

Briefing on the 2019 BBFAW Report Launch

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BBFAW
Business Benchmark
on Farm Animal Welfare

On 2 April 2020, we launched the 8th Annual Business Benchmark on Farm Animal Welfare (BBFAW) report in a series of three webinars, involving 225 participants representing food companies, institutional investors, civil society organisations and academic institutions in 14 countries.

This note provides a summary of the presentations and of the key questions raised by participants. We have grouped these into the following categories:

- 1 The implications of the coronavirus crisis for food companies
- 2 Technical questions about the BBFAW methodology
- 3 Questions on how different stakeholders exert influence on food companies and vice versa
- 4 Some general questions on companies and farm animal welfare

With thanks to the members of the BBFAW Technical Working Group for their feedback and contributions to this report: Dr Tracey Jones, Dr Nathan Rhys Williams and Louise Valducci (Compassion in World Farming), and Dr Nancy Clarke, Rafel Servent and Kelly Dent (World Animal Protection).

2020 benchmark timetable

In response to the Covid-19 global health crisis, the BBFAW has decided to postpone the start of the company assessments for the 2020 Benchmark until 1 October 2020, and expects to complete the assessments by end-November 2020 (rather than starting on 1 August and completing by end-September as in previous years). The 2020 findings will be published in March 2021.

For further information, see <https://www.bbfaq.com/news-and-events/press-release/2020-benchmark-timeline-for-companies/>

Please do not hesitate to contact us if you have any questions or require any further information about BBFAW.

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Summary of findings

The 2019 Benchmark covers 150 of the largest, most significant food companies in the world, covering the retail and wholesale, producer and restaurant and bars sub-sectors.

Farm animal welfare leadership and improved management practices are increasingly becoming institutionalised. Sixty per cent (60%) of the world's largest food companies now provide evidence that they are taking action to ensure farm animal welfare is effectively managed. However, 40% of companies provide little or no information on their approach to farm animal welfare.

The pace of change is accelerating, with companies increasingly recognising farm animal welfare as integral to business strategy. Twenty-two (22) companies now occupy leadership positions (corresponding to Tiers 1 & 2) in the Benchmark and, in total, 30 companies (mainly retailers and producers) improved by at least one Tier - the largest year on year increase we have seen. While eight (8) companies fell one Tier, five of these were directly affected by the changes in scores made in 2019.

When we look into the data, we see that:

- Companies are prioritising action on close confinement and the reduction or avoidance of routine antibiotics
- Companies are responding to calls for increased disclosure on their performance. Today, 104 companies (69%) now report at least some data compared to 62% in 2018 and 59% in 2017. Almost two-thirds (63%) of companies report some information on the proportion of animals kept in close confinement. However, significantly fewer companies report on the proportion of animals that are free from routine mutilations (26% of companies), pre-slaughter stunned (24% of companies) or transported for less than 8 hours (25% of companies)
- From a geographic perspective the UK is a clear leader, with UK domiciled companies achieving an average score of 64%, compared to the overall Benchmark average of 34%
- Investor action is helping to raise the profile of farm animal welfare and is creating pressure on companies to manage business risks and opportunities presented by farm animal welfare

Note:

Please see 'The Business Benchmark on Farm Animal Welfare Report 2019' for more information.

 **150**
Companies

 **24**
Countries

 **52**
Food retailers & wholesalers

 **63**
Food producers

 **35**
Restaurants and bars

2019 Coverage



1

Implications of the Covid-19 Pandemic



1 Implications of the Coronavirus/Covid-19 Pandemic

Will concerns about Covid-19 have an impact on companies' approaches to farm animal welfare?

We acknowledge the tremendous pressure that coronavirus is placing on food businesses. Food retailers, producers and manufacturers are under intense pressure to ensure the continuous supply of food to consumers. At the same time, many foodservice companies (e.g. those who provide catering to sectors that are now in lockdown) and restaurants are rapidly deploying business continuity measures. All food companies are facing the challenges of ensuring food safety and food quality, ensuring the health and safety of their employees and of their suppliers, and ensuring the wellbeing of their employees, their suppliers and their communities.

