



Guidance for Investors

Marine Stewardship Council

The aim of this guide is to give you an overview of how the MSC program could be used to support private and public financial institutions that are considering sustainability in their investment decisions in the seafood sector.

If you have any questions or require further information, please contact us at



[**globalaccessibility@msc.org**](mailto:globalaccessibility@msc.org)

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1. Introduction

The Marine Stewardship Council (MSC) is the leading wild-capture fisheries certification and ecolabeling program. Globally, about 16% of volume of wild-caught seafood is certified to the MSC standard and over 40,000 seafood products carry the MSC logo.

The MSC Fisheries Standard is a science-based reference for measuring the environmental sustainability of a fishery, including the targeted fish stock, impacts on the marine environment, and the quality of its management. Certification under the MSC Fisheries Standard is awarded through an independent third-party assessment process that complies with international best practices. In addition to its Fisheries Standard, the MSC has a Chain of Custody Standard to ensure that products from MSC-certified fisheries are traceable and separated from non-certified products.

The MSC provides more than a trusted label for consumers to identify sustainable seafood options: it can also serve as a practical tool for investors. Fishery-related investments can be negatively impacted if the underlying natural resource is not sustainably managed. The MSC process independently verifies the ecological health of a fishery. It captures information on several risk factors that can inform investment analysis and monitoring processes. Investors can build on the MSC process to implement their Environmental, Social and Governance (ESG) requirements including reporting and tracking contributions to the UN Sustainable Development Goals (SDGs).

The MSC recognizes that financial institutions, such as banks and impact investors, can play an important role in promoting sustainable fisheries. The MSC's certification program supports the identification of sustainable investment opportunities. This document provides general information on how the MSC program and tools could be used to support private and public financial institutions that are considering sustainability in their investment decisions in the seafood sector.

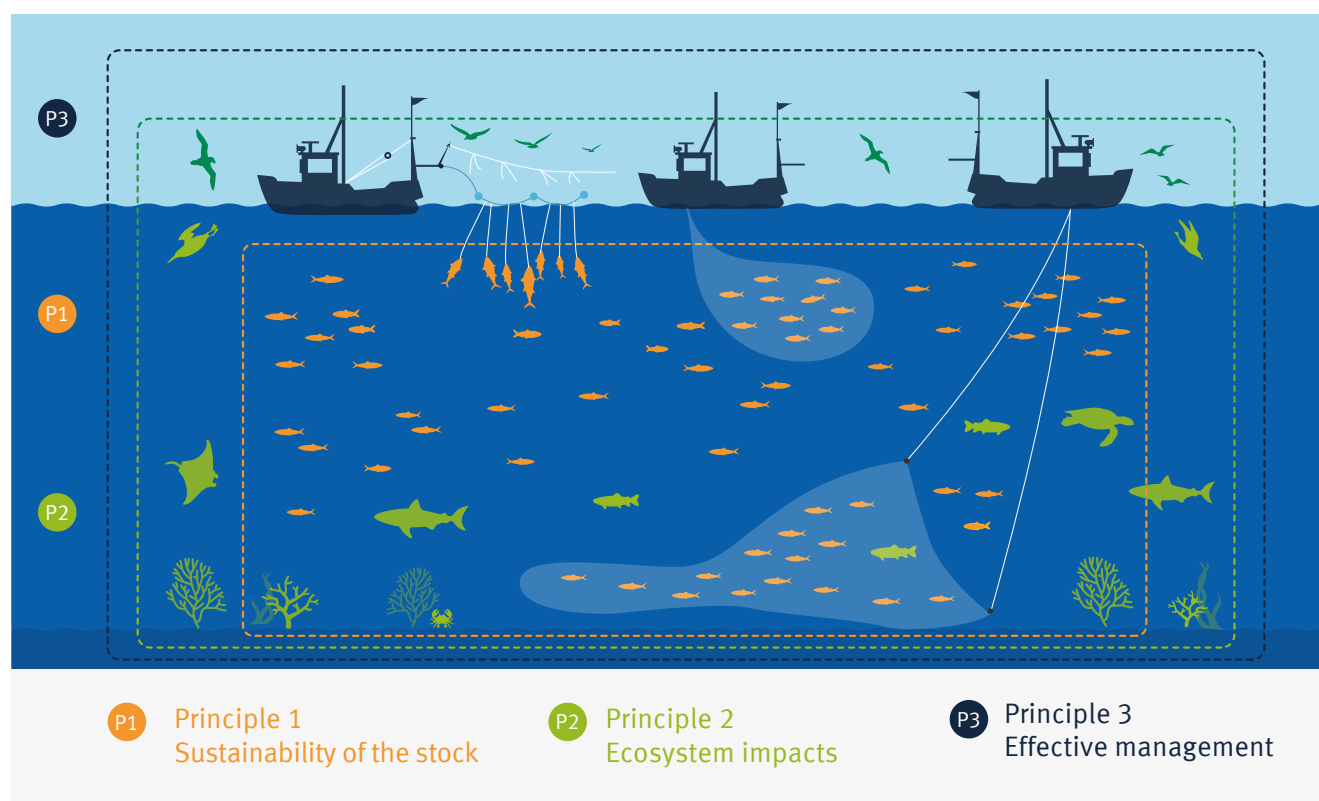
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2. The MSC Framework

