



Sustainability Matters: New consumer insights from Palsgaard

BRINGING GOOD THINGS TOGETHER

Palsgaard[®]

Palsgaard has a long history of breaking new ground: our founder invented the modern emulsifier in 1917. However, innovation is not our only core value; we combine food industry know-how with a proud commitment to social and environmental responsibility. In 2010 we set ourselves the goal of completely carbon-neutral production and we achieved it in 2018.

We always knew this was the right course to take but – in a market where consumers are increasingly concerned about sustainability – we were also confident that it made sound business sense. In 2020 we set out to test that assumption through new research.

New consumer insights

Our aim was to offer new insights into food consumers' attitudes to a range of ethical and environmental issues, and the extent to which they influence purchasing decisions. In doing so, it was impossible to ignore the impact of Coronavirus, so we also explored the way the pandemic has affected priorities.

Palsgaard commissioned expert researchers to survey a total of 617 consumers (150 in Mexico, 162 in Singapore, 154 in the UK and 151 in the US). The survey was carried out online between the 9th and 15th of June 2020.

Consumers want food companies to take responsibility

We began by asking respondents how much responsibility they thought the food industry has for protecting the environment. Globally, three quarters (75%) believed food companies have a lot of responsibility, 23% believe they have a little and only 2% think they have none at all. There was significant variation by country, with Mexican consumers most likely to choose "a lot of responsibility" (81%) and those in the US least likely (68%).

Sustainability matters



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

24% believe they have a little responsibility.

Only **2%** think they have no responsibility at all.



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

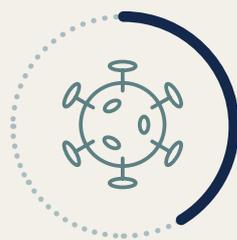
...and for **half** (49%) it's very important.



Six in ten (59%) say not enough food products contain sustainably produced ingredients.



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



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

It was also clear that consumers care about sustainability when it comes to ingredients. Over nine in ten (92%) of survey respondents said it was important that the ingredients in the food products they buy are produced sustainably, with half (49%) saying it was very important. Six in ten (59%) said not enough food products contain sustainably produced ingredients.

Paying more for sustainability

Furthermore, these beliefs translate into purchasing behaviours. Two thirds (66%) of respondents said they would be more willing to buy products from a particular company if they knew it used sustainably produced ingredients.

Consumers also appear to be willing to put their money where their mouths are. More than eight in ten (82%) of respondents said they would be willing to pay more for a food product containing sustainably produced ingredients. Nearly half (46%) would pay over 5% more and 17% would pay over 10% more.

There is therefore a sound business case – as well as the obvious ethical one – for manufacturers to use ingredients produced sustainably (for example in carbon-neutral facilities).

Climate is high on the agenda – especially for young consumers

We then asked our survey respondents to rank the ethical issues they thought food companies should take most seriously.

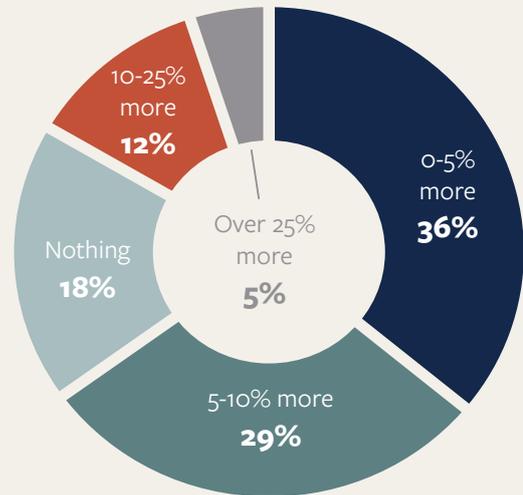
Overall, they were most likely to select the health of consumers as the most important issue. This is probably unsurprising, given the responsibility companies have for food safety. Indeed, Palsgaard prides itself on a well-established food management system which meant we had zero product recalls in 2019.

However, climate change also ranked very highly, significantly ahead of workers’ rights, animal welfare, the over-use of plastics, food waste, and ensuring a supply of affordable food products. And among the youngest age group, it ranked as the top concern. For a third (32%) of 18-24-year-olds, climate change is the ethical issue food companies should take most seriously, ahead of even consumer health.

This reflects a general trend in the research, with younger consumers broadly more concerned about the climate crisis and more receptive to the idea of change. For example, 46% of respondents overall agreed with the statement “One day, all food will be produced in a carbon-neutral way”, but this figure rose to 57% among 18-34-year-olds.

