

## ARTICLES OF ASSOCIATION

of

**Arla Foods amba**

Reg. no. (CVR) 25 31 37 63

### **Name and registered office**

#### Article 1

(1)

The name of the Cooperative is Arla Foods amba.

(2)

The Cooperative may also carry on business under one or more secondary names, which shall be registered with the Danish Commerce and Companies Agency (Erhvervs- og Selskabsstyrelsen).

(3)

The registered office of the Cooperative shall be situated in the City of Aarhus, Denmark.

(4)

The Cooperative is a cooperative society, whose members shall have limited liability (*andelsselskab med begrænset ansvar, abbrev. amba*).

### **Objects**

#### Article 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)

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 (1).

(3)

The Cooperative may carry on the activities stated in (1) and (2) in its own name or through interests in or any other cooperation with enterprises, etc. conducting such business.

(4)

The Cooperative's non-cooperative activities shall be conducted by its subsidiaries.

## Membership

### Article 3

(1)

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, and any person not supplying milk, but being a member, eg, an associate member, of an existing dairy company or co-operative dairy. Members may be admitted individually or jointly through the admission of dairy districts (dairy companies, cooperative dairies, supplier districts, etc.). In addition, the Cooperative shall receive milk as agreed from non-members supplying milk in the Cooperative's natural geographical territory. Non-member producers shall have no members' rights, including the right to receive supplementary payment.

(2)

For joint admission, the enterprise's (dairy company's) board of directors or duly authorised officer(s) shall sign a membership agreement before commencing milk deliveries, and the individual member shall sign the Cooperative's membership application as soon as possible.

(3)

For individual admission, which shall be adopted by a separate resolution of the board of directors, unless a specific or general authorisation is issued to that effect, the member shall sign the Cooperative's membership application before commencing milk deliveries.

(4)

If a milk producer in the Cooperative's natural geographical territory is a user (owner or lessee) of more than one independent milk production unit, membership may comprise one or more of such units. If no reservation is made to the contrary on admission, the membership shall comprise all the milk producer's production units in the territory.

(5)

Any member specified in (1) who/which fails to comply with these Articles of Association or any other obligation 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 contrary to these Articles of Association, see Article 5(5). 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)

No termination of membership shall entitle the retiring member to any share of the Cooperative's property or assets. Any balance in a member's personal account or delivery-based ownership certificate or any individualised consolidation shall, however, be paid pursuant to the applicable provisions.

(7)

In addition to the members and milk producers, whether natural or artificial persons, specified in (1), the Cooperative shall, for the present, have a corporate member, "Arla, ekonomisk Förening". Membership of the Cooperative shall be independent of any concurrent membership of the corporate member and shall continue under the provisions of these Articles of Association in force from time to time, irrespective of whether the corporate member ceases to be a member of the Cooperative.

(8)

The corporate member referred to in (7) shall have no special rights or obligations to the Cooperative, and if it withdraws from the Cooperative, it shall not have any claim on the Cooperative's property or assets. The corporate member shall have no right to representation on the Cooperative's elected or other bodies, nor any voting right.

(9)

The corporate member referred to in (7) shall not have any direct or indirect interest in any dairy business, including participating interests in third parties.

(10)

Under the above provisions, the board of directors shall resolve on membership etc., including eligibility etc., see Article 9, in individual cases as required.

(11)

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.

### **Liability**

#### Article 4

(1)

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

### **Termination of membership**

#### Article 5

(1)

Members may only resign by notice in writing to be received by the Cooperative on or before 31 August and to have effect from the financial year-end, such notice not to be longer than 12 months at any time.

(2)

In the event of a transfer (including a lease, termination of a lease or termination of an artificial person) of all a member's production units, such member shall, however, be deemed to have resigned at the prescribed notice with effect from the date of receipt by the Cooperative of the notice of the transfer, but see Article 5(3).

(3)

In the event of a transfer to the transferor member's spouse or cohabitant/cohabitee, to an artificial person in which the transferor member has control or obtains control as a result of the transfer, to an artificial or natural person who has control of the transferor member, or to an artificial person, where the same natural or artificial person has or, as a result of the transfer, obtains control of both the transferor and the transferee member, the former member shall be deemed to have resigned contrary to these Articles of Association, see Article 5(5), unless the transferee at the same time joins the Cooperative as a member. "Control" means the possibility of making operating and financial decisions at any time and on any basis, whether directly or indirectly, including by exercising similar rights accruing to the member's spouse or cohabitant/cohabitee.

