

Summary of Responses to the Public Consultation on the 2020 Business Benchmark on Farm Animal Welfare

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Summary

Following a consultation in the period June-July 2020, we will be introducing the following changes to the 2020 Business Benchmark on Farm Animal Welfare:

1. We will replace Dean Foods with its new parent company, Dairy Farmers of America, and assess Tulip Ltd under JBS SA, following the completion of recent acquisitions, and we will note the change in Chuying Agro-Pastoral Group's ownership from Public to Private. The total number of companies covered by the Benchmark will remain at 150.
2. We will keep the same weightings across all sections but minimally increase the weighting of the 10 performance impact questions within the Performance Reporting and Impact section from 56% to 60%.
3. We will introduce a new Impact Rating based on companies' scoring for the Performance Impact questions. Individual company ratings will not be published in the BBFAW 2020 Report and will instead be shared confidentially with companies via their question-by-question reports. We will include only the aggregated data for Impact Ratings in the BBFAW 2020 Report.
4. We will modify the rationale of two questions (adding permanent housing of dairy cattle to the examples of close confinement) and we will modify the scope of two questions (relating to the exclusion or inclusion of finfish).
5. We will modify the scoring for question 26, relating to welfare outcome measures.

Background

In preparation for the Business Benchmark on Farm Animal Welfare's (BBFAW's) ninth Benchmark, the BBFAW consulted stakeholders¹ in the period 25 June to 24 July 2020 on the following issues:

- The scope of companies to be covered by the Benchmark.
- The weighting of the performance reporting and impact questions and the introduction of an Impact Rating.
- Revisions to the evaluation criteria.
- The usefulness of the Benchmark and how this could be enhanced.

This document summarises the feedback received and BBFAW's response to this feedback.

¹ BBFAW Consultation on 2020 Benchmark <https://www.bbfaw.com/media/1798/2020-business-benchmark-on-farm-animal-welfare-consultation-paper.pdf>

Public Consultation on the 2020 Business Benchmark on Farm Animal Welfare

1 Overview of the Responses

The BBFAW Secretariat received 26 formal written responses to its 2020 public consultation document. These were received from 24 food companies included in the BBFAW Benchmark and two other organisations. Fifteen of the respondents were located in Europe, five in North America, three in Australia, two in South America and one in Asia.

The BBFAW Secretariat held two webinars on 9 July 2020 to outline the proposed changes within the BBFAW 2020 consultation. These offered companies, investors and other stakeholders the opportunity to submit immediate responses to the consultation questions during the webinar and to ask for clarification on the proposed changes. The sessions attracted 58 attendees, of which 50 were from companies, four were from investor organisations and four were from other organisations.

2 Summary of the Responses

2.1 Changes to Company Scope

2.1.1 BBFAW's Proposals

For the 2020 Benchmark, we proposed to continue to assess 150 companies and to make the following changes to the companies covered by the Benchmark, following changes to ownership, as follows:

- **Dairy Farmers of America** (a cooperative) will be assessed in place of Dean Foods following its acquisition of the majority of the assets of Dean Foods in the wake of its bankruptcy.
- Tulip Ltd will be assessed as part of its new parent company, **JBS SA**, following its acquisition from Danish Crown AmbA.
- **Chuying Agro-Pastoral Group** has been de-listed and we have therefore changed its ownership category from Public to Private.

2.1.2 Stakeholder Responses

All respondents were supportive of the proposed company changes and the polls conducted during the webinars also suggested unanimous support.

BBFAW is not currently looking to expand the number of companies assessed in the Benchmark, however, a number of companies did suggest potential companies or regions for inclusion for greater representation. These suggestions will be useful to informing the evolution of the BBFAW company scope in the future.



