The Business Benchmark on Farm Animal Welfare 2012 Report

Nicky Amos and Dr Rory Sullivan

BBFAW
Business Benchmark
on Farm Animal Welfare

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FOREWORD

There was a time long ago, when customers would have bought direct from the producer. Today they rely on food companies and retailers to fulfil that role. Customers still want to be assured that the animals that produce their meat, eggs, game and dairy products have been treated well. But they now rely on us to be their agent in providing great products at fair prices, but in a way that is better for animals, farmers and suppliers.

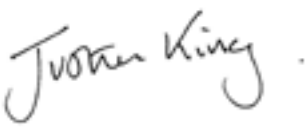
At Sainsbury's we call this Sourcing with Integrity and as part of our 20 by 20 Sustainability Plan, we have committed to ensuring that by the year 2020, all our meat, poultry, eggs, game and dairy products will be sourced from suppliers who adhere to independent higher welfare standards. Working in partnership with our dedicated Farmer Development Groups, we are developing both input and outcome measures for animal welfare and making good progress towards this target: animal health and husbandry is one of four key work streams for our development groups; we have over 300 Freedom Food accredited lines meeting strict RSPCA standards; and we have put in place R&D projects to improve animal welfare such as the trialling of a free farrowing system - the first commercial trial of its kind on this scale in Europe - on our Pig Concept farm.

While many companies may recognise farm animal welfare as a business issue and are committing to take action to improve performance, key challenges remain around how businesses engage customers and investors on the issue. In many ways this is perhaps not surprising. The messages around animal welfare are not easy because the animal welfare challenges themselves are not always straightforward. Farm animal welfare has traditionally been governed by legislation, and the management standards and processes are generally less well developed than they are for corporate social or environmental responsibilities. For some companies, basic legal compliance is their primary focus and customers often assume that compliance with legislation is enough to ensure the welfare of animals.

Animal welfare is important first and foremost for the animal. However, better management and care for livestock can improve productivity and food quality which benefits the entire supply chain. The leaders in this area are those who not only implement welfare improvement but who can engage their customers and other stakeholders effectively on the issue and capture the opportunities presented.

In order to improve animal welfare standards we must first measure them. This benchmark report – produced with the support of Compassion in World Farming and the World Society for the Protection of Animals – provides a unique reflection on the relative performance of food companies on this issue. Crucially, unlike other animal welfare reports, it seeks to engage investors whose buy-in is essential to truly embed and take forward the concept within businesses.

As the public, and particularly customers, become increasingly interested in where their food comes from and how it was produced, we can expect more companies to seek to improve their management and reporting of farm animal welfare. This report provides a great platform for them to learn from and benchmark against their peers and will be an important tool in helping to raise standards and reporting across the sector.



JUSTIN KING CBE
Chief Executive, J Sainsbury Plc

CHAPTER 1 INTRODUCTION

1.1

SETTING THE SCENE

Farm animal welfare is an increasingly important issue for all food sector companies, be they retailers, service companies, manufacturers, processors or producers. This has been driven by a range of factors including regulation, consumer concern, client demand, and the brand and market opportunities for companies that adopt higher farm animal welfare standards. Yet, despite these pressures, farm animal welfare as a management issue is relatively immature. While some of the more progressive farm animal welfare non-governmental organisations (NGOs) have begun to collaborate with companies to make them aware of the opportunities and threats and to develop appropriate practices and tools, there remains a lack of clarity and consensus around how companies should integrate farm animal welfare into their management systems and reporting.

The fact that companies are less advanced in establishing management systems and processes for farm animal welfare than they are for other corporate responsibility areas (such as environmental and social responsibility, for instance) is not unsurprising. The absence of universal standards and frameworks for farm animal welfare management and disclosure, variations in legislation, cultural diversity, and differences in the attitudes and concerns of consumers and other stakeholders have all impeded progress.

As investor awareness of the financial implications of farm animal welfare grows[1], companies will increasingly be expected to report on their performance in a way that provides investors, and other stakeholders (such as regulators, customers and animal welfare NGOs) with the reassurance that farm animal welfare-related issues are being effectively managed, across their national, regional and global operations, in their own operations and throughout their supply chains. A key question for companies is how can they provide the information that both reassures stakeholders that they are effectively managing and delivering on farm animal welfare and provide investors with the information they need if they are to properly account for corporate performance on farm animal welfare in their investment decision-making?

1
Rory Sullivan, My-Linh Ngo and Nicky Amos (2012), Farm Animal Welfare as an Investment Issue. Business Benchmark on Farm Animal Welfare Investor Briefing No. 4 (January 2012) (Business Benchmark on Farm Animal Welfare, London). http://www.bbfaw.com/wp-content/uploads/2010/08/Briefing-No4_FAW-As-An-Investment-Issue1.pdf

1.2 THE BUSINESS BENCHMARK ON FARM ANIMAL WELFARE

Aims and objectives

The Business Benchmark on Farm Animal Welfare ("the Benchmark") has been designed to help drive higher farm animal welfare standards across the world's leading food business. Its aims are:

- To provide investors and other stakeholders with the information they need to understand the business implications of farm animal welfare for the companies in which they are invested.
- To provide investors, governments, academics, NGOs, consumers and other stakeholders with an independent, impartial and reliable assessment of individual company efforts to adopt higher farm animal welfare standards and practices.
- To provide guidance to companies interested in improving their management and reporting on farm animal welfare issues.

A key tool for the delivery of these objectives is an annual benchmark of food companies and an associated report detailing the state of farm animal welfare as a business issue.

This is the first annual Benchmark report and is based on the findings of our assessment of leading food companies in 2012.

GOVERNANCE

The Benchmark has been developed with the support and expertise of leading farm animal welfare organisations, Compassion in World Farming and the World Society for the Protection of Animals (WSPA). It is governed by an independent secretariat which provides a programme director and other resources necessary to coordinate the development of the Benchmark criteria, research methodology and independent evaluation services, as well as the accompanying dialogue with stakeholders.

1.3 ABOUT THIS REPORT

This report presents the results of the first structured benchmark of the farm animal welfare management and reporting practices of the world's leading food companies. The report provides an objective account of the state of farm animal welfare as a business issue, and identifies a series of practical actions that can be taken by companies and their investors to raise farm animal welfare standards across the industry.

The report is divided into six chapters:

- Chapter 2 sets out the methodology that has been used to develop the Benchmark criteria, select companies for evaluation, assess the companies, and verify the findings.
- Chapter 3 presents the overarching results of the 2012 Benchmark.
- Chapter 4 presents the detailed analysis of the 2012 Benchmark results and includes examples of good practice case studies alongside commentary on some of the issues, challenges and evolving themes that have been revealed in the study.
- Chapter 5 discusses what the findings mean for food companies and the wider drivers for companies to take action on farm animal welfare.
- Chapter 6 presents our reflections on the first Benchmark and sets out our proposals for the development of the Benchmark in 2013 and beyond.

CHAPTER 2 METHODOLOGY AND APPROACH

2.1

DEVELOPMENT OF THE BENCHMARK

In early 2012, a Technical Working Group was established to develop the Benchmark criteria and inform the geographic and company scope. The Group, comprising technical experts, researchers and food business managers, was supported by expert advisors on investor engagement and corporate responsibility.

2012 TECHNICAL WORKING GROUP MEMBERS
Nicky Amos, Programme Director and Advisor on Corporate Responsibility
Katy Cheney, Head of Food Business, Compassion in World Farming
Mia Fernyhough, Food Business Manager (Retail), Compassion in World Farming
Dr Lesley Lambert, Chief Policy Advisor, Humane and Sustainable Agriculture, WSPA
Dr Graham Ritchie, Head of Policy and Advocacy, WSPA
Dr Rory Sullivan, Independent Advisor and Expert on Investor Engagement

Central to the development of the Benchmark has been an active programme of dialogue involving members of the investor community. This programme included the launch of the Benchmark programme in October 2011 at an event convened by UKSIF and Henderson Global Investors, a webinar hosted by the Principles for Responsible Investment (PRI) in March 2012, a roundtable hosted by Co-operative Asset Management in July 2012, and a series of meetings with individual investment organisations. This engagement has played a critical role in informing the design and scope of the Benchmark, in particular ensuring it aligns with the way investors analyse company performance on other corporate responsibility issues, and defining the universe of companies covered by the Benchmark.

In the period June to August 2012, we ran a formal consultation on the criteria that we intended using to evaluate company farm animal welfare management practices. We also sought feedback on the companies that should be covered by the Benchmark. Feedback was received from 38 stakeholders, including 20 comprehensive written responses from investors, food businesses and NGOs. In addition, 15 investors participated in a roundtable meeting in London, and we had meetings and conference calls with a number of food companies[2]. The overall consensus was that the Benchmark would play an important role in encouraging corporate reporting on farm animal welfare management policies, practices, processes and performance. It was felt that over time it would contribute to improvements in the farm animal welfare practices and performance of food companies and was likely to make an important contribution to driving transparency in corporate policy and management of animal welfare and ultimately, it could raise the farm animal welfare practices of food companies. While there was broad agreement that the criteria and methodology were robust, we made a number of changes to the Benchmark criteria based on the feedback received[3].

2
For a more detailed analysis of the responses to the consultation including comments on the adequacy of the questions, the feasibility of company reporting on farm animal welfare, the proposed assessment criteria and scoring, and the draft list of companies for assessment, please see http://www.bbfaw.com/wp-content/uploads/2012/08/Summary_of_Consultation.pdf

3
See, further, http://www.bbfaw.com/wp-content/uploads/2012/08/Summary_of_Consultation.pdf

2.2 BENCHMARK STRUCTURE

The Benchmark criteria (see Appendix 1) were informed by: (a) current thinking on what good practice on farm animal welfare looks like, (b) current reporting practice (both on farm animal welfare in particular and corporate responsibility more generally), (c) our understanding of investor and other stakeholder expectations of corporate responsibility reporting, (d) the experience of the Food Business team at Compassion in World Farming which has been evaluating the farm animal welfare performance of food companies for over ten years, (e) the World Society for the Protection of Animals' global programmes that involve engaging on farm animal welfare with food companies in Asia, Europe and Latin America and, (f) stakeholder feedback gained from ongoing dialogue and the public consultation in June and July 2012.

The questions are set out in three core areas as follows:

PILLAR	KEY ELEMENTS	NO. OF POINTS	% OF SCORE
Management Commitment	— General account of why farm animal welfare is important to the business, including discussion on the risks and business opportunities. — Overarching farm animal welfare policy that sets out core principles and beliefs on farm animal welfare and that explains how these are addressed and implemented throughout the business. — Specific policy positions on key welfare concerns such as the close confinement of livestock, animals subjected to genetic engineering or cloning, routine mutilations, pre-slaughter stunning, and long distance live transportation.	**65**	**38%**
Governance and Management	— Defined responsibilities for the day-to-day management of animal welfare-related issues as well as strategic oversight of how the company's policy is being implemented. — Objectives and targets including process and performance measures (with an explanation of how they are delivered and how progress is monitored). — Outcomes in terms of performance against objectives and targets, performance against company policy and animal welfare outcomes. — Policy implementation through supply chains, including formalising farm animal welfare in supplier contracts, supply chain monitoring and auditing processes, and supporting suppliers in meeting the company's standards on farm animal welfare.	**75**	**44%**
Leadership and Innovation	— Company involvement in research and development programmes to advance farm animal welfare. — Company involvement in industry or other initiatives directed at improving farm animal welfare. — Acknowledgement of farm animal welfare performance from notable award or accreditation schemes. — Company initiatives to promote higher farm animal welfare amongst customers or consumers.	**30**	**18%**

We use these pillars to structure our presentation of the overall results (headline findings, findings by sector, findings by geographic region) in Section 3 of this report.

2.3

ASSESSMENT APPROACH

We would like to offer two comments on how we applied the criteria.

The first is that the focus of evaluation was the corporate entity rather than subsidiaries. Our aim in the Benchmark was – reflecting our focus on investors' interests – to assess how the company as a whole manages farm animal welfare issues. We also considered how companies manage farm animal welfare issues in specific markets or geographic regions, and gave credit for innovative practices and processes in these markets and regions.

The second is that each company was assessed on the basis of the information that was publicly available (i.e. on corporate websites and in corporate publications such as CSR reports, annual reports and similar documents) at the time of the assessment (August-September 2012).

We did not provide scores for information that was not in the public domain for two reasons. The first is that encouraging companies to provide a better account of their approach to farm animal welfare is a core objective of the Business Benchmark on Farm Animal Welfare. The second is that we wished to ensure that companies were assessed consistently, and we wished to avoid any suggestion that companies that work with Compassion in World Farming and/or the World Society for the Protection of Animals were in any way favoured by the assessment methodology.

2.4

ASSESSMENT PROCESS

Company assessments were conducted in August and September 2012 by Nicky Amos and Dr Rory Sullivan, who lead on the technical aspects of the programme, including the development of the Benchmark criteria and scoring.

The first step in the assessment process was a desktop review of company information and the generation of a draft score for each company. This involved a detailed review of the material on companies' corporate (i.e. parent company) websites, the material contained in annual reports, corporate responsibility reports and other publications, and the material on subsidiary company websites. We did not confine ourselves to formal publications but also searched through press releases, frequently asked questions (FAQs) and other locations where relevant information might be found. The reason for taking such a broad approach to information gathering was that, for most of the companies reviewed, their reporting on farm animal welfare was rarely consolidated in a single location. In fact, for many of the companies researched, their reporting on the issue was unstructured - with disparate references to policies and programmes across the site or obscured within FAQs and press releases, with inadequate signposting to relevant sources of information. We also found that information was incomplete and inconsistent (for example, some companies included farm animal welfare in their annual corporate responsibility report one year but excluded it in subsequent reports)[4].

