THE RESTAURANT SECTOR AND ANTIBIOTIC RISK

Progress Report, 2017
“Investors are not immune to antibiotic resistance. New regulation, shifting consumer preferences and trade restrictions are already driving a reduction in antibiotic use in livestock. The clear message to these companies is that their shareholders want to see meaningful action on antibiotics.”

JEREMY COLLER, CIO COLLER CAPITAL AND FOUNDER OF FAIRR
EXECUTIVE SUMMARY

Antibiotic resistance is rising to dangerously high levels in all parts of the world, and the threat has continued at pace in 2017. In January alone, scientists found that a gene allowing resistant bacteria to move from animals to humans had spread to over 30 countries; while in the US a superbug resistant to all 26 available antibiotics was reported to have killed a woman in Nevada. These are just the latest examples of the emergence of antimicrobial resistance (AMR), estimated to be responsible for 700,000 deaths around the world each year, and a trend the Center for Disease Control and Prevention (CDC) considers one of the world’s “most serious health threats.”

A significant proportion of medically important antibiotics are not given to humans to treat disease, but instead are administered to livestock to prevent the spread of illness or to promote growth, especially in intensive factory farms. It is this overuse of antibiotics in the livestock sector that is often cited as a key factor behind the emergence of AMR superbugs, and the reason that in March 2016, a $1 trillion group of investors formed to engage with ten of the world’s largest restaurant and fast-food chains. The investors, coordinated by the FAIRR Initiative and ShareAction, engaged with the companies to ask them to end the routine non-therapeutic use of antibiotics important to human health in their global meat and poultry supply chains.

One year on – with the investor group backing this engagement having grown to 71 institutions with over $2 trillion AUM – this report provides an update on how companies are responding to the challenge from investors, as well as other developments in this area from regulators, academia and business.

PROGRESS ON POULTRY, BUT MUCH STILL TO DO

Responses to the investor coalition show that significant progress has been made with regard to the use of antibiotics in poultry. For example, McDonald’s USA have committed to eliminate the use of antibiotics important to human medicine in their chicken supply, and London-listed company The Restaurant Group has gone further and committed to, “Phasing out the routine, purely preventative use of antibiotics in groups of entirely healthy animals (prophylaxis)”

It is also encouraging that the majority of the engaged companies are now working with suppliers to establish the current status of antibiotic use in their livestock supply chains – providing a crucial basis for creating reasonable targets and milestones to phase out prophylactic antibiotic use.

Despite this progress, however, little change has taken place with regard to pork and beef production and, on the whole, company policies and practices remain fragmented across different species and geographies. Companies have also been hesitant or unwilling to set timelines to apply appropriate standards across their global supply chain. Improvements on this important issue will not be instant, so setting timelines to phase out the overuse of antibiotics is an essential step towards reducing this financial and public health risk. Timelines provide a framework for company dialogue with suppliers and gives livestock producers the certainty they require to invest in better standards.

The urgency with which investors are asking companies to address the challenge of AMR was reinforced in 2017 by a joint statement from the European Medicines Agency (EMA) and European Food Safety Authority (EFSA), which said “Reducing the use of antimicrobials in food-producing animals, replacing them where possible and re-thinking the livestock production system is essential for the future of animal and public health.”

Greater attention is being given to the AMR threat and there are signs of improvements, but much more needs to be done. Food companies must take action both within their own operations and along their supply chains to ensure consistent global policies and practices that apply to all species.

The investor coalition engaged with ten market-leading US and European restaurant and fast food sector companies. They are:

- Brinker International
- Darden Restaurants
- Domino’s Pizza Group
- McDonald’s Corporation
- The Restaurant Group
- The Wendy’s Company
- Yum! Brands

Investor coalition has grown to 71 institutions, with $2 trillion AUM
INTRODUCTION

INTENSIVE LIVESTOCK FARMING AND THE ANTIBIOTIC RESISTANCE CRISIS

Rising demand for meat and poultry globally has led to an increase in large-scale intensive production of livestock. Intensive production methods are often dependent on the routine use of antibiotics to reduce the risk of disease caused by the close confinement of livestock.

The administration of antibiotics to livestock generally falls into two categories:

- Therapeutic use – for the treatment of disease
- Non-therapeutic use [prophylactic use] – to promote growth or to prevent disease and infection

It is necessary to treat animals therapeutically – where a veterinarian has diagnosed a disease – however the real risk lies with the non-therapeutic use of antibiotics. A significant proportion of antibiotics are used in livestock production – around 40 per cent in the UK,1 two-thirds in the European Union (EU),2 and 75 per cent in the US.3 Such high levels of antibiotics are used in industrial farms to allow livestock to be reared in densely packed and often-unhygienic conditions, where disease would be rife if it were not for the fact that animals are routinely fed low doses of antibiotics to prevent disease and infection. A clear link has been established between the use of antibiotics in this non-therapeutic way and rising antimicrobial resistance (AMR) in humans.4 Investors need to be aware of the financial risks this poses. From a public health point of view, routine surgeries will become highly risky and minor infections will be left untreated – making both life-threatening once again. Given all of this, the costs for business, investors and public health care systems will be extraordinary.

SIGNALS OF CHANGE

Within the food industry, market-leading companies with globally recognised brands and extensive supply chains are facing scrutiny and pressure to act on the overuse of antibiotics. Combined investor and consumer pressure,5 regulatory change6 and potential country-level trade restrictions on exports7 have raised awareness of the issue within the food industry and, to varying degrees, driven progress in addressing the issue.

By tackling this issue head on, leading corporations can instil a wider industry shift by requiring their suppliers to produce meat without the routine use of antibiotics.

By continuing to source meat from livestock routinely administered with medically important antibiotics, restaurants and fast-food chains contribute to the problem of antibiotic resistance. This overuse increases the likelihood that antibiotics will be rendered ineffective both in the treatment of livestock and in humans.

THE ROLE OF THE RESTAURANT SECTOR

A review of the antibiotics policies and practices of ten publicly listed restaurants and fast-food companies by the FAIRR Initiative and ShareAction in early 2016 found that none had comprehensive policies in place to address and limit the use of medically important antibiotics in their meat and poultry supply chains.8 Companies turning a blind eye to this issue are vulnerable to significant financial risk, yet half of these companies do not clearly communicate to shareholders a strategy for managing antibiotic use.

Companies turning a blind eye to this issue are vulnerable to significant financial risk, yet half of companies do not not clearly communicate to shareholders a strategy for managing antibiotic use. By continuing to source meat from livestock routinely administered with medically important antibiotics, restaurants and fast-food chains contribute to the problem of antibiotic resistance. This overuse increases the likelihood that antibiotics will be rendered ineffective both in the treatment of livestock and in humans.

THE ROLE OF INVESTORS

This report provides an overview of progress within the 10 restaurant sector company targets. It also provides guidance for investors in driving forward improvements with investee companies, thereby mitigating risk in their portfolios. With clear signals from investors and consumers that change is essential, companies will be encouraged to adapt their business practices by better managing antibiotic use across their supply chains, and driving up animal welfare standards.

With exposure to market-leading food companies, many of whom are included in this report, institutional investors have a significant role to play as company stewards to encourage appropriate supply chain management. By engaging directly with investee companies, investors can help drive up standards through the food supply chain, as firms work with distributors and producers to align their production methods to meet higher standards. Doing so will not only mitigate financial risk, but will contribute to long-term market stability.

GROWING INVESTOR SUPPORT

In early 2016, an initial coalition of 54 investors managing over $1 trillion of assets launched a company engagement campaign to call for an end to the overuse of medically important antibiotics in livestock production. This collaboration has since grown to include over 70 institutional investors with combined assets under management of over USD $2 trillion. Several institutional investors have also made the issue of antibiotic resistance a priority within their own engagement strategies with investee companies. As a result of this collaborative pressure and direct investor stewardship, responsible antibiotic use policies have begun to move up managers’ agendas and a number of companies have demonstrated significant progress.
RECENT DEVELOPMENTS

With a firm link established between the use of antibiotics in food-producing animals and rising antibiotic resistance in humans, discourse around antibiotics use in livestock has evolved over the past year. The UK Review on Antimicrobial Resistance published its report and key recommendations in the summer of 2016. With this, emphasis was placed on the role and responsibility of all actors in tackling AMR. The report states that the evidence of this “warrants(s) a significant reduction in farm antibiotic use, both by overall quantity and by antibiotics that are important for human health.”

In September 2016 the United Nations convened a High-Level meeting on antibiotics; one of only four meetings to bring together science, government, business and civil society leaders to address the pressing global issue of antimicrobial resistance and reduce AMR.

NEW ANALYSIS

A new scientific study, commissioned by the Jeremy Coller Foundation and in conjunction with Cambridge University, found that existing research reinforced the view that antibiotic resistant bacteria found in both humans and animals can be attributed to the prescription and consumption of medically important antibiotics. The analysis also confirms that there appears to be a strong correlation between the resistant bacteria found in human populations and the animals in which they are consuming.

The study systematically assessed data which tracked strains of bacteria common to both humans and animals, including E-Coli and MRSA. The authors concluded that the ability of the bacteria to transfer from animals to humans may not be solely through direct transmission, but also via indirect means – using other hosts, such as plasmids (small DNA molecules) to make the jump to humans. Data also suggest that resistant bacteria may move multi-directionally, which may potentially complicate treatment protocols and response rates.

