

**POLICY
BENCHMARKING
TOOL**

Seafood

Methodology

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About SCRIPT

SCRIPT (Soft Commodity Risk Platform available at www.script.finance) is a new freely-available system to help financial institutions understand and mitigate the deforestation risks associated with financing companies in soft commodity supply chains. The platform provides unrivalled tools and guidance for financial institutions to establish a robust sustainable financing policy and screen their portfolios to determine the companies and issue areas that pose the greatest risk to their institution.

About Global Canopy

Global Canopy is an innovative environmental organisation that targets the market forces destroying tropical forests. Our mission is to accelerate progress towards a deforestation-free global economy - through improved transparency, innovative finance and strategic communications. Since 2001, we have catalysed new thinking and action by leading governments, companies and investors worldwide. See: www.globalcanopy.org

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Introduction to the Policy Benchmarking Tool

The Policy Benchmarking Tool assesses the strength and quality of a financial institution's policy against those of peers in order to identify areas of excellence and opportunities for improvement. This methodology details how those financial institutions are assessed for their seafood policies.

The tool provides a benchmark against the seafood policies of financial institutions in South-East Asia that are most exposed to companies in seafood supply chains, and enables users to adjust the assessment framework to align with their institutional needs. Furthermore, users are able to refine the list of financial institutions that their policy is compared against. For example, a user may only want to compare against financial institutions headquartered in the same country.

The methodology was developed by reviewing the practices of leading financial institutions. It has been reviewed by sector experts and the included indicators represent current thinking as to the policies that should be expected of financial institutions investing in or lending to companies involved in seafood supply chains.

For custom analysis and subsequent guidance to quickly improve your policies or to promote areas in which you lead, please use the updated benchmarking tool at www.script.finance.

Assessment framework

Financial institution policies are assessed against indicators grouped into four overarching categories. Awareness, understanding, and intent; Policy content and strength; Policy Scope; Implementation, monitoring, and reporting. Collectively these indicators represent finance sector best practices on sustainable lending and investment policies for soft commodity supply chains.

The total points available for each of the four sections in the default scoring framework are as follows:

Category	Total points available
Awareness, understanding, and intent	1
Policy content and strength	63
Policy scope	16
Implementation, monitoring, and reporting	20

Credible certification schemes

For some indicators, financial institutions can score points if they require or encourage companies to be certified by a credible certification scheme. For the purpose of this assessment, credible schemes are defined as multi-stakeholder certification schemes that include civil society in decision-making and effectively protect important ecosystems in aquaculture operations, and stock populations in fisheries. Global schemes considered credible are MSC for fisheries and ASC for aquaculture operations.

Use of these schemes only score points where the scheme includes criteria which are as strong or stronger than the indicator in this assessment. Financial institutions can score full points without requiring certification, if their policy includes requirements for portfolio companies to meet all of the criteria listed out in this document.

For all indicators, financial institutions can still score for 'requiring' criteria even if they allow companies time to improve, as long as they are required to meet the standard at some point. They will lose points if they do not set, or ask the companies to set a timebound deadline to meet the standard. In this way, financial institutions can still score points for requiring certification if they include fishery improvement projects (FIPs) or aquaculture improvement projects (AIPs). Financial institutions should be aware that improvement projects vary in their effectiveness and rate of improvement. For fishery improvement projects financial institutions should ask projects to be classified 'comprehensive' on fisheryprogress.org, an independent site that tracks the progress of FIPs, 'comprehensive' indicates that the fishery is indeed making progress on its improvements.

Awareness

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
<p>The financial institution shows awareness of the environmental and social issues around the production, processing and selling of seafood (either from fishing or aquaculture)</p>	<p>To be awarded points the financial institution must show an awareness of the sustainability issues around seafood and how these can represent risks to their business, including but not limited to for communities, livelihoods, aquatic and terrestrial ecosystems and species impacts. Awareness is demonstrated through statements in company communications (e.g. company web pages, annual reports, policy documents).</p>	<p>Yes</p>	<p>No further information required for this indicator</p>	<p>1</p>
		<p>No</p>		<p>0</p>

