Our Responsibility

Arla Foods' Code of Conduct

We want to grow and we **care about** how we do it. We operate our business in a **sustainable** and **responsible** manner in order to safeguard and develop the company's **reputation** and **profitability**, while caring for people and delivering **growth**.

Foreword

At Arla, we are dedicated to developing our business in a responsible manner. We know that long-term success is only achieved if we add value to people's lives – whether they are consumers, customers, partners, colleagues or owners – while acting responsibly towards the environment and the communities we are part of. Sustainability and profitability go hand in hand and we believe that our dedication to be responsible will benefit us commercially.

We have chosen to take the lead in areas close to our core. As a farmer-owned cooperative, it is in our nature to work together to ensure better results. As a major food provider, we inspire good food habits and make it easier for people to live healthy lives. In a world with a fast-growing population, it is imperative that we continuously develop new technologies and ways to produce nutritious food for millions of people in an efficient and sustainable manner. We aim to be a role model in the industry.

Arla's Code of Conduct – Our Responsibility – covers all aspects of our business and lies within every decision made every day, at all levels and everywhere in our company. We want all stakeholders to know what they can expect from us and what we expect from them. Dialogue, cooperation, openness and transparency are keys in accomplishing this. Each and every one of us plays a role, and responsibility is embedded in our culture through strong leadership and training.

The Code of Conduct is our foundation, and throughout its pages you will find the principles that must guide our behaviour. While this seems easy to say, we acknowledge the challenge of always living up to our ambitions. Therefore we expect all colleagues in Arla to study the document, and even more importantly to discuss what it means for us and our work.

Our Responsibility covers the 10 principles of the UN Global Compact, the UN initiative to promote ethical business practices. Further, we are committed to follow the UN Guiding Principles on Business and Human Rights as well as the OECD Guidelines for Multinational Enterprises.

A company's ethical, social and environmental responsibility is continually challenged. We are proud of our stance and of this document, which we will continue to develop as Arla evolves and we acquire more knowledge. We invite you to share your views with us at arla@arlafoods.com.

Aarhus, Denmark, 25 August 2015

Åke Hantoft
Chairman of the Board of Directors

Peder Tuborgh
CEO

Guiding principles

Arla has a unique position. Being a global dairy company owned by dairy farmers in several countries, we have the opportunity to provide healthy dairy products to people around the world, and we want to do this in a responsible way. In addition to this Code of Conduct, we also adhere to the following principles and statements that guide our behaviour and the way we conduct our business in Arla.

