

## **Response to Business Benchmark in Farm Animal Welfare Assessment Criteria Consultation**

### **The submission of the EIRIS Foundation and EIRIS Ltd**

#### **Details on the Respondent**

The EIRIS Foundation ([www.EIRISFoundation.org](http://www.EIRISFoundation.org)) is a leading UK charity working in the area of responsible investment.

The Foundation has nearly 30 years' experience of providing free, objective and trusted information on ethical finance to charities and members of the public. A social enterprise, its mission is to empower investors with independent assessments of companies and advice on integrating them with investment decisions.

The Foundation's subsidiary, Ethical Investment Research Services (EIRIS) Ltd, researches the environmental, social, governance and ethical aspects of over 3,000 companies globally. EIRIS provides services to asset owners, asset managers, stock exchanges, private client brokers and non-profits worldwide.

*Contact Name:* Stephen Hine

*Contact Role:* Head of Responsible Investment Development

*Contact Number:* 0207 840 5716

*Contact Address:* 80 – 84 Bondway, London, SW8 1SF

*Contact Email:* [stephen.hine@eiris.org](mailto:stephen.hine@eiris.org)

#### **Our response**

EIRIS welcomes the Business Benchmark on Farm Animal Welfare ('**BBFAW**')s assessment criteria that it will use to evaluate farm animal welfare management practices (the '**Assessment Criteria**') against a disclosure framework (the '**Disclosure Framework**'). We support the development of the Assessment Criteria and offer feedback on the criteria proposed via the consultation questions (the '**Consultation**').

EIRIS works with both asset managers and asset owners, providing them with research on the environmental, social and governance ('**ESG**') performance of companies. Higher quality reporting offers the potential for greater flow of relevant information at all stages of the investment chain. The analysis of better quantitative and qualitative information from companies, including on material ESG risks, helps to create better reporting and greater accountability across the investment chain.

EIRIS acknowledges how in the past, poor corporate performance on farm animal welfare grounds led some ethically-motivated investors to screen out companies, but responsible investors are increasingly becoming aware of the link between farm animal welfare and financial value. As the links to climate change and the environment become more evident,

responsible investors may increasingly consider farm animal welfare not just on values grounds, but as part of ESG risk analysis to find better corporate value.<sup>1</sup>

**1. Do you think the questions adequately reflect the key issues and concerns of stakeholders relating to farm animal welfare practices of food businesses?**

We welcome the questions which will provide information from companies to address the issues and concerns of stakeholders interested in this area.

We wonder if investors and other stakeholders might also be interested in finding out more about the extent to which a company's operations label and disclose the percentage of its products that are following farm-animal-welfare-friendly practices.

In particular, with regard to the policy areas of genetically modified / cloned animals and pre-slaughter stunning, it could be helpful to identify the proportion of a company's operations (including supply chain) that do not meet the ideal standards of the benchmark.

However, this may be an area that can receive greater attention once reporting on farm animal welfare as a business issue becomes more mature.

**2. How practical do you think it is to expect companies to disclose such detail on their farm animal welfare practices?**

If companies are aware of this as an issue for investors they may be more inclined to answer such questions. Companies receive a significant amount of questions from investors and other stakeholders, but as welfare is a key issue for the food business sector one would expect that companies would invest time in responding.

Most of the questions are structured to seek information that is relatively straightforward e.g. whether a policy, structure or target exists and whether the company reports on these.

In some cases companies may not report on the detail. For example, we wonder whether it may be too much to ask companies to disclose capital and other costs that are expected to be incurred with regards to how objectives and targets around farm animal welfare are to be delivered. (See Disclosure Framework, Performance – Objectives and Targets – page 5).

**3. How useful do you consider the information requested might be to you in assessing the relative performance of food businesses on their animal welfare practices?**

The information retrieved would be a valuable resource for an investor looking at managing risks in this area and assessing the relative performance of food businesses on their animal welfare practices.

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<sup>1</sup> 2011 EIRIS Blog post 'Value and values: Farm animal welfare in ESG analysis' <http://www.eiris.org/blog/value-and-values-farm-animal-welfare-in-esg-analysis/>

- i. One area that may affect usefulness is the scope. In the 'Inclusions and omissions' section of the Consultation it lists the animals reared for food that the BBFAW covers. We are interested to find out whether other animals reared for food might also be covered by this list. For example, what of goats, elk, reindeer and even exotic animals reared for food (such as ostriches, wild boar)? We also note the omission of horses from this list, which are reared for meat in Europe, if not in the UK. As the Assessment Criteria is to be used to evaluate the farm animal welfare management practices of c. 60 listed and non-listed European good businesses, we thought this could be relevant.
- ii. With regard to the companies to be assessed, page 5 of the Consultation refers to the initial assessment covering 'European food companies'. We would be keen to find out more about how 'European' is defined; for example, will it include European companies that are owned by non-European companies, and if yes, would the analysis reach out to cover the non-European parent company, from whom it would be interesting to receive feedback?
- iii. With regard to the companies to be assessed, page 5 of the Consultation refers to 'producers' amongst other major food business sectors. Are 'producers' farmers, agro-businesses or food producers? Clarification would be welcome here.

**4. Do you think that the scores and weighting appropriately represent the most important factors in farm animal welfare management?**

- i. We support the emphasis of scoring at this initial stage on questions relating to commitment, governance and management systems, given the relative immaturity of company activity and reporting in this area.
- ii. We wonder if the distribution of scoring in a couple of questions in the Governance and Management section should be changed slightly. For example, the maximum score for questions 9 (management responsibility for farm animal to an individual or specified committee) and 10 (set objectives and targets for the management of farm animal welfare) is only 10 points, we wonder if this should be higher in each case.
- iii. In question 3 (policy statement providing a clear explanation of scope), we would like to suggest that it might be helpful to differentiate those companies that apply the policy to all but one relevant species. The current differentiation between 'certain' and 'all' would not identify this.
- iv. In question 11 (company reporting on animal welfare performance) we wonder if the maximum score for the sub-indicator 'company reports on how it has performed against its objectives and targets' should be slightly higher than 5 points.