Policy Content and Strength – Seafood

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
The financial institution has a sustainability policy for financing companies involved in seafood or an overarching sustainability policy that explicitly states it applies to seafood (aquaculture and fisheries)	Full points are awarded if a financial institution has a sustainability policy for investing in or lending to seafood companies, and asks them to source or produce seafood from farms or fisheries that are sustainably or responsibly managed or that meet certain sustainability requirements. Points are not awarded for specialised funds that have seafood policies, but are awarded for banks who show clear evidence of engagement or divestment related to seafood sustainability.	Yes	No further information required.	3
		No policy		0
The financial institution requires companies to provide proof that their operations and business practices comply with all applicable local, national, and international laws and regulations.	This requires the company to provide evidence that all seafood products that they source are legally sourced or farmed, along the entire supply chain.	Entire supply chain	Require	3
			Encourage	2
	This requires the company to provide evidence that their own business operations are operating legally.	Own company operations	Require	2
			Encourage	1
No policy	No further information required.	0		
The financial institution requires clients in the seafood sector to have an assurance mechanism in place to ensure that all fish/seafood is sourced or produced in compliance with their policies and/or commitments	Full points are awarded if the financial institution requires companies to have an assurance mechanism either through a credible third party certification scheme (MSC or ASC) or have a system to track and monitor the origin of the seafood back to the farm or fishery it is sourced from in order to be sure it is managed in compliance with their policy. For aquaculture companies this includes the feed that they source i.e. the fish-based ingredient components of fish feed and plant-based ingredients	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
The financial institution requires companies in the seafood sector to have a policy to protect the animal welfare of the animals farmed or caught	Full points are awarded if the financial institution requires clients to have an animal welfare policy in place. Protecting the welfare of animals caught includes species caught as bycatch. Half points are awarded if an animal welfare policy only encouraged by the financial institution.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0
The financial institution requires companies' policies to be time-bound.	The financial institution either imposes a deadline on the company or asks them to have their own time-bound policies. Financial institutions also score points here if their policies are prerequisites for financing, as a company's business practices need to be compliant at the time of financing.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0

Policy Content and Strength - Aquaculture

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
The financial institution does not directly or indirectly finance aquaculture operations that are located on or impact important ecological areas	<p>The financial institution requires that companies in the seafood sector do not source from or operate farms are sited on or near enough to impact important ecological areas. This includes areas of high conservation value, ecological sensitivity, mangrove forests. Financial institutions can either do this directly or rely on ASC certification.</p> <p>Globally important areas include RAMSAR wetlands, UNESCO heritage sites and protected areas. Financial institutions cannot rely on certification to protect these areas.</p> <p>Points are staggered by if they protect both globally and ecologically important landscapes, and whether this is encouraged or required.</p>	All priority areas	Require	3
			Encourage	2
		Subset of priority areas	Require	2
			Encourage	1
		No policy	No further information required.	0
The financial institution requires companies to have a commitment to responsible water management.	<p>Full points are awarded if the financial institution requires companies to ensure that any water from aquaculture or processing operations they operate or source from are responsibly managed, including minimising water use, treating wastewater and water recycling.</p> <p>Half points are awarded if they only encourage this.</p>	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0
The financial institution requires companies to ensure aquaculture operations have appropriate management and reporting systems in place on escapes, disease and parasites	<p>Full points are awarded if the financial institution requires companies to have, or only source from farms that have, an appropriate policy to manage disease and escapes from their aquaculture operations.</p> <p>Half points are awarded if managing disease and escapes is only encouraged by the financial institution. Financial institutions can either do this directly or rely on ASC certification.</p>	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
The financial institution requires companies to ensure aquaculture operations only use legal and internationally approved chemicals, antibiotics and pesticides and only when necessary.	Full points are awarded if the financial institution requires companies to have, or only source from farms which have, a policy to only use approved and appropriate chemicals/pesticides/antibiotics in their aquaculture operations. Half points are awarded if using appropriate chemicals is only encouraged by the financial institution. Financial institutions can either do this directly or rely on ASC certification.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0
The financial institution requires companies in the aquaculture sector to commit to only source feed from, or only source aquaculture products from suppliers who only source feed from, sustainable or responsible sources.	This applies to marine and non-marine sources of feed. If fish-based (fish meal or fish oil) feed is sourced from farms the suppliers should be required to meet the same standards as the client company, if sourced from fisheries they should be certified as sustainable or responsible (using IFFO-RS standard, MSC or ASC) or avoid IUU as a minimum. If soy or palm oil is sourced these should be under sustainable policies or certified by either RTRS or RSPO Financial institutions can either do this directly or rely on ASC certification. Full points are awarded if the financial institution requires clients to have a policy to only source verified sustainable feed. Half points are awarded if this is only encouraged by the financial institution.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0
The financial institution requires clients in the aquaculture sector to have a policy to minimise lethal methods to control predators, and never use lethal methods for any IUCN threatened species or a policy to only source from suppliers who have equivalent policies	Full points are awarded if the financial institution requires clients to have a policy on predator control. Half points are awarded if this is only encouraged by the financial institution. Financial institutions can either do this directly or rely on ASC certification.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0