The MSC's certification program is internationally recognized by organizations promoting environmental sustainability and development. It is the only wild-capture fisheries certification to meet best practice requirements set by both the UN Food and Agriculture Organization (FAO) and International Social and Environmental Accreditation and Labelling Alliance (ISEAL)- the global membership association for sustainability standards. The Aichi Targets set by the UN Convention on Biodiversity include the MSC as an indicator. The MSC program is also recognized by the Global Sustainable Seafood Initiative (GSSI), an independent benchmark for the credibility of sustainable seafood certification programs.

The MSC Fisheries Standard is at the core of the MSC Framework. Three principles, defined by 28 performance indicators, provide the basis for a comprehensive assessment of a fishery's sustainability and its environmental impact. The standard requires effective management of fisheries and compliance monitoring to ensure that fish stocks and the ecosystem remain healthy.

The three principles underlying the MSC Fisheries Standard are illustrated and described below:



Principle 1 Sustainability of the stock: Fisheries must operate in a way that allows fishing to continue indefinitely, without overexploiting the resource.

Principle 2 Ecosystem impacts: Fishing operations need to be managed to maintain the structure, productivity, function and diversity of the ecosystem upon which the fishery depends, including other species and habitats.

Principle 3 Effective management: All fisheries need to meet all local, national and international laws and have an effective management system in place.

A detailed schematic of the 28 performance indicators is included below. When fisheries are assessed against the MSC Fisheries Standard, a numeric score is attributed to each performance indicator.



Certification according to the MSC Fisheries Standard follows international best practices, which is reflected in the following features:

- | | |
|----------------------------------|---|
| Third-party audit | Certifications are carried out by teams of independent auditors (Conformity Assessment Bodies) that conduct a comprehensive review of the available research, data on fish stocks, and other information. The review includes the collection of information and interviews with relevant stakeholders. |
| Qualified auditors | Conformity Assessment Bodies are approved by the independent organization ASI (Accreditation Services International) to conduct assessments according to the MSC Fisheries Standard. The Conformity Assessment Bodies use qualified auditors who are required to meet specified eligibility requirements before carrying out assessments. |
| Stakeholder participation | The MSC's certification process gives stakeholders the opportunity to provide input at several stages. |
| Peer review | All fishery assessments are peer reviewed by independent scientists to ensure that the certification process is consistent and impartial. |
| Transparency | All assessments are publicly available on the MSC's website. |

Once a fishery is certified according to the MSC Fisheries Standard, its products can be marked with the MSC ecolabel. For retailers and restaurants to market seafood as MSC-certified, they must source from a certified fishery and every intermediary between the fishery and the consumer must be certified against the MSC Chain of Custody Standard. This ensures that segregation and traceability are maintained along the entire supply chain.

The In-Transition to MSC program

Box 1: Fisheries improving to meet the MSC Fisheries Standard

The MSC supports fisheries that are working towards meeting the requirements of the MSC Fisheries Standard. Before entering a full assessment against the MSC criteria, a fishery may undertake a pre-assessment as an initial gap analysis. Depending on the outcome of the pre-assessment, a fishery may proceed to full assessment or improve its performance by developing and implementing an action plan. Based on the pre-assessment, the [MSC's Benchmarking and Tracking \(BMT\) Tool](#) can be used to calculate an index that allows tracking of improvements of a fishery over time. The BMT index of a fishery ranges from 0-1. It reflects how far or near the fishery is from meeting the MSC Fisheries Standard. As the BMT index moves closer to '1', the higher the likelihood of preparedness of the fishery to enter full assessment.

