

2024

Sustainability
ambitions
& progress
update

deliver
together



arla
foods
ingredients
powering nutrition together



Table of contents

- 02 About this update
- 03 CEO's letter
- 04 Our sustainability pillars
- 05 Energy, climate and water
- 09 Food waste
- 10 Nutrition
- 11 Quality & food safety
- 12 Health & safety
- 13 Caring for people
- 14 Contribution to the UN sustainable development goals

About this ambitions & progress update

Arla Foods Ingredients is a subsidiary of Arla Foods. As such, we share the same commitment to building a sustainable future by mitigating the environmental impact of our operations and contributing to human health and wellbeing.

This annual update gives an overview of our sustainability ambitions and progress in 2024. The purpose is to provide insights into our contribution to the Arla goals and, by extension, the UN Sustainable Development Goals.

For information about group-level policies and environmental, social and governance (ESG) metrics, please see the Arla annual report.



A responsible business in motion

The fast-growing market for milk and whey ingredients continues to remind us of the need to adapt and respond to the changing business environment around us. Our high earnings in 2024 are testament to our ability to do that. However, as a responsible business, our financial result is only one of the ways that we measure our performance.

Over the past year, we have been acutely aware of how necessary changes to our business strategy impact the lives and careers of our colleagues. At our ARINCO site in Denmark, a decline in, particularly, Chinese demand for private label infant nutrition products is behind our decision to close our Advanced Nutrition Manufacturing business and dedicate the facilities to the production of milk and whey ingredients.

Support for colleagues

It is a decision that affects many of our highly competent people and the customers we serve. For this reason, we chose to announce our plans well in advance of the closure in early 2026. Our hope is that most colleagues will be able to find alternative jobs elsewhere in our organisation. For those who do not, our priority is to help them move on in the best possible way.

In November, we conducted our annual colleague engagement survey as usual. Despite the stressful situation that impending redundancy represents, the feedback we have received from our ARINCO colleagues remains largely positive.

Following our acquisition of the Volac whey nutrition business in Wales in November 2024, we also recognise the need of our new colleagues for transparency and clarity. We are optimistic that the integration process will be successfully completed early in 2025.

The green energy transition

Such changes and the continuous expansion of our production sites have an inevitable knock-on effect on efforts to reach our 2030 carbon reduction goal.

Within our own organisation, we are taking action to minimise scope 1 and 2 emissions. Major investments in 2024 include the new e-boiler and heat pump facility at Danmark Protein. Our scope 3 emissions are external to our own operations and largely in the control of our suppliers. As we envisage a need to expand our intake of raw whey in the coming years, we are increasingly dependent on our suppliers' approach to carbon reduction. For this reason, we are entering closer supplier partnerships to share knowledge and best practices based on Arla's FarmAhead™ Technology Programmes.

Clinical studies and collaborative projects

Looking ahead, we expect our ingredient sales to the health and sports nutrition sectors to grow significantly. To support this trend, we are committed to investing in more clinical studies to document the effects of proteins and other components in milk and whey. Such findings contribute to a future where nutritious foods can play a growing role in maintaining human health and strength and slowing age-related decline.

Similarly, we are continuing our collaborative projects for affordable nutrition in Africa and Asia. Through our involvement in waste-to-food initiatives in Pakistan, we are helping to utilise surplus fruit and whey side streams from cheese production. The outcome is nutritious and affordable food products for children and young women.

At Arla Foods Ingredients, all of these efforts contribute to our bottom-line achievements. A robust financial performance is important to develop our business in line with our strategic ambitions. But a commitment to the environment, health and the colleagues who drive our business forward – that's the source of true value.

Luis Cubel
CEO
Arla Foods Ingredients



Our sustainability pillars

Together we discover and deliver powerful nutrition for a stronger tomorrow



Stronger Planet

Reduce CO₂e emissions in our value chain in line with our Group Science Based Targets

Champion circular bioeconomy principles in water management, packaging and raw material utilisation



Stronger People

Drive innovative R&D for healthier lives

Deliver affordable and specialised nutrition solutions for vulnerable population groups

Secure a safe, inclusive workplace to inspire healthier lives and wellbeing



Stronger Partnerships

Co-create and enable sustainable value propositions with and for customers

Share our knowledge and capabilities with partners, including suppliers, NGOs, universities and research institutes

Energy, climate and water

Our ambition

Our climate ambition is aligned with the Arla Group ambition to reduce scope 1 and 2 carbon emissions by 63% in 2030, with 2015 as baseline. The Science Based Targets Initiative (SBTI) has approved these goals as relevant contributions to the Paris Agreement target to limit global warming to 1.5°C.

The shift from fossil-based to renewable energy sources is a central element in achieving this ambition, along with initiatives to improve the efficiency of our production. Our greatest challenges in this respect are the increasingly advanced nature of our ingredient portfolio and business growth. These require us to map and optimise our use of resources at each processing step. The data this mapping provides is key to reducing our carbon footprint.

For our upstream supply chain, we have aligned our climate ambition with Arla's scope 3 Science Based Target. This commits us to a 30% reduction in CO₂e per tonne of standardised raw milk and whey intake by 2030 from a 2015 base year.

Energy and water consumption are closely linked. We rely on water for heating and cooling systems and to secure high standards of hygiene. To minimise our reliance on local water sources, we invest in recycling and reusing water extracted from our raw materials.