Policy Content and Strength – Fisheries

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
The financial institution does not directly or indirectly finance fishing operations that are illegal, unreported or unregulated (IUU)	The financial institution requires that companies in the seafood sector do not source from or sell seafood from illegal, unreported or unregulated (IUU) fisheries. Financial institutions can either do this directly or rely on MSC certification. Full points if avoiding IUU is a requirement, half points if avoidance is only encouraged.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0
The financial institution does not directly or indirectly finance fishing operations that over-fish a population or species	The financial institution requires that companies in the seafood sector do not source from or operate fisheries that over-fish a population or species. Financial institutions can either do this directly or rely on MSC certification. Full points if this is a requirement, half points if this is only encouraged.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0
The financial institution does not directly or indirectly finance fishing operations that use fishing methods that destroy or impact important ecological habitats	The financial institution requires that companies in the seafood sector do not source from or operate fisheries that use fishing methods that destroy or negatively impact benthic or other ecosystems. These include bottom trawling, blast or dynamite fishing, pulse fishing and cyanide fishing. Full points if this is a requirement, half points if this is only encouraged.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
The financial institution requires companies in the fisheries sector to commit to reduce bycatch in their operations	The financial institution requires that companies in the seafood sector source from or operate fisheries that have policies and processes to reduce bycatch and eliminate bycatch of protected species. Financial institutions can either do this directly or rely on MSC certification. Full points if this is a requirement, half points if this is only encouraged.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0
The financial institution does not directly or indirectly finance fishing operations that fish IUCN protected species	The financial institution requires that companies in the seafood sector do not source from or operate fisheries that harvest IUCN protected species. Financial institutions can either do this directly or rely on MSC certification. Full points if this is a requirement, half points if this is only encouraged.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0

Policy Content and Strength – Social

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
The financial institution requires the company to ensure the Free Prior Informed Consent of indigenous and local communities before fisheries or farms are established	This should apply for seafood companies either through a specific policy, or through an overall sustainability policy or through the general lending and investment criteria.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0
The financial institution has a policy that requires companies to ensure their business operations meet key labour standards. The financial institution requires companies to have thorough and transparent mechanisms for grievances in relation to their operations and supply chains to be reported	To be awarded full points the financial institution must require companies to have grievance mechanisms in place to identify and remedy adverse social and environmental impacts linked to their operations. The grievance mechanisms should be legitimate, accessible and transparent aligning with UN Guiding Principles on Business and Human Rights.	Yes	Require	3
			Encourage	1.5
		No policy	No further information required.	0
The financial institution has a policy that requires companies to ensure their business operations meet key labour standards	Key labour standards include those laid out in IFC Performance Standard 2 and the following ILO conventions: ILO Convention 87 on Freedom of Association and Protection of the Right to Organize, ILO Convention 98 on the Right to Organize and Collective Bargaining, ILO Convention 29 on Forced Labor, ILO Convention 105 on the Abolition of Forced Labor, ILO Convention 138 on Minimum Age (of Employment), ILO Convention 182 on the Worst Forms of Child Labor, ILO Convention 100 on Equal Remuneration, ILO Convention 111 on Discrimination (Employment and Occupation), ILO Convention 188 - Work in Fishing Convention, UN Convention on the Rights of the Child, Article 32.1 UN Convention on the Protection of the Rights of all Migrant Workers and Members of their Families.	Entire Supply Chain	Require	3
			Encourage	2
		Own operations	Require	2
			Encourage	1
		No policy	No further information required.	0

