

## **CODE OF CONDUCT FOR SUPPLIERS AND BUSINESS PARTNERS TO THE ARLA FOODS GROUP OF COMPANIES**

### **1. Introduction**

- 1.1. Arla Foods as a company and group is dedicated to operating and developing its business in a sustainable and responsible manner, while at the same time adding value to people's lives. Arla Foods strives to source all products and services with this aim in mind and Arla Foods ensures safe products of high quality throughout the entire global supply chain. For this purpose Arla Foods has implemented Arla Foods' Code of Conduct: "Our Responsibility" (<https://www.arla.com/company/responsibility/> ) which covers all aspects of Arla Foods' business and lies within every decision made every day, at all levels and everywhere in Arla Foods.
- 1.2. "Our Responsibility" covers the 10 principles of the UN Global Compact; the UN initiative to promote ethical business practices. Arla Foods is committed to follow the UN Guiding Principles on Business and Human Rights, as well as the OECD Guidelines for Multinational Enterprises.
- 1.3. Arla Foods expects the Supplier or Business Partner to support Arla Foods in the efforts to fulfil the requirements set out in "Our Responsibility", including environmental, social and human rights aspects, in addition to meeting Arla Foods' expectations in relation to quality and food safety. For this purpose Arla Foods has issued this "Code of Conduct for Suppliers and Business Partners to the Arla Foods group of companies" (hereinafter referred to as the "Code of Conduct"). In this Code of Conduct any reference to "Supplier" shall be construed to also mean "Business Partner".
- 1.4. Arla Foods requires the Supplier to acknowledge, accept and adhere to this Code of Conduct as set out below. Where the domestic context in which the Supplier operates renders it impossible to meet the obligations set out in this Code of Conduct fully, the Supplier is expected to respect the principles of internationally recognized human rights to the greatest extent possible in the circumstances, and to be able to demonstrate its efforts in this regard.

### **2. Compliance with this Code of Conduct**

- 2.1. The Supplier shall at all times as a minimum ensure compliance with its obligations as set out in this Code of Conduct.
- 2.2. The Supplier must collaborate with Arla Foods concerning issues stated in this Code of Conduct, as well as other Corporate Social Responsibility issues that might fall outside the scope of it.
- 2.3. Upon the request of Arla Foods, the Supplier shall provide evidence of its compliance with all obligations set out in this Code of Conduct.
- 2.4. The Supplier shall use all reasonable efforts to ensure that its agents and sub-contractors comply with the requirements under this Code of Conduct.

### **3. Breach of the Supplier's Obligations**

- 3.1. In the event of a material and/or repeated breach by the Supplier of any of its obligations under this Code of Conduct, Arla Foods is entitled in whole or in part to terminate its co-operation with the Supplier without incurring any liability towards the Supplier.

- 3.2. Any products which have been manufactured by, or for, the Supplier in material breach of its obligations under this Code of Conduct are deemed non-conform, and Arla Foods reserves the right to reject such products, without prejudice to any other rights of remedy available to Arla Foods under any contract or the law.

#### **4. Legal Requirements, Sanctions- and Watch Lists**

- 4.1. The Supplier shall at all times as a minimum comply with the requirements of all applicable laws, rules and regulations in the countries in which the Supplier is conducting business.
- 4.2. The Supplier shall ensure that no entity within the Supplier's group of companies, its management or owners, being legal entities and/or persons and subcontractors appear on any watch and/or sanctions lists issued by i.e. the UN, UK, EU and /or the US governmental bodies (collectively Sanctions and Watch lists). Further, the Supplier must inform Arla Foods immediately if it becomes aware that any of its companies in its group of companies, management or owners, being legal entities and/or persons or business partners appear on any such Sanctions and Watch lists.

#### **5. Gifts, Benefits and Business Ethics**

- 5.1. Arla Foods has a zero fraud and bribery tolerance. Arla Foods' employees cannot accept, and the Supplier shall not offer or provide, neither directly nor indirectly, any gifts, gratuities or other benefits, which may influence decisions with respect to Arla Foods' relationship with the Supplier or which may be conceived as a bribe.
- 5.2. The Supplier shall not, directly or indirectly, reward or offer to reward any employee, agent or sub-contractor of Arla Foods for entering into a contract or for requesting the supply of goods or services. If requested, the Supplier shall promptly provide Arla Foods with access to the Supplier's relevant records to verify that the Supplier has complied with this undertaking.
- 5.3. The Supplier shall disclose to Arla Foods any situation that may appear as a material conflict of interest and comply with all applicable laws and regulations relating to anti-bribery and anti-corruption, and maintain in place and enforce policies and procedures adequate to ensure such compliance.