(4)

If a member has not, without failing to satisfy his/its delivery obligation under Article 6, delivered milk to the Cooperative for six months or more in any financial year, such member's membership shall terminate by the end of the financial year in question, and the member shall be deemed to have resigned at the notice prescribed in (1).

(5)

If a membership is terminated otherwise than stated in (1) and (2), the member shall be deemed to have resigned contrary to these Articles of Association and shall pay to the Cooperative a penalty amount to be

fixed in advance by the board of directors, giving no less than 90 days' notice. 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 member's resignation contrary to these Articles of Association. In addition, the member shall pay any amount owing to the Cooperative, whereupon the member shall be released from all obligations to the Cooperative. The Cooperative may set off the penalty, compensation and any other amounts owing to it against any claims of the member against the Cooperative, whether such claims are due or not.

(6)

With reference to Article 3(6) and the above, a resigned member, whatever the reason for termination of the membership, is, however, entitled to receive any balance in the member's personal account or delivery-based ownership certificate or any individualised consolidation pursuant to the applicable provisions.

### **Delivery obligation and milk quality**

#### Article 6

(1)

All members shall deliver to the Cooperative all the milk produced by their healthy cows which is not used on their own farms for personal consumption or feeding purposes or sold directly from the farm, the scope of which sale shall be subject to permission by the Cooperative. However, the members are entitled to deliver up to 20% of their milk deliveries within every two-week period to other dairies, subject to six weeks' prior notice in writing to the Cooperative. **Note\*)** 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).

(2)

If the delivery obligation specified in (1) is not permitted by any applicable legislation, the members shall perform the obligation to the maximum extent permitted. **Note\*)**

(3)

The milk delivered shall be of a standard quality and unadulterated, and shall comply with all government requirements in force at any time as well as any requirements laid down by the board of directors. The conditions of production at the production unit shall comply with similar requirements. The members shall not deliver milk, which, due to any disease or veterinary treatment or for any other reason, is likely to be detrimental to the Cooperative's production or sales.

(4)

The member shall notify the Cooperative without delay of any infectious disease diagnosed at such member's production unit if there is a risk of dissemination through the milk.

(5)

If the milk or the conditions of production at the production unit do not meet the above requirements, the Cooperative may decide to suspend the collection of the milk and/or reduce the price paid for the milk and/or order the member to pay a penalty and damages according to the guidelines laid down by the board of directors, see Article 7(5). For production units located in the Danish area, any such damages shall be payable under Danish law, whereas Swedish law shall apply to production units located in the Swedish area.

(6)

Members shall give the Cooperative's employees and any persons engaged by the Cooperative access to inspect the production etc. at the production unit on which the membership is based.

(7)

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.

**Note\*):** In Sweden, the delivery obligation is limited to 50 pct. according to the Cooperative's concession to the Swedish Competition Authority (Konkurrensverket). Further information on the administration of partial deliveries is available from Member Services.

### **Milk payment**

#### Article 7

(1)

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 7(2).

(2)

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 fix the payment to be made on account for the milk delivered to the Cooperative, including any extra charges to cover additional costs arising as a result of special production and milk quality requirements, market-related charges and deductions, and deductions and premiums relating to the milk quality.

### **Bodies**

#### Article 8

(1)

The Cooperative's bodies shall be the member districts (including the district committees), the regional boards, the board of representatives, the board of directors and the management board.

### **Eligibility and election period**

#### Article 9

(1)

Only persons under the age of 67 at the time of the election shall be eligible for election or reelection.

(2)

Eligible to the Cooperative's bodies shall be, if the member is a natural person, the member, his spouse or cohabiting partner, parents, children, siblings; and, if the member is an artificial person, only members of the board of directors, management board or similar bodies of the artificial person. Any person who is eligible and willing to be elected under these provisions shall be nominated. However, only one person so eligible shall be elected.

