

How companies are using the Business Benchmark on Farm Animal Welfare BBFAW Company Survey 2019

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Executive Summary

- The 2019 BBFAW survey of food companies focused on (a) the actions companies are taking to advance farm animal welfare in their operations and in their supply chains, (b) the main drivers for action, and (c) the main barriers to progress.
- Farm animal welfare is now a leadership issue for many companies, with strong commercial drivers for action.
- Many companies are moving their focus from policy development to implementation. Examples of these efforts include formalising management responsibilities for animal welfare, working with suppliers to drive welfare improvements, and implementing processes and systems for monitoring and reporting performance data.
- Consumer interest in farm animal welfare, the business risks and opportunities associated with farm animal welfare and the annual BBFAW assessments, remain the principal drivers for corporate action.
- The BBFAW is an important driver of change, with companies using BBFAW to compare their approach against industry peers, to improve their farm animal welfare reporting, and to raise the profile of animal welfare internally and through their supply chains.
- Key systemic challenges to driving higher welfare standards relate to demand (or consumer willingness to pay) and to the relationship between higher welfare and other sustainability priorities. These factors both limit companies' willingness to invest in improving farm animal welfare.
- Companies are beginning to address the barriers through offering financial incentives to suppliers and through collaborating with industry partners to exchange knowledge and find innovative solutions.

Introduction

Now in its eighth year, the annual Business Benchmark on Farm Animal Welfare (BBFAW) aims to stimulate improvement in corporate practice and performance on animal welfare.

In addition to its annual Benchmark, the BBFAW conducts an annual survey of the companies assessed by the Benchmark, with the aims of understanding the drivers for and barriers to action on farm animal welfare, and the role played by BBFAW in supporting corporate progress on farm animal welfare. We supplement this survey with regular dialogue, meetings and events with companies.

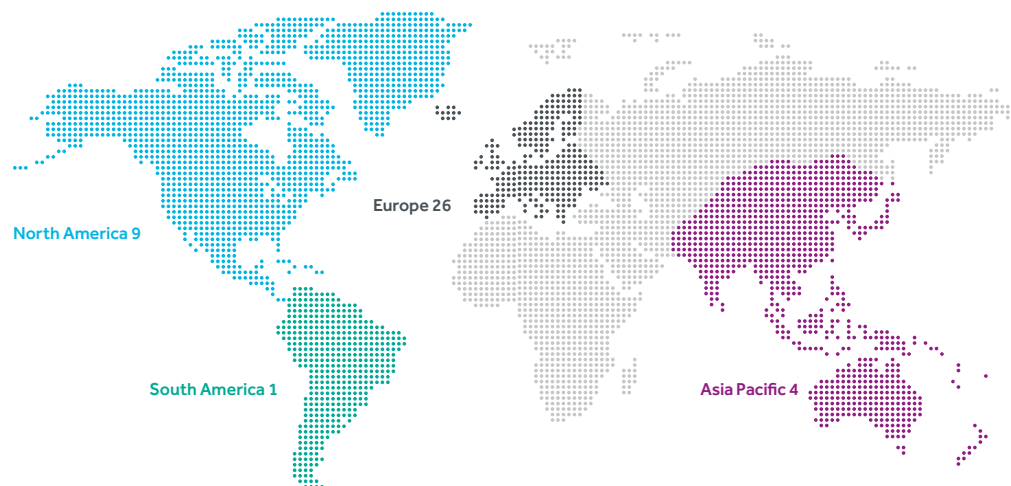
2019 Company Survey

In May and June 2019, we invited the 150 companies covered by the 2018 Benchmark to respond to an online survey (see Appendix 1). In total, 50 companies (33%) responded to the survey, representing a significant increase in responses from the previous year. We were encouraged to see a wide variation of countries responding, indicating the increasing global reach of the BBFAW¹.

Note: Some respondents did not answer all of the questions and we therefore present some of the results below in percentage terms based on the actual number of responses to the relevant question.

In addition to the survey, in the period June 2018 to June 2019, we have met or spoken with – in one-on-one meetings and calls, and in group events - over 70 companies. These meetings and discussions have confirmed the broad themes and findings from the survey.

50
companies
responded to the
online survey



¹ The company responses came from 16 countries: UK (12 companies), USA (8), The Netherlands (3), France (2), Switzerland (2), Italy (2), Australia (2), Austria, Belgium, Brazil, Canada, Germany, Luxembourg, New Zealand, Norway, and Thailand. 10 respondents chose to not provide this information.

