

## ARLA FOODS AMBA (CVR-NO 25 31 37 63) ARTICLES OF ASSOCIATION (ENGLISH)

1.	NAME AND REGISTERED OFFICE	3
2.	OBJECTS	3
3.	MEMBERSHIP	3
4.	LIABILITY	4
5.	TERMINATION OF MEMBERSHIP	4
6.	BREACH ETC.	5
7.	DELIVERY OBLIGATION AND MILK QUALITY	6
8.	MILK PAYMENT	6
9.	AREAS, REGIONS AND MEMBER DISTRICTS	7
10.	THE COOPERATIVE'S BODIES	7
11.	ELIGIBILITY, ELECTION PERIOD ETC.	7
12.	MEMBER DISTRICTS AND DISTRICT COUNCILS	8
13.	REGIONAL BOARDS	10
14.	AREA FORUMS	11
15.	AREA COUNCILS	11
16.	BOARD OF REPRESENTATIVES	12
17.	BOARD OF DIRECTORS	15
18.	MANAGEMENT BOARD	16
19.	POWER TO BIND THE COOPERATIVE	16
20.	EQUITY	16
21.	FINANCIAL YEAR	17

<b>22.</b>	<b>ANNUAL REPORT AND APPROPRIATION OF PROFIT</b>	<b>17</b>
<b>23.</b>	<b>AUDIT</b>	<b>18</b>
<b>24.</b>	<b>DISSOLUTION</b>	<b>18</b>
<b>25.</b>	<b>LANGUAGE</b>	<b>19</b>

## ARTICLES OF ASSOCIATION OF ARLA FOODS AMBA CVR NO. 25 31 37 63

### 1. NAME AND REGISTERED OFFICE

- 1.1 The name of the Cooperative is Arla Foods amba.
- 1.2 The Cooperative may also carry on business under one or more secondary names, which shall be registered with the Danish Business Authority (Erhvervsstyrelsen).
- 1.3 The registered office of the Cooperative shall be situated in the City of Aarhus, Denmark.
- 1.4 The Cooperative is a cooperative society, whose members shall have limited liability (andelsselskab med begrænset ansvar, abbrev. amba).

### 2. OBJECTS

- 2.1 The objects of the Cooperative shall be to further the financial interests of its members in the dairy business through receiving, processing and selling the milk produced by the members and milk-based products.
- 2.2 The Cooperative may carry on any commercial and manufacturing business, including buying and selling milk and milk products from/to non-members, which is directly or indirectly related to the business stated in Article 2.1.
- 2.3 The Cooperative may carry on the activities stated in Article 2.1 and Article 2.2 in its own name or through interests in or any other cooperation with enterprises, etc. conducting such business.
- 2.4 The Cooperative's non-cooperative activities shall be conducted by its subsidiaries.

### 3. MEMBERSHIP

- 3.1 The board of directors shall decide upon the application for membership of the Cooperative. Eligible for membership shall be any milk producer, whether a person or legal entity, or any legal entity controlled by milk producers in accordance with the terms and conditions determined by the board of directors from time to time.<sup>1</sup>
- 3.2 An admitted milk producer must sign the Cooperative's milk supply agreement before commencing milk deliveries and the membership shall become effective on the date of the first delivery of approved milk to the Cooperative.
- 3.3 All members shall be subject to the Cooperative's general membership terms as determined by the board of directors from time to time.
- 3.4 A member's membership shall comprise of all cow milk and all cow milk production units controlled by (i) the member, (ii) any legal entity controlled by the member, or (iii) any legal entity or a person that controls the member, if no reservation is made to the contrary on admission. All cow milk comprised of the membership (see Article 7.1) shall be delivered to, and shall be accepted by, the Cooperative subject to the Cooperative's rules and regulations. A member cannot deliver milk to the Cooperative purchased from another milk producer, except if the member is a Corporate Member, see Article 3.10.

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<sup>1</sup> In Denmark, eligible for membership shall be any milk producer, whether a natural or an artificial person, supplying milk in the Cooperative's natural geographical territory and otherwise satisfying the general conditions for membership as stipulated in these Articles of Association and as laid down from time to time by the board of directors.

- 3.5 "Control" under Article 3 means the possibility of making operating and financial decisions at any time and on any basis, whether directly or indirectly. If no one alone may make such decisions, the control shall belong to the person having the greatest influence, or – if none can be considered as having the greatest influence – the person having the largest ownership interest.
- 3.6 A member must notify the board of directors of any non-genuine expansion of the member's milk production for the board of directors to decide if the expansion shall be (fully or in part) comprised by or released from the membership. Genuine expansions, e.g. expansions within the Cooperative's existing milk intake area, with the same milk type currently delivered and without change of ownership, are allowed and notification is not required. The board of directors shall from time to time and with reasonable notices inform the members of the parameters that the board intends to apply in its administration of this Article.
- 3.7 The Cooperative may receive milk from non-members. Non-member producers shall not have members' rights, including the right to receive supplementary payment.
- 3.8 No termination of membership shall entitle the retiring member to any share of the Cooperative's property or assets, except pursuant to Article 5.7.
- 3.9 Under the applicable provisions, the board of directors shall resolve on membership etc., including eligibility etc., see Article 11, in individual cases as required.
- 3.10 The board of directors determines if a member for the purpose of these Articles of Association shall be considered a Corporate Member. Any member of a Corporate Member shall, for the purpose of Articles 10-17, have the rights and obligations of a member of the Cooperative. A Corporate Member shall (i) not have the rights and obligations of a member of the Cooperative for the purpose of Articles 10-17; (ii) ensure that its articles of association and any other relevant regulations or agreements allow for the application of this article; (iii) not in any other way preclude or frustrate the application of this Article. No Corporate Member's membership may be terminated by either the Corporate Member or the Cooperative, irrespective of Article 5.1.<sup>2</sup>

#### **4. LIABILITY**

- 4.1 No member of the Cooperative shall be personally liable for the Cooperative's obligations and liabilities.

