

2021

Impact report
Infant & medical
nutrition



Arla Foods Ingredients
Discovering the wonders of whey 

OUR CONTRIBUTION TO NUTRITION FOR LIFE

From infancy to old age and during periods of ill health, the human need for nutrition is constantly changing. At Arla Foods Ingredients, we aim to play a part in meeting those needs by mapping the nutritional potential of whey and applying that knowledge to the production of specialised whey-based ingredients.

The important question is: are we actually making a difference?

This report evaluates our impact on infant and medical nutrition in 2021, based on sales of whey protein and lactose to these sectors. See the external assurance statement of EY at the end of the report.



TARGET SECTORS DEFINED

Our ingredients for infant and medical nutrition target the most vulnerable consumers – infants without access to breast milk and patients with a specific nutritional need due to a medical condition. All are produced in compliance with the strictest safety and quality standards, while an increasing number have been scientifically documented in partnership with independent research institutes.



Infant nutrition

Every infant has a right to good nutrition. However, according to the World Health Organization, undernutrition is a primary factor in 45% of child deaths. Many could be prevented by regular breastfeeding, which provides the best nutritional start in life. Research has established a link between breastfeeding and an improved IQ, better school attendance and higher income in adulthood.

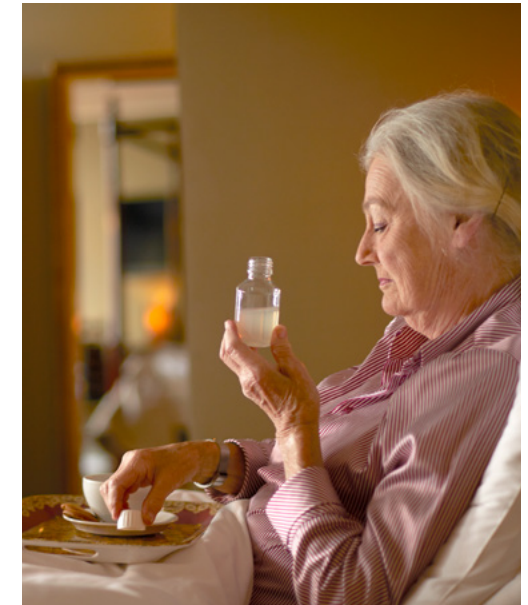
However, breast milk is not available to all infants. At Arla Foods Ingredients, we provide whey-based ingredients that optimise the nutritional composition of infant formula products. The goal is to ensure formula-fed infants get the best possible support for their growth and development.

**Arla Foods Ingredients supports the WHO recommendation for exclusive breastfeeding for the first six months of an infant's life and continued breastfeeding up to the age of two or beyond in combination with nutritionally appropriate complementary foods.*

Medical nutrition

There are times in life when a standard everyday diet is not enough. Due to disease, ageing or the side effects of medical treatment, a person may require tailored medical nutrition products to improve or maintain an adequate nutritional status. These include oral nutritional supplements and enteral nutrition.

High-quality whey proteins from Arla Foods Ingredients serve as a complete protein source in specialised medical nutrition products, easy to digest and absorb and providing all essential amino acids. Evidence shows that increased protein intake during critical illness can help minimise loss of muscle mass and facilitate recovery.



CALCULATED IMPACT

“In 2021 Arla Foods Ingredients sold ingredients corresponding to more than 11 billion servings of infant formula for three to four-month-old babies”

Statement applies to infant formula intended for use as a substitute for human milk when breastfeeding is not possible and includes sales of whey proteins and lactose to infant formula manufacturers.

“In 2021 Arla Foods Ingredients sold whey proteins with the potential to cover the total dietary protein needs of critically ill people for more than 33 million days”

Statement is based on the European Society for Clinical Nutrition and Metabolism (ESPEN) recommendations for protein intake by patients in intensive care¹ and includes sales of Arla Foods Ingredients protein products to the medical nutrition industry.



ASSUMPTIONS AND LIMITATIONS

Both statements of calculated impact address a potential based on total ingredient sales to the infant and medical nutrition sectors. In the case of infant nutrition, ingredient sales cover a wide range of formulas for formula-fed babies and children of varying ages. Similarly, medical nutrition typically serves as a supplement to a normal diet for patients with a range of health conditions, not just those who are critically ill.

In other words, the statements represent a hypothetical assumption of impact if all ingredient sales to these sectors were used for the specified purpose.

Arla Foods Ingredients acknowledges that actual sold ingredients are used for many purposes beyond those stated. The calculations also assume the use of a single ingredient in each formulation and do not account for the potential use of several Arla Foods Ingredients products in the same formulation.



ACCOUNTING PRINCIPLES

The following baseline was used for the calculations:

- Formula-fed infants aged three to four months receive on average 200ml of infant formula per serving
- Each 200ml serving contains an estimated 25.8g of infant formula powder

Sources: European Food Safety Authority² plus average dose specified in the instructions for various leading infant formula brands

- Critically ill patients have a recommended daily protein requirement of 1.3g per kg bodyweight
- Average body weight for men and women aged 20 and above is 84kg

Sources: ESPEN¹ and Centers for Disease Control and Prevention – National Center for Health Statistics³

Calculation of infant formula servings

A theoretical standard infant formula was designed in compliance with the compositional criteria set out in EU directive 2016/127 regarding energy, protein, carbohydrate, fat and amino acid profile. The nutritional values were then calculated to estimate the dosage of whey-based ingredients per average serving for infants aged three to four months. The size of the ingredient dosage is based on internal and public knowledge.