Key Findings

1 Many food companies are now prioritising implementation of farm animal welfare policies and standards within their supply chains.

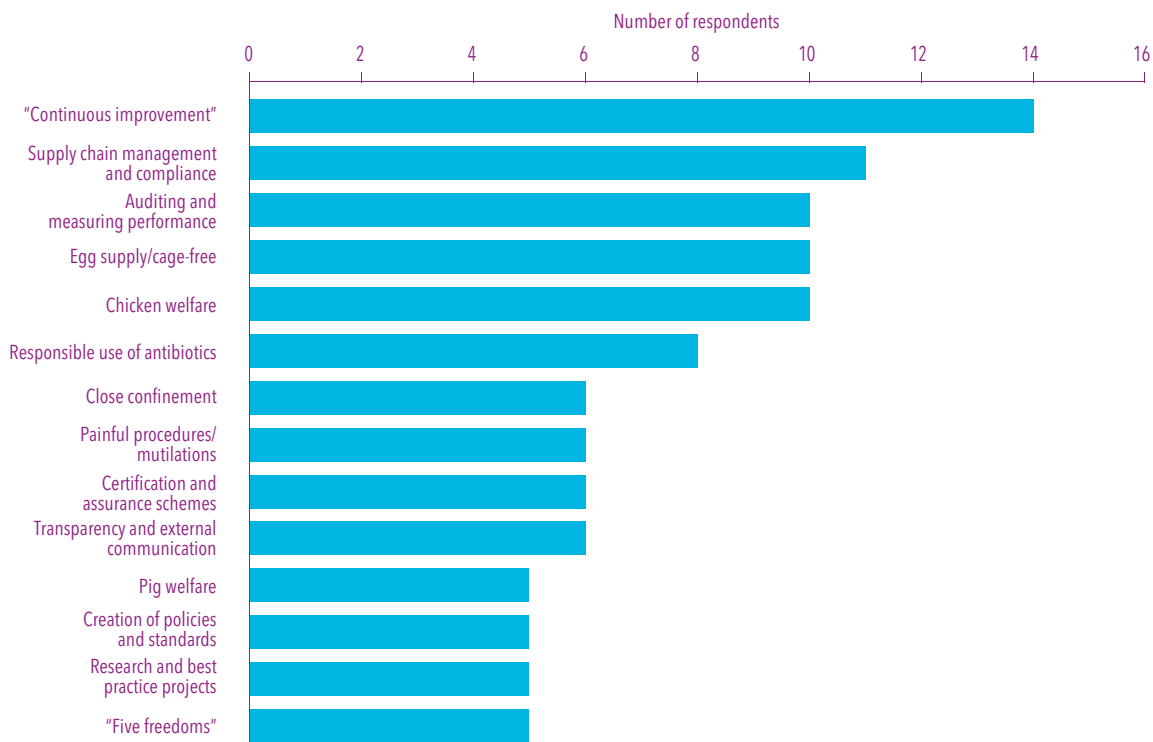
The number of companies that are considered to have farm animal welfare as an integral part of their business strategy (corresponding to Tiers 1 and 2 in the Benchmark), has grown significantly over the seven Benchmark cycles, from 3 in 2012 to 17 in 2018. In the 2018 Benchmark, we can see that many companies have now adopted formal farm animal welfare policies, assigned management responsibilities, set objectives and targets, and introduced audit processes to ensure that their policies are effectively implemented. The fact that 63 companies (42% of the total) are now ranked in Tiers 3 and 4 of the Benchmark, also indicates that an increasing number of global food companies are making substantial progress in implementing their policies and commitments on farm animal welfare, although they are not yet at the point where farm animal welfare can be considered integral to their business strategy.

63

companies are now ranked in Tiers 3 and 4

In this year's survey we asked companies what their top three priorities on farm animal welfare are. The question was open-ended and the answers therefore categorised. These are presented in figure 1 below.

Figure 1. What are your company's current top three priorities on farm animal welfare?



Many companies are focused on continuous improvement, suggesting that farm animal welfare is now an integral part of their corporate responsibility agenda and integrated into their processes for risk mitigation, policy development and implementation, objective and target setting, and performance monitoring and reporting. This formalised approach enables companies to align their efforts on farm animal welfare with their wider corporate objectives and strategic aims. For example, as part of their commitments on responsible sourcing, many companies have set targets to source more raw materials produced with higher welfare standards and to include higher welfare criteria in their own-brand products.

