2022

GREEN BOND IMPACT REPORT

INTRODUCTION

Arla's Sustainability Strategy

At Arla we believe that dairy is part of the solution to one of the most pressing issues of our time: to feed a growing population sustainably. Our products satisfy a range of nutritional needs across generations and continents with a constantly reduced environmental impact. Our journey to become the leading sustainable dairy company is guided by our comprehensive sustainability strategy, inspired by the UN Sustainable Development Goals. We are committed to making both the planet and people stronger.

In 2020, Arla launched a Sustainable Financing Framework backed by a Second Party Opinion provided by Sustainalytics. At the time the intention was for an imminent issue of a bond based on the Framework.

However, soon after the launch of the Framework the Covid-19 crisis emerged and changed the world, including the financial markets, immensely. The subsequent period led not only to markedly increasing credit spreads, but also removed the immediate need for bond issuance.

Accordingly, the first issue under the Framework, a 5-year green bond of SEK 1,500 million, was delayed until the spring 2021. Further to the bond issue under the Framework, Arla obtained its first Sustainability Linked RCF late 2021.

All investment proposals above EUR 500 thousand in Arla have to include an estimated CO2e impact, and investments with a positive climate impact will benefit from a shortened payback time.

Within the first year of our green bond, we have managed to allocate investments for EUR 108 million as Use of Proceeds over a widespread number of investments in all areas of the business and in several different countries. The main part of the allocated proceeds have so far been invested in eco-efficient, circular economy adapted products, production technologies and processes.

The investments in this category primarily aim at more eco-friendly packaging as well as into our Product Life-Cycle Management system. The PLM system not only helps secure more sustainable future packaging, but also supports more sustainable work processes and choice of ingredients.

OVERVIEW OF USE OF PROCEEDS

ECO-EFFICIENT PRODUCTS, PROCESSES & PRODUCTION

43.6%

47.4 million EUR

ENERGY EFFICIENCY

16.3%

17.7 million EUR

RENEWABLE ENERGY

6.5%

7.1 million EUR

ENVIRONMENTALLY SUSTAINABLE MANAGEMENT

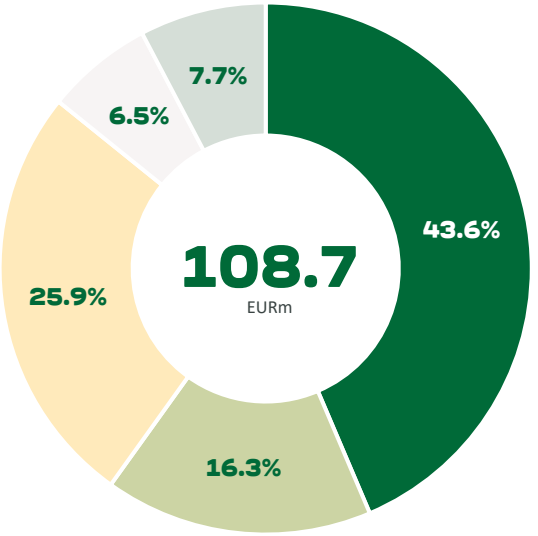
25.9%

28.1 million EUR

SUSTAINABLE WATER AND WASTEWATER MANAGEMENT

7.7%

8.4 million EUR

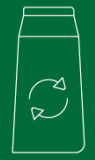


ECO-EFFICIENT, CIRCULAR ECONOMY ADAPTED PRODUCTS, PRODUCTION TECHNOLOGIES AND PROCESSES

ECO-EFFICIENT PRODUCTS, PROCESSES & PRODUCTION

43.6%

47.4 million EUR



8 DECENT WORK AND ECONOMIC GROWTH

Investment description	Sustainability objective	Sustainability gain
Upgrade of packaging line at Stourton dairy	Facilities for enabling sustainable packaging	Reduction of 6 g of HDPE/rHDPE plastic per bottle (10-17%). Logistic movements between Aylesbury and Stourton saved through capacity increase
Product Life-Cycle Management IT system (PLM)	Product Life-Cycle Management	PLM will create a coherent process, data and system structure for Product Lifecycle Management, and create a new level of reliable and accessible data together with agility of processes. Improving the innovation process and allowing sustainable parameters to be part of the overall product assessment
Replacement of equipment at Oakthorpe blow mould plant	Facilities for enabling sustainable packaging	Saving of 139 tonnes/CO2 per year. A prerequisite for being able to meet our KPI on no Virgin Plastic in 2030
New dedicated carton line at Stourton dairy	Facilities for enabling sustainable packaging	Supporting the KPI of no Virgin Plastic in 2030. The carbon footprint of the new packaging solution made of carton is at least 64,6% less than that of the current solution, with an absolute reduction in carbon footprint of 59.5 g CO2 eq. per bottle

ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING AND NATURAL RESOURCES AND LAND USE

ENVIRONMENTALLY SUSTAINABLE MANAGEMENT

25.9%

28.1 million EUR

Investment description	Sustainability objective	Sustainability gain
Climate checks	Climate Checks on Farms	Measure and create tools for Arla farmers to reduce scope 3 emissions by 30% in 2030 per kilogram milk
Installation of new snack line at Hollandtown dairy	Sustainable Farm Management	Increase of utilization rate of raw material (milk) by 15%
Professorship at AU researching into cow feed	Research and collaboration	Reduction in scope 3 emission through research into feed additives

ENERGY EFFICIENCY

ENERGY EFFICIENCY

16.3%

17.7 million EUR

Investment description	Sustainability objective	Sustainability gain
R&D	Innovative processes and technologies	A number of R&D projects targeting future energy savings
Carbon neutral sites in Denmark Slagelse, Ishøj, Christiansfeld, Hobro	Innovative processes and technologies	Reduction of energy consumption with 30% at 3 Danish fresh milk dairies and a distribution terminal through 12 projects including district heating, heat recovery, steam insulation etc.
Replacement of steam generated by natural gas with 90 degree water generated by biogas	Innovative processes and technologies	Reduction of 3,000 tonnes of CO2/year when fully ramped up
Installation of LED lights	Reduction of power consumption	It is Arla's estimate that we can reduce the energy consumption for lightning with app. 50% by swapping from the existing traditional lightning to LED. In the cold stores there will be a further energy reduction of estimated 15% from not having to eliminate the heating generated by traditional lightning

SUSTAINABLE WATER AND WASTEWATER MANAGEMENT

SUSTAINABLE WATER AND WASTEWATER MANAGEMENT

7.7%

8.4 million EUR

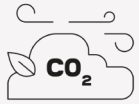
Investment description	Sustainability objective	Sustainability gain
Recycling of water extracted from the milk at Pronsfeld	Recycling facilities	Expected saving of fresh water: 2022: 328,500 m3 fresh water 2023: 365,000 m3 fresh water 2024: 401,500 m3 fresh water 2025: 438,000 m3 fresh water
Recycling of water extracted from the milk at Branderup	Recycling facilities	Expected saving of fresh water: 65% equivalent to approximately 300,000 m3/year, and a 33% reduction of wastewater

RENEWABLE ENERGY

RENEWABLE ENERGY

6.5%

7.1 million EUR



Investment description	Sustainability objective	Sustainability gain
Biogas facility	Bio-gas facilities	Reduction of 60,000 tonnes of CO2/year
Solar cells at Tychowo	Renewable energy	Reduction of 1,753 tonnes of CO2/year

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