Selected comments:

“In terms of companies or regions that should be represented, we welcome the inclusion of more global organizations with operations in different jurisdictions. Given the range of local laws and influences on animal welfare practices, this is essential to ensure a level playing field for company assessments.” [European company]

“More companies in the Asia/Pacific region could be included. They represented 13% of the 2019 assessment; the same as the UK and yet they have 50% of the global pig population.” [European company]

“[BBFAW should consider assessing] Wen Group and Muyuan Companies in China, [as they] are #1 and #2 pig producer of the world.” [Asia Pacific company]

“We would like to include the following companies: Gunnar Dafgard; Campofrio Food Group; Sprehe Group; HK Scan; Group Lodewijckx; Bigard Socopa Group; Avril Group (Ovoteam); and Galliance. We think that the following geographies should be investigated deeply and included: LATAM and Eastern Europe.” [European company]

“Brazil is one of the most important beef producers in the world and only 3 companies are considered into the benchmark. Perhaps, BBFAW, in the future, could have as a strategy the inclusion of other Brazilian’s companies.” [American company]

2.1.3 Our Planned Actions

Based on the feedback received, we have decided to proceed with the proposed changes to the companies assessed in the 2020 Benchmark.

These changes mean that the 2020 Benchmark will now cover:

- 89 public companies (91 in 2019)
- 42 private companies (41 in 2019)
- 15 cooperatives (14 in 2019)
- 4 joint stock/partnership owned companies.

BBFAW will consider the suggested companies for inclusion and regions for greater representation should the Benchmark be looking to expand its coverage in future years.

2.2 Revisions to Weighting of Performance Questions and Introduction of Impact Rating

2.2.1 BBFAW's Proposals

In 2018, the BBFAW Technical Working Group identified that the structure of the Performance Reporting and Impact questions (Q21-35 in the 2018 Benchmark) emphasised performance reporting over performance impact. Overall, this section accounted for 35% of the overall score, of which almost two-thirds (64%) of the available points were allocated to performance reporting questions and the balance (36%) were allocated to performance impact questions.

In line with the BBFAW's objective to drive improvements in the welfare of animals managed by companies and their supply chains, it was decided for the 2019 Benchmark to increase the proportion of the scores allocated to the performance impact questions (Q28-37) within the Performance Reporting and Impact section and to reduce the proportion of the scores allocated to performance reporting questions (Q20-27). The weighting given to the performance impact questions (Q28-37) in 2019 was 56% and the performance reporting questions (Q20-27) was 44%.

In the 2020 Benchmark, it was proposed to complete the transition to a 60%/40% split, by minimally increasing the proportion of the scores allocated to the performance impact questions (Q28-37) from 56% to 60% and minimally reducing the proportion of the scores allocated to the performance reporting questions (Q20-27) from 44% to 40%.

Impact Rating

To further drive improvement in scores on the 10 performance impact questions, it was proposed to introduce a new "Impact Rating". The Impact Rating would be a complement to the existing tier ranking (Tiers 1-6), which would remain the primary indicator of company performance in the Benchmark. The Impact Rating would provide a further level of detail to help companies identify opportunities to strengthen their impact reporting.

The Impact Rating would present the scores achieved across Q28-37 in a six-tier rating, labelled A-F, using the same percentage boundaries as the Benchmark Tiers 1-6.

Impact Rating	Percentage score achieved from Q28-37
A	>80%
B	62-80%
C	44-61%
D	27-43%
E	11-26%
F	<11%

To illustrate how the Impact Rating could look, we conducted some modelling using the 2019 Benchmark data. This showed that the number of companies within each Impact Rating Tier would be as follows: 1 A-rated company; 5 B-rated companies; 6 C-rated companies; 8 D-rated companies; 11 E-rated companies and 119 F-rated companies. [Note: The high number of companies receiving an F-rating is to be expected given that only a small proportion of companies reported on performance impact in 2019.]

It was proposed that individual companies' Impact Ratings would be published in the 2020 BBFAW report (due to be published at the end of March 2021).

2.2.2 Stakeholder Responses

Many of the respondents, both in writing and during the webinars, supported BBFAW's proposal to minimally increase the weighting of the Performance Impact questions within the Performance Reporting and Impact section in line with the original proposal in 2018 to adjust the weighting of the performance impact questions to 60%. However, some respondents also raised concerns about the speed of change.



