



ARLAS CLIMATE REDUCTION AMBITIONS AND MODEL TO INCENTIVIZE FARMERS SUSTAINABILITY ACTIONS

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VISION: Creating the future of dairy to bring health and inspiration to the world, naturally

STRATEGY ASPIRATION: A leader in value creation and sustainability

103-107 PEER GROUP INDEX

4% BRANDED GROWTH

SCOPE I+II -63% & SCOPE III -30%
BY 2030 (1.5°C COMMITMENT)

LEAD SUSTAINABLE DAIRY

Arla farmers leading the way

Create sustainable supply chain & circular packaging

Commercialize sustainability

Inspire for healthier & stronger lives

SCALE TO GROW



BUILD GROWTH PLATFORMS



COLLABORATE FOR EFFICIENCIES

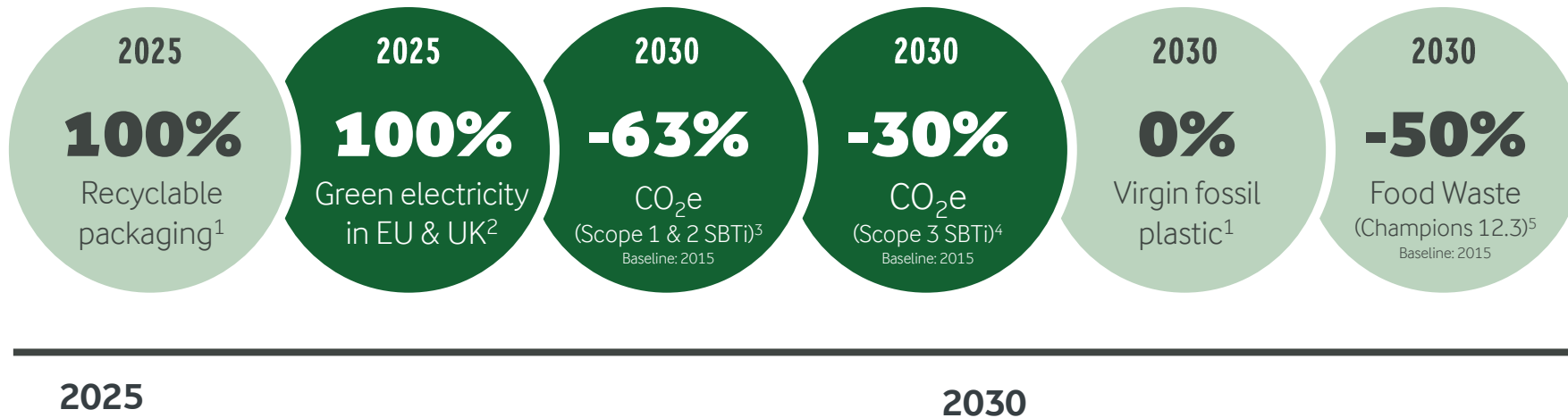


Digital & innovation as accelerators

Win with our owners & people

ARLA HAS SET AMBITIOUS TARGETS

- CO₂e
- Other KPIs



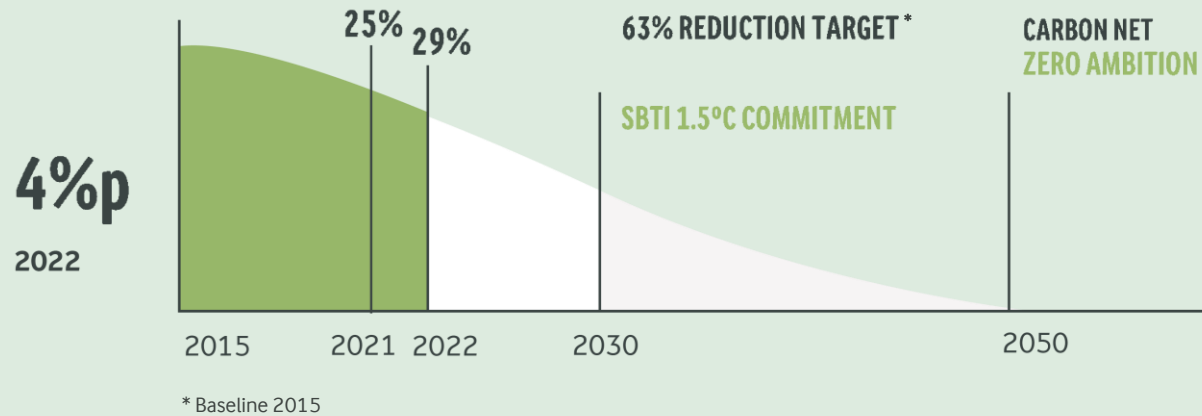
ARLA'S 3 GUIDING SUSTAINABILITY PRINCIPLES



