



Palsgaard®

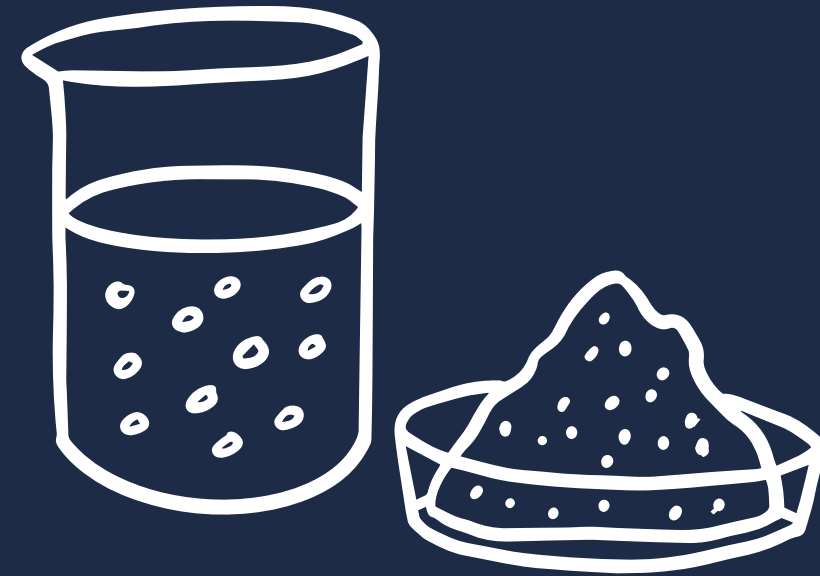
Environmental
Social and
Governance

REPORT 2023

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About this report

This is Palsgaard's 14th annual ESG report, covering the 2023 calendar year.

The purpose of the report is to provide a balanced overview of the sustainability impacts and risks of our work with plant-based food ingredients and polymer additives, as well as our activities to mitigate these risks, explore opportunities and make positive contributions towards a more sustainable world.

This report forms part of the management report in the company's annual report in compliance with the Danish Financial Statements Act, Sections 99a, 99b and 99d.

Report scope

Reporting on sustainability approach, policies and governance structure from **page 3–47** covers the entire group of the Schou Foundation. Our data summary on **pages 48–50** focuses on Palsgaard's production sites, the company's sales subsidiaries, and the research and development company Nexus A/S.

The entities in scope are collectively defined and referred to as 'Palsgaard' throughout the report. When stating Palsgaard in the description of our sustainability approach we are referring to the entire Schou Foundation including Palsgaard Gods (Estate), unless otherwise stated. Please also refer to **page 9** for detailed specifications of the entities included in the measurements.

Reporting principles

This report has been prepared in reference to the requirements of the Danish Financial Statements Act. The topics included in this report, and the material aspects we cover, were selected and prioritised by Palsgaard management and the ESG team based on their relevance to our own and our stakeholders' reporting needs.

Last year's CSR report was prepared in reference to the Global Reporting Initiative (GRI) Standards. This was done also to support our commitment to the UN Global Compact including the Communication on Progress. We are still committed to UN Global Compact and will continue to communicate on our progress; however, it will be reported separately from this ESG report in the future.

Independent review

This report and its data were reviewed by an external consultant. See the external consultant's statement on **page 51**.

CEO statement 2023

Sustainability has always been a guiding principle for developing our business, and in 2023 we started work on a new ESG strategy which will further strengthen our holistic approach to creating value for our stakeholders and society. The new strategy will be launched in the summer of 2024 and will be another important milestone in our sustainability work.

On the ESG agenda we are particularly proud that we have managed a reduction of 55% in Lost Time Injury (LTI) and Lost Time Frequency (LTF) compared to 2023. This has been achieved by an ongoing focus on health and safety observations and improvements across the organisation. In 2023, we also invested in further strengthening the safety culture and we are very pleased that the hard work has paid off.

In 2023, we won the prestigious Workplace of the Year award at our site in Denmark as a recognition of our strong focus on the well-being of our employees. This important acknowledgement came from Danish labour union 3F, and we consider it further motivation to continue the crucial work of ensuring that our employees are able to realise their full potential both on and off work.

We also continued building on the values and heritage of our founder, Einar Viggo Schou. Under the headline “heart working stories”, we launched a people and culture campaign designed to celebrate the achievements of our great colleagues and highlight our company values: loyalty, responsibility and commitment. In doing so, we are aiming to continuously revitalise our company culture which is particularly important as our business becomes still more global. In this report, we share four stories which exemplify what we mean by “heart working people”. We hope that you will enjoy them.



Helle Müller Petersen and Anders Brix



Reducing our carbon footprint is an important challenge for us, and we are now taking additional steps to map and quantify CO₂ emissions across our value chain. A more detailed understanding of the CO₂ emissions across our value chain will enable us to prioritise and implement reductions, although in some cases emissions they are not directly under our control. This also means that we will no longer claim that our products are “produced in CO₂ neutral factories”, as our factories only cover part of the value chain. We will continue to invest in renewable energy. Our owner, The Schou Foundation, is developing a utility-scale solar photovoltaic farm located near our site in Juelsminde, and we are almost ready to start production of biogas as part of our wastewater treatment.

In 2020, we announced plans to double the production capacity of our Danish factory, an investment of 1.5 billion DKK. In 2023, we have made great progress on these plans as we have built a new spray cooling tower, which will be operational in the spring of 2024. We have also finalised the concept plans for a new emulsifier plant which we begin constructing in 2024. The plant is Palsgaard’s largest investment to date and is expected to become operational in Q4 of 2025. In 2023, we have also started to expand our PGPR production facilities in the Netherlands, which will double our production capacity when inaugurated in 2024. All plants have been designed with a focus on efficient flows and optimal energy consumption.

As a signatory to the UN Global Compact (UNGC) we remain committed to adopting the 10 principles of the UNGC in our strategy, culture and daily operations. We will continue to report annually on our progress and support the UNGC. 2023 was the first full year with a new executive management team, and we are very proud and pleased that we have been able to carry on and further improve Palsgaard’s reputation as a responsible business which cares for both people and planet while we continue our growth journey.

We invite you to read this report and share your feedback with us.

Sincerely,
Palsgaard

27 May 2024

Anders Brix
Group CEO
Schou Foundation

Helle Müller Petersen
CEO
Palsgaard A/S



ESG highlights 2023



A SAFER WORKPLACE

Establishing a strong health and safety culture across all our sites is a crucial task, and we are proud that our global lost time injury (LTI) and lost time-frequency (LTF) both fell to 5, which is a reduction of 55% compared to 2022. This improvement is a result of a coordinated effort to strengthen our safety culture and further sharpen our health and safety procedures.



UPGRADING CO₂ REPORTING

Reducing CO₂ emissions is a key challenge for us, and we are now taking steps to better understand our CO₂ footprint across the value chain of our business. Starting in 2023, reporting on CO₂ emission includes scope 3 for Palsgaard Denmark, while 2024 will include our whole value chain, i.e. scope 1, 2 and 3 emissions. As a consequence of this new reporting practice, we are no longer claiming that our products are “Produced in CO₂ neutral factories.”



GETTING READY FOR THE FUTURE

In 2023, we started work on an ESG strategy which will guide the development of strategic objectives and further strengthen our responsible business culture. We also continued our global implementation of a new ERP system as well as our 1.5 billion DKK investment plan which will double the production capacity of our Danish and Dutch factories. Every day, we are taking steps to prepare Palsgaard for the future.



Emulsifiers. It's our whole world

A century of emulsifier expertise

Ever since our founder Einar Viggo Schou invented the plant-based food emulsifier in 1917, an agile and entrepreneurial spirit has powered everything we do.

Our food technology experts across seven global application centres are dedicated to using our understanding of emulsifiers to drive constant innovation and empower the international food industry to explore new trends.

Nexus, Palsgaard's specialised research and development sister company, plays a vital role in this process. Nexus has a significant degree of scientific freedom, allowing researchers to push the boundaries of emulsifier technology. This ensures a steady stream of innovative solutions that benefit all of Palsgaard's endeavors.

Emulsifiers enable the mixing of otherwise incompatible ingredients, such as water, oil, and air. While they make up only a fraction of the finished product, they have a huge impact on its quality, allowing makers of bakery, confectionery, condiments, dairy, ice cream, margarine, and

plant-based food products to produce stable emulsions, prevent oil separation, and control aeration and viscosity.

In turn, this enables the production of endless tasty food products, such as soft, moist cakes, perfectly moulded and enrobed chocolates, and delightful whipping creams. When combined with stabilisers, emulsifiers also help ice cream, dairy, and plant-based product manufacturers improve the stability, mouthfeel, creaminess, and texture of their creations.

Our emulsifiers and stabilisers also make it possible to produce delicious foods with a longer shelf-life while using fewer resources, just as they support food products with leaner labels, less fats, salt and sugar.

