

IFC Practices for Sustainable Investment in Private Sector Livestock Operations



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Creating Markets, Creating Opportunities

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Introduction

Context

Rising incomes, changing diets, and an increasing global population have made the livestock sector one of the fastest-growing agricultural subsectors in middle- and low-income countries. Trade in live animals and animal products contributes 40 percent of the global value of agricultural output and supports the livelihoods and food security of 1.3 billion people^[1]. This includes the world's estimated 500 million pastoralists, for whom livestock provides draught power and manure to support crop production and is a source of high-quality nutrition and regular income. For pastoral communities in particular, livestock provides resilience to shocks and can be a store of wealth, in addition to often holding cultural significance.

Meat and dairy products are also important in terms of helping people to meet their nutritional needs, especially in developing countries. Micronutrient deficiencies, including iron and zinc, affect more than 2 billion people worldwide^[2], and meat and dairy products are rich sources of these essential nutrients. In response to the increasing demand for these products, production of meat worldwide is projected to more than double, from 229 million tons in 2000 to 465 million tons in 2050, while milk production is projected to increase from 580 million tons to 1,043 million tons over the same period^[3].

The Challenge

The projected increase in meat and dairy consumption will lead to significant sustainability challenges. Among these are a rise in greenhouse gas (GHG) emissions related to animal husbandry and food production, an increase in land conversion to grow crops for animal feed, and more risks for deforestation and the associated loss of biodiversity. In addition, there are other concerns related to the production of meat and dairy, such as animal health and biosecurity, animal welfare, and antimicrobial use.

1 <http://www.fao.org/animal-production/en/>

2 FAO. 2017. The future of food and agriculture – Trends and challenges. Rome, Italy

3 FAO, 2006. World Agriculture: towards 2030/2050, Interim Report. Rome, Italy

The Opportunity

In a world where the demand for animal protein is expected to grow, and given the challenges mentioned above, it is imperative that support for the industry follows a sustainable growth path. IFC understands that livestock companies that incorporate sustainable management practices are likely to achieve a competitive advantage in the global marketplace while minimizing the environmental and social footprint of their operations. These practices include developing environmental, human resources, and occupational health and safety management systems; instituting enhanced animal health and protection of animal welfare measures; implementing food safety and quality guidelines; creating a pathway toward lower greenhouse gas emissions intensity and a greener production model; and incorporating a climate-resilient development. IFC's approach to investing in livestock companies is based on ensuring that sustainability underpins companies' activities. Companies that do this successfully are likely to see business gains while cutting down on GHG emissions. In particular, this means that they can:

- ▶ reduce costs of production and increase productivity by adopting better health and animal welfare practices;
- ▶ decrease their GHG emissions intensity by adopting good international industry practices;
- ▶ realize growing market opportunities by becoming the producer of choice for retailers and consumers concerned with animal health and welfare, human health, food safety and the environment.

The Practices

This document lays out the seven fundamental practices that inform IFC investments in livestock and aquaculture projects. These practices must underpin a client's operations, and IFC works with clients to help them transition to operations that follow these practices during the course of the investment. The goal is to ensure that IFC investment projects are aligned with these seven practices within three years of the investment, with the exception of Practice 7, which must be adhered to from the outset. This due diligence process and action plan is recorded in IFC's Environmental and Social Review Summary (ESRS), which produces an Environmental and Social Action Plan (ESAP)^[4].

1. Implement robust animal health management and biosecurity protocols
2. Implement prudent and responsible use of veterinary antimicrobials and medicines
3. Implement animal welfare management systems codified by credible standards
4. Promote decarbonization pathways and enhance the climate resilience of operations
5. Prevent the loss of biodiversity
6. Provide safe food
7. Respect relevant national laws and regulations

⁴ This is disclosed on the IFC's disclosure portal which can be found at: <https://disclosures.ifc.org/> See for example: <https://disclosures.ifc.org/project-detail/ESRS/45292/mavin>

The Relationship Between the Practices and IFC's Performance Standards

IFC, like other development-oriented investors, follows IFC's Performance Standards. The Practices do not replace IFC's Performance Standards, but rather provide detail on the sections of the Performance Standards that are especially relevant to the livestock sector. They include details of how IFC invests in livestock operations and aquaculture businesses, how IFC conducts due diligence, and what IFC requires of its investee companies.