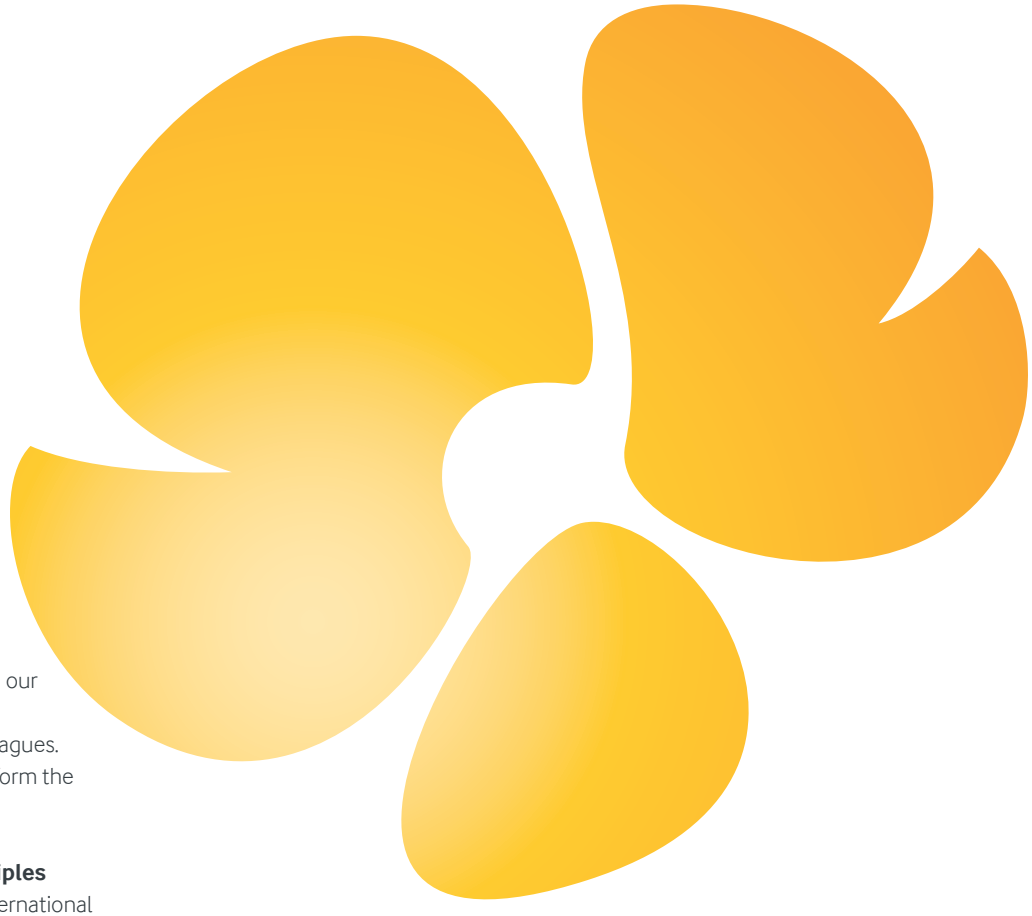
A value driven organisation

First of all, we have a *Vision* and *Mission* that explain our reason for being and the goal for our work.

OUR VISION
Creating the future of dairy to bring **health and inspiration** to the world, naturally.

OUR MISSION
Arla's mission is to secure the **highest value** for our farmers' milk while creating opportunities for their **growth**.

In addition, we have our *Corporate Identity* which is called Good Growth. This is based on our *cooperative* and collaborative philosophy, our *responsible* working practices, our *natural* milk, our *healthy* products and our responsibility towards society, the environment and our colleagues. Together, these cornerstones form the basis of our identity.



International guiding principles

Arla also adheres to several international organisations' guiding principles. Since 2008, Arla is a participant of *UN Global Compact*, the UN initiative to promote ethical business practices. As a participant, we are committed to observing the Global Compact's 10 fundamental principles. Furthermore, we adhere to the *UN Guiding Principles on Business and Human Rights* and the *OECD Guidelines for Multinational Enterprises.*

Working responsibly in Arla

The Code of Conduct governs Arla's responsibility work

This Code of Conduct contains Arla's principles for ethics and sustainable development. It is available in several languages and can be downloaded from www.arla.com.

Responsibility throughout our entire value chain

In Arla, we strive to work in a responsible manner throughout our entire value chain; from the work at farms and with suppliers, through to operations and distribution, as well as inspiring consumers to sustainable food habits.

Embedding a responsible culture

To ensure internal adherence to Our Responsibility, we have established routines and annual follow-up. The Code of Conduct applies to all employees, and it is the role of our leaders to secure that the responsibility culture is embedded. Areas that need additional focus are prioritised by top management and functional leaders to secure a broad commitment throughout the organisation.

A holistic approach

The 11 areas that the Code of Conduct describes are chosen to reflect our operations and what we see as Our Responsibility. The areas have been grouped into four themes: Responsible company, Confidence in products, Care for the environment and animal welfare, and Responsible relations.

Welcome to our world of responsibility

Arla is a global company. The Code of Conduct serves as both a tool and a compass, guiding us on how we should behave and take responsibility within our business – wherever we are, in whichever position, and from whatever starting point.

