

# our responsibility

ARLA FOODS' CORPORATE SOCIAL RESPONSIBILITY

CODE OF CONDUCT



Arla Foods addresses ethical  
a sustainable and responsible  
safeguard the company's re

l and quality matters in  
le manner, in order to  
putation and profitability.



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December 2010, second edition

Project coordination: Arla Foods  
Production: Anna Michélsen  
Graphic design: Waldton Design AB  
Photography: ©Getty Images (cover and  
page 4, 6, 8, 10, 12, 16, 18, 20, 22, 24),  
©Nordic Photos (page 14, 26)  
Paper: Arctic Paper, Munken Polar  
Printing: Scanprint, 2010



541 006



# Foreword

Our mission to offer modern consumers milk-based food products that create inspiration, confidence and well-being provides an excellent platform for our Corporate Social Responsibility agenda – to engender confidence and security within a wider society over the long term.

We regard ourselves as an active player in the communities in which we operate. This means that we need to convey our fundamental values not only to our employees and farmer owners but also to our customers and consumers. It is imperative that our point of view is understood and people know what they can expect from us. Arla Foods has operations across the world and acknowledges that it has a responsibility for society, the environment and the people who interface with our products and production.

Our objective is to develop our business on a foundation of long-term perspectives with respect for, and in harmony with, our surroundings. Arla Foods employees have a common way of working that is rooted in our values, regardless of where they work within the Arla Foods group. Above all, Arla Foods' Code of Conduct is a tool for all our employees worldwide which sets out how to act when faced with various dilemmas.

A company's ethical, social and environmental responsibility is continually challenged. We see this document continually developing as we acquire more knowledge.

We invite our readers to share their views with us at [arla@arlafoods.com](mailto:arla@arlafoods.com).

*Peder Tuborgh, CEO and Ove Møberg, Chairman*



## BUSINESS PRINCIPLES

# What does responsible enterprise mean?

In all of the countries in which we conduct our operations, and at all organisational levels, we obey the law. We report our financial transactions in accordance with national legislation and we never accept or pay bribes. This enables us to act credibly and with integrity with all our stakeholders.

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

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## LEGISLATION

- Arla Foods is committed to meeting or exceeding all applicable laws, rules and regulations in force in the countries in which we are active.
- Our management will take action on any breaches.

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## ACCOUNTING AND REPORTING

- We conduct our accounting and reporting in accordance with national legislation.
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## BRIBES

- We never, either directly or indirectly, accept bribes or other improper payments for the benefit of our business operations and/or for financial gain.
  - We never offer or provide any gift or payment that constitutes, or could be interpreted as, a bribe.
  - We will immediately reject and report to the management all demands, or offers of bribes.
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## OPERATIONAL PRINCIPLES

# How do we satisfy our owners' interests?

As an international company, which is also a producer cooperative, the management of our operations is subject to special demands. All of our owners must be provided with information that is sufficient to enable them to influence significant decisions. At the same time, the elected representatives have been appointed by the owners to formulate general strategies and to ensure that our operations are conducted with the owners' best interests in mind.



# We manage our business in a good cooperative spirit that promotes the financial interests of our owners.

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## RESOURCES

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

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## GOVERNANCE

- Company management has the responsibility to ensure that the Board of Directors receives information that is sufficient to decide on the business strategy and monitor the management team's activities.
- We facilitate our owners' participation in important decisions, such as the nomination and election of Board Members.
- We enable our owners to direct questions to the Board of Directors and include their relevant questions and motions in the agenda for the Board of Representatives.
- In adequate time before meetings, we provide our owners with the relevant information.

