FMO
Entrepreneurial
Development
Bank

POSITION STATEMENT ON ANIMAL WELFARE

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1. Introduction

FMO is the Dutch entrepreneurial development bank. Since 1970, it has been a driving force behind investments that enable entrepreneurs to increase inclusive and sustainable prosperity in emerging markets and developing countries.

By engaging with underserved markets, FMO invests in some of the world's most challenging business environments and economies, many of which have fragile private sectors, limited job security, and high poverty rates.

2. FMO Vision & Strategy

FMO envisions a world where, by 2050, more than nine billion people live well within planetary boundaries[1].

FMO is committed to promoting inclusive and sustainable economic growth and addressing inequalities in emerging markets and developing countries—both of which are essential for reducing poverty.

FMO strives to create value, opportunities, and development impact[2] through its investments and works closely with customers and financing partners to manage—including avoiding and mitigating, and, where not possible, minimizing—potential and actual negative impacts on people and the environment. It also aims to ensure that this development impact is sustained without compromising resources for future generations.

FMO aims to maximize its development impact and contribution to the United Nations Sustainable Development Goals (SDGs) by focusing on three priorities where it can have greatest impact: SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities, and SDG 13: Climate Action.

[1]For further information on FMO's vision and strategy, refer to FMO's Impact webpage.

[2]Development impact is the overall positive impact that FMO's investments and activities have, either primarily or secondarily, on people and environment.

3. FMO Position Statement on Animal Welfare

The Position Statement on Animal Welfare is an integral part of FMO's Sustainability Policy Universe—a comprehensive policy framework that defines FMO's approach to financing development impact and addresses environmental, social, and governance (ESG) and human rights impact[3] across its investment portfolio.

FMO's Position Statements are supplementary to the Sustainability Policy and are not stand-alone policy documents. They provide further context on FMO's sustainability choices, as well as additional policy requirements in relation to major global sustainability issues, specific themes, and investment sectors. Additionally, they outline how FMO selects investments, works with customers and other stakeholders, and monitors customers' ESG performance.

The Position Statements also underpin FMO's commitment to responsible business conduct by upholding high standards of ethics and integrity—including transparency and accountability in FMO's investment actions and decision-making—which safeguard its assets and reputation.

FMO's approach to sustainability is shaped by many factors and continues to evolve as part of an ongoing process. This process involves monitoring and responding to changes in the broader context in which it operates, continuously engaging with stakeholders, effectively addressing dilemmas and challenges in order to uphold its commitments, and taking appropriate steps based on lessons learned.

Consequently, the Position Statement on Animal Welfare is a living document that is regularly reviewed and updated over time[4].

[3]FMO has updated the language in the Sustainability Policy Universe to align with the terminology and definitions in the ESRS 2 'double materiality assessment' (DMA) regarding "impact" and "impact materiality." The DMA helps FMO identify which sustainability-related matters are material from an impact and/or financial perspective and therefore need to be included in its reporting under the EU Corporate Sustainability Reporting Directive (CSRD). A sustainability-related matter is considered material from an impact perspective when it relates to FMO's potential or actual—positive or negative—impacts on people or the environment over the short, medium, and long term.

[4]This Position Statement was approved by FMO's Management Board on 27 March 2018. It was last in updated April 2026.

3.1. Animal Welfare

FMO considers animal welfare to be an important dimension of sustainable economic development.

Aligned with scientific thinking, FMO believes that animals are sentient beings capable of feeling pleasure and pain. Therefore, animal welfare is important from the animal's perspective. Furthermore, animal welfare is inextricably linked to other sustainability issues, such as food security, human health, and environmental pressures on ecosystems. Additionally, there is a business case for upholding animal welfare standards, as safeguarding animal welfare can increase productivity by reducing animal morbidity and mortality, and create opportunities in markets where retailers and consumers prioritize animal welfare.

