



# **Engaging With the Financial Sector About Farm Animal Welfare:**

## **An Introductory Guidebook for Farm Animal Welfare Advocates**

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**Sponsored by the Effective Altruism Fund's Animal Welfare Fund**

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New Market ESG  
Rockville, Maryland  
USA

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## **About New Market ESG**

New Market ESG is a food sector advisory, consulting and ESG services company specializing in farm animal welfare and alternative protein based in the Washington, D.C. area. New Market ESG is a privately held shareholders corporation and registered Maryland State Benefit Corporation, a type of for-profit company whose goals include making a positive environmental and social impact.

## **About Effective Altruism Funds**

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# Introduction

The financial sector has been an increasing focus of attention by farm animal welfare advocates as financial institutions have become more amenable to accounting for farm animal welfare in their lending, investing and insuring transactions with companies in the meat, dairy and egg supply chain. Farm animal welfare organizations have seized upon the opportunities to work with financial institutions, including through coalitions and multi-stakeholder initiatives.

A group of first-mover organizations have tried various approaches and achieved significant results. The Accountability Board and The Humane Society of the United States own shares in major US companies and regularly submit shareholder proposals calling for improvements in intensive confinement policies. The Business Benchmark on Farm Animal Welfare (BBFAW) and The Farm Animal Investment Risk and Return (FAIRR) Initiative maintain data sources about farm animal welfare performance by companies that hundreds of financial professionals use. The Farm Animal Responsible Minimum Standards (FARMS) Initiative's Responsible Minimum Standards (RMS), created as references for financial institutions and covering beef cattle, chickens raised for meat, dairy cattle, farmed fish, laying hens and pigs, are now included in frameworks like the Climate Bonds Initiative's Agricultural Criteria for Climate Bonds and the UN's Responsible Banking Guidance Document. The Stop Financing Factory Farming Coalition has successfully pushed for major development banks to drop hundreds of millions of dollars of loans that would have supported the expansion of large, intensive production in Africa, Asia and Latin America.

This guidebook was produced to assist organizations in building upon the efforts and accomplishments of advocates who have worked with and within the financial sector to advance farm animal welfare globally.

# Summary

“Engaging With the Financial Sector About Farm Animal Welfare: An Introductory Guidebook for Farm Animal Welfare Advocates” is a resource for advocates to help them assess which approaches for engaging with the financial sector might be most applicable to their organization’s particular ambition, capacity and mission, while also saving them the time and resources needed to research and organize background information about the financial sector.

This guidebook has five sections, each building upon material from the previous section(s), and covers basic financial sector terms and concepts, motivations of financial institutions, environmental, social and governance (ESG) data, strategies used in sustainable finance and considerations for advocates when approaching and interacting with the financial sector. “Roles for Advocates” are included after each subsection in Sections 2, 3 and 4 to suggest potential actions that organizations can take as part of a financial sector engagement program. An Appendix is also provided which contains information about sustainable finance frameworks and institutions and a timeline of sustainable finance milestones.

After becoming comfortable in their understanding of the guidebook’s learning objectives, advocates should be equipped to have useful discussions with financial professionals about their sustainable finance programs, including strategies that banks, investors and insurers can implement to manage the risks and opportunities of farm animal welfare. Advocates will also be introduced to ways their organization can assume the role of an investor to influence company behavior.

# Section 1

## Financial Sector Fundamentals

The objective of Section 1 is to become familiar with basic financial sector definitions, instruments and institutions.

### 1.1 Financial Sector Definitions

<b>Active Ownership</b>	A strategy of using one's rights as a shareholder to influence a company.
<b>Alternative Investment</b>	Also known as an "Alternative Asset." An investment that does not fit into the traditional investment categories of bonds, cash or stocks. Hedge funds, commodities and private equity are examples of alternative investments.
<b>Asset Class</b>	A group of investments with similar characteristics. Bonds, commodities and stocks are examples of different asset classes.
<b>Buy-Side</b>	The part of the financial sector that buys securities rather than creates them.
<b>Capital Market</b>	Also known as a "Financial Market." A market for trading financial assets such as stocks, bonds or currency. Distinct from a "Commodity Market," which is where real assets are exchanged. A "Primary Capital Market" refers to a market where financial instruments are bought and sold for the first time, for example, the "Initial Public Offering" (IPO) of a stock. A "Secondary Capital Market" is a market where already issued financial instruments are exchanged.
<b>Consumer Discretionary</b>	An economic sector that includes nonessential consumer industries, such as hotels and restaurants.
<b>Consumer Staples</b>	An economic sector that includes essential consumer industries, such as food and beverage producers and supermarkets.
<b>Corporate Social Responsibility (CSR)</b>	A business management concept in which environmental and social concerns are integrated into activities.

<b>Credit Rating</b>	An opinion regarding the ability and willingness of an entity to fulfill its financial obligations.
<b>Demand-Side</b>	The part of the financial sector that borrows money or uses financing.
<b>Disclosure</b>	The act of publicly releasing specific data to satisfy regulatory requirements or meet recommended practices. “Financial” and “Non-Financial” are the two types of disclosure. Non-financial disclosure includes information about ESG issues. Disclosures are generally verified by a third party. “Reporting” is a similar concept, except that reporting is a more general release of information and data that is not legally required.
<b>Due Diligence</b>	The assessment of a company’s assets, liabilities and commercial potential done by a potential buyer, often to satisfy a legal requirement.
<b>Endowment</b>	The total investable assets of a nonprofit entity.
<b>Environmental, Social and Governance (ESG)</b>	ESG is a technical term encompassing all of the sustainable finance strategies that use criteria and data about environmental, social and governance performance to inform decisions about financial transactions. ESG is also used to refer to environmental, social and governance issues generally, not necessarily within the context of sustainable finance.
<b>Financial Instrument</b>	A tradeable monetary contract.
<b>Financial Market</b>	A market where securities are traded, such as a stock or bond market.
<b>Fixed Asset</b>	A long-term asset that a company cannot easily convert to cash, such as a building, land or an animal that lives for more than one year.
<b>Guarantor</b>	A person or entity that agrees to take on another party’s debts if that party defaults.
<b>Index</b>	A group of similar financial instruments reflecting a specific asset class, industry, investment strategy or sector.
<b>Issuer</b>	A company, financial institution or government that creates and sells securities to fund a project or general operations.
<b>Just Transition</b>	A framework containing social interventions to support the rights and livelihoods of workers as the world shifts to more sustainable production.



<b>Materiality</b>	Materiality is an accounting principle related to whether information about a company is significant enough that it would reasonably affect the judgment of an investor. Significant information is considered material. Insignificant information is considered immaterial.
<b>Physical Risk</b>	The threat of damage to physical assets.
<b>Product Transparency</b>	The practice of disclosing truthful and open information about a product. In the financial sector, a common product transparency issue is the extent to which “sustainable” investment funds disclose the potential positive and negative impacts of their portfolios.
<b>Prudential Requirements</b>	Also known as “Prudential Regulations.” A set of regulations that govern financial institutions, including meeting a minimum capital requirement, maintaining a diversified portfolio and limiting the types of financial and non-financial risks that can be taken.
<b>Real Economy</b>	The part of the economy consisting of goods and services, as opposed to the “Financial Economy,” which consists of financial instruments and transactions.
<b>Risk Assessment</b>	A detailed assessment of the potential for harm. A risk assessment is distinct from a “Risk Screen,” which is a less thorough examination.
<b>Sell-Side</b>	Also known as “Supply-Side.” The part of the financial sector that creates and sells financial instruments and products.
<b>Short Selling</b>	An investing strategy based on profiting if the value of an asset goes down. A “Long Strategy” is based on profiting if the value goes up.
<b>Stewardship</b>	The act of responsibly managing financial assets.
<b>Stress Test</b>	A tool to assess the financial effects of a future event or events.
<b>Sustainable Finance</b>	An umbrella term that covers all of the financing strategies that account for ESG issues.
<b>Taxonomy</b>	A set of criteria used to evaluate whether and to what extent a financial asset supports a given sustainability goal.
<b>Transition Risk</b>	The risk from changes in technology, financial markets or policy.
<b>Underwriting</b>	A service provided by a financial institution in which the financial institution agrees to take on a financial risk for a fee.

## 1.2 Financial Instruments

<b>Bond</b>	A financial instrument in which investors lend money to a company or government for a set period for fixed payments.
<b>Co-Investment</b>	An investment made into a company or venture, usually by an institutional investor, alongside a larger investment by a private equity or venture capital firm.
<b>Debt Instrument</b>	A financial instrument in which a borrower receives a one-time sum of money and pays the full amount back over a fixed period with interest.
<b>Debt Security</b>	A financial instrument that is bought and sold between parties. The main difference between a debt instrument and a debt security is that a debt security is traded in a financial market. A bond is a common debt security.
<b>Derivative</b>	A contract that derives its value from another asset, commodity or index.
<b>Equity</b>	Also known as a “Share” or “Stock.” Equity refers to having ownership. Equity can be “Private,” by which only certain investors can purchase ownership, or “Public,” by which all investors can purchase ownership on a public share market. “Preferred Stock” is ownership with enhanced rights as compared to those of “Common Stock” holders, such as greater dividends and claims on company assets in the event of liquidation.
<b>Exchange-Traded Fund (ETF)</b>	A fund that invests in a group of securities, such as stocks, bonds or other asset classes. ETFs are traded on a public exchange, unlike a mutual fund, which is purchased directly from a mutual fund company.
<b>Finance Contract</b>	A contract in which goods or services are paid for in installments.
<b>Fixed Income</b>	An investment that gives a fixed interest over time or a dividend payment. Corporate and government bonds are common fixed-income investments.
<b>Fund</b>	A pool of money used to invest. A “Closed-End Fund” only issues shares once and offers investors a chance to buy through an IPO. By contrast, shares in an “Open-Ended Fund” can be purchased anytime, and the number of shares can increase.
<b>Futures Contract</b>	An agreement to purchase or sell a particular asset on a specific date.
<b>Hedge Fund</b>	A pooled investment in stocks and other investments. A hedge fund is similar to a mutual fund but with fewer restrictions and often more risk.

<b>Index Fund</b>	A fund that seeks to mimic the performance of a financial market index. An “Index Provider” creates and manages index funds.
<b>Mezzanine Financing</b>	An investment that allows the lender to convert debt to equity interest if the company defaults.
<b>Mutual Fund</b>	A pooled investment in stocks and other investments in which investors transact directly with a mutual fund company.
<b>Options Contract</b>	An agreement that gives the holder the option to buy or sell a particular asset at a fixed price on a specific date.
<b>Over-the-Counter</b>	A financial agreement in which two parties directly contract with each other, rather than going through an exchange or intermediary.
<b>Security</b>	A negotiable financial instrument with value. The term includes bonds, stocks and investment contracts, but does not encompass insurance contracts, corporate loans, interest on bank deposits or currency trading. When an investment is made with the expectation that profit will come through the efforts of someone other than the investor, it is a security.
<b>Venture Capital</b>	A type of private equity financing that supports new or small companies.

### 1.3 Financial Institutions

<b>Asset Manager</b>	Also known as an “Asset Management Company,” “Financial Advisor,” “Investment Manager” or “Investment Management Company.” An individual, company or institution that oversees investments for clients. An “Institutional Asset Manager” attends to the portfolios of large clients.
<b>Asset Owner</b>	An individual, company or institution that owns an asset. Some asset owners manage their investments, while others hire asset managers. Some asset owners are financial institutions, such as banks, insurance companies and pension funds, while others are non-financial institutions, ] such as religious institutions, foundations, nonprofit organizations and high-net-worth families. An “Institutional Asset Owner” or “Institutional Investor” is an entity that is responsible for the assets of others. A “Retail Investor” is an individual who manages their own portfolio.
<b>Brokerage Firm</b>	An intermediary that connects buyers and sellers of financial securities.
<b>Central Bank</b>	Also known as a “Monetary Authority,” “National Bank” or “Reserve Bank.” A state-owned bank that sets monetary policy.

