



Sustainable seafood
and responsible investment

Seafood production presents a major challenge to our ability to manage the earth's resources sustainably. Fishing effort has often exceeded the ability of fish stocks to maintain themselves and the impact on non-target species (including potentially vulnerable species such as sharks, turtles, and marine mammals) can be severe. The results have often been stark; many fish stocks have declined just when our need for increased food production is greatest and the marine ecosystem has been significantly degraded.



"Using renewable resources wisely is the key to maintaining a sustainable economy. The current environmental, social, and governance practices within the seafood industry create significant challenges for commercial fish stocks. Current rates of extraction threaten both the future stability of a multi-billion-dollar industry itself and, more importantly, the long-term food security of millions of people."

STEVE WAYGOOD
Chief Responsible Investment
Officer at Aviva Investors

Fish farming – aquaculture – has experienced massive growth in the past two decades and now provides half the seafood consumed worldwide. This represents a very positive trend for food production but will not take pressure off wild stocks, because the growth in demand consistently exceeds the growth of supply. Aquaculture can also have significant sustainability issues through the use of wild fish to make feed, the environmental impacts of farms, and the vulnerability of the industry to rampant disease outbreaks.

Governments play a vital role in regulating fishing and fish farming but the results are highly variable. Some countries have an excellent record in managing fishing; for instance, New Zealand introduced a Quota Management System (QMS) during the 1980s that allows scientists to set the total catch while allocating portions of that total to quota holders. The ownership of quota has led to a more innovative and responsible approach by industry and New Zealand is now considered a world leader in sustainable marine management.

Unfortunately, few countries manage their fishing as well as New Zealand and many, particularly in the developing world, lack the resources to effectively control fishing and fish farming. Many fishing

grounds are now capable of producing only a fraction of previous catches, while fish farming is constantly threatened by disease epidemics because of insufficient regulation and enforcement.

Sustainability is central to the business success of companies that produce, process, or retail seafood because of the significant risks inherent in the supply chain. Companies engaged in the seafood sector have to manage risk factors, such as:

- **Risk of supply chain disruption** – Wild fisheries can be overexploited, causing a dramatic fall in annual harvests, while fish farms can be ravaged by disease. Seafood companies that process and sell marine products face significant risks in securing a reliable source of raw material – in terms of both availability and price.
- **Risk to reputation** – Companies with public-facing brands face a risk to their reputations if they do not act to source from responsibly managed fisheries. Many high-profile campaign groups specifically work on issues of corporate responsibility around seafood and will publicly identify companies that fail to act responsibly.



"ASDA is committed to the long-term future of seafood. How and where we source are key pieces of information for all those interested in this important area. We continue to support the open reporting of seafood sourcing and welcome the publication of the Ocean Disclosure Project this year."

CHRIS BROWN
Sustainability Director at ASDA

- **Risks associated with production factors** – Fish farming may involve the use of materials or techniques that can lead to wider systemic problems. For instance, fish farming can involve the use of antibiotics to control disease, but this may have wider impacts through encouraging resistance in pathogens.
- **Risks associated with using illegal product** – Illegal fishing, sometimes called pirate fishing or "IUU" (illegal, unreported, unregulated) fishing, is a major problem in seafood supply chains and is closely associated with environmental damage and labor abuse. Companies that are found to be using illegal product can face legal action and damage to reputation.
- **Risk associated with human rights abuses** – The seafood industry contains supply chains where human rights abuses are well documented. These risks are particularly severe

in developing countries (for instance, Thailand) but can also happen in Europe. A failure to address such abuses can lead to significant reputational damage and even prosecution in some jurisdictions.

These risks are significant; however, the companies that catch, farm, process, and retail seafood have substantial power to change things for the better. There are already many examples of enlightened corporations that have taken steps to improve fishing and fish farming.

Engagement by responsible investors can have an important effect in encouraging companies to adopt progressive policies that reduce environmental and human rights abuses and enhance the sustainability of fishing and fish farming. This briefing is intended to guide investors seeking to improve the sustainability performance of companies through asking the right questions and promoting measures that will deliver real benefits.

What should seafood companies be doing?

The seafood supply chain has significant influence over the behavior of producers and the agencies that regulate them. It is entirely possible for companies to avoid fish that are illegally caught, support well-managed fisheries and fish farms that are certified to credible standards, support the responsible management of aquaculture resources across regions, and encourage fisheries that are trying to improve.

The most important first step that a company can take towards responsible behavior is to formulate and adopt a responsible seafood policy. Such a policy does not entail avoiding poorly managed fisheries and confining procurement to "sustainable fisheries," but involves a commitment to continuous improvement and transparency with ambitious targets in the future.

