Climate transition plan

2026

Excluding dmk Group

This plan sets out Arla's climate targets to 2030, the pathways to achieve them across operations and the value chain, and the governance, data and dependencies that support delivery

Arla® Feed Life™

Excluding dmk Group

Sustainability strategy in Arla

Sustainability strategy

Our sustainability strategy is embedded in the group strategy, Future26, and focuses on two outcomes: enabling informed food choices through partnerships and science-based knowledge, and reducing environmental impacts across our value chain through measurable emissions reductions, resource efficiency, biodiversity initiatives, circularity and renewable energy, and food-waste reduction. This plan sets out how the climate strand is delivered in practice.

Climate strategy

As a dairy company, our emissions profile is dominated by scope 3, including methane (CH_4) from enteric fermentation and nitrous oxide (N_2O) from crop production, alongside scope 1 and 2 emissions from energy use in production and logistics. Our business also depends on stable climatic conditions for feed production. In response, the climate strategy targets reductions across scopes 1, 2 and 3 in line with a 1.5°C pathway, with targets validated by the Science Based Targets initiative. We apply recognised accounting standards and defined baselines and review pathways periodically to reflect methodology updates and operational changes. Progress is disclosed annually, and selected climate disclosures, including scope 1-3 and related KPIs, are independently assured.

Developing the strategy and sustainability governance

The Board of Directors owns the strategy and develops it in partnership with our farmer owners through structured engagement, including meetings and forums. Within the Executive Management Team, the CEO holds overall responsibility for sustainability; the team sets company-wide policies and targets for material topics. Progress on climate goals is reported monthly to the Executive Management Team and the Board. Functional heads are accountable for delivery in their areas and provide regular updates on other objectives, reinforcing execution discipline and shared ownership across the organisation.

Challenges and dependencies

Most of our scope 3 FLAG emissions originate on farms where Arla does not have direct control. As a cooperative, we cannot mandate on-farm actions; instead, we rely on financial incentives and advisory support to encourage farmer-led reductions. This creates an inherent execution risk, as the pace and scale of change ultimately depend on individual farm-level decisions. FLAG emission reductions pose an inherent challenge, as emissions stem from biological processes such as livestock digestion and soil management, which are naturally variable. These emissions also involve highly potent greenhouse gasses like methane and nitrous oxide, making reductions more complex than energy-related decarbonisation.

For scope 1 and 2, progress can be constrained by limited availability of renewable electricity or local grid capacity, which may delay or limit our ability to decarbonise operations at the desired pace.

Excluding dmk Group

Our climate journey so far

Arla's climate work has evolved from early reporting and environmental strategy to science-based targets and data-driven delivery. Farm tools, incentive models and updated targets have strengthened implementation.

2003

Farm quality assurance program Arlagården®

2007-2008

Fist climate strategy for operations, transport and packaging

Sign-up to UN Global Compact

2011-2012

First environmental strategy and farm carbon footprint tool

2014-2015

First "sustainable dairy farming strategy" and carbon reduction target on farm

2019

First Science-Based Targets for climate as part of our Green Ambition

2020

FarmAhead™ Check
1 EURc extra per kg milk for participation

2021

Updated sustainability strategy "stronger people, stronger planet"

2022

Doubled scope 1&2 SBTi targets

FarmAhead™ Incentive redistributing up to €500 million annually

2023

FarmAhead™ Customer Partnership

2024-2025

SBTi targets updated to meet FLAG

Validation of our nature focus with SBTN

Excluding dmk Group

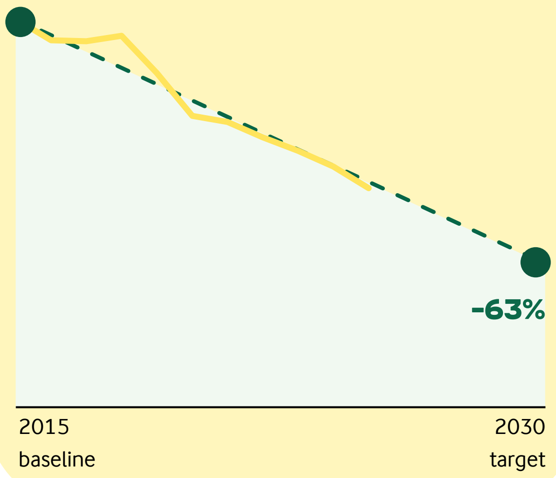
Our climate agenda is supported by science-based targets

Our climate work is built around two SBTi-verified reduction targets covering scope 1+2 emissions and scope 3 FLAG emissions.

Both targets are based on a defined baseline year and covers all of Arla's material emissions. The transition plan explains how value chain actions and operational improvements contribute to delivery over time. Delivery depends on collaboration with farmer owners, suppliers and other partners, and progress is followed up through annual disclosure.

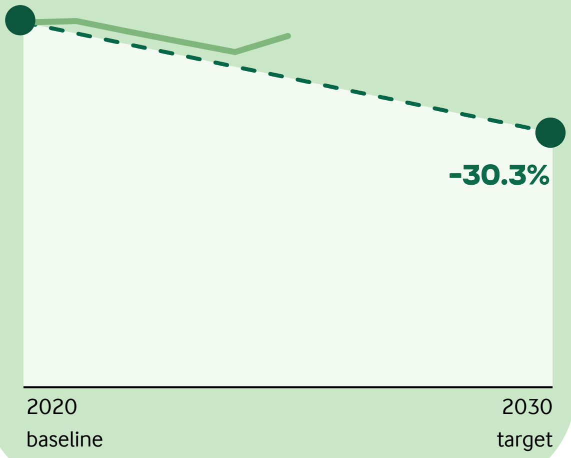
Scope 1+2

We are committed to reduce scope 1+2 emissions with 63% by 2030 from a 2015 base year.



Scope 3 FLAG

We are committed to reduce scope 3 FLAG emissions with 30.3% by 2030 from a 2020 base year.