(3)

Any person elected to one of the Cooperative's bodies shall resign without any act on the part of the parties, if such person or the artificial person represented by such person ceases to operate the production unit which forms the basis of the membership, or if the membership which forms the basis of such person's eligibility is terminated. If the member is an artificial person, the member shall also resign, if the right to represent the member ceases to exist. The resignation shall take effect immediately upon the occurrence of any of these circumstances, including, in the event of notice of termination, immediately

upon the giving of such notice. If the resignation is due to termination of membership pursuant to Article 5(2) hereof, and the assignee becomes a member, no resignation shall, however, take place, unless the assignee is not eligible after the transfer. This provision shall not apply to employee representatives.

(4)

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.

(5)

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 (2-year terms).

### **Member districts**

#### Article 10

(1)

The Cooperative shall be divided into geographical territories. The members in a geographical territory shall constitute a district. A member may choose to be a member in another district, if such district borders on the member's natural 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 January.

(2)

The board of directors shall determine the number of member districts in each individual region on recommendation of the regional board. The regional board shall distribute the members of the region on the number of member districts so determined. The supreme decision-making body of the district shall be the district meeting, and its executive body shall be the district committee.

(3)

At the ordinary district meeting, each member district shall elect a district committee consisting of one committee member for every 15-40 members (or part thereof) in the member district, but not more than 18 committee members. The district committee must always as a minimum consist of the district members of the board of representatives and their alternates, see Article 10(6).

(4)

In the individual member districts, the district meeting may resolve that an election committee shall be elected for a two-year term by the ordinary district meeting. 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 committee.

(5)

If a ballot is held, elections for the district committees and the election committees, if any, shall follow the prioritisation method at request. Candidates shall be elected to hold office for two years at a time.

(6)

Every odd year the ordinary district meeting shall elect from among the district committee 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 three. All members of the district committee shall be deemed candidates for these positions. If a ballot is held, the election may, on request, follow the prioritisation method; the first district committee member to attain the allocation number shall be elected chairman; the next district committee member to attain the allocation number shall be elected vice-chairman; the district committee 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 three) from among all the district committee 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. At both rounds, elections by ballot may follow the prioritisation method if requested.

(7)

Candidates elected under (6) shall hold office for two years at a time.

(8)

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.

(9)

The chairman of the district committee 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. Notice of the ordinary district meeting shall be accompanied by the Cooperative's annual report.

(10)

The agenda of the ordinary district meeting shall be as follows:

1. Election of chairman.
2. Appointment of minute taker.
3. Report on the activities of the district, the region and the Cooperative in the past year.
4. Consideration of the Cooperative's annual report.
5. Consideration of any proposal.
6. Any other business

Every odd year the agenda shall also include:

- Resolution on the number of district committee members
- Election to the district committee.
- Election of chairman and vice-chairman to the district committee and any supplementary member and alternate to the board of representatives.
- Resolution on the election of election committee.
- Election to election committee, if any.

(11)

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 committee in writing not later than one week before the ordinary district meeting. At the meeting to consider and vote on such proposal, the district committee shall present its recommendation on the proposal. If the proposal is adopted by the district meeting, the district committee 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 committee 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)

Extraordinary district meetings shall be called at the request of the chairman of the district committee, 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 committee, specifying the business to be transacted.

(13)

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.

(14)

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 committee shall have the casting vote, except at elections.

(15)

If a member wishes to attend and speak at a district meeting outside his own district, the member shall register his attendance with the representative of the regional office on arrival at the meeting.

(16)

Any person eligible under Article 9 and, to a reasonable extent, any person connected with such person or the 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 9 shall be admitted to district meetings in other districts.

(17)

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.

(18)

Members of the regional board and the board of directors are entitled to attend district meetings.

## **Regional boards**

### Article 11

(1)

The Cooperative's territory shall be divided into regions. The geographical territory of the regions shall be decided by the board of directors.

(2)

The regional board shall consist of the members of the board of representatives elected in the region. If one or more members are absent, an equivalent number of alternates may – in the order in which they have been elected in the member district – attend and vote in their place.

(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. Candidates shall be elected to hold office for two years at a time.

(4)

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.