Individual company reports were then reviewed by members of Compassion's Food Business team to check the factual accuracy of the content (based on their often detailed knowledge of the companies assessed) and to ensure consistency.

We also conducted a sensitivity analysis to ensure that the assessments fairly scored companies with particular variances including complex versus simple supply chains, global versus national reach, and those with multiple subsidiaries and brands versus those with fewer brands.

Company reports based on our interim findings and scores were emailed to companies in December 2012. During the period from December 2012 to early February 2013, 50% of companies assessed responded with written comments or requested further dialogue on the assessment approach and scoring. As a result of feedback from companies, the scores for eight companies were revised.

The final confidential company reports, showing individual scores and comments for each question, as well as overall company scores and comparable sector scores, were sent to the companies in February 2013.

4
One of the encouraging findings from our research was that a number of companies have started to address this problem by establishing dedicated areas of their websites to provide information about their food policy and sourcing approach, integrating information about their products with the back story on how those products and ingredients have been sourced and the management systems in place to ensure consistency in the company's approach.

2.5

COMPANIES COVERED

Our primary criterion for selecting companies was the scale of their operations in Europe. Our reason was that farm animal welfare regulation and public awareness are much higher in Europe relative to other regions, and we wanted in the first instance to focus on companies that were more likely to have developed and implemented effective farm animal welfare systems, so that we could identify examples of leadership and best practice.

In total, 68 companies were included in the 2012 assessment (a complete list is provided in Appendix 2). The companies represent the three primary food business sectors: (a) food retailers and wholesalers; (b) restaurants and bars (a category that includes many of the food service providers), and (c) food producers and manufacturers. The list includes listed and non-listed companies (private companies, partnership companies and co-operatives).

Figure 1 presents the breakdown of these companies by sub-sector and Figure 2 presents a breakdown of these by country of listing or country of incorporation (for unlisted companies). It is relevant to note that, while primarily comprising European companies, the 2012 company scope included 14 US companies who have a significant presence in Europe.

Figure 1 Companies by sub-sector

COMPANIES BY SUB-SECTOR	NUMBER
Food Producers	**25**
Food Retailers and Wholesalers	**22**
Restaurants and Bars	**21**
Total	**68**

Figure 2 Companies by country

COMPANIES BY COUNTRY	NUMBER
UK	**18**
US	**14**
France	**8**
Germany	**6**
Italy	**5**
Sweden	**4**
Switzerland	**4**
Netherlands	**2**
Belgium	**2**
Spain	**2**
Denmark	**2**
Ireland	**1**
Total	**68**

The list is intended to provide a representative picture of current practice on farm animal welfare within the food sectors across a range of European countries. The list represents relatively large companies as it was assumed that these were likely to be more advanced in their management of corporate responsibility issues, that they would typically have a larger footprint (in terms of the number of animals that were affected by their practices and activities) and that they would have significant influence through their supply chains.

CHAPTER 3 OVERARCHING RESULTS

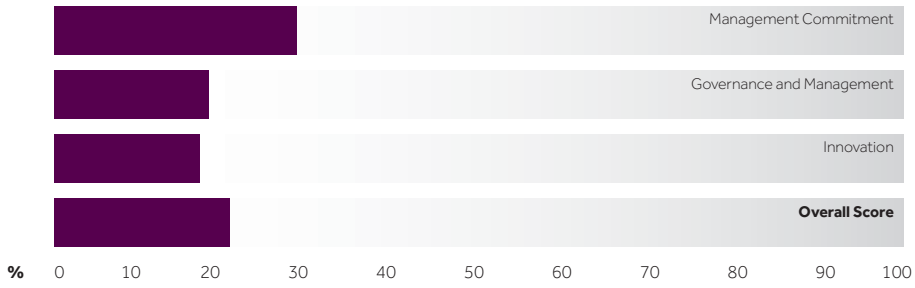
3.1

HEADLINE FINDINGS

The primary finding from our analysis is that, as yet, the management of farm animal welfare appears to have received much less attention than other issues on the corporate responsibility agenda. While over 70% of the companies covered by our assessment acknowledge farm animal welfare as a business issue, many have yet to formalise their commitment in overarching policies or equivalent documents, and fewer have set out the specific commitments that underpin this area. More specifically, only 46% have published a formal farm animal welfare policy, only 41% describe how their board or senior management oversee their approach to farm animal welfare, and just 26% have published objectives and targets for farm animal welfare.

Figure 3 summarises the key findings from our research, indicating that practice and reporting in the food industry are relatively underdeveloped across all three of the strategic pillars considered in the Benchmark (Management Commitment and Policy, Governance and Management, and Innovation). The slightly higher scores on Management Commitment and Policy (which are discussed further in Chapter 4) do suggest that companies' awareness of the importance of farm animal welfare is growing and that they are starting to develop the policy frameworks needed to effectively manage these issues. While this is an encouraging sign, it is also relevant to note that, even here, progress is somewhat piecemeal, with the overarching policies on farm animal welfare having significant variations in the universality – geographic, species and product scopes – of these policy statements.

Figure 3 Overall Scores



KEY QUESTION

DO THE FINDINGS REFLECT REPORTING OR PERFORMANCE?

One of the questions raised by the Headline Findings presented in Section 3.1 is whether the findings reflect the quality of companies' reporting (given the emphasis on published information in the assessment methodology) or their actual performance. While it is difficult to disentangle these issues, our research and our discussions with companies indicate that reporting and performance on farm animal welfare are interrelated. There are a number of distinct factors at play in this regard.

First, as discussed above, some companies are yet to recognise farm animal welfare as an important issue (for their business and/or their stakeholders). It is, therefore, unsurprising that these companies are yet to report.

The second is that, for a significant number of companies, farm animal welfare is a relatively new area for management attention. Some companies scored poorly in the Benchmark simply because their systems and processes were relatively underdeveloped, whereas others scored poorly because they were unwilling to provide a comprehensive report on their approach to farm animal welfare until they were confident they were effectively managing these issues. A slightly different perspective was provided by one company which noted that it did not want to report until it had first communicated its strategy across its business (i.e. internally) and to its suppliers, noting that getting the buy-in of internal management and suppliers is critical to ensuring the effective implementation of its policies.

The third is that there is a time lag between companies taking action and reporting, with a number of companies acknowledging that the information on their websites relating to farm animal welfare was somewhat out of date[5].

The fourth is that, in particular for companies located in and/or conducting significant business within the European Union (EU), farm animal welfare is often seen as a compliance issue. For example, a number of companies questioned why they should have policies on specific farm animal welfare practices ('inhumane practices') when these are already prohibited by the EU or national legislation.

The fifth is that companies are wary of reporting on farm animal welfare in case this draws consumer attention to the details of their activities and operations. For example, one company that is actively involved in working groups and research to progress alternatives to beak trimming noted that, at the present time, the company does not perceive there is a widely used viable alternative to this practice that does not result in other risks to the welfare of animals. They commented that trying to explain this publicly would probably result in the company being heavily criticised and having its reputation damaged.

The sixth is that some companies see that their approach to farm animal welfare as a source of competitive advantage and do not want to undermine this by providing too much information in the public domain.

Finally, a number of companies argued that there is a lack of consensus on the information and indicators that companies should report on farm animal welfare, and that this is an important obstacle to improved disclosures in this area[6].

5
We acknowledge that since we conducted our assessments (mid-late August 2012), a number of companies have issued new corporate responsibility reports and published additional materials on their websites. While this new reporting has not been captured in this iteration of the Benchmark, it will be recognised when the Benchmark is repeated in mid-2013.

6
The Business Benchmark on Farm Animal Welfare has sought to address this by publishing a disclosure framework on farm animal welfare (Rory Sullivan and Nicky Amos (2012), Farm Animal Welfare Disclosure Framework. Business Benchmark on Farm Animal Welfare Investor Briefing No 5 (June 2012) http://www.bbfaw.com/wp-content/uploads/2010/08/3.-BBFAW-Investor-Briefing-No 5_Farm-Animal-Welfare- Disclosure-Framework.pdf). We note that while the disclosure framework provides guidance on reporting on management systems and processes, it provides relatively little guidance on performance (or welfare outcomes). Measuring and reporting on farm animal welfare outcomes is an issue that we will start to explore in 2013.

3.2

INDIVIDUAL COMPANY PERFORMANCE

Figure 4 presents a composite picture of company scores. We have classed the surveyed companies into one of six tiers as follows:

TIER	PERCENTAGE SCORE
1 Leadership	**>80%**
2 Integral to Business Strategy	**62 – 80%**
3 Established but Work to be Done	**44 – 61%**
4 Making Progress on Implementation	**27 – 43%**
5 On the Business Agenda but Limited Evidence of Implementation	**11 – 26%**
6 No Evidence that on the Business Agenda	**<10%**

Figure 4
2012 Company Scores

There are three important conclusions to be drawn from our analysis.

The first is that the typical/average score is relatively low, with most companies – 42 out of the 68 companies or 62% - appearing in Tiers 5 and 6. These are companies where there is some evidence that farm animal welfare is on the business agenda (but limited information on implementation), and companies where there is no evidence that farm animal welfare is on the business agenda. This finding is unsurprising given the comments above about farm animal welfare being relatively immature as a management and reporting issue in many food companies. We note that, in the feedback we received from companies, a number of the companies in these tiers actually have reasonably well developed farm animal welfare management systems but have not yet started reporting on their farm animal welfare performance.

The second is that the difference between practice and reporting also applies to a number of the companies in Tiers 3 and 4 (i.e. those companies that are considered to be making progress towards establishing farm animal welfare management systems and those that have established systems). While we are confident that most of the companies in these categories are correctly classified, we are aware that a number of companies here are actually performing much better than their position would indicate, simply because their reporting on farm animal welfare does not provide a complete account of all their activities in this area. We also note that – reflecting the structure of the Benchmark – a number of companies scored more highly than their performance would suggest is warranted. This reflects two issues: the emphasis of the Benchmark on management systems and processes as foundations for good corporate practice rather than on farm animal welfare outcomes, and the emphasis on published information (which has meant that companies with better disclosures performed better in this initial Benchmark). We acknowledge both of these issues. We expect that, over time, the Benchmark will increase its emphasis on performance and that, as reporting on farm animal welfare becomes institutionalised, the gap between the quality of reporting and the quality of performance will narrow and that the scores will provide a more accurate reflection of actual performance.

The third point to note is that there are some clear leaders – the companies in Tier 2 (where farm animal welfare is integral to their business strategy) and a number of those in Tier 3 have strong commitments to farm animal welfare, well developed management systems and processes, and a clear focus on farm animal welfare outcomes. In the box below, we set out what we see as the characteristics of those companies that have an integrated approach to farm animal welfare.

* Kraft Foods is now Mondolez International
** VION Food Group has announced plans to sell VION UK.

COMMENTARY

WHAT DOES AN INTEGRATED APPROACH TO FARM ANIMAL WELFARE LOOK LIKE?

Clearly, companies will make different decisions on how exactly they address animal welfare issues. The specific actions they take will depend on factors such as the nature of their business, the market segments they work in, the specific species they work with, and the demands and expectations of their customers. However, when we look at the companies in Tier 2 and some of the higher scoring companies in Tier 3, we see that they have a number of common features in their approach to farm animal welfare.

In broad terms, these companies have[7]:

- A clear understanding of the business case for action, underpinned by a robust assessment of the business risks and opportunities.
- An explicit farm animal welfare policy that sets out their core principles and beliefs on farm animal welfare, and that explains how these beliefs are addressed and implemented throughout the business.
- Detailed policies on specific farm animal welfare-related issues, including (as relevant) policies on:
  - The close confinement of livestock, including formal statements of their positions on the use of sow stalls, farrowing crates, battery cages, tethering, and veal crates.
  - The use of genetically modified or cloned animals or their progeny.
  - Routine mutilations (e.g. teeth clipping, tail docking, dehorning, dis-budding, mulesing, and beak trimming).
  - The use of antibiotics and hormone growth promoters.
  - Pre-slaughter stunning.
  - Long-distance transport of live animals.
- A clear understanding of the strengths and weaknesses in their approach to animal welfare, and an action plan for addressing weaknesses.
- Clearly defined objectives and targets for farm animal welfare.
- Established processes for monitoring implementation of the policy (both within their own operations and in their supply chains), for taking action in the event that problems arise, and for capturing and reflecting on innovations and improvements.
- Assigned responsibilities for farm animal welfare issues, at board/senior management and operational levels.
- Developed staff competencies to effectively manage farm animal welfare.
- Incentivised their suppliers to achieve high standards of farm animal welfare performance.
- Incorporated animal welfare criteria into supply chain audits and developed improvement plans with key suppliers.
- Reported publicly on their animal welfare objectives, status and progress.
- Actively supported and participated in research and development programmes to address high priority impacts.
- Promoted higher farm animal welfare to customers through marketing and communications activities designed to drive up demand for higher welfare products.

