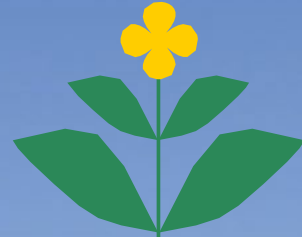


**GREEN
AMBITION
2050**



60,000
HANDS



5 MILLION
HOOVES

*The cooperative spirit
gives us power to make
meaningful change*



A strong cooperative history

It all started with a few farmers coming together to form the first cooperative in 1881, more than 140 years ago.

A cooperative, like a herd, finds its power in working together, sharing resources, and helping each other in times of need. A cooperative **uses its collective strength to overcome challenges and hardship, creating synergies for greater achievements.** A cooperative is resilient.

Arla foods has grown to be one of the biggest cooperatives in the world, with 7,000 owners, more than 20,000 employees and over 13 billion kilo of raw milk. This size means **Arla has an incredible amount of power to make a positive change in the world.**



Facing a real and growing challenge

Science has shown the planet has clear physical limits on how much environmental harm it can accommodate. Crossing these “planetary boundaries” can lead to irreversible consequences, seriously threatening our way of life. Some of these planetary boundaries have already been exceeded: climate, nitrogen and phosphorus cycles, and biodiversity.

As one of the world’s largest dairy producers, we have a responsibility to do our part to reduce our impact on the environment.

By returning to our cooperative roots, we can unite our resources and use them as a force for good.

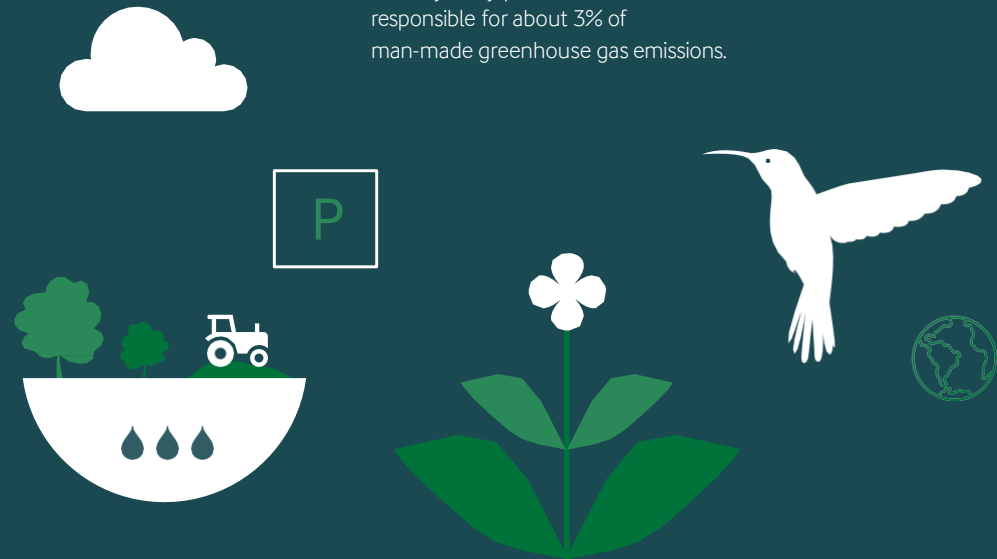
With our size comes strength and influence. Even by making small changes we have the power to make a significant global impact. We must continue to make **smart, sustainable choices to guarantee the future wellbeing of the herd.**

Climate Change



Climate change is one of the greatest challenges the world is facing today. In order to keep the temperature rise below 2°C, drastic actions are needed.

Globally, dairy production is responsible for about 3% of man-made greenhouse gas emissions.



Air & water pollution

Groundwater quality can be significantly affected by nutrient enrichment caused by fertiliser leakage, which brings an excess of nitrogen and phosphorus.

One of the largest contributors of nitrogen and phosphorus leakage is the agricultural sector, including dairy.

Loss of biodiversity

The decline in biodiversity is a threat to our future wellbeing. Biodiversity is essential for many ecosystem services such as food production, water provision, nutrient recycling and biological control of flora/fauna populations.

Using land for grazing and growing feed, dairy farmers sometimes affect natural habitats needed for biodiversity.

Now it's time to step up our engagement, using our collective strength to reduce our footprint while increasing our handprint

Our new **Green Ambition** for the future will guide us



To address key global environmental issues, we need a clear, science-based plan to ensure we focus our efforts on the right areas in the best way.



