

Palsgaard Code of Conduct

Introduction

At Palsgaard¹, our commitment to Corporate Social Responsibility is deeply rooted. Palsgaard shall at all times comply with applicable laws. But our commitment extends beyond our legal obligations: We also take responsibility for the impact of our activities on our stakeholders and broader society. This approach shall reflect how we conduct our business and how we engage with each other, our stakeholders and business partners to continuously improve our performance and create shared value.

This Code of Conduct expresses our approach to engaging with our stakeholders and managing our impacts in alignment with the ten principles of the UN Global Compact.

This Code of Conduct is supplemented by our four policies: Environmental Policy, Employee Policy, Product and Quality Policy and Purchase Policy. They are based on the principles of the UN Global Compact, on a holistic view on our activities, and on our strong corporate culture at Palsgaard – a culture of responsibility and commitment going back more than 100 years. We also strive to extend this culture to our locations outside Denmark, where our operations are conducted as in Denmark, taking local conditions into consideration.

Listening to our Stakeholders

We recognize that we as a company are interdependent with society and our stakeholders. We listen to our stakeholders and their concerns. We encourage close relations with our stakeholders, and they are always treated with respect.

Guided by our Business Ethics

Our corporate culture is expressed in how we do business:

- *We act as a good corporate citizen*
- *We act respectfully towards the environment, local communities and our stakeholders*
- *We conduct our business in a lawful manner in compliance with anti-trust laws*
- *We see ourselves as a company with high ethical and moral standards and we act accordingly*

Palsgaard operates in a diverse, global market place and we are constantly working to ensure that we operate in line with the high standards we have set ourselves. That means that we will at all times comply with applicable competition rules and all other relevant laws and regulations. We do not accept or offer bribes in any form. We are aware that facilitation payments remain a widespread phenomenon in some parts of the world, even when they are illegal. Our policy is to always endeavour to avoid them.

Palsgaard will continually provide employees with the proper information and guidance to help them make the right decisions. We are prepared to act firmly, should any breaches occur.

¹ Consists of the entities Palsgaard A/S with subsidiaries, Schou-Fondet, Palsgaard Gods A/S, Nexus A/S and all management and employees.

Safeguarding human rights and labour standards

Palsgaard supports and respects international human rights principles and labour standards such as the UN Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

At Palsgaard, we believe that our employees are our most valuable resource and the key to our success. Part of the Schou Foundation's aim is to provide an attractive place to work for all our employees. This is also the core of Palsgaard's mission, which has been made operational through a set of core values: loyalty, responsibility and commitment. These values illustrate our basic guidance principles for the company, managers and employees with the aim of creating a safe, secure and stimulating workplace.

At Palsgaard, we believe in a healthy work-life balance for all our employees, and if an employee is not thriving at work, we try hard to improve the situation and to solve problems in a suitable way. In case of the need for major layoffs, we proceed with these in a respectful manner and in compliance with laws and industry standards. Palsgaard will to the best of our ability help former employees find new jobs.

At Palsgaard, we also believe that every person is of equal value regardless of gender, age, sexual orientation, political views, physical or psychological handicap, religion, race, colour or national origin. At Palsgaard, we do not accept discrimination in any way.

Engaging in local communities

Palsgaard takes the safety and well-being of the local communities in which we operate very seriously. We are aware that changes in our business may not only affect Palsgaard, but also communities and the environment around us. We seek to contribute to the local communities where we are present in a positive way that respects local traditions and culture.

At Palsgaard, we believe that education and know-how are very important for the success of the company and for society. Therefore, Palsgaard participates actively in offering student projects and teaching within the company's competences to schools and universities.

Reducing our environmental impacts

Palsgaard continuously works to reduce our negative impacts on the environment and strive to increase our positive impacts. We focus daily on managing our energy-intensive production processes in a responsible manner. We work continuously to increase our raw material utilisation rate and to reduce our wastewater and packaging volumes. This together helps to reduce our total use of resources. We aim to be CO₂-neutral by 2020.

At Palsgaard, we are committed towards the UN Global Compact, and we conduct our business according to the following principles for responsible business behaviour:

Complying with the 10 principles of the UN Global Compact (UNGC)

Human rights

We support and respect internationally declared human rights and treat our employees fairly, equally and with respect. We shall make sure not to be complicit in human rights abuses in our business operations. Respecting human rights includes avoiding complicity.

UNGC 1: Businesses should support and respect the protection of internationally proclaimed human rights

UNGC 2: Businesses should make sure they are not complicit in human rights abuses

Wages and working hours

Wages, benefits, overtime compensation and working hours in our operations shall at the very least comply with national legislation and agreements.

Freedom of association

We shall uphold the freedom of association and the right to collective bargaining for our employees. All employees are free to join unions as well as engage in collective bargaining, and in countries where this is not supported by law, Palsgaard will ensure and uphold this employee right through other means.

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

Forced labour

Palsgaard believes that every employee should be employed by his or her own free will and shall have the right to leave their job freely. Palsgaard will not engage in any form of forced or compulsory labour.

UNGC 4: Businesses should uphold the elimination of all forms of forced and compulsory labour

Child labour

Palsgaard recognizes every child's right to a childhood and does not accept child labour. Every child is to be protected from economic exploitation and from carrying out work that can be considered dangerous, to have a negative effect on the child's education or to be harmful to the child's health or development.

UNGC 5: Businesses should uphold the effective abolition of child labour

Discrimination

We do not accept discrimination, threats, oppression or harassment in any form in respect of employment and occupation within our business operations.

UNGC 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation

Working environment and safety

We will as a minimum follow and comply with the minimum standards according to local laws and regulation regarding the working environment. Accidents and work-related injuries must be prevented, and we are continuously engaged in preventative measures in our business operations.

Environment

We will as a minimum comply with local laws and regulation regarding the environment as well as respect the UNGC principles. We actively work to reduce CO₂ emissions connected to our business operations as well as develop ideas and technologies for more efficient use of resources. We show an overall responsibility to the environment in our business operations.

UNGC 7: Businesses should support a precautionary approach to environmental challenges

UNGC 8: Businesses should undertake initiatives to promote greater environmental responsibility

UNGC 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

Business ethics

We do not accept or offer bribes in any form and we work against all forms of bribery, corruption, cartels and unlawful restrictive trade practices in our business operations.

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