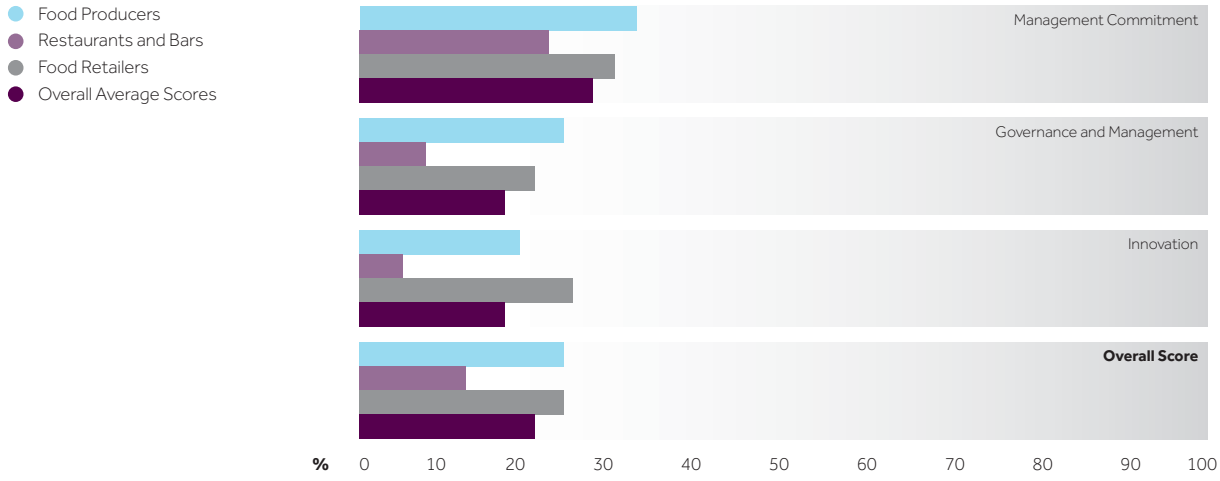
7
For a more detailed description, see Katy Read (2011), Farm Animal Welfare: The Business Case for Action. Business Benchmark on Farm Animal Welfare Investor Briefing No 2 (October 2011); http://www.bbfaw.com/wpcontent/uploads/2010/08/business_case_for_action_oct_2011.pdf), and Sullivan and Amos (2012) (Note 6)

3.3

PERFORMANCE BY SECTOR

Figure 5 presents the results broken down by the three sub-sectors (food producers, restaurants and bars and food retailers). There are two points to note here. The first, and most important, is that performance across all three of the sectors is relatively poor, mirroring the Headline Findings above. The second is that the bars and restaurants sector is a noticeably poorer performer than the other two sectors. The reasons for this variation in performance are unclear, although it may reflect the sub-sectors' proximity to consumers (with the retailers being most exposed in this regard and likely to exert pressure on their suppliers – the producers – to ensure that they meet the retailers' standards). We did not find a detectable country of origin or ownership influence on the results (see further Sections 3.4 and 3.5), nor did we find that single product companies necessarily performed better than companies with multiple products or complex supply chains. We acknowledge that it may simply reflect the relatively small sample size (68 companies) for the study as a whole, where a small number of high performers may significantly lift the average performance of a sub-sector. We will review this in future iterations of the Benchmark.

Figure 5 Sub-Sector Comparison



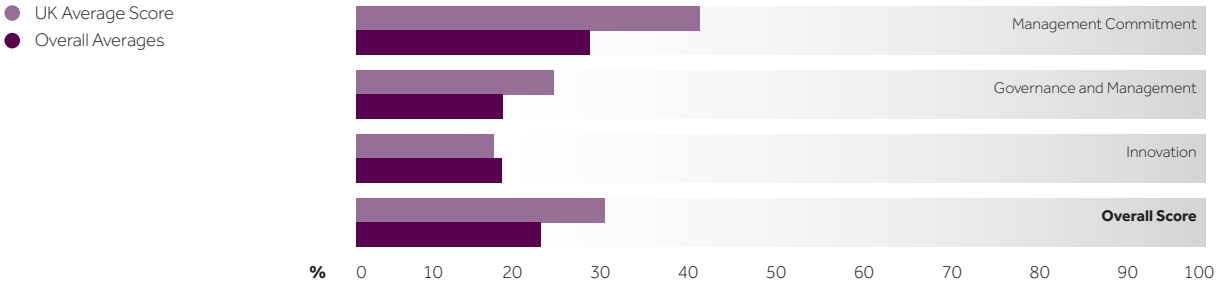
3.4

PERFORMANCE BY GEOGRAPHY

As part of our research, we analysed whether there is a difference between the companies as a result of their country of origin. In Figure 6, we compare the average performance of the 18 UK companies to the average of the 68 companies considered in the survey. While the research suggests that UK domiciled companies may be slightly better performers, we are wary of drawing any strong conclusions at this point given the relatively small sample size involved and, as noted above, the potential for a small number of high performing companies to significantly skew the results. More detailed and comprehensive country studies would be required to offer more definitive conclusions on whether a company's country of origin is a significant influence on performance.

In fact, we would expect companies' approaches to farm animal welfare to be strongly influenced by the markets they are selling into or operating in. Given the focus of this first Benchmark on companies with significant footprints (sales and/or operations) in Europe, we have not been able to assess this question of the influence of markets on company performance.

Figure 6 UK versus Overall Average

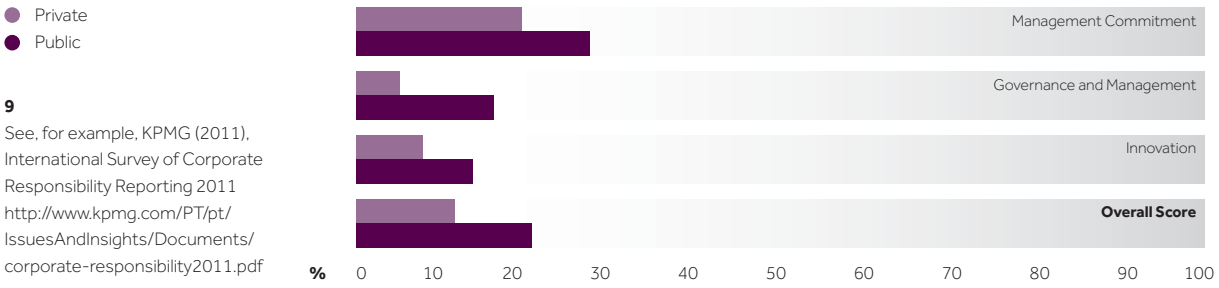


3.5

PERFORMANCE BY OWNERSHIP

We analysed company performance by ownership and found some relatively modest differences in performance between listed and unlisted companies[8] (see Figure 7). While there is some evidence[9] that publicly listed companies tend to provide better disclosures than private companies (because of the formal requirements of stock exchanges and listing authorities, and because of pressure from investors for companies to report on corporate responsibility and related issues), it is not clear that we are seeing this effect here. The reality is that farm animal welfare is a relatively immature issue for investors and, to date, there has been limited systematic engagement between investors and companies on farm animal welfare issues[10].

Figure 7 Public versus Private Ownership



8
We included eight co-operatives in our research. While these scored significantly better than the public or private listed companies, they have not been included in the graph because of their small sample size.

9
See, for example, KPMG (2011), International Survey of Corporate Responsibility Reporting 2011 http://www.kpmg.com/PT/pt/IssuesAndInsights/Documents/corporate-responsibility2011.pdf

10
See, further, Sullivan et al (2012) (Note 1). Farm Animal Welfare as an Investment Issue. Business Benchmark on Farm Animal Welfare Investor Briefing No. 4 (January 2012); http://www.bbfaw.com/wp-content/uploads/2010/08/Briefing-No4_FAW-As-An-Investment-Issue1.pdf

CHAPTER 4 DETAILED RESULTS

Reflecting the structure of the Benchmark, we have divided this chapter as follows:

- **Management Commitment and Policy:**
  – Is farm animal welfare recognised as a business issue?
  – Do companies have overarching policies on farm animal welfare?
  – Do companies have specific policies on farm animal welfare?

- **Governance and Management:**
  – Do companies define responsibilities for farm animal welfare?
  – Have companies set objectives for farm animal welfare?
  – Do companies report on farm animal welfare performance?
  – Do companies report on supplier engagement?

- **Leadership and Innovation**
  – Are companies supporting research and development on farm animal welfare?
  – Are companies promoting higher farm animal welfare to their customers or clients?

In each section, we provide an assessment of the current state of play and highlight relevant examples of good/best practice and of interesting and innovative approaches to farm animalwelfare management or reporting.

4.1 MANAGEMENT COMMITMENT AND POLICY

Is Farm Animal Welfare Recognised as a Business Issue?
One of the encouraging findings from this research is that a majority – 71% – of the 68 companies covered by this research recognise farm animal welfare as a business issue. This acknowledgement is an important first step towards developing and implementing an effective approach to the management of farm animal welfare, and it suggests that many companies are at least considering how they might proceed.

It is striking that the reasons advanced by companies for focusing on farm animal welfare differ, with organisations highlighting issues such as the need to comply with legislation and relevant voluntary and industry standards, the need to meet stakeholder, customer and consumer expectations, and the need to take advantage of new market opportunities (e.g. for higher welfare products). Box 4.1 presents Sainsbury's views on the ethical and the business case for high standards of farm animal welfare, and Figure 8 provides an example of how one company (Marfrig) sees animal welfare in the context of its wider business management strategy.

Box 4.1
Sainsbury's Views on the Case for Farm Animal Welfare [11]
"Global demand for meat has grown dramatically in recent years and it is expected to double again by 2050. We share the concerns of many of our customers and stakeholders that some operations have poor animal welfare standards. Animal welfare is important first and foremost for the animal, but better management and care for livestock can improve productivity and food quality. By 2020, all our meat, poultry, eggs, game and dairy products will be sourced from suppliers who adhere to independent higher welfare standards."

11
http://www.j-sainsbury.co.uk
/sainsburys-views/all-our-views
/animal-welfare/

Figure 8 Farm Animal Welfare as a Core Pillar of Marfrig's Sustainable Business Strategy[12]

Reflecting the relative immaturity of farm animal welfare as a business issue, while many companies identify farm animal-related risks and opportunities relevant to their business, they rarely comment on their financial significance (e.g. the costs likely to be incurred, their importance to the business relative to other issues such as climate change or water). A number of companies have, however, explained how they have assessed farm animal welfare in the context of their wider business risk assessment and risk management processes. Two examples – Delhaize and Nestlé – are presented in Box 4.2. We would stress that we are not offering a view on whether these companies have made the correct assessment or whether they should assign a greater importance to farm animal welfare; such an assessment depends on a whole series of factors including the nature of their business, their existing management practices, the other business risks they need to manage, and their perceptions of customer and stakeholder pressure for action. Rather, our point is that farm animal welfare is a business risk and opportunity, and so should be treated as such; the incorporation of farm animal welfare into these sorts of structured risk assessment processes is clear evidence that the business importance is recognised and signals that companies will take actions to manage the risks that they face. We would also note that risk assessments are not static. Companies review these assessments regularly, updating them to take account of changes in the financial, regulatory and societal context. Our expectation is that, as the business case for action on farm animal welfare becomes clearer (and as the risks of failing to meet high standards become more evident), farm animal welfare will rise in importance.

Box 4.2

Integrating Farm Animal Welfare into Corporate Risk Assessment Processes

Example 1: Delhaize [13]

Delhaize's materiality process identifies and assesses the significance of global trends for its business. Its process involves:

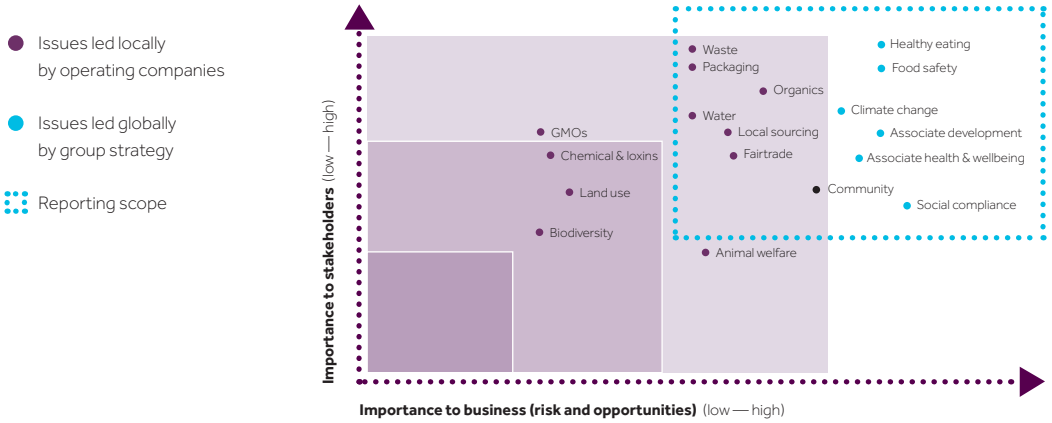
- *Identifying stakeholders' concerns through the issues stakeholders raise in meetings, through reviewing the content of peer reporting, and media reviews.*
- *Evaluating the importance of each issue to the business in terms of risks and opportunities through interviews with its internal experts and senior leadership, and through a review of existing local projects and priorities.*
- *Determining which of the identified issues are of high priority to the business and, in conjunction with internal experts, developing and implementing strategies for managing these issues.*
- *On-going formal and informal stakeholder engagement to keep track of shifting priorities.*

Delhaize's materiality matrix is presented below (see Figure 9). The priority issues for the business – those in the top right of the matrix – are the ones it and its stakeholders have defined as its most material business issues. While farm animal welfare is not currently identified as a priority, it is relevant to note that three issues – GMOs, chemicals and animal welfare – are individually identified as important.

12
http://ir.marfrig.com.br/eng/grupomarfrig/sustentabilidade.asp

13
http://www.delhaizegroup.com/en/Sustainability/OurSustainabilityApproach/OurMaterialIssues.aspx

Figure 9 Delhaize's materiality matrix



Example 2: Nestlé [14]

Nestlé's website presents a matrix (see Figure 10) showing the issues most material to its Creating Shared Value objectives. The matrix is based on analysis by SustainAbility of global megatrends and issues to identify the economic, environmental and social topics of most relevance to Nestlé and its stakeholders. These topics were then mapped and prioritised according to the level of stakeholder concern and the level of potential impact on Nestlé. Following internal validation of this work, key topics were discussed with external stakeholders in Autumn 2011, as part of its regular stakeholder engagement processes. One of the interesting findings in this matrix is that while animal welfare is seen as being an issue of intermediate importance to Nestlé, its importance to stakeholders is increasing.