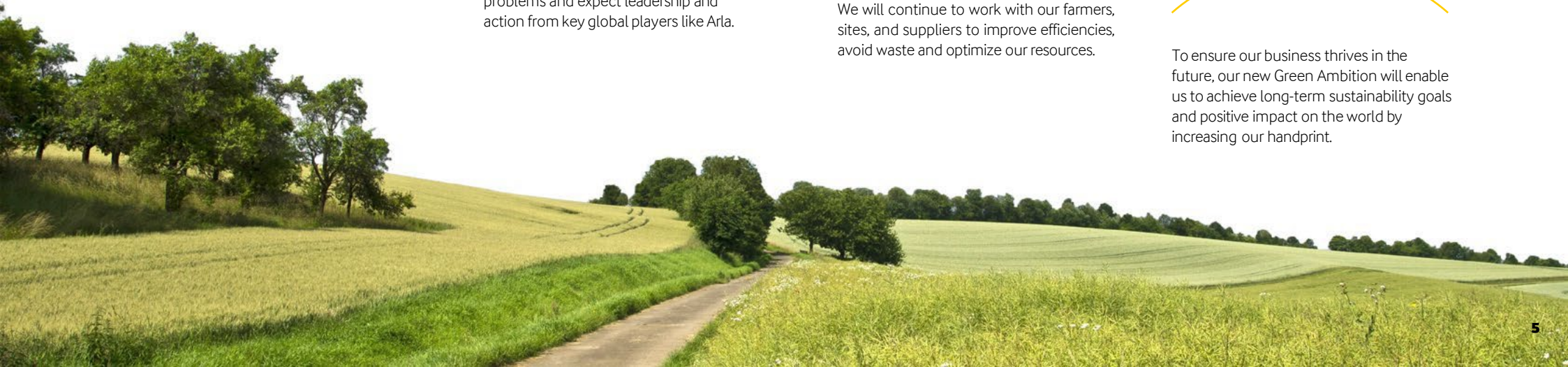
Our customers and consumers are increasingly aware of environmental problems and expect leadership and action from key global players like Arla.



We will continue to work with our farmers, sites, and suppliers to improve efficiencies, avoid waste and optimize our resources.



To ensure our business thrives in the future, our new Green Ambition will enable us to achieve long-term sustainability goals and positive impact on the world by increasing our handprint.



Our green ambition for the future focuses on 3 key topics



BETTER CLIMATE

Reduce global Greenhouse Gas emissions by increasing circulation of resources.

Our Goal

Carbon net zero



CLEAN AIR & WATER

Protect regional water sources and reduce emissions across the whole value chain.

Our Goal

Nitrogen and phosphorus cycles in balance



MORE NATURE

Build a more diverse, robust and accessible local agricultural landscape.