#### **5. TERMINATION OF MEMBERSHIP**

- 5.1 Members may only resign in writing with at least 12 months' notice to the Cooperative to expire at the end of a month<sup>3</sup>.
- 5.2 In the event of a transfer (including a lease, termination of a lease or termination of a legal entity) of all milk production units comprised by a member's membership, such member shall be deemed to have resigned with the

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<sup>2</sup> As of the date hereof, the board of directors has determined that the following members shall be considered Corporate Members:

- i. Hansa Arla Milch eG;
- ii. MUH Arla eG;
- iii. The UK Arla Farmers Cooperative Limited; and
- iv. Euregio Arla.

<sup>3</sup> In Denmark, if the resignation is received (i) on or between 1 January and 31 August, the resignation is effective at the end of the financial year, or (ii) on or between 1 September and 31 December, the resignation is effective 12 months following the date of the Cooperative's receipt of the resignation.

prescribed notice. The notice period shall commence at the date of receipt by the Cooperative of the written notice of the transfer.

- 5.3 If a member transfers, whether by sale, inheritance, lease, termination of a lease or termination of a legal entity or otherwise, on a going-concern basis all milk production units comprised by its membership to a single assignee, whether natural person or legal entity, the assignee shall be entitled to be admitted as member of the Cooperative, and the board of directors shall be required to approve the assignee's application for membership accordingly from the date of termination of the resigning member's membership (see Article 5.2), provided that the assignee (i) applies for membership before the termination of the resigning member's membership, (ii) fulfils and adheres to the Cooperative's membership requirements, and (iii) is not an expelled member or legal entity controlled by an expelled member. The board of directors shall be entitled to exclude from the membership any production units not acquired from the resigning member or not comprised by the resigning member's membership, see Article 3.4. Any milk historically supplied by the resigning member to the Cooperative shall be considered to have been supplied by the assignee.
- 5.4 The transfer of ownership interests in a member of the Cooperative and the joining or withdrawal of participants from such legal entity are not deemed to constitute termination or resignation of the membership.
- 5.5 If a member has not, without failing to satisfy its delivery obligation under Article 7, delivered milk to the Cooperative for six consecutive months, such member shall be deemed to have resigned its membership with the notice prescribed in Article 5.1 as if the member gave notice on the day of its latest milk delivery. The board of directors may grant an exemption from this rule, if (i) the failure to deliver milk is due to force majeure and (ii) the member is expected to deliver milk to the Cooperative within 12 months, or such longer period as determined by the board of directors, of receipt of the member's application to be exempted from this rule. The member shall apply for such exemption no later than six months after its latest milk delivery.
- 5.6 If a membership is terminated otherwise than stated in Article 5.1 and 5.2, the member shall be deemed to have resigned in breach of the Articles of Association and shall pay to the Cooperative a penalty amount as determined by the board of directors. Notwithstanding any payment of penalty by the member, the Cooperative may also claim compensation from the member for any loss suffered as a result of the resignation. In addition, the member shall pay any amount owing to the Cooperative, whereupon the member shall be released from all obligations to the Cooperative.
- 5.7 At termination of the membership, irrespective of the reason, the member is always entitled to repayment of the balance in its individual capital accounts pursuant to the terms thereof, subject to a decision by the board of representatives, see Article 16.11.

## **6. BREACH ETC.**

- 6.1 Any member which fails to comply with these Articles of Association, the general membership terms, the quality programme or any other obligation owed to the Cooperative, or acts to the detriment of the Cooperative or its objects or contrary to its interests or objectives, may be expelled by the board of directors, in which case such member is deemed to have resigned in breach of these Articles of Association, see Article 5.6. If a member thus expelled does not accept the expulsion, the member may refer the matter to the board of representatives for review, provided that a request for such review shall be submitted to the board of directors within one month of despatch of the notice of expulsion to the member.

6.2 For the purpose of determining any issue relating to a member's compliance with these Articles of Association or discharge of other obligations owed to the Cooperative, the Cooperative's board of directors may disregard transactions or arrangements, which are deemed by the board of directors to be aimed at circumventing these Articles of Association or evading other member obligations.

6.3 The Cooperative reserves a right to offset any and all claims against current or former members, irrespective of the claims being due, against any claim raised by that member against the Cooperative.

## **7. DELIVERY OBLIGATION AND MILK QUALITY**

7.1 All members shall deliver to the Cooperative all cow milk, which is not used on their own farms for personal consumption, feeding purposes, or processed and sold directly from the farm or farmer market to private consumers the scope of which sale shall be subject to permission by the board of directors. Subject to administrative rules determined by the board of directors, members in the Danish and Swedish areas are entitled to deliver to other dairies such part of their milk deliveries in any two-week period as is determined by the board of representatives.<sup>4</sup> The distribution of such deliveries over the two-week period shall be agreed between the member, the Cooperative and the other dairy to minimise the parties' costs and ensure fair milk distribution. The member shall be deemed a non-member in respect of the milk delivered to other dairies. A member may cease to exercise the right to deliver milk to other dairies at three months' prior notice to the Cooperative and thus become an exclusive supplier on usual terms, with the same rights and obligations as individual members in respect of the relevant milk volume, see Article 3.1. Irrespective of the above, Corporate Members (see Article 3.10) must deliver all their milk to the Cooperative.

