



**Humane  
World for  
Animals™**

Formerly called the Humane Society of the United States and Humane Society International

# The risk implications of poor farm animal welfare

**An overview of the key risk and return implications of poor farmed animal welfare for financial institutions and the companies that they finance**

**Globally, more than 97.6 billion terrestrial animals are kept and killed annually to produce meat, dairy and eggs.<sup>1</sup>** Unfortunately, a majority of these animals endure severe suffering, despite the availability of viable and more humane alternatives.

Financial institutions have a significant opportunity to influence and improve farm animal welfare—not only because it is the right thing to do, but also because poor animal welfare practices pose material risks and impact financial returns.

Furthermore, animal welfare aligns with global environmental, social and governance (ESG) and sustainability efforts.

Humane World for Animals partners with financial institutions worldwide to help them integrate meaningful animal welfare considerations into their policies, practices, and procedures.

## Why include animal welfare in financing policies, practices and procedures?

Animal welfare is an important consideration for companies and the financial institutions that support them.

### Adopting strong animal welfare policies could lead to:

- Reduced animal suffering in agricultural systems
- Enhanced risk mitigation
- Enhanced return potential
- Improved alignment with ESG/sustainability efforts

## What is animal welfare?

According to the World Organization for Animal Health (WOAH),<sup>2</sup> animal welfare is the physical and mental state of an animal in relation to the conditions in which it lives and dies. An animal's welfare varies across a continuum from poor to good. Animals in a good state of welfare are healthy, comfortable and have what they need, while animals on the other end of the spectrum may be suffering from pain, fear or distress.

Some of the primary animal welfare risks to be considered include:

- Space limitations and overcrowding
- Barren and unsuitable environments
- Inappropriate diets
- Painful procedures
- Breeding and genetics
- Early weaning
- Rough or abusive handling
- Transport
- Slaughter

## Cages and crates—the global animal welfare priority

Farmed animals are subjected to many standard industry practices that cause significant suffering and harm. While all these issues deserve attention, it is crucial to prioritize those that inflict the greatest suffering on the largest number of animals. A key starting point is cage and crate confinement, a defining feature of intensive farming worldwide. This practice affects billions of animals, subjecting them to prolonged and extreme welfare deficits.

Confinement-based systems include gestation crates for sows (mother pigs) and cages for laying hens, but unfortunately, many other species are also suffering in these systems. The majority of sows spend much of their pregnancies—approximately 114 days per cycle—confined in gestation crates, which are barely larger than their bodies. Similarly, most hens raised for egg production are kept in small wire cages so restrictive that they cannot stretch their wings, run, or even take more than a few steps.

These systems severely restrict natural behaviors and are often coupled with high stocking densities. Extensive scientific evidence confirms that confinement-based systems harm animal welfare both physically and psychologically.



**Battery cages**



**Gestation crates**

While confinement-free production systems may require higher initial capital investments compared to conventional confinement facilities, they can, in some cases, be more cost-effective, improve margins, and lead to better production outcomes. Regardless, the potential loss of value from neglecting animal welfare makes transitioning to these systems a worthwhile investment. For additional examples, see [Humane World's business case on pre-implantation group housing systems](#).

For a policy to be meaningful, financial institutions must commit to phasing out or fully excluding companies that use cages and crates or source products from animals kept in such conditions.

# Animal welfare and ESG

Financial institutions and companies worldwide are integrating sustainability and ESG principles into their operations, recognizing the need to minimize their negative impact on the world. Research also highlights important connections between ESG and value creation.<sup>3</sup>

Animal welfare is a key component of ESG and sustainability, as stronger welfare practices are essential for building a more sustainable food system. Improving animal welfare helps future-proof supply chains, meet global demand, and align with both scientific and ethical standards.