Progress

Scope 1 and 2 carbon emissions

Our carbon emissions calculation covers the direct emissions (scope 1) and indirect emissions from purchased energy (scope 2) of our fully-owned sites, which are those included in our climate ambition. The fully-owned sites are Danmark Protein, ARINCO, AFISA and, since 2023, AFI Taw Valley. In November 2024, we acquired our fifth fully-owned site – AFI Felinfach, formerly Volac Whey Nutrition. AFI Taw Valley and AFI Felinfach are not yet included in the carbon emission overview.

In 2024, our CO₂ emissions from Danmark Protein, ARINCO and AFISA went down by 15% overall, despite the fact that residual CO₂ emissions from electricity went up by almost 50% in Denmark, where our two largest sites are located. This is because the power purchase agreements, which Arla entered several years ago, are now approaching completion, with positive impact on scope 2 emissions. Consequently, renewable energy sources covered 69% of our electricity needs in 2024.

Scope 3 carbon emissions

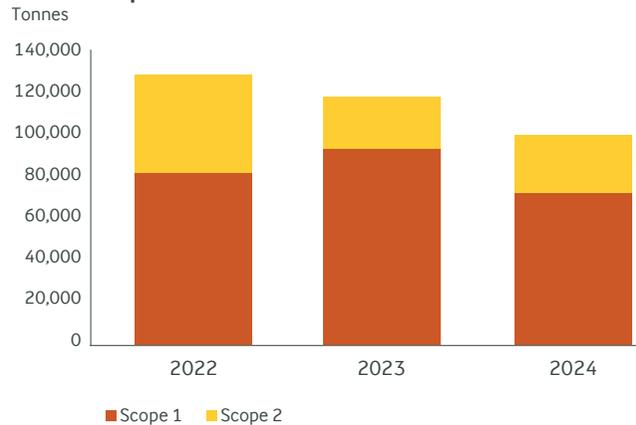
In 2024, our external whey supplier base contributed 12% of Arla's group-level scope 3 emissions. Due to the nature of our business growth, we will become increasingly reliant on external whey suppliers in the years ahead.

To accommodate this development, we have worked with Arla's sustainability team to develop a strategic 2030 roadmap for reducing emissions from sourced whey and whey protein concentrate. The roadmap covers our supplier and partner base in Denmark, Argentina, Belgium, Germany, the Netherlands, Norway and the UK.

As part of this, we have initiated sustainability dialogues with most suppliers and partners to obtain a baseline understanding of the availability, quality and verification level of their emission data. Further, we have determined our suppliers' commitment to setting climate ambitions and/or Science Based Targets.

We are now piloting knowledge sharing with selected suppliers, drawing on Arla's extensive experience with farm data collection, verification, Science Based Target setting and on-farm roadmap development.

Annual scope 1 and 2 CO₂ emissions across all sites*



* excluding AFI Taw Valley and AFI Felinfach

Energy, climate and water

Energy mix

The energy mix at our fully-owned sites impacts our CO2 performance and ability to meet the climate goals.

In 2024, electrification projects at Danmark Protein have started to move some of the load from natural gas to electricity. This will have an increasingly noticeable impact in the years ahead as the e-boiler and heat pump facility become fully integrated.

As the after-effects of the energy crisis of 2022 are now resolved, use of gas oil was no longer necessary at Danmark Protein or ARINCO in 2024. ARINCO also benefited from increased availability of biogas.

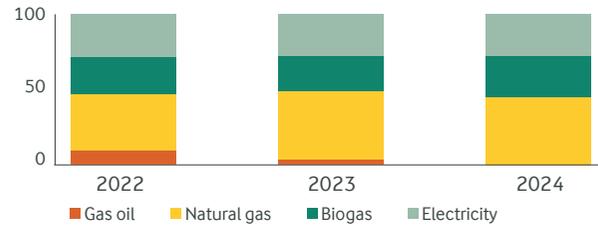
Although fuel oil use was slightly up at AFISA in Argentina, the energy mix was relatively stable compared to 2023. Plans to invest in renewable energy are on the drawing board to pave the way to the site's future electrification.

AFI Taw Valley relies on district heating and electricity as primary sources of energy. The district heating is produced at Arla Foods Taw Valley Creamery.

Recently acquired AFI Felinfach is not yet included in these figures.

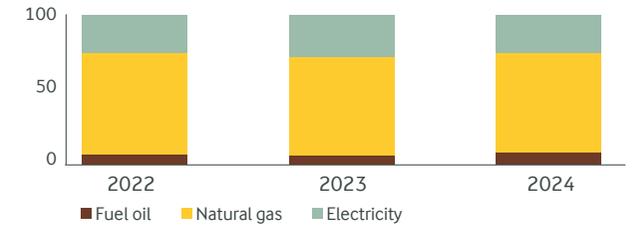
Danmark Protein

MWh %



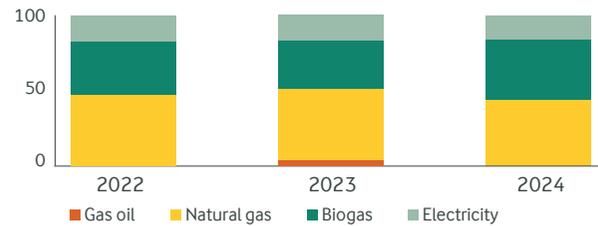
AFISA

MWh %



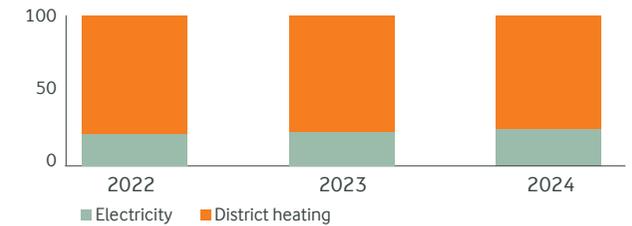
ARINCO

MWh %



AFI Taw Valley

MWh %



Energy, climate and water

Energy efficiency

We continuously strive to reduce our energy consumption per tonne of finished product. The final reported data show that initiatives at Danmark Protein were successful in 2024, with a reduction of 3% per tonne. This was due to the many optimisation projects conducted during the year, spanning improvements to the production setup and the installation of new energy-optimised equipment. At ARINCO, however, a reduction in production volumes resulted in smaller batches and longer idle time, increasing energy consumption per tonne by 10%. ARINCO has also begun the transition from an advanced nutrition manufacturing plant to ingredients production. Ingredient products generally consume more energy per tonne.