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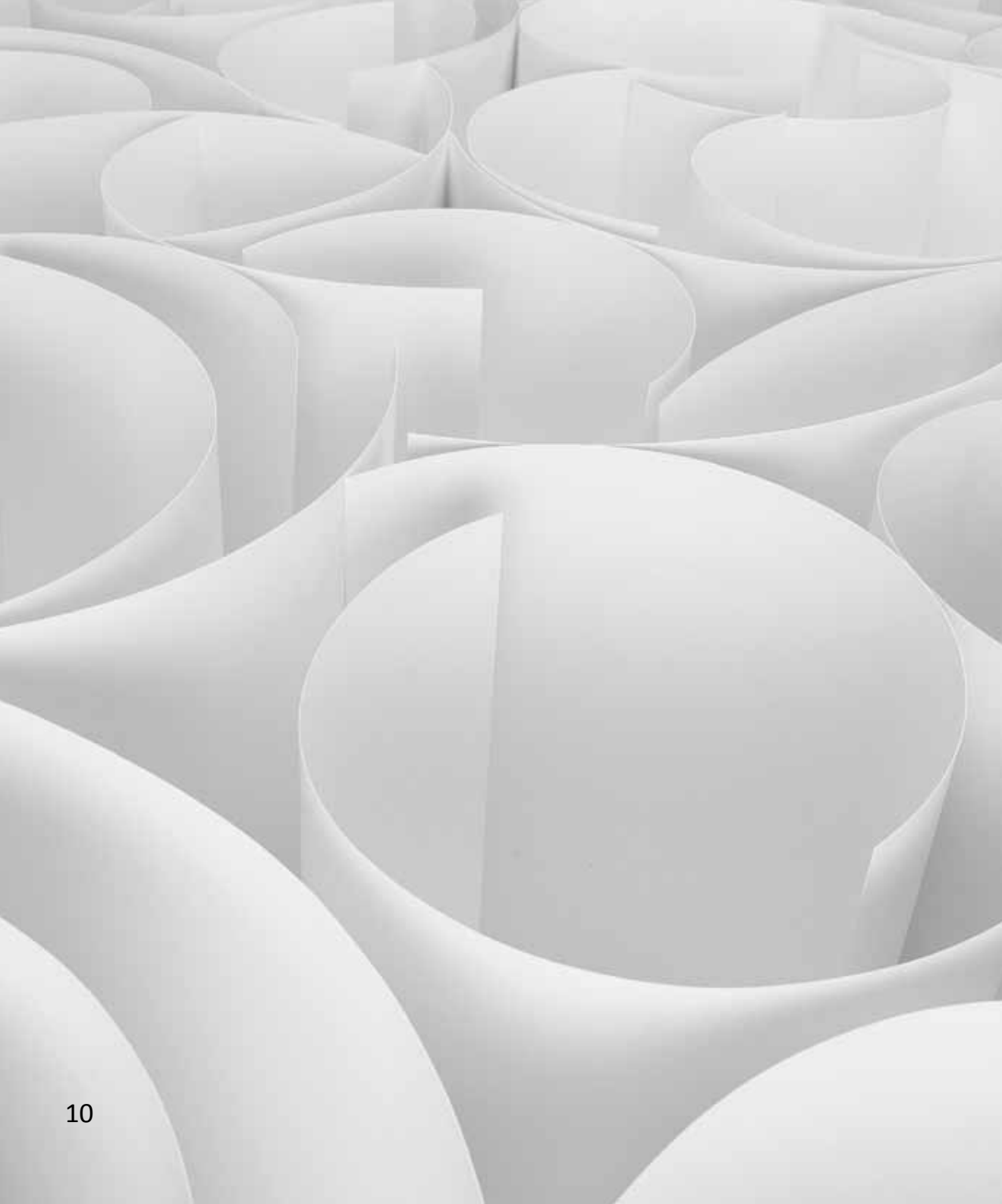
## MEMBERSHIP

- We have equal and fair terms for entering into, and exiting from, the cooperative.
- We protect and clarify the membership rights of our owners.

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## INSIGHT

- We provide our owners with sufficient information about decisions that concern fundamental corporate changes.
- We promptly provide our owners with all the information they require about the company, for example market trends, financial situation, ownership and governance.
- We provide our owners with easy access to our statutory rules, elected members and relevant employees.
- Board Members and company management are obliged to inform the Board if they directly, indirectly or through a third party, have material interests in a transaction or an issue that directly affects the company.



## FOOD SAFETY

# Is it **safe** to drink milk?

Consumers must have confidence in our products. We have stringent safety and quality standards through which we maintain product safety throughout the production chain. In the event of a failure, we have systems for tracing products and ingredients, enabling us to take immediate action.

# We meet consumer demand for safe dairy products.

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## HOLISTIC APPROACH

- We have set meticulous standards for food safety throughout the food chain, which means that we engage everyone, from our milk suppliers to consumers, in our food safety commitments.

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## KNOWLEDGE

- We keep ourselves abreast of food safety developments and ensure that we have the information and knowledge required to take preventive action.

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## PRODUCT QUALITY

- We deliver products and ingredients, which comply with the necessary standards and specifications.