## E

- Environmental impacts and regulations affect the animal agriculture market as a whole (indirectly affecting animal welfare)

## S

- Increasing consumer demand for higher welfare products and locally-sourced products
- Global health pandemics and public concerns about food safety
- Moral considerations – higher welfare is the “right thing to do”
- Workforce health, safety and training

## G

- Failure to properly assess and manage animal welfare means not acting in the best interest of investors and shareholders
- Failure to report and monitor animal welfare signals poor traceability, management and supply chain responsibility

## Global guidelines and standards

### OECD Guidelines for Multinational Enterprises

The Organisation for Economic Co-operation and Development (OECD) released an update to its Guidelines for Multinational Enterprises on Responsible Business Conduct in June 2023. For the first time, animal welfare was included in its Guidelines, urging businesses to uphold animal welfare in their policies and practices.

### Sustainability Accounting Standards Board (SASB)

SASB’s sector standard for *Meat, Poultry and Dairy*, as well as *Restaurants*, include animal welfare as a material sustainability topic, and therefore, recommend reporting related to animal welfare. Both standards specifically mention cages for egg-laying hens and crates for gestating sows and recommend disclosures related to both.

### Global Reporting Initiative (GRI)

The GRI sector standard for *Agriculture, Aquaculture and Fishing* was released in 2022. This sector standard includes animal welfare as a material sustainability topic and recommends several reporting line items related to animal welfare (including the use of cages and crates).

### Sustainable Development Goals (SDGs)

Animal welfare aligns with the Sustainable Development Goals.

### UNEP FI Principles for Responsible Banking

UNEP FI Principles for Responsible Banking (Guidance) includes animal welfare and references the FARMS Initiative’s Responsible Minimum Standards.

### UNEP FI Principles for Sustainable Insurance

UNEP FI Principles for Sustainable Insurance (Guidance) includes animal welfare and references the FARMS Initiative’s Responsible Minimum Standards.

# Poor welfare leads to material risks

## Regulatory and compliance risk

Animal welfare regulations are strengthening worldwide, impacting both domestic production and international trade.

Building or maintaining confinement-based facilities poses significant risks, including legal challenges and loss of market access as regulations and consumer preferences evolve. Given that these systems have a lifespan of 20–40 years, potential write-downs and stranded assets should also be considered.

Stricter regulations are expected, such as limiting sows to no more than seven days in crates or banning them entirely. It's important to note that legislation can affect both production and sales.

## Cage-free policies are increasingly being enacted. Cage-free laws include\*:

- A ban on battery cages in the E.U. since 2012
- Bans or gradual phaseouts in 11 U.S. States
- A ban in New Zealand since 2023
- A ban in Bhutan since 2012
- A gradual phaseout of battery cages in Australia by 2036
- A gradual phaseout of battery cages in Canada by 2036
- A gradual phaseout of battery cages in Israel by 2038
- A ban on battery cages in the U.K. since 2012
- A ban on battery cages in Norway since 2012
- A complete ban on cages in Switzerland since 1992

Legislation around the world is strengthening animal welfare requirements, affecting both domestic production and international trade.

## Industries and sectors with farmed animal welfare risks include:

- Food production
- Food processing
- Food manufacturing
- Food service
- Hospitality
- Grocery stores and retailers
- Packaging/logistics/transportation
- Catering
- Financial institutions

## Crate-free policies are increasingly being enacted, including\*:

- A ban on gestation crate use starting 28 days after breeding in the European Union
- Complete gestation crate bans, limits, or gradual phaseouts in 11 U.S. states
- A ban on gestation crate use until 7 days before transferring to farrowing crates in the U.K.
- A complete ban on crates in Norway since 2000
- A ban on gestation crate use unless during mating period (for a maximum of 10 days) in Switzerland since 2020
- A ban on gestation crate use unless during mating period (for a maximum of 7 days) in New Zealand since 2018
- A phase out in the Canadian Code of Practice by 2029
- A voluntary phaseout by the pig production industry in Australia by 2017
- A government policy normative in Brazil that requires transition to group housing by 2045
- A regulation in South Korea requires that gestating sows must be kept in group housing after 6 weeks from insemination starting 2030

## Market risk

Consumers are increasingly demanding (and are generally willing to pay more for) higher-welfare products.