<b>Commercial Bank</b>	A bank that provides services to individuals and businesses.
<b>Credit Union</b>	A non-profit financial cooperative that offers financial services similar to those of commercial banks. A credit union is usually owned by members with a common trait, such as belonging to the same organization.
<b>Development Bank</b>	Also known as a “Development Finance Institution” (DFI). A bank that provides private and public sector loans and financing to support social and economic development, mainly in developing and emerging markets.
<b>Export Credit Agency (ECA)</b>	A financial institution that provides insurance and financing to exporters and importers. The main function of an ECA is to provide support to domestic companies that market goods and services in risky markets.
<b>Financial Services Company</b>	An institution that offers more than one type of financial service.
<b>Insurance Company</b>	A company that offers financial protection against losses from specified events.
<b>International Financial Institution</b>	A financial institution owned by more than one country.
<b>Investment Bank</b>	A financial institution that offers advice and services regarding acquisitions, mergers, business sales and raising capital.
<b>Mortgage Company</b>	A financial institution that provides financing for individuals and businesses to purchase property.
<b>Pension Fund</b>	Also known as a “Superannuation Fund.” An investment fund that provides retirement income to its members, often employees.
<b>Retail Bank</b>	A financial institution whose main customers are individuals and small businesses, as opposed to corporations and financial institutions.
<b>Sovereign Wealth Fund</b>	A government investment fund that manages the reserve funds of a country on behalf of its economy and citizens.

## Section 2

# Motivations of Financial Institutions

The objective of Section 2 is to grasp the motivations that financial institutions have for sustainable finance, how the motivations relate to farm animal welfare and ways that advocates can address the motivations as part of their financial sector engagement.

## 2.1 Financial

The most compelling argument for sustainable finance is the financial argument because it directly accounts for profitability, the main motivation of financial institutions. Under this argument, the basis for sustainable finance is that accounting for ESG leads to greater returns, whether by embracing a new technology that has positive sustainability impacts or investing in a company whose profitability is seen to be associated with being best-in-class in ESG. A company's stock or earnings can also be damaged by the publicity of an ESG controversy.

### Sample of research that supports the financial argument:

- A meta-analysis of 1000 research reports published between 2015-2020 found that 58% of papers discovered a positive relationship between ESG and financial performance, while only 8% found a negative relationship.<sup>1</sup>
- An analysis of 300 public companies in 2022 found that a higher ESG score was associated with a higher market value and that improvements in scores increased market value.<sup>2</sup>
- An analysis of 625 public companies from 29 different countries found that the increase of an ESG controversy score was associated with a decline in financial performance."<sup>3</sup>
- Research of 4,000 hedge funds from 2012-2022 found that investing in environmentally friendly stocks yielded 8% more gains than investing in traditional stocks.<sup>4</sup>
- Sustainable funds (12.6% return) outperformed traditional funds (8.6% return) on a global basis in 2023.<sup>5</sup>

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<sup>1</sup> [https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM\\_ESG-Paper\\_2021%20Rev\\_0.pdf](https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf)

<sup>2</sup> <https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/financial-advisory/deloitte-ch-company-ESG-score-impact-on-market-value.pdf>

<sup>3</sup> <https://www.sciencedirect.com/science/article/pii/S2214845024001194>

<sup>4</sup> <https://www.buffalo.edu/ubnow/stories/2024/08/green-hedge-fund.html>

<sup>5</sup> <https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/MSInstituteForSustainableInvesting-SustainableRealityFY2023-Final.pdf>

One financial argument for farm animal welfare is the danger of “Stranded Assets,” which are assets that lose their value before the end of their anticipated economic life. Cages for laying hens and gestation stalls for sows are the most pertinent types of potentially stranded assets because of their widespread use and the various factors that may render such confinement systems obsolete in large markets within the next few years, such as regulatory changes and increasing consumer pressure.

### Potential financial impacts on a company whose confinement systems become stranded assets:

- Assets go down because the value of the confinement systems is written off.
- Costs are incurred for removing confinement systems and other infrastructure associated with the systems, such as buildings that house the systems.
- Costs are incurred for buildings to be retrofitted to allow for cage- or stall-free systems.
- Costs are incurred for installing new systems and training workers to use them.

The life of confinement systems is probably fairly uniform globally, though the costs will vary.

**Table 1. Estimated Life and Cost of a Cage and Stall System.**

System	Life	Cost, not including installation, accessories or infrastructure
Cage	20 years <sup>6</sup>	US\$ 10,000 - US\$ 75,000 per 10,000 hens. <sup>7,8</sup> Enriched cages are more expensive than battery cages, and multi-tier cage systems are more expensive than single-level systems. <sup>9</sup>
Stall	20 years <sup>10</sup>	US\$ 80,000 - US\$ 100,000 per 1,000 sows. <sup>11,12</sup>

An important point to consider about confinement systems as a potentially stranded asset is how long the phase-in period for higher welfare systems to replace confinement systems will be, whether based on voluntary targets by companies or on legislation, such as Proposition 12 in the US state of California, which bans the production and sale of certain egg, pork and veal products from confinement systems. Proposition 12 was passed in 2018,<sup>13</sup> and companies had to comply with the standards for calves by 2020 and hens and sows by 2022.<sup>14</sup>

<sup>6</sup> <https://chickenscage.com/news/what-is-the-price-of-battery-cage-system-for-layers.html>

<sup>7</sup> Ibid.

<sup>8</sup> <https://www.livibatteryfree.net/how-much-will-it-cost-for-10000-layers-poultry-farm-cages/>

<sup>9</sup> <https://www.livipoultryequipment.com/prices-of-the-different-types-of-laying-cages/>

<sup>10</sup> <https://www.debabrother.com/how-to-choose-right-gestation-crate-for-your-pig-farm.html>

<sup>11</sup>

[https://www.alibaba.com/product-detail/Goldenest-Piggery-Gestation-Crate-for-pigs\\_60411868270.html?spm=a2700.shop\\_index.82.65.61a74ab1zizqcr](https://www.alibaba.com/product-detail/Goldenest-Piggery-Gestation-Crate-for-pigs_60411868270.html?spm=a2700.shop_index.82.65.61a74ab1zizqcr)

<sup>12</sup>

<https://qdrs-world.en.made-in-china.com/product/UsaxkmyDvLVT/China-Supply-Gestation-Crate-with-HDG-Treatment-for-Sow-for-Sale.html>

<sup>13</sup> [https://leginfo.ca.gov/faces/codes\\_displayText.xhtml?lawCode=HSC&division=20.&title=&part=&chapter=13.8.&article=](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=HSC&division=20.&title=&part=&chapter=13.8.&article=)

<sup>14</sup> [https://www.cdfr.ca.gov/AHFS/AnimalCare/docs/Animal\\_Confinement\\_Important\\_Dates.pdf](https://www.cdfr.ca.gov/AHFS/AnimalCare/docs/Animal_Confinement_Important_Dates.pdf)

## **Financial Arguments: Roles for Advocates**

1. Research and publish information about the impact of farm animal welfare performance and controversies on stock price and earnings.
2. Research and publish information about the impact on specific companies, industries or regions if intensive confinement systems become stranded assets.

## **2.2 Regulatory**

There is no evidence of any financial regulations that explicitly require financial institutions to account for farm animal welfare beyond taking reasonable steps to ensure the companies they support meet their particular jurisdiction's legal regulations. There is, however, an argument that, in many jurisdictions, the regulations governing financial institutions create an expectation that financial institutions assess and, if the risks are material, publicly disclose the potential financial and sustainability risks from their exposure to companies that rely on intensive confinement. Companies that operate intensive confinement facilities would likely be seen as more at risk than those that sell products from intensive confinement, if only, for example, because an egg producer's business is completely affected by cage-free legislation, whereas eggs are only a small portion of the products sold or used by, for example, supermarkets and restaurants.

The International Financial Reporting Standards (IFRS) are the most widely used reporting directives, with approximately half of the world's gross domestic product represented by countries that require companies to base their reporting on the IFRS.<sup>15</sup> The IFRS includes sustainability reporting standards that could reasonably be interpreted to require accounting for farm animal welfare, depending on the particular clients, holdings and other features of a financial institution's business, and, in general, whether the issue is material. For material topics, the IFRS requires disclosing information about strategy, risk management, metrics and targets used, and which standards were used to determine the foregoing.<sup>16</sup>

The EU's Corporate Sustainability Reporting Directive (CSRD), which Member States were required to incorporate by July 2024, requires certain EU- and non-EU-headquartered financial institutions to report on their sustainable finance strategy, targets and performance. The CSRD does not require financial institutions to undertake any specific sustainable finance strategy but does include animal welfare as one of the sustainability areas to be included in the materiality assessment and requires applicable financial institutions to disclose whether they have animal welfare policies.<sup>17</sup>

In terms of specific ESG areas, the most widely prescribed disclosure requirements and recommendations for financial institutions relate to climate risks. The UN Environment

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<sup>15</sup> <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis-of-the-profiles-by-gdp>

<sup>16</sup>

<https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on>

<sup>17</sup> <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32023R2772>

Programme (UNEP) Finance Initiative’s “Agriculture Sector Risks Briefing” highlights both the transition and physical risks related to carbon-intensive agriculture, such as from producing meat and dairy.<sup>18</sup> There is also growing interest in having financial institutions report their “Financed Emissions,” which are greenhouse emissions created as a result of lending, investments and other financial services. Currently, reporting is generally voluntary.

In some jurisdictions, there have been attempts to create legislation that governs the ability of financial institutions to account for sustainability. For instance, there has been a flurry of recently proposed sustainable finance legislation in the US, both to restrict and encourage ESG use. Some laws seek to stop state-owned pension funds from incorporating ESG into investment decisions, while others require such funds to do so.<sup>19</sup>

### **Regulatory Arguments: Roles for Advocates**

1. Keep up with legislation that may require, encourage, discourage or disallow accounting for ESG issues in financial transactions.
2. Research and publish information about the potential regulatory requirements for financial institutions to disclose how they are managing farm animal welfare, emphasizing ways in which risks should be considered material.
3. Stay informed about developments in farm animal welfare regulations affecting financial institutions, including opportunities to influence new or updated regulations, for example, through public comments and consultations.

## **2.3 Soft Law**

“Soft Law” refers to agreements, declarations and other instruments or communications that recommend certain behaviors or codes of conduct but are non-binding in a legal sense. Many financial institutions participate in soft law coalitions, initiatives and other endeavors that aim to increase the use and effectiveness of management of farm animal welfare. Due to this, soft law provides evidentiary support for the idea that farm animal welfare should be accounted for by financial institutions that are party to soft law frameworks containing such guidance.

### **Examples of farm animal welfare soft laws:**

- BBFAW’s Global Investor Statement on Farm Animal Welfare, which has 33 investor signatories and identifies “farm animal welfare as being potentially material to long-term investment value creation in the food sector and they commit to taking account of farm animal welfare in their analyses of food companies and in their engagement with these companies.”<sup>20</sup>

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<sup>18</sup> <https://www.unepfi.org/wordpress/wp-content/uploads/2023/03/Agriculture-Sector-Risks-Briefing.pdf>

<sup>19</sup> <https://www.ropesgray.com/en/sites/navigating-state-regulation-of-esg>

<sup>20</sup> <https://www.bbfa.com/investors/investor-statement/>



- The UNEP Finance Initiative Principles for Responsible Banking, which has 351 investor signatories and lists the FARMS Initiative's RMS as a "Key Resource."<sup>21</sup>
- The UNEP Principles for Sustainable Insurance, which has 168 insurance company signatories and includes farm animal welfare standards as resources for risk mitigation and good practice.<sup>22</sup>

### **Soft Law Arguments: Roles for Advocates**

1. Create new initiatives to educate financial institutions about farm animal welfare and support them in implementing strategies to manage farm animal welfare.
2. Develop relationships with existing initiatives and make recommendations about their current farm animal welfare guidance.
3. Research and publish information about farm animal welfare soft law obligations that financial institutions may have based on memberships in coalitions and other initiatives.

## **2.4 Reputational**

Achieving and maintaining a reputation as sustainable is important for financial institutions because it helps them take advantage of new business opportunities with consumers, companies, other financial institutions and governments, especially with more private and public funds being earmarked for ESG-focused activities and businesses. Being viewed as sustainable may also mitigate pressure from stakeholders, which 30% of global investors rated as a top ESG integration driver.<sup>23</sup> While financial institutions are ESG's biggest customers, many of them, especially publicly traded ones, are scored and benchmarked for their ESG impact.

