

MSCI

A Clear View of
Risk and Return



Business Benchmark on Farm Animal Welfare Launch



Hosted by MSCI ESG Research



London - February 25, 2013

Agenda

- **12.00 Arrivals**
- **12.10 Welcome and Introductions** - Martina MacPherson, VP, MSCI ESG Research
- **12.15 Introductory Remarks from the Benchmark Sponsors**
 - Philip Lymbery, Chief Executive, Compassion in World Farming
 - Mike Baker, Chief Executive, World Society for the Protection of Animals
- **12.25 Benchmark Overview and Headline Findings**
 - Nicky Amos, BBFAW Programme Director
 - Rory Sullivan, Expert Advisor to BBFAW
- **12.40 Panel Discussion and Q&A**
 - Drew Fryer, Senior Research Analyst, MSCI ESG Research
 - Abigail Herron, Corporate Governance Manager, Co-operative Asset Management
 - Steve McLean, Head of Agriculture and Fisheries, Marks and Spencer PLC
 - Rory Sullivan, Expert Advisor to BBFAW
- **13.25 Wrap-up/Next Steps** - Nicky Amos, BBFAW Programme Director
- **13.30 Close**



The Business Benchmark on Farm Animal Welfare

2012 Launch Event

Nicky Amos and Rory Sullivan
25 February 2013

About the Benchmark

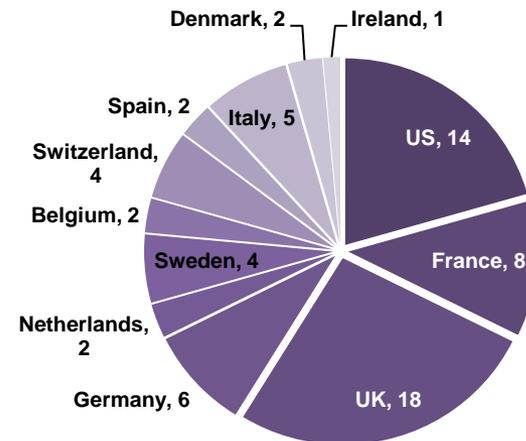
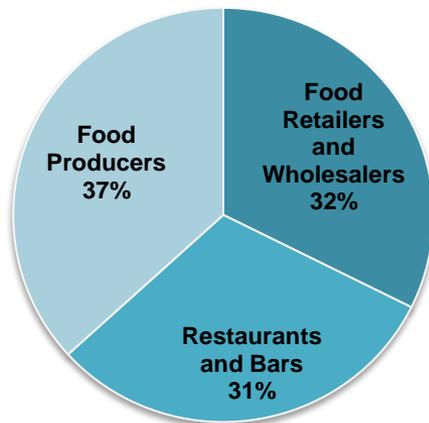
The Benchmark has been designed to provide:

- Investors, governments, academics, NGOs and consumers with independent, impartial and reliable information on individual company efforts to adopt higher farm animal welfare standards and practices
- Companies with guidance on how they can effectively communicate their performance on farm animal welfare to key stakeholders such as investors, government agencies and NGOs.



The Universe of Companies

- 68 companies
- Significant listed and non-listed food businesses with a presence in Europe
- Food producers (processors/manufacturers), food retailers and food service companies



