

ARLA FOODS GROUP OF COMPANIES

ANTI-BRIBERY DIRECTIVE



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1. POLICY STATEMENT

- 1.1 It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and to implementing and enforcing effective systems to counter bribery and corruption.
- 1.2 We will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate.

2. ABOUT THIS DIRECTIVE

- 2.1 The purpose of this directive is to:
- (a) set out our responsibilities, and those of others working for us, in observing and upholding our position on bribery and corruption; and
 - (b) provide information and guidance to those working for us on how to recognise and deal with bribery and corruption issues.
- 2.2 You must take bribery and corruption very seriously. It is a criminal offence to offer, promise, give, request, or accept a bribe. Individuals found guilty can be punished by imprisonment and/or a fine. As an employer and a principal represented by agents and other third parties, if we fail to prevent bribery we can face an unlimited fine, exclusion from tendering for public contracts, and damage to our reputation. We therefore treat our legal responsibilities with the utmost importance.
- 2.3 It is the responsibility of every manager to ensure that this directive is known and followed by each employee who reports to them.
- 2.4 This directive is intended to be a public document to be shared with third parties. In particular it can and should be shown to support a decision arising from this directive not to offer or accept any improper gift, hospitality, payment or other benefit.
- 2.5 This directive does not form part of any employee's contract of employment and we may amend it at any time.

- 2.6 In this directive:
- (a) **we** means Arla Foods amba and all companies which it controls, and where the context requires refers more specifically to the relevant individual entity amongst them;
 - (b) **third party** means any individual or organisation you come into contact with during the course of your work for us, and includes actual and potential customers, suppliers, distributors, business contacts, agents, advisors, politicians, political parties, and government and public bodies, including their own advisors, representatives and officials; and
 - (c) **anti-bribery compliance manager** means the member of our Global Legal Services department appointed to this position with responsibility for ensuring that we have an adequate anti-bribery programme.

3. WHO MUST COMPLY WITH THIS DIRECTIVE?

This directive applies to all persons working for us or on our behalf in any capacity, including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, interns, agents, contractors, external consultants, third-party representatives and business partners, or any other person associated with us, wherever located.

4. WHO IS RESPONSIBLE FOR THE DIRECTIVE?

- 4.1 Our Executive Management Group has overall responsibility for ensuring this directive complies with our ethical obligations, and that all those under our control comply with it.
- 4.2 Our Global Legal Services department has overall responsibility for ensuring this directive complies with our legal obligations.
- 4.3 The anti-bribery compliance manager has primary and day-to-day responsibility for implementing this directive, monitoring its use and effectiveness, and dealing with any queries about it.
- 4.4 Our Global Risk and Compliance department has primary and day-to-day responsibility for auditing internal control systems and procedures to ensure they are effective in countering bribery and corruption.
- 4.5 Management at all levels are responsible for ensuring those reporting to them understand and comply with this directive and are given adequate and regular training on it.

4.6 You are invited to comment on this directive and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to the anti-bribery compliance manager or our Global Legal Services department.

5. WHAT ARE BRIBERY AND CORRUPTION?

5.1 A **bribe** is the offer, promise, gift or acceptance of any financial or other benefit to induce the recipient or any other person to act improperly in the performance of their functions, or to reward them for acting improperly, or where the recipient would act improperly by accepting the benefit.

5.2 A **benefit** includes money, gifts, loans, fees, hospitality, services, discounts, the award of a contract, or anything else of value (whether monetary, sentimental or otherwise). The higher the value of the benefit, the greater the risk of it being deemed a bribe.

5.3 A person acts **improperly** where they act illegally, unethically, or contrary to an expectation of good faith or impartiality, or where they abuse a position of trust. The improper acts may be in relation to any business or professional activities, public functions, acts in the course of employment, or other activities by or on behalf of any organisation of any kind.

5.4 **Corruption** is dishonest or fraudulent conduct by those in power, and typically involves bribery.

6. WHAT YOU MUST NOT DO

6.1 You commit an offence by:

- (a) offering, promising or giving a bribe; or
- (b) requesting, agreeing to receive, or accepting a bribe.

6.2 You also commit a specific offence if you bribe a foreign public official to obtain or retain a business advantage. Whilst the rules apply to recipients in both the public and private sector, the extent of lawful activity is smaller in relation to public employees.

6.3 We separately commit an offence if we fail to prevent any form of bribery by an associated person, which could be not just an employee of ours but also our agent, subsidiary, contractor or one of their employees.

