

Palsgaard Supplier Code of Conduct

Dear Supplier,

At Palsgaard, our dedication to Corporate Social Responsibility is deeply-rooted. We believe that we are obligated towards society and our stakeholders and that this obligation goes beyond legal obligations.

We support the United Nation Global Compact (UNGC), and we are committed to promoting the 10 principles of the UNGC in the interaction with our suppliers. Our Supplier Code of Conduct, our company policies and our Code of Conduct are based on the principles of the UNGC as well as our strong corporate culture at Palsgaard - a culture of responsibility and commitment going more than 100 years back. Our corporate culture is expressed in how we approach business ethics:

- *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*

We aim at only doing business with reputable and committed suppliers. This includes that our suppliers should adhere to applicable laws and regulations in the countries in which they operate, treat their employees with dignity and respect, and manage their production in an environmentally responsible manner. Our suppliers should have similar expectations towards their suppliers.

Our expectations

We expect that our suppliers at all times maintain the necessary and relevant documentation to demonstrate compliance with the requirements of the Supplier Code of Conduct. This documentation must be made available to Palsgaard on request.

In the event of a non-compliance with our Supplier Code of Conduct, we will through openness and dialogue cooperate with our suppliers to effect improvements.

Yours faithfully

Palsgaard, 01.09.2014

Birger Brix,
CEO, The Schou Foundation

Jakob Thøisen,
CEO, Palsgaard A/S

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The Palsgaard Supplier Code of Conduct describes our expectations towards our suppliers and reflects our commitment to the 10 principles of the United Nation Global Compact (UNGC):

Human rights

We expect that our suppliers support and respect internationally declared human rights and treat their employees fairly, equally and with respect. They shall make sure not to be complicit in human rights abuses in their 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

We expect that our suppliers ensures that wages, benefits, overtime compensation and working hours in their business operations at the very least comply with national legislation and agreements.

Freedom of association

We expect that our suppliers uphold the freedom of association and the right to collective bargaining for their employees.

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

Forced labour

We expect that our suppliers eliminate all forms of forced labour such as bonded labour, prison labour, slavery, human trafficking or retention of identification documents of employees in their business operations.

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

Child labour

We expect that our suppliers don't accept child labour in their business operations. 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 expect that our suppliers don't accept discrimination, threats, oppression or harassment in any form in respect of employment and occupation within their business operations.

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

Working environment and safety

We expect that our suppliers 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 they must be continuously engaged in preventative measures in their business operations.

Environment

We expect that our suppliers will as a minimum comply with local laws and regulation regarding the environment as well as respect the UNGC principles. We expect that they actively work to reduce CO₂ emissions connected to their business operations as well as develop ideas and technologies for more efficient use of resources. We expect that they show an overall responsibility to the environment in their 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 expect that our suppliers work against all forms of bribery, corruption, cartels and unlawful restrictive trade practices in their business operations.

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

For more information on the UN Global Compact, please see <http://www.unglobalcompact.org>