Selected comments on the increase in weighting:

"I agree with the proposal to adjust the weighting although would have preferred phasing in over two years – yr1 58:42, year 2 60:40 - to allow companies to adjust/take necessary actions." [European company]

"Whilst we agree with the proposal to adjust the weighting of performance impact questions in 2020, BBFAW should consider the impact of changing the assessment criteria too regularly. Companies need sufficient time to feel they are receiving the recognition deserved and investors need some reassurance about their recent

investments. Particularly in light of COVID-19. Whilst companies will be focusing on their supply chains as a matter of urgency due to the pandemic, it cannot be ignored that many staff will have been redeployed to other areas of the business and therefore progression on areas such as data collection and reporting may be slower than expected.” [Asia Pacific NGO]

“As there are already changes to the performance impact section (addition of 4 new questions into the scoring), I suggest waiting until next year. When too many things change at once, it is hard for companies to keep track and understand how to maintain their score. Keeping some stability would help.” [European company]

Feedback on the proposal to introduce an Impact Rating was more mixed, with a roughly equal split between views in favour and against. We can understand this response, given that company reporting on welfare impact is still relatively immature. Regarding the proposal to publish the Impact Rating in the 2020 BBFAW Report, almost all respondents opposed this and requested instead that the Impact Rating be shared individually with companies in their confidential company reports, and that publication of the Impact Rating be deferred by at least one year.



Selected comments on the introduction of an Impact Rating:

“We have reservations about the development of an additional, parallel ranking on impact. The benchmark already publishes detailed information on company performance, including on impact and this is available for investors to access. Creating a new ranking is likely to create confusion, particularly if it doesn’t match up to the ‘tier’ in which the company sits.” [European company]

“We welcome the introduction of an impact rating, giving businesses the ability to directly compare performance with other BBFAW businesses. However, our preference would be for the first year of these ratings being introduced, that these are published privately and not made publicly available This would allow businesses to reflect and respond appropriately to the grading process in the following year.” [European company]

“If the Benchmark continues to put more weight on impact performance, we recommend that the impact ranking itself be weighted to reflect companies’ relative scale across species. We continue to try to influence the industry in a positive way for all

species, but the basic fact is that we can and do have a much larger impact in some areas than others.” [American company]

“The increase in the weighting is enough to drive improvement. A benchmark within a benchmark will cause confusion.” [European company]

“I believe it will lead to confusion around benchmarked company performances. The well-established Tier system of performance assessment is sufficient for now and I think deferring the introduction of an Impact Rating for 1-2 years is appropriate.” [European company]

2.2.3 Our Planned Actions

We acknowledge the concerns expressed by some respondents about the impact of increasing the weighting of the Performance Impact questions from 56% to 60% within the Performance Reporting and Impact section. However, the modelled impact of this change is minimal. We also wish to reassure companies that this adjustment simply completes the transition that we originally proposed in 2018, and, therefore, we have introduced the adjustment over two benchmark cycles. Given this fact, and that many of the respondents were supportive of this final change we will proceed with completing the transition in the 2020 Benchmark.

Significant concerns were raised regarding the proposed introduction of the Impact Rating, mostly related to the publication of the Impact Rating within the first year of its introduction. We understand that without prior knowledge or a full understanding of the Impact Rating, it is difficult for companies to gauge the individual effect of the Impact Rating. Consequently, we have decided to proceed with the introduction of the Impact Rating, but to not publish individual company ratings in the first year (i.e. they will not be included in the 2020 BBFAW Report). Instead, we will include individual Impact Ratings in companies’ confidential question-by-question reports.

We will include the aggregated data for Impact Ratings in the BBFAW 2020 Report (for example, noting the number or percentage of companies within each rating). Individual company ratings will not be publicly disclosed or shared with stakeholders outside of the companies. These decisions are consistent with the way that significant changes, such as new questions, have been introduced to the BBFAW in previous years.