6.4 It is therefore not acceptable for you (or someone on your behalf) to:

- (a) offer or give a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- (b) accept a payment, gift or hospitality from a third party that you know or suspect is offered with the expectation that we will provide a business advantage for them or anyone else in return;
- (c) offer, give or accept a gift or hospitality during any commercial negotiations or tender process, if this could be perceived as intended or likely to influence the outcome;
- (d) offer, give or accept a gift or hospitality to or from a third party that is unduly lavish or extravagant under the circumstances;
- (e) offer, give or accept a gift or hospitality to or from government officials or representatives, or politicians or political parties, without the prior approval of the anti-bribery compliance manager;
- (f) threaten or retaliate against another individual who has refused to commit a bribery offence or who has raised concerns under this directive; or
- (g) engage in any other activity that might lead to a breach of this directive.

6.5 It does not matter whether the recipient has actually been influenced in the performance of their duties by the benefit in question; the issue is whether, from an objective point of view, the recipient *could* have been influenced by the benefit.

7. FACILITATION PAYMENTS AND KICKBACKS

7.1 We do not make, and will not accept, facilitation payments or kickbacks of any kind.

7.2 **Facilitation payments**, also known as back-handers or grease payments, are typically small, unofficial payments (whether monetary or in the form of goods of any kind) made to secure or expedite a routine or necessary action (for example by a government official).

7.3 **Kickbacks** are typically payments made in return for a business favour or advantage (but in this directive the term does not include retrospective discounts or rebates given transparently and properly as part of a legitimate pricing agreement with customers).

7.4 You must avoid any activity that might lead to a facilitation payment or kickback being made or accepted by us or on our behalf, or that might suggest that such a payment will be made or accepted. If you are asked to make a payment on our behalf, you should always be mindful of what the payment is for and whether the amount requested is proportionate to the goods or services provided. You should always ask for a receipt which details the reason for the payment. If you have any suspicions,

concerns or queries regarding a payment, you should raise these with the anti-bribery compliance manager or our Global Legal Services department, or by using the reporting procedure set out in our whistleblowing policy. We can and will help you resist any pressure to engage in any activity relating to facilitation payments or kickbacks.

8. GIFTS AND HOSPITALITY

8.1 You may only offer, give or accept a gift or hospitality which is in any way connected to us in accordance with this directive.

8.2 **Hospitality** is the giving of entertainment and other intangible benefits whether with or without the giving party present, and includes attendance at events, participation in activities, travel, accommodation, and food and drink.

8.3 This directive allows reasonable and appropriate gifts or hospitality given to or received from third parties for the purposes of:

- (a) establishing or maintaining good business relationships;
- (b) improving or maintaining our image or reputation; or
- (c) marketing or presenting our products and/or services effectively.

8.4 The offering, giving and accepting of gifts and hospitality is allowed if the following requirements are met:

- (a) it is not made with the intention of influencing us or a third party to obtain or retain business or a business advantage, or to reward the provision or retention of business or a business advantage, or in explicit or implicit exchange for favours or benefits;
- (b) it is given in our name, not in your name and is given openly, not secretly;
- (c) it does not include cash or a cash equivalent (such as gift certificates or vouchers);
- (d) it is appropriate in the circumstances and not unduly lavish, taking account of the reason for it, its timing and its value; and
- (e) it complies with the remainder of this directive and any applicable local law.

8.5 Openness and transparency reduce the risk of activity constituting bribery. Therefore, if making any offer which may have a personal benefit, it is preferable to do so to an intended recipient's organisation generally rather than to the intended recipient personally.

8.6 Reimbursing a third party's expenses, or accepting an offer to reimburse our expenses (for example, the costs of attending a business meeting) would not usually amount to

bribery. However, a payment in excess of genuine and reasonable business expenses (such as the cost of an extended hotel stay or unduly lavish accommodation) is not acceptable. Expenses for items and at levels in accordance with our travel and expenses policy would normally be considered reasonable.