Note: All ambitions are to be achieved by end of the ambition year 1) For Arla's own brands 2) The target covers all scope 2 emission as well as all emissions in scope 1 from self-generated and consumed electricity from operations & logistics in EU & UK 3) New 2030 targets with: Scope 1+2 (Scope 1: Emissions related to activities under our direct control, Scope 2: Indirect emissions caused by the energy we purchase): -63% absolute tonnes CO₂e reduction in 2030 under the Science Based Targets (offsetting not permitted), 4) Scope 3 (Indirect emissions from purchased goods and services): -30% CO₂e/kg raw milk or whey, 5) -50% internal waste in kg/kg raw material under Champions 12.3

SCOPE 1 & 2 EMISSIONS REDUCED 29% SINCE 2015

SCOPE 1 AND 2 EMISSION REDUCTIONS AND STRATEGIC LONG-TERM TARGETS



KEY LEVERS

- Energy and fuel efficiency
- Route and delivery optimisation
- Scaling up own operated solar power
- Wind & solar power purchase agreement
- Transitioning to fossil free fuels
- Reducing our food waste in production
- Improving recyclability of packaging
- Reducing use of virgin fossil-based plastic



Target:

100%

green electricity in Europe + UK by 2025

SCOPE 3 EMISSIONS REDUCED 9% PER KG SINCE 2015



2022 RESULTS:

1.12 $\text{KG CO}_2\text{E}^1$
per kg of owner milk

2.4 $\text{KG CO}_2\text{E}^2$
is the 2010 global average

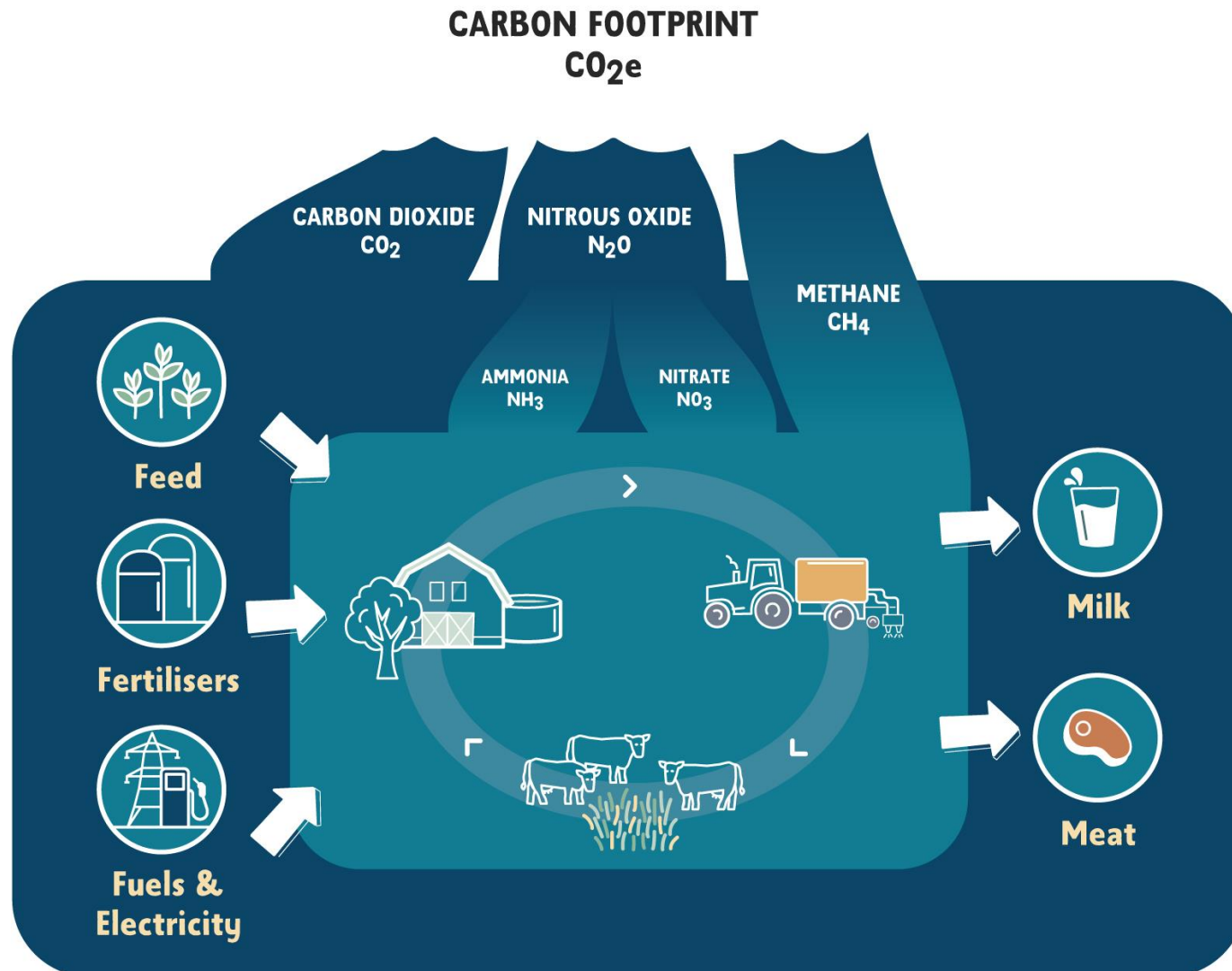
0.88 $\text{KG CO}_2\text{E}$
is our target for the Arla average emission from one kg of raw milk by 2030

