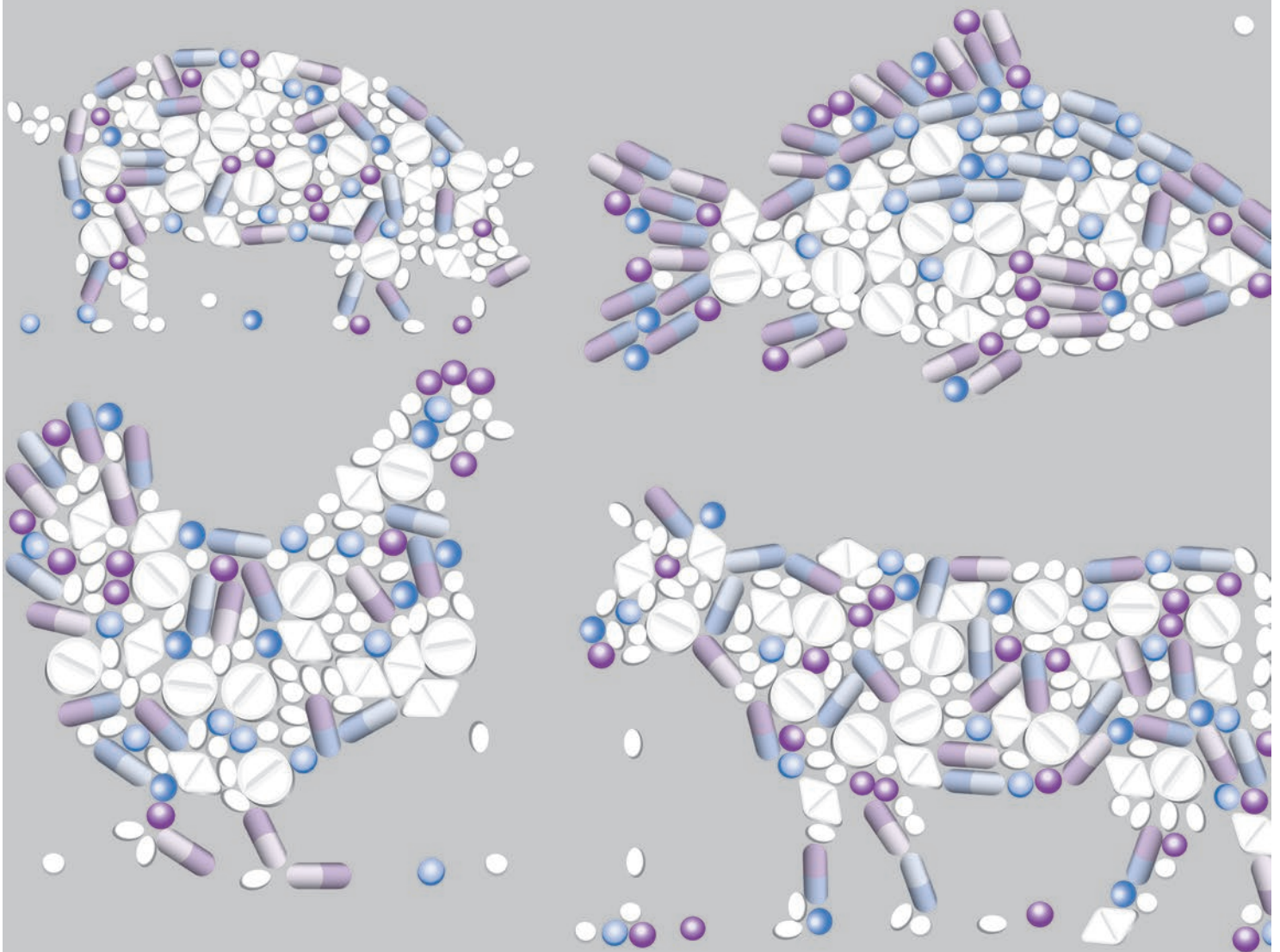


INVESTOR REPORT: THE RESTAURANT SECTOR AND ANTIBIOTIC RISK



2016 Report

“Food service companies are key ingredients in the portfolios of most of our pensions and savings.”

JEREMY COLLER, CIO, COLLER CAPITAL

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FOREWORD

Investors have no appetite for this risk

Rising levels of drug resistance, which is seeing microbes evolve to become immune to our most common antibiotics, is becoming a major global priority. Already, it is estimated by the UK government that up to 50,000 lives are lost each year to antibiotic-resistant infections in Europe and the US alone*. If such resistance continues to grow we face the prospect of routine surgeries and minor infections becoming life-threatening once again. The costs for businesses, investors and public health care systems would be extraordinary.

We all need to do what we can to avoid this 'post-antibiotic era', and the role of investors in this challenge is a vital one.

One of the drivers of rising drug resistance is thought to be the excessive and irresponsible use of antibiotics on farm animals, especially in factory farms where confined conditions make the spread of disease more likely and therefore the use of antibiotics a daily routine. The fact that over 70% of the world's livestock is intensively produced offers insight into the scale of the problem.

