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Reporting on Performance Measures for Farm Animal Welfare

Nicky Amos and Rory Sullivan

EXECUTIVE SUMMARY

Company reporting on farm animal welfare performance is relatively underdeveloped. However, as investor awareness of the financial implications of farm animal welfare grows, companies will increasingly be expected to report on performance in a way that provides reassurance that farm animal welfare-related issues are being effectively managed and improved upon. Policies and processes alone do not guarantee a level of performance and, ultimately, it is performance that is most relevant to investors, to stakeholders and, of course, to the animals farmed for food.

This briefing paper discusses:

- The case for companies to report on farm animal welfare performance.
- What is meant by farm animal welfare performance?
- The challenges for companies looking to report on animal welfare performance, given the complexities of food supply chains across multiple geographies, production systems, animal species, and produce, as well as commercial and consumer sensitivities linked to animal welfare measures.
- The options for reporting farm animal welfare performance using various input criteria and welfare indicator measures.
- The questions/criteria that are being proposed for inclusion in the 2014 Business Benchmark on Farm Animal Welfare.

The content of this paper has been informed by an Expert Advisory Group that we established to advise on performance measures and performance reporting, and by the feedback we have received from companies, investors and other stakeholders on performance-related issues. However, other than where indicated, the views expressed in this paper are not necessarily the same those of the organisations and individuals that participated in the Expert Advisory Group, nor should they be taken as representing the formal positions of either Compassion in World Farming or World Animal Protection.

BACKGROUND

Why focus on farm animal welfare performance?

The Business Benchmark on Farm Animal Welfare ('the Benchmark') has, since 2012, evaluated food companies on the transparency of their policies and practices on farm animal welfare. Its aim is to encourage companies to provide a better account of their approach to farm animal welfare, and to address the current lack of publicly available information on how companies manage farm animal welfare issues, thereby helping investors and other stakeholders to differentiate between those companies that do a good job and those that do not.

To date, the Benchmark has focused primarily on corporate policies and processes. This was a deliberate choice, as we recognised that companies would need time to develop their reporting in these areas before they would be ready to consider reporting on performance. However, it was always our intention to strengthen the Benchmark's focus on farm animal welfare performance. The importance of strengthening our focus on performance has been a consistent message from investors and from non-governmental organisations. Companies too have recognised the value of performance reporting but have cautioned against moving too fast in this area given, as we discuss later, the lack of consensus on the performance indicators that should be used.

What do we mean by farm animal welfare performance? Some Definitions

Animal welfare encompasses not only physical wellbeing, but mental wellbeing and the ability to express important species-specific behaviours. All three aspects must be present for an animal to have a good quality of life. Of critical importance is recognising that animal welfare is about the welfare of the individual animal, and welfare should be addressed through minimising the negative and maximising the positive experiences of the individual animals reared for food. For companies, this means that they need not only to look at production systems and welfare outcomes in the round, but they also need to pay close attention to day to day operations and practices. For instance, good housing, feeding, health, and behaviour, underpinned by good stockmanship, are needed for good animal welfare on-farm, and good handling and effective stunning/ slaughter are required for good welfare at slaughter.

Performance in farm animal welfare is the action or process of achieving an acceptable level of welfare throughout the process of breeding, rearing/finishing, transporting and slaughtering of animals in the food industry. Performance reporting of a company's practices refers to achievements based on a combination of resource/management inputs and indicators from the animals themselves (outcomes), both of which can be recorded quantitatively and objectively.

Input-based measures refer to the type of production system (e.g. caged, barn, free-range) used – this includes aspects of the housing (e.g. space allowance, provision of environmental enrichment), treatments and procedures, breed use, feeding and health management (e.g. the quantitative use of preventative antibiotics) - as well as the practices for transport and slaughter.

Outcome-based measures focus on the most important species-specific measures (e.g. lameness and mastitis in dairy cows, gait score and footpad dermatitis in broilers, tail-biting and lameness in pigs, bone breakage and feather coverage in laying hens). Outcome-based measures are not confined to physical measures of wellbeing but also include aspects of mental wellbeing (e.g. reaction to humans or novelty, fear, comfort) and behaviour (e.g. time spent lying – resting, ruminating, or being active - foraging, perching, dust-bathing, socialising).