Scope

Direct Management

The Practices apply to investments where IFC provides financing for an investment that has direct management of livestock operations.

Investment Type & Tenor

The Practices cover all types and tenors of investment capital (equity, debt, working capital etc.), and all animal protein species, including but not limited to poultry, pork, beef, dairy, goat, and aquaculture.

Follow the Money Approach

IFC uses a 'follow-the-money' approach which means the IFC Performance Standards and the IFC Practices apply to the specific company investment project that IFC is financing. Specifically, in the case of debt, the Practices only apply to the project being funded; with regards to equity, the Practices apply to new and upgraded production facilities during the course of the IFC investment; for working capital finance, the use of funds is ring-fenced to a specific part of the company's operations to ensure that the investment project complies with the Practices.

Application by Financial Institutions

This is a document that explains IFC's approach to investing in livestock. Other financial institutions that invest in private sector livestock companies are free to adopt these as they wish. Financial Institutions that commit to applying these practices will be wholly responsible for their own pre-investment due diligence and portfolio management, including investment decisions.



Animal Health

Implement Robust Animal Health Management and Biosecurity Protocols

IFC invests in livestock companies that have formal, documented animal health and biosecurity policies and protocols, supported by appropriate staff training and control systems.

Importance

Animal health planning is a key component in the management of animal health and wellbeing of all livestock operations, particularly in intensive systems, and therefore an animal health risk assessment should be one of the key tasks of a company's Veterinary Services department. Within the field of Animal Health, biosecurity is an important practice in terms of managing animal diseases, preventing the transmission of zoonotic diseases between humans and animals, and protecting the company's livestock assets and business performance. Taking the right preventive measures before a disease outbreak is uncovered helps to prevent or contain the outbreak before it becomes an epidemic.

Veterinary Antimicrobials and Medicines



Implement Prudent and Responsible Use of Veterinary Antimicrobials and Medicines

IFC invests in livestock companies that are committed to the principle of responsible and prudent use of veterinary antibiotics and medicines to mitigate the development of antimicrobial resistance.

Importance

Failure to make progress on antimicrobial resistance (AMR) is a significant development challenge because of the disproportionate impact on low- and middle-income countries. It also has a negative impact on poverty reduction, food security, health and wellbeing, and inequality reduction. In 2017, the World Bank identified that the destructive impacts of AMR on the global economy could be as much as 3.8 percent of annual gross domestic product by 2050^[5]. In 2020 the World Health Organization declared that AMR is one of the top 10 global public health threats facing humanity.

⁵ World Bank. 2017. "Drug-Resistant Infections: A Threat to Our Economic Future." Washington, DC: World Bank. License: Creative Commons Attribution CC By 3.0 IGO



Animal Welfare

Implement an Animal Welfare Management System

IFC invests in livestock companies that implement an animal husbandry management system, that includes animal welfare, through the application of industry-specific good management practices and available technologies. Where such animal welfare practices are codified in global, regional, or national recognized standards, the investee company implements animal welfare management practices independently verified or certified according to one or more relevant and credible standards.

Importance

Public scrutiny of animal welfare by consumers, food retailers, industry associations, governments and financial institutions is increasing^[6]. 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.

⁶ IFC (2014) Good Practice Note: Improving Animal Welfare in Livestock Operations



Decarbonization and Climate Resilience

Promote Decarbonization Pathways and Enhance Climate Resilience of Operations

Investments in livestock companies should be consistent with IFC's commitment to align with the Paris Agreement on a pathway toward low greenhouse gas emissions and climate-resilient development.

Importance

Companies that reduce their GHG emissions intensity can achieve competitive advantage in the global marketplace and realize growing market opportunities. They become the producer of choice for retailers and consumers who are interested in products with lower GHG intensity and smaller environmental footprints. Companies can also benefit by mitigating their climate impact and anticipating shifts in climate-related risks. Investments in climate adaptation are necessary to improve and maintain current yields and to achieve the required production growth to feed an estimated 9 billion people by 2050.

Biodiversity



Prevent the Loss of Biodiversity

IFC invests in livestock companies that prevent loss of biodiversity through a public commitment to achieve no net loss of natural habitat^[7]. IFC invests in livestock companies that, where applicable, attain a net gain of critical habitat^[8] in their operations and make a public commitment to eliminate any significant conversion of natural and/or critical habitat in their livestock and feed supply chains.^{[9][10]}

Importance

Conserving biodiversity and ecosystem services is a global concern. Human activity affects the majority of the terrestrial and marine environment and has driven a notable decline in biodiversity over the last century. Biodiversity is fundamental to the survival of ecosystems and the ecosystem services that support human existence.

