

Arla

Product categories assessed

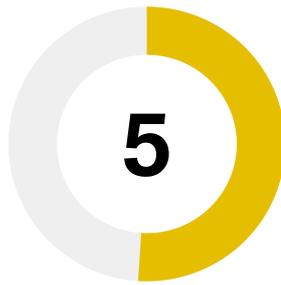
Dairy|Sauces, Dressings, Condiments|Soup

Percentage of company global sales covered by Product Profile assessment
80-85%

Headquarters
Denmark

Number of employees
19174

Type of ownership
Cooperative



Rank 5 / Score 5.1

Rank 11 (2018)



Product Profile ¹

Rank 7 / Score 6

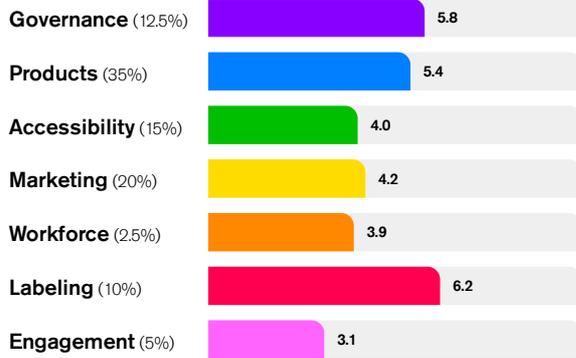
Rank 3 (2018) ²

Important:

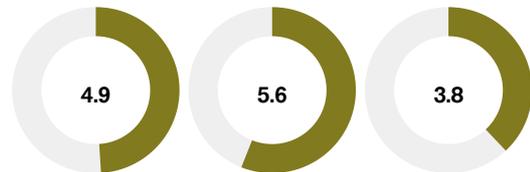
The findings of this Index regarding companies' performance rely to a large extent on information shared by companies, in addition to information that is available in the public domain. Several factors beyond the companies' control may impact the availability of information such as differences in disclosure requirements among countries or capacity constraints within companies, amongst others the Covid-19 pandemic. Therefore, in the case of limited or no engagement by such companies, this Index may not represent the full extent of their efforts.

Corporate Profile

Rank 5 Score 5.1



Commitment Performance Disclosure



The bar graph to the left shows company performance across the seven Index categories, which are key topic areas of assessment, and scores are shown for each category. The circles above provide an alternate view on the company's overall results, showing the score per indicator type. The Commitment, Performance, Disclosure score only applies to category scores and not to the BMS/CF Assessment.

Main areas of strength

- **SCORES AND RANKS** Arla is one of the few companies whose score has consistently improved since 2016, increasing from 3.3 in 2018 to 5.1 out of 10 in 2021. The company's overall ranking improved from 11th to 5th place. Since 2018, the company has improved its performance in six of the seven thematic areas of the Global Index. It has shown the greatest improvement in Category F 'Labelling', followed by Category D 'Marketing'. It has also improved the overall healthiness of its product portfolio with the second highest mean healthiness score (6.7 out of 10) - an indication of the nutritional quality of company's products in best-selling categories across major markets.

- **GOVERNANCE:** Arla's nutrition strategy falls under the 'Stronger People' part of its overall Sustainability strategy, which was launched in 2019 following the 'Good Growth 2020' strategy. It has also incorporated a 'Sustainable Diet' element, as defined by the Food and Agriculture Organization (FAO), in its business strategy. Furthermore, Arla commits to deliver more healthy foods by stating its aim to "incrementally increase healthy products by 60,000 tons by 2025, compared to 2019 levels", for products that meet its nutrition criteria.

- **PRODUCTS:** Arla has substantially improved its product reformulation efforts and the strength of its nutrient profiling model. It is one of the two companies in this Index that explicitly commits to only fortify products that meet its own nutrition criteria (as defined by its Nutrient Profiling Model (NPM)). Furthermore, Arla showed that its criteria for defining healthy products correspond with the Health Star Rating (HSR) ≥ 3.5 threshold of healthy (with less than 10 percent% deviation in the estimated percentage of healthy products). The company reported that, in 2019, 90 percent% of the Arla - branded products in the milk, yogurt and everyday cheeses categories complied with its nutrition criteria.

