

# Summary of Human Rights Assessment for Arla in Indonesia

<p><b>Purpose and process of human rights Impact assessment</b></p>	<p>The purpose of this human rights assessment is to identify potential adverse human rights impacts related to Arla Foods Amba's (hereinafter referred to as Arla) entering a joint venture partnership with PT. Indofood CBP Sukses Makmur Tbk. (hereinafter referred to as Indofood CBP) and its future business activities in Indonesia. Such an assessment prior to signing a Joint Venture Agreement is an integrated part of Arla's human rights due diligence process in line with international guidelines and company policies.</p> <p>The assessment has been conducted through a three-step model. Firstly, information is collected through a comprehensive literature review of acknowledged human rights sources, with the purpose of identifying key human right risks in Indonesia. Secondly, a partner human rights assessment has been conducted in collaboration with Indofood CBP. Finally, a human rights workshop has been conducted with Indofood CBP in Jakarta where potential human rights risks related to the potential future value chain of the joint venture company has been identified. The assessment is based on information gathered prior to the launch of the joint venture with Indofood CBP in December 2017.</p> <p>We hereby share the key takeaways from this pre-assessment, namely the potential human rights issues related to Arla's market entrance in Indonesia. Hence, it is not a full and comprehensive human rights impact assessment. The results are integrated in the management processes and post JV signing plan for Arla in Indonesia. We acknowledge that respecting human rights, and thus exercising human rights due diligence, is an ongoing process. We will follow up on this assessment as a part of our human rights commitment. A full human rights impact assessment will be conducted at a future stage, when Arla's business activities in Indonesia are in full operation. This is estimated to be initiated a year after commencing business activities in Indonesia. This is to identify potential and actual human rights impact across the value chain.</p>
<p><b>Arla's business activities</b></p>	<p>Arla Foods is taking another step forward to expand its business in Southeast Asia by establishing a joint venture with Indofood CBP, a leading fast-moving consumer goods company (FMCG) in Indonesia. Indofood CBP is a subsidiary of PT. Indofood Sukses Makmur Tbk. (hereinafter referred to as Indofood). Indofood's business operations comprise four complementing Strategic Business Groups (SBGs) namely Consumer Branded Products (operating under Indofood CBP), Bogasari, Agribusiness and Distribution. Indofood CBP has strong experience with dairy and has the support of its parent company's extensive distribution network in Indonesia with access to all key retailers. For further information see <a href="http://www.Indofood.com">www.Indofood.com</a> and <a href="http://www.indofoodcbp.com">www.indofoodcbp.com</a>.</p> <p>The new Joint Venture Company (hereinafter referred to as JVC) will undertake the commercial operations while its JVC subsidiary will undertake the manufacturing operations, in which JVC shareholding will comprise 50 per cent + 1 share owned by Arla and 50 per cent- 1 share owned by Indofood CBP. The JVC subsidiary will be owned by JVC for 100 percent – 2 shares and the remaining 2 shares will be owned by Arla and Indofood CBP.</p> <p>With a population of more than 250 million people, 50 per cent of them under the age of 30, Indonesia is the biggest market for nutritious dairy products in Southeast Asia. Teaming up with Indofood will allow Arla Foods to offer our high-quality dairy products to more Indonesian consumers. The signed joint venture agreement with Indofood CBP is set to expand Arla Foods' presence in the Indonesian market. Details about product portfolio, production and launch dates will not be made public at this time.</p>
<p><b>Policy commitments</b></p>	<p>The commitments and procedures of Arla to respect human rights can be found at: <a href="https://www.arla.com/company/responsibility/">https://www.arla.com/company/responsibility/</a>, including Arla's Code of Conduct. Arla's policies and processes for responsible business conduct will be implemented in JVC to ensure compliance. When appointed, the new General Manager of JVC will undergo a comprehensive on-boarding program including a module on human rights and labor rights.</p>
<p><b>Grievance mechanism</b></p>	<ul style="list-style-type: none"> <li>All employees in JVC gain access to Arla's Whistleblower Service on <a href="https://secure.ethicspoint.eu/domain/media/en/gui/100496/index.html">https://secure.ethicspoint.eu/domain/media/en/gui/100496/index.html</a></li> <li>All employees in JVC gain access to Arla's internal process for reporting on Anti-harassment and Anti-Discrimination.</li> <li>Danish OECD National Contact point (English page): <a href="https://businessconduct.dk/how-to-complain">https://businessconduct.dk/how-to-complain</a></li> </ul>
