



General statement on Arla Foods' position on Carbon Offsetting

A carbon offset is a reduction in emissions of greenhouse gases in order to compensate for an emission produced elsewhere.

Carbon emission offsetting can only be used to offset the inevitable greenhouse gas emissions after we have done our best to avoid the emissions in the first place. We acknowledge the risk of carbon offsetting is to postpone real solutions to solve the problem of global warming but to minimise the risk, Arla Foods has determined the following "Carbon Offsetting Procedure":

1. Arla Foods always use the hierarchy of actions when reducing greenhouse gas emissions to combat the effects of climate change. We take actions on our carbon footprint in the following order:

- **Calculate** – The first action is always to calculate the emissions according to The Greenhouse Protocol by using Arla's Carbon Footprint calculation tool from PE-International
- **Avoid** – Once we know what the carbon footprint of a product or a project is we can begin to take comprehensive action on CO₂. Many emissions can be avoided in the first place, such as turning off equipment when it is not in use.
- **Reduce** – Once all reasonable actions have been taken to avoid emissions, we take action to reduce the remaining emissions through efficiency measures.
- **Offset** – Some emissions cannot currently be avoided and whilst reducing other emissions is encouraged as the first step, it is unlikely at present to bring emissions to zero. By offsetting remaining emissions that cannot currently be avoided or reduced, the full effects of those emissions can be mitigated by reductions elsewhere in the world.

2. If carbon offsetting is considered for some or all of the remaining emissions, Arla Foods Corporate Quality & Environment must be contacted for advice, registration and approval.

3. When offsetting greenhouse gas emissions Arla Foods use an internationally recognised methodology used in the voluntary offset market e.g. the Plan Vivo System.

4. Reductions of greenhouse gas emissions reached by offsetting cannot be included in fulfilling Arla Foods climate reduction target.

Viby, May 2011