

CSR hos Arla Foods

Billund 25. januar 2018

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Director Sustainability



Good Growth is our identity

We want to grow
and we care about how we do it

**Responsible
Growth**

**Healthy
Growth**

**Good
Growth**

**Cooperative
Growth**

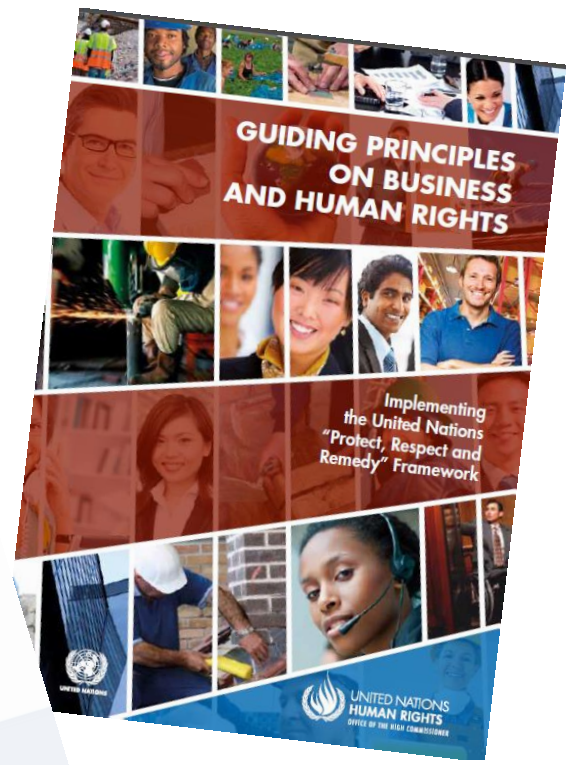
**Natural
Growth**

Our Responsibility

Background – international guiding principles

Arla adheres to international organisations' guiding principles.

- 2008: Arla became a participant of UN Global Compact
- UN Guiding Principles on Business and Human Rights
- Support the UN's Sustainable Development Goals
- OECD guidelines for Multinational Enterprises
- Align to a number of ILO standards



Our Responsibility

Arla – ways of working

In Arla we are guided by our Vision, Mission and Corporate Identity

- Arla’s Code of Conduct – Our Responsibility – governs our responsibility work
 - Our Responsibility is anchored with our Executive Management Team
 - Cross organisational Arla Responsibility Community
 - Policies to guide behaviour – and established mechanisms for reporting issues (e.g. whistleblower system)
- Our Responsibility Report
 - Focus on targets, actions, next steps
 - Aligned with annual report



Our responsibility covers the entire value chain

Divided into 4 themes:

- Responsible Company
- Health and Nutrition
- Sustainable Dairy Production
- Responsible Relations



From cow to consumer



26 January 2018

Responsibility Report 2016





Arla is a farmer-owned global business.

For us, it is a given that profitability and responsible business practices go hand in hand, whether buying or selling.

It takes commitment, collaboration and integrity



Responsible Company

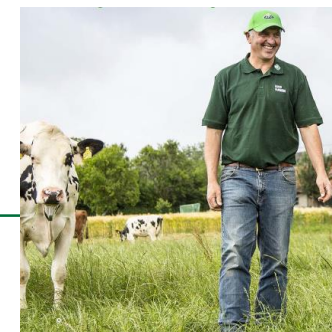
Sourcing – sustainably and responsibly:

- Our globally managed external spend represent around 77% of total spend in 2016
- About 1,375 preferred suppliers
- Supplier audits – based on risk evaluation
- Certificates for selected categories:
 - Soya – RTRS
 - Palm oil – RSPO
 - Cacao – UTZ



Strengthening farmer owner democracy

- Arla Next
- Arla Seminars
- Mentoring programme
- New owner strategy



Responsible Company

Working responsibly in Arla:

- Focus on competition law, anti-bribery actions and training
- Preventing fraud attempts
- Whistleblower function
- Strong reputation and active consumer dialogue
- Knowledge of the origin of milk – open farms

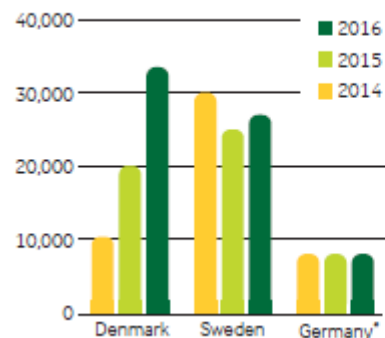


Active consumer dialogue

105,000

In Northern Europe, our consumer relations services received more than 105,000 enquiries in 2016. Our digital sites had 80 million visits with interaction.

