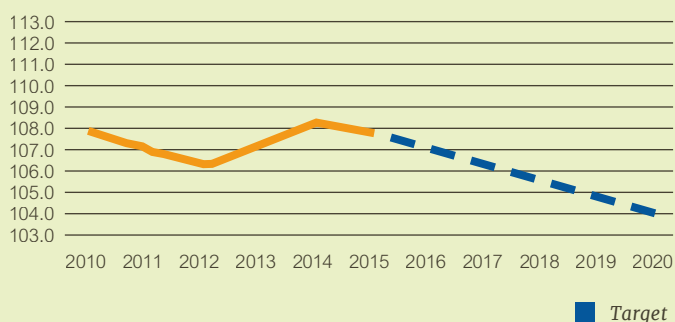


Figure 12:

#### ENERGY USAGE PER KG OF FINISHED PRODUCT (KWH)

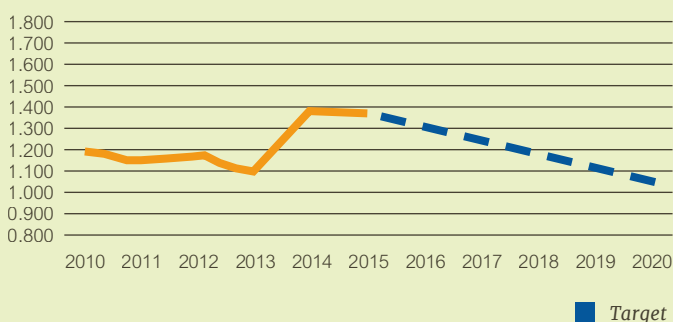
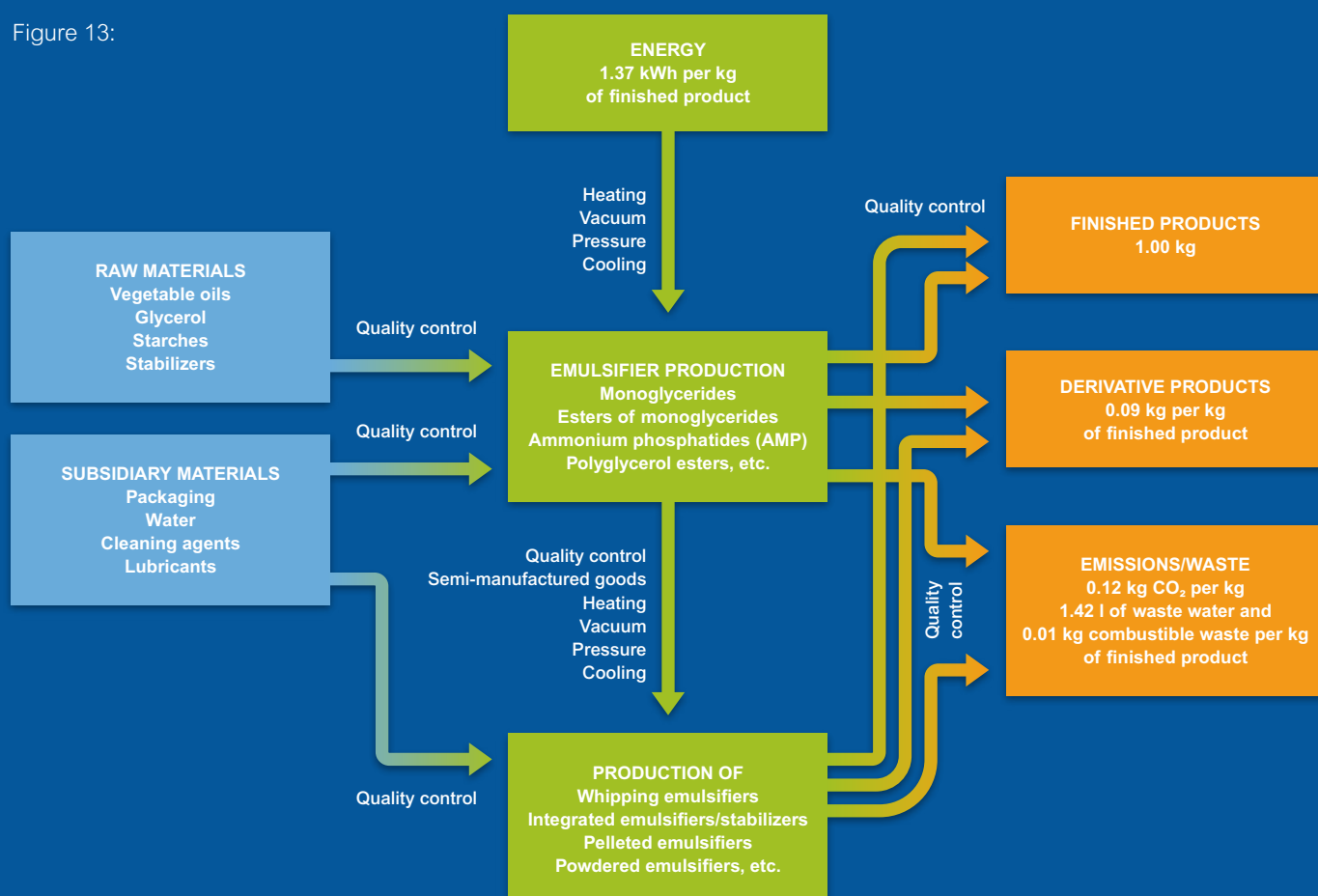


Figure 13:





A photograph of a worker in a white uniform and hairnet walking on a metal platform next to a large industrial tank. The worker is in motion, slightly blurred. The tank is large and cylindrical, with various pipes and valves. The scene is industrial and brightly lit.

## OUR PRODUCTION PROCESSES

Palsgaard's production processes comprise emulsifier production, of which certain products are sold as finished products and others are processed further before they are sold. Palsgaard Denmark's most important production processes are illustrated in the chart in Figure 13. Material and resource streams have been calculated per kg of finished product.



# SUSTAINABLE PALM OIL

## RSPO MB- AND SG-CERTIFIED

By the end of 2015, 100% of sustainable palm oil sourced for our Danish plant was purchased in accordance with a certified sourcing standard (RSPO), and the necessary systems were in place to allow Palsgaard Denmark to exclusively rely on RSPO-certified palm oil raw materials, having achieved certification to the RSPO Supply Chain Certification Standard (SCCS), Mass Balance (MB) and Segregated (SG) levels. During 2015, a wide range of MB- and SG-certified products were released to the market, and our production plant in Malaysia became RSPO-certified to deliver MB products alongside conventional products.

## WHY SUSTAINABLE PALM OIL MATTERS

As living standards increase, so too does the demand for pre-packaged foods containing palm oil-based ingredients, such as bread, cakes, yoghurt, ice cream and spreads. Palm oil is an important raw material for Palsgaard products – particularly our emulsifiers. In 2015, the majority of finished products at our Danish plant included palm oil or palm oil-based ingredients, sourced mainly from South-East Asia.

There are many concerns about the adverse social and environmental effects of palm oil production – including the clearing of important forest areas and habitats for endangered animals, and poor plantation working conditions. Against this background, the Roundtable on Sustainable Palm Oil (RSPO) was founded to promote the production and use of sustainable palm oil, bringing social and environmental NGOs together with all sectors of the palm oil industry (see [www.rspo.org](http://www.rspo.org)).

The RSPO promotes a certification system under which

growers can have their palm oil certified as sustainable if they meet social and environmental criteria. Producers of palm oil-based products can have their supply chains certified in accordance with one of the four models described below. Palsgaard joined the RSPO in 2008. In 2012, our Danish plant achieved the RSPO Supply Chain Certification Standard (SCCS) for MB, and in 2014, for SG. Integrating SG products into our product range, in particular, is a resource-intensive task. We are audited annually on our application of the standard and the requisite eTrace commitment. Further details are available at <http://www.rspo.org/members/209/Palsgaard-AS>

## HELPING TO PROMOTE RESPONSIBILITY

Palsgaard's position as a frontrunner in the production of RSPO-certified emulsifiers, and increasing interest in our RSPO-certified products, have allowed us to guide suppliers and customers towards joining an RSPO SCCS-certified supply chain. We pass on materials that explain the RSPO, its certification standards, supplier requirements and how Palsgaard meets its own obligations. We also inform our subsidiaries, agents and distributors via an expanded intranet and seminars. Palsgaard chairs the Confederation of Danish Industry's Business Initiative for Sustainable Palm Oil and, during 2015, CSR staff attended an RSPO-certified course for auditors. Palsgaard also participated in RSPO and EPOA (European Palm Oil Alliance) conferences and seminars during the year.