Wild fisheries

The essential elements of an effective, responsible seafood policy for wild fish are commitments to:

1. Assess all source fisheries for environmental and social risk and report on this process.
2. Achieve sufficient traceability within the supply chain that illegally caught fish cannot be sold and the adoption of sanctions against suppliers convicted of dealing in illegal fish.
3. Reward fisheries that are performing well (for instance, certified to a credible standard like the Marine Stewardship Council) through purchasing decisions and reporting on the proportion of certified seafood used in the business.
4. Reward fisheries that are actively improving through purchasing decisions and support for fishery improvement projects (FIPs) and reporting on the proportion of seafood that comes from fisheries that are engaged in improvement projects.
5. Transparency and the reporting of source fisheries used in the business (for example, through supporting the [Ocean Disclosure Project](#)).



Farmed fish

For farmed fish, a responsible seafood policy would consist of commitments to:

1. Reward fish farms that are performing well (for instance, certified to a credible standard like the Aquaculture Stewardship Council or Global Aquaculture Alliance Best Aquaculture Practices or GlobalGAP) through purchasing decisions and reporting on the proportion of certified seafood used in the business.
2. Reward fish farms that are actively improving through purchasing decisions and support for aquaculture improvement projects (AIPs) that work to ensure responsible management of fish farms across a region. This commitment should also include reporting on the proportion of seafood that comes from fish farms that are engaged in improvement projects.
3. Assess the environmental and social risks associated with fisheries that produce the fishmeal and fish oil used in aquaculture feed and to report on that process.
4. Transparency for fish farms that supply fish to the business and to report on that process.
5. Encourage the holistic management of fish farms across regions, and so reduce the risk of disease and wider environmental damage.
6. See antibiotic use effectively minimized in fish farms that supply the business (in line with global best practice).

Investors can play a direct role in encouraging responsible corporate behavior by asking companies about each of the specific elements of the sustainable seafood policy for either wild fish or farmed fish, or both.



Questions that investors can ask companies

The ability of investors to ask penetrating questions of companies represents a major source of leverage in pressing for more sustainable behaviors. Asking for substantial answers to simple questions will have a major impact on companies that deal in seafood and Sustainable Fisheries Partnership (SFP) is available to advise and support investors in conducting these conversations.

Organisations such as the UN-supported Principles for Responsible Investment also provide guidance to investors on addressing human rights risks in food supply chains – for example, the statement on [Investor Expectations on Labour Practices](#) can be used to incorporate additional questions in dialogues with relevant companies.

We have itemized below some simple questions that can be asked of companies within the seafood supply chain.

Questions for wild caught fish

- 1. Question:** Does the company have a policy regarding the sustainable management of the seafood resources it uses in its business?

Context: Most large companies do have such a policy and responsible investors should ask that such a policy is formulated and published. SFP can point to [High Liner Foods](#), [Wegmans](#), and [Young's Seafood](#) as examples of companies with strong policies.

- 2. Question:** Has the company assessed the current management status of all the stocks of wild fish that are part of their business?

Context: This should be a basic requirement for any business. It would be difficult for a company to claim to be competent if it failed to understand the security-of-supply issues affecting its raw materials. There are numerous public resources available to complete this task (for instance, FishSource), and companies can use NGO partners or consultants to help them, if necessary.

- 3. Question:** Does the company have traceability systems in place that ensure the avoidance of illegally caught fish? What sanctions have been adopted when illegal raw material has been detected?

Context: Avoiding illegally caught product entering a company should be a minimum requirement for responsible business. Responsible investors should ask that a traceability

system be in place and that details of its implementation be made available along with information about sanctions against suppliers that were detected supplying illegal products.

- 4. Question:** What is the company policy towards producing/purchasing wild seafood that is certified sustainable?

Context: A responsible company should have a clear policy to buy seafood from a certified sustainable source where such an option is available. SFP recommends that only the Marine Stewardship Council be considered a credible sustainability standard for wild fish at this time.

- 5. Question:** What is the company policy towards producing/purchasing seafood from fisheries engaged in fishery improvement projects?

Context: A responsible company should actively support fisheries that engage in fishery improvement projects through preferential purchasing or other means of support.

- 6. Question:** What is the company policy regarding the disclosure of source fisheries that produce raw material for the business?

Context: Any responsible company should be willing to disclose the identity of source fisheries as a minimum element of corporate reporting. Several companies already report this data via the Ocean Disclosure Project.

"Incorporating responsible investment considerations provides us with a global research and analysis framework. This strengthens our investment management capabilities, as does engagement with companies with exposure to seafood supply chains. Aviva Investors is supporting SFP in helping to increase transparency in corporate performance around the sustainable sourcing of seafood and to provide guidance to responsible investors."