7.2 If the delivery obligation specified in Article 7.1 is not permitted by any applicable legislation, the members shall perform the obligation to the maximum extent permitted.<sup>4</sup>

7.3 A member shall comply with the quality programme, other Cooperative rules, and all applicable government requirements regarding milk quality and conditions of production in force at any time.

7.4 If a member does not comply with the above requirements, the board of directors may sanction this non-compliance as further set out in the quality programme, which may include expulsion of the member, see Article 6.1. Any damages shall be payable under the local laws applicable to the area in which the production unit is located.

7.5 The board of representatives shall lay down the general rules governing the collection of milk as well as the quality programme in force from time to time. The board of directors shall lay down any other rules in this respect.

## **8. MILK PAYMENT**

8.1 On recommendation of the board of directors, the board of representatives shall lay down the overall guidelines governing the payment for milk, under which the board of directors shall determine the payment to be made on account for the milk delivered to the Cooperative, including any extra charges to cover additional costs arising as

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<sup>4</sup> In Sweden, the delivery obligation is limited to 50% as a result of the Cooperative's undertakings to the Swedish Competition Authority (Konkurrensverket), and each member may deliver up to 50% of its milk deliveries within every two-week period to other dairies subject to four months' prior written notice to the Cooperative. Subject to the individual maximum of 50%, Swedish members producing organic milk may collectively deliver up to 7% of the Cooperative's annual total Swedish organic milk intake to other dairies subject to four months' prior written notice to the Cooperative. In Denmark, each member may deliver up to 20% of its milk deliveries within every two-week period to other dairies subject to six weeks prior written notice to the Cooperative. Further information on the administration of partial deliveries is available from the Cooperative.

a result of special production and milk quality requirements, market-related charges and deductions, and additions and deductions relating to the milk quality.

- 8.2 Payment for the whole milk delivered by the members shall be based on milk volume, fat and protein content and/or other components, the milk quality and on other parameters as determined from time to time, see Article 8.1.

## **9. AREAS, REGIONS AND MEMBER DISTRICTS**

- 9.1 The Cooperative shall be divided into geographical areas for Denmark, Sweden, the United Kingdom and Central Europe. Each area shall be divided into regions and each region shall be divided into member districts.
- 9.2 The board of directors shall determine the number of regions in each area upon recommendation from the area council. The board of directors shall determine the number of member districts in each individual region upon recommendation from the relevant area council. The regional board shall distribute the members of the region on the number of member districts so determined.

## **10. THE COOPERATIVE'S BODIES**

- 10.1 The supreme decision-making body of the Cooperative is the board of representatives. The board of directors shall act as the supreme and central body of management, assisted by the management board in charge of day-to-day management. The governance of the Cooperative is based on an indirect democratic representation of all members of the Cooperative requiring additional bodies for representation and election purposes.
- 10.2 The Cooperative's bodies shall be the district meetings and the district councils as set out in in Article 12, the regional boards as set out in Article 13, the election committees as set out in Article 12.5 and 13.11, the area forums as set out in Article, 14, the area councils as set out in Article 15, the board of representatives as set out in Article 16, the board of directors as set in Article 17 and the management board as set out in Article 18.

## **11. ELIGIBILITY, ELECTION PERIOD ETC.**

- 11.1 Eligible to the Cooperative's bodies shall be, (i) if the member is a natural person, the member and the member's spouse or cohabiting partner, children, parents and siblings; (ii) if the member is a legal entity, members of the board of directors, management board or similar bodies of the legal entity; and (iii), natural persons substantially and consistently engaged in the day-to-day operation of the member's milk production. Any person who is eligible and willing to be elected under these provisions shall be nominated. However, only one person so eligible can be elected for each member.
- 11.2 Any person elected to any of the Cooperative's bodies shall resign without any act on the part of the parties if such person or the member represented by such person ceases to operate the milk production unit, which forms the basis of the membership, if such membership is terminated, if such person is no longer entitled to represent the member, or if such person or the member represented by such person is - directly or indirectly - a member of, has material interests in, or assumes any governance positions in any business competing with the Cooperative, except if the board of directors grants an exemption. The resignation shall take effect immediately upon the occurrence of any of these circumstances. However, if the resignation is due to termination of membership under Article 5.2, and the assignee becomes a member, no resignation shall take place, unless the elected person is not eligible after the transfer. This Article shall not apply to employee representatives.

- 11.3 Before each election, the chairman of the meeting shall ensure that all candidates for election are eligible and willing to be elected. If a candidate is not present at the election, the chairman shall ensure that the candidate is willing to be elected.
- 11.4 All persons elected to the Cooperative's bodies shall hold office from the end of the meeting at which the election takes place until the end of the next meeting at which election will take place (two-year terms).
- 11.5 The board of directors may allow for district meetings and meetings of the district council and regional board to be held by electronic means (incl. voting), no physical appearance necessary.