Excluding dmk Group

Total GHG emissions - 2025

25,075 TOTAL EMISSIONS mkg CO_2e

SCOPE 1+2

2% OF TOTAL EMISSIONS

SCOPE 3

98% OF TOTAL EMISSIONS

SCOPE 3 FLAG

90% OF TOTAL EMISSIONS

SCOPE 3 NON-FLAG

8% OF TOTAL EMISSIONS

WITHIN SCOPE 1+2 TARGET

Scope 1	Scope 2
2%	<1%
456 mkg CO_2e	112 mkg CO_2e

WITHIN SCOPE 3 FLAG TARGET / OUTSIDE TARGETS

Raw milk	Sourced whey	OUTSIDE TARGETS
66%	13%	12%
16,434 mkg CO_2e	3,253 mkg CO_2e	2,928 mkg CO_2e

87% of scope 3 FLAG emissions

SCOPE 3 NON-FLAG

Packaging[1]	Capital goods	Upstream transportation and distribution	Waste generated in operation	Downstream transportation and distribution	Investments[2]	Other
2%	2%	2%	<1%	<1%	<1%	1%
445 mkg CO_2e	448 mkg CO_2e	512 mkg CO_2e	21 mkg CO_2e	106 mkg CO_2e	69 mkg CO_2e	311 mkg CO_2e

[1] *Includes only Non-FLAG emissions from packaging* [2] *Includes only Non-FLAG emissions from investments*

Excluding dmk Group

Scope 1+2 emissions

Scope 1 and 2 emissions are addressed through four levers: renewable electricity, energy-efficiency projects, transformation of thermal systems, and logistics improvements. As production grows and energy demand rises, contracting or generating renewable energy prevents a corresponding increase in reported emissions.

Allocated resources

We allocate approximately EUR 50 million annually for investments directly supporting the delivery of our scope 1 and 2 emissions reduction target. These investments primarily fund decarbonisation projects across production sites and logistics operations. In addition, we allocate operating expenditures for power purchase agreements (PPAs) and renewable electricity certificates, with around EUR 7 million budgeted for 2026.

Key actions towards 2030

Buying renewable electricity

Renewable electricity is secured via a mix of self-generation and contractual instruments, including PPAs and renewable certificates. Each contract is assessed against the latest guidance with support from external expertise and classified as an executory supplier arrangement for own use. In line with market-based accounting, only volumes covered by contractual instruments or on-site generation are counted as renewable; residual grid mixes are not.

We support the development of new solar and wind farms by entering PPAs and purchasing certificates.

Actively improving energy efficiency

Energy use is reduced through equipment upgrades and operational optimisation. Replacing pumps, ventilation systems, milk agitators, and compressed-air systems, coupled with insulation and cooling optimisation, lowers consumption at source. Dedicated people at production sites manage metering, data analysis and delivery, while a knowledge sharing community enables cross-site learning and faster uptake of proven solutions.

Transforming our thermal systems

We are transitioning away from fossil-based energy through electrification with heat pumps, electric boilers, and by connecting to district heating. Heat pumps reduce energy use by capturing ambient heat and delivering low-carbon thermal supply powered by renewable electricity. Most heat pumps are used for thermal systems up to 90ºC. Where thermal systems require temperatures above 90 °C, we are replacing natural gas boilers with electric boilers and installing high-temperature heat pumps. As we integrate these systems, we also optimise heat recovery and thermal management to further reduce overall energy demand. In addition, we are also replacing the use of natural gas with biogas .

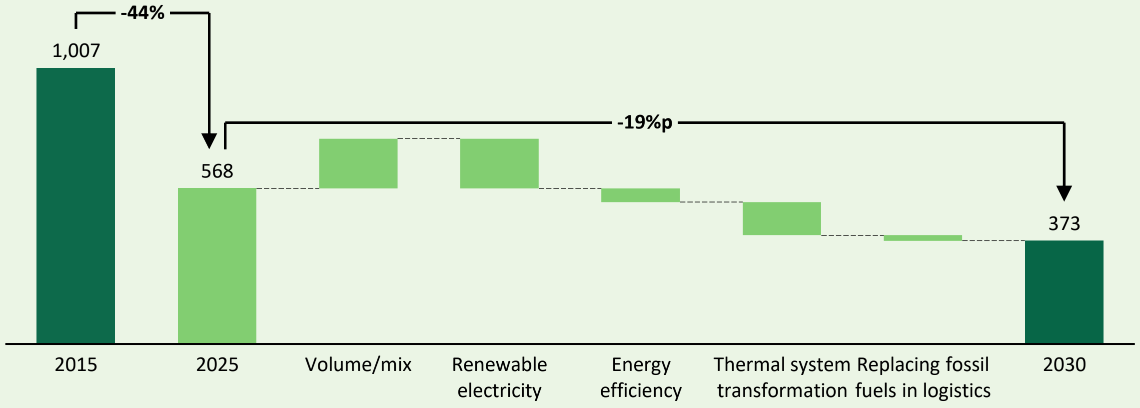
Replacing fossil fuels in logistics

Emissions from our logistics operations will be reduced by improving fuel efficiency and gradually replacing fossil diesel with low-carbon alternatives such as electric vehicles, biogas and biodiesel (HVO). We are also working with enhancing fuel efficiency by route optimisation, reduced idling, improved driver performance and regular vehicle maintenance. These measures lower fuel use per kilometer and reduce both costs and emissions. At the same time, switching to renewable fuels like HVO provides an immediate reduction in tailpipe CO_2 without changing vehicles or infrastructure.

Scope 1+2

We are committed to reduce scope 1+2 emissions with 63% by 2030 from a 2015 base year.

SCOPE 1+2 DECARBONISATION LEVERS THOUSAND TONNES (MKG)



Excluding dmk Group

Scope 3 FLAG emissions

To reduce our scope 3 FLAG emissions, we work actively with our farmers through FarmAhead™ technology, a data-driven toolbox supporting our farmer owners in their sustainability transition. It includes three components: FarmAhead™ Check, Incentive and Innovation. In addition, FarmAhead™ covers our Customer Partnership programme. Together, they enable measurement, action and collaboration on farm-level climate and nature goals.

FarmAhead™ Check helps farmers understand their carbon footprint by collecting over 200 data points per farm, verified by third-party advisors.

