IFC Practices for Sustainable Investment in Private Sector Livestock Operations

IFC'S APPROACH

PRESENTED AT THE 2022 GASL MEETING, DUBLIN

PARTNER
IFC OVERVIEW – WHO WE ARE
OVERVIEW: WHO WE ARE

IFC: the largest global development institution focused on the private sector in developing countries

The International Financial Corporation (IFC) is the private sector arm of the World Bank Group, investing in emerging markets since 1956:

- More than $321 billion invested since our founding in 1956
- Leveraging the full range of World Bank Group capabilities
- AAA credit rating; owned by 185 countries
- Provides investment, advice, resource mobilization
- Offices in nearly 100 countries

Mobilizing the Private Sector & Creating Markets

- Engage in difficult environments and mobilize private finance enabling a development impact beyond its direct resources.
- **Sustainability**: IFC is an investor focused on development impact and climate change. Promoter of environmental, social, and corporate governance standards.
- Create, deepen, and expand markets where they are weak or do not currently exist.
- Maximize the financing available in areas with the most needs.
OVERVIEW: WHO WE ARE

296 new projects committed in 2022

In FY 2022, IFC committed US$ 23.2bn in new projects

- Own account: US$ 12.6bn
- Mobilization: US$ 10.6bn

AS OF JUNE 30, 2022

IFC’s disbursed portfolio stood at US$ 45.1bn

BY INDUSTRY

- Finance & Insurance: 15%
- Collective Invstm. Vehicles: 4%
- Electric Power: 4%
- Chemicals: 4%
- Transportation & Warehousing: 3%
- Agriculture & Forestry: 4%
- Construction & Real Estate: 10%
- Wholesale & Retail Trade: 3%
- Industrial & Consumer Products: 4%
- Natural Resources: 5%
- Others: 41%
IFC has a $4.1B active portfolio in 242 agribusiness projects across the developing world
Global Expertise: Sustainable Protein
Currently IFC has a portfolio of 66 investments in animal proteins, totaling $1 billion

IFC’s Sustainable Protein Advisory Services provides technical assistance to livestock companies in IFC’s portfolio and pipeline.

SAMPLE OF CLIENTS
IFC PRACTICES FOR SUSTAINABLE INVESTMENT IN LIVESTOCK OPERATIONS
Background

Rising incomes, changing diets, and increasing global population have made the livestock sector one of the fastest-growing agricultural subsectors in middle- and low-income countries.

The increase in meat and dairy consumption is leading to significant sustainability challenges—including a rise in greenhouse gas emissions, an increase in land conversion, more risks of deforestation and loss of biodiversity. There are also concerns related to the production of meat and dairy, such as biosecurity, animal welfare, and antimicrobial use.

In response to the growing demand for proteins and these sustainability challenges, it is imperative that both the public sector and industry follow a sustainable growth path.
IFC Performance Standards
The standards that the client is to meet throughout the life of an investment by IFC

IFC’s Sustainability Policy and Performance Standards provide a comprehensive E&S framework that defines IFC clients' responsibilities for managing their environmental and social risks.

IFC Practices for Sustainable Investments in Livestock Operations complements the IFC Performance Standards to cover areas specific to livestock operations.
The rationale for the Practices for Sustainable Investment in Livestock Operations

The Practices seek to communicate why and how IFC’s investment approach ensures its investees adhere to good industry practices in their locality.

They do not change the way IFC invests in the animal protein sector, but rather seek to communicate how we approach due diligence of a new investment.
IFC PRACTICES FOR SUSTAINABLE INVESTMENT IN LIVESTOCK OPERATIONS

The Practices have been benchmarked against 30 major standards and certifications in the animal protein sector

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IFC invests in livestock companies that:

1. Implement robust animal health management and biosecurity protocols
2. Implement prudent and responsible use of veterinary antimicrobials and medicines
3. Implement an Animal Welfare Management System
4. Promote Decarbonization Pathways and Enhance Climate Resilience of Operations
5. Prevent the loss of biodiversity
6. Provide safe food
7. Respect relevant national laws and regulations
PRACTICE 1: Implement robust animal health management and biosecurity protocols

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

IFC requires investee companies to develop, adopt, and document Animal Health Management protocols and biosecurity protocols, as well as to have competent veterinary personnel in charge of animal health.

CASE STUDY

Suguna (India)

Suguna Foods, a long-term client of the IFC, is a fully integrated poultry enterprises, which contracts over 40,000 small-scale farmers in India. Suguna’s contract farming model removes the market risk for farmers by providing all inputs and off-taking birds. Farmers receive veterinary services and hands-on training in good biosecurity practices.
IFC invests in livestock companies that are committed to the principle of responsible and prudent use of veterinary antibiotics and medicines to mitigate the development of antimicrobial resistance.