### **Most frequently assessed areas in Sustainalytics' financial sector risk ratings:<sup>24</sup>**

- "Business Ethics and Code of Conduct," which includes managing risks related to accounting, anti-competitive practices, bribery, corruption, defrauding, lobbying, political involvement and sanctions.
- "ESG Integration in Investment and Financing Decisions."
- "Ethics Conduct and Misselling," the latter which is defined as making unsubstantiated claims about financial products and/or not providing complete and accurate disclosures about financial products.
- "Product Governance Transparency," which includes the extent to which financial institutions disclose the risks of a financial product to potential investors and customers.

<sup>21</sup> <https://www.unepfi.org/wordpress/wp-content/uploads/2022/04/PRB-Guidance-Documents-Jan-2022-D3.pdf>

<sup>22</sup> <https://www.unepfi.org/psi/wp-content/uploads/2020/06/PSI-ESG-guide-for-non-life-insurance.pdf>

<sup>23</sup> <https://www.capitalgroup.com/advisor/pdf/shareholder/ITGEOT-073-1043294.pdf>

<sup>24</sup> <https://www.sciencedirect.com/science/article/pii/S027553192300171X>

**Table 2. Sample of Sustainalytics' Risk Ratings of Banks.<sup>25</sup>**

Risk rating	Banks
High	Agricultural Bank of China, Bank of China, Bank of India, Philippines National Bank, Wells Fargo (US), WesBanco (US)
Medium	Credit Agricole (France), DBS (Singapore), Deutsche Bank (Germany), Mitsubishi Financial (Japan), State Bank of India, Westpac (Australia)
Low	Agricultural Development Bank of China, Banco Santander (Spain), Bank of Montreal, FirstRand (South Africa), Rabobank (Netherlands)
Negligible	Asian Development Bank, Inter-American Development Bank, Intesa Sanpaolo (Italy), Nordic Investment Bank, O-Bank (Taiwan), World Bank Group

### **Reputational Arguments: Roles for Advocates**

1. Demonstrate through research or surveys if and how accounting for farm animal welfare has positive impacts on the ways institutional customers and, if applicable, individual retail customers, view financial institutions from a reputational standpoint.
2. Publish benchmarks comparing the farm animal welfare policies of financial institutions.

## **2.5 Ideological**

The ideological argument for financial institutions to manage farm animal welfare is based on the belief or idea that humans have a responsibility to care for the well-being of animals that are raised for food. Under this argument, there is an ethical duty to account for the welfare of farm animals because they are sentient beings and numerous scientific studies show they can experience physical and emotional pain. Financial institutions are in a position to influence the way companies treat farm animals, so if a financial institution has an opportunity to support better farm animal welfare through its policies and programs, it should do so, in some cases even if an investment, loan or insurance agreement will be less profitable, but certainly, if it will be more, or as, profitable.

For many financial professionals, the ideological argument presumably holds little, if any, weight. Nonetheless, there are also likely instances in which improvements in a financial institution's farm animal welfare policy were due in large part to a single or small group of employees who were particularly responsive to the issue. Financial professionals who are sensitive to ideological arguments for farm animal welfare might also find credence in the argument that farm animals deserve more protection, not simply to avoid or reduce suffering, but also to

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<sup>25</sup> <https://www.sustainalytics.com/esg-ratings>

enable them to have more positive experiences, such as is possible when they are raised in an environment where they can perform natural behaviors.

### **Ideological Arguments: Roles for Advocates**

1. Produce materials geared for idealistic financial professionals about the emotional and physical responses of farm animals to different types of production methods.
2. Research and contact financial professionals who may be sensitive to farm animal welfare based on their work experience, education or hobbies.

## Section 3

# Environmental, Social and Governance Data

The objective of Section 3 is to gain an introductory knowledge of ESG data, ESG data providers, ESG disclosure frameworks and interventions that advocates can take to increase the amount and improve the use of ESG data about farm animal welfare.

### 3.1 Environmental, Social and Governance Data

Financial institutions rely on ESG data to inform decisions about the companies, industries, sectors and regions with which to do business. Financial institutions also use ESG data to measure their own performance and make disclosures.

#### Commonly used data terms:

<b>Indicator</b>	Qualitative or quantitative criteria used to measure something.
<b>Industry</b>	A group of companies doing the same type of business.
<b>Key Performance Indicator (KPI)</b>	A measure of performance.
<b>Metric</b>	A standardized measurement.
<b>Scope</b>	The companies that are included in a survey or dataset.
<b>Sector</b>	An economic segment consisting of companies from similar industries.
<b>Threshold</b>	A standard that must be met to receive a certain score or ranking.

The primary sources of raw ESG data are “Internal” and “External” sources. Internal sources come from the company itself, such as annual reports, sustainability reports, press releases, company web pages, regulatory filings and information a company reports directly to a third party that is then published in an unprocessed form on an external website. External sources include news, social media, non-governmental organizations (NGOs), governments, intergovernmental bodies, third-party company review sites and public databases that publish physically sourced data like water or air quality.

### **Commonly used ESG data terms:**

<b>ESG Index</b>	A fund that includes companies with strong ESG performance, such as a fund containing only companies that are best-in-class in an ESG area.
<b>ESG Label</b>	A designation that a company achieved a certain ESG score or rating.
<b>ESG Rating</b>	A comprehensive measure of how well a company performs in one or more ESG areas, including as a comparison to its peers.
<b>ESG Score</b>	A measure of how well a company performs in one or more ESG areas based on a given metric and against a given threshold.

The most important feature of ESG data is that the data is material. Other features of useful ESG data include being accurate, complete, evolving, standardized, timely and verifiable.

### **ESG Data: Roles for Advocates**

1. Create and publish new sources of farm animal welfare data for financial institutions.
2. Research and publish information comparing the available farm animal welfare data.

## **3.2 Environmental, Social and Governance Data Providers**

Most of the ESG data used by financial institutions is provided by “ESG Data, Ratings and Research Providers” (ESG providers), whose main activity is to gather and publish information about the ESG performance of listed companies. ESG providers publish raw data, research reports, ratings and scores. Most data is provided by commercial providers, though many financial professionals also use non-commercial providers. Financial institutions also have staff and consultants devoted to gathering and analyzing raw data.

Commercial ESG providers prioritize different ESG areas based on the demand from their customers, who are predominantly financial institutions. Given this, ESG frameworks map the materiality of different issues based on both the actual sustainability impacts of business activities as well as what is perceived as significant by the financial sector.

ESG providers refer to a variety of sources to inform their decisions on the specific criteria that determine ratings and ranking, including regulations, certifications, reporting standards, intergovernmental organizations, NGOs and financial institutions. Generally, commercial providers do not publish their methodologies, though they usually provide some information about the ESG areas they cover and what their analysis entails.

## Examples of commercial ESG providers that cover farm animal welfare:

- Moody's, whose risk screening covers companies "Involved in Intensive Farming."<sup>26</sup>
- Morgan Stanley Capital International (MSCI), which screens for "factory farming." MSCI defines factory farming as "companies involved in commercial animal husbandry for the purpose of food production." Companies using organic or free-range production, producing aquatic animals, or processing, slaughtering or retailing do not fit the factory farming criteria.<sup>27</sup>
- RepRisk, which covers "Animal Mistreatment" in its methodology.<sup>28</sup>

## Examples of non-commercial ESG providers that cover farm animal welfare:

- BBFAW, which covers 150 companies and has 50 questions.<sup>29</sup>
- FAIRR's Protein Producer Index, which covers 60 companies and has 37 ESG risk areas, including 5 related to animal welfare.<sup>30</sup>
- World Benchmarking Alliance's Food and Agriculture Benchmark, which covers 500 companies and has 46 indicators, including "Animal Welfare," which has 5 elements.<sup>31</sup>

## Main characteristics of ESG providers' scoring methodologies:

- Methodologies use numbers, letters and descriptions to indicate performance or risk.
- Methodologies use performance against KPIs as a basis for scores.
- Some methodologies measure the amount of negative news, bad publicity and other controversies to create controversy scores and ratings.
- Some methodologies penalize companies for having incomplete or unavailable data.

## ESG Providers: Roles for Advocates

1. Advise ESG providers about their farm animal welfare methodologies.
2. Advise financial institutions about the types of farm animal welfare data that are most material and help them understand whether their ESG providers publish such data.
3. Organize a group of financial institutions that desire more and better farm animal welfare data and collectively ask ESG providers to increase their farm animal welfare coverage.

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<sup>26</sup> <https://www.moodys.com/web/en/us/hosted-assets/BX22582-Moodys-Analytics-ESG-Screening.pdf>

<sup>27</sup> <https://www.msci.com/documents/1296102/30916262/MSCI+Business+Involvement+Screening+Research+Methodology+-+April+2024.pdf>

<sup>28</sup> <https://www.reprisk.com/news-research/resources/methodology>

<sup>29</sup> <https://www.bbfaw.com/media/2176/bbfaw-2023-report-final.pdf>

<sup>30</sup> <https://www.fairr.org/tools/protein-producer-index#methodology>

<sup>31</sup> <https://assets.worldbenchmarkingalliance.org/app/uploads/2022/12/WBA-2023-Food-and-Agriculture-Benchmark-methodology.pdf>

### 3.3 Environmental, Social and Governance Data Disclosure

The major sources of guidance about the types of ESG data that companies should disclose to financial institutions are reporting frameworks, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

#### Examples of GRI and SASB standards that include farm animal welfare:

- GRI's Agriculture, Aquaculture and Fishing Sectors Standards, which state that companies should disclose their farm animal welfare policy and the "percentage of production volume from sites of the organization certified to third-party animal health and welfare standards, and list these standards."<sup>32</sup>
- SASB's Meat, Poultry and Dairy Standards, which state that companies should disclose the "percentage of pork produced without the use of gestation crates, percentage of cage-free shell egg sales, percentage of production certified to a third-party animal welfare standard, and percentage of supplier and contract production facilities verified to meet animal welfare standards."<sup>33</sup>
- SASB's Restaurant Standards, which state that companies should disclose their farm animal welfare targets and use of certifications, and the "percentage of eggs that originated from a cage-free environment" and "percentage of pork that was produced without the use of gestation crates."<sup>34</sup>

With respect to the types of data financial institutions should disclose, GRI is developing Banking, Insurance and Capital Markets Standards, which are scheduled for public consultation in 2025.<sup>35</sup> SASB has reporting standards for a variety of financial activities and institutions.

#### Examples of SASB financial sector standards:

- Asset Management and Custody Activities Standards, which state that investors should disclose the "amount of assets under management, by asset class, that employ (1) integration of ESG issues, (2) sustainability themed investing and (3) screening" and describe their sustainable investing approach, including proxy voting and engagement.<sup>36</sup>
- Commercial Bank Standards, which state that banks should disclose their "approach to incorporation of ESG factors in credit analysis."<sup>37</sup>

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<sup>32</sup> <https://www.globalreporting.org/standards/download-the-standards/>

<sup>33</sup> [https://d3flraxduht3gu.cloudfront.net/latest\\_standards/meat-poultry-and-dairy-standard\\_en-gb.pdf](https://d3flraxduht3gu.cloudfront.net/latest_standards/meat-poultry-and-dairy-standard_en-gb.pdf)

<sup>34</sup> [https://d3flraxduht3gu.cloudfront.net/latest\\_standards/restaurants-standard\\_en-gb.pdf](https://d3flraxduht3gu.cloudfront.net/latest_standards/restaurants-standard_en-gb.pdf)

<sup>35</sup> <https://www.globalreporting.org/standards/standards-development/sector-standards-project-for-financial-services/>

<sup>36</sup> [https://d3flraxduht3gu.cloudfront.net/latest\\_standards/asset-management-and-custody-activities-standard\\_en-gb.pdf](https://d3flraxduht3gu.cloudfront.net/latest_standards/asset-management-and-custody-activities-standard_en-gb.pdf)

<sup>37</sup> [https://d3flraxduht3gu.cloudfront.net/latest\\_standards/commercial-banks-standard\\_en-gb.pdf](https://d3flraxduht3gu.cloudfront.net/latest_standards/commercial-banks-standard_en-gb.pdf)

## **ESG Data Disclosure: Roles for Advocates**

1. Advise reporting frameworks about which farm animal welfare data should be disclosed by companies and financial institutions, respectively.
2. Create, publish and implement a model farm animal welfare reporting policy for your organization's investments.
3. Provide information to financial institutions about the farm animal welfare disclosure requirements and recommendations that apply to the types of companies they support.
4. Provide information to financial institutions about their farm animal welfare data disclosure obligations based on applicable disclosure requirements and recommendations.
5. Research and publish information about the extent to which companies are fulfilling their disclosure obligations, and distribute to the financial institutions that do business with the companies.
6. Research and publish information about which financial institutions are meeting their disclosure requirements and recommendations.
7. Stay informed about regulation drafting developments, including opportunities to influence new or updated regulations, for example, through public comments and consultation.