The FarmAhead™ Incentive is a point-based model that rewards past and future climate and environmental actions. Farmers select from a portfolio of targeted levers with high potential to deliver improvements for climate. Farmers implementing actions with the greatest improvement potential earn the most points. The point system reflects that agricultural emissions arise from diverse biological, land-use and energy processes, so no single measure is sufficient.

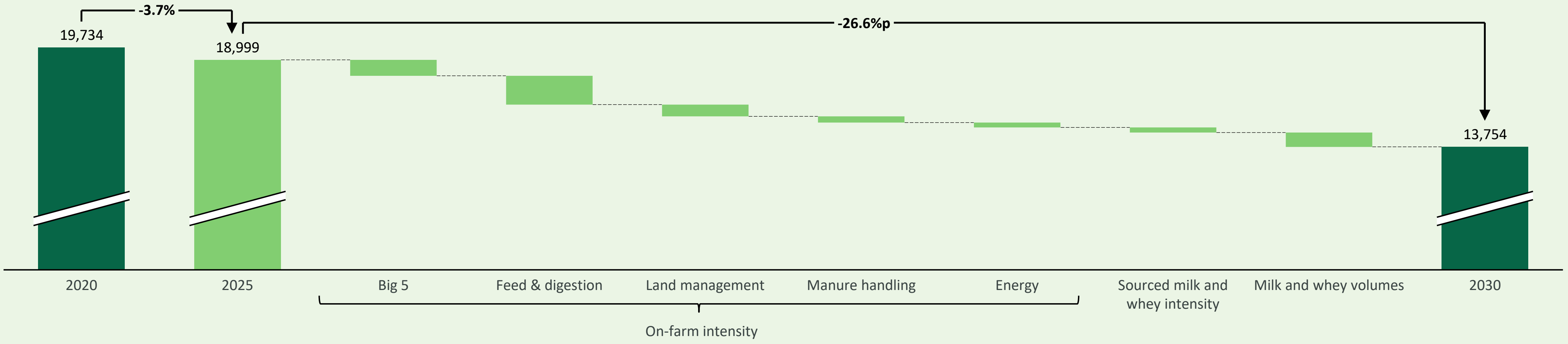
Allocated resources

Farmers submitting data through FarmAhead™ Check receive 1 EUR-cent/kg of milk. They can also earn up to 117 points across five categories. Each point adds 0.03 EUR-cent/kg until January 2027 and 0.04 EUR-cent/kg thereafter, with up to EUR 550 million distributed annually based on points achieved.

Scope 3 FLAG

We are committed to reduce scope 3 FLAG emissions with 30.3% by 2030 from a 2020 base year.

SCOPE 3 FLAG DECARBONISATION LEVERS THOUSAND TONNES (MKG)



Scope 3 FLAG emissions (continued)

Key actions towards 2030

Implementing 'BIG 5'

FarmAhead™ Check data is used to prioritise levers with the greatest potential to reduce emissions intensity on farm. Five drivers are used as a consistent framework for implementation and follow-up: feed efficiency, protein efficiency, animal robustness, fertiliser use and land use.

Feed efficiency

Feed efficiency refers to producing more milk from each kilogram of dry-matter feed consumed. Optimising ration formulation, forage quality and feeding management reduces losses and improves nutrient utilisation, which lowers enteric methane per kg milk and reduces the land, energy and fertiliser needed for feed production.

Fertiliser use

Optimised fertiliser use reduces nitrous oxide emissions by applying nutrients more efficiently and avoiding over-application. Improvements in precision spreading, timing and placement, together with enhanced manure management and greater use of slurry to substitute synthetic fertiliser, reduce losses to air and water and improve nitrogen uptake by crops.

Land use

Land use efficiency focuses on producing the same amount of feed using fewer hectares, thereby reducing the carbon footprint linked to land occupation and cultivation. Farmers are encouraged to improve yield, manage grasslands effectively and reduce low-productivity areas where feasible.

Protein efficiency

Protein efficiency targets improved utilisation of dietary protein so that cows convert a higher share of ingested nitrogen into milk protein rather than excreting it. This reduces nitrous oxide emissions from manure and lowers the need for high-protein feed, which often carries a larger carbon footprint. Farmers are encouraged to balance rations, enhance forage quality and avoid overfeeding protein.

Animal robustness

Animal robustness, which Arla defines as an animal's health and well-being, focuses on achieving enabling each cow to produce more lifetime milk. It is measured using cow mortality. Robust herds require fewer replacements, reducing emissions associated with rearing extra youngstock.

Reducing feed- and digestion-related emissions

Feed-related emissions are addressed through changes in ration composition (including a higher forage share where feasible, with forage referring to high-fiber, plant-based feed such as grass, hay, or silage that supports animal digestion) and through deforestation- and conversion-free sourcing requirements for soy and palm in line with SBTi FLAG expectations.

Digestion-related emissions are reduced by using feed additives, increasing the share of cows that are grazing, and by working actively with breeding and selection of specific sires.

Deforestation- and conversion-free soy and palm oil

Deforestation- and conversion-free (DCF) commodities reduce the risk of ecosystem degradation or land use change emissions. In line with the SBTi FLAG requirements, we work towards sourcing 100% deforestation- and conversion-free certified commodities for Arla's own production as well as soy and palm for feed in our value chain. The upcoming EU Deforestation Regulation, that requires soy and palm on the EU market to be traceable and deforestation- and conversion-free after the 2020 cut-off date, strengthens this effort.

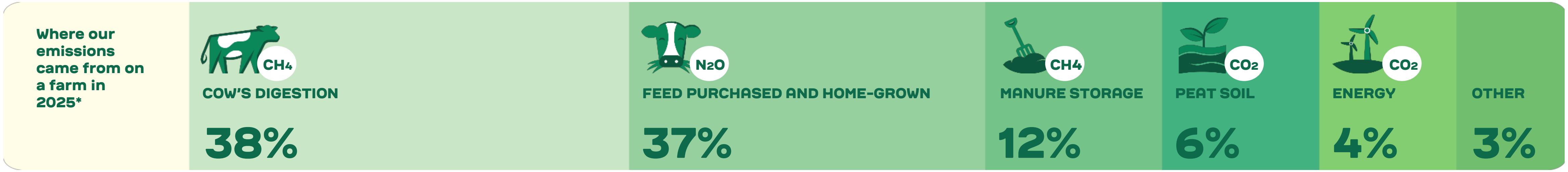
In line with the Accountability Framework Initiative, we consider soy and palm to be deforestation- and conversion-free (DCF) when they are physically segregated and certified or verified as DCF, organically produced (for soy), or originate from areas classified as low risk by the World Wildlife Fund (Deforestation Fronts 2021). This means that only segregated chain of custody models are reported as DCF. Chain-of-custody models without physical segregation, such as book-and-claim (soy or palm credits) or mass balance models, do not qualify.

