



Arla Foods Modern Slavery Statement

This is Arla's fifth modern slavery statement. It includes progress made during the last year towards ensuring there is no modern slavery (including forced labour) in our operations and supply chain, as well as setting out what Arla intends to do over the next 12 months.

About Arla – who are we?

Arla Foods is a global dairy cooperative, owned by farmers in 7 European countries (UK, DK, SE, DE, NL, LUX, BE), supplying milk and dairy products to customers and consumers around the world. More than 16,000 suppliers deliver to our multiple processing sites and offices across the world, where Arla employs approximately 20,000 colleagues. 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/>

We operate and sell our products globally. 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 follow the OECD Guidelines for Multinational Enterprises as well as the UN Guiding Principles on Business and Human Rights.

Arla Foods in the UK

Arla Foods Limited, which has its head office in Leeds, UK, is a UK subsidiary of Arla Foods amba, which has its head office in Aarhus, Denmark. It produces and supplies dairy products across the UK and globally, employing circa 3,800 colleagues across 13 sites. Arla Foods amba has a global annual revenue of EUR 10,6 billion, and Arla Foods Limited has a global annual revenue of EUR2,7 billion

Arla Foods Cheese Company Limited holds the maturing bulk cheddar cheese stocks in the UK after they have been produced by Arla Foods Limited. Arla Foods Cheese Company Limited does not employ any colleagues in its business or procure or sell any goods or services, other than from/to Arla Foods Limited.

Yeo Valley Dairies Limited is the licensee of certain rights used within Arla Foods Limited's wider UK business and does not employ any colleagues in its business.

Our commitment

We are committed to contributing to social, environmental and economically sustainable development. Arla's Code of Conduct 'Our Responsibility' is our foundation: it covers the 10 principles of the UN Global Compact and the UN initiative to promote ethical business practices. Together with Arla Foods Human Rights Policy ([link](#)) and other related policies, it guides our behavior and is integral to every business decision made across our company.

We continue to embed our commitment to respect human rights in all business areas and processes, and continue to work on implementing human rights due diligence processes.

We do not accept forced labour and human trafficking and are committed to acting with integrity and ethically 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 have begun farmer engagement and raising awareness.

Our principles for tackling modern slavery both in the UK and globally include:

In the UK, we only use **specified, reputable suppliers** to source labour as this is helping to reduce our exposure as these agencies are subject to regular assessments or audits. Continuous registration checks are also undertaken in line with the Gangmasters' Licensing Authority wherever applicable to verify the practices of any new agency before engaging with 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. Our sites are audited 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.

It is important to us that we continuously identify risks and areas for improvement and implement follow-up actions. We have a **global modern slavery steering committee** to formalise internal governance on modern slavery risks. We are committed to implementing and enforcing effective systems and controls to ensure forced labour and human trafficking does not take place in our supply chains.

Further the principles include:

- Robust internal data checking processes in the UK. This includes checking of employee bank details and addresses to identify risk areas.
- Our General Membership Terms include our commitment to work against Modern Slavery including forced labour.
- Migrant worker colleagues in the Middle East retain their passports and identity documents, unless they sign a letter of consent if they want Arla to safekeep these.
- Upskilling of our leaders and colleagues about modern slavery. In the UK this includes new people managers and site leaders are required to complete an E-learning module on Modern Slavery Awareness. As a selection criteria we ask new suppliers to provide a link to their Modern Slavery Statement.
- We continuously review our suppliers.

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 anyone who has a business relationship with Arla identifies potential cases of forced labour and/or human trafficking within our business or supply chain, we expect them to inform Arla immediately, so we can take action, and we have established procedures in place for reporting such concerns.

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 facility management) are required to complete a detailed supplier questionnaire covering quality, food safety and human rights standards, among other areas of importance. We have processes in place for audit and assessment of our preferred suppliers of logistics services (hauliers and warehouses). We take a risk-based approach to auditing of suppliers using location, sourcing category, and historical performance as some of the selection criteria.

Progress since the previous statement

Due to the need for changed prioritisation and focus caused by the COVID-19 pandemic, some of our planned actions have been slightly changed or delayed. We have, however, continued the work with human rights in general, and identified the 'Right not to be subjected to slavery, servitude or forced labour (incl. child labour)' as one of Arla's salient human rights issues.

- New Arlagaarden Programme was implemented for all farmer owners (compulsory) commencing April 1st 2020. The programme is developed to engage and ensure 24/7 adherence to the programme, using quarterly self-assessment and Independent 3rd party audits. Checkpoints include working environment, health & safety and accommodation and rest facilities.
- In the UK, we have appointed a single temporary labour provider and, following a transitional period, this provider will be the only source through which we engage temporary labour. We have verified the practices of the agency and have robust processes in place for audit and assessment.
- In the UK, we work to continuously rationalise our supplier base and engage with specified, reputable hauliers and warehouses for transportation and storage of our products. Compliance with policies and processes is high on the agenda in Arla, and we continue to train our colleagues in correct purchasing behaviour. All new hires in our 6 core countries (UK, DK, SE, NL, DE, FI) are invited to a session where we explain how to buy and order the Arla way and how to be compliant, and we monitor purchasing compliance through robust and regular reporting procedures and reach out to those colleagues who are most non-compliant and support them in changing habits and behaviour.
- Our confidential whistleblower service has been updated, and external parties are now able to access this.

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

We continually review our efforts in this area; we recognise that this is a complex area that requires continuous improvement to ensure we mitigate the risk of modern slavery in our business. During 2021 and 2022 we will be taking the following steps to improve our approach to mitigating the risk of modern slavery in our business and supply chain:

- General awareness raising in Arla for all colleagues using available internal Arla media
- Specific information to Farmer owners
- Specific training for Arlagarden auditors
- Strengthening the overall human rights management set-up including focus on modern slavery, and continuing the work of implementing human rights due diligence processes.
- Continue embedding modern slavery principles and awareness at all UK locations. MSA leads at all of our sites will be responsible for this work.
- Working closely with the relevant areas of our business to ensure that where potential modern slavery risks, issues or queries are identified through customer audits or other external audits (e.g. SEDEX SMETA), these issues or queries are resolved and trends and training needs are highlighted. We will continue to work with our global and UK steering committees to embed best practice, improve our awareness of modern slavery issues and identify where we can make improvements to our practices.
- The Global Steering Group will look at how best practice can be embedded across all countries where Arla carries out business.
- Continuing the work to create awareness of correct purchasing behaviour and adapting our internal ways of working to allow for increased purchasing compliance to minimize the risks of modern slavery.

Grievance mechanisms

Arla values and respects honest and open communication, and all employees and other stakeholders have the opportunity to raise questions and/or concerns through our confidential Whistleblower Service – ‘Ethics Line’ at arla.whistleblownetwork.net.

Reporting

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

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015, constitutes our slavery and human trafficking statement for the financial year ending 2021, and was approved by directors of Arla Foods amba, Arla Foods Limited, Arla Foods Cheese Company Limited and Yeo Valley Dairies Limited.

*Peder Tuborgh, CEO, Arla Foods amba
Aarhus, June 2021*

*Ash Amirahmadi, Group Vice President Arla UK
(on behalf of Arla Foods Limited, Arla Foods Cheese Company Limited, Yeo Valley Dairies Limited)
Leeds, June 2021*