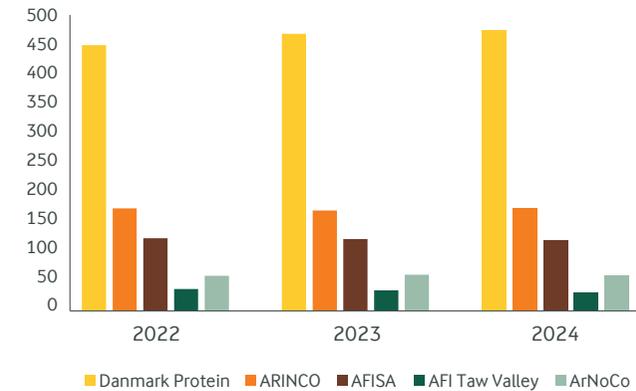
Although production was slightly down in the on-site drying towers at AFISA, energy consumption went up 8% per tonne due to increased production of more energy-intensive products. At the same time, higher volumes of semi-finished goods were transported elsewhere for drying. External energy consumption is not included in AFISA's energy accounts.

All sites continue to work with supplier-driven optimisation to improve energy efficiency in production.

Recently acquired AFI Felinach is not yet included in these figures.

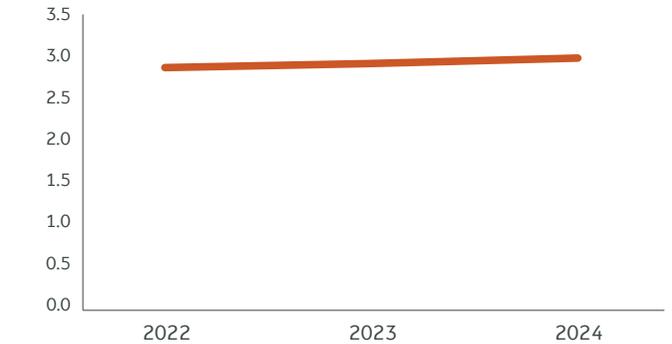
Total annual energy consumption at all sites

Thousand MWh



Annual energy efficiency across all sites

MWh/tonne



Water efficiency

We work continuously to improve water efficiency in our operations through initiatives to reduce water usage, utilise water from our raw materials to replace well water and increase the reuse and recycling of water.

At Danmark Protein, the increase in production volume has resulted in slightly higher water withdrawal. However, water efficiency – cubic metres consumed per tonne of product – has improved. Water improvement initiatives in 2024 included the installation of increased capacity at the technical water plant, improving our water recycling capabilities.

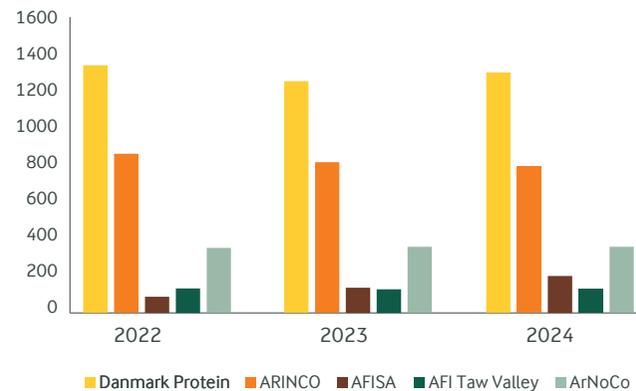
Danmark Protein is currently challenged by the increasing concentration level of raw whey deliveries, which means less water is available to replace well water. AFISA is facing a similar challenge along with a decline in production volumes. As a result, water consumption per tonne of product has increased.

ARINCO and AFI Taw Valley both experienced a reduction in production volumes during 2024. Although this has resulted in slightly lower water withdrawal, water consumption has gone up per tonne produced.

Recently acquired AFI Felinach is not yet included in these figures.

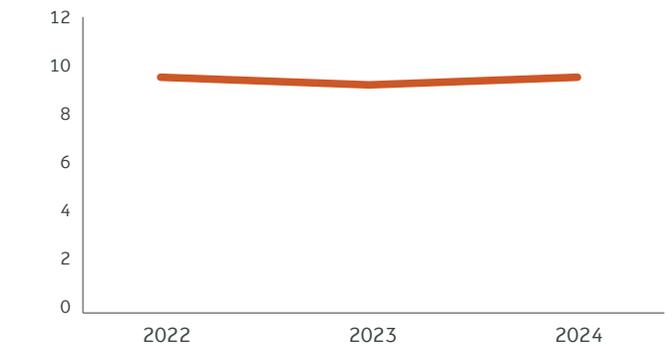
Total annual water consumption at all sites

