

CORPORATE
RESPONSIBILITY
REPORT

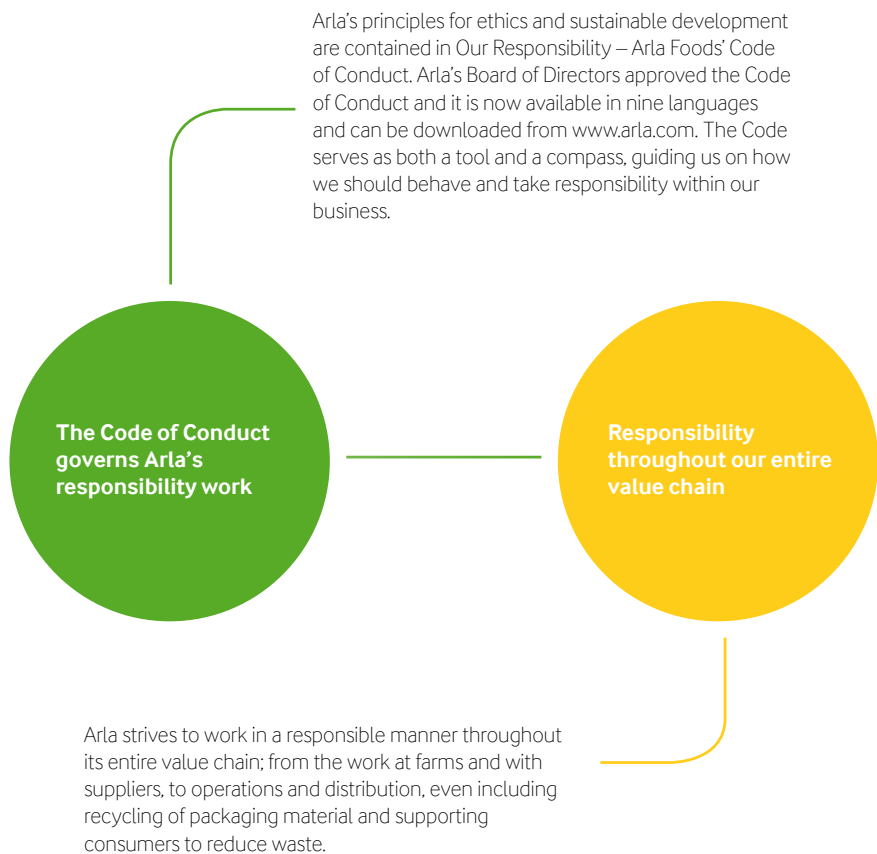
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Our Responsibility

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



Working responsibly in Arla



We want to **grow** and we **care about** how we do it. We address **ethical** and **quality** matters in a **sustainable** and **responsible** manner to safeguard the company's **reputation, profitability** and **growth**.

To ensure internal commitment to the Code, we have established a CSR committee with our CEO as chairman and with representatives from our senior management team. The committee prioritises the areas that need additional focus.

Arla is a global company. Each of our business groups deliver content and material to this annual report. The report describes how we are progressing in our work with responsibility and also gives us the opportunity to readdress, and clarify, the areas on which we need to focus in the future.

Embedding a responsible culture

A holistic approach

Welcome to our 2014 Corporate Responsibility report

The 11 areas that the Code describes are the ones covered in this report, from Business principles to Human rights. We have chosen to group these areas under the four themes: Responsible company, Confidence in products, Care for the environment and animal welfare, and Respectful relations.

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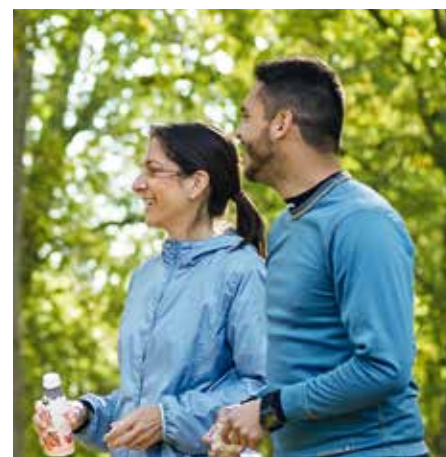
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Unless otherwise indicated, the facts and figures in this report cover Arla Foods' fully owned dairy companies in 2014. Some examples from fully owned subsidiaries and joint venture dairy companies are also included. The report's chapters correspond to the 11 areas of Arla Foods' Code of Conduct, which was first published in the spring of 2008. More information is available at www.arla.com.





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We take joint **responsibility** for **people** and **planet**

As a farmer, Arla's sustainability work is easy to understand. It's the same approach we have on our farms. We constantly strive to reduce our resource consumption, we look after our animals and our fields, and we are as efficient as possible. Why? Well, because in the long run it's all about profitability. For Arla and for us as farmers.

We also understand that sustainability work is ongoing. There is always room for improvement – at our farms and in terms of the demands we owners make on Arla. Thanks to our democratic organisation, through which all owners have an opportunity to influence important decisions, we can set clear goals that we then follow up and feel proud of.

The cooperative shows its strength

Arla's strong growth, both in terms of the business and the number of owners, is, of course, a challenge. But the more farmers we are, the stronger we become and the greater the effect the sustainability improvements that we – about 13,500 dairy farmers – have decided to implement. As Arla grows, it means that more people in the world have access to nutritional products that have been produced

with sustainable methods. In today's connected society, it is more important than ever that we communicate our responsible way of working in order to gain the confidence of our customers and consumers in new and existing markets.

An example of constructive ownership cooperation is the new strategy for sustainable dairy farming. Here, we as owners have come together to further reduce our carbon footprint, but we also want to improve animal health and reduce our use of resources and environmental impact. I'm convinced that this will contribute to an improved bottom line at our farms.

We have also decided that our Arlagården® quality programme, which encompasses animal welfare, environmental considerations, food safety and milk composition, should now be introduced into all our owner countries. This may well be seen as onerous by some, but it's all about working together to produce safe raw milk to a consistently high quality, irrespective of where it comes from. Both these initiatives lead to quality and development, and even more confidence in Arla among customers and consumers. Confidence that will ultimately lead to us farmers getting paid more for our milk.

We will grow together

In this report, Arla explains openly and honestly what has gone well during the year and what can be improved. I think this is important for me to know as an owner, as well as for Arla's employees and everybody else who is interested in our business.

Even though the economic situation currently is tough on many farms, I'm confident about Arla's continued growth. New owners and new employees have much to offer and we can learn from each other. Since we owners are convinced of the importance of a sustainable Arla and are confident in the job we are doing, we can easily raise the bar. By pulling together we will make Arla even better and this is a huge strength.

Ösarp, Sweden, February 2015

Åke Hantoft
Chairman of the Board of Directors



When I look into the eyes of my children, and grandchildren in the future, I want to be able to say that I did all I could to lead Arla in a responsible and sustainable way. I think this goes for all of us at Arla – we have a strong will to act in the best way for both people and planet.

At Arla, we have chosen to display great responsibility and take the lead in areas close to our core. I believe our dedication on this path will benefit us as a commercial dairy company, committed to generating revenue for our owners, the farmers. Sustainability and profitability go hand in hand.

Arla leads the way

One example of many from the past year is our new health strategy, which we are now putting into action. With this we send a message across that we will do more to provide healthy, natural and safe food to a growing world population in a sustainable way. Our approach to sustainable dairy farming also makes me proud. Here, we have taken lead in the industry, e.g. through showing support for responsible soy production. In addition, we continue to drive the environmental agenda with tough targets to achieve our environmental strategy 2020.

All this is the result of dedicated work by Arla colleagues, and I am pleased to see that our colleague engagement survey shows top level scores. This tells me that our responsible culture generates both great job satisfaction and high performance.

Our focus is good growth

Going forward, we need to continue to keep focus on high standards for food safety, which of course is a prerequisite. Securing animal welfare and good environmental practices are also high on our agenda, as well as on consumers'. As Arla continues to grow, we will need to keep doing things in new and better ways. With more colleagues and entering new markets, we need to make sure that the broad perspective of respecting human rights is embedded in the company. And, for new markets, we have the challenge to develop suitable products. In all areas, we will also strive to further increase our transparency.

We support Global Compact

Seven years ago, Arla joined the United Nations Global Compact, an important initiative to promote ethical business practices. As a participant, we are committed to aligning the 10 basic principles of the Global Compact

to our corporate culture and strategies, and communicating these to our stakeholders and the world around us. This report is part of this work, and it also forms part of Arla's Annual Report 2014 which is available for download at www.arla.com.

It is my belief that Arla will grow by adding long-term sustainable value to people's lives, whether they are owners, customers, partners, colleagues – or simply people who want to enjoy a natural, healthy dairy product that makes them feel good. This is what I hope you will find examples of in this report. I also hope it will inspire you to follow us on the responsible way we have chosen.

Aarhus, Denmark, February 2015

Peder Tuborgh
CEO

About Arla

Arla Foods is a global dairy company and a cooperative owned by dairy farmers in seven countries: Denmark, Sweden, UK, Germany, the Netherlands, Belgium and Luxembourg. Our products are sold under well-known brands in more than 100 countries. We have production facilities in twelve countries and sales offices in 35. Arla is the world's fifth largest dairy company, based on milk intake, and the world's largest producer of organic dairy products.

Arla continues to grow

Arla has maintained its high growth rate and in 2014, net revenue increased to EUR 10.6 billion, which corresponds to an increase of 7.5 per cent over the previous year. In order to also maintain profitability, we operate with a long-term savings

programme, which includes improving working methods and processes. Furthermore, during the year, we implemented structural changes in Sweden and we announced redundancies in the UK.

Investing for the future

Arla invests for the long term in order to secure the highest value for owners' milk. For example, we invest in increasing sales of branded products. Furthermore, our new large dairy in Aylesbury in the UK is now in operation and supplying fresh milk to the important UK market. Arla Foods Ingredients, which provides ingredients to the global food industry, is investing successfully in production and sales of lactose and whey proteins.

More owners in more countries

At the start of 2014, we welcomed 1,300 new owners from the UK. In August, the merger with EGM Walhorn was approved, which meant that Arla, in addition to more owners in Germany and Belgium, now also has owners in the Netherlands. The recent increase in the number of owners has led to changes in Arla's Board of Directors and Board of Representatives. Work is also underway to create a common payment model for milk.

Volatile milk price

From a relatively high level at the start of 2014, the milk price for Arla's owners was reduced six times during the year. Global supplies of raw milk have increased. One reason for this is the abolition of European milk quotas in 2015, encouraging many farmers to start producing more. The year

MANAGEMENT

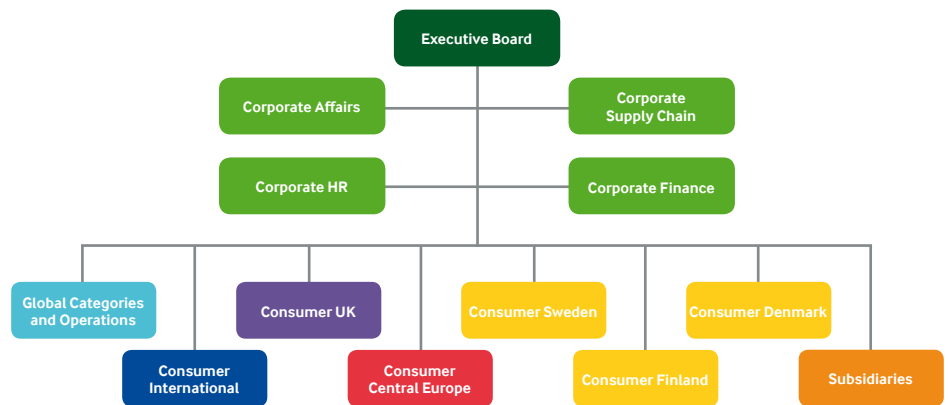
Chairman: Åke Hantoft
 Vice Chairman: Jan Toft Nørgaard
 CEO: Peder Tuborgh
 Vice CEO: Povl Krogsgaard

NET REVENUE

10.6

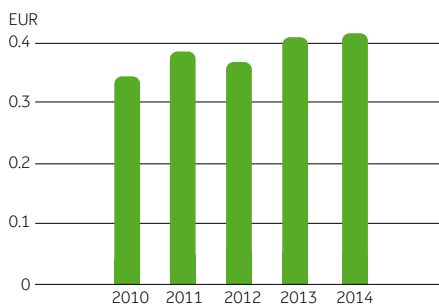
EUR 10.61 billion (EUR 9.86 billion in 2013), of which 72 per cent comes from our core markets of UK, Germany, Sweden, Denmark, Finland and the Netherlands. Profit for the year was EUR 314 million (EUR 295 million in 2013).

ORGANISATION OF THE ARLA GROUP

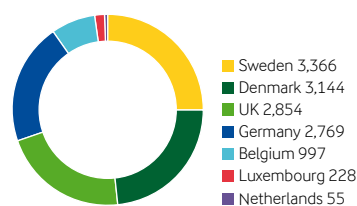


Arla Foods has its headquarters in Aarhus, Denmark. For more information on corporate functions and business groups, please see page 62.

MILK PRICE, AVERAGE PER KILO

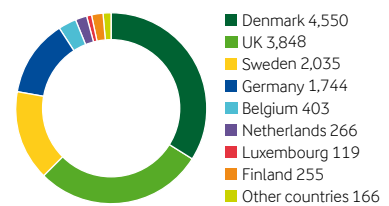


OWNERS



The number of owners increased by 6.2 per cent during the year.

RAW MILK INTAKE, MILLION KILOS

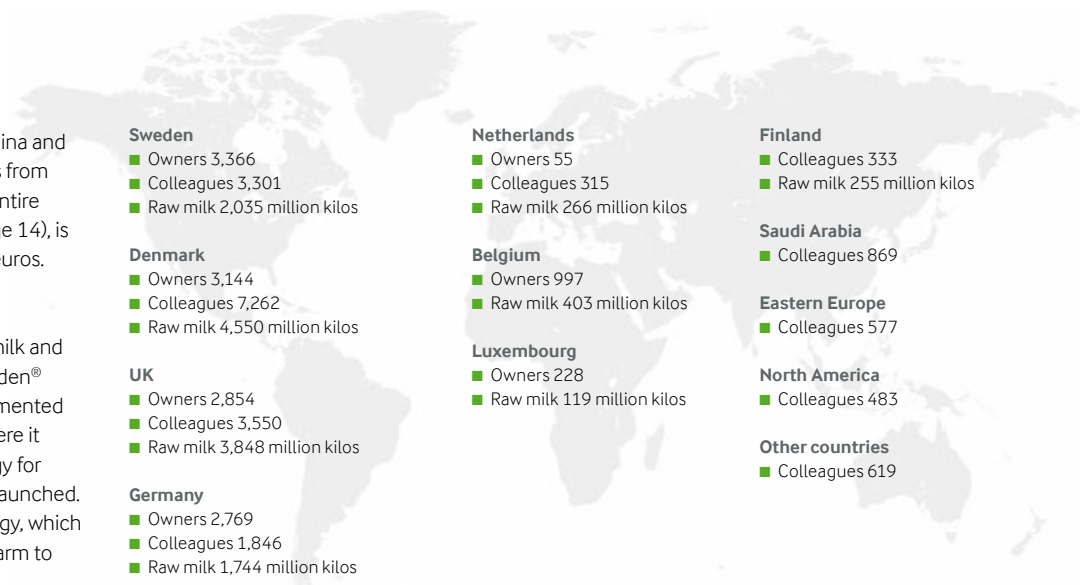


Arla's total raw milk intake amounted to 13,385 million kilos, an increase of 5.6 per cent. Owners' milk represents 88 per cent of the total raw milk intake.

