

ENVIRONMENTAL STATEMENT 2007



ARLA FOODS

introduction

In the UK, Arla Foods is the largest supplier of fresh milk and cream to the top seven retailers, processing over two billion litres of milk each year across our nine processing sites.

We enjoy close working relationships with our retail customers and continue to source around 85 per cent of our raw milk requirements from Arla Foods Milk Partnership, a group of 1,600 dairy farmers. Arla Foods UK is part of Arla Foods amba, the second largest dairy company worldwide.

Arla Foods realises that its activities, if not properly managed, may have a negative impact on the environment and we are committed to meeting the needs of society, customers and consumers in an environmentally sound and sustainable manner.

This statement reports Arla Foods UK's environmental performance as a means to improve accountability and to drive the continual improvement of our operations and business effectiveness.

The reduction of Arla Foods' carbon emissions in order to maximise efficiency, minimise waste and reduce our environmental impact remains central to our strategy.

We see excellent environmental performance as a pre-requisite for a successful and sustainable business. Good environmental performance is one of the key drivers for continued growth and business effectiveness.

To help us achieve our environmental strategy, we will:

- Continue to build on the competence of our employees by supporting and encouraging creativity and innovation to improve our environmental performance
- Further improve our operations to achieve maximum efficiency and reduce the levels of waste and environmental impact
- Ensure our operations comply with European and UK legislation and industry best practice whilst meeting Government agreements on climate change
- Work with our suppliers and contractors to help mitigate their environmental emissions by the specification of energy and material efficient plant, equipment and packaging

"While it is recognised that the uncontrolled effect of human activity on our natural world is likely to continue, it is also recognised that mankind has an opportunity to mitigate these impacts. This is everyone's responsibility."

**Dr George Plemper
Head of work environment
Arla Foods UK**

our performance

Since 2005 we have focussed on the management of the direct and indirect impact of our operations across the whole of the supply chain and, in particular, the achievement of reductions in packaging and the amount of waste and effluent sludge sent to landfill. This environmental statement reports on carbon dioxide emissions, energy, water, waste and recycling.

As well as reducing carbon consumption through a reduction in raw materials, we have also cut the level of carbon emissions associated with waste management and transportation. The amount of waste sent to landfill during 2006 reduced by 948 tonnes, a decrease of over 33 per cent, as we increased the opportunities for material recovery and recycling.

These achievements are partly the result of a company-wide waste audit, which helped to develop segregated waste management systems at our sites. Employees are trained in recycling techniques and are encouraged to identify new ways of recycling materials in order to divert as much waste as possible from landfill.

Furthermore, we streamlined our occupational health, safety and environmental management systems into an integrated work environment structure, which has enabled us to make our management systems both simpler and more effective. This has allowed us to focus on business improvement whilst maintaining compliance in an increasingly complex environmental framework.

since 2004

16%
reduction in
energy
consumption

15%
reduction in
carbon dioxide
emissions

20%
reduction in
water
consumption

14%
reduction in
effluent
volume

42%
reduction in
landfill waste

* Reported figures relate to milk processing sites only. Small variations in figures reported in previous Arla Foods UK plc annual reports and environmental statements relate to a change of reporting time frames and the receipt of additional information not available at the time the Arla Foods UK plc 2006 annual report was published

internationally recognised standards

In October 2004 we committed to the task of achieving certification within two years to the internationally recognised and externally certified management standards ISO 14001 (Environmental Management Systems Standards) and OHSAS 18001 (Occupational Health and Safety Management Systems) across all of our dairies.

ISO 14001 focuses on waste disposal, energy utilisation and emissions and OHSAS 18001 aims to create a culture where health and safety are a priority to reducing accidents and risks at sites.

All our dairies have taken responsibility for gaining this certification and employ management systems specifically developed to reflect individual circumstances on site. Each of our nine dairies has achieved certification to these standards which is unique in the dairy industry.

The achievement of this certification has facilitated the integration of quality, environment and occupational health and safety management systems, providing clear direction and results in our work environment performance. It enables us to minimise the risk to employees and maintain and continually improve our management systems.

We are very proud of our achievements. However this is only the start, and we aim to continue to develop our work environment programme following the necessary framework and structure to monitor and record our environmental progress.


certified to
**ISO
14001
and
OHSAS
18001**
at all our sites

water reduction

In 2006 we reduced our water consumption by over 280,000 cubic metres. This has lowered our group average water-to-milk ratio by 8.36 per cent to 1.07. If we compare this figure to 2004, we are using 22 per cent less water now than four years ago at our processing sites.