## Section 4

# Sustainable Finance Strategies

The objective of Section 4 is to learn the most commonly used sustainable finance strategies, how the strategies can be applied to farm animal welfare, roles that advocates can play in supporting financial institutions' sustainable finance programs and ways that organizations can act as investors to influence company behavior.

### 4.1 Engagement

“Engagement” is the use of dialogue by an investor with a company they own equity in, or are considering buying equity in, to facilitate improvements in the company’s ESG or financial performance. Engagement can be an effective strategy: Amundi (France) reported that 40% of their engagements in 2023 resulted in a positive outcome, with 46% neutral and 14% negative.<sup>38</sup>

#### Sample of investor engagement activities in 2023:

- Allan Gray (South Africa) undertook 593 engagements, including 297 regarding ESG.<sup>39</sup>
- Domini Funds (US) undertook 664 engagements, including 460 written engagements and 124 dialogues.<sup>40</sup>
- JPMorganChase (US) undertook 1,238 engagements, including 71% with company boards of directors or senior executives.<sup>41</sup>

A “Collaborative Engagement” refers to multiple investors combining their engagement into a single communication, thus having more influence in terms of overall ownership. Many collaborative engagements rely on administrative and programmatic support from NGOs. Investors also hire “Engagement Firms” to support their engagement activities.

**Table 3. Examples of Collaborative Engagements on Farm Animal Welfare.**

Name	Scope	Engagement activity
Asia Protein Transition Forum	5 investors and 40+ companies	Farm animal welfare is one of eight ESG areas covered in this engagement, with companies being asked to meet time-bound farm animal

<sup>38</sup> <https://about.amundi.com/files/nuxeo/dl/5994803c-6af1-4d7e-89e0-f1134f6374a7>

<sup>39</sup> <https://www.allangray.co.za/globalassets/other-documents/stewardship-report/stewardship-report-2023.pdf>

<sup>40</sup> <https://domini.com/investing-for-impact/strategies/engagement/2023-annual-engagement-report/>

<sup>41</sup> <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf>

		welfare goals. <sup>42</sup>
BBFAW	32 investors and 150 companies	BBFAW actively maintains the Global Investor Collaboration on Farm Animal Welfare, a collaborative engagement between institutional investors and companies. <sup>43</sup>
FAIRR's Meat Sourcing Engagement	90+ investors and 6 companies	FAIRR and the Coalition for Environmentally Responsible Economies jointly researched, engaged with and published data about the companies from 2020-2022. <sup>44</sup>

It should be noted that all financial institutions have the opportunity to communicate with companies they do business with about ESG-related concerns. For instance, lenders and insurers communicate with their clients when structuring loan and insurance agreements, and therefore have the opportunity to engage with the company about EGS issues. Many lenders and insurers are also investors as they often manage their own assets.

### **Engagement: Roles for Advocates**

1. Create, administer or participate in farm animal welfare engagements.
2. Create and publish farm animal welfare targets for different regions and industries that investors can use when engaging with companies about farm animal welfare.
3. Provide information to investors about the companies they have significant holdings in that are lagging in farm animal welfare performance.

## **4.2 Activist Investing**

An “Activist Investor” acquires equity in a company in order to change the way the company does business. An analysis by S&P Global, a leading financial market intelligence company, found that 84% of activist investor campaigns in 2023 were related to ESG. The majority of the campaigns focused on governance issues, followed by social and then environmental. Approximately 10% of campaigns in 2024 were successful, compared to 20% in 2019.<sup>45</sup>

Some countries have specific definitions for who is considered an activist investor. In the US, for instance, an investor who owns 5% or more of a company and is attempting to influence the company is technically an activist investor.<sup>46</sup> Nevertheless, an investor need not hold a large number of shares in a company to be an activist investor in a practical sense.

<sup>42</sup> <https://asiareengage.com/protein-transition/>

<sup>43</sup> <https://www.bbfa.com/investors/>

<sup>44</sup> <https://www.fairr.org/engagements/meat-sourcing#overview>

<sup>45</sup> <https://www.spglobal.com/market-intelligence/en/news-insights/research/evolution-of-investor-activism-breaking-down-2023-campaign-activity-and-assessing-future-trends>

<sup>46</sup> <https://www.sec.gov/resources-small-businesses/going-public/officers-directors-10-shareholders>

## Examples of activist investing:

- A hedge fund buys and restructures a company to resell it in the short term.
- A private equity firm buys enough shares in a public company to turn it into a private company, thereby giving the firm more power to make changes in the company.
- An individual investor seeks to change a company's direction using influence, though without necessarily holding a significant stake in the company.

In 2022, Carl Icahn, a US investor, attempted to use his power as a shareholder in food companies to improve their farm animal welfare policies, including by replacing board members seen as not responsive to the issue.<sup>47</sup> While Icahn was not directly successful in changing any policies or board members, his activism did bring attention to farm animal welfare issues in the US financial sector and likely motivated the companies to look at the issue more seriously.

### Activist Investing: Roles for Advocates

1. Advise activist investors about the importance of improving farm animal welfare policies and targets when they seek to change and restructure companies.
2. Buy shares in companies and attempt to meet with the boards of directors, request information about the companies' farm animal welfare strategy and ask questions about farm animal welfare policies or performance at annual meetings.

## 4.3 Shareholder Suits

Owning equity in a company allows for various rights, depending on the securities regulations in a particular country.

### Common shareholder rights:

- The right to attend and participate in annual shareholder meetings.
- The right to information, including financial reports, board minutes and shareholders of record.
- The right to nominate and vote on board members.
- The right to submit proposals for changes in the way the company does business.
- The right to sue the company and its executives, board members and other shareholders for wrongful acts, such as misleading statements and breach of duty.

A "Shareholder Suit" is a legal action brought by a shareholder or group of shareholders. A "Direct Action Shareholder Suit" is an action brought by a shareholder or group of shareholders against the company seeking compensation for themselves. A "Derivative Shareholder Suit" is

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<sup>47</sup> <https://www.cnn.com/2022/04/21/business/carl-icahn-mcdonalds-pigs/index.html>

an action brought by a shareholder or group of shareholders against a third party on behalf of the company seeking compensation for the company, not the shareholders.

**Table 4. Requirements for Filing a Derivative Shareholder Suit.<sup>48</sup>**

Requirement	Details
Communicate demands to company before filing suit	Provide a written demand to the corporation and wait the required time before filing suit, based on the particular jurisdiction. If a company rejects the demand or there may be irreparable harm to the company, a suit can generally be filed earlier than the deadline.
Ownership	Be a shareholder at the time of the alleged act or omission and continue to have ownership throughout the lawsuit.
Represent shareholder interests	Fairly and adequately represent shareholder and member interests.

In 2022, Legal Impact for Chickens, a US nonprofit, filed a shareholder lawsuit against Costco's executives and board members for breaching their fiduciary duty by failing to ensure chickens raised for meat were given adequate care.<sup>49</sup> The case was dismissed before trial in 2023 after Costco's Motion to Dismiss was granted.<sup>50</sup>

### Shareholder Suits: Roles for Advocates

1. Buy shares in a company and file a shareholder suit.
2. Organize and co-file a joint shareholder suit with other investors.

## 4.4 Shareholder Proposals

"Shareholder Proposals" are suggestions for changes in a company's operations or management. Shareholder proposals are usually voted on at shareholder annual meetings, though, in some cases, special meetings are held. Shareholder proposals are only available to those who own equity in a company.

A shareholder proposal is distinct from a "Proxy Proposal," which contains questions submitted by company management for shareholders to vote on. A "Proxy Statement" is the document company management creates that contains the items to be voted upon at a shareholder meeting. "Proxy Vote" refers to delegating voting authority to a representative acting on behalf of

<sup>48</sup> [https://www.law.cornell.edu/wex/shareholder\\_derivative\\_suit](https://www.law.cornell.edu/wex/shareholder_derivative_suit)

<sup>49</sup> <https://nebraskaexaminer.com/briefs/stockholders-sue-costco-officials-over-alleged-mistreatment-of-chickens-grown-too-big/>

<sup>50</sup> <https://www.legalimpactforchickens.org/costco>

the original vote-holder. Asset owners generally publish “Proxy Voting Frameworks,” which lay down guidelines about the types of proposals they will vote for or against.

### **Examples of proxy voting policies that include farm animal welfare guidance:**

- AllianceBernstein (US) “generally” supports proposals for more disclosure and reviews proposals for animal welfare policy changes on a case-by-case basis.<sup>51</sup>
- Calvert (US) “ordinarily” supports proposals for more disclosure on animal welfare and reducing antibiotic use.<sup>52</sup>
- DWS’ (Germany) policy “is to generally vote for proposals seeking a report on a company’s animal welfare standards, or animal welfare-related risks considering whether: The company has already published a set of animal welfare standards and monitors compliance; The company’s standards are comparable to industry peers; and There are no recent significant fines, litigation, or controversies related to the company’s and/or its suppliers’ treatment of animals.”<sup>53</sup>

A “Proxy Firm” is a company that helps investors and companies manage shareholder proposals, including by providing voting recommendations and administrative support. Investors, especially institutional shareholders, use proxy firms to manage the large number of proposals they must attend to. Boards of directors also hire proxy firms to help them manage proposals.

### **Examples of proxy voting by financial institutions on farm animal welfare in 2023:**

- Amundi voted “For” ten out of ten farm welfare proposals.<sup>54</sup>
- California Public Employees’ Retirement System (US) voted “For” four farm animal welfare proposals and “Against” six farm animal welfare proposals.<sup>55</sup>
- Nuveen (US) voted “For” a proposal to require McDonald’s to disclose farm animal welfare information.<sup>56</sup>

Shareholder proposals can seek to have specific board members replaced or have new board members added, whether by threat of a proxy vote or a proxy vote itself. If specific board members are targeted, they are often assessed and potentially criticized on factors such as performance at the company, performance at previous companies, skills, experience, voting record and public image. Shareholder proposals can also seek changes in a company’s operations.

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<sup>51</sup> <https://www.alliancebernstein.com/content/dam/corporate/corporate-pdfs/AB-Proxy-Voting-and-Governance-Policy.pdf>

<sup>52</sup> <https://www.calvert.com/media/public/25798.pdf>

<sup>53</sup> <https://www.dws.com/AssetDownload/Index?assetGuid=e5cb398f-4086-4586-916f-ff5dd6e41348&consumer=E-Library>

<sup>54</sup> <https://about.amundi.com/files/nuxeo/dl/4b80ae33-ba39-4fed-a5d3-285681756536>

<sup>55</sup> <https://www.calpers.ca.gov/docs/forms-publications/calpers-proxy-season-wrap-up.pdf>

<sup>56</sup> <https://www.nuveen.com/en-us/insights/responsible-investing/proxy-vote-rationales>

Board members have a “Fiduciary Duty,” which means the ethical and legal responsibility to act in the best interests of the company, including its shareholders. Board members often have to balance competing interests when they respond to a shareholder proposal. They owe a duty to all of the shareholders, including to groups of shareholders who may only own a small interest, so they must consider concerns, for example, about an environmental or social issue. They are also required to account for the financial health of the company, so companies generally recommend that shareholders vote against proposals seeking ESG improvements, often on the grounds that the proposal will be too expensive or otherwise harm financial performance.

The rules that govern who can submit a proposal vary by jurisdiction, including the value of shares one must own and how much in advance before the shareholder meeting the proposal must be submitted. Some countries have mechanisms for filing a proposal to be voted on during a special meeting. Rules also differ as to the obligation of a company to put a shareholder proposal up for a vote. In the US, for instance, the obligation is on the company to show that a given proposal does not meet the requirements for a vote.