The second and third most common responses relate to assuring that standards and policies are being implemented throughout the supply chain. The actions being taken by companies include engaging with suppliers, encouraging constant improvement across their supply chain, ensuring compliance, selecting reliable partners, obtaining data from their supply chain, measuring policy impact, tracking welfare outcome measures, conducting on-farm evaluations, introducing farm protocols and standards, and monitoring and auditing of farm standards.

The priority species for companies continue to be laying hens (in particular the ambition to switch to cage-free eggs) and broiler chickens (covering a range of issues including reduced stocking density, providing environmental enrichments and transitioning to slower growing breeds). This is in line with the findings in the latest 2018 Benchmark, which confirms the progress in these two areas, as well as in the phasing out of sow stalls/gestation crates. These have been the species and the confinement systems that have received most attention from consumers and from NGOs in recent years. Particularly, the emphasis on chicken welfare appears to have grown significantly from last year's survey when it was mentioned by only a couple of companies.

These findings on current focus areas were further supported by companies responding to a question on what measures they have specifically taken to encourage their businesses and suppliers to adopt higher standards of farm animal welfare. The top five responses/measures taken were:

1. 'Engaging with our suppliers to exchange knowledge' (86% of responses)
2. 'Adding animal welfare expertise to team' (78% of responses)
3. 'Attending an animal welfare event/training/conference' (74% of responses)
4. 'Clarifying internal responsibilities/internal advisory group on animal welfare' (72% of responses)
5. 'Partnering with other industry stakeholders' (68% of responses)

Across these areas, supplier engagement is a key priority. There is a continuing trend for food companies to move beyond just setting policies and targets toward supply chain engagement, to actually working with their suppliers to share knowledge and best practices, develop innovative solutions and collaborate on research and development.

Companies also appear to be investing in strengthening their internal capabilities linked to animal welfare, with many respondents describing how they are clarifying management responsibilities, hiring animal welfare experts, and attending training events and conferences to boost internal knowledge.

This growing focus on competence building and strengthening of internal resources on farm animal welfare is consistent with the findings of the 2018 Benchmark, which showed improved scores in the questions relating to the governance and management of farm animal welfare. For example, in the 2018 Benchmark, 71% of companies have now set farm animal welfare-related objectives and targets, 44% reported that they include farm animal welfare in supplier contracts, 57% described how they monitor and audit the farm animal welfare performance of their suppliers, and 35% reported on providing animal welfare training to their employees.

71%

of companies
have now set farm
animal welfare-
related objectives
and targets

“ We are increasingly investing in projects supporting our suppliers to adopt higher animal welfare practices.” (Swiss company)

We are working with a third-party expert to identify opportunities for higher welfare purchasing and disclosure.” (UK company)

Animal welfare has been made part of the Strategy and is also part of one of the KPIs of the top management and of the dedicated people.” (Italian company)

One of the ways in which companies can help suppliers and producers to improve farm animal welfare is through the provision of financial incentives. Thirty-two out of the 50 survey respondents (64%) stated that they provide some form of financial incentive to their suppliers - the most common incentives being price premiums (59% of responses), extended term contracts (38%) and contracts based on cost-of-production model (also 38%). For example, one company described how it is updating supplier contracts so that incentives are tied to improved welfare outcome measures, while another is compensating producers involved in addressing key welfare issues, such as eliminating the tail docking of pigs and tackling lameness in dairy cows.

64%
of companies
stated they provide
financial incentives
to suppliers

Collaboration with industry partners is another emerging theme and indicates a willingness among some food companies to work pre-competitively with their peers to drive improvements in farm animal welfare. This development aligns with the recent establishment of the Global Coalition for Animal Welfare (GCAW)², which unites leading food companies in driving welfare standards in global supply chains.

