



Strategy for animal welfare

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Why animal welfare?

Through its responsible investment policy, ACTIAM and its partners seek to help create a world that is fit to live in. Within this broader goal, animal welfare is recognised as an important business risk that needs to be managed effectively. After all, domesticated animals have a prominent role in our current economic and social system. Livestock farming is responsible for producing a large part of the food we consume.

Animal skins form an essential component in the manufacture of our clothes and footwear. Animal testing is, in many cases, necessary or even compulsory for relevant medical developments and research. What is more, animals provide social contact, comfort and cultural identification. Finally, millions of people rely on animals as a source of their income.

WHAT IS THE PROBLEM?

Animal welfare is primarily concerned with the well-being of animals, in both a physical and emotional sense. This largely entails animals being free from stress and fear, which is measured in accordance with the following factors: behaviour, physiology, life span and reproduction. The term animal welfare refers to human concern for the well-being of animals.

This concern can be based on the knowledge that animals are sentient beings just like humans, and therefore experience pain. This is why humans should care for animals properly, especially when they are used to serve people. In this context, it is important to examine how animals are killed to make food, how they are used for scientific research, how they are treated as pets and how human activity influences the survival of endangered species.

Our treatment and use of animals directly impacts our focus themes (climate, water and land). For instance, the livestock sector is responsible for 15% of greenhouse gas emissions world-wide whilst deforestation is a serious consequence of food production for livestock. In addition, the pressure on prices and the intensification of livestock production frequently occurs at the expense of animal welfare. There is also a close correlation between animal welfare and human health as the antibiotics used most frequently are given to animals. Improving animal welfare is thus not only crucial for animals but also for humans.

ACTIAM's vision and objectives in relation to animal welfare

ACTIAM's vision is that human interaction with animals should occur in a responsible and prudent manner. Thus, in cases where animal-friendly alternatives are possible, these should always be given preference. If no suitable alternatives exist, this should become an objective to strive for.

It is important that these objectives be specified and clarified with regard to all activities relating to animal welfare. For now, we mainly focus on the following activities:

LIVESTOCK FARMING AND FISHERIES

(Intensive) livestock farming and fisheries can negatively impact animal welfare. In order to encourage livestock farms and fisheries to gradually switch to more humane practices and production, we expect the relevant organisations to act in accordance with the following guidelines;

- UN Straddling Stocks Agreement, 1982
- Aquatic Animal Health Code, 1995
- FAO Code of Conduct for Responsible Fisheries, 1995
- International Principles for Responsible Shrimp Farming, 2006
- Sustainable Agriculture Standards, 1997
- Terrestrial Animal Health Code, 1968

ANIMAL TESTING

Animal testing is primarily used for scientific research and developments in the pharmaceutical sector, although testing also occurs in the chemical industry, the food industry and the cosmetics industry.

ACTIAM believes animal testing should only occur in cases where it is of crucial importance to society and where there is no other alternative. This means experiments for cosmetic and household purposes are ruled out, unless a company is required to test its products on animals.

We expect companies using lab animals in the manufacture of chemical and medical products to act in accordance with the REACH¹ regulation or the so-called 3R-strategy, respectively, that:

- substitutes animal testing with animal friendly alternatives;
- reduces the number of lab animals per experiment;
- improves animal testing in order to prevent and reduce pain and discomfort in lab animals.

We also expect organisations to be transparent about their animal testing methods.

FUR AND EXOTIC LEATHER

Traditionally, skin, fur and hair (wool) are used for manufacturing clothes and footwear. Nowadays, most of the leather used for clothing, shoes and accessories is a by-product of the meat industry and the dairy industry. There is no need to wear fur and exotic leather as there are plenty of animal friendly alternatives. Some examples of exotic leather are pythons, crocodiles and other reptiles. We expect companies involved in the production and trade of fur and exotic leather to switch to non-animal products or to by-products of the meat industry and the dairy industry.

¹ REACH applies the following rules: 1) animal testing may only be used as a last resort, 2) alternative methods should be implemented, 3) data must be shared 4) research must be performed regarding test proposals

Strategy and instruments for achieving our objectives

ACTIVE OWNERSHIP

As an active shareholder, we engage with the companies in which we invest. This means we actively seek dialogues to promote behavioural change (engagement) and that we vote at the general meetings of shareholders. By adopting such an active ownership, we challenge relevant companies to:

- respect the five freedoms of animals as much as possible²
- comply with animal welfare requirements through certificate schemes³
- use more plant-based proteins in products⁴
- curb excessive use of antibiotics⁵
- use the international Business Benchmark criteria for farm animal welfare (BBFAW) to improve animal welfare by, for example, replacing confined housing systems with cleaner, safer and more spacious alternatives.⁶

EXCLUSION

As a responsible investor, ACTIAM may exclude companies from investment if they prove unwilling to change their behaviour. ACTIAM always considers initiating responsive engagement before proceeding with exclusion. In this dialogue, ACTIAM tries to help an entity by preventing actual or potential breaches of our Fundamental Investment Principles. If engagement proves impossible or is unsuccessful, ACTIAM will proceed to exclude the entity from its investment universe. In the context of our animal welfare strategy, we implement responsive engagement with companies that are seriously involved in the following activities or behaviours:

- abuses in terms of animal welfare;
- trading in animal (and plant) species that are protected by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- testing on animals for cosmetic and domestic purposes, unless a company is required to test its products on animals.

These criteria for responsive engagement, which can lead to exclusion, are also specified in ACTIAM's Fundamental Investment Principles for companies.

COLLABORATION

Where possible, ACTIAM collaborates with other investors and organisations to achieve its goals. For instance, ACTIAM engages with other Dutch investors regarding the fashion retailers' use of fur and exotic leather.

² In 1979 the Farm Animal Welfare Council (FAWC), an independent advisory body of the European Commission, decided farm animals were entitled to the following five "freedoms":

1. Freedom from hunger and thirst by providing direct access to fresh water and food in order to maintain full health
2. Freedom from discomfort by providing shelter and a comfortable resting area
3. Freedom from pain, injury or disease by prevention or rapid diagnosis and treatment
4. Freedom to express normal behaviour by providing sufficient space, possibilities and the companionship of the animal's own kind
5. Freedom from fear and distress by ensuring conditions which avoid mental suffering.

³ The following international certificate schemes apply to fisheries: Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC). There are no internationally accepted certificate schemes for livestock farming, which is why we will not promote specific standards but rather accept all certificates that impose stricter requirements than the statutory minimum.

⁴ <http://www.fairr.org/wp-content/uploads/Sustainable-Protein-Engagement-Press-release-26-Sept-2016.pdf>

⁵ <http://www.fairr.org/resource/restaurant-sector-antibiotic-risk-progress-report-2017/>

⁶ <https://www.bbfa.com/>

Planning

ACTIAM would like to broaden its animal welfare strategy to other potential activities so that its investments can bring about further change. Some possible examples include genetically modified animals, education and nature conservation through zoos and using (wild) animals for entertainment purposes. At present, we do not have all the insights as to whether companies in our investment universe are involved in such activities. ACTIAM would therefore like to collaborate with other investors and organisations in order to gain more information regarding these matters.

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