



MSC Recertification Fund

Policy paper, June 2015

About the MSC Recertification Fund

The MSC Board agreed in June 2015 to formalise the operation of a recertification fund to help offset the costs incurred by Fishery Clients of up to 75% of the direct, invoiced Conformity Assessment Body (CAB) fees for second (and subsequent) recertification audits.

As background, in April 2011 the MSC Board introduced a pilot policy of subsidising second (and subsequent) recertification(s) up to a maximum of 75% of direct CAB costs. 5% of the royalty income generated from the sale of MSC labelled products emanating from a fishery's catch would be accrued over the 5 years between the first recertification and the second recertification into a recertification "pot".

In June 2015, the MSC Board agreed that the recertification subsidy should continue under a modified policy, as set out below.

MSC Recertification Fund management

The recertification fund is managed by MSC I (MSC's wholly owned trading subsidiary) and accounted for in the books of MSC I. Fishery clients are able to apply to MSC I for the recertification subsidy once the final recertification decision is made and publicised by the CAB and the fisheries certification certificate is awarded or withdrawn.

The size of subsidy available to pay for 75% of the CAB audit fees will be decided with reference to sales of consumer facing MSC labelled products ultimately emanating from the applicant fishery over the 5 years prior to the year in which the recertification decision was publicised.

Where there is not a clear link in MSC I's records of MSC labelled sales and a specific fishery, MSC I will apportion royalty to fisheries on some appropriate basis (i.e., by green weight of same species fisheries in the programme). MSC I's decision regarding the apportionment and calculation of the subsidy available for each fishery is final.

The maximum subsidy available for any one fishery will be GBP 150,000 per recertification cycle.

MSC Recertification Fund application requirements

- 1) Requests for recertification subsidy are welcome from any eligible fishery. An eligible fishery is defined as any fishery that has incurred CAB fees as a result of its second (or subsequent) recertification and for which the CAB has published its second (or subsequent) certification decision.

- 2) The recertification subsidy will cover up to 75% of the direct, invoiced CAB fees for second (or subsequent) recertification audit.
- 3) The recertification subsidy will not be made available to cover
 - any third party certifier costs associated with any objection process arising from the recertification,
 - any third party certifier costs associated with surveillance audits
 - any internal staff time or additional external consultancy costs incurred to support the recertification process
- 4) The maximum disbursement available for any one fishery for any one eligible recertification will be GBP 150,000
- 5) The amount of subsidy available will be calculated in reference to the below table

Recertification Subsidy Table	
Consumer facing MSC labelled product turnover over the 5 years prior to recertification event award GBP millions	Recertification subsidy available (subject to not amounting to more than 75% of direct CAB incurred audit cost) GBP
0 – 10 million	1,000
10 – 25 million	4,000
25 – 50 million	9,000
50 – 75 million	16,000
75 – 100 million	22,000
100 – 125 million	28,000
125 – 150 million	34,000
150 – 175 million	41,000
175 – 200 million	47,000
200 – 225 million	53,000
225 – 250 million	59,000
250 – 275 million	66,000
275 – 300 million	72,000
300 – 325 million	78,000
325 – 350 million	84,000
350 – 375 million	91,000
375 – 400 million	97,000
400 – 425 million	103,000
425 – 450 million	109,000
450 – 475 million	116,000
475 – 500 million	122,000
500 – 525 million	128,000
525 – 550 million	134,000
550 – 575 million	141,000
575 – 600 million	147,000
60 million plus	150,000

As an example, the notification that a fishery was recertified for the second (or subsequent) time was published by the CAB in December 15 (MSCI's financial year 15/16). The recertification subsidy will be calculated by reference to the consumer facing MSC labelled product sales notified by license holders to MSCI, and apportioned to the fishery in question by MSCI, for the 5 years 2010/11 to 2014/15.