The paper therefore strengthens the link between current methods of livestock management and the rising tide of antibiotic-resistant bacteria.

Looking forward, it critically highlights the need for more complete ‘population-based’ data to clarify the complex relationship between antimicrobial use and meat consumption in many different settings, and the prevalence of antimicrobial resistance (AMR) in humans and other animals. Population-based analysis can also facilitate the identification of high risk persons for transmission which can form the basis of more tailored prevention and treatment programmes.

Other recommendations of the study include a call for more integrated surveillance of AMR in food producing animals, foods, and humans. A more global, standardised approach with timely sharing of data is key to identifying potential routes and sources of AMR transmission. Current surveillance of AMR in food production is found to be particularly inadequate in light of the complex nature of the global food supply chain, making it hard to trace AMR microbes.

These new findings reiterate the need for more holistic, multi-sectoral action plan to address this issue even more forcefully. The full paper can be found in the Global Health, Epidemiology and Genomics Journal.
### Timeline 2016–2017

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<tr>
<th>Month</th>
<th>Event</th>
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<tr>
<td>MAR</td>
<td>Launch of the first phase of the collaborative investor engagement on antibiotics, coordinated by FAIRR-ShareAction.</td>
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<td>APR</td>
<td>The UK Review on AMR publishes landmark report on the resistance crisis.</td>
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<td>MAY</td>
<td>A series of public petitions raise awareness of antibiotics in the restaurant sector, including online actions coordinated by ShareAction and global consumer group SumOfUs, calling on McDonald’s to apply consistent policies across its meat supply chains; in total more than 140,000 people backed this call.</td>
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<td>JUN</td>
<td>At the UN High-Level Panel on AMR, 193 UN member states sign a declaration committing to measures to tackle the antibiotic resistance crisis.</td>
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<tr>
<td>AUG</td>
<td>Through an Early Day Motion, 60 UK Members of Parliament call on supermarkets to ban routine mass medication of livestock.</td>
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<tr>
<td>OCT</td>
<td>16 of the UK’s leading medical authorities call for ban on routine mass medication of livestock.</td>
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<tr>
<td>NOV</td>
<td>The European Medicines Agency (EMA) and European Food Safety Authority (EFSA) release a joint opinion on EU measures to reduce antimicrobial use in animals. The British Cattle Veterinary Association (BCVA) call for a reduction by veterinarians and farmers of the use of critically important antibiotics.</td>
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<tr>
<td>DEC</td>
<td>The European Centre for Disease Prevention and Control (ECDC) release a report that highlights rising resistance to antibiotics across 30 European countries.</td>
</tr>
<tr>
<td>JAN</td>
<td>FDA guidelines on antibiotics as growth promoters come into force.</td>
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High-Level meetings that have been convened to discuss matters of global health. To coincide with this, 77 institutional investors released a Global Investor Statement on Antimicrobial Resistance which urged that the role of the animal health, food and agriculture industry is not overlooked. Following the High-Level meeting, all 193 members of the UN took an unprecedented step in signing a declaration committing to ambitious measures to tackle the antibiotic resistance crisis.

There are a number of financial risks associated with the prophylactic use of antibiotics in livestock production; these include legislative, operational and reputational risk. Recent developments compounding these risks are outlined below. These are also explored in detail in the November 2016 publication Superbugs and Super Risks: The Investment Case for Action.

### Legislative and Operational Risk

The prophylactic use of antibiotics in livestock production is under increasing legislative scrutiny in both Europe and the US.

The changing legislative landscape will have material implications, potentially causing significant operational disruptions and loss of livestock due to the increased prevalence of disease and sickness in densely packed facilities. Those facilities, dependent on the prophylactic use of antibiotics to compensate for the overcrowded and unhygienic conditions endured by livestock are most at risk – as the introduction of such legislation would require costly restructuring of facilities.

Even in the unlikely event that legal restrictions do not transpire, the prophylactic use of antibiotics will still be restricted in its practical application. As antimicrobial resistance grows, the effectiveness of antibiotics within veterinary medicine will be diminished. Less intensive and organic farming methods have been identified as ways to reduce dependency on antibiotics.

Producers who work to improve production methods and animal welfare standards now – and in the process decrease their reliance on antibiotics – can position themselves favourably as part of a supply chain that is resilient to regulatory changes.

### EU

The EU is currently considering new legislation which would restrict antibiotic use further, banning routine preventative use of antibiotics on farms. This would make it illegal to treat groups of animals unless disease is diagnosed in at least some individual animals in the flock or herd. The legislation has already been voted through the European Parliament, and is to be discussed further in the second half of 2017 in a triologue with the European Commission and the Council of Ministers.

In January 2017, the European Medicines Agency (EMA) and the European Food Safety Authority (EFSA) released a joint opinion on EU measures to reduce antimicrobial use in animals. Alongside a call for the reduction in antibiotics use, the press release stated:

> "There is a need to re-think the livestock system by implementing farming practices that prevent the introduction and spread of disease into farms and by considering alternative farming systems which are viable with reduced use of antimicrobials. Education and awareness of AMR should be addressed at all levels of society but in particular to veterinarians and farmers."  

Additionally, in February 2017, the European Centre for Disease Prevention and Control (ECDC) released a report that points to rising resistance to antibiotics and multidrug combinations across 30 countries in Europe.
**POLICY FRAMEWORKS**

**USA**
In 2017, as part of a wider AMR strategy, a federal regulation was updated to outlaw the labelling of antibiotic growth promoters as suitable for use of livestock. The regulation now also requires veterinary supervision of antibiotic usage on livestock. However, this means in practice that – if a vet signs off a prescription – routine prophylactic usage can still be practiced.

**UK**
The UK takes a lead from EU law on antibiotic usage. In addition, the UK Government, as part of a wider AMR strategy, is promoting a policy to ensure veterinary surgeons encourage ‘responsible use’ of antibiotics on livestock. The UK Government has published a Code of Practice on the responsible use of animal medicines on the farm. Despite this, the routine prophylactic use of antibiotics on livestock in the UK is technically legal.

**Japan**
The use of antibiotic growth promoters, and routine prophylactic usage of antibiotics on livestock, is not prohibited. Since 1999, the Japanese Veterinary Antimicrobial Resistance Monitoring System (JVARM) has been in place to monitor AMR risk. In addition, the Japanese Government has banned certain antibiotics from use in animal feed, on the basis that antibiotics (CIAs) to cattle and calling for the preventative use of antimicrobials to be avoided where possible.

**Brazil**
The use of antibiotic growth promoters, and routine prophylactic usage of antibiotics on livestock, is not prohibited. In 2015 the Australian Government launched its National Antimicrobial Resistance Strategy, which states that prescription guidelines for the livestock sector are needed.

**China**
The use of antibiotic growth promoters, and routine prophylactic usage of antibiotics on livestock, is not prohibited. The Chinese Government has launched a national action plan to tackle AMR, which will partly focus on increasing education for medical professionals on proper antibiotic usage.

**Australia**
The use of antibiotic growth promoters, and routine prophylactic usage of antibiotics on livestock, is not prohibited. In 2015 the Australian Government launched its National Antimicrobial Resistance Strategy, which states that prescription guidelines for the livestock sector are needed.

**EU**
The use of antibiotic growth promoters on livestock has been prohibited since 2006. In 2016, the European Parliament voted to outlaw routine prophylactic use of antibiotics on livestock; this proposal is now being considered in a triad with the European Commission and the Council of Ministers (a further development on this is expected in 2017).

**USA**
In 2014, the US put in place a National Action Plan for Combating Antibiotic Resistant Bacteria. This does not include timelines or targets for the reduction of antibiotics in livestock production. Instead, the US Food and Drug Administration (FDA) updated the Veterinary Feed Directive, which came into force at the start of 2017. This means that antibiotics will no longer be licensed for growth promotion and feed efficiency, which was previously permitted in the US, and requires licensed veterinary supervision for the therapeutic administration of antibiotics in feed and water. However, this legislation includes a loophole in that the prophylactic use of antibiotics will still be possible and, in reality, will effect very little change in the US. Caution should therefore be applied when reviewing company statements that only assert compliance with the basic FDA regulation.

**REPUTATIONAL RISK**
Alongside legislative and operational risks, food companies (particularly those with consumer-facing brands) are also encountering reputational risks as consumer preferences shift. Companies believed to have poor antibiotic practices will face increased scrutiny from civil society and the media and may experience negative publicity.

For example, a report published by five prominent civil society organisations in September 2016 ranked the US’s leading restaurant chains on their policies and disclosure around levels of antibiotics in their meat and poultry supply chain. Of the 25 companies reviewed, 16 received a negative grade. Media coverage and civil society campaigning can harm sales and affect consumer loyalty, a matter of particular concern for companies whose customers can easily shift their spending habits. In January 2017, just three months after the release of the report, more than 125,000 consumers urged the 16 fast food chains to reduce antibiotic usage.