So far, increasing demand from the supply chain has widened our suppliers' assortment of RSPO-certified raw materials and allowed us to extend the product programme to include a wider circle of customers in the RSPO-certified supply chain.

## THE FOUR RSPO SUPPLY MODELS

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

### 01 IDENTITY PRESERVED

**(IP):** All palm ingredients to the end user are uniquely traceable to each individual mill and its supply base.

### 02 SEGREGATION

**(SG):** All of the palm oil is from RSPO-certified sources. It is kept separate from conventional palm ingredients throughout the supply chain.

### 03 MASS BALANCE

**(MB):** Administrative monitoring of the trade of RSPO together with conventional palm oil in production. Data on certified palm oil and derivatives based on palm oil and the traded amount of MB products for incoming consignments can be transferred to outgoing consignments.



## 04 BOOK AND CLAIM

**(BC):** Trading of 'Green Palm Certificates' for RSPO-certified palm oil via a global website. There is no need for certification.

### RSPO CERTIFICATION FOR GROWERS PROMOTES:

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



Licence no.: RSPO-1106336



# 03 FOCUS AREA PRODUCTS





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

## WHAT DO WE MAKE?

Primarily based on plant-based raw materials and other natural components, Palsgaard's sustainable emulsifiers and emulsifier/stabilizer blends are developed mainly for use in foods such as bakery products, dairy products, chocolate, ice cream, margarine products, mayonnaise and dressings.

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

# 60%

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



### FOCUS AREA

## 03 PRODUCTS

### CHALLENGES

#### OUR IMPACT/RISKS

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

#### OUR CHALLENGES/ OPPORTUNITIES

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



Our products help to achieve a stable chocolate with up to

20%

fewer calories and without requiring more energy



50%

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



All of our emulsifiers are

100%

based on vegetable oil



## PRINCIPLES

### WE EMPHASISE

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

### WE ALIGN/COMPLY WITH

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

## 2015 ACTIONS

- Campaign focusing on effects of Heat Shock in ice cream, including food wastage aspects
- Enabled the exclusive use of RSPO SG palm oil and palm oil-based ingredients for emulsifier production in DK
- RSPO certification in Malaysia

## FUTURE

- Work to encourage more customers to use sustainable palm oil, including customers in the markets close to Palsgaard Malaysia
- Continue dialogue with our customers about RSPO SG production and the value sustainable raw materials bring to food products
- Promote the use of sustainable emulsifiers for polymers in food packaging applications

## INVENTING THE FUTURE OF FOOD – AND MORE

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

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

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



# SAFER FOODS

Food safety is critical to Palsgaard's many stakeholders. To date, we have never had to recall products for food safety reasons. In fact, during the years of reporting, we have had only one non-conformance event due to a gap beside a closed gate. During 2015, no incidents of non-compliance with regulations or voluntary codes were registered.

- Since 1996, our quality management system has been certified according to ISO 9001.
- We manage food safety via our HACCP (Hazard Analysis and Critical Control Points) system in compliance with the requirements of EU Regulation 852/2004.
- The food safety management system is certified to ISO/FSSC 22000, which contains requirements for the management system, methods and controls, thereby complying with the additional requirements for Prerequisite Programmes (PRPs) laid down in ISO/TS 22002-1.

We conduct ISO/HACCP/FSSC courses in food safety for new employees, and we systematically analyse and manage food safety around our position in the supply chain. A permanent cross-company group is tasked with ensuring efficient communication routes via our Food Safety Team and working groups. This ensures that we continuously align with and manage changes and new requirements from authorities and customers. Our production facilities in Denmark, Mexico, the Netherlands and Malaysia are all ISO/FSSC 22000-certified.

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

# HEALTHIER FOODS

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

## A BETTER BALANCE

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

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

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

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

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

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

## FEWER ADDITIVES

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





Palsgaard A/S

## SUSTAINABLE INDULGENCE

Healthier cake products have repeatedly failed to live up to quality and production requirements. Palsgaard wanted to prove that, with enough expertise and the right emulsifiers, healthy recipes can easily match traditional cakes. So we took on the king of chocolate cakes: Devil's Food Cake. This fluffy, rich, moist chocolate treat is loaded with sugar and saturated fats.

We decided to achieve a gluten-free, sugar-free version without trans fats or hydrogenated oil that could be created from a powdered mix in under two minutes, yet which wouldn't lose the cake's much-loved magic. And, where a traditional Devil's Food Cake requires several production steps, the new cake would demand only a single round, saving time and energy.

And the result? Now, all it takes to create the same quality as a traditional Devil's Food cake is a sachet of powdered ingredients, a little water, eggs and some oil, whipped for two minutes and baked for thirty. The new cake doesn't contain sugar, trans fat or hydrogenated oil, is gluten-free yet delicious, doesn't use shortening, and saves energy during production, too.







# REDUCING FOOD WASTE

## A PUBLIC PRIORITY

Research shows\* that 30 to 50% of food is wasted throughout the production chain and in the hands of consumers, burdening the environment, society and business viability. The EU, for example, has committed to meeting the UN Sustainable Development Goal (SDG) target to halve per capita food waste at the retail and consumer level by 2030, and reduce food losses along the food production and supply chains. Our products support this agenda by increasing shelf life and maintaining food product freshness.

## WHAT A WASTE!

Of all the frozen food types, ice cream is the most sensitive to temperature fluctuations – with wastage as an ever-present threat. If not kept frozen at very close to its ideal storage temperature from one end of the cold supply chain to the other, it can suffer quality loss, including changes in flavour, colour, texture, smoothness and even the state of packaging.

The consumer's environment presents its own set of challenges. For example, the interior of a family car can exceed 30°C (86°F). In the 20 minutes that typically passes from the moment the ice cream is removed from the cooling cabinet until it arrives in the home freezer, its temperature may rise to -12°C (5°F) or more. Close to, or actually melting as it waits on the kitchen table, a good ice cream can become almost unrecognisable. With the right blend of emulsifiers, stabilizers and know-how, however, quality ice cream can be helped to stay that way – and food wastage reduced.

## RESPONSIBLE SALES AND MARKETING

Palsgaard's primary market contact is handled by our own sales team and by a number of external sales agents. Combined, they cover more than 100 countries on all continents. This personal contact is supplemented by brochures, technical articles and marketing material, which can be downloaded from our website or via our "myPalsgaard" extranet and iPad application. At seminars, all material is delivered electronically rather than printed. Printed materials such as brochures are made available for customer visits and trade shows. All material printed in Denmark (approx 95% of the total production) is environmentally certified with the Nordic Swan Mark. Printing is documented to be either CO<sub>2</sub>-neutral or carbon-compensated according to ClimateCalc, and the paper is CO<sub>2</sub>-neutral and produced in compliance with the standards of the FSC® (Forest Stewardship Council). A small number of our brochures are printed in China, where we also set requirements in terms of environmental production.

