



Arla Foods Modern Slavery Statement

At Arla, we are dedicated to developing our business in a responsible manner. Our Code of Conduct is our foundation, which guides our behaviours and we are proud of our stance on human rights. We know that long-term success is only achieved if we add value to people's lives, whether they are consumers, customers, partners, colleagues or our farmer owners, while acting responsibly towards the environment and the communities we are part of.

Arla's Code of Conduct, Our Responsibility ([link](#)), covers the 10 principles of the UN Global Compact and the UN initiative to promote ethical business practices. As a result, it covers all aspects of our business and is integral to every decision made across our company.

The International Labour Organisation (ILO) estimates that almost 21 million people worldwide are victims of forced labour, which is unacceptable. It is important to us that as a responsible organisation we acknowledge the risk of forced labour occurring in global supply chains.

We are committed to following the OECD Guidelines for Multinational Enterprises as well as the UN Guiding Principles on Business and Human Rights. As part of our commitment to these international initiatives, we welcome the Modern Slavery Act. We acknowledge the challenge of always living up to our strategic ambitions and we believe that dialogue, cooperation, openness and transparency are key.

About Arla – who are we?

Arla Foods is a global dairy cooperative, owned by farmers in 7 European countries, supplying milk and dairy products to customers and consumers in more than 100 countries worldwide. More than 22,000 suppliers deliver to our processing sites and offices across the world. This briefly illustrates the extent and complexity of our business. For further details about Arla click here: <https://www.arla.com/company/investor/annual-reports/>
<https://www.arla.com/company/responsibility/csr-reports/>

Our commitment

We operate and sell our products around the world. We not only provide food products but also a culture that upholds internationally recognised human rights. This means that wherever we operate, we represent Arla's firm belief that the human rights of all people must be respected.

We are committed to contributing to social, environmental and economically sustainable development. 'Our Responsibility' is our foundation and together with Arla Foods Human Rights Policy ([link](#)) and other related policies, it sets out the principles that guide our behaviour.

We are embedding our commitment to respect human rights in all business areas and processes, and working on implementing human rights due diligence processes. We do not accept forced labour and human trafficking in our corporate activities and supply chain. We specify our expectations to suppliers in our **Code of Conduct for Suppliers** ([link](#)).

As a farmer-owned cooperative we also recognise that we need to ensure human rights are respected on our owners' farms, and we will focus on farmer engagement and raising awareness.

Our expectations

We are committed to respecting human rights and preventing forced labour and human trafficking, and acknowledge and embrace our responsibility in all our operations. We expect the same from business relationships (incl. joint ventures, suppliers and contractors) and our employees.

If any of our employees or business relationships identify potential cases of forced labour and/or human trafficking, we expect them to inform Arla immediately, so we can take action.

Responsible sourcing

As a leading global dairy company, we source goods and services around the world. Since 2000, Arla's procurement has been centralised to ensure common standards and practices, enabling us to take environmental, social and human rights responsibilities into consideration when selecting a supplier. All suppliers sourced by our procurement department are required, as part of their contractual agreement with us, to comply with our **Code of Conduct for Suppliers**. This requires our suppliers to e.g.:

- Provide a safe and healthy working environment;
- Respect the rights of children and not engage in or tolerate the use of child labour;
- Not use forced labour and at a minimum comply with applicable laws and industry standards relating to working hours and minimum wages;
- Respect international agreements on human rights

Due diligence and audit of our supply chain

Arla has a global approach to supplier assurance and our preferred suppliers of key categories (ingredients, packaging, contract manufacturing, and selected services such as laundry, logistics and pest control) are required to complete a detailed supplier questionnaire covering quality, food safety and human rights standards, among other areas of importance. We take a risk-based approach to auditing of suppliers using location, sourcing category, and historical performance as some of the selection criteria.

Grievance mechanisms

Arla values and respects honest and open communication, and all stakeholders have the opportunity to raise questions and or concerns through: arla@arlafoods.com

Our internal and confidential Whistleblower Service also provides a further opportunity for employees to report information about any possible irregularities.

Actions we are taking

The UK has specific legislation, the Modern Slavery Act 2015 ("MSA"), which was implemented to ensure that businesses are working to prevent forced labour in their workforce and their supply chains. The MSA requires businesses to publish a statement on modern slavery and this document describes what we do to comply with the requirement to be transparent.

We only use **specified, reputable recruitment agencies in the UK** to source labour and carry out regular audits. We always check registration with the Gangmasters' Licensing Authority and verify the practices of any new agency we are using before using them.

All our Arla processing and production sites delivering to the UK market are registered with SEDEX, an ethical supply chain database, which is updated annually. We audit our sites against ethical and human rights standards on a risk-based frequency, usually in the form of SEDEX Member Ethical Trade Audit (SMETA). The SMETA is based on the Ethical Trading Initiative (ETI) Base Code and local UK laws.

Ethical audits are important in ensuring we act credibly and with integrity in all our operations. The audits look at systems and processes in place and also cover interviews with employees and colleagues about the ethical standards at a site. Our culture of openness and transparency is vital in helping us ensure we do not have any ethical or human rights related issues at our sites.

It is important to us that we continuously identify risks, areas for improvement and implement actions. We have, therefore, established a **modern slavery working group** to formalise internal governance on modern slavery risks.

Next steps to prevent modern slavery in our business and supply chain

We recognise that modern slavery is a complex area and we will continue to improve our approach to mitigating risks in this area, by undertaking activities in 2017, such as:

- Continuing the work of implementing human rights due diligence processes
- Raising colleague awareness of forced labour and human trafficking through increased communication and training in the UK
- Ongoing farmer engagement and awareness raising in the UK
- Further embedding our purchasing policy and correct purchasing behaviour to increase the usage of our preferred suppliers
- Collaborating further with our UK customers, including supporting their training programmes and working with them to share best practice
- Creating robust checking processes for internal data in the UK (such as employee bank details and addresses) to identify any risk areas
- Review of contractor information, including reviewing their commitment to removing risks of forced labour and ensuring sub-contracting does not take place without our consent,

Reporting

We will track and communicate progress in our Annual Responsibility Report.

This statement was approved by directors of Arla Foods amba and Arla Foods Limited.

Peder Tuborgh, CEO
Aarhus, June 2017

Tomas Pietrangeli, Group Vice President Arla UK
Leeds, June 2017