## **12. MEMBER DISTRICTS AND DISTRICT COUNCILS**

- 12.1 A member is a part of the member district in which the member's milk production units are located. If the member's milk production units are located in more than one member district, the member shall designate one. A member may choose to be a member in another district, if such district borders on the member's district. In order to exercise its voting right at the next ordinary district meeting in the new district, the member shall register the change of district with the regional office by 1 December.
- 12.2 The supreme decision-making body of the member district shall be the district meeting, and its executive body shall be the district council.
- 12.3 Every odd year, the ordinary district meeting shall elect a district council consisting of one council member for every 25 members (or any other number determined by the board of directors) in the member district.
- 12.4 In the Danish and Swedish area, the district council must always as a minimum consist of the district's members of the board of representatives and their alternates, see Article 12.7.
- 12.5 In the Swedish area, the ordinary district meeting may resolve that an election committee shall be elected for a two-year term. The election committee shall consist of not more than seven persons. The election committee shall submit proposals to the district meeting for the composition of the district council.
- 12.6 If a ballot is held, elections for the district councils and the election committee, if any, shall follow the prioritisation method at request.
- 12.7 In the Danish and Swedish area, every odd year, the ordinary district meeting shall elect from among the district council members a chairman, a vice-chairman and any supplementary members to the board of representatives as well as a suitable number of alternates, but not more than five. All members of the district council shall be deemed candidates for these positions. If a ballot is held, the election may, on request, follow the prioritisation method; the first district council member to attain the allocation number shall be elected chairman; the next district council member to attain the allocation number shall be elected vice-chairman; the district council members subsequently attaining the allocation number shall be elected supplementary members of the board of representatives; and, finally, in the same manner, alternates. Alternatively, members of the board of representatives and the chairman and vice-chairman may be elected at two separate election rounds: One for the election of the district members of the board of representatives and alternates (not more than five) from among the district council members, and one subsequent round for the election of a chairman and vice-chairman from among the members of the board of representatives so elected.
- 12.8 In the Central European area, every odd year, the district council shall elect from among themselves a chairman and a vice-chairman as well as a suitable number of alternates, but not more than two. Subsequently, the district council shall from among the chairman and vice-chairman elect the members to the board of representatives. If



more than two members to the board of representatives are to be elected, the district council shall elect the additional member(s) as well as a suitable number of alternates among themselves.

- 12.9 In the United Kingdom area, every odd year, the ordinary district meeting shall elect from among the district council a chairman and vice-chairman as well as a suitable number of alternates, but not more than two. The member that receives most votes shall be elected the chairman and the member receiving the next highest number of votes shall be elected the vice-chairman.
- 12.10 The district shall hold its ordinary meeting in March or April of each year. Efforts shall, however, be made to hold the ordinary district meeting before the end of March.
- 12.11 The chairman of the district council shall call and open district meetings and conduct the election of the chairman of the meeting. Notice of the meeting, including the agenda, shall be sent to the members not later than two weeks before the meeting. The Cooperative's annual report shall be available to the members before the ordinary district meeting.
- 12.12 Any proposal from district members for consideration at an ordinary meeting of the board of representatives shall be submitted to the chairman of the district council in writing not later than one week before the ordinary district meeting. At the meeting to consider and vote on such proposal, the district council shall present its recommendation on the proposal. If the proposal is adopted by the district meeting, the district council shall present the proposal as the district's proposal to the board of representatives. If the proposal is rejected by the district meeting, the district council shall not submit the proposal to the board of representatives, but the member may submit it to the regional board, which may in turn submit it to the board of representatives.
- 12.13 Extraordinary district meetings shall be called at the request of the chairman of the district council, the regional board, or not less than ten per cent of the members in the district. The request shall be submitted in writing to the chairman of the district council, specifying the business to be transacted.
- 12.14 All district meetings shall be presided over by the chairman elected by the meeting, who shall decide all matters and things pertaining to the transaction of business, voting and its outcome. Voting shall be by ballot, if so requested.
- 12.15 The members are entitled to vote, attend and speak at district meetings. The members are only entitled to vote at the district meetings held in the district to which they belong. Votes may be cast in person or by proxy, which shall not be required to be issued to a member of the Cooperative. No proxy shall act for more than one member. All resolutions shall be passed by an absolute majority of votes (more than half of the votes cast). In the event of an equality of votes, the chairman of the district council shall have the casting vote, except at elections.
- 12.16 If a member wishes to attend and speak at a district meeting outside the member's own district, the member shall register its attendance with the representative of the regional office on arrival at the meeting.
- 12.17 Any person eligible under Article 11 and, to a reasonable extent, any person connected with such person or the milk production unit have the right to attend and speak at district meetings in the district to which the member belongs. Only persons who are eligible in their own district under Article 11 shall be admitted to district meetings in other districts.
- 12.18 Minutes of the proceedings at district meetings shall be entered in a minute book to be signed by the chairman of the meeting and the minute taker. On request, the minutes may be sent to the members of the district.
- 12.19 Members of the regional board and the board of directors are entitled to attend district meetings.

### **13. REGIONAL BOARDS**

- 13.1 In the Danish and Swedish area, the regional board shall consist of the members of the board of representatives elected in the region. In the Central European and United Kingdom area, the regional board shall consist of all district council chairmen and vice-chairmen in the region.
- 13.2 If one or more members are absent, an equivalent number of alternates may – in the order in which they have been elected by the district meeting or the district council – attend and vote in their place.
- 13.3 The ordinary meeting of the regional board shall be held as soon as possible after the ordinary district meetings in all districts of the region. At the ordinary meeting of the regional board every odd year, a regional chairman and vice-chairman shall be elected. All members of the regional board shall be deemed candidates. The election shall be by two ballots; one to elect a chairman; and one to elect a vice-chairman. The candidate receiving the absolute majority of the votes (more than half of the votes cast) in each election shall be elected. The retiring chairman shall preside over the election and decide all matters and things pertaining to voting and its outcome.
- In the Central European area, only regional board members that are also members of the board of representatives shall be deemed eligible for election as chairman and vice-chairman.
- 13.4 In the United Kingdom area, the regional chairman and vice-chairman are considered elected to the board of representatives, and a suitable number of alternates shall also be elected at the ordinary meeting, but not more than two.
- 13.5 Ordinary regional board meetings shall be called by the regional chairman. Notice of the meeting, including the agenda, shall be sent to the participants not later than two weeks before the meeting.
- 13.6 Extraordinary meetings of the regional board shall be held at the request of the regional chairman or three members of the regional board. Notice of the meeting, including the agenda, shall be sent to the participants by the regional chairman not later than seven days before the meeting.
- 13.7 The regional board shall form a quorum, when at least half of its members are present, including the regional chairman or vice-chairman.
- 13.8 All resolutions shall be passed by an absolute majority of votes (more than half of the votes cast), except at elections. In the event of an equality of votes, the regional chairman or, in its absence, the regional vice-chairman shall have the casting vote, except at elections. Votes shall be cast in person. Each member of the regional board shall have one vote.
- 13.9 Minutes of the proceedings at the meetings of the regional board shall be entered in a minute book to be signed by the chairman and the minute taker. The minute book shall be sent to all members of the regional board not later than two weeks after the meeting.
- 13.10 The regional board shall, on behalf of and pursuant to the guidelines and decisions made by the board of directors, contribute to developing cooperation in the region and between the Cooperative and its members and contribute to carrying out the functions assigned to the region. The regional board shall notify the board of directors of all regional matters and things which may affect the Cooperative. Likewise, the board of directors shall inform the regional board of all material matters and things of interest to the region.
- 13.11 In the Swedish area, every odd year, the regional boards may jointly resolve with an absolute majority of the vote (more than half of the votes cast) that an election committee shall be set up for the Swedish area. Elections by ballot shall follow the prioritisation method. At the meeting of the board of representatives in May, the election