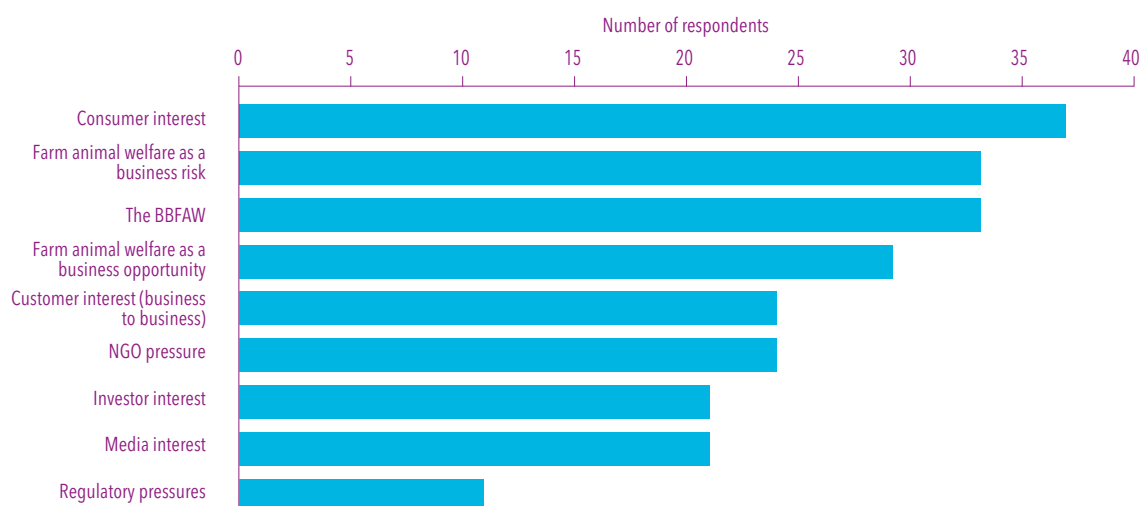
2 See www.gc-animalwelfare.org



2

Consumer interest is still the principal driver of company approaches to farm animal welfare. Other important drivers are the business risks and opportunities associated with farm animal welfare, as well as the BBFAW itself.

Figure 2: What are the main drivers that influence your approach to farm animal welfare?

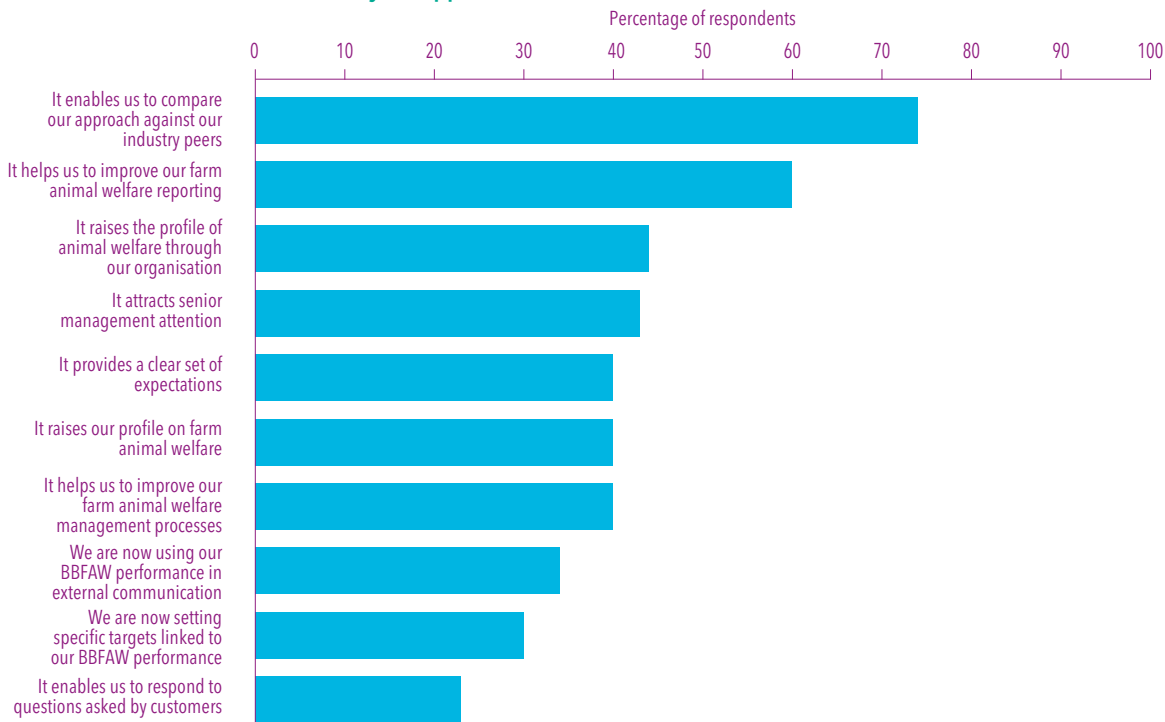


Consumer interest remains the most important factor for inspiring corporate action on farm animal welfare, identified by 79% of respondents as a key driver. Customer and client demand creates pressure both to raise standards within core product offerings, and to innovate and invest in new, higher welfare products. Sixty-five (43%) of the 150 companies assessed in the 2018 Benchmark provide information to their customers or consumers on farm animal welfare, with 29 companies presenting multiple examples of their engagement on this topic with their customers. These numbers suggest that farm animal welfare is an important part of some companies' engagement with their customers, but that a majority still could benefit from improved customer communication and education. The proactive communication on farm animal welfare issues provides a variety of positive spill-over effects: it raises consumer awareness, it directs consumers to higher welfare choices, and it establishes and confirms consumer expectations that farm animal welfare should be an integral part of companies' approaches to corporate sustainability.