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

## GOING BEYOND FOOD

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

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

\* *Institution of Mechanical Engineers (IMechE) report: "Global Food; Waste Not, Want Not", 2012*



# 04 FOCUS AREA EMPLOYEE



S

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

10.6 years  
average employment  
time in the company



3 per  
million working hours is  
our targeted maximum  
frequency of accidents  
with sick leave by 2020



## FOCUS AREA

## 04 EMPLOYEES

*One of the objects of the Schou foundation is to “Preserve and further develop Palsgaard Estate with all its splendours, as a beautiful and pleasant workplace for all employees.”*

## CHALLENGES

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



# 392

employees at the end of 2015

# 78 points

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

# 12%

staff turnover rate in 2015



## PRINCIPLES

### WE EMPHASISE

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

### WE ALIGN/COMPLY WITH

- International, EU and national legislation
- UN Global Compact
- GELx (Global Employee and Leadership Index)
- International Labour Organization
- Sedex, including SMETA 4-pillar audits

## 2015 ACTIONS

### HEALTH & SAFETY

- Short courses in workplace exercise/variation for office workers
- Purchased lifting equipment to support transfer of tool components

### WELL-BEING

- Conducted biennial employee satisfaction survey

## FUTURE

### HEALTH & SAFETY

- Reduce the frequency of work accidents with sick leave to maximally 3 accidents per million working hours by 2020
- Focus on safety culture, near-miss incidents and preventative actions
- Expand current office exercise programmes
- Initiate an extra new employee induction course focused on safety, repeated every second year

### WELL-BEING

- Strengthen our efforts to ensure a diverse work force
- Conduct an employee satisfaction survey every second year

### PERSONAL AND SKILLS DEVELOPMENT

- Expand employee development interviews
- Action plans around 2015 employee satisfaction survey



# EMPLOYEE HEALTH & SAFETY

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

## THE OSH ORGANISATION

Palsgaard's OSH (Occupational Safety and Health) organisation comprises working environment committees at Palsgaard A/S and Nexus A/S. At Palsgaard A/S, we have set up seven

During 2015, a number of short courses on exercise and workstation positioning were carried out to improve the workplace for office staff. This was part of preparation for the three-yearly workplace risk assessment due in 2016. And in production areas, lifting equipment was purchased to help staff deal with tool components that often need to be moved across several floors.

The OSH organisation will work even harder to improve working routines and further develop our safety culture in 2016, prioritising preventative actions in everyday work.

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

working environment groups. Our OSH organisation handles workplace issues related to day-to-day operations, as well as workplace risk assessments, industrial accidents and near-misses.

2015 presented a number of challenges in the workplace. A rise in the number of work-related accidents, from 9 in 2014 to 11 in 2015, has seen renewed focus on implementing improved safety awareness among employees.

Figure 14: REGISTERED SICK LEAVE AT PALSGAARD A/S++\*

Sick leave rates increased slightly in 2015, and we continue to monitor developments. For Palsgaard employees who suffer from long-term illnesses, we try to offer progressive plans for returning to work. Our ratings are below the average of the Confederation of Danish Industry (DI).

YEAR	2010	2011	2012	2013	2014	2015
Days absent with sick leave (%)	3.42	3.12	2.54	2.74	2.38	2.54

\*See Reporting Practice section

# EMPLOYEE WELL-BEING

## WELL-BEING AND RETENTION

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

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

## SETTING THE STANDARD

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

we tie our employees and businesses abroad closer to Denmark.

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

## SATISFACTION SURVEY

Since 2006, we have conducted a two-yearly employee satisfaction survey at all locations via internationally recognised research company Ennova. This ensures the results can be compared with other European businesses via the GELx (Global Employee and Leadership Index®), formerly called the European Employee Index®. And we have continuously implemented initiatives based on the findings.

For the entire group, we had set a target of 75 points for the 2015 survey (92% of employees responded), but fell short by 1 point, achieving 74 points. The result is, however, still positive, indicating 'high work satisfaction', and the Danish result climbed 2 points to 73 points, moving in the right direction to achieve our target for the 2017 survey. By comparison, the GELx level for similar companies is 69 points. For our subsidiaries, the survey showed a fall of 5 points to 78, though still indicating high job satisfaction. The target for our subsidiaries has been to achieve a higher GELx level for each country – achieved by all but one, with which we will now work further to improve employee satisfaction.

## EMPLOYEE DEVELOPMENT CONVERSATIONS

We carry out annual development conversations with all employees, evaluating expectations and possible areas of improvement. Agreements are made regarding personal/professional development for the following year. The conversations also provide room for dialogue on soft values, such as how the individual employee is feeling or if there

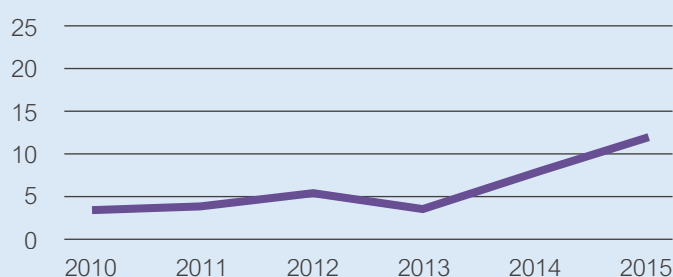
## EMPLOYEE SATISFACTION

Palsgaard's staff turnover rate for 2015 of 12.04% represents an increase from the 2014 level of 8.7% (see Figure 15). Among other things, strategic adjustments in China and Russia have required staffing changes. Compared with the Confederation of Danish Industry's average rate (27.5% in 2014), however, turnover is still very low.

Palsgaard regularly celebrates employee anniversaries, the longest of which has been an impressive 65 years of employment at the company. In 2015, 1 employee celebrated 25 years with the company and 14 celebrated 10 years within the entire group.

Figure 15:

## EMPLOYEE TURNOVER\* (%)



\* See Reporting Practice section. In 2015, students comprised 1.3% of staff. They are not counted in staff turnover figures.



are areas that the specific manager should be aware of. Business strategy, basic values and skills can also be discussed.

### PENSION SCHEME WITH PROFIT SHARING

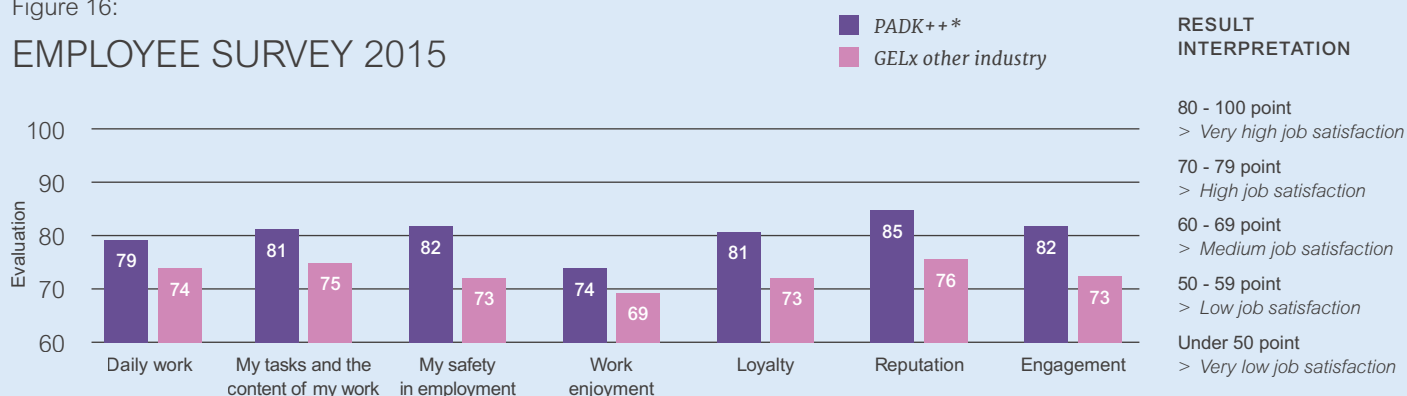
Palsgaard has offered a unique pension scheme with profit sharing for all employees in Denmark since 1941. The profit-sharing element is established via a special body called the Palsgaard Foundation's Pension Savings Association.

The employee contributes 2.5 to 5% of salary, and Palsgaard pays an equivalent amount multiplied by a contribution factor depending on the previous year's financial results. In recent years, this factor has ranged from 0.9 to 1.8.

In 2015, we implemented a skills-based pay system in Denmark, which will be fine-tuned during 2016 together with staff.