The In-Transition to MSC (ITM) program provides small scale fisheries and those in the Global South with a way to independently verify their progress towards MSC certification. Fisheries in the ITM program are committed to achieving MSC certification and are making improvements to their environmental sustainability.

Fisheries wishing to enter the ITM program have to complete an MSC pre-assessment and develop an Improvement Action Plan, and have their eligibility verified by a Conformity Assessment Body (CAB). Every year the CAB will also verify whether the fishery's progress is on track to achieve at least a conditional pass at the end of their involvement in the ITM program. Fisheries can stay in the ITM program for a maximum of five years and are expected to enter full MSC assessment within three months of finishing the program.

3. How can investors use the MSC Framework?

Investments in natural resource-related businesses are strongly dependent on the long-term sustainability of their natural environment. This also holds true for investments in the fishery sector where the sustainable management of the targeted species can contribute to more resilient aquatic ecosystems. Sustainable stewardship of the marine environment is the basis for the long-term viability of fishing operators and dependent companies downstream in the supply chain.

The MSC process captures several risk factors including the health of target fish stocks, impacts on the marine environment, and Illegal, Unregulated and Unreported (IUU) fishing. It also assesses the effectiveness of governance systems in ensuring the continued sustainability of the resource with emphasis on dispute resolution mechanisms, transparent decision-making processes, and stakeholder consultations. Importantly, these elements are independently verified by qualified third-party auditors. As the market demand for sustainable seafood continues to grow, the MSC certification can secure a fishery's 'license to operate,' enable access to new markets, and create potential opportunities for premium prices.

a. Use cases

Investors can benefit from the information and tools provided by the MSC process when considering investments in fisheries. Specifically, the MSC process can be used to support identification of investment opportunities, inform risk assessments, and facilitate reporting on ESG criteria.

The table below highlights different ways in which the MSC process may be used by investors:

Eligibility criterion	An MSC certification, or progress towards it (in-Transition to MSC status or BMT index), as a requirement for applicant to be considered for investment
Due diligence	MSC certification, or progress towards it (in-Transition to MSC status or BMT index) is considered in the investment analysis
Funding guidance	Performance of a fishery against the MSC criteria allows the identification of areas that require funding for improvements
Reporting	MSC certification and data generated during the MSC process is reported to stakeholders
Aggregation	The MSC assessment process may stimulate the creation of a new entity relevant for investors (e.g. a company holding the MSC certificate or client group)
Reference for new tools	The MSC criteria can be used by third parties to develop new assessment or reporting tools (e.g. sustainability score cards)

Eligibility criterion

When used as an eligibility criterion, the MSC certification can serve as a filter to screen investment opportunities. Some investors may require any fishery operator they finance to be MSC-certified. Others may use the MSC Fisheries Standard as a framework to select fisheries that are improving their operations towards meeting the MSC Fisheries Standard. Investors may, for example, choose participation in MSC's In-Transition to MSC program or require a specific score on the BMT Index as their eligibility threshold.

The MSC certification can also be used to determine the eligibility of organizations that trade or transform seafood. For example, the rules concerning the use of proceeds of a green bond may prescribe that any financed businesses must have a specified minimum share of MSC-certified products in seafood-related turnover.

Some financial institutions refer to the MSC in their eligibility criteria. The International Finance Corporation (IFC), for example, includes a reference to the MSC in its list of selected standards in the Guidance Note to its Performance Standards on Biodiversity Conservation and Sustainable Management of Living Natural Resources¹. Similarly, the leading Dutch sustainable bank Triodos, requires all its clients in the fishery industry to meet international standards of which it includes the MSC as an example².

Due diligence

The MSC certification can allow investors to save time and cost in their due diligence process, particularly the environmental assessment. Investors may consider the MSC certification of a potential counterparty as an indication of reduced sustainability related risk that translates into lower reputational and financial risk. Examples include development banks such as the Dutch FMO and the German KfW, as well as commercial banks such as Rabobank, all of which make references to sustainability certification standards.