Thousand m³



Annual water efficiency across all sites

m³/tonne



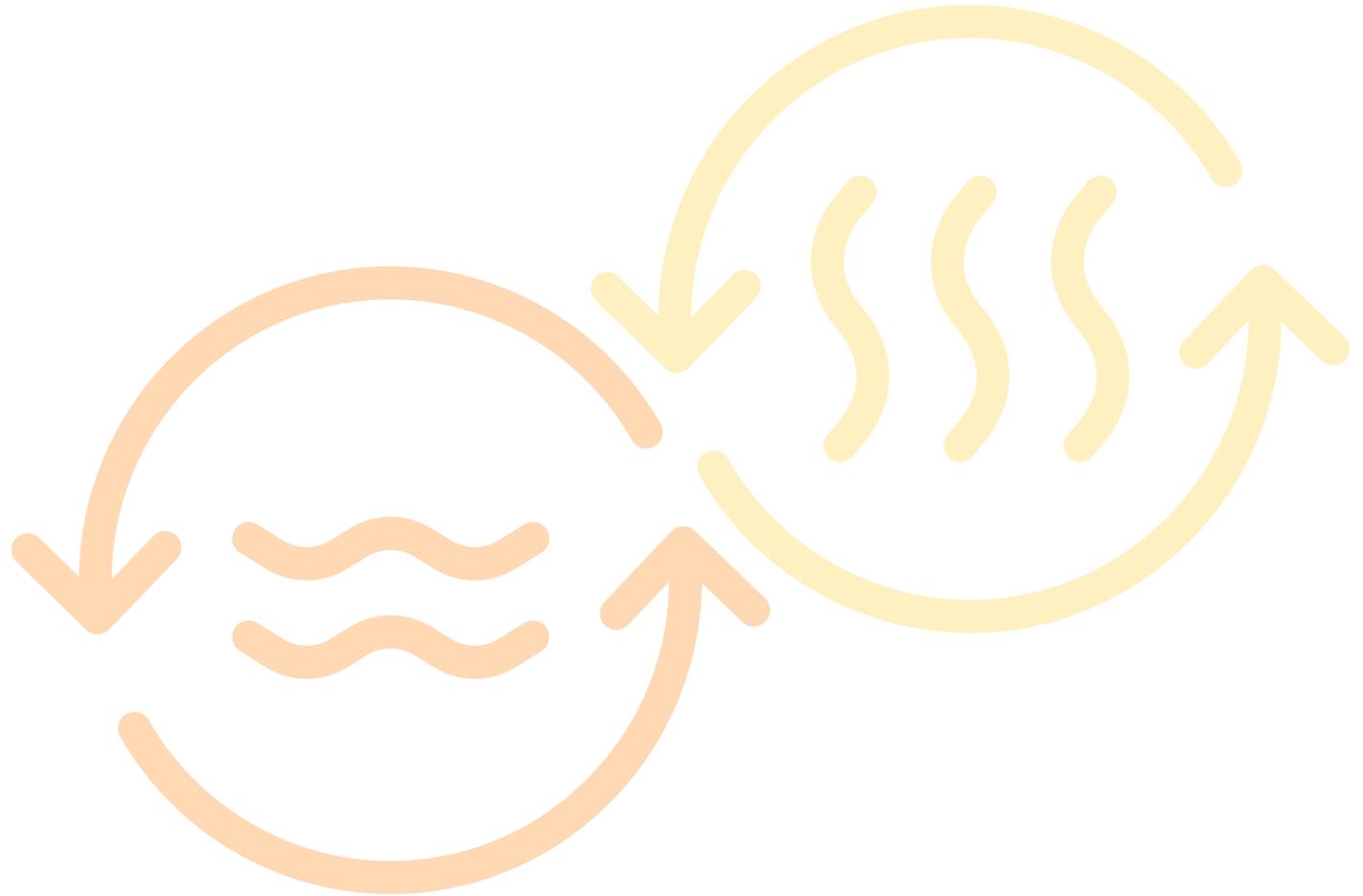
Energy, climate and water

Focus areas in 2025

Major investments are underway at our processing sites, which are preparing to reduce environmental impacts while expanding production capacity in preparation for anticipated growth in demand.

Key initiatives include:

- A large heat pump facility at Danmark Protein is on schedule to go into operation during 2025. The facility will provide heat and cooling, reducing CO2e emissions by an anticipated 14,500 tonnes a year.
- Commissioning of our first electric boiler is approaching completion at Danmark Protein. Initial savings in CO2e emissions are equivalent to around 5% of our climate target for scope 1 and 2 emissions by 2030, reducing reliance on boilers fired by natural gas. The CO2e savings are expected to increase once the electric boiler is fully operational. Renewable electricity will be secured by power purchase agreements and green certificates, which means scope 2 emissions will not increase.
- Membrane cleaning processes will be optimised at Danmark Protein, giving an anticipated reduction in water usage of 20,000m³.
- New opportunities for optimising energy commission and cutting CO2e emissions will be investigated at ARINCO in connection with the site sustainability programme.
- AFISA is preparing to build a solar farm at its site in Argentina to reduce dependence on fossil-based energy. Installed capacity is expected to be 0.5MW in the initial phase, increasing to 2MW when all modules are in place and covering up to 25% of the site's electricity consumption.
- Technical water capacity will be expanded at AFISA, increasing water reuse.
- Execution of the Scope 3 2030 roadmap will begin in 2025 with a focus on ensuring that European suppliers both have verified primary data sets at farm level and submit applications for Science Based Targets. We will also collaborate with selected suppliers to accelerate their on-farm roadmaps to carbon neutrality. Our supplier base in Argentina will be in particular focus to ensure sufficient availability of emissions data.