<p><b>Summary of human rights assessment</b></p>	<p>A number of human rights risks have been identified in Indonesia through a comprehensive literature review. Due to existing mitigation measures in Arla, which will be strictly implemented during the post signing planning process of Arla and Indofood CBP, Arla assess adverse human rights risks to be unlikely within the scope of our JVC, including manufacturing. Hence, we will pay enhanced attention to the potential possible risks related to third party suppliers of non-dairy materials and services, including distribution, customers and consumers as well as governmental concerns and regulations aiming at sustainable development of small holder dairy farmers in Indonesia. As a general practice, Arla's responsible business conduct governed by our Code of Conduct, policies and processes including fair compensation, working conditions and occupational health and safety standards, is implemented fully in the new joint venture company. These practices are in line with the Code of Conduct and company regulations of Indofood CBP (as listed Company). Going forward, Arla commits to regularly monitor and mitigate the identified human rights risks, salient to our future business activities in Indonesia. Key to our commitment and Arla's common business practice, we will conduct supplier assessment on location prior to operational take-off, as well as a full human rights impact assessment focusing on the entire value chain and its related actors. The latter will be conducted when the JVC is in full operation. We will on a regular basis trace misuse of Arla's products by consumers and customers and mitigate adverse impact to the extent possible. Arla will consult stakeholders to track potential risk for non-compliance with governmental expectations, and we will monitor programs for sustainable development of small holder dairy farmers in collaboration with Indofood CBP. A more comprehensive human rights summary will be uploaded by Q4 2018.</p>
<p><b>Sources consulted</b></p>	<ul style="list-style-type: none"> <li>A large number of publications have been consulted, including Amnesty International (2015). <i>Indonesia 2015/2016</i>. <a href="https://www.amnesty.org/EN/COUNTRIES/ASIA-AND-THE-PACIFIC/INDONESIA/REPORT-INDONESIA/">https://www.amnesty.org/EN/COUNTRIES/ASIA-AND-THE-PACIFIC/INDONESIA/REPORT-INDONESIA/</a>; Asian Legal Resource Center (2016). <i>Indonesia: Lack of human rights policy in business sectors</i>: <a href="http://alrc.asia/indonesia-lack-of-human-rights-policy-in-business-sectors/">http://alrc.asia/indonesia-lack-of-human-rights-policy-in-business-sectors/</a>; Brighter Green (2014). <i>Beyond the Pail: The Emergence of Industrialized Dairy</i> <a href="http://www.brightergreen.org/files/beyond_the_pail_brighter_green_final.pdf">http://www.brightergreen.org/files/beyond_the_pail_brighter_green_final.pdf</a>; <i>Indonesia: Human Rights Situation</i> <a href="http://epthinktank.eu/2014/10/29/indonesia-human-rights-situation/">http://epthinktank.eu/2014/10/29/indonesia-human-rights-situation/</a>; Freedom House (2015). <i>Indonesia</i> <a href="https://freedomhouse.org/report/freedom-world/2015/indonesia">https://freedomhouse.org/report/freedom-world/2015/indonesia</a>; Human Rights Watch (2016). <i>Children Should Not Be Suffering On Tobacco Farms in the 21st Century</i> <a href="https://www.hrw.org/news/2016/05/26/children-should-not-be-suffering-tobacco-farms-21st-century">https://www.hrw.org/news/2016/05/26/children-should-not-be-suffering-tobacco-farms-21st-century</a>; Global Agricultural Information Network (2014). <i>Indonesia Dairy and Products Annual Report</i>. page 31; Human Rights Watch (2014). <i>World Report 2014: The Impact of Liberalisation on the Food Chain of Dairy Sector in Indonesia</i>; Indonesian National Statistics Agency's (2013); Interactions (2016). <i>Social, economic and political context in Indonesia</i> <a href="http://inter-actions.eldis.org/unpaid-care-work/country-">http://inter-actions.eldis.org/unpaid-care-work/country-</a></li> </ul>

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- <http://www.indofoodcbp.com/> and [http://www.indofoodcbp.com/uploads/annual/ICBP%20AR2016\\_vFinal\\_lo.pdf](http://www.indofoodcbp.com/uploads/annual/ICBP%20AR2016_vFinal_lo.pdf); <http://www.indofood.com/> and <http://www.indofood.com/uploads/annual/Indofood%20AR%202016%20Website.pdf>; <http://www.indofoodagri.com/> and <http://www.indofoodagri.com/sustainability-report.html>
- [Workshop conducted in Jakarta, November 2017 with participation from Indofood and Arla](#)