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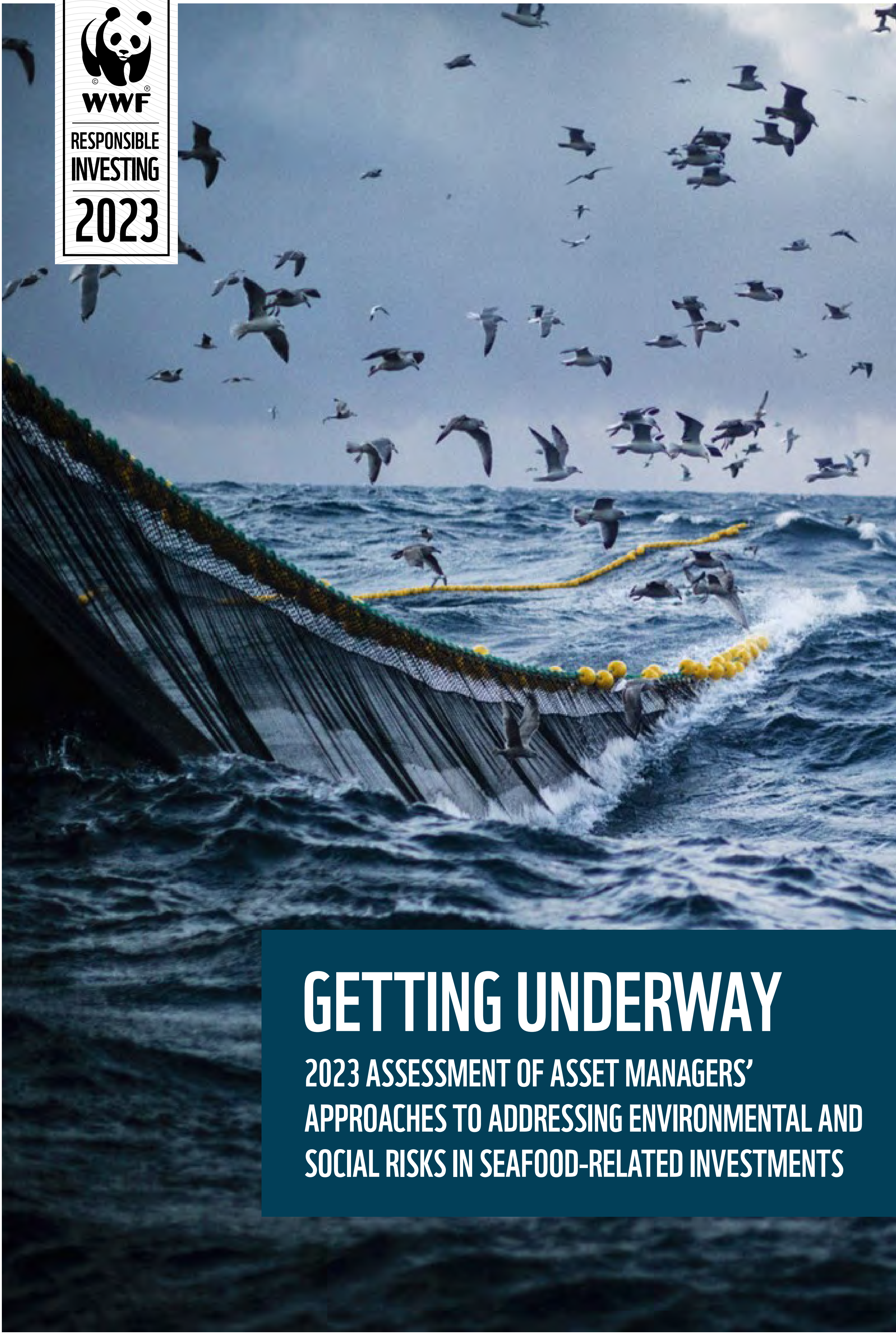
RESPONSIBLE INVESTING 2023



GETTING UNDERWAY

2023 ASSESSMENT OF ASSET MANAGERS' APPROACHES TO ADDRESSING ENVIRONMENTAL AND SOCIAL RISKS IN SEAFOOD-RELATED INVESTMENTS

ACKNOWLEDGMENTS

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About WWF

World Wildlife Fund (WWF) is one of the world's largest and most respected independent conservation organisations. WWF's mission is to stop the degradation of the earth's natural environment and to build a future in which humans live in harmony with nature. WWF's blue finance work aims to support financial institutions to shift capital away from harmful activities in the blue economy and to support the delivery of scalable, durable global oceans solutions. For more information, please visit www.worldwildlife.org/pages/blue-finance.