Similarly, seven in ten (69%) consumers aged 25 to 34 agreed with the statement “There are currently not enough food products containing sustainably produced ingredients.” This compared with 53% of those aged 55 to 64 and just 41% of those over the age of 65.

Paying more for sustainability



82% of consumers will pay more for food products containing sustainably produced ingredients.

46% are willing to pay **over 5%** more.

17% are willing to pay **over 10%** more.

How much more would you be willing to pay for a food product containing sustainably produced ingredients?



Coronavirus increases environmental focus

We also explored the impact of the Coronavirus pandemic, speculating that it might have taken some of consumers' focus away from challenges such as climate change. In fact, the opposite was true. We asked: "Since the Coronavirus (COVID-19) crisis, have environmental concerns (e.g. the use of sustainably produced ingredients) become a more or less important factor for you when purchasing food products?" Four in ten (41%) answered "more important", 55% said there had been no change, and only 4% said environmental concerns had become less important.

Possible reasons for this include a more reflective international mood, a feeling that the tumultuous change caused by the pandemic represents an opportunity for belated action on climate change, and a renewed awareness of the potential of government action. Whatever the explanation, the finding is in line with other research indicating that the environment remains a major concern. For example, an Ipsos poll in April 2020 found that 71% of adults globally believe that climate change is as serious a crisis as Covid-19.¹

Traceability and ethical sourcing

Traceability emerged as another significant concern, with 79% of consumers saying food companies should be able to trace all the ingredients in their products back to their original source. At Palsgaard, we are fully compliant with food safety legislation and standards and guarantee full traceability in our product value chain.



One ingredient that has received particularly high levels of interest, and controversy, is palm oil. Most (58%) survey respondents were aware that ethical concerns have been raised about its use in food products. Of these, 39% believed food companies should use no palm oil at all, 54% thought it is acceptable to use palm oil certified as sustainable and 7% did not care at all if companies use palm oil.

Where Palsgaard uses palm oil, we use only RSPO-certified materials, and our complete product range is MB- or SG-certified. We also ensure that every batch we use can be traced back to the mill it came from. In 2019, sales of our RSPO SG certified products increased by 13%.

Carbon-neutral production and more

In the early years of the millennium, Palsgaard became seriously concerned about climate change. In fact, the head of the foundation that owns the company visited Greenland and saw some of the devastating effects for himself.

In 2010, realising many of our customers shared our fears, we set ourselves the goal of completely carbon-neutral production by 2020. It is a matter of great pride that we achieved that target in 2018 – two years ahead of schedule. Over that period, we reduced our net carbon emissions from 12,029 tonnes to zero, achieving reductions totalling 56,175 tonnes – the same as the amount produced by 4,885 European households in a year.²

Concern about palm oil



39% of consumers believe food companies should use no palm oil at all.

54% believe it is acceptable to use palm oil certified as sustainable.

Only **7%** don't care if companies use palm oil.

¹ Ipsos 'Two thirds of citizens around the world agree climate change is as serious a crisis as Coronavirus', 22 April 2020

² An average EU household, including its transportation, emits 11.5 tonnes of CO₂ per year: <https://iopscience.iop.org/article/10.1088/1748-9326/aa6da9>

SUSTAINABILITY MATTERS: NEW CONSUMER INSIGHTS FROM PALSGAARD

All six of our global production sites are now carbon-neutral, largely thanks to new heat recovery and insulation techniques, a switch from heavy fuel oil to certified biogas, and the use of renewable energy sources. At our main site in Denmark, all electricity is sourced from hydro power, and indoor heating is powered by burning home-grown straw rather than oil. Our Dutch factory has over 800 solar panels and has run off only renewable energy since the start of 2018.

However, carbon-neutral production is only one element of Palsgaard's efforts to keep our environmental footprint as small as possible. In 2019 we also:

- achieved a 9% global reduction in water usage
- reduced our energy usage per kg of finished product by 5%
- increased our focus on recycling: in Denmark, 98% of waste was used for energy or biogas generation

Our efforts are increasingly receiving industry recognition. In 2019 we:

- achieved the EcoVadis Gold rating for the third time
- won the Sustainability Champion Award at Food Ingredients Europe
- received the ESR Award from The Mexican Center for Philanthropy
- won the Sustainability award for Best in Baking at the International Baking Industry Expo

Employment rights

Our research shows that many consumers care about the rights of the people employed in the production of their food. When we asked survey respondents to rank the ethical issues food companies should take most seriously, workers' rights came third, ahead of animal welfare, the over-use of plastic, food waste, and ensuring a supply of affordable products.