Contents

The Code of Conduct applies to all Arla colleagues and at all Arla sites worldwide. This English master version has been translated to several languages. In the event of doubt over meaning, it is always the English version which takes precedence. This edition replaces all previous versions. More guidance is available in internal policy documents, statements and codes of practice. Please see page 28 for further information.

Responsible company

In Arla, it is a given that profitability and ethical business practices go hand in hand. But it is not something that simply happens. It takes know-how, will-power and hard work.

Business principles 6
Operational principles 8
Market conduct 10
Procurement and supplier relations 12

Confidence in products

Supplying safe products is our top priority. And we strive to do even more – we aim to make it possible for consumers to make their own informed and healthy choices of products based on clear information and knowledge.

Food safety 14
Food and health 16

Care for the environment and animal welfare

As a dairy company, we have a natural interest in good environmental and dairy farming practices. We work to continuously reduce our negative environmental impact, and maintain high animal welfare standards.

Environment and climate 18
Dairy farming 20

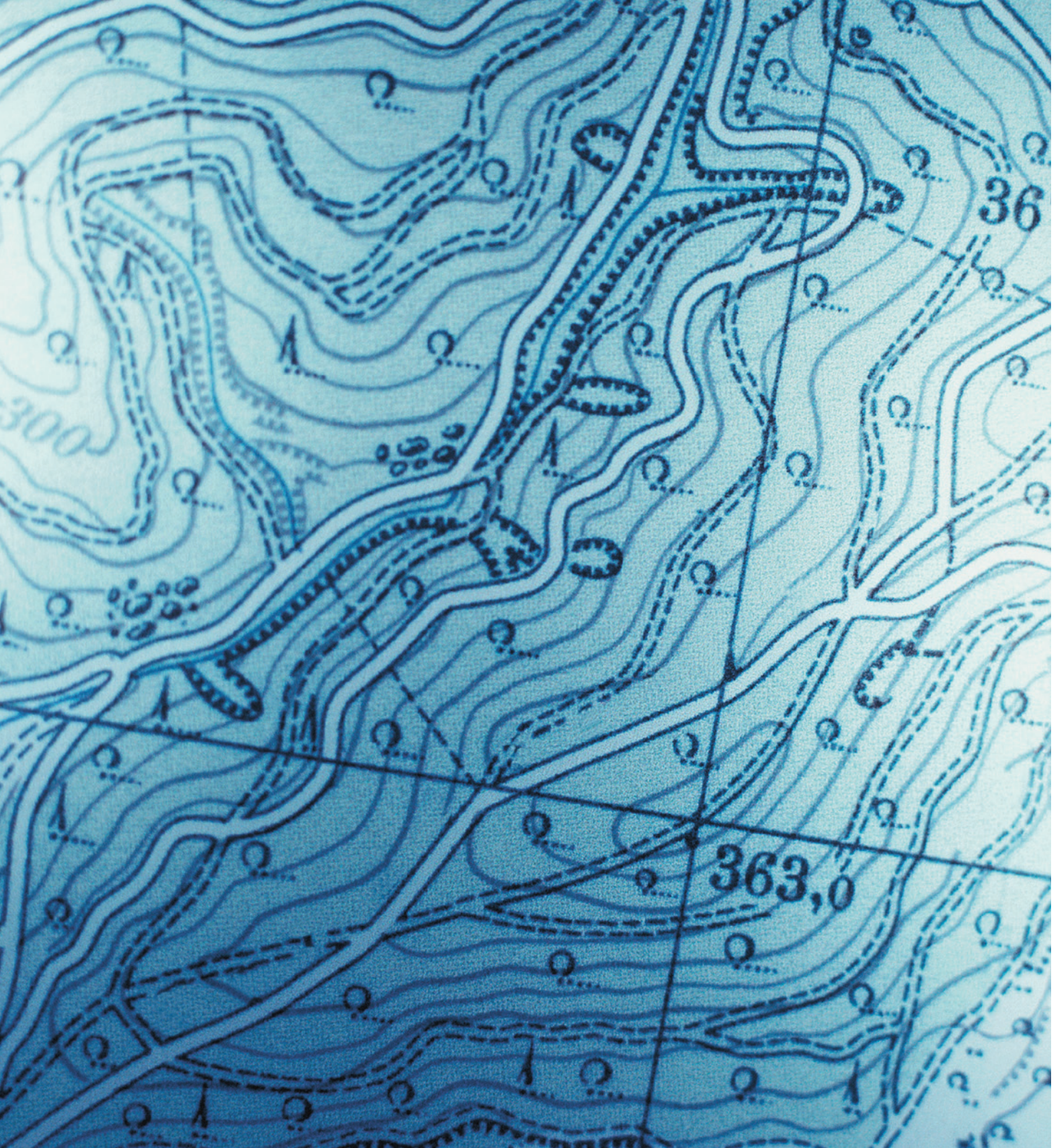
Responsible relations

We have relationships with people, organisations, and communities in many countries. No matter what the relationship is, we are committed to maintaining mutual respect and understanding.

Workplace 22
Human rights 24
Society and community relations 26

References

References and how to find more information 28



Business principles

What does **responsible company** mean?

Knowing right from wrong goes beyond laws, regulations and a strict set of rules. For us, a responsible business conduct also comes from living our company values, through our culture of openness and transparency. To act credibly takes both will-power and integrity.

We act credibly and with integrity in all of our operations.

Legislation and compliance

- Arla Foods is committed to complying with applicable laws, rules and regulations in the countries in which we operate.
- We respect the legal rights of others.
- We respect and support international agreements on human rights.
- We have internal policies and procedures that apply to all employees.

Transparency

- We ensure transparency in our business conduct, while not compromising our business integrity.

Corruption and fraud

- We have zero fraud and bribery tolerance.
- We never offer, provide or accept any gift or payment that constitutes, or could be interpreted as, a bribe.