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## HACCP (Hazard Analysis and Critical Control Point)

- We maintain control over hazards in the manufacturing process by using a well functioning HACCP system and by empowering skilled employees.

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## FOREIGN SUBSTANCES

- We prevent and protect our consumers from being injured by foreign items and/or substances in our products.

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## HYGIENE

- We offer safe products by using hygienic processes and facilities, and by following clear routines for personal hygiene.
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## PRODUCTION FACILITIES

- We meet or exceed relevant standards when maintaining and cleaning buildings and equipment to ensure food safety throughout the supply chain.

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## PEST CONTROL

- We keep our premises free from pests by means of a proactive programme.

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## TRACEABILITY

- We have systems for tracing raw materials, ingredients and end products.

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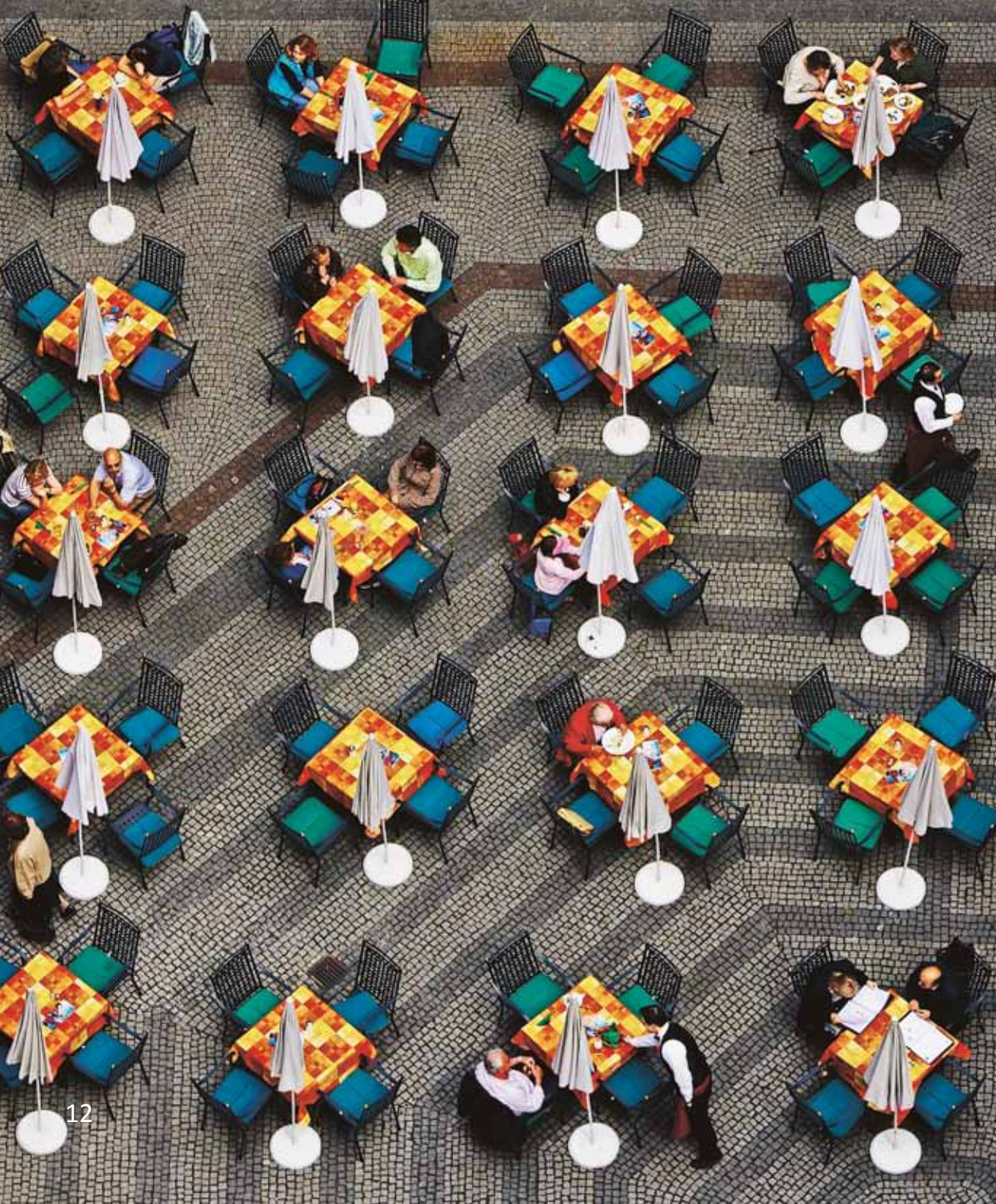
## PRODUCT RECALL

- If we detect a problem with our products we protect consumers by recalling products that are judged to be hazardous to health.