⁷ Natural habitats are areas composed of viable assemblages of plant and/or animal species of largely native origin, and/or where human activity has not essentially modified an area's primary ecological functions and species composition.

⁸ Critical habitats are areas with high biodiversity value, including (i) habitat of significant importance to Critically Endangered and/or Endangered species; (ii) habitat of significant importance to endemic and/or restricted-range species; (iii) habitat supporting globally significant concentrations of migratory species and/or congregatory species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes.

⁹ The conservation of global biodiversity relies on the protection of a wide range of habitats for the great diversity of species on the planet. Forests are only one type of habitat. Many species rely on other types of habitats, such as natural grasslands (e.g., the Pampas in South America and the Serengeti of Africa), and in many cases non-forest habitats are highly threatened by human land use, including livestock grazing in natural grasslands. Comer et al (2020) show that non-forest natural habitats are often much more threatened than forested natural habitats (see figure and citation below). Therefore, a policy of "no deforestation" has the potential to ignore the loss of non-forest habitats that are both very important and highly threatened. A policy that restricts the "conversion of natural habitat" is more inclusive of forest and non-forest habitats. Source: Comer PJ, Hak JC, Josse C, Smyth R (2020) Long-term loss in extent and current protection of terrestrial ecosystem diversity in the temperate and tropical Americas. PLOS ONE 15(6): e0234960. <https://doi.org/10.1371/journal.pone.0234960> <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0234960>

¹⁰ The ability of the livestock company to fully address these risks will depend upon the company's level of management control or influence over its primary suppliers (see IFC Guidance Note 1 Assessment and Management of Environmental and Social Risks and Impacts, updated June 2021).

Safe Food



Provide Safe Food

IFC invests in livestock companies that use a food safety management system to consistently deliver safe meat and dairy products to the market.

Importance

Improved food safety helps IFC's investee clients to protect consumers, increase the availability of safe food, meet regional and export market requirements, attract investment, save costs, and strengthen their consumer brands.

National Laws and Regulations



Respect Relevant National Laws and Regulations

IFC invests in livestock companies that conduct business legally and responsibly. This requires that the business complies with all applicable laws and regulations, including but not limited to respecting human rights, environmental protection, labor relations, worker occupational health and safety, resource efficiency based on international good practices, and legislation. The legislation should relate to the principles of food safety, animal health management, biosecurity, veterinary antimicrobials and medicines, animal welfare, greenhouse gas emissions, and biodiversity. This applies even in markets where these laws are inadequately enforced^{[11][12]}. IFC expects its investee companies to ensure that their staff understand and respect national laws, regulations, policies, and standards that affect its business.

Importance

Organizations that break the law put their own employees, the people they supply, communities, and livestock at risk. This includes the potential to incur legal penalties, which may involve fines or criminal punishment, or revocation of their license.

¹¹ OECD – 2011. User's Toolkit, Chapter 7. Promoting Responsible Business Conduct (A publication of the Investment Division of the OECD Directorate for Financial and Enterprise Affairs).

¹² OECD (2018), OECD Due Diligence Guidance for Responsible Business Conduct

ANNEX – IFC Approach: How We Apply the Practices

Animal Health

Implement Robust Animal Health Management and Biosecurity Protocols

IFC invests in livestock companies that have formal, documented animal health and biosecurity policies and protocols, supported by appropriate staff training and control systems.

IFC APPROACH

Within 3 years, IFC requires investee companies to:

- ▶ Develop, adopt, and document Animal Health Management protocols based on prevention and treatment, including but not limited to internal parasites, external parasites, infectious diseases, lameness, and foot problems.
- ▶ Develop, adopt, and document biosecurity protocols.
- ▶ Have competent veterinary personnel in charge of animal health.

IFC, through its Advisory Services, can provide assistance to investee companies where needed, to ensure that they proactively prevent and manage disease in livestock, and implement appropriate animal health management protocols.

Veterinary Antimicrobials and Medicines

Implement Prudent and Responsible Use of Veterinary Antimicrobials and Medicines

IFC invests in livestock companies that are committed to the principle of responsible and prudent use of veterinary antibiotics and medicines to mitigate the development of antimicrobial resistance.