While we recognize the pressures on food companies, the feedback that we have received from food companies and from investors is that in the short term it is inevitable that the fundamental drivers for companies to adopt higher standards on farm animal welfare remain the same. Consumer interest in farm animal welfare and its relationship with food safety and food quality is likely to remain high. The relationships between farm animal welfare, supply chain resilience, product quality and food safety are clear. The business case and reputational case for taking a proactive approach are clear, and leading companies see no benefit in pulling back from this position.

It is likely that, in the coming months, food companies will redouble their attention on food supply chain risk management, focusing on issues such as standards (animal welfare, quality, safety), traceability, supply chain integrity and reassuring their customers on their effective management of risks associated with food supply chains. Our expectation is that, as the current crisis passes, companies will harness these strengthened systems and processes to strengthen their approach to farm animal welfare and in turn, identify opportunities to improve and enhance their reputations for quality, safety and higher welfare.

Can you talk more about the schedule for the new reporting period?

Do you envisage making one-off adjustments to the methodology to recognise constraints in operations due to COVID-19?

In response to the Covid-19 global health crisis, the BBFAW has decided to move the period for company assessments for the 2020 Benchmark to October and November 2020 (from August and September, as in previous years). We are not planning to make any substantive changes to the evaluation criteria in 2020. We will conduct our annual consultation in May 2020, which will provide all stakeholders (companies, investors, civil society) with the opportunity to comment on any changes that might be proposed.

2

Methodology-related questions



2 Methodology-related questions

What was the rationale for changing questions and scoring for the benchmark?

We conducted a formal consultation on the 2019 Benchmark (including the universe of companies to be covered, the questions and the scoring weightings) in May 2019 (see https://bbfaw.com/media/1614/2019-business-benchmark-on-farm-animal-welfare-consultation-paper_final.pdf). The reasons for the changes to the 2019 Benchmark are detailed in the BBFAW Methodology Report 2019 (pp. 13, 16, 18-20).

How are data reviewed?

Data go through a three-stage quality assurance review process: (1) the initial assessments are reviewed by a trained assessor from the BBFAW team, (2) the draft assessments are reviewed by technical/business specialists from Compassion in World Farming and World Animal Protection, (3) companies are provided with a four-week window to review their assessments, to check them for completeness and to confirm that the assessments are accurate. A more detailed description is provided in the BBFAW Methodology Report 2019 (pp. 15-16).

Do you differentiate in responses between which species are being managed better?

Companies are broadly assessed across all of the species that are relevant to them, including finfish aquaculture. However, a large proportion of the performance impact questions relate to the most widely farmed species, namely laying hens, broiler chickens, pigs and dairy cattle.

Do you publish individual company scores?

Can you talk about some of the movers in this year's benchmark?

Individual company scores, and the reasons for companies moving up or down tiers, are not publicly disclosed. These details are shared confidentially with companies and with their investors to encourage a collaborative approach to improving company performance.

Will the 'Better Chicken Commitment' criteria be asked about in future?

It is not BBFAW's intention to react to or align with specific NGO campaign asks. However, some of BBFAW's criteria align with those of the Better Chicken Commitment. These include the BBFAW criteria on the proportion of broiler chickens that are stocked at 30 kg/m² or less, the proportion of broiler chickens from breed stocks that promote slower growth, and the new questions on the provision of environmental enrichment.

How can retailers be graded higher than producers who supply to them?

BBFAW measures the governance, management processes, practices and performance of companies across the food industry. It is designed so that companies in different sub-sectors and with different business models are treated equally so that investors can compare, for example, a retailer and a producer. Within that framework, it is unsurprising that some retailers will perform better than some of their suppliers and, equally, that some suppliers will perform higher than their end customers. Our experience is that these differences in performance are an important driver of change – leading companies exert pressure on their suppliers to improve and high-performing suppliers can share their experience and standards with their customers.