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## ALLERGIES

- To enable consumers to make an active choice we declare the ingredients of all of our products. We maintain up-to-date knowledge of allergies and have robust purchasing and production procedures that prevent contamination.
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## FOOD AND HEALTH

# Should we decide what people should eat?

We inform our consumers about the ingredients in our products, so that they choose products that best match their tastes and needs. The aim is that our products and the information we provide will inspire and stimulate consumers to increase their interest in the link between nutrition and health. We support research in this area to learn and to educate others about a balanced diet.

# We meet consumer demands for healthy products and nutritional information about products.

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## INFORMATION

- We provide consumers with nutritional information that instils confidence and peace of mind, and which inspires them to choose the products that satisfy their needs.

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## INSPIRATION

- We satisfy consumer requirements for information about the connection between dairy products and health, so that they are inspired to choose products that fulfil their individual needs.

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## SECURITY

- We provide consumers with relevant product information, so that they feel well informed and confident in their choice of our products.

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## WELL-BEING

- We satisfy consumer requirements for healthy and safe products, so that consuming our products is beneficial to both body and mind.

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## DIALOGUE

- We base our communications about nutritional issues on openness, dialogue and cooperation with authorities, experts, health information consultants and consumer groups.
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## DIET

- We help consumers understand the role that dairy products play in a well-balanced diet, through comprehensive and honest product information.

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## RESEARCH

- We support research that investigates the connection between dairy products, wellbeing and a range of health issues, in order to increase knowledge about the role of dairy products in a healthy and well-balanced diet.
- As a serious and reliable producer of foods and ingredients we use research as the foundation for all of our health initiatives.

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## COMMUNICATION

- We only claim health benefits from our products if we have well-documented scientific evidence.
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## ENVIRONMENT AND CLIMATE

# What is an acceptable environmental impact?

Constantly seeking to minimise the environmental impact of our operations is at the heart of everything we do. At the same time, it is unavoidable that production at our farms and dairies, and our transportation, affect the environment. At every level we consider whether we can change any aspect of our work methods in order to reduce our environmental impact.

# We continually improve our environmental performance by applying sound and sustainable principles – from cow to consumer.

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## PRODUCTS

- We strive to continually reduce the environmental impact of our products.

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## PLANT

- We design new facilities and procure equipment to meet or exceed relevant environmental standards.

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## RESOURCES

- We save energy and reduce material consumption by continually monitoring and optimising our operations.

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## RECYCLING

- We reduce waste from our operations by maximising the re-use, recycling and recovery of materials from our waste streams.
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## SUPPLIERS

- We challenge and encourage our suppliers to develop and deliver products and services that exceed our environmental standards.

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## STAKEHOLDERS

- We meet the aspirations of our stakeholders and regulatory authorities by embracing our environmental responsibilities.

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## CLIMATE CHANGE

- We contribute towards a reduction in global warming by striving to continually reduce our greenhouse gas emissions.
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## AGRICULTURE

# What is sustainable agriculture?

Working jointly with our Danish and Swedish owners, we have established ambitious targets for agricultural methods, animal health and feed quality. The Arlagården Quality Assurance Programme implemented in Denmark and Sweden and various other local initiatives ensure that we satisfy all applicable requirements for milk quality, environmental efforts at farm level and animal welfare. This is our way of accepting responsibility for sustainable agriculture.



# We support sustainable agriculture.

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## COOPERATION

- We cooperate closely with our milk suppliers and we support agricultural methods that ensures sustainable farming in the short and long term.

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## QUALITY ASSURANCE PROGRAMME

- We ensure that all our milk suppliers implement and comply with our quality assurance programmes, taking account of local conditions.

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## ENVIRONMENT

- We encourage all our milk suppliers to protect the environment.

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## ANIMAL WELFARE

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

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

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## PAYMENT

- We ensure that our suppliers receive fair payment for raw milk by applying payment principles based on content, quality and market value.

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## FOLLOW-UP

- We have an established programme of regular visits to our milk suppliers in Denmark, Sweden and the United Kingdom to ensure compliance with quality assurance programmes.
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## PROCUREMENT

# What can we **expect** from our suppliers?

We work with suppliers from all over the world and they have major impact on our quality and ethical sustainability commitments. We expect our suppliers to acknowledge their social and environmental responsibilities in order that we meet our aim of purchasing goods and services in a sustainable way.