2.3 Revisions to Benchmark Evaluation Criteria

2.3.1 BBFAW's Proposals

Permanent housing of dairy cattle (Q4 and Q20)

It was proposed that permanent housing of dairy cows would be listed as an example of close confinement in the rationale for the questions on close confinement in the Management Commitment and Policy section (Q4) and the Performance Reporting and Impact section (Q20). This proposed inclusion reflects the fact that significant farm animal welfare concerns result from the permanent housing of dairy cattle. Tethering is already included in the examples of close confinement and there are leading companies in the benchmark which already have policies prohibiting the permanent housing of dairy cows.

Finfish (Q24 and Q36)

It was proposed that finfish were to be excluded from the question on reporting the proportion of animals in a company's global supply chain that is ineffectively stunned (Q24) and that finfish were to be included in the question on reporting the proportion of animals in a company's global supply chain that is pre-slaughter stunned (Q36). The exclusion of finfish from Q24 reflected the difficulty in assessing successful stunning due to the high throughput and small size of some fish species and their inclusion in Q36 reflected the increasing availability of effective pre-slaughter stunning equipment for finfish.

Welfare outcome measures (Q26)

It was proposed that the scoring for the question relating to reporting on welfare outcome measures (Q26) be modified to award the greatest points available (5 points) to companies reporting on multiple welfare outcome measures for each relevant species, covering all relevant geographies. Previously, the greatest number of points were awarded to companies reporting fully on at least one welfare outcome measure per species, covering all relevant species and geographies. This proposed change reflected the increasing proportion of companies reporting welfare outcome measures (16% of assessed companies in 2019, up from 3% in 2014).

Additional clarifications

Additional clarifications on the scope of several questions were also proposed this year (specifically, Q5, 7, 9, 17, 20, 21, 22, 23, 24, 25, 26, 27, 36 and 37). These related mostly to the inclusion or exclusion of own-

brand products within the scope of questions, or they consisted of additional examples provided within the question rationale.

2.3.2 Stakeholder Responses

We received mixed responses to the proposal to include permanent housing of dairy cattle in the list of examples provided for the questions on close confinement in the Management Commitment and Policy section (Q4) and the Performance Reporting and Impact section (Q20). A majority of respondents, in writing and during the webinars, agreed with the proposal. However, some companies raised questions about the equivalence of permanent housing of dairy cattle to the other examples of close confinement provided, and the applicability of this addition within certain geographies.



Selected comments on the proposals for Q4 and Q20:

“Properly managed indoor loose housing systems provide very good living conditions for dairy cows and I do not agree with modifying Q4 and Q20 to consider indoor housing as confinement housing. In places with extreme weather conditions or where it is difficult to provide well-drained pasture/pen areas, indoor housing is additionally beneficial to protect cows from the negative effects of extreme weather or poor hoof conditions arising from excess moisture.” [American company]

“Permanent housing of dairy cows is not a directly analogous management practice to the others listed e.g. farrowing crates/caged egg production. There are compelling rules in some regions and geographies for indoor housing (weather conditions/environmental impact etc). Housing indoors is not necessarily indicative of poorer welfare (in the same way that extensive production is not necessarily indicative of good welfare per se as detailed in the explanatory note to BBFAW Q5 regarding environmental enrichment.” [European company]

Almost all respondents agreed with the proposals to change the scope of Q24 (relating to effectiveness of stunning) to exclude finfish and Q36 (relating to long-distance live transport) to include finfish. A couple of respondents raised difficulties relating to the scope of Q36 (all products) and the appropriateness for all geographies. Conversely, a couple of respondents suggested that finfish could be included in Q24.

“ Selected comments on the proposals for Q24 and Q36:

“[We] disagree with [the proposal] made to question 36. The reasoning behind this is that the infrastructure used to preslaughter stun fin fish is emerging technology and not widely available and as such will put more remote countries like Australia at a disadvantage to European countries.” [Asia Pacific company]

“You can include secondary stunning for fin fish as we have the data.” [European company]

The majority of respondents agreed with the proposal to modify the scoring of Q26 on welfare outcome measures, to provide maximum points to companies reporting multiple welfare outcome measures per species.