2014 also saw reduced demand from China and Russia's ban on imports of dairy products from Europe. However, the milk price for the entire year, the Arla performance price (see page 14), is slightly higher than 2013, calculated in euros.

Sustainable milk production

Arla continues its focus on high quality milk and sustainable milk production. The Arlagården® quality programme has now been implemented in all owner countries except the UK, where it will be introduced during 2015. A strategy for sustainable dairy farming has also been launched. This is part of Arla's environmental strategy, which now covers the entire value chain from farm to fork.



ARLA'S VISION

Creating the future of dairy to bring **health and inspiration** to the world, naturally.

NUMBER OF OWNERS

13,413

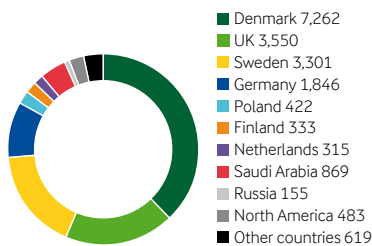
Arla Foods is a cooperative owned by 13,413 dairy farmers in Sweden, Denmark, UK, Germany, Belgium, Luxembourg and the Netherlands.

OWNER DEMOCRACY



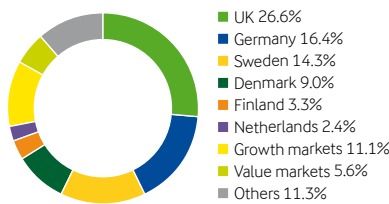
The chart shows the number of members/owners on December 31, 2014. All elections and polls are held according to the 'one member, one vote' principle. The Board of Representatives is Arla's top decision-making body.

COLLEAGUES



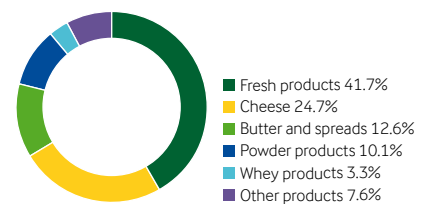
Arla's average of full time employees was 19,155, a decrease of 2.2 per cent from 2013.

REVENUE BY MARKET



Arla's total revenue has increased by 7.5 per cent from 2013.

REVENUE BY PRODUCT GROUP



Cheese and powder products have increased their contribution to Arla's total revenue, reflecting the development on the global dairy market.





Responsible company

Is it possible to run a profitable business ethically? At Arla, our answer is a resounding YES. But it's not something that simply happens. It takes know-how, will-power and hard work.

We act credibly and with integrity in all of our operations.

Responsibility comes from knowing right from wrong



RESPONSIBLE GROWTH

Arla is a global business as well as a dairy farmer owned organisation with owners in Denmark, Sweden, UK, Germany, the Netherlands, Belgium and Luxembourg. We comply with local legislation in all the countries in which we operate and we are committed to the principles contained within our Code of Conduct. This enables us to act credibly and with integrity, and sets a good example of responsible business conduct.

an internal benchmark study where Arla has been compared with other global fast moving consumer goods companies. In the context of the company's development, decisions have been taken to perform a materiality study, to assess supplementary actions to fulfill UN Guiding Principles for Human Rights, and to update the Code of Conduct and the governance of Corporate Responsibility in Arla. An e-learning training module covering Arla's Code of Conduct, that will be mandatory to complete for all colleagues in Arla, has been developed during the year. The module is currently available in four languages, reaching more than 90 per cent of all colleagues in Arla.



STRENGTHENED COMPLIANCE CULTURE

Arla's support for Global Compact

Arla Foods' Code of Conduct complements the 10 basic principles of the UN Global Compact initiative, see page 64. As a participant of Global Compact, we undertake to incorporate this initiative and its principles in our strategy and company culture and to communicate this commitment to all internal and external stakeholders. This report describes the progress Arla has made and where we see opportunities for improvement.

Growth through joint ventures

Supporting Arla Foods' Strategy 2017, we continue the development and expansion of our business relations both inside and outside the EU. During 2014, we have established a number of strategic partnerships through joint ventures, around the world, including in South America and Africa. The joint venture partners have all undergone Arla's partnership selection model whereby they have been screened and measured against predetermined financial, legal and



SUPPORT FOR GLOBAL COMPACT

CSR committee focus in 2014

At the CSR Committee's ordinary meetings in 2014, the findings from the 2013 CSR report were discussed, as well as the results from

NEW REPORTING CURRENCY



Arla has switched from DKK to EUR as reporting currency.

COMPLIANCE TRAINING



colleagues have participated in the face-to-face competition law compliance training (570 in 2013).

corporate social responsibility criteria to ensure that they satisfy our requirements to commit to fair business practices and good citizenship.

When seriously considering joint ventures or purchases outside Europe, we use an Integrity Due Diligence Process provided by reliable partners. During the process the 'possible new partner' is checked for issues such as criminal records, bribery cases etc. After an initial report, we may need to ask further questions, and decide whether we want to proceed or terminate the process.

Mergers and acquisitions

As of 1 August, the merger between Arla Foods amba and Eupener Genossenschaftsmolkerei, EGM Walhorn, has been finalised. See also page 14.

On 16 October, Arla signed an agreement to purchase the Swedish cheese company Falbygdens Ost from Atria Sverige AB. The purchase is subject to the Swedish Competition Authority's approval.

Whistleblowing function in more countries

Arla's whistleblowing function provides an additional opportunity for colleagues to report

information about possible irregularities. It is an additional channel for them to voice their concerns if they feel that they cannot share these with their manager or they feel that management has not adequately addressed their concern. In 2014, Arla included the Russian part of the organisation in the whistleblower process as well as the former MUH (Germany) and Milk Link (UK) organisations.

The number of cases reported, however, declined in 2014. Therefore, we have increased the focus on the process by including information in the e-learning training module mentioned previously.

Updated anti-bribery policy

Arla has updated its anti-bribery policy during 2014. We found a need to strengthen our focus on anti-bribery, ensure we have adequate measures in place and enhance transparency. A structured roll-out and training programme will be completed during 2015.

Since the introduction of the anti-bribery policy in 2010, no reporting of facilitation payments has been made. Still, we have identified several fraud and bribery attempts – most being external >>

WHISTLEBLOWING FUNCTION

12

different languages are available for reporting in the whistleblowing system.

GENDER BALANCE

70|30

Our target is for maximum 70 per cent of team members to be of the same gender, at all organisational levels.



fraudsters attempting to circumvent the internal control system, which expectedly has proven to be robust. Multiple 'fake president' attempts have also been encountered, and the awareness activities regarding this have proven to be effective. Bribery attempts stemming from the presence and expansion in new and developing markets have also been reported and dealt with appropriately.

The compliance and control culture in Arla

Standardised global processes and a sound foundation from which to make decisions are prerequisites for being able to act responsibly as an increasingly growing and global business. Our Global Risk & Compliance function drives the financial compliance agenda in Arla with support from the Compliance & Control Committee established in 2013. Using a risk based approach, the function monitors the compliance maturity in Arla through various activities, including local compliance visits to ensure implementation of adequate risk mitigating measures. Furthermore, Global Risk & Compliance launches awareness programs throughout the Group to support the message from top management and grow the Arla Compliance Culture.

In 2014, we increased our efforts to strengthen our colleagues' understanding of the acceptable use of IT as well as raise cyber security awareness.



Efficiency goals versus concern for colleagues

When Arla relocates a production line, it is normally to increase operational efficiency. But then, what happens with the people who worked on that line? And how does the environment fare with the need to transport milk further away?

Every year our analysis will suggest the relocation of production lines, sometimes even whole dairies, in order to improve supply chain efficiency. Cost of future expansion, potential synergies, economies of scale, and new technology play a large role in our decision. While profitability is the leading indicator, we do evaluate the expected impact on the environment and on the colleagues who will be affected in the relocation process. Based on this, we prepare specific plans to mitigate any potential negative effects.

To measure our impact on the environment, we use greenhouse gas emissions as a base for understanding the net effect of our decision. Most often, the result is an overall reduction in our footprint. Even though longer distances for milk transport frequently represent a significant increase, aspects such as more efficient production, reduced energy and water usage, as well as reduced waste output more than offset that amount.

Since the year 2000, Arla has closed more than 50 production sites in Denmark, Sweden and the UK, and closed or relocated their production lines. Experience has shown us that less than 25 per cent of the previous positions are created in a new site. That is why once the decision is reached to relocate, the process of supporting our colleagues begins. We follow different processes in different locations based on local laws and regulations, ensuring that we do the right thing regardless of location.

In Denmark, an initial meeting with the Workforce Council followed by another with the affected colleagues is normally held the day after the decision is reached. Information about the upcoming process is shared, and the need for negotiations is evaluated. Colleagues are asked to fill out forms informing us of their expectations.

They can opt to apply for a job at the new site, pursue short study courses, or look for a position with another company. Arla will then work with this information to facilitate the best opportunities to move on. In recent experiences, in Denmark, between 80 and 100 per cent of affected colleagues have had a new job or study plan by the time the closure was made effective.

Early in 2014, our Ashby dairy in the UK was closed in favour of the new Aylesbury plant. While the intent was to increase efficiency, it was foreseen that up to 370 jobs would be lost in the process. To mitigate this impact, our outplacement team worked on an 8-month plan to support affected colleagues with their next steps, after the first consultation in 2013 – the first step in the UK process. A significant investment was made in training courses, ranging from forklift and lorry operation to job hunting skills and career counselling. Employer road shows were hosted covering all shifts to give colleagues the opportunity to meet with other companies and agencies. In the end, more than 95 per cent of colleagues who wanted to continue working found alternative employment before the operation was closed.

Back in 2011, the decision was made to move all production from our Falkenberg dairy in Sweden to Nr. Vium in Denmark. Such a cross-border move made the process of relocating colleagues difficult. The Swedish outplacement team followed the established best practices to help those affected in preparing for their life outside Arla. Not long after the operation finally stopped in 2013, the Board of Directors approved a project to open Europe's largest cottage cheese dairy in the Falkenberg site. When recruitment for the new operation began in 2014, we were happy to find that 80 of our former colleagues had sent in job applications. By the time production started, 32 of them were back working with us.

Arla will continue to face the need to restructure. In the process, we are committed to keeping colleagues and the environment in mind.

LN06-CON605

We manage our business in a good cooperative spirit that promotes the financial interests of our owners.

Active owners influence the growing cooperative



VOLATILE MILK PRICE



EQUAL TREATMENT OF ALL OUR OWNERS



FOCUS ON BEST PRACTICE

Arla's objective is to create value for its owners. In the democratically governed farmer cooperative, all owners have an opportunity to influence significant decisions. Owners elect representatives to the company's governing bodies. The Board of Directors is responsible for making decisions about the company's general strategies and for ensuring that the company is managed with the cooperative owners' best interests in mind.

Milk price development

Arla's aim is to maximise the milk price paid to its owners so they can continue to invest in and develop their farms. The milk price was at a good level at the start of 2014 and increased further in February. However, a global rise in milk production, coupled with a significant fall in demand in China, forced Arla to lower its milk price to members. The Russian import ban on dairy products further exacerbated the situation and put pressure on the European dairy market. Despite a total of six cuts in the milk price during the year, the Arla performance price (payment to the members plus retainment) for the whole of 2014 was slightly higher than 2013, calculated in euros.

Arla has taken a number of measures to diminish the impact of the situation. The strong price decline has put Arla's owners under tough financial pressure and many farms are being financially squeezed.

Farmer owners in seven countries

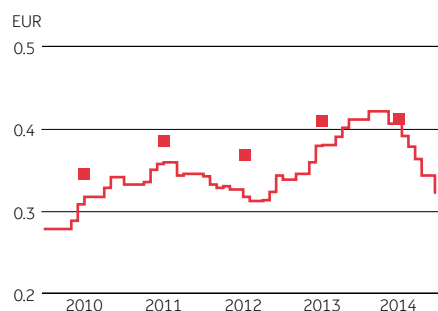
The merger between Arla Foods amba and Eupener Genossenschaftsmolkerei Walhorn, EGM Walhorn, became effective on 1 August 2014. EGM Walhorn is a dairy cooperative located in Eupen, Belgium, and has around 800 milk farmers in Belgium, the Netherlands and Germany. EGM Walhorn is a corporate member of Arla Foods amba.

In addition to EGM Walhorn, Arla has four corporate members: Arla Milk Cooperative Ltd (UK) with 1,338 individual members, Arla Milk Link Limited (UK) with 1,516 individual members, Hansa Arla Milch eG (Germany) with 747 individual members and MUH Arla eG (Germany, Belgium and Luxembourg) with 2,453 individual members.

Common settlement model

Following the mergers with Hansa Milch, Milk Link, MUH, Arla Milk Cooperative and, recently,

MILK PRICE DEVELOPMENT



The graph shows the on-account price, and the dots the performance price – the average payment to the member plus retainment. The performance price is shown once a year, at the time of the Board of Representatives meeting in February, when profits are distributed. The performance price for 2014 was EUR 0.417 per kilo of milk.



EGM Walhorn, the owners of Arla have sought to achieve a common settlement model for the payment of their milk. In January, the Board of Directors decided on a new model which will apply to all owners irrespective of their country. The decision means that, for a transitional period until 2018, the various components will be combined into one model, which will provide all owners with equal payment for equal milk. The model is based primarily on the content of fat and protein. For some owners, this means significant changes while for others the changes will be minimal. Read more about the discussions of the new model on page 17.

New retainment policy in place

In October, the Board of Representatives agreed on a new retainment policy that will secure the financing of Arla Foods' Strategy 2017. As an economic association, Arla has decided on annual results amounting to 3 per cent of its revenue. These are distributed to the owners after the release of the annual financial statements and consist of a supplementary payment per kilo of supplied milk, known as the 13th payment, and retainment. The latter portion is held in the company, partly as individual capital (linked to the

owners and paid out when they leave Arla), and partly as collective capital, forming part of Arla's own equity.

The new policy means that owners will tie up more capital in the company and that revenue from major divestments can be reinvested in Arla. The policy will be employed for the first time in February 2015 when profits for 2014 are distributed. The decision on a new retainment policy has followed a comprehensive democratic procedure, with a three-stage process at the Board of Representatives and a large number of discussions in smaller groups.

New material for owner seminars

Owner seminars are organised by elected representatives for new and established farmers. The seminars aim to increase knowledge about Arla and create opportunities for owners to meet each other in small groups. The aim is also to encourage more people to get involved as elected officials. 717 have participated in this year's seminars, compared to 1,047 the previous year.