Some investors may look beyond the overall certification status to consider a counterparty's score on individual performance indicators within the MSC Fisheries Standard. This allows a more detailed analysis of the relative strengths and weaknesses of a potential investee and may help an investor identify critical elements that should be monitored post-investment.

The MSC certification may also be useful in the assessment of organizations that are not themselves fishing operators. For example, an investor in a fish trader or retailer may find it relevant to consider the share of its seafood-related turnover that is MSC-certified.

Funding guidance

The 28 performance indicators underlying the MSC Fisheries Standard can help investors identify areas that require improvement. MSC-related action plans, developed to implement such improvements, may clarify funding requirements, including timing and amounts. This can provide relevant guidance to investors seeking to finance transition to sustainable fishery management.

Reporting

The MSC process provides ample information that investors may use in reporting to their stakeholders. This includes an investee's certification status, scores for the 28 MSC performance indicators, progress against performance indicators, data gathered during the MSC process, and share of seafood sourced from MSC-certified fisheries or fisheries in transition to MSC. Such information may be particularly relevant for investors that have committed to reporting on ESG metrics.

Investors can also leverage the MSC to report on their contributions to the United Nations Sustainable Development Goals (SDGs). Sustainably managed fisheries certified to the MSC standard contribute to several SDGs, notably:

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SDG 14	Life below water
SDG 17	Strengthen global partnerships for sustainable development
SDG 2	Zero hunger
SDG 8	Decent work and economic growth
SDG12	Promote sustainable consumption and production

Aggregation

In both developed and emerging market contexts, smaller fishery operators may increase efficiency by organizing under a new collaborative entity, which can be certified against the MSC Fisheries Standard. Such an entity (e.g. an association, cooperative, or company) could also be a suitable counterparty for investors. By aggregating the financing requirements of the underlying members, the entity can help reduce transaction costs and make an investment economically viable. Certification could also enable small-scale operators to access finance and insurance products that might not usually be available to them.

Reference for new tool

The MSC Fisheries Standard can help inform the sustainability assessment, monitoring, and reporting tools of third parties including investors and funders. The government of Western Australia, for example, has selected the MSC as its preferred sustainable fisheries standard and has aligned its sustainability scorecards to the MSC framework. Furthermore, it provides funding to support assessments against the MSC Fisheries Standard as well as the implementation of action plans aimed at meeting MSC requirements.

b. Financial instruments

The MSC framework and certification is being used in connection with a range of financial instruments targeting different stakeholders along the seafood supply chain. Some examples are described below:

Loans

This includes loans to fishing operators and downstream companies such as processors. Some investors may consider the MSC certification as an eligibility criterion for favorable loan conditions such as lower interest rates. Rabobank, for example, includes the MSC on the list of certifications that contributes to eligibility for its 'impact loan' product³.

Green bonds

The MSC certification may also be used as an eligibility criterion for 'green bonds,' i.e. bonds whose proceeds are directed to environmentally friendly projects or companies. An example of this is the green bond announced by the Norwegian bank Sparebank 1 SMN in September 2019, which requires companies in the bond's portfolio to have a portion of any seafood-related turnover be MSC-certified⁴.

