








Human Rights Impact Assessment for Arla Ghana

Purpose and process of human rights assessment	This is a human rights pre-assessment, based on the country context in Ghana and the business model of Arla Foods for the local market. The purpose of this assessment is to identify potential adverse human rights impacts related to Arla's market entrance and potential future extension of business activities in Ghana. It is an integrated part of Arla's human rights due diligence process in line with international guidelines and company policies. The assessment has been conducted through a two-step model. Firstly, information is collected through a comprehensive literature review of acknowledged human rights sources with the purpose of assessing key human rights risk in the country. Secondly, the identified country risks are related to Arla's intended business model in Ghana, whereby key human rights risks are identified. We hereby share the key takeaways from the assessment, namely the salient human rights issues related to Arla, based on the country and sector context of Ghana. The assessment is based on information gathered in a specific period of time prior to the launch in September 2017, and thus, it is not a full human rights impact assessment. We recognize that respecting human rights, and thus exercising human rights due diligence, is an ongoing process. We will follow up on this pre-assessment as part of our human rights commitment, which is fully integrated in the management processes in Ghana, within two years of start of full operation.					
Arla's business activities	Arla is entering the Ghanaian dairy market by establishing a fully owned subsidiary that will manage production, sales and marketing of Arla branded products as of September 2017. Arla will enter distribution agreements with local companies, including experienced suppliers with strong networks. The dairy products will be imported in bulk. All imported products are processed by Arla and sourced from Arla farmer owners in Northern Europe. Arla will source non-dairy materials and services predominantly from existing suppliers already servicing the company. A repackaging facility is being constructed close to Accra in Tema Industrial Park, where the imported bulk milk powder will be repackaged. The site will initially have four permanent local employees and another four part-time employees. Part-time employees will gradually be offered full time employment as the production is growing. Arla Ghana will be managed from Arla's Regional Sub-Saharan office in Nigeria.					
Sources consulted	<u>Sources and publications include:</u> FAO, Business & Human Rights Resource Centre, Amnesty International, IFAD, ILO, The Ministry of Food and Agriculture Ghana, WHO, Verisk Maplecroft, World Bank, Transparency International, UN Development Program, Gidiglo, Korbla: Milk Production and Marketing in Ghana: The Case of Accra Plains, Dairy Reporter, Addo, Kennedy: Knowledge, Attitudes and Practices (KAP) of Herdsmen in Ghana. Relevant stakeholders will be consulted at the following stages of the due diligence process.					
Policy commitments	The commitments and procedures of Arla to respect human rights can be found at: https://www.arla.com/company/responsibility/ , including Arla's Code of Conduct, Supplier Code of Conduct and Code of Conduct for Business Partners. Arla's policies and processes for responsible business conduct will be implemented at Arla Ghana. We further follow international standards and legal requirements on anti-corruption, tax, and environmental sustainability and have systems and procedures for quality, environment, health and safety.					
Grievance mechanisms	<ul style="list-style-type: none"> • Arla's internal Whistleblower function and Arla's internal process for reporting on Anti-discrimination/Anti-harassment: <i>right to non-discrimination; right to just and favorable conditions of work, freedom from corruption</i> • Respective registered Trade Union or Ministry of Employment and Labour Relations: <i>wages, working hours, just conditions of work; contracts, child and forced labor</i> • Danish OECD National Contact point (English page): https://businessconduct.dk/how-to-complain 					
Summary of human rights impact assessment	While we consider adverse human rights impacts to be unlikely within the scope of our production unit, we will continuously pay attention to the potential risks identified with regards to external suppliers, consumers as well as small holder dairy farmers in Ghana. As a general practice, Arla's responsible business conduct governed by our Code of Conduct, policies and processes including fair recruitment, working conditions and occupational health and safety standards is implemented. Going forward, Arla commits to monitor and mitigate the above listed risks, salient for our activities in Ghana at regular intervals. Key to our commitment and Arla's common business practice we will conduct continuous supplier assessment on location, as well as a full human rights assessment focusing on Arla's factory and related actors in the value chain. The latter will be conducted at a later stage when our business is in full operation by Arla's CSR team. We will on a regular basis trace misuse of Arla's products by consumers and customers locally, and consult stakeholders to track and assess potential risk of adverse human rights impacts on small holder dairy farmers through e.g. our engagement in The Milky Way to Development Multi-stakeholder Fora.					
Human rights risk¹	Potential adverse impact	Potential affected stakeholders	Addressing potential human rights risks	Tracking	Remedy	Link to SDG's
Right to non-discrimination	Potential risk of adverse impact through Arla's suppliers of packaging materials and distribution. This is due to widespread practices of discrimination of vulnerable groups including women and people with disabilities in Ghana in relation to recruitment and employment conditions. The risk is estimated as possible to happen.	Workers in companies in Arla's supply chain, with a special focus on women and people with disabilities.	Ensure compliance to Arla's Code of Conduct, Arla's Supplier Code of Conduct and related policies on diversity and anti-harassment, national regulations and processes implemented to prevent discrimination on any basis during recruitment and employment.	Suppliers are monitored on regular basis for compliance and follow-up are done on a regular basis by Arla's Global Contract Manufacturing. Continuous dialogue, guidance and cooperation will further enhance the process.	If actual impact is identified, we require a firm action plan to end practice and provide access to remedy. We will further work continuously with our business partners to ensure continuous improvement and prevention.	