committee shall recommend to the area's members of the board of representatives' eligible candidates for the area council and the board of directors.

#### **14. AREA FORUMS**

- 14.1 Area forums shall be set up for each of the Cooperative's areas. The area forum serves as a forum for interface with the board of directors and the management board. Members of the forum serves as ambassadors representing the Cooperative among all members.
- 14.2 The area forum consists of all elected members of the district councils, the regional boards, the area council and the board of representatives in the area. The chairman of the area forum is the chairman of the respective area council.
- 14.3 Members of the board of directors and the management board are entitled to attend and speak at the meetings of the area forum.
- 14.4 The area forum holds two ordinary meetings every year and may hold extraordinary meetings.
- 14.5 Area forum meetings shall be called by the chairman. Notice of the meeting, including the agenda, shall be sent to the participants no later than two weeks before the meeting.
- 14.6 In the United Kingdom area, every odd year, an additional ordinary meeting shall be held as soon as possible after all ordinary regional board meetings in the area. The area forum shall elect members to the board of representatives as well as a suitable number of alternates. All chairmen and vice-chairmen of a district council in the area shall be deemed candidates for these positions. If a ballot is held, the election may, on request, follow the prioritisation method. The number of seats filled by the area forum shall be the total seats distributed to the United Kingdom area (see Article 16.2(ii)) less the number of seats filled by the regional chairmen and vice-chairmen (see Article 13.3). The area forum shall form a quorum, when at least half of its members are present, including the chairman. Votes shall be cast in person and each member shall have one vote.

#### **15. AREA COUNCILS**

- 15.1 Area councils shall be set up for each of the Cooperative's areas. The area council shall focus on owner topics and promote cross-area relations, and discuss matters relevant to the Cooperative's members, including the general membership terms and the global milk supply agreement, and make recommendations for the board of directors to take into account in its decisions, see Article 17.9.
- 15.2 The area council is responsible for the candidate pipeline to the board of directors and shall conduct competency evaluations of potential candidates communicating the results to the nominating bodies prior to nomination, see Article 17.5.
- 15.3 The area council shall make a recommendation to the board of directors with a proposal for the number of regions and districts in the relevant area.
- 15.4 The area council holds two ordinary meetings every year and may hold extraordinary meetings. The area councils may convene in a joint area council meeting to discuss relevant group wide matters. The board of directors defines the scope of the area council's work, including its rules of procedure.
- 15.5 Each area council shall have ten to fifteen members. For each area council, the members of the board of representatives from the respective area shall determine the number of members. The board of directors shall appoint

the chairman and one additional member among the members of the board of directors. All other members shall be elected by and among the members of the board of representatives from the respective area at a meeting of the board of representatives. The election shall be by ballot and must follow the prioritisation method.

In the Danish, Swedish and United Kingdom area, every odd year, the members of the board of representatives from the respective area shall nominate candidates to be elected at a meeting of the board of representatives.

In the Central European area, every odd year, after the area council seats to be elected has been distributed between the area's regional boards, each regional board shall nominate a candidate for each seat distributed for its nomination, to be elected at a meeting of the board of representatives.

- 15.6 Area council meetings shall be called by the chairman. Notice of the meeting, including the agenda, shall be sent to the participants no later than two weeks before the meeting.
- 15.7 The area council shall form a quorum, when at least half of its members are present, including the chairman.
- 15.8 All resolutions shall be passed by an absolute majority of votes (more than half of the votes cast), except at elections. In the event of an equality of votes, the chairman shall have the casting vote, except at elections. Votes shall be cast in person and each member shall have one vote.

## **16. BOARD OF REPRESENTATIVES**

- 16.1 Unless otherwise provided in these Articles of Association, the board of representatives shall be the Cooperative's supreme decision-making body. The board of representatives shall consist of 175 members elected by the members and 12 members elected by the Cooperative's employees.
- 16.2 The seats on the board of representatives shall be allocated so as to reflect the share of the Cooperative's equity attributable to the areas (see Article 9.1). The board of directors makes a statement of the equity and its allocation on the basis of the Cooperative's equity as specified in its latest annual report before the election year and as determined by the board of representatives.

The total number of seats shall be allocated among the areas.

For this purpose, the Danish and the Swedish area shall constitute one area.