Investment funds

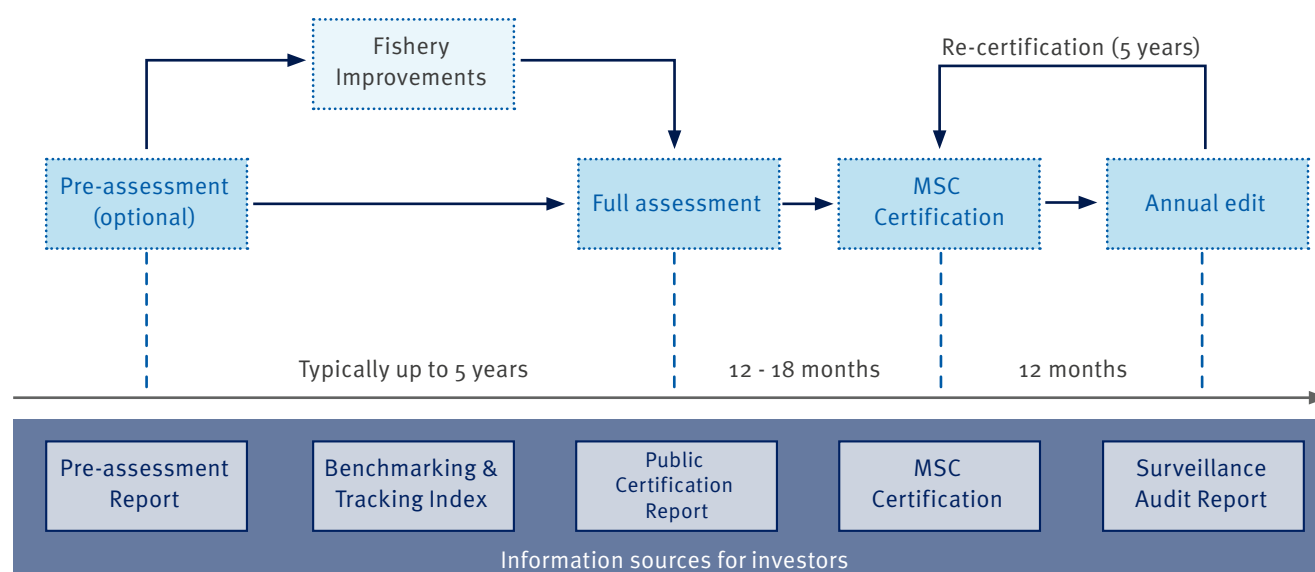
The MSC certification is also taken into account by several investment funds. For example, the EcoBusiness Fund managed by Finance In Motion provides technical assistance and loans to banks in Latin America who, in turn, lend to companies that protect biodiversity. To be eligible, borrowers must either operate in defined target sectors or hold a sustainability certification such as the MSC⁵.

4. Information available to investors through MSC

The certification process has several steps, each yielding information that may be relevant for investors. Much of this information is publicly available. In some cases, fishing operators seeking certification directly enter an MSC assessment. However, this is typically preceded by a preparatory process as described below:

- 1 / Pre-assessment Pre-assessments are de facto gap analyses aimed at evaluating an applicant's readiness for certification by identifying any issues vis-à-vis the MSC Fisheries Standard. Depending on its readiness, an applicant may proceed with a full assessment or begin addressing aspects that require improvement. This stage provides information on the gaps in a fishery in relation to the MSC standard.
- 2 / Fishery improvements Some fisheries may go through an improvement stage before certification. Using the pre-assessment as a baseline, the gaps that need to be addressed in order to meet the MSC Fisheries Standard are identified. Typically, an improvement action plan is formulated by the relevant fishery stakeholders to address the gaps. These should include timebound actions, regular reporting, and third-party verification of progress.
- 3 / Full assessment A full assessment is carried out by a team of accredited third-party auditors that assess an applicant's compliance with the MSC Fisheries Standard. The auditor's report is published for stakeholder input and peer reviewed by independent scientists.
- 4 / Certification If the fishery is assessed as meeting the requirements, the applicant is certified as compliant with the MSC Fisheries Standard. The certification needs to be renewed every five years.
- 5 / Annual audit Annual assessments are conducted by an accredited, independent, third-party auditor to assert that no significant changes have occurred in the fishery and that any required improvements are made. Additional or unannounced audits may be conducted.

The illustration below shows the certification process as well as some of the information sources relevant and available to investors at each step:



As described above, engagement with the MSC typically starts long before a fishery is certified. This implies that the MSC can be useful for investors in certified fisheries as well as for investors in fisheries that are in transition to sustainable management.

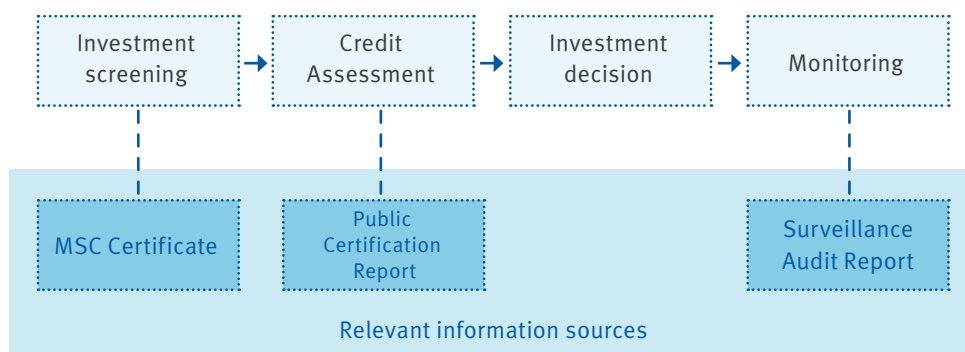
a. For investors in certified fisheries

Investors seeking to finance counterparties in MSC-certified fisheries have access to a number of documents that may inform their processes, as illustrated in the table below:

Information source	Description	Producer	Example Metric
Public Certification Report	Detailed assessment of the fishery against the 28 criteria of the MSC Fisheries Standard	Auditor	Score of fishery on each of MSC's 28 performance indicators Number of conditions
MSC Certificate	Certificate of compliance with the MSC Fisheries Standard	Auditor	Certification status
Surveillance Audit Report	Confirms continued compliance with the MSC Fisheries Standard. Highlights significant changes in fishery management and the environment.	Auditor	Certification status
Company record	How much of seafood business is from sustainable sources	Company	Proportion of fish from fisheries engaged in the MSC

As an example, a bank lending to companies that operate fishing vessels could use the MSC as follows:

Financing certified fisheries - investment process illustration

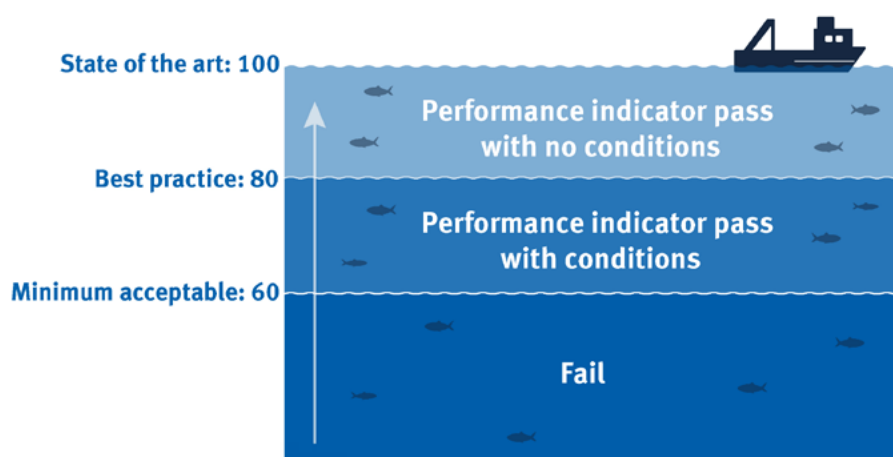


Investment screening Identify potential borrowers from the list of certified fisheries on the MSC website.

Credit assessment Review of the Public Certification Report. The auditor and relevant stakeholders may also be contacted to support the analysis.

Monitoring The annual Surveillance Audit Report can be accessed to track improvements or setbacks regarding the fishery's environmental performance or governance.

It is worth noting that, rather than only providing a binary response (pass / fail), fisheries undergoing the MSC assessment are rated on a nominal scale with scoring levels <60, 60, 80, and 100 for each of the MSC Fisheries Standard's 28 performance indicators. To be certified, a fishery must achieve an average score of 80 for each of the three principles and a score of at least 60 for each indicator. If a fishery is certified with some indicators being scored at 60-79, the certification is conditional on improvements on those indicators to a score of at least 80 within 5 years.



In their assessment, investors may find it particularly interesting to consider the performance indicators in which a fishery scores less than 80. It could be relevant, for example, to assess if the areas that require improvement are within the control of the fishing operators, or if they depend on third parties such as a government body. Assessing areas that require improvement could also guide the use of any technical assistance funding that an investor may make available to the fishery.

Investors in seafood supply chain companies including traders or processors may also access relevant information through the MSC process. If such companies rely on seafood from unsustainable fisheries, they may face supply risks as well as reputational risks, which can in turn result in financial risks. Investors may want to consider the share of seafood that is sourced from MSC-certified fisheries, and possibly review the relevant Public Certifications Report(s) for a more detailed environmental assessment.