Farm visits by school children



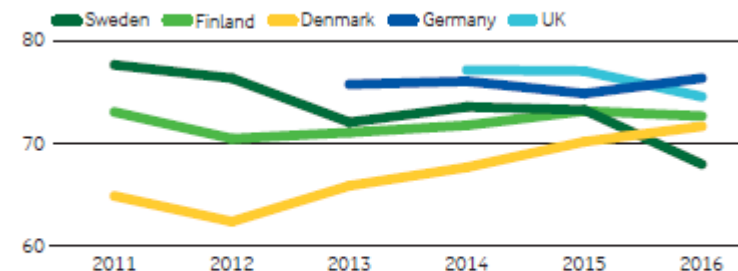
Farm visits

460,000

In total, more than 460,000 consumers in Denmark, Sweden, the UK and Germany visited an Arla farm in 2016.

* Since 2014, figures include Luxembourg and since 2015, the Netherlands as well.

Strong reputation in core markets



The diagram shows the overall score on a scale of 0 - 100, with 100 being the highest and above 70 considered strong, awarded to Arla by consumers in a survey conducted by Reputation Institute in 2016.



Supplying safe products is our top priority.

Furthermore, we want to provide products that match consumers' nutritional needs and, at the same time, inspire better food habits. We do this by providing a variety of nutritious products as well as recipes and transparent information

Health & Nutrition

Health Strategy – launched 2014:

- Arla® Nutrition Criteria – introduced 2016
- Focus on natural, tasty and healthy products
- Creating products for consumers with special needs

- Partnerships:
 - Research: "Arla Foods for Health", Global Dairy Platform, International Dairy Federation



- EAT: global initiative linking food, health and sustainability – to address global challenge of providing the growing population with a nutritious diet within safe environmental limits

Products fulfilling the Arla® Nutrition Criteria



93 per cent of Arla® branded products in the categories milk, yogurt and everyday cheeses comply with the Arla® brand Nutrition Criteria. The criteria secure great dairy nutrients without too much added sugar, salt or calories to the health of Arla's consumers.

Innovation example:

"Through partnerships with academia Arla has found that some proteins in milk work as transport proteins, designed to bring other nutrients into the body, for example vitamins A and D are absorbed more quickly if taken with milk"

Health & Nutrition

PROTEINS
FAT
VITAMINS



How do we inspire good food habits?

In our markets we engage in activities to inspire good food habits, examples:

- Breakfast campaigns in UK and the Netherlands
- Food camps for young people in Denmark
- Food boxes with recipes direct to consumers in Sweden
- Roadshow in Nigeria to encourage healthy lifestyle, good eating habits

Are our products safe?

Food Safety is crucial

- Competence development
- Transparent information/labelling – enabling the consumer to make an informed choice
- Full traceability of raw materials, ingredients and end products
- Knowledge sharing with joint venture partners

Food safety

98%

98 per cent of our production volume is manufactured at sites with GFSI (Global Food Safety Initiative) certification or similar.





We have a natural interest in high animal welfare standards, milk quality and state-of-the-art production. We strive for the best environmental practices, and work to continuously reduce our environmental impact, all the way from the farm to the consumer

Sustainable Dairy Production – Farm

- Quality Program Arlagården® in place in all seven owner countries
- Sustainable Dairy Farming Programme
 - Carbon assessments:
Target -30% per kilo milk 1990 – 2020.
Status - 21% in 2014 (review 2017)
 - Animal welfare, Efficiency, Nature: support and promote biodiversity, including responsible sourcing of feed



- More organic milk: + 270 million Kg
– and milk based on non GM feed

Organic products

No 1

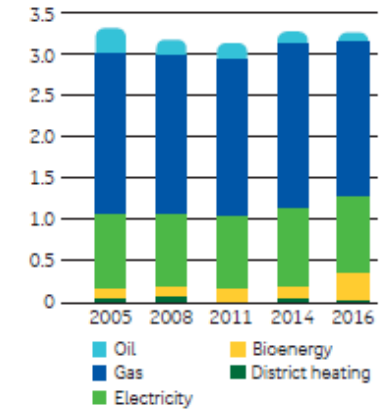
Arla is the world's largest producer of organic dairy products.