Figure 10 Issues material to Nestlé's Creating Shared Value objectives

Increasing Concern to Stakeholders		Increasing and Current Impact on Nestlé	
	• Advertising to Children • Business Integrity • Infant food marketing • Internal human rights in high risk countries • Nutrition guidance • Packaging • Public Policy		• Climate change mitigation • Food affordability and accessibility • Product improvement/innovation • Product safety • Resource availability • Supplier human rights • Water usage and conservation
• Animal welfare	• Biodiversity/deforestation • Climate change adaptation • Gender balance • Sustainable consumption • Nutrition guidance • Waste and recovery		• CSV governance/implementation • Energy availability • Local manufacturing/sourcing • Labour relations • Responsible sourcing • Soil fertility • Stakeholder engagement
• Consumer privacy	• Diversity • Energy efficiency • Internal human rights in low risk countries • Transport and distribution		• Employee engagement • Employee training and learning • Health and safety • Workplace wellness

14
http://www.nestle.com/csv/Nestle/materialissues/MaterialityMatrix/Pages/MaterialityMatrix.aspx

Do Companies have Overarching Policies on Farm Animal Welfare?

In western multinationals, while the existence of a policy may not provide a guarantee of implementation, the absence of a policy is a clear sign that farm animal welfare is not on the corporate agenda. Of the 68 companies covered by our research, 23 (34%) had comprehensive policy statements, and another 8 (12%) had a basic policy statement but with limited information on how the policy was to be implemented.

It is through formal policies (or equivalent statements) that companies set out their formal commitments on farm animal welfare. While the specific content of these policies will inevitably vary, high quality farm animal welfare policies should include the following elements as a minimum:

- A clear statement of the reasons why farm animal welfare is important to the business (including statements on both the business case and the ethical case for action).
- A commitment to compliance with relevant legislation and to other relevant standards.
- A commitment to continuous farm animal welfare performance improvement.
- A description of the processes in place to ensure that the policy is effectively implemented.
- Clear accountabilities for the implementation of the policy.
- A commitment to public reporting on performance.

Box 4.3

Policy Statement Example

One example of a comprehensive farm animal welfare policy can be found in Unilever's Sustainable Agriculture Code[15]. The farm animal welfare section of the Code includes:

- *Commitments to the Five Freedoms.[16]*
- *Commitments to continuous improvement in farm animal welfare performance.*
- *Commitment to regulatory compliance, including requirements to ensure that all suppliers are aware of relevant legal requirements.*

In addition, the Code encourages the monitoring and benchmarking of performance, and sets requirements on the competence of and training of managers and other individuals responsible for farm animals.

The Sustainable Agriculture Code also explains how compliance with the various commitments within the Code, including those relating to farm animal welfare, is to be assessed and assured through Unilever's risk assessment and quality assurance processes.

One of the striking features of the farm animal welfare policies we reviewed was the lack of clarity around the scope of application of these policies. Of the 31 companies that had published policy statements, 24 applied their policies to all geographies, 18 applied their policies to all relevant animal species and just 15 applied their policies to all products produced, manufactured or sold. In a number of cases, these seemed to be simply as a result of oversights by companies (i.e. while their policies were not explicit about inclusions or exclusions, they considered that their policies were globally applicable). In other cases, the findings reflected the explicit scope of the policy with a number of companies having comprehensive policies for particular markets (e.g. we identified a number of companies whose policies only applied to their home countries or to the EU). Finally, the relatively low number of policies that covered all products reflected the challenges faced in assuring the quality of non-own brand products. A number of companies interviewed pointed to difficulties inherent in imposing their policies on suppliers, in particular in situations where suppliers were perceived as significantly more powerful and/or where the purchaser only accounted for a small part of the supplier's turnover.

15
http://www.unilever.com/images/sd_Unilever_Sustainable_Agriculture_Code_2010_tcm13-216557.pdf

16
Five Freedoms is a framework for the analysis of animal welfare within any system which includes the following requirements for good welfare: Freedom from thirst, hunger and malnutrition; Freedom from discomfort; Freedom from pain and disease; Freedom from fear and distress; Freedom to express normal behaviour.

Do Companies have Specific Policies on Farm Animal Welfare?

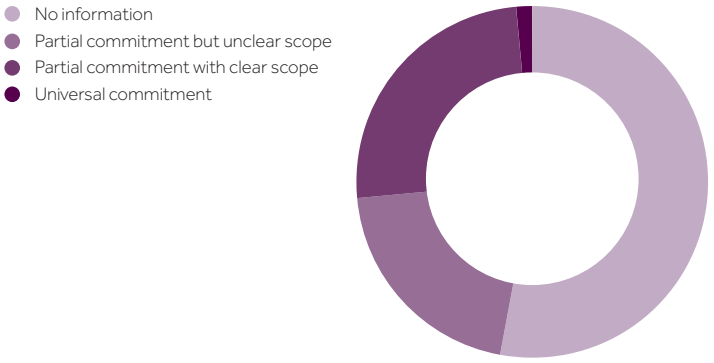
Inevitably, high level corporate policies tend to be relatively light on detail; their role is usually to set the strategic direction for companies rather than to prescribe the specific actions that need to be taken. In the Benchmark, we therefore sought to assess whether companies had adopted policies on a series of specific farm animal welfare-related issues identified by farm animal welfare NGOs as being particularly important[17]. We discuss each of these in turn below.

Close Confinement

In many countries, the majority of farm animals are kept in highly intensive housing, with the aim of minimising costs while maximising the output of meat, milk or eggs; these facilities are often referred to as concentrated animal feeding operations (CAFOs) or factory farms. Examples include battery cages for laying hens, veal crates for calf rearing, tether systems for cows, calves, and sows, and sow stalls for pregnant pigs[18]. In these systems space and environmental richness is either very limited or absent and, as a consequence, animal well-being is compromised (see, for example, Box 4.4 regarding the issues associated with barren battery cages).

In our research, we found (see Figure 11) relatively few companies that had made commitments to the complete avoidance of close confinement. However, we found a significant proportion had made partial commitments, with particular progress in relation to hens (with a number having made commitments to cage-free or free range hens; see for example the Coop Group's commitment in Box 4.5), the phasing out of sow stalls and the sourcing of some meats from organic or free-range systems.

Figure 11 Company Commitments to Avoidance of Close Confinement



Box 4.4

Barren Battery Cages[19]

Barren battery cages typically house five or six hens in a wire floored cage about 50 x 50 cm (the size of a chair cushion) or smaller. The floor is sloped so that the hens' eggs roll out; there is no box for nesting, no substrate for pecking or dust bathing, no perch for roosting and insufficient space to walk or stretch the wings. Use of the barren battery cage was banned in the EU in January 2012. In many cases, they have been replaced by 'enriched' or 'furnished' cages. These offer some provision, including nest boxes, perching space and the requirement for a scratching area. However, these provisions are often too few for hens to access adequately and the increased space allowance still too limited to allow exercise and wing flapping. Enriched cages, therefore, have a low welfare potential, as they restrict the repertoire of behaviours hens wish to perform.

In barn and free-range systems, the welfare potential is much higher. Hens in these systems have greater freedom of movement, are able to stretch, flap their wings and run. They can also perform natural behaviours such as pecking, scratching and laying their eggs in a nest.

17
See, further, Rory Sullivan and Nicky Amos (2012), Farm-Animal-Welfare-Disclosure-Framework Investor Briefing No.5 http://www.bbfaw.com/wp-content/uploads/2010/08/3.-BBFAW-Investor-Briefing-No.5_.pdf

18
See Appendix 3 for definition.

19
Dr Michael Appleby (2011), Introduction to Farm Animal Welfare. Business Benchmark on Farm Animal Welfare Investor Briefing No. 3 (November 2011); http://www.bbfaw.com/wp-content/uploads/2010/08/Briefing-No3_Introduction-to-Farm-Animal-Welfare1.pdf.

Box 4.5

Coop Group and Product Delisting[20]

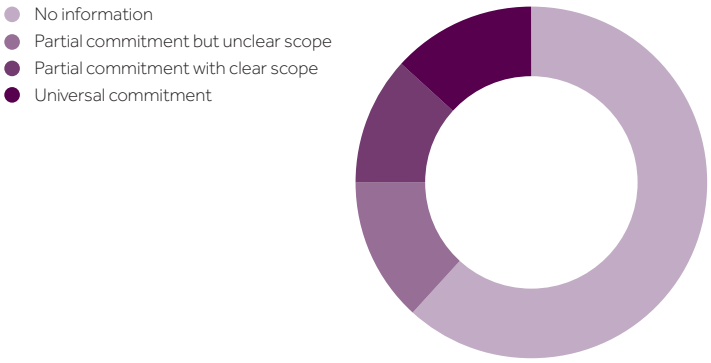
In its 2011 Sustainability Report, Coop Group (Switzerland) stated: "Coop attaches great importance to freedom of choice for consumers. However, it will not hesitate to rapidly delist any unsustainable products in order to achieve a sustainable product range… Another step towards a systematically sustainable product range is its non-use of eggs from battery hens, even in processed products."

The Use of Genetically Modified or Cloned Animals

Cloning of farm animals is becoming more common in intensive farming systems and there is increasing likelihood of the commercialisation of genetically engineered farm animals becoming a reality. In many countries, these procedures can have adverse impacts on the welfare of the animals involved and their descendents. Cloning is primarily used to produce identical copies of high yielding and fast growing breeds of animals. The practice is already established in the US, Brazil, Argentina and Japan. Within Europe, however, there has been widespread opposition on both animal welfare and ethical grounds to the cloning of animals for food production and to the sale of meat and dairy products from cloned animals and their descendents. The genetic engineering of animals is common in some parts of the world, but is not yet licensed for use in food production.

Our research (see Figure 12) suggested that relatively few companies had made formal commitments to the avoidance of genetically modified or cloned animals or their progeny. Where these commitments had been made, it was generally in response to strong consumer pressure – in relation to safety or potential health effects – in their key markets. It is also relevant to note that some companies had qualified their commitments by noting that, if these consumer concerns could be addressed or overcome, they would consider using genetically modified or cloned animals or their progeny.

Figure 12 Company Commitments to Avoidance of GMOs/Cloned Animals



20
http://www.coop.ch/pb/site/common/get/documents/coop_main/elements/ueber/geschaeftsbericht/2012/_pdf_gbn hb_2011/COOP_NHB_2011_low/COOP_NHB_2011_e_low.pdf

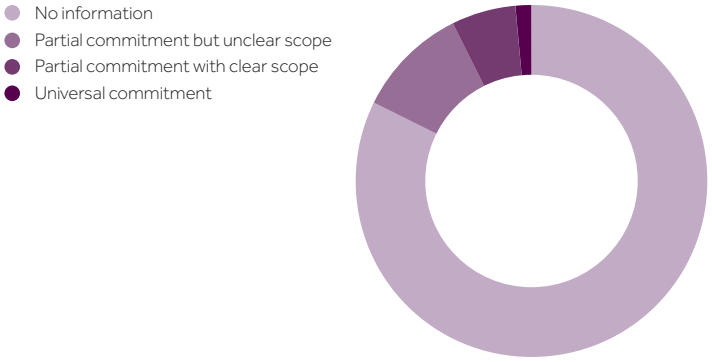
The Use of Growth Promoting Substances

Growth promoting substances are used to increase the muscle (meat) or milk production of animals farmed for food. Examples include the hormone BST used to increase milk yield in cows, hormone feed additives in pig production (for example, ractopamine) and low dose antibiotics. Antibiotics may also be used prophylactically to control the spread of disease within crowded poultry and pig sheds.

The use of growth promoting substances can undermine animal welfare, with antibiotics often used to allow animals to be kept in crowded and stressful conditions that do not meet their welfare needs. The over-use of antibiotics is also associated with the development of strains of bacteria resistant to infection which may pose a threat to human and animal health. The use of hormone and antibiotic growth promoters within the EU is not permitted by EU legislation. Products treated with hormone growth promoters cannot be imported into the EU, whereas products produced with antibiotic growth promoters can still be imported.

Our research indicates (see Figure 13) that relatively few companies have published formal positions on the use of growth promoting substances. A number of companies pointed to EU legislation and stated they complied with this legislation. However, most of these companies were unable to explain how they addressed this issue in their supply chains, in particular in relation to animals produced or transported outside the EU.

Figure 13 Company Commitments to Not Using Growth Promoting Substances

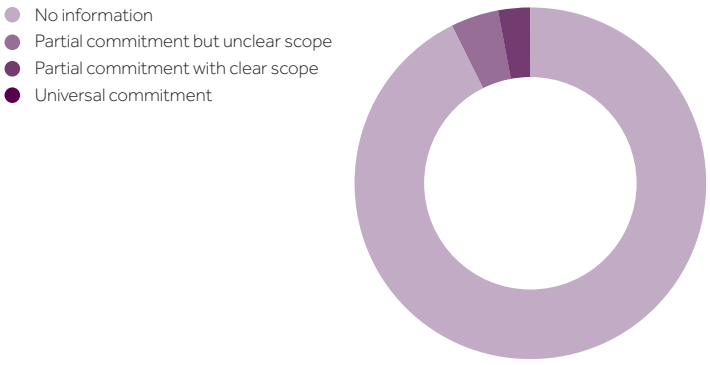


Routine Mutilations

Many farm animals are subjected to procedures that alter their bodies, often with no anaesthesia, causing pain and distress. Examples include castration of beef cattle with knives, branding with hot irons, dehorning of dairy cattle with hot irons, and castration and tail docking of pigs[21]. The majority of these mutilations can be avoided if animals are kept in well-managed conditions. For example, small groups of hens in a rich environment are less likely to peck each other and therefore may not need to have their beaks trimmed. These mutilations are generally only required when animals are kept in intensive housing and/or when the animals are badly managed.