Note:

The Business Benchmark on Farm Animal Welfare Methodology Report 2019 provides a comprehensive description of the BBFAW methodology and of the changes to the 2019 Benchmark methodology.

2 Methodology-related questions

Will BBAFW introduce a level playing field where all protein sales are included and not just own brand?

Retailers are expected to have clear commitments on the welfare of all species for own brand as well as other branded products. Certain performance questions focus exclusively on own-brand products because of the practical challenges involved in retailers obtaining performance data for all other branded products. Whilst there is a risk that companies might shift certain species out of their own-brand products to avoid reporting on them, we have not seen evidence of this happening. There are no current plans to extend the performance reporting for retailers beyond own-brand products.

Why does the BBAFW not analyse Russian companies?

Why does BBAFW not cover companies in Africa?

What is the role of BBAFW regional benchmarks?

BBAFW's focus is on the world's largest and most significant food companies. This emphasis on scale means that it inevitably covers a significant number of North American and European companies although it also covers companies in Latin America and Southeast Asia. However, as yet, there are no food companies in Russia or in Africa that are of sufficient scale to be covered by BBAFW.

Benchmarks, such as the forthcoming BBAFW Nordic, which are focused on a specific country or geography can be a valuable complement to the BBAFW global Benchmark. They can engage and influence companies that are not covered by the global Benchmark. They can engage domestic investors, who often have significant investments in domestic companies. They can be used by national bodies and agencies to promote and market the country's approach to farm animal welfare.

Is corporate involvement in politics (lobbying, influencing animal legislation laws, obstructing animal welfare protections) part of the criteria?

No, lobbying is not currently part of the BBAFW. Lobbying is an issue that is receiving significant attention, in particular in relation to climate change and is an area where we are starting to see the codification of corporate responsibilities. As these become clearer, we will consider adding question(s) on lobbying to the Benchmark. We welcome views on this topic.

Does legislation in local regions impact companies' scores?

No. BBAFW's core belief is that companies should take responsibility for all of the animals in their care and in their supply chains and that they should not rely on legislation to ensure that all of these animals are managed to appropriate standards. Legislation is, of course, important but it is rarely comprehensive (i.e. it does not cover all eventualities), it can change, and both legislation and its implementation can vary significantly between jurisdictions. There is also a wider question of responsibility and influence which is that companies should tell their suppliers and their customers that they see farm animal welfare as important and should also set out their expectations (in terms of standards, in terms of practices) of their suppliers. We, therefore, encourage companies to set out their expectations on issues such as close confinement, antibiotic usage and long-distance transport, and not simply state that they comply with legislation.

3

Engagement and influence:
investors, companies, consumers



3 Engagement and influence: investors, companies, consumers

How do investors use BBFAW?

Investors use BBFAW and BBFAW data in their investment research and decision-making (to identify leaders and laggards, and to assess the quality of risk and supply chain management processes). They also use the Benchmark to identify areas where companies may improve their performance and raise these issues in their engagement with companies. A series of examples of how investors analyse farm animal welfare issues is presented on the BBFAW website (in the BBFAW investor surveys at <https://bbfaw.com/publications/>).

One important point to note is that the relationship between farm animal welfare and investment performance is complex, and is not always linear. The reason is that farm animal welfare is generally just one of a range of factors considered by investors in their decision-making. They consider farm animal welfare alongside other environmental and social (or corporate responsibility) issues as well as other more 'conventional' business issues such as strategy, profitability, balance sheet strength and market position.

Do you see a tension emerging for investors between rewarding companies managing farm animal welfare and those achieving zero net carbon emissions in the shortest period possible?