The internationally recognized principles referred to as the Five Freedoms[5] underpin much of the dialogue on animal welfare and are referenced in many guidelines, recommendations, and legislation, including the World Organisation for Animal Health (WOAH) Terrestrial Animal Health Code and the OECD-FAO Guidance for Responsible Agricultural Supply Chains. According to the Five Freedoms, an animal should be: free from hunger and thirst (including malnutrition); free from discomfort (including heat stress); free from pain, injury, and disease; free to express normal behavior; and free from fear and distress.

While animal welfare was once viewed primarily from the animal's perspective—using the Five Freedoms as a key framework—it is now increasingly recognized that cultural and ethical considerations should also be taken into account. An important concept in this context is the intrinsic value of animals, which refers to the value an animal possesses in its own right, beyond any value it represents to its owner or humans in general. From an ethical perspective, FMO acknowledges that animals have intrinsic value.

3.2. FMO Approach

FMO recognizes that in many countries where it operates, animal welfare regulation and enforcement are weak or non-existent. Nevertheless, FMO is committed to safeguarding the welfare of animals within its investment portfolio.

[5]The Five Freedoms principles were originally established by the UK Government's Animal Welfare Committee (AWC)—formerly the Farm Animal Welfare Council (FAWC)—and have been widely adopted across sectors.

The principles and standards that primarily guide FMO's approach to animal welfare include:

- Five Freedoms,
- WOAH Terrestrial Animal Health Code[6],
- WOAH Aquatic Animal Health Code[7],
- WOAH 11 General Principles for the Welfare of Animals in Livestock Production Systems, and
- International Finance Corporation (IFC) Good Practice Note: Improving Animal Welfare in Livestock Operations.

The IFC Good Practice Note: Improving Animal Welfare in Livestock Operations describes a range of animal welfare good practice and complements the IFC Performance Standards on Environmental and Social Sustainability. It covers genetics and breed selection, animal health, husbandry practices[8], stockmanship, quality assurance, feed and water, housing systems, transport, slaughter, and aquaculture. FMO also may use elements of relevant EU regulation to further interpret the IFC's guidance.

As animal and human health are intrinsically linked, FMO advocates the prudent and responsible use of antimicrobials in animal production systems, in line with WOAH recommendations[9], and does not support the use of antibiotics for animal growth promotion.

FMO considers a number of animal husbandry systems and practices to be incompatible with the Five Freedoms and the concept that animals have intrinsic value. The systems and practices considered unacceptable to FMO[10] include: non-enriched battery cages for chickens; tethering sows; individual stall housing for sows during the entire gestation period; individual pen housing for veal calves after the age of eight weeks; force-feeding geese and ducks; keeping

[6]Section 7: Animal Welfare provides general and species-specific guidance on the transport of animals by sea, land, and air (Chapters 7.2 to 7.4), Animal Welfare During Slaughter (Chapter 7.5), Animal Welfare and Beef Cattle Production Systems (Chapter 7.9), Animal Welfare and Broiler Chicken Production Systems (Chapter 7.10), and Animal Welfare and Dairy Cattle Production (Chapter 7.11).

[7]Section 7: Welfare of Farmed Fish provides general guidance on the transport of farmed fish, stunning or killing for human consumption, and killing for disease control.

[8]As per IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

[9]As per Section 6: Veterinary Public Health of the Terrestrial Animal Health Code and Section 6: Antimicrobial Use in Aquatic Animals in the Aquatic Animal Health Code.

[10]Relevant EU regulation provides the basis for FMO's unacceptable animal husbandry systems and practices.

animals exclusively for fur or leather production; and the production and keeping of genetically modified animals. FMO will not make investments that substantially involve any of these systems or practices.

3.3. FMO Implementation

When a direct investment in a corporate substantially involves animals, FMO considers the potential and actual negative impacts on animal welfare. Such investments may include those where the purpose of the investment is animal production or transportation; where the corporate derives a substantial part of its revenue from animal production or transportation; and investments in slaughterhouses.