The very best performing Arla farmers already produces a kilo of raw milk below

0.8 $\text{KG CO}_2\text{E}^1$

1) Based on Climate Check data collected from Arla farms. 2) FAO, 'Greenhouse Gas Emissions from the Dairy Sector', 2010

A Climate Check estimates all greenhouse gases from dairy farming in one figure: Kg CO₂e /kg milk

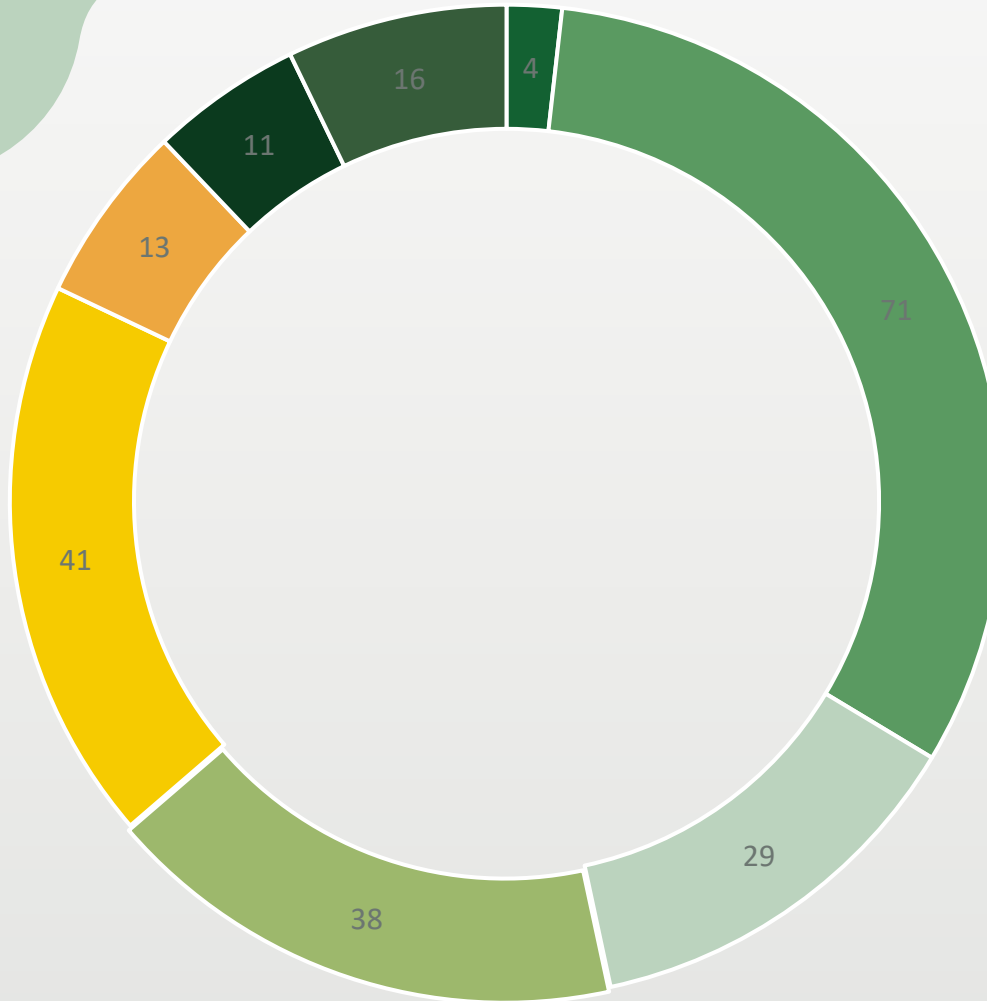


SURVEY WITH 223 FARM QUESTIONS

Example:

41 different options for purchased feed are available.

Typically a farm will have app. 5 feed types.



- General data
- Herd data incl. Housing
- Land use and crop yield
- Homegrown feed
- Purchased feed
- Manure handling and storage
- Fertilizer and straw/bedding
- Energy

PROCESS FLOW OF A CLIMATE CHECK



Farmers submit their climate data in **Self Assessments** 1x per year



Data transferred to advisor view in Arlagården®-Portal and advisor plans **individual advisory visit**



Advisory visits emphasize the farmer's individual **strengths and weaknesses** to support the Arla climate strategy towards 2030 and 2050



After the farm data has been validated a final CO₂-Footprint and all advises and KPIs of the farm will be shown in Arlagården®-Portal