Our view is that presenting farm animal welfare and carbon emissions in such a polarised manner is unhelpful, as it suggests that there is a binary choice between the two. Companies are realising that the ultimate challenge of maintaining a sustainable food system involves balancing a number of criteria including farm animal welfare. They recognise the need to focus on the intersections between such issues as climate change, animal welfare, biodiversity, antimicrobial resistance, and livelihoods and to approach sustainability issues from a systems perspective rather than focusing on a single metric. They also understand the need for pragmatism; that it is better to make incremental progress than to wait for the perfect solution to present itself.

All companies are expected to focus on becoming climate positive, and agriculture that incorporates farm animal welfare as a core tenant has the opportunity to support net zero carbon emission pledges. For example, silvopastoral cattle systems, which incorporate animal welfare as a core focus area, have the potential to deliver benefits to the planet, to animals and to farmers.

How important are consumers as drivers of corporate action on farm animal welfare?

The evidence that we see and the feedback we receive from companies is that consumers are hugely important. Companies also report that consumer interest in animal welfare has grown, and that it is essential that they are seen to have high animal welfare standards across all species. Many companies have also noted that while consumer interest is high, it does not always manifest itself in purchasing decisions. There are various factors at play: the – on occasion – higher costs of higher welfare products, differences in labelling schemes, consumer knowledge and understanding of farm animal welfare.

3 Engagement and influence: investors, companies, consumers

Why is the level of engagement from companies so high?

There are various reasons, although the relative importance differs between companies.

The reasons include:

- The technical credibility of the BBFAW programme
- The high level of investor engagement and support for BBFAW
- Pressure from retailers and from end customers
- The public ranking process
- The clarity of the BBFAW criteria
- The technical and market knowledge of the BBFAW Secretariat and of the BBFAW partners, Compassion in World Farming and World Animal Protection

How do we get companies in Tiers 5 and 6 to engage?

We need to start by noting that the fact that a company is in Tier 5 or 6 does not mean that it has not or will not engage. Often a company's position in BBFAW is a lagging indicator, i.e. it is often the case that they have engaged with the BBFAW Secretariat or started taking action, but they have yet to bring these discussions and actions through to their public disclosures on farm animal welfare (which is what BBFAW uses to assess their performance).

Companies in Tiers 5 and 6 can be divided into three broad categories:

- Companies that have only recently been included in the Benchmark (e.g. 43 companies were added to the Benchmark in 2018). These companies often start from a low base and it can take a number of years before they build their knowledge of the Benchmark and are sufficiently confident to start reporting.
- Companies that have engaged but have yet to start taking action or have not yet started to report. On behalf of the investors in the Global Investor Collaboration, we write annually to all of the companies covered by the Benchmark. We often receive responses from companies in Tiers 5 and 6, acknowledging the importance of farm animal welfare to them and setting out the steps they are taking to respond.
- Companies that are simply not ready to engage on the issue of farm animal welfare. There are various reasons: they do not see farm animal welfare as an important driver of business value, they do not agree that they should be transparent about their approach (this is a common view in privately held companies), they have other corporate responsibility-related priorities.

Our experience over the years – and this mirrors the experience in other engagement programmes – is that engagement requires a willingness by those involved in the engagement programmes to follow up year on year (as with the Global Investor Collaboration on Farm Animal Welfare), a willingness to highlight leaders and laggards (as with the annual Benchmark report) and the patience to wait for the right opportunity (e.g. new corporate leadership, a corporate scandal).

3 Engagement and influence: investors, companies, consumers

Is direct engagement by BBFAW with consumers a possibility or is this the role of companies?

What are your thoughts on and experience with the 'added value' of companies actively communicating animal welfare to consumers (B2C)?

As noted above, we acknowledge increasing consumer concern for the welfare of animals farmed for food, although we recognise that consumers have limited technical knowledge of animal husbandry practices. Despite this lack of knowledge, we are mindful of the fact that decisions taken by consumers on where to shop and where to eat are driven by a whole range of factors of which farm animal welfare is just one.