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
<p>The financial institution has policies that requires companies to address gender equality issues</p>	<p>Companies should be required to address gender inequality in commodity supply chains including addressing gender related worker & human rights and encouraging the inclusion of women in seafood supply chains on equal terms.</p>	<p>Gender related worker rights AND inclusion of women on equal terms across their whole supply chain</p>	<p>Require</p>	<p>3</p>
	<p>Encourage</p>		<p>2</p>	
	<p>Labour and worker’s rights commitments should address different risks of women and men with particular attention to sexual and gender-based harassment, equal pay and remuneration, and gender-based discrimination</p>	<p>Gender related worker rights across the whole supply chain</p>	<p>Require</p>	<p>2</p>
			<p>Encourage</p>	<p>1</p>
	<p>Commitments should encourage the inclusion of women in seafood supply chains on equal terms. This can include increasing sourcing of seafood from producers that are making an active effort to increase the participation of women in supply chains, and addressing issues faced by women in these supply chains including but not limited to increasing access to technology, financial services, training, and markets.</p>	<p>Inclusion of women on equal terms across the whole supply chain</p>	<p>Require</p>	<p>2</p>
			<p>Encourage</p>	<p>1</p>
		<p>Gender related worker rights for own company operation</p>	<p>Require</p>	<p>0.5</p>
			<p>Encourage</p>	<p>0.25</p>
		<p>Inclusion of women on equal terms for own company operations</p>	<p>Require</p>	<p>0.5</p>
			<p>Encourage</p>	<p>0.25</p>
<p>No policy</p>		<p>No further information required.</p>	<p>0</p>	
<p>The financial institution has policies that requires companies to encourage small-scale farm or fishery participation in seafood supply chains</p>		<p>Policies should focus on encouraging and/or increasing smallholder participation in seafood supply chains. This can include increasing the number of scale farmers or fisheries they source from and providing training, financial, and/or technical support to increase the productivity and quality of small businesses, encourage product diversification, and/or facilitate greater market access from small businesses they source from. Policies can also focus on developing long-term stable business partnerships with small scale farmers and fisheries and developing fair and transparent contracts that do not exploit these. For full points the financial institution requires companies to have a policy that includes small-scale farmers, fisheries or processors in their supply chain. Half points are awarded if this is only encouraged.</p>	<p>Yes</p>	<p>Require</p>
	<p>Encourage</p>			<p>1.5</p>
	<p>No policy</p>		<p>No further information required.</p>	<p>0</p>

Scope

Where multiple policy documents are scored for the indicators in sections 2 and 3, the follow indicators 4.1 – 4.4 are repeated for each policy and the scoring is averaged across the policies to a total of 3 points.

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
The financial institution has a clear, timebound policy for updating its policy.	No guidance	Commit to update policy.	Annually or more frequently.	2
			Timeline unclear.	1
		Process for updating policy unclear.	No further information required.	0
The financial institution requires companies to disclose subsidiaries operating in soft commodity supply chains.	No guidance	Yes	Publicly	2
			Privately	1
		Some requirement	No further information required.	0
		No requirement	No further information required.	0
The financial institution has a clear process to identify and deal with policy non-compliance.	No guidance.	Yes	Screening and monitoring process.	4
			Timebound non-compliance statement.	
			General non-compliance statement.	2
		No clear process	No further information required.	0
The financial institution reports the percentage of portfolio companies compliant with their time bound plans or the percentage of companies in compliance with the financial institution's policy.	The financial institution should report its own progress against its policy. For example, how many companies assessed as part of their due diligence are classified as high/low risk or how many companies have been engaged on deforestation risks.	Regularly	No further information required.	4
		Ad hoc	No further information required.	2
		Non-specific	No further information required.	0
The financial institution provides financial solutions to support transition towards sustainable production	The financial institutions are awarded points if they offer incentives to companies linked to their sustainability performance. To be awarded points, financial products must be current and directly linked to the production of seafood. Examples of incentives are preferential loan rates, green bonds, or project finance for sustainable innovations.	Yes	No further information required.	4
		No	No further information required.	0

Implementation, monitoring, and reporting

Indicator	Guidance	Answer options	Strength of policy	Default points awarded
The financial institution applies the policy to all financial services provided (e.g. corporate lending, project finance, asset management, advisory services).	No guidance	All financing	No further information required.	4
		Subset of deals based on finance type	Project finance	2
			Corporate lending	
			Asset management	
Advisory services				
The financial institution applies the policy to all deals regardless of size.	No guidance	All deals	No further information required.	4
		Subset of deals based on value	No further information required.	2
The financial institution applies the policy to companies regardless of their size.	No guidance.	All companies	No further information required.	4
		Subset	Market share Business capacity	2
The financial institution applies the policy to companies regardless of their position in soft commodity supply chains (i.e. upstream vs downstream).	No guidance.	All companies	No further information required.	4
		Subset	Producers	-0.6 pts per supply chain segment not covered under policy
			Processors	
			Traders	
Manufacturers				
Retailers				