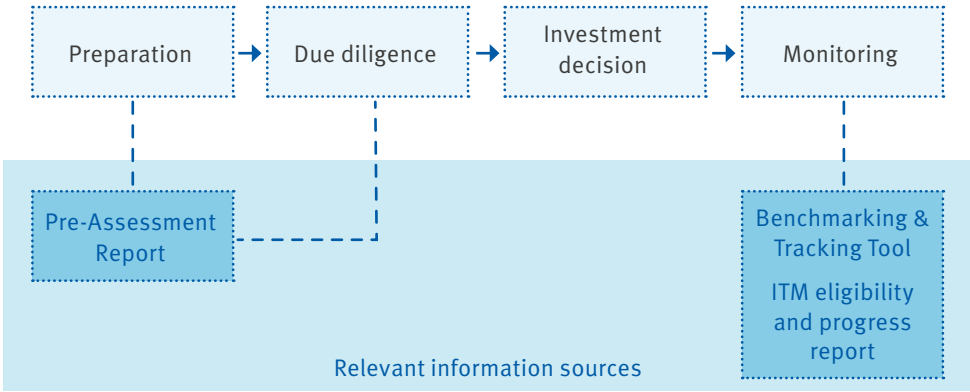
b. For investors in fisheries transitioning to sustainable management

The tools and information provided through the MSC program are equally relevant for investors financing fisheries that are in transition to sustainable management, i.e. that are not (yet) certified, but progressing to certification. Pre-Assessment Reports and the Benchmarking & Tracking (BMT) Index can be produced for any fishery to capture its performance compared to the MSC Fisheries Standard and also to track its progress to sustainability:

Information source*	Description	Producer	Metric (example)
Pre-Assessment Report	Indicative assessment of the fishery against the 28 criteria of the MSC Fisheries Standard	Auditor	Scoring range on MSC's 28 performance indicators
Benchmarking & Tracking Tool	Tracks and visualizes progress towards sustainability and MSC certification. Allows benchmarking of realized improvements against the targets described in the action plan. Provides an index (score between 0 and 1) that indicates the level of performance compared to MSC Fisheries Standard.	Applicant	Fishery BMT Index
Improvement Action Plan template	A detailed schedule of actions to be implemented to improve a fishery to meet MSC requirements, including the resources (such as costs) required, the parties responsible for each action, the timescale on which the changes are expected, and how progress is monitored.	FIP implementor	Length of time to MSC Cost of activities
In-Transition to MSC eligibility and progress report	Third party report confirming eligibility as an 'In-Transition to MSC' and progress made towards meeting MSC fishery requirements.	Auditor	BMT Index In-Transition to MSC Progress status
Company record	How much of seafood is coming from fisheries verified as making progress towards sustainability		Proportion of fish from fisheries verified as making progress Proportion of fish with a BMT index at or above a specified threshold

For illustration purposes, consider an impact investment fund that is analyzing an investment into a fishery improving to MSC. It could use the MSC’s tools as follows:

Investment process illustration: Financing fisheries in transition to sustainable management