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EXECUTIVE SUMMARY

Demand for seafood has increased by 122% over the past 30 years. This growth is expected to continue in the decades ahead, driven by markets in Asia, Europe, Latin America, and Oceania. Yet as issues like overfishing, habitat conversion and destruction, biodiversity loss, and climate change continue to impact the ocean's health and resilience, it may no longer be able to meet this level of demand. For example, the summer of 2023 saw record-breaking temperatures in our oceans, with many areas more than 3*C (5.4*F) warmer than usual[1], and in April 2024 the National Oceanic and Atmospheric Administration (NOAA) confirmed the fourth global coral bleaching event in just ten years. Such marine heatwaves[2] are already beginning to push nature beyond its limits, threatening marine wildlife, fisheries productivity and the livelihoods of millions of people. Climate-driven fish migration will result in newly fish-rich and fish-poor places, with potentially devastating consequences for people and nature—from escalating rates of blue food insecurity, unemployment, civil unrest, and human migration, to intensified competition and conflict over access to this commodity. Within this challenging social, environmental and economic context, the seafood industry is likely to face increasing risks ranging from declining productivity to the destruction of the natural capital upon which it depends. In tandem with these growing physical and operational risks, increasing evidence of market, regulatory and reputational risks[3] posed by brand and consumer exposure to illegal, unregulated and unreported (IUU) fishing and related issues of forced labour and human rights abuses in global seafood supply chains, collectively demonstrate the particularly challenging business environment within which seafood companies are operating today.

Despite these very real concerns, progress is also happening. For example, on the regulatory front, implementation of the Kunming-Montreal Global Biodiversity Framework (GBF) has now begun, and 2023 saw the passage of the groundbreaking UN High Seas Treaty - a critical step towards conserving ocean biodiversity - after almost two decades of global effort. In Europe, the EU's Corporate Sustainability Reporting Directive (CSRD) entered into force, which will require nearly 50,000 companies - including many seafood companies - to increase the scope of their environmental, social and governance (ESG) reporting. On the industry front, the long-awaited recommendations of the

1 Scientists at NASA attributed this to the joint impacts of long-term global warming, and the seasonal El Nino effect.

2 Marine heatwaves are periods of persistent anomalously warm ocean temperatures, which can have significant impacts on marine life as well as coastal communities and economies.

3 See the UNEPFI Turning the Tide guidance, page 23, for a brief description of each of these five risk typologies. https://www.unepfi.org/publications/turning-the-tide/

Taskforce on Nature-related Financial Disclosures (TNFD) were published in September 2023, with draft sector-specific guidance for companies operating in Aquaculture and Fisheries in development through 2024. Concurrent efforts to help companies and financial institutions begin to set and assess progress towards nature-related targets have begun in earnest, including work by the United Nations Environment Programme's Finance Initiative (UNEPFI), the Finance for Biodiversity Foundation, the Principles for Responsible Banking, and the Science Based Targets Network's (SBTN) Ocean Hub, all of which will help to ensure companies - including seafood companies - take the right actions at the right time to halt and reverse nature loss

Investors in companies across the seafood value chain are potentially exposed to a wide range of environmental and social (E&S) risks whilst also being uniquely positioned to drive improvements in industry performance. 2021 research by WWF and Metabolic found at least US$8.4T of blue economy assets and revenues may be at risk in the next 15 years - with seafood amongst the sectors with the most to lose - if we continue business-as-usual. This report showed that ocean-based sectors were material to financial portfolios. While progress to identify and address these risks is happening, it is not yet happening at pace or at scale. According to the World Benchmarking Alliance's third and final Seafood Sustainability Index, the world's 30 largest seafood companies are making "painstakingly slow progress" on IUU and human rights issues. At the same time, headwinds from anti-ESG sentiments in the United States are reducing some financial institutions' willingness to leverage their power to push for corporate action on E&S issues. Still, these risks are increasingly being directly linked to quantifiable financial losses.

Within this context, WWF conducted an update to last year's baseline assessment of 42 asset management firms' public disclosures related to managing E&S risks in their seafood portfolios. The objective of this assessment was to understand how they are, or are not, improving the way they manage these risks, and to offer guidance for how asset managers can steward the transition to more sustainable practices in the sector.