Figure 16:

## EMPLOYEE SURVEY 2015



\*See Reporting Practice section



# COMMUNITY CONNECTIONS

## COMMUNITY SUPPORT IN DENMARK

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

In 2015, our local activities included:

- Invested in hotel to encourage tourism in the town of Juelsminde.
- Participation in a two-year project to address global challenges – Partnership Arena with the Red Cross.
- Donation to support the Danish Cancer Society.
- Donation to help publish a book about old tileworks factories in Denmark.
- Donation to Families with Cancer-stricken Children.
- An ongoing program to reduce food waste allows employees to purchase surplus food from the lunch buffet. All proceeds go to BØRNEfonden (Children's Foundation) to support youth education.
- Member of Code of Care, a project to bring unemployment beneficiaries closer to the job market.

Previous CSR reports have described:

- Donation of Juelsminde Church and land for parking.
- Donation of 16.5 hectares of land to Hellebjerg Sports and Youth College.
- Donation of land for a road to Palsgaard.
- Participation as a landowner to complete a 22 km coastal path from Juelsminde to Horsens.
- Palsgaard employees that are voluntary fire fighters are available for emergencies during daylight hours.
- Support for the local theatre group "Palsgaard Sommerspil" and loan of amphitheatre on the Palsgaard estate.

- Supported the establishment of a harbour museum in Juelsminde to support its roots in fishery, shipping and sailing.
- Public access to the Palsgaard Manor library.
- Established a golf course in Juelsminde.
- Work with the local authorities to help people further their education/career, and support with flexible work hours or placements.

## COMMUNITY SUPPORT BEYOND DENMARK

### WEST AFRICA

- Annual donation to BØRNEfonden for sustainable development projects in Cape Verde, Benin and the archipelago Fogo, focusing on development of infrastructure and education, and entrepreneurial support for higher employment and an improved standard of living.
- In Benin: local education on hygiene, and the construction of water storage and toilet facilities at a local nursery to improve water quality and reduce waterborne illnesses. Purchase of a boat for school students to cross a river to get to school, even in the monsoon season. Donations have also sponsored a trainee, and supported a technical school for young people with scholarships, tools and bicycles for student transport.

### SOUTH AFRICA

- Support for B-BBEE (Broad-Based Black Economic Empowerment) which helps the black population achieve a higher socio-economic level, via donations to Rethabile Children's Home, which houses 150 male and female children of all ethnic origins.

### MEXICO

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

### THE PHILIPPINES

- Support of local areas in urgent need of help such as donations to help Red Cross provide aid in typhoon-affected areas of the Philippines.
- Scholarship programme for two food technology students with support throughout their education.

### PAKISTAN

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

### RUSSIA

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

### MIDDLE EAST

- Donated funds to assist refugees in and around Syria.

### BORNEO

- Donated funds to support Save the Orangutan, which works to rescue this endangered species and its rainforest home.



## FIRED-UP FOR PALSGAARD

In 2015, Palsgaard trainee Helle Mørk-Sørensen's winning personality and dedicated work effort won her a Confederation of Danish Industry regional award for Trainee of the Year. As a willing and quick-learning trainee in the Supply Chain Center, Helle was given early responsibility for her own group of customers, proving to be service-minded, solution-oriented and well liked by customers and colleagues alike. In 2014, Helle also trained as a firefighter with Palsgaard's own voluntary fire department, using much of her leisure time to support the company and the local community. Finishing her education at Palsgaard, she joined our subsidiary in Malaysia to work in a similar role with customer support.

## CONNECTING WITH TOMORROW'S EXPERTS

Broadening the pool of talent from which future food ingredients specialists might be recruited, Palsgaard's R&D company, Nexus, hosts work placements for international food engineering students, and our laboratories collaborate with them on independent development projects. Students get to expand their food emulsifier-related physics and chemistry knowledge and experience different work environments and cultures.

## GLOBAL KNOWLEDGE-SHARING

Palsgaard also collaborates with educational institutions and knowledge centers throughout the world, participating in formal and informal knowledge exchanges. We host study trips, company visits and similar events to stimulate interest in the natural sciences and food chemistry, physics and food technologies.

# PRINCIPLES, GOALS AND INDICATIONS

## AN EXPLANATORY TABLE



The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate policies and practices. (Source: [www.globalreporting.org](http://www.globalreporting.org))

**Principle 1:**  
Human Rights  
Businesses  
should support  
and respect  
the protection  
of internationally  
proclaimed  
human rights

Palsgaard has worked with the UNGC principles for several years, and used the Global Reporting Initiative (GRI) framework for our reporting since our first CSR report in 2010.

G4-HR2,7,8  
9,12  
G4-SO1,2

G4-SO2  
G4-EC5,8  
G4-DMA-b

G4-SO2  
G4-EC8  
G4-HR8  
G4-ECI,7

G4-EC8  
G4-EN15 to 17,  
20 to 25  
G4-LA6,7

G4-43  
G4-LA9

G4-DMA-b  
G4-EC1,5,7  
G4-LA1,3,9,  
11 to 15  
G4-38,40  
G4-HR3

G4-EN8 to 14,  
22 to 24,26,27

G4-EN1,  
3 to 7,31

G4-11  
G4-HR3 to 6  
G4-EC1,5,8  
G4-LA1 to 15  
G4-EN1 to 7,  
10,27,28  
G4-DMA-b



End poverty  
in all its forms  
everywhere



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



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



Ensure  
inclusive and  
equitable  
quality  
education and  
promote lifelong  
learning  
opportunities  
for all



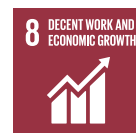
Achieve gender  
equality and  
empower all  
women and girls



Ensure  
availability  
and sustainable  
management  
of water and  
sanitation for all



Ensure access  
to affordable,  
reliable,  
sustainable  
and modern  
energy for all



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



### 17 GOALS TO TRANSFORM THE WORLD

The UN Global Compact encourages companies to do business responsibly not just by aligning strategies and operations with the Ten Principles, but also by helping to advance 17 broader goals that emphasise collaboration and innovation.



### OUR 4 FOCUS AREAS

We strongly support the UNGC and we are embarking on an exercise to identify those SDGs where we can have the greatest impact through our operations and supply chain. The most relevant SDGs that Palsgaard can support, in relation to our CSR focus areas, appear on the opposite page. ►

**Principle 2:**  
Human Rights  
Businesses  
should make  
sure they are  
not complicit  
in human  
rights abuses.

**Principle 3:**  
Labour  
Businesses  
should uphold  
freedom of  
association  
and the effective  
recognition of  
the right to  
collective  
bargaining

**Principle 4:**  
Labour  
Elimination of  
all forms of  
forced and  
compulsory  
labour

**Principle 5:**  
Labour  
The effective  
abolition of  
child labour

**Principle 6:**  
Labour  
Elimination of  
discrimination  
in respect of  
employment  
and occupation

**Principle 7:**  
Environment  
Businesses  
should support  
a precautionary  
approach to  
environmental  
challenges

**Principle 8:**  
Environment  
Undertake  
initiatives to  
promote greater  
environmental  
responsibility

**Principle 9:**  
Environment  
Encourage the  
development  
and diffusion of  
environmentally  
friendly  
technologies

**Principle 10:**  
Anticorruption  
Businesses  
should work  
against  
corruption in  
all its forms,  
including  
extortion and  
bribery

G4-HR1,10,11

G4-11  
G4-HR4  
G4-LA4

G4-HR6

G4-HR5

G4-10  
G4-EC5,6  
G4-LA1,3,9,  
11,12,13  
G4-HR3

G4-E2  
G4-EN1,3,8,  
15 to 17,20,21,  
27,31

G4-EN1 to 34

G4-EN6,7,19  
27,31

G4-56,57,58  
G4-SO3 to 6

G4-EN31  
G4-EC1,7

G4-EC8  
G4-LA13

G4-EN30  
G4-EC7

G4-EN1 to 7,  
10,15 to 17,  
20 to 25,  
27,28,30,31  
G4-EC9  
G4-PR3

G4-EN3 to 7, 15  
to 19,27,30,31  
G4-EC2

G4-EN11 to 19,  
21,22,24,26,27,  
31

G4-EN11 to 19  
G4-EN21,24,  
26,27,31

G4-LA14 to 16  
G4-HR3,5,7,12  
G4-SO3 to 8,11  
G4-EN29,34  
G4-PR2,4,7,8,9  
G4-37 to 41  
G4-45,53,  
56 to 58