Our research indicates very few companies have made formal commitments to the avoidance of routine mutilations. This reflects the fact that so many animals are produced in intensive facilities (which are generally not suited to animals' welfare needs) and these types of mutilations are seen as an inevitable part of the management of animals in these facilities. There are also issues – see, for example, the discussion of tail docking in Box 4.6 – where opinion is divided on the most appropriate management approach for ensuring the welfare of animals.

Figure 14 Company Commitments to Avoidance of Routine Mutilations



Box 4.6

Welfare implications of tail docking

Scientific research shows that in natural conditions pigs are highly active, spending 75% of their day rooting, foraging and exploring. Pigs housed in barren conditions cannot perform these natural behaviours and, bored and frustrated, they may begin to chew and then bite the tails of other pigs (tail biting).

To prevent tail biting, some farmers dock part of the piglet's tail, arguing that the welfare consequences of not docking may be worse. It is true that a tail bite outbreak can have a disastrous impact on welfare; however, scientific research shows that the correct way to prevent tail biting is not to dock tails but to keep pigs in good conditions.

Recognising this, the Pigs Directive has, since 2003, prohibited routine tail docking. The Directive requires farmers to try to prevent tail biting by improving inadequate conditions. Only when they have done this are they permitted, if they still have a tail biting problem, to tail dock.

Some companies committed to phasing out tail docking are investing in research and carrying out their own trials to minimise the risks of tail biting, thereby reducing the likelihood that their farmers will need to dock piglets' tails. In another interesting initiative, the UK pig industry (BPEX), together with the RSPCA and academic institutions, is seeking to develop a hazard advisory tool to help producers move away from the practice of tail docking.

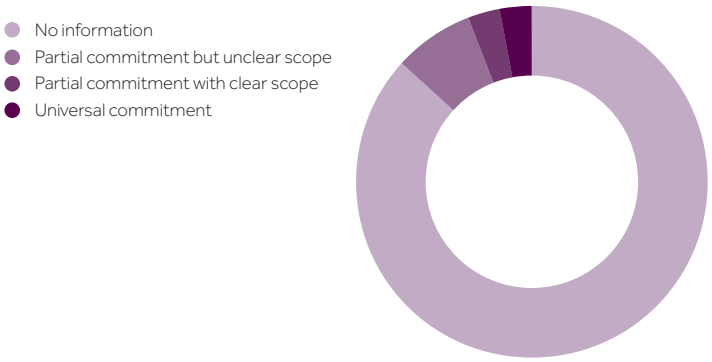
21
See further Appendix 3

Use of Meat from Animals that have Not Been Subjected to Pre-Slaughter Stunning

It is essential to render an animal unconscious before it is slaughtered in order for it to be insensible to pain, discomfort and stress, until death occurs. Most developed and many developing countries have legislation that requires pre-slaughter stunning, although these often provide exceptions for authorised ritual slaughter[22] (e.g. EU law allows animals to be slaughtered without pre-stunning for Halal meat for Muslim communities and for Kosher meat for Jewish communities). It is, however, important to note that a substantial proportion of British Halal meat comes from animals which are stunned before slaughter and that a number of food companies now insist on pre-stunning for all meat including Halal.

While our research, see Figure 15, indicates that relatively few companies have issued a public or policy statement committing to pre-slaughter stunning, many of the companies we spoke to in the course of this research pointed to the fact that pre-slaughter stunning is a formal requirement in many countries and that they fully complied with this requirement.

Figure 15 Company Commitments to Pre-Slaughter Stunning

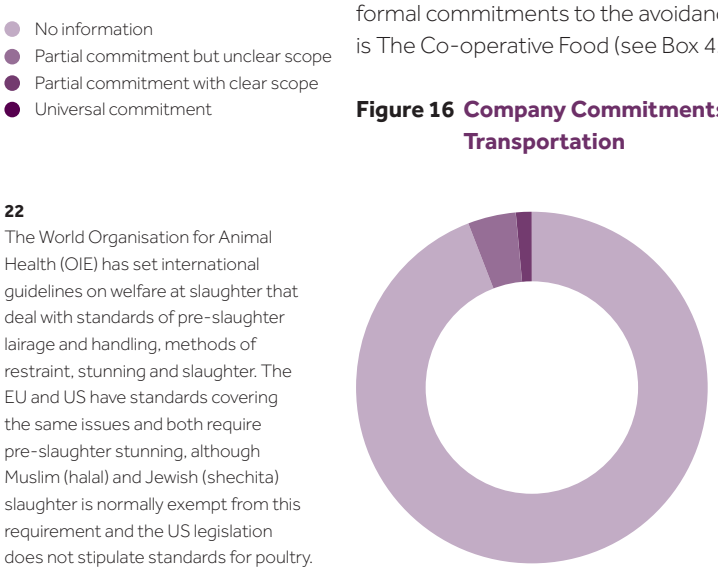


Long-distance transport

Many animals are transported several times during their lifetime, and most are transported to slaughter – often over long distances, both within and between countries. Transport conditions are frequently very poor and journeys may last many hours or, in some cases, days, weeks or months. Animals can experience hunger, thirst, discomfort, pain, frustration, fear and distress, whilst physical welfare problems include injury, disease, and, in the worst cases, death. For all these reasons, transport of live animals should be minimised wherever possible and journeys should be kept as short as possible. Specifically, any transport of a live animal that exceeds eight hours, from loading to unloading, has been shown to decrease welfare significantly.

Our research (see Figure16) has shown that relatively few companies have made formal commitments to the avoidance of long distance transport; one exception is The Co-operative Food (see Box 4.7).

Figure 16 Company Commitments to Avoidance of Long Distance Transportation



22
The World Organisation for Animal Health (OIE) has set international guidelines on welfare at slaughter that deal with standards of pre-slaughter lairage and handling, methods of restraint, stunning and slaughter. The EU and US have standards covering the same issues and both require pre-slaughter stunning, although Muslim (halal) and Jewish (shechita) slaughter is normally exempt from this requirement and the US legislation does not stipulate standards for poultry.

Box 4.7

The Co-operative Food's Commitments on Pre-Slaughter Stunning and Long Distance Transport[23]

The Co-operative Food states: "...we have developed additional requirements that apply to all own-brand products. Livestock can only be transported for a maximum of six hours – thought to be among the lowest transportation time allowed by the major national food retailers – and all livestock reared for our own-brand products must be pre-stunned prior to slaughter".

4.2 GOVERNANCE AND MANAGEMENT

Do Companies Define Responsibilities for Farm Animal Welfare?

When we look at how companies organise themselves, it is important to understand who has overall responsibility for the implementation of the company's farm animal welfare policy, and who has responsibility for farm animal welfare on a day-to-day basis. In most large companies (such as the 68 covered by this research), the oversight of policy – which includes defining the overall policy goals, monitoring the implementation of the policy, acting in the event the policy is not being complied with and ensuring the policy remains relevant to the organisation – is generally the responsibility of senior management and/or the board. In these companies, day-to-day (or operational) implementation responsibility is usually allocated to a specific individual or team. These individuals or teams are generally required to ensure the effective implementation of the policy (e.g. developing and implementing management systems and processes, setting objectives and targets, measuring and monitoring performance, and reporting).

Both oversight and implementation are important, and this is particularly the case in relation to issues such as farm animal welfare. It is often the case that those charged with oversight know relatively little about the specific details of how to effectively manage farm animal welfare, and so they rely on the support of their technical and operational staff to enable them to be confident the issues associated with farm animal welfare are being effectively managed. From an operational perspective, it is important that senior management is aware of the business implications of farm animal welfare and is prepared to intervene when needed (e.g. if there are tensions between the organisation's farm animal welfare policies and other business objectives).

Our research suggests that many companies have yet to formalise their management of farm animal welfare issues. 40 (59%) of the companies reviewed have not yet published details of who is responsible, at either a senior management or operational level, for farm animal welfare. Of those that have specified responsibilities, one company defined operational responsibilities, 15 defined senior management responsibilities and 12 defined both. While it is encouraging to see companies assigning responsibility to their senior managers, it is frequently difficult to tell how much, if any, senior management attention is actually being focused explicitly on farm animal welfare; our research suggests that, at least to date, farm animal welfare has received little senior management attention relative to other corporate responsibility issues (e.g. see the discussion around objectives and targets below).

23
http://www.co-operative.coop/Corporate/sustainability-report-2011/downloads/sr2011-animal-welfare.pdf

Box 4.8

VION's Organisational Structure for Farm Animal Welfare[24]

VION states: "VION is an organisation with decentralised operations in which responsibilities are combined with top-down direction and a bottom-up approach. This approach dictates that the CSR ambitions are not achieved at the headquarters, or by the management of the business units, but rather, by the employees of the different VION sites, in alignment with the existing organisational structures and reporting systems….Each business unit's individual CSR action plan is reviewed by VION's CSR Committee, which comprises subject matter experts. The action plans are updated and reviewed annually, and progress reports on VION's five core CSR themes (Agriculture, Communities, Environment, Nutrition and Health and People) are submitted and evaluated on a quarterly basis."

In addition, VION notes: "VION Food Group has imposed strict procedures and guidelines for all employees who handle animals. Any VION Food Netherlands staff who take delivery of the animals have passed a special training course to qualify as Animal Welfare Officers. This also applies to the carriers who supply the animals. Every site has an animal welfare officer who monitors compliance with animal welfare requirements during unloading; in the pen and when stunning animals. Every Animal Welfare Officer has completed specialist training."

Have Companies Set Objectives for Farm Animal Welfare?

Objectives and targets are the point where policy commitments are translated into substantive action, and where resources and responsibilities are allocated for the delivery of these objectives and targets. Of the companies covered by our research, just 18 (26% of the total) have published objectives and targets. The objectives that have been set are both process (e.g. to formalise their farm animal welfare management systems, to introduce audits) and performance related (e.g. to phase out specific non-humane practices, to ensure that specific standards are met for all species).

One striking feature of the objectives and targets set (whether process or outcome oriented) is that most of the companies which have set targets (11 out of 18) do not provide any information on how the target is to be achieved (e.g. who is responsible, what resources are allocated, what the key steps or actions towards the target are); notable exceptions are The Co-operative Food and Morrisons (see Boxes 4.9 and 4.10 below). This raises questions for investors and other stakeholders about the dependability of the targets and whether or not they will actually be achieved.

24
http://www.vionfoodgroup.com/en2/csr/governance/ , http://www.vionfood.nl/en/responsibility/animal-welfare/ and http://www.vionfood.de/en/company/quality/animal-welfare/animal-welfare-at-the-slaughterhouse/

Box 4.9

The Co-operative Food's Farm Animal Welfare Targets[25]

In its 2011 Sustainability Report, The Co-operative Food reports on progress against its 2011 targets and sets targets for 2012. Its farm animal welfare-related targets include the following:

Figure 17 Progress on The Co-operative Food's Targets

TARGETS 2011	PROGRESS	TARGET 2012
Improve animal welfare standards for dairy cows together with environmental impacts by developing a dedicated supply chain for milk.	The Co-operative Dairy Group was created in August 2011 to provide a dedicated supply chain for milk.	Improve the animal welfare standards for dairy cows, together with environmental impacts, by developing a dedicated supply chain for milk, which will benefit contracted farmers with green electricity and energy efficiency surveys from 2012.
Ensure primary own-brand suppliers install CCTV in abattoirs during 2011.	CCTV was installed at own-brand supplier abattoirs in 2011.	
Continue to ensure that shoppers operating on a variety of budgets have the opportunity to support higher baseline animal welfare standards, and that all shell eggs and egg ingredients in own-brand products are at least free-range.	Higher baseline animal welfare standards were met across a range of own-brand products and all shell eggs and egg ingredients in own-brand products were at least free-range.	Continue to ensure that shoppers operating on a variety of budgets have the opportunity to support higher baseline animal welfare standards, and that all shell eggs and egg ingredients in own-brand products are at least free-range.
Extend our higher baseline standards, Elmwood, from chicken and turkey to pork	Standards introduced for pork and pork sausage products in April 2011.	Measure and report the impact of Elmwood standards on animal welfare.
		Continue to pursue higher welfare standards across our meat and fish, converting our own-brand salmon to Freedom Food standard in 2012.

Box 4.10

Morrisons' Farm Animal Welfare Targets[26]

Morrisons' 2011 and 2012 farm animal welfare-related targets are set out below. Morrisons also highlights the challenges it faces in delivering on its commitments.

Figure 18 Progress on Morrisons' Targets

COMMITMENTS AND ASSOCIATED KPIS	PROGRESS UPDATE	CHALLENGES TO ADDRESS IN 2012
Enhance farm animal welfare policies and auditing processes by 2013.	Chicken welfare standards revised to include environmental enrichment (all standard chicken). Free range egg ingredient for fresh products under review (with potential to extend to all products). Imported pork undergoing an independent welfare audit against UK standards.	Practical application from our research programme into our supply chain.

25
http://www.co-operative.coop/Corporate/sustainability-report-2011/downloads/sr2011-animal-welfare.pdf

26
http://www.morrisons.co.uk/Documents/Morrisons_CR_Review_5MB.pdf

Do Companies Report on Farm Animal Welfare Performance?
Animal welfare performance remains very under-developed. Just five (7%) of the companies reviewed report on how they have performed against their policy commitments, 13 (19%) report on how they have performed against their objectives and targets and 13 (19%) report on performance outcomes. Even here, however, reporting tends to be piecemeal and incomplete, with companies generally not providing a complete account in any of these areas.

Performance reporting is particularly challenging for companies, given the absence of a clear consensus on how animal welfare impacts are to be measured. While most companies should be able to report against the various parameters presented above, performance reporting remains challenging.