More than food

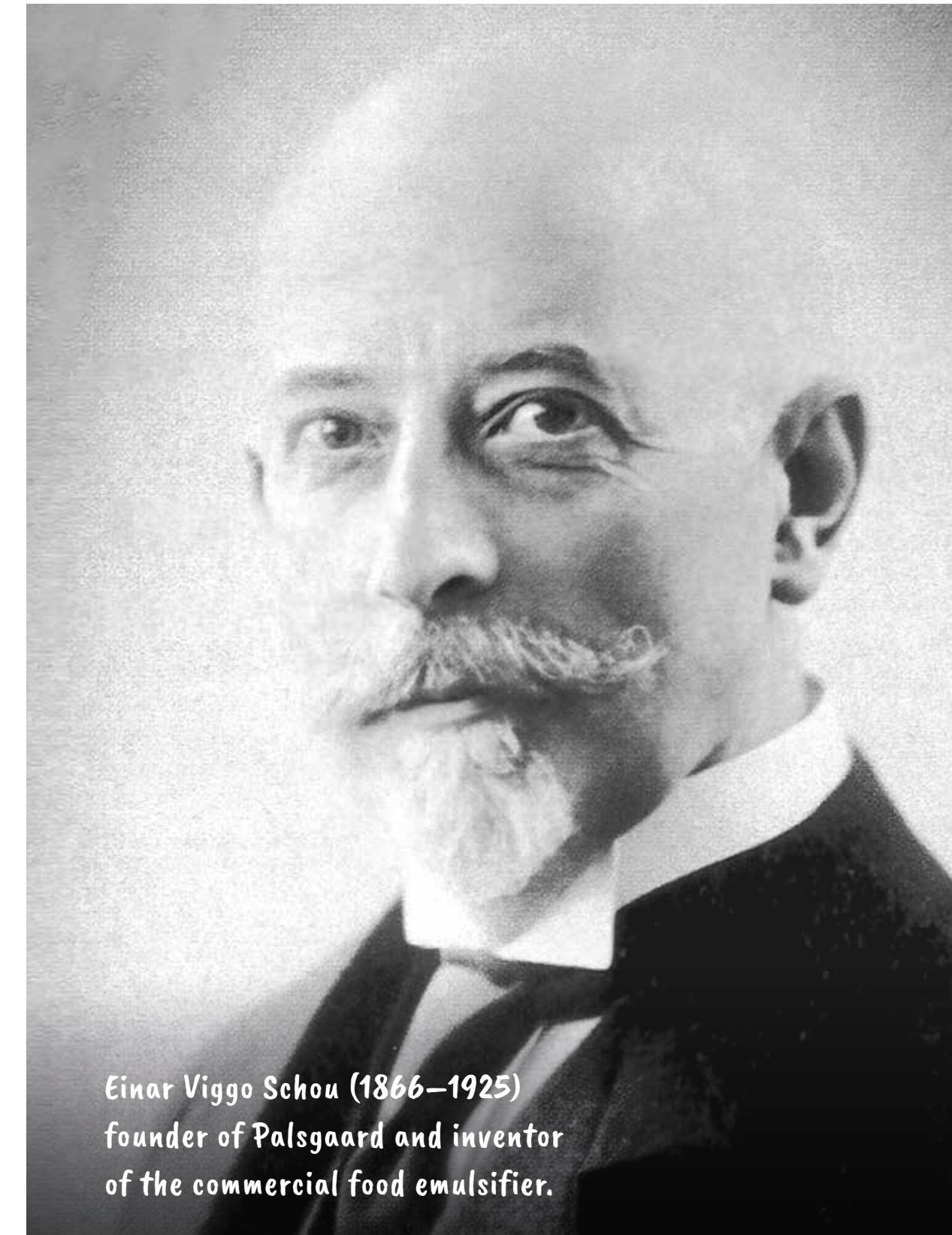
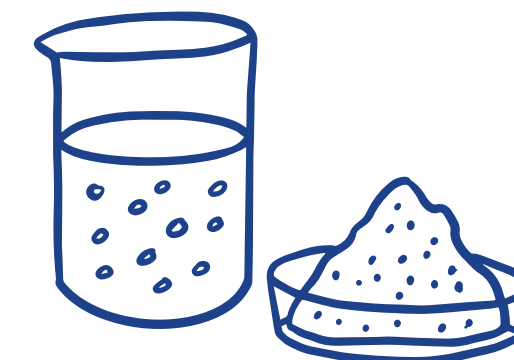
Our dual-use emulsifiers also serve as plant-based personal care ingredients and polymer additives, which are rapidly emerging as highly effective, safe and sustainable alternatives to conventional additive chemistry. By providing anti-static and anti-fog features, they not only

help keep food packaging clean and attractive, they also keep food fresh for longer and help reduce food waste.

Committed to responsibility

In 1908, long before Environmental, Social and Governance (ESG) reporting was ever a thing, our founder established an enduring culture of responsibility, loyalty and respect at Palsgaard. This meant caring for and celebrating our heart-working colleagues, their families and our local communities. This commitment continues to fuel our drive to make Palsgaard a great place to work.

Being niche experts doesn't mean we lack ambition. From responsible sourcing to reducing our energy consumption and CO₂ emissions, we aspire to be better every single day. And we're actively involved in initiatives tackling societal challenges like food safety, food waste and food scarcity. We've been a member of the RSPO since 2008, and our full range of food emulsifiers is available with RSPO SG certification.



*Einar Viggo Schou (1866–1925)
founder of Palsgaard and inventor
of the commercial food emulsifier.*

FIGURE 1

SCHOU FOUNDATION

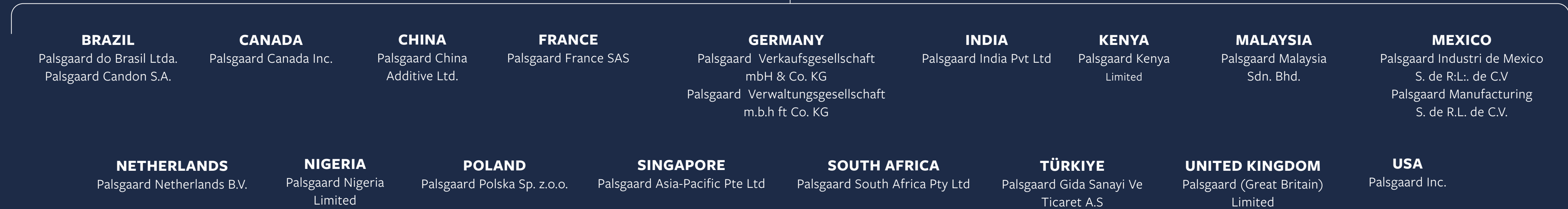


PALSGAARD GODS (ESTATE)

Agriculture, forestry and park



SUBSIDIARIES





In our 7 global application centres, Palsgaard's food technology experts share their expertise, helping customers to explore new trends.

Getting ready for CSRD

This report is the 14th edition of Palsgaard's yearly sustainability reporting. Our first CSR report was published in 2010, but conducting business in a responsible way has always been very important to us.

This year's report is another milestone in this ongoing effort. The front cover now says ESG instead of CSR. We have made this change because, beginning in 2025, Palsgaard will start reporting according to the EU's Corporate Sustainability Reporting Directive (CSRD).

The purpose of CSRD is to provide a consistent and transparent framework for businesses to report their performance on environmental, social and governance (ESG) issues. CSRD will make it easier for stakeholders to compare and hold businesses accountable across both member states and different business areas.

CSRD also means that ESG reporting must become an integrated part of the annual report, on the same level as financial reporting. This step is taken to ensure that stakeholders have a more comprehensive or holistic overview of how a business is performing.



ESG strategy on the way

In 2023, we started work on an ESG strategy including a double materiality assesment, and this work continues in 2024. The double materiality assessment is the mandatory foundation for CSRD-reporting, and this process is further described in the next section. The ESG strategy will help us to define strategic objectives and initiatives. We will communicate further about the ESG strategy process online when the process is complete and follow up in next year's ESG report.

In preparing this year's report we have taken the first steps towards CSRD-reporting. We are in the process of improving our data collection and data management systems to ensure that we have all the necessary data available. This is an important task because CSRD also means that non-financial data will be subject to mandatory auditing on the same level as financial data. With a higher quality and transparency of our data, it will also help us to drive continuous improvements of our ESG work. In recent years, Deloitte has been responsible for auditing our CSR report, so this requirement is nothing new to us.

In previous CSR reports, we have reported according to the standards set by the Global Reporting Initiative (GRI). This will change. CSRD-reporting is done according to the European Sustainability Reporting Standards, or ESRS. ESRS define the structure and disclosure requirements for reporting. It is a guide to CSRD-reporting, and it builds on and will replace the standards set by GRI in this report. See further details in chapter 5, ESG Data.

Our support for the UN Global Compact (UNGC) will continue as will our Communication on Progress which is based on GRI standards. In other words, GRI reporting will continue, but on a separate page on our website.

Ultimately, CSRD will make it easier to compare how reporting businesses perform on non-financial and sustainability issues, and we welcome this transparency. The spirit of Einar Viggo Schou is strong, and we are committed to keeping his legacy alive.



Double materiality assessment

Working with materiality in relation to sustainability issues is nothing new to us. Previous editions of our CSR reports have been structured according to a materiality assessment across our whole value chain, considering how Palsgaard's business directly or indirectly is creating or reducing value for our stakeholders.

In 2023, we started the process of conducting a double materiality assessment. The double materiality assessment is an important part of our ESG strategy process, and it is also the essential and mandatory first step in reporting according to ESRS standards. The assessment has helped help us to decide which ESG topics are most important for our business and future ESG reporting.

Double materiality means that the assessment looks at both how the business impacts the surrounding world, called impact materiality, and how sustainability-related topics might impact the business, called financial materiality.



Looking ahead on ESG

This process of engaging with our stakeholders has been very useful in understanding ESG priorities across our stakeholders, and it provides us with an updated materiality matrix, showing how topics are ranked in terms of impact and financial materiality.

The materiality matrix will provide insights into our ESG strategy process and must be understood in the wider context of this development process. A number of ESG topics will be further explored in 2024 to help us decide on strategic objectives, goals and initiatives.

An example is food scarcity and food waste. In some regions of the world, millions of people in distress still rely on emergency supplies which must travel long distances and cannot be properly cooled. In richer parts of the world, far too much food is wasted before it goes bad, mainly because it stops looking fresh and attractive after a couple of days in the refrigerator. These are challenges

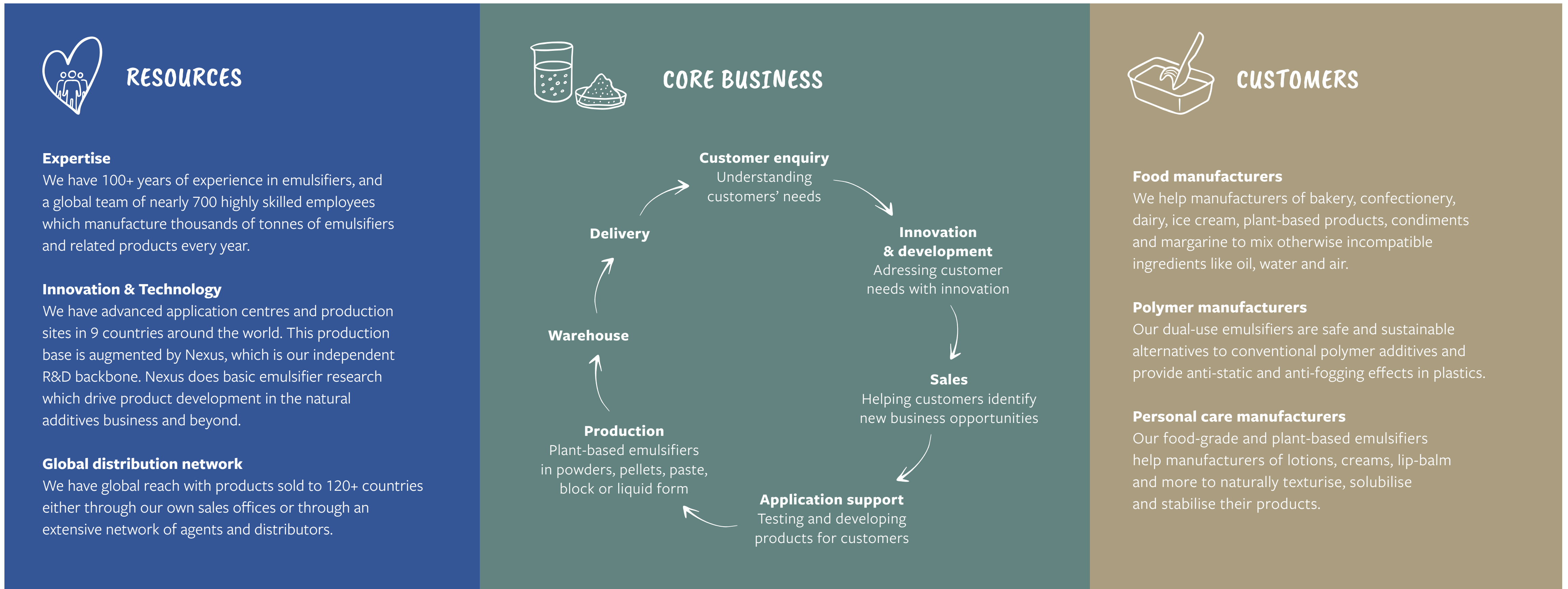
which our range of food-grade emulsifiers and stabilisers can help tackle. Our products increase the shelf-life and keep food looking fresh for a longer time, and in doing so contribute to reducing food waste.