- **ACCESSIBILITY:** Arla makes companywide commitments to address the affordability and accessibility of all its healthy products. The company is focusing on addressing the needs of groups experiencing and/or at high-risk of undernutrition and micronutrient deficiencies through affordably priced dairy products; for example, in Bangladesh (Dano Daily Pushti) and Nigeria (Cool Cow). As a member of the GAIN Nordic Partnership, Arla Foods Ingredients seeks to develop affordable and nutritious foods in collaboration with local manufacturers.

- **MARKETING:** Since 2018, Arla has publicly disclosed its responsible marketing policy for all consumers and joined the EU Pledge on responsible advertising to children. Arla is the only company in this Index to specifically refer to children as persons under the age of 18 years, as defined by the Convention on the Rights of the Child in its policy, and has set specific provisions on communicating to children. Arla has also taken steps to understand and reach groups experiencing or at high-risk of malnutrition, with appropriate products through tailored marketing in some low- and middle-income countries.

- **LIFESTYLES:** Arla commits to providing parental leave for a minimum of 14 weeks, in line with International Labor

Priority areas for improvement

- **GOVERNANCE:** Arla is encouraged to strengthen the quality of its nutrition-related reporting by highlighting how its nutrition activities are adding value to the business in its annual reports, and publish nutrition commentary that is independently, externally verified. While it currently does so in Bangladesh, Arla can improve its nutrition strategy for addressing the needs of priority populations by conducting market research to assess unmet needs of priority populations in all markets where it is active. The company is encouraged to develop a strategic commercial approach to addressing nutrition-related unmet needs of priority populations; for example, by conducting a strategic review. Arla should also explicitly and publicly recognize the targets set out in the World Health Organization (WHO) Global Action Plan for the Prevention and Control of NCDs 2013-2020.

- **PRODUCTS:** Arla is encouraged to set product reformulation targets for sodium, saturated fat and added sugar that are externally verifiable (does not rely on company-internal definitions or information for verification), and publish its NPM in a peer-reviewed journal or explicitly referring to WHO or government-endorsed models to allow stakeholders to assess and understand it.

- **ACCESSIBILITY:** Arla is advised to expand and develop its strategy for improving the affordability and accessibility of its healthy products to cover all the markets where it is active, including middle- and high-income markets. As in 2018, Arla is still encouraged to increase its disclosure of examples on discounts, price promotions or coupons offered in relation to healthy products. The company is also encouraged to build on its affordability strategy in Bangladesh and Nigeria, and use that experience to also reach consumers with limited access to nutritious foods in low income rural and urban areas in other markets.

- **MARKETING:** Arla can further strengthen its responsible marketing to children policy by making all provisions applicable to under 18 years-old and committing to never use promotional games, toys, vouchers, etc. in their marketing to children and/or teens. The company can also be more stringent in setting the audience threshold to restrict its advertising on measured media to avoid reaching children by decreasing the threshold from 30% to 25%.

- **LIFESTYLES:** Arla should conduct impact evaluations of its health and wellness programs and incorporate a focus on nutrition. For its programs aimed at supporting consumers' nutrition education, and healthy diet-oriented and active lifestyle programs, the company is encouraged to specifically adapt these to the needs and backgrounds of priority populations and conduct independent evaluations to measure outcomes, globally.

- **LABELING:** Arla is encouraged to set a target for and report progress on the adoption of its new interpretive government-endorsed front-of-pack labeling scheme, globally, and to commit to not placing nutrition and health claims on products unless they meet the nutrition criteria of a government-endorsed NPS.

Organization (ILO) recommendations. It has implemented the Arla Foods Parental Policy (gender neutral), which establishes minimum standards of 14 weeks paid parental leave that must be implemented at the Arla Group workplaces globally by the end of 2021. Since 2018, it has developed its commitments and practices to support breastfeeding mothers in the workplace by, for example, facilitating breastfeeding mothers with rooms and breaks to express breastmilk during work hours.