G4-EC8  
G4-EN31



Build resilient  
infrastructure,  
promote  
inclusive and  
sustainable  
industrialization  
and foster  
innovation



Reduce in-  
equality within  
and among  
countries



Make cities  
and human  
settlements  
inclusive, safe,  
resilient and  
sustainable



Ensure  
sustainable  
consumption  
and production  
patterns



Take urgent  
action to combat  
climate change  
and its impacts



Conserve and  
sustainably use  
the oceans,  
seas and marine  
resources for  
sustainable  
development



Protect, restore  
and promote  
sustainable use  
of terrestrial  
ecosystems,  
sustainably  
manage  
forests, combat  
desertification,  
and halt and  
reverse land  
degradation  
and halt  
biodiversity loss



Strengthen the  
means of  
implementation  
and revitalize  
the global  
partnership for  
sustainable  
development



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

Comparison sources: UNGC-G4 linkage publication and SDG Compass Linking the SDGs and GRI



CORPORATE  
GOVERNANCE



ENERGY &  
ENVIRONMENT



PRODUCTS



EMPLOYEES





# INDEPENDENT AUDITOR'S STATEMENT

## TO MANAGEMENT AND BROADER STAKEHOLDERS OF PALSGAARD A/S

We have reviewed the 2015 Corporate Responsibility Report ('the report') to provide limited assurance that data on page 67 has been stated in accordance with the reporting practice on page 66, and that the report has been prepared in accordance with the principles and reporting criteria defined in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 4 (GRI G4: In Accordance – Comprehensive level). The report covers Palsgaard's global activities from 1 January to 31 December 2015.

## MANAGEMENT RESPONSIBILITY

Management of Palsgaard A/S is responsible for preparing the information in the report, including the establishment of data collection procedures and internal control systems to ensure that data are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Based on the work completed, our responsibility is to express a limited assurance conclusion, as agreed with Management and in accordance with the defined 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 that the report is free from material misstatement.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Profes-

sional 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.

We performed our onsite review at the Palsgaard A/S Head Office in Denmark in April 2016. We have not performed site visits or interviewed external stakeholders. We have not performed any assurance procedures on baseline data, any economic or financial data (including GRI Indicator G4-EC1) or forwardlooking statements, such as targets and expectations, or individual case stories disclosed in the Report. Consequently, we draw no conclusion on these statements.

## METHODOLOGY

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

- Reviewing Palsgaard's processes for determining material issues to be included in the report and challenging the material statements in the text of the report.
- Reviewing the processes, 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.

- Inspecting internal and external documentation to verify the extent to which it supports the information included in the report.
- Evaluating the overall presentation of the reporting, including consistency of information.
- Reviewing the report for adherence to the GRI principles for defining report content, ensuring report quality and meeting the GRI G4: In Accordance – Comprehensive disclosure requirements.

## CONCLUSION

Based on our work, nothing has come to our attention that causes us to believe that data on page 67 in the 2015 report, in all material respects, has not been prepared in accordance with the stated reporting practice on page 66. Nor has anything come to our attention that causes us to believe that the report has not been prepared in accordance with the principles and reporting criteria requirements in GRI G4: In Accordance – Comprehensive level.

## OBSERVATIONS

### Materiality and sustainability context

The report reflects Palsgaard's ongoing commitment to operating its business in a sustainable manner, by monitoring and managing material environmental and social risks arising from its activities. The report demonstrates the company's understanding of where in its value chain it can most effectively contribute towards more sustainable industry practices.

### Completeness and timeliness

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

### Clarity and balance

The report provides a straightforward and balanced presen-

tation of Palsgaard's activities, highlighting challenges and dilemmas arising in the business.

### Stakeholder inclusiveness and responsiveness

Palsgaard continues to monitor and respond to stakeholder needs. The company is committed to procuring certified sustainable palm oil and actively engages in initiatives around sustainable palm oil production. Palsgaard has also begun to clarify its response towards realising the UN Sustainable Development Goals.

### Accuracy and reliability

Palsgaard has continued to strengthen its internal data collection and control procedures, particularly for environmental data, to ensure greater quality and reliability. Palsgaard has further refined several accounting principles to enable greater comparability.

### OPPORTUNITIES FOR IMPROVEMENT

We have made a number of observations and recommendations to Management of Palsgaard, which include ways to further strengthen internal data collection and control procedures as well as integrate the UN Sustainable Development Goals into the company's four strategic focus areas for CSR.

Copenhagen, 26 April 2016

### Deloitte

*Statsautoriseret Revisionspartnerselskab*

*Central Business Registration No. 33 96 35 56*



**Lars Kronow**

*State Authorised Public Accountant*



**Helena Barton**

*Lead Reviewer*

**Deloitte.**

# REPORTING PRACTICE

The data basis for this report includes the entities indicated in the summary. All data, except for employee and tax data, only includes production units. We are continuously improving our data collecting system. Our environmental reporting does not cover agricultural and forestry activities. Our reporting period runs from 1 January 2015 to 31 December 2015. The targets listed in Figure 1 on page 6 have been calculated using 2009 as a basis year.

INDICATOR	DATA BASIS	INDICATOR METHOD DESCRIPTION	REPORTING ENTITIES
Raw material consumption	M, C	Annual production volumes are based mainly on company purchasing statistics, production reports and counts.	PADK
Finished products	M, C	The statement is based mainly on product usage statistics and volumes of derivative products and waste. The volume of finished products is therefore a direct calculation.	Palsgaard A/S
Energy consumption, electricity	M, E	Electricity consumption has been determined on the basis of statement from electricity provider. In PAMX, electricity consumption from solar panels has been estimated.	Palsgaard A/S
Energy consumption, fossil	M	Natural gas and oil consumption are measured on basis of invoices.	Palsgaard A/S
Energy savings	C	The result of energy-saving initiatives has been calculated on the basis of energy consumption compared with volume of finished products.	Palsgaard A/S
Emissions	C	Emissions are calculated based on energy consumption and available emission factors. Scope 1: Emission factors from the Danish Energy Agency (Energistyrelsen) Scope 2: Emission factors from the energinet.dk, and Defra (www.ukconversionfactorscarbonsmart.co.uk) Emissions from personal and transport vehicles are not included.	Palsgaard A/S
Water usage	M, E	Water usage has been calculated based on own meters or estimations.	Palsgaard A/S
Waste water	M, E	Waste water volumes have been calculated on the basis of meter readings on the waste water system or estimations	Palsgaard A/S
Derivative products	C	The calculation of derivative products is based mainly on sales statistics, production reports and counts.	PADK
Waste (combustible)	M	Waste volumes have been measured on the basis of invoices from waste removal companies.	PADK
Chemical waste	M	Chemical waste volumes have been measured on the basis of weight slips received from waste removal companies and bearing of tank.	PADK
Incidents of Non-compliance	M	Total number of incidents of non-compliance with regulations and voluntary codes.	Palsgaard A/S ++
Industrial accidents	M	Industrial accidents have been measured on the basis of accident records for all employees entailing more than 1 day of absence.	Palsgaard A/S ++
Accident frequency	C	Accident frequency has been calculated per 1 million working hours. Number of working hours is a calculated figure of working hours.	Palsgaard A/S ++
Employee turnover	C	Employee turnover has been calculated on the basis of headcount of permanent employees at the beginning of the year, based on Palsgaard's payroll system. Average seniority and average age has been calculated on the basis of the employees at the end of the year 31.12.2015, based on Palsgaard's payroll system.	PADK ++
Employee satisfaction	M, C	Employee satisfaction is based on Palsgaard's employee satisfaction survey, which is carried out every other year and includes all employees. The main indicator of work satisfaction is applied as a general target and is compared with GELx (Global Employee and Leadership Index®).	PADK ++
Tax	C	The effective tax rate is calculated by the company's external accountant based on the results of the Palsgaard A/S and its subsidiaries and the accounts and tax declarations.	PADK +
RSPO certified palm oil	M	The sustainable certified palm oil is measured by RSPO certification, data on purchased amount and use of palm oil.	PADK

M=Measured, C=Calculated, E=Estimated

China ended production in 2015 and is no longer included as its activities have no impact on our environmental footprint, compliance records, accident data etc, in 2015. From 2015, the tax rate includes Palsgaard A/S and its subsidiaries, as the contribution of Palsgaard Estate, the Schou Foundation and Nexus A/S to the total tax rate is insignificant.