A 2022 study analyzed consumer preferences,<sup>4</sup> demonstrating that over 50% of respondents preferred cage-free eggs in 13 of 15 countries surveyed. In some countries (Australia, Brazil, Chile and the United Kingdom), over 90% of respondents indicated they preferred to purchase cage-free eggs. There are many other studies with similar outcomes; consumers from all over the world want higher welfare products and many are willing to pay for them.

**66** *Public scrutiny of animal welfare by consumers, food retailers, industry associations, governments and financial institutions is increasing. In addition, and importantly, observing good animal welfare practices has a positive impact on animal health, which in turn has a strong link to improved productivity and high-quality meat production.*

— **The International Finance Corporation (IFC),**  
IFC Practices for Sustainable Investment in Private Sector Livestock Operations

Consumers aren't the only ones demanding cage- and crate-free products, companies are too. Over 2,000 companies have committed to purchasing and producing cage- and/or crate-free products. Many of these companies are large multinational organizations, such as Marriott, Bimbo, McDonald's, Nestlé, Sodexo and more. These companies publicly committed to ridding their supply chains of confinement-based products by 2025, and some by 2030.

## Reputational risk

A 2020 report revealed that, on average, global executives attribute 63% of their company's market value to its overall reputation.<sup>5</sup>

Additionally, two-thirds of consumers worldwide now make purchasing decisions based on their beliefs.<sup>6</sup>

A report from the FAIRR Initiative, a global investor network focusing on Environmental and Governance risks in the food sector quoted Allianz Group stating that "farm animal welfare is an important reputational issue, and over time reputational issues can also become increasingly financially material."<sup>7</sup>

Being associated with animal cruelty can harm a business's reputation.

*"Suppliers who do not align with the requirements or do not make continuous and positive improvements to meet them risk losing Kraft Heinz as a customer."*

— **Kraft Heinz**, 2023 ESG Report

*"Aramark maintains our commitment to eliminate gestation crates from our supply chain and we continue to work with suppliers to meet this goal. Our progress this year alone has positively impacted 125,000 hogs and 4,000 mother pigs."*

— **Aramark**, 2023 Progress Report

*"We prioritize acquisition of animals, raw materials, and ingredients of animal origin from production systems where animals are kept free from close confinement."*

— **Minerva Foods**, 2nd Public Commitments Report (2023)

**2,000+**

Over 2,000 companies have made public-facing commitments to go cage- and/or crate-free

**>50%**

In a 2022 survey,<sup>4</sup> more than 50% of respondents preferred cage-free eggs in 13 of 15 of the countries surveyed.

*Producers failing to transition to cage- or crate-free housing systems may face higher capital costs in the longer term as the market evolves.*

**Battery cages**

## Financial risk

Poor animal welfare can compromise value creation for financial institutions and the companies that they invest in or finance, because there can be links between welfare and the productivity of the animals. For example, rough or abusive animal handling can result in economic loss. According to the Food and Agriculture Organization (FAO)<sup>8</sup> “Increased production through humane treatment of slaughter animals can be achieved, for example, through:

- Reduced carcass damage and waste and higher value due to less bruising and injury;
- Decreased mortality;
- Improved quality of meat by reducing animal stress and;
- Increased quality and value of hides and skins.”

Beyond basic animal welfare considerations, certain welfare improvements can also be sound investment decisions. For example, pre-implantation group housing systems for mother pigs have been shown to increase conception rates, reduce stillbirths, and result in larger litter sizes.<sup>9</sup> Overlooking this market opportunity could have financial consequences.

Producers that fail to transition to cage- or crate-free housing systems may face higher long-term capital costs as the market evolves. If regulations change, they may be forced to replace equipment before it has fully depreciated, creating financial strain for both producers and their financiers.

Notably, companies without cage- or crate-free commitments receive lower ratings from several ESG agencies, including Sustainalytics and EcoVadis, due to increased risk exposure.

“Key avoidable welfare risks arise from confinement of livestock and poultry in cages, painful and mutilating interventions without anaesthesia, irresponsible breeding techniques, excessively long transportation in cramped conditions, slaughter using unnecessarily painful or ineffective techniques, and where training and infrastructure are not designed with animal behaviour or welfare in mind.”