As a signatory to the UN Global Compact (which encourages businesses to adopt socially responsible policies) Palsgaard understands the importance of the role we play in the lives of employees and suppliers, as well as customers. The well-being, motivation and health and safety of our 500 employees mean everything to us and 88% of our top direct materials suppliers have been assessed through our Responsible Sourcing Programme.

Palsgaard's 2019 CSR achievements include:



9%
global reduction in water usage



5%
global reduction in energy usage per kg finished product



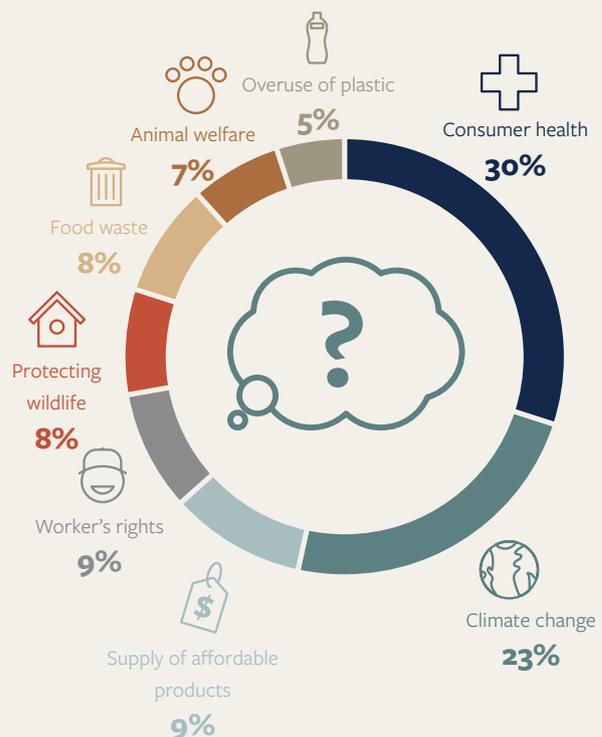
Recycling
Increased focus on waste handling. In Denmark, 98% of waste is used for energy or biogas generation



CO₂-neutral production
is maintained at all production sites

Climate is high on the agenda

Which of the following ethical issues should food companies take most seriously?*



*Source: Palsgaard survey of 617 consumers in Mexico, Singapore, UK, USA, June 2020

SUSTAINABILITY MATTERS: NEW CONSUMER INSIGHTS FROM PALSGAARD

In 2019 our achievements included:

- the implementation of a new whistleblowing hotline
- our highest ever employee satisfaction and motivation score
- an 11% reduction in the number of work-related accidents

Looking ahead

At Palsgaard we believe we have a responsibility to take action for good, and we work hard to fulfil it. As our research clearly shows, initiatives to benefit society and the environment – particularly on climate change – make sound business sense. The growing number of companies that use sustainably produced ingredients are meeting a very clear consumer need.

By demonstrating that carbon-neutral production is possible, we hope to have set an example for the whole food industry. However, this achievement was only a starting point. We are now working on new initiatives, including the creation of a solar park and a biogas facility at our main site.

In doing so we are determined to continue meeting the highest quality standards while also addressing the global challenges facing us all.

About Palsgaard

Emulsifier specialist Palsgaard helps the global food industry make the most of the ability to mix oil and water.

Thanks to the company's specialised emulsifiers (and emulsifier/stabiliser systems), bakery, confectionery, condiments, dairy, ice cream, margarine and meat producers can improve the quality and extend the shelf-life of their products. Just as importantly, they can produce better-for-you products with improved taste, mouth-feel and texture while using fewer resources.

Palsgaard's 2019 CSR achievements include:



78/100

The best satisfaction and motivation score ever (78 out of 100). We have a response rate of an impressive 99% to our satisfaction survey



11%

reduction in number of work related accidents on a global scale compared to last year



We have implemented an ethic hotline supported by a global whistleblowing policy



Out of the top 85% of direct materials suppliers (based on spend), 88% have been assessed in our Responsible Sourcing Programme

For more information email: mds@palsgaard.dk or visit www.palsgaard.com/CSR

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♥ Heart working people