(5)

In the Danish election area the regional board shall at its ordinary meeting every odd year, following the election of the chairman and vice-chairman, elect a member to the Cooperative's board of directors. Only individuals being members of the regional board are eligible. The election shall be by ballot, and the member receiving the absolute majority of the votes (more than half of the votes cast) shall be elected. The person elected shall hold office for two years at a time. In the Swedish election area, election of members of the Cooperative's board of directors shall, in its entirety, take place at the ordinary meeting of the board of representatives, cf. Article 12(10).

(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.

(7)

The regional board shall form a quorum, when at least half of its members are present, including the regional chairman or vice-chairman.

(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 his 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 or his alternate shall have one vote.

(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.

(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.

### **Board of representatives**

#### Article 12

(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 150 members; ten shall be elected by the Cooperative's employees and the remainder by the member districts.

(2)

The member districts shall elect 140 members to the board of representatives. The seats shall be distributed among the member districts in Sweden and Denmark respectively. The member districts in Sweden shall constitute one election area, and the member districts in Denmark one election area. The seats on the board of representatives shall be distributed among the election areas as follows:

- 70 seats shall be distributed between the two election areas in proportion to the number of members in the election areas at the beginning of the financial year of the district elections.
- 70 seats shall be distributed in proportion to the volume of milk weighed in by the members in the election areas in the financial year immediately preceding the year of the district elections.

(3)

Based on the above distribution of seats, the board of directors shall distribute the seats on the board of representatives among the regions in the respective election areas. The regions shall in turn distribute the seats among the member districts. Each member district shall be allocated not less than one seat on the board of representatives.

(4)

The district members of the board of representatives shall be the chairmen of the district committees. In districts with more than one seat on the board of representatives, the vice-chairman of the district committee shall also be a member of the board of representatives. If a district is entitled to three or more seats on the board of representatives, such seat(s) shall be allocated to the district's supplementary members of the board of representatives. See also (11).

(5)

Newly elected members of the board of representatives shall join the board immediately. At the meetings of the board of representatives, each board 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 in the member district – attend and vote in their place.

(6)

The Cooperative's employees may elect a total of ten members to the board of representatives; the employees in Sweden may elect four; and the employees in Denmark six. The Cooperative's employees shall include all its employees in Sweden and Denmark, 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.

(7)

The Cooperative shall each year hold three ordinary meetings of the board of representatives, one of which shall be held in March, see (9), and one in May, see (10). The third ordinary meeting of the board of representatives shall be held at a time to be fixed by the board of directors.

(8)

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 business to be transacted.

(9)

The agenda of the ordinary meeting of the board of representatives in March of each year 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 and on the return on and payments out of the personal accounts.
6. Briefing on the budget for the current financial year.
7. Consideration of any proposal.
8. Appointment of auditor(s).
9. Any other business.

(10)

At the ordinary meeting of the board of representatives in May every odd year, members shall be elected to the board of directors, a resolution on the number of such members shall be passed, and members not elected by the regions shall be elected. The individual members of the board of representatives may propose candidates for their respective election areas. In addition, a resolution shall be passed on remuneration and emoluments to the Cooperative's elected representatives. At the same meeting, a resolution may be passed under Article 13 for each of the two election areas on the appointment of an election committee, whose members may thus be elected, and a resolution may be passed on the appointment of a committee, the Audit Committee, whose members may also be elected, see Article 14.

(11)

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 election area as the chairman who, not being the district committee chairman, has the fewest members behind him shall vacate his seat.

(12)

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 the return on and payment of personal accounts and payment of delivery-based ownership certificates or any individualised consolidation.

(13)

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 14. 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.

(14)

Any resolution to amend these Articles of Association or to dissolve the Cooperative 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 half of the members of the board of representatives from each election area casting their votes.

(15)

Any notice of a meeting of the board of representatives shall be sent by letter 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 in March.

(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.

(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.

(18)

Members of the Cooperative are entitled to attend, but not to speak and vote at, the ordinary meeting of the board of representatives in March.

(19)

The chairman shall call and open the meetings of the board of representatives and conduct the election of the chairman of the meeting.

(20)

Members of the board of representatives, the regions and districts 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.

(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.

### **Election committee**

#### Article 13

(1)

The members of the board of representatives elected by the member districts from the Swedish and Danish election areas respectively may resolve at separate votes that an election committee shall be elected for each election area.

(2)

The votes shall be held at the ordinary meeting of the board of representatives in May every odd year.