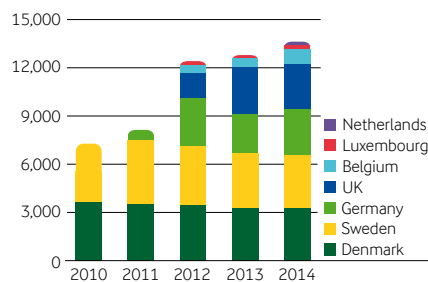


OWNER INTEGRATION

57

mentor/new elected pairs are taking part in the mentor programme to increase integration between farmer owners in different countries.

OWNERS IN ARLA



“

Farmer-owners’
decision has
demonstrated
the cooperative’s
strength

EQUAL PAYMENT FOR EQUAL MILK WAS
THE GOAL WHEN ARLA’S OWNERS AGREED ON
A COMMON PAYMENT MODEL.



The task of devising a payment model that operates in seven countries has been achieved, but not without its challenges. Arla's four chairpersons of the National Councils reflect on the process and the outcome.

In January 2014, Arla's Board of Directors decided on a new payment model for milk for all cooperative owners, irrespective of country. However, the models for quality payment have not yet been decided. As a consequence of the mergers of recent years, the payment models have been slightly different in owner countries. These differences lie in the factors that form the basis of the payment, such as milk content or volume, the logistics supplement for the supply of large volumes and how often the farmer receives payment. During a transitional period of four years, the current models will be transformed into a common Arla model that will give all owners equal pay for equal milk. In addition, the milk will be quality tested in the same way.

"To arrive at a common payment model was part of the agreement with the merger between us British farmers and Arla, so it came as no surprise", says Johnnie Russell, UK.

"The new owners in Central Europe have also been prepared for a modified payment model since the merger with Arla", adds Manfred Graff, chairman for the Central European Council.

The basis of the new model is that payment will be based on the milk's content of fat and protein. For owners in some countries, this means rather significant changes, while others such as Denmark and Sweden, are already familiar with the system.



Johnnie Russell, UK, Steen Nørgaard Madsen, Denmark, Heléne Gunnarson, Sweden, and Manfred Graff, Germany, chair the National Councils.

"Previously we focused on producing liquid milk with a long shelf life, and at that time volume was the priority. The logistics supplement was also new for us", says Manfred Graff.

Heléne Gunnarson, Sweden, describes the process of deciding on the new payment model as intense, necessitating many discussions and meetings. She thinks that it has required commitment – and a sense of responsibility – from all elected members. Steen Nørgaard Madsen, Denmark, also emphasises the complexity of the task: "At first I wondered how hard it could be. But it is far more complicated than one might think. We have different legislation, different traditions, different cultures and different testing methods at the laboratories."

Ultimately, the aim is a common model, but the legislation in the various owner countries and

specific market conditions mean that change takes time. "There are also as many opinions as there are dairy farmers", adds Manfred Graff, but he also believes that the democratic process for arriving at the farmer-owners' decision has demonstrated the cooperative's strength. Johnnie Russell agrees: "I think that all parties have shown a lot of goodwill in reaching a common ground and finding solutions that work for everybody at Arla. We've got closer together in the different countries and now understand more about each other's businesses."

"The best result of the process so far", says Steen Nørgaard Madsen, "is the new system for antibiotic control which comes into force in 2016 when each tanker will be tested." Heléne Gunnarson agrees: "This will be good for Arla, for the individual milk producer and for consumers."

We have open and honest relationships with all of our stakeholders.

Competing on global markets with strong brands



CONTINUED GROWTH FOR GLOBAL BRANDS

We must constantly evolve within an increasingly competitive, fast-moving and dynamic global market. It is essential that consumers trust us. By acting responsibly, communicating openly and maintaining an ongoing dialogue with customers, consumers and other stakeholders, we can create the right conditions for trust.

no matter where we are, “health” and “natural” are important – albeit for different reasons, in different ways, in different markets.

Growth of brands on the global dairy market

Arla is now the world’s fifth largest dairy company in terms of volume of processed milk. As stated in our Strategy 2017, we will focus on growing our global brands to further strengthen our position.



INCREASED IMPORTANCE OF SOCIAL MEDIA

Strengthened corporate and brand identity

In late 2013, Arla introduced an evolved corporate identity called Good Growth. This is based on our cooperative and collaborative philosophy, our responsible working practices, our natural and healthy products and our responsibility toward the society, the environment and our colleagues. These have become our guiding principles. They will help us as we develop our business further and will also work toward unifying the organisation as Arla grows in new and existing markets.

Apart from our existing markets, we are focusing on a number of countries with good economic development prospects, which are not self-sufficient in dairy. This presents Arla with an opportunity to fill a percentage of the gap between demand and local supply with export of products, still leaving room for a local supply of dairy products. Before entering a new market an evaluation is made from several business and ethical perspectives. Read more on page 10.



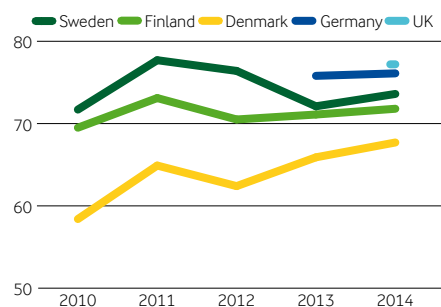
GOOD REPUTATION FOR PRODUCTS AND SERVICES

We remain focused on our three global brands: Arla®, Castello®, and Lurpak®. Our direction will be to dial up the inherent natural and healthy credentials that dairy has to offer and develop our portfolio to reflect this. Read more on page 32. Consumer surveys in eight countries show that,

Strength from organic products

Arla is the world’s largest producer of organic dairy products. Our biggest organic category is fresh dairy products with fresh milk as key product. Organic products are important to us and a driver for both reputation and business in

CONSUMER VIEWS OF ARLA



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 spring 2014.

The survey monitors what consumers, familiar with Arla, think about our company in the seven dimensions Product/Services, Innovation, Workplace, Governance, Citizenship, Leadership and Performance.

In Denmark, Sweden and Finland, the awareness and familiarity with Arla is high, while in Germany and the UK they are still low. However, consumers who know our brands in these two countries are very positive about the company.

several markets. Today, every second glass of milk from Arla foodservice in Sweden is organic, and every tenth in retail. In Denmark, three of ten milk glasses are organic, while two in the Netherlands and a half glass of ten in the UK.

Improved reputation on all core markets

For a number of years we have been conducting annual surveys to monitor what consumers think about Arla in Denmark, Sweden and Finland. In the last two years, the survey was also carried out in Germany, and since 2014 in the UK. The scores have improved in all markets, and are considered strong in most of them, see diagram below.

Products and services are the main drivers of reputation in all markets – the public expects high quality, great taste and good value for money. Expectations are also high for ethical behavior and a positive effect in society. These areas are top three in four of the five markets, and of high importance for improvement in the consumers' eyes.

Compared to other companies, the biggest difference in Denmark is the consumer recognition that our top management is

committed to creating growth for Danish food production (e.g. new innovation centre, investing and creating more jobs), and that we engage in dialogue with key opinion leaders on agendas such as health and food waste. In Sweden, Arla is generally recognised as a trustworthy dairy manufacturer. In Germany and UK, the familiarity and awareness of Arla is still low, however consumers who know our brands are very positive about the company.

Active consumer contact

Millions of people buy and eat our products every day, and appreciate the cooking inspiration and recipes we offer, both in print and on digital platforms. In the case of complaints and comments, our consumer relations service answers them by telephone, e-mail, social media or letter. In our core markets, the consumer relations services received more than 100,000 enquiries in 2014. Furthermore, several consumers are engaged and want to share their views on topics like animal welfare, additives, packaging etc., which results in active social media channels.

ARLA AS SUPPLIER

TOP 3

In our core markets we are the largest, or one of the three largest dairy companies, producing both Arla branded and own label products, as well as ingredients for the food industry. Continuous dialogue with customers is important, and we take their views and requests very seriously. Many of them express their respect for us as a partner and supplier. Yet, in case of delivery difficulties, our rating decreases quickly because customers want to be sure to have our products.

DISCOVERING THE JOY OF COOKING

15

For the past 15 years, Arla Sweden has arranged the Arla Guldsko (Golden Cow) competition for customers such as food retailers, schools and commercial kitchens. The competition aims to highlight shining examples which can inspire others. We also sponsor national cooking competitions in Sweden and Finland.





“

Global partnership in the best interest of the dairy industry

CRITICISM SHOULD BE COUNTERED BY FACTS, EXPLAIN TWO OF ARLA'S RESEARCH MANAGERS.

Together with its industry peers, Arla was behind the inception of the Global Dairy Platform – a global collaboration to align and support the dairy industry pre-competitive agenda.

In the early 2000s, the dairy industry found itself in the firing line. Dairy farmers were held up as “climate villains” and the media drew attention to milk fat’s harmful effects on human health.

“We saw a need for an organisation that could respond to criticism with facts,” says Henrik J. Andersen, Senior Manager R&D at Arla Foods Ingredients. “We wanted to put nutritious milk back on the public agenda and create a global partnership in the best interest of the dairy industry.”

Eight years ago, Arla’s CEO Peder Tuborgh, along with the heads of Fonterra, Dairy Farmers of America and current FrieslandCampina, formed the Global Dairy Platform, GDP. The aim was to bring together facts and knowledge about milk production and dairy to promote a long-term sustainable dairy industry. The formation of GDP was a milestone for the dairy industry. Today, more than 25 commercial enterprises worldwide and at least 45 non-profit organisations are members. Arla’s CEO Peder Tuborgh has been Chairman for the last four years, 2011–2014.

“Our initial strategy was to highlight the issue of climate change and respond to the question of milk fat in a nuanced, fact-based way. We also wanted to talk about everything that’s good about milk, something that was previously a given, but which the industry seemed to have forgotten,” says Henrik J. Andersen.

By sharing knowledge and supporting independent research, GDP has been able to present results which, in various ways, impact the industry or decisions about it. Paul Cornillon is responsible for Arla’s Strategic Innovation Centre, ASIC, which heads up Arla’s research activities. He is enthusiastic about the positive effects of collaboration on scientific research and information about the results.

Paul Cornillon refers to the string of reports that GDP has published over the years. They illustrate, for example, the dairy industry’s unique ability to optimise raw materials in the production chain, milk protein’s valuable properties and highlight important links between diet and health.

“The research findings are, of course, valuable both to companies and national trade associations”, says Paul Cornillon.

The GDP partnership has also paved the way for other joint research and collaborative projects. One example is the Sustainable Agricultural Initiative, SAI, which is designed to promote sustainable agricultural practices.

Henrik J. Andersen believes that, in a relatively short time, GDP has gained international credibility and that its power lies in focusing on specific areas and in coordinating its strengths. “I never dreamt that we would get this far in such a short time. Through GDP’s collaborative approach we have realised that we can support each other, even though we’re competitors. We can create synergies that benefit both ourselves and the world around us.”

Read more at www.globaldairyplatform.com and www.saiplatform.org.



Henrik J. Andersen, Senior Manager R&D at Arla Foods Ingredients, has been involved with Global Dairy Platform since its inception.



Paul Cornillon, responsible for Arla’s Strategic Innovation Centre, ASIC, heads up Arla’s research and development.

We challenge and encourage our suppliers to support us in our commitment to abide by our Code of Conduct.

Raising the bar in sustainable sourcing



INCREASED NUMBER OF PREFERRED SUPPLIERS

We source goods and services across the world. Our ambition is for our suppliers to meet our code of conduct for suppliers, which governs ethical, social and environmental responsibilities. We encourage them to support us to meet our aim of procuring goods and services in a responsible manner.



IMPROVED SUPPLIER ASSURANCE

Benefits with preferred suppliers

The global procurement department has overall responsibility for procurement in Arla, except for the purchase of milk. The globally managed external spend represented around 72 per cent of our total spend in 2014, compared to 76 per cent in the previous year. This change is connected to newly merged companies, which are not yet fully aligned.

yet have full coverage. Ensuring the compliance of purchases from preferred suppliers is a key focus area across Arla, the aim being to reduce risk and complexity as well as releasing capital and decreasing costs. Read more on page 25.

The diagram below shows the external spend handled by Arla's global procurement department, distributed across product and service categories. Compared to 2013 there is an increase in ingredients, packaging and logistics. Our 10 largest suppliers account for 15 per cent (16 per cent in 2013) of our total external spend.

Improved sourcing process

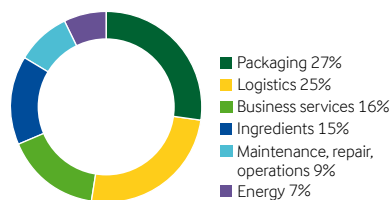
In late 2014, a new IT system supporting the sourcing process, contract management, supplier information and performance management was launched. In full operation, the system will be used globally for all sourcing activities conducted by the global procurement department. The system will enable us to work with harmonised processes, tools and KPIs supporting consistent execution of the sourcing processes. Furthermore, it will improve reliability, transparency and scalability since merged companies can adopt Arla's processes quickly.



TRAINING OF LEAD AUDITORS

Arla now has approximately 1,050 preferred suppliers (1,030 in 2013) that are approved by the global procurement department. Signed contracts govern the relationship between Arla and these suppliers and they are Arla's first choice suppliers. We are working to ensure all suppliers from recently merged companies are also covered by Arla documents, however, we don't

GLOBAL CONTRACTS



External spend distributed across product and service categories. In 2014, the following companies were our five largest suppliers in order of size of spend: Tetra Pak (packaging materials and processing and packaging machinery), PCL Transport (distribution), Elopak (packaging materials and machinery), Carat (media) and Logoplaste (packaging materials).



Holistic view on procurement

Our Total Cost of Ownership (TCO) process helps us to identify cost saving opportunities for the entire life cycle of products and services purchased. The aim is to achieve a greater degree of transparency, as well as improved purchasing terms with suppliers. TCO provides a holistic perspective that includes considerations in relation to environmental sustainability, ethics and social responsibility when selecting a supplier. For example, TCO has been used to optimise the use of corrugated packaging at 34 sites in Denmark and Sweden. A cross-functional group has collaborated to reduce both costs and greenhouse gas emissions.

Furthermore, we have strived towards FSC (Forest Stewardship Council) certified suppliers of corrugated board; a goal that soon will be reached. The FSC certificate means that the material is produced from responsibly forested timber. Liquid board packaging is another sourcing area where we aim for all of our liquid cartons to be made from responsibly forested timber. We are striving for either FSC certification or PEFC (Programme for the Endorsement of Forest Certification).

CERTIFIED COCOA

UTZ

All cocoa used by Arla and Cocio for branded products is UTZ certified.

Improved supplier audit setup

We carry out a number of audits every year, during which we visit suppliers and inspect relevant areas. During 2014, we revised the supplier audit setup including the development of a new code of practice and new auditing checklist and program. With this we want to ensure increased focus on social responsibility, environment, health and safety beside the fundamental food safety and quality demands. Moreover, lead auditors have been appointed and trained. Supplier audit focus areas for 2014 have been food safety certificates, allergen management, packaging suppliers' food safety and traceability management, as well as food safety management of agents' and distributors' supply chains.