79%
of companies responded that consumer interest is the most important driver of action on farm animal welfare

Other important drivers include 'Farm animal welfare as a business risk' (70%), 'The Business Benchmark on Farm Animal Welfare' (also 70%) and 'Farm animal welfare as a business opportunity' (62%). This is a change from earlier iterations of the Benchmark, when e.g. risk management was by far the most significant driver for action. The importance of the BBFAW has increased significantly compared to previous years' surveys (see Figure 3). BBFAW influences companies in a variety of ways, including enabling them to compare their approach to their industry peers (identified by 74% of respondents), guiding their farm animal welfare reporting (60%), raising the internal profile of farm animal welfare (45%) and attracting senior management attention (43%).

Figure 3: If you have identified the Business Benchmark on Farm Animal Welfare as one of the drivers of your approach to farm animal welfare, in what way has it influenced your approach?



In discussions with us, companies have commented that they prioritise reporting on the specific data points or indicators requested by the Benchmark, partly to improve their score and partly because these are seen as standard disclosure expectations that are likely to be used by other stakeholders. One company explained that the Benchmark has helped influence greater transparency in animal welfare reporting and performance and has helped elevate conversations with the company’s internal and external stakeholders. Another company indicated that the Benchmark has helped it improve its communication with its farmers on animal health and welfare.

Investor interest in farm animal welfare is another important driver of corporate action. Since it was established in 2012, BBFAW has dramatically changed the way in which investors think about farm animal welfare, and farm animal welfare has moved from being seen as a niche ethical issue to one that is recognised as an important source of investment risk and of investment opportunity³. Many investors now include farm animal welfare in their company engagement, in their investment research and decision-making, and in their communications with clients and with wider society.

Some companies also mentioned other factors driving their behaviour on animal welfare, such as farm animal welfare being intrinsic to corporate values, its role as a factor of employee satisfaction and the ability to attract and retain employees.

“ Our Animal Welfare Policy is also relevant to be an attractive employer (employer of choice) for the right staff that fit our organization.” (Dutch company)

We have a duty of care and our teams want to contribute to improved animal welfare, we see the results of good and bad welfare in the ‘field’.” (UK company)

³ See BBFAW briefing, 'How investors are using the BBFAW', November 2019: <https://www.bbfa.com/publications/2019>

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Customer willingness to pay for increased costs remains the key challenge to food companies improving farm animal welfare in their supply chains.

The main barrier to food companies improving farm animal welfare continues to be concern about customer and consumer willingness to pay for costs of improving welfare. Despite consumer interest being the main driving force behind company approaches to farm animal welfare, many of the survey respondents commented that this interest does not necessarily translate into consumer willingness to pay more for higher welfare products.

The other commonly identified barriers were the possible conflict between higher animal welfare production and other sustainability issues (47% of responses), and the fact that many suppliers, producers and/or business partners appear to view their current animal welfare standards as acceptable (43%).

“

The main challenges are to create long-term contracts that include the entire supply chain, from farm to retail, as well as standardization of relevant animal welfare attributes across countries and global regions.” (Dutch company)

Interdependencies in the supply chain prevent systemic changes.” (Austrian company)

Lack of internal resources linked to time and adequate IT resources to collate, record and publish information.” (UK company)



