

Position Statement on Animal Welfare

FMO (the Netherlands Development Finance Company) is the Dutch development bank. Since 1970 we have been a driving force behind investments empowering entrepreneurs in emerging markets. It is our role and mandate to create local prosperity in some of the world's most challenging economies. This Position Statement is an integral part of the [FMO Sustainability Policy framework](#) that steers FMO's activities. The Position Statements explain FMO's choices in relation to major global sustainability issues and further explain how we select investments, work with clients and other stakeholders, and monitor performance. They reflect our objective to apply the highest possible standard of ethics and integrity to our business activities. This position statement explains how FMO undertakes to uphold animal welfare standards in its investment activities.

Animal Welfare

FMO considers animal welfare to be an important dimension of sustainable economic development, for several reasons. First, in line with the scientific thinking, FMO takes the view that animals are sentient beings that are capable of feeling pleasure and pain. Animal welfare is thus important from the animal's perspective. Second, animal welfare is linked with other sustainability issues such as food security, human health and environmental pressure on ecosystems. Third, there is often a business case for upholding animal welfare standards. Addressing animal welfare may, for example, increase productivity through reduced animal morbidity and mortality, or open up opportunities in markets where retailers and consumers are concerned with animal welfare.

Principles referred to as The Five Freedoms underpin much of the international dialogue on animal welfare. The Five Freedoms are referred to in many guidelines, recommendations and legislation, including the Terrestrial Animal Health Code of the World Organisation for Animal Health (OIE) and the OECD-FAO Guidance for Responsible Agricultural Supply Chains¹. According to the Five Freedoms, an animal should be free from hunger and thirst, free from discomfort, free from pain, injury, and disease, free to express normal behaviour and free from fear and distress.

Whereas animal welfare used to be approached primarily from the animal's perspective (with the Five Freedoms as an important framework), it is now increasingly understood that cultural and ethical considerations are to be taken into account as well. An important concept in this respect is the intrinsic value of animals. This notion refers to the value an animal possesses in its own right, in addition to the value it represents to its owner (or humans in general).

FMO's choices

FMO recognizes that in many of the countries in which it works animal welfare regulation and enforcement is weak or hardly existent. FMO is committed however to ensuring that animals kept

¹ Available at: <http://mneguidelines.oecd.org/OECD-FAO-Guidance.pdf>

by the businesses it finances are in good welfare. The general principles underlying FMO's approach to animal welfare are the Five Freedoms and the OIE's 11 General Principles for the Welfare of Animals in Livestock Production Systems². From an ethical perspective, FMO acknowledges that animals have intrinsic value.

In practice, as guiding frameworks, FMO subscribes to the animal welfare guidelines of the OIE's Terrestrial Animal Health Code³ and Aquatic Animal Health Code⁴, and the Good Management Practices in Animal Welfare put forward by the International Finance Corporation in its Good Practice Note: Improving Animal Welfare in Livestock Operations (2014)⁵. The Good Management Practices form a comprehensive set of practices covering genetics and breed selection, animal health, husbandry practices, stockmanship, quality assurance, feed and water, housing systems, transport, slaughter and aquaculture. FMO may use elements of relevant EU regulation to further interpret the the IFC guidelines. Recognizing that animal and human health are interlinked, FMO advocates the prudent and responsible use of antimicrobials in animal production systems in line with OIE recommendations⁶, and does not support the use of antibiotics for animal growth promotion.

FMO considers a number of animal husbandry systems and practices to be incompatible with the Five Freedoms or with the view that animals have an intrinsic value. These systems and practices (referred to below as "animal practices unacceptable to FMO") include non-enriched battery cages for chickens, the tethering of sows, individual sow stall housing throughout the entire pregnancy, individual pen housing for veal calves beyond the age of eight weeks, forced feeding of geese and ducks, the keeping of animals exclusively for fur or leather production and the production and keeping of genetically modified animals⁷. FMO will not make investments that substantially involve any of these systems or practices.

Implementation⁸

When an investment has a substantial direct involvement of animals⁹, FMO considers animal welfare as a specific risk dimension. At the time of the investment appraisal, FMO undertakes an animal welfare assessment. The assessment checks whether the client's practices comply with local

² See Article 7.1.4 of the OIE's Terrestrial Animal Health Code.

³ Section 7 of the Terrestrial Animal Health Code provides species-specific guidance on transport of animals by sea (chapter 7.2), land (chapter 7.3) and air (chapter 7.4), slaughter of animals (chapter 7.5), beef cattle production (chapter 7.9), broiler chicken production (chapter 7.10) and dairy cattle production (chapter 7.11).

⁴ See Section 7 of the Aquatic Animal Health Code. Available at: <http://www.oie.int/en/international-standard-setting/aquatic-code/access-online/>.

⁵ Available at: http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_qpn_animalwelfare_2014

⁶ See Sections 6 of the Terrestrial Animal Health Code and the Aquatic Animal Health Code.

⁷ Relevant EU regulation provides the basis for FMO's definitions of these "animal practices unacceptable to FMO".

⁸ The approach outlined below will be followed for new investments approved after FMO's Management Board has approved this Position Statement on Animal Welfare.

⁹ Such investments include investments where the specific investment purpose is animal production or transportation, investments in businesses that have a substantial part of their revenue from animal production or transportation and investments in slaughterhouses.

legislation and regulation and compares the client's practices with the above-mentioned OIE guidelines and the Good Management Practices of the IFC Good Practice Note on Animal Welfare. The assessment also evaluates the presence of any animal practices unacceptable to FMO. FMO ensures that the assessment is conducted by qualified experts. When material shortcomings are identified, FMO requires the client to develop a remediation plan to bring its performance in line with good practice within a reasonable time-period, and at a minimum within the period of the investment. Remedial actions will typically become part of the Environmental and Social Action Plan which is part of the financing contract between FMO and the client.

For investments with substantial direct involvement of animals, FMO requires its clients to have or develop an Animal Health and Welfare Plan. An Animal Health and Welfare plan lists the client's goals and strategy related to animal health and welfare. The plan should comply with ISO/TS 34700 or equivalent¹⁰. The plan will identify a number of relevant animal-based indicators – e.g. indicators related to mortality, morbidity, signs of aggression, damage or injury or signs of species-specific behaviour. FMO will monitor the implementation of the plan, will require the client to report on the identified animal-based indicators and will take appropriate measures when shortcomings are identified. Technical assistance support for clients to improve animal welfare practices may be available via FMO's Capacity Development Fund.

For investments in businesses whose primary supply chains rely substantially on animal products, FMO will require its client to identify the animal welfare risks associated with its supply chain. Where the client can reasonably exercise control given the commercial, regulatory and cultural context, FMO will require the client to collaborate with its primary suppliers to work towards outcomes that are consistent with FMO's own approach to animal welfare

When investing in financial institutions and investment funds, FMO is further removed from the investee companies and the scope to impose animal welfare standards that go beyond local regulation is much more limited. However, when FMO invests in a financial intermediary (a financial institution or a fund) that is substantially exposed to animal welfare risk, FMO will require the financial intermediary to develop procedures to identify transactions with high material animal welfare risk and, for those transactions, to work towards outcomes that are consistent with FMO's own approach to animal welfare.

We welcome feedback on our Position Statements. Please contact us at consultation@fmo.nl.

¹⁰ ISO/TS 34700 provides requirements and guidance for the implementation of the animal welfare principles as described in Section 7 of the OIE's Terrestrial Animal Health Code.