This has been achieved by applying sound process improvements to our existing plants using cross-functional teamwork, which has enabled less water to be wasted in the cleaning operations at our dairies.

An extensive search for possible loss of water, and the use of a web based water and carbon management utility, has led to sizeable reductions in water use and the implementation of best practice.



**we use
22%
less
water
to process
a litre
of milk than
4 years ago**

focus on packaging

As the pressure on landfill resources continues to increase, our focus on waste prevention, minimisation, re-use and recycling has never been so important.

We are working closely with our suppliers, customers, consumers, and our recycling partners to reduce the impact of packaging on the environment and in 2006 alone we diverted over 243 tonnes of packaging away from the waste stream.

In 2007, we have reduced our packaging weight by over 315 tonnes. This has been achieved by using the lightest plastic bottles feasible and caps to limit the amount of raw materials. We are now working with our suppliers to achieve a further reduction of 200 tonnes of packaging by the end of 2008.

The development of on-site plastic bottle blow moulding facilities at Stourton, Hatfield Peverel, Ashby de la Zouch and Oakthorpe, and establishing the UK's first inhouse dairy cap manufacturing facility at Stourton, has resulted in 13,500 less deliveries of packaging to these sites each year. As a result of the on-site blow moulding facilities, we have made a further saving of 340 tonnes of protective packaging.

In 2006, 791 tonnes of packaging was collected at our processing sites for recycling, and we are committed to doubling this figure by the end of 2008.

Our plastic (PET) cream trays currently contain 30 per cent food grade recyclable plastic (PCR) and work is ongoing to increase the recycled content.

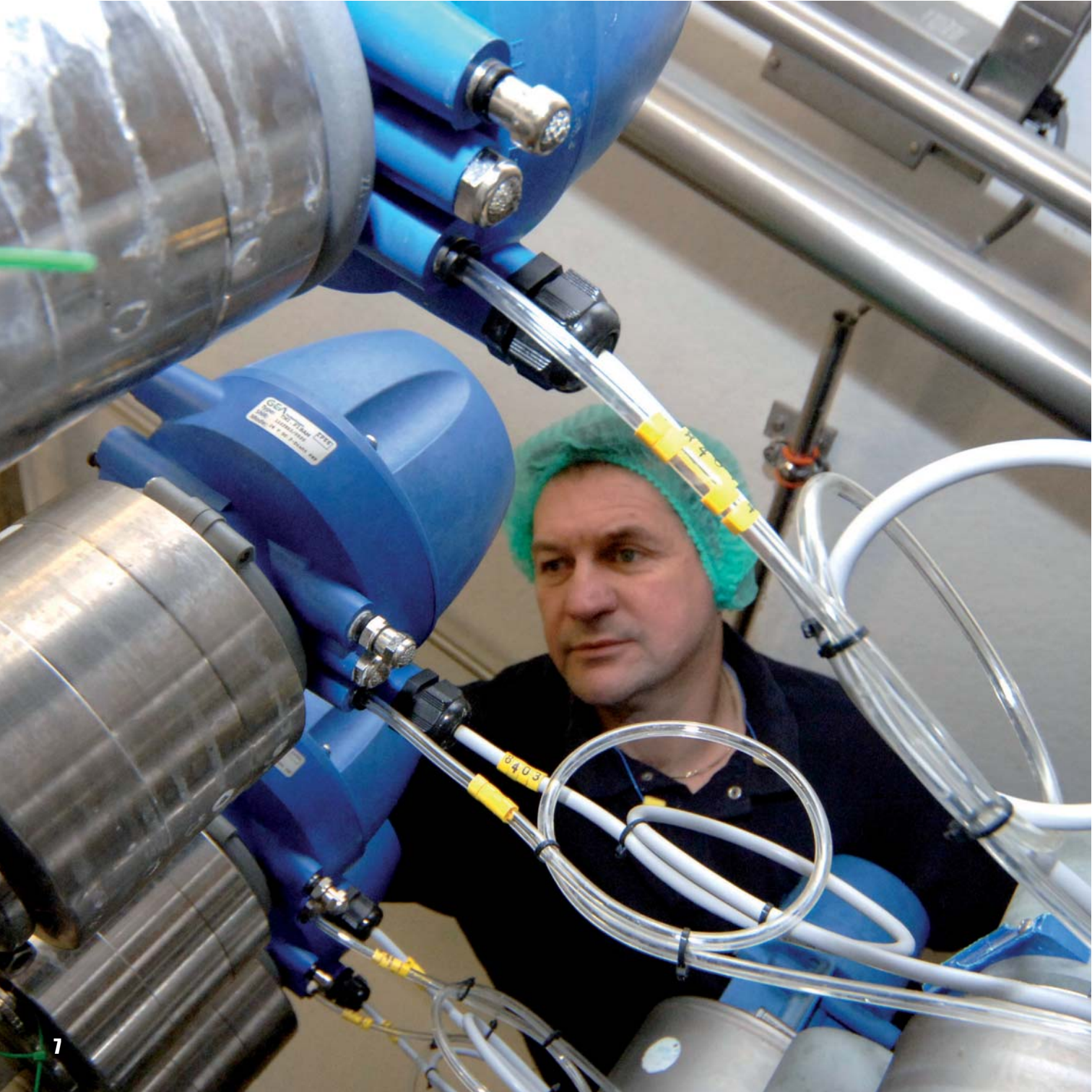
Trials are progressing to introduce food grade recyclable plastic into our plastic (HDPE) bottles. We expect to have 10 per cent PCR in our milk bottles by the end of 2008, with an ultimate target of 30 per cent, subject to sustainable material availability.