Consider also Hamed Safafar who is Application Manager and Senior Application Scientist. Elsewhere in this report, we tell the story of Hamed and how he discovered a way to help children suffering from moderate acute malnutrition because the nutritional packages supplied to them were failing to deliver life-sustaining nutrients. See **page 27**.

Ultimately, our tireless focus on continuously researching and developing new applications for our products can contribute to ensuring that more food reaches more people across the world, making it possible to feed more people. This has far-reaching positive consequences, and in 2024 we will take a closer look at this important issue.

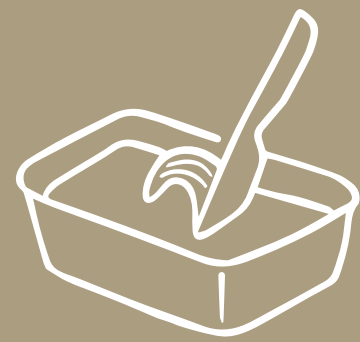
Our business model

FIGURE 2



Value creation

Based on our business model, we have a holistic approach to value creation which goes beyond short-term financial returns.



Customers

We create value for our customers by providing safe, high-quality and customisable plant-based emulsifiers. We share our insights into improving product quality and raw material utilisation, and our products contribute to reducing food waste and extending shelf-life.



Environment

Our emulsifiers are produced with a strategic focus on responsible sourcing and reducing energy consumption and CO₂ emissions.



Employees

We create jobs in local communities where we have production facilities, sales offices and application centres and provide our employees with safe and attractive working conditions and professional development opportunities.



The Schou Foundation

Palsgaard is 100% owned by the Schou Foundation – this ownership model protects our independence and enables us to focus more on long-term value creation and less on short-term profits.

Stakeholders

Einar Viggo Schou, who acquired the Palsgaard Estate in 1908 and subsequently established the industrial enterprises there in 1919, could express the core values that were close to his heart in just three words: Loyalty – Diligence – Persistence. Words that acted as guiding principles for his entire life and which still live on in our corporate culture.

Today, over one hundred years later, Palsgaard's values are fundamentally the same, albeit expressed slightly differently as: Loyalty – Responsibility – Commitment.

These values are also the foundation of our ongoing dialogue with our most important stakeholders. This dialogue helps us to assess their expectations and understand how we can accommodate changing needs, not only on the sustainability agenda. Developing stakeholder relations which are constructive and mutually beneficial is crucial to remaining a successful business.



Customers

We strive to develop a lasting partnership with our customers. A partnership where we actively engage in spotting opportunities and trends and work together to develop innovative solutions which enable our customers to remain competitive in their markets.



Employees

Our employees are our most important asset, and we regularly conduct employee satisfaction surveys to evaluate well-being and understand how to improve working conditions. We believe that work should be enjoyable, rewarding, and safe, and we are committed to ensuring that our employees are able to balance work and life.



Suppliers

On an ongoing basis, we conduct supplier performance evaluations to assess whether suppliers live up to our standards and corporate values. We continuously follow-up with suppliers to ensure that we understand local conditions and are able to anticipate and mitigate any potential supply chain disruptions.

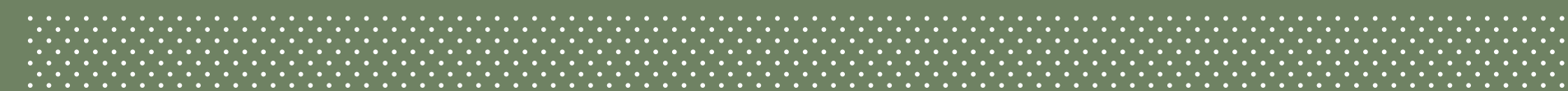


Financial partners

We maintain a constructive dialogue with our financial partners about the need for data and documentation on the ESG agenda. We keep them updated on the ESG topics which may affect our business in a positive or negative way.

Environmental

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Palsgaard's plant-based anti-fog additives help extend the shelf-life of packaged foods and reduce food waste.

Palsgaard expands CO₂ reporting

Reducing CO₂ emissions is a key challenge for us, and we are now taking steps to better understand our CO₂ footprint across the value chain of our business.

Starting in 2024, reporting on CO₂ emissions will include our whole value chain, i.e. scope 1, 2 and 3 emissions. We already have an overview of scope 3 emissions from our Danish production sites, which is included in the emission reporting for 2023. In 2024 we will analyse and map scope 3 emissions from our whole value chain.

We have made this decision to give a more accurate and comprehensive overview of Palsgaard's environmental impact, and to prepare for CSRD-reporting. Not only will this improve transparency for our stakeholders, it will also make it easier for us to prioritise and develop our reduction efforts.

As a consequence of this new reporting practice, we will no longer claim that our products are "Produced in CO₂ neutral factories", and we will remove the claim from all communication channels including packaging.

The claim was based on a combination of energy efficiency optimisations and renewable energy sources, supported by offsets governed by the United Nations Framework Convention on Climate Change and was verified by Deloitte in our annual CSR reports. We will maintain the use of offsets in 2024 until we have used up our stock of packaging with the claim "Produced in CO₂ neutral factories."

However, "Produced in CO₂ neutral factories" only included scope 1 and 2 emissions, and so did not include emissions from our value chain. This approach does not reflect Palsgaard's new level of ambition on the climate agenda. We will continue to analyse our activities and value chain and seek opportunities to cooperate with suppliers, customers, and other stakeholders to identify specific reduction potential in our CO₂ emissions. We will continue to invest in and support projects that reduce carbon emissions and promote renewable energy.

Illustrating the change in CO₂ reporting

The most widely used method for calculating CO₂ emissions is called the Greenhouse Gas (GHG) Protocol. The GHG Protocol divides emissions into 3 so-called scopes, see illustration to understand what is included in the 3 scopes.

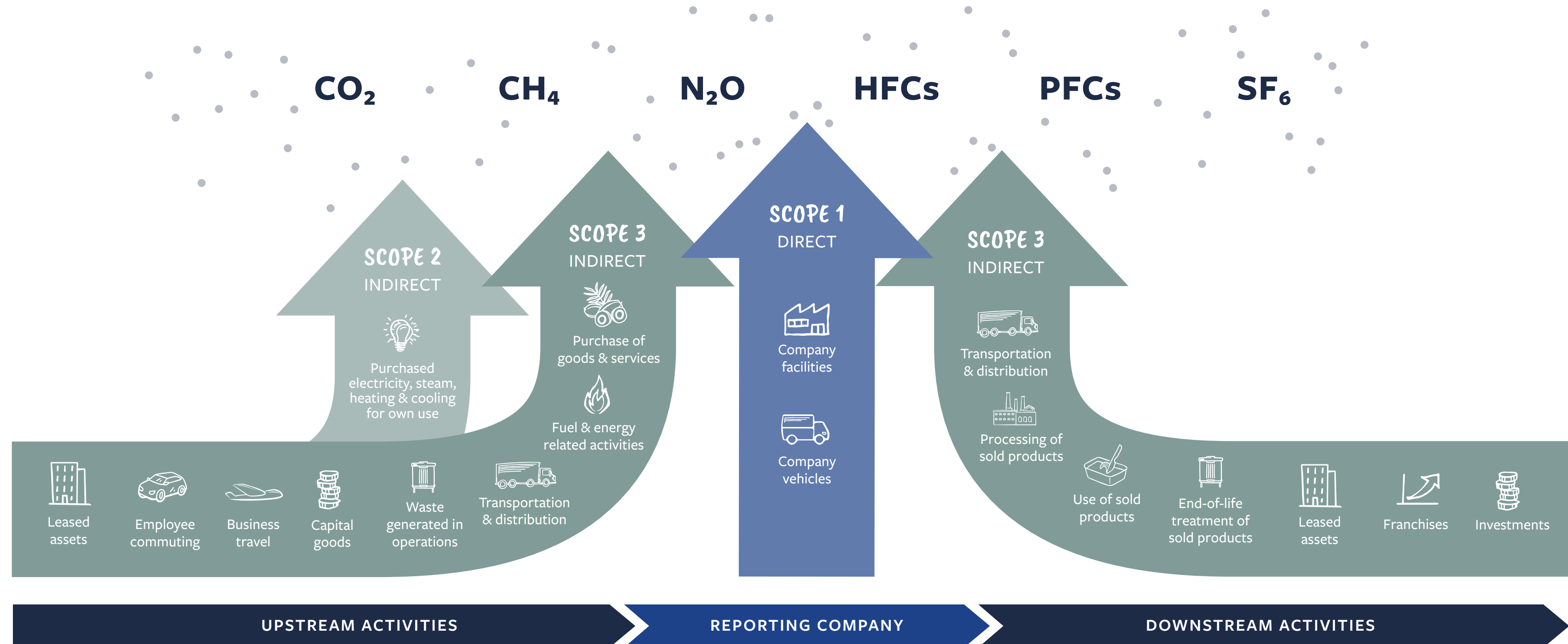


FIGURE 3

This year, the primary changes in CO₂ reporting are that offsets will no longer be counted against our CO₂ emissions to reach CO₂ neutrality while we are also including scope 3 emissions for our Danish production

sites. Starting 2024, the full scope 3 will be included in emissions reporting. We are currently establishing processes to measure and collect data about the full extent of our scope 3 emissions.



