FARMS INITIATIVE

GUIDANCE NOTE FOR FINANCIAL PROFESSIONALS

April 2020 | Martin Zerfas, Humane Society International

Engaging with food companies about farm animal welfare

According to the OECD's Due Diligence Guidance for Responsible Business Conduct: "Meaningful engagement with relevant stakeholders is important throughout the due diligence cycle." Here are nine questions to consider when engaging with companies in the animal agricultural supply chain.

1. Does the company have an animal welfare policy?
Policies that are not specific ("Our animals are treated well, because a healthy animal produces a great product") have little value. An effective policy should, at a minimum, provide information about specific animals, products and practices, as well as state when a policy will be implemented. Policies requiring third-party audits and certification are the most effective in managing the financial and reputational risks that come from breeding, raising, transporting and/or slaughtering large numbers of animals.

2. Which species and products does the policy cover?
Companies which produce or source multiple types of animal-sourced foods may only have a policy that covers part of their business. Producers may have a policy for poultry and pigs, but may not have one for dairy, even if that is a significant part of their business.

For manufacturers and retailers, the issue is which products the policy covers. With eggs, for instance, some companies commit to cage-free for all products, including whole, liquid and powdered eggs (the latter two being used mainly for ingredients). Other companies specify cage-free for whole eggs only, which would mean that some of their products (e.g., mayonnaise) actually contain eggs from caged birds. With supermarkets, the distinction is often between the store's brand and brands that the supermarket sells but does not produce or manufacture.

3. Which standards does the policy refer to, if any?
Policies may refer to guidance from the Five Freedoms of Animal Welfare (which are expressed in very broad terms and so are of limited value if not accompanied by more detailed standards), the World Organization for Animal Health (some of whose recommendations are helpful while others are undemanding and expressed in

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broad language, and do little to encourage acceptable standards of animal welfare) or the European Union (which has standards that are specific, and in limited areas, relatively progressive). The FARMS Initiative recommends its Responsible Minimum Standards for Beef Cattle, Chickens, Dairy Cattle, Laying Hens and Pigs as benchmarks for companies to commit to.

4. Does the policy cover all of a company's locations?
A policy should cover a company's entire operations geographically. Companies should also report progress for all regions. Some multinationals with cage- or crate-free commitments only report on progress in North America and Europe, even though their policy is global.

5. Does the policy cover licensees, franchisees and owner/operators?
Some companies have complex ownership structures, and animal welfare policies should account for local licensees and franchisees. From responsible business and reputational risk points of view, there is no difference if animal cruelty accusations relate to company-owned and operated business units or not.

6. Does the policy provide timelines for when commitments will be implemented?
Companies should provide a timeline for implementation. If a company states they will achieve a specific animal welfare improvement but do not set a target date, there is little motivation to implement the policy and there is no frame of reference for accountability.

7. Does the company regularly publish information about progress towards meeting their commitment?
Companies that do not publish specific information about their progress are very likely not making any progress. For example, pork producers who are committed to moving away from sow stalls may at a certain stage be using both sow stalls and group housing, the higher welfare alternative. In some cases, producers may still be heavily relying on stall housing, but do not publicly disclose the actual usage, and, in doing so, "greenwash" their business. Companies should provide data to allow a fair assessment of their progress: In the example above, the percentage of sows in group housing.

8. Does the company require third-party auditing or certification of its operations or supply chain?
Third-party auditing or certification should be an integral part of any animal welfare policy. According to Allianz's ESG Framework: The "absence of assurance or certification of farm's management of animal welfare" is an ESG risk. In many countries, even compliance with national legislation is weak.

9. If so, which certification(s) are required?
There are major differences among certifications. Some on farm assurance programs permit cages for hens and metal crates for sows, two practices that traditionally create the most risk of animal cruelty scandals. Comparing certification schemes to the Responsible Minimum Standards is an effective way of assessing whether they are meaningful. The FARMS Initiative provides guidance on certifications.

Companies in the animal agriculture supply chain should also be supporting alternative protein products. Barclay's recently estimated that the market for alternative meat products will grow 1000%, from USD 14 billion in 2019 to USD 140 billion by 2029, and stated "there is a bigger market opportunity for plant-based (and maybe even lab-grown) protein than was projected for electric vehicles ten years ago." According to McKinsey & Company, "changing consumer behavior and interest in alternative-protein sources-due in part to health and environmental concerns as well as animal welfare—have made way for growth in the alternative proteins market."

The FARMS Initiative's founding organizations are Compassion in World Farming, Humane Society International and World Animal Protection.

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