Despite the increasing concerns voiced by investors, medical professionals and policymakers, many food service companies are failing to acknowledge the serious risks the issue poses to the continuity of their business. As a further illustration of this, in February 2017 the findings of a consumer initiative, Ask The Q, were publicised in the mainstream UK press. Ask The Q had
conducted a survey of 61 restaurants, pubs, cafes and fast-food chains on their approach to antibiotics usage. The resulting coverage reported a widespread lack of commitment to the responsible management of antibiotics in company supply chains – with Ask The Q’s survey findings indicating that 87 per cent of companies made no mention about handling antibiotics responsibly in their meat supply chains. Only three companies shared formal company policies in response to the initiative.\(^\text{52}\)

A lack of monitoring and transparency around this key public health issue, presents serious reputational risks for many food companies. It is only a matter of time before the attention of more consumers is drawn to the poor production standards masked behind big brand marketing.

An investor briefing by the Alliance to Save Our Antibiotics, Aviva Investors and the FAIRR Initiative has warned that:

> “Growing global awareness off the contribution of farm antibiotics use to human resistance is highly likely to lead to substantial shifts in market sentiment, which could have significant financial implications on investment portfolios.”\(^\text{53}\)

In October 2016, 60 UK Members of Parliament called on supermarkets to ban the routine mass medication of livestock. Later the same year, in a letter to UK Government ministers, 16 of the UK’s leading medical authorities added their voices to the call for such a ban.\(^\text{54}\) Significantly, the letter highlights that around 90 per cent of all UK veterinary antibiotic use in the livestock, which concern the overuse of antibiotics in livestock production and animal welfare and treatment during production are of increasing concern to consumers.\(^\text{55}\)

Also in 2016, over 11,000 individuals participated in ShareAction’s online consumer advocacy campaign, which called on McDonald’s to put in place a comprehensive antibiotics policy.\(^\text{56}\) A complementary petition by the campaigning organisation SumOfUs brought the total number of consumers calling for action to over 140,000.\(^\text{57}\)

**REPORTING REQUIREMENTS**

With the consequences of antibiotic resistance becoming increasingly evident and material, the issue is being included in corporate sustainability disclosure standards, such as the Sustainability Accounting Standards Board (SASB). For companies across the food sector, the SASB standards will include an indicator on “Percentage of animal production that receives (1) medically important antibiotics and (2) nontherapeutic antibiotics.”\(^\text{58}\) According to SASB:

> “Trends surrounding the use of antibiotics in animal production and animal welfare and treatment during production are of increasing concern to consumers. [...] For meat, poultry, and dairy producers, the use of antibiotics in animal production presents reputational and regulatory risks, both of which can affect long-term profitability through impacts on demand and market share.”\(^\text{59}\)

In addition to this, The Business Benchmark on Farm Animal Welfare (BBFAW) and the GRI Sustainability Reporting Principles also contain indicators on antibiotics within their ranking frameworks.\(^\text{60}\) The GRI Standards represent global best practice for reporting publicly on a range of economic, environmental and social impacts, and the BBFAW provides an annual benchmark of food companies’ management and reporting on farm animal welfare.

**SHAREHOLDER RESOLUTIONS**

The numbers of shareholder resolutions being filed, which concern the overuse of antibiotics in livestock supply chains, are increasing and are achieving a larger percentage of the vote. Between 2010 and 2015, there were only four resolutions filed on antibiotic use in the livestock,\(^\text{61}\) whereas in 2016 and 2017 a total of 12 resolutions have been filed to date.\(^\text{62}\) Significantly, these are gaining the support of proxy voting agencies, and either have or are projected to achieve a higher percentage of shareholder votes than ever before. For example, in 2016 a shareholder resolution was filed at McDonald’s Corporation urging the company to prohibit the administration of medically important antibiotics in its global meat supply chain. Twenty-six per cent of McDonald’s shareholders voted in favour of the proposal. ICCR, the group leading the resolution, plan to re-file the resolution in 2017. A similar resolution has also been filed at Sanderson Farms, one of America’s leading poultry producers, which has so far refused to accept the link between the use of antibiotics in livestock production and rising resistance in humans. (see feature box 1). This resolution, filed by ICCR member As You Sow, achieved 30% of the votes cast,\(^\text{63}\) the highest percentage to date for a resolution on this issue.
COMPANY PROGRESS:
FIRST YEAR OF ENGAGEMENT

In March 2016 co-signed letters were sent from the investor group to the ten target companies with a unified recommendation on antibiotics in the food chain (see feature box 6).

The analysis published in the 2016 Report – drawn from information made publicly available by the target companies – showed that food service companies had yet to fully acknowledge their role in tackling AMR and, for some, the issue was not yet on their agenda. However, since targeted investor engagement began, it is encouraging to see that progress has been made by many of the companies.

While this progress should be acknowledged, to adequately address the issue it must be replicated on a much larger scale across the breadth of global supply chains. Nonetheless, it should be noted that the increased demand for higher-standard meat by these sector leaders has already begun to drive wider industry change. For example, a number of major poultry suppliers in the US – Perdue, Tyson, Cargill, Foster Farms and Pilgrim’s Pride – have announced plans to reduce antibiotic provision. Perdue is now the largest supplier of organic chicken in the US with sales that are growing by 30 per cent annually.

In direct response to the investor letters dated March 2016, a number of companies issued public statements stating that they do not support the prophylactic use of medically important antibiotics. In subsequent correspondence, all companies have since acknowledged the importance of and need to tackle the issue at hand. However, at the time of writing, no company has instituted specific timelines to phase out the prophylactic use of antibiotics for all species across their entire global supply chains. Given the urgency of the issue, companies must put in place realistic timelines and comprehensive targets to reduce and prevent the levels of medically important antibiotics entering the global food supply.

As shown in the table, eight of the ten companies report that they are now working with their suppliers to address prophylactic antibiotic use. However few have gone beyond this, and most are failing to either communicate details such as policies or timeline to shareholders. There is a clear need for greater transparency and good governance around this issue.

80% of targeted companies targets are now actively engaging with suppliers to monitor antibiotic usage.

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<tr>
<th>Company classifications</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td><strong>Green</strong></td>
<td></td>
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</tr>
<tr>
<td>Fully comprehensive and publicly available policy (prohibiting the prophylactic use of medically/critically important antibiotics in global supply chains) in place. Time bound commitments also in place.</td>
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<tr>
<td><strong>Orange</strong></td>
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<tr>
<td>Company has a full or partial policy/statement against the prophylactic use of medically/critically important antibiotics in place, but policy is not global and/or lacks time bound commitments.</td>
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<tr>
<td><strong>Red</strong></td>
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</tr>
<tr>
<td>No comprehensive and publicly available policy (prohibiting the prophylactic use of antibiotics in global supply chains) in place. Instead, company indicates support for the legal minimum.</td>
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<tr>
<td><strong>Purple</strong></td>
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<tr>
<td>Commitment made to work with suppliers on the issue of antibiotics in livestock.</td>
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It is noted that the classifications are based information which is publicly available to both consumers and shareholders, and information which has been supplied by companies in the course of this engagement.
KEY AREAS OF PROGRESS
Please see Appendix (page 19 onwards) for a breakdown of company farm animal welfare and antibiotics policies.

A majority of companies acknowledge the importance of the issue, have been willing to engage, and are becoming more transparent in their approach.

- It is encouraging that a number of companies are beginning to show leadership and explicitly state that they are opposed to the prophylactic use of antibiotics.
- It is also positive that some companies have communicated that whilst they have not yet removed the prophylactic use of antibiotics from their supply chain, this is their end goal and they are working collaboratively with suppliers to put in place steps to do so.

Almost all company targets now state that they are actively engaging with suppliers.

- A starting point for companies on the food service/retail end of the supply chain is to work with suppliers to establish the current status of antibiotic use in their livestock supply chains. For example, asking for details of different classes and amounts of antibiotics being administered.
- This provides a basis for informed decisions on the implementation of reasonable targets and milestones to phase out prophylactic antibiotic use.

However, in the US a number of companies have not adequately addressed the investor ask, failing to communicate any intention to move beyond the minimum legal baseline.

- Companies such as Yum! Brands, Brinker International and Darden Restaurants have all reiterated support for the US Food and Drug Administration (FDA) legislation.

- Whilst this is encouraging as the use of antibiotics for growth promotion was previously unregulated in the US, the FDA legislation still allows for the prophylactic use of medically important antibiotics, even with the newly added requirement of veterinary oversight over their use. It therefore does not necessarily constitute a change in practice.16

US: Companies are leading in the implementation of antibiotic policies in poultry production, but little progress has been made on antibiotics use in other species.

- When it comes to addressing the use of antibiotics in poultry in North America, McDonald’s has shown a degree of leadership. All chicken served in their US20 and Canadian21 restaurants are now raised without the use of antibiotics important to human medicine.
- The Wendy’s Company has committed to ensure its entire chicken supply is raised without the use of medically important antibiotics by the end of 2017.
- Restaurant Brands International committed to phase out the routine use of critically-important antibiotics in poultry production in the US by the end of 2017, and in Canada by the end of 2018.71
- Both Taco Bell and Pizza Hut (owned by Yum! Brands) made commitments with regards to chicken. Taco Bell committed to stop sourcing chicken raised with antibiotics important to human medicine in 2017,72 and Pizza Hut committed to remove antibiotics important to human medicine from chicken for its pizzas by the end of March 2017.73 However, this commitment only relates to chicken used as a pizza topping – as such, it will only cover 10% of Pizza Hut’s total chicken purchases.74 KFC has yet to make any commitments in their poultry supply chain.

UK: Companies acknowledge the importance of the issue, and are demonstrating – to various degrees – a willingness to engage.