- i. The seats allocated to the Danish and Swedish area shall be distributed as follows:
- Half of the seats shall be distributed between the two areas in proportion to the number of members in the areas at the beginning of the financial year of the district elections. If necessary, the number of seats shall be rounded up to the nearest whole number.
  - The other half of the seats shall be distributed in proportion to the volume of milk weighed in by the members in the areas in the financial year immediately preceding the year of the district elections. If necessary, the number of seats shall be rounded down to the nearest whole number.
- ii. The seats allocated to the United Kingdom area shall be distributed as follows:
- One seat to each elected regional chairman and vice-chairman (see Article 13.3).
  - The remaining seats shall be distributed and elected among the district council chairmen and vice-chairmen at the ordinary meeting of the area forum (see Article 14.6).

The board of directors shall then distribute the allocated seats among the regions in the Danish, Swedish and Central European areas. The respective regional boards shall in turn distribute the seats among the member districts. Each member district shall be allocated not less than one seat.

- 16.3 In the Danish and Swedish area, the first seat allocated to a district must be occupied by the chairman of the district council. The second seat, if any, allocated must be occupied by the vice-chairman of the district council. Any additional seats, if any, allocated must be occupied by the supplementary members elected, see Article 12.7.
- 16.4 Newly elected members of the board of representatives shall join the board immediately. Each member shall have one vote. If one or more members are absent, an equivalent number of alternates may – in the order in which they have been elected – attend and vote in their place.
- 16.5 The Cooperative's employees may elect, from among its number, a total of 12 members to the board of representatives as well as 4 alternates. The Cooperative's employees shall include all its employees, including in subsidiaries which carry on dairy business. The election of members to the board of representatives from among the Cooperative's employees shall be held pursuant to election rules approved by the board of directors, which rules shall comply with the general principles applicable in the respective countries.
- 16.6 Each year the board of representatives shall hold its ordinary meeting before the end of March, see Article 16.8, and one additional meeting in October. In every odd year, an additional meeting shall be held in May, see Article 16.9.
- 16.7 Extraordinary meetings of the board of representatives shall be held by resolution of the board of representatives or the board of directors or at the request of not less than 30 members of the board of representatives. The meeting shall be held within five weeks of submission of the request to the chairman of the board of representatives, specifying the agenda of the meeting.
- 16.8 The agenda of the ordinary meeting of the board of representatives shall be as follows:
1. Election of chairman.
  2. Appointment by the board of directors of minute taker.
  3. Preparation of list of candidates.
  4. The board of directors' report on the Cooperative's activities.
  5. Presentation of the audited annual report and resolution on the distribution of profits or losses as recorded in the annual report.
  6. Briefing on the budget for the current financial year.
  7. Consideration of any proposal.
  8. Appointment of auditor(s).
  9. Any other business.
- 16.9 At the meeting of the board of representatives in May every odd year, resolutions on the number of members of the board of directors and the area councils shall be passed and the members of the board of directors and area councils shall be elected. The individual members of the board of representatives may propose candidates for their respective areas, see Article 17.5. In addition, a resolution shall be passed on remuneration and emoluments to the Cooperative's elected representatives.

- 16.10 The chairman of the board of directors shall also be the chairman of the board of representatives, and shall, if not already a member, become a member of the board of representatives, in which case the member from the same area as the chairman who, not being the district council chairman or regional chairman, has the fewest members behind him shall vacate its seat.
- 16.11 The board of representatives shall decide all matters and things pertaining to the adoption of the annual report and the consolidated accounts, including the distribution of profits or losses as recorded in the annual report and any return on and payment of individual capital.
- 16.12 All resolutions at meetings of the board of representatives shall be passed by an absolute majority of votes (more than half of the votes cast), except as specified in Article 16.13. In the event of an equality of votes, the chairman shall have the casting vote, except at elections. Elections by ballot shall follow the prioritisation method.
- 16.13 Any resolution to amend these Articles of Association shall be passed by a majority of not less than three-quarters of the votes cast, excluding blank and invalid voting cards, and subject to at least 90 members of the board of representatives casting their votes.
- 16.14 Members of the board of representatives or their alternates cannot attend or vote at meetings of the board of representatives by proxy.
- 16.15 Any notice of a meeting of the board of representatives shall be sent by letter, by e-mail or any other suitable digital communication to its members, including an agenda, not later than three weeks before the meeting. In addition, a copy of the audited annual report and consolidated accounts shall be sent to the members not later than one week before the ordinary meeting of the board of representatives.
- 16.16 All meetings of the board of representatives shall be presided over by a chairman elected by the meeting, who shall decide all matters and things pertaining to the transaction of business, voting and its outcome.
- 16.17 If a member of the board of directors is not a member of the board of representatives, such member is entitled to attend and speak at the meetings of the board of representatives, but shall not vote. The members of the management board shall also have such right.
- 16.18 Members of the Cooperative are entitled to attend, but not to speak and vote at, the ordinary meeting of the board of representatives.
- 16.19 The chairman shall call and open the meetings of the board of representatives and conduct the election of the chairman of the meeting.
- 16.20 Members of the board of representatives, the regions and districts as represented by their governing bodies, may submit proposals to the board of representatives. The proposals shall be submitted in writing to the chairman of the board of directors not later than four weeks before the meeting of the board of representatives.
- 16.21 Minutes of the proceedings at meetings of the board of representatives shall be entered in a minute book to be signed by the chairman of the meeting and the minute taker. The minute book shall be sent to all members of the board of representatives not later than three weeks after the meeting.
- 16.22 The working language of the board of representatives shall be English.