**CASE STUDY**

**EthioChicken (Ethiopia)**

EthioChicken, an IFC client, is a poultry company in Ethiopia that specializes in the sale of dual-purpose chickens. IFC is supporting the company in developing and adopting the first Corporate Antimicrobial Stewardship Policy in Ethiopia.
PRACTICE 3: Implement Animal Welfare Management System codified by credible standards

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

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IFC requires investee companies to commit to apply credible, recognized global, regional, or national standards and assesses animal welfare and husbandry management practices accordingly.

IFC can also require investee companies to pre-assess the investment project’s conformity to applicable standards. In specific situations where industry practices limit compliance, as part of pre-investment due diligence, IFC will put in place a transition plan with specified cut-off dates.

CASE STUDIES

Nyva (Ukraine)

Nyva is the second largest industrial pork producer in Ukraine. As a requirement of IFC’s first investment in 2015, Nyva began their transition to group housing, which resulted in better reproductive health and new export opportunities for the company.
PRACTICE 4: Promote Decarbonization Pathways and Enhance Climate Resilience of Operations

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

IFC’s Approach

To achieve our Paris Agreement alignment commitment, IFC expects its investee companies to lower GHG intensity and adopt climate resilience practices. This includes adopting innovative technologies and renewable energy solutions; reducing feed losses and managing waste appropriately; planning for adaptation to physical climate change risks; and making investments to reduce the negative impact on the environment of livestock operations.

Case Study

Zambeef (Zambia)

IFC has supported Zambeef’s decarbonization commitment by helping the company to establish GHG emission baselines and build internal capacity to assess and identify decarbonization opportunities in their livestock and meat processing operations.
PRACTICE 5: Prevent the loss of biodiversity

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

IFC’s APPROACH

Based on the biodiversity risks, IFC requires investee companies to mitigate the impacts of their operations and develop a Sustainability Sourcing Policy to ensure their producers are not causing significant conversion of natural habitats.

CASE STUDY

Louis Dreyfus Company (Brazil)

Louis Dreyfus Company (LCD) has committed to eliminate deforestation and conversion of native vegetation of high conservation value from its supply chains by the end of 2025. IFC’s investment supports a portfolio of soy and corn LCD farmer suppliers in Brazil that are committed to zero deforestation.
IFC invests in livestock companies that use a food safety management system to consistently deliver safe meat and dairy products to the market.

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IFC requires investee companies to have a management system that ensures safe food practices throughout the value chain, including managing physical, chemical, residual antibiotic, and biological contaminant risks related to food safety.

CASE STUDY

Pearl Dairy (Uganda)

Pearl Dairy, an IFC client in Uganda, strengthened its food safety management system with IFC's advisory support. This allowed the company to establish itself as the fastest growing dairy company in East Africa and to provide safe food to its customers in several African countries.
PRACTICE 7: Respect relevant national laws and regulations

IFC invests in livestock companies that conduct business legally and responsibly. This requires that the business complies with all applicable laws and regulations, including but not limited to respecting human rights, environmental protection, labor relations, worker occupational health and safety, resource efficiency based on international good practices, and legislation. The legislation should relate to the principles of food safety, animal health management, biosecurity, veterinary antimicrobials and medicines, animal welfare, greenhouse gas emissions, and biodiversity. This applies even in markets where these laws are inadequately enforced.

IFC expects its investee companies to ensure that their staff understand and respect national laws, regulations, policies, and standards that affect its business.

IFC’S APPROACH

IFC expects its investee companies to understand and follow the laws and standards that affect the organization, wherever it operates, and to train staff accordingly. Investees are also required to display licenses publicly and show regular compliance to local authorities of the terms and conditions of the environmental license.
Conclusion

IFC’s approach to investing in livestock companies is based on identifying and supporting sustainability in companies’ activities, and we recognize that the best way is through specific practices that enhance animal health and welfare, protect the environment, promote food safety, and respect relevant regulations and laws.

IFC is the first major financial institution globally to come to the market with a clear position on what constitutes a sustainable investment in animal protein production—a sector where financial intermediaries are facilitating an estimated $USD100bn of investment each year.

Through its investments, IFC has proven that sustainability can be a driver for better financial performance and is keen to share its set of practices in investing in livestock operations both with policy makers and with peer financial institutions.
IFC's PRACTICES FOR SUSTAINABLE INVESTMENT IN LIVESTOCK OPERATIONS

FIND OUT MORE

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