#### **6. Human Rights**

- 6.1. The Supplier shall respect international agreements on human rights, and provide an example of good human rights practices in its operations. The Supplier must exercise human rights due diligence to identify, prevent, mitigate and account for how it addresses and manages potential and actual adverse impacts on human rights that it may have caused or contributed to through its activities, or which may be directly linked to its operations, products or services by its business relationships.

#### **7. Child Labour**

- 7.1. The Supplier shall respect the rights of children to develop and to receive an education, and cannot engage in or tolerate the use of child labour. Child labour is defined as employing young people under the age of completion of compulsory schooling or younger than 15 years (14 years where this is allowed according to ILO Convention 138). If local legislation or local regulations stipulate a higher age limit, this has to be observed.
- 7.2. Workers under the age of 18 must not perform work at night, in hazardous conditions or work that interferes with schooling. They should not be exposed to undue physical risks that can harm physical, mental or emotional development. If local legislation or local regulations stipulate higher age limit, this has to be observed.

## **8. Equal Opportunities and Forced Labour**

- 8.1. The Supplier shall provide equal opportunities for its employees and may not discriminate on the basis of race, sex, age, religion, marital status, political conviction or sexual orientation.
- 8.2. All work must be voluntary and the Supplier must not use forced or bonded labour or involuntary prison labour.
- 8.3. The Supplier or its recruitment partners must not require workers to pay deposits or recruitment fees for a job. If any such fees are found to have been paid by workers, they must be repaid.
- 8.4. Employees shall be free to leave work at any time and terminate employment without penalty upon giving reasonable notice. The Supplier or Business Partner shall not require employees to hand-over government-issued identification, passports or work permits as a condition of employment.

## **9. Trade Unions, Working Hours and Wages**

- 9.1. The Supplier shall respect the rights of employees to form and join trade unions of their choice, including labour organisations, and shall at minimum comply with the requirements of applicable laws, rules, regulations and industry standards concerning working hours and minimum wages. Where local law sets restrictions on the right to freedom of association and collective bargaining, the Supplier must allow alternative forms of worker representation, association and bargaining.
- 9.2. In any case, working hours, excluding overtime, must be defined by the contract and must not exceed 48 hours per week. All overtime must be voluntary. The Supplier must not require overtime on a regular basis and must compensate all overtime work according to law and agreements. The sum of regular and overtime hours in a week must not exceed 60 hours, except in exceptional circumstances. Workers must be allowed at least one day off every seven days period.
- 9.3. Wages shall be paid regularly, on time and be fair in respect of work performance. Payment shall not be made more than one month in arrears and deduction shall not be made from wages for disciplinary reasons.

## **10. Health and Safety**

- 10.1. The Supplier shall provide a safe and healthy working environment.
- 10.2. The Supplier must provide an example of good labour practise and the Supplier must ensure continuous improvements of the working environment in its business.
- 10.3. The Supplier must ensure that workers receive appropriate workplace health and safety information, training and warnings in the language of the worker or in a language the worker can understand for all identified workplace hazards they are exposed to. Training must be provided prior to the beginning of work and regularly thereafter. Workers must be encouraged to raise any health and safety concerns without retaliation.
- 10.4. The Supplier must put in place procedures and systems to prevent, manage, track and report occupational injury and illness, provide necessary medical treatment, investigate cases and implement corrective actions to eliminate their causes and facilitate the return of workers to work.
- 10.5. As a minimum, the Supplier shall provide employees with reasonable access to potable water and sanitary facilities, fire safety, emergency preparedness and response, adequate lighting and ventilation, suitable facilities for health needs, occupational injury and illness prevention and machine safeguarding. The Supplier shall also ensure these same standards apply to any dormitory or canteen facilities.

**11. Environment and Climate**

11.1. The Supplier shall take full responsibility for its impact on climate and environment and shall proactively work towards emission reductions and circularity of materials to improve its business and environmental performance in order to protect the climate and environment.

**12. Grievance Mechanisms**

12.1. The Supplier must provide means for confidential complaint reporting to all workers and must ensure that processes are in place to ensure that workers who raise concerns and speak up in faith are protected from retaliation.

12.2. The Supplier can raise any concern about misconduct in relation to legislation or Arla Foods' Code of Conduct "Our Responsibility" through Arla Foods' EthicsLine at <https://arla.whistleblownetwork.net>.

**13. Contractual Arrangements**

13.1. The obligations under this Code of Conduct are additional to the Supplier's other obligations pursuant to any contract between Arla Foods and the Supplier.

13.2. The obligations under this Code of Conduct shall continue in force in respect of any deliveries from the Supplier to Arla Foods or vice versa, regardless of the termination or expiry of any contract between the parties.

The Supplier hereby accepts to adhere to the obligations set out in this Code of Conduct:

**On behalf of the Supplier/Business Partner**

Place/date: \_\_\_\_\_

Company name and address in print: \_\_\_\_\_

Name and title in print: \_\_\_\_\_

Signature: \_\_\_\_\_