Evaluation Criteria

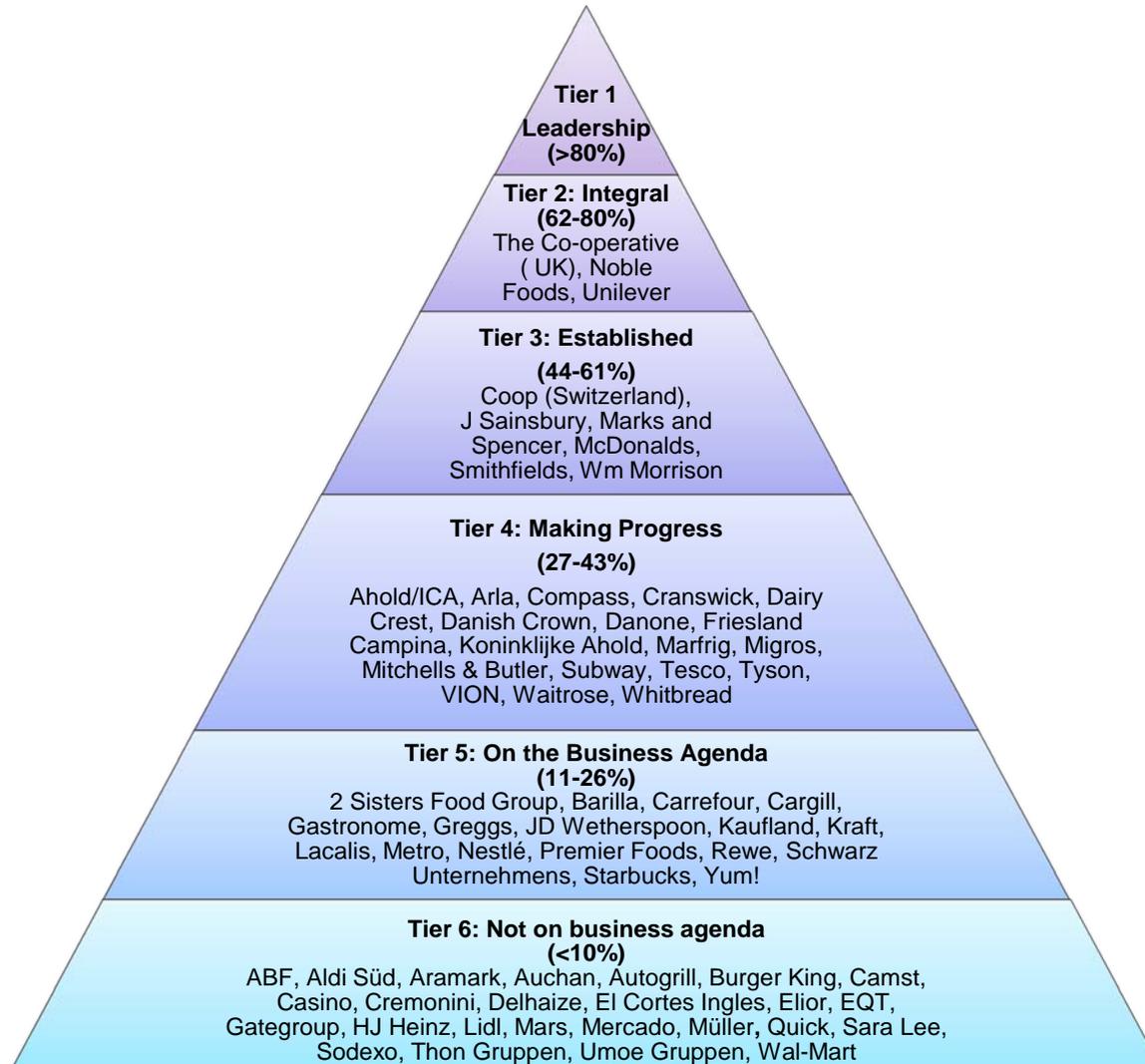
- 17 questions
- 3 categories:
 - Management commitment & policy (65 points)
 - Governance and management (75 points)
 - Innovation & leadership (30 points)
- Maximum score: 170 points

