



Arla Foods

Dairy sites owned by Arla Foods, Worldwide

Food waste inventory – January to December 2017



About Arla Foods

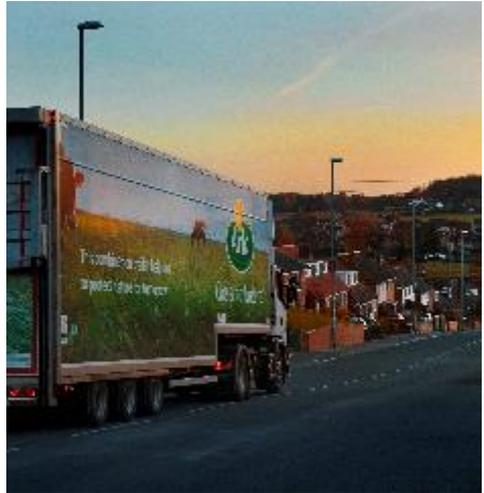
Arla Foods is a global dairy company, owned by more than 11,200 dairy farmers in seven European countries. Our products are sold in 120 markets globally and include consumer dairy products as well as dairy ingredients for the food industry.

We have a broad product portfolio of fresh dairy products, such as milk, yoghurts and cream, butter and spreads. We also produce cooking products such as crème fraiche and soups, on-the-go snacks such as drinking yoghurts and Skyr, as well as a broad range of cheeses.

Arla Foods' brands include e.g. Lurpak, Anchor, Arla Cravendale®, Castello®, Apetina®, Arla Buko, Arla BabyandMe, Arla Cheasy®, Arla Lactofree, Arla Organic, Arla Natura, Arla®Skyr, Arla Yoggi, Cochio® etc.

Arla Foods believe sustainability and profitability go hand-in-hand, and that our dedication to being responsible will benefit our business. We have been working to reduce food waste along our value chain for many years through innovation, efficiency improvements and collaboration. Arla also works to inspire consumers to reduce their food waste through apps, recipes and information.

In 2018 we made a commitment to reduce food waste in our global operations by 50% by 2030



What we are doing to tackle food waste

At Arla, we know that wasting our cooperative owners' milk during processing, packaging and transporting, is not sustainable. It is a waste of resources in its broadest sense, not least considering all the effort that goes into production at a farm level and throughout the production chain. By reducing food waste, Arla Foods can significantly lower the environmental impact from our business.

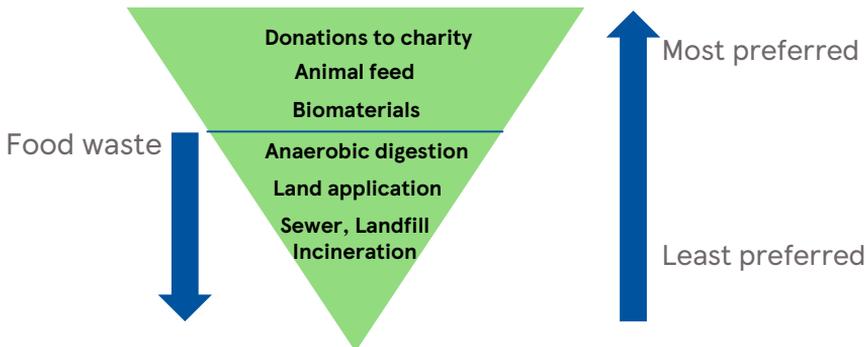
Food waste can occur at our dairy sites, in warehouses and logistics centres for several reasons. During processing, food waste occurs when the equipment is cleaned and remaining products are flushed out. Planning our production effectively can reduce the amounts wasted – for example by sequencing production for different products we can avoid having to clean the equipment in between.

Once our products are ready for shipment to customers, food waste can occur in warehouses and logistics centres because of the complexity of handling large volumes of products with a comparatively short shelf life. Effective planning is again key, as is close collaboration with our customers, to ensure that we produce the right amount of products to meet their orders and ship products efficiently.

Arla Foods works to avoid and minimize the food wasted in our production chain following our waste hierarchy, detailed in the diagram below.

- When Arla has surplus products, we prefer to donate this to charity wherever possible. The products we donate are always fit for human consumption but are impossible to sell due to a short remaining shelf-life or minor packaging defect, for example. In 2017, we donated around 890 tons of surplus products to charity.
- We have valuable local collaborations with food banks such as FareShare in the UK and Fødevarebanken in Denmark. These organisations take our surplus products to feed people in need, and Arla Foods is proud to contribute. In 2017, FareShare produced around 985,000 meals from surplus products donated by Arla. In 2017, we also signed an agreement with Food Banks of Europe (FEBA), enabling us to utilise their extensive network of food banks across Europe.
- Product innovation will play an important role in helping us to reduce our food waste. One example is the increasing use of whey (a by-product from cheese production) in sports nutrition and as a food industry protein ingredient, instead of sending the whey to be used as animal feed.
- The largest volumes of our unsold products and by-products are used as animal feed, or sent for biomaterials, such as fats for other industry purposes. In 2017, Arla sent 133,300 tons of product for use as animal feed and around 93,000 tons for biomaterials.
- Anaerobic digestion (biogas) is the most common destination for former foodstuffs that cannot be sold as animal feed or biomaterials. Land application is a less favoured option, as is sewer, landfill and incineration.

Arla's Food Waste Hierarchy



Total raw materials purchased

18,740,500
tonnes

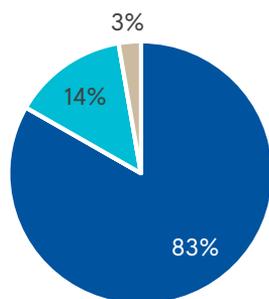
Waste as a % of purchased raw materials

2.0 % ●

Overall food waste

369,695 tonnes

Waste by destination



■ Anaerobic digestion ■ Land Application ■ Sewer

Food waste data commentary

- We measured Arla Foods' food waste from January to December 2017 across more than 70 sites including dairies, warehouses and logistics centres.
- In 2017, Arla Foods purchased 18.7 million tonnes of raw materials, mostly milk from our cooperative owner. We recorded 369,695 tonnes of food waste, which equates to 2% of the raw materials purchased.
- Our food waste is the result of a number of factors. Certain by-products and former foodstuffs are sent to biogas instead of being used as animal feed, due to transportation distances. Also on some occasions, certain by-products and former foodstuffs are not of the right quality to be used as animal feed. We are working to minimise the volumes of waste sent to biogas in many ways.