(3)

If the members of the board of representatives from one of the election areas resolve by an absolute majority of votes (more than half of the votes cast) to elect an election committee, such committee shall, immediately following the vote, be elected for the area in question, consisting of five members to hold office for two years at a time. Elections by ballot shall follow the prioritisation method.

(4)

If an election committee has been established for one of the election areas, the election committee may recommend to the board of representatives eligible candidates for the board of directors. If election committees have been established for both election areas, the election committees may, separately, submit to the board of representatives their opinion on the amount of the remuneration and emoluments to the Cooperative's elected representatives.

(5)

The board of representatives shall approve the rules of procedure of the election committees.

### **Audit committee**

#### Article 14

(1)

At its ordinary meeting in May every odd year, the board of representatives may resolve to appoint a committee, the Audit Committee, for a two-year term, whose object shall be to communicate to the appointed auditor(s), on behalf of the individual members of the board of representatives or on its own behalf, questions of a general or specific nature which are suitable for being answered by the auditor(s) at a meeting of the board of representatives.

(2)

The audit committee shall consist of four members of the board of representatives – two from each of the two election areas - two members of the board of directors and one member of the management board. The committee shall lay down its own rules of procedure.

(3)

The individual members of the board of representatives may, by the financial year-end, at the latest, request the audit committee to obtain details from the auditor(s) on the questions referred to in (1). Such questions as well as any other question which the audit committee may wish the auditor(s) to elaborate on shall be received by the auditor(s) within three weeks of the financial year-end.

(4)

The audit committee may refuse to submit a question to the auditor(s), if the committee considers the answer to the question immaterial or outside the reasonable duties of the auditor(s), in which case the member concerned shall receive a reasoned refusal within four weeks of the financial year-end.

(5)

The auditors' answers to the questions submitted shall be given orally in connection with the consideration of the annual report at the ordinary meeting of the board of representatives in March.

### **Board of directors**

#### Article 15

(1)

The board of directors shall consist of not less than 10 and not more than 16 members elected by the regions and the board of representatives, and 4 members elected by the Cooperative's employees.

(2)

The members of the board of directors shall hold office for two years. If a member of the board of directors resigns during his term of office, a by-election shall be held.

(3)

The distribution of members of the board of directors between the Swedish and Danish election areas shall follow the distribution principle applicable to the board of representatives at the time of the election, see Article 12(2).

(4)

The members of the board of directors, excluding those elected by the regions, shall be elected at the meeting of the board of representatives. The election shall be conducted in two rounds, one for each election area, and shall follow the prioritisation method, if a ballot is requested. At such elections, only the representatives of the respective election areas are entitled to vote, and for the Danish election area only such representatives shall be eligible.

(5)

The Cooperative's employees may elect from among themselves a total of four members to the board of directors; two shall be elected by the employees in Sweden and two by the employees in Denmark. 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 ordinary meeting of the board of representatives in May every odd year, the members thus elected to the board of directors

shall be announced. For each member of the board of directors, an alternate shall be elected from among the employee-elected members of the board of representatives from each country.

(6)

Immediately after the ordinary 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 election area.

(7)

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 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.

(8)

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.

(9)

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 his absence, the vice-chairman shall have the casting vote, except at elections.

(10)

The board of directors shall form a quorum, when more than half of its members are present, including not less than half of the board members from each election area.

(11)

The board of directors may grant powers of procuration.

(12)

Rules of procedure governing the proceedings of the board of directors shall be laid down.

#### Article 16

(1)

In addition to the members of the board of directors specified in Article 15(1), the board of representatives may, by the majority stipulated in Article 12(13), 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.

### **Management board**

#### Article 17

(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 managing director.

(2)

The management board shall report to the board of directors.

(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.

### **Power to bind the Cooperative**

#### Article 18

(1)

The Cooperative shall be bound by the signature of the chairman of the board of directors, or by the joint signatures of three directors who are or represent members of the Cooperative, or by the signature of the managing director, or by the joint signatures of the vice-chairman of the board of directors and a director.