Most investors will have some exposure to leading restaurants and fast-food chains such as those examined in this report, and as stewards of these companies should take responsibility to encourage them to manage and avoid antibiotic risk. The ten companies covered in this report are not the sum of the problem, far from it, but as recognised global brands at the forefront of the food sector they have the opportunity to show leadership and prudence by tackling this issue head on.

Worryingly, despite the potentially catastrophic public health and business risks **none** of the ten global food companies analysed in this report have fully comprehensive and publicly available policies in place to manage or mitigate antibiotic overuse in their supply chains. And that is why at the time of writing, a coalition of investors managing over \$1.5 trillion of assets has launched an engagement campaign with these food companies to call for an end to non-therapeutic use of antibiotics in livestock production.

This is not likely to be an issue that we can solve tomorrow. But shareholders should be aware of a company's strategy to manage, mitigate or minimise antibiotic use within their supply chains and we hope that this report is a useful tool for investors to do that.



Jeremy Collier

Founder, FAIRR Initiative
and CIO, Collier Capital



Catherine Howarth

CEO, ShareAction

EXECUTIVE SUMMARY

The World Health Organisation (WHO) has warned that as a result of irresponsible antibiotics practices, we are fast approaching a 'post-antibiotic era', where routine operations will no longer be possible and many diseases and infections no longer treatable.¹ This alarming situation is due to the increase in antibiotic resistance bacteria caused by the irresponsible use and overuse of antibiotics in humans and animals.

The majority of all antibiotics produced are given to livestock – **nearly half of all antibiotics in the UK, two-thirds in the EU,² and 80% in the U.S.** Most are given not to treat disease, but are administered at low levels to prevent illness or to promote growth. The UK government recently described this practice as 'excessive and inappropriate' and estimated that by 2050 drug-resistant infections could cost the world **\$100 trillion in lost output.**³

“80% of all antibiotics in the U.S. are given to farm animals”

Despite the potentially catastrophic public health risk – and the portfolio-wide damage this could cause the investment community – the restaurant and fast food sector is not appropriately managing the risk. This report has examined the current policies of ten of the world's

“By 2050 drug-resistant infections could cost the world \$100 trillion in lost output”



leading publicly-listed fast food and restaurant companies. It finds half do not clearly communicate to shareholders a strategy to manage, mitigate or minimise antibiotic use within their supply chains,⁴ and highlights the investment risks associated with the poor management of antibiotic use.

The report also provides recommendations as to how companies and investors can address and improve these current practices.

“half do not clearly communicate to shareholders a strategy to manage, mitigate or minimise antibiotic use within their supply chains.”

Company classifications

<p>● Fully comprehensive and publicly available policy (prohibiting the prophylactic use of antibiotics in global supply chains) in place</p>	<p>N/A</p>
<p>● Partially comprehensive and publicly available policy (prohibiting the prophylactic use of antibiotics in global supply chains) in place</p>	<p>Darden Restaurants McDonald’s Corporation Restaurant Brands International The Wendy’s Company Yum! Brands</p>
<p>● No comprehensive and publicly available policy (prohibiting the prophylactic use of antibiotics in global supply chains) in place</p>	<p>Brinker International Domino’s Pizza Group J.D. Wetherspoon Mitchells & Butlers The Restaurant Group</p>

It should be noted that these classifications are based solely on information which is publicly available to both consumers and shareholders. It is possible that companies listed may be conducting efforts to address prophylactic antibiotics use within their supply chains privately, but are not yet communicating these efforts to

shareholders. However, with respect to the numerous risks referenced above – together with evident investor and consumer concern around the impacts of antimicrobial resistance – there is a clear case for the need for transparency and good governance in this regard.

INTRODUCTION

Rising demand for meat and poultry around the world has led to a massive increase in the large-scale and intensive production of livestock. Intensive livestock production methods are often dependent on the routine use of antibiotics to reduce the risk of disease caused by the close confinement of animals at their facilities. Although antibiotic use can vary depending on geography, they are generally used in the production of livestock for:

- Therapeutic purposes (the treatment of disease),
- Non-therapeutic purposes ((Prophylactic use) – to promote growth or to prevent disease and infection).

While it is necessary to treat animals therapeutically, the issue and real risk lies with non-therapeutic use of

antibiotics. Livestock are commonly fed low doses of antibiotics, via their food or water supplies, to promote growth and to prevent disease and infection. It is the routine administration of non-therapeutic antibiotics that underpins the current methods of intensive livestock production, and investors need to be aware of the financial risks that this poses.⁵

It is estimated that approximately **40% of antibiotics used in the UK and 80% in the US** are given to livestock⁶. The World Health Organisation (WHO) has warned that, due to irresponsible antibiotics practices, we are fast approaching a **'post-antibiotic era'** where antibiotics will no longer be effective.⁷ The widespread misuse of antibiotics in livestock has been identified as a cause



“the sales value of antibiotic-free chicken rose by 34% in the U.S in 2013.”

of antimicrobial-resistant bacteria.⁸ Antibiotic-resistant bacteria can transfer between humans and animals, and evidence suggests transference is occurring with increasing frequency.⁹