The results show that an increasing number of asset managers are taking action to manage E&S risks related to nature and biodiversity loss, with some specifically starting to address these risks within the seafood sector. Of the 42 asset managers assessed this year, 13 (31%) demonstrated minor or moderate improvements against last year's baseline. However, more progress is needed to ensure that asset managers' policies sufficiently prevent and manage their exposure to E&S risks, particularly as they relate to the seafood sector. Consistent with last year, our analysis found that only one of the 42 assessed asset managers has yet developed and publicly disclosed seafood-specific E&S expectations for its investee companies.

This report highlights key findings from the 2023 assessment, provides actionable recommendations for asset managers, and directs readers to practical resources to guide next steps. A third annual progress update highlighting changes in 2024 is planned for publication next year.

SUMMARY RECOMMENDATIONS

WWF recognises the diversity in asset management approaches and strategies; from active to passive fund management; from quantitative to fundamental analysis. Noting that every approach has unique benefits, challenges, and tools for implementation, our analysis highlights some specific best practices that asset managers can adopt to mitigate their potential exposure to E&S risks in seafood-related investments, as well as to capture the opportunities in the transition to sustainable seafood.

WWF strongly encourages asset managers to:

1. Formalise high-level biodiversity risk statements into actionable policies and include seafood-related expectations and criteria into these policies, as well as into other relevant policies related to climate, deforestation and human rights;
2. Regularly review seafood-related investments for potential exposure to E&S risks against specific and disclosed themes or indicators aligned with the Sustainable Blue Economy Finance Principles and *Turning the Tide* seafood sector guidance;
3. Develop and set targets for sustainability improvements in their seafood portfolios and disclose progress against those targets. Targets should be aligned with emerging guidance including:
    - UNEP FI's Sustainable Blue Economy Finance Initiative *Setting Sail* guidance (an overarching resource on target-setting in the blue economy, aligned with Finance for Biodiversity Foundation's *Nature Target Setting Framework for Asset Managers and Asset Owners*), and
    - Emerging targets from the Science Based Targets for Nature (SBTN) Oceans Hub.
4. Join the UNEP FI Sustainable Blue Economy Finance Initiative to become part of a community that is helping to shape the future of finance to deliver a sustainable blue ocean economy; and consider becoming signatories to the Principles to show leadership and encourage others to follow
5. Proactively engage with financial regulators and supervisors to call for mandatory disclosures of nature and biodiversity risks within the countries and regions where the firm operates or invests, to co-create the necessary enabling conditions for large scale improvements in practice and the transition to a sustainable blue economy (e.g. the publication of transition plans inclusive of both climate and nature);

In addition to the above actions, for those asset managers following active ownership strategies we recommend that they:

6. Deepen engagement with investee companies across seafood value chains - including banks with substantial seafood-related financing portfolios - to support sustainability improvements, and publicly report on engagement progress;
7. Leverage existing screening, ESG integration and engagement processes to develop targeted "blue" funds that align with the UNEP FI guidance, to support the transition towards more sustainable seafood.

There are long-term and compounding benefits for investors who take early action to proactively address ESG risks and identify opportunities in the sustainable development transition. For example, research by WWF Singapore shows that financial institutions with leading approaches to managing climate-related risks are now also outperforming their peers in managing nature-related risks. As investors continue to work towards strengthening their approach to managing nature-related risks and supporting nature positive ambitions, focusing their efforts on a sector like seafood, with its particularly strong dependencies and impacts on healthy ecosystems and robust natural capital, may offer a prime opportunity for investors to test nature, food and biodiversity related policies that can create more broadly applicable strategies for their investment portfolios as a whole.

SCOPE AND METHODOLOGY

Between January and March 2024, WWF assessed 42 asset managers' public disclosures related to managing nature and biodiversity risks, with a particular focus on applications to the seafood sector, to understand how they are currently managing E&S risks in their seafood portfolios, and where, specifically, additional support may be most needed. This report builds on the findings of our 2022 baseline assessment, highlights key findings on progress made during 2023, provides actionable recommendations for asset managers, and directs readers to practical resources to guide next steps.