Calculation of days of protein provision for critically ill patients

The calculation is based on the average daily protein requirements of critically ill patients and the assumption that all annual sales of whey-based ingredients to the medical nutrition industry are used as the sole dietary protein source for critically ill patients. Potential days of dietary protein provision refers to the possible time span for meeting the total dietary protein needs of critically ill patients.



Supporting data

More information about the ingredients used in the calculations is available from the [early life nutrition](#) and [medical nutrition](#) sections on the Arla Foods Ingredients website.



MANAGEMENT STATEMENT

The Executive Board of Arla Foods Ingredients Group P/S ("Arla Foods Ingredients") have considered and adopted the Impact report - Infant & medical nutrition (the "Impact report") of Arla Foods Ingredients for the period 1 January to 31 December 2021.

The Impact Report 2021 has been prepared in accordance with the "Assumptions and Limitations" and "Accounting Principles" described on pages 5-6.

In our opinion, the "Assumptions and Limitations" and "Accounting Principles" are appropriate, and the Impact Report provides a true and fair view of Arla Foods Ingredients' impact on infant and medical nutrition for the period 1 January to 31 December 2021. Further, in our opinion, the information given in the Impact Report is consistent with the "Assumptions and Limitations" and "Accounting Principles" applied.

Aarhus, 7 April 2022

Arla Foods Ingredients Group P/S

CVR no. 33 37 21 16



Henrik Højen Andersen
Chief Executive Officer

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE IMPACT REPORT

To the shareholders of Arla Foods Ingredients Group P/S

We have been engaged by Arla Foods Ingredients Group P/S ("Arla Foods Ingredients") to perform a 'limited assurance engagement', as defined by the International Standard on Other Assurance Engagements, and to report on Arla Foods Ingredients' Impact report - Infant & medical nutrition (the "Impact report") for the period 1 January – 31 December 2021.

In preparing the Impact report, Arla Foods Ingredients applied the "Assumptions and Limitations" and "Accounting Principles" described on pages 5-6. Such criteria were specifically designed for calculating the potential servings sold of infant formula and potential days of protein provision for critically ill patients; As a result, the Impact report information may not be suitable for another purpose.

Management's responsibilities

Arla Foods Ingredients' Management is responsible for determining the scope of the Impact report, selecting the "Assumptions and Limitations" and "Accounting Principles", and for presenting the Impact report in accordance with those "Assumptions and Limitations" and "Accounting Principles", in all material respects. This responsibility includes establishing and

maintaining internal controls, maintaining adequate records, and making estimates that are relevant to the preparation of the Impact report, such that it is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the presentation of the Impact report, based on our procedures and the evidence we have obtained. We performed our work in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and additional requirements under Danish audit regulation. Those standards require that we plan and perform our work to obtain limited assurance about whether, in all material respects, the Impact report, is presented in accordance with the "Assumptions and Limitations" and "Accounting Principles", and to issue a conclusion thereon.

The procedures performed in connection with a limited assurance engagement vary in nature and timing and are substantially less than those performed in connection with a reasonable assurance engagement. A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Impact report and related information

and applying analytical and other appropriate procedures.

Consequently, the level of assurance obtained for a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Our procedures were designed to obtain a limited level of assurance for our conclusion and do not provide sufficient evidence to issue a reasonable assurance report.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as well as ethical requirements applicable in Denmark, and have the required competencies and experience to perform this assurance engagement.

EY Godkendt Revisionspartnerselskab also applies International Standard on Quality Control

(ISQC) 1, and accordingly maintains a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Our procedures included:

- Review of Arla Foods Ingredients' process for the preparation and presentation of the "Impact report" to develop an understanding of how the reporting is conducted within the organisation
- Interviewed those in charge of "Impact report" to develop an understanding of the process for the preparation of the "Impact report"
- Analytical review procedures to support the reasonableness of the data
- Verified on a sample basis the information in the "Impact report" against source data and other information prepared by those in charge
- Verified the calculations of the statements in the "Impact report" against the "Assumptions and Limitations" and "Accounting Principles"
- Considered the disclosure and presentation of the "Impact report" against the "Assumptions and Limitations" and "Accounting Principles".

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE IMPACT REPORT (CONT.)

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, nothing has come to our attention that causes us to believe that the Impact report for the period 1 January – 31 December 2021, has not been prepared, in all material respects, in accordance with the “Assumptions and Limitations” and “Accounting Principles” described on pages 5-6.

Frederiksberg, 7 April 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Henrik Kronborg Iversen

State Authorised Public Accountant
mne24687



Carina Ohm

Head of Climate Change and Sustainability Services

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https://www.espen.org/files/ESPEN-Guidelines/ESPEN_guideline-on-clinical-nutrition-in-the-intensive-care-unit.pdf
2. EFSA Scientific Committee. Guidance on the risk assessment of substances present in food intended for infants below 16 weeks of age. *EFSA Journal* (2017), 15(5), 4849
<https://efsa.onlinelibrary.wiley.com/doi/pdf/10.2903/j.efsa.2017.4849>
3. Centers for Disease Control and Prevention: National Center for Health Statistics
<https://www.cdc.gov/nchs/fastats/body-measurements.htm>

Arla Foods Ingredients is a world-leading producer of whey-based ingredients for infant, sports and medical nutrition, health foods and everyday foods, such as bakery and dairy products. We have built our business around our ability to discover and deliver the components in whey that can bring value to the food industry.

Arla Foods Ingredients is a 100% owned subsidiary of Arla Foods.

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Discovering the wonders of whey 