FAIRR’s recent ‘Factory Farming; Assessing Investment Risks’ report highlights a number of financial risks associated with antibiotic use.¹⁰ These are explored in detail below, and include reputational threats, changes to legislation and potential operational disruption. For forward-looking corporations, successfully addressing these risks could present commercial opportunities. For instance, market research has shown that the value of sales of antibiotic-free chicken rose by 34% in the U.S in 2013.¹¹

Perceptions are shifting and the financial risks associated with the over-use of antibiotics are gaining profile within the corporate agenda. However, what remains clear is that the majority of companies operating in the restaurant and fast-food sector currently depend – to varying degrees – on the prophylactic use of antibiotics critical to human medicine within their supply chains.¹²

This report has reviewed a select group of publicly listed corporations – chosen on the basis that they are market leaders in the US and European restaurant and fast-food sectors – on their publicly available policies and statements on antibiotics use. The following companies were reviewed:



Brinker International



Mitchells & Butlers



Darden Restaurants



Restaurant Brands International



Domino's Pizza Group



The Restaurant Group



J.D. Wetherspoon



The Wendy's Company



McDonald's Corporation



Yum! Brands

INVESTOR RISKS

There are a number of financial risks associated with the prophylactic use of antibiotics in livestock production; these include legislative, operational and reputational risks.

LEGISLATIVE AND OPERATIONAL RISK

The prophylactic use of antibiotics in livestock production is under increased regulatory scrutiny in both the E.U. and the U.S. The use of antibiotics to prevent disease is increasingly restricted, and is likely to be prohibited in forthcoming policy and regulation. This 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.¹³ This was seen in Denmark after the 1998

“A similar ban on antibiotics in the US would cost the industry more than \$700 million over a 10-year period (at 2003 prices).”

ban on certain antibiotics, when several large producers experienced severe problems with animal health and costs. It is estimated that a similar ban on antibiotics in the US would cost producers \$4.50 per animal in the first year and would cost the industry more than



\$700 million over a 10-year period (at 2003 prices).¹⁴

Those facilities dependent on the prophylactic use of antibiotics to compensate for the overcrowded and unhygienic conditions are most at risk – as the introduction of such legislation would require costly restructuring of facilities. Less intensive and organic farming methods have been identified as a way to reduce dependency on antibiotics.¹⁵

Regional changes to legislation can also disrupt market access as certain imports become prohibited. For example, the introduction of EU legislation banning products where antibiotics are used as growth agents is estimated to have cost US beef exports \$100m a year.¹⁶ Although EU bans on antibiotics have remained limited, this is likely to change in the near future. Recent European Parliament and Environment, Public Health and Food Safety (ENVI) Committee votes on a regulation amendment have indicated the strong likelihood that the prophylactic use of antibiotics via medicated feed or water will be banned in the EU.¹⁷

REPUTATIONAL RISK

Alongside legislative and operational risks, companies with consumer-facing brands are also encountering reputational risks as consumer preferences shift. Companies believed to have poor practices on antibiotic use face increased scrutiny from civil society and the media and may experience negative campaigns. For example, a recent report written by five prominent organisations ranked America's leading restaurant chains on their policies and transparency around the use of antibiotics in their meat and poultry supply chain.

Of the 25 companies reviewed, 20 received a negative grade.¹⁸ Negative 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.

AN OVERVIEW OF THE POLICY LANDSCAPE: THE US, EU AND THE UK

There has been a significant increase in attention given to the negative effects of irresponsible antibiotic use on human health globally. For instance, the WHO has created a Global Action Plan on Antimicrobial Resistance and is holding a high-level meeting to increase political awareness, engagement and leadership on this issue in September 2016.¹⁹ As the legislative landscape shifts, numerous countries have begun to review current regulations and policies.

US

In the US, the overarching federal policy put in place by the US Food and Drug Administration (FDA) was recently updated. This update to the Veterinary Feed Directive²⁰ bans the use of antibiotics for growth promotion and feed efficiency and requires companies to comply by the end of 2016. The use of antibiotics for growth promotion was previously unregulated in the US. The Veterinary Feed Directive also requires licenced veterinarian supervision for the therapeutic use of antibiotics in feed and water.²¹

Although antibiotics are now under the supervision of veterinarians, the Directive still allows their use for routine disease prevention in healthy livestock. However some states have gone further in pushing forward legislation. For example, in October 2015 California passed a bill to sharply limit antibiotic use in farm animals, which is effective from January 2017.²² Other states such as Maryland, New York and Oregon also have legislation in place limiting the use of antimicrobials.²³

Since 2005, the FDA has banned the use of fluoroquinolones in poultry production (although research indicates illicit use is still occurring).²⁴ Fluoroquinolones are a group of antibiotics identified as important to human medicine by the WHO and are used to treat foodborne infections

such as *Campylobacter*, *Salmonella* and *E. coli*.²⁵

However, many countries – including the UK – are yet to ban the use of fluoroquinolones. The UK Government recently faced criticism after it was revealed that British poultry producers have increased their usage by 59% in the last 12 months.²⁶

EU

The European Union banned the use of antibiotics as growth promoters in livestock production in 2006.²⁷ In February 2016, the European Parliament's Environmental, Public Health and Food Safety (ENVI) Committee voted in support of measures aimed at addressing the growth of antimicrobial resistance in livestock, specifically the routine prophylactic administration of antibiotics to groups of animals via their feed or water. This was an amendment to a draft European regulation which proposed to ban non-therapeutic usage.²⁸ In March 2016, MEPs voted in favour (585 to 30) of the ENVI committees' draft proposal.²⁹ This legislation will go to a plenary session of the European Parliament for approval in Spring/Summer 2016. The measures would include a ban on the prophylactic use of antibiotics via feed or water, establish a list of antibiotics which are for human use only, and ban the online sale of antibiotics.