## **17. BOARD OF DIRECTORS**

- 17.1 The board of directors shall consist of not less than 10 and not more than 16 members elected by the board of representatives and 3 members elected by the Cooperative's employees.<sup>5</sup>
- 17.2 The members of the board of directors shall hold office for two-year terms. If a member of the board of directors resigns during its term of office, a by-election shall be held.
- 17.3 The distribution of members of the board of directors between the areas shall follow the distribution principle applicable to the board of representatives at the time of the election, see Article 16.2.
- 17.4 The election by the board of representatives shall be conducted in four rounds, one for each area, and shall follow the prioritisation method, if a ballot is requested. At such elections, only representatives of the respective area are entitled to vote. In the Danish area, only such representatives shall be eligible.
- 17.5 A candidate is eligible if nominated by a representative from the respective area at a meeting of the board of representatives. 1 candidate is also eligible in the Central European area if nominated by the area's Region Nord<sup>6</sup>. In the United Kingdom area, however, a candidate is only eligible if nominated by the area forum. If a candidate has undergone competency evaluation by the area council, see Article 15.2, the results must be presented prior to the candidate's nomination.
- 17.6 Immediately upon election pursuant to Article 17.4, the newly elected board of directors shall be presented to the board of representatives. By a vote according to Article 16.13, the board of representatives shall be entitled to request new elections to take place pursuant to Article 17.4. This does not apply to employee representatives.
- 17.7 The Cooperative's employees may elect from among themselves a total of 3 members and 1 alternate to the board of directors. The election shall be held in accordance with election rules approved by the board of directors, which rules shall comply with the general principles applicable in the respective countries. At the meeting of the board of representatives in May every odd year, the members thus elected to the board of directors shall be announced.
- 17.8 Immediately after the meeting of the board of representatives in May every odd year, the board of directors shall hold a meeting to elect its own chairman and vice-chairman from among its members. The chairman and the vice-chairman shall each represent an area.
- 17.9 The board of directors shall be responsible for the overall management of the Cooperative and shall decide all matters and things which are not reserved for decision by the board of representatives. The board of directors shall consult the area councils on relevant farm matters, including the general membership terms and the global milk supply agreement, and take their recommendations into account. The board of directors shall supervise the Cooperative's activities and asset management, and shall ensure that it is managed properly in accordance with legislation and these Articles of Association. The board of directors is entitled to and shall request all necessary information and, where circumstances so require, take measures to obtain such information. The board of directors shall ensure that the Cooperative maintains proper and diligent bookkeeping.
- 17.10 The board of directors shall appoint and dismiss the Cooperative's management board. The management board shall attend the meetings of the board of directors.

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<sup>5</sup> Irrespective of any maximum number of members of the board of directors set out in Article 17, until the election to the board of directors in May 2019, Euregio Arla has the right to appoint 1 member to the board of directors.

<sup>6</sup> The region in Central Europe corresponding to HANSA Arla Milch eG.

- 17.11 Unless otherwise provided in these Articles of Association, the resolutions of the board of directors shall be passed by a simple majority of votes (adoption of the proposal receiving the majority of the votes cast). In the event of an equality of votes, the chairman or, in its absence, the vice-chairman shall have the casting vote, except at elections.
- 17.12 The board of directors shall form a quorum, when more than half of its members are present.
- 17.13 The board of directors may grant powers of procuration.
- 17.14 Rules of procedure governing the proceedings of the board of directors shall be laid down.
- 17.15 In addition to the members of the board of directors specified in Article 17.1, the board of representatives may, by the majority stipulated in Article 16.12 resolve that, for a specific term of office, one or two additional persons shall join the board, who shall not be required to be members of the Cooperative, in which case the board of representatives shall hold the required election, subject to the said majority. The chairman shall ensure in advance that the candidates are willing to be elected.
- 18. MANAGEMENT BOARD**
- 18.1 The day-to-day management of the Cooperative shall be the responsibility of the management board appointed by the board of directors. The board of directors shall appoint the Cooperative's CEO.
- 18.2 The management board shall report to the board of directors.
- 18.3 The management board shall keep the board of directors informed of all material and fundamental matters and things affecting the Cooperative and its operations and shall comply with any direction issued by the board of directors.
- 19. POWER TO BIND THE COOPERATIVE**
- 19.1 The Cooperative shall be bound by the joint signatures of the chairman or vice-chairman of the board of directors and the CEO, by the joint signatures of the chairman and vice-chairman of the board of directors and an additional member of the board of directors, or by the joint signatures of the board of directors.
- 20. EQUITY**
- 20.1 The Cooperative's equity shall consist of:
- i. The capital account, consisting of the Cooperative's unallocated equity.
  - ii. The individual capital, consisting of:
    - a. Contributed individual capital.
    - b. Delivery-based ownership certificates.<sup>7</sup>
    - c. Injected individual capital.
  - iii. Reserve for special purposes.
  - iv. Any statutory equity accounts, including equity accounts prescribed under International Financial Reporting Standards (IFRS).

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<sup>7</sup> As of February 2010, the Cooperative is no longer consolidating and registering amounts to delivery-based ownership certificates.



v. Account for supplementary payments to the Cooperative's members.

20.2 No payments can be made to the Cooperative's members which reduce (i) the capital account of the Arla Foods group as specified in its latest annual report prepared in accordance with IFRS, and (ii) any statutory equity accounts of the Arla Foods group, including equity accounts prescribed under IFRS. The Arla Foods group shall be defined under the group definition rules adopted by IFRS.