Our Goal

Increase biodiversity and access to nature

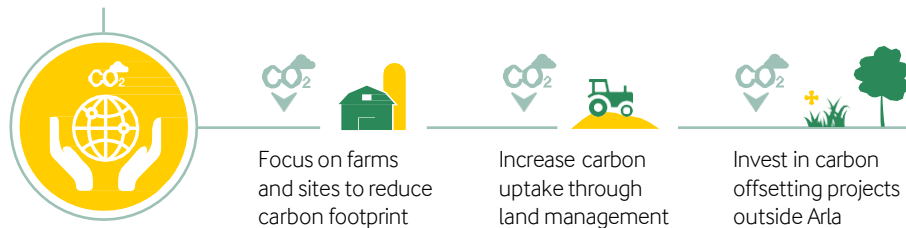


BETTER CLIMATE

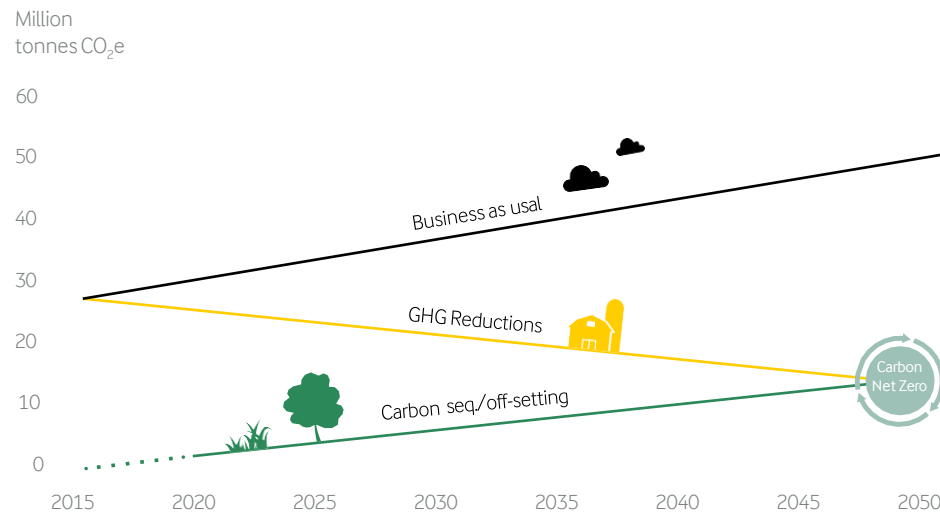
Reduce global Greenhouse Gas (GHG) emissions by increasing circulation of resources. About 80% of Arla's emissions come from farm level, making it a key focus area for improvement.

Our goal

CARBON NET ZERO



Our Better Climate plan combines reductions with sequestration projects to reach Carbon Net Zero :



Business as usual represents the increase in milk production with today's carbon footprint.

Science Based Targets guide our Better Climate ambition

To effectively address pressing environmental challenges, we rely on science to help us set appropriate goals for the necessary emissions reductions. The Science Based Targets initiative is a programme designed to help companies set emissions reduction targets in line with planetary boundaries, with the goal of limiting global warming in accordance to the Paris agreement.

Arla commits to the Science Based Target

2015 —————> 2030

Scope 1 & 2 GHG emissions:

63% absolute reduction in our own emissions (on sites and in transport).

2020 —————> 2030

Scope 3 FLAG GHG emissions:

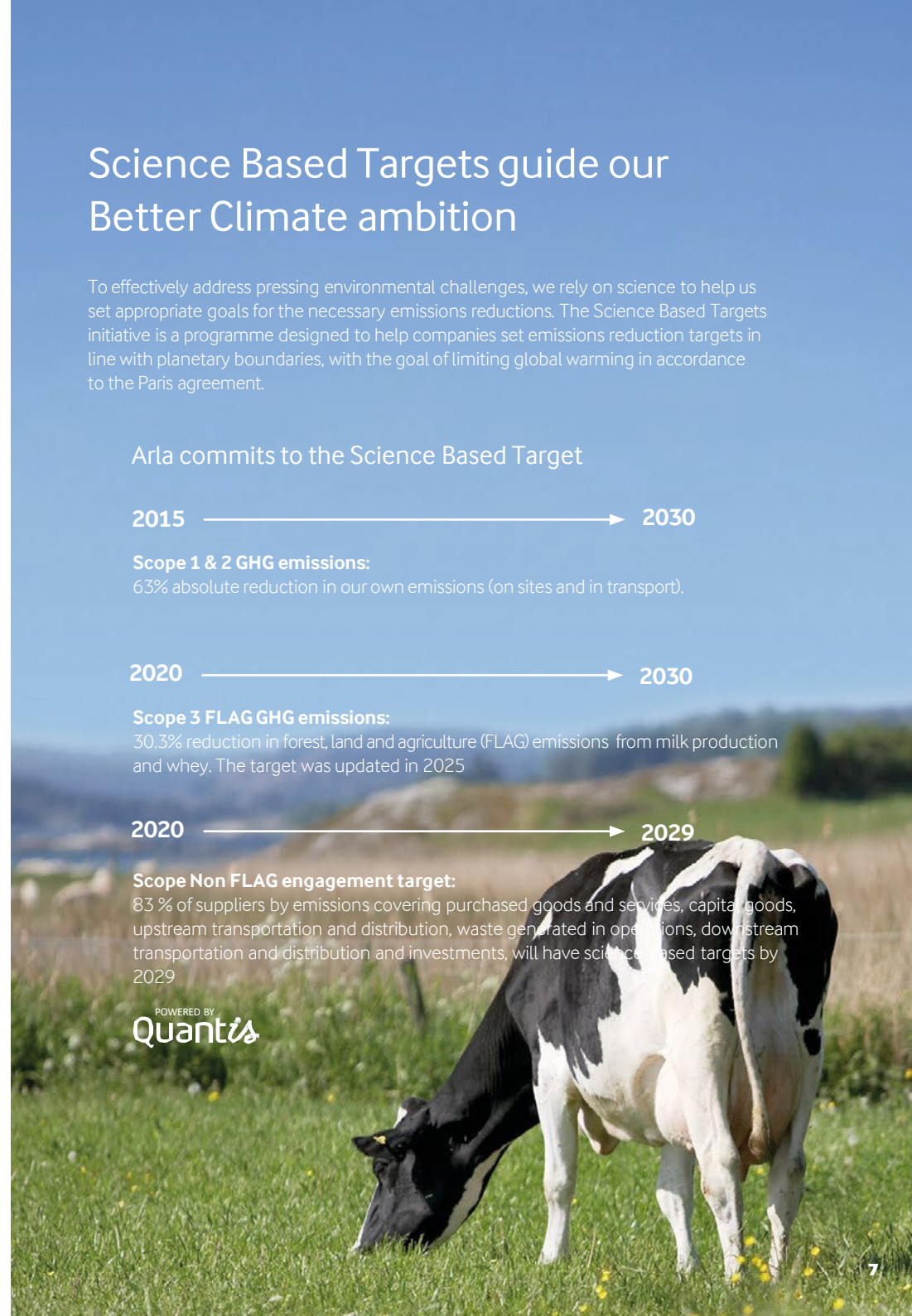
30.3% reduction in forest, land and agriculture (FLAG) emissions from milk production and whey. The target was updated in 2025