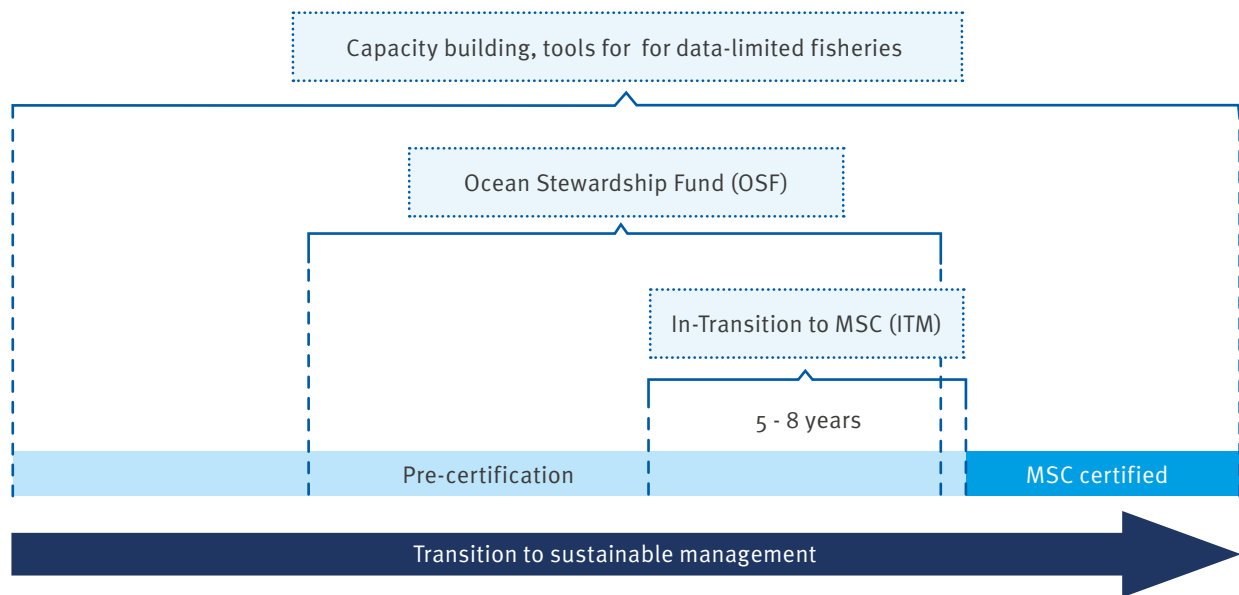


Preparation / Due diligence An MSC Pre-Assessment Report indicates the status of a fishery in terms of sustainability and governance. It can therefore inform possible technical assistance measures to ensure the investment readiness of the organization targeted by an investor as well as the due diligence process.

Monitoring Post-investment, the Benchmarking & Tracking Tool or In-Transition to MSC status report allows investors to monitor progress towards sustainable management, for example against milestones agreed as part of the investment. Such information can also be reported by the investor to its stakeholders, if required.

5. Support for fisheries transitioning to MSC

The MSC is committed to enhancing its accessibility to fisheries - including those that are artisanal, small scale or data-limited - by supporting them as they work towards MSC assessment. To this end, there are several support mechanisms that may also benefit investors who require a clear measure of progress or tools to support improvement, as illustrated below.



One such mechanism is the MSC's Ocean Stewardship Fund (OSF), which provides grant funding for research projects as well as fisheries transitioning to sustainability. The OSF is capitalized with 5% of the royalties the MSC receives from the sale of certified seafood products.

Another support mechanism is the In-Transition to MSC (ITM) program that helps track the progress of fisheries that are implementing improvements to attain MSC certification. Accredited third-party auditors provide regular independent verifications of progress against the MSC Fisheries Standard's criteria. To enter the program, fisheries must have completed their pre-assessment and developed a comprehensive action plan to attain the MSC Fisheries Standard within 5 years. Fisheries that enter the program become eligible to apply for financial support from the MSC's Transition Assistance Fund and the OSF. These financial resources may complement financing provided by investors or other funders.

Investors may consider using the MSC's support vehicles, including the OSF and the In-Transition to MSC program, to deploy funding they have available for technical assistance and to support the investment readiness of potential investees. Further information on this is available from the MSC.

6. Key benefits

As described above, the MSC process and certification can support investors in fisheries and seafood supply chains. Key benefits to investors include:

- Alignment with growing consumer demand for sustainable seafood
- Supports the identification of environmentally sustainable investment opportunities
- Facilitates the sustainability-related assessment, informing reputational and financial risks
- Potential for improved return on investment, although note that the value of investments can go down as well as up

For further information

Interested entities are invited to reach out to the MSC for further information at globalaccessibility@msc.org

Please note that although the MSC can provide further information on the MSC process and the MSC status of a particular fishery or supply chain, the MSC is unable to provide any advice as to the suitability of a particular business as an investment. If you are considering making an investment into a fisheries operator or other business, you should seek independent professional advice.

¹IFC (2012) [International Finance Corporation's Guidance Note 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources](#)

²Triodos Bank NV (2018) [Triodos Bank Minimum Standards](#)

³Rabobank (2016) [Overview of sustainability certification schemes](#)

⁴Undercurrent (2019) [MSC, SpareBank issue first green bond for sustainable fishing](#)

⁵GIZ (2017) [Financing Biodiversity: Identification and Analysis of Financial Sector Instruments and Initiatives for Biodiversity](#)

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Although the MSC can provide certain factual information relating to the MSC status of a fishery or supply chain, the MSC cannot provide any information relating to the suitability of a business as an investment. If you are considering making an investment into a business (such as a fisheries operator), you should seek independent professional advice. No reliance should be placed on information in this document by any person receiving it and no duty of care of any kind is accepted or assumed to any person whatsoever in relation to the accuracy or otherwise of any information in this document.

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