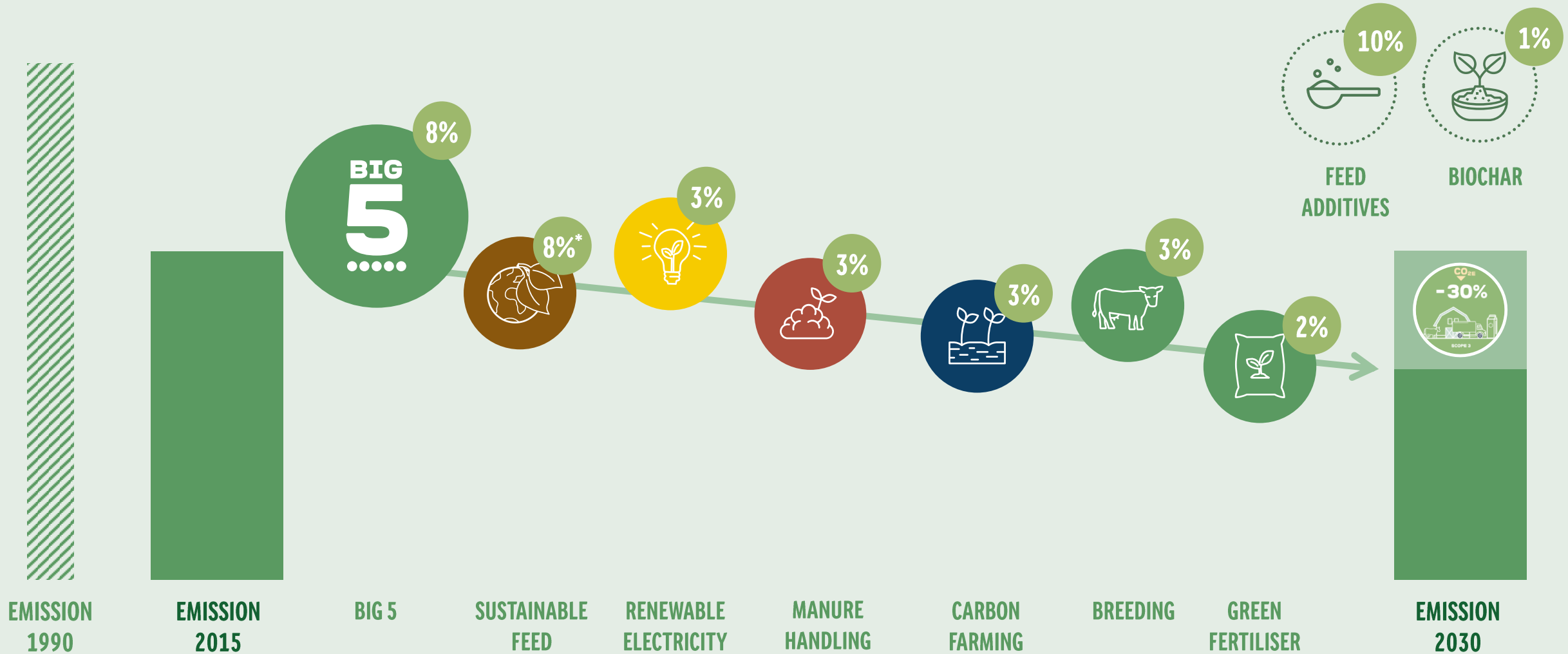


**WE ARE INTRODUCING A POINT-BASED
SUSTAINABILITY INCENTIVE MODEL
TO REWARD PAST AND FUTURE ACTIONS**

THE SUSTAINABILITY INCENTIVE MODEL BUILDS ON CLIMATE CHECK DATA TO REWARD PAST AND FUTURE ACTIONS



THE MODEL IS BASED ON SCIENCE AND FOCUSES ON THE MAIN LEVERS WE HAVE IDENTIFIED TOWARDS 2030