# We challenge and encourage our suppliers to support us in our commitment to abide by our Code of Conduct.

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## SUPPLIERS' RESPONSIBILITY

- We strive to ensure that our suppliers are willing to comply with the requirements set out in our Code of Conduct.
- Key suppliers are contractually bound to meet our requirements. We evaluate and follow up on their ability to comply with our requirements.

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## ETHICS

- We require that all employees are aware of, and follow, our procurement conduct guidelines and understand the need for ethical behaviour.

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## SUPPLIER RELATIONS

- We not only act efficiently, but also in a fair, sustainable and reasonable manner when dealing with our suppliers, whilst ensuring integrity, honesty and responsibility at all times.
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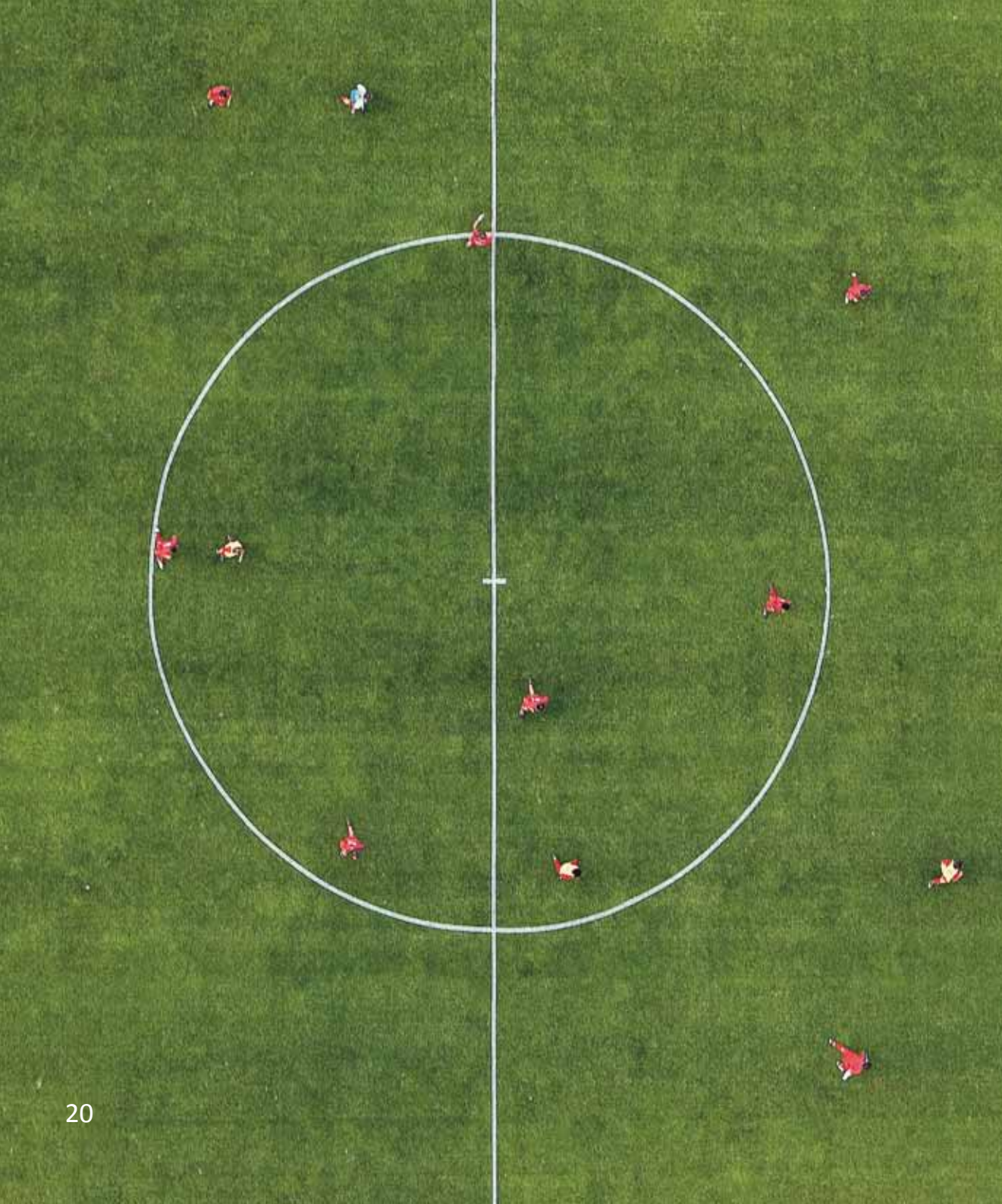
## SUPPLIER SELECTION