¹ Human rights risk to respective right holders, whether workers within the value chain or affected communities

Right to enjoy just and favorable conditions of work	Potential risk of adverse impact within Arla's suppliers of packaging materials and distribution, due to widespread practices of underpayment, lack of contracts or un-safe working conditions in Ghana. The risk is estimated as possible to happen.	Lower-skilled workers in companies in Arla's supply chain.	Ensure compliance to Arla's Code of Conduct, Arla's Supplier Code of Conduct and related policies to make sure that a fair pay and compensation is provided, which satisfy, as a minimum, the basic needs of employees and their dependents; safe and healthy working conditions, fair promotion opportunities, abide by country regulations for rest, working hours and paid holidays.	Suppliers are monitored on regular basis for compliance and follow-up are done on a regular basis by Arla's Global Contract Manufacturing. Continuous dialogue, guidance and cooperation will further enhance the process.	If actual impact is identified, we require a firm action plan to ensure compliance with local regulation. We will work in partnership to continuously improve conditions and follow-up regularly.	
Right to children's and young people's protection from exploitation	Potential risk of adverse impact within Arla's suppliers of packaging materials and distribution, due to widespread practices of exploitation of child labour in Ghana. However, since our suppliers consist of manufacturers of foil as well as transportation and distribution, which in this regard, is considered as lower risk sectors, human rights risk is assessed as unlikely within the formal value chain ² . The risk is estimated as possible to happen in the informal sector, if children uptake Arla's product and resale.	Children and young people working in companies involved in Arla's value chain. Children and young people engaged in resale of our products within the informal sector.	Ensure compliance to Arla's Code of Conduct, Arla's Supplier Code of Conduct and related policies to make sure that child labor, as per international definition, does not take place within our supply chain.	Human Rights Assessment to be conducted in Ghana by end of Q4 2017 with a focus on Arla's suppliers.	If actual impact is identified, we require a firm action plan to end practice of child labor. We will work in partnership to continuously improve conditions and follow-up regularly.	
Right to work	Potential risk of adverse impact within Arla's suppliers of packaging materials and distribution, due to widespread practice in Ghana of no provision of contracts and high unemployment rates. Risk is assessed to be unlikely within own operation and possible amongst suppliers due to operations within the formal sector.	Lower skilled workers in Ghana, with a special focus on young workers from local community surrounding Arla's and its suppliers' operations.	Ensure compliance to Arla's Code of Conduct, Arla's Supplier Code of Conduct and related policies to make sure that lower skilled workers are provided with a written contract in compliance with local regulations on payment, working hours, termination and basic training.	Human Rights Assessment to be conducted in Ghana by Q4 2017 with a focus on Arla's suppliers. Follow-up are done on a regular basis by Arla's Global Contract Manufacturing and Joint Venture Team.	If an actual impact is identified, implement Arla's policies and practices regarding employment as well as Ghanaian Labour law and require a change of practice.	
Right not to be subjected to slavery, servitude or forced labour	Potential risk of adverse impact within Arla's suppliers of packaging materials and distribution, due to widespread and often hidden risk of exploitation of low-skilled workers in Ghana. However, since our supply chain is limited to manufacturing of foil and transportation, we do consider this risk to be unlikely within the formal sector.	Blue collar workers, employed in companies within Arla's value chain.	Ensure compliance to Arla's Code of Conduct, Arla's Supplier Code of Conduct to make sure that no forced labor, as per ICCPR art. 8, does not take place within Arla's supply chain.	Suppliers are monitored on regular basis for compliance and follow-up are done on a regular basis by Arla's Global Contract Manufacturing.	If actual impact is identified, we require the end of practice. We will work in partnership to continuously improve conditions and follow-up regularly.	
Right to health	Potential risk of adverse impact due to widespread practices in Ghana of violations of local food security standards and product falsification if Arla's products are misused, unsafely consumed or hampered by external entities, including customers and consumers. Likely risk due to inability to control or monitor consumer behavior.	Consumers in Ghana, who are misusing or unsafely using Arla branded products. Consumers in Ghana, who are consuming Arla products misused by external entity including retailers, open markets or middlemen.	Produce, distribute and market safe products in compliance with Arla standards and national legislation, with clear guidance for consumers on content and use, thus ensuring right to health and right to information. Regularly trace misuse of Arla products by external entities.	Arla standards for food safety implemented at the repacking unit prior to production start. Follow-up are done on a regular basis by Arla's Global Contract Manufacturing in collaboration with QEHS.	If an actual impact is identified, inform relative regulatory bodies and conduct additional awareness raising campaigns.	