**Table 5. Common Reasons a Company Can Reject a Shareholder Proposal in the US Without a Vote.<sup>57</sup>**

Reason	Details
Lack of sufficient ownership	If the shareholder has not held US\$ 2,000 in equity for three years, US\$ 15,000 for two years or US\$ 25,000 for one year.
Management function	If the proposal relates to “ordinary business operations.”
Relevance	“If the proposal relates to operations which account for less than 5 percent of the company's total assets at the end of its most recent fiscal year, and for less than 5 percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the company's business.”
Resubmission	“If the proposal addresses substantially the same subject matter as a proposal, or proposals, previously included in the company's proxy materials within the preceding five calendar years if the most recent vote occurred within the preceding three calendar years and the most recent vote was: (i) Less than 5 percent of the votes cast if previously voted on once; (ii) Less than 15 percent of the votes cast if previously voted on twice; or (iii) Less than 25 percent of the votes cast if previously voted on three or more times.”

<sup>57</sup> <https://www.sec.gov/divisions/corpfin/rule-14a-8.pdf>

In general, shareholder proposals have a relatively low level of success.

**Table 6. Sample of Shareholder Proposal Success Rates.**

Location	Proposals	Voted “For” %	Proposal passed %
Europe	17 proposals based on environmental or social issues from Jan 1 - June 1, 2024	19%	6% <sup>58</sup>
Japan (225 largest companies)	81 proposals from Jan 1 - June 1, 2023	41 of the proposals received at least 10% “For” votes	0 <sup>59</sup>
US (Russell 3000 Index)	739 proposals from Jan 1 - June 1, 2024	21%	8% <sup>60</sup>

Most shareholder proposals about farm animal welfare have been unsuccessful, though, in some cases, a significant portion of shareholders have voted for the proposals.

#### **Sample of results of farm animal welfare shareholder proposals in the US:**

- 13.5% of Wal-Mart’s shareholders voted “For” a 2024 proposal to publish targets to transition away from gestation crates.<sup>61</sup>
- 38.6% of McDonald’s shareholders voted “For” a 2023 proposal to publish chicken welfare indicators.<sup>62</sup>
- 41.8% of Papa John’s shareholders voted “For” a 2023 proposal to transition away from gestation crates.<sup>63</sup>

Companies may make changes based on failed shareholder proposals, often with the motivation of alleviating pressure from the shareholders who voted for the proposal. In these cases, companies may make changes to satisfy a proposal partially, rather than adopting it fully. Another benefit of filing a proposal is that it enables communication with company leadership that might not otherwise be possible. Filing a proposal can also be an effective way to influence a company because the shareholder or shareholders that submitted the proposal can cancel the proposal before it comes up for a vote, and before a company spends resources reviewing the proposal. Ultimately, companies are responsible for administering the proposal once it is submitted, and this can cost more than US\$ 100,000.<sup>64</sup>

<sup>58</sup> <https://www.diligent.com/resources/blog/in-depth-europe-sees-tripling-in-support-for-e-and-s-demands>

<sup>59</sup> <https://www.reuters.com/markets/asia/shareholder-proposals-gain-traction-japan-activism-thrives-2023-10-02/>

<sup>60</sup> <https://corpgov.law.harvard.edu/2024/06/03/pro-esg-shareholder-proposals-regaining-momentum-in-2024/>

<sup>61</sup> <https://corporate.walmart.com/news/2024/06/05/walmart-announces-2024-annual-shareholders-meeting-voting-results>

<sup>62</sup> <https://collaborate.unpri.org/group/18941/stream>

<sup>63</sup> <https://www.sec.gov/Archives/edgar/data/901491/000121465924005617/b329246px14a6g.htm>

<sup>64</sup> <https://corpgov.law.harvard.edu/2023/01/03/how-companies-should-approach-shareholder-proposals-this-proxy-season/>

Shareholders of a company can also attend a company's annual meeting, during which there are mechanisms to ask questions to company management, either in a session devoted to questions or through some other process stipulated by the company.

### **Shareholder Proposals: Roles for Advocates**

1. Advise proxy firms about farm animal welfare trends and make recommendations about their approach to farm animal welfare, including whether they should support mandatory disclosure and what level of farm animal welfare performance should be included in their proxy guidance.
2. Buy shares in a company and file a shareholder proposal.
3. Organize and co-file a joint shareholder proposal with other company investors.

## **4.5 Environmental, Social and Governance Integration**

"ESG Integration" is the process of using ESG data as a factor when deciding which companies to invest in or do business with. Companies with higher ESG performance are given preferred status, or "Over-Weighted," while companies with lower ESG performance are given unpreferred status, or "Under-Weighted." ESG characteristics are weighed against factors such as financial performance, sector and geography. ESG integration complements risk management because it identifies and accounts for ESG risks. An investment that integrates ESG is an example of a "Sustainable Investment," also known as a "Responsible Investment," "Social Investment," "ESG Investment" or "Socially Responsible Investment."

### **Examples of ESG assessments that integrate farm animal welfare:**

- Allianz (Germany), whose risk factors include "Absence of assurance or certification of farm's management of animal welfare, Absence of mitigation of negative impacts on animal wellbeing, Animal living conditions below sector average, Animal transport (incl. loading and unloading) exceeding 8 hours."<sup>65</sup>
- Blue Marble Investments' EarthFolio Model Portfolio (US), which "avoids or restricts companies engaged in the inhumane treatment of animals such as in the factory farming of livestock."<sup>66</sup>
- The Dutch Association of Insurers and The Dutch Association of Health Insurers, whose risk factors include lack of cage-free egg, crate-free pork and responsible chicken meat production transition plans, as well as transport over 8 hours, castration and tail docking of pigs, and dehorning of cows.<sup>67</sup>

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<sup>65</sup>

[https://www.allianz.com/content/dam/onemarketing/azcom/Allianz\\_com/sustainability/documents/Allianz\\_Sustainability-Integration-Framework.pdf](https://www.allianz.com/content/dam/onemarketing/azcom/Allianz_com/sustainability/documents/Allianz_Sustainability-Integration-Framework.pdf)

<sup>66</sup> <https://www.earthfolio.net/sustainability/esg-screens/>

<sup>67</sup> <https://www.imvoconvenanten.nl/en/~/-/media/8EBD26D8E6EC4696AE28C2D6DFCEC147.ashx>



Asset managers can develop specific ESG criteria based on a client's goals. Royal Bank of Canada recognizes "Cruelty-Free Investing" as an "ESG sub-category," and provides clients the option of integrating farm animal welfare considerations into their portfolio: "The first step in cruelty-free investing is to work together to draft an investment policy statement that defines your desired animal welfare impact and financial goals. We then use the policy to select investment strategies and securities that are appropriate for your specific needs."<sup>68</sup>

### **ESG Integration: Roles for Advocates**

1. Advise companies about ways they can improve their ESG scores by strengthening their farm animal welfare policies and performance.
2. Advise financial institutions about ways they can integrate, or improve their integration of, farm animal welfare into their ESG program.
3. Create, publish and implement a model farm animal welfare investment policy for your organization's investments, including integrating farm animal welfare considerations and using other responsible investment strategies explained in this guidebook.

## **4.6 Environmental, Social and Governance Screens**

An "ESG Screen" uses filters to determine whether or not to invest in, or otherwise do business with, companies based on specific preferences and values. ESG screens can be based on any type or level of criteria. ESG issues are usually just one of several factors that can include location, sector and various financial measures of potential profitability. Screens can be exclusionary or inclusionary. Once companies are evaluated against the screens, ESG or otherwise, the companies that pass are eligible and vice-versa. Screens are not used to rank companies against each other, but rather to simply create a binary "Yes" or "No" classification.

A "Negative ESG Screen" is a tool used to avoid investing in companies that do not meet specific ESG criteria. An "Exclusion" is a policy of a financial institution to avoid investing in, financing or otherwise performing financial services for specific companies, business sectors or geographic areas, based on ethical norms or values, and applied to types of products, behaviors or controversies. The term is closely related to "Divestiture," or "Divestment," which is the systematic reduction or complete disposal of assets.

Exclusions can be part of an "Ethical Investment" strategy, which means deciding on companies to invest in based on religious, social or other principle-based reasons, while also considering potential financial returns and generally avoiding harm. "Norms-Based Screening" is screening investments against minimum standards of business practice based on international norms. "Behavior-Based Exclusions" relate to a company's ESG performance, including whether they meet certain norms, standards, benchmarks or regulations. "Product-Based Exclusions" are triggered by specific products and activities.

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<sup>68</sup> <https://us.rbcwealthmanagement.com/thecomprehensiveimpactinvestmentgroup/cruelty-free-investing>

In the context of active ownership, exclusion refers to when an investor disqualifies a specific company from its investable universe based on ESG concerns, including those that the investor has previously communicated to the company. Exclusion in this regard is distinct from an exclusion based on an ESG screen, which is applied to all companies in the investable universe.

The Norway Government Pension Fund Global's (GPFG's) Council on Ethics' statement about animal welfare lists the following as factors they consider when evaluating a company: the seriousness of the violations, the number of animals, the closeness of involvement by the company in the violations and the likelihood of the violations continuing.<sup>69</sup> The Responsible Investment Coalition of Dutch Insurers states: "The extent to which animal welfare plays a role in an insurer's investment practices depends on the severity, duration and scale of animal welfare issues."<sup>70</sup>

Currently, there is little, if any, evidence of specific food companies being excluded based on farm animal welfare violations, though companies involved in the meat, dairy and egg supply chain have been excluded from investor portfolios for other reasons.

### **Examples of beef, pork and poultry companies on exclusion lists:**

- "A large Latin American meat producer" is on Amundi's exclusion list for deforestation.<sup>71</sup>
- JBS (Brazil) is on GPFG's exclusion list for gross corruption<sup>72</sup> and on Storebrand's (Norway) exclusion list for environmental issues.<sup>73</sup>
- Muyuan (China) is on Cardano's (Netherlands) exclusion list for land use.<sup>74</sup>
- Pilgrims Pride (US) is on Cardano's exclusion list for land use and social capital management.<sup>75</sup>

A company could be excluded for failing to achieve a predetermined ESG rating or failing to meet an ESG threshold. Index funds often exclude companies from their investable universe based on the company's business activities or for not achieving a specific ESG benchmark, certification, score, rating or ranking.

When an investor is considering excluding a company based on an ESG issue or issues, they may place the company under "Observation," which means the investor will monitor the company as a last step before excluding them. Companies may be on observation lists for a lengthy time, in some cases, five or more years, especially if they are being observed as to whether they meet a long-term target to improve. Observation is much less common than

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<sup>69</sup> [https://www.regjeringen.no/contentassets/0736b269ff7d417ba819fdc94c9735c6/en-gb/pdfs/etikkradet\\_annual-report\\_2023.pdf](https://www.regjeringen.no/contentassets/0736b269ff7d417ba819fdc94c9735c6/en-gb/pdfs/etikkradet_annual-report_2023.pdf)

<sup>70</sup> <https://www.imvoconvenanten.nl/en/~/-/media/8EBD26D8E6EC4696AE28C2D6DFCEC147.ashx>

<sup>71</sup> <https://about.amundi.com/files/nuxeo/dl/5994803c-6af1-4d7e-89e0-f1134f6374a7>

<sup>72</sup> <https://etikkradet.no/jbs-sa-2/>

<sup>73</sup>

[https://www.storebrand.com/sam/no/asset-management/sustainability/our-method/exclusions/\\_attachment/inline/1fb67048-960f-415e-97d6-1831d1c21b02:7bc3ab967a380368939cfbad4c52f90f8ee4f1c8/Exclusion-list-extra-criteria-Q1-2024.pdf](https://www.storebrand.com/sam/no/asset-management/sustainability/our-method/exclusions/_attachment/inline/1fb67048-960f-415e-97d6-1831d1c21b02:7bc3ab967a380368939cfbad4c52f90f8ee4f1c8/Exclusion-list-extra-criteria-Q1-2024.pdf)

<sup>74</sup> [https://www.cardano.nl/wp-content/uploads/sites/2/cardano-files/1702995218/vb\\_uitsluitingen\\_bedrijven.pdf](https://www.cardano.nl/wp-content/uploads/sites/2/cardano-files/1702995218/vb_uitsluitingen_bedrijven.pdf)

<sup>75</sup> Ibid.

exclusion. Of the approximately 200 companies on GPF's Exclusion List in 2024, about 10% are on observation,<sup>76</sup> including Marfrig (Brazil) for deforestation.<sup>77</sup> Storebrand has 3 companies under observation and almost 300 excluded.<sup>78</sup>

### **Examples of financial institutions and instruments that exclude intensive animal farming or practices associated with intensive animal farming:**