- We never offer or give contributions to political parties.
- We strive to ensure that risks of corruption are identified and addressed.
- We expect from our employees that personal interests do not compromise the interests of Arla.

Confidentiality

- We recognise the importance of confidentiality and we ensure that confidential information received is not disclosed to unauthorized persons or companies.

Accounting

- We conduct our accounting and financial reporting in accordance with relevant legislation and international standards.

Tax

- We comply with the tax laws and regulations of each country in which we operate and we pay the taxes legally due.
- We act credibly and with integrity in our relations with the tax authorities, and have a transparent approach towards society about our tax position.

Operational principles

How do we **satisfy** our owners' interests?

We have the privilege to have our owners as our most important suppliers. The company and the owners have a mutual dependency. The owners deliver milk and elect representatives that govern the company as well as formulate strategies – executed by the company's employees. In return, the company's main objective is to deliver value for its owners.

We manage our business in a responsible and cooperative way that promotes the financial interests of our owners.

Efficiency

- We operate the value chain efficiently and continuously optimise the use of raw materials, capital and human resources, in order to create value for our owners.

Governance

- Our management is responsible for ensuring that the Board of Directors receives sufficient information to make decisions on the business strategy and to monitor company management.
- We facilitate our owners' participation in important decisions and provide our owners with the relevant information in time.
- We enable our owners to direct questions to the Board of Directors to raise issues at the Board of Representatives.

Membership

- Arla has equal and fair terms for entering and exiting the cooperative.
- We protect and provide clarity on our owners' rights as members.

Insight

- We provide our owners with relevant information concerning significant corporate issues and market conditions.
- We provide our owners with easy access to our statutory rules, elected members and relevant employees.
- Members of the Board of Directors, National Councils and company management are obliged to inform the chairman of their decision body if they directly, indirectly, or through a third party, have material interests in a transaction or issue that directly affects the company.

