



Arla Foods Modern Slavery Statement

This is Arla's third 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, supplying milk and dairy products to customers and consumers in more than 120 countries worldwide. More than 18,000 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 circa 3,300 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.

Yeo Valley Dairies Limited is the licensee of certain rights used within Arla Foods' 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 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. The agencies are subject to regular assessments or audits and 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, therefore, established a **global modern slavery steering committee**, and a national UK steering group 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 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 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.

Our principles for tackling modern slavery both in the UK and globally 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 in this area and a commitment to all our UK sites becoming Stronger Together Business Partners.
- Continuously reviewing how we risk assess our suppliers.

Progress since the previous statement

- We have adapted our procurement tendering processes. It is now a key selection criteria that our suppliers have a Modern Slavery Statement, and we ask them to provide a link to their statement.
- We have continued raising awareness with our farmer owners through our farmer newsletter, Owner Update, and made a leaflet available on the farmer web-site in the UK. We have also piloted an awareness raising session with some of our farmers and this will be incorporated into our Arla 360 programme ([link](#)) and be rolled out further during 2019 and 2020.
- Each UK site now has an MSA lead. These leads and National Works Council members have attended Stronger Together training and each site will work towards becoming a Stronger Together Business partner during 2019 and 2020.
- We have continued raising awareness among our UK colleagues/business – and within key functions in the rest of the global organisation. Procurement colleagues have been trained in Human Rights in general and modern slavery in particular.
- More than 3,500 employees in corporate functions plus appointed users at sites have completed an eLearning course on correct Arla purchasing behaviour, which addresses diverse risks, including CSR, which may arise from non-compliance with Arla's purchasing policy and processes. More than 1,300 employees have been trained in the actual use of the purchasing systems.
- We have carried out a training session with our European Works Council.

- We have used the Stronger Together online progress reporting tool to help assess our progress in this area and plan our next actions, including areas for development.

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 2019 we will be taking the following steps to improve our approach to mitigating the risk of modern slavery in our business and supply chain:

- 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.
- Global awareness raising and communication.
- UK sites will start working towards becoming Stronger Together Business Partners during 2019 and 2020.
- Ongoing farmer engagement and awareness raising in the UK, using the online farmer platform.
- Evaluating how working conditions on farm can be embedded in our quality assurance program (Arlagaarden). Further embedding our purchasing policy and correct purchasing behaviour to increase the usage of our preferred suppliers.
- Review of our use of temporary workers and implementation of a new contract with our suppliers, incorporating our requirements around modern slavery.
- 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 committees to embed best practice, improve our awareness of modern slavery issues and identify where we can make improvements to our practices
- Global Steering Group will look at how best practice can be embedded across all countries where Arla carries out business.

Reporting

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

This statement was approved by directors of Arla Foods amba, Arla Foods Limited, Arla Foods Cheese Company Limited and Yeo Valley Dairies Limited.

Peder Tuborgh, CEO
Aarhus, June 2019

Ash Amirahmadi, Group Vice President Arla UK
(on behalf of Arla Foods Limited, Arla Foods Cheese Company Limited, Yeo Valley Dairies Limited)
Leeds, June 2019