Increasing the forage share

We focus on raising the proportion of high-quality forage in dairy cow rations to reduce the carbon intensity of milk production. Increasing the share of grass, silage and other fibrous forages can lower the need for carbon-intensive concentrate feeds and reduce emissions associated with their production and transport.

Reducing enteric methane emissions by using feed additives

Feed additives can reduce enteric methane formation in the rumen. Published studies indicate that reductions can be achieved under defined conditions, and the effect depends on dose, diet composition and feeding duration.



Scope 3 FLAG emissions (continued)

Breeding cows for reduced methane emissions

By breeding cows and selecting sires with documented methane-efficient traits, each new generation of cows entering the herd can deliver incremental reductions in herd-level methane emissions. As adoption grows, the effect compounds over time, strengthening the long-term performance of Arla farms while reducing enteric methane emissions. While we do currently not incentivise selective breeding for methane efficiency directly, we incentivize farmers to genomically test cows entering the milking herd. Selection for methane-efficient traits can also influence related performance factors such as feed efficiency and herd health, depending on breeding goals and implementation.

Increasing the share of grazing cows

Grazing reduces the volume of slurry that must be stored in tanks or lagoons, thereby lowering methane emissions associated with long-term slurry storage. When cows deposit manure directly on fields, the manure is more rapidly exposed to oxygen, which limits methane formation compared to anaerobic storage conditions.

Improving land management

We incentivise our farmer owners to improve different aspects of land management with the purpose of increasing soil carbon, applying biochar, and by taking peatlands out of production.

Increasing soil organic carbon removes CO_2 from the atmosphere as plants transfer carbon into soils through roots and biomass. FarmAhead™ incentives are used to support farming practices that build soil organic carbon stocks, recognising that effects vary by soil type, climate and management. The practices below illustrate the main approaches used in the programme.

Continuous plant cover

Maintaining continuous plant cover ensures that soils are protected year-round, reducing erosion and increasing organic matter inputs through roots and crop residues. Keeping the soil covered also improves microbial activity and nutrient cycling, helping carbon accumulate more effectively. This practice stabilises soil structure and reduces carbon losses linked to bare fallow periods.

Perennial crops

Perennial crops contribute to long-term carbon storage by maintaining living roots in the soil for multiple years. Their deeper and more extensive root systems transfer carbon deeper into the soil profile, where it is more stable. Perennials also reduce soil disturbance from replanting, supporting steady increases in soil organic carbon.

Multi-species swards

Multi-species swards combine grasses, legumes and deep-rooted herbs, increasing both above- and below-ground biomass and thereby enhancing soil carbon inputs. Their diverse root systems stimulate soil biology, improve nutrient cycling and build more resilient soil structure over time. This diversity also supports higher forage productivity and drought tolerance, increasing the consistency of carbon inputs to the soil.

Permanent grassland

Permanent grasslands store carbon efficiently because they maintain undisturbed root systems that build soil organic matter year after year. The lack of ploughing prevents carbon losses, while dense root networks continuously add organic material deep into the soil profile. When well-managed, permanent grasslands deliver stable, long-term carbon sequestration alongside additional benefits such as improved soil structure, water retention and habitat provision.

Applying biochar as a soil improver

Biochar is produced by pyrolysis of biomass, creating a stable form of carbon that can be applied to fields. This can store carbon in soils for long periods and may provide agronomic co-benefits such as improved soil structure, water-holding capacity, and nutrient retention.

Taking peatlands out of production and rewetting

Using drained peatland for feed production leads to emissions because drainage exposes organic peat soils to oxygen, accelerating decomposition and releasing carbon that has accumulated over millennia. By taking out peatlands and rewetting these areas, water levels are restored, and microbial breakdown is halted, reducing emissions. In Denmark, the Danish Green Tripartite agreements sets out large-scale land-use change, including rewetting of peatlands backed by a large Green Acreage Fund, providing a strong political context for peatland actions on Danish farms.

Improving manure handling

Manure handling measures reduce methane and nitrous oxide emissions across storage, treatment and application. The focus is on interventions that target high-impact emission points in the slurry chain, while reflecting practical feasibility across farm systems.

Send slurry for biogas treatment

By moving slurry quickly into controlled anaerobic digestion, farms significantly cut methane emissions while supporting local renewable energy production. The biogas produced can displace fossil natural gas in the wider energy system, creating a climate benefit beyond the farm gate. This substitution effect is not included in Arla's emissions.

Using nitrification inhibitors

Nitrification inhibitors applied to slurry limit the microbial conversion of ammonium into nitrate. Inhibitors slow the conversion of ammonium into nitrate, reducing conditions where N_2O can form. In some cases, inhibitors also reduce nitrate leaching and improve nitrogen use efficiency. Improved nitrogen retention in the root zone can boost yields, supporting both agronomic performance and climate outcomes.

Adding additives to slurry storages

As an alternative to sending fresh slurry for biogas treatment, a way to reduce methane emissions from slurry storages is to add sulphuric acid or other additives to the slurry. These additives inhibit the methane producing microbes through different mechanisms thereby reducing the methane emitted during storage of slurry.

Methane flaring

Methane flaring captures methane that is naturally released from slurry tanks or covered storages and oxidises it into CO_2, which has a substantially lower global warming potential. While the heat produced during flaring cannot always be utilised, it prevents methane from being emitted directly to the atmosphere. This makes flaring a useful mitigation solution for sites where biogas treatment is not yet feasible.