2020 —————> 2029

Scope Non FLAG engagement target:

83 % of suppliers by emissions covering purchased goods and services, capital goods, upstream transportation and distribution, waste generated in operations, downstream transportation and distribution and investments, will have science based targets by 2029

POWERED BY
Quantis



CLEAN AIR & WATER

Protect regional water sources and reduce emissions across the whole value chain.

Our goal
NITROGEN AND PHOSPHORUS
CYCLES IN BALANCE



Identify regions with problems; actions depend on classification



Ensure all farms have a nutrient account

EXAMPLES OF HOW WE WORK FOR MORE CLEAN AIR AND WATER

Some Arla dairies are using new technology to reuse the "milky water" from cheese production, with the aim of creating a closed-loop system that eliminates the need for external water use in the future.

Because particle pollution is a problem in larger cities, Arla has in some areas replaced traditional diesel with Gas To Liquid (GTL) fuel to reduce particles emitted from dairy deliveries.

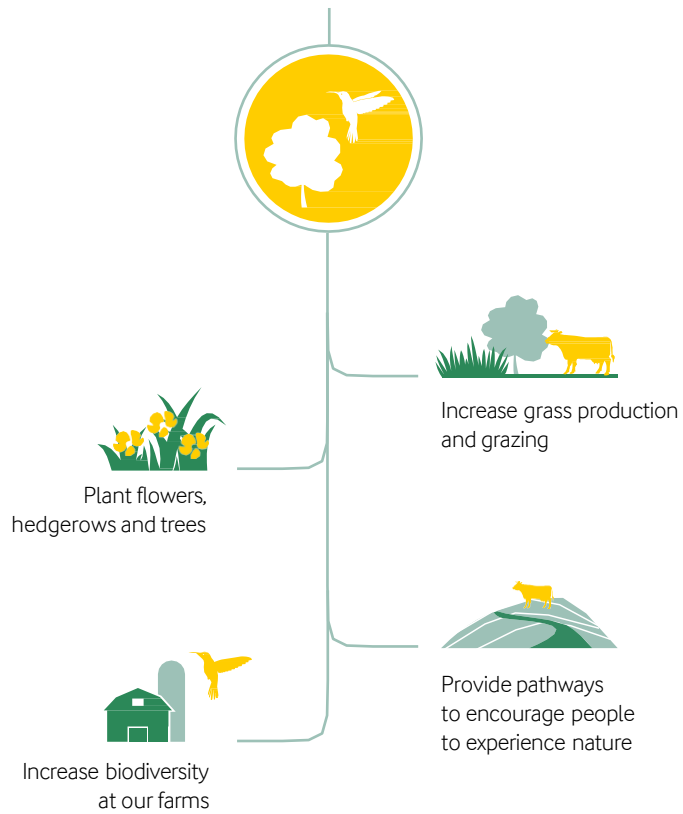
In addition to these initiatives, it is also essential to focus on reducing nitrogen and phosphorus emissions on our farms. By addressing these nutrients, we help protect water quality and further support our commitment to environmental sustainability—benefiting both our farmer owners and the communities where we operate.