² Risks assessed based on the likelihood reflecting the net risk taking existing mitigation into account, but without considering planned future mitigation (planned future mitigation may, however, be part of the action plan). Arla operates with four levels of likelihood: Unlikely (< 5%), Possible (5% - 25%), Likely (25% - 50%) and Very likely (> 50%).

<p>Right to adequate standard of living</p>	<p>Due to the historic lack of investment in the dairy sector and the multiple global and local structural barriers, the dairy sector is immature and vulnerable actors face a number of constraints. As a minor dairy actor in Ghana, there is presently only a limited potential connection to adverse impact on local dairy sector development through the marketing and sales of Arla products. We however acknowledge that as our business grows, Arla becomes an integrated part of the many complex systemic factors, which are linked to the continuous underdevelopment of the dairy sector.</p>	<p>Local dairy producers, mainly small holder Fulani farmers, dependent solely on the production and sales of fresh products</p>	<p>Conduct continuous stakeholder consultation to understand concerns related to the barriers to local dairy sector development, with the aim to identify potential for positive contribution and cooperation through engagement in the Milky Way to Development alliance as a platform for actions in West Africa.</p>	<p>Consult stakeholders on regular intervals and track potential risks of out-competing local farmers to prevent or address negative effects.</p>	<p>If an actual impact is identified, we will engage in platforms to promote multi-stakeholder dialog on sustainable local dairy sector development as a member of the Milky Way to Development Alliance in collaboration with local, regional and international actors.</p>	
<p>Freedom from corruption</p>	<p>Potential risk of being affected, as there are widespread concerns regarding corruption and bribery practices in the country. Potential risk is assessed to be possible despite Arla's internal policies and processes.</p>	<p>Workers in Arla as well as suppliers.</p>	<p>Ensure compliance to Arla's Code of Conduct and Supplier Code of Conduct through solid financial processes combined with training and reporting on anti-bribery and anti-corruption in accordance with Arla's zero-tolerance policy.</p>	<p>Implement Arla's legal processes on anti-bribery and anti-corruption, to prevent and continuously ensure compliance to zero-tolerance by local management.</p>	<p>If actual pressure for or activity is identified, we require end of practice. In severe cases, the respective authorities will be involved.</p>	