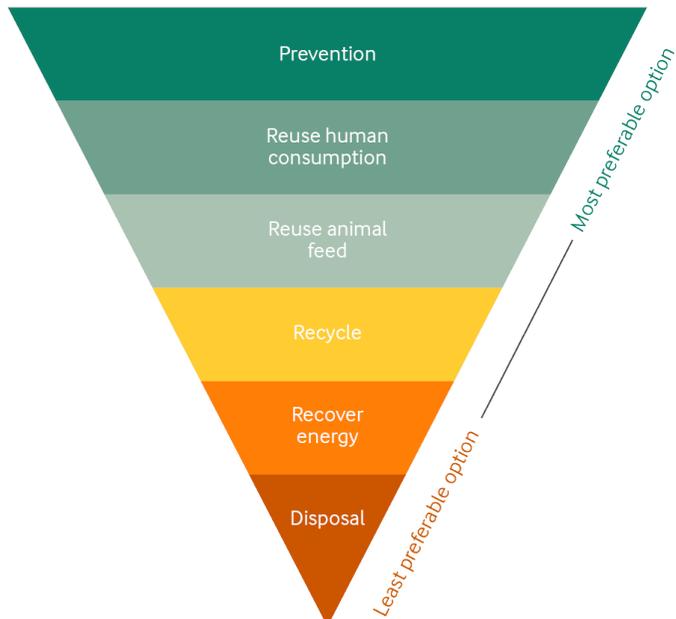
Food waste

Our ambition

There are two primary categories of food waste at Arla Foods Ingredients. One is the waste that occurs when ingredient residues are washed out of our processing equipment during cleaning – a necessary procedure to ensure high hygienic standards in production. The second category includes the side streams from production that we are currently unable to utilise for food or feed purposes.

We are contributing to the group-level goal to reduce food waste by 50% in 2030, with a 2023 baseline. The baseline was set following a comprehensive mapping of waste streams on our production lines. Our strategy is to take action to prevent food waste wherever possible and to maximise the proportion of raw materials utilised in products for human or livestock

Waste management hierarchy



Progress

Delactosed permeate (DLP) represents the biggest source of food waste at Arla Foods Ingredients. Generated as a side stream of lactose production, DLP has previously been disposed of as feedstock for biogas production. In 2023, we entered an agreement with a Danish insect production company to deliver DLP for use in insect feed. During 2024, we ramped up deliveries considerably when the insect farm started full-scale production in a new factory. The resulting reduction in food waste is equivalent to 12,000 metric tonnes of raw milk.

Focus areas in 2025

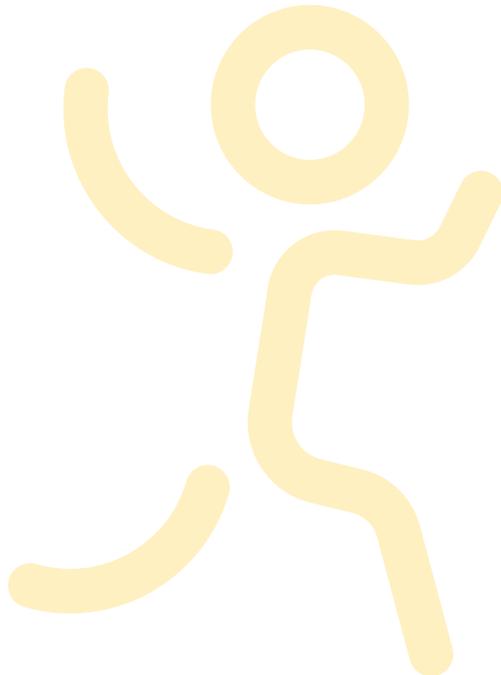
- DLP deliveries for insect feed are expected to increase three to fourfold in 2025, reducing food waste further at Danmark Protein.
- Work will continue to identify and understand drivers of food waste at our other production sites.

Nutrition

Our ambition

The global food industry faces a significant challenge to balance sustainable food production with the need to produce sufficient nutritious food for the growing population. At Arla Foods Ingredients, we aim to inspire healthier lives via our research and development efforts and strong collaborative partnerships with universities, research institutes, NGOs and other organisations. Through continuous studies of milk and whey components, our goal is to support health and wellbeing throughout life.

Using our ingredients and knowhow, we also play an active role in affordable nutrition projects to reduce and prevent malnutrition among children and young women in developing countries.



Progress

Arla Foods Ingredients is sponsoring the following collaborative clinical studies:

- MFGM-enhanced ready-to-use therapeutic food (RUTF) – a study of the effect of milk fat globule membrane in RUTF for the treatment of severely malnourished children in Malawi and Sierra Leone
- Galactose as a pre-exercise carbohydrate supplement in type 1 diabetes – a study of the metabolism of milk-derived galactose in individuals with type 1 diabetes and the effect on blood glucose control
- Pre-meal consumption of whey protein in pregnant women with or at risk of gestational diabetes mellitus (GDM) – a study of the effect on glycaemic response to an oral glucose tolerance test
- Pre-meal consumption of whey protein in GDM from diagnosis to delivery – a study of dose response, effect duration and the impact of improved blood glucose regulation on the mother, infant and birth
- Effect of MFGM-rich supplement on cardiometabolic health in overweight individuals and postmenopausal women – a study of the impact on fasting lipoprotein profile and cardiometabolic risk markers

In 2024, we have focused on mapping our nutrition science activities to define how we best can support the health and sustainability journeys of our customers.

Our collaborative affordable nutrition projects moved forward in Pakistan in 2024. With local and international partners, we have developed the recipe for a dried fruit bar made with surplus dates and supported the start-up of production at production companies. This project both tackles a major source of food loss and provides an affordable and nourishing snack for low-income families.