RESPONSIBLE COMPANY

Market conduct

Is the customer always **right**?

Trust is a prerequisite for responsible business. No matter where in the world, we want to have an open and transparent relationship with our consumers, customers, competitors, business partners and other stakeholders. We do this by communicating openly and maintaining a continuous dialogue.

We have open and honest relationships with all of our stakeholders.

Consumers

- We enable consumers to make well-founded decisions about our products with the help of relevant product information.
- We have efficient procedures for handling questions, feedback and complaints from consumers with the aim of resolving such issues within a reasonable period of time and in a reliable manner.
- We have effective procedures to ensure that personal data and information about consumers is respected and protected.

Competitors

- We support competition on equal terms and respect competition legislation in all of the countries in which we operate.

Customers

- We collaborate with our customers to provide them with products in a sustainable way.
- We provide our customers with adequate and relevant information about our company and our products.
- We have an open and on-going dialogue with our customers and we collaborate on improvement initiatives.
- We have effective procedures to ensure that data and information about customers is respected and protected.

Stakeholders

- We engage in dialogue with relevant stakeholders to ensure that their views are heard, to better understand their position, and to broaden our basis for decision-making.

Business partners

- We only enter into contracts with business partners who comply with the law in the countries where they operate and who respect and support internationally recognised human rights.
- We conduct integrity due diligence before deciding to collaborate with new business partners, for example when establishing new joint ventures.

New markets

- Before entering a new market we evaluate our potential impact on local stakeholders and local production from a social, business and human rights perspective.

Procurement and supplier relations

How can we take **responsibility** for what our suppliers do?

We set high standards for our suppliers, as well as for ourselves. As our suppliers have a major impact on our quality and ethical commitments, we expect them to acknowledge their responsibilities the same way we do. In return, we value and recognise their contributions to our company.

We expect our suppliers to support us in our commitment to abide by our Code of Conduct.

Suppliers' responsibility

- We expect our suppliers to comply with the requirements set out in our Code of Conduct, including environmental, social and human rights aspects, in addition to meeting our expectations in relation to quality and food safety.
- Key suppliers are contractually bound to meet our requirements. We evaluate and follow up on their ability to comply.

Supplier confidentiality

- We ensure that confidential information received from our suppliers is not disclosed to any unauthorised persons or companies.

Supplier cooperation

- We act in an efficient, sustainable and reasonable manner when cooperating with our suppliers.
- Our cooperation is built on integrity, honesty and responsibility.

Multi-stakeholder relations

- We engage in international multi-stakeholder initiatives that support the transition to more responsible and sustainable practices.

Supplier selection

- We select our suppliers on a professional, systematic and fair basis.
- Our negotiations with suppliers are ethical, honest and fair at all times.

Agriculture based products

- We strive to source agricultural and forestry products in a sustainable and responsible manner.
- We use internationally recognised certification schemes that contribute to the development of sustainable production.

Food safety

How do we know that our products are **safe**?

Food safety cannot be compromised. This is why we have certified food safety systems, quality programs and committed employees which ensure safe products of high quality throughout our global supply chain. It's a combination of knowledge and professional engagement.

We ensure our products are safe, no matter where they are manufactured.

Holistic approach

- We take a holistic view on food safety throughout the entire food chain.
- We actively identify and manage risks across all aspects of our supply chain, to safeguard our products and processes.

Commitment

- We acknowledge people's right to health and adequate food.
- We are committed to ensuring food safety and consistent product quality.
- We believe every employee has a responsibility to contribute to food safety and product quality.
- We expect our employees to understand their role and responsibility towards safeguarding food safety.

Manufacturing standards

- We have management systems, processes and monitoring programs that ensure we manufacture safe products.
- Our products live up to requirements set by laws, customers and ourselves, including microbiological standards, hygiene requirements, allergen controls and prevention of foreign bodies and other contaminants.
- All sites that manufacture our products are certified according to internationally recognised food safety standards. This includes requirements in relation to food defense, food fraud and the Hazard Analysis and Critical Control Points (HACCP) principles.

