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Independent assurance report of CO2 Neutral to Palsgaard Industri de Mexico, S. de R.L. de C.V., to the Management of Palsgaard

Objective

This document aims to issue an independent assurance report of CO2 Neutral to Palsgaard as a result of its greenhouse gas (GHG) emissions mitigation, reduction and offset projects for the year 2016.

Responsibilities of Palsgaard and independent reviewer

The Management of Palsgaard is responsible for the elaboration, analysis and reasonable presentation of the GHG emissions reduction and mitigation projects for the period from January 1st to December 31st, 2016, as well as its content ensuring to define, adapt and maintain the management systems and internal control from which the information is obtained, and which are also free of material misstatement due to fraud or error.

Our responsibility is to issue an independent limited report based on the procedures applied in our review.

This report has been prepared exclusively in the interest of Palsgaard in accordance with the terms of our letter of agreement dated September 19th, 2016. We don't assume any responsibility to third parties and it is not intended to be nor should it be used by someone other than the Management of Palsgaard.

Scope of our work

The scope of our assurance was limited, and is substantially lower than a reasonable assurance work, therefore the security provided is also lower. This report in no case can be understood as an audit report.

We conducted the GHG emissions mitigation and reduction programs review under the following conditions and/or criteria:

a) The data consistency between the information contained in the GHG emissions estimation process with supporting evidence provided by management.
b) The projects and activities for the reduction of the GHG emissions.
c) The GHG emissions mitigation registry by its certification and ID number.
d) The data consistency between the total GHG emissions emitted with the total GHG emissions mitigated.

We have complied with the independence and ethics of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) based on integrity, objectivity, professional competence and due care, confidentiality and professional behavior principles.

Assurance standards and procedures

We have performed our work in accordance with the International Auditing Standard ISAE 3000 Revised Assurance Engagements other than Audits or Reviews of Historical Financial Information issued and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, both by the International Auditing and Assurance Standards Boards (IAASB) of IFAC.

Our review work included the formulation of questions to the management as well as the operation area of Palsgaard that have participated in the GHG emissions mitigation and reduction, and the application of certain analytical and sample screening tests procedures that are described below:

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a) Analysis of the process to collect, validate and consolidate the data presented in the GHG emissions reduction processes.
b) Review according to evidence that supports the GHG emissions mitigated from the total GHG emissions emitted.
c) Quality assurance by an independent partner of the project that verifies consistency between this report and the proposal, as well as work process quality and deliverables.

Conclusion

According to the information provided by Palsgaard and reviewed by Deloitte, total emissions for the company were 142.53 tons of CO2e (equivalent carbon dioxide) and carbon offset acquired for the mitigation 143 tons of CO2e, Our conclusion is that Palsgaard is Carbon Neutral (CO2 Neutral) for the year 2016.

Based on our work described in this report, the performed procedures and the evidence obtained, nothing comes to our attention that could make us believe that the information reviewed contains significant errors and are mentioned bel

Action alternatives

We have prepared a detailed report for Palsgaard with action alternatives to reduce carbon emissions. These do not modify the conclusions expressed in this report and the most significant are mentioned below.

- Strengthen the internal management system of the GHG emissions information generated by Palsgaard through a platform that allows the data management in real time.
- Develop a proper management procedure of the methodology, system boundaries and GHG emissions mitigation and reduction programs carried out.

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Member of Deloitte Touche Tohmatsu Limited

Rocio Canal Garrido
Partner
March 13th, 2017