- Some companies – such as The Restaurant Group and Mitchells and Butlers – have explicitly stated that they do not support the routine use of antibiotics and are working with suppliers to address this. This is a welcome step forward and we commend these companies for their willingness to take progressive steps to address the threat of antibiotic overuse.
- Domino’s Pizza Group announced that they were due to release a policy on antibiotics use on their website by the end of 2016. However, at the time of writing (February 2017), the policy is not yet publicly available. Wetherspoon’s, in response to an AGM question posed by ShareAction, have stated that this issue is on their agenda and are willing to engage further.

- Some company targets have progressed up relevant external rankings – in particular the Business Benchmark on Farm Animal Welfare (BBFAW) and the Chain Reaction II report.
  - For example, Mitchells & Butlers moved up to tier 3 from tier 4 on the 2016 BBFAW.
  - The Wendy’s Company score increased by 22 per cent in the Chain Reaction II report, and Olive Garden (owned by Darden Restaurants) score increased by 4 per cent since the previous year.

On the whole, however, company policies and practices remain fragmented and often only apply to a certain species or geographical markets.

- Significant progress has been made with regard to the use of antibiotics in poultry production, but little change has taken place with regard to pork and beef production.
- Companies have also been hesitant or unwilling to set timelines to apply the same standard across their global supply chain.

“Some companies – such as The Restaurant Group and Mitchells and Butlers – have explicitly stated that they do not support the routine use of antibiotics.”
Antibiotics should be reserved for the treatment of diagnosed disease or illness in livestock; they should not be used to support irresponsible practices such as growth promotion, or routine disease prevention for livestock kept in overcrowded and unhygienic conditions.

Forward-looking companies taking steps to implement a progressive approach to sourcing livestock, striving for higher welfare and lower antibiotics use, are set to benefit from a competitive edge seen through more resilient supply chains and improved brand reputation.

Fundamentally, improved management of the use of antibiotics in livestock production through more detailed and demanding policies is necessary. Companies should be aware of exactly how much and what types of antibiotics are used in the production of livestock they source; this will help to inform the identification of reasonable timeframes for the implementation of a policy.

Companies should work with their supplier base to phase out the use of antibiotics that have been identified as medically important by the World Health Organisation, and to ban prophylactic use. This should apply to all third-party suppliers. Companies should be encouraged to work in partnership with suppliers to put in place an agreed policy and timeframes for implementation. As companies start to make progress with transparent policies, a focus should be paid to encourage those who are showing signs of leadership and to hold laggards to account.

As we reflect on progress to date and how much more scope there is for improvement, the FAIRR Initiative and ShareAction invite institutional investors to share their perspectives on how this collaborative engagement should expand to respond to the global threat of antimicrobial resistance. During 2017 the range of company targets for this collaborative engagement on antibiotics in the restaurant supply chain will widen, while we will also continue the engagement with the original companies. We look forward to working with you – whether representing an investor, a food company or another interested party – to encourage further reductions in the routine use of medically important antibiotics, while advancing animal welfare standards.

“...The scale of the problem demands concerted, coordinated attention and engagement to encourage leadership and hold laggards to account.”

Food companies are showing signs of acknowledging the risks of antibiotics in their food chains and, as noted within this report, there have been improvements in awareness and action on this issue over the past year. The scale of the problem demands concerted, coordinated attention and engagement to encourage those who are showing signs of leadership and to hold laggards to account.

Food retailers and restaurants

**Operational**
- How does your supply chain, both upstream and downstream, stand to be affected by antibiotic resistance?
- What contingency measures and scenarios have been discussed around this issue?
- What initiatives and incentives have been put in place to mitigate the impact?
- What measures will the company put in place to improve animal husbandry, health and welfare in order to reduce the need for antibiotics in the first place?
- Does antibiotic resistance feature on your corporate risk register?

**Strategy**
- Have any studies been commissioned to quantify this impact?
- Have you assessed sentiments amongst your customers towards the use of antibiotics in food production?
- Does the company have a clear policy on elimination of routine use of antibiotics in its global supply chain?
- Does the company have a clear policy outlining a commitment to limiting farm use of the ‘critically important’ antibiotics, which restricts use of these antibiotics to where sensitivity testing shows that no other antibiotics are likely to work?

**Governance**
- At what level is the issue of antibiotic resistance discussed in your organization? (H&S team, Board of Directors?)
- Who do you perceive has most responsibility for combating antibiotic resistance?
- How do you view yourself as contributing to the solutions [e.g. responsible practices, new incentives, etc.]

**Guidance for Dialogue**

Below are suggested steps to help guide dialogue with investee companies when engaging them on this issue:

1. Conduct a supply chain review – companies should be aware of how much and what types of antibiotics are used in the meat they source.
2. Work with suppliers to put in place a comprehensive antibiotics policy.
3. Agree on timeframes for implementation.
4. Put in place robust programmes to ensure implementation.
5. Communicate progress and ambitions with shareholders and customers.

In addition the questions listed below (taken from FAIRR’s investor briefing Superbugs and Super Risks) serve as a useful guide to the pertinent questions for investee companies:
APPENDIX: COMPANY POLICIES

KEY

Green
Information that is new since March 2016.

Blue
Information has remained unchanged.

Red
Information that was publicly available but has since been removed.

▲ Change to policy or public statement made in response to investor engagement.

BRINKER INTERNATIONAL RESTAURANTS

Partially comprehensive and publicly available antibiotics policy

COMPANY OVERVIEW

Sector: Restaurants & Bars
Operates: 1,600+ restaurants in 31 countries
Brands: Chili’s Bar and Grill and Maggiano’s Little Italy
CEO: Wyman T. Roberts
Headquarters: Dallas, USA
Listing: NYSE: EAT
AGM: October 2017

EXTERNAL RANKINGS

Chain Reaction II Report*
- Chili’s Bar and Grill ranking: F (0% score – no change from previous report)
- Chili’s has no disclosed policy on antibiotics and did not respond to the survey.

POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

Animal welfare statement
Goal to work with suppliers committed to
upholding good welfare practices.
- Aligned with the American Veterinary Medical Association with regard to sow welfare which states that:
  - Pork processors should provide housing that: [1] ensures good nutrition and, correspondingly, good body condition; [2] maximises the health of the pig

Antibiotics policies

- Recognises that antibiotic resistance in humans and animals is a serious health concern.
- Supports action the FDA is taking on eliminating use of medically important antibiotics used for growth promotion and feed conversion.

- Commits to continuing to work with suppliers to ensure antibiotics are used judiciously and only when necessary.

OUR COMMENTS

While we welcome Brinker’s support for the FDA guidance on antibiotics, this does not represent a fully comprehensive policy concerning the use of antibiotics in livestock. Although the FDA guidelines ban the use of antibiotics as growth promoters, and have brought the therapeutic use of antibiotics under the supervision of veterinarians, the prophylactic use of antibiotics is still possible.

We are pleased that Brinker has outlined their commitment to work with suppliers to “ensure antibiotics are used judiciously and only when necessary.” To build on this progress, we encourage Brinker International to be more specific in terms of the standards they expect from suppliers. To do so, we suggest Brinker establishes a comprehensive policy – in collaboration with suppliers – which puts in place reasonable timelines to phase out routine, prophylactic use of medically-important antibiotics across their global supply chain.

Given the rate at which antimicrobial resistance is rising, priority in the first instance should be given to antibiotics critically important to human medicine.

* Chain Reaction II is a report and scorecard which ranks America’s leading restaurant chains between grades A–F on their policies and practices regarding antibiotics use and transparency in their meat and poultry supply.⁷⁷
**Darden Restaurants Inc.**

Partially comprehensive and publicly available antibiotics policy

**COMPANY OVERVIEW**

Sector: Restaurants & Bars
Operates: 1,500+ restaurants, serves more than 320 m meals per day
2016 Sales: $6.93 billion
2016 consolidated profit: $1,303.10m

CEO: Eugene Lee, Jr
Headquarters: Orlando, USA
Listing: NYSE: DRI
AGM: October 2017
Brands: Include Olive Garden and LongHorn Steak House, amongst others

**EXTERNAL RANKINGS**

Business Benchmark on Farm Animal Welfare**
- The lower ranking indicates that Darden is making little progress in its implementation of policies.

Chain Reaction II Report
- Olive Garden ranked F (4% score – +4% from previous report)
- Report found limited information from Darden Restaurants about their commitments on antibiotics, and Olive Garden did not respond to the survey.

**POLICIES AND STATEMENTS AVAILABLE ON WEBSITE**

**Animal welfare policies**

State they take animal welfare very seriously, and recognise responsibility to ensure that animals are treated with respect and care in the process of providing nutritious food that is served in their restaurants.

Supports the ‘Five Freedoms’ principles of animals, throughout the supply chain. Suppliers are audited on the basis of the ‘Five Freedoms.’

Established programme which requires animal welfare certification by third-party auditors from all land-based protein suppliers. This guidance on humane animal treatment directly their practices and selection of, and relationship with, sourcing partners.

- Established a goal that by 2018 all egg products (whole and liquid) they buy will be cage-free.
- Established a goal that by 2025 all pork products they buy will be gestation crate-free.
- Partnering with US Roundtable on Sustainable Beef, National Cattlemen’s Beef Association, and their suppliers to support research, identify best practices, and promote improved practices in the beef industry.