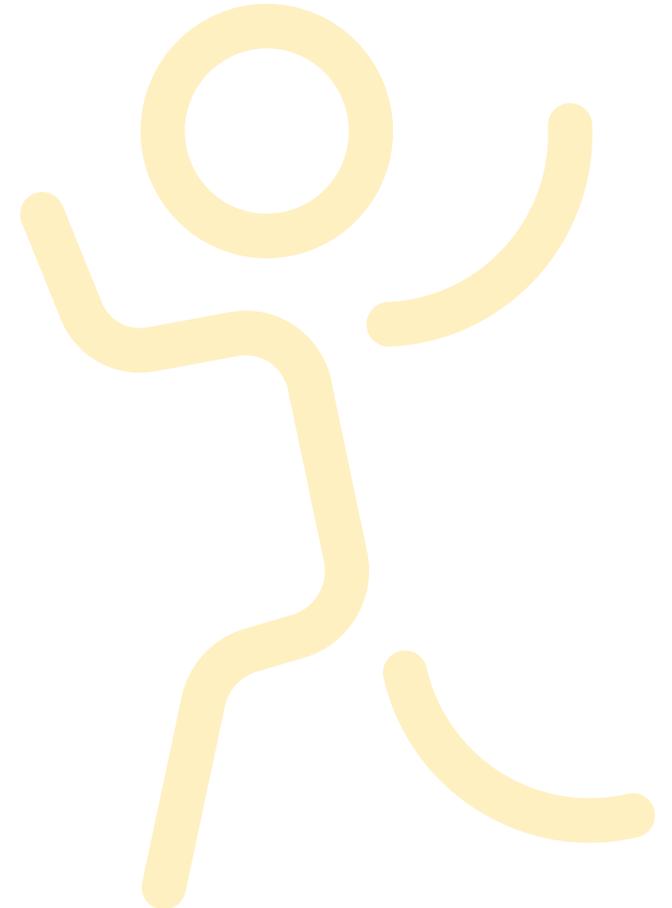
Through the Whey2Value project, we are collaborating with the Global Alliance for Improved Nutrition (GAIN) and the Scaling Up Nutrition (SUN) Business Network to utilise whey side streams from cheese dairies in Pakistan. In addition to reducing whey discharge into the environment, the project is enabling dairies to produce nutritious whey-based drinks – an affordable food for the local population and a new source of revenue for the dairies.

Finally, our involvement in the VALORISE project continues, led by Roskilde University in Denmark. Similar to our projects in Pakistan, VALORISE is exploring possibilities to utilise dairy side streams in Kenya. Our role is to map and analyse the side streams and select those with potential for further development.

Focus areas in 2025

A key objective for the coming year is to select the nutrition science activities that will be in focus in our new Nutrition Science strategy. To support our customers' health and sustainability journeys, we will work to improve the transparency of the nutrition information we provide and define clear key performance indicators for the nutritional quality of our application concepts.

In the affordable nutrition area, we will continue our Whey2Value collaboration and finalise the fruit bar project in Pakistan. Our work with the VALORISE project is also scheduled for completion in 2025.



Quality & food safety

Our ambition

Our ambition is to deliver quality and food safety above and beyond the expectations of customers, consumers and the authorities at all times. As a supplier to the infant nutrition sector, the youngest, most vulnerable consumers define the quality of all our products for the food industry.

Progress

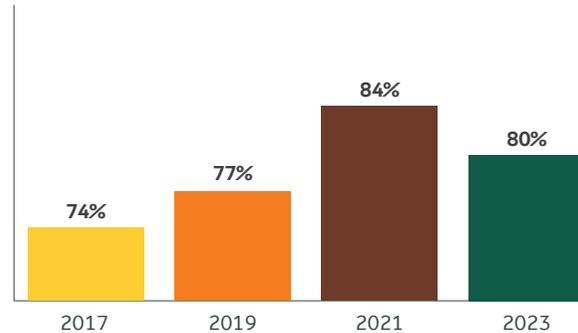
In 2024 we completed a Quality and Food Safety (Q&FS) Culture survey for the second time – this time including head office functions. We have strengthened training and culture work on site, with an additional colleague now dedicated to this task, and we have expanded the number of site food safety events to more departments and process areas. In line with our Q&FS strategy, we finalised the mapping of Q&FS training activities, which will be used to share best practices.

We have strengthened our collaboration with customers on quality-related topics. Our goal is to form closer, proactive partnerships for identifying and addressing quality challenges. This enables us to tailor solutions and manage quality issues more efficiently, creating value for both parties.

To support our commitment to a customer-centric approach, we have introduced a new key performance indicator for customer claims. This measures the number of orders delivered without complaints across all categories. In 2024, 95% of our deliveries were claim-free – a performance we aim to improve through 2025.

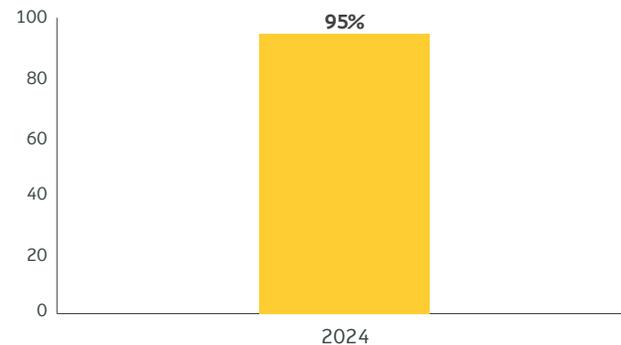
Product quality

Customers responding 'very good' when rating Arla Foods Ingredients on product quality



Orders without claim

%



Focus areas in 2024

In 2025 we will continue to strengthen our collaboration with customers. We believe this alignment creates trust and safeguards food safety, generating the best possible results, also in our work with innovation.