- ABN Amro (Netherlands), which “will not knowingly provide financial products or services that directly facilitate large-scale ruminant farming (500,000+ heads).”<sup>79</sup>
- Aegon’s Ethical Equity, Ethical Corporate Bond and Ethical Cautious Managed Funds (Netherlands), which exclude companies that “have any involvement in intensive farming, operate abattoirs or slaughterhouse facilities, or are producers or retailers of meat, poultry, fish, dairy products or slaughterhouse by-products.”<sup>80</sup>
- Bank Australia, which excludes companies that use “intensive animal farming.”<sup>81</sup>
- Liontrust Asset Management (UK), which “excludes companies that derive >5% of turnover from intensive meat and fish farming.”<sup>82</sup>
- Standard Chartered (UK), which “will not provide financial services directly towards production systems using layer cages for poultry or caged rearing systems for livestock, including gestation and farrowing crates for sows – applicable to producers.”<sup>83</sup>
- Triodos Bank and Triodos Asset Management (Netherlands), which exclude companies that “operate in industries identified as high-risk for the use of products from factory farmed animals and do not have a policy on animal welfare or do not apply sufficient animal welfare standards to the animal products they buy or produce.”<sup>84</sup>

### **Examples of financial institutions with policies that encourage companies to use farm animal welfare standards:**

- ABN Amro, which “encourages” companies “to shift to more animal friendly production methods for livestock farming and to comply with voluntary standards on animal welfare.”<sup>85</sup>
- British International Investment, which “encourages investees in relevant sectors to

<sup>76</sup> <https://www.nbim.no/en/responsible-investment/ethical-exclusions/exclusion-of-companies/>

<sup>77</sup> <https://etikkradet.no/marfrig-global-foods-sa-2/>

<sup>78</sup>

[https://www.storebrand.com/sam/no/asset-management/sustainability/our-method/exclusions/\\_/attachment/inline/c1871059-8444-4380-8624-abdae1abb83d:d19a41d3693798ad3619c0c4d8fcbf942c336eec/Exclusions-Q1-2024.pdf](https://www.storebrand.com/sam/no/asset-management/sustainability/our-method/exclusions/_/attachment/inline/c1871059-8444-4380-8624-abdae1abb83d:d19a41d3693798ad3619c0c4d8fcbf942c336eec/Exclusions-Q1-2024.pdf)

<sup>79</sup>

[https://assets.ctfassets.net/1u811bvgvthc/VJtezrhOILtc4EWCW/HIGH/f2ab66da23348553daf042fadd7614ed/ABN\\_AMRO\\_Exclusion\\_List-20211125.pdf](https://assets.ctfassets.net/1u811bvgvthc/VJtezrhOILtc4EWCW/HIGH/f2ab66da23348553daf042fadd7614ed/ABN_AMRO_Exclusion_List-20211125.pdf)

<sup>80</sup> <https://www.aegonam.com/globalassets/aam/documents/brochures/uk/esg-screening-policy.pdf>

<sup>81</sup>

[https://cdn.prod.website-files.com/60d17fcb9fefe90dc3b30df4/616cfb7352009b9a9749cd4f\\_BA\\_responsible-banking-policy-public-statement-2021.pdf](https://cdn.prod.website-files.com/60d17fcb9fefe90dc3b30df4/616cfb7352009b9a9749cd4f_BA_responsible-banking-policy-public-statement-2021.pdf)

<sup>82</sup> <https://www.liontrust.co.uk/-/media/liontrust/files/fund-literature/process-documents/sustainable-funds-screening-criteria.pdf>

<sup>83</sup> <https://www.sc.com/en/about/sustainability/position-statements/agribusiness/>

<sup>84</sup> <https://www.triodos.com/binaries/content/assets/tbho/policies/20-11557-minimum-standards-1.pdf>

<sup>85</sup>

[https://assets.ctfassets.net/1u811bvgvthc/1Md3IDaSAjdiDOJe7gMLYD/6b7b589636ef03d98d5d22a14265f392/ABN\\_AMRO\\_Animal\\_Welfare\\_Statement.pdf](https://assets.ctfassets.net/1u811bvgvthc/1Md3IDaSAjdiDOJe7gMLYD/6b7b589636ef03d98d5d22a14265f392/ABN_AMRO_Animal_Welfare_Statement.pdf)

adopt internationally-recognised standards on animal welfare, including EU animal welfare standards or other Good International Industry Practice as appropriate to the local context.”<sup>86</sup>

- NN Group Investment Management (Netherlands), which states that companies “should” meet farm animal welfare targets such as cage-free by 2025 and crate-free by 2028.<sup>87</sup>

A “Positive ESG Screen” is an investment tool used to seek investments that meet ESG criteria.

### **Examples of investors with positive ESG screens for farm animal welfare:**

- ADM Capital (Hong Kong), which has a positive screen for companies that “encourage organic and extensive production with clear animal welfare policies.”<sup>88</sup>
- a.s.r. asset management (Netherlands), which has a positive screen for companies promoting “sustainable animal rearing” including using “measures to ensure animal well-being including the avoidance of stress, anxiety or pain, spacious facilities and safeguarding adequate environmental enrichment and quality for animals.”<sup>89</sup>
- Trillium Global Funds (New Zealand), which has a positive screen for companies with “a stated commitment, in public documents and/or filings, to sustainable agriculture, including regenerative practices, sourcing from local farms, encouraging responsible animal welfare practices.”<sup>90</sup>

Types of positive screens include “Momentum Screens,” which screen for companies improving in one or more ESG areas, and “Best-In-Class Screens,” which screen for companies with relatively high performance compared to their peers in specific ESG areas.

### **Examples of best-in-class investment funds:**

- iShares ESG MSCI USA Leaders, which requires companies to achieve an MSCI ESG score of BB or better. MSCI’s ESG scores range from AAA to CCC.<sup>91</sup>
- Nifty100 ESG Index (India), which requires companies to achieve an ESG score of 60 or more. Scores of 60 or more are considered B or above, on a scale of A+ to D.<sup>92</sup>
- Northern Trust U.S. Quality ESG Fund, which requires companies to achieve an MSCI ESG Rating of BB or above and an MSCI ESG Controversies Score of 3 or above,” with the latter item rated on a 0 to 10 scale, with 0 being the most severe controversy risk.<sup>93</sup>

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<sup>86</sup> <https://assets.bii.co.uk/wp-content/uploads/2022/01/25182701/Policy-on-Responsible-Investing-1.pdf>

<sup>87</sup> <https://www.nn-group.com/article-display-on-page-no-index/investment-guidance-paper-on-animal-welfare.htm>

<sup>88</sup> <https://www.cibusfund.com/wp-content/uploads/2021/08/Animal-Welfare-Policy-Final-2021.08.pdf>

<sup>89</sup> <https://asrassetmanagement.com/media/05pnqx14/socially-responsible-investment-sri-detailed-criteria.pdf>

<sup>90</sup>

[https://www.perpetual.com.au/globalassets/\\_au-site-media/01-documents/01-asset-management/01-fund-resources/additional-information/2023/trillum-global-funds-additional-information-23122.pdf](https://www.perpetual.com.au/globalassets/_au-site-media/01-documents/01-asset-management/01-fund-resources/additional-information/2023/trillum-global-funds-additional-information-23122.pdf)

<sup>91</sup>

<https://www.ishares.com/us/literature/prospectus/p-ishares-esg-msci-usa-leaders-etf-8-31.pdf?stream=reg&product=IUS-SUSL&shareClass=NA&documentId=1699971%7E1849740%7E926112%7E2251627%7E2249934%7E2118037%7E2164935&iframeUrlOverride=%2Fus%2Fliterature%2Fprospectus%2Fp-ishares-esg-msci-usa-leaders-etf-8-31.pdf>

<sup>92</sup> <https://www.niftyindices.com/indices/equity/thematic-indices/nifty100-esg>

<sup>93</sup> <https://connect.rightprospectus.com/NorthernTrust/TADF/665162327/QH1?site=NorthernTrustNF>

## **ESG Screens: Roles for Advocates**

1. Create, or partner with investors to create, an investment fund that only includes companies that meet certain farm animal welfare criteria.
2. Provide recommendations to financial institutions about methodologies for negative screens based on farm animal welfare, such as an exclusionary screen.
3. Provide recommendations to financial institutions about methodologies for positive screens based on farm animal welfare, such as a best-in-class screen.

## **4.7 Thematic Investing**

“Thematic Investing” refers to investing in companies based on their ability to generate ESG impact or benefit from future ESG trends.

### **Examples of thematic investment funds in the US related to agriculture:**

- Karner Blue Capital Animal Impact Fund, which contains 101 “companies pursuing innovative and practical solutions to animal cruelty and wildlife exploitation.”<sup>94</sup>
- Lazard’s Sustainable Agriculture Fund, which contains 35 companies that can “capitalize on the long-term investment opportunity pursuant to the growing awareness of the future of food supply amid population growth and the interaction of agricultural practices with climate change and greenhouse gas emissions.”<sup>95</sup>
- VegTech Plant-Based Innovation and Climate ETF, which contains 37 companies that “make primary products through unique innovation and technology utilizing plants or plant-derived products [and] work towards a more efficient, climate-friendly, and sustainable food and materials supply system.”<sup>96</sup>

## **Thematic Investing: Roles for Advocates**

1. Provide information to investors about potential thematic investing funds that include farm animal welfare criteria, for example, a fund containing companies that are embracing or benefiting from progress in farm animal welfare.
2. Create, or partner with investors to create, a farm animal welfare investment fund.

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<sup>94</sup>

<https://www.karnerbluecapital.com/media/karner-blue-capital-launches-animal-impact-fund-comprised-of-100-publicly-traded-companies-leading-on-animal-welfare>

<sup>95</sup> [https://www.lazardassetmanagement.com/us/en\\_us/investments/strategy/sustainable-agriculture/s303](https://www.lazardassetmanagement.com/us/en_us/investments/strategy/sustainable-agriculture/s303)

<sup>96</sup> <https://eatv.vegtechinvest.com/>

## 4.8 Impact Investing

“Impact Investing” is investing to actively support a company in improving ESG performance. To be considered an impact investment in a definitional sense requires that the investor play a part in the desired ESG outcomes beyond simply providing capital. An impact investor will typically work with the company to develop KPIs to measure the investment’s impact to determine whether the company achieves the desired result.

### Examples of impact investment funds related to agriculture:

- BNP Paribas’ Private Fund (France), which “pledged €200 million between 2022 and 2025 of its capital to innovative companies making an impact in three areas: local development and climate, social and solidarity initiatives, and natural capital.”<sup>97</sup>
- Iroquois Valley Organic Farmland Real Estate Investment Trust (US), which includes investments totaling over 32,000 acres with a market value of US\$ 115 million.<sup>98</sup>
- Kampani Social Impact Fund (Belgium), which includes 17 investments in 12 countries impacting over 80,000 farmers. Kampani’s shareholders are NGOs that evaluate investments and monitor activities for impact.<sup>99</sup>

### Impact Investing: Roles for Advocates

1. Create, or partner with investors to create, an impact investment fund based on farm animal welfare.
2. Provide information to investors about potential impact investment funds that include farm animal welfare criteria and arrange for company performance monitoring.

## 4.9 Sustainable Bonds and Loans

“Sustainable Bonds” and “Sustainable Loans” are fixed-income debt instruments that raise capital for projects or activities with the potential for a positive sustainability impact. There are a variety of sub-categories of sustainable bonds and loans, including “Climate,” “Green,” “Social” and “Blue,” the latter type which supports sustainable fisheries and marine projects. Sustainable bonds and loans generally have more costs than traditional bonds and loans because of the monitoring, verifying and reporting of their impact.

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<sup>97</sup> <https://group.bnpparibas/en/news/supporting-responsible-farmers-an-example-of-impact-investing-with-le-printemps-des-terres>

<sup>98</sup> <https://iroquoisvalley.com/>

<sup>99</sup> [https://ssir.org/articles/entry/impact\\_investing\\_for\\_the\\_missing\\_middle\\_in\\_agri\\_finance#](https://ssir.org/articles/entry/impact_investing_for_the_missing_middle_in_agri_finance#)

**Table 7. Components of a Green Bond<sup>100</sup> or Loan.<sup>101</sup>**

Component	Description
Evaluation and selection process	The issuer should disclose how it determines which individual investments qualify as eligible for the green bond or loan proceeds.
Management of proceeds	The issuer should outline how funds are managed within their internal accounting system.
Reporting	The issuer should at the very least disclose the projects supported by the bond or loan. A better practice is to report on impact.
Use of proceeds and benefits	The issuer should detail the types of green project categories to be supported and the environmental benefits of the project. A better practice is to draft and publish a sustainable bond or loan framework. The best practice is to use an external review to assess the framework for adherence to the recommended components.