Grazing in spring to reduce enteric methane

Allowing cows to graze fresh spring grass can reduce enteric methane emissions, especially when cows graze pasture early in the season. This is due to improved rumen fermentation, faster digesta passage, and higher forage sugar content, all of which reduce methane formation.

Increasing share of renewable energy

We support farmers in reducing energy-related emissions on farm by increasing the share of renewable energy used in daily operations, and by incentivising the purchase of fertilisers produced with renewable energy.

Scope 3 FLAG emissions (continued)

Use of documented renewable electricity on farm

We incentivise farmers to use documented renewable electricity to reduce energy-related emissions on farm. Farmers can either produce their own renewable electricity on-site, for example through rooftop solar or other small-scale generation or purchase certified renewable electricity that meets accepted accounting standards. To support this transition, we provide clear guidance on documentation requirements and accepted certificate schemes for our farmers.

Replacing fossil fuels with biofuels

Biofuels offer a low-carbon replacement for fossil diesel and heating oil on farms, particularly for tractors, loaders and stationary engines that are not yet ready for electrification. Certified biofuels such as HVO can be used in existing machinery without major technical adjustments, making them an immediately scalable solution. By incentivising the shift to biofuels, we help farmers reduce direct fuel-related emissions while maintaining operational flexibility and reliability.

Using low-emission fertilisers

Producing conventional mineral nitrogen fertilisers is highly energy-intensive, and fertilisers made using fossil-based hydrogen carry a significant upstream carbon footprint. By incentivising farmers to purchase mineral fertilisers produced using renewable energy and/or made with carbon capture and storage technology, farms can reduce emissions embedded in their feed and crop production systems. These products have the same agronomic performance and nutrient value, but are produced with a lower carbon footprint.

Sourced milk and whey intensity

Collaboration with whey suppliers

We have seen a significant increase in our ingredients business, and we are therefore sourcing an increasing amount of whey year by year. We expect this to continue towards 2030.

To address the higher emissions linked to this volume growth, we have initiated collaboration with several large dairy companies that supply whey to Arla. As a first step, supplier-specific emissions data will be collected to establish a baseline and enable a structured dialogue on reduction opportunities, consistent with the plant's data and follow-up approach.

Decreasing milk emission intensity

For sourced milk, we calculate emissions based on the World Food LCA Database. Database emission intensities for milk throughout European markets have decreased since 2020 due to trends of among others improved milk yield per cow and better feed conversion. We expect this trend to continue towards 2030, leading to a lower emission intensity for our non-owner milk.

Milk and whey volumes

Owner milk volumes expected to decrease

In 2025, milk volumes delivered by our farmer owners reached record-high levels. These volumes are not expected to be sustained towards 2030, and we therefore anticipate a gradual decline in owner milk volumes over the period 2025-2030. However, these projections are subject to considerable uncertainty.

Looking ahead, we expect regional divergence. Some areas are looking into growing milk volumes. Sweden is an example, where the government is asking industry and farmers to increase national food production under the National Food Strategy (a government-led policy framework aimed at strengthening Sweden's food production, resilience, and long-term food security) . Other areas are looking into reduced milk volumes. Denmark is an example, where the Green Tripartite agreement introduces a livestock greenhouse gas tax from 2030, along with major land-use changes and tighter cow-housing rules toward 2034. Overall, we expect total milk volumes to decrease toward 2030.

Non-owner milk volumes are decreasing

While we have seen increasing milk volumes delivered by our owner farmers in recent years, our volumes of sourced non-owner milk has gradually decreased since 2020, and we expect non-owner milk volumes to decrease further towards 2030.

Sourced whey volumes expected to increase at a slower rate

We expect that the volume of externally sourced whey will continue to increase. However, we expect that the rate with which the volume increases to slow down, resulting in 2030-volumes being only slightly bigger than in 2025.

Challenges and dependencies

Scope 1+2
Expected emissions reductions within scope 1 and 2 are based on a portfolio of identified and planned projects across production sites and logistics operations. The reduction pathway includes both capital-intensive investments and operational improvements.

All projects are assessed based on expected CO_2e reductions and financial viability. The pipeline includes initiatives at different stages of maturity, from early concepts to fully approved projects, and is therefore subject to development, approval, and execution risks. The expected reductions presented are risk-adjusted and reflect the full project pipeline.

The target is based on a market-based accounting approach. Changes in market conditions for such instruments may affect the ability to achieve planned reductions.

Progress depends on access to renewable electricity at competitive prices. Capital allocation is also a key dependency: heat-pump roll-out and efficiency projects require sustained investment capacity and feasible implementation windows across sites.

In logistics, switching away from fossil fuels depends on the availability and price stability of alternatives such as HVO, as well as supporting infrastructure. Heavy-transport electrification remains constrained by range, vehicle cost and charging infrastructure in several markets, which affects the pace at which emissions reductions can be delivered.

In addition, limitations in metering and data granularity across some sites reduce the ability to track the precise impact of individual projects. Actual performance may therefore vary from initial estimates, both positively and negatively.

Future production volumes and product mix represent a key uncertainty, as emissions are partly driven by activity levels. Production volumes higher than expected could increase absolute emissions and make target achievement more challenging.

Scope 3 FLAG
On-farm intensity
To reduce Scope 3 FLAG emissions from raw milk and whey, we incentivise our farmer owners to implement targeted levers that reduce on-farm emission intensity. These levers are identified through research and continuously assessed for feasibility and impact across our markets. Selected levers are included in the FarmAhead™ Incentive model, based on their ability to deliver meaningful CO_2e reductions while remaining practical for farmers to implement.

Expected intensity reductions are modelled using our milk carbon footprint tool. For each lever, we estimate farmer adoption rates across markets through scenario analysis, which defines implementation trajectories to 2030 and the resulting reduction potential. Delivery of these reductions depends on achieving the expected adoption rates, which in most cases requires a positive business case for farmers.

Following a slowdown in reduction progress last year, we updated the FarmAhead™ Incentive model to strengthen adoption. This includes increasing points for selected levers, introducing new levers, and raising the incentive per point from 0.03 EUR-cent/kg to 0.04 EUR-cent/kg of milk, increasing annual funding from maximum EUR 500 million to approximately EUR 550 million. Going forward, the FarmAhead ™ Incentive model will be continuously reviewed and updated to reflect learnings, evolving best practices and changing market conditions.