Companies may also use **relative measures** to describe their performance. For example, they may compare their performance on input and outcome-based measures to industry averages or to desired levels (e.g. company targets), and they may also discuss percentage changes year-on-year or the progress being made toward a target.

What do stakeholders expect of companies in relation to farm animal welfare performance?

Stakeholders have different expectations of companies when it comes to their farm animal welfare performance. For example:

Investors, and other stakeholders, are largely concerned about the risks presented by companies failing to adequately manage farm animal welfare issues within the context of regulatory requirements and/or consumer expectations. They seek reassurance that management systems and processes are effective, and that a company will not become embroiled in controversies as a result of poor production processes or adverse animal welfare outcomes.

Animal welfare organisations expect to understand the ways in which companies are managing animal welfare performance in terms of both the production systems they operate/supply from (input based) and the key welfare indictors they measure (outcome based) throughout the life of the animal. Animal welfare organisations place particular emphasis on the holistic impact of farming systems on animal welfare (physical, mental/emotional and behavioural) and the actions taken by companies to ensure progressive improvement in animal welfare throughout their supply chains.

Food companies are concerned about effectively managing animal welfare performance – from a legislative perspective as well as taking into account both moral/corporate responsibility and commercial viewpoints. However, they will not necessarily mandate the type of production systems suppliers should use in order to ensure particular welfare outcomes. Monitoring key welfare indicators, i.e. indicators other than production based measures (such as growth rate, milk yield, feed conversion efficiency) is relatively new to most companies.

Consumers typically trust that their food retailer, restaurant/service provider, or food brand has taken adequate care of all relevant issues regarding food safety, quality and animal welfare. In addition, some consumers seek reassurance that the products they buy are assured to recognised animal welfare schemes and standards (although, within these, not all consumers are in a position to differentiate between basic and higher welfare assurance schemes and standards).

EXPERT ADVISORY GROUP ON PERFORMANCE MEASURES

Recognising the complexity of measuring and reporting on farm animal welfare performance, in March 2014, we established an Expert Advisory Group on Performance Measures to advise us on potential criteria to be included in the 2014 Benchmark and beyond.

The Group comprised representatives of food companies (namely Waitrose and a US-based food services company that declined to be publicly acknowledged), animal welfare experts from Compassion in World Farming and World Animal Protection, and specialist advisors on responsible investment and corporate responsibility from the Business Benchmark secretariat.

The Group met on two occasions – on 7 April and 14 May 2014 – and, via email and telephone, reviewed and commented on the draft performance-related criteria for the 2014 Benchmark.

This Investor Briefing and the draft criteria proposed for the 2014 Benchmark have been informed by the views and comments of the Expert Advisory Group. However, as noted above, the views presented here should not, unless indicated otherwise, be taken as representing the formal views of the organisations or individuals that participated in the Expert Advisory Group.

CURRENT REPORTING PRACTICES: AN OVERVIEW

Do companies report on farm animal welfare?

Company reporting on farm animal welfare is relatively underdeveloped. Of the 70 companies covered by the 2013 Benchmark only 19 (27%) report on performance measures (up from 19% in 2012). Looking specifically at companies reporting against farm animal welfare assurance standards, some 40% of the companies evaluated do not provide any information on the standards to which their animals are reared, transported and slaughtered (although this represents an improvement on the 50% of companies not reporting on these standards in the 2012 Benchmark). Most of the companies that do report on assurance standards do so in a piecemeal manner, with reporting often confined to specific species and specific geographies (for example, the proportion of eggs sold in the UK that are certified to the RSPCA Freedom Food scheme).