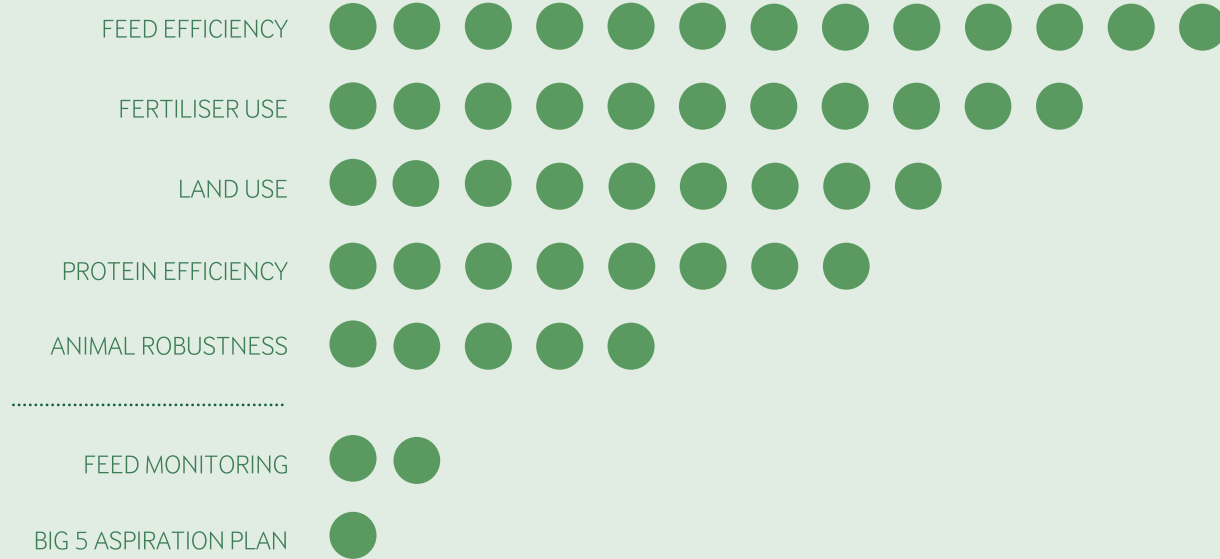


*Requires direct Land Use Change (DLUC) and carbon sequestration to be included in the Science Based Target and the 2015 baseline to be updated accordingly

THE ACTIONS THAT HAVE THE MOST POSITIVE IMPACT ON SUSTAINABILITY WILL LEAD TO THE MOST POINTS



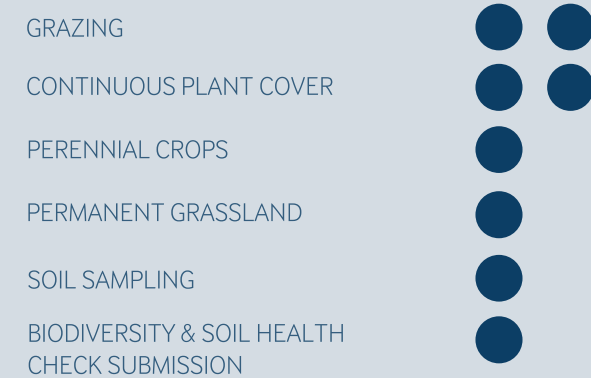
5 BIG 5 (49 PTS)