ABIGAIL HERRON
Head of Responsible
Investment Engagement
at Aviva Investors

Questions for farmed fish

"There is a strong link between the performance of a company and the sustainable management of the resource that underpins that business. Working to achieve sustainable sourcing is an essential activity for any company that uses marine resources and an important indicator of responsible behavior. Sustainable Fisheries Partnership is actively supporting transparency in the seafood industry through development of initiatives like the Ocean Disclosure Project and through helping companies communicate their sourcing policies."

JIM CANNON
CEO, Sustainable Fisheries
Partnership

1. Question: What is the company policy towards producing/purchasing farmed seafood that is certified as responsible?

Context: SFP recommends that the Aquaculture Stewardship Council, Global Aquaculture Alliance Best Aquaculture Practices, and GlobalGAP standards be accepted as credible indicators of responsible practice. There are no credible aquaculture certifications currently available that claim to certify "sustainable" farmed fish, because the focus is primarily on individual farms and not the cumulative impacts of many farms in a region.

2. Question: What is the company policy towards producing/purchasing seafood from fish farms engaged in aquaculture improvement projects?

Context: A responsible company should actively support fish farms that engage in aquaculture improvement projects through preferential purchasing or other means of support.

3. Question: Does the company have a policy to assess the environmental and social risks of the fisheries used to produce fishmeal and fish oil for aquaculture feed?

Context: The management of fisheries used to provide fishmeal and fish oil for feed is a major ethical issue for the seafood supply chain. A responsible company should always have a clear view of the fisheries that supply feed components and a good understanding of the risks associated with those fisheries.

4. Question: What is the company policy towards transparency and reporting around aquaculture operations?

Context: A responsible aquaculture company should report regularly on significant issues around farm management (such as disease and parasites, chemical and antibiotic use, negative interactions with local wildlife, polluting emissions to the environment, etc.). A processor and retailer of farmed seafood should have traceability across the supply chain and be willing to report on the origins of farmed seafood.

Conclusion

Positive engagement by responsible investors can steer companies towards more sustainable strategies that both improve business performance and deliver environmental and social benefits. However, investors need to be able to ask the right questions of companies and press them for substantial answers. This can seem a daunting task without some technical support. SFP is available to provide guidance to investors about the right questions to ask and the common indicators for responsible behavior.

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DISCLAIMER:

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Case Studies

Why investors in seafood businesses need to consider sustainability issues

PACIFIC ANDES RESOURCES DEVELOPMENT (PARC)

Declines in Peruvian anchovy stocks led to a significant reduction in the supply of raw material for Pacific Andes' fishmeal operations. Pacific Andes suffered substantial losses, with one report from the company indicating a loss of profits totaling nearly 90 percent in Q3 2015 alone. In its disclosure, the company indicated that the reduced availability of anchovy was a major factor in the losses – the company simply did not have the fish needed for processing. The decline in anchovy stocks was partly due to environmental changes, but Pacific Andes would have been better prepared if it had pressed for more transparent management of the fishery.

CHILEAN SALMON INDUSTRY

Rapid, unchecked expansion and a lack of disease control measures proved disastrous for the Chilean farmed salmon industry. The fish disease Infectious Salmon Anemia (ISA) spread quickly across the Chilean industry, in part due to large concentrations of salmon pens facilitating the transfer of disease. First gaining public attention in June 2007, the ISA crisis has cost farmers billions of US dollars in lost revenue due to infected stocks. New farming practices and legislation have been introduced, but there are still disease concerns within the industry. The Chilean salmon industry would be significantly more profitable today if it had adopted a comprehensive "zone management" approach at the start and minimized disease risk through effective planning and coordinated farm management.

THAI SEAFOOD INDUSTRY

The Thai seafood industry has been rocked in recent years by the exposure of extreme violations of basic human rights on board Thai fishing vessels. The reputation of the Thai industry has been severely damaged and consumer-facing brands in the US and Europe that buy Thai seafood have had to work hard to retain the confidence of customers that their products are not associated with slavery. It is not possible to assess the overall financial damage to the supply chain at this stage, but it is clear that both businesses and consumers will continue to be wary of seafood products from Thailand for some time to come. The Thai seafood industry, and its business customers, would have avoided a great deal of human suffering and significantly increased the value of the industry if it had adopted labor practices in line with international norms.

CHINA TUNA INDUSTRY GROUP

China Tuna Industry Group shelved its plans for a \$100-million initial public offering (IPO) after Greenpeace's Hong Kong branch delivered a letter of complaint to the Hong Kong Stock Exchange accusing the company of underestimating its exposure to environmental and sustainability risks in its draft prospective to investors. There were concerns that tuna quotas had been breached.

FURTHER INFORMATION

www.sustainablefish.org

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