FIGURE 4

In the table below, we have illustrated the change in CO₂ reporting from 2022 to 2023, now reporting without offsets:

	2022 emissions with offsets	2023 emissions with offsets	2023 emissions without offsets
+ Scope 1 and 2 (tonnes)	18,714	15,362	15,362
+ Scope 3* (tonnes)		85,048	85,048
- Offsets	-18,714	-15,362	0
Total CO ₂ emissions (tonnes)	0	85,048	100,410

* Scope 3 emissions for 2023 only include Danish production sites.

More potential for energy efficiency

In 2022, due to the ongoing conflict in Ukraine, we decided to switch from natural gas to liquefied petroleum gas (LPG) in Denmark, and this practice continued in 2023.

Switching to LPG meant that our supply was never disrupted, we were unaffected by the enormous volatility in international gas markets, and we avoided any shut-downs in production. But LPG also emits more CO₂ when burned than natural gas, and as a consequence, we decided to buy additional carbon offsetting to compensate for the increase in CO₂ emissions.

Meanwhile, the challenge to our gas supply has brought a renewed focus on energy efficiency and renewable energy across our production sites. More specifically, we are exploring opportunities for electrifying as many production processes as possible. This is already

happening in the Netherlands, and in Denmark, we are also taking steps to explore these opportunities.

Our production facilities in Brazil, Mexico and the Netherlands already have solar power installed which contributes to the operation of production processes. In Denmark, our owner, The Schou Foundation, is developing a 52-hectares utility-scale solar photovoltaic farm located near our site in Juelsminde.

In 2023, overall energy consumption fell compared to 2022, primarily due to reduced production volumes caused by challenging market conditions.





Sourcing responsibly

The plant-based raw materials we use originate from countries across the world as do our suppliers. The diversity in this portfolio of suppliers leads to significant and varying complexity in our supply chain, for example in relation to sustainability and fair labour conditions.

As a consequence of this complexity, supplier management has long been an integral part of our quality assurance system. Our Supplier Code of Conduct, Responsible Sourcing Programme and our corporate culture and ethics are important pillars in building a strong relationship with suppliers and defining the ESG requirements we set for suppliers and partners.

Our Responsible Sourcing Programme is managed by Global Procurement in close collaboration with internal stakeholders globally.

Our suppliers are expected to sign a Supplier Code of Conduct which includes a provision identifying Palsgaard as a signatory to the UN Global Compact (UNGC) and answer an ESG supplier information sheet. The ESG supplier information sheet is a point-based system that determines the sustainability status of the supplier.

By signing the documents, suppliers warrant that they will conduct business in accordance with UNGC's 10 principles of sustainable business within four areas: environment, labour standards, human rights and anti-corruption.

The Responsible Sourcing Programme helps us to maintain an open dialogue with our suppliers where we focus on continuous improvements within critical areas which may have been identified. We recognise that having such conversations can be challenging as due to many different perspectives on these topics. However, we believe the dialogue is rewarding and necessary to gain a better understanding of local conditions. In 2023, 95% of our raw material supplies were assessed in the Programme.

On an ongoing basis, we conduct supplier performance evaluations to assess whether suppliers live up to our standards and corporate values. The assessment considers input from internal stakeholders and includes both operational and administrative aspects of the supplier relationship as well as ESG and innovation. For 2023, the overall performance is considered satisfactory.



Certified palm oil

All palm-based emulsifiers available with RSPO SG-certified palm oil.

For some stakeholders, palm oil still has a negative image due to perceived impact on environment, wildlife habitats and working conditions for plantation workers. However, as a high yielding crop per hectare, palm oil remains an important feedstock to meet the needs of a growing world population.

Due to this, palm oil remains a very important raw material in our production, and we are continuously working with stakeholders on our use of both RSPO segregated (SG) and mass balance (MB) palm oil.

Since 2008, we have participated in the Roundtable on Sustainable Palm Oil (RSPO), and by using RSPO-certified palm oil, we contribute to improving standards on topics such as human rights, child labour, freedom of association and collective bargaining as well as indigenous people's rights.

To ensure that our customers have the choice, we offer a complete RSPO SG-certified product range for emulsifiers. In addition, we continue our research in non-palm alternatives and experiment with their implementation across our product range.



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rspo.org

Minimising waste – a team effort

Responsible resource consumption is a core value for us, and in our daily production processes, we remain committed to avoiding or minimising waste in our production. We find inspiration in the waste hierarchy which ranks waste management options according to what is best for the environment. Waste prevention is most preferred, and when some waste is unavoidable, we go to great lengths to either send it to feed production, recycling or biogas production.

Palsgaard has worked intensively to increase the waste sent to recycling or feed production. Today 48% of the waste is recycled or sent to feed production.

Working in our production, observing machines and production streams is the best way to drive optimisations, and this focus on waste prevention and reduction is driven by our dedicated team members. Elsewhere in this report, we tell the story of Martin Andersen and his many ideas see **page 24**. Martin works as a tanker receiver at our site in Juelsminde, and he simply cannot stop asking questions, and coming up with ideas for doing more with less.

Targets and performance

In 2023, we started work on an ESG strategy, and this work continues in 2024.

The process of developing an ESG strategy also includes defining new strategic goals for our ESG work. With the future ESG strategy still being developed, this year’s report includes a follow-up on core targets from previous reports, see table. We will communicate further about the ESG strategy process online when the process is complete and will follow up in next year’s ESG report.

* In 2021 and 2022 emissions reporting only included scope 1 and 2, and green energy with certificates and CO₂ offsets were used to reach CO₂ neutrality.

** 2023 emissions include scope 1 and 2 as well as scope 3 emissions from Danish production sites. Calculated according to GHG protocol.

*** 2024 emissions target will include scope 1 and 2 as well as scope 3 emissions from all sites. Data will be analysed in 2024.



FIGURE 5

Core ESG targets	2021	2022	2023**	Target 2024***
CO₂ emissions (tonnes) (kg eCO ₂ per kg finished product sold)	0*	0*	2.3	To be set in 2024
Energy consumption (kWh per kg finished product sold)	1.04	1.17	1.13	1
Water consumption (litres per kg finished product sold)	2.81	2.99	3.06	3



CASE

Martin and his many great ideas



On paper, he might be a ‘Tanker Receiver’, yet Martin Andersen and his many great ideas stretch far beyond conventional description.

“When Martin knocks on my door, I know I need to listen” says colleague Casper Leuenhagen, Site Director at Palsgaard Denmark. “It’s like his brain doesn’t get tired, thriving on new ideas and solutions. It’s fantastic.”

A problem-solver at heart

Despite having only worked at Palsgaard Denmark since 2022, Martin has already proposed an array of proactive ideas that have had a positive impact on life and work in Juelsminde. One great example of Martin's solution-oriented mindset is a system he helped develop, which allowed us to get more value, both environmentally and financially, from one of our by-products.

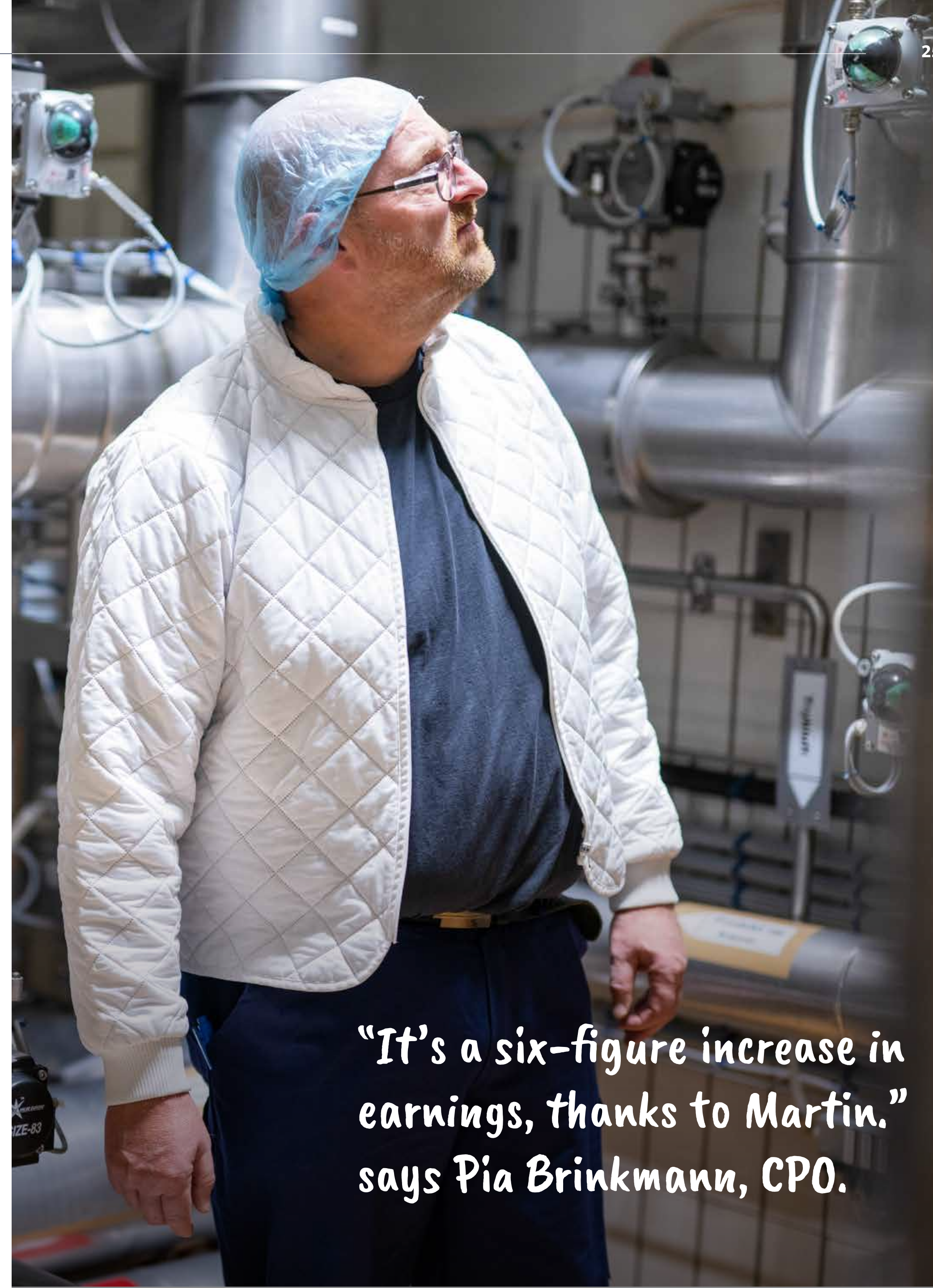
A group of Palsgaard colleagues, including Martin, had been brought together to see if there was a way of making more out of a by-product which we had, until that point, sold to a supplier of biogas. In the existing setup, the by-product, approx. 2,100 tonnes per year, was left to cool down and harden. One thing was clear. If the by-product could be kept warm and collected in liquid form, it could be used to create both biogas and animal feed, a more circular use of the by-product. The question was how?