- 8.7 During a tender process or other ongoing business negotiations you should refrain completely from making or accepting offers to or from representatives of any other organisation involved (including invitations to lavish meals). This is to avoid the suspicion of the recipient being unduly influenced in the process or negotiations.
- 8.8 Gifts or hospitality of a low value which would in isolation be acceptable may still constitute bribery when given as part of a series of similar gifts or alongside other separate gifts or hospitality. The aggregate effect of all gifts or hospitality involving the same organisation (including different individuals within the organisation) should be considered.
- 8.9 All circumstances must be taken into account when determining the lawfulness of a hospitality event. The total value of the offer should be considered, including any ancillary aspects such as travel, meals and drinks. The lesser the degree of an event's business-related elements such as presentations or training in comparison to its leisure or entertainment aspects, the greater the risk of the hospitality constituting a bribe. Spouses and other family members should not attend unless paying for themselves.
- 8.10 Examples of what would ordinarily be acceptable and not acceptable are included in the appendix to this directive.
- 8.11 In addition to the requirements of clauses 10.2 to 10.4, offers of gifts or hospitality which do not comply with any applicable law or this directive must be clearly declined as soon as possible and directly to the person making the offer.
- 8.12 We appreciate that practice varies between countries and regions and what may be normal and unlikely to exert undue influence in one region may not be so in another. The intention behind the gift or hospitality should always be considered.
- 8.13 You must also comply with all relevant provisions of our travel and expenses policy.

9. DONATIONS

- 9.1 We do not make contributions to political parties.
- 9.2 We only make charitable donations that are legal and ethical under local laws and practices. No donation must be offered or made unless it is either in accordance with

an approved charitable donation scheme or with the prior approval of the anti-bribery compliance manager.

10. RECORD-KEEPING

- 10.1 We must keep financial records and have appropriate internal controls in place which will evidence the business reason for making payments to third parties.
- 10.2 Details of all hospitality or gifts which are offered to you or which you intend to offer must be declared to your manager. You must comply with any instructions of your manager as to the offering or acceptance of hospitality and gifts.
- 10.3 In addition, the following must be recorded by you on the gifts and hospitality register located in the anti-bribery site on My Workplace:
- (a) all individual gifts, whether offered, given or accepted, where the value is in excess of €100;
 - (b) multiple gifts offered, given or accepted to or from the same organisation at the same time or over any period of 12 months where the total value is in excess of €100;
 - (c) all hospitality offered, given or accepted (except for normal business lunches or evening meals with a value of less than €100 per head);
 - (d) normal business lunches and evening meals with a value in excess of €100 per head;
 - (e) all donations made on our behalf; and
 - (f) all offers of gifts or hospitality which have been declined.
- 10.4 When making an entry on the gifts and hospitality register, you must select the relevant part of the register depending on whether you offered or were offered the gift or hospitality and the following information must be provided:
- (a) your name (from which the register will automatically identify your job title);
 - (b) the dates when the gift or hospitality was first known about and (if applicable) actually received;
 - (c) details of the gift or hospitality (including the nature of it, the other organisation, any other recipient connected to you or us, the purpose, and the estimated value); and
 - (d) any comments and action taken (including whether the gift or hospitality was accepted or refused).
- 10.5 The gifts and hospitality register will be maintained and subject to review by the anti-bribery compliance manager and our Global Legal Services department.

- 10.6 You must submit all expenses claims relating to gifts and hospitality to third parties in accordance with our travel and expenses policy.
- 10.7 All accounts, invoices, and other records relating to dealings with third parties including suppliers and customers should be prepared with strict accuracy and completeness. Accounts must not be kept off-book to facilitate or conceal improper payments.
- 10.8 Whether a gift or hospitality should be accepted is independent of whether or not it should be recorded on the gifts and hospitality register. If the requirements of this directive are met a gift or hospitality may be accepted even though it must be recorded. Similarly, not having to record a gift or hospitality does not mean that it can be accepted; the requirements of this directive relating to the acceptance of gifts and hospitality must still be met.

11. YOUR RESPONSIBILITIES

- 11.1 You must ensure that you read, understand and comply with this directive and attend any related training as required.
- 11.2 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for us or under our control. You are required to avoid any activity that might lead to, or suggest, a breach of this directive.
- 11.3 You must notify your manager or the anti-bribery compliance manager or use the reporting procedure set out in our whistleblowing policy as soon as possible if you believe or suspect that a conflict with this directive has occurred, or may occur in the future. Examples of activity which may cause concern are included in the appendix to this directive.
- 11.4 If you are unsure about whether a particular act constitutes bribery or corruption, or have any other query at all about this directive and compliance with it, you should discuss the matter with your manager or any member of our Global Legal Services department.

12. PROTECTION

- 12.1 Individuals who refuse to accept or offer a bribe, or who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. We encourage openness and will support anyone who raises genuine concerns in good faith under this directive, even if they turn out to be mistaken.