In 2014, we conducted approximately 40 audits globally (40 audits in 2013), focusing on using our resources on suppliers who are new in Arla, or with whom we experience difficulties. In addition to this, we have held a number of meetings with suppliers, not registered as audits, which have had the same broad focus. >>>

CODE OF CONDUCT FOR SUPPLIERS

79%

We continue to work towards our target of 100 per cent of all preferred suppliers having signed our code of conduct for suppliers. Of all the preferred suppliers, a total of 79 per cent (85 per cent in 2013), in relation to spend, have signed the code. Actions are being taken to close the gap.

Supplier assurance improvements

In recent years, our key focus within supplier assurance has been on setting up and implementing processes and tools for suppliers of ingredients and packaging. Reviews of suppliers of other sourcing categories have primarily been made with regard to product quality and food safety, and to less extent with regard to social, ethical and environmental accountability. During 2014, we have started to review some of these sourcing categories primarily with regard to risk exposure and social, ethical and environmental accountability. The categories involving the highest risk have been prioritised and key risk areas for waste, transport and facility management have been defined.

Follow up on palm oil

Arla's requirements on the suppliers of palm oil have been sharpened during the year, and our global statement has been updated, available at www.arla.com. In 2014, 80 per cent of the total volume of palm oil purchased was certified segregated. The remaining volume was covered by Green Palm certificates. By the end of 2015, Arla will only use segregated certified palm oil based products fulfilling the additional demands.

RESPONSIBLE SOY

100%

All soy used at Arla farms is 100 per cent covered by RTRS certificates or Proterra certified. Read more on page 45.



Sourcing from a globalised marketplace



As we source milk from over 12,500 farmers across seven countries, we are a company with strong local roots. Our farmers contribute to local employment and overall both local and national economy. At the same time, we are one of the world's leading dairy companies, and we endeavour to buy everything – apart from milk – from as few global suppliers as possible. We need suppliers as business partners who can deliver large quantities, with consistent quality, to many locations, at the right time.

By purchasing larger volumes from fewer preferred suppliers, we achieve joint process improvements, standardised products and streamlined delivery routines. This also increases

our ability to take action if the selected suppliers prove unable to meet our expectations, for example, in terms of quality or social responsibility. Furthermore, our experience is that large-scale manufacturing is often better from an environmental perspective.

The main impact with major global procurement is the increased distance to the partners and their supply chain. The result is that we do relinquish some of the responsibility for our partners' sub-contractors and consequently some of the control of what happens further into the supply chain. However, we undertake meticulous evaluation of our partners and agree to clear contractual arrangements.

Our view about what is best for Arla globally can, for obvious reasons, be contrary to local interests. For example, it is quite natural that a facility might want to use local suppliers. They are close at hand and are often available at short notice. Not to use local suppliers could lead to businesses being closed down and jobs disappearing, which would have a negative impact on the local society. Nevertheless, we believe that for Arla as a whole, centralised procurement offers a better selection process and facilitates development. It delivers greater efficiency and product safety, and presents lower risks in general. It also makes better financial sense.





Confidence in products

Supplying safe products is Arla's top priority. And we strive to do even more – we aim to make it possible for consumers to make their own informed choice of products based on clear information and knowledge.

We meet consumer demand for safe dairy products.

Safe products are our top priority



GLOBAL FOOD SAFETY STANDARD

As a responsible food manufacturer we are dedicated to ensuring that eating and drinking our products does not cause illness or injury. We make every effort to ensure that our processes are safe, and that high quality standards are maintained, and continuously improved, throughout the entire supply chain, from the raw material to the finished product. In the event of an issue, we have full traceability of our raw materials, ingredients and end products.

Arla has developed methods for detecting contaminant substances in raw milk. Together with the dairy company, Fonterra, and Foss, an analytical solutions provider, we have developed an analysis method which tests whether the composition of the raw milk has been deliberately adulterated. The method, which is based on a “fingerprint” of pure milk, makes it possible to detect adulteration rapidly and with satisfactory sensitivity. The method is being tested commercially in Denmark, Sweden and China. The aim is that the method will be used in the dairy industry worldwide.



INGREDIENTS MANAGEMENT

Focus on safe products

Our consumers, quite rightly, set high standards for our products. Surveys show that consumers expect that our products are safe to eat and drink, but they also want them to taste good, be healthy, look attractive and be convenient to use. It is also important for consumers that raw materials have been produced in an ethical way, and that any complaints are taken seriously. A proper declaration of product content is a prerequisite for us as a responsible food producer. Recent “food scandals” in the industry have led to increased focus among consumers.

We are also constantly taking measures to avoid contamination. For example, last year we decided to phase out the use of all cleaning and disinfectant agents containing quaternary ammonium compounds at all our production sites. Zero tolerance for the use of quaternary ammonium compounds for all cleaning and disinfecting in relation to handling of milk and cows on farms has also been included in the quality programme Arlagården®’s requirements.

Global system for ingredient specifications

When Arla grows, it is crucial that the supply chain doesn’t become too complex. Therefore,



SUBCONTRACTING DEMANDS

PRODUCT RECALLS

	2010	2011	2012	2013	2014
Recalls	0	4	6	7	6

If we have to recall a product from consumers or stop a product that has been delivered to our customers, we have procedures in place to ensure that we can act immediately. Despite our efforts on quality and food safety routines, we have recalled products on six occasions during the year, as the products did not meet required standards.

Three of the recalls were caused by potential food safety risks (two due to failure in management of allergenic ingredients and one due to risk of foreign matter in product). Product quality deficiencies caused the remaining three recalls. All recalls involved minor volumes, each affecting only one domestic market. Aside from the recalls, we have made some withdrawals from customers’ stores and shops due to product or packaging issues.

Incidents like these always activate a thorough analysis of the causes and initiate actions so that the error we have made is corrected and the quality irregularity is not repeated.

we want to align and simplify specification management, possibly leading to a decrease in the number of ingredients. To support this, we have implemented a global system for ingredient specifications across business groups. Relevant training has taken place in Denmark, Sweden and the UK. Next training will take place in Germany. The goal is to establish more synergies across quality management, product development, sites and customer functions and to ensure that ingredients used by Arla stay 100 per cent compliant in relation to company, product and legal demands.

Towards one global food safety standard

During the last 10 years, we have experienced an increasing demand for documentation and certification within quality and food safety. Some sites have up to four certificates, e.g. ISO 9001, ISO22000, BRC and IFS. Since this leads to an expensive and time consuming process, we have decided to simplify site quality and food safety certifications. The purpose is to focus on fewer standards and thereby implement the requirements in a more efficient way. All sites must, as a minimum, hold one of the GFSI (Global Food Safety Initiative) recognised standards, see

FOOD SAFETY STANDARDS

GFSI

GFSI (Global Food Safety Initiative) recognised standards include FSSC 22000 (Food Safety System Certification), BRC (British Retailer Consortium), IFS (International Food Standard) and SQF (Safe Quality Food).

below. Our customers generally accept GFSI recognised standards, although they do not necessarily accept the same. Some sites might therefore still have two or three certificates depending on customer requirements, at least in the short term. The change in certifications is to be implemented during 2015.

High demands on subcontractors

As Arla grows, the number of subcontractors for production and packaging also increases. For example, some of the production of Arla branded Havarti® cheese is handled by a dairy company in Russia. Furthermore, processed cheese slices are produced in Austria for the Finnish and Middle East markets. We need to ensure that subcontractors follow the same high quality and food safety standards as Arla sites. During 2014, a global process for subcontracting has been established to ensure that the decision to subcontract is approved and signed by both supply chain and category senior management. The process ensures Arla's requirements: a signed contract package, specification and relevant documentation, operational processes, etc. >>

FOOD SAFETY CERTIFICATION

100%

of our sites have a certified or approved Hazard Analysis & Critical Control Points (HACCP) system (e.g. ISO 22000, FSSC 22000, BRC, IFS, SQF).

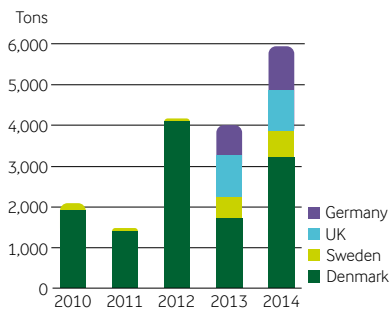


GOOD ANTIBIOTIC MANAGEMENT

Arla takes seriously the management of the treatment of ill cows and the presence of antibiotics in raw milk. We have continued with our information campaigns and our advisory service in order to improve the management of medicine.

As a part of the new payment model, an Arla strategy for antibiotics has been approved. The purpose is to align control procedures across member countries and to avoid taking milk with antibiotics into the production chain, as well as supporting management procedures that minimise the risk of developing antibiotic resistant bacteria at the farm. The strategy includes all steps in the supply chain, from the management of ill animals and antibiotic use at the farm to the release of the milk for production at the dairies, as well as sanctions for farmers' milk testing positive. The strategy will be implemented in all member countries beginning of 2015 and forward. However, control on tanker level has already been initiated.

When sick animals are treated with antibiotics, milk from the cow is discarded at the farm during the period of treatment and for a period of time afterwards. If milk with antibiotics is delivered to the dairy by accident, it is discarded. The diagram shows the volume of discarded milk at our dairies in Denmark and Sweden, and since 2013 also including the UK and Germany.



In 2014, the volume of discarded milk has increased mainly in Denmark, but also in Germany and Sweden. The volume discarded per incident varied significantly according to the size of the silo or tanker in which the milk was contained. The number of occasions has increased in Denmark and Germany, and decreased in Sweden and the UK.





Global expansion puts product development at a test

It is easy to say that Arla is expanding its business to more countries outside the EU. But what does it really mean to start shipping products say from Denmark to people in Nigeria or Russia? From Germany to the Chinese market? From the UK to the Middle East?

As we expand globally, we are faced with multiple consumer habits and preferences. On top of that, infrastructure and distribution bring challenges such as long distribution periods, unreliable access to a cold chain, or exposure to hotter-than-usual ambient temperatures.

Consequently, Arla's global expansion presents new dilemmas. Since Arla's focus is to produce healthy and natural dairy products in a responsible way, is it then acceptable to include a non-dairy-yet-still-natural additive to achieve a more competitive price? Can we supply a product that is healthier than the current best alternative? Should we influence consumers' perceptions about what is natural and healthy?

These questions are examples of challenges we have faced when doing business in growth regions. In response, we have tried different approaches in our attempt to supply a

cost-effective product that can fit the health requirements in the target market. Regardless of the path taken, we have applied three key criteria: never compromise with food safety, always have a positive overall impact in the target market, and always be a long-term business opportunity for Arla.

Nevertheless, in order to remain competitive in these growth markets, we often need to develop new approaches. To reduce the challenge, we continuously invest in research and innovation initiatives. An example is the study that led to using protecting cultures to increase the shelf life of our Apetina® cubes for export to new markets, from four to nine months.

Other initiatives from which we hope to achieve further successes include the establishment of the China-Denmark Milk Technology Cooperation Centre in Beijing, developed in cooperation with strategic partner Mengniu, as well as the building of a state-of-the-art Global Innovation Centre for product development in Aarhus, Denmark. We look forward to being able to develop more healthy, natural and affordable products that we can bring into our growth markets, thus reducing the pressure to compromise.

We meet consumer demands for healthy products and nutritional information about products.

We make it easier to live healthy



ONE GLOBAL HEALTH STRATEGY

We are committed to meeting consumer demand for healthy products and reliable nutritional information. We inform our consumers about the contents of all our products so they can choose those that best suit their tastes and fulfil their needs. Through research, we aim to increase our understanding of the role of dairy products in a balanced diet.

Inspire good food habits. We believe that good food habits and knowing how to cook are a very good base for a healthy life.
Accommodate specific needs. We want to further develop products for people with specific needs (e.g. overweight, malnutrition and digestive issues).

The strategy is now being implemented. A key activity is the launch of the Nutrition & Health Intelligence Program that was created in Arla's global research and development unit, Arla Strategic Innovation Centre (ASIC), where we are investigating tailor-made products to tackle malnutrition and overweight, as well as products that aim to reduce the risk of diabetes and infectious diseases. We also have a project focusing on the development of healthy and affordable products for the growing middle class in a number of African countries.



BREAKFAST INSPIRATION

New health strategy in place

Arla has launched a global health strategy that builds on our responsibility to promote and offer healthy milk-based affordable and accessible products to people around the world. The strategy focuses on four areas with the aim to improve health for our consumers:

Stimulate healthy diets. We believe dairy is an important part of a healthy and balanced diet for everyone (across geographies, age and gender) and we strive to make our products even more healthy by increasing nutritional value and managing the salt, sugar and fat content.

Simplify the choice. We continue to be completely transparent about what our products contain, making it easier for consumers to make healthy and natural choices.

Focus on good food habits

We believe that a healthy life starts with a good wholesome breakfast. In modern life this is too often skipped or replaced by unhealthy alternatives. Therefore, in many countries we have made it a part of our health strategy to promote good breakfasts. In Sweden, we launched a breakfast



NEW EU LABELLING INTRODUCED

NUMBER OF LACTOSE-FREE PRODUCTS

	2010	2011	2012	2013	2014
Finland	31	30	37	46	68
Sweden	19	32	32	35	43
UK	9	11	11	13	12
Denmark	1	3	3	8	11
Germany	-	2	5	5	5
Netherlands	-	-	-	4	4

In addition, most yellow cheeses are practically lactose-free.

INCREASED INTEREST

34

Consumer interest for lactose-free products continues to grow. In Finland and Sweden, which are our largest markets for lactose-free, we have launched 34 new lactose-free products during the year, not counting new yellow cheeses.



campaign including many different media channels as well as a breakfast cookbook and handouts of complementary breakfast eatables. At the Arla Foundation food camps in Denmark, we help teenagers get the skills and inspiration to love good food. Read more on page 61.

Development of healthier products

A lot of new and healthier products in different categories have been launched during the year, for example, cheeses and spreadables with reduced salt content and yoghurts with less sugar. In our markets, different ingredients are in focus in connection to health, but in general there has been a focus on reducing energy content, sugar, salt and fat. Arla investigates the possibility of using alternatives to sugar replacements with the aim to lower calories. In several markets, such as Finland and the Netherlands, high protein breakfast and snack products have been launched. In Denmark and Sweden, we have launched skyr and quark based drinks, high in protein and with no added sugar.

New EU labelling regulation

In December, a new EU labelling regulation came into force with the objective of harmonising

existing labelling, e.g. salt content and type of vegetable fat. Keeping consumers well informed is a key priority for Arla. We have made the changes according to the new regulation for all of our products, and thereby improved the information given to consumers.

We are still awaiting a decision on mandatory country of origin, which may come in to force in 2015 and require additional labelling changes. We support country of origin labelling when the information adds value for the consumer. However, we do not support mandatory labelling as this will hinder the free movement of milk, which in turn will decrease efficiency and increase cost. Our opinion is that the priority should be traceability, not origin.