— **Standard Chartered**, 2024 Agribusiness position statement

“Animal welfare is first and foremost important for the animals, as where welfare is poor an animal may suffer physical and mental distress. However, animal welfare can be relevant to business: poor welfare can impact the ability of animals to grow, produce and reproduce, which in turn can reduce productivity and food quality and ultimately impacts company performance.”

— **British International Investment (BII)**, ESG Toolkit

“Key animal welfare issues include... confining animals in cages or in crates that provide insufficient width for them to turn around or take more than a few steps, or housing them at very high stocking densities.”

— **Climate Bonds Initiative**, Ag background paper (development of eligibility criteria under the Climate Bonds Standard and Certification Scheme)

# What can financial institutions do to support change?

Financial institutions should include animal welfare in their policies, practices and procedures to improve farmed animals worldwide.

Examples of actions financial institutions can take include:

- Providing ongoing animal welfare training for internal teams
- Creating advantageous financing solutions for companies with or moving toward higher welfare practices
- Updating internal procedures and guidelines to meaningfully address animal welfare
- Incorporating animal welfare into public-facing policies and setting clear, measurable goals
- Integrating animal welfare considerations into the due diligence process
- Embedding animal welfare requirements into investment agreements
- Strengthening exclusion lists to avoid financing companies that use confinement-based production and/or procurement
- Including animal welfare in proxy voting and shareholder resolutions
- Addressing animal welfare in active engagement strategies

The primary focus should be on eliminating confinement-based production and procurement.

You can find a list of financial institutions with animal welfare in their public-facing policies on [the FARMS Initiative website](#).



Meredith Lee/Humane World for Animals

## Animal welfare financing examples

### DBS Bank and Chew's Agriculture [2022]

DBS Bank, a Singaporean multinational bank, provided a sustainability-linked loan to Chew's Agriculture, an egg producer in Singapore, to expand cage-free egg production.

### Brazilian development bank and credit co-op [2023]

Due to advantageous financing through Brazil's Renovagro program, a development bank was able to offer attractive financing, distributed by a credit co-op, to two different pork producers in Brazil to support the conversion to group housing for mother pigs. Over 72,000 mother pigs were impacted by this financing.

### Nestlé Mexico and BBVA Mexico [2023]

BBVA Mexico offered a factoring revolving line of credit to Nestlé Mexico, where differentiated conditions are granted to Nestlé suppliers that demonstrate that their production processes are moving towards sustainable models. Because of Nestlé's commitment to cage- and crate-free procurement, suppliers transitioning to confinement-free production qualify for this advantageous financing.

### Agrobank Malaysia and TC Poultry [2024]

TC Poultry committed to building Malaysia's first cage-free aviary. Agrobank Malaysia, a development bank, provided two advantageous financing opportunities for this project (via a AgroTeknologi Madani Sustainability Linked Loan and the Fund for Food). This was the first time that these financing lines were used to improve animal welfare.



## How can Humane World for Animals help?

Humane World works alongside financial institutions to improve the welfare of farmed animals around the world.

### Ways that we can help you

- Provide language for public-facing policy enhancement
- Support due diligence
- Train internal teams about farm animal welfare
- Provide deliverables and resources for internal teams
- Support active engagement
- Provide introductions to businesses looking for financing tied to animal welfare improvements

### Next steps for financial institutions

- Reach out to Humane World to initiate a discussion and find out how we can assist
- Perform an internal assessment and analysis of exposure to poor animal welfare practices within financing and investing activities. Specifically focus on exposure to confinement-based production and procurement
- Determine which internal team members should spearhead this effort
- Engage with Humane World to create a roadmap to achieve time-bound goals related to improving animal welfare
- Be sure to visit [the FARMS Initiative website](#) as a resource!

# Resources

Resources available to financial institutions.