	Schou Foundation	Palsgaard Estate	Palsgaard production sites, PADK, PANL, PAMX, PAMY	Palsgaard A/S, Denmark	Nexus A/S	All subsidiaries (Palsgaard A/S)
Palsgaard A/S			•		•	
Palsgaard A/S ++	•	•	•			
PADK				•	•	
PADK +				•		•
PADK ++	•	•		•	•	•

# DATA SUMMARY

INDICATOR	UNIT	2010	2011	2012	2013	2014	2015
<b>ENERGY</b>							
Energy consumption, total (gross)	kWh per kg finished product	1.19	1.16	1.17	1.11	1.38 <sup>3</sup>	1.37
Energy consumption, electricity (gross)	mWh	11,215	10,910	11,337	11,539	14,401 <sup>3</sup>	15,557
Energy consumption, fossil (gross)	mWh	32,845	31,476	33,068	33,929	43,925 <sup>3</sup>	47,077
<b>EMISSIONS</b>							
CO <sub>2</sub> -emissions (gross)	tonnes					14,778 <sup>4</sup>	15,267
CO <sub>2</sub> -emissions (net)	tonnes	12,029	6,554	6,856	7,021	7,358 <sup>4</sup>	5,632
CO <sub>2</sub> -emissions (net)	kg per kg finished product	0.32	0.18	0.18	0.17	0.17	0.12
<b>WATER</b>							
Water consumption	m <sup>3</sup>	136,289	131,520	154,897	167,311	173,983	161,196
Waste water	litre per kg finished product	1.22	1.42	1.53	1.39	1.64	1.42
Waste water	m <sup>3</sup>	45,393	52,267	58,126	56,857	69,173	64,865
<b>DERIVATIVE PRODUCTS AND WASTE</b>							
Derivative products <sup>3</sup>	kg per kg finished product	0.09	0.08	0.08	0.08	0.1	0.09
Waste (Combustible) <sup>5</sup>	kg per kg finished product	0.012	0.011	0.011	0.009	0.01	0.01
Waste (Combustible)	tonnes	360	339	341	322	330	358
Chemical waste	tonnes	8	10	18	18	9	11
<b>COMPLIANCE OF AUTHORITY REQUIREMENTS</b>							
Number of incidents of non-compliance	number	0	0	1	0	0	0
<b>WORKING ENVIRONMENT</b>							
Accidents, total	number	9	3	5	4	9	11
Accidents, Denmark	number	8	3	5	4	9	11
Accidents, the Netherlands	number	1	0	0	0	0	0
Accidents, Malaysia	number					0	0
Accidents, Mexico	number	0	0	0	0	0	0
Accident frequency	number per million working hours	22	8	14	11	16 <sup>2</sup>	18
<b>EMPLOYEE CONDITIONS</b>							
Employee turnover	turnover rate, %	4.4	4.8	5.3	3.1	8.7	12.04
<b>TAX</b>							
Effective tax rate	%	16.6	32.8	29.2	31.4	29.9	33.5
<b>RAW MATERIALS</b>							
Raw material consumption	kg per 100 kg finished product	107.9	107.19	106.49	107.37	108.39	107.71
RSPO-certified palm oil	%	1	1	1	1	8	100

<sup>1</sup> Data not available

<sup>2</sup> From 2014 all production entities are included in the "Accident frequency" number

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

<sup>4</sup> Revised figures due to correction in calculation

<sup>5</sup> Must never exceed the 2009 level of 0.012 kg per kg of finished product



# GRI CONTENT INDEX – DISCLOSURES

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

GRI REFERENCE	DESCRIPTION	CROSS-REFERENCE OR ANSWER	PAGE NO.	UNGC ACTIVE CROSS-REFERENCE
<b>STRATEGY AND ANALYSIS</b>				
G4-1	CEO Statement		7	High-level Commitment and Strategy
G4-2	Key impacts and risks		16, 17	High-level Commitment and Strategy
<b>ORGANISATIONAL PROFILE</b>				
G4-3	Name of organisation	See Business Overview section.	8	Organisational Profile and Operational Context
G4-4	Primary brands, products, services	See Business Overview section.	8	Organisational Profile and Operational Context
G4-5	Location of HQ	See Business Overview section.	8	Organisational Profile and Operational Context
G4-6	Countries of operation	See Business Overview section.	8	Organisational Profile and Operational Context
G4-7	Ownership and legal form	See Business Overview and Schou Foundation sections.	8, 24	Organisational Profile and Operational Context
G4-8	Markets served	See Business Overview and Products sections.	8, 44	Organisational Profile and Operational Context
G4-9	Scale of organisation	See Business Overview section.	8	Organisational Profile and Operational Context
G4-10	Employees - breakdown	See Business Overview section.	8	Organisational Profile and Operational Context; principle 6
G4-11	% employees covered by collective bargaining agreement	In Denmark 65% are covered by collective bargaining agreement. This is not measured in our subsidiaries.		
G4-12	Description of supply chain	See Creating Shared Value section.	14	
G4-13	Significant changes to organisation	There were none in 2015.		Organisational Profile and Operational Context
G4-14	Precautionary approach	The company implements a core principle of 'above and beyond', typically moving ahead of legislation to introduce e.g. product traceability mechanisms or sustainable raw material supply (e.g. RSPO Mass Balance and Segregated) and our target on CO <sub>2</sub> - neutrality.	10	
G4-15	External principles endorsed	Throughout the report.		Principle 1
G4-16	Memberships	See Sustainability Approach section.	14	
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>				
G4-17	Entities and boundaries	See About this Report section.	25, 66	Organisational Profile and Operational Context
G4-18	Defining report content	See Materiality.	12	
G4-19	List of material aspects	See Materiality.	12	
G4-20	Aspect boundary inside organisation	See Creating shared value.	16, 17	
G4-21	Aspect boundary outside organisation	See Creating shared value.	16, 17	
G4-22	Restatements	See Reporting Practice section and others.	67	
G4-23	Significant changes to report boundaries	See Reporting Practice section.	66	
<b>STAKEHOLDER ENGAGEMENT</b>				
G4-24	List of stakeholders engaged	See Materiality.	12	
G4-25	Selection of stakeholders	See Materiality.	12	
G4-26	Approach to stakeholder engagement	See Materiality.	12	
G4-27	Issues raised and responded to	Customers are asking for raw materials sustainability, fat and sugar reduction.	26	
<b>REPORT PROFILE</b>				
G4-28	Reporting period	See About this Report section.	5	COP Report Profile
G4-29	Date of previous report	See About this Report section.	5	