### **Equity**

#### Article 19

(1)

The Cooperative's equity shall consist of:

- i. The Cooperative's capital account, consisting of its unallocated equity.
- ii. The Cooperative's reserve fund A, consisting of the amounts allocated to personal accounts originally in MD Foods amba.
- iii. Delivery-based ownership certificates.
- iv. Other equity accounts and instruments adopted by the board of representatives, including any individualised consolidation, in addition to the ownership certificates referred to in Article 19(1)(iii).
- v. The Cooperative's reserve fund B, consisting of the amounts allocated to this fund on formation of the Cooperative.
- vi. Any statutory equity accounts.
- vii. The strategy fund

(2)

The accounts specified in (1)(ii) shall be subject to the provisions in Appendix 2 to the Merger Agreement between Kløver Mælk amba and MD Foods amba and the relevant regulation. The delivery-based ownership certificates and other equity accounts, etc. specified in (1)(iii) shall be subject to the relevant regulations adopted from time to time by the board of representatives.

(3)

No payment can be made to the Cooperative's members which reduce the total of the Cooperative's capital account ((1)(i)), reserve fund A ((1)(ii)), other equity accounts and instruments ((1)(iv)) and the part of statutory equity accounts ((1)(vi)) which, through profit appropriations, are regarded as consolidation. On payment out of reserve fund A, an equivalent amount shall be paid into the capital account for the purpose of phasing out the reserve fund. In addition, as at 17 April 2000 DKK 280 million shall be paid into the capital account through consolidation and the successive payments out of reserve fund A.

(4)

On recommendation of the board of directors and by resolution of the board of representatives, reserve fund B may be applied in or towards payment of any extraordinary loss or write-down, however, only in respect of activities and operations which are not primarily based on the milk weighed in by the members, and only if such loss is not covered by other equity reserves.

(5)

Means shall be transferred to the strategy fund from the divestment of non-core businesses, properties and other assets or activities not being core business.

The board of representatives may resolve to use the strategy fund to eliminate, by cash management, any significant and temporary adverse effects on operations as a result of the acquisition and integration of large businesses, or for the purpose of strategically securing structure.

Notwithstanding the above objectives, the board of representatives may, however, resolve to use any amount transferred to the fund in a specific financial year for other purposes after 5 years, including the financial year in which the transfer is made.

### **Financial year**

#### Article 20

(1)

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

### **Annual report and appropriation of profit**

#### Article 21

(1)

An annual report shall be prepared by the board of directors and the management board for each financial year.

(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.

(3)

The annual report shall be prepared pursuant to the Danish Financial Statements Act (årsregnskabsloven).

(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.

(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 and/or supplementary payments to the Cooperative's members in proportion to the amount of business conducted with the Cooperative (in DKK/SEK and/or milk volume).

(6)

Accounting records shall be kept pursuant to statutory requirements.

### **Audit**

#### Article 22

(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.

(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.

(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 wholly-owned enterprise or company shall provide the auditor(s) with any information which the auditor(s) consider(s) necessary for the audit.

(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.

(5)

In addition, the auditor(s) shall contribute to implementing the provisions of Article 14 and provide the stated answers, if so permitted by legislation and otherwise.

## **Dissolution**

### Article 23

(1)

Any proposal to dissolve the Cooperative shall be adopted by a majority of three-quarters of the votes of the members of the board of representatives (113 votes) at two consecutive ordinary meetings.

(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.

(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).

(4)

Any surplus remaining on the dissolution shall be distributed among the Cooperative's members as follows:

First, any amounts in reserve fund A, see Article 19(1)(ii), delivery-based ownership certificates, see Article 19(1)(iii), and any amounts paid into other equity accounts and instruments by way of individualised consolidation, see Article 19(1)(iv) shall be paid. The payment shall be reduced proportionately, if the amount available is not sufficient for payment in full.

Next, any remaining amount shall be distributed among all persons being members of the Cooperative, see Article 3(1) and (8), on adoption of the resolution to dissolve the Cooperative 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 the members to one of the (then) corporate members, MD Foods amba and Arla, ekonomisk förening, such deliveries shall be

governed by the same terms as the deliveries made by the members to the Cooperative, provided that the members were members of the corporate member, and provided that the corporate member does not receive the amount in question under the provisions of the first sentence.

(5)

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

### **Language**

#### Article 24

(1)

These Articles of Association have been prepared in both Danish and Swedish. Both versions shall apply equally, and no version shall take precedence over the other.

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Thus 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 and 30 October 2008.