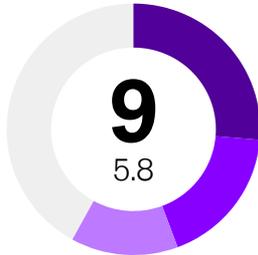
- **LABELING:** Arla has demonstrated a substantial improvement in its practices related to the labeling of nutrients and the use of health claims. Since 2018, the company has adopted a new labeling policy, committing to display nutritional information on both its front-of-pack (FOP) and back-of-pack (BOP), and has introduced government-endorsed interpretative labeling on some of its products. Arla is also one of only three companies that commits to not undermine health warning messages/labels in countries with mandatory FOP labeling systems. The company states that it will only use nutrition and health claims when a product meets the nutrition criteria of its own internal NPM, and it has comprehensive guidelines in place that comply with Codex Alimentarius regarding the use of claims in countries where no national regulatory system exists.

- **ENGAGEMENT:** Arla is commended for having a formal panel of external experts in place, its 'Scientific Advisory Board', consisting of professors at Copenhagen and Aarhus Universities, to advise on the design of its nutrition strategies, policies and programs to prevent and address obesity and diet-related chronic diseases. Arla Foods Ingredients also partners with GAIN and SUN Business Network to address malnutrition in priority populations, such as in low-income communities in Ethiopia.

- **ENGAGEMENT:** Arla is advised to develop a publicly available responsible lobbying policy, and commit to only lobby in support of measures designed to improve health and nutrition that have a solid grounding in independent, peer-reviewed science. The company is encouraged to increase transparency about its lobbying efforts on nutrition-related topics and measures to prevent and address obesity and diet-related chronic diseases, as well as disclose its involvement in trade associations for lobbying. While Arla provides examples of supporting governments' efforts to combat malnutrition in some countries such as Denmark and UAE, it is encouraged to make a company-wide commitment to doing so in all its markets.

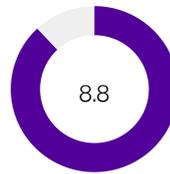
Category Analysis

Governance

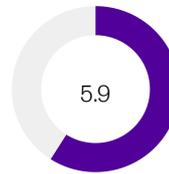


- A1** Nutrition strategy
- A2** Nutrition management
- A3** Reporting quality

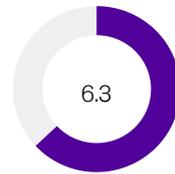
Commitment



Performance

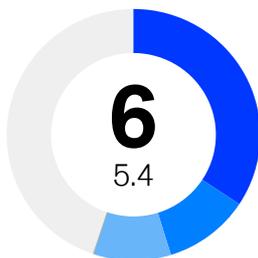


Disclosure



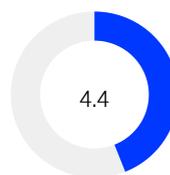
The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

Products

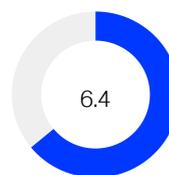


- B1** Product Profile
- B2** Product formulation
- B3** Defining healthy products