Martin came up with an idea for how to make that possible. Essentially, Martin suggested transferring the by-product to vats where it could be stored without cooling down. This also meant that it could be collected and processed far more easily and the company buying the by-product would happily pay a higher price.

"It means that we can provide added value to an expanded customer base and can sell it for a much higher price," says Pia Brinkmann, CPO. "It's a six-figure increase in earnings, thanks to Martin." Being able to turn the by-product into animal feed is just one of many added environmental benefits, with the new process also reducing packaging and transport needs as well as CO₂ emissions.

However, Martin's great ideas don't end there. After observing that the 10-litre buckets used by drivers to drain their hoses often tipped over – resulting in large amounts of spillage – Martin proposed the purchase of rolling tubs that could be used more effectively instead. Other ideas proposed by Martin include pictogram signage designed to ensure waste is treated responsibly, an ingenious solution to a sewage challenge, and suggesting a more environmentally friendly surface coating for one of the loading areas we're currently redeveloping at the Juelsminde site.

"Martin's not someone who craves the spotlight" notes Casper. "He'd actually rather be someone who just makes things happen." Martin's solution-oriented, proactive attitude is a great example of Palsgaard's heart working spirit.



"It's a six-figure increase in earnings, thanks to Martin." says Pia Brinkmann, CPO.

Social



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CASE

Hamed and the fight to nourish children



After discovering that nutritional packages supplied to children with moderate acute malnutrition (MAM) were failing to deliver life-sustaining nutrients, Application Manager & Senior Application Scientist Hamed Safafar, felt compelled to help find a solution.

This challenge, faced by institutions such as UNICEF and the World Health Organisation for many years, seemed extremely daunting. Could Hamed and his team really help find a solution?

A crucial issue

Forming part of UNICEF's nutritional program, Ready-to-use Therapeutic Food (RUTF), Ready-to-use Supplementary Food (RUSF) and Lipid Nutrient Supplement Paste Medium Quantity (LNS-MQ) packages are used to treat MAM in children aged between six months and five years old.

Such foods, incorporating a high-energy formula, deliver a substantial 500 kcal in every 92g serving, and contain a blend of peanut paste, dairy powders, vegetable oil, sugar, and a range of micronutrients. As a result, their fat content typically varies between 26–36% by weight.

The phenomenon of 'oiling off', where oils separate in nutrition packs, poses a significant challenge in RUTFs, RUSFs and LNS-MQs. This issue arises primarily due to the disparity in densities between oil and solid particles and is exacerbated in warmer climates.

Despite UNICEF's standard, which demands no visible oil separation for up to 24 months at storage conditions of 30°C and 65% relative humidity, this issue remained a challenge for producers.

Hamed's research revealed that oiling off not only reduced nutrient availability but also caused the food to harden and stick to its packaging, hindering children with MAM from accessing these essential nutrients. In many cases, families in UN refugee camps, constrained by limited resources, repurposed the separated oil for cooking, further depriving the children of vital nutrition.

Hamed knew that our company's expertise in fat crystallisation – the process of postponing oil separation – might hold the key to solving this issue. But what would be the approach?



“It was really good to see our products work and that they can make a real difference. It made us so happy to see that we have the power to help.”



The importance of failure

“At the start, it’s very challenging” reflects Hamed. “But we knew that every failure brought some sort of learning and a better approach for the next attempt.”

Ever since joining Palsgaard in 2021, Hamed worked on finding a solution to this longstanding challenge. Alongside his colleagues, he experimented with various fat crystallisers, aiming to maintain the consistency of the packs.

Employing accelerated stability methods, they simulated high-temperature conditions and tested different oil types (approved by UNICEF) to evaluate the solution’s effectiveness. Each obstacle and step forward in this lengthy journey contributed to their ultimate breakthrough, which involved solutions using two efficient products – Palsgaard® OilBinder 6121 and Palsgaard® CrystalPromoter 6117.

While both products are often used in other applications and were not specifically developed for this singular function, they were tested against several other fat crystallisers and were found to be the most effective. Both Palsgaard® OilBinder 6121 and Palsgaard® CrystalPromoter 6117 ensured even oil distribution within the pack under extreme conditions while keeping the product a smooth paste consumable for children.

Heart work pays off

As their solutions demonstrated potential, Hamed and his team geared up for real-world trials, preparing to showcase their innovations to Palsgaard’s global clientele. These customers depend on Palsgaard fat crystallisers for their RUTF, RUSF and LNS-MQ products, which are then distributed globally.

Hamed’s extensive efforts included visits to customers, e.g. in India, showcasing the practicality and effectiveness of Palsgaard’s innovations. This proved crucial in demonstrating that the team had not only solved the oil separation issue but also reduced reliance on costly, variable raw materials, enhancing production sustainability.

Most importantly, however, Hamed’s persistence has proved instrumental in helping Palsgaard tackle a serious humanitarian problem, ensuring more children receive the essential nourishment they need.

“It was really good to see our products work and that they can make a real difference,” says Hamed. “It made us so happy to see that we have the power to help.”

One accident is one too many

In many of our production processes, our colleagues must operate large machinery and handle substances at high temperatures. It is our responsibility to do everything we can to eliminate or minimise risk in every corner of our business, and one accident is always one too many.

Health and safety remain a top priority because our colleagues are our greatest asset, and coming to work every day must never be considered dangerous.

In 2023, we have continued the implementation of our Global Occupational Health and Safety policy. We continue to prioritise and improve safety training both as a part of the onboarding of new employees and as an integral part of the daily operations across all our production sites.

In addition, we have established a global health and safety working group where we share information about all safety-related incidents. We encourage our colleagues to report any health and safety-related incidents or observations which contribute to the ongoing work of eliminating risk. Knowledge sharing and an ongoing focus on risk assessment and root cause analysis remain some of the most

important tools in raising awareness about safety among our colleagues. As a result of this coordinated effort, our global lost time injury (LTI) and lost time-frequency (LTF) both fell to 5, which is a reduction of 55% compared to 2022. We are proud to announce that in the second half of 2023, we recorded no accidents.

Establishing a strong health and safety culture across all our sites is a crucial task, and elsewhere in this report, we tell the story of Helle Skjold, who is our Global QEHS Director, and Casper Leuenhagen, our Site Director in Juelsminde.

In 2023, Helle and Casper and their teams implemented a special effort under the headline “Licence to Operate” which was designed to raise awareness about and further sharpen our health and safety procedures as well as food safety awareness at our site in Juelsminde.

In 2023, our QEHS team in Malaysia also carried out activities to increase awareness around health and safety in a creative manner. Read more about how they got their colleagues to enter into a poster competition elsewhere in the report.



CASE

Designing a safer future



In October 2023 Palsgaard Malaysia observed Environmental Health & Safety (EHS) Week. In an effort to elevate health and safety awareness, two team members organised a creative competition for their colleagues.

FIGURE 6



Zero food safety recalls

As a trusted supplier to the global food industry, we are obligated to have a strong focus on food safety and quality standards across our value chain. We are very proud that we have never had a food safety recall anywhere in our business, and it is among our highest priorities to maintain this record.

Our procedure for following up on our own suppliers is described in the Environment chapter of this report, and this procedure also includes issues regarding food safety.

Our production sites in Denmark, Malaysia, the Netherlands, Mexico, Brazil and China have ISO 22000/ FSSC 22000 certifications. In Denmark, Malaysia, the Netherlands and Mexico we have ISO 9001 certifications. We have had these certifications for many years, and we

are continuously working to improve our processes. This includes a specific focus on further developing a food safety culture to prepare for FSSC 22000 6.0.

In 2023, we have implemented procedures to ensure that our products meet applicable, new regulations and specification requirements for food additives.

We have continued the implementation of production equipment (post-reactors) for a mitigation step for glycidol esters in the production process for relevant products. Compliance with the new EU limit for 3-MCPS is ensured at the raw material level by the use of raw materials in compliance with new specifications and by verification analysis of the finished product.



CASE

License to operate: enhancing our safety culture



Establishing a strong health and safety culture across all our sites is a crucial task, and in this case, we tell the story of Helle Skjold, our Global QEHS Director, as well as our Palsgaard Denmark Site Director Casper Leuenhagen.



In 2023, Helle and Casper and their teams implemented a special effort in Juelsminde under the title ‘License to Operate’, which aimed to not only raise awareness about and enhance our health and safety procedures, but also increase understanding and attention towards food safety.

The project sought to go beyond the written guidelines and procedures. In our production, products are handled at high temperatures and include many manual processes. “High safety awareness in everything we do and the ability to help each other understand this, is key to continuously improve our safety culture,” says Helle.

Time for action

Incorporating top-down leadership with bottom-up actions, the campaign set out to empower production and warehouse department heads to lead by example. This approach ensured that their teams prioritised health and safety (HS) and food safety (FS) wherever possible. Key in achieving this was the launch of targeted mini-campaigns raising awareness around specific safety topics, such as the critical importance of wearing protective clothes, hairnets, safety shoes and safety goggles.

Further steps taken by ‘License to Operate’ included revisions to our existing HS and FS strategies: we streamlined and strengthened our processes, enhanced our key performance indicators (KPIs) for HS observations, and continued to integrate safety discussions into our production management meetings.

And on a day-to-day basis, close dialogue now plays a more prominent role in our safety culture.

Dedicated safety sections feature at the start of our quality management system’s work instructions, and throughout the campaign our e-learning and PalsIntra digital platforms were used to promote an ‘actions speak louder than words’ culture. One where safety guidelines are consistently followed.

A change in culture?

So, with 'License to Operate' promoting improved safety awareness and behaviour, how was our culture improved between 2022 and 2023?

In terms of minimising work accidents at our site in Juelsminde, we experienced a decrease in the number of accidents resulting in absence, which dropped significantly from 9 in 2022 to 2 in 2023. Accidents without absence also decreased marginally and were accompanied by a rise in HS observations, indicating heightened vigilance and adherence to guidelines.

In addition to accident frequency, we also evaluated the campaign's effectiveness in changing perceptions surrounding safety. Studying our existing culture, internal surveys from 2022 showed that while Juelsminde employees prioritised HS and FS ahead of topics such as product quality, production costs, and production rates, they felt the company did not share the same opinion.