- 12.2 We are committed to ensuring that no one suffers any detrimental treatment as a result of refusing to take part in bribery or corruption, or because of reporting in good faith their suspicion that an actual or potential bribery or other corruption offence has taken place, or may take place in the future. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform the anti-bribery compliance manager immediately. If the matter is not remedied, and you are an employee, you should raise it formally using our grievance procedure, which can be found on My Workplace or by contacting your local HR department.

13. TRAINING AND COMMUNICATION

- 13.1 Training on this directive forms part of the induction process for all individuals who work for us, and regular training will be provided as necessary. If you have not had any training or would like any further training, you should contact the anti-bribery compliance manager or our Global Legal Services department.
- 13.2 Our zero-tolerance approach to bribery and corruption must be communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and as appropriate thereafter.

14. BREACHES OF THIS DIRECTIVE

- 14.1 In addition to any personal liability at law, any employee who breaches this directive will face disciplinary action, which could result in dismissal for misconduct or gross misconduct.
- 14.2 We may terminate our relationship with other individuals and organisations working on our behalf if they breach this directive.

APPENDIX
Specific Guidance

General examples

Offering a bribe

You offer a potential customer tickets to a major sporting event, but only if they agree to do business with us.

This would be an offence as you are making the offer to gain a commercial and contractual advantage. We may also be found to have committed an offence because the offer has been made to obtain business for us. It may also be an offence for the potential client to accept your offer.

Receiving a bribe

A supplier gives your nephew a job, but makes it clear that in return they expect you to use your influence in our organisation to ensure we continue to do business with them.

It is an offence for a supplier to make such an offer. It would be an offence for you to accept the offer as you would be doing so to gain a personal advantage.

Gifts

Examples of gifts that are normally acceptable to offer or receive:

- (a) gifts for Christmas, a significant birthday or other milestone event with a nominal value;
- (b) simple gifts bearing the donor's company logo;
- (c) gifts directed at an organisation rather than an individual personally; and
- (d) souvenirs with no significant market value.

Examples of gifts that are normally not acceptable to offer or receive:

- (a) gifts to spouses or other family members;
- (b) gifts to people working in the public sector;
- (c) money or vouchers equivalent to cash; and
- (d) accommodation or travel (including upgrades) for use in a private capacity.

Hospitality

Examples of offers to hospitality events that are normally acceptable to offer or receive:

- (a) working lunches of a simple nature;

- (b) business-related site visits such as touring a factory or attending the official opening of a new facility;
- (c) trade fairs and shows relating to our business; and
- (d) events which include both business and leisure aspects where the invitation is addressed to us generally so that we decide who attends and where the leisure element is proportionate to the business aims and not extravagant.

Examples of offers to hospitality events that are normally not acceptable to offer or receive:

- (a) events dominated by a leisure activity;
- (b) expensive sports events;
- (c) regular attendance at normal sports events, such as use of a season ticket for most of a football season;
- (d) entertainment events, even of a relatively low value, where the invitee works in the public sector;
- (e) events where guests are invited to bring partners;
- (f) invitations to events during a tender process or other business negotiations involving the other organisation;
- (g) accommodation lasting longer than is necessary for the business purpose of the trip; and
- (h) travel or accommodation to a higher standard than the recipient would ordinarily use.

Activity which may raise concerns

The following is a list of possible activity that may arise during the course of you working for us and which may raise concerns under various anti-bribery and anti-corruption laws:

- (a) you become aware that a third party engages in, or has been accused of engaging in, improper business practices;
- (b) you learn that a third party has a reputation for paying bribes, or requiring that bribes are paid to them, or has a reputation for having a special relationship with foreign government officials;
- (c) a third party insists on receiving a commission or fee payment before committing to sign up to a contract with us, or carrying out a government function or process for us;
- (d) a third party requests payment in cash and/or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for a payment made;
- (e) a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;
- (f) a third party requests an unexpected additional fee or commission to facilitate a service;

- (g) a third party demands lavish entertainment or gifts before commencing or continuing contractual negotiations or the provision of services;
- (h) a third party requests that a payment is made to overlook potential legal violations;
- (i) a third party requests that you provide employment or some other advantage or benefit to a friend or relative;
- (j) you receive an invoice from a third party that appears to be non-standard or customised;
- (k) a third party insists on the use of side letters or refuses to put terms agreed in writing;
- (l) you notice that we have been invoiced for a commission or fee payment that appears large given the service stated to have been provided;
- (m) a third party requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to us;
- (n) you are offered an unusually generous gift or offered lavish hospitality by a third party; or
- (o) hospitality and/or gifts are offered to your spouse or other family members.

This list is not intended to be exhaustive and is for illustrative purposes only.