

# WORKING CONDITIONS: UNPACKING LABOUR RISKS IN GLOBAL MEAT SUPPLY CHAINS

## WHY ENGAGE?

Livestock workers and their communities face over **51% to 75% higher contagion rates for COVID-19** and **37% to 50% more deaths**.<sup>1</sup> The pandemic has highlighted that the high risk faced by these workers is not only linked to the labour-intensive nature of the job and plant ergonomics,<sup>2</sup> but also that the current labour management strategies of protein producers exacerbate this risk across the supply chain.<sup>3</sup>

The industry's heavy reliance on labour amplifies the material impact that human capital issues have on the business. COVID-19 has shown how **failing to protect meat workers drives labour shortages that cause immediate material damages to producers**, including unexpected costs, contracted production capacity, and disruption to operations and food supply chains globally.<sup>4</sup> Meat producers around the world are now facing fines, prosecution investigations, employee litigation,<sup>5</sup> greater regulation specific to labour management in the industry,<sup>6</sup> and even bans on imports to leading consumer markets like China for fear of food contamination.<sup>7</sup>

Therefore, there is a **clear need to strengthen the labour standards and corporate practices of animal protein producers beyond the pandemic to mitigate labour risk in the industry**. This is particularly relevant in the face of broader industry trends that pose serious human capital challenges, such as the transition to a green economy and automation.

Strong labour management strategies will be instrumental in defining the social impact of future food production.

Long-term management of labour risk among meat producers across regions (beyond the COVID-19 emergency) is not currently addressed with existing investor engagements. Analysis by the FAIRR Initiative has shown that **even where labour policies are compliant with the International Labour Standards (ILS),<sup>8</sup> animal protein companies are not disclosing clear evidence of enforcement and tracking, thus reducing the ability of investors to monitor the effectiveness of risk management systems.**

## OBJECTIVE

- This engagement aims to tackle underlying labour issues that prevent effective labour risk management in both the meat industry and its supply chain.
- Labour experts interviewed by FAIRR have consistently pointed out that the most effective way to address structural labour risks in the meat sector is through elevating 'worker voice', i.e., **improving the ability of workers to communicate risks to the company.**



# ENGAGEMENT THEMES

Building on expert feedback, we have identified three key areas where elevating ‘worker voice’ can mitigate labour risk: **Health & Safety, Fair Working Conditions** and **Worker Representation**. These areas also align with the Working Conditions risk factor in the Collier Protein Producer Index. **For each key area, we identify two strategic elements for mitigating labour risk:**

	HEALTH & SAFETY	FAIR WORKING CONDITIONS	WORKER REPRESENTATION
Strategic element 1	Grievance mechanisms	Contractual agreements	Increase representation
Strategic element 2	Sick pay	Board oversight	Broader industry trends

- Our engagement themes and asks have been informed by 11 interviews with investors, all of whom have experience in engaging companies on human capital, and 15 subject matter experts on the most effective way to improve corporate performance and disclosure on labour risk.
- We have also developed our asks by analysing the reporting of target companies on labour issues to identify common gaps in corporate disclosure. Across company labour policies, reported evidence of policy enforcement and disclosed labour metrics, we found that companies fail to address the issues raised in this engagement, which suggests significant blind spots in their management of workers.

- The asks in this engagement are aligned with existing international labour laws and reference frameworks including the ILS and other International Labour Office (ILO) conventions and recommendations, the UN Guiding Principles on Business and Human Rights (UNGPs), the Ethical Trading Initiative (ETI), and the Global Reporting Initiative (GRI).

## A GLOBAL APPROACH

We are taking a global approach that goes beyond the meatpacking COVID-19 hotspots. While our targets include companies in the USA, Brazil and Europe, we are also targeting a company in China, where the Collier FAIRR Protein Producer Index identifies several companies as ‘High Risk’ for Working Conditions. Despite Asia having virtually no international media coverage of COVID-19 outbreaks in meat production, we have found that producers fail to address similar labour issues, which creates significant risks for the industry.