However, expected implementation rates remain subject to uncertainty. Adoption depends on factors such as farm-level economics, input prices, and infrastructure availability. For example, some levers require upfront investments or higher operating costs, while others depend on external conditions such as access to biogas facilities or small price premiums for low-emission fertilisers.

Implementation rates also vary across markets. While some levers are assumed to reach full adoption, such as renewable electricity, achieving 100% uptake is inherently challenging in practice due to differences in farm economics, infrastructure availability and regulatory frameworks between regions.

Progress on deforestation- and conversion-free soy and palm depends on supplier traceability and verification schemes that are auditable and consistent across markets. Current traceability is weakest for palm in feed, and documentation and accounting practices remain inconsistent across parts of the supply chain. Progress is also dependant on industry-wide initiatives and multi-stakeholder collaborations to address systemic challenges in traceability , data availability and verification. Industry collaborations, shared international frameworks and embedded FarmAhead™ requirements are used to support improved verification pathways over time.

Milk and whey volumes
Achieving the absolute Scope 3 FLAG reduction target is partially dependent on a reduction in total milk and whey volumes.

Structural pressures on farm economics may also negatively influence future milk supply. Rising compliance costs related to environmental and animal welfare standards, combined with input cost volatility, could affect the pace of structural adjustment, particularly among smaller farms. This is compounded by demographic trends, including an ageing farmer population and succession challenges.

Land availability will also shape future production, as competing land uses such as nature restoration, biodiversity initiatives, and urban development influence how land is allocated in core regions. While these uses can often coexist with dairy farming, they may still require adjustments in farming practices and introduce some uncertainty around production capacity.

However, these impacts are associated with a large degree of uncertainty. If regulatory tightening, structural economic pressures or land availability challenges does not materialise to the extent expected, milk and whey volumes may decrease to a lesser extend than expected. This would pose a challenge to reaching our absolute scope 3 FLAG target.

Recent increases in milk volumes, combined with growth in the ingredients business requiring more externally sourced whey, may further tighten the pathway towards achieving the absolute Scope 3 FLAG reduction target.

Greenhouse gas accounting and methodologies

Greenhouse gas emissions (CO_2e)
We apply the Greenhouse Gas Protocol Corporate Standard (GHG Protocol) to account for emissions across our value chain. Emissions are categorised into three scopes based on control and location in our value chain. In dairy production, the main greenhouse gases are carbon dioxid (CO_2), methane (CH_4) from digestion and manure storage, and nitrous oxide (N_2O) from fertiliser and manure production and use as well as crop production. All gases are converted to carbon dioxide equivalents (CO_2e) using global warming potentials from the IPCC Sixth Assessment Report (2021).

1 kg carbon dioxide (CO_2) = 1 kg CO_2e
1 kg methane (CH_4) = 27 kg CO_2e
1 kg nitrous oxide (N_2O) = 273 kg CO_2e

Data is essential for guiding our emission-reduction efforts. As science evolves, we apply the best available data, technology and methodologies, and reflect updates in our reported figures.

We do not purchase carbon credits, and in line with our science-based targets, Arla does not reduce its greenhouse gas emissions with carbon credits. Additionally, we do not make carbon neutrality claims for commercial use dependent on carbon credits.

Scope 1 – Direct emissions from own operations
Scope 1 emissions relate to activities in Arla's own operations. This includes transport using our own vehicles and direct emissions from our production sites. Primary consumption data is used for both. Emission factors are received from the UK Department for Environment, Food & Rural Affairs (DEFRA).

The scope 1 emission factor for biogas is close to 0, which includes biogas purchased under different gas certification schemes.

Scope 2 – Indirect emissions from purchased energy
Scope 2 emissions relate to the indirect emissions caused by our purchase of energy, i.e. electricity and heat. We report scope 2 emissions using the market-based methodology, which reflects our energy purchasing choices. We use only primary consumption data, with emission factors sourced from ecoinvent v3.11 and the Association of Issuing Bodies (AIB).

Out of the renewable electricity, heat, steam and cooling volumes, 0.5% are self-generated and 99.5% are accounted for through contractual instruments in 2025. Of these, 64% come from bundled renewable energy instruments, such as power purchase agreements, where the electricity and its renewable certificate are purchased together. The remaining 36% come from unbundled instruments, where certificates are bought separately from the physical electricity.

Scope 3 – Value chain emissions
Scope 3 relates to emissions in our value chain, i.e. emissions from sources that we do not directly own or control. Our scope 3 climate accounting includes 11 out of the total 15 categories introduced by the GHG Protocol.

Our scope 3 FLAG target only includes emissions associated with raw milk and whey in category 1 (purchase of goods and services).

Scope 3 – Raw milk emissions
In 2025, we updated our methodology for calculating scope 3 emissions from raw milk to reflect the latest guidance and best practice. We now follow the International Dairy Federation's Carbon Footprint of Dairy Products guidelines (IDF 2022), replacing the previous IDF 2015 approach.

The tool used for calculating the carbon footprint of milk is based on an attributional life-cycle assessment (LCA) that was developed during the last decade in collaboration with 2-0 LCA, a Danish consultancy firm formed by academics. A detailed methodology is available in Erjavec, A. et al., 2026 Methodology report for Arla Foods FarmAhead™ Check on the 2-0 LCA website. Farm-level emission factors are sourced from 2-0 LCA consultants.

Emissions from raw milk include both on-farm and off-farm activities, linked to cow digestion, feed production and purchases, manure storage, energy use, capital goods and peat soils. Feed-related emissions involve fertiliser for home-grown and purchased feed as well as feed transport. Manure storage can result in methane and nitrous oxide emissions. Emissions vary depending on how manure is covered or stored, and whether it is used for biogas production. Peat soils are wetlands with a high carbon content. When soils are drained and used for crop production, CO_2 and N_2O are released.

In our GHG inventory, scope 3 emissions for raw milk are a weighted average of greenhouse gas emissions per kg of milk. They are calculated based on primary data from the farmers' latest financial year - generally a year prior to the reporting year - validated by external environmental experts, multiplied by the fat- and protein-adjusted milk intake from the reporting year. Farm data validated by external climate experts is statistically representative of all Arla farms.