GRI CONTENT INDEX – DISCLOSURES, Continued

GRI REFERENCE	DESCRIPTION	CROSS-REFERENCE OR ANSWER	PAGE NO.	UNGC ACTIVE CROSS-REFERENCE
G4-30	Reporting cycle	See About this Report section.	66	COP Report Profile
G4-31	Report contact	CSR coordinator Lisa Drejer Mortensen, <a href="mailto:ldm@palsgaard.dk">ldm@palsgaard.dk</a>		COP Report Profile
G4-32	GRI Content Index	Yes.		COP Report Profile
G4-33	External assurance	See Independent auditor's report	64	External assurance of COP
<b>GOVERNANCE</b>				
G4-34	Governance structure and Highest Governance Body (HGB)	See Structure & Responsibilities section.	22-23	
G4-35	Delegating authority	See Structure & Responsibilities section.	22-23	
G4-36	Responsibility for Economic, Environmental and Social (EES) topics	See Structure & Responsibilities section.	22-23	
G4-37	HGB consultation on EES topics	See Structure & Responsibilities section.	22-23	
G4-38	Composition of governance bodies	See Structure & Responsibilities section.	22-23	
G4-39	Relationship between Chair and CEO	See Schou Foundation and Corporate Governance sections	22-24	
G4-40	Nomination and selection of governance body	See Corporate Governance section.	22-23	
G4-41	Conflicts of interest	Limitations are noted in employment contracts		
G4-42	HGB's role in setting purpose, value and strategy	See Structure & Responsibilities section.	22-23	
G4-43	HGB's knowledge of EES topics	See Structure & Responsibilities section.	22-23	
G4-44	Performance evaluation of HGB on EES topics	The board engages regularly on our CSR performance and the annual CSR report is approved by the board.		
G4-45	HGB's role in identifying EES risks	See Structure & Responsibilities section.	23	
G4-46	HGB's review of management of EES risks	In accordance with ISO-documented procedure.		
G4-47	Frequency of EES risk reviews	3 times a year.		
G4-48	Highest approval of sustainability report		7	
G4-49	Raising critical concerns with HGB		22-23	
G4-50	Critical concerns raised and addressed	No specific critical issues were raised in 2015.		
G4-51	Remuneration policies	Described in the Schou Foundation's Articles of Association	59	
G4-52	Process for determining remuneration	Described in the Schou Foundation's Articles of Association	59	
G4-53	Stakeholder views on remuneration	Not available		
G4-54	Ratio of highest and median compensation	Not disclosed for competitive reasons.		
G4-55	% increase for highest and median compensation	Not disclosed for competitive reasons.		
<b>ETHICS AND INTEGRITY</b>				
G4-56	Values, principles, codes	See Creating Shared Value.	15-17	Principle 10

# GRI CONTENT INDEX – INDICATORS

MATERIAL ASPECT	INDICATOR	DESCRIPTION	CROSS-REFERENCE OR ANSWER	EXTERNAL ASSURANCE	SEE PAGE	UNGC PRINCIPLE
<b>GOVERNANCE</b>						
Economic performance	G4-EC1	Direct economic value generated and distributed	Business overview	Yes	9	
	G4-EC7	Development and impact of infrastructure investments and services supported	Commercial Investment in high technology factory in Malaysia. In MY and MX: Creating jobs and contributing to local infrastructure and economic development. Continuous investment in energy reduction and production optimisation at our production plants.	No	NA	
	G4-FP1	% of purchased volume from suppliers compliant with company's sourcing policy	See Responsible Sourcing section.	Yes	27	
	G4-FP2	% of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	100% of total sourced palm oil and palm oil-based ingredients is purchased as RSPO-certified, mainly from South-East Asia. All suppliers of palm oil are members of RSPO. Our Quality management systems register the country of origin for all ingredients.	Yes	40	
<b>ENVIRONMENTAL</b>						
Materials	G4-EN1	Materials used by weight or volume	Commercially sensitive information.	No	NA	Principles 7,8
Energy	G4-EN3	Energy consumption within the organisation	See Data Summary section. This figure does not include the electricity produced by solar panels in Mexico. 1 small LPG-fueled forklift truck is excluded because it contributes insignificantly total energy consumption.	Yes	31, 67	Principles 7,8
	G4-EN4	Energy consumption outside the organisation	Energy consumption is not measured outside Palsgaard but some of our products can reduce the energy required to manufacture customers' products.		17, 48	Principle 8
	G4-EN5	Energy intensity	See Data summary. We define energy intensity as kWh per kg finished product.	Yes	67	Principle 8
	G4-EN6	Reduction of energy consumption	By optimising production processes	Yes	35	Principles 8,9
	G4-EN7	Reductions in energy requirements of products and services	Examples of products where energy requirements are reduced.	No	35, 48	Principles 8,9
Water	G4-EN8	Total water withdrawal by source	Not provided – currently under review.			Principles 7,8
	G4-EN9	Water sources significantly affected by withdrawal water	No significant impacts on water sources. Waste water reduction/recycling is our focus area.	Yes	36	Principle 8
	G4-EN10	% and total volume of water recycled and re-used	See description of plant in PAMY. Description of installation of recycling water pumps in PADK, contributing to 13% less waste water in PADK. Globally we have reduced waste water by 7%. See also Data Summary.	Yes	31, 36	Principle 8
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	One of the purposes of The Schou Foundation is to preserve and develop our natural surroundings. PAMY is located close to oil palm plantations.	Yes	24, 36	Principle 8
	G4-EN13	Habitats protected or restored	Conservation of areas of natural beauty is part of the Schou Foundation's purposes and we support local habitat protection through RSPO membership and via donations to Save the Orangutan (Borneo).	Yes	24, 41	Principle 8
	G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	See Data Summary section.	Yes	67	Principles 7,8
	G4-EN16	Energy indirect greenhouse gas emissions (scope 2)	See Data Summary section.	Yes	67	Principles 7,8
	G4-EN17	Other indirect greenhouse gas emissions (scope 3)	We do not currently measure scope 3 (only GHG Protocol 1 and 2).			Principles 7,8
	G4-EN18	Greenhouse gas emissions intensity	We measure CO <sub>2</sub> emissions intensity as kg CO <sub>2</sub> emissions per kg finished product.	Yes	67	Principle 8
	G4-EN19	Reduction of greenhouse gas emissions	See Data Summary section.	Yes	33, 67	Principles 8,9

MATERIAL ASPECT	INDICATOR	DESCRIPTION	CROSS-REFERENCE OR ANSWER	EXTERNAL ASSURANCE	SEE PAGE	UNGC PRINCIPLE
	G4-EN20	Emissions of ozone-depleting substances (ODS)	We do not produce, import or export ozone-depleting substances.			Principles 7,8
	G4-EN21	NOx, SOx, and other significant air emissions	We do not currently measure NOx and SOx.			Principles 7,8
Effluents & waste	G4-EN22	Total water discharge by quality and destination	See Waste & Water section.	Yes	36	Principle 8
	G4-EN23	Total weight of waste by type and disposal method	See Data Summary section.	Yes	67	Principle 8
	G4-EN24	Total number and volume of significant spills	No significant spills in 2015.	Yes	67	Principle 8
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel convention Annex I, II, III and VIII, and % of transported waste shipped internationally	Not applicable.		NA	Principle 8
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	We comply or perform beyond legal requirements for water discharge.	No	NA	Principle 8
Products & services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Examples of products able to reduce energy consumption are provided.	No	17, 48	Principles 7, 8,9
	G4-EN28	% of products sold and their packaging materials that are reclaimed by category	Omitted: We do not currently measure the percentage of reclaimed products and packaging materials.		NA	Principle 8
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No fines or significant non-monetary sanctions due to non-compliance in 2015.	Yes	NA	Principle 8
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	Transport is not within our GHG scope (1 and 2). Several of our raw materials are only available from distant sources.	No	26	Principle 8
Supplier environmental assessment	G4-EN32	% of new suppliers that were screened using environmental criteria	See Responsible Sourcing section.	Yes	26	Principles 7,8
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Results of supplier evaluation are so far undetermined. The ongoing process has not yet resulted in any termination of relationships.	Yes	26	Principle 8
Environmental grievance mechanism	G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	No grievances have been registered in 2015.	Yes	35	Principle 8
<b>LABOUR PRACTICES &amp; DECENT WORK</b>						
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	See Employee Well-being section.	Yes	58	Principle 6
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	See Employee Well-being section.	Yes	58, 59	
	G4-LA3	Return to work and retention rates after parental leave, by gender	For both genders. All employees who have returned to work after parental leave were still employed 12 months after their return.	Yes	NA	Principle 6
Labour/management relations	G4-LA4	Minimum notice periods regarding operational changes including whether these are specified in collective agreements	We comply with any applicable national regulations and collective agreements.	Yes	55	Principle 3
	G4-FP3	% of working time lost due to industrial disputes, strikes and or lock-outs by country	None of our facilities experienced strikes or lock-outs in 2015.	Yes	NA	
Occupational health & safety	G4-LA5	% of total workforce represented in formal joint management/worker health & safety committees that help monitor & advise on occupational health & safety programmes	100% of our workforce is represented in formal joint management/worker health & safety committees.	Yes	NA	



