

27 July 2018

Ms Mavis Tan
ASX Corporate Governance Council
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By email: mavis.tan@asx.com.au

Dear Ms Tan

Consultation *Corporate Governance Principles & Recommendations* fourth edition

RSPCA Australia appreciates the opportunity to comment on the draft fourth edition of the *Corporate Governance Principles & Recommendations*.

As Australia's largest and most trusted animal welfare organisation, the RSPCA is committed to improving and promoting the welfare of animals throughout their lifetime. Our submission focusses mainly on Principle 3 (Instil the desired culture) and Principle 7 (Recognise and manage risk) and their relevance in improving the welfare of animals farmed for food and fibre.

Animal welfare, as distinct from animal cruelty, is important to ensure that all animals receive an appropriate level of care when it comes to their physical requirements (food, water, shelter, a comfortable resting area, and prevention and treatment of injury and disease) as well as their behavioural needs (ability to express natural behaviours, avoid experiencing distress and have the opportunity to experience positive affective states).

More and more investors are seeking responsible investment strategies and avoiding sources of risk. As at December 2016, around half of all professionally managed assets in Australia were responsible investments¹. 92% of Australians expect their investments to be invested responsibly and ethically, and 69% want to avoid investing in animal cruelty².

Poor farm animal welfare is a risk to good business so investors in livestock production can choose to pull out or they can use their influence to help improve animal welfare throughout the supply chain. With its close links to each of the three sustainability pillars - people, planet, profit - farm animal welfare is very much a part of the broader discussion about the sustainability of Australian agriculture.

Consumers are demanding to know more about the products they buy e.g. their provenance, environmental impact, and animal welfare attributes. By identifying, understanding and responding appropriately to these expectations (for example, through a corporate social responsibility (CSR) charter) the livestock industries and their investors can be successful in driving sustainability. This response to stakeholders essentially defines the corporation's social licence to operate. Individual livestock sectors can make commitments that aim to address

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¹ Responsible Investment Association Australasia (2017) Responsible Investment Benchmark Report 2017. RIAA, Sydney, Australia.

² Responsible Investment Association Australasia (2017) From values to riches: Charting consumer attitudes and demand for responsible investing in Australia. RIAA, Sydney, Australia



their material issues (e.g. a change to housing system, alternatives to painful procedures, improved transport or slaughter conditions, good breeding practices, responsible antibiotic use, etc) which provide a pathway for continuous improvement in support of their sustainability goals. Investors and corporations, in turn, can assess these material issues (risks) and devise a framework for managing those risks. Of course, from our perspective, this framework would primarily consist of measures to remove those risks by committing to improving animal welfare across the supply chain.

It is important for corporations to disclose information on CSR commitments as well as performance against those commitments. When companies are assessed for or by potential investors, a lack of information will result in a poor assessment and low ranking because it is assumed CSR is not managed. For example, the Business Benchmark on Farm Animal Welfare³ will do an annual desktop study on corporate commitments and progress against those commitments. Corporations that have no or very little information available publicly, are scored low on the benchmark despite perhaps doing good things in the animal welfare space. Wesfarmers and Woolworths are both represented in the benchmark.

The International Finance Corporation's 'Good practice note' on improving animal welfare in livestock corporations⁴ is a good starting point for developing a corporate policy on ethical livestock production. In it, the IFC outlines the clear competitive advantage for corporations that enhance or address animal welfare issues:

- *"reducing costs due to improved human-animal relationships and other welfare benefits, which can lead to increased productivity"*
- *"realizing growing market opportunities for food produced in animal welfare-credentialed systems; and/or"*
- *"becoming the producer of choice for retailers and consumers concerned with animal health and welfare, food safety and quality, human health, and the environment."*

The World Bank, through its Environmental and Social Framework, sets out requirements for borrowers that relate to the risks and impacts of projects supported by the World Bank. These requirements, set out in their Biodiversity Conservation and Sustainable Management of Living Natural Resources standard within the Framework⁵, specifically reference livestock production practices:

"The Borrower involved in the industrial production of crops and animal husbandry will follow GIIP⁶ to avoid or minimize adverse risks or impacts. The Borrower involved in large-scale commercial farming, including breeding, rearing, housing, transport, and slaughter of animals for meat or other animal products (such as milk, eggs, wool) will employ GIIP⁷ in animal husbandry techniques, with due consideration for religious and cultural principles."

³ Amos N, Sullivan R (2018) The Business Benchmark on Farm Animal Welfare 2017 Report.

⁴ International Finance Corporation (2014) Good Practice Note: Improving Animal Welfare in Livestock Operations, IFC, Washington DC.

⁵ The World Bank (2017) The World Bank Environmental and Social Framework, The World Bank, Washington DC.

⁶ Good International Industry Practice.

⁷ Specific reference is made in the World Bank text to the IFC Good Practice Note on Improving Animal Welfare in Livestock Operations.



Similarly, the Global Reporting Initiative (GRI) has produced a supplement to their Sustainability Reporting Guidelines for the food processing sector which includes animal welfare (particularly in large scale or industrial operations) as it was considered to reflect social values. It recommends disclosure on specific aspects of a corporation's farm animal welfare management, namely breeding and genetics, animal husbandry, and transportation, handling and slaughter⁸.

With an increasing number of companies (including ASX-listed banks and corporations) now including animal welfare in corporate reports or position statements, committing to good animal welfare across the livestock production supply chain simply makes good business sense.

This is clearly an opportunity for the ASX Corporate Governance Council to recognise these developments and adopt a position that reflects community expectations and values around ethical and sustainable livestock production.

Kind regards

A handwritten signature in black ink that reads 'Heather Neil'.

Heather Neil
Chief Executive Officer
RSPCA Australia

⁸ Global Reporting Initiative (2000-2011) Sustainability Reporting Guidelines & Food Processing Sector Supplement.