Performance reporting is complicated by the fact that companies generally have multiple animal species, by the reality that companies frequently manage these to different standards and by the absence of universal global performance standards (which means that there is no clear consensus about the specific expectations of companies). In the absence of clear guidelines, the Benchmark framework suggests that companies consider reporting on their performance against recognised farm animal welfare standards or criteria.

Do Companies Report on Supplier Engagement?
A reasonable number of the companies surveyed describe how they engage with their suppliers on farm animal welfare-related issues (see, for example, Boxes 4.11 and 4.12). Ten companies (15%) report that they include farm animal welfare in contractual conditions, 23 (35%) describe how they audit their suppliers, and 21 (31%) describe their supplier education and capacity building initiatives. While these are encouraging, they need to be qualified by noting that most of the information provided is in the form of case-studies and so it is difficult to assess the breadth or depth of coverage of the auditing or education programmes.

Box 4.11
Unilever's Supplier Website[27]
Unilever has a dedicated website for its suppliers, which sets out its expectations of its suppliers. These include requirements to comply with its Sustainable Agriculture Code[15]*, case-study and other materials, as well as details of how Unilever ensures its suppliers comply with its requirements.*

Box 4.12
Waitrose Responsible Sourcing[28]
The John Lewis Partnership (of which Waitrose is a part) Responsible Sourcing Principles, cover animal welfare among other issues, and its accompanying Code of Practice sets out its expectations of its suppliers.

To support its responsible sourcing initiatives, Waitrose has set up various initiatives and tools to help its suppliers and those in its supply chain. These include supplier manuals with step-by-step guidance and supplier conferences to raise awareness, share best practice and generate feedback to constantly improve standards in the supply chain. Waitrose has an established local and regional product sourcing programme; through a 'buddy scheme' it aims to encourage local suppliers and make it easier for them to work with the company. Waitrose has recently started to provide sales data by store to help regional and local suppliers track and increase their sales and they will be launching answers to frequently asked questions online.

27
http://www.unilever.com/aboutus/supplier/

28
http://www.johnlewispartnership.co.uk/csr/our-products-and-suppliers/responsible-sourcing.html

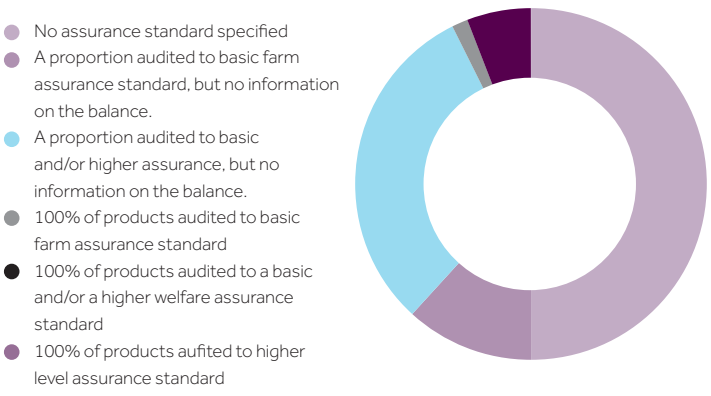
Are Companies Reporting Against Farm Assurance Schemes?

Assurance schemes can play an important role in promoting welfare standards. Where species-specific legislation exists, schemes should ensure that minimum legislative standards are met and preferably schemes should lift the standards above the minimum. Where there is no species-specific legislation, assurance standards are increasingly important for protecting welfare. Concerns for animal welfare arise from farming systems with low welfare potential, i.e. those that fail to meet the behavioural and physical needs of the animal and are therefore likely to cause suffering. The ability of a system to provide good welfare is determined by factors that are built into the system, such as the provision of sufficient living space and access to resources that meet the needs of the animals, as well being underpinned by good stockmanship and management.

A farming system that provides for behavioural freedom without compromising health can be described as having high welfare potential. Whilst it is essential to set high input standards to ensure livestock production systems have high welfare potential, it is also important to monitor welfare outcomes (such as mortality, disease, lameness, injuries and the occurrence of normal and abnormal behaviours) to assess the overall performance of the system. Examples of higher welfare schemes, which offer many welfare advantages relative to standard industry practice for all species, include the Soil Association organic standards, RSPCA Freedom Food, Beter Leven, KRAV, Label Rouge and GAP 5-Step.

The results (Figure 17) provide a clear account of the current state of play: 50% of companies are not reporting the standards to which their animals are reared, transported, and slaughtered. Most report on a very narrowly defined subset of the animals that they manage by system rather than assurance scheme (e.g. a number report on free range animals in the UK but do not provide any other information). One-third of companies provide information on whether their animals are audited to basic or higher farm assurance standards, but in general there is a lack of specificity on the proportion of animals managed under the different welfare standards. A notable example of good reporting in this area is The Co-operative Food (see Box 4.13).

Figure 19 **Farm Animal Welfare Assurance Standards**



Box 4.13

The Co-operative Food Assurance[29]

The Co-operative Food (UK) states: "All meat and poultry sold under The Co-operative Food brand is produced from livestock reared to very strict standards of animal welfare. All our British suppliers are independently audited and accredited to one of the national Farm Assurance Schemes controlled by Assured Food Standards, which allow the meat to display the Red Tractor Logo. These national schemes cover all aspects of farm assurance and animal welfare, including housing and stocking densities, feed and water, health and veterinary controls, breeding & traceability and transportation."

It also notes: "The Co-operative Food supports higher animal welfare standards via schemes such as RSPCA Freedom Food accreditation and organic certification. We were the first retailer to adopt the RSPCA Freedom Food Scheme back in 1994 when we launched Freedom Food accredited Free Range Eggs and we still offer one of the largest ranges of Freedom Food labelled products in the UK including eggs, chicken, duck, lamb, salmon, ham, quiche, pizza, sandwiches, sausages and bacon."

"As one of the UK's largest farmers, we have always been strong supporters of the UK farming industry and have a policy of promoting meat and poultry sourced from animals reared in the UK. Where it is possible, the meat will be born, reared, processed and packed within the UK. This currently includes all fresh beef, pork, turkey, duck, chicken, trout, salmon and eggs. To maintain consistent product quality New Zealand lamb is used when British lamb is out of season. This still has to comply with the same standards of animal welfare and farm assurance as the UK sourced product and again is independently verified."

29
http://www.co-operative.coop/Corporate/sustainability-report-2011/downloads/sustainability-report-2011.pdf

4.3

LEADERSHIP AND INNOVATION

Are Companies Advancing Farm Animal Welfare in their Industry?
At present, relatively few companies provide information on whether they are involved in projects – for example, research and development programmes, industry initiatives, government lobbying – directed at improving farm animal welfare practices across the industry. There are two points to highlight here. The first is that these findings (e.g. just 12 companies report on farm animal welfare-related research and development) reflect the general lack of transparency on farm animal welfare in areas where reporting is more developed, companies often comment on these initiatives as an integral part of their reporting. The second is that with notable exceptions such as the Beak Trimming Action Group and The Caring Dairy Program[30], the emphasis of many industry initiatives is on issues such as productquality, traceability and food security, with farm animal welfare often seen of secondary concern.

Box 4.15
Sainsbury's Concept Farm[31]
Sainsbury's 'Concept Farm' is testing new farming techniques aimed at improving the welfare of pigs. Since 2009, Sainsbury's has been working with the Morgan family at its Porkthorpe Farm in East Yorkshire, England, to assess the benefits of over 70 farrowing systems or 'freedom pens', which aim to provide a safer environment for sows and piglets while they are suckling. By sharing the findings, Sainsbury's is ensuring that other farmers benefit and have sustainable, cost effective techniques in place for the future, without compromising productivity. Additional funding is being provided for the Concept Farm to trial breeding, feeding and husbandry techniques.

Are Companies Promoting Higher Farm Animal Welfare to their Customers or Clients?
A number (17 out of the 68 covered by the research) are proactively promoting farm animal welfare to their customers and/or clients (as relevant to their business segment). The form these communications have taken have included dedicated websites, product labelling, advertising (where farm animal welfare is presented either as a distinctive feature of the product in question and/or farm animal welfare is presented as a key element of product quality).

Box 4.16
Examples of Consumer Communications
- *McDonald's' Farm to Front Counter provides a description of the main steps its products go through, from farms through to its restaurants. Its description of beef includes explicit discussion of how the welfare of these animals is assured.[32]*
- *Sainsbury's has produced a video describing its pig concept farm, and putting pig welfare in the context of good and bad systems.[33]*
- *A number of companies – examples include Marks and Spencer, McDonald's and Tesco – explicitly discuss farm animal welfare on their consumer facing websites.*

30
www.caringdairy.com

31
http://www.j-sainsbury.co.uk/media/latest-stories/2011/20110712-sainsburys-concept-farm-leads-the-way-forhealthier-happier-pigs/

32
http://www.aboutmcdonalds.com/mcd/sustainability/signature_programs/farm_to_front_counter.html

33
http://www.j-sainsbury.co.uk/media/latest-stories/2011/20110712-sainsburys-concept-farm-leads-the-way-forhealthier-happier-pigs/

CHAPTER 5 WIDER ISSUES AND REFLECTIONS

5.1 INTRODUCTION

From our assessments, while some companies have reasonably well developed approaches to farm animal welfare management, it is clear that the majority have yet to effectively translate high level commitments on farm animal welfare into day-to-day operational practices. Furthermore, for the food sector as a whole, reporting on farm animal welfare performance is under-developed, especially when compared to other aspects of corporate responsibility reporting. Based on our research and discussions with the industry, this section offers some wider reflections on how food companies are responding to the business challenges presented by farm animal welfare. It focuses on the following issues:

- The nature of the drivers for company action on farm animal welfare.
- The manner in which these drivers influence company practice on farm animal welfare.
- Current reporting on farm animal welfare performance.

5.2 DRIVERS FOR ACTION ON FARM ANIMAL WELFARE

Market pressures

Despite a strong business case for the food industry to address animal welfare impacts, there are significant challenges and tensions which can present barriers to progress. Intensive animal production has boosted production yields but has also resulted in significant and widespread negative impacts on animal welfare as a direct result of the intensive selection of higher production rates (growth, milk yield and egg production) and the production systems utilised, such as cages and crates which severely restrict animal behaviour.

Intensive systems generally require very significant capital investments, and these systems need to last for decades in order to enable a reasonable return on investment to be achieved. There is understandable resistance by the operators or owners of these facilities to any suggestions that these systems should be run at lower intensities than they were designed for or, in extremis, that they be shut down.

It is striking that the terms of debate around new facilities are somewhat different, with an increasing number of companies committing to and investing in less intensive indoor systems that meet the behavioural needs of farm animals. That is, over time, it is possible that we will see a progressive move away from highly intensive systems towards these less intensive systems.

The Relationship with the End Consumer or Customer

One of the key points raised by companies is that their relationship with consumers or customers, and the views these consumers or customers hold on farm animal welfare, are key determinants of the actions they take. This is most clearly seen in the retail sector where their approach is increasingly being driven by the importance currently assigned by consumers to animal welfare issues (with many consumers having high expectations around food quality and ethical supply)[34]. Retailers are not only concerned about responding to the interests of those consumers that are explicitly concerned about farm animal welfare but about the potential for consumers' views to be influenced by press stories – with the examples over the past decade including high profile stories on issues such as salmonella in eggs, BSE in beef, genetic modification and the intensive production of chicken – and NGO campaigns.

This sensitivity to consumer concerns has seen retailers proactively engage with the companies in their supply chains – e.g. setting minimum standards, offering financial or other incentives for higher standards – to ensure these companies adopt higher animal welfare standards. This, in turn, has created a clear business case for producers to work collaboratively with retailers to deliver higher welfare solutions. It has also opened up new market opportunities for producers as it has allowed them to share their acquired knowledge and resulting systems with other clients, in particular those in the food service industry.

While the pressure from end consumers may be less obvious in the food service sector, a number of service brands are beginning to seek out market opportunities from adopting higher welfare standards and are promoting the welfare benefits of food products to their customers. As such, animal welfare has begun to be identified as a CSR objective for leading food service companies and manufacturers.

The Legislative Landscape

Aside from the sector nuances, it is important to note that leadership on farm animal welfare in the UK and Europe has been driven largely by the fact that the EU has enacted the world's strongest and most detailed legislation on the welfare of farm animals[35].

This has two important implications for corporate practice and reporting. The first has been that multinational companies operating out of the EU or with markets or operations within the territory have often used Europe as a testing ground for trialling higher animal welfare initiatives, products and messages before extending them to other markets. That is, higher standards in Europe have catalysed higher global standards. The second has been that, rather than making explicit policy commitments on farm animal welfare-related issues, some companies have simply stated that they comply with relevant legislation. The problem with this is that there are many gaps and weaknesses in legislation (even within the European Union) and it is not clear that a focus on regulatory compliance will ensure that companies effectively identify and manage all the animal welfare issues that are likely to be relevant to their business, to their customers, to their clients or to their stakeholders. A related issue is that the lack of clear policy positions and information on how these policies are being implemented means that it is often not possible to tell what these companies are doing outside of the EU, both within their own operations and in their supply chains. This is particularly important given that companies cannot rely on the backstop of strong legislation in all of the areas that they operate in. The absence of clear policy positions also means that they do not send a clear signal to their suppliers and partners about the importance that they assign to high standards on farm animal welfare.