MATERIAL ASPECT	INDICATOR	DESCRIPTION	CROSS-REFERENCE OR ANSWER	EXTERNAL ASSURANCE	SEE PAGE	UNGC PRINCIPLE
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and by gender	In 2015, there were 11 accidents (3 female and 8 male), all in Denmark. We monitor absenteeism in Denmark and aim to expand our monitoring to all production sites.	Yes	57	
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Not applicable.		NA	
	G4-LA8	Health & safety topics covered in formal agreements with trade unions	Our Health and Safety organisation addresses a range of topics including the health and safety committee, training and education, the right to refuse unsafe work, etc.	Yes	NA	
Training & education	G4-LA9	Average hours of training per year per employee by gender and by employee category	Training data collection is being strengthened.	No	NA	Principle 6
	G4-LA10	Programmes for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings	Described in Employee Development Conversations (MUS). HR is always available to support employees. In involuntary employment termination cases, we offer further support with job-finding.	Yes	58	
	G4-LA11	% of employees receiving regular performance and career development reviews by gender and by employee category	Annual development conversations (MUS).	Yes	58	Principle 6
Diversity & equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	In Denmark we have 20 staff of non-Danish background out of a total of 392.	Yes	8, 23	Principle 6
Equal remuneration for women & men	G4-LA13	Ratio of basic salary & remuneration of women to men by employee category, by significant locations of operation	We monitor remuneration levels among our production staff in Denmark. In 2015, the remuneration ratio for males and females was 99.9/100.4.	Yes	NA	Principle 6
Supplier assessment for labour practices	G4-LA14	% of new suppliers that were screened using labour practices criteria	See Responsible Sourcing section.	Yes	26	
	G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	See Responsible Sourcing section.	Yes	26	
Labour practices grievance mechanism	G4-LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	No grievances on labour practices in 2015.	Yes	26	
<b>HUMAN RIGHTS</b>						
Investment	G4-HR1	Total number and % of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	We are committed to UNGC and its principles are part of our Code of Conduct. We encourage UNGC compliance among suppliers. Local risks are considered but human rights are not a formal part of our due diligence.	No	NA	Principle 2
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the % of employees trained	We do not currently provide training in human rights. We encourage a culture of respecting employees and individual human rights.	No	NA	Principle 1
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	No incidents in 2015.	Yes	NA	Principle 6
Freedom of association and collective bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Employees have free choice of association and several trade unions are represented in the workforce.	No	NA	Principle 3
Child labour	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	We do not consider child labour in our organisation as a risk. We recognise and monitor the risk of child labour in our supply chain.	Yes	NA	Principle 5
Forced labour	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	We do not consider forced labour in our organisation as a risk. We recognise the risk of forced labour in our supply chain and it is part of supplier monitoring.	Yes	26	Principle 4

MATERIAL ASPECT	INDICATOR	DESCRIPTION	CROSS-REFERENCE OR ANSWER	EXTERNAL ASSURANCE	SEE PAGE	UNGC PRINCIPLE
Security practices	G4-HR7	% of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	We do not currently train security personnel in human rights as they are externally employed.	No	NA	Principle 1
Indigenous rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	No incidents in 2015.	No	NA	Principle 1
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	As a member of Sedex we have published ethical data in the database from PADK, PANL and PAMX. There may be increased risk at our subsidiaries in e.g. Malaysia, Mexico, or Russia, but we strive to manage this risk. Sedex membership is planned for PAMY.	No	NA	Principle 1
Supplier human rights assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	See Responsible Sourcing section.	Yes	27	Principle 2
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	See Responsible Sourcing section.	Yes	26	Principle 2
Human rights grievance mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	No incidents in 2015.	Yes	NA	Principle 1
<b>SOCIETY</b>						
Local communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	We do not currently measure operations with local community engagement. See Community Connections section.	Yes	60	Principle 1
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	We do not consider any operations to have a negative impact on local communities.	No	24	Principle 1
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	In 2015 we initiated a risk analysis on our global operations for corruption risks and will continue to monitor and mitigate our risks.	Yes	22	Principle 10
	G4-SO4	Communication and training on anti-corruption policies and procedures	Corporate Governance	Yes	22	Principle 10
	G4-SO5	Confirmed incidents of corruption and actions taken	No incidents in 2015.	Yes	22	Principle 10
Public policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	It is our policy not to contribute to political interests.	No	NA	
Anti-competitive behaviour	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	No legal actions in 2015.	Yes	NA	
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No fines or significant non-monetary sanctions due to non-compliance in 2015.	Yes	NA	
Supplier assessment for labour practices	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	See Responsible Sourcing section.	Yes	27	
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	See Creating Shared Value and Corporate Governance sections.	Yes	16, 40	
Grievance mechanisms for impacts on society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	No grievances in 2015.	Yes	NA	
<b>PRODUCT RESPONSIBILITY</b>						
Customer health & safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	More than 50% of Palsgaard products are designed to assist nutritional aspects of food production.	No	48	

MATERIAL ASPECT	INDICATOR	DESCRIPTION	CROSS-REFERENCE OR ANSWER	EXTERNAL ASSURANCE	SEE PAGE	UNGC PRINCIPLE
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No incidents in 2015.	Yes	NA	
	G4-FP5	Percentage of production volume manufactured in sites certified to international food safety standards	Production sites in NL, MX, MY, DK are all certified to the food safety standards ISO/FSSC 22000.	Yes	NA	
	G4-FP6	% of total sales volume of consumer products by product category that are lowered in saturated fat, trans fats, sodium and added sugars	Our products are not aimed at end consumers but the majority help food processing companies to lower the fat content of their products.	Yes	NA	
	G4-FP7	% of total sales volume of consumer products by product category that contain increased nutritious ingredients like fibre, vitamins, minerals, phytochemicals, or functional food additives	Not applicable to our production.	No	NA	
Product & service labelling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Our labels contain the information required by law and any additional information required by our customers.	Yes	NA	
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	No incidents in 2015.	No		
	G4-PR5	Results of surveys measuring customer satisfaction	Survey conducted every other year.	No	13	
Marketing communications	G4-PR6	Sale of banned or disputed products	Palm oil-based products are discussed in the media and our stakeholders are interested in our position. We have achieved the goal of using only RSPO-certified palm oil. We assist our customers with requirements for RSPO certification and support RSPO learning for customers.	Yes	41	
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	No incidents in 2015	No	NA	
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No incidents in 2015	No	NA	

For further details of the GRI standard and terms used in the table, please refer to [www.globalreporting.org](http://www.globalreporting.org)

Figure 17:

## PALSGAARD A/S SUBSIDIARIES AND JOINT VENTURES

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

### SUBSIDIARIES

#### BRAZIL

Palsgaard Brasil Comércio Ltda.

#### CHINA

Palsgaard China Additive Ltd.

#### DENMARK

Einar A/S\*

#### DUBAI

Palsgaard DWC-LLC

#### FRANCE

Palsgaard France SAS

#### GERMANY

Palsgaard Verkaufsgesellschaft mbH & Co. KG

#### MALAYSIA (“PAMY”)

Palsgaard Malaysia Sdn. Bhd.

#### MEXICO (“PAMX”)

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

#### NETHERLANDS (“PANL”)

Palsgaard Netherlands B.V.

#### POLAND

Palsgaard Polska Sp. z.o.o.

#### RUSSIA

000 “Palsgaard R”

#### SINGAPORE

Palsgaard Asia Pacific Ptd Ltd

#### SOUTH AFRICA

Palsgaard South Africa Pty Ltd

#### UNITED KINGDOM

Palsgaard (Great Britain) Limited\*

#### USA

Palsgaard USA Inc.

### JOINT VENTURES

#### GERMANY

GoodMills Group GmbH  
(Formerly Kampffmeyer Food Innovation GmbH)

\*Not included in PADK++







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Palsgaard A/S  
DK-7130 Juelsminde  
Denmark  
Tel: +45 76 82 76 82  
Fax +45 76 82 76 83  
[direct@palsgaard.dk](mailto:direct@palsgaard.dk)  
[www.palsgaard.com](http://www.palsgaard.com)