However, a 2023 follow-up survey highlighted a significant shift. Our Juelsminde employees' prioritisation of HS and FS remained unchanged, yet this time the majority felt that Palsgaard also placed these safety issues as its top priorities.

This alignment in perceptions underscored a heightened collective valuation of safety as well as a successful rebalancing of our company's focus.

A look to the future

Although 'License to Operate' has concluded, we remain committed to prioritising our safety practices and promoting risk-aware, proactive incident management.

To sustain momentum, the team behind the campaign, led by Helle and Casper, will meet quarterly to develop strategies for future campaigns and initiatives.

And beyond our site in Denmark, we've also formed an international team of health and safety specialists, whose role it will be to monitor and address behaviours across our sites globally that diverge from our ever-improving culture.

"We formed 'License to Operate' to ensure that safety is at the core of everything we do," says Casper. "The campaign may have run its course, but its objectives will continue."

Building on the momentum created by the campaign, our efforts to engage employees at all levels will remain as we strive for a safer, more productive working environment for all.

"We formed 'License to Operate' to ensure that safety is at the core of everything we do," says Casper Leuenhagen.





Workplace of the Year 2023

At Palsgaard, we have a secret ingredient that sets us apart: our unwavering commitment to our heart working people. It's no wonder that our team is a tight-knit group, with many of our colleagues staying with us for years on end. In fact, we're proud to say that over 300 of our exceptional team members have been honoured with the Palsgaard medal, recognising their remarkable 25, 40 or 50 years of service.

Of course, this loyalty is something we must never take for granted, and we go a long way to ensure the growth and well-being of our colleagues. This includes comprehensive employment benefits such as health insurance, life insurance, paid maternity leave and pension plans. Our goal is to make it less challenging to maintain a healthy work-life balance for our employees.

In 2023, we won the prestigious Workplace of the Year award in Denmark as a recognition of our strong focus on the well-being of our colleagues. Danish labour union 3F is responsible for the award, and Henning Overgaard, Chairman of 3F, applauded us for our unique approach to fostering a family-like atmosphere and supporting employees in realising their potential.

Palsgaard People Surveys have been conducted since 2006 at all locations through an independent company, Ennova. Using Ennova ensures that results can be compared with other global businesses via the Global Employee & Leadership Index, GELx. As an addition to our large biennial survey, we have added a shorter "pulse" survey in intermediate years. This provides a good reference point for the indication of progress made on corrective actions resulting from the larger survey.

Our Palsgaard People Survey had a response rate of 95% in 2023 and results indicated an overall positive change with +2 points at 77/100 points in overall Satisfaction & Motivation. For loyalty, we also see a positive change with +2 points at 84/100 points.

We have continuously implemented initiatives based on the findings of the survey, working to lift our results across the entire Palsgaard Group. We aim to be in the top 10% of benchmark companies, where the target for Satisfaction and Motivation is 80 points.

Information on employees

In Denmark, 54% of employees are covered by a collective bargaining agreement. This is not measured in our subsidiaries. We ensure that all employees are paid at or above the minimum wage, according to legislation. We always try to accommodate employees' different needs by being flexible in offering part-time positions. All employees have the right to parental leave. We also offer an additional one week of paid vacation on top of what is set by local regulations.

Full-time PADK	349 employees	92%
Part-time PADK	30 employees	8%
Total PADK¹	379 employees	100%

FIGURE 7

Region	Number of employees	% of employees	Number of employees ²	% of employees ²	People manager ²	Average age	New hires ²
Europe	434	63	165 / 269	38 / 62	12 / 37	48	21 / 23
Americas	139	20	62 / 77	45 / 55	6 / 11	38	13 / 13
Asia	113	16	32 / 81	29 / 71	5 / 16	38	3 / 15
Africa	8	1	4 / 4	50 / 50	1 / 2	44	0 / 0
Total	694	100	263 / 431	38 / 62	24 / 66	44	37 / 51

1. Data for other regions are not reported

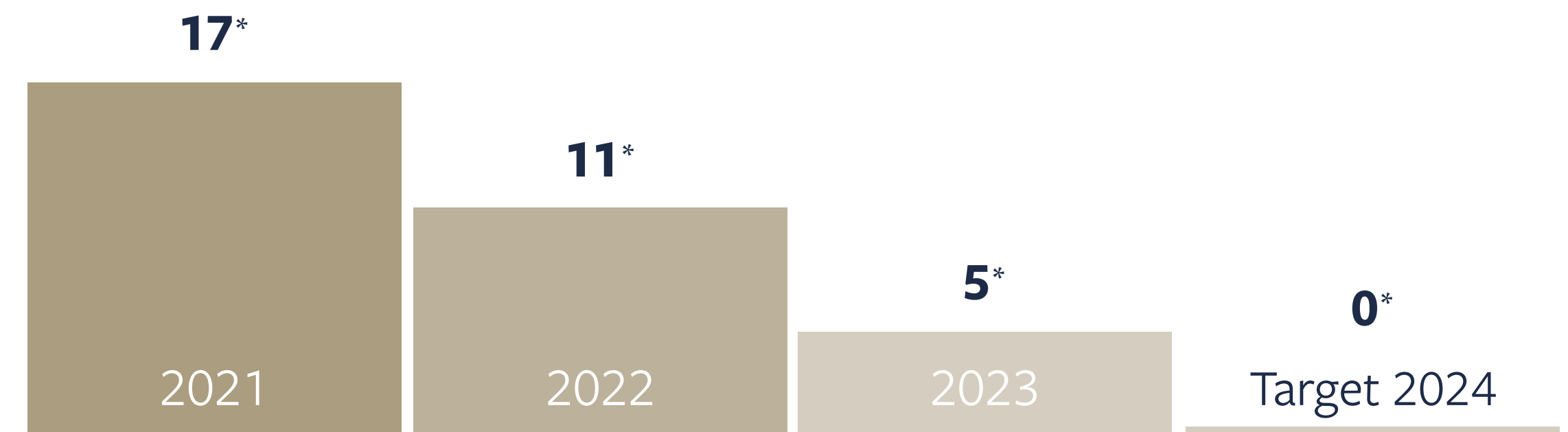
2. Women/men

Targets and performance

In 2023, we started work on an ESG strategy, and this work continues in 2024. The process of developing an ESG strategy also includes defining strategic goals for our ESG work and setting specific targets.

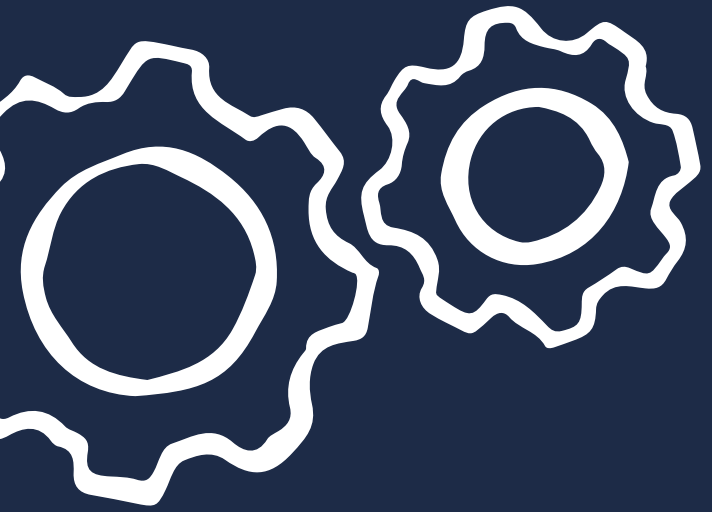
With the future ESG strategy still being developed, this year's report includes a follow-up on core targets from previous reports, see table below. 2023 performance is reported in the relevant sections above. We will communicate further about the ESG strategy process online when the process is complete and follow up in next year's ESG report.

FIGURE 8 Core ESG target: Accident frequency (LTIF)



* Accident frequency (lost time incidents per million working hours)

Governance



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Governance and policies

Palsgaard's governance is closely connected with the interests and principles of the Schou Foundation. This ownership form gives us the freedom to focus on long-term, responsible growth rather than short-term financial returns alone. The Group CEO fulfils the objectives of the foundation in line with its purpose, Articles of Association, relevant legislation, and the Danish Act on Commercial Foundations.

The board of the Schou Foundation is the same as the board for Palsgaard A/S. Palsgaard is a private company, and the board is set up in a minimum manner. Part of the board evaluates its performance on a regular basis.

Our internal policies and guidelines are reviewed minimum biennially to accommodate a moving market landscape. These policies are available on our website palsgaard.com.

Our policies are:

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

Furthermore, the following policies are stated in this report:

- Gender policy
- Remuneration policy

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





External governance, compliance and certification

Palsgaard is a signatory to, in compliance with or works in accordance with:

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

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

Gender policy

Palsgaard has a policy regarding the proportion of gender in the Executive Management Group as well as other management levels. At Palsgaard, we emphasise our commitment to equal treatment of applicants and employees of diverse backgrounds and genders in connection with the composition of Palsgaard's management, recruiting practices and career opportunities. The purpose of this

policy is to ensure that our recruitment procedures make female leadership talent visible and that female and male candidates are considered equally. When choosing between equally qualified candidates, the general diversity and gender composition among the employees shall always be taken into consideration. The Board of Directors will once a year review the gender proportion to assess if the proportion is in line with the policy.

Gender diversity in the board of Schou Foundation and Palsgaard A/S

The board of the Schou Foundation and Palsgaard A/S consists of 3 men and 2 women, which means that the board consists of 40% women and 60% men. This complies with the target of 40% minority representation.

Gender diversity in management

In 2023, executive management consists of 1 woman and 6 men. Other management levels consist of 23 women and 60 men.



Human rights

Palsgaard respects and promotes human rights, aligning with the UN Universal Declaration of Human Rights and the ILO (International Labour Organisation) Declaration on Fundamental Principles and Rights at Work. We aim to create a universal employment environment that promotes and respects the rights of the individual, maintaining these principles wherever we operate. As part of our Responsible Sourcing program, raw material suppliers are requested to complete our ESG questionnaire which addresses several topics, including anti-corruption and human rights. Moreover, in our capacity expansion projects in 2023, we have worked closely with our contractors to ensure that they are compliant with regulations for the protection of workers' rights. In 2023, we had no human rights violations.

Whistle-blowing

An ethics hotline system allows any party to report ethical non-compliance. Reports are managed by the Group CEO, the CEO of Palsgaard A/S, the Global Human Resource Director and our external auditor, with additional assistance from other external partners when required. A whistle-blowing policy has been published including guidance for reporting on the hotline. No instances of whistleblowing were recorded during 2023.