Questioned health impact

During the autumn, results were published from a Swedish study suggesting a possible link between high consumption of fresh milk and negative health impact. These results gave rise to media attention in many countries mainly due to the contradiction with the current pool of evidence. We continue to carefully follow new research in this field.

INTERNATIONAL COOPERATION

ILSI & GAIN

Arla is an active member of international organisations like ILSI (International Life Science Institute), a worldwide foundation that seeks to improve the wellbeing of the general public through the advancement of science. Arla Foods Ingredients is a member of GAIN Nordic Partnership which is a Nordic unit of the Global Alliance for Improved Nutrition with the mission to reduce malnutrition of population at risk.

REDUCTION OF SALT

31%

In the UK, we have cut the salt in our plain soft cheese by 31 per cent, since 2010, to work towards the targets from the UK Food Standard Agency (FSA).

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Responsibility
to influence
our
consumers’
health

ARLA'S NEW HEALTH STRATEGY WILL
INSPIRE PEOPLE TO EAT WELL, BUT ALSO
TO ADOPT A HEALTHY LIFESTYLE.

Health is an important word for Arla. To clarify what health means for Arla, the company presented a global health strategy in autumn 2014.

Over the past two years, Arla has reformulated both its vision and its corporate identity to emphasise how important 'health' is to Arla. Along with 'natural', 'health' is a keyword in Arla's vision, 'to create the future of dairy and bring health and inspiration to the world, naturally', and is one of the four key principles in the company's identity.

"Our health strategy is based on the philosophy that health is not just about what you eat, but also about a healthy lifestyle", says Randi Riisager Wahlsten, responsible for coordinating the development of the health strategy. "We want to give people a sensible relationship with healthy food, in which they can treat themselves sometimes."

The new strategy has a holistic approach to health that can be applied to different markets and consumer requirements. Randi Riisager Wahlsten continues: "In broad terms, the strategy is about helping people to live healthy lives by making it easier to choose good products, inspiring good food habits as well as making good dairy products perfect for people's needs more accessible and affordable around the world."

"I think it's great that we now have a shared perspective on how we work with health in Arla. As a global company, we have a responsibility to influence our consumers' health for the better. Think about how many millions of people's lives we are a part of every day. That is both an obligation and an opportunity."

The implementation of the new strategy has begun and will mean changes in many areas – from research into new products to the next generation of declarations of contents and how Arla works with marketing and information. The work on health, which has been undertaken at a national level until now, will be more closely coordinated so that more people can benefit from the initiatives and also to clarify the position Arla wants to take in the health field.

Arla's health strategy will be used throughout the world and has to be relevant and valid regardless of the ongoing public debate about what is healthy or not. "This differs, of course, from time to time and from country to country, so we will work with the official dietary guidelines in each market. These guidelines actually don't vary too much as they are often based on the same pool of global science."

When Arla enters new markets in developing countries, there is often a different perception of what is healthy. For example, some consumers perceive sugar as a positive ingredient that keeps kids alert in school, while others see it as empty calories only. In cases like these, Arla's strategy is to adapt to markets in terms of taste and price, while still being the company that offers the most healthy and natural products.



Randi Riisager Wahlsten was responsible for efforts to develop Arla's new health strategy and is now Senior Director, Global Growth Platforms.





Care for the environment and animal welfare

From international climate summits to renewable energy and healthy cows. At Arla we address a wide range of environmental and agricultural issues. And our goal is always the same – to work consistently towards reducing our environmental and climate impact, and maintaining high animal welfare standards.

We continually improve our environmental performance by applying sound and sustainable principles – from cow to consumer.

We continue to reduce our climate impact



CLIMATE IMPACT PROGRESS

Food production and the transportation of products invariably affect the environment by emitting substances into the air, the fields and the water. Therefore our ambition is to minimise such emissions and continually reduce our environmental impact within the entire supply chain in order to contribute to sustainable development.

2005 levels, despite increased production. The section of the strategy focusing on the farm is described on pages 44 and 47.

A core dilemma we are facing is the centralisation of production resulting in high savings of energy and greenhouse gas emissions, while the environmental impact of more transportation has to be considered. Read more on page 13.



MAPPING OF ENERGY CONSUMPTION

Environmental strategy 2020 development

Arla has developed a roadmap to assess and map all the methods by which the business can reach its environmental strategy targets – a 25 per cent reduction of greenhouse gas emissions in operations, by 2020, from a 2005 baseline. A roadmap for our operations has been completed, and our logistics and packaging roadmaps are being finalised. These latter areas are more difficult and highlight the challenges that a growing business faces with expanding delivery networks and new packaging formats. However, finalising the roadmaps has also shown that our targets, while challenging, are achievable – given focus, innovation and the appropriate investments. To date, Arla’s total climate impact has decreased by 12 per cent, compared to the

Energy and water use

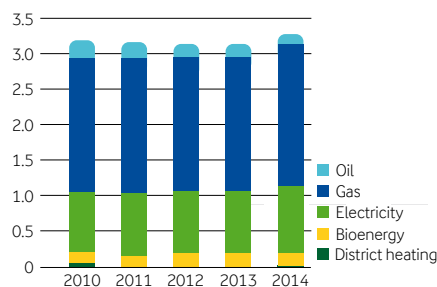
Arla’s environmental strategy includes efficiency targets of three per cent annual reduction in water and energy consumption up to 2020. By then, half of our energy consumption must originate from renewable energy sources. The sites in Götene, Linköping and Vimmerby, Sweden, now use over 90 per cent renewable sources for heating and the Swedish site in Visby approximately 60 per cent. The new dairy in Aylesbury, outside London, is built with optimum energy efficiency which will contribute to achieving our strategy. Read more about Aylesbury on page 43.

Detailed analyses of the energy use have been carried out at all plants in Denmark and Sweden, and have been initiated in the UK and



FOCUS ON WASTE

ENERGY CONSUMPTION, TWh



The diagram includes all Arla facilities at the end of 2014. Previous years’ data has been updated. During 2014, the energy consumption increased by approximately 4 per cent. This is an effect of a 6 per cent increase in production and an increased share of cheese and milk powder production.



at some plants in Germany and the Netherlands. We now have a complete overview of energy consumption for these plants and a specific energy optimisation plan for each one. An optimisation project, which has already been carried out at Rødkærsbro's mozzarella dairy in Denmark, has significantly reduced the consumption of natural gas.

We are also working systematically to reduce water consumption. For example, Holstebro Flødeost (cream cheese), Denmark, has succeeded in reducing its water consumption by 44 per cent since 2009, mainly by optimising cleaning processes. Over the same period, energy consumption has been reduced by 16 per cent.

The total energy and water consumption in Arla shows a limited increase during 2014, although lower than the increase in production.

Transport improvements

Optimising transportation and minimising fuel consumption are still areas where we can make improvements. Careful route planning, driver training and follow-up of fuel-efficient driving in vehicles have contributed to further

improvements. We also test and evaluate fuel options available in different markets.

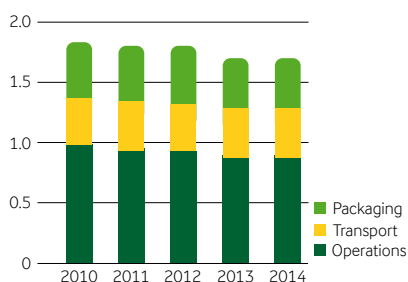
In the UK, we are exploring the use of low carbon fuels, such as Liquefied Bio-Methane (LBM) and Liquefied Natural Gas (LNG), to run our delivery and collection vehicles. The number of British dual-fuel tractors has increased to 23, from last year's eleven. In Sweden, a switch to biodiesel (rapeseed methyl ester, RME) for tanker transport is being carried out. When the transition is completed in the first half of 2015, we will have reduced greenhouse gas emissions by 44 per cent and replaced about 80 per cent of the standard diesel. All diesel cannot be replaced with biodiesel because it cannot be used in very cold weather.

Packaging in focus

We strive to maximise the use of renewable raw materials in our packaging. One of our initiatives is the switch from fossil to renewable plastic in caps for milk cartons in Sweden. Brazilian sugarcane is used to produce ethanol, which, in turn, is processed into polyethylene (PE) that can be recycled together with common PE made from fossil raw material. With the new caps, 84 per cent of the packaging is renewable, an increase of 4.5 per cent. Packaging of liquid cardboard >>



CLIMATE IMPACT, MILLION TONS OF CO₂-e



Arla's goal is to reduce greenhouse gas emissions from operations, transportation and packaging by 25 per cent by 2020, compared to the 2005 levels. Since 2005, Arla's total climate impact has decreased by 12 per cent, despite increased production. In 2015, further focus will be placed on reaching the 2020 goals. The greatest challenges to achieving the climate goal lie within transportation.



and secondary packaging largely comprises paper and corrugated board with wood as raw material.

In the UK, we have made great progress by reducing the amount of plastic in our packaging as well as increasing the use of recycled plastic. The light weight Eco bottles that were introduced last year, will be introduced at all our UK production sites during 2015.

Less waste from food and packaging

Another goal within our environmental strategy is the significant reduction of food and packaging waste. We are constantly looking for ways to reduce food waste from our production. An example of progress is Arla Foods Ingredients' newly developed technology which will convert acid whey from quark and Greek yoghurt production into ingredients for regular food products, e.g. cream cheese or milk drink. Before, acid whey was usually dumped in land farming or used as feedstock.

Reducing consumer food waste is another topic with many different ongoing activities. For example, in the Netherlands, we have introduced a new drinking carton with a special shape that makes it much easier to fold and empty. In the UK, we are members of the Courtauld 3 Voluntary Agreement. This is a waste reduction programme that aims to reduce consumer food waste. Furthermore, Arla participates in the EU-project FUSIONS – reducing food waste through social innovation, which, among other things, offers us a network to share innovative approaches to inspire consumers to waste less food. Read more about food waste on next page.

Recycling of packaging materials works differently in different markets, where Sweden is at the forefront. In several countries, Arla is engaged in development projects with the aim of facilitating

recycling. In Denmark, Arla has participated in projects together with the City of Copenhagen focusing on recycling milk cartons and plastic.

Breaches on environmental legislation

The notice concerning an environmental breach at Skövde dairy, Sweden, due to high production volumes has been withdrawn.

Proactive environmental work

In connection to increasing the production at Danish Arinco and Denmark Protein, we met with local NGOs to listen to their opinions and suggestions for improvement. One of these was to buy and close a fish farm with a major impact on the environment in the creek Holtum å. This would enable us to increase the outlet from the waste water treatment plant without increasing environmental impact. We followed the advice and made a nature rehabilitation in the area, which we expect to have a positive effect for the fish and plants in the creek.

IMPROVED WASTE DIVERTING

82%

Our plant in Concord, Canada, has reduced waste going to landfill by 82 per cent, by diverting organic waste, cardboard, plastics, wooden skids and metal.



Is people's
waste of
food our
responsibility?



Food waste is a big issue. The amount of food that goes to waste in the Western world is said to be as much as 30 per cent. Being a major dairy company, Arla's main objective may well be to market as much dairy produce as possible to increase the value of our owners' milk, however, we care if people throw our products away unfinished.

Our respect for milk means that we want it to be used as good food, ensuring that all resources and efforts that have been used producing it are appropriate and efficient. Arla's environmental strategy 2020 includes the ambition to reduce food waste both from our production units and from final dairy products in home kitchens by 50 per cent, compared with 2008 levels.

To support our ambition, we promote better planning of food purchases and making full use of products for consumers: e.g. online tips and tricks for using leftovers, weekly dinner plans, climate friendly recipes as well as finding the right packaging in terms of portion size and its ability to be completely emptied by consumer. We choose to believe that we can positively impact people's way of handling their eatables.

However, we understand that we can't do this on our own. We need to cooperate with others and look at the food supply chain starting in our production process to the customers and the consumers. In Denmark, for example, we are running a joint project with a retailer group, a supplier and a fund for increased resource

efficiency. Our purpose is to identify waste food from manufacturers to stores and consumers. In the Netherlands, we are introducing extended shelf life (ESL) milk, prolonging the milk's durability. In the UK, we participate in different waste reduction programmes, for the grocery business and their suppliers as well as for our colleagues. Another way we handle dairy products near the end of their shelf life that cannot be sold to retailers, is to donate them to charity.

We will continue our pursuit to decrease consumer food waste and we feel that we can influence behaviours with our approach. We welcome more partners in our efforts, as reducing food waste would be a victory, not only for us, but for society in general.



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Next generation fresh milk processing

BY CONSTANTLY MAKING IMPROVEMENTS, THE NEW UK DAIRY IS SETTING NEW ENVIRONMENTAL STANDARDS.

Aylesbury dairy in the UK officially opened in May 2014. With the potential to produce 1.5 million bottles a day, the dairy is set to become not only the largest, but also the most efficient facility of its kind when operating at full capacity.

Aylesbury is setting new environmental standards on a global scale on its journey to achieve “zero carbon”. It has already achieved zero waste to landfill and will utilise cutting edge renewable energy in future developments. “The size and scale here reinforces Arla’s leadership in the dairy industry and we have drawn a line in the sand when it comes to next generation fresh milk processing,” says site director Jo Taylor, “Aylesbury has taken advantage of previously untapped technologies and this gives Arla a significant advantage in terms of being more efficient in converting raw milk into the finished product.”

The site has its own on-site blow moulding facility, producing lightweight bottles which are 25 per cent lighter than a standard milk bottle and using recycled material. The ambition is to increase the use of recycled material to 50 per cent.

The amount of water needed across the site has been reduced by utilising water recovery and rain water harvesting. Milk-contaminated water is being turned into useful energy via an anaerobic digestion plant which can handle up to 500,000 litres of waste a day, as Jo Taylor explains: “The dairy waste is broken down by bacteria into solid waste and biogas which has the added benefit of saving on waste disposal costs. The nutrient rich solid waste can be spread straight on to farmland which has helped the facility reach its goal of zero waste to landfill.”

The design and layout itself reduces greenhouse gas emissions by 60 per cent before adding any renewable energy sources or further operational efficiencies. The first step was to make milk processing as efficient as possible, including simple things such as ensuring the vast refrigerated milk storage is faced north to minimise solar gain, locating each process as close as possible to neighbouring processes to minimise pipework runs and sited next to those at similar temperatures to avoid the need to make big changes to process water temperatures.

The dairy’s ambitions are not just about the building. As Jo Taylor points out, the site has an extensive ecological management plan in place which looks after local wildlife and a significant training and apprentice programme.

“During our recruitment we sought employees with the same values and aspirations for the future as Arla. We also wanted to develop the competencies of all our colleagues to ensure we operate our site as efficiently as possible. We are developing technical skills through a dairy food manufacturing excellence programme to enable each of us to do our best, not just by making a one-off improvement, but by making improvements every day. We have not achieved all our goals yet, but we are working hard towards them every day.”



Jo Taylor is site director at Arla's new dairy in Aylesbury, outside London, in the UK.

We support sustainable agriculture.