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

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## CONFIDENTIALITY

- We recognise the importance of confidentiality, and we ensure that confidential information received from our suppliers is not disclosed to any unauthorised persons or companies.
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## WORKPLACE

# What is a good workplace?

It is our priority to ensure that all employees have good working conditions and are committed to their work. We conduct many different types of operations, so the conditions for creating a safe, healthy and stimulating work environment vary. However, our view is that workplaces can always be improved.

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

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## WORK ENVIRONMENT

- We provide a safe and healthy work environment, and improve it continuously to avoid injuries and sickness. We meet or exceed the laws, rules and regulations in the countries in which we operate.

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## WELL-BEING

- We create a stimulating workplace characterised by mutual respect and trust among employees, and we encourage employees to find a balance between their private lives and work.

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## CARE

- We provide a workplace that counteracts harassment and 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.

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## DIVERSITY

- We strive to create a workplace that reflects society and its diversity, treats all employees equally and judges their work achievements on merit regardless of their 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.
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## COMPETENCIES

- We attract and retain competent employees and invest in their personal and occupational development in order to support our business objectives.

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## PAY AND RECOGNITION

- We offer fair and competitive wages and salaries and recognise and reward exceptional achievements.

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## LEADERSHIP

- We constantly strive to ensure that our managers excel in terms of “envision the future, engage people and deliver performance”.
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## MARKET CONDUCT

# Is the customer always right?

We have an honest relationship with our consumers, customers, competitors and suppliers. We do this by communicating openly and maintaining a continuous dialogue. In markets where we are a major player, we have a specific responsibility not to abuse our position.

# We have good, honest relationships with all of our stakeholders.

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## CONSUMERS AND CUSTOMERS

- We have efficient procedures for handling complaints from consumers and customers with the aim of resolving disputes within a reasonable period of time and in a reliable manner.
  - We make it possible for consumers to make well-founded decisions about our products with the help of relevant product information.
  - We have efficient procedures for ensuring that personal data and information about consumers is respected and protected.
  - We provide our customers with adequate and relevant information about our company and our products.
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## SUPPLIERS

- We only enter into contracts with suppliers that comply with the laws prevailing in the countries in which they conduct operations, and who support and respect internationally recognised human rights.
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## COMPETITORS

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

# Can Arla Foods improve the world?

We are often a major employer at the locations where we operate. To contribute to the development of the local community, we establish long-term relationships with people, companies and organisations. We cannot change the world on our own, but we believe we can make a difference within the local communities.



# We maintain good, respectful and constructive community relations.



## **COOPERATION**

- Based on our values, we cooperate respectfully and responsibly with local communities.



## **RELATIONS**

- We operate sensitively in the societies in which we are active and develop long-term relationships through dialogue.



## **CONTRIBUTIONS**

- We interact with local communities and contribute positively to their development.



## **NETWORK**

- Managers in Arla Foods are involved in both local and international networks with the aim of building strong partnerships and ensuring a global approach.





## HUMAN RIGHTS

# Can we accept **responsibility** for people's living conditions?

We have production facilities in many countries and our products are sold throughout the world. We not only provide food products but also a corporate culture that upholds internationally recognised human rights. This means that wherever we operate, we represent Arla Foods' firm view that the human rights of all people must be respected.

# We respect and support internationally recognised human rights.

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## RESPONSIBILITY

- We conduct our operations as responsible citizens and support and respect international agreements on human rights.

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## FORCED LABOUR

- We do not accept forced labour. Nor should employees be required to pay deposits or surrender identification documents when we employ them.

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## CHILD LABOUR

- 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.
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## TRADE UNIONS

- We respect the employees' right to form and join the trade union of their choice, and to engage in collective bargaining.

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## WAGES AND SALARIES

- We ensure that wages, salaries and other types of remuneration meet or exceed the levels stipulated in legislation or industry standards in the countries in which we are active.

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## WORKING HOURS

- We abide by the legal and industry standards with respect to the working hours applicable in the countries in which we operate.
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