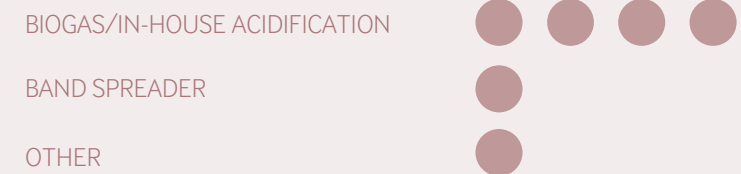
6 SUSTAINABLE FEED (11 PTS)



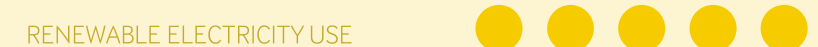
7 BIODIVERSITY & CARBON FARMING (8 PTS)



8 MANURE HANDLING (6 PTS)



9 RENEWABLE ELECTRICITY (5 PTS)



10 KNOWLEDGE BUILDING (1 PT)



EACH POINT LEADS TO 0.03 EUROCENT KG/MILK ON THE MILK PRICE – MORE LEVERS WILL BE ADDED

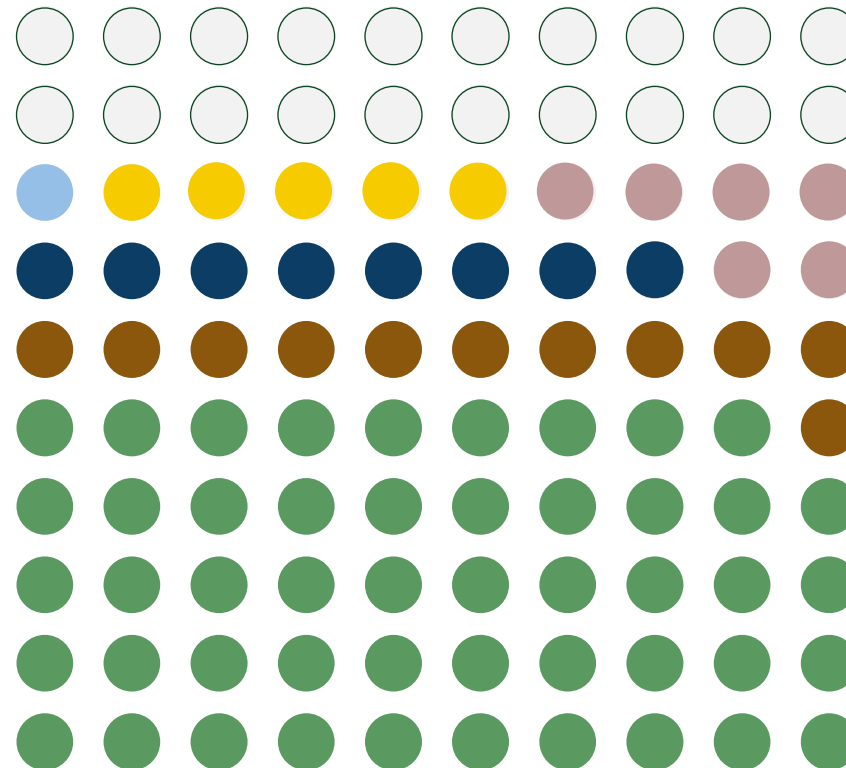


TOTAL POINTS IN THE FUTURE:

**100 POINTS =
3 EUROCENT**

POINTS AVAILABLE FROM 2023:

**80 POINTS =
2.40 EUROCENT**



 FUTURE LEVERS

 KNOWLEDGE BUILDING

 RENEWABLE ELECTRICITY

 MANURE HANDLING

 BIODIVERSITY &
CARBON FARMING

 SUSTAINABLE FEED

 BIG 5



Arla earmarks up to
500 MILLION EUR
annually for rewarding climate activities on farm

Arla Foods introduces a Sustainability Incentive to its farmer owners to help fund and motivate actions required to hit the 2030 emission reduction target on farm. Arla earmarks up to 3 eurocent per kilo of milk for sustainability activities in addition to the existing 1 eurocent for submitting Climate Check data. Based on the cooperative's current milk volume, this corresponds to a total of up to 500 million EUR annually.