Towards increasingly sustainable dairy farming



SUSTAINABLE DAIRY FARMING STRATEGY LAUNCHED

We want to ensure that farms supplying milk to Arla operate in a way that shows respect for milk quality, animal welfare and the environment. Therefore our milk suppliers must adhere to our high standards when it comes to dairy farm management, animal welfare and feed quality, as well as to our collective goal to reduce greenhouse gas emissions.



ARLAGÅRDEN® IN MORE COUNTRIES

New strategy for sustainable dairy farming
In January 2014, Arla's strategy for sustainable dairy farming was launched as an important part of our environmental strategy that now covers the whole value chain from farm to consumer. The sustainable dairy farming strategy includes both voluntary and mandatory parts in four key areas: animals, resources, nature and climate. The climate goal is to reduce the carbon footprint across all Arla farms by 30 per cent before 2020, compared to 1990 levels. Read more about the development process and the content of the strategy on page 47.



FOCUS ON ANIMAL WELFARE

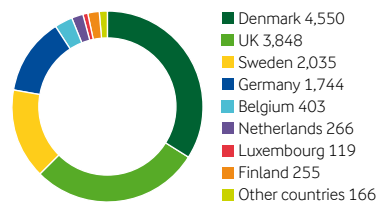
Successful implementation of Arlagården®
During 2014, our quality programme Arlagården® was implemented in Germany, Belgium and

Luxembourg. More than 1,600 farms (40 per cent) have been audited by independent inspectors. Following the merger with EGM Walhorn, the new farmer owners in Belgium, Germany and the Netherlands, will be integrated in the ongoing auditing process. In order to obtain accreditation in accordance with Arlagården®, the farmer owner must prove that any non-conformances will be corrected within a set period of time.

We plan to launch Arlagården® in the UK during the autumn of 2015. However, our UK farmer owners will also continue to adhere to the Red Tractor Farm Assurance Dairy Scheme, since it is the UK industry standard. We will strive to avoid double work for the farmers without compromising the requirements from each standard.

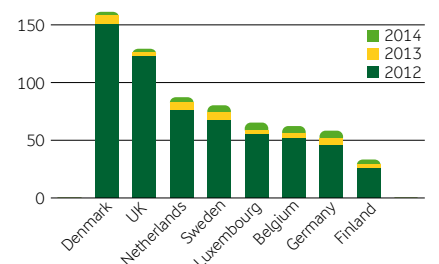
Animal welfare on the agenda
An important part of Arlagården® covers animal welfare, since we want to ensure that cows and young stock are properly raised by being kept clean, healthy and fed in relation to their different needs. To more clearly communicate our view, we are preparing a global position paper and stand concerning animal welfare, which clearly puts this in focus.

MILK DELIVERED TO ARLA DAIRIES, MILLION KILOS



About 12,500 Arla farms deliver milk to Arla in Denmark, UK, Sweden, Germany, Belgium, the Netherlands and Luxembourg, accounting for 88 per cent of Arla's total volume. Arla's total raw milk intake amounted to 13,385 million kilos.

NUMBER OF COWS PER FARM



The number of cows per farm is an average which includes all dairy farmers in each country. Source: National trade associations.

Responsible soy

In January 2012, Arla brought forward the transition to responsible soy in view of the negative impact that soy bean farming could have on humans and the environment in South America. The goal is to ensure that all soy used as animal feed for cows at Arla dairy farms is grown according to the principles and criteria defined by the Round Table on Responsible Soy Association (RTRS) by 2015.

During 2014, Arla became the biggest purchaser of RTRS certificates for soy in the world. All soy used at all Arla farms is now covered with certificates or Proterra certified. Furthermore, Arla has joined a European Task Force aiming to create increased attention for the soy challenge. We also participate in various research and development projects aiming at providing alternatives to soy in dairy cows diet.

Improved milk quality

Arla is working long-term to improve the quality of milk at our owner farms. If the bacterial count is high, this can create problems at the dairies. We offer advice to farmers who experience difficulties in providing milk of sufficient quality. In Denmark

and Sweden, we are running a proactive project to reduce the amount of heat-tolerant (thermo-resistant) bacteria. Annual milk screenings and subsequent advice to farmer owners with particularly high levels of heat-tolerant bacteria have resulted in significant reductions of bacterial counts.

Organic milk

Arla is the world's largest supplier of organic milk products. During 2014, the volume of organic milk increased by 3.2 per cent. In Denmark, organic milk accounts for 7.9 per cent of all milk delivered to Arla, in Sweden 14.1 per cent. In the UK, Germany, Belgium and the Netherlands the share is between 1.5 and 7.8 per cent. All organic milk in the EU has to comply with EU standards for organic milk, although many countries have stronger demands legally or through labelling schemes.

Most organic milk in Europe is used for fresh dairy products. Arla exports organic milk powder to China, where it is mainly used in baby formula.

FARM AUDITS

40%

More than 1,600 farms (40 per cent) in Germany, Belgium and Luxembourg have been audited for Arlagården® by independent inspectors. In Denmark and Sweden all farms are audited as a minimum once in every three year period.

SUSTAINABLE DAIRY FARMING PROGRESS

	Carbon assessments	Energy assessments	Farm workshops
UK 2010–2013	870	–	200
UK 2014	233	–	65
Sweden 2013	250	50	40
Sweden 2014	150	100	0
Denmark 2013	426	–	39
Denmark 2014	210	–	0
Germany 2014	4	–	0
Total	2,143	150	344

The table shows the number of activities carried out following the sustainable dairy farming strategy.



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Benefits both
the farmer's
economy and
the environment

ARLA'S HANNE BANG BLIGAARD DESCRIBES
THE EXPERIENCE OF WORKING WITH THE NEW
STRATEGY FOR SUSTAINABLE DAIRY FARMING.



Knowledge sharing and cooperation are what count when Arla farmers seek to make dairy farming even more sustainable.

Since 2011, when Arla presented its environmental strategy 2020, efforts to develop a strategy for sustainable dairy farming have been ongoing. The aim is to incorporate the entire value chain from farm to fork.

The strategy is now in place covering four focus areas: animals, resources, nature and climate. Targets on animal welfare are mandatory for all Arla farmers while the remaining targets are to be achieved by voluntary activities. As participation is voluntary, the efforts need to be beneficial for the farmer. Arla believes that where there are benefits, farmer engagement will be higher.

“In developing our approach, we have seen the strength of being a cooperative”, says Hanne Bang Bligaard at Arla, who is responsible for the development and global implementation of Arla’s sustainable dairy farming strategy. “We have collaborated and discussed with the dairy farmers, who are also our owners, and together we have come up with the activities that have been incorporated into the strategy.”

As soon as the strategy began to evolve, the climate goal was clear – to reduce total greenhouse gas emissions per kg of milk from the farms by 30 per cent by 2020 from 1990 levels. To accomplish this, Arla offers free carbon assessments providing information on how farm emissions can be reduced.

“The carbon assessment can be extremely helpful in demonstrating how the farm can utilise its resources better, such as saving on feed, fuel and energy, which benefits both the farmer’s economy and the environment. A win-win situation. No question!”

Hanne Bang Bligaard makes no secret of the fact that there are some farmers who are questioning Arla wanting to influence how they manage their farms, but she says that, so far, most of those who have tried the carbon assessments and other activities have been positive due to the clear and defined benefits identified.

Implementation of the strategy is now underway in all countries where Arla has owners, but the type of activities carried out depends on the individual country. In the UK, for example, climate checks are already well advanced, while the first analyses in Germany were carried out in the autumn of 2014. See table on page 45.

During 2014 and 2015 more than 180 workshops will be held in the UK in a campaign named “Growing Together”. In Sweden, Arla farmers will engage in a biodiversity project in collaboration with regional authorities.

“We can learn from each other and share experiences between countries. The strategy also provides farmers an opportunity to exchange experiences with each other, which has proved valuable and appreciated.”



Hanne Bang Bligaard is responsible for the development and global implementation of Arla’s strategy for sustainable dairy farming.





Respectful relations

Arla has relationships with people, organisations, communities and countries. No matter what the relationship is, we are committed to maintaining mutual respect.

We have competent and committed employees, and provide safe and healthy working conditions.

Together for a more global company



HIGH COLLEAGUE ENGAGEMENT

Arla has 19,200 colleagues of 81 nationalities in 31 countries throughout the world. We strive to continually improve our work environment and organisation. We also work to strengthen our culture by encouraging people to take the lead in their function, sense new opportunities by collaboration and create better solutions for the future. If all colleagues enjoy good working conditions, and are committed to their work, together we can do the best job possible.

lowest scores are related to bureaucracy, stress, open communication and talent management, which we will continue to focus on.

Safe working environments

We want our colleagues to be healthy and engaged at work and have a working environment that is free from accidents and work-related illnesses. Health and safety are as important for our workplace as food safety is for our products. We are working to reduce accidents and illnesses related to physical and psychological risks. Since the root cause of nine out of ten accidents is related to human behaviour, we are focusing on increasing colleague engagement in safety related activities. Promoting work safety is a vital part of our Lean optimisation programmes, and accidents and near misses are evaluated as part of our overall business performance.



SAFE WORKING CONDITIONS

Barometer engagement survey

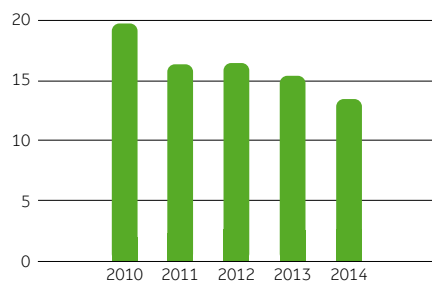
The annual engagement survey, Barometer, was conducted in October and sent to 17,200 colleagues in 27 countries and in 14 different languages. The response rate was 88.2 per cent. Arla keeps outperforming the top 10 per cent of the benchmark group. Results improved year-on-year. We have an agile organisation and colleagues are highly engaged and aligned towards the strategy, but would like to be more involved in changes. To ensure that all of Arla is ready to handle future challenges and growth, it is worth considering how colleagues can become more involved in changes. The overall results show variations between organisational units. The

This year we initiated different initiatives to stop harassment and bullying. For example, we are developing a policy and a set of guidelines on how to act as manager and colleague when experiencing something that is thought to be unacceptable. In 2015, implementation will start across the organisation.



TRAINING AT ALL LEVELS

ACCIDENTS AT WORK



Number of workplace accidents involving more than one day's absence per million working hours.

The total number of accidents has decreased by almost a third since 2010, and by 12 per cent during 2014. The result varies from country to country, and from site to site. In 2014, a number of sites have reached the zero target, for example Hoco in Denmark, while others have much higher numbers, especially sites with lots of manual handling.

Our British organisation showed impressive development, as the accident frequency has decreased by 60 per cent since 2010, with 24 per cent alone during 2014.

Engagement and focus from colleagues and leaders, together with a wide spectrum of initiatives such as Behavior Based Safety, are the drivers behind the positive development.



As Arla grows globally, travel safety for our colleagues has become an increasingly important issue. Arla colleagues visit more than 1,000 different cities every year, including some in politically and economically unstable regions. During 2014, we decided to improve safety information given to colleagues travelling. We want a tool that, in cases of emergency, gives us instant geographical overview of which travelers we have in the area, as well as the possibility to contact them when needed. This will be implemented early 2015.

Preparing for an even more global workplace

Arla's goal is to be the employer of choice among potential candidates in order to recruit and retain the best talent. To strengthen our image as an employer, we want to communicate that in Arla you make a difference not just for yourself, but for consumers and colleagues all around the world. Our new global employer brand is based on this as well as a higher demand for diversity.

Training at all levels

Following the last years' mergers with companies in central Europe, leadership training has been part of the integration process. It is important

that all leaders in Arla know our history and share our vision of the future. Additionally, we stress the importance of leaders' behaviour to support the company's core values and practices. Arla's approach to leadership training has been well received by the participating leaders.

In order to strengthen our leadership pipeline we developed Arla's Talent Acceleration Programme. This is designed for leaders who have been identified as having potential to be successful at a more senior level within the organisation. Of the 33 leaders that started in the 2013 programme, more than half were promoted during or after the programme.

All leaders have the opportunity to participate in the ALP (Arla Leadership Programme), which targets all levels from senior managers to 1st line leaders and specialist leading functions. ALP has been running for five years with the aim of reinforcing the connection between the company's ambitious growth strategy and managers' individual areas of responsibility. In 2014, 241 leaders have participated in the different programmes, raising the total to almost 1,000 since the ALP started. >>

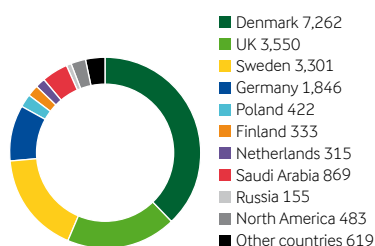


LEADERSHIP TRAINING

241

colleagues participated in one of the Arla Leadership Programmes (ALP) in 2014.

COLLEAGUES PER COUNTRY



Arla's average of full time employees was 19,155, a decrease of 2.2 per cent from 2013.





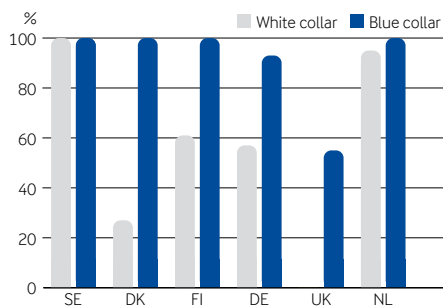
Training for the dairy industry

Arla drives and actively participates in the development of dairy education programmes in our core markets. In Denmark and Sweden we have around 80 dairy technologist students per year, in the UK, 24 dairy and engineering technicians, and in Germany we take on many apprentices. In the UK, the dairy industry has received grants from the government and industry to develop educational and training opportunities, resulting in a further 500 or so Arla colleagues receiving operator training. Every year we also support 3–5 Masters in Dairy Science and Technology international students at the University of Copenhagen.

Collective or individual bargaining in core markets

As an employer, Arla respects the right of colleagues to form and join trade unions and to engage in collective bargaining. We endeavour to treat all colleagues consistently, but when it comes to collective bargaining there are substantial differences between the countries in which we operate. See diagram below.

COLLECTIVE BARGAINING





Equal work environments for all colleagues?

Is there a prayer room or a gym? Do colleagues work alone or as part of a team? Are people dressed for the office or for the dairy? Arla's workplaces are different. At the same time, we say that all colleagues should be treated equally – fairly and with respect – regardless of where in the world they are employed. Is this really possible? We have approximately 19,200 colleagues of 81 different nationalities in 31 countries. Although we share a common goal, we cannot ignore the fact that cultural, religious, geographical and country-specific differences affect life at the place of work.

We have colleagues who work varying shift patterns and some who travel long distances often. Some are monthly paid while others are paid by the hour. Varying local legislation, regulations and agreements also shape our activities. For example, in Sweden, the law states that colleagues are entitled to 14 months' parental leave. In Saudi Arabia, there must be a separate entrance and a separate workspace for female colleagues. In some countries, trade unions are banned, while they are important at the workplace in many others. These are just some examples.