BACKGROUND

Since 2020 WWF-Singapore has been assessing and publicly reporting on asset managers' environmental, social, and governance (ESG) integration progress through its annual Resilient and Sustainable Portfolios Assessment (RESPOND). The RESPOND framework comprises six pillars and 14 indicators that signify what WWF considers to be robust ESG integration. It was designed to align with existing international frameworks, standards and initiatives, including the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, UNEPFI Principles for Responsible Investment (PRI), Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and Sustainability Accounting Standards Board (SASB). Assessment is performed against 81 sub-indicators, with "yes/partial/no" answers and takes into account only publicly available, English language disclosures in the form of the most recent fiscal year annual reports, sustainability reports and information posted on corporate websites such as company policies, statements and press releases. The RESPOND assessments can be used by asset managers, asset owners, regulators and civil society representatives to track asset managers' progress and performance on ESG integration by analysing the evolution of results year-on-year.

In 2023, WWF added two sector specific assessments to RESPOND to dig deeper into the scope and quality of asset managers' ESG integration approaches, starting with energy and seafood.

ASSET MANAGERS ASSESSED

Leading investors in key seafood companies were targeted for inclusion in this assessment. Institutional asset managers' were selected based on the size of their seafood finance portfolios, accounting for investee companies across each of the following seafood value-chain segments:

SEAFOOD PRODUCTION (WILD CATCH AND AQUACULTURE)

MIDSTREAM (PROCESSORS, VALUE-ADD)

DOWNSTREAM (BRANDS, RETAIL)

An effort to ensure broad geographic coverage was made, with some oversampling for Asian asset managers given the region's importance with regard to fisheries production and aquaculture. The same asset managers are assessed annually to monitor progress over time.

A complete list of asset managers analysed can be found in Appendix 1. Note that for this assessment report, all results have been anonymized. It is important to highlight that the 42 asset managers included in this assessment represent a variety of different investor types, both in terms of structure and strategy. For example, the group includes both pureplay institutional asset managers as well as institutional asset owners - pension funds, sovereign wealth funds and insurance companies - with in-house asset management functions. Additionally, some of the assessed asset managers employ active management strategies, while others are predominantly passive.

Throughout 2024, WWF will continue to engage bilaterally with the asset managers assessed to discuss their individual results and provide actionable recommendations for next steps.

SEAFOOD SECTOR FRAMEWORK

The framework used to assess asset managers' seafood-specific E&S expectations for investee companies was structured to align with WWF's existing seafood sector policy framework for banks, with some adjustments to indicators to account for functional differences. It is organised into two sections: 1) Asset manager commitments and 2) Investee company expectations.

ASSET MANAGER COMMITMENT RELATED INDICATORS INCLUDE:

Sector approach: *six sub-indicators assess whether asset managers: publicly recognize biodiversity or nature-related impacts - both generally and specifically in marine environments - as risks, publicly recognize E&S risks related to seafood, have seafood sector policies or position statements and whether these apply to investee companies across the full value chain, offer financial products to support sustainable practices in the sector, and participate in commitment-based sustainable seafood initiatives.*

Disclosure: *four sub-indicators assess whether asset managers disclose an exclusion policy, disclose a seafood sector policy or position statement, and disclose related performance and impact metrics at the sector level.*

Monitoring & Engagement: *five sub-indicators assess asset managers' approaches to monitoring investee companies' E&S performance, managing non-compliance, and engaging with investee companies both broadly on E&S issues and specifically on seafood-related E&S issues.*

INVESTEE COMPANY EXPECTATION RELATED INDICATORS WERE DEVELOPED TO ALIGN WITH THE UNEP FI TURNING THE TIDE GUIDANCE AND ARE DIVIDED INTO:

Production (wild-capture): *seven sub-indicators assess asset managers' expectations re. sustainability certification, IUU avoidance, endangered species protection, harvesting control strategies, avoidance of shark finning and choice of fishing methods and gear.*

Production (aquaculture): *seven sub-indicators assess asset managers' expectations re: sustainability certifications, management of protected areas and areas of ecological sensitivity, administration of environmental impact assessments, risk management re: non-native and genetically altered species, approach to sustainable feed sourcing and use, animal health management, and avoidance of harmful chemicals/antimicrobials/pesticides.*

Downstream (processors, value-add, distribution, brands): *four sub indicators assess asset managers' expectations re: sustainability certifications, IUU avoidance, endangered species protection and management of protected areas and areas of ecological sensitivity.*

Crosscutting: *five sub-indicators assess asset managers' expectations regarding human rights commitments, adherence to international labour standards, approach to addressing social and community impacts, efforts to achieve supply chain traceability, and disclosure of progress towards clean energy.*