Anti-corruption

Our Code of Conduct outlines our zero-tolerance to corruption and cartel activities, and our anti-corruption policies are circulated to all employees, agents and distributors and are referred to in written agreements.

All new employees receive information about our anti-corruption policy as part of their on-boarding. In 2023, new People Managers and employees with external activities were trained in our anti-corruption guidelines via e-learning. All employees must register exposure to attempted corruption, bribery or cartel formation, and we observe the Corruption Perception Index (Transparency International). No instances of suspicion or knowledge of potential or actual corruption, bribery or cartel activities were reported in 2023.

Food fraud

We comply with the FSSC 22000 standard, which addresses food fraud, and our raw material quality control involves highly specialised and detailed analyses, see further information about supplier management in the Environment chapter and food safety in the Social chapter. Our finished products are checked for compliance with functional and chemical specifications defined for the product. No instances of suspected or actual food fraud were reported in 2023.



Data ethics

Technologies such as artificial intelligence (AI), machine learning and algorithms are only used to a very limited extent. Also, our business does not include the sale of data to any third party. Therefore, the management has assessed that there is currently no need for an actual policy for data ethics.

However, we process data in a responsible manner and in accordance with applicable legislation such as the General Data Protection Regulation (GDPR). Going forward, we will continue to assess the need for a formalized data ethics policy and in the coming years, the management expects to appoint a task force to define the data ethics policy.

Cyber security incident

In July 2023, we experienced a cyber security incident, as one of our IT-suppliers with external access to our network came under cyber attack. The incident was quickly discovered by our internal security systems and escalated to our external cyber security partner. A complete incident response was initiated.

The incident only had very limited consequences. New cyber security measures were immediately implemented, our IT systems remained in service throughout the incident, and normal business operations were not interrupted. There was limited data loss, primarily salary data, but there is no indication that the data have been exploited in any improper or illegal way, and all affected persons have been informed.

In general, we consider our cyber security to be up to date, but this incident has motivated a comprehensive examination of our security procedures. We have procured the services of an external 24/7 cyber security and operations centre, and employees have been through additional cyber security awareness training. Going forward, we will continuously assess and update our cyber security to remain prepared for any future incidents.

Remuneration policy

The remuneration policy is described in the Schou Foundation's Articles of Association. The remuneration for the board of directors is a fixed fee. The calculation of the fee is fixed in the statutes of The Schou

Foundation, and this also applies to the CEO of The Schou Foundation. The remuneration for the Executive management of Palsgaard A/S and Nexus A/S is a combination of a fixed fee and a bonus.

The bonus is calculated based on the profit for Palsgaard A/S including subsidiaries. There are no sign-on bonuses or other recruitment incentives or contracts with agreed termination payments. Likewise, there are no retirement benefits for the board of directors, and senior executives have the same retirement benefits as all other colleagues. There are no contracts with claw-back clauses. Remuneration policies are confidential and not shared with our stakeholders.

Tax governance

Our strategy is to comply with the tax legislation in all the countries where we operate and that trade with inter-company products and services is conducted at arm's-length. This means that we pay taxes in the countries where the income is rightly earned. The board of Palsgaard is the responsible governance body. The Executive Management Group and the board of

Palsgaard A/S have set the tax strategy, and local managers are instructed in company tax governance.

Third-party financial auditors conduct audits of the financial statements including tax governance and evaluate compliance. In case of non-compliance, the Executive Management Group is responsible for following up, and any concerns regarding tax can be reported through our ethics hotline.

Targets and performance

In 2023, we started work on an ESG strategy, and this work continues in 2024. The process of developing an ESG strategy also includes defining strategic objectives for our ESG work and setting specific goals. 2023 performance is reported in the relevant sections above. We will communicate further about the ESG strategy process online when the process is complete and follow up in next year's ESG report.

ESG risks

We provide an overview of what we consider to be the most important ESG risks related to our business. Risks may lead to business interruptions, fines or other sanctions and harm our reputation as well as internal and external stakeholder relations. We are actively working to implement mitigating actions on both a strategic and operational level.

ENVIRONMENTAL

Description

The production of emulsifiers and stabilisers is an energy-intensive process. Disruption and instability in energy markets may negatively impact both the supply and cost of energy.

Increasing awareness about the effects of climate change is likely to lead to increased pressure from stakeholders to increase climate action on limiting CO₂ emissions.

Climate change is expected to lead to an increased risk of extreme weather events, including more frequent periods of drought and flooding. This may adversely affect our supply of plant-based raw materials, both in terms of higher prices and potential disruption of supply.

Palm oil remains a very important raw material in our production process. The palm oil industry is subject to increased scrutiny from both NGOs and authorities because palm oil plantations are considered to have a negative impact on biodiversity and wildlife habitats.

Mitigating action

We are continuously monitoring energy consumption at our production sites, exploring opportunities for improving energy efficiency, electrification of production processes and sourcing of renewable energy.

We continue to analyse our activities and value chain and explore opportunities to cooperate with suppliers, customers, and other stakeholders about identifying specific reduction potential in our CO₂ emissions. We invest in and support projects that reduce carbon emissions and promote renewable energy. In 2023, we have used CO₂ offsets to compensate for our carbon footprint in scope 1 and 2. The compensation is not included in calculation of CO₂ emissions.

We regularly assess the level of risk from climate change to our supply chain. And contingency plans are in place for our production facilities. We consider possible countermeasures to increase resilience, including research and development of alternative raw materials.

We participate in the Roundtable on Sustainable Palm Oil (RSPO), and by mainly using RSPO-certified palm oil, we contribute to developing a more responsible palm oil industry. This includes issues regarding biodiversity and wildlife protection.

SOCIAL

Description

Mitigating action

The palm oil industry is subject to increased scrutiny from both NGOs and authorities because working conditions at palm oil plantations in some cases are considered problematic.

We participate in the Roundtable on Sustainable Palm Oil (RSPO), and by mainly using RSPO-certified palm oil, we contribute to developing a more responsible palm oil industry. This includes issues regarding the protection of communities and workers' rights. This is further specified in our Supplier Code of Conduct.

In many of our production processes, our employees must operate large machinery and handle substances at high temperatures. This leads to an increased risk of work-related accidents.

Safety is the subject of our Global Occupational Health and Safety Policy, a focus area in our strategy and safety is included in our Quality Management System. We continue to prioritise and improve safety training and encourage our employees to report any incidents or observations which might contribute to the ongoing work of eliminating risk.

Our colleagues are our most important asset, and unfair, discriminatory, or deficient working conditions may diminish our ability to attract and retain the most qualified employees.

Maintaining a healthy work-life balance for our colleagues is very important to us. We strive to extend similar employment benefits globally. These include health and life insurance, paid maternity leave, and pension plans. We also offer an additional one week of paid vacation on top of what is set by local regulations. We conduct an extensive biennial employee satisfaction and motivation survey, supplemented by a shorter pulse survey in the intervening years.

Food safety is of critical importance to customers, consumers and authorities. New regulation and consumer pressure may further increase the need for strict procedures on food safety including more frequent audits of suppliers across the food production value chain.

Our ongoing dialogue with suppliers is guided by our Supplier Code of Conduct and Responsible Sourcing Programme. On an ongoing basis, we conduct supplier performance evaluations to assess whether suppliers live up to our standards and corporate values. Our production sites in Denmark, the Netherlands, Malaysia, Brazil, Mexico and China have ISO 22000/FSSC 22000 certifications. In Denmark, Mexico, Malaysia and the Netherlands we have ISO 9001 certifications.

There is a general trend among consumers to distrust processed foods and prefer what is considered more healthy, natural or 'clean' options.

Our aspiration is that more food reaches more people across the world, making it possible to feed more people. Also, we continue to research plant-based alternatives and experiment with their implementation across our product range. We are working long-term to have a positive impact on the reduction of food waste by enabling food with longer shelf-life and lasting appeal in taste and texture.

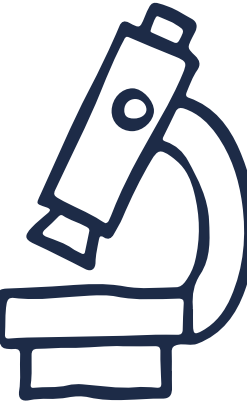
GOVERNANCE

Description

Some customers and parts of our supply chain are located in countries where there is an increased risk of corruption and unethical business behaviour which may violate our Code of Conduct and Anti-Corruption Guidelines.

Mitigating action

We monitor the list of high-risk countries and review our sales procedures accordingly. We regularly assess whether our Code of Conduct, Supplier Code of Conduct and Anti-Corruption Guidelines are sufficiently clear and comprehensive, and relevant employees are trained in anti-corruption and anti-bribery procedures. We have also implemented a Whistleblowing Policy to ensure a transparent process for bringing attention to any inappropriate or illegal practices.



ESG governance

The ownership and accountability reside with the Executive Management who defines strategy and ambitions, monitors sustainability performance and decides on investments. The ESG Working Group, which consists of a group of ESG and QEHS specialists, is responsible for defining and implementing tactical initiatives.

As described in section 6.1 **page 11** we have during 2023 begun the work of defining a new ESG strategy. This work was initiated by the Executive Management and is led by the ESG Working Group with support from external consultants. Leadership from across the organisation is also engaged in this work.

The outcome of the strategy work will be a range of strategic priorities as well as a general organisational focus on ESG and CSRD compliance from 2025. To succeed we must integrate ESG in our culture and daily operations.

The organizational setup around the ESG strategy will be in place before the end of 2024. The work of preparing for CSRD compliance as well as integrating the strategy in daily operations will continue in 2025.



External consultant's review of the ESG statement

Palsgaard A/S engaged us to review the data reported on **page 50** for the year ended 31 December 2023 with the aim of considering the risk of material misstatements in the ESG report.

We have performed the following work:

- Conducted interviews to assess the knowledge of the data collection process, and calculation methodology and requested input.
- Performed limited substantive tests with a focus on:
 - Calculation methods, formulas, and general structure of working documents,
 - Collected data vs. data source and supporting documentation, and
 - Comparison of data and “data story telling”.
- Assessed how data is tracked and used in connection with target setting and follow-up outside the reporting period.
- Evaluated the evidence obtained

Our conclusion:

We have found no material errors based on the procedures performed and evidence obtained. As such nothing has come to our attention, that causes us not to believe that the 2023 ESG data on **page 50** in the ESG Report for the year ended 31 December 2023 is accurate and complete.