MORE NATURE

Build a more diverse, robust and accessible local agricultural landscape.

our goal
INCREASE BIODIVERSITY
AND ACCESS TO NATURE



3 Guiding Principles will enable us to meet our goals and targets



FOSSIL
TO RENEWABLE



CIRCULAR
ECONOMY



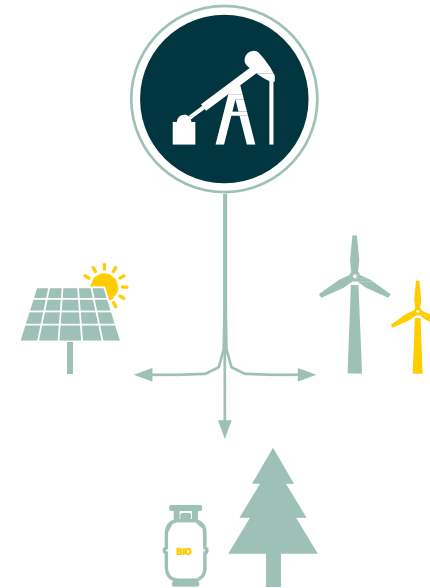
COOPERATION IN
THE VALUE CHAIN





GUIDING PRINCIPLE 1 FOSSIL TO RENEWABLE

In order to achieve our goal of Carbon Net Zero, Arla aims to be fossil free in the future. This requires a shift away from fossil coal, oil and gas to renewable energy sources such as wind, solar, biogas and other biofuels. This is relevant for electricity and heat at farms and sites, fuels for transportation and materials for packaging.



ENERGY USE AT SITES



Today, over 75% of electricity used at our European sites is from renewable sources

PACKAGING MATERIALS



In regards to packaging, 32% of our materials currently come from renewable sources, such as paper fibres and bioplastics.

TRANSPORTATION



Transport is likely to be the area where it will be most difficult to reach 100% renewables. However, Arla uses a variety of renewable fuels for transportation such as RME, HVO, ED95.

FARM ENERGY



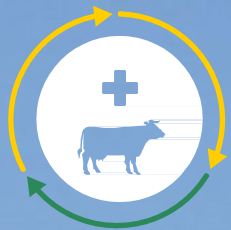
Today, many Arla farmers are already energy suppliers, e.g. by sending manure to biogas, straw to district heating, or having a windmill on the farm.



GUIDING PRINCIPLE 2

CIRCULAR ECONOMY

Circular economy principles shift our way of thinking and operating from a linear model to a cyclical model, focusing on reusing and recycling while reducing waste and unnecessary resource use. This applies to milk as well as our packaging, water use, and the carbon, nitrogen and phosphorus cycles.



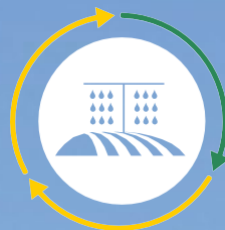
Milk

We can reduce milk loss along the value chain by improving animal health on the farm, extending the shelf life of our products, and providing consumer information on food planning.



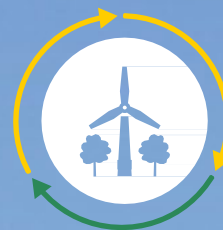
Packaging

Packaging should be made with environmentally sound and recyclable materials, fit with consumer portion/size needs, and be easy to empty.



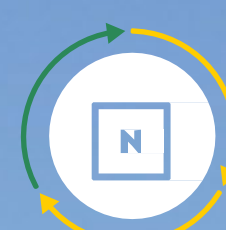
Water

To save water, we should focus even more on reusing water in our processes by implementing new cleaning technologies.



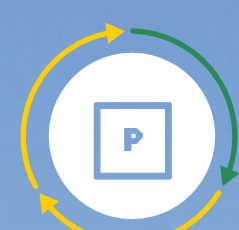
Carbon

Closing the carbon cycle requires replacing fossil fuels with renewable fuels. In addition, carbon sinks need to be enhanced by planting trees and hedges as well as improving soil management.



Nitrogen

The largest share of nitrogen emissions occurs at farm level. To increase nitrogen efficiency, fertilisers should be used sparingly and emissions should be reduced through catch crops and spreading techniques.