1 Based on US data and analysis <https://www.pnas.org/content/117/50/31706>

2 Current ergonomics require large groups of workers to stand close to each other in enclosed facilities at low temperatures, and with limited ventilation. The speed of production lines is a key ergonomic factor that influences the distance between workers as well as their safety in the production process.

3 <https://www.bmj.com/content/370/bmj.m2716> ; <https://www.hrw.org/news/2020/04/24/us-meatpacking-workers-face-crisis-slashed-safety-protections-during-pandemic>

4 <https://ahdb.org.uk/news/covid-19-to-push-global-meat-production-down-in-2020> ; <https://www.poultryworld.net/Meat/Articles/2020/7/Covid-19-disrupts-poultry-production-chain-617386E/>

5 <https://www.wsj.com/articles/families-file-first-wave-of-covid-19-lawsuits-against-companies-over-worker-deaths-11596137454>

6 <https://uk.reuters.com/article/us-health-coronavirus-germany-meatpackin/germany-to-ban-subcontracting-in-meatpacking-industry-after-virus-outbreaks-idUKKBN22R1J6>

7 <https://www.thepigsite.com/news/2021/01/china-suspends-imports-from-brazilian-pork-plant-due-to-covid-19-concerns>

8 <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm>

# TARGET COMPANIES

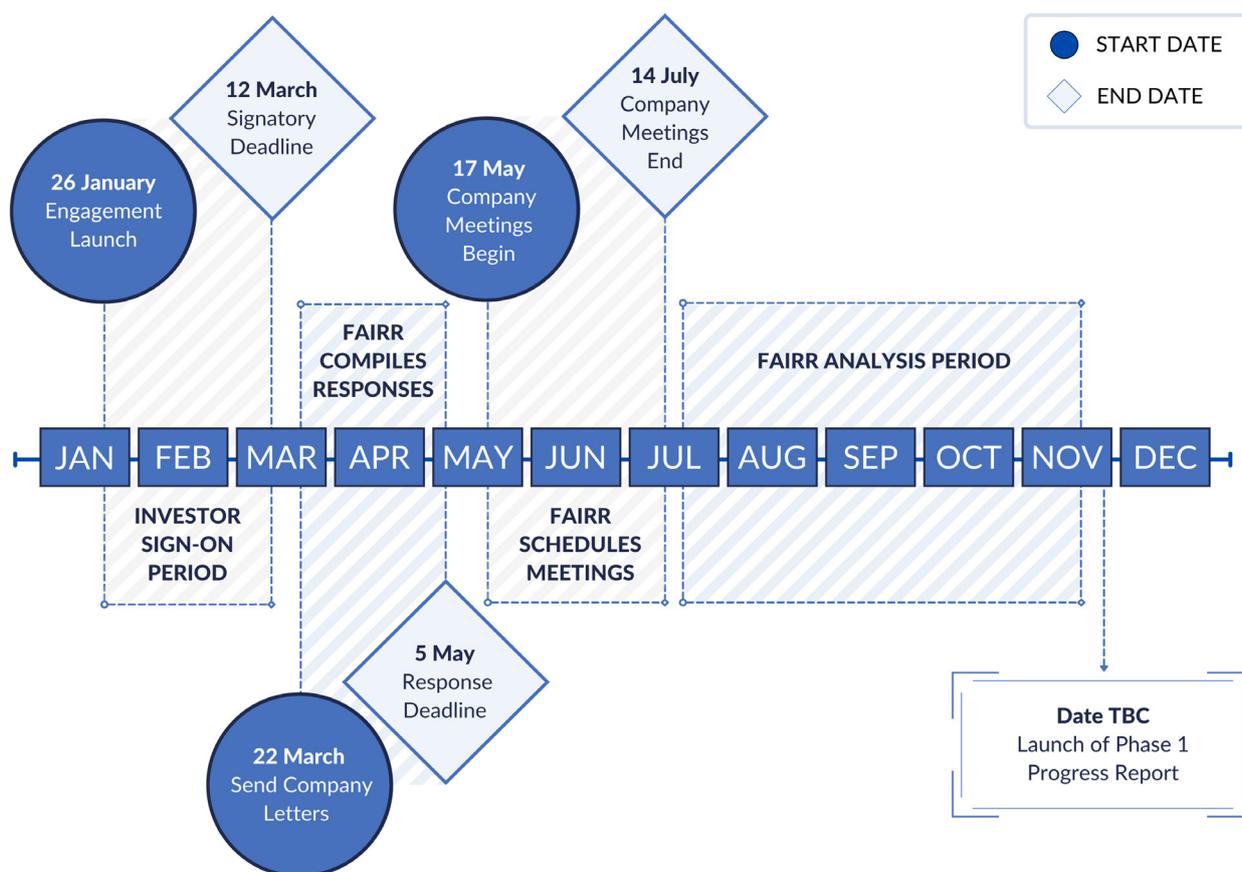
Focusing on four distinct regions, this engagement will target seven of the world's largest animal protein producers, which are outlined in the table below:

<p><b>UNITED STATES</b></p> 	<p><b>BRAZIL</b></p> 	<p><b>UNITED KINGDOM</b></p>  <p><b>CHINA</b></p> 
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# ENGAGEMENT TIMELINE

This engagement will run for three years and provide annual assessments of target company performance.

## TIMELINE FOR PHASE 1: JANUARY-NOVEMBER 2021



# PROPOSED ENGAGEMENT ASKS

Target companies will be asked to respond to the following questions, as well as meet with the signatory group.

A. HEALTH & SAFETY SUPPORTING EMPLOYEES' ABILITY TO REMOVE THEMSELVES FROM HARM		
A1. Grievance Mechanisms <sup>9</sup>	1.	How does the company ensure that legitimate <sup>10</sup> grievance mechanisms are available and accessible to all workers (i) regardless of their employment contract, (ii) across all relevant operating markets and (iii) in its supply chains?
	1.a	Please describe the specific actions that the company undertakes on a regular basis to evaluate the effectiveness of these mechanisms beyond employee training. For example: periodic meetings with workers or their representatives to share data analysis and survey results.
	2.	How does the company categorise and report grievances, and what is the distribution of reported grievances across all categories? <sup>11</sup>
	2.a	Please indicate what grievance mechanisms cover health and safety reports/complaints, and violations of workers' rights (i) across operating markets and (ii) in the company's supply chain.
A2. Sick Pay Entitlement	1.	Does the company permanently provide paid sick leave to all workers, including subcontracted and temporary workers across operating markets, regardless of whether this provision is included in the national legislation? If not, please elaborate.
	2.	Regarding the company's wider employee incentive schemes, please elaborate on the factors on which these incentives are based. For example, elements conditional on attendance, such as bonuses tied to a 100% attendance rate. <sup>12</sup>

B. FAIR WORKING CONDITION: OVERSIGHT OF SUBCONTRACTED AND TEMPORARY EMPLOYMENT		
B1. Distribution of Labour	1.	What is the distribution of workers across the different types of employment contracts, including temporary and agency workers, by operating market, across the company's operations? For example, permanent direct hire, temporary direct hire, contractors and workers employed through agencies.
B2. Oversight of Governance Structure	2.	What information is reported on a quarterly basis to Board members on the company's workforce, disaggregated by type of employment contract?

C. WORKER REPRESENTATION: IMPROVING REPRESENTATION ACROSS OPERATIONS		
C1. Increase Worker Representation	1.	What steps is the company taking to support and increase worker representation (i) through internal committees and at the board-level, and (ii) externally through legitimate trade unions.
	1.a	Where the right to freedom of association is restricted under law, are there alternative structures for worker representation?
	2.	How many workers are covered by collective bargaining agreements with the company? Please disaggregate the data by country of operation, plant, type of contract, and the names of the organisations representing your workers.
	3.	For operations in China, we understand that workers belong to a union affiliated with the All China Federation of Trade Unions (ACFTU). <sup>13</sup> How does the company coordinate with the union to safeguard the legitimate rights and interests of workers in line with Article 6 of China's Trade Union Law? <sup>14</sup>
C3. Engaging Workers on Industry Trends	1.	How is the company assessing the impact of (i) automation and (ii) climate change on its workforce?
	2.	How and with what frequency does the company engage workers or their representatives in discussions about the company's strategy in relation to (i) automation and (ii) climate change?