Product quality

- We manufacture products which live up to agreed customer requirements and consumer, sensory and functional expectations.
- We verify that our products meet relevant quality requirements through frequent product testing.

Traceability and product recall

- We have systems for tracing products and raw materials, and a clear escalation process, enabling us to take immediate action to withdraw or recall products if necessary.

Ensuring our position

- We follow new developments on legislation, risks, research and food standards to ensure that we have the knowledge and competences to be at the forefront of food safety.

CONFIDENCE IN PRODUCTS

Food and health

Can we decide what people **should eat**?

We believe our consumers can decide for themselves what is best for them to eat. Our role is to provide them with information and inspiration to make conscious choices. Our deep knowledge about the link between dairy and health, and our passion for good food habits, will continue to be present in our message to consumers.

We make products based on nutritious milk and natural ingredients available to consumers around the globe to enhance the quality of people's lives.

Product development

- We adjust the content of our products to fit the nutritional needs of our consumers.
- Natural ingredients are always our first choice and we limit the use of additives in our products to only when necessary for food safety or functional purposes.

Research

- We collaborate with independent nutrition experts to investigate the functionality of natural ingredients and the role of dairy products in a healthy diet.
- We conduct research to document specific health benefits of our products, and to develop new products that fit into a healthy diet.

Information

- We clearly label our products with the ingredients and nutritional values, to help consumers make well-informed decisions.
- We inform our consumers about the origin and health benefits of our products.

Health communication

- We communicate and act in accordance with official dietary guidelines and scientific consensus.
- We only make claims of health benefits in accordance with local legislation, when nutritionally relevant to our consumers and when we have strong scientific evidence.

Role of dairy

- We share comprehensive information with consumers about the role dairy products play in a healthy diet.

Inspiration

- We encourage people to make food choices that enable them to live healthier lives.
- We provide inspiration for people to explore new cooking and food experiences.

Dialogue

- We stay in close contact with health authorities, health experts, consumer groups and other stakeholders about nutritional issues and have an open dialogue on relevant topics.

Environment and climate

How can we **protect** the environment?

At Arla, everything starts with raw milk – a natural product which inspires us to work as close to nature as possible. We acknowledge that production at our farms and dairies, packaging and transportation can affect the environment both positively and negatively. To contribute to sustainable development, we constantly work to reduce our adverse impact on the environment.

We continually improve our environmental performance by applying sound and sustainable principles throughout our entire value chain.

Products
- We strive to minimise the negative environmental impact of our products using a life-cycle perspective.

Climate change
- We continuously reduce greenhouse gas emissions across our entire value chain, by delivering on our ambitious targets.

Reporting
- We monitor our progress, and report and communicate our results internally and externally.

Resources
- We improve resource efficiency for water, energy and materials, by continually monitoring and optimising our operations.
- We prefer to work with renewable and recyclable resources as well as sustainably produced virgin raw material.

Zero waste
- We avoid and/or reduce waste from our operations by maximising the re-use, recycling and recovery of materials from our production streams.
- We aim to use packaging material that can be recycled.
- We inspire consumers to reduce their food waste.

Facilities
- We ensure that our facilities meet or exceed environmental standards and contribute to the fulfilment of company goals on environment and climate.
- We control and aim to avoid pollution at our facilities using a risk based approach.

Suppliers
- We expect our suppliers and other business partners in the supply chain to improve their environmental performance and to contribute to the fulfilment of our environmental and climate goals.

Dairy farming

What is **sustainable** dairy farming?

Healthy cows on well-kept farms give better milk. This is why our owners have agreed on the quality programme Arlagården®, which covers aspects such as animal welfare, milk quality and the environment. Additionally, we actively support the development of sustainable dairy farming.

We support sustainable dairy farming.