“ Selected comments on the proposal for Q26:

“Welfare outcome measures in general are critical, and reflect more meaningful improvement to the wellbeing of animals than measuring against prescriptive requirements.” [American company]

The changes to the wording of Q5, 7, 9, 17, 20, 21, 22, 23, 24, 25, 26, 27, 36 and 37 were proposed purely to aid comprehension of these questions and provide clarity; they did not substantively change the assessment of these questions. We concluded from the variety of responses received to these proposals that clarity is indeed necessary. The following comments provide some insight into the various points raised.

“ Selected comments on the clarifications provided for Q5, 7, 9, 17, 20, 21, 22, 23, 24, 25, 26, 27, 36 and 37:

“I Providing additional clarity around the scope of these questions applying to ‘own-brand only’ defines an often reduced scope of supply chain for retailers and manufacturers but not to those within the ‘Restaurants and Bars’ sector – often dealing with a vast array of smaller suppliers and producers, yet as the ‘own brand’ label generally doesn’t apply, the scope is all-encompassing. Together, we need to find a way to level the playing field.” [European company]

“The “own brand” statement is confusing. It would be helpful to specify who it applies to (e.g. retailers).” [American company]

“Q5: Although BBFAW ‘does not score outdoor access per se as enrichment’ it should be recognised that many outdoor systems provide natural alternatives to shelter, perches, sensory materials etc which may limit the usefulness of adding man-made alternatives.” [European company]

“Q9: We would fundamentally question the inclusion of tail docking in sheep and castration in cattle in particular, given that the purpose of those practices is to protect animal welfare and human safety. But moreover, in moving to the established position on pigs, it is regrettable that reporting the use of anaesthesia/analgesia is not seen as a positive (Q22) – this ‘all or nothing approach’ provides no incentive/recognition for companies to move to an improved process which would positively impact on animal welfare.” [European company]

2.3.3 Our Planned Actions

In previous years, companies have been awarded points in the BBFAW assessment for policies which require access to pasture for dairy cattle. To clarify this approach, we proposed to include permanent housing of dairy cattle in the examples provided for the questions relating to close confinement of all species, namely Q4 in the Management Commitment and Policy section and Q20 in the Performance Reporting and Impact section. Given that a majority of respondents supported this proposal, we will add this example to the rationale for both questions.

Respondents were also supportive of our proposal to change the scope of Q24 (relating to effectiveness of stunning) to exclude finfish, and to change the scope of Q36 (relating to pre-slaughter stunning) to include finfish. Additionally, respondents supported our proposal to modify the scoring of Q26 on welfare outcome measures, to provide maximum points to companies reporting multiple welfare outcome measures per species.

The changes to the wording of other questions (specifically, Q5, 7, 9, 17, 20, 21, 22, 23, 24, 25, 26, 27, 36 and 37) were proposed purely to aid comprehension of these questions and to provide clarity. These changes do not substantively alter the assessment of these questions and will therefore be incorporated in the 2020 Benchmark criteria. Following some comments received in the consultation, we will provide additional clarification in the wording of certain questions to make it clear that the restriction of scope to own-brand products (as has always been the case) applies to retailers and wholesalers only.

Based on additional comments and questions relating to species-specific environmental enrichment (Q5 and Q21), the BBFAW will produce a technical briefing paper on this topic in September 2020.

2.4 General Feedback on Improvements to the Benchmark

2.4.1 Request for Wider Reflections on How the Benchmark Might be Developed Over Time

We are keen to continually evolve our approach to evaluating and reporting on the state of farm animal welfare management and reporting across the food industry. As such, we invited suggestions as to how we could further develop our methodology and our reporting to remain relevant to developments taking place in the marketplace, to reflect best practice in the welfare of animals farmed for food and to maximise the Benchmark's usefulness to investors, companies and other stakeholders.