20.3 The Cooperative's reserve for special purposes may be used by the board of representatives towards payment, in whole or in part, of any significant unusual losses or write-downs only on recommendation of the board of directors. The Cooperative's reserve for special purposes must at any time be identical to the total reserve for special purposes of the Arla Foods group as determined under IFRS. Transfers to the reserve for special purposes may only be made in connection with the distribution of net profit based on the results for the year as recorded in the annual report of the Arla Foods group prepared in accordance with IFRS and after distribution to minority interests. Any resolution to make distributions from the Cooperative's reserve for special purposes may be passed only at the ordinary meeting of the board of representatives.

20.4 The board of representatives shall lay down the regulations of the individual capital pursuant to Article 16.13.

## **21. FINANCIAL YEAR**

21.1 The Cooperative's financial year shall be 1 January – 31 December.

## **22. ANNUAL REPORT AND APPROPRIATION OF PROFIT**

22.1 An annual report shall be prepared by the board of directors and the management board for each financial year. The annual report may be prepared in English.

22.2 The annual report shall be signed by the management board and the board of directors, and the audited report shall be submitted to the board of representatives for adoption.

22.3 The annual report shall be prepared in accordance with the statutory rules.

22.4 The annual report shall give a true and fair view of the Cooperative's assets and liabilities, financial position and results of operations, having due regard to existing assets and liabilities.

22.5 Out of the result for the year, any amount which is not permitted by legislation to be applied for supplementary payment shall be set aside in advance. Any amount remaining shall, on recommendation of the board of directors and by resolution of the board of representatives, be applied for consolidation or supplementary payments to the Cooperative's members in proportion to the amount of business conducted with the Cooperative (in DKK/SEK/EUR/GBP and/or milk volume).

22.6 The board of directors is responsible for ensuring that distributions do not exceed what is reasonable, having regard to the financial position of the Cooperative and the Arla Foods group, and that such distributions are not to the detriment of the Cooperative or its creditors.

22.7 Accounting records shall be kept pursuant to statutory requirements.

## **23. AUDIT**

- 23.1 The Cooperative's annual reports shall be audited on an ongoing basis by a state-authorized public accountant or by a firm of state-authorized public accountants appointed by the board of representatives to hold office for a one-year term.
- 23.2 The audit shall be carried out pursuant to generally accepted auditing principles. The auditor(s) shall verify that the annual report has been prepared correctly on the basis of the bookkeeping records, with due regard to existing assets, rights, obligations and liabilities and pursuant to statutory accounting requirements and these Articles of Association.
- 23.3 The Cooperative's board of directors and management board shall provide the auditor(s) with all information which the auditor(s) deem(s) necessary for the audit of the annual report. The Cooperative and the board of directors or management board of any controlled enterprise or company shall provide the auditor(s) with any information which the auditor(s) consider(s) necessary for the audit.
- 23.4 The auditor(s) shall report on the audit in a long-form audit report, making any comment which the audit has given rise to. All members of the board of directors shall sign the individual long-form audit reports at the first board meeting held after the audit.

## **24. DISSOLUTION**

- 24.1 Any proposal to dissolve the Cooperative shall be adopted by the board of representatives with 133 members voting for the dissolution at two consecutive meetings.
- 24.2 If a dissolution is adopted, the board of representatives shall elect a winding-up committee (liquidators) consisting of five persons, who shall not be required to be or represent members of the Cooperative and who shall replace the board of directors and the management board. The winding-up committee shall dispose of the Cooperative's assets on the best terms obtainable and pay all debts of the Cooperative.
- 24.3 The Cooperative shall be dissolved pursuant to legislation, currently Section 20 of the Danish Act on undertakings carrying on business for profit (lov om erhvervsdrivende virksomheder).
- 24.4 Any surplus remaining on the dissolution shall be distributed among the Cooperative's members as follows:
- a) First, any balance on delivery-based ownership certificates shall be paid. The payment shall be reduced proportionately if the amount available is not sufficient for payment in full.
  - b) Next, the Cooperative's other equity as recorded in its latest annual report, other than the contributed and injected individual capital, shall be distributed among all persons being members of the Cooperative on adoption of the resolution to dissolve the Cooperative and in proportion to the volume of milk (kg) supplied by them to the Cooperative in the year of the dissolution and the five preceding financial years. If, during the said period, deliveries have been made by a member to a Corporate Member, such deliveries shall be governed by the same terms as deliveries made by a member to the Cooperative, provided that the Corporate Member was a member of the Cooperative at the time of delivery. The same applies to a member's deliveries to any similarly related entities as determined by the board of directors<sup>8</sup>.

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<sup>8</sup> As of the date hereof, the board of directors has determined that following entities shall be considered similarly related entities, for this purpose only:

- i. Büllinger – Sankt Vithers Molkereigenossenschaft (MGBS).
- ii. Association agricole pour la promotion de la commercialisation laitière Procola.

- c) Then, the contributed and injected individual capital shall be paid.
- d) Any amount remaining shall be distributed among all the members in proportion to milk volume as specified in Article 24.4 b).

24.5 The Cooperative shall be deemed dissolved upon adoption of the winding-up accounts by a meeting of the board of representatives.

**25. LANGUAGE**

25.1 These Articles of Association have been prepared in Danish, Dutch, English, French, German and Swedish. All versions shall apply equally, and no version shall take precedence over any other.

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As adopted on the foundation.

As amended by resolutions passed by the board of representatives on 13 December 2000, 6 March 2002, 25 June 2002, 18 September 2003, 5 March 2004, 22 June 2004, 20 June 2005, 15 December 2005, 19 May 2006, 13 December 2006, 15 March 2007, 31 October 2007, 28 February 2008, 14 May 2008, 30 October 2008, 7 October 2010, 2 March 2011, 6 October 2011, 26 June 2012, 28 February 2013, 9 October 2013, 13 May 2014, 7 October 2015, 23 February 2016, 1 March 2017 and 1 March 2018.