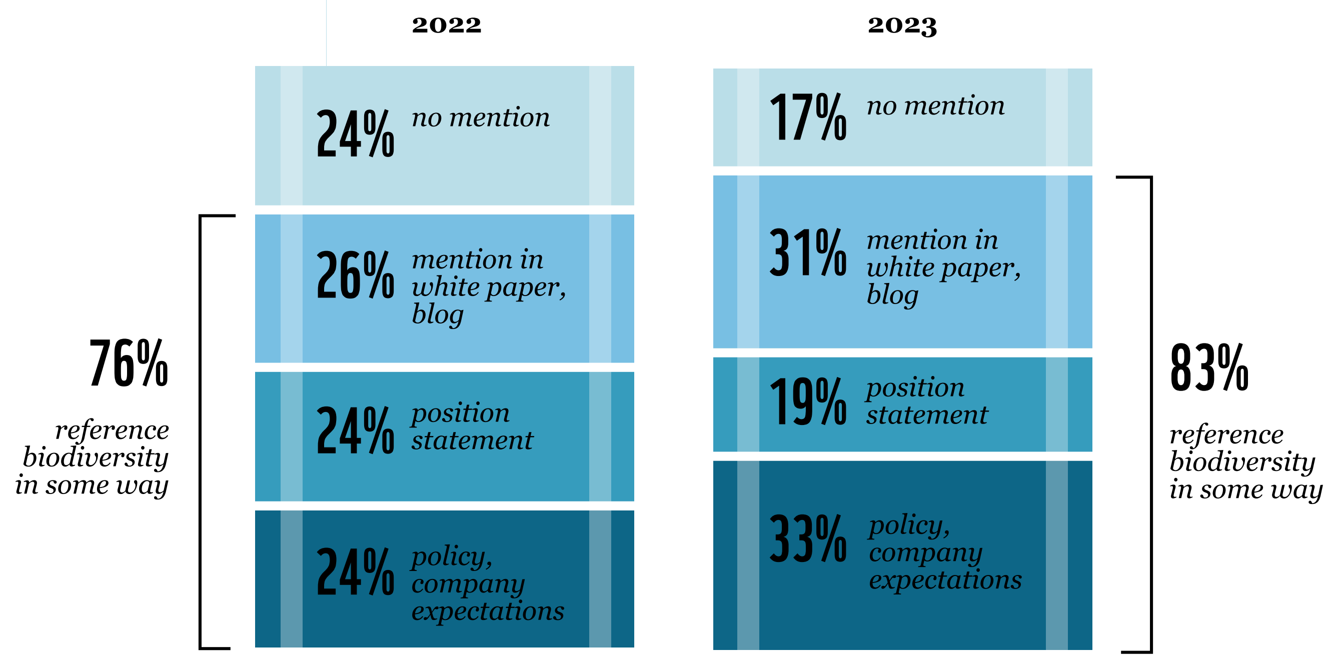
KEY FINDINGS AND TRENDS

The results of our 2023 analysis show that an increasing number of asset managers are taking action to manage E&S risks related to nature and biodiversity loss, with some specifically starting to address these risks within the seafood sector. Of the 42 asset managers assessed this year, 13 (31%) demonstrated minor or moderate improvements against last year's baseline.

Of these, seven asset managers demonstrated minor improvements (+1 to 1.5 points) predominantly on "asset manager commitments" indicators, while six demonstrated more moderate improvements in both sections of the assessment (+1.5 to 6 points). For example:

1. Five asset managers published new commitments or policies related to managing nature-related risks, in line with the TNFD recommendations.
   - Of these, two asset managers began implementing the TNFD LEAP (locate, evaluate, assess, prepare) approach to identify nature-related risks in their investing portfolios.
2. Three asset managers with existing nature and biodiversity commitments began piloting the LEAP approach this year.
3. Five asset managers disclosed they were actively engaging seafood investee companies on ESG issues during the last year.