As part of its due diligence, FMO conducts an animal welfare assessment for these investments. This assessment verifies whether the customer's practices comply with the relevant and applicable local laws and regulations, and evaluates them against the standards and principles listed in Section 3.2: FMO Approach. It also assesses the presence of any animal husbandry systems and practices deemed unacceptable to FMO.

For direct investments in corporates with substantial direct involvement of animals, FMO requires customers to develop a specific Animal Health and Welfare Plan, which describes the customer's approach to animal health and welfare.

The plan should comply with ISO/TS 34700:2016 - Animal Welfare Management — General Requirements and Guidance for Organizations in the Food Supply Chain[11], or an equivalent standard, and identify a number of relevant animal health and welfare indicators, including, but not limited to mortality, morbidity, signs of aggression, damage or injury, and species-specific behavior.

Where negative impacts, or gaps in the management of such impacts are identified, FMO and the customer may agree on measures and actions to address these impacts or performance gaps. In those cases, these measures and actions—agreed upon prior to contracting—are formalized and implemented through an Environmental and Social Action Plan (ESAP). The

[11]ISO/TS 34700:2016 provides requirements and guidance for the implementation of the animal welfare principles described in the introduction to the recommendations for animal welfare of the WOAH Terrestrial Animal Health Code (Chapter 7.1).

objective of this action plan is to support alignment with the Sustainability Policy and applicable ESG principles and standards within a reasonable time frame, and at a minimum throughout the tenor of the financing or the lifetime of the investment.

FMO monitors the implementation of the plan and requires customers to report on the animal health and welfare indicators, taking appropriate measures and actions when gaps in performance are identified. FMO may also support customers in implementing their action plans through Technical Assistance.

For direct investments in corporates whose primary supply chains rely substantially on animal products, FMO requires customers to identify potential negative impacts on animal welfare within these supply chains. Where the customer can reasonably exercise control within the commercial, regulatory, and cultural context, FMO expects collaboration with primary suppliers to achieve outcomes aligned with FMO's approach to animal welfare.

For indirect investments through financial intermediaries, FMO requires customers to identify investments with substantial exposure to negative impacts on animal welfare, assess the likelihood and materiality of those impacts, and establish procedures to achieve outcomes aligned with FMO's approach.

4. Stakeholder Feedback

FMO considers stakeholder feedback an integral part of policy development and strives to ensure that its policies are ambitious, relevant, realistic, and enforceable; contribute to societal needs; and underpin its license to operate.

FMO welcomes feedback on its position statements, which can be submitted by email to consultation@fmo.nl.

Appendix I: FMO's Sustainability Policy Universe

The Sustainability Policy Universe is a comprehensive policy framework that defines FMO's approach to financing development impact and addresses environmental, social, and governance (ESG) and human rights impacts across its investment portfolio.

The Sustainability Policy Universe consists of the following documents:

- Sustainability Policy;
- Exclusion List; and
- Position Statements
  - Combined Position Statement on Fossil Fuels
  - Position Statement on ESG Impact and Financial Intermediaries
  - Position Statement on Human Rights
  - Position Statement on Gender Equality
  - Position Statement on Land Governance
  - Position Statement on Hydropower
  - Position Statement on Responsible Tax
  - Position Statement on Animal Welfare

The Sustainability Policy defines FMO's commitment to achieving development impact and serves as a guide for its investment decisions and actions.

The Exclusion List is an EDFI-harmonized document that defines activities that FMO will not finance or support, directly or indirectly.

The Position Statements are an integral part of the Sustainability Policy Universe and are supplementary to the Sustainability Policy. They are not stand-alone policy documents; however, they provide additional context on FMO's sustainability choices, as well as additional policy requirements in relation to major global sustainability issues, specific themes, and investment sectors. Additionally, they outline how FMO selects investments, works with customers and other stakeholders, and monitors customers' ESG performance.