Phosphorus

Phosphorus is a finite resource and used as a fertiliser in feed cultivation. To increase phosphorus efficiency, we should reduce import and use, improve recirculation and minimise leakage with buffer zones along water areas.



GUIDING PRINCIPLE 3

COOPERATION IN THE VALUE CHAIN

To achieve our goals and targets, it is critical to form strong cooperation throughout the entire value chain as well as across value chains. Arla cannot achieve our Green Ambition alone. We need to rely on the cooperative spirit — working together with researchers and scientists, as well as suppliers and customers to find new technologies and solutions to lead the future of sustainable dairy.

Arla is already engaged in several research projects (e.g. sustainable diets, circular bio-economy, nitrogen efficiency) and international organisations (e.g. International Dairy Federation, Sustainable Agricultural Initiative), focusing on more sustainable dairy production.

Recommendations from stakeholder dialogues

An external advisory expert group and internal management teams have already and will continue to provide feedback and advice to ensure we have the strongest possible strategy, objectives and plan in place to make sustainable change happen. A summary of the discussion points from the dialogues are presented below.



THE NEXT GENERATION

- Need to find new ways to attract millennials to farming/ convince them to stay farmers (by helping enhance their reputation).
- Farmers are stewards of the land.



CARBON SEQUESTRATION AND OFF-SETTING

- Arla should focus on bioenergy, wind and solar on farm level rather than on off-setting at later stages of the value chain.
- The carbon sequestration potential at farm level should be calculated.



CLOSED LOOP SYSTEMS

- Close the loop and introduce own feed production system.
- Engage in biorefinery and biogas production.



PACKAGING

- Close the loop and introduce a refund system for packaging.
- Plastic in the ocean is a big problem.



FEEDING

- Replacing soy with more local feed like horse beans and clover have the potential to positively impact crop rotation.
- Animals should not be eating human food crops, and we should make use of their ability to digest inedible resources and use marginal lands.

Our Green Ambition is more than just meeting reduction targets

At Arla we want to measure not only our footprint, but also the positive impact our farms and business have on society and the environment. We call this our **handprint**.



The footprint

is a well-known concept that measures the environmental impact of a product or company, which is inherently a **negative measurement**.



The handprint

is a new concept that measures the **positive impact of actions** taken to proactively contribute to society and environment in a helpful way.



Handprinting will be an important part of our Green Ambition



« Our aim is to lead the way to sustainable dairy with the handprint concept to engage, inspire, and drive positive change. »

Benefits of handprinting



Enables us to account for all the good activities we are already doing



Expands the scope of our positive impact, reaching the full potential of our efforts



Creates a powerful, positive language around our sustainability strategy



Meets growing societal expectations of the role of large companies today



Confirms our business is dedicated to finding solutions and creating more sustainable food



Enables us to advance down our path to become Net Positive*

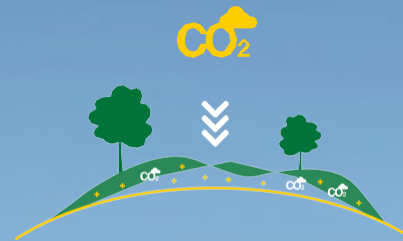
* A company can become Net Positive if the total positive impact on the world is bigger than the negative. Net positive can only be achieved within each impact category (i.e. swapping across impact categories is not possible).

We are already building handprints on our farms, and we can do more

The largest share of Arla's environmental burden takes place at farm level. It is also on the farm where we can leave the biggest handprint through our actions. By proactively increasing our handprint on the farm, we can clearly show society the positive impact dairy has on the world.