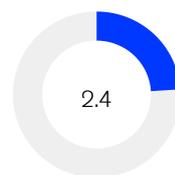
Commitment



Performance



Disclosure



The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

Accessibility

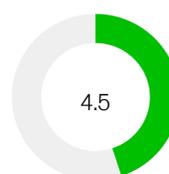


- C1** Product pricing

Commitment



Performance

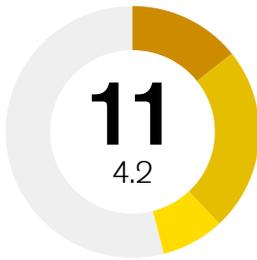


Disclosure



The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

Marketing



- D1 Marketing policy
- D2 Marketing to children
- D3 Auditing and compliance

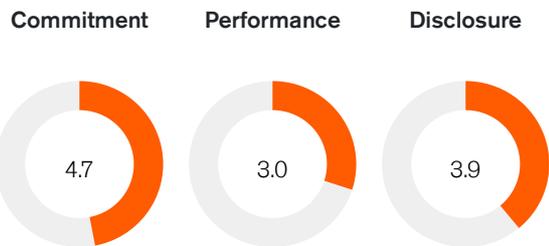


The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

Workforce

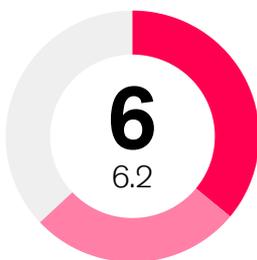


- E1 Employee health
- E2 Breastfeeding support
- E3 Consumer health

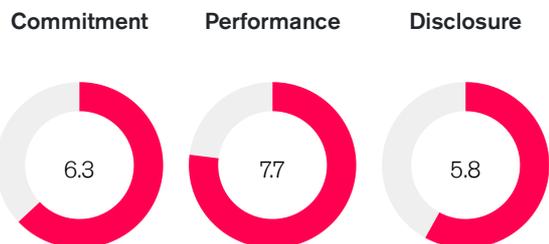


The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

Labeling

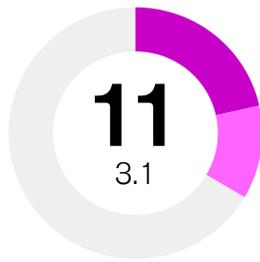


- F1 Product labeling
- F2 Claims



The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

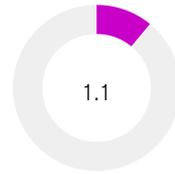
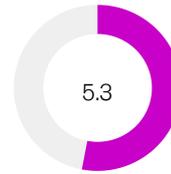
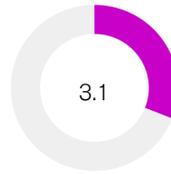
Engagement



Commitment

Performance

Disclosure



The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

-  Influencing policymakers
-  Stakeholder engagement

Detailed Product Profile Results ^{1 3}

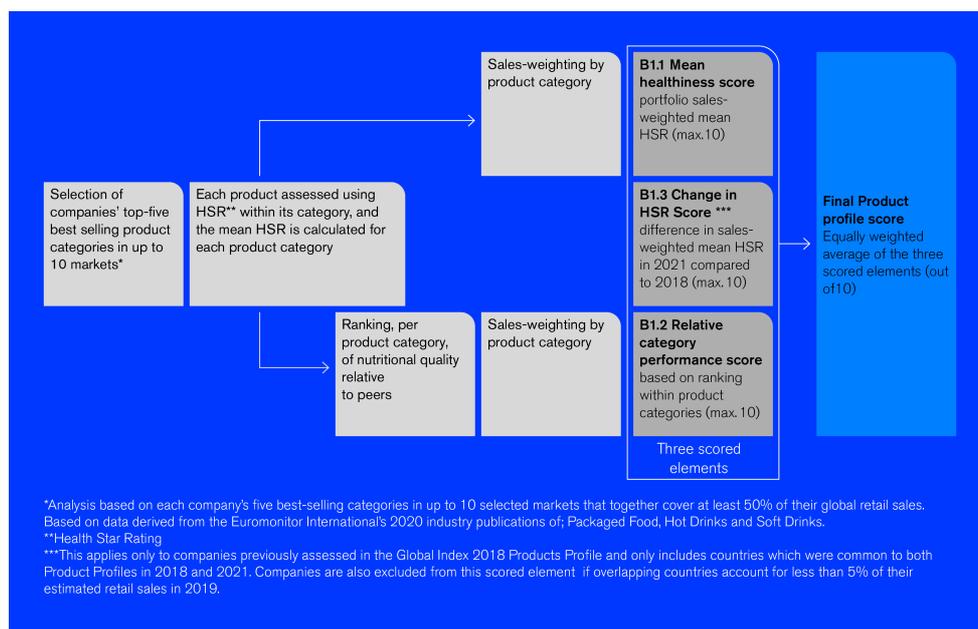


7

Rank 7 / Score 6

The Product Profile is an independent assessment of the nutritional quality of companies' product portfolios. For this purpose, ATNI uses the Health Star Rating (HSR) model, which rates foods from 0.5 to 5.0 based on their nutritional quality. ATNI uses the threshold of 3.5 stars or more to classify products as generally healthy. This assessment is undertaken in partnership with The George Institute for Global Health (TGI), with additional data input from Innova Market Insights.