Sustainable Dairy Production

Environmental strategy 2020 (baseline 2005)

- CO2: reduce by 25% for operations, packaging and transport
 - 2016 status -12.4 %, despite increased production
- Energy and water: 3% annual reduction
- 50% of the energy we use must originate from renewable sources
- Zero waste – 3 targets:
 - Food waste -50% (e.g. support consumers to reduce food waste, and donate surplus)
 - Zero waste for landfill (e.g. used for animal feed or biogas)
 - Packaging: 100% recyclable in 2016 (work with key stakeholders to ensure recyclable packaging)
- Member of Dairy Sustainability Framework – to support sustainable dairy production globally

Energy consumption, TWh



Renewable energy consumption

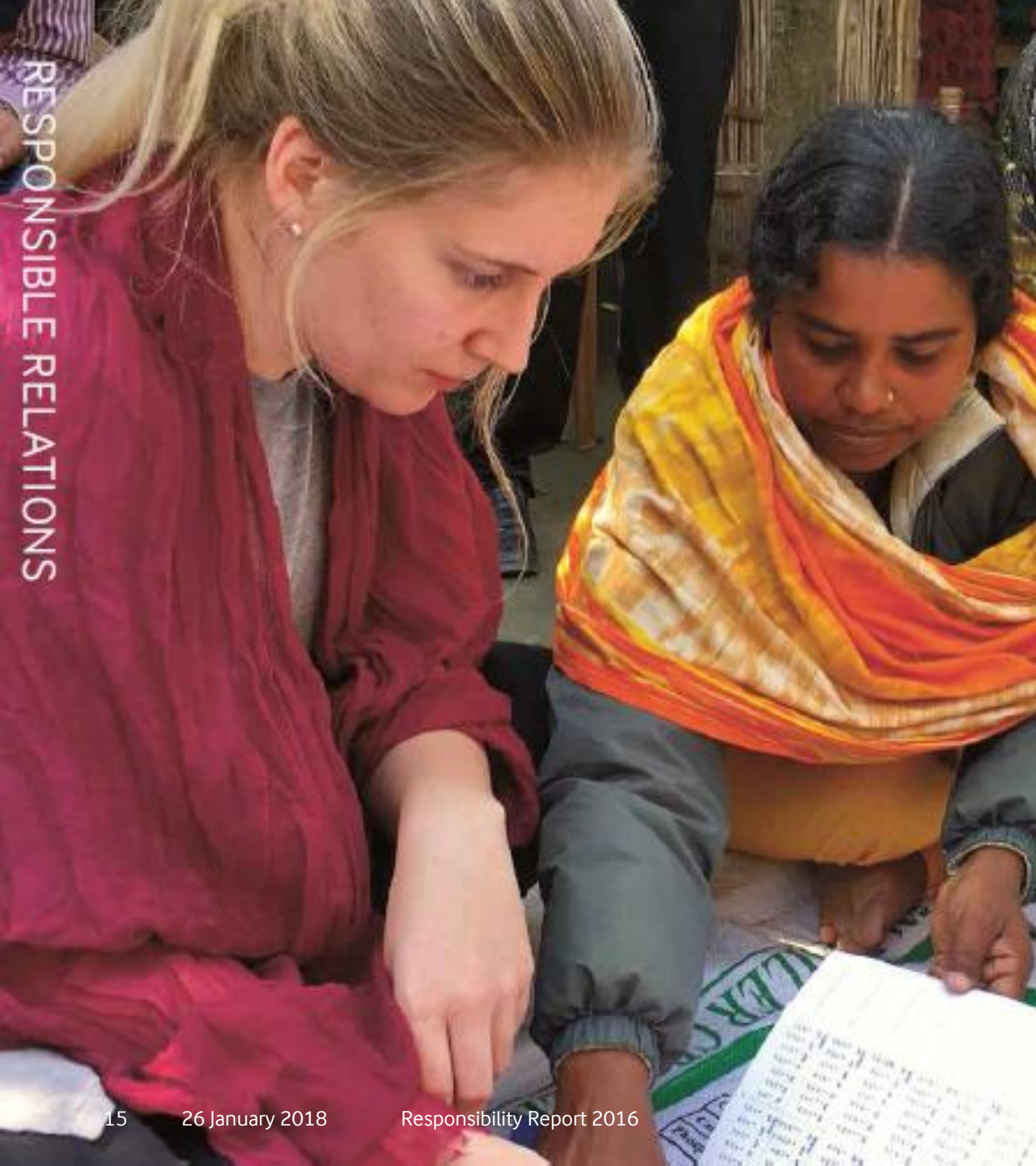


By 2020, half of the energy we use should originate from renewable energy sources. In 2016, the share of renewable energy amounted to 21.2 per cent.

FSC

100%

All corrugated material delivered to sites in Denmark and Sweden is now 100 per cent FSC (Forest Stewardship Council) certified.



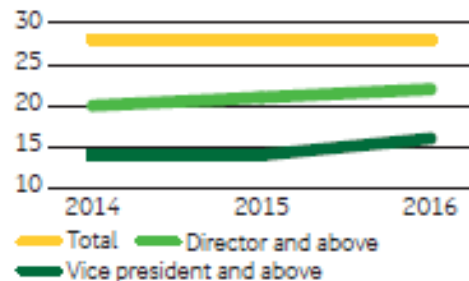
Our worldwide operations provide employment for many people and economic growth. We value the relationships we have with people, organisations and communities. No matter what the nature of the relationship we are committed to maintaining mutual respect and understanding

Responsible Relations – internal

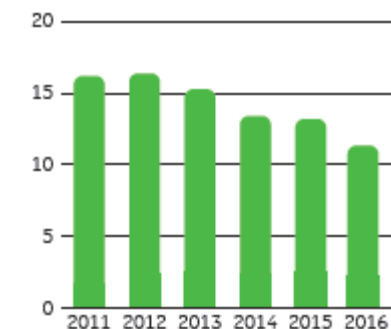
- Global colleague engagement survey
 - Response rate 89% /Engagement 82%
- Workplace safety
 - New Global Health and Safety team
 - Significant improvement in 2016
- Training at all levels:
 - ALP, Food Safety, Behaviour, e-learning
- Gender Balance



Gender balance, %



Workplace accidents*