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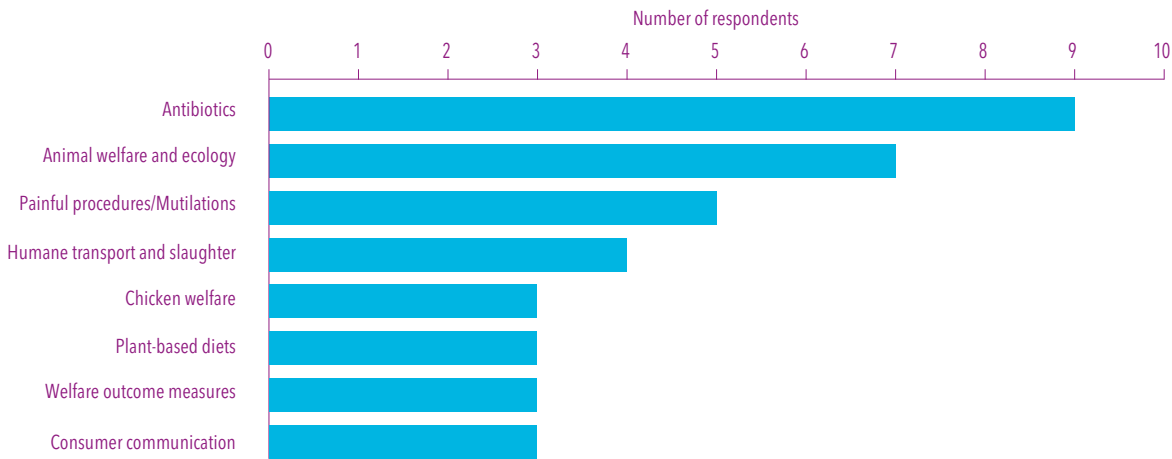
Antibiotics, ecological trade-offs and painful procedures are seen as the key emerging themes relating to farm animal welfare that food companies should be paying attention to in the coming years.

Responses to this open-ended question were categorised and the three top subject areas were antibiotics, animal welfare and ecology, and painful procedures/ mutilations.

The antibiotics category covers the full range of antibiotics-related issues, including responsible use, limiting use and antimicrobial resistance. Animal welfare and ecology covers issues such as climate change, identifying animal welfare standards that contribute solutions to environmental challenges, and resolving possible conflicts between animal welfare and ecological impacts (including water quality and land usage). This is a theme that has grown substantially in importance compared to last year’s survey, when it was mentioned but not at the top of companies’ minds. It is also reflected in the previous question on perceived key barriers for companies.

The painful procedures identified by companies as priorities include teeth grinding and cutting in piglets, castration of male pigs, and dehorning protocols and/or polled genetics for cattle.

Figure 4: What do you see as emerging themes relating to farm animal welfare that companies should be paying attention to in the coming years?⁴



In the latest Benchmark, 83 companies (55%) had made public commitments to the reduction or avoidance of routine antibiotics and 62 companies (41%) had made public commitments to the avoidance of routine mutilations. This compares to just 35% and 23% respectively in the 2014 Benchmark when these topics were receiving much less attention.

Other responses mentioned (not in the chart but with more than a single response), included political circumstances (e.g. Brexit), changes to future welfare regulations, focus on positive affective states in farm animals, and fish welfare.

It is worth acknowledging that companies are at different stages of working with farm animal welfare, and company priorities will reflect this. In the latest Benchmark, seventy companies (47%) still provided little or no information on their approach to farm animal welfare. This suggests that there is more to do both in terms of encouraging improvements in policies, management systems and processes, and in ensuring that improvements are institutionalised and maintained over time. These companies are still to fully recognise farm animal welfare as a strategic opportunity, both in terms of the potential for new product offerings and market access and in terms of the potential for brand differentiation and reputation enhancement.

⁴ For definitions, see Appendix 3: Glossary in the 2017 BBFAW Report: <https://www.bbfa.com/media/1506/bbfa-report-interactive-amended-21st.pdf>

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Suggestions for strengthening the Benchmark

Several suggestions were made about how the Benchmark might be strengthened. We summarise these here and outline how we have responded or may respond in the future.

1. Some companies are concerned that the Benchmark fails to fully account for the differences between different business types, supply chain structures and farming management practices. For example, they argue that it is not possible to make meaningful comparisons between companies that are different in their nature, and that it is more difficult for companies with more complex and regionally diverse supply chains to achieve a high score in the Benchmark. These companies have suggested that certain changes, such as separating the ranking between retailers and food-producing companies and making comparisons across company type and region more accessible, would make comparisons more relevant.

BBFAW Response: Ensuring that the Benchmark treats companies fairly is a key priority and we have responded to these concerns through:

- providing – in the company summaries and in the main BBFAW report – sectoral comparisons that allow companies and other stakeholders to compare each company with its sub-sector peers.
- analysing each year's results to see if there are significant variations between sub-sectors, geographies and ownership structures.

We report these findings in the main 2018 BBFAW report.

The central finding is that in general, UK companies score significantly higher than the others, and companies from the Asia-Pacific region score significantly lower. Companies from European countries other than the UK, from North America and from Latin America, generally perform within a more similar range, with a general difference of up to 10%. These results reflect the maturity of farm animal welfare as a legislative and a business issue.