UK

In the UK, antibiotic sales for livestock are monitored by the Veterinary Medicines Directorate.³⁰ Much like the upcoming Veterinary Feed Directive in the US, although veterinary oversight is officially required, in practice this does not prevent the prophylactic use of antibiotics. In 2013 the government put in place a Five Year Antimicrobial Resistance Strategy (2013–2018).³¹ This is led by the Department of Health, Department for Environment, Food and Rural Affairs (Defra) and Public Health England. A High Level Steering Group has been set up to implement the



five year strategy.³² Political perceptions around the prophylactic use of antibiotics are also changing in the UK. Ahead of the ENVI Committee vote, Shadow Defra Secretary Kerry McCarthy, called for international action to prevent antibiotics being given to livestock who do not need it.³³ Defra minister George Eustice recently confirmed the UK Government's opposition to routine preventative use of antibiotics in groups of healthy animals³⁴; indicating a change of stance from Defra who were previously not aligned with the positions of the European Food Safety Authority and the WHO.³⁵

NEXT STEPS FOR INVESTORS

Investors can play an important role engaging with companies about phasing out the routine use of antibiotics in food supply chains. By engaging with companies, investors can help drive up standards through the supply chain, as the firms work with distributors and producers to align their production methods to meet higher-standards.

To respond to the risks and opportunities associated with prophylactic antibiotic use, it is recommended that companies:

1. Seek to prohibit the use of all critically-important antibiotics in the global meat and poultry supply chain, for purposes other than disease treatment or non-routine control of illness. This would allow the continuation of preventative group treatments where disease has been diagnosed in some animals within the group.
2. Identify appropriate timelines for global implementation of the guidance and report back to shareholders on implementation.³⁶

Antibiotics should be used for the treatment disease or illness in livestock; however they should not be used to support irresponsible practices such as unnatural growth promotion or routine disease prevention of livestock kept in overcrowded and unhygienic conditions. What is needed is improved management of the use of antibiotics in livestock production through more detailed and demanding policies around the use of antimicrobials.

Ideally corporations should be aware of exactly how much, and what types of antibiotics are used in the production of the livestock they source. Furthermore, companies should work towards phasing out the usage of antibiotics that have been identified as critically important by the WHO. This should apply to all third-party suppliers.

APPENDIX: COMPANY POLICIES

BRINKER INTERNATIONAL RESTAURANTS



● No comprehensive and publicly available antibiotics policy

COMPANY OVERVIEW

Sector Restaurants & Bars

Operates More than 1,600 restaurants
in over 30 countries

Brands Chili's Bar and Grill and
Maggiano's Little Italy

CEO Wyman T. Roberts

Headquarters .. Dallas, USA

Listing NYSE: EAT

AGM October 2015



EXTERNAL RANKINGS

Chain Reaction Report*

- **Chili's Bar and Grill ranking: F (0% score)**
- Chili's has no disclosed policy on antibiotics and did not respond to the survey.

* **Chain Reaction** 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.³⁷



POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

brinker.com/suppliers/animalwelfare.asp

- Brinker states it is their goal to work with suppliers committed to upholding good welfare practices.
- Brinker aligns themselves 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 (i.e., absence of disease and injuries); (3) provides a good environment in terms of things like air quality, temperature and humidity; and (4) promotes good mental health (e.g., supports the expression of normal patterns of behaviour and minimises stress).
- Brinker is working with pork suppliers to phase out gestation stalls.
- In the short term, Brinker aims to drastically reduce the supply of pork products which have come from processors who use gestation crates.
- Over the next five to seven years, Brinker states that their goal is to ensure a substantial majority of their pork products are sourced from vendors who have committed to eliminating gestation stalls from farms they operate.
- No mention of other meat or poultry products.

Antibiotics policies

No publicly available policies on antibiotics use.



OUR COMMENTS

Brinker International's lack of policy regarding the use of antibiotics in livestock production is of concern. While we support antibiotic use for the treatment of sick animals, they should not be used to support irresponsible practices such as growth promotion or routine disease prevention for animals kept in overcrowded and unhygienic

conditions. We strongly encourage Brinker International to establish a comprehensive policy which includes a timeline to phase out routine, prophylactic use of antibiotics. Especially those which are critically important to human medicine, through out their supply chain.