Responsible Relations – external

How do we support International Human Rights?

- Applying due diligence and human rights assessments in several countries e.g. Bangladesh
- Housing standards in the Middle East
 - Audit of facilities for migrant workers against ILO standards
- Passports Middle East
 - Change of routines
- Continued dialogue with NGOs and institutions

Engaging in local milk production in Nigeria in collaboration with Care and L&F and in agreement with Nigerian Government



Sustainable Development Goals



Responsibility Key Performance Indicators

Responsibility Report 2016

Area	Arla definition	2016 result	SDG	GRI	Page
Food safety	Number of recalls	6		FP5	17
Animal welfare	Top level in udder health ¹	53 %			21
Nutrition criteria	Arla [®] branded products fulfilling Arla [®] Nutritional Criteria (fresh dairy products and cheese)	93 %	2		13
Transparency	Fraud or bribery cases (convictions)	0		S8	9
Responsible sourcing	Signed CoCs for preferred suppliers	76 %	12	FP1	11
Employee health & safety	Accident frequency ²	11.47	8	LA6	29
Climate impact	Total reduction of GHG emissions (scope 1+2) ^{3,4}	24 %	2/12	EN 15+16	23
Recycling and waste	Total reduction of waste to landfill ³	82 %	12	EN23	24
Water consumption	Total reduction of water consumption ³	6.1 %	2/12	EN 8	23
Renewable energy	Share of total consumption	21.2 %	7		23

1 Share of farms reaching top level.

2 Accident frequency per 1 million working hours.

3 Baseline 2005.

4 Please see www.lifecycleinitiative.org/starting-life-cycle-thinking/life-cycle-approaches/carbon-footprint/

We cannot change
the world on our **own**.
However, we can,
along with other
players, make **change**
happen over time.



Thank you

For more information contact Corporate Responsibility