Copenhagen, 27 May 2024

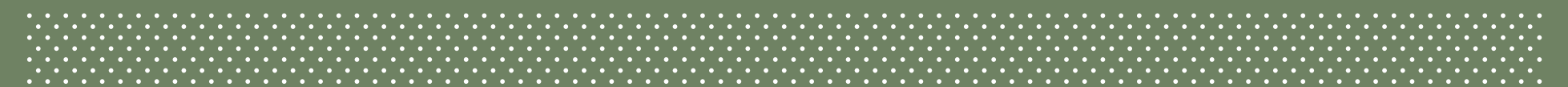
*Carsten Glenting
Partner - Viegand Maagoe A/S*

*Morten Johansson Birtø
Chief Advisor – Viegand Maagoe A/S*

ESG data



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Reporting practice

The data basis for this report includes the entities indicated on our organisational chart on **page 9**. 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 2023 to 31 December 2023. In below overview the Reporting Entities is referring to figure 6.

M=Measured, C=Calculated, E=Estimated
PADK = Palsgaard in Denmark, PAMY = Palsgaard in Malaysia, etc.

FIGURE 9

Summary of reporting entities					
Palsgaard A/S	Denmark	Denmark+		Palsgaard A/S+	
Nexus A/S	PADK	PADK	PANG	Nexus A/S	PADE
PADK	Nexus A/S	PAMY	PAKE	PADK	PANG
PAMY		PANL	PAPL	PAMY	PAKE
PANL		PAMX	PASG	PANL	PAPL
PAMX		PABR	PATR	PAMX	PASG
PABR		PACN	PAZA	PABR	PATR
PACN		PAFR	PAUS	PACN	PAZA
		PADE		PAFR	PAUS
		PAIA		PAIA	
		PACA		PACA	
		PAGB		PAGB	

Indicator	Data basis	Indicator method description	Reporting entities
Energy consumption, electricity	M	Electricity consumption has been determined on the basis of invoices from electricity provider. In Mexico, Brazil and the Netherlands, electricity consumption from solar panels has been measured. Electricity from the solar panels sold to the utility company is not included in the calculation.	Palsgaard A/S
Energy consumption, fossil	M	Natural gas, bio gas, diesel, LPG and oil consumption are measured on basis of invoices from provider. The use of straw has been measured. Refrigerants used, measured on basis of invoices for consumption and/or replacement.	Palsgaard A/S
CO ₂ emissions	C	CO ₂ emissions are calculated based on energy consumption and available emission factors IEA and DEFRA. CO ₂ emissions are calculated as CO ₂ eq emissions. Scope 1: Direct CO ₂ emissions (LPG, diesel, natural gas, straw, oil, and refrigerants). Scope 2: Indirect CO ₂ emissions (electricity) calculated as markedbased. Emissions from corporate cars and transport vehicles are not included. In 2020 the CO ₂ outlet from corporate cars was less than 1%.	Palsgaard A/S
CO ₂ compensation	C	Compensation of CO ₂ emissions through offsets. Note: Use of energy with green energy certificates is not included in calculation of CO ₂ emissions.	Palsgaard A/S
CO ₂ intensity	C	CO ₂ intensity is CO ₂ emissions per kg finished product sold, based on scope 1, 2 and 3. For scope 1 and 2 see CO ₂ emissions. And scope 3 as CO ₂ eq emissions – Scope 3.	Denmark
CO ₂ eq emissions – Scope 3	C	The calculation of Scope 3 is based on the Green House Gas protocol. Scope 3 emissions covers down stream and up stream emission of Greenhouse gases and is a mix of different kind of calculations methods. Data types by data lines: Primary data 45%, Secondary data 32% and Proxy data 23%.	Denmark
Water consumption	M, E	Water consumption has been measured on the basis of meter readings, invoices or estimates where rainwater is used as technical water.	Palsgaard A/S
Waste water	M, E	Wastewater volumes have been measured on the basis of meter readings or invoices. Use of rainwater is estimated.	Palsgaard A/S
Raw material consumption	M	Annual production volumes are based mainly on company purchasing statistics.	Palsgaard A/S
Derivative products	C	The calculation of derivative products is based mainly on production reports. Derivative products are produced products, that do not meet our specifications.	Denmark
Waste	M	Waste volumes have been measured on the basis of invoices from waste removal companies. Waste for energy generation covers two fractions – biogas and incineration.	Denmark
Finished products sold	M	The statement is based mainly on sales statistics. The volume of finished products is therefore measured.	Palsgaard A/S
Incidents of non-compliance	M	Total number of incidents of non-compliance with regulations with significant fines and sanctions above 10,000 DKK.	Palsgaard A/S
Work-related accidents	M	Work-related accidents have been measured on the basis of accident records for all employees entailing more than one day of absence (LTI=Lost Time Injury).	Palsgaard A/S
Accident frequency	C	Accident frequency has been calculated per one million working hours. Number of working hours is a calculated figure of working hours (LTIF = Lost Time Injury Frequency).	Palsgaard A/S
Employee turnover	C	Employee turnover has been calculated on the basis of headcount of permanent employees quarterly and then calculating a simple sum of the quarterly figures in %, to determine the value of KPI for the full year, based on Palsgaard's payroll system for PADK and reported data from the subsidiaries. Average seniority and average age has been calculated on the basis of the employees at the end of the year 31.12.2023, based on Palsgaard's payroll system. Student assistants with contracts of less than 1 year are excluded.	Palsgaard A/S+
Employee satisfaction	M, C	We conduct an extensive biennial employee satisfaction and motivation survey as in 2023, supplemented by a shorter pulse survey in the intervening years, as in 2024, which is carried out by Ennova. The main indicator of work satisfaction is applied as a general target and is compared with Global Employee and Leadership Index® (GELx).	Palsgaard A/S+
Tax	C	The effective tax rate is calculated based on the results of Palsgaard A/S and its subsidiaries, and the accounts and tax declarations.	Denmark +

Data summary

Indicator	Unit	2019	2020	2021	2022	2023
Energy						
Energy consumption, total (gross) ¹	kWh per kg finished product sold	1.07	1.01	1.04	1.17	1.13
Energy consumption, electricity (gross)	MWh	17,562	17,109	20,335	21,420	19,809
Energy consumption, fossil (gross)	MWh	49,557	49,759	59,380	68,363	76,684
Emissions						
CO ₂ emissions (gross) ^{1,6}	tonnes	14,181	4,694	7,206	18,714	15,362
Investments in CO ₂ -compensations ²	tonnes	14,181	4,694	7,206	18,714	15,362
CO ₂ intensity ⁹	kg per kg finished product sold	-	-	2.2	-	2.3
CO ₂ eq - Scope 3 ⁸	tonnes			112,155		85,048
Water						
Water consumption	litre per kg finished product sold	2.92	2.88	2.81	2.99	3.06
Waste water	litre per kg finished product sold	1.26	1.23	1.27	1.27	1.26
Waste water	m ³	79,450	81,479	97,304	97,387	85,222
Raw materials						
Raw material consumption	kg per 100 kg finished product sold	104.69	103.04	107.05	112.8	97.25
Derivative products and waste³						
Derivative products	kg per kg finished product sold	0.09	0.08	0.07	0.09	0.10
Total waste generated	tonnes	-	-	-	4927	5,129
Waste for feed and recycling	tonnes	-	-	-	1911	2,499
Waste for landfilling	tonnes	-	-	-	3,1	10
Waste for energy generation ⁴	tonnes	3,955 ⁴	3,663	2,860	3,008	2,611
Chemical waste ⁵	tonnes	9 ⁵	2	4	4.66	9.1
Compliance						
Number of incidents of non-compliance	number	0	0	0	1	0
Working environment						
Work-related accidents, total	number	8	7	17	11	5
Work-related accidents, Denmark ⁷	number	4	4	15	9	2
Work-related accidents, the Netherlands	number	0	0	0	0	0
Work-related accidents, Malaysia	number	3	1	1	2	1
Work-related accidents, Mexico	number	0	0	1	0	0
Work-related accidents, China	number	0	1	0	0	2
Work-related accidents, Brazil	number	1	1	0	0	0
Work-related accident frequency, total	number per million working hours	9	8	17	11	5
Employee conditions						
Employee turnover ⁷	turnover rate, %	11.3	10.3	12.2	14.1	12.9
Tax						
Effective tax rate	%	23.4	23.7	22.4	20.9	22.5

1. From 2021 the CO₂ outlet is measured as CO₂eq, where the CO₂eq emissions factor is from IEA or DEFRA.

2. Investing in offsets from UNFCC (United Nations Framework Convention on Climate Change). The CO₂ neutral sources in the Netherlands, Brasil and Mexico have been subtracted from the total CO₂ gross amount for 2019 and 2020.

3. Updated GRI disclosure and therefore more specified data from 2022.

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

5. Pickup of waste oil is done irregularly. 2019's amount of chemical waste is waste oil from a transformer station where isolation oil is only changed very seldom.

6. In 2020, we updated the method and the Danish green energy certificates are excluded from the calculation.

7. Data up to 2021 include Palsgaard Estate. Change of Reporting Scope in 2022 excludes Palsgaard Estate.

8. Scope 3 has not been compensated by investing in offsets from UNFCC (United Nations Framework Convention on Climate Change.) Note: Scope 3 emissions are only for Denmark.

9. The CO₂ intensity is calculated in 2021 and again in 2023. Scope 1 and 2 for all sites and scope 3 is for Denmark.

Compliance to the Danish Financial Statements Act

Section 99a Reference	Page and/or comment
Sustainability definition Section 99a	See “About this report” on page 4
Business model Section 99a §2.1	See “Our Business Model” on page 13
Governance Section 99a §2.2	See our policies page 40 and governance on page 41
ESG risks Section 99a §2.5	See page page 44–46
KPIs Section 99a §2.6	See “Targets and performance” on page 23
Means of reporting Section 99a §4.1 and §4.2	Palsgaard provides a separate ESG report, which is available online palsgaard.com
Section 99b reference	Page and/or comment
Policy for increasing the share of the underrepresented gender Section 99b §2	See “Gender diversity in management” on page 41
Target figure for the top management team Section 99b §3	See “Gender diversity in the Board of Schou Fondation and Palsgaard A/S” on page 41
Section 99d reference	Page and/or comment
Data ethics policy Section 99d	See “Data ethics” on page 43

Reference to sections 99a, 99b and 99d of Act no. 1441 regarding changes to the Danish Financial Statements Act, 14 November 2022

Tell us what you think

We always welcome questions and input about our ESG report. If you would like to get in touch with us, please send an email to hsk@palsgaard.dk

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