COMPANY OVERVIEW

Sector Restaurants & Bars
Operates 1,500 restaurants, serves more than 320 m meals per day
Brands Include Olive Garden and LongHorn Steak House, amongst others

CEO Eugene Lee, Jr
Headquarters .. Orlando, USA
Listing NYSE: DRI
AGM October 2015



EXTERNAL RANKINGS

Business Benchmark on Farm Animal Welfare**

- **Darden Restaurant's 2015 ranking: Tier 4** (2014 ranking: Tier 5. ▲ 1).
- The improved ranking indicates that Darden is making progress in its implementation of policies.

Chain Reaction Report

- **Olive Garden ranked F (0% score)**
- Report found no found policies and Olive Garden did not respond to the survey.

* **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.³⁸



POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

[darden.com/citizenship/plate/sourcing#welfare](https://www.darden.com/citizenship/plate/sourcing#welfare)

- Darden state they take animal welfare very seriously. They state that they have a responsibility to ensure that animals are treated with respect and care in the process of providing nutritious food that is served in their restaurants.
- Darden supports the 'Five Freedoms' principles of animals, throughout the supply chain. Suppliers are audited on the basis of the 'Five Freedoms.'
- Darden has an established program which requires animal welfare certification by third-party auditors from all land-based protein suppliers. This guidance on humane animal treatment directs their practices and selection of, and relationship with, sourcing partners.

Antibiotics policies

[darden.com/citizenship/plate/sourcing#antibiotics](https://www.darden.com/citizenship/plate/sourcing#antibiotics)

- Darden 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. those use for both humans and animals) only be used for the treatment of disease in farm animals under the supervision of a veterinarian.
- Darden states that all of their land-based protein supply will meet the FDA guidelines by December 2016.

Supply Chain Policies

darden.com/citizenship/plate/sourcing

- Darden sources products from 1500 vendors in 10 countries in 10 countries around the world. Darden states that these vendors share its commitment to ethical business conduct; fair labour practices, proven environmental, health and safety practical; and animal welfare.



OUR COMMENTS

While we welcome Darden Restaurant's commitment to meet the U.S. Food and Drug Administration's (FDA) guidance on antibiotics use by December 2016, this does not yet represent a fully comprehensive policy concerning the use of antibiotics in livestock. Although the guidelines ban the use of antibiotics as growth promoters, and have brought the therapeutic use of antibiotics under the supervision of veterinarians, there remains a risk that the use of antibiotics important to human medicine for disease prevention will still

be possible. Although antibiotics should be used for the treatment of sick animals, they should not be used to support irresponsible practices such as routine disease prevention of animals kept in overcrowded and unhygienic conditions. As such, we strongly encourage Darden Restaurants to establish a comprehensive policy that includes a timeline for phasing out routine, prophylactic use of antibiotics, which are critically important to human medicine, across their global supply chain.

COMPANY OVERVIEW

Sector Restaurants & Bars

Headquarters.. Milton Keynes, UK

CEO David Wild

Listing FTSE: DOM

AGM April 2015



EXTERNAL RANKINGS

Business Benchmark on Farm Animal Welfare (BBFAW)

- **Domino's Pizza Group 2015 ranking: Tier 6** (New BBFAW entry 2015)
- Tier 6 ranking indicates that farm animal welfare is not on Domino's business agenda.



POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

corporate.dominos.co.uk/food-faq-s

- Domino's 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.
- Domino's 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.

Antibiotics policies

Domino's does not have a publicly available antibiotics policy in place.

Supply chain policies

corporate.dominos.co.uk/food-faq-s

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

Domino's Pizza Group's lack of policy regarding the use of antibiotics in livestock production is of concern. While we agree that antibiotics should be used for the treatment of sick animals, they should not be used to support growth promotion or for routine disease prevention in animals kept in

overcrowded and unhygienic conditions. Therefore we strongly encourage Domino's to establish a comprehensive policy regarding the use of antibiotics within their supply chain, which include a timeline for phasing out routine and prophylactic use of antibiotics through the supply chain.



No comprehensive and publicly available antibiotics policy

COMPANY OVERVIEW

Sector Restaurants & Bars

Operates 951 pubs

Headquarters.. Watford, UK

CEO John Hutson

Listing FTSE 250: JDW

AGM November 2015



EXTERNAL RANKINGS

Business Benchmark on Farm Animal Welfare (BBFAW)

- **J.D. Wetherspoon 2015 ranking: Tier 6** (2014 rank: Tier 5 ▼ 1)
- Tier 6 indicates that farm animal welfare is not J.D. Wetherspoon's agenda.



POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

jdwwetherspoon.com/investors-home/bsr/responsible-retailing

- They have a Farm Animal Welfare Policy which sets their our 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.
- J.D. Wetherspoon states they only use free range eggs.
- They have a 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.

- J.D. Wetherspoon states that where practicable they work with suppliers, contractors and partners to minimise the environmental impact and encourage sustainable sourcing.
- J.D. Wetherspoon states that suppliers are selected and then audited to monitor their compliance with this policy.
- This policy is not publicly available.

Antibiotics policies

jdwwetherspoon.com/investors-home/bsr/responsible-retailing

- States that they have a Farm Animal Welfare Policy which sets out their policies on a number of matters including the use of growth promoting substances and antibiotics.
- However the policy is not publicly available.