**Antibiotics policies**

Statement on antibiotics^79^77^69^68^67^66^65^64^63^62^61^60^59^58^57^56^55^54^53^52^51^50^49^48^47^46^45^44^43^42^41^40^39^38^37^36^35^34^33^32^31^30^29^28^27^26^25^24^23^22^21^20^19^18^17^16^15^14^13^12^11^10^9^8^7^6^5^4^3^2^1
- Supports the FDA guidelines which recommend that by the end of 2016, antibiotics that are medically important in human medicine be phased out from use with farm animals for growth purposes, and shared-class antibiotics (i.e. these used for both humans and animals) only be used for the treatment of disease in farm animals under the supervision of a veterinarian.

- State that all of their land-based protein supply will meet the FDA guidelines by December 2016.

**Supply chain policies**

Supplier Code of Conduct^68^
- Sources products from 1,500 vendors in over 35 countries around the world. Darden states that these vendors share its commitment to ethical business conduct, fair labour practices, proven environmental, health and safety standards, and animal welfare.

**OUR COMMENTS**

While we welcome Darden Restaurant’s support for the FDA guidance on antibiotics use, this does not represent a fully comprehensive policy concerning the use of antibiotics in livestock. Although the FDA guidelines ban the use of antibiotics as growth promoters, and have brought the therapeutic use of antibiotics under the supervision of veterinarians, the prophylactic use of antibiotics is still possible.

We strongly encourage Darden Restaurants to establish a comprehensive policy that includes a timeline for phasing out routine, prophylactic use of medically important antibiotics across their global supply chain.

Given the rate at which antimicrobial resistance is rising, priority in the first instance should be given to antibiotics critically important to human medicine.

**BBFAW** is the leading global measure of company performance on farm animal welfare. Companies are ranked between tiers 1–6. A ranking of tier 1 means the company has shown leadership in the field; whereas a ranking of tier 6 means a company has shown no evidence that animal welfare is on the agenda.^81^
DOMINO’S PIZZA GROUP

No comprehensive and publicly available antibiotics policy

COMPANY OVERVIEW

Sector: Restaurants & Bars
Operates: 931 stores and 87 franchisees across the UK, Republic of Ireland and Switzerland.
CEO: David Wild
Listing: FTSE: DOM
AGM: April 2017
Headquarters: Milton Keynes, UK

EXTERNAL RANKINGS

Business Benchmark on Farm Animal Welfare (BBFAW)
• Domino’s Pizza Group 2016 ranking: Tier 6 (2015 ranking: Tier 6 – no change)
• Tier 6 ranking indicates that farm animal welfare is not on Domino’s business agenda, with no changes made in the last 12 months.

POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies
Domino’s Pizza Group
• State their suppliers are compliant with legislative standards and are regularly audited. They do not currently use organic meat – mainly due to commercial reasons in terms of the price of organic meat and the availability of the types of product that they use. The same is true for free range.
• Egg ingredients are not free range. Domino’s state the eggs they use are compliant with the latest EU directive which requires an enriched environment for hens.
• In January 2017, speaking to Global Meat News, Domino’s spokeswoman Katie Walker-Arnott said they are developing a policy on animal welfare relating to transportation of animals. She said: “The welfare of animals which provide meat for Domino’s is important to us and all our suppliers comply with the relevant EC welfare standards”.

Antibiotics policies
• Does not have a publicly available antibiotics policy in place.
• In May 2016 Bloomberg asked Domino’s about their antibiotics policy; spokeswoman Nina Arnott said their suppliers “use antibiotics only when necessary to treat disease” and while “under strict veterinary supervision.” Domino’s also cited examples of supply chain checks: Tulip, which sells pork to Domino’s, ensure that “critically important antibiotics are only used as a ‘last resort’”, and Glanbia Cheese Ltd, also a supplier, adheres to the Red Tractor Farm Assurance standards on antibiotic usage.
• In January 2017, speaking to Global Meat News, Domino’s spokeswoman Katie Walker-Arnott said they are developing a policy on antibiotic use: “We continue to take steps to improve standards, as well as ensure compliance, and are committed to providing more information going forward, so all our stakeholders are aware of the measures we are taking in this important area.”

Supply chain policies
Domino’s Pizza Group
• Domino’s Pizza Group has a documented ‘Supplier Approval Procedure’ in place. All suppliers of food ingredients and packaging agree to a detailed product specification for their products. This is reviewed by Food Technologist to ensure the product is safe, legal and high quality.

OUR COMMENTS

We are pleased to learn that Domino’s Pizza Group is in the process of development a policy on antibiotics use. It is important that Domino’s follow through with this commitment, particularly given their current ranking of tier 6 on the 2016 Business Benchmark on Farm Animal Welfare.

We would strongly encourage Domino’s to ensure the new policy becomes publicly available and comprehensive with regard to the use of antibiotics in their supply chain. The policy should include a timeline for phasing out the routine, prophylactic use of medically important antibiotics.

Given the rate at which antimicrobial resistance is rising, priority in the first instance should be given to antibiotics critically important to human medicine.
J.D. WETHERSPOON

Partially comprehensive and publicly available antibiotics policy

COMPANY OVERVIEW

- **Sector:** Restaurant & Bars
- **Operates:** 955 pubs
- **Headquarters:** Watford, UK
- **CEO:** John Hutson
- **Listing:** FTSE 250: JDW
- **AGM:** November 2017

EXTERNAL RANKINGS

- Business Benchmark on Farm Animal Welfare (BBFAW)
  - J.D. Wetherspoon 2016 ranking: Tier 6 (2015 rank: Tier 6 – no change)
  - Tier 6 indicates that farm animal welfare is not J.D. Wetherspoon’s agenda, with no changes made in the last 12 months.

POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

- **Animal welfare policies**
  - **Responsible retailing**
    - Has a Farm Animal Welfare Policy which sets their policies on animal close confinement, genetic engineering or cloning, growth promoting substances, use of antibiotics, use of routine mutilations, pre-slaughter stunning and long distance live transportation. Suppliers are selected and then audited to monitor their compliance with this policy.
    - Policy to maintain high standards of animal welfare from the farm, during transportation and to the place of slaughter.
    - Company policy to develop proactive animal health and welfare policies and livestock’s aquaculture production specifications using the Farm Animal Welfare Council’s Five Freedoms as a framework and for guidance, and to work only with processors and producers who share this commitment.
    - Spokesman Eddie Gershon: “The company is exploring higher welfare sourcing opportunities, in particular, for pigs and cattle.”
  - Raw material suppliers, suppliers and their processing plants are subject to visits by independent auditors, in addition to internal teams to ensure best practice is being delivered at all times.
  - Fully traceable supply chain and all of the company’s food suppliers have a globally recognised food production standard, such as accreditation by the British Retail Consortium.
  - Where possible they use British products and support British farming. For example, J.D. Wetherspoon beef burgers are made with 100% British beef, their sausages are made with 100% British pork and all of their beef steaks come from Britain and Ireland.
  - Where practicable they work with suppliers, contractors and partners to minimise environmental impact and encourage sustainable sourcing. Suppliers are selected and then audited to monitor their compliance with this policy.
  - Only use free range eggs.

- **Antibiotics policies**
  - Farm Animal Welfare Policy, outlined on their website, sets out their policies on a number of matters; it states that ‘the use of artificial growth promoting substances, including antibiotics, is prohibited across all our livestock supply chains’.
  - We welcome that J.D. Wetherspoon has made their Farm Animal Welfare policy accessible via their website, and that this includes a statement outlining that Wetherspoon’s prohibits the use of artificial growth promoting substances including antibiotics across all livestock supply chains (the legal minimum in the EU).
  - However, this position does not adequately address our concern regarding the prophylactic use of antibiotics. Antibiotics are used prophylactically not for growth promotion, but for the preventative treatment of disease in livestock kept in often crowded and unhygienic conditions. We would therefore encourage JD Wetherspoon’s to build upon the foundations of their policy to ensure it includes a timeline for phasing out the routine, prophylactic use of medically important antibiotics throughout their livestock supply chain.
  - New: Sustainable fish policy – all cod/haddock are from sustainable fisheries, with their supplier Three Oceans signed up to Sustainable Fish Cities Pledge.
  - Their Skipjack tuna is caught in the Western Central Pacific, and has a rating of 3 on the MCS ‘Good Fish to Eat’ ratings.
  - Whitby scampi is sourced in UK waters, has ratings MSC ratings between 2 and 4.
  - Supplier Whitby Seafoods is a member of the Sustainable Seafood Coalition.
  - Planning to start sourcing salmon and prawns from certified farms.
  - Member of Sustainable Restaurants’ Association.

OUR COMMENTS

We welcome that J.D. Wetherspoon has made their Farm Animal Welfare policy accessible via their website, and that this includes a statement outlining that Wetherspoon’s prohibits the use of artificial growth promoting substances including antibiotics across all livestock supply chains (the legal minimum in the EU).

However, this position does not adequately address our concern regarding the prophylactic use of antibiotics. Antibiotics are used prophylactically not for growth promotion, but for the preventative treatment of disease in livestock kept in often crowded and unhygienic conditions. We would therefore encourage JD Wetherspoon’s to build upon the foundations of their policy to ensure it includes a timeline for phasing out the routine, prophylactic use of medically important antibiotics throughout their livestock supply chain.