We are working closely with the Waste Resources Action Programme (WRAP) to help complete a full life cycle analysis of milk packaging. This analysis, due for release in 2008, will play a key role in the design of dairy packaging in the future.



since 2006
we diverted over
558
tonnes
of packaging
away from the
waste stream





managing effluent

Effluent is the liquid waste generated through cleaning and milk processing at our dairies. We have reduced our volume sent to effluent by nine per cent since 2005. We recognise that this makes a significant contribution to our environmental impact and, indirectly, to the amount of carbon emitted to the atmosphere every year:

We are committed to reducing the amount of effluent waste that we generate through the tighter control of our processes and cleaning regimes. Our Manchester dairy has seen a reduction in its effluent stream by 30 per cent since June 2007 by reducing waste water volumes and implementing waste minimisation programmes suggested by our employees.

We continue to work closely with the water companies, the Environment Agency and industrial partners to find the most sustainable and cost effective water treatment processes to minimise waste and reduce the carbon emissions associated with effluent.

Our most technologically advanced dairy at Stourton is at the forefront of the development of innovative solutions to waste management. We see effluent as a useful resource which may be utilised to offset our carbon emissions.

We are currently investigating the potential benefits of separating fat from effluent and its use in biofuels and the production of energy from anaerobic digestion.

by-products and waste

Currently, milk by-product is generated from the pasteurisation of milk and is used as animal feed or sent to an off-site centralised anaerobic digestion (CAD) facility to provide power to the National Grid.

All of our dairies have significantly improved their material recycling systems and we will continue to develop processes to divert the majority of our waste away from landfill.

**4 dairies
recycling
plastic on site**

**30%
reduction
in the effluent stream
at Manchester dairy**

focus on distribution

Our distribution activities make a significant contribution to Arla Foods' greenhouse gas emissions and we are committed to reducing the carbon emissions from our vehicles. Following the completion of trials using vehicles running on Liquid Natural Gas (LNG) we continue to trial the use of sustainable bio-fuels.

The improvements in vehicle and engine technology provide the most effective means of reducing environmental emissions from transportation. Our continued investment in state-of-the-art vehicles has ensured that they are all at least Euro III compliant, in line with EU Legislation, and new vehicles to the fleet are built to the latest Euro IV standard. To gain an insight into the impact of vehicle design, it is worth considering that in 1990 a single Euro I standard lorry generated the equivalent emissions of 33 vehicles built to the Euro IV standard.

All vehicles are fitted with telematics which monitor the vehicle's engine performance, fuel consumption and driver behaviour. This helps us to identify the causes of poor environmental performance and take remedial actions to rectify the problem.

Microprocessor control systems are fitted to our trailers which automatically switch off the refrigeration units when they are not required and hush kits are fitted to the refrigeration units of our trailer fleet, which absorb noise to well below industry standards.

However, new technology is only one part of the equation and the careful selection, training and monitoring of our drivers contribute to a reduction in vehicle emissions through reduced fuel consumption. We have developed a national in-house driver training programme to manage risk and promote the implementation of environmentally sound and safe working procedures at our sites.

We have two driver development managers and 20 trainers accredited to the external Road Transport Industry Training Board Standard (the UK's leading independent and impartial training accreditation and approval industry standard) and promote best practice driver training to all our distribution colleagues.