OUR COMMENTS

We welcome the fact that J.D. Wetherspoon has a farm animal welfare policy in place, which addresses the use of antibiotics.

Without making this policy publicly available however, it is impossible to ascertain the exact standard of J.D. Wetherspoon's policies.



COMPANY OVERVIEW

Sector Restaurant

Operates 36,000 locations in over 100 countries

Headquarters .. Chicago, IL

CEO Stephen J. Easterbrook

Listing NYSE: MCD

AGM May 2015



EXTERNAL RANKINGS

Business Benchmark on Farm Animal Welfare (BBFAW)

- **McDonald's 2015 ranking: Tier 2**
(2014 ranking: 2 – No change)
- A ranking of tier 2 indicates that farm animal welfare is integral to McDonald's business strategy.

Chain Reaction Report and Scorecard

- **McDonald's ranking: C (59% score)**
- 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 did not respond to the survey.



POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

aboutmcdonalds.com/mcd/sustainability/sourcing/animal-health-and-welfare/guiding-principles.html

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

McDonald's UK³⁹

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

McDonald's Europe⁴⁰

- McDonald's Agricultural Assurance Program (MAAP) and Flagship Farms [aboutmcdonalds.com/mcd/sustainability/sourcing/animal-health-and-welfare/issues-we-re-focusing-on/farm-animal-welfare.html] 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.
- McDonald's 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

McDonald's USA⁴¹

- McDonald's USA has bought more than 13 million cage-free eggs annually since 2011.

Antibiotics policies

aboutmcdonalds.com/content/dam/AboutMcDonalds/Sustainability/Antimicrobial_Stewardship_Vision.pdf

McDonald's provide global guidance to all of 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 program.
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 Europe⁴²

- 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.
- No evidence of a policy or statement regarding the use of antibiotics in meat production.

McDonald's USA

news.mcdonalds.com/US/Media-Statements/Response-to-Antibiotics-in-Chicken

- McDonald's has committed to stop using antibiotics important to human medicine in chicken production for McDonald's USA by March 2017.
- No evidence of a statement regarding the use of antibiotics in meat production.

Supply chain policies

McDonald's USA⁴³

- McDonald's state that 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.
- McDonald's state that where it does not have a dedicated supply, it 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 Europe⁴⁴

- 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.

Shareholder resolutions/targeted initiatives

Letter (2015)⁴⁵

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.

Shareholder Resolution (2015)⁴⁶

The Congregation of Benedictine Sisters, Sisters of St. Francis of Philadelphia, The Oneida Tribe of Indians Trust for the Elderly and As You Sow filed a shareholder resolution to call upon McDonald's to:

1. 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 prophylactic use for growth promotion and routine disease prevention).
2. Identify timelines for global implementation of Vision, including for meats currently not supplied by dedicated suppliers.



OUR COMMENTS

McDonald's 'Global Vision for Antimicrobial Stewardship' and recent commitment to stop using antibiotics important to human medicine in chicken production for McDonald's USA and Europe is a welcome step forward and shows leadership in comparison to industry competitors.

However, since very few antibiotics designated as 'critically important' are used by the poultry industry, this means the vast majority of medically important antibiotics are available for use. Therefore we 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 supply chain.

COMPANY OVERVIEW

Sector Restaurants & bars

Operates 1,600 pubs, bars and restaurants
throughout the UK

Brands Toby Carvery, All Bar One and Harvester

CEO Phil Urban

Headquarters .. Birmingham, UK

Listing FTSE 250: MAB

AGM 28 January 2016



EXTERNAL RANKINGS

Business Benchmark on Farm Animal Welfare (BBFAW)

- **Mitchells & Butlers (M&B) 2015 ranking: Tier 4** (2014 ranking: 6 ▲ two)
- Tier 4 ranking indicates that M&B's are making progress on implementation of policies in place.



POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

mbplc.com/aboutus/ourapproachtobusiness/workinginpartnership

Food purchasing and food trading

- M&B website states they regard the welfare of livestock as a matter of utmost importance.
- As part of the M&B Procurement Policy (managed by the Food and Purchasing team) M&B requires all suppliers of meat and poultry products to be reared in accordance with the Five Freedoms [webarchive.nationalarchives.gov.uk/20121007104210/http://www.fawc.org.uk/freedoms.htm], as developed by the Farm Animal Welfare Council.
- M&B states that all meat and poultry purchased is from animals meets the legal standards required for animal welfare in the source country (as a minimum).
- M&B works with accredited bodies (such as Red Tractor Assurance) to procure meat and poultry products.
- M&B have a partnership programme with some selected farmers, to purchase and rear calves under contract to meet M&B requirements. As part of this programme M&B work closely with Blade Farming, to select all its young calves from their specialised rearing units. These units are recognised by Compassion in World Farming for their strict adherence to higher welfare calf rearing standards.
- It is M&B policy that all products that contain shell egg, egg products and products with egg as a main ingredient are sourced from hens that have been reared in accordance with the requirements of Directive 1999/74/EC for the protection of laying hens. As such all hens providing whole/shell eggs for M&B are reared in free range systems.
- 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.

