



Arla Foods Modern Slavery Statement

This is Arla's second modern slavery statement, and includes progress made during the last year towards eradicating modern slavery (including forced labour) in our operations and supply chain, as well as setting out the next steps for Arla.

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 120 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/>

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 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 is a UK subsidiary of Arla Foods amba. It produces and supplies dairy products across the UK and globally, employing 3,500 colleagues across 13 sites.

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 does not employ any colleagues in its business or procure or sell any goods or services, other than from/to Arla Foods Limited.

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 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.

In the UK, we only use **specified, reputable recruitment agencies** to source labour and carry out regular assessments or audits. We always check registration with the Gangmasters' Licensing Authority wherever applicable, and verify the practices of any new agency before engaging 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, areas for improvement and implement actions. We have, therefore, established a **global modern slavery steering committee**, and a national UK steering committee to formalise internal governance on modern slavery risks.

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

Progress since the previous statement

- During the year, we have worked with our internal data checking processes in the UK (such as employee bank details and addresses) to identify risk areas. We now have a robust process in place that ensures we follow up potential risks.
- We have adapted our procurement tendering processes. It is now a key selection criteria that our suppliers have a Modern Slavery Statement.
- We have amended our General Membership Terms to include our commitment to work against forced labour including Modern Slavery
- We have ensured that all our migrant worker colleagues in the Middle East have had their passports returned, or signed a letter of consent in case they want Arla to safekeep the documents.
- We have initiated a project around fair recruitment, piloting in the Middle East
- We have begun raising awareness with our farmer owners through our farmer newsletter, Owner Update.
- We have started a programme of awareness raising and training of forced labour and human trafficking with our UK colleagues, including how to escalate concerns

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

During 2018 we will be taking the following steps to improve our approach to mitigating the risk of modern slavery in our business and supply chain, recognising that this is a complex area that requires frequent review:

- Continuing the work of implementing human rights due diligence processes
- Further work around colleague awareness 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 to share best practice and learnings
- 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.
- Working with our Whistleblower Service to ensure we have an audit trail of modern slavery concerns that are raised and can use this information to identify trends and any training needs.
- 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), these issues or queries are resolved and trends and training needs are highlighted. We will continue to work with our global and UK steering committee to embed best practice, improve our awareness of modern slavery issues and identify where we can make improvements to our practices

Reporting

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

This statement was approved by directors of Arla Foods a.m.b.a, Arla Foods Limited and Arla Foods Cheese Company Limited.

Peder Tuborgh, CEO
Aarhus, October 2018

Ash Amirahmadi, Group Vice President Arla UK
(on behalf of Arla Foods Limited and Arla Foods Cheese Company Limited)
Leeds, October 2018