Companies face practical challenges when seeking to report on animal welfare performance; they generally have multiple animal species, they often have long complex supply chains, they frequently manage animal species to different standards, there is an absence of universal global standards for animal welfare, which means there is no clear consensus about the specific expectations of companies. Notwithstanding these difficulties, the 2013 Benchmark found that a number of companies provide good accounts of their farm animal welfare performance, with many reporting indicators and data points that could form the basis for standardised corporate performance reporting on farm animal welfare in the future. The indicators currently reported – see Table 1 below - point to the potential to develop a performance reporting framework that captures scale (i.e. the number of animals affected), business relevance (e.g. sales of higher welfare products such as cage-free eggs), processes (e.g. routine antibiotic usage) and accredited assurance schemes and standards.

Table 1: Examples of Indicators/Metrics Reported by Companies

Indicator/Metric	Reported by
Total number of animals handled or managed	Arla, Marfrig, Smithfield Foods, Tyson
Proportion of animals sourced by country	Coop Group (Switzerland)
Proportion of animals managed/sold to higher welfare standards (where the standard(s) are specified)	The Co-operative Food (UK), Compass (USA), Coop Group (Switzerland), J Sainsbury
Proportion of time that the animals are allowed outdoors	Arla
Average space available to animals	Arla
Proportion of animals produced without the routine use of antibiotics	Compass (USA)
Proportion of milk and yoghurt sales free of artificial growth hormones	Compass (USA)

Issues And Challenges In Farm Animal Welfare Performance Reporting

Many companies are apprehensive about performance reporting on farm animal welfare, citing a number of reasons. These include:

- **The lack of consensus on standards:** Large food companies often have complex operations spanning multiple suppliers, geographies and species. Collating comparable data, particularly when the systems and standards available and accepted in different geographies are wide-ranging, can be a challenge. The lack of a global animal welfare standard has resulted in companies setting and reporting on their own standards and targets.

- **Concerns about data quality (internally and between companies):** For some companies, the data that they gather on farm animal welfare performance is not yet sufficiently robust to allow them to report on their performance. A number of companies have explained to us that they a working to strengthen their internal data gathering processes to ensure that performance is measured consistently, that the scope of reporting is applied consistently and that data are gathered, collated and analysed consistently. These are all critical to ensuring that the company can report accurately and, over time, to allowing company performance to be assessed and compared on a consistent basis.

- **Commercial Confidentiality:** A number of companies are investing significant time and resources into research into production systems and welfare outcomes, seeing this as a point of differentiation and competitive advantage. These companies want to ensure that any disclosure requirements do not conflict with their commercial interests and do not undermine the competitive advantage that they see that they can realise through higher standards of farm animal welfare.

- **Expectation management:** Companies are sensitive to the potential for negative publicity from the media or from NGO campaigning groups, and to the potential for a backlash from consumers on issues which may not previously have been front of mind or which may have been assumed were being adequately managed. This is particularly relevant to animal welfare performance reporting, where many companies have yet to speak publicly about these issues.

What information do companies report privately?

Compassion in World Farming provides a gap analysis tool – the Supermarket Survey – where retailers are invited to answer a series of in-depth questions about their supply chain. Examples of performance measures reported privately include: average percentage of lameness in dairy cattle; percentage of sales volume pigmeat produced from pigs subjected to tail docking/teeth clipping/castration; planned and absolute maximum stocking density for broiler chickens; and maximum permitted periods that farmed salmon/trout are starved before slaughter.

Information reported through the Supermarket Survey is confidential and forms the basis of a personalised report outlining each retailer's strengths and weaknesses and recommended actions for improvement. They are also anonymously benchmarked against the other retailers in the Survey, allowing them to observe their ranking against the highest and lowest scores across four key species – laying hens, broiler chickens, pigs and dairy cows – and against their overall approach to farm animal welfare.

Opinion – Compassion in World Farming ('Compassion')

At Compassion, we recognise and appreciate the challenges inherent in reporting on performance in farm animal welfare. Many companies have traditionally been hesitant to publicly share performance results, citing risks to competitive advantage or the danger of bringing issues to the forefront of consumers' minds. We do believe, however, that disclosure can be conducted in a way that does not undermine competitive advantage, and indeed enhances it. We encourage companies to report on those measures most material to their business, and most meaningful to the animals. Ensuring any such disclosure is positioned within its broader context is important, and can help both investors and consumers to understand and accurately assess the information. Comparisons to industry averages or to a company's stated targets, for example, can facilitate this. It is also important to monitor and analyse results so that any necessary corrective action can be implemented.