Priority actions include:

- Continuing to develop our Q&FS culture – using the results of the Q&FS culture survey to extract improvement points
- Ensuring that we deliver our quality promise in accordance with customer needs. This involves moving even closer to customers and reflecting the broad range of segments that we serve with nutritional products

Health and safety

Our ambition

The health and safety of the people who work at or visit the Arla Foods Ingredients sites is a top priority. We strive for zero work accidents and a working environment that empowers, engages and never compromises the physical or mental health of any colleague.

Progress

Workplace accidents

Due to severe winter weather in Denmark, outside areas such as car parks were very slippery in early 2024. This resulted in a few lost-time accidents (LTAs) at our Danish sites. Subsequently, a package of preventative measures were rolled out earlier in the year and again in the autumn.

Overall, LTAs and accident frequency declined in 2024 compared to the previous year, mainly due to fewer incidents at ARINCO. AFISA, AFI Taw Valley and ArNoCo were all able to celebrate an LTA-free year.

In 2024, we initiated three-month follow-up meetings after every LTA or other severe accident. These meetings include a follow up on the root cause analysis and how the injured person is doing. We have learned that good reflections about an accident and its cause often occur after some time.

In addition, we have stepped up our focus on on-site root cause analysis as part of our continuous improvement. This includes local training plans and the establishment of a work group for sharing knowledge and experience with representatives from all sites.

Near miss/accident ratio

Our near miss/accident ratio (number of near miss and risk observations per accident) is a leading indicator of our proactive approach to improving safety in the workplace. The purpose is to increase our focus on observing and removing unsafe conditions, actions and behaviours and, ultimately, to reduce the number of workplace accidents overall.

In 2024, our near miss/accident ratio was 89:1, 16 points higher than in 2023. This is due to an increased registration of occurrences in our incident registration system. All near miss investigations should be finalised after seven days. In 2024, the average at Arla Foods Ingredients was 4.9 days.

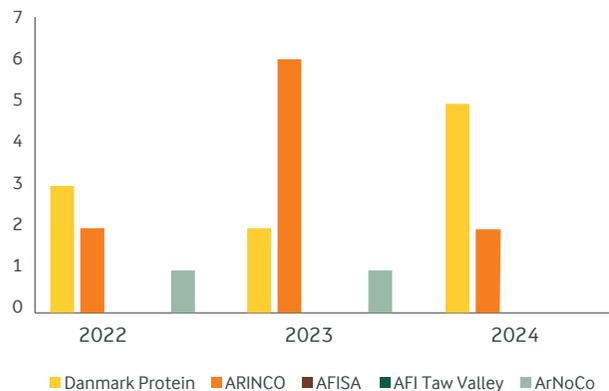
The target for total close out of near misses (including investigation and follow-up actions) was 75% over a three-month period. Here, again, we were, at 93.6%, well within target.

Total recordable injury rate (TRIR)

In 2024, we have introduced total recordable injury rate (TRIR) as a new key performance indicator. The purpose is to monitor the development of recordable injuries (fatalities, LTAs, restricted work injuries and medical treatment cases).

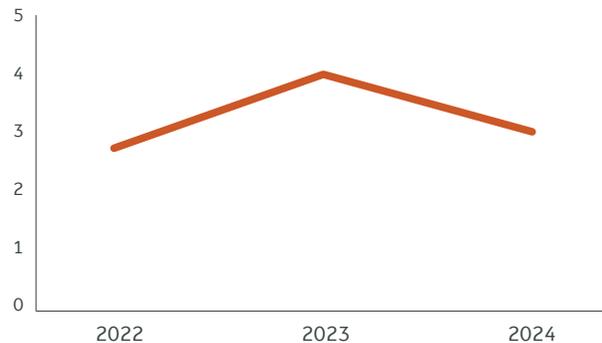
Using TRIR, we can compare sites and businesses more easily and provide opportunities to specify non-LTAs such as medical treatment cases and restricted work injuries. Arla Foods Ingredients' TRIR score in 2024 was 10.4, which is just above the target of 10.0 per million working hours.

Lost-time accidents (more than one day of absence)



Accident frequency

(number of accidents per million working hours across all sites)