Scope 3 – Soil carbon sequestration
In 2025, we began reporting on soil carbon sequestration for the first time. Aligned with the SBTi FLAG guidance, soil carbon sequestration is included as a net effect in our scope 3 FLAG emissions target. Soil carbon sequestration, a key carbon removal mechanism, stores carbon in soil organic matter, improving soil health, water retention and resilience. The level of sequestration is influenced by soil properties, local weather conditions and land management practices such as choice of cover crops, manure application and grazing.

To calculate the sequestration on Arla owner farms, farm locations are first mapped via GPS, and a GIS smart mapping tool is used to layer soil and data for each location. Soil properties for the specific land area are derived from EU open-access datasets (ESDAC/LUCAS). Using established empirical equations for soil (pedotransfer functions), we establish a baseline for soil organic carbon (SOC) stocks down to a depth of 1 metre, where direct measurements are not available. Farm management data (grazing, crop types and yields, cover crops and manure application) is collected through Arla's FarmAhead™ Check, which is also the data used for the carbon footprint. The farm management data is then converted into an estimate of yearly carbon input to soil using the Bolinder/bze method (Bolinder et al., 2007, Jacobs et al., 2018), which sums carbon inputs from plants and manure.

With data from the farm's carbon input and local climate (monthly temperatures and annual rainfall) from Copernicus datasets (ERA5/EOBS), the Yasso20 model (Yasso, FMI), a peer-reviewed model developed by the Finnish Meteorological Institute and used in several national inventories, is used to calculate the annual change in carbon. This includes simulations of how soil carbon changes over time, meaning how much is stored (sequestered), how much is lost in the form of emissions from decomposition, and thus how stocks change year by year. After this, each farm's annual absolute change in carbon stocks is expressed as sequestration per kg of milk, then multiplied by the farm's total milk volume for the Climate Check period in the FarmAhead™ tool to obtain total sequestered carbon.

Greenhouse gas accounting and methodologies (continued)

This approach aligns with the GHG Protocol Land Sector and Removals Guidance as well as SBTi FLAG and applies IDF (2022) allocation for dairy.

When a farmer leaves Arla, previously reported removals are reversed since permanence cannot be guaranteed. As precise measurement of reversals is not yet possible, we apply a conservative buffer meaning that 7% of reported removals are deducted annually to account for potential reversals.

Read more about methodology used here in Arla Foods, 2026, Nielsen, C., 2026. Arla's Soil Organic Carbon Sequestration Methodology.

Scope 3 – Emissions from sourced whey

Emissions from sourced whey relate to externally purchased whey for Arla Foods Ingredients.

Uncertainties and limitations

FarmAhead™ Check questionnaire are validated by external environmental experts. Farmer owners complete the FarmAhead™ Check annually using data from their latest financial year. This varies from farm to farm, some have financial years running from January to December, while others run from, for example, July to June. Therefore, the figures presented are not necessarily based on farm data covering the same period across all farms.

An uncertainty analysis was carried out to understand the biggest areas of uncertainty related to self-reported farm emission data. The analysis was centred around the four key levers herd, feed, crops and manure handling, and addressed the parameters with the highest impact on emissions on farm. The analysis concluded that results on individual farms could be misstated by a maximum of 10-12%, but only if the farmer owner had a starting point of high emissions and claimed to change from no biogas treatment to full biogas treatment of slurry.

We have a robust control process in place to reduce uncertainties and improve data quality. The control process is two-fold, including the validation by external environmental experts and an internal control performed by Arla to catch statistical outliers or abnormalities in data. All outliers are flagged and need to be investigated before the result of the FarmAhead™ Check is available for reporting. Numbers are only released for reporting after thorough investigation.

Small farms and farmer owners using extensive grazing systems do not always measure the amount of feed eaten by their cows or the dry matter content of the grass on their fields. To enable these farmer owners to report, the system contains a model which calculates feed consumption based on herd size and milk yield.

Reporting on peat soils is a developing field and still subject to higher uncertainty than other areas. Due to their relatively high impact on the carbon footprint, uncertainties related to peat soils could have a significant impact on the total reported greenhouse gas figure. The risk of errors is minimised by external environmental experts validating the data, supported by detective analytical controls, and we will continue to refine this area in future reporting.

Carbon sequestration was first reported in 2025. As this is new for Arla and corporate reporting, methods will evolve with science and practice. Soil carbon accounting is not fully standardised, and choices like reporting period, databases, sequestration model and responsibility window affect results. A 20-year window, as used by Arla (guided by IDF 2022), can make annual sequestration levels appear up to ten times higher than with a 100-year amortisation, which smooths variability and generally shows lower annual values. Over the full period, both methods yield the same total sequestration.

Sequestration is not calculated for non-owner milk, and milk swaps with competitors are not accounted for.

Glossary

Big 5 is an abbreviation referring to the five key focus areas in Arla's FarmAhead™ Incentive.

Biogas is the mixture of gases produced by the break-down of organic matter in the absence of oxygen, primarily consisting of methane and carbon dioxide. In Arla, biogas is primarily produced from cow manure.

Biomass is plant or animal material used for energy production. It can be purposely grown energy crops, wood or forest residues, waste from food crops, horti-culture, food processing, animal farming or human waste from sewage plants.

Carbon sequestration refers to a natural or artificial process by which carbon dioxide is removed from the atmosphere and held in solid or liquid form.

CH_4 refers to methane. It is a potent greenhouse gas produced during processes such as livestock digestion and manure management.

CSR refers to corporate social responsibility. It is a company's approach to managing its social and environmental impacts while operating ethically and contributing to sustainable development.

DCF is an abbreviation of deforestation- and conversion-free.

FLAG stands for forest, land and agriculture. It is a category used in greenhouse gas accounting and sustainability reporting to capture emissions and removals related to land use, forestry, and agricultural activities.

FarmAhead™ Technology is a toolbox of data-driven and science-based technologies consisting of the FarmAhead™ Check, the FarmAhead™ Incentive, the FarmAhead™ Innovation and the FarmAhead™ Customer Partnership. It is designed to enable our farmer owners to understand, measure and advance their individual sustainability transitions on the farm.