We encourage companies to report on animal-based welfare outcome measures as well as resource and management based inputs. The welfare potential of a system, particularly with regards to animals' behavioural expression, may be determined to a large extent by its inputs, and this detail is important to disclose. However, a true picture can only be obtained by understanding welfare at the level of the individual animal. If a company is publicly committed to animal welfare, then measuring key welfare outcomes is an important way of determining whether the systems the company uses are ultimately impacting the animals in a positive way.

We applaud those companies already making progress in this field and we hope that a more defined focus on performance in the 2014 Benchmark will begin to drive more meaningful disclosure on performance over time.

Business Benchmark on Farm Animal Welfare

THE 2014 BENCHMARK: PROPOSED APPROACH

Proposed questions on performance

For the 2014 Benchmark, four new performance-related questions are proposed. The detail of the newly proposed performance questions, along with a breakdown of the scoring system, is given in the 2014 Consultation Paper 'Proposed criteria on performance measurement'[1]. Here we discuss the rationale for the questions and set out some of the thinking that underpins these questions.

We recognise that it is premature to specify the indicators or performance measures that companies should report against. Therefore, the approach adopted is to encourage companies to report on the key welfare indicators that are relevant to their business. We hope that this will also stimulate thinking on how best to report on farm animal welfare outcomes and that, over time, we may move towards a position where we can be more prescriptive on performance reporting. In the short-term at least, our expectation is that companies will focus on physical outcome measures, given that the measurement of emotional and behavioural outcomes (in particular at the aggregate, business-wide level) remains relatively underdeveloped.

We are proposing three new questions on input performance measures:

- **Does the company report on the proportion of animals in its supply chain that are free from confinement (i.e. those in barn, free range, indoor group housed, indoor free-farrowing, outdoor bred/reared)?**
- **Does the company report on the proportion of animals in its supply chain that are subject to pre-slaughter stunning?**
- **Does the company report on the average, typical or maximum permitted live transport times for the animals in its supply chain?**

We are also proposing one new question on welfare outcome measures:

- **Does the company report on welfare outcome measures (i.e. measures linked to the physical, emotional and/or behavioural wellbeing of animals)?**

In framing these questions, we are hoping that we encourage companies to think about farm animal welfare performance on-farm, in transport and at slaughter (although we acknowledge that the relative importance of these stages will depend on the specific company in question). We are also hoping to encourage companies to think about and report on species-specific key welfare indicators, and to link this reporting to their wider business objectives.

[1] BBFAW 2014 Consultation Paper: http://www.bbfaw.com/wp-content/uploads/2010/08/Consultation-on-2014-Evaluation-Criteria-01-July-2014.pdf

Since the aim is to drive reporting in a relatively underdeveloped area, there is little prescription about what welfare outcome measures would be acceptable to report. It is important though for companies to identify meaningful measures. These might include (the list is not exhaustive):

- Mortality (as an indicator of potential pain, suffering and suboptimal performance)
- Disease incidence (as an indicator of health status, robustness)
- Bone breakages (as an indicator of pain, suffering, suboptimal performance, and poor house design)
- Lameness (as an indicator of potential pain, behavioural restriction and suboptimal environmental and housing conditions)
- Body marks / injuries (as an indicator of aggressive fight damage, especially during mixing or competition at feeding)
- Body condition (as an indicator of good feed management, or competition at feeding)
- Cleanliness (as an indicator of good environmental control, thermal comfort)
- Positive flock or herd behaviour (as an indicator of a varied stimulating environment, good management and suitable breed to production system).
- Negative flock or herd behaviour, such as injurious feather pecking or tail biting in pigs (as an indicator of a barren non-stimulating environment, poor environmental control, low space allowance, feed and health problems)

In addition to the four new questions, we are proposing that we revise one of the questions in the 2013 Benchmark to now read as follows:

Does the company report on its performance against its animal welfare policy and objectives?