- 6) Applications for disbursements must be made in writing to the MSCI (addressed to Finance Director MSC(I), 1 Snow Hill, London, EC1A 2DH) by the fishery client after the certification decision has been publicised by the CAB and the certificate is awarded or withdrawn. The disbursement application must be supported by submission of a copy of the CAB fee invoice (with appropriate breakdown of costs) for the second recertification audit. The disbursement application will include a statement from the fishery client that the CAB invoice is genuine and relates solely to the direct costs of recertification audit (see clause 3).
- 7) Where a fishery client manages more than one fisheries, and combines recertification audits into one CAB visit to achieve cost efficiencies, the CAB / client should transparently apportion their invoice across the separate fisheries being audited.
- 8) Disbursements of recertification subsidy will be made to the fishery client bank account (details of which need to be submitted with the recertification subsidy application).
- 9) MSCI will calculate the recertification subsidy due with reference to its internal records of consumer facing MSC labelled product turnover for the 5 full years before the CAB recertification decision was published. Where MSCI product records cannot link labelled consumer facing turnover back to specific fisheries, an apportionment using an appropriate proxy (e.g., green weight of same species fisheries in the programme) will be made.
- 10) MSCI reserves the right at its absolute discretion to move back to its core reserves any excess of recertification subsidy available compared to the calculated recertification subsidy payable (as calculated at 75% of CAB invoice).
- 11) Fishery Client reorganisation:
 - a) Where a number of fishery clients combine together to form a consolidated fishery client for a second (or subsequent) recertification audit, the maximum subsidy for the new consolidated fishery client will be the lower of: a) the available subsidy as calculated by the recertification subsidy table based on the MSC labelled consumer facing sales for the members of the new consolidated fishery client (maximum GBP 150,000) or b) 75% of the direct, invoiced CAB fees.
 - b) Where a fishery client disaggregates into two or more new fishery clients, the maximum subsidy available will be calculated based upon the MSC labelled consumer facing sales of the original, combined client over the 5 years prior to the recertification. The subsidy thus calculated will be apportioned between the multiple new fishery clients at the MSCI's

discretion.

- 12) The MSC Board of Trustees reserve the right to reconsider and change the terms and operation of the recertification fund at its discretion at any point in the future.

As an example,

1. Fishery A was originally certified in 2005/06.
2. The 1st recertification took place in 2010/11.
3. The 2nd recertification decision was published by the CAB in December 15 (MSCI's financial year 2015/16).
4. MSCI calculates the consumer facing MSC labelled product sales from Fishery A amounts to GBP 215 million over the 5 years 2010/11 to 2014/15.
5. From the recertification subsidy table, we can see the maximum recertification subsidy available to be awarded is GBP 53,000.
6. The fishery client contacts MSCI Finance Director in January 2016, submitting a request for payment of recertification subsidy, supported by a scan of CAB invoice to them for the audit fees of Fishery A's second recertification audit. Fishery A's second recertification audit fee amounted to GBP 65,000.
7. The maximum recertification subsidy payable will be $GBP\ 65,000 \times 75\% = GBP\ 48,750$.
8. The subsidy disbursement will be GBP 48,750.
9. The difference of GBP 4250 between the maximum subsidy available and the maximum subsidy payable will be retained by MSC to fulfil its charitable mission.
10. If Fishery A's second recertification audit fee amounted to GBP 90,000, the maximum recertification subsidy payable would be $GBP\ 90,000 \times 75\% = GBP\ 67,500$. The maximum subsidy available remains at GBP 53,000. So in this case the subsidy disbursement will be capped at GBP 53,000 (the maximum recertification subsidy available).

MSC Recertification Fund transition rules

Fisheries that have been recertified at least once before March 2014 will continue to be eligible for recertification fund subsidy under the recertification fund pilot rules until the end of that recertification event or until the accrued subsidy for which they are eligible is fully expended. For subsequent recertification events, such fisheries will transition to the new recertification rules.