Near miss/accidents ratio across all sites



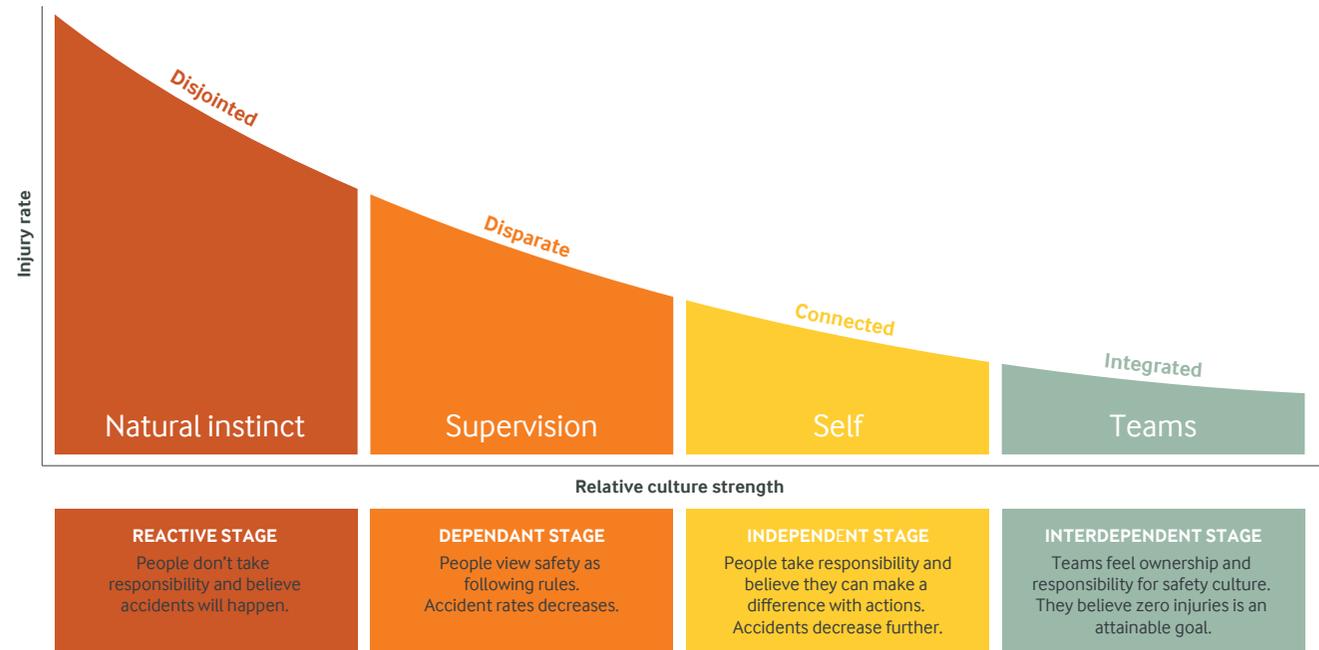
Health and safety

Focus areas in 2025

During 2024, all sites received a Cornerstones Validation Visit. Cornerstones is Arla's behavioural safety programme, and the validation visits are aimed at measuring the maturity of the Zero Loss Culture. All AFI sites are at a stable and robust level three (out of four), where colleagues take individual responsibility and believe their actions can make a difference. A Lock Out Tag Out (LOTO) and Permit to Work assessment was also conducted by an external consultancy agency.

All visits and assessments provided clear insights into the sites' current status regarding these safety topics. Improvement actions based on a gap analysis are included in the business plan for 2025.

Cornerstones behavioural safety programme



Caring for people

Our ambition

People are our most important resource. At Arla Foods Ingredients, our goal is to foster a supportive, inclusive and dynamic environment that encourages diversity of thought and equal opportunities for growth, both personally and professionally.



Progress

Our annual engagement survey measures performance on a wide range of parameters and identifies areas for further improvement. In 2024, 94% of our colleagues participated in our annual engagement survey, mirroring the response rate of 2023. Engagement remains strong at 86% and is in alignment with the entire Arla organisation. This demonstrates a resilient and supportive organisational culture.

Below is an overview of primary diversity and inclusion (D&I) initiatives in 2024:

- D&I dialogues achieved 90% participation by office workers and 50% participation by workers in production. Leader-led workshop materials were developed and distributed to HR business partners for local implementation.
- Tailored workshop material was developed with a focus on unacceptable behaviour. 90% of leadership teams completed D&I workshops.
- A D&I dashboard was introduced for leadership teams to monitor progress towards gender equity. Our 2030 target is to have minimum 40% representation of the underrepresented gender. HR business partners are assisting leaders with action plans to secure a more diverse talent pool.
- Active participation in the Arla D&I network is assured through quarterly meetings and engagement in Danish Diversity Week.

In addition, we have invested resources in preparing leaders and colleagues at ARINCO for the change in site status from advanced nutrition manufacturing to ingredient production in 2026. As the transition impacts future staffing needs at the site, representatives from Arla and relevant trade unions have participated to ensure fair treatment of those colleagues who can expect a notice of termination. The priority is either to find alternative positions internally in Arla Foods Ingredients or Arla Foods or, where this is not possible, provide the necessary training and career support to help colleagues obtain employment elsewhere.

Focus areas in 2025

We have identified three areas that are key to maintaining the high engagement level across our organisation. These will be the focus of workshops and other internal initiatives in the year ahead:

- Strengthen transformation capabilities
- Improve confidence in the future vision and senior management
- Enhance IT tools and systems
- Address and reduce unacceptable behaviour

Selected scores from the engagement survey:

Category	Favourability score (%)	2023	2024
Employee engagement		90	86
Future vision		90	84
Empowerment		90	88
Good leadership index		87	84
Work environment		87	85
Well-being		86	85
Diversity, inclusion & belonging		89	86
Unacceptable behaviour		4.5	3.5

Contribution to the UN sustainable development goals



UN SDGs

Energy & climate

CO₂e emissions – scope 1, 2 and 3 (baseline: 2015)

9.4, 13.1, 17.6

Water

Water consumption (thousand m³)

6.4

Food waste

12.3

Nutrition

2.1, 3.4, 12.3, 17.17

Nutrition research & development

Affordable nutrition partnerships

Social data

Quality & food safety

2.1

Accident frequency (per million working hours)

8.8

Decent work

8.5



Arla Foods Ingredients is a global leader in improving premium nutrition. Together with our customers, research partners, suppliers, NGOs and others, we discover and deliver documented ingredients and products that can advance lifelong nutrition for the benefit of consumers around the world.

We serve leading global brands in early life nutrition, medical nutrition, sports nutrition, health foods, and other foods and beverages.

Five reasons to choose us:

- We're passionate about improving nutrition.
- We innovate by connecting the best.
- We master both discovery and delivery.
- We build strong, long-lasting partnerships.
- We are committed to sustainability.

Headquartered in Denmark, Arla Foods Ingredients is a 100% owned subsidiary of Arla Foods.

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