In light of the proposed new questions, and to avoid ambiguity, we are also proposing an amendment to the existing question on performance reporting. This question previously asked whether the company had reported on performance but this has been revised to now ask whether the company reports on trends in performance (i.e. the progress that has been made) and explains or contextualises the trends being seen. This question gives companies the opportunity to report progress on their own targets, objectives and chosen measurements, i.e. those which they feel are most relevant for their business.

Implementation of the Performance-related Questions

In developing these questions on performance measures, we have been mindful of the challenges that performance reporting presents for companies, and that even leading companies provide relatively little information on performance outcomes. We recognise that companies will need time to evolve their reporting approach to include a greater emphasis on performance measurement. For this reason, the Benchmark will not include company performance scores in the overall Benchmark rankings for 2014. Companies will, however, be provided with their scoring for the new performance questions as part of their detailed question by question report. However, it is our intention to publicly report on composite scores for the new questions in the 2015 Benchmark Report.

Opinion - Waitrose

At Waitrose, we believe that high animal welfare is a pre-requisite to being a good business. It is what our Partners (as our employees are called) expect and it is what our customers value.

Like many food companies, Waitrose has been communicating its animal welfare credentials to customers for some time now and we feel that this area of reporting is well developed. However, we recognise that reporting on farm animal welfare to stakeholders other than customers is more limited. Unlike a publicly listed company, we do have the requirement to publicise in-depth investor information on issues material to our business. However, listed or not, all companies with livestock supply chains face the same responsibilities to drive and deliver good welfare from farm to processor. We have lots of available information on welfare because it is an area we monitor closely and care about deeply, and we are working on tailoring it to different audiences. Like any business, we must balance the very correct requirement for open reporting with the need to protect commercially sensitive information and intellectual property that has taken years of time and a huge financial investment to get right.

Despite these challenges, we value the opportunity to engage with the Business Benchmark on Farm Animal Welfare to explore how we might develop more tailored reporting on farm animal welfare performance. Our involvement in the Expert Working Group has enabled us to work closely with CIWF, WSPA and the BBFAW team to explore the implications and practical challenges of reporting, and to ensure that the commercial realities of food companies are appropriately reflected.

We welcome the inclusion of performance measures in this year's Benchmark. However, we have been keen to stress the importance of allowing companies time to transition toward more open disclosure of farm animal welfare performance. We are therefore pleased that BBFAW is proposing to exclude the scoring on performance measurement questions from the overall scoring this year (and therefore avoid any impact on 'tier' placements) in order to allow companies time to evolve their reporting approaches.

It is our belief that, over time, the Business Benchmark on Farm Animal Welfare will play a pivotal role in creating a more level playing field for companies to report on their farm animal welfare management and performance, while ensuring that the information reported is both relevant and useful to multiple audiences.

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Authors' Details

Nicky Amos is a corporate responsibility professional with 20 years' experience in managing and directing corporate responsibility in global companies, including The Body Shop International. She is recognised for her pioneering work around supply chain development, responsible sourcing and sustainability reporting, and for her work in developing global sustainability strategies, campaigns and communications for leading international businesses

Dr Rory Sullivan is an internationally recognised expert on responsible investment. He is Strategic Advisor, Ethix SRI Advisers and a Senior Research Fellow at the University of Leeds. He has written/edited seven books on finance, environmental and development issues, including Valuing Corporate Responsibility (2011) and Responsible Investment (2006).

The **Business Benchmark on Farm Animal Welfare** is designed to help drive higher farm animal welfare standards in the world's leading food businesses. It is the first global measure of animal welfare standards in food companies and is designed for use by investors, companies, NGOs and other interested stakeholders.

For more information, go to www.bbfaw.com or contact the Programme Director, Nicky Amos: nicky@nicky-amos.co.uk.