# INVESTOR PARTICIPATION

Below, we outline what investors can expect when signing-on to this engagement, which is open to all Investor Members of the FAIRR Initiative. For details on how to join the FAIRR network, please refer to the [Member Terms of Reference](#).

- Throughout this engagement, FAIRR will provide resources ahead of company meetings.
- Meeting notes will be made available to all investor signatories after each company meeting.
- FAIRR is responsible for setting up company meetings and will join all meetings as a facilitator.
- Participating investors will be expected to establish company contacts where FAIRR fails to do so.
- Investors can take two roles in this engagement: leading investor or supporting investor.

## LEADING INVESTOR ROLE

- There is one leading investor per target company.
- The leading investor needs to have an understanding of the issue.
- This investor will lead the Q&A in the meeting with the company.
- If the target company is not responsive, we may reach out to the leading investor to remind the company to reply.
- The investor leading the discussion will already have a relationship with the target company prior to this engagement. They will also be willing to leverage this relationship to support this initiative.

## SUPPORTING INVESTOR ROLE

- The supporting investor must state their explicit interest to join company meetings.
- FAIRR cannot guarantee that the supporting investor will join all meetings of interest. The aim is to have a maximum of four investors at each meeting to ensure a targeted and candid conversation. Where possible, FAIRR will ensure that the supporting investor receives an invite to join the call the following year.

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9 The UNGP framework defines grievance mechanisms as “any routinized, State-based or non-State-based, judicial or non-judicial process through which grievances concerning business-related human rights abuses can be raised and remedy can be sought.” To ensure the effectiveness of operational-level grievance mechanisms administered by the company, they should be (a) legitimate, (b) accessible, (c) predictable, (d) equitable, (e) transparent, (f) rights-compatible, (g) a source of continuous learning, and (h) based on engagement and dialogue. These mechanisms should enable all workers to raise complaints or concerns without fear of retaliation related to, but not limited to health and safety, discrimination and labour rights and should not be used to undermine the role of legitimate trade unions in addressing labour-related disputes.

10 The UNGP defines ‘legitimate’ as “enabling trust from the stakeholder groups for whose use they are intended, and being accountable for the fair conduct of grievance processes.”

11 Evidence of the number and types of grievances reported is a good indicator of a mechanism’s effectiveness: only where workers know and trust a mechanism, will they use it.

12 This is to avoid a potential conflict of incentives and may prevent employees from taking paid sick leave. The question seeks to understand how company incentives promote a culture of safety among workers.

13 “The All China Federation of Trade Unions (ACFTU) is China’s sole union federation. Under China’s Trade Union Law, workers have no freedom of association and can not simply join a trade union of their choice. To be a legally recognized union, all trade unions must be affiliated to the ACFTU; all independent trade unions and other such organization by workers is prohibited.” [https://intercoll.net/IMG/pdf/all\\_china\\_federation\\_of\\_trade\\_unions.pdf](https://intercoll.net/IMG/pdf/all_china_federation_of_trade_unions.pdf)

14 <http://www.china.org.cn/english/DAT/214784.htm>

# **FAIRR**

A COLLER INITIATIVE

Established by the Jeremy Collier Foundation, the FAIRR Initiative is a collaborative investor network that raises awareness of the material ESG risks and opportunities in the livestock farming industry. FAIRR helps investors to identify and prioritise these factors through cutting-edge research that investors can then integrate into their investment decision-making and active stewardship processes. FAIRR also runs collaborative investor engagements with global food companies to improve performance on selected ESG issues in intensive animal production.

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