#### **Examples of sustainable bond frameworks with farm animal welfare criteria:**

- Brazil's Sovereign Sustainable Bond Framework, which excludes "projects related to industrial-scale meat production and industrial-scale livestock management."<sup>102</sup>
- The Climate Bonds Initiative's Best Practice for Issuing Green Bonds for Livestock screening criteria, which includes meeting specific farm animal welfare standards.<sup>103</sup>

#### **Examples of sustainable bonds issued by food companies:**

- Danone's (France) social bond, which designates 20% of funds for "responsible farming and agriculture," including working with "supplier farmers in the US to transition to non-GMO productions and animal welfare practices."<sup>104</sup>
- Moringa Milk's (Japan) green bond, which states that one of the main uses of funds is a capital investment in "a manure processing and biogas power generation system for dairy and livestock farming."<sup>105</sup>

### **Sustainable Bonds and Loans: Roles for Advocates**

1. Advise financial institutions and food companies about farm animal welfare criteria for farm animal welfare bonds and loans and arrange for company performance monitoring.

<sup>100</sup> [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf)

<sup>101</sup> <https://www.lsta.org/content/green-loan-principles/#>

<sup>102</sup> <https://forestsandfinance.org/news/brazil-excludes-factory-farming-from-its-new-sustainable-bond-framework/>

<sup>103</sup> [https://www.climatebonds.net/files/files/Climate%20Bonds%20Livestock%20Brochure\\_27\\_March%202023.pdf](https://www.climatebonds.net/files/files/Climate%20Bonds%20Livestock%20Brochure_27_March%202023.pdf)

<sup>104</sup>

[https://www.danone.com/content/dam/corp/global/danonecom/investors/en-social-bond/2018/socialbond/Social\\_Bond\\_Framework\\_fi\\_nal.pdf](https://www.danone.com/content/dam/corp/global/danonecom/investors/en-social-bond/2018/socialbond/Social_Bond_Framework_fi_nal.pdf)

<sup>105</sup> <https://www.morinagamilk.co.jp/english/sustainability/susbond/>



2. Create, or partner with financial institutions and food companies to create, a farm animal welfare bond or loan.
3. Produce materials for financial institutions about the companies, regions and industries that may be the most attractive candidates for potential farm animal welfare bonds and loans, in which the recipients receive debt financing to create new farming endeavors that rely on higher welfare methods or elevate existing methods of production.

## 4.10 Sustainability-Linked Bonds and Loans

“Sustainability-Linked Bonds” and “Sustainability-Linked Loans” are fixed-income debt instruments that incorporate sustainability targets into the debt agreement. Unlike sustainable debt instruments, which have requirements for the use of the funds, sustainability-linked debt instruments do not require any specific use of the funds but instead require results to trigger incentives, such as lower rates.

**Table 8. Components of a Sustainability-Linked Bond<sup>106</sup> or Loan.<sup>107</sup>**

Component	Description
KPIs	The issuer should select quantifiable KPIs.
Calibration of performance targets	The issuer should create time-bound performance targets tied to the KPIs.
Characteristics	The issuer should detail and disclose which discounts or incentives are triggered by which performance targets.
Reporting	The issuer should report on progress against the KPIs.
Verification	The issuer should utilize a third party to verify performance.

### Examples of farm animal welfare-linked loans:

- Bank of New Zealand’s sustainability-linked loan, which “ensures that farmers are meeting additional environmental, social and animal welfare goals through developing tailored KPIs with each farm which are audited by AsureQuality annually.”<sup>108</sup>
- DBS’ loan agreement with a Singaporean egg producer, which included lower interest rates if the company met Humane Farm Animal Care standards.<sup>109</sup>

<sup>106</sup>

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

<sup>107</sup> <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/#>

<sup>108</sup> <https://www.asurequality.com/services/sustainability/farm-sustainability-linked-loan-assurance/>

<sup>109</sup> [https://www.dbs.com/newsroom/Chew's\\_Agriculture\\_signs\\_Singapore's\\_first\\_SME\\_sustainability\\_linked\\_loan\\_with\\_DBS](https://www.dbs.com/newsroom/Chew's_Agriculture_signs_Singapore's_first_SME_sustainability_linked_loan_with_DBS)



“Social Success Notes” are a type of sustainability-linked financial instrument in which a company receives debt financing from an investor and also receives incentives for meeting a target, which a third party, the “Outcome Funder” or “Outcome Payer,” pays only if the company meets the target. A farm animal welfare success note could be structured to support a company that, for example, manufactured higher welfare housing systems in a region with very little commercial high welfare supply. The company could receive financing from a private investor to manufacture housing systems and, as part of the agreement, receive impact payments from a farm animal welfare foundation for every system that was sold and became operational. In the above example, the foundation is a “Venture Philanthropist,” an investor that uses funding to support a social venture with the main goal of promoting good as opposed to profit.

### **Types of outcome payments in social success notes:**

- “Cost-Based,” with payments for units produced.
- “Performance-Based,” with incentives for reaching milestones.
- “Results-Based,” with bonuses for units of impact produced.

### **Sustainability-Linked Bonds and Loans: Roles for Advocates**

1. Advise financial institutions and companies about farm animal welfare criteria for farm animal welfare-linked bonds and loans and arrange for company performance monitoring.
2. Create, or partner with financial institutions and companies to create, a farm animal welfare-linked bond or loan.
3. Produce materials for financial institutions about the companies, regions and industries that may be the most attractive candidates for potential farm animal welfare-linked bonds and loans, in which the recipients receive incentives to achieve and maintain higher welfare standards.

## **4.11 Development Finance**

“Development Finance” is based on the principle of sustainable development, which aims to meet current needs without compromising the ability of future generations to meet their needs. DFIs are governed by their shareholders, who are institutional and usually governments. The World Bank, for example, is owned entirely by governments,<sup>110</sup> while the Development Bank of Latin America and the Caribbean is owned by governments and private banks.<sup>111</sup>

DFIs support governments, financial institutions and businesses, including large companies and Small- and Medium-Sized Businesses (SMEs), which are technical definitions that are used to categorize companies, including to determine the amount of environmental and social

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<sup>110</sup> <https://www.worldbank.org/en/about/leadership>

<sup>111</sup> <https://www.caf.com/en/about-caf/>

management necessary for a project. A “Small-Sized Enterprise” is often defined as a company with between 10-49 employees and annual sales or assets between US\$ 100,000 and US\$ 3,000,000. A “Medium-Sized Enterprise” is a company with between 50-300 employees and annual sales or assets between US\$ 3,000,000 and US\$ 15,000,000.

### Common types of DFIs:

<b>Bilateral</b>	Owned by a single country.
<b>Community</b>	Provides loans and financing to businesses in low-income communities.
<b>Microfinance</b>	Provides small loans and financing to individuals and small businesses.
<b>Multilateral</b>	Owned by more than one country.
<b>National</b>	Provides loans and financing to support economic and social development in its own country.
<b>Public-Private</b>	A collaboration between a government agency and a private sector enterprise.

DFIs place more emphasis on transparency and ESG risk management than private financial institutions. For example, most DFIs publish information about projects before they are approved. Many DFIs also publish information about the number of animals or expected production volume. In some projects, DFIs disclose the production methods that the company will use and the farm animal welfare KPIs or certifications that the company is expected to meet.

### Farm animal welfare policies of large DFIs:

- The European Investment Bank (EIB) excludes companies that do not meet EU standards, even in countries with standards lower than the EU.<sup>112</sup>
- The International Finance Corporation (IFC) requires clients to meet farm animal welfare standards that reflect EU standards, for example, no non-enriched cages and no stall use beyond 30 days after pregnancy.<sup>113</sup>
- The World Bank Group requires “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) [to] employ GIIP in animal husbandry techniques, with due consideration for religious and cultural principles.”<sup>114</sup>

<sup>112</sup> [https://www.eib.org/attachments/lucalli/20220213\\_eib\\_environment\\_framework\\_en.pdf](https://www.eib.org/attachments/lucalli/20220213_eib_environment_framework_en.pdf)

<sup>113</sup> <https://www.ifc.org/content/dam/ifc/doclink/2023/IFC-practices-for-sustainable-investment-in-private-sector-livestock-operations.pdf>

<sup>114</sup> [https://thedocs.worldbank.org/en/doc/837721522762050108-0290022018/original/ESFFramework.pdf?\\_gl=1\\*gaxybo\\*\\_gcl\\_au\\*MTg2NDY1MDY1NC4xNzIxMzk5MzA3](https://thedocs.worldbank.org/en/doc/837721522762050108-0290022018/original/ESFFramework.pdf?_gl=1*gaxybo*_gcl_au*MTg2NDY1MDY1NC4xNzIxMzk5MzA3)

Most, if not all, DFIs have a mechanism for stakeholders to challenge a proposed project based on environmental and social concerns, in some cases through an independent review process. Stakeholders can also challenge aspects of a project and projects that are in progress.

### **Requirements for filing an IFC complaint:**

- “The complaint relates to an IFC project that is active or under consideration.”
- “The complaint is submitted by individual(s) affected by an IFC project, or by their authorized representative(s).”
- “The complainant(s) allege that they have been or will be affected by an E&S risk or impact of the project.”<sup>115</sup>

### **Examples of ineligible IFC complaints:**

- “Complaints regarding impacts on global public goods, such as climate change.”
- “Fraud and corruption, which are handled by a different IFC entity.”
- “Systemic issues or broader allegations and/or reports (i.e., sector-wide, country-wide, etc.).”<sup>116</sup>

## **Development Finance: Roles for Advocates**

1. Advise DFIs about farm animal welfare policies to govern their lending.
2. Communicate with the government representatives who represent the individual DFI shareholder countries if the DFI is supporting projects with substandard farm animal welfare standards.
3. File, or support other entities in filing, official complaints with DFI review boards about projects that may be supporting sub-standard farm animal welfare standards.
4. Provide information to DFIs about integrating farm animal welfare criteria into sustainability and sustainability-linked debt instruments.

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<sup>115</sup> <https://www.ifc.org/content/dam/ifc/doc/2024/environmental-and-social-complaints-submitted-to-ifc-faqs.pdf>

<sup>116</sup> Ibid.

## Section 5

### Final Considerations

The objective of Section 5 is to consider three ways to focus engagement with financial institutions: seeking out appropriate personnel, accounting for regional differences and addressing the barriers that financial institutions face when integrating ESG.

#### 5.1 Personnel at Financial Institutions

Before engaging with a financial institution, it is useful to understand the role of the person you are contacting. For example, a bank's risk manager would likely have little interest in learning how animal welfare standards can be integrated into a sustainability-linked loan. Instead, they might be interested in the impacts of cage-free regulation. Note that while "ESG" and "sustainability" are technically different concepts, they are sometimes used interchangeably in job titles.

##### Examples of personnel at financial institutions:

<b>ESG Analyst</b>	Evaluates emerging ESG trends and companies' ESG performance to support insurance, investment and lending decisions.
<b>ESG Integration Portfolio Manager</b>	Manages investments that take ESG criteria into account.
<b>ESG Officer</b>	Develops and oversees ESG strategies and policies.
<b>ESG Reporting Officer</b>	Oversees ESG data collection and reporting.
<b>Investment Analyst</b>	Also known as a "Financial Analyst." Develops investment strategies.
<b>Investment Banker</b>	Provides advice and services for companies to raise capital, including by issuing bonds or stocks, or acquiring or merging with other companies.
<b>Portfolio Manager</b>	Creates and implements investment strategies.
<b>Risk Manager</b>	Responsible for assessing and reducing potential risks.
<b>Underwriter</b>	Assesses companies for risk and then decides whether or not financial agreements are approved.

## 5.2 Regional Context

Another consideration is the significant regional differences in the extent to which sustainable finance strategies are currently being implemented. For example, financial institutions in regions with relatively low levels of sustainable finance may be less responsive to, or at least more in need of convincing of, arguments about farm animal welfare's impact on their reputation or the extent to which their business customers may be interested in farm animal welfare.