Cooperation
- We cooperate closely with our owners and other milk suppliers and we support agricultural methods that ensure sustainable dairy farming.

Animal welfare
- We encourage and support owners and other milk suppliers in their efforts to adopt the latest farming practises, particularly with respect to animal welfare, in order to improve the quality of life and physical environment of their animals.

Feed
- We ensure that the production and use of feed and other raw materials on farms fulfil specific quality, safety and environmental requirements.

Quality assurance programme
- We ensure that all our owner milk suppliers implement and comply with our quality programme, taking account of local conditions.
- Non-owner milk suppliers must comply with national demands and by Arla recognised national or regional quality assurance programmes.

Environment
- We encourage all our owners and other milk suppliers to protect the environment by minimizing their negative impacts as well as maintaining and improving their positive contributions.
- We support our owners to utilise their farm resources efficiently to decrease their environmental impact.

Follow-up
- We have an established programme of regular visits to our owners' farms to ensure compliance with quality programmes. Non-owner milk suppliers are part of national or regional audit programmes.

Payment
- We apply fair payment principles for raw milk, based on content, quality and market value.

Knowledge sharing
- We encourage our owners to help us in our ambition to inform consumers and customers about milk production and life at dairy farms.

Workplace

Why **choose** to work at Arla?

Working at Arla includes great possibilities as well as obligations. Our leaders have the responsibility to ensure that we all enjoy safe and healthy working conditions. Yet, without individual engagement and commitment from each and every one of us, we wouldn't be able to constantly improve our workplace and reach personal goals as well as company targets.

We have competent, committed and engaged employees, and we provide safe and healthy working conditions.

Safe and healthy working conditions

- We are committed to preventing accidents, injuries and work related illnesses.
- We make sure our employees enjoy just and favourable working conditions.
- We strive for a high work environment standard both in our own and in our business partners' operations, and we expect everyone to participate in achieving this.

Leadership

- We train our managers to excel in terms of the Arla Leadership principles; envision the future, engage people and deliver performance.

Competencies

- We attract, recruit and retain competent and motivated people who respect our values.
- We provide equal opportunities for our employees and invest in their personal and professional development in order to support our business objectives.

Well-being

- We offer a stimulating workplace which is characterised by mutual respect and trust, and which actively counteracts harassment.
- We make it possible for our employees to find a balance between their private lives and work.

Care

- We strive to create a working environment that offers our employees an opportunity to conduct work assignments that are adapted, where necessary, to their capabilities. We show appropriate considerations during crises.
- We have security management procedures in place that ensure safety at the workplace and in high-risk locations.

Pay and compensation

- We offer fair and competitive pay and compensation, which satisfy, as a minimum, the basic needs of our employees and their families in all countries in which we operate.

Diversity

- We strive to create a workplace that reflects society and its diversity.
- We expect all employees to treat each other with openness and mutual respect.
- We recognise work achievements on merit regardless of gender, ethnic, social and national background, race, colour, religion or belief, sexual orientation, political opinion, age, disability or marital status.
- We work proactively to ensure equal opportunities for both applicants and employees throughout all the stages of recruitment and employment.
- We do not tolerate any form of discrimination.

Human rights

Are human rights our **responsibility**?

We operate and sell our products around the world, and we want to act as a role model. 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 respect and support internationally recognised human rights.

Commitment

- We conduct our operations as responsible citizens.
- We respect and support international agreements on human rights.
- We embed our commitment to all aspects of human rights in all business areas and processes.

Responsibility

- We contribute to the progress of human rights and we aim to provide an example of good human rights practices wherever we operate. We expect our business partners to demonstrate the same.
- We continuously work with policies, processes and procedures to identify and prevent any possible adverse impacts our operations may have on people and/or communities. We will at all times aim to mitigate such impacts.
- We support our employees in understanding what human rights are and we expect them to avoid any adverse human rights impacts, whenever acting in an Arla context.