The methodology for the Global Index 2021 Product Profile has been revised and now includes three scored elements. The overall Product Profile score reflects: B1.1, the mean healthiness of a company's product portfolio; B1.2, the relative healthiness within product categories compared to peers, and; B1.3, changes in the nutritional quality of product portfolios compared to the Global Index 2018 Product Profile. The steps taken to calculate the final Product Profile scores are visualized in Box 1. The next section further explains each of these three elements.



Arla has been assessed for the second time in the Global Index Product Profile. In the previous assessment, four of the company's markets were selected and a total of 108 products analyzed accounting for approximately 10-15% of global retail sales in 2017, excluding baby foods, plain tea and coffee. In this Index, a total of 1072 products have been analyzed across 10 of the company's major markets. Products from the top five best-selling product categories within each market are included. In 2019, these products accounted for 80-85% of the company's global retail sales, excluding baby foods.

Canada, Denmark, Finland, Germany, Russia and Sweden are new countries included in this iteration. In 2018, only one product category was covered by the assessment, compared to three categories in 2021. Products from the 'Sauces, Dressings and Condiments' and 'Soup' categories are assessed in 2021 but were not in 2018.

In this Product Profile assessment, Arla scores 6.7 out of 10 (B1.1) in the mean healthiness element, 7.2 out of 10 (B1.2) for the relative healthiness of its products within categories compared to peers, and 4 out of 10 (B1.3) for changes in nutritional quality (mean HSR) over time. This results in Arla obtaining an overall score of 6.0 out of 10 and ranking seventh out of 25 in the Product Profile.

B1.1 Portfolio-level Results

Average HSR (out of 5 stars) (sales-weighted)	10 Countries included	Range of global sales included ⁴	Healthy products (HSR)				Products suitable to market to children (WHO regional models) - UNSCORED		
			No. products assessed	% products healthy (≥3.5 stars)	% retail sales healthy 2019 (≥3.5 stars) – assessed countries only	% estimated global retail sales healthy 2019 (≥3.5 stars) ⁵	No. products assessed	% products suitable	% sales from suitable
3.3	Australia, Canada, Denmark, Finland, Germany, Hong Kong, Russia, Sweden, UK, USA	80-85%	1072	55%	60%	56%	1073	31%	34%

▪ A total of 1072 products manufactured by Arla, sold in 10 countries, covering 3 product categories, were included in this Product Profile (baby foods, plain tea and coffee were not assessed). The company's sales-weighted mean HSR is 3.3 out of 5. ATNI turns this value into a score between 0 and 10, resulting in a mean healthiness score of 6.7 out of 10 for Arla. The company ranks 2 out of 25 companies in this first scored element (B1.1).

▪ Overall, 55% of distinct products assessed were found to meet the HSR healthy threshold (HSR ≥3.5). Together, these products accounted for an estimated 60% of Arla's retail sales of packaged food and beverages 2019 in the selected markets (excluding baby foods). Assuming the products and markets included in the assessment are representative of the company's overall global sales, ATNI estimates the company derived approximately 56% of its global retail sales from healthy products in 2019.

WHO nutrient profiling models (unscored): 31% of products assessed were found to be of sufficient nutritional quality to market to children, according to the World Health Organization (WHO) regional nutrient profiling models. These products were estimated to generate 34% of the company's sales in 2019. More information on this part of the assessment can be found in the Marketing section (Category D) of the Index.

B1.2. Product Category Results

	No. products analyzed	% products healthy (HSR ≥3.5)	Company mean HSR	Mean HSR for all companies selling this product category	Company performance (rank in mean HSR compared to peers selling products in the same category) ⁶
Dairy	1037	56%	3.2	2.9	6th out of 18
Sauces, Dressings and Condiments	21	5%	2.6	2.5	5th out of 11
Soup	14	14%	3.1	2.5	4th out of 8

▪ For Arla, 'Dairy,' was the best performing category, where a total of 1037 products analyzed obtained mean HSR of

3.2 out of 5. 'Sauces, Dressings and Condiments' (2.6) had the lowest mean HSR of all product categories included

for Arla.