2.4.2 Stakeholder Responses

We received a number of comments on how the Benchmark and the criteria review process could be improved. A notable theme this year was a call from several respondents for BBFAW to weight questions on different species according to the relevance of that species within a company's supply chain. Other comments received from multiple respondents included calls for fewer annual changes to the BBFAW criteria and for more phased introductions of changes. Some respondents also mentioned the need to be sensitive to the impact on businesses of the COVID-19 pandemic.



Selected comments:

“The challenge with the criteria weightings is that depending on your business, some of the performance impact questions have large volume implications and some have very small implications. By increasing the weighting of these questions, it magnifies (and potentially penalizes) companies for areas that are an extremely small proportion of their business or over which they have relatively minimal influence. The greatest weighting should be given to major species/areas of production for the company.” [American company]

“Weighting should include an assessment measure that reflects differences in scope and volume. The more species scopes that are relevant to company activity, the greater the degree of demonstrable reporting and impact required. Similarly, companies with a global reach, larger volume sales and product range will have greater challenges than smaller companies operating in limited regions and with more closely integrated supply chains. There could be some means of recognising the impact of relative improvement driven by companies in the former category in terms of

proportional net improvement in animal welfare standards.” [European company]

“The evolution is too rapid and the benchmark is becoming more and more complex. It should come back to the origin and to the original spirit. It should be simpler and prize key facts more than having so many sections and subsections.” [European company]

“We suggest that any change in BBFAW methodology be informed at least 1 year in advance (ideally 2 years), for companies adapt their strategies, including communication, to the new reality.” [American company]

“Given the global pandemic I respectfully ask that you reconsider the depth of changes to the benchmark for 2020 & 2021. I presume that many companies in the benchmark have been significantly impacted and are trying to re-tool supply chains as well as rise to meet myriad business challenges with less resources in these unprecedented times.” [American company]

“It would be helpful to move the consultation paper & proposals forward. At the moment they are very close to the actual assessment so it does not give a sufficient window for companies to action data collection & supplier engagement for any new requirements proposed.” [European company]

2.4.3 Our Planned Actions

We appreciate the suggestions provided, including the call to consider introducing weighting to better reflect the species of most significance to individual companies. This would not be without challenges, but we will reflect on this, and the other suggestions, as we evolve the Benchmark in future years. In response to the comments regarding COVID-19, BBFAW is aware of the significant business disruption encountered by companies in the Benchmark and this is why we decided to push back the 2020 reporting deadline by two months, to the 30 September 2020.

Scoring of New Questions Added in 2019:

In line with our decision to include four new questions in the 2019 Benchmark but to defer the scoring of these new questions for one year, we will be including the scoring for Q5 and Q21 (both relating to environmental enrichment), Q24 (relating to effectiveness of stunning) and Q35 (relating to strains of broiler chickens with improved welfare outcomes and slower growth potential) in companies' overall scores for the first time in the 2020 Benchmark. As a consequence, we anticipate that 16 companies are at risk of falling a tier in the 2020 Benchmark. We have written to all companies at risk of falling a tier to ensure that they are aware of the changes.

3

Closing Remarks

We are grateful for all the feedback received in response to this consultation, and all the companies, investors and other stakeholders that have engaged with the BBFAW programme over the last year. The annual public consultation forms an integral part of our Benchmark cycle. The feedback received is essential for the development of the Benchmark and helps to ensure its relevance and continued role as a key driver of change in investment and corporate practice.

The BBFAW Secretariat and its founding partners, Compassion in World Farming and World Animal Protection, would like to thank the organisations that took the time to respond to our 2020 public consultation, and we look forward to continued engagement with our stakeholders as we further develop the Benchmark.



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. In addition, BBFAW 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 BBFAW's founding partners, Compassion in World Farming and World Animal Protection, who provide technical expertise, guidance, funding and practical resources.

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

