

11 January 2022

Dear Mauro,

Subject: Arla doubles Co2 target to align with the Paris Agreement

Firstly, I'd like to wish you a very prosperous New Year and thank you for our fruitful collaboration throughout 2021.

I am pleased to share that our updated climate ambitions that are part of our new, five year business strategy and also in our commitments to the EU Commission's Code of Conduct for Responsible Food Business and Marketing, have been approved by the Science Based Targets initiative (SBTi). This means that our plan to deliver our carbon reduction targets has been externally verified and is aligned with the most ambitious goal of the Paris Agreement to keep global warming within 1.5°C. The verification makes Arla one of only 61 food and beverage processors globally and one of the first farmer-owned dairy cooperatives in the world to have a 1.5°C target approved by SBTi.

Our SBTi approved target of a 63 per cent reduction for scopes 1 and 2 by 2030 is more than double our previous reduction target of 30 per cent. Backed by significant investment, it will be delivered through two key areas:

1. Logistics, which will include converting own fleet of milk tankers and distribution trucks to fossil free solutions through biodiesel, biogas and electric vehicles, reducing mileage through optimized routes and engaging logistics suppliers in reducing their CO2 emissions
2. Production, which will include converting to 100 per cent green electricity in Europe through green power purchase agreements and investment in wind and solar projects complemented with purchased guarantees of origin for electricity produced on Arla farms as well as reducing energy consumption through investments in low-energy solutions across Arla's dairy sites e.g. heat recovery solutions incl. heat pumps, electrification of boilers and general optimization of electrical powered equipment.

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SBTi has also confirmed that our existing 30 per cent reduction target per kg milk, for scope 3, covering among other things, Arla farms, continues to meet their criteria for ambitious value chain goals in line with current best practice.

This target is being mainly delivered by our farmer owners who are taking specific action and making significant investments individually to reduce the greenhouse gas emissions at farm level. New SBTi sector guidance for Forest, Land and Agriculture is expected later this year and we will evaluate whether any changes are required to our plans and ambitions for Arla to remain aligned to the 1.5°C trajectory in all three scopes of our value chain.

Together with our farmer owners, Arla wants to lead industry in sustainable dairy so that European consumers can continue to trust and enjoy the dairy products that are such an important part of the European Food culture. Today's announcement and verification of our action plan is an important milestone in this journey.

I look forward to working with you on the sustainable food transition this year and please do not hesitate to contact me should you have any questions.

Further information on our climate targets and sustainability strategy can be found on our website:

<https://www.arla.com/company/news-and-press/2022/pressrelease/arla-doubles-co2e-target-for-operations/>.

Yours sincerely,