34
Mia Fernyhough (2012), Investor Briefing on Farm Animal Welfare and the Consumer. Business Benchmark on Farm Animal Welfare Investor Briefing No 7 (October 2012) (Business Benchmark on Farm Animal Welfare, London) http://www.bbfaw.com/wp-content/uploads/2010/08/Briefing-No7_FAW_and_the_Consumer.pdf

35
Peter Stevenson (2011), Farm Animal Welfare: The Regulatory and Policy Landscape Business Benchmark on Farm Animal Welfare Investor Briefing No. 1 (October 2011) (Business Benchmark on Farm Animal Welfare, London). http://www.bbfaw.com/wp-content/uploads/2010/08/ Briefing-No1_FAW-The-Regulatory-and-Policy-Landscape1.pdf

5.3

HOW SIGNIFICANT IS FARM ANIMAL WELFARE AS A BUSINESS ISSUE?

While the drivers for business action on farm animal welfare are strengthening and companies are responding, it is important to acknowledge that the business significance of farm animal welfare differs between companies. This is not only attributable to the drivers for action (e.g. the nature of consumer pressure) but also to the specific details of the business – its markets, its market position, its clients, the proportion of the business that utilises animal products, the company's wider branding, and so forth. That is, while farm animal welfare is clearly a business risk (and an issue that needs to be managed as such), its financial significance (or 'materiality') can only be determined on a case by case basis. In the course of our research, we have encountered different views about the extent to which farm animal welfare is considered material by individual companies: some have identified farm animal welfare as integral to their strategic vision and are actively managing objectives aimed at delivering on these aims, others see farm animal welfare as a business risk but not necessarily as a driver of long-term business value, and others do not see farm animal welfare as a particularly important issue for their business. One of the common themes from our interviews with companies, across the spectrum of views on the business importance of farm animal welfare, is that views on materiality are not set in stone. Companies recognise that changes in the views of their customers, their clients, their investors or wider society could trigger significant changes in the way in which they view this issue.

5.4 PERFORMANCE STANDARDS AND PERFORMANCE REPORTING

One of the challenges companies face is reporting on farm animal welfare performance. There are various issues: the fact that companies generally have multiple animal species, the reality that companies frequently manage these to different standards, the complexity of their supply chains, and the lack of consensus between companies and other stakeholders on the most appropriate management approach for ensuring the welfare of animals. The areas where there is a lack of consensus include the use of growth promoting antibiotics and hormones, genetically modified or cloned animals, and the practice of pre-slaughter stunning (in the context of meat produced on religious grounds). These discussions are compounded by the absence of global performance standards (which means that there is no clear consensus about the specific expectations of companies).

In the absence of universal legislation on farm animal welfare, a number of voluntary assurance schemes exist within the EU and elsewhere that define frameworks for managing farm animal welfare. While a number of these set standards that are substantially higher than those of legislation (e.g. the RSPCA Freedom Food scheme in the UK, the French Label Rouge standards for chickens reared for meat, and the Neuland standards in Germany), in some cases the standards do not go beyond legislative requirements and so contribute relatively little to enhanced welfare. In addition, there are a number of voluntary schemes which claim to incorporate animal welfare components but are, in fact, designed to assure quality or safety standards. In these instances, it is not always clear what standards, if any, of farm animal welfare are expected.

Our research revealed that many of the companies that report on their farm animal welfare often reference voluntary or company schemes, but with little or no explanation of their specific welfare requirements. In fact, in many cases, the implication was that the standard(s) covered farm animal welfare but, in fact, the standards cited were actually quality or safety standards. This issue is compounded by the multiplicity of regional, national and company schemes, and the reality that investors and other stakeholders cannot be expected to understand or make assumptions based on arbitrary references to standards. We did, however, identify a number of cases where companies explicitly discussed how their standards compared to recognised welfare standards such as the RSPCA's Freedom Food standard, Neuland, Label Rouge, GAP and the Soil Association's organic standard, although these companies generally did not specify the proportion of animals that were being managed in accordance with these welfare standards.

CHAPTER 6 CLOSING REMARKS

6.1 SUMMARY OF FINDINGS

The central conclusion from our research is that farm animal management and reporting remain in their infancy. While we have identified a number of clear leaders and pockets of best practice, the reality is that many companies have yet to recognise the business importance of farm animal welfare, and more have yet to report on the issue in a structured, coherent manner. We do not see these as reflecting particular shortcomings on the part of companies. Rather we acknowledge that the current situation (with the absence of universal standards and frameworks for farm animal welfare management and disclosure, variations in legislation, cultural diversity, and differences in the attitudes and concerns of consumers and other stakeholders) mean that there is a relative absence of strong drivers for companies to take action on farm animal welfare.

Our expectation is that this Benchmark will provide a starting point for companies looking to better manage their farm animal welfare policies and to communicate their performance on this issue to investors and other important stakeholders. Within this, we see that developing appropriate policy positions (both overarching farm animal welfare policies and policies on specific issues such as close confinement and long-distance transport) are critical. As we noted earlier in the report, while the presence of a corporate policy is not necessarily a guarantee that the policy will be effectively implemented, the absence of such policy is a clear sign that the issue in question is not a management priority.

6.2 COMPANY RESPONSES

We have been encouraged by the overall positive response to the Benchmark from a significant number of the companies we have spoken to. When we first consulted on the Benchmark in June 2012, we received feedback from 7 companies (from the UK and Europe) who were keen to share their views on the Benchmark criteria and to understand the rationale for assessing companies on their published information. More recently, we have had the benefit of discussing the interim results with 34 of the companies included in the 2012 assessment. These conversations have provided some helpful insights into how the companies plan to use the Benchmark, with the majority of companies acknowledging the importance of the programme in raising awareness of farm animal welfare both within the industry and with audiences such as investors.

6.3 IMPLICATIONS FOR INVESTORS

At this point, the central conclusion for investors is that there is a systemic risk that many companies in the food industry are either not effectively managing or not properly reporting on farm animal welfare. The questions asked in the Benchmark reflect the manner in which investors analyse corporate performance on corporate responsibility issues. While we have produced an indicative ranking of companies (see Figure 4), we think that it is premature, given the novelty of farm animal welfare as a corporate responsibility reporting issue, to draw strong conclusions on company performance. That is, in the short term the most important contributions that investors can make are to (a) ensure all companies in the sector are aware of the Benchmark and associated guidance material (e.g. the reporting framework) produced by the Business Benchmark on Farm Animal Welfare, (b) encourage companies to develop their management systems and processes to ensure the risks and opportunities presented by farm animal welfare are effectively managed, and (c) encourage companies to improve their reporting on farm animal welfare.

Over time, as we repeat the Benchmark, our expectation is that we will be able to much more clearly delineate between those companies that are using farm animal welfare as a source of competitive advantage, those that are effectively managing the risks to their businesses, and those that are not taking effective action on this issue. We also expect that, as understanding of the risks and opportunities presented by farm animal welfare grows, investors will see the Benchmark as enabling them to draw increasingly robust conclusions about the quality of companies' management (both of farm animal welfare specifically and of social and environmental issues more generally).

6.4 NEXT STEPS FOR THE BENCHMARK

We plan to repeat the Benchmark in August 2013, with the aim of releasing the second Benchmark report in late 2013. Before we commence this process, we will review the criteria used in 2012[36], the scope of the Benchmark and the feedback received on the company results and on this report. We will proactively seek stakeholder input on these and on any other relevant issues as part of this review process.

Of course, the Benchmark is only one part of our work. We intend to deepen our engagement with investors and food companies through direct dialogue, meetings and seminars, as well as through our periodic briefings and published articles on issues of relevance and interest. Building on the momentum the Benchmark has garnered so far, we remain focused on working with our partners to inspire corporate action aimed at driving higher welfare standards in the food industry.

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While we expect to use broadly the same criteria, we will be considering whether we can strengthen the emphasis on performance (farm animal welfare outcomes).

CHAPTER 7 APPENDICES

APPENDIX 1 2012 BENCHMARK CRITERIA

MANAGEMENT COMMITMENT AND POLICY

Question 1	**Does the company acknowledge farm animal welfare as a business issue?**	
	No evidence that farm animal welfare is regarded as a relevant business issue.	0
	Farm animal welfare is identified as a relevant business issue.	10
	(Max Score 10)	
Question 2	**Does the company publish an overarching corporate farm animal welfare policy (or equivalent)?**	
	No evidence of a formal policy statement (or equivalent) on farm animal welfare.	0
	Broad commitment to farm animal welfare in a policy statement (or equivalent) but no description of how the policy is to be implemented.	5
	Broad commitment to farm animal welfare within a policy statement (or equivalent) and a description of the processes in place to ensure that the policy is effectively implemented.	10
	(Max Score 10)	
Question 3	**Does the policy statement provide a clear explanation of scope?**	
	Scope not specified	0
Geographic scope	Not specified	0
	Scope is limited to certain specified geographies	2
	Scope is universal across all geographies	5
Species covered	Not specified	0
	Scope is limited to certain specified species	2
	Scope is universal across all relevant species	5
Products covered	Not specified	0
	Scope is limited to own-brand products or ingredients (i.e. the policy does not apply to imported or other brand products)	2
	Scope is universal across own brand, imported and other brand products	5
	(Max Score 15)	
Question 4	**Does the company have a clear position on the avoidance of close confinement or intensive systems for livestock (i.e. no sow stalls, concentrated animal feeding operations (CAFOs), feedlots, farrowing crates, single penning, battery cages, tethering, veal crates, force-feeding systems)?**	
	No stated position	0
	The company has made a partial commitment to the avoidance of confinement but the scope (in terms of geography, species, products) is not clearly defined.	1
	The company has made a partial commitment to the avoidance of confinement and the scope of the commitment (in terms of geography, species, products) is clearly defined.	3
	Universal commitment to avoid confinement across all relevant species, own-brand products and geographies	5
	(Max Score 5)	
Question 5	**Does the company have a clear position on the avoidance of products from farm animals subject to genetic engineering or cloning and/or their progeny or descendants throughout their own-label products?**	
	No stated position	0
	The company has made a partial commitment to the avoidance of animals subject to genetic engineering or cloning but the scope (in terms of geography, species or products) is not clearly defined.	1
	The company has made a partial commitment to the avoidance of animals subject to genetic engineering or cloning and the scope (in terms of geography, species or products) is clearly defined.	3
	Universal commitment to avoidance of animals subject to genetic engineering or cloning across all relevant species, own-brand and other brand products and geographies	5
	(Max Score 5)	
Question 6	**Does the company have a clear position on the avoidance of growth promoting substances?**	
	No stated position	0
	The company has made a partial commitment to the avoidance of growth promoting substances, but the scope (in terms of geography, species or products) is not clearly defined	1
	The company has made a partial commitment to the avoidance of growth promoting substances, but the scope (in terms of geography, species or products) is clearly defined	3
	Universal commitment to the avoidance of growth promoting substances	5
	(Max Score 5)	

Question 7	**Does the company have a clear position on the avoidance of routine mutilations (castration, teeth clipping, tail docking, toe clipping, dehorning, desnooding, de-winging, disbudding, mulesing, beak trimming)?**	
	No stated position	0
	The company has made a partial commitment to the avoidance of routine mutilations but the scope (in terms of geography, species or products) is not clearly defined.	1
	The company has made a partial commitment to the avoidance of routine mutilations and the scope (in terms of geography, species or products) is clearly defined.	3
	Universal commitment to avoidance of routine mutilations across all relevant species, own-brand and other branded products and geographies	5
	(Max Score 5)	
Question 8	**Does the company have a clear position on the avoidance of meat from animals that have not been subjected to pre-slaughter stunning?**	
	No stated position	0
	The company has made a partial commitment to avoid the use of meat from animals that have not been subjected to pre-slaughter stunning but the scope (in terms of geography, species or products) is not clearly defined.	1
	The company has made a partial commitment to avoid the use of meat from animals that have not been subjected to pre-slaughter stunning and the scope (in terms of geography, species, products) is clearly defined.	3
	Universal commitment to avoid the use of meat from animals that have not been subjected to pre-slaughter stunning across all species, own-brand and other branded products and geographies	5
	(Max Score 5)	
Question 9	**Does the company have a clear position on the avoidance of long distance live transportation?**	
	No stated position	0
	The company has made a partial commitment to avoid the use of long distance live transport but the scope (in terms of geography, species, products) is not clearly defined.	1
	The company has made a partial commitment to avoid the use of long distance live transport and the scope (in terms of geography, species or products) is clearly defined.	3
	Universal commitment to avoidance of long distance live transportation across all species, own-brand and other branded products and geographies	5
	(Max Score 5)	

GOVERNANCE AND MANAGEMENT

Question 10	**Has the company assigned management responsibility for farm animal welfare to an individual or specified committee?**	
	No clearly defined management responsibility	0
	Published details of the management position with responsibility for farm animal welfare on a day to day basis.	5
	Published details of how the board or senior management oversees the implementation of the company's farm animal welfare policy.	5
	(Max score 10)	
Question 11	**Has the company set objectives and targets for the management of farm animal welfare?**	
	No published objectives and targets	0
	Published objectives and targets but with no information on how these are to be achieved.	5
	Published objectives and targets together with information on the actions to be taken to achieve these, the resources allocated and the schedule for the delivery of these objectives and targets.	10
	(Max score 10)	