Produce renewable energy for the local community



Store more carbon in the soil

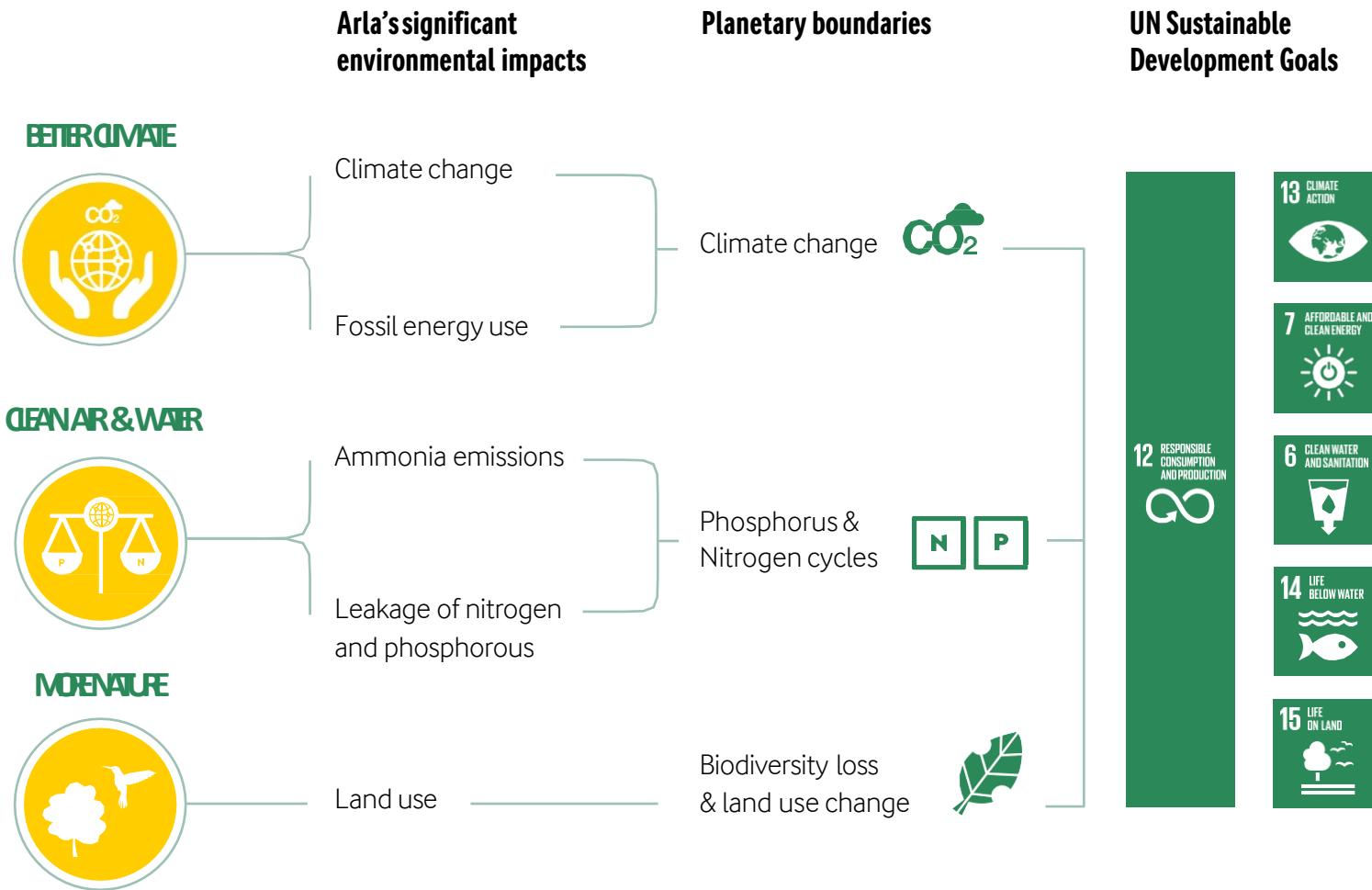


Promote biodiversity on farms



Our Green Ambition, goals and targets are based on science

To set our goals, we rely on the latest scientific methodology and understanding of our ecosystem to ensure the goals are robust, actionable and in line with the planet's needs. Specifically, our goals are connected with Science Based Targets, the UN Sustainable Development Goals and emerging laws in the European countries where we operate. We also conducted an Environmental Profit and Loss study, analysing Arla's total environmental impacts from cow to consumer, which highlighted specific key areas to focus on to drive meaningful change.



A comprehensive governance strategy and advisory group will ensure success

Making effective change requires involvement from the whole cooperative. A clear governance structure will help clarify the roles and guarantee all of us do our part. The Executive Management Team owns the long-term ambition while the Heads of Business Functions are responsible for 5 year milestones and 1 year targets. An advisory group will be established with representatives from each function.

Key business functions and their responsibilities



AGRICULTURE & SUSTAINABILITY

Farm level



PROCUREMENT

Responsible Sourcing



MARKETING AND INNOVATION

Packaging



SUPPLY CHAIN PRODUCTION

Sites



LOGISTICS

Transportation



COUNTRY HEADS

Customer and Consumer activity



For further information visit Arla.com