Antibiotics policies

mbplc.com/aboutus/ourapproachtobusiness/workinginpartnership/

Food purchasing and food trading

- M&B states that the use of growth promoters is not permitted in the production of livestock used to produce meat and poultry.
- M&B have no publicly available statement on the use of antibiotics for disease prevention.

Supply chain policies

mbplc.com/aboutus/ourapproachtobusiness/workinginpartnership/

Supply chain

- M&B state that it is their priority to source food products of the right quality at the right price, where the quality that they need can be guaranteed.
- M&B states that all growers are required to meet the Euro-Retailer Product Working Group's EurepGAP standard: an integrated agricultural assurance standard and covers food safety, occupational health and safety, environmental protection, biodiversity and animal welfare.



OUR COMMENTS

We warmly welcome the fact that Mitchells & Butlers' has the foundations of an antibiotics policy in place, as they do not permit the use of growth promoters in the production of livestock. However, the policy leaves the majority of medically important antibiotics available for use, especially in pig and poultry production. While antibiotics should be used for the treatment of sick animals, they should not be used to support irresponsible practices such as the

routine disease prevention for animals kept in overcrowded and unhygienic conditions.

There we strongly encourage Mitchells & Butlers to expand this foundation addressing antibiotics use into a comprehensive policy that includes a timeline for phasing out the routine and prophylactic use of antibiotics, which are critically important to human medicine, in their global supply chain.

COMPANY OVERVIEW

Sector Restaurants & Bars
Operates Over 19,000 restaurants in nearly 100 countries and US territories
Brands Tim Hortons and Burger King (independently operated brands)

CEO Daniel S. Schwartz
Headquarters .. Oakville, ON, Canada
Listing NYSE and TSX: QSR
AGM June 2015



EXTERNAL RANKINGS

Business Benchmark on Farm Animal Welfare (BBFAW)

- **Burger King 2012–2015 ranking: Tier 6** (2014 ranking: 6 – No change).
- Tier 6 indicates that there is no evidence that farm animal welfare is on Burger King's business agenda.

Chain Reaction Report and Scorecard

- **Burger King ranking: F (9% score).**
- Policy is available on line but the policy allows for the continued, routine use of antibiotics.
- Burger King did not respond to the survey.



POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

Restaurant Brands International

Website directs you to Burger King and Tim Horton's webpages.

Burger King (BKC)

bk.com/corp-respon

- Statement explains that Burger King's approach is stakeholder-driven, focused on four key areas – Food, People, Environment and Corporate Governance.
- Burger King continuously reviews their 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 U.S. company restaurants. Burger King plans to continue to increase our 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. BKC states it will continue to take steps to increase this.
- Animal welfare policy is not easily accessible on the website.

Tim Hortons

sustainabilityreport.timhortons.com/planet-supply-chain.html#manufacturing

- 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.

- Tim Hortons has a 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.
- Tim Hortons has also 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.

Antibiotics policies

Burger King

bk.com/corp-respon

- BKC states that their vendors and suppliers may use antibiotics only under the supervision of a licensed veterinarian and only in full compliance with all applicable regulatory requirements.
- BKC suppliers may not use antibiotics solely for growth-promotion purposes such as feed efficiency or weight gain.
- BKC producers must ensure that all unused antibiotics are disposed of properly.

Tim Hortons

No available policy on antibiotics or growth promoters.

Shareholder resolutions/targeted initiatives

Shareholder Resolution (2015):⁴⁷ 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 shareowners 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

Restaurant Brands International has agreed to publicly disclose policies regarding antibiotics use in their meat supply chain (for poultry, pork and beef), and has stated that this disclosure will include timelines for reaching the Company's goals regarding the use of antibiotics in chicken in Canada and the USA. 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 antibiotics across their global meat and poultry supply chain.⁴⁸

COMPANY OVERVIEW

Sector	Restaurants & Bars	CEO	Danny Breithaupt
Operates	500 restaurants and pubs in the UK's casual dining sector	Headquarters ..	London, United Kingdom
Brands	Chiquito Restaurant Bar and Mexican Grill, Frankie & Benny's, Garfunkel's and Joe's kitchen	Listing	FTSE 250: RTN
		AGM	May 2015



POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

trgplc.com/csr/quality

- The Restaurant Group's (TRG) Technical and Quality Team deals with the sourcing and traceability of their products
- TRG ensure all products lists comply with the TRG Food Policy.
- TRG's policy covers a number of issues including animal welfare and sustainable fish sourcing.
- TRG state that all meat and fish products are fully traceable to farm or catch.
- TRG state that they purchase a number of products to higher welfare standards such as Red Tractor and where possible source Marine Stewardship Council certified fish products.
- TRG Food Policy is not publicly available online.

Antibiotics policies

trgplc.com/csr/quality

TRG has no publicly available statement concerning the use of antibiotics.