FIGURE 1 WHERE ASSET MANAGERS ARE MAKING BIODIVERSITY STATEMENTS

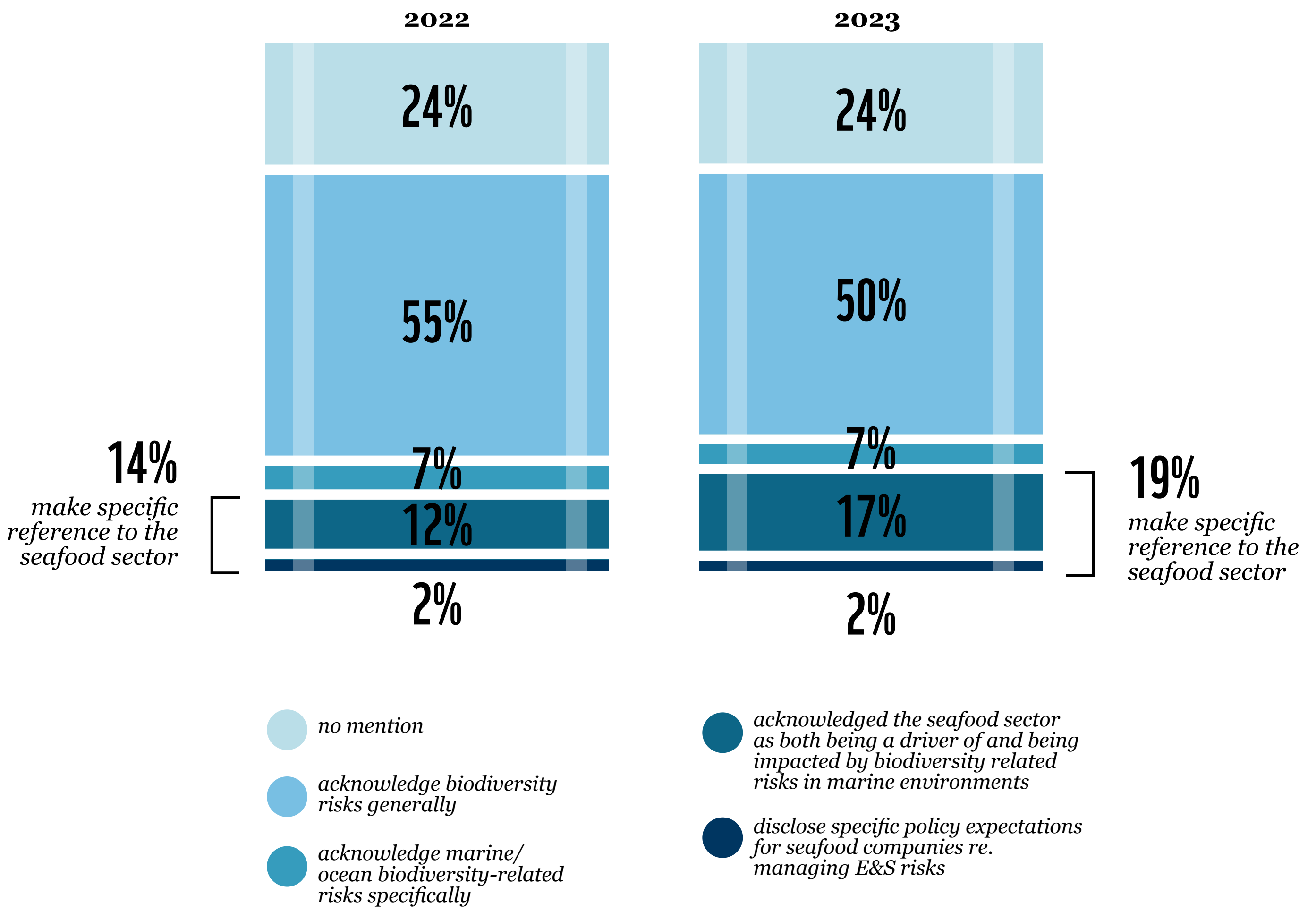


*All percents based on group of 42 assessed asset managers

During the past year there has been measurable growth in the number of asset managers' who publicly recognise biodiversity and natural capital impacts as risks to companies—35 (83%) of those assessed in 2023 compared with 32 (76%) in 2022. Additionally, there has been a shift in where biodiversity statements are made - with a 9% increase in formal biodiversity policy statements year on year.

Despite this momentum, asset managers' action on seafood-related E&S risks specifically has grown more slowly. Of the 35 asset managers that publicly acknowledge that biodiversity or nature related impacts may pose risks to companies' activities, only 11 (26%) make specific reference to biodiversity and natural capital risks in the marine or ocean context. Of these, only eight (19%) identify the seafood sector as particularly high risk given its impacts and dependencies on biodiversity. Of these, only one asset manager currently publishes specific expectations for how seafood companies should begin to address biodiversity and other E