Responsibility towards employees

- We aim to provide an example of good labour practices throughout our business activities, and we expect the same from our business partners.
- We ensure working hours allow time for leisure and rest.
- We respect our employees' freedom of association, the right to freely form and join organisations of their choice and to engage in collective bargaining.
- We provide suitable conditions and solutions for dialogue and collaboration with our employees and their representatives everywhere we operate, to ensure continuous development of people and business.
- We do not accept child labour, defined as work conducted by people under 15 years of age, or a higher age if local legislation stipulates a higher age limit and/or longer compulsory schooling.
- We do not accept forced labour, and employees are not required to pay deposits or surrender identification documents when we employ them.

RESPONSIBLE RELATIONS

Society and community relations

Can cooperation **improve** the world?

We believe we play a positive role in the communities where we operate, and that the best results are created in cooperation. To contribute to both local and global development, we establish long-term relationships with people, companies and organisations. We cannot change the world on our own, but we think we can make a difference wherever we get involved.

We engage in open, respectful and constructive community relations.

Community development

- We contribute positively to sustainable development in the communities in which we operate, through our role as employer, dairy producer and active corporate citizen.
- We address significant sustainability challenges in local communities, connected to our business.
- We engage with key stakeholders to take their aspirations into account in our decision-making processes.

Engagement

- We have a global perspective, but we also engage locally in the communities in which we operate.
- We cooperate and collaborate respectfully and responsibly with local communities and key stakeholders.
- We build long-term relationships with stakeholders in the communities in which we operate, in order to support our business and as part of our responsible approach.

Open communication

- We are open about our activities and our impact on local communities.
- We follow up on our actions and performance, and share the results in an open and honest manner.

Impact

- We aim to add long-term value to people's lives. Consequently we continuously assess and address our societal impact – both positive and negative.

Network

- We engage in local, national and international networks with the aim of building strong partnerships in areas relevant to our business.

Public debate

- We engage in public debate, locally, nationally and globally to promote sustainable dairy farming and other areas relevant to our business.
- Our argumentation is fact-based, collaborative, proactive, transparent and honest.

Want to know more?

In addition to this Code of Conduct, there are more sources of information regarding Arla's general policies and, for Arla colleagues, more information on practices and how to act.

Definitions and expectations
With *Arla,* we mean Arla Foods and companies in the Arla group that are owned and/or controlled by Arla. *We* in this document, covers both the company and all its people. When we use *employees*, we refer to all employees in Arla, at all organisational levels and in all organisational units.

An Arla representative of a governing body of a company in the Arla group that is not fully owned and/or controlled by Arla is expected to work with the ambition to develop understanding and commitment to the Code of Conduct.

General information
Our Responsibility reports are a great source of information about how we are working responsibly in Arla. Reports and public statements are available at www.arla.com, as is this document and key strategies.

How to find more information for Arla colleagues
Internal policies, Code of Practices etc. can be found at Arla's intranet or in the document systems. If you don't find what you are looking for – please seek advice from your manager.

Training and presentations
A corporate presentation about Our Responsibility is available at Arla's intranet, where you also can find the latest version of e-learning modules as well as a self-assessment tool for teams and other tools to facilitate team discussions.

If you want a specific training or workshop, please ask the CSR contact person or HR business partner within your business unit, or contact csr@arlafoods.com.

Whistleblowing
Arla's Whistleblower Service provides an additional opportunity for colleagues to report information about possible irregularities. It is an alternative channel to voice concerns if you cannot share these with your manager or if you feel that the management has not adequately addressed your concern.

The Whistleblower Service can be accessed at arla.whistleblowernetwork.net and it allows filing of anonymous reports.

References
- UN Global Compact, www.unglobalcompact.org
- UN Guiding Principles on Business and Human Rights, www.ohchr.org
- OECD Guidelines for Multinational Enterprises, www.oecd.org/corporate/mne

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