**5 Arla
sites trialling the
use of bio-fuel**

**new Arla
vehicles built
to the latest
Euro IV
standard**



carbon footprint

The carbon footprint of any organisation is dependent on the interactions of all elements of the supply chain. A simple model illustrating the elements of the supply chain carbon footprint is shown below. In some cases, carbon emissions are under our direct control and in other cases we have limited control.

In the instances where we have limited control we are committed to working with our suppliers and customers to promote environmental awareness and reduce the carbon footprint of the element of the supply chain that is under their control.

As far as the carbon footprint of our activities is concerned, we are committed to reducing the nature and scale of it through a process of continual improvement. The streamlining of our production facilities, coupled with investment in energy efficient plant and equipment, will help us show continual reductions in the carbon emissions associated with energy use.

Between 2004 and 2006 our milk processing sites have reduced their direct and indirect carbon dioxide emissions by 13,387 tonnes, a reduction of 14.5 per cent. During 2006 alone we achieved a further reduction of 5,759 tonnes, a reduction of over six per cent.



**13,387
tonne
reduction in
carbon dioxide
emissions over
2 years**

environmental key performance indicators¹

Ratio	2003 ²	2004	2005	2006	% change (2005-2006)	% change (2003-2006)
Energy (kWh/tonne milk)	152.020	142.930	127.820	122.560	-4.12	-19.38
Carbon dioxide* (CO ₂ /tonne milk) * Emissions direct from our dairies	0.019	0.018	0.016	0.015	-5.59	-21.43
Carbon dioxide* (CO ₂ /tonne milk) * Including power transmission losses	0.044	0.041	0.037	0.036	-4.38	-18.58
Water (water/milk)	1.380	1.320	1.170	1.070	-8.36	-22.36
Recycling (recycled/landfill)	-	0.590	0.810	1.020	26.24	-

¹ The data presented in the 2007 environmental statement has been recalculated on the basis of a calendar year previously environmental data was calculated on the basis of a financial year. This may cause apparent variations from the data previously reported.

² The exception to this is the data from 2003 which relates to the financial year 2002/2003. Data from this year is understated as the figures calculate the percentage change in 2003 only.

utility use and associated emissions

Aspect	2004	2005	2006	% change (2005-2006)	% change (2004-2006)
Raw materials					
Milk (tonnes)	2,247,423	2,261,037	2,204,640	-2.49	-1.90
Other (tonnes)	5,685	5,828	5,333	-8.50	-6.19
Energy					
Oil (MWh)	35,530	35,432	27,154	-23.36	-23.57
Natural gas (MWh)	166,757	140,643	136,732	-2.78	-18.01
Electricity (MWh)	119,754	113,686	106,962	-5.91	-10.68
Total energy (MWh)	322,041	289,760	270,848	-6.53	-15.90
Carbon dioxide (tonnes)					
Direct (from fossil fuels)	40,861	35,841	32,990	-7.96	-19.26
Indirect from power stations	51,694	49,086	46,178	-5.92	-10.67
Total CO ₂ emissions	92,555	84,927	79,168	-6.78	-14.46
Water					
Borehole (cu m)	399,168	429,762	483,605	12.53	21.15
Mains (cu m)	2,564,257	2,220,718	1,884,227	-15.15	-26.52
Total water (cu m)	2,963,425	2,650,480	2,367,832	-10.66	-20.10
Effluent					
Volume (cu m)	2,351,498	2,217,185	2,016,583	-9.05	-14.24
COD load tonnes	4,645	5,367	5,271	-1.79	13.48
Waste					
Recycling (tonnes)	1,907	2,282	1,915	-16.08	0.42
Landfill (tonnes)	3,220	2,826	1,878	-33.53	-41.68
Hazardous waste (tonnes)*	139	154	425	175.73	205.76

Aspect	2004	2005	2006	% change (2005-2006)	% change (2004-2006)
Refrigerant usage					
HCFC (R22)					
Use (kg)	1006.0	829.0	1843.0	122.32	83.20
CO ₂ equivalent (tonnes)	1702.8	1409.3	3133.1	122.32	84.00
HFCs					
Use (kg)	616.6	31.0	86.0	177.42	-86.05
CO ₂ equivalent (tonnes)	1334.9	73.3	271.9	270.94	-79.63

*The new Hazardous Waste (England and Wales) Regulations 2005 replaced the Special Waste Regulations 1996 and came into force during 2006. These regulations introduced new classes of hazardous waste such as fluorescent tubes and electric batteries. These types of waste were not previously classed as hazardous. This re-classification has resulted in an increase in the amount of waste reported as hazardous leaving our sites.

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