Arla has many governing policies that clearly set out our values and principles. When we enter new markets, we evaluate whether our values can be upheld. That all colleagues should be treated with respect and offered a safe workplace is a basic requirement, but this can be interpreted differently depending on where we are. In Russia, managers are expected to lead with authority, whereas in Denmark, it is entirely natural to socialise outside the workplace. Furthermore, attitudes to risk and to the use of protective equipment vary in different countries. We also have particular views as to what causes stress.

We must learn to be aware of, understand and respect differences. It is of the utmost priority to try and do this but we find, on occasion, that it is challenging. We aim to always live and behave according to Arla's values and culture wherever we operate. Still, we know that for various reasons differences will always exist.

We respect and support internationally recognised human rights.

Further steps to ensure respect for human rights



ENGAGEMENT SURVEY RESULTS

We have operations in many countries and our products are sold throughout the world. We also do business in locations that do not fully recognise human rights or do not yet live up to them. Regardless of where we are located, we maintain a firm conviction that the human rights of every individual should be respected and upheld.

implementation has been initiated with focus on special groups with low representation, e.g. women in managerial positions.

Results from engagement survey

The results of Arla's annual engagement survey, Barometer, were published in December 2014. A new category reflecting Diversity & Inclusion was introduced, based on a number of questions concerning colleagues' perception of how they are treated.

The number of colleagues who reported having experienced unacceptable behavior during the past 12 months has slightly decreased from 17 to 16 percent, compared to the previous year. Three out of four colleagues answered that all people in Arla are treated with respect; an improvement over last year, and clearly above comparable companies. Even so, we are not satisfied – no-one in Arla should experience unacceptable behaviour and everyone should enjoy a respectful workplace.

Dialogue in our growth markets

We acknowledge that we can be faced with a challenge to ensure that there is an acceptable standard of human rights in some of our growth



CONTINUOUS FOCUS ON DIVERSITY

Focus on human rights

The CSR Committee has decided to update Our Responsibility, Arla Foods' Code of Conduct, since our business development focus leads to new demands and expectations on our way of working. Among other things, we will evaluate the consequences of adherence to the UN Guiding Principles for Human Rights and OECD Guidelines for Multinational Enterprises.

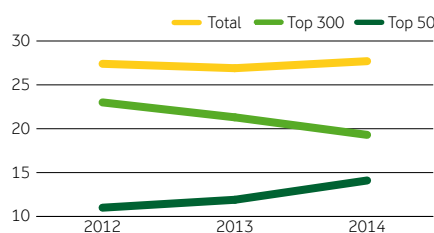
Follow up on diversity strategy

Our work on diversity and inclusion has progressed in line with the strategy developed in 2011. During 2014, we have continued training managers in how to avoid personal or cultural biases when selecting candidates. That said, we are not satisfied with the pace of the changes. Therefore, a revision of the diversity strategy



ATTENTION TO HUMAN RIGHTS IN NEW MARKETS

SHARE OF FEMALE COLLEAGUES



There are significantly fewer women than men among our top managers. Even if we can see a development at senior vice president and vice president level this year (from 11 to 16 per cent) it is far from the 28 per cent females among all colleagues, or the 42 per cent among white collar colleagues.

LABOUR RELATIONS FORUM



European Works Council (EWC), Arla's labour relations forum, now has members from Denmark, Sweden, the UK, Germany, Finland, the Netherlands and Poland. During 2014, the influence of the council has increased. It is now EWC that ensures the election of employee representatives for the Board of Representatives and the Board of Directors. At the work council meetings, all Arla colleagues can provide input to the agenda.



markets. Besides ensuring that our Code of Conduct is a basic standard within all agreements with business partners, we also conduct inspections of production facilities. These can be planned or without previous notice to get a better impression of local conditions and how people are treated. When we visit and audit our partners we cover many topics, including human rights issues such as child labour and working conditions.

During the last two years, we embarked on two joint ventures in developing markets, in Bangladesh and in the Ivory Coast. In Bangladesh, we enhanced our cooperation with our existing partner, and the new type of ownership gives us greater opportunities to influence the employees' terms and conditions. A number of improvements have been made. However, there is still much work to be done, e.g. there are no female colleagues. We are anticipating this to be addressed in 2015.

We now operate a packing facility in the Ivory Coast in collaboration with a local partner. The facility is based in pre-manufactured modules, which means that we can ensure both a good working environment and a high level of food

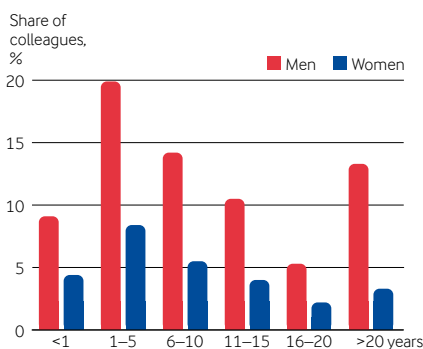
safety. Additionally, our colleagues are offered free access to potable water, lunch and on-site medical care.

Complaint about Arla's processes

A Danish NGO filed a complaint about Arla failing to adhere to the OECD Guidelines for Multinational Enterprises. The NGO stated that Arla did not identify and potentially prevent adverse human rights impacts on local dairy farmers when establishing its business in the Ivory Coast.

Arla explained that there is a shortage of milk in the Ivory Coast, and therefore the country depends on the import of dairy products. Furthermore, Arla is a minor player in the market. However, we acknowledge that we have a responsibility in the markets where we operate and, before entering into a market, we will analyse the impact of our business on local milk production. Through dialogue with the NGO, we have reached a joint understanding. >>

COLLEAGUE EMPLOYMENT TIME



We have a wide spread of employment time, and the average is ten years. The spread is most probably a consequence of Arla's long standing culture of engagement and resolute growth. Of our colleagues, 13 per cent have worked less than one year in Arla, and 42 per cent not more than five years. Almost 17 per cent of our colleagues have been with the company for more than 20 years, and 80 per cent of these are men.

The spread of ages among Arla colleagues is currently satisfactory, and doesn't change much year on year, see also report 2013. Age should not be, and is not, a factor during recruitment. Arla values the fact that its workforce comprises a balanced mix of ages.

New markets present new dilemmas

One of the pillars for Arla's Strategy 2017 is to create growth outside our core markets. While this is both an opportunity and a challenge from a business perspective, there are also many social aspects that we need to keep in mind.

How should we evaluate a new market before investing in it? Will it be possible to maintain a safe and inclusive workplace? How can we deal with risks to the safety of our workforce? How far should Arla's responsibility for the local economy go when entering developing countries? How can we use our leverage to increase respect for human rights? These questions and many more need to be discussed by our colleagues.

Clear data on diversity

We would like to track and report more global key data for a number of human resources related areas, for example gender, age and nationalities in different functions. However, due to difficulties in the implementation and data clean-up processes, the online tracking of colleague data has been delayed to early 2015.

Female colleagues in Saudi Arabia

Developments in Saudi Arabia in recent years have resulted in it now being easier to employ women, although employers have to take special measures. Currently, we have 47 women working in our packaging department. One challenge is that females only are allowed to work daytime, while our operation is 24 hours, seven days a week. However, we are endeavoring to provide as many options as we can to offer women work.

DIVERSITY AND INCLUSION

1,400

During 2014, approximately 500 leaders and 900 specialists and team members have been trained in inclusion and diversity.



Arla's stance is that all markets deserve consideration as long as there is a milk deficit to satisfy and they represent a solid business case. We believe that we can continue to be a responsible player even if the market's situation on business ethics is not up to internationally recognised standards. For this purpose we have chosen to trust and adhere to our Code of Conduct, and we expect our business partners to acknowledge and live up to it as well.

When we look at new markets, there are different routes we can pursue. Sometimes we will open a sales office by ourselves, other times we may find a candidate for a merger or acquisition, or even go with a local partner through a joint venture or distributor agreement. Whichever

way we choose, we ensure that the people we will work with are in position to comply with our requirements. We acknowledge that different markets are in different stages of development, so we are willing to support our partners in identifying gaps and developing plans for how to close them. It is very important to us that the whole value chain can align to our goal of doing responsible business.

In every market we will do our best to prevent our colleagues from getting into controversial or dangerous situations. Training and policies around areas such as anti-bribery, personal safety, amongst others, are designed to give our colleagues a basis for handling any such negative events. Those travelling to unsafe regions get

additional information on local political and social conditions that they should be aware of. This year, we have decided to increase the resources assigned to tackle the new issues that arise with doing business in new markets.

Even though some may think that doing business in countries with social or human rights issues is not the right thing to do, we believe that as a multinational company it is actually the responsible way to proceed. By being there, providing nutritional food products, upholding internationally recognised business standards and creating sustainable local employment, we expect to make a long-lasting positive contribution wherever we operate.



We maintain good, respectful and constructive community relations.

We build relations on knowledge and engagement



CONTRIBUTION TO SOCIETY

We accept the responsibility to work with the communities within which we operate. In addition, we endeavour to involve ourselves in wider social initiatives which are relevant to our business activities. We want to contribute to the development of communities and do so by building long-term relationships with people, businesses and organisations.

products contribute to more jobs and improved quality of life. We also engage in society through projects such as the Children for Life charity. The project aims to give children a better future by providing food and supporting education, currently in the Dominican Republic and Bangladesh. We are also exploring the possibilities of similar involvement in African markets where we operate.



ENGAGEMENT FOR GLOBAL DAIRY

Arla's role in society

Arla's extensive value chain – all the way from the dairy farm to the consumer – contributes to society's development in many different ways. In our core markets, our owners – the dairy farmers – produce milk and create countryside jobs. Our business and supply chain partners create jobs, economic growth and tax revenues. Alone and together with peers we develop learning and training programmes in the dairy sector. We offer consumers safe and healthy products and we are involved in areas adjacent to our business, such as inspiration for cooking and a healthy lifestyle as well as nature and the environment.

Commitment to the dairy industry

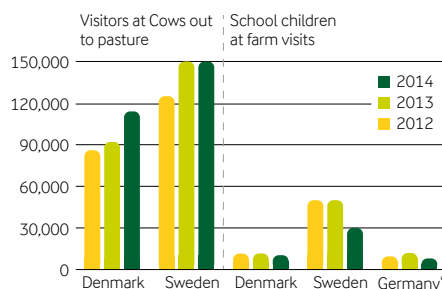
As a significant player in the food industry, Arla participates in public debate, both locally and globally. We represent the dairy farmers who are our owners, and we seek to ensure that scientific research and the regulatory framework benefit the industry as a whole. We ensure that we are represented in key stakeholder organisations and strive to have an extensive global network. In 2014, we worked to enhance the role of dairy products in a balanced diet, facilitate trade across national borders and stimulate further environmental and climate improvements throughout the value chain. Our ambition is that our arguments should be fact-based, collaborative, proactive, transparent and honest. See also page 21.



OWNERS MEET CONSUMERS

In our emerging markets, our role is different as we are a minor player, but also here, sales of our

ARLA FARM VISITS



*Since 2014, including Luxembourg.

FOOD CAMPS

535

young Danes aged between 13 and 14 have attended Arla Foundation's first food camps. Read more on page 61.

Knowledge of the origin of milk

We wish to provide an insight into the origin of our products and the work that takes place on the farms. We do this by showcasing our dairy farmers in external communications and by inviting the general public to visit our owners' farms. For example, a popular event in Denmark and Sweden takes place in the spring when cows are put out to pasture, see chart below. In the UK, farms organise open days. In Sweden, we arrange farm visits for school children and provide them with free educational materials about life on the farm. Since 1993, nearly 1 million schoolchildren have visited a Swedish Arla farm. Similar activities take place in Denmark, Germany, Belgium and Luxembourg.

In Denmark, we started food camps for children 13–14 years old to learn more about cooking, natural raw materials and sustainability. Learn more about this on page 61. The back of milk cartons provides another means of communicating information and inspiration. This is used in Denmark, Sweden, Finland and the Netherlands. Facts about the farmer's work at the farm and inspiration for a healthy lifestyle are recurring themes.

TEAM RYNKEBY GROWS

4.8

million EUR was the total amount raised for the Children's Cancer Foundation through Rynkeby Foods cycling scheme. Team Rynkeby, a 50 per cent increase on the year. 26 cycling teams participated, including teams from Denmark, Sweden, Finland, Norway, the Faroe Islands and Australia.

Engagement through local activities

We would welcome involvement in a global initiative that highlights our social commitment, but so far we have prioritised local activities that engage our colleagues. These contribute to local charities, conservation and sporting activities, see page 62. In several countries, we work to encourage good food habits. Read more about this on page 32.

Part of our environmental strategy involves reducing the amount of food that goes to waste, both in our own operations and in consumers' homes. In several countries, including the UK, Germany, the Netherlands, Canada, Denmark and Finland, we are working with organisations to ensure that surplus food, which cannot be sold to retailers as it is near the end of its shelf life, is distributed to those in need.

COOKING INSPIRATION

50

We had 50 million visits at our cooking sites in Denmark and Sweden during 2014 – an impressive number as there are only about 15 million people living in these two countries. We also have a cooking site in Finland, which attracted 4 million visitors in 2014.





“

We want to convey the joy and pride in being able to cook

ARLA FOUNDATION'S FOOD CAMPS OPENED ITS DOORS IN THE AUTUMN OF 2014.

Arla in Denmark wanted to make a difference to the community while at the same time profiling an important aspect of its business. This was the start for the Arla Foundation's Food Camps.

The Arla Foundation initiative developed from the observation that increasing numbers of young Danes are less involved in cooking at home while Home Economics tends to be less prioritized in schools. Many scientists agree that there is a link between having no knowledge about food and cooking, and finding it more challenging to take responsibility for one's own health. With the prospect of the next generation having no knowledge of food or cooking, Arla in Denmark decided to launch an initiative to reverse the trend.

Arla Foundation's week-long Foods Camps are attended by 13 and 14 year-olds along with their teachers. They learn all about food, raw materials and nature through various indoor and outdoor activities. The overall objective is to encourage the participants to adopt good food habits and a healthy lifestyle.

"The experience is what matters," says Sanne Vinther, responsible for the Arla Foundation. "More than anything else, we want to convey the joy and pride in being able to cook."

During the 5-day camp, the budding chefs prepare all their meals. They learn to cook from scratch and to use any leftovers. Other activities include collecting herbs from the forest and exploring flavours. The Arla Foundation aims to create awareness of the food we eat rather than teaching advanced cooking techniques.

"We teach simple dishes that young people can cook at home, and we also try to provide the inspiration for trying out new flavours – which they're keen to do once they know what's in their food."

Since eating habits and lifestyle do not change overnight, the Food Camps are part of a long-term educational plan. Before the students attend the course, they are given an Arla Foundation educational pack. This covers study tasks about food, health and nature – themes which the students then continue to explore after the camp has finished.

"We believe that these camps can make a difference. I heard a girl say: 'I now think I can cook and my parents will let me do it because they know I've been here.'"

Arla in Denmark is investing EUR 1.3 million per year in the work of the Arla Foundation and schools pay a symbolic EUR 67 per child per week. Looking to 2020, the ambition is that every year 10 per cent of a cohort of Danish school children will have attended a Food Camp and many more will be aware of Arla Foundation's message.