We also note that while the average score for the 19 companies for the Asia-Pacific region was low, eight of the new companies in the 2018 Benchmark were from this region and most of the remaining companies have only been covered by the Benchmark since 2015.

For the different sub-sectors of companies, there were no significant differences in overall average scores in 2018, indicating that companies are able to perform irrespective of the complexity of their business models, their supply chains and the number of species they manage. In the 2019 Benchmark report we will be able to draw even stronger conclusions about the differences in company results, considering that no new companies will have been added.

2. Some companies have commented that the the timing of the assessment cycle and the deadline of July 31 means that some companies are not able to publish latest updates ahead of their assessment.

BBFAW Response: We acknowledge this concern but we note that (a) we want to compare companies at a defined point in time, which means that we need to choose a fixed cut-off point, (b) our schedule is clearly communicated to all companies and has been consistent since the first benchmark in 2012, (c) the Benchmark is an annual process and allows companies to communicate their year-on-year trajectory. In this context, the deadline should only be an issue for companies in the first year that they are included in the Benchmark.

3. Companies raised concerns about the increased complexity and number of questions which, in turn, are making the Benchmark more demanding.

BBFAW Response: We acknowledge the challenges associated with responding to a complex benchmark such as BBFAW. We have sought to manage this through: publicly consulting on new criteria and responding to company feedback, and through allowing at least a one-year grace period before companies are scored on new questions (as this allows companies to become familiar with our criteria and to adapt or develop their internal processes to work towards meeting these criteria). We continuously evaluate the criteria to make sure that it is not overly complex and as relevant as possible to farm animal welfare and to food businesses.

Other comments/suggestions from responding companies included:

“ The creation of more technical workshops/returns of experience between companies with higher ranking would help improving and raising the level of companies.” (French company)

Companies could be grouped by their size and area of activity - making this clearer for those accessing BBFAW information - given the unique pressures affecting large/medium/small size companies.” (Swiss company)

Today the questionnaire has too many questions, too many requests and too many details and is changing too quickly, this can lead to lack of trust by top management. The change in the evaluation can be felt as a way to avoid good results in the Benchmark.” (Italian company)

The expectations of consumers and indeed differing legal standards across regions are significant. Whilst predominantly concerned with the Investor community, some alignment of BBFAW with consumer research and what customers actually want is extremely important.” (UK company)

Acknowledgements

We would like to thank all the companies who have taken the time to respond to our survey and to participate in other engagements with the BBFAW. Engagement with companies on animal welfare remains a key objective of the BBFAW and its partners, and we look forward to continued discussion and dialogue in the year ahead.

Author Details

Dr Rory Sullivan is Co-Founder and Director of Chronos Sustainability Ltd and is an internationally recognised expert on responsible investment and on climate change. He leads Chronos Sustainability's engagement with the finance sector and is the technical lead on much of our work on benchmarking. Dr Sullivan is the Chief Technical Advisor to the Transition Pathway Initiative and has advised, amongst others, PRI, UN Global Compact and UNEPFI on how investors analyse and use corporate responsibility information. He is the author/editor of eight books on these and related issues, including *The Business of Farm Animal Welfare* (co-editor with Nicky Amos, Routledge, 2017), *Valuing Corporate Responsibility: How Do Investors Really Use Corporate Responsibility Information?* (Greenleaf, 2011), and *Corporate Responses to Climate Change* (editor, Greenleaf, 2008).

Nicky Amos is Co-Founder and Director of Chronos Sustainability Ltd and has over 25 years' experience in managing and directing corporate responsibility programs in global companies, specializing in the development and implementation of sustainable development and responsible sourcing strategies, multi-stakeholder partnerships and corporate reporting. She leads Chronos Sustainability's engagement with the private and NGO sectors, is the Executive Director of the Business Benchmark on Farm Animal Welfare (BBFAW) and leads the Secretariat of the Global Coalition for Animal Welfare (GCAW). Nicky is the co-editor, with Dr Rory Sullivan, of *The Business of Farm Animal Welfare* (Routledge, 2017).

Elisabeth Tjärnström is an animal welfare specialist and is as Program Manager for Chronos Sustainability responsible for coordinating and delivering several global animal welfare programs, including the BBFAW. She is also one of the assessors of the BBFAW. She holds a Master's Degree in Animal Science and Ethics, and has worked across Europe on the technical and policy aspects of animal welfare and sustainable agriculture, advising legislators, food companies and investors on these issues.