**Table 9. Relative Rank by Region by a Sample of Sustainable Finance Indicators.**

Region	Sustainable bonds issued in 2023 <sup>117</sup>	Sustainable funds market by AUM <sup>118</sup>	ESG scores of companies <sup>119</sup>	Relationship between ESG and company value <sup>120</sup>
Africa and Middle East	5	5	3	5
Asia-Pacific	2	3	5	4
Europe	1 (most)	1 (largest)	1 (highest)	3
Latin America and Caribbean	4	4	2	2
North America	3	2	4	1 (strongest)

## 5.3 Barriers to Environmental, Social and Governance Adoption

Financial institutions will be more amenable to engagement if the focus is on the particular challenges they face when implementing policies and programs that support improved farm animal welfare. While there appear to be common areas of concern shared by many financial institutions with respect to ESG adoption generally, such as the need for better data and a greater understanding of the regulatory landscape, each financial institution will have a unique perspective of farm animal welfare as an ESG issue. Given this, the initial goal of engagement should be to determine not simply the sincerity that a financial institution has for improving their farm animal welfare management, but also the concerns they may have about doing so.

<sup>117</sup> [https://unctad.org/system/files/official-document/wir2024\\_ch03\\_en.pdf](https://unctad.org/system/files/official-document/wir2024_ch03_en.pdf)

<sup>118</sup>

<https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/MSInstituteForSustainableInvesting-SustainableRealityFY2023-Final.pdf>

<sup>119</sup>

<https://insights.issgovernance.com/posts/esg-performance-and-enterprise-value-in-which-region-does-esg-performance-matter-the-most-for-company-valuation/>

<sup>120</sup> Ibid.

**Table 10. The Most Important Challenges for Integrating ESG.**

Entity	Challenges
Banks	<ul style="list-style-type: none"> <li>• Insufficient or inaccurate data</li> <li>• Lack of number of sufficient personnel</li> <li>• New legal requirements<sup>121</sup></li> </ul>
Investors	<ul style="list-style-type: none"> <li>• Concerns about investment performance</li> <li>• Consistency/reliability of data</li> <li>• Fund disclosures</li> <li>• Greenwashing</li> <li>• Regulatory landscape<sup>122</sup></li> </ul>

**Table 11. The Least Important Challenges for Integrating ESG.**

Entity	Challenges
Banks	<ul style="list-style-type: none"> <li>• Insufficient board oversight/involvement</li> <li>• Insufficient budget</li> <li>• Lack of coordination with other functions<sup>123</sup></li> </ul>
Investors	<ul style="list-style-type: none"> <li>• Availability of strategies supporting environmental goals</li> <li>• Availability of strategies supporting social goals</li> <li>• Companies resisting engagement</li> <li>• Cost concerns</li> <li>• Lack of leadership buy-in</li> <li>• Low client demand<sup>124</sup></li> </ul>

<sup>121</sup> <https://assets.kpmg.com/content/dam/kpmg/be/pdf/2024/ESG-in-practice-result-from-a-global-bank-survey.pdf>

<sup>122</sup> <https://www.capitalgroup.com/advisor/pdf/shareholder/ITGEOT-073-1043294.pdf>

<sup>123</sup> <https://assets.kpmg.com/content/dam/kpmg/be/pdf/2024/ESG-in-practice-result-from-a-global-bank-survey.pdf>

<sup>124</sup> <https://www.capitalgroup.com/advisor/pdf/shareholder/ITGEOT-073-1043294.pdf>

# Appendix A

## Sustainable Finance Frameworks and Institutions

<b>The Carbon Disclosure Project</b>	A non-profit organization that provides a mechanism for companies to report their environmental impact and receive a carbon disclosure rating.
<b>The Climate Bonds Initiative</b>	An international organization that promotes using the bond market to support climate change solutions.
<b>The Equator Principles</b>	A set of guidelines voluntarily adopted by financial institutions to manage the ESG risks of financing projects. A tenet of the Equator Principles is that financing projects must conform to the IFC's Performance Standards and the World Bank's Environmental Health and Safety Guidelines.
<b>The European Sustainability Reporting Standards</b>	The sustainability reporting standards created by the European Commission. The standards are intended to be aligned with GRI and IFRS sustainability reporting standards. The ESRS are mandatory for publicly-listed EU companies, multinational EU companies and EU companies that qualify as an SME.
<b>The Global Reporting Initiative</b>	A non-profit organization that creates and promotes sustainability disclosure standards for multiple issues and industries. The standards can be used by any entity but are generally geared towards companies, as opposed to financial institutions.
<b>The International Finance Corporation</b>	The private sector lending arm of the World Bank Group and the world's largest development finance institution supporting the private sector in developing and emerging markets.
<b>The International Finance Corporation's Performance Standards</b>	The responsibilities that financing recipients must fulfill when managing the environmental and social risks of an IFC project.
<b>The International Financial Reporting Standards</b>	A set of accounting principles for reporting transactions and other accounting events on financial statements. The IFRS contains guidance for sustainability-related disclosures.

<b>The International Monetary Fund (IMF)</b>	The international organization responsible for creating and maintaining the global payment system.
<b>The International Sustainability Standards Board</b>	An independent body created by the IFRS Foundation that produces the IFRS Sustainability Disclosure Standards.
<b>The Organisation for Economic Cooperation and Development (OECD)</b>	An intergovernmental organization that discusses and creates economic and social policy.
<b>The Paris Agreement</b>	An international climate change treaty adopted at the UN Framework Convention on Climate Change covering mitigation, adaptation and finance. One of the Paris Agreement's goals is to keep the global surface temperature below a 2 degrees Celsius increase versus pre-industrial levels, preferably limiting the increase to 1.5 degrees.
<b>The Sustainability Accounting Standards Board</b>	A non-profit organization that provides industry-specific standards for companies to disclose sustainability information. The standards are geared for use by investors and other financial sector stakeholders.
<b>The Task Force on Climate-Related Financial Disclosures</b>	An initiative created by the Financial Stability Board to improve and increase the disclosure of climate-related financial information. The task force was disbanded in 2023, and its mandate of monitoring companies' climate-related disclosures was handed over to the IFRS.
<b>The UNEP Finance Initiative</b>	A partnership between financial institutions and UNEP with the mission to increase the understanding, use and effectiveness of sustainable finance.
<b>The UNEP Finance Initiative Principles for Sustainable Insurance</b>	A partnership between insurance companies and UNEP with the mission to guide the process of integrating ESG factors in decision-making.
<b>The UN Framework Convention on Climate Change</b>	A treaty signed by 154 nations to mitigate climate change, including through research, policy agreements and an annual meeting called the Conference of the Parties.
<b>The UN Global Compact</b>	A non-binding framework with ten principles covering human rights, labor, the environment and anti-corruption. With 20,000 corporate signatories, it is the largest CSR initiative in the world.



<b>The UN Net-Zero Asset Owners Alliance</b>	An investor initiative to achieve net zero emission investment portfolios by 2050.
<b>The UN Principles for Responsible Investment</b>	An investor initiative to implement a framework of responsible investment principles.
<b>The UN Principles for Responsible Investment's ESG in Credit Risk and Ratings Initiative</b>	An initiative to promote the incorporation of ESG factors into credit risk assessments.
<b>The UN Sustainable Development Goals (SDGs)</b>	The 17 SDGs represent the world's plan to end extreme poverty, reduce inequality and protect the planet by 2030.
<b>The World Bank</b>	The World Bank refers to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), which give loans and grants to governments in low- and middle-income countries. The IBRD and IDA are part of The World Bank Group, which also includes the IFC, the International Centre for Settlement of Investment Disputes and the Multilateral Investment Guarantee Agency.
<b>The World Bank Group's Environmental, Health and Safety Guidelines</b>	The responsibilities that financing recipients must fulfill when managing the environmental, health and safety risks of a World Bank Group project. The guidelines reflect Good International Industry Practice and are provided for specific industries.
<b>The World Economic Forum</b>	An international organization that focuses on public and private sector cooperation.
<b>The World Trade Organization</b>	An intergovernmental organization that maintains a legal framework governing trade among nations.

# Appendix B

## History of Sustainable Finance

<b>5th Century CE (approx.)</b>	Judaic law states that business activities and money should not be used to cause harm or injury.
<b>7th-10th Century CE (approx.)</b>	Islamic law prohibits investing in non-Halal products and services, such as gambling, alcohol production and pork breeding.
<b>1872</b>	US Methodist John Wesley publishes the “Use of Money” sermon, which lays out principles of “social investing,” including not investing in companies that encourage sin.
<b>1898</b>	US Quakers forbid investments in companies relying on slavery or producing products used in armed conflict.
<b>1928</b>	US Pioneer Investment Fund, one of the first funds to incorporate responsible investment criteria, is created by what is now Amundi.
<b>1944</b>	The IMF and the World Bank are founded during the UN Monetary and Financial Conference at Bretton Woods, New Hampshire in the US.
<b>1953</b>	Howard Bowen, often referred to as the “father of Corporate Social Responsibilities,” publishes “Social Responsibilities of the Businessman.”
<b>1956</b>	The IFC is founded.
<b>1961</b>	The OECD is founded.
<b>1964</b>	The African Development Bank is founded.
<b>1965</b>	Student groups protest against the US Chase Manhattan National Bank because of their investments in South Africa that support apartheid.
<b>1968</b>	The Medical Committee for Human Rights buys Dow Chemical shares and submits a proxy statement proposal to restrict sales of napalm. Next year, Dow ceases napalm production altogether.
<b>1971</b>	Two US ministers create Pax World Funds, the first publicly traded mutual fund to incorporate environmental and social factors into investment decisions.

<b>1972</b>	The concept of “Sustainable Development” is introduced at the UN Conference on the Human Environment.
<b>1985</b>	University of California students stage a sit-in and boycott classes to protest university investments in South Africa. Next year, the university divests from its South African holdings.
<b>1990</b>	The first ESG Index Fund, Morningstar’s Domini 400 Social Index, is created.
<b>1992</b>	The UN Framework Convention on Climate Change and the UNEP Finance Initiative are established.
<b>1994</b>	The “Triple Bottom Line,” specifically “social, environmental and economic” or “people, planet and profit,” is popularized.
<b>1996</b>	The “Double Bottom Line,” which adds positive social impact to the traditional bottom line of financial performance, is popularized.
<b>1997</b>	GRI is established.
<b>1999</b>	MSCI begins rating companies on ESG risks.
<b>2000</b>	The Carbon Disclosure Project and the UN Global Compact are established.
<b>2002</b>	The first ESG ETF is launched.
<b>2003</b>	The Equator Principles are launched.
<b>2004</b>	A group of investors and banks produce “Who Cares Wins,” a report that recommends integrating ESG issues into analysis, asset management and securities brokering.
<b>2005</b>	The EU requires publicly traded companies to adopt the IFRS.
<b>2006</b>	The UNEP Principles for Responsible Investment are launched.
<b>2007</b>	The EIB issues the world’s first green bond.
<b>2008</b>	The World Bank issues its first green bond.
<b>2011</b>	South Africa’s Code for Responsible Investing is released. SASB is created.

<b>2012</b>	The UNEP Principles for Sustainable Insurance are launched. The SDGs are published.
<b>2014</b>	Stanford University divests from companies whose principal business is coal.
<b>2015</b>	The Paris Agreement is signed. The Task Force on Climate-Related Financial Disclosures is launched.
<b>2016</b>	China publishes its Guidelines for Establishing the Green Financial System.
<b>2019</b>	The EIB declares that it will cease financing fossil fuel energy by the end of 2021. The International Organization of Securities Commissions sets out recommendations for the role of securities regulators in growing sustainable finance.
<b>2020</b>	The Net-Zero Asset Owner Alliance is launched. The New York State Common Retirement Fund, the 3rd largest public pension fund in the US, states it will divest from the riskiest oil and gas companies by 2025 and decarbonize by 2040.
<b>2021</b>	The Bank of England publishes results from a climate stress test of banks and insurers. The ISSB is founded.
<b>2022</b>	American International Group, one of the world's largest insurance and investment management companies, releases its coal exit plan. China publishes its Green Bond Principles.
<b>2023</b>	Australia releases its Sustainable Finance Strategy. Brazil launches its Sovereign Sustainable Bond Framework. India issues its Draft Green Credit Programme Implementation Rules.
<b>2024</b>	The ESRS go into effect. Vietnam's Southeast Asia Commercial Joint Stock Bank issues the country's first green bond by a private bank.