"It is, of course, a tough challenge to believe that we'll be able to influence an entire generation, but we will do our best."



Sanne Vinther, responsible for the Arla Foundation, has put food knowledge on the timetable.

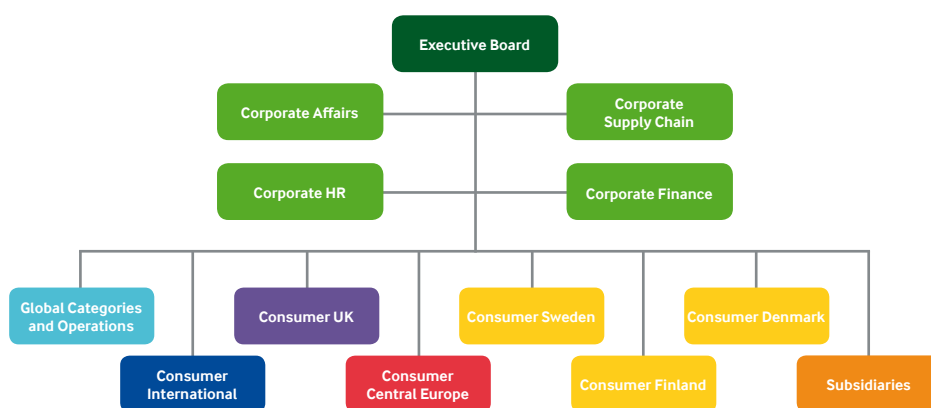
The Arla Foundation is an independent body headed by a board with broad expertise in youth issues, leadership, food and health. In order to reach as many people as possible the Arla Foundation has established partnerships with other organisations working towards similar objectives such as IKEA, whose aim is to contribute to a physical framework for a "good life", and the Danish national organisation, "Madkulturen" (Culinary Culture), which has helped develop the teaching materials for the Food Camps.

Community engagement – local examples

Charity	Sport & Health	Inspiration to cook
<ul style="list-style-type: none"> Food as charity in Denmark, Finland, the UK, the Netherlands, Russia and Canada. Children for life in Bangladesh and Dominican republic. Voluntary work by colleagues in the UK and the Netherlands, e.g. campaign against loneliness among elderly in the Netherlands. Team Rynkeby – fundraising for Children’s Cancer Foundation in e.g. Denmark, Sweden, Finland and Norway. Danmarks insamlingen – annual national fundraising for the world’s poorest countries. 	<ul style="list-style-type: none"> Health project in business school in Denmark. Health and exercise campaign and supporting sports activities in Sweden. Activities together with the Swedish Olympic Committee to make children try different sports. Educational programs for pregnant women and mothers of primary scholars in Russia. 	<ul style="list-style-type: none"> Recipes, cooking sites and cook books in Denmark and Sweden. Arla Foundation in Denmark – food camp for school children. Food Festival – activity for schools in Denmark. Arla Guldko – award for customers, food service and restaurants in Sweden. Sponsorship of National Culinary Team in Sweden and Finland. Chef of the year and Pastry Chef of the year in Sweden.
Nature & Origin of milk	Environment	Other
<ul style="list-style-type: none"> Cows out to pasture event in Sweden and Denmark. Farmer blogs in Denmark and Sweden. Farm visits for school children in Denmark, Sweden, Germany and Luxembourg. Farm visits for groups of consumers in Finland. “Farmers as owners” campaign in Denmark, Sweden and the UK. “Meet your local farmer” campaign in Sweden. 	<ul style="list-style-type: none"> Reduce waste campaign in Denmark. Sponsoring of biking track close to dairy site in Finland. Natuurmonumenten – a foundation to preserve landscapes and cultural heritages – and – National Arkemheen-Eemland – a landscape project – in the Netherlands. Restructuring of a Botanic Garden in St Petersburg in Russia. 	<ul style="list-style-type: none"> Milk packaging panels in Sweden, Denmark, Finland and the Netherlands. Open innovation with consumers and suppliers in Denmark and Sweden. Public debates, e.g. Folkemødet in Denmark and Almedalsveckan in Sweden. NGO cooperation.

Organisation of the Arla group, December 2014

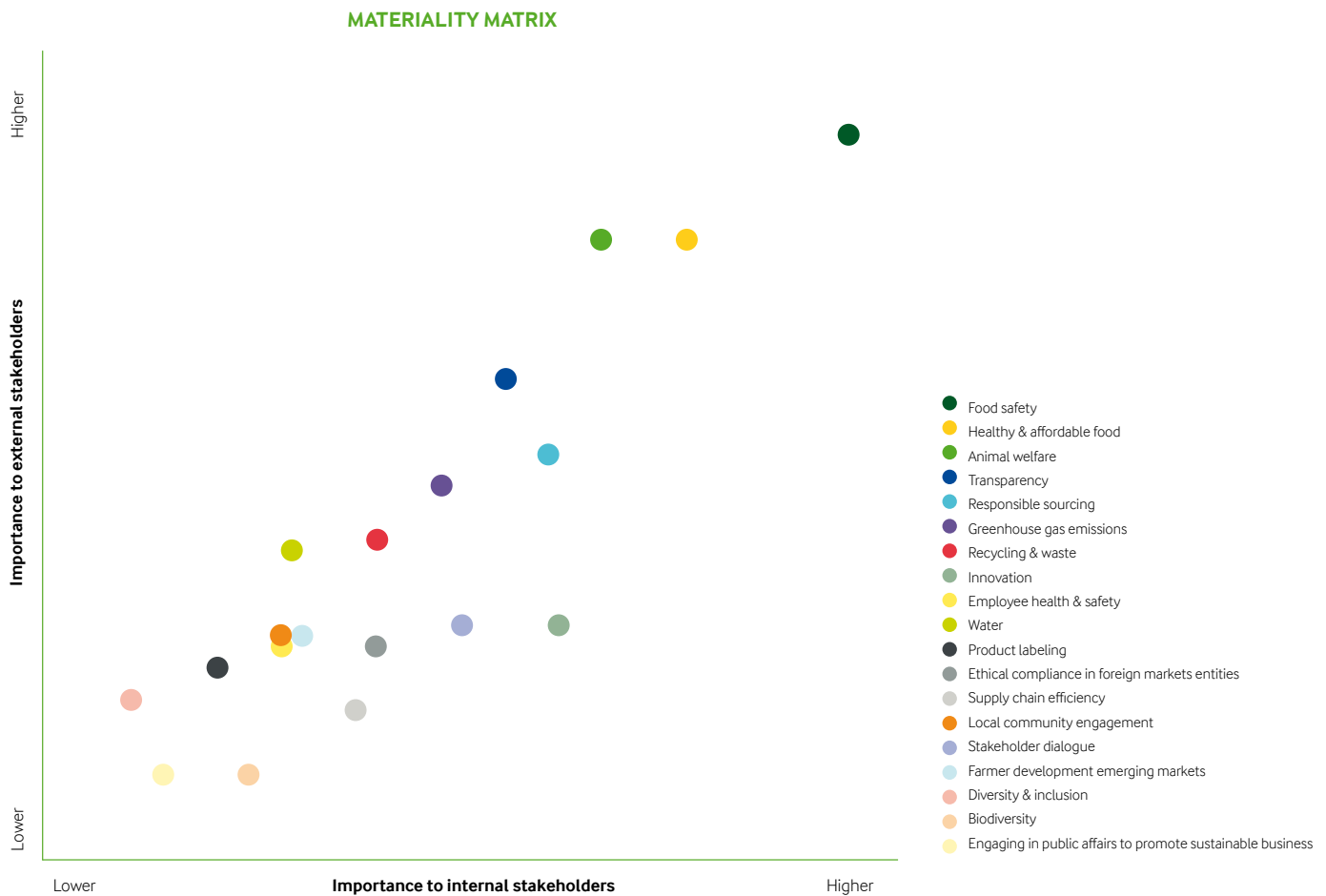
Corporate Affairs comprises group development and communication under the management of Peder Tuborgh. **Corporate Supply Chain** handles contact with owners, global supply chain efficiency, global procurement and investments under the management of Povl Krogsgaard. **Corporate Human Resources** handles colleague and organisational development matters for the whole group under the management of Ola Arvidsson. **Corporate Finance & IT** handles finance, IT and legal affairs under the management of Frederik Lotz.



Global Categories & Operations has general responsibility for Arla’s three global brands – Arla®, Lurpak® and Castello® – and responsibility for global categories, marketing, innovation, quality and environment. This business area also handles milk planning and logistics, industrial sales, product development and production of cheese, butter and spreads and milk powder in Scandinavia, as well as production of cheese in Germany, Poland and the US, under the management of Jais Valeur.

Consumer Business Groups are responsible for the production and product development of fresh produce, logistics, marketing and sales of Arla products in their respective markets. **Consumer UK**, under the management of Peter Giørtz-Carlson. **Consumer Central Europe**, including Germany, the Netherlands, Belgium, Luxembourg, France and Austria, under the management of Tim Ørting Jørgensen. **Consumer Sweden**, under the management of Henri De Sauvage, who also represents CDK and CFI in the Executive Management Group. Head of **Consumer Denmark** is Tomas Pietrangeli, and head of **Consumer Finland** is Reijo Kiskola. **Consumer International**, including the rest of the world, under the management of Finn S Hansen. **Subsidiaries** wholly owned by Arla: Arla Foods Ingredients, Rynkeby Foods and Cocio.

Responsible business – improved prioritisation and reporting



As Arla is a company with ambitions to constantly improve every part of the business, this also includes corporate responsibility activities and reporting about the progress.

Arla’s operations have grown significantly over recent years, including our farmer owner base, customers, markets and colleagues. As the business of Arla develops and grows, so does our ambition to develop our reporting.

During 2014, we have initiated a structured Materiality Study. Our main objective has been to identify material aspects in the views of our main stakeholders, and use this knowledge to better prioritize our activities. Additionally, we expect the results to help us improve the scope and focus of our reporting and communication processes.

The first step for the materiality study was to identify and list the most relevant responsibility

aspects for our operation. For this purpose we collected input from select groups of internal stakeholders, benchmark studies of other companies, and published industry standards. Next, a team of Arla colleagues grouped and prioritized the aspects, starting from a list of 58 and shortening it down to a final roster of 19. Finally, we reached out to representative internal and external stakeholder groups to get their input on what should be the top priorities for Arla.

With the feedback we prepared a materiality matrix, plotting internal and external stakeholder views against each other. Based on the results, we have identified Food Safety, Healthy and Affordable Food, and Animal Welfare as key areas of focus, followed by Transparency, Responsible Sourcing and climate impact aspects. We will incorporate the findings of the materiality study into our decision processes when prioritizing activities and use them to guide our communications with stakeholder groups. New materiality studies will be made on a regular basis.

Furthermore, the materiality study serves as groundwork together with a gap analysis towards the Global Reporting Initiative (GRI) guidelines. GRI includes a great number of suggested KPI’s to describe a company’s management and performance within sustainability and responsibility. The newest version of the Guidelines emphasises the need for organisations to focus the reporting process and final report on topics that are material to their business and key stakeholders. Parallel to the production of this report, we have made a gap analysis between information available at present and GRI requirements.

Our ambition includes working towards aligning our reporting with Global Reporting Initiative standard, G4 version, making the reporting more comparable with other organisations. The outcome of materiality study and gap analysis will be the basis and give important guidance to further development of the reporting process.

Arla supports the **Global Compact**



WE SUPPORT

Seven years ago, Arla signed up to the **Global Compact, the UN initiative to promote ethical business practices. As a participant, we are committed to observing the Global Compact's 10 fundamental principles. The table shows where the content of this report relates to each of the principles.**

Since 2008, Arla has been a member of the Global Compact's Nordic Network. In May 2009, Arla signed up to Caring for Climate, a voluntary and complementary action platform seeking to demonstrate leadership around the issue of climate change. In 2010, Arla's CEO signed a CEO Statement of Support for the Women's Empowerment Principles, an initiative from the Global Compact and UNIFEM (the UN Development Fund for Women).

Read more about the Global Compact and its principles at www.unglobalcompact.org, and more about Arla's Code of Conduct at www.arla.com.

	Businesses should ...	Arla examples	Page
Human Rights	1. support and respect the protection of internationally proclaimed human rights; and	<ul style="list-style-type: none"> ● Business principles ● Market conduct 	10–13 18–19
	2. make sure that they are not complicit in human rights abuses.	<ul style="list-style-type: none"> ● Case study ● Procurement ● Food safety ● Food and health ● Case study ● Workplace ● Human rights ● Community relations 	20–21 22–25 28–31 32–33 34–35 50–53 54–57 58–59
Labour	3. uphold the freedom of association and the effective recognition of the right to collective bargaining;	<ul style="list-style-type: none"> ● Business principles ● Procurement 	10–13 22–25
	4. the elimination of all forms of forced and compulsory labour;	<ul style="list-style-type: none"> ● Workplace ● Human rights ● Community relations 	50–53 54–57 58–59
	5. the effective abolition of child labour; and		
	6. the elimination of discrimination in respect of employment and occupation.		
Environment	7. support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"> ● Business principles ● Market conduct ● Case study 	10–13 18–19 20–21
	8. undertake initiatives to promote greater environmental responsibility; and	<ul style="list-style-type: none"> ● Procurement ● Environment and climate ● Case study 	22–25 38–41 42–43
	9. encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> ● Agriculture ● Case study ● Community relations ● Case study 	44–45 46–47 58–59 60–61
Anti-corruption	10. work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> ● Business principles ● Market conduct ● Procurement 	10–13 18–19 22–25

Which market is mentioned **where**?

The table shows where information about a specific Arla market or subsidiary can be found in this report.

		Page	Global	DK	UK	SE	DE	NL	FI	B	LUX	Other
Responsible company	Business principles	10–13	●	●	●	●	●	●	●	●	●	Africa, Russia, South America
	Operational principles	14–15		●	●	●	●	●		●	●	
	Case study	16–17		●	●	●	●	●		●	●	
	Market conduct	18–19	●	●	●	●	●	●	●			
	Case study	20–21	●									
	Procurement	22–25	●	●		●						Cocio
Confidence in products	Food safety	28–31	●	●	●	●	●		●			China, Russia
	Food and health	32–33	●	●	●	●	●	●	●			China, Arla Foods Ingredients
	Case study	34–35	●									
Care for the environment and animal welfare	Environment and climate	38–41	●	●	●	●	●	●				Canada, Arla Foods Ingredients
	Case study	42–43			●							
	Agriculture	44–45	●	●	●	●	●	●	●	●	●	China
	Case study	46–47		●	●	●	●					
Respectful relations	Workplace	50–53	●	●	●	●	●	●	●	●		Russia, Saudi Arabia
	Human rights	54–57	●	●	●	●	●	●	●	●		Bangladesh, Ivory Coast, Poland, Saudi Arabia
	Community relations	58–59, 62	●	●	●	●	●	●	●	●	●	Australia, Bangladesh, Canada, Dominican Republic, Faroe Islands, Norway, Russia, Rynkeby Foods
	Case study	60–61		●								



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