Darren Vanstone leads on corporate engagement for the Business Benchmark on Farm Animal Welfare (BBFAW) and the Global Coalition for Animal Welfare (GCAW), with a specific focus on companies in the Americas, Asia and Australasia regions. Darren has expertise in animal welfare policy, strategy, development and sourcing, and has played a key role in moving global and local companies to develop and implement policies and commitments that reduce risk and provide opportunity. Darren provides global insights across multiple businesses including food companies, producers, industry associations and roundtables, tourism companies, social media companies and non-governmental organisations. With a background as a senior food retail and foodservice manager, Darren has practical knowledge and experience in business development, responsible sourcing, stakeholder engagement and operations.

The Business Benchmark on Farm Animal Welfare

The Business Benchmark on Farm Animal Welfare (BBFAW) is the leading global measure of farm animal welfare management, policy commitment, performance and disclosure in food companies. It enables investors, companies, NGOs and other stakeholders to understand corporate practice and performance on farm animal welfare, and it drives – directly and through the efforts of others – corporate improvements in the welfare of animals reared for food.

BBFAW maintains the Global Investor Statement on Farm Animal Welfare and convenes the Global Investor Collaboration on Farm Animal Welfare, a collaborative engagement between major institutional investors and food companies on the issue of farm animal welfare. BBFAW also manages extensive engagement programmes with companies and with investors, and provides practical guidance and tools for companies and for investors on key animal welfare issues.

The programme is supported by founding partners, Compassion in World Farming and World Animal Protection, who provide technical expertise, guidance, funding and practical resources.

For more information, go to www.bbfaw.com or contact the BBFAW Secretariat at secretariat@bbfaw.com.



Appendix 1

Company Survey 2019



Q1 What are your company's current top three priorities on farm animal welfare?

Q2 What are the main drivers that influence your approach to farm animal welfare? [please tick all that apply]

- Farm animal welfare as a business opportunity
- Farm animal welfare as a business risk
- Customer interest
- Consumer interest
- Regulatory pressures
- The Business Benchmark on Farm Animal Welfare
- Media interest
- NGO pressure
- Investor interest
- Other – please specify

Q3 If you have identified the Business Benchmark on Farm Animal Welfare as one of the drivers (previous question), in what way has it influenced your approach to farm animal welfare? [please tick all that apply]

- It enables us to compare our approach against our industry peers
- It provides a clear set of expectations
- It helps us to improve our farm animal welfare reporting
- It attracts senior management attention
- It raises the profile of animal welfare through our organization
- It enables us to respond to questions asked by customers
- It raises our profile on farm animal welfare
- It helps us to improve our farm animal welfare management processes
- We are now using our BBFAW performance in external communication
- We are now setting specific targets linked to our BBFAW performance
- Other – please specify

Q4 What are the key challenges you face in improving farm animal welfare in your company's supply chain?

- Concern about customer and consumer willingness to pay for costs of improving welfare
- Competing management priorities
- Our purchasing spend does not give us sufficient influence with our suppliers/producers
- Lack of internal resources such as time, knowledge and expertise
- Risk of criticism for adopting different standards across the business (e.g. adopting higher standards solely in one product line or for a particular species)
- Lack of evidence that our competitors are investing in higher welfare
- Lack of higher welfare supply
- Possible conflict between higher animal welfare production and other sustainability issues
- Our suppliers/producers/business partners view their current animal welfare standards as acceptable
- Other – please specify

Q5 What measures have you taken to encourage your company and your suppliers to adopt higher standards of farm animal welfare?

- Adding welfare KPIs as part of senior management remuneration
- Engaging with our suppliers to exchange knowledge
- Providing financial incentives for suppliers/producers: (tick all that apply)
 - price premiums
 - extended term contracts
 - contracts based on cost-of-production model
 - interest-free loans
 - grants
 - contribution toward expenditure related to higher welfare systems
 - other – please specify

- Adding animal welfare expertise to team
- Clarifying internal responsibilities/internal advisory group on animal welfare
- Partnering with other industry stakeholders
- Engaging with the BBFAW secretariat
- Engaging with Compassion in World Farming
- Engaging with World Animal Protection
- Attending an animal welfare event/training/conference
- Other - please specify

Q6 What do you see as emerging themes relating to farm animal welfare that companies should be paying attention to in the coming years?

Q7 Are there any suggestions you would like to make on how we could make the Benchmark more relevant to companies?

Q8 Do you have any other comments you would like to share?



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