OUR COMMENTS

TRG's lack of a policy regarding the use of antibiotics in livestock production is of concern. While antibiotics should be used for the treatment of sick animals, they should not be used to support irresponsible practices such as growth promotion or routine disease prevention for

animals kept in overcrowded and unhygienic conditions. Therefore we strongly encourage TRG to establish a comprehensive policy that includes a timeline for phasing out routine, prophylactic use of antibiotics, which are critically important to human medicine, across their global supply chain.



● Partially comprehensive and publicly available antibiotics policy

COMPANY OVERVIEW

Sector	Restaurants & Bars	CEO	Emil J. Brolick
Operates	More than 6,515 franchises and company restaurants in 30 countries.	Headquarters ..	Dublin, OH, USA
Brands	Wendy's and Arby's.	Listing	NASDAQ: WEN
		AGM	June 2015



EXTERNAL RANKINGS

Chain Reaction Report and Scorecard

- **Ranking of The Wendy's Company: F (scored 25%)**
 - 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 is testing the sale of chicken raised without antibiotics at select restaurants due to increased customer interest.
- **Ranking of Arby's: F (scored 0%)**
 - Arby's is owned by Roark Capital Group and The Wendy's Company.
 - Arby's did not respond to survey and there is no published policy online.



POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

wendys.com/en-us/about-wendys/animal-welfare-program

- Wendy's 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.
- Wendy's state that they are working with U.S. 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.
- 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.

Antibiotics policies

wendys.com/en-us/about-wendys/animal-welfare-program

- Wendy's stated that they believe 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.
- Wendy's state that they 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.
- Wendy's have committed to supporting veterinarians and optimizing animal care through evidence-based practices.

- Wendy's policy strictly prohibits 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.

Supply chain policies

- Wendy's state they use objective auditing program to monitor, verify and evaluate proper handling among U.S. 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 U.S. Five independent processors supplied all of Wendy's chicken in the U.S., one of which is O.K. Foods.

Shareholder resolutions/targeted initiatives

Shareholder resolution (2015):⁴⁹

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

The Wendy's Company has agreed to continue good faith dialogue with As You Sow and to publish an update to their policy on antibiotics in the meat supply chain by the end of 2016, including specific steps and/or timelines for achieving their goals related to this. We encourage The Wendy's

Company to fulfil this promise and recommend that they put in place a fully comprehensive policy, which includes a timeline for phasing out the routine, prophylactic use of antibiotics across their global supply chain.⁵⁰

COMPANY OVERVIEW

Sector Restaurants & Bars
Operates Approximately 41,000 restaurants in around 125 countries and territories.
Brands KFC, Pizza Hut and Taco Bell.

CEO Greg Creed
Headquarters .. Kentucky, USA
Listing NYSE: YUM
AGM May 2015



EXTERNAL RANKINGS

Business Benchmark on Farm Animal Welfare (BBFAW)

- **Yum! Brands 2015 ranking: Tier 5** (2014 ranking: Tier 4 ▼ 1).
- A tier 4 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 and KFC were both ranked F (0% score).**
- No publicly available policy on antibiotics or policies in place allow for the continued, routine use of antibiotics.
- Survey was unable to find any policies on antibiotics use for either Taco Bell or KFC.



POLICIES AND STATEMENTS AVAILABLE ON WEBSITE

Animal welfare policies

yumcsr.com/food/animal-welfare.asp

- Yum! Brands states they work closely with the Animal Welfare Advisory Council
- Yum! Brands' goal is to work only with suppliers that demonstrate and maintain compliance with animal welfare practices
- Yum! Brands has a global Animal Welfare Program. The program makes provision for adjustments to cover local needs and regulations.

Yum! Brands Guiding Principles

Only apply to poultry suppliers for Yum! USA. They focus on:

- Animal treatment.
- Partnership with industry experts.
- Ongoing training and education.
- Performance quantification and supplier improvement.
- Communication with industry leaders.

KFC UK

- KFC UK Achieved Red Tractor certification for Yum! Brands British chicken on the bone.
- KFC UK was 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

yumcsr.com/food/animal-welfare.asp

- Yum! Brands recently decided to eliminate the use of antibiotics 'critically important' to human medicine in their poultry supply chain by the end of 2016.
- KFC, Pizza Hut and Taco Bell have committed to sourcing chicken in the U.S. from animals raised without antibiotics that are critically important to human medicine by the end of 2016.

Shareholder resolutions/targeted initiatives

18 November 2015⁵¹

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

28 January 2016⁵²

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 Yum! Brands' decision to eliminate antibiotics 'critically important' to human medicine in its chicken supply and the message it sends. However, since very few antibiotics designated 'critically important' are used by the poultry industry, this leaves most medically

important antibiotics available for use.

We encourage Yum! Brands' to expand this solid foundation into a more comprehensive policy that includes a timeline for phasing out routine, prophylactic use of antibiotics across their global supply chain.

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ABOUT FAIRR

Farm Animal Investment Risk & Return (FAIRR) 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.

ABOUT SHAREACTION

ShareAction (Fairshare Educational Foundation) is a registered charity that promotes Responsible Investment. ShareAction believes that Responsible

Investment helps to safeguard investments as well as securing environmental and social benefits.

Disclaimer

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