IFC APPROACH

- ▶ Ensure that the investee company is committed to the principles of responsible and prudent use of antimicrobials and veterinary medicinal products, including the management of antimicrobial resistance.
- ▶ Completes an assessment of all investee companies that include: a company approach to health management and individual animal treatment protocols; use of antibiotics in feed; the prophylactic use of antibiotics in groups of healthy animals; and the company's policy on the use of critically important antibiotics. IFC does not permit the use of antimicrobials for growth promoting purposes.
- ▶ Within 3 years, IFC requires investee companies to formalize their policy on antimicrobial stewardship and ensure that the policy is aligned with country and global efforts to reduce their use in agriculture.

Through its Advisory Services IFC can assist investee companies that need guidance on developing and implementing an antimicrobial stewardship policy and management procedures, including independent verification.

Animal Welfare

Implement an Animal Welfare Management System

IFC invests in livestock companies that implement an animal husbandry management system, that includes animal welfare, through the application of industry-specific good management practices and available technologies. Where such animal welfare practices are codified in global, regional, or national recognized standards, the investee company implements animal welfare management practices independently verified or certified according to one or more relevant and credible standards.

IFC APPROACH

- ▶ Requires investee companies engaged in the primary production of living natural resources, including animal production, to manage these resources in a sustainable manner, by committing to apply credible, recognized global, regional, or national standards.
- ▶ Assesses how the investee company (at company-level) addresses animal welfare and husbandry management practices in its operations, using World Organization for Animal Health (OIE) principles and standards (all regions) and/or the European Union Animal Welfare directives (for investee companies seeking to align with EU standards or enter European markets).
- ▶ Requires, for the specific investment project (at project-level), investee companies to preassess the investment project’s conformity to applicable standards (for example, Global G.A.P. for livestock) and take action to achieve verification or certification against it, within 3 years of IFC’s investment¹.
- ▶ Assesses whether industry practices limit compliance. In specific situations where industry practices limit compliance, as part of pre-investment due diligence, IFC will put in place a transition plan with specified cut-off dates.

Through its Advisory Services IFC can assist investee companies that need guidance on developing and implementing an animal welfare management system.

¹ See for example <https://disclosures.ifc.org/project-detail/ESRS/43531/greenfeed-asf>; <https://disclosures.ifc.org/project-detail/ESRS/45292/mavin>

Animal Welfare

Excluded Activities Related to Principle 3

In line with the management practices outlined in the [IFC Good Practice Note: Improving Animal Welfare in Livestock Operations \(2014\)](#) and [British International Investment’s Animal Welfare Toolkit \(2021\)](#), IFC does not permit any of the following excluded practices for the projects in which it invests. In some specific cases investment can be considered only if there is a transition plan away from these practices related to the project funded within a reasonable timeframe.

1. Non-enriched battery cages for chickens
2. Individual sow stall housing 30 days after conception
3. Tethering of sows
4. Individual pen housing for calves beyond the age of 8 weeks
5. Force-feeding of geese or ducks
6. Keeping of animals exclusively for fur or leather production.

This applies for all forms of investment capital: debt, equity and working capital finance. In the case of debt, these excluded activities relate to the project being funded; with regards to equity, this exclusion list relates to new and upgraded production facilities during the course of the investment; for working capital finance, this can be ring-fenced to a specific investment project to ensure that the investment project complies with this exclusion list.

Decarbonization and Climate Resilience

Promote Decarbonization Pathways and Enhance Climate Resilience of Operations

Investments in livestock companies should be consistent with IFC’s commitment to align with the Paris Agreement on a pathway toward low greenhouse gas emissions and climate-resilient development.

IFC APPROACH

To achieve our Paris Agreement alignment commitment, IFC expects its investee companies to lower GHG intensity and adopt climate resilience practices:

- ▶ Credibly demonstrate reduced GHG emissions per unit of output and a lower intensity than the national average for GHG emissions per unit of output during the course of IFC investment.
- ▶ Improve productivity and fertility of livestock where possible or feasible and modify livestock diets to reduce methane production, N₂O and GHG emissions.
- ▶ Adopt innovative technologies and interventions to improve the efficiency of their operations.
- ▶ Where feasible, make investments to conserve energy and water and adopt renewable energy solutions.
- ▶ Reduce feed losses in their operations, as well as food losses across their supply chain, where possible or feasible.
- ▶ Manage waste appropriately and seek to reduce its climate impact.
- ▶ Plan for adaptation to physical climate change risks (climate variability, droughts, heatwaves, floods and fires).