Given the rate at which antimicrobial resistance is rising, priority in the first instance should be given to antibiotics critically important to human medicine.
McDonald’s USA
- McDonald’s USA has bought more than 13 million cage-free eggs annually since 2011.
- Awarded the Henry Spira Corporate Progress Award by the Humane Society of the US, 2016

McDonald’s Australia and New Zealand
- Received Good Egg Award from CIWF (2016)

**Antibiotics policies**

McDonald’s Global Vision for Antimicrobial Stewardship in Food Animals
McDonald’s provide global guidance to all of its business segments through its Global Vision.

This document puts in place four criteria to guide McDonald’s approach to antimicrobial stewardship. These also provide goals for the supply chain:

Criteria:
1. Prohibit the use of antimicrobials in food animals that are by WHO definition ‘critically important’ to human medicine, and not presently approved for veterinary use.
2. Classes of antimicrobials that are currently approved as dual use (for use in both human and veterinary medicine) for treatment or prevention of animal disease can only be used in conjunction with a veterinary-developed animal health care programme.
3. Prohibit the use of any medically important antimicrobials for growth promotion in food animals, as defined by the WHO.
4. Utilise animal production practices that reduce, and where possible eliminate, the need for antimicrobial therapies and adopt existing best practices and/or new practices that would result in subsequent reductions of antimicrobial use. Successful strategies will be shared broadly.

McDonald’s Europe
- In March 2015, McDonald’s Europe announced plans to phase out use of fluoroquinolones and macrolide antibiotics (which are considered by the WHO to be critically important to human medicine) from their chicken supply chain. This will happen over three years from 2015–2018.
- McDonald’s UK does not use genetically modified products or ingredients in its food.
- McDonald’s UK has been working with suppliers to monitor and reduce the use of antibiotics in its supply chain. They state they also adhere to wider industry guidelines on antibiotic use in the supply chain in the interests of animal welfare and food quality.
- No evidence of any other policy or statement regarding the use of antibiotics in meat production.

McDonald’s USA
- Statement on Antibiotic Use
- As of August 2016 McDonald’s has fulfilled its commitment to stop using antibiotics important to human medicine in chicken production for McDonald’s USA.
- No evidence of a statement regarding the use of antibiotics in meat production.

McDonald’s Canada
- Policy to source chicken raised without antibiotics important to human medicine by end of 2018.

EXTERNAL RANKINGS

Business Benchmark on Farm Animal Welfare (BBFAW)
- McDonald’s 2016 ranking: Tier 2 (2015 ranking: 2 – No change).
- A ranking of tier 2 indicates that farm animal welfare is integral to McDonald’s business strategy.

Chain Reaction II Report and Scorecard
- McDonald’s ranking: C+ (53% score – -6% since last report)
- This ranking indicates that McDonald’s has adopted policies that either limit or prohibit use of medically important antibiotics. However, there are no policies addressing pork or beef.
- McDonald’s responded to the survey.

POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

**Animal welfare policies**

McDonald’s Agricultural Assurance Programme (MAAP) and Flagship Farms is the main way McDonald’s monitors and improves the quality, safety, health and welfare and sustainability of the raw materials entering their supply chain in Europe.

Use Marine Stewardship Council (MSC) certified wild-caught fish, which is sourced sustainably.

All egg products on McDonald’s Europe’s menu are free-range.

McDonald’s was awarded the Good Egg Award (2007) by CIWF for Europe-wide action on cage-free eggs.

**Animal Health and Welfare Guiding Principles**

These principles are global and apply to all of McDonald’s business segments.

**McDonald’s UK**

- All cattle entering their supply chain are from British and Irish farms accredited to a nationally recognised Farm Assurance Scheme, such as Red Tractor.
- Sausage and bacon products are from British farms that meet the RSPCA’s strict welfare standards.
- All eggs used in McDonald’s breakfast menu are Lion Quality Code of Practice assured, or equivalent.
- Recognised by Compassion in World Farming (CIWF) for commitment to improving animal welfare through the Good Sow Commendation award (2013), and received their Best Marketing Award, (2016).

NEW
Supply chain policies

McDonald’s (global)
- McDonald’s Chicken Working Group has completed pre-slaughter guidelines and audit criteria starting at the farm to the hatchery and breeder stock. This provides global guidance to producers for farm-based activities on issues such as feed and water, housing requirements and other considerations.
- Do not use chicken from caged housing systems – in their global supply chain they have to be reared only in cage-free systems where they are free to roam and express their natural behaviours.
- McDonald’s Laying Hen Working Group has produced guidelines for their global supply chain on housing specifications and audit criteria for conventional, enriched, cage-free and free range housing systems for egg laying hens.

McDonald’s USA
- Animal Welfare Auditing Programme in place for its beef, poultry and pork suppliers. In the event the does not comply with an audit, they must develop and submit for approval a written corrective plan that is reviewed by McDonald’s and a third-party audit company. In the event of critical non-compliance (e.g. acts of abuse), the supplier is immediately suspended, pending a review.

McDonald’s Europe
- With regard to poultry suppliers, McDonald’s states it will not work with suppliers who do not adhere to their standards or those required by UK and EU legislation regarding animal welfare.
- Third-party audit system in place to ensure animal transportation times do not exceed eight hours.

By end of 2022, McDonald’s USA will only source pork from supply chains that do not use gestation stalls for housing pregnant sows.
- State they will verify antimicrobial use in supply chains where they have dedicated supply. Such suppliers will be required to maintain records of antimicrobial use and document compliance which will be verified by third party audits.
- Where it does not have a dedicated supply, they will work with stakeholders (including suppliers, industry partners, government agencies, NGOs, veterinary and university extension networks, and other retailers) to align expectations, and develop timelines for implementation and verification criteria to reduce the use of medically important antimicrobials in food animals.

McDonald’s (global) has shown leadership in the field of antimicrobial resistance in comparison to industry peers. However, there remains a great deal more to be done. Specifically with regard to poultry production, very few antibiotics designated as ‘critically important’ are used by the poultry industry, which means the vast majority of ‘medically important’ antibiotics are still available for use under McDonald’s current policy. Furthermore, McDonald’s has yet to put in place timelines for phasing out antibiotic use in locations outside North America and Europe, and to commit to progress with regard to beef and pork.

We therefore would encourage McDonald’s to expand this solid foundation into a more comprehensive policy that includes a timeline for phasing out routine, prophylactic antibiotic use across their global livestock supply chain.

SHAREHOLDER RESOLUTIONS/TARGETED INITIATIVES

Letter (2015)
Consumers International called for McDonald’s to adopt a global policy to end the sourcing of meat and poultry raised with the routine use of antibiotics used in human medicine.

Online Actions (2016)
In 2016 ShareAction launched an online action which called on the CEO of McDonald’s to put in place a comprehensive antibiotics policy. This action attracted the support of over 11,000 participants in the first three weeks. A complimentary petition on US activism platform SumOfUs, which echoed the same concern, brought the total number of citizens calling for action by McDonald’s on antibiotics to nearly 140,000.

Shareholder Resolution (2016)
Shareholders request that the Board update the 2015 McDonald’s Global Vision for Antimicrobial Stewardship in Food Animals by adopting the following policy regarding use of antibiotics in its meat suppliers:

- Prohibit the use of antibiotics important to human medicine globally in the meat supply chain (including for chicken, beef, and pork), for purposes other than disease treatment or non-routine control of veterinarian-diagnosed illness (e.g. prohibit use for growth promotion and routine disease prevention also known as prophylaxis).

OUR COMMENTS

We welcome McDonald’s ‘Global Vision for Antimicrobial Stewardship.’ However, this only prohibits the use of antibiotics in food animals that are critically important to human medicine; it still allows for the use of medically important antibiotics so long as they are not used as growth promoters.

It is encouraging that McDonald’s Corporation has fulfilled its commitment to stop using antibiotics important to human medicine in chicken production for McDonald’s USA. We also welcome the commitment by McDonald’s Europe to phase out the use of critically important antibiotics in the chicken supply by 2018, and plans to source chicken raised without antibiotics important to human medicine by the end of 2018 in Canada.

McDonald’s has shown leadership in the field of antimicrobial resistance in comparison to industry peers. However, there remains a great deal more to be done. Specifically with regard to poultry production, very few antibiotics
Mitchells & Butlers (M&B) 2016 ranking: Tier 3

As part of the M&B Procurement Policy Partnership programme with some selected Suppliers in June 2016 were awarded the Compassion in World Farming Good Egg Award for their commitment to using shell on free range eggs across the business by 2017, resulting in the purchase of more than 25 million free range eggs a year.

M&B are currently advancing their Sourcing Strategy. This will define the formal animal welfare policies and performance measures required across M&B’s supply base, as relevant to their commercial operations.

M&B are ‘committed to working with our supplier base to ensure well managed and sustainable fishing practices are in place.’