## Resourceful organizations/coalitions

### [The FARMS Initiative](#)

*A coalition created to support financial institutions in improving policies regarding farm animal welfare. Be sure to check out the Responsible Minimum Standards—guidelines for six different species. The FARMS Initiative provides many resources on the website.*

### [The FAIRR Initiative](#)

*An investor network covering risks and opportunities in the global food system. The FAIRR Initiative provides useful resources and research on its website.*

## General research/resource pages

[Farm animal welfare research](#) (Humane World for Animals)

[Farm animal welfare research](#) (Compassion in World Farming)

[Research library](#) (The FARMS Initiative)

[Resources](#) (The FARMS Initiative)

## Individual guides/resources

[Financial Institutions' Guide to Farm Animal Welfare](#) (Humane World for Animals)

[Business case on pre-implantation group housing](#) (Humane World for Animals)

[The guide to humane washing](#) (Humane World for Animals)

[Integrating farm animal welfare into financing webinar](#) (IFC and Humane World)

## Acceptable standards/guidelines

[The Responsible Minimum Standards \(RMS\)](#) (FARMS Initiative)

[Recommended animal welfare certification programs](#) (FARMS Initiative)

[The Better Chicken Commitment](#)

[Better Chicken Project: Broiler Chicken Assessment Protocol](#) (Global Animal Partnership)

[Broiler Breed Welfare Assessment Protocol](#) (RSPCA)

[Animal welfare scientific opinions](#) (European Food Safety Authority)

[Briefing: Environmental enrichment for farm animals](#) (BBFAW)

# Resources

Resources available to financial institutions.

## Corporate accountability

### [Asia Cage-Free Benchmark Report](#)

*An annual report examining the role of governments across Asia in supporting the transition to cage-free farming (Open Wing Alliance)*

### [Banks for Animals](#)

*An annual report and data set assessing animal welfare (farm, testing and fashion) commitments from global banks (Sinergia Animal)*

### [The Business Benchmark on Farm Animal Welfare](#)

*BBFAW is a global measure of farm animal welfare management, policy commitment, performance and disclosure in food companies. The annual Benchmark assess how 150 global food companies manage farm animal welfare in their operations and in their supply chains.*

### [Cage Free World](#)

*A website providing a sample of global cage-free commitments*

### [Cage-Free Eggsposé](#)

*An annual report assessing cage-free transitions in the U.S. restaurant industry (The Humane League)*

### [The Cage-Free Egg-quity Index](#)

*A global report assessing the equity (transparency, roadmaps and implementation) of global cage-free commitments (Mercy for Animals)*

### [Cage-Free Tracker - Asia](#)

*An annual report tracking companies' cage-free progress in Asia (Sinergia Animal)*

### [Chicken Watch](#)

*A comprehensive collection of global commitments to cage-free egg production and procurement as well as broiler chicken welfare commitments. The Cage-Free Fulfillment Report provides a summary regarding cage-free implementation using Chicken Watch data*

### [Count Your Chickens Report](#)

*An annual publication ranking major food companies on their efforts to publish progress and roadmaps toward fulfilling their broiler chicken welfare commitments (Mercy for Animals)*

### [Crate Free World](#)

*A website providing a sample of global crate-free commitments*

### [The Pecking Order](#)

*An annual report assessing European fast-food restaurants and food service companies on broiler chicken welfare (Humane World for Animals, World Animal Protection, Albert Schweitzer Stiftung, L214, Essere Animali and Obranci Zvirat)*

### [PigTrack](#)

*An annual report tracking the crate-free progress in the U.S. (CIWF - US)*

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5. Weber Shandwick. January 2020. ['The State of Corporate Reputation in 2020: Everything Matters Now.'](#) Accessed June 15, 2024.
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9. Humane Society International. Nov 2023. ['The business case for pre-implantation group housing systems.'](#) Accessed June 15, 2024.

# About us

**Together, we tackle the root causes of animal cruelty to create permanent change.**

With millions of supporters and work happening in over 50 countries, Humane World for Animals—formerly called Humane Society International and the Humane Society of the United States—addresses the most deeply entrenched forms of animal cruelty and suffering. As the leading voice in the animal protection space, we work to end the cruelest practices, care for animals in crisis and build a stronger animal protection movement.

Driving toward the greatest global impact, we aim to achieve the vision behind our name: a more humane world for animals.

[humaneworld.org](http://humaneworld.org)