Decarbonization and Climate Resilience

IFC APPROACH

- ▶ Make investments and efforts to reduce the negative impact on the environment of livestock operations for direct and indirect sourcing operations. They can do this by adopting a traceability, environmental and social risk screening system for livestock and animal feed.
- ▶ Continuously review supply chains and where possible work with feed suppliers, so that they also focus on improving efficiency, avoiding deforestation and land-use change (see Principle 5), addressing physical climate risks, and lowering the GHG intensity of their operations.

Through its Advisory Services IFC can assist investee companies to estimate the GHG intensity of their operations and present opportunities for enhanced climate mitigation and resilience, which could be included in a company's sustainability and decarbonization strategy.

Biodiversity

Prevent the Loss of Biodiversity

IFC invests in livestock companies that prevent loss of biodiversity through a public commitment to achieve no net loss of natural habitat^[2]. IFC invests in livestock companies that, where applicable, attain a net gain of critical habitat^[3] in their operations and make a public commitment to eliminate any significant conversion of natural and/or critical habitat in their livestock and feed supply chains.^{[4][5]}

IFC APPROACH

Before investing in a livestock operation, and as part of its due diligence, IFC undertakes a biodiversity risk assessment, including how the investee company identifies, traces, assesses, and manages risks in its direct operations and supply chain. The risk assessment determines if livestock or feed grains originate from areas that risk significant conversion of natural and critical habitats. Based on the materiality of identified biodiversity risks, within 3 years, IFC requires investee companies to:

- ▶ Mitigate the impacts of their operations and/or develop a Sustainability Sourcing Policy. This includes establishing traceability and a supply chain management system of third-party suppliers of livestock and feed grains.
- ▶ Limit procurement to producers that can verify they are not causing significant conversion of natural and/or critical habitats or
- ▶ Remedy gaps where such verification is not presently possible, and do so in a timely manner that is protective of biodiversity or
- ▶ Shift sourcing to other producers or regions

The ability of the client to fully address these risks will depend upon the client's level of management control or influence over its primary suppliers (see [IFC Guidance Note 1 Assessment and Management of Environmental and Social Risks and Impacts](#), updated June 2021).

² Ibid, 10

³ Ibid, 10

⁴ Ibid, 10

⁵ Ibid, 10

Safe Food

Provide Safe Food

IFC invests in livestock companies that use a food safety management system to consistently deliver safe meat and dairy products to the market.

IFC APPROACH

IFC requires investee companies to:

- ▶ Develop, adopt, document, and maintain a management system that ensures safe food practices throughout the value chain
- ▶ Have systems in place to manage physical, chemical, residual antibiotic, and biological contaminant risks related to food safety

Through its Advisory Services, IFC can support its investee companies to develop and implement food safety management systems.

Useful sources: The Financial Institution may refer its investee companies to IFC’s [‘Food Safety Handbook: A Practical Guide for Building a Robust Food Safety Management System’](#), published in 2020, which provides guidance on best industry practices and standards.

National Laws and Regulations

Respect Relevant National Laws and Regulations

IFC invests in livestock companies that conduct business legally and responsibly. This requires that the business complies with all applicable laws and regulations, including but not limited to respecting human rights, environmental protection, labor relations, worker occupational health and safety, resource efficiency based on international good practices, and legislation. The legislation should relate to the principles of food safety, animal health management, biosecurity, veterinary antimicrobials and medicines, animal welfare, greenhouse gas emissions, and biodiversity. This applies even in markets where these laws are inadequately enforced^{[6][7]}. IFC expects its investee companies to ensure that their staff understand and respect national laws, regulations, policies, and standards that affect its business.

IFC APPROACH

IFC expects its investee companies to:

- ▶ Understand and follow the laws, regulations, policies, and standards that affect the organization, wherever it operates
- ▶ Train staff in these laws, regulations, policies and standards, particularly regarding their areas of responsibility

Display licenses publicly and prominently and show regular compliance to local authorities of the terms and conditions of the environmental license.

⁶ Ibid, 12

⁷ Ibid, 12