**5. More generally, how would you like to see the criteria and the benchmark develop in future years?**

- i. With regard to the companies to be assessed, we would be interested to find out whether BBFAW intends to broaden the application of the assessment beyond just European food companies as the benchmark develops.
- ii. We would be interested to find out how BBFAW and its supporting partners intend to promote the benchmark to those European countries, and beyond, that are perceived to be less concerned about farm animal welfare nationally.
- iii. Are there plans to broaden the benchmark's coverage of companies in future years, or is it intended to assess the progress of the 60 chosen companies?

**6. Any more general comments on the Assessment Criteria, Disclosure Framework and BBFAW programme.**

**A. Disclosure Framework Comments**

We welcome the Disclosure Framework and think the broad framework is well-thought out and sensible. Comments are given below to raise queries or suggestions to further improve.

**Overarching Policy**

- i. With regard to specific disclosures around Overarching Policy (page 4) we noted that the benchmark suggests that companies should include a clear statement of the reasons why farm animal welfare is important both from a *business* and *ethical* point of view. From EIRIS' perspective, the absence of a stated 'ethical' case for action need not detract from a company's ability to address the issues that this benchmark is trying to address. By suggesting that companies should provide the 'ethical' case in addition to the 'business' case, it may dissuade some companies from attempting to meet the criteria. It would be helpful to clarify whether companies will be scored differently if they have either a business or ethical policy statement, or both.
- ii. In the section relating to Overarching Policy (p.4) it states that "Companies should be clear about the scope of their farm animal welfare policy". We would suggest that an additional bullet point is added to the text here, in order to encourage companies to disclose the extent to which the policy applies to a company's operations. Companies could be clear about whether it applies to all, or just part of, the company's operations (including joint ventures, subsidiaries, partners and associated companies).

**Specific Policy Positions**

- i. Whilst it has been raised in internal discussion that the categorisation of the 'use of meat from animals that have not been subjected to pre-slaughter stunning' as 'non-humane' by the BBFAW might be interpreted by some to be discriminatory on religious grounds, we recognise that pre-slaughter stunning is considered by many to be a significant welfare issue. The chosen wording 'pre-slaughter stunning' has perhaps been informed by briefings such as Compassion in World Farming's briefing on religious slaughter. According to CIWF,

*“Compassion in World Farming has been working with leading animal welfare academics and the Islamic community regarding the slaughter of animals for Halal meat and is pleased to see that many certification bodies in the UK allow pre-stunning, which still complies with religious rules relating to Halal slaughter, and supports Islamic teaching which respects all animals as part of creation.”<sup>2</sup>*

The CIWF’s briefing gives examples of acceptance of stunning by certain religious authorities.<sup>3</sup>

We would be interested in the scoring mechanism used in this area; a company that does not use pre-slaughter stunning on religious grounds, but labels the products to which this applies and discloses perhaps the percentage of products across its operations to which this applies should perhaps score slightly better than a company that does not use pre-slaughter stunning and provides no further information.

- ii. It would be helpful for policy positions and guidance around potentially more contentious areas, such as the pre-slaughter stunning and the use of genetically modified / cloned animals, to be included by links. These could further explain the reasoning behind BBFAW’s position to consider such activities to be sufficiently detrimental and therefore deserving of a policy by companies.
- iii. We would also welcome clarification on whether ‘long-distance transportation’ covers a wide variety of transport modes. For example, does it include ship, truck and aircraft? Would credit be given to a policy that covered a broader, rather than more limited, definition? It might be helpful here to specify which modes of transport are to be covered in the assessment. Again, a link to guidance on spacing requirements during transportation and maximum journey times could be helpful for companies here.

#### **Governance**

- i. In addition to the bullet points currently included about defined responsibilities, we would also suggest that there could be an additional requirement to specify whether there is a direct reporting link to the board on any activity on farm animal welfare. This direct reporting link is important for investors for whom there is a clearer link for engagement purposes.

#### **Performance – Objectives and Targets**

- i. The Disclosure Framework states that companies should publish objectives they have set for farm animal welfare in relation to all or specified animal species and explain how objectives and targets are delivered. In this context, it may be worth specifically referring to training and reporting that is structured across the organisation both top-down and bottom-up, to ensure its effectiveness (e.g. compare with health and safety requirements).

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<sup>2</sup> [http://www.ciwf.org.uk/news/compassion\\_news/guardian\\_halal\\_article\\_response.aspx](http://www.ciwf.org.uk/news/compassion_news/guardian_halal_article_response.aspx)

<sup>3</sup> Compassion in World Farming, *Briefing – Religious Slaughter*, p. 3

[http://www.ciwf.org.uk/includes/documents/cm\\_docs/2011/r/religious\\_slaughter\\_briefing\\_may\\_11.pdf](http://www.ciwf.org.uk/includes/documents/cm_docs/2011/r/religious_slaughter_briefing_may_11.pdf)

**Performance - Outcomes**

- i. It may be helpful to provide guidance as to which of the various assurance schemes and standards are considered to be best. A link to any existing guidance here would be helpful.

**Performance Reporting**

- i. We wonder if a recommendation for performance might be welcome here. For example, companies could be encouraged to report on the percentage of their product or species covered by animal-welfare-friendly policies for each of their key product lines.

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