- For all three categories assessed, Arla's products perform better than the mean HSR of companies selling products in the same categories. The company performs best compared to peers in the product category 'Soup'.
- Arla scores 7.2 out of 10 in this second scored element (B1.2) and ranks 8 out of 25 companies. This is based on its ranking compared to peers within the 3 categories, using the scoring system set out in ATNI's methodology.

B1.3. Change in mean HSR

	No. of products analyzed in 2018	No. of products analyzed in 2021	Sales weighted mean HSR 2018	Sales weighted mean HSR 2021
Australia	9	17	1.2	1
Hong Kong	8	12	1.1	1
UK	73	140	3.2	3.4
USA	18	59	1.9	2.5
TOTAL	108	228	3	3.2

- Arla showed an increase in mean HSR between the 2018 and 2021 Product Profiles (mean HSR=3.0 to 3.2). The change in HSR score only takes into account the eight countries included in both 2018 and 2021 assessments. For Arla, the change appears to be driven by an increase in the mean HSR for UK 'Dairy' products, because a larger number of yoghurt products were included in 2021 versus 2018.
- Adjusting scores by country sales weighted estimates (which gives more weight to company's largest markets), Arla achieves an increase of 0.2 in mean HSR between 2018 and 2021, resulting in a score of 4 out of 10 on this element using the scoring system set out in ATNI's methodology.

Full Product Profile report: https://new-l40r1zsq.accesstonutrition.org/app/uploads/2021/06/GI_Global-Index_TGI-product-profile_2021-2-1.pdf

Disclaimer Global Index 2021

The user of the report and the information in it assumes the entire risk of any use it may make or permit to be made of the information. NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS ARE MADE WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION ARE EXPRESSLY EXCLUDED AND DISCLAIMED.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall Access to Nutrition Foundation, nor any of its respective affiliates, The George Institute, Euromonitor International, Innova Market Insights, or contributors to or collaborators on the Index, have any liability regarding any of the Information contained in this report for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

Euromonitor International Disclaimer. While every attempt has been made to ensure accuracy and reliability, Euromonitor International cannot be held responsible for omissions or errors of historic figures or analyses and take no responsibility nor is liable for any damage caused through the use of their data and holds no accountability of how it is interpreted or used by any third party.

The George Institute Disclaimer. While the George Institute has taken reasonable precautions to verify the information contained in the report, it gives no warranties and makes no representations regarding its accuracy or completeness. The George Institute excludes, to the maximum extent permitted by law, any liability arising from the use of or reliance on the information contained in this report.

Footnotes

1. The overall Product Profile score reflects: B1.1 the mean healthiness of a company's product portfolio; B1.2 the relative healthiness within product categories compared to peers, and; B1.3 changes in the nutritional quality of product portfolios compared to the Global Index 2018 Product Profile.
2. In the Global Index 2018, the Product Profile Assessment was conducted as a separate assessment. The results were based on scores generated by applying the Health Star Rating (HSR) nutrient profiling system, which analyzes the level of several positive nutrients (e.g. fruits, vegetables and fibers) and several negative nutrients (e.g. salt, sugar and saturated fat) in products.
3. The overall Product Profile score reflects: B1.1 the mean healthiness of a company's product portfolio; B1.2 the relative healthiness within product categories compared to peers, and; B1.3 changes in the nutritional quality of product portfolios compared to the Global Index 2018 Product Profile.
4. Retail sales data derived from Euromonitor International.
5. ATNI estimates this value by taking the proportion of healthy products within each category assessed and multiplying that figure by the global category retail sales. The values are then aggregated to generate an estimate of the overall global healthy sales (excluding baby foods, plain tea, and coffee, which are not included in the Product Profile).
6. Within-category ranks are calculated for all product categories in which two or more companies are active. Next, a performance percentage is calculated from the inverted rank (e.g. first out of 10: inverted rank $10/10 = 100\%$ performance score; tenth out of 10: inverted rank $1/10 = 10\%$ performance score). The 'Bottled Water- Pure' category receives a standard rating of five stars, according to the HSR algorithm for all companies.