BBFAW Business Benchmark on Farm Animal Welfare	
BBFAW EVALUATION CRITERIA	
AUGUST 2012	
Business Benchmark on Farm Animal Welfare Evaluation Criteria	
Management Commitment and Policy	
Question 1.	Does the company acknowledge farm animal welfare as a business issue?
Rationale:	It is good practice for food companies to identify farm animal welfare as a relevant issue for the business, and to explain why farm animal welfare is a business issue. These reasons may include growing public awareness and concern over food quality and sourcing standards, security and sustainability of supply, productivity, waste, pricing, market opportunities and business development.
	No evidence that farm animal welfare is regarded as a relevant business issue. 0
	Farm animal welfare is identified as a relevant business issue. 10
	(Max Score = 10)
Question 2.	Does the company publish an overarching corporate farm animal welfare policy (or equivalent)?
Rationale:	It is good practice for companies to formalise their approach to animal welfare in a policy (or equivalent) such as a statement of guiding principles or a sourcing charter. While the existence of a policy may not provide a guarantee of implementation, the absence of a policy is a clear sign that farm animal welfare is not on the corporate agenda. Policy statements should include: a clear statement of the reasons why farm animal welfare is important to the business (including both the business case and the ethical case for action), a commitment to compliance with relevant legislation, a clear position with regard to expected standards of farm animal welfare and a description of the processes in place to ensure that the policy is effectively implemented. These processes could include senior management oversight, commitments to continuous improvement, performance monitoring, corrective action in the event that the policy is not being effectively
	implemented and public reporting on performance.
	No evidence of a formal policy statement (or equivalent) on farm animal welfare. 0
	Broad commitment to farm animal welfare in a policy statement (or equivalent) but no description of how the policy is to be implemented. 5
	Broad commitment to farm animal welfare within a policy statement (or equivalent) and a description of the processes in place to ensure that the policy is effectively implemented. 10
	(Max Score = 10)
Question 3.	Does the policy statement provide a clear explanation of scope?
Rationale:	The scope of the policy should be clearly defined by reference to: (a) geographic scope (e.g. are certain geographies outside the scope of the policy?), (b) the relevant species covered by the policy, (c) whether the policy only applies to own-brand products or to the products sourced from third parties. Where the policy is universally applicable, this must be made explicit.
	Scope not specified 0
Geographic scope	Not specified 0
	Scope is limited to certain specified geographies 2
	Scope is universal across all geographies 3
Species covered	Not specified 0
	Scope is limited to certain specified species 2
	Scope is universal across all relevant species 3
Products covered	Not specified 0
	Scope is limited to own-brand products or ingredients (i.e. the policy does not apply to imported or other brand products) 2
	Scope is universal across own brand, imported and other brand products 5
	(Max Score = 15)
Question 4.	Does the company have a clear position on the avoidance of close confinement and intensive systems for livestock (i.e. no sow stalls, concentrated animal feeding operations (CAFOs), feedlots, barrowing crates, single penning, battery cages, tethering, veal crates, force feeding)?

Key Findings

- 71% of food companies acknowledge farm animal welfare as a business issue.
- Of these, just over half publish an overarching policy on farm animal welfare, although most of these policies have significant limitations in their scope of application.
- Companies are relatively unclear about their positions on key welfare concerns with most commitments being limited in scope (e.g. to free-range eggs in the UK or ingredients of GM origin in UK/Europe).
- Only 39% of companies describe their board/senior management oversight of farm animal welfare (typically as a part of their approach to sustainability or CSR)
- Reporting on farm animal welfare performance is the exception rather than the rule.
- Beyond their own operations, there are few examples of how companies are contributing to the wider debate on FAW.

Company Results



Some Wider Reflections

- Reporting on farm animal welfare is in its infancy, with progress hampered by a lack of a shared understanding of what performance reporting might look like.
- From an investment perspective, the key conclusions are that farm animal welfare is a systemic risk to the food industry and that food companies have yet to effectively engage with the issue.
- Encouragingly, a number of companies have already started to use the BBFAW framework to strengthen their approach to the management of farm animal welfare.

For further details please visit website
www.bbfaw.com

or contact the Programme Director,
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**The Business Benchmark on Farm Animal Welfare
2012 Report**

Nicky Amos and Dr Rory Sullivan

Upcoming MSCI ESG Research Events

- Participate in the following MSCI ESG Research events:
 - Firearms Divestment in the US, Global Webinar - Feb 28, 2013
 - Optimizing ESG Factors in Portfolio Construction, Global Webinar – Mar 21, 2013
 - Global ESG Leadership Forum 2013: 'ESG Integration across Asset Classes', Global Webinars (APAC, Americas, EMEA) and LON event – Apr 11, 2013
- Meet MSCI ESG Research at the following industry events:
 - WWF Sustainable Sourcing Workshop, Washington DC - Feb 26, 2013
 - UN PRI Responsible Investment Seminar, Osaka, Nagoya, Tokyo - Mar 4-6, 2013
 - RI Asia 2013: The Investor - Corporate ESG Summit, Singapore - Mar 19-20, 2013

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