Our view is that companies have an important role to play in raising awareness of farm animal welfare among their customers and clients. They are uniquely placed to understand what motivates consumers to engage on farm animal welfare and to support consumers in making informed purchasing decisions based on the issues that they care about.

The BBFAW benchmark shows that companies are increasingly engaging with consumers through explaining their corporate commitments to farm animal welfare (where their performance in the BBFAW Benchmark can be an aspect of this) and through offering products that align with consumers' values and interests. These companies are differentiating themselves and minimising risks through understanding and responding to consumer concerns about farm animal welfare.

The influence of consumer interest as a driver for change for businesses is really encouraging for NGOs campaigning publicly on farm animal welfare. Is there any more detail you can share on how consumer interest is being communicated to/received by companies?

Companies use various methods to obtain insights into consumer attitudes and beliefs. These include conducting their own research through focus groups or surveys, analysing frequently asked questions from consumers, commissioning research as part of an industry initiative, investing in omnibus surveys and opinion polls, and reviewing research findings by academic and civil society institutions.

4

Other questions



4 Other questions

To what extent does BBFAW engage with standard setters/regulators?

We have had a number of discussions with UK and European policymakers. However, our primary focus has been with companies and with investors.

How does BBFAW see the role of technology in improving reporting and transparency of real welfare outcome measures in the future?

As a general comment, we see that technology offers the potential to significantly enhance performance reporting on farm animal welfare, both through enabling welfare outcome measurement and through facilitating the transmission of this information along the entire supply chain.

Do you see companies focusing on specific species (e.g. chicken versus beef, layers versus broilers)?

Companies tend to prioritise those species and animal welfare issues where they have the most significant impact, where they have the most influence, and where there is the greatest level of public or consumer attention. Our analysis of farm animal welfare-related commitments by companies reveals that many of the commitments are limited to those markets where pressure from NGOs, consumers, regulators and, increasingly, investors, is the greatest.

The elimination of close confinement and reductions in the use of routine (i.e. non-therapeutic) antibiotics in farming have been key campaigning goals for many animal welfare NGOs in Europe and the US. These issues have also received extensive media coverage. The 2019 Benchmark found that of the 150 companies evaluated, 116 (77%) have made commitments to the avoidance of close confinement in one or more of the major markets in which they operate. Particular progress has been made in relation to commitments to cage-free laying hens, the phasing out of sow stalls/gestation crates, and the setting of lower maximum stocking densities for broiler chickens. Meanwhile, 97 companies (65%) have made commitments to the reduction or avoidance of routine antibiotics in animal production.

Does the score for Domino's Pizza include the U.S. division, or is it just U.K.?

The BBFAW evaluates Domino's Pizza Group PLC, which is the UK-based master franchise of international fast food pizza delivery chain Domino's Pizza. These markets include Germany Iceland, Ireland, Liechtenstein, Luxembourg, Norway, Sweden, Switzerland and the UK.

Our assessment excludes Domino's Pizza Inc, which is managed separately to Domino's Pizza Group PLC. The US-based company operates a network of company-owned and franchise Domino's Pizza stores located throughout the United States and in other countries.

The following materials can be obtained from the BBFAW Website:

The Business Benchmark on Farm Animal Welfare Report 2019

https://bbfaw.com/media/1788/bbfaw_full-report_2019.pdf

The Business Benchmark on Farm Animal Welfare Methodology Report 2019

https://bbfaw.com/media/1790/bbfaw_methodology_report_2019.pdf

Recording of the BBFAW 2019 launch webinar and slides

<https://bbfaw.com/news-and-events/events/video-2019-bbfaw-report-launch-webinar/>

Video: BBFAW 2019 Key Results

<https://bbfaw.com/news-and-events/events/bbfaw-2019-report-launch-key-results-video/>



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