Greenhouse Gas Protocol (GHGP) provides accounting and reporting standards, sector guidance and calculation tools to account for greenhouse gas emissions. It establishes a comprehensive, global, standardised framework for measuring and managing emissions from private and public sector operations, value chains, products, cities and policies.

HVO stands for hydrotreated vegetable oil. It is a renewable diesel fuel produced by hydrotreating vegetable oils or animal fats, offering lower emissions compared to fossil fuels.

N_2O is nitrous oxide, a greenhouse gas with a high global warming potential, commonly produced from agricultural activities, industrial processes, and combustion, contributing significantly to climate change.

PPA is an abbreviation of power purchase agreements which are contractual agreements between two parties, typically a power producer and a buyer, for the purchase and sale of electricity.

SBTi is an abbreviation of the Science Based Targets initiative that helps companies set greenhouse gas emission reduction targets aligned with climate science and the Paris Agreement, aiming to limit global warming to well below 2°C and pursue efforts to limit it to 1.5°C.

Management's and auditors' report

Statement by the management

The management of Arla Foods Amba acknowledges responsibility for the preparation, accuracy and completeness of the Climate Transition Plan for achieving the climate targets for 2030 in accordance with the requirements for a transition plan specified by the Empowering Consumers Directive for the Green Transition Directive (Directive (EU) 2024/825).

In our opinion, the report gives a true and fair presentation of Arla Foods Amba's Climate Transition Plan, in accordance with the applied reporting policies on pages 12-13 as well as a fair basis for the climate targets for 2030.

Aarhus, 19th of June 2026

Signed by:

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Torben Dahl Nyholm
Executive Vice President & CFO

Signed by:

Hanne Søndergaard

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Hanne Søndergaard
Executive Vice President, CASO

Independent auditor's limited assurance report on the Climate Transition Plan for achieving the climate targets for 2030

TO THE STAKEHOLDERS OF ARLA FOODS AMBA

Limited assurance conclusion

We have conducted a limited assurance engagement on the Climate Transition Plan for achieving the climate targets for 2030 of Arla Foods amba (the group) as per 31 December 2025. Management prepared the implementation plan in accordance with applied reporting practice, assumptions and the requirements for a transition plan specified by the Directive (EU) 2024/825 on empowering consumers for the green transition.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Climate Transition Plan for achieving the climate targets for 2030 is not prepared, in all material respects, in accordance the applied reporting policies, assumptions and the requirements for a transition plan specified by the Directive (EU) 2024/825 on empowering consumers for the green transition.

The requirements for a transition plan specified by Directive (EU) 2024/825 on empowering consumers for the green transition should in the context of this limited assurance report be understood as clear, objective, publicly available and verifiable commitments set out in a detailed and realistic implementation plan that includes measurable and time-bound targets and other relevant elements necessary to support its implementation, such as allocation of resources.

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance engagements other than audits or reviews of historical financial information ("ISAE 3000 (Revised)") and the additional requirements applicable in Denmark.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Our responsibilities under this standard are further described in the Auditor's responsibilities for the assurance engagement section of our report.

Our independence and quality management

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as well as ethical requirements applicable in Denmark.

EY Godkendt Revisionspartnerselskab applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent limitations in preparing the report

In reporting climate targets for 2030, management has prepared the targets on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the group. Actual outcomes are likely to be different since anticipated events may not occur as expected.

Management's responsibilities for the Climate transition plan

Management of the group is responsible for:

- Identifying the information to be disclosed in the implementation plan as described in the applied reporting practice on pages 12-13;
- The preparation of the implementation plan in accordance with assumptions and applied reporting practice;
- The preparation of a detailed and realistic implementation plan that includes measurable and time-bound targets; make clear, objective, publicly available and verifiable commitments as well as allocating resources necessary for the implementation;
- Designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the implementation plan, in accordance with applied reporting practice that is free from material misstatement, whether due to fraud or error;
- Setting targets that are based on realistic implementation plans aligned with the overall strategy of the group; and
- The selection and application of appropriate reporting methods and making assumptions and estimates that are reasonable in the circumstances.

Auditor's responsibilities for the assurance engagement

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the report is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the implementation plan. as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgement and maintain professional scepticism throughout the engagement.

Independent auditor's limited assurance report on the climate targets to 2030 in the Climate Transition Plan (continued)

Our responsibilities in respect of the implementation plan include:

- Identification of information where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures responsive to assessed risks of material misstatement at the disclosures level. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the implementation plan.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of information where material misstatements are likely to arise, whether due to fraud or error, in the implementation plan.
In conducting our limited assurance engagement, we:

- Obtained an understanding of the group's reporting processes relevant to the preparation its report by obtaining an understanding of the group's control environment, processes and information systems relevant to the preparation of the sustainability report but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Performed inquiries of relevant personnel and analytical procedures on selected information in the implementation plan;
- Performed substantive assurance procedures on selected information in the implementation plan including assessment of key assumptions, measures and timelines;
- Evaluated whether the implementation plan includes clearly defined, objective and publicly available commitments and targets, as well as a detailed and realistic implementation plan demonstrating how such commitments and targets are intended to be achieved;
- Evaluated whether the implementation plan includes the relevant elements necessary to fulfil the stated commitments and targets, including the allocation of appropriate financial, organizational and technological resources, where applicable;
- Evaluated the milestones and monitoring mechanisms included in the implementation plan to assess whether the plan enables regular tracking of progress towards achieving the stated commitments and targets;
- Evaluated whether the implementation plan is consistent with the sustainability statement for 2025 for the group.
- Evaluated methods, assumptions and data for developing material estimates and forward-looking information and how these methods were applied.

Copenhagen, 19th of June 2026

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Signed by:
Jan Kranup Mortensen
9E1977F0ABB34C8...

Jan K. Mortensen
State Authorised Public Accountant
mne40030

Signed by:
Monica Mai Bak Larsen
5930791CB9AC490...

Monica Mai Bak Larsen
Associate Partner, Climate Change and Sustainability Services