Question 12	**Does the company report on its animal welfare performance?**	
Policy	The company does not report on how it has performed against the commitments set out in its overarching policy	0
	The company reports on how it has performed against the commitments set out in its overarching policy	5
Objectives and targets	The company does not report on how it has performed against its objectives and targets	0
	The company reports on how it has performed against its objectives and targets	5
Performance	No reporting on farm animal welfare performance	0
	Partial reporting on farm animal welfare performance but limited to certain species, own-brand products or geographies	4
	Reporting on farm animal welfare performance across all species, own-brand and branded products and geographies	10
	(Max score 20)	
Question 13	**Does the company describe how it implements its farm animal welfare policy (or equivalent) through its supply chain?**	
Supplier Contracts	No information on how farm animal welfare is included in supplier contracts	0
	Farm animal welfare incorporated into contractual obligations for suppliers but limited by geography and/or certain products or species	3
	Farm animal welfare incorporated into contractual obligations for suppliers across all species, products and geographies	5
Monitoring and Auditing	No information provided on how supplier compliance with contract conditions is monitored	0
	Farm animal welfare specified as part of supplier auditing programme	5
Education and Support	Specific support and/or education provided to suppliers on farm animal welfare policy/issues	5
	(Max Score 15)	
Question 14	**Does the company assure its welfare scheme to a prescribed standard?**	
	No assurance standard specified	0
Assurance standards partially specified	A proportion of products audited to basic farm assurance (or equivalent company) standard, but no information on the balance.	3
	A proportion of products audited to a combination of basic and higher farm assurance (or equivalent company) standard, but no information on the balance.	6
Assurance standards completely specified	100% of products audited to basic farm assurance (or equivalent company) standard	10
	100% of products audited to a combination of a basic farm assurance (or equivalent company) standard and a higher welfare assurance (or company equivalent standard)	15
	100% of products audited to higher level (or company equivalent) assurance standard	20
	(Max Score 20)	

INNOVATION

Question 15	**Is the company currently investing in projects dedicated to advancing farm animal welfare practices within the industry?**	
	No evidence of involvement in advancing farm animal welfare beyond company practices	0
Research and development	Evidence of current involvement in research and development programmes to improve farm animal welfare	5
Lobbying and industry engagement	Evidence of active involvement in industry or other initiatives (e.g. working groups, supporting NGO lobbying, responding to government consultations) directed at improving farm animal welfare.	5
	(Max Score 10)	
Question 16	**Has the company received any notable awards or accreditations for its farm animal welfare performance in the last two years?**	
	No evidence of notable awards or accreditations in the last two years	0
	The company has received a notable award or accreditation for a single category or species	5
	The company has received a significant award relating to its efforts across a number of species, or the company has received awards for its efforts on different species.	10
	(Max Score 10)	
Question 17	**Does the company promote higher farm animal welfare to consumers through education and/or awareness-raising activities?**	
	No evidence of promoting higher farm animal welfare	0
	At least one example of promoting higher farm animal welfare to consumers	5
	Multiple examples of promoting higher farm animal welfare to consumers	10
	(Max Score 10)	

APPENDIX 2 2012 COMPANY SCOPE

	COMPANY	ICB CLASSIFICATION	COUNTRY OF INCORPORATION
1	**Ahold/Ica Eiendom Norge AS**	5337: Food Retailers and Wholesalers	Sweden
2	**Aldi Süd/Aldi Einkauf GmbH & Co**	5337: Food Retailers and Wholesalers	Germany
3	**Carrefour SA**	5337: Food Retailers and Wholesalers	France
4	**Casino Guichard-Perrachon SA**	5337: Food Retailers and Wholesalers	France
5	**(The) Co-operative Food (UK)**	5337: Food Retailers and Wholesalers	UK
6	**Coop Group (Switzerland)/Coop Genossenschaft**	5337: Food Retailers and Wholesalers	Switzerland
7	**Delhaize Group SA**	5337: Food Retailers and Wholesalers	Belgium
8	**El Corte Ingles SA**	5337: Food Retailers and Wholesalers	Spain
9	**Groupe Auchan SA**	5337: Food Retailers and Wholesalers	France
10	**J Sainsbury Plc**	5337: Food Retailers and Wholesalers	UK
11	**Koninklijke Ahold NV**	5337: Food Retailers and Wholesalers	Netherlands
12	**Lidl Stiftung & Co KG**	5337: Food Retailers and Wholesalers	Germany
13	**Marks & Spencer Plc**	5337: Food Retailers and Wholesalers	UK
14	**Mercadona SA**	5337: Food Retailers and Wholesalers	Spain
15	**Metro AG**	5337: Food Retailers and Wholesalers	Germany
16	**Migros-Genossenschafts-Bund**	5337: Food Retailers and Wholesalers	Switzerland
17	**Rewe Group**	5337: Food Retailers and Wholesalers	Germany
18	**Schwarz Unternehmens Treuhand KG/Kaufland**	5337: Food Retailers and Wholesalers	Germany
19	**Tesco Plc**	5337: Food Retailers and Wholesalers	UK
20	**Waitrose**	5337: Food Retailers and Wholesalers	UK
21	**Wal-Mart Stores Inc/Asda**	5337: Food Retailers and Wholesalers	USA
22	**Wm Morrison Supermarkets Plc**	5337: Food Retailers and Wholesalers	UK
23	**Aramark Corporation**	5757: Restaurants and Bars	USA
24	**Autogrill SPA**	5757: Restaurants and Bars	Italy
25	**Burger King Corporation**	5757: Restaurants and Bars	USA
26	**Camst - La Ristorazione Italiana Soc. Coop. ARL**	5757: Restaurants and Bars	Italy
27	**Compass Group Plc**	5757: Restaurants and Bars	UK
28	**Cremonini SPA**	5757: Restaurants and Bars	Italy
29	**Elior**	5757: Restaurants and Bars	UK
30	**SSP Group Limited**	5757: Restaurants and Bars	Sweden
31	**Gategroup Holding AG**	5757: Restaurants and Bars	Switzerland
32	**Greggs Plc**	5757: Restaurants and Bars	UK
33	**JD Wetherspoon Plc**	5757: Restaurants and Bars	UK
34	**McDonald's Corporation**	5757: Restaurants and Bars	USA

	COMPANY	ICB CLASSIFICATION	COUNTRY OF INCORPORATION
35	**Mitchells & Butlers Plc**	5757: Restaurants and Bars	UK
36	**Quick**	5757: Restaurants and Bars	France
37	**Sodexo**	5757: Restaurants and Bars	France
38	**Starbucks Corporation**	5757: Restaurants and Bars	USA
39	**Subway**	5757: Restaurants and Bars	USA
40	**Thon Gruppen AS**	5757: Restaurants and Bars	Sweden
41	**Umoe Gruppen AS**	5757: Restaurants and Bars	Sweden
42	**Whitbread Plc**	5757: Restaurants and Bars	UK
43	**Yum! Brands, Inc**	5757: Restaurants and Bars	USA
44	**Associated British Foods Plc**	3570: Food Producer	UK
45	**2 Sisters Food Group**	3570: Food Producer	UK
46	**Arla Foods Ltd**	3570: Food Producer	Denmark
47	**Barilla SPA**	3570: Food Producer	Spain
48	**Cargill**	3570: Food Producer	USA
49	**Cranswick Plc**	3570: Food Producer	UK
50	**Dairy Crest Plc**	3570: Food Producer	UK
51	**Danish Crown AmbA/Tulip**	3570: Food Producer	Denmark
52	**Terrena Group/Gastronome**	3570: Food Producer	France
53	**Hillshire Brands Co/Sara Lee Corporation**	3570: Food Producer	USA
54	**Groupe Danone SA**	3570: Food Producer	France
55	**Groupe Lactalis**	3570: Food Producer	France
56	**H.J. Heinz**	3570: Food Producer	USA
57	**Kraft Foods (now Mondelēz International)**	3570: Food Producer	USA
58	**Marfrig Alimentos SA/Moy Park**	3570: Food Producer	UK
59	**Mars Inc**	3570: Food Producer	USA
60	**Müller Group AG**	3570: Food Producer	Germany
61	**Nestle SA**	3570: Food Producer	Switzerland
62	**Noble Foods Ltd**	3570: Food Producer	UK
63	**Premier Foods Plc**	3570: Food Producer	UK
64	**Royal Friesland Campina NV**	3570: Food Producer	Italy
65	**Smithfield Foods Inc**	3570: Food Producer	USA
66	**Tyson Foods Inc**	3570: Food Producer	USA
67	**Unilever NV**	3570: Food Producer	Netherlands
68	**VION Food Group**	3570: Food Producer	Netherlands

GLOSSARY

Animal welfare – the physical and mental wellbeing of animals; the Farm Animal Welfare Council adopted the Five Freedoms (see below) to demonstrate the attributes of good animal welfare.

Basic farm assurance – certification schemes that ensure certain standards of safety and quality are met, often including some animal welfare standards similar to the legislative requirements of the market(s) in which they operate

Barren battery cage – a cage used to house several laying hens, usually providing space equivalent to less than an A4 sheet of paper per hen; provision is limited to food and water; barren battery cages are prohibited by EU legislation although they are common in other parts of the world

Battery caged hens – hens housed in barren battery cages

Beak trimming – removal of part of the beak (laying hens, parent broilers and turkeys) using a hot blade, secateurs or an infra-red beam. Infra-red is the only method permitted in England; in the EU no more than a third of the beak may be removed

Broiler chickens – chickens reared for meat production

Close confinement – provision of very limited space, representing inadequate space to allow an animal to move around or express normal patterns of behaviour

Disbudding – removal of the horn buds in young animals (calves, kids) using a hot iron or chemical cauterisation

Dehorning – removal of the horns of adult animals by cutting or sawing

Dry sows – pregnant female pigs

Farm animal welfare – the physical and mental wellbeing of animals reared for food, fibres and other commodities. In 2012, the BBFAW defined farm animal welfare as it relates to egg laying hens, broiler chickens, pigs, dairy cows and calves, ducks, guinea fowl, rabbits, turkeys, geese, beef cattle, sheep and game.

Farrowing crate – a metal cage used to confine a single sow during farrowing (birth) and lactation; the crate is designed to obstruct transition between lying and standing and does not allow the sow to turn around or engage properly with her piglets

Five Freedoms – a framework for analysis of animal welfare within any system which includes the following requirements for good welfare:

Freedom from thirst, hunger and malnutrition
Freedom from discomfort
Freedom from pain and disease
Freedom from fear and distress
Freedom to express normal behaviour

Food companies - food businesses including producers, processors, manufacturers, food retail and service companies

Gilts – young female pigs that have never been pregnant

Growth promoting substances – used to increase the muscle (meat) or milk production of animals farmed for food. Examples include the hormone BST used to increase milk production, hormone feed additives in pig production (e.g. ractopamine) and low dose antibiotics. Antibiotic and hormonal growth promoters are not permitted by EU legislation

Long distance transportation – any transport of a live animal that exceeds 8 hours, from loading to unloading; welfare has been shown to decrease significantly in journeys lasting more than 8 hours

Mulesing – removal of skin from the hind-quarters of sheep breeds with excess folds of skin on their rumps, often without adequate pain relief

Mutilation – A procedure that interferes with the bone structure or sensitive tissues of an animal, usually to prevent an abnormal behaviour such as tail biting (pigs) and injurious pecking (laying hens)

Routine Mutilations – The mutilation of all animals at a certain stage within a certain system to help prevent problems associated with abnormal behaviours. Usually occurs instead of addressing the underlying issues with the system that may lead to the abnormal behaviours

Sow stall – a narrow metal crate used to confine individual sows for their 16 week pregnancy, without sufficient room for sows to turn around; also called gestation crates

Tail docking – removal of part of the tail (usually up to two-thirds) using a hot docking iron, sharp blade (pigs) or tight rubber ring (lambs, cattle); routine tail docking of pigs is not permitted by EU legislation

Teeth clipping – reduction (cutting) of a piglet's 8 sharp needle teeth shortly after birth using sharp clippers or pliers; routine teeth clipping is not permitted by EU legislation

Tethering – tying of an animal (usually grazing animals such as cattle and goats, but also sows) to a fixed point; tethering prevents an animal from carrying out its normal behaviour, not permitted in the EU for calves (certain exceptions) and pigs

Veal crate – a pen or box to confine a single dairy calf; calves are often tethered in these systems and do not have adequate space to turn around; the use of veal crates is prohibited in the EU and some US states

The Business Benchmark on Farm Animal Welfare (BBFAW) is designed to improve corporate reporting on farm animal welfare management, policies, practices, processes and performance, and, over time, to contribute to improvements in the farm animal welfare practices and performance of food companies. It is the first global measure of farm animal welfare management, policy commitment and disclosure in food companies and is designed for use by investors, companies, NGOs and other stakeholders interested in understanding the relative performance of food companies in this area.

The programme is supported by two principal partners, Compassion in World Farming and the World Society for the Protection of Animals (WSPA), through the provision of technical expertise and guidance, funding and practical resources.

Compassion in World Farming

Compassion in World Farming ("Compassion") has been engaging with food business companies to drive up standards in farm animal welfare for over a decade. In 2009, it established a Food Business Team to strengthen dialogue and promote collaboration with food businesses. As a part of this, Compassion is dedicated to developing appropriate tools to benchmark the relative animal welfare performance of companies and to recognise and acknowledge best practice. Its annual Supermarket Survey and Good Awards programme are proven tools for effective engagement with food business companies across Europe.

The Food Business Team now works in partnership with many of the leading brands to develop practical solutions to animal welfare issues within the supply chain. By focusing specifically on those with the highest volumes, over 311 million animals are set to benefit each year as a result of work to date.

World Society for the Protection of Animals (WSPA)

At the World Society for the Protection of Animals (WSPA), we have protected animals around the globe for more than 30 years. We use our collective skills and knowledge to move individuals, organisations and governments to transform animals' lives. Our diverse work includes ending the mass suffering of industrially farmed animals, preventing the pain of individual animals caught up in disasters, and making rabies-driven dog culls history by proving that a humane response works best for animals and people.

Working in more than 50 countries, we create positive change by exposing cruelty and pioneering sustainable solutions to animal suffering. We also act for animals at a global level, using our consultative status at the United Nations to make sure our message is heard: that the lives of animals are inextricably linked to our own, and now more than ever is the time to stop their suffering.

More information on the programme can be found at www.bbfaw.com

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For further information please
contact the Programme Director,
Nicky Amos, at nicky@nicky-amos.co.uk

www.bbfaw.com