Antibiotics policies

Food purchasing and food trading

- Use of growth promoters is not permitted in the production of livestock used to produce meat and poultry.
- In April 2016 an M&B spokesman said: “The prophylactic use of antibiotics in livestock production is an important issue to Mitchells & Butlers and one that we are reviewing across all species as part of our sourcing policy [...] We have been working with our poultry suppliers to define our antibiotic policy and we are continuing to develop this policy, species by species.”
- M&B have outlined their current antibiotics policies in relation to specific animals.
- Chicken and turkey – ‘We do not support the routine prophylactic use of antibiotics and do not allow our supplying farms to carry out this practice. Antibiotics considered to be of “Critical importance to human health by the WHO” are only permitted if they are the sole therapeutic option to prevent a severe welfare crisis’ and the following conditions have been met: a) usage is under direction of the attending veterinary surgeon, b) analysis of bacterial culture and sensitivity testing has been done, c) all meat withdrawal periods are strictly adhered to, and d) full written case notes, including justification for the decision, are made.
- Duck – ‘There is minimal use of antibiotics in the production of ducks for M&B.’
- Pork, lamb, beef and dairy cattle – ‘We do not support the routine prophylactic use of antibiotics and are working with our supplying farms to remove this practice.’

Supply chain policies

Supply chain

- A priority to source food products of the right quality at the right price, where the quality that they need can be guaranteed.
- All growers are required to meet the Euro-Retailer Product Working Group’s EurepGAP standard: an integrated agricultural assurance standard that covers food safety, occupational health and safety, environmental protection, biodiversity and animal welfare.
- Suppliers are logged on an "Approved Suppliers" database; breach of animal welfare or other standards by suppliers is investigated

OUR COMMENTS

Mitchells & Butlers have shown leadership in their willingness to engage and build upon their antibiotic-use policies. It is encouraging that Mitchells & Butlers have put in place species-specific policies on their approach to antibiotics, which are accessible via their website.

Significant progress has been made with regard to chicken and turkey, as Mitchells & Butlers expressly state that they do not allow suppliers to use antibiotics prophylactically. We encourage Mitchells & Butlers to build upon progress made to expand this into a comprehensive policy applicable to all species. This should include a timeline for phasing out the routine prophylactic use of medically important antibiotics across their global supply chain.
Restaurant Brands 2016 ranking: Tier 5

No available policy on antibiotics or animal welfare.

Committed to working with suppliers to improve farm animal welfare. Tim Hortons and Burger King committing to purchase 10% of its company store volume of pork from gestation stall-free facilities. BKC states it will continue to take steps to increase this.

- Aim to move to 100% cage-free eggs for North American Burger King restaurants by 2025.
- Animal welfare policy is not easily accessible on the website.

BKC gives purchasing preference to suppliers who have eliminated gestation stalls. Burger King was ranked in the survey (2014 ranking: 6 – No change).

Burger King continuously reviews its policies on animal welfare, sourcing and environmental impact.

Animal welfare

- BKC more than doubled their 2007 commitment to purchase 2% of the volume of the company’s restaurant eggs from chickens raised in cage-free environments. In 2008, cage-free egg purchases represented 6% of the total eggs bought for US company restaurants. Burger King plans to continue to increase its purchase of cage-free eggs.
- BKC gives purchasing preference to suppliers who have eliminated gestation stalls. BKC met its 2007 and 2008 commitment to purchase 10% of its company store volume of pork from gestation stall-free facilities.

Tim Hortons

Sustainability and Responsibility Report 2014, Animal Welfare Policy

- States that animal welfare is an important issue to Tim Hortons and all stakeholders, including restaurant owners, suppliers, and guests. Tim Hortons is not directly involved in the raising, handling, transportation or processing of animals.
- States that their ‘Animal Welfare Policy’ is aligned with company values and ‘Sustainability and Responsibility Guiding Principles’, and sets internal standards in key areas such as regulatory compliance, quality assurance and auditing, continuous improvement and reporting.
- Partnership with the University of Guelph, through the establishment of Tim Hortons Sustainable Food Management Fund. Through this partnership, researchers are investigating the costs of making transitions to alternative hen and sow housing systems, as well as the viability and timeline of implementation.
- Has made progress towards sourcing eggs from producers who use alternative hen housing requirements. In 2014, Tim Hortons sourced over 12% of eggs from producers who meet these requirements.
- Aim to move to 100% cage-free eggs for North American Tim Hortons restaurants by 2025.

Partnership with the University of Guelph, through the establishment of Tim Hortons Sustainable Food Management Fund. Through this partnership, researchers are investigating the costs of making transitions to alternative hen and sow housing systems, as well as the viability and timeline of implementation.

Vendors and suppliers may use antibiotics in a judicious and responsible manner when treatment is necessary, including restaurant owners, suppliers, and guests. Tim Hortons is not directly involved in the raising, handling, transportation or processing of animals.

- Vendors and suppliers may use antibiotics in a judicious and responsible manner when treatment is necessary, including restaurant owners, suppliers, and guests.
- Aim to move to 100% cage-free eggs for North American Tim Hortons restaurants by 2025.
- States that their ‘Animal Welfare Policy’ is aligned with company values and ‘Sustainability and Responsibility Guiding Principles’, and sets internal standards in key areas such as regulatory compliance, quality assurance and auditing, continuous improvement and reporting.

BKC producers must ensure that all unused antibiotics are disposed of properly.
SHAREHOLDER RESOLUTIONS/TARGETED INITIATIVES

Shareholder Resolution (2015): Withdrawn by As You Sow due to positive engagement with the company.

Shareholder resolution:

Shareholders request that the company adopt an enterprise-wide policy to phase out the non-therapeutic use of antibiotics in the meat supply chain (including for poultry, beef, and pork).

‘Non-therapeutic use’ of antibiotics is defined as:

(i) administration of antibiotics to an animal through feed and water (or, in poultry hatcheries, through any means) for purposes (such as growth promotion, feed efficiency, weight gain, or disease prevention) other than therapeutic use or non-routine disease control; and includes

(ii) any repeated or regular pattern of use of antimicrobials for purposes other than therapeutic use or non-routine disease control.

Shareholders request that the Board report to shareholders within six months of the annual meeting, at reasonable cost and omitting proprietary information, on the timetable and measures for implementing this policy.

OUR COMMENTS

It is encouraging that Restaurant Brands International put in place timelines to source chicken raised without critically important antibiotics in the USA by 2017 and in Canada by 2018. Nonetheless, it is disappointing that RBI has not matched progress made by industry peers in removing all antibiotics important to human medicine from US chicken supply chains. However, As You Sow have withdrawn their 2017 shareholder proposal as RBI has committed to strengthen its poultry policy by then end of 2017.

We welcome the fact that Restaurant Brands International has agreed to include As You Sow in its working group discussions regarding antibiotics use in the meat supply chain. In line with this progress, we strongly encourage Restaurant Brands International to establish a fully comprehensive policy that includes a timeline for phasing out routine, prophylactic use of medically important antibiotics across their global meat and poultry supply chain.

THE RESTAURANT GROUP

- Partially comprehensive and publicly available antibiotics policy
- COMPANY OVERVIEW
  - Sector: Restaurant & Bars
  - Operates: 500+ restaurants and pubs in the UK’s casual dining sector
  - Brands: Chiquito Restaurant Bar and Mexican Grill, Frankie & Benny’s, Garfunkel’s and Joe’s kitchen
  - CEO: Andy McCue
  - Headquarters: London, United Kingdom
  - Listing: FTSE 250: RTN
  - AGM: May 2017

POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

- TRG Food Policy: The Restaurant Group’s (TRG) Technical and Quality Team deals with the sourcing and traceability of their products
- Ensure all products lists comply with the TRG Food Policy – this policy is not publicly available online.
- Policy covers a number of issues including animal welfare and sustainable fish sourcing.
- All meat and fish products are fully traceable to farm or catch – website states a detailed policy was produced on this in 2016, though this is not accessible online.

Antibiotics policies

- Committed to working with their global suppliers to ‘provide further emphasis and guidance on farm-antibiotic use’.
- Committed to ‘reducing and refining the use of critically important antibiotics – to the point where these antibiotics are only to be used where sensitivity testing […] shows that no other antibiotics are likely to work.’
- Committed to ‘phasing out routine, purely preventative use of antibiotics in groups of entire healthy animals (prophylaxis)’
- Committed to ‘strengthening our surveillance and data collection regarding supply chain antibiotic usage – so as to enable target setting and benchmarking for further reductions.’

NEW

NEW

NEW
### OUR COMMENTS

We warmly welcome the progress and leadership shown by The Restaurant Group in putting place a publicly available antibiotics policy. It is very encouraging that TRG have committed to work with global suppliers to reduce and refine the use of critically important antibiotics and to phase out the routine purely preventative use of antibiotics in groups of entirely healthy animals.

As a next step, we encourage The Restaurant Group to put in place measurable timeframes and targets to achieve this goal.

### THE RESTAURANT GROUP

**Partially comprehensive and publicly available antibiotics policy**

### COMPANY OVERVIEW

**Sector:** Restaurants & Bars.  
**Operates:** More than 6,500 franchises and company restaurants in 30 countries.  
**Brands:** Wendy’s and Arby’s.  
**CEO:** Emil J. Brolick  
**Headquarters:** Dublin, OH, USA  
**Listing:** NASDAQ: WEN  
**AGM:** June 2017

### EXTERNAL RANKINGS

- **Chain Reaction II Report and Scorecard**
  - **Ranking of The Wendy’s Company:** C (scored 47% – +22% since last report)
    - Wendy’s responded to the survey.
    - Wendy’s antibiotics policy is published online. The policy allows for continued, routine use of antibiotics.
    - Wendy’s uses both trained in-house Quality Assurance representatives and third party consultants.
    - The report states that Wendy’s has begun the process of eliminating all antibiotics important to human medicine from chicken production.
  - **Ranking of Arby’s:** F (scored 4% – +4% since last report)
    - Arby’s is owned by Roark Capital Group and The Wendy’s Company.
    - Arby’s did not respond to survey.
    - Report states that Arby’s will begin transitioning to using chicken without antibiotics important to human health in 2017.

### POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

#### Animal welfare policies

- **Wendy’s Animal Welfare Policy**
  - Does not own, raise, transport or process livestock. However, Wendy’s states they ensure all of their suppliers meet Wendy’s standards regarding the humane treatment of animals. Wendy’s state that their standards exceed government regulation standards, however no further details are provided.
  - In 2001, Wendy’s established an ‘Animal Welfare Council’ to regularly review and strengthen the Company’s animal welfare standards. The council consists of senior and mid-level executives from key business areas.
  - Working with US and Canadian pork suppliers to eliminate use of sow gestation stalls over time. Wendy’s have a stated goal to eliminate the use of sow gestation stalls in their supply chain by the end of 2022.
  - Wendy’s has specifications for the welfare standards of chickens, and explores with suppliers about the potential benefits of alternative housing and stunning methods.
  - Committed to sourcing cage-free eggs by 2020.
**Antibiotics policies**

**Wendy’s Antibiotic Use Policy**

- Belief that if agricultural animals become ill, they should be treated appropriately to promote a good quality of life, which sometimes may include the use of antibiotics.
- Aim to replace, reduce and refine antibiotic therapy through judicious use and by requiring animal management practices that do not rely on medically important antibiotics to increase production yields.
- Wendy’s expect suppliers to adhere to their principles and will track progress through auditing and partnership with their suppliers.
- Committed to supporting veterinarians and optimizing animal care through evidence-based practices.
- Strictly prohibit the use of antibiotics that are medically important to humans for the sole purpose of growth promotion. Wendy’s believe that antibiotics should only be used in livestock and poultry for the prevention, control and treatment of disease.
- Have set a target of eliminating all antibiotics important to human medicine from chicken production in 2017.
- Specific goals for reduction of antibiotics in pork and beef will be announced in 2017.
- By 2019, chicken will only be sourced from farms certified by the USDA Process Verified Programme, certifying compliance with policies to eliminate use of antibiotics important to human medicine.
- All their pork suppliers are required to be Pork Quality Assurance-Plus certified (or equivalent) for animal care procedures.
- By 2019, beef will only be sourced from cattle feeders who are Beef Quality Assurance certified or equivalent.
- Five independent processors supplied all of Wendy’s chicken in the US, one of which is O.K. Foods.

**Supply chain policies**

- Use of an objective auditing programme to monitor, verify and evaluate proper handling among US or Canadian suppliers. Suppliers are audited annually.
- Wendy’s annual report states that, as of December 28, 2014, five independent processors supplied all of Wendy’s hamburgers in the US.

**SHAREHOLDER RESOLUTIONS/TARGETED INITIATIVES**

**Shareholder resolution (2015): Withdrawn by As You Sow due positive engagement with company.**

Shareholders request that the company adopt a policy to phase out the non-therapeutic use of antibiotics in the meat supply chain (including for poultry, beef, and pork).

‘Non-therapeutic use’ of antibiotics is defined as:

(i) administration of antibiotics to an animal through feed and water (or, in poultry hatcheries, through any means) for purposes (such as growth promotion, feed efficiency, weight gain, or disease prevention) other than therapeutic use or non-routine disease control; and includes

(ii) any repeated or regular pattern of use of antimicrobials for purposes other than therapeutic use or non-routine disease control.

**OUR COMMENTS**

It is encouraging that The Wendy’s Company has put in place targets to eliminate all antibiotics important to human medicine from chicken production in 2017 and that they have stated that specific goals for the reduction of antibiotics in pork and beef will be announced in 2017.

We encourage The Wendy’s Company to fulfill this commitment and recommend The Wendy’s Company promptly set and implement timelines for pork and beef. In doing so, Wendy’s would place themselves as an industry leader, ahead of competitors yet to make commitments outside of poultry production.
YUM! BRANDS

Partially comprehensive and publicly available antibiotics policy

COMPANY OVERVIEW
Sector: Restaurants & Bars
Operates: approximately 43,000 restaurants in around 140 countries and territories.
Brands: KFC, Pizza Hut and Taco Bell.

CEO: Greg Creed
Headquarters: Louisville, KY, USA
Listing: NYSE: YUM
AGM: May 2017

EXTERNAL RANKINGS
Business Benchmark on Farm Animal Welfare (BBFAW)
- A tier 5 ranking indicates that farm animal welfare is on Yum! Brand’s agenda but there is limited evidence of implementation.

Chain Reaction Report and Scorecard
- Taco Bell ranked C- (41% – +41% on previous ranking)
- Pizza Hut ranked D + (35% – +35% on previous ranking)
- KFC ranked F (8% score – +8% on previous ranking)

POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies
Corporate Social Responsibility Report, Animal Welfare
- Work closely with the Animal Welfare Advisory Council.
- Goal to work only with suppliers that demonstrate and maintain compliance with animal welfare practices.
- A global Animal Welfare Programme, which makes provision for adjustments to cover local needs and regulations.

Yum! Brands Guiding Principles
- Only apply to poultry, pork and beef suppliers for Yum! USA. They focus on:
  - Partnership with industry experts.
  - Ongoing training and education.

Performance quantification and supplier improvement.
- Communication with industry leaders.

Adopted American Meat Institute slaughter audit protocols for both beef and pork suppliers.

KFC UK
- KFC UK achieved Red Tractor certification for Yum! Brands British chicken on the bone.
- KFC UK recognised for its commitment to move to free-range eggs in the UK. However, there is no statement indicating when this is to be achieved.

Antibiotics policies
Pizza Hut
- Announced pledge to remove antibiotics important to human medicine from chicken for its pizzas by the end of March 2017.

Taco Bell
- Taco Bell plans to stop using chicken reared with antibiotics important to human medicine by end of Q1, 2017.
- States it requires third party auditing of its suppliers to verify compliance with antibiotics policy, but does not do on-farm inspections.

Corporate Social Responsibility Report, Animal Welfare
- Yum! Brands decided to eliminate the use of antibiotics ‘critically important’ to human medicine in their poultry supply chain by the end of 2016.
- KFC and Taco Bell have committed to sourcing chicken in the US from animals raised without antibiotics that are critically important to human medicine by the end of 2016 (Pizza Hut have committed to the same target by end of March 2017).

SHAREHOLDER RESOLUTIONS/TARGETED INITIATIVES

18 November 2015
Consumers’ International sent a letter to KFC calling for the adoption of a global policy to end the sourcing of meat and poultry raised with the routine use of antibiotics used in human medicine.

8 August 2016
As You Sow and the Sisters of St. Francis of Philadelphia filed a shareholder proposal requesting Yum! Brands quickly phase out harmful antibiotic use in its meat supply, focusing on KFC’s chicken supply chain.

28 January 2016
80+ groups called on Yum! Brands to help save antibiotics:
- Asked Yum! Brands to make a strong definitive public commitment on antibiotic stewardship in its meat and poultry supply chains.
- Asked Yum! Brands to encourage better management practices on farms. Reduced crowding, more hygienic conditions, improved diets, and longer weaning periods, among other changes, can improve animal welfare and minimise the need for prophylactic drugs on farms.

OUR COMMENTS
We welcome the decision of Yum! Brands to eliminate antibiotics that are critically important to human medicine, throughout its chicken supply chain. However, as very few antibiotics in poultry production are designated as critically important, the vast majority of medically important antibiotics would still be available under this policy.

Furthermore, we are concerned by Yum! Brands lack of progress or engagement since this announcement was made. We strongly encourage Yum! Brands’ to put in place a comprehensive and publicly available policy that includes a timeline for phasing out routine, prophylactic use of antibiotics across their global supply chain.
THE RESTAURANT SECTOR AND ANTIBIOTIC RISK: PROGRESS REPORT, 2017

52. The Alliance to Save Our Antibiotics. LETTER: ORs top meds call on government to ban the routine use of antibiotics in UK farming. Available online at: nrdc.org/our-work/antibiotics-in-uk-farming [accessed 28 February 2017].


54. SumOfUs. McDonald’s: Put antibiotics out to pasture! Available online at: sumofus.org/our-work [accessed 28 February 2017].


72. It should be noted that the commitment made by Restaurant Brands International (RBI) is a lesser one compared to those made by McDonald’s and Wendy’s. RBI’s policy refers only to three classes of drug recognised as ‘critically important’ by the WHO; of these, only one (tylosin) is currently used in chicken production. For further information, see the National Resources Defense Council’s comment: On Antibiotics, Burger King-Serves-Up-Lots-Less-Than-Meets-The Eye. Available online at: nrdc.org/experts/david-wallinga-md/antibiotics-burger-king-serves-lots-less-meets-eye [accessed 28 February 2017].


82. Domino’s. Food FAQs. Available online at: corporate.dominos.co.uk/food-faq-s [accessed 10 March 2017].

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ABOUT FAIRR

The FAIRR (Farm Animal Investment Risk & Return) Initiative is an investor initiative that puts factory farming on the ESG agenda. FAIRR aims to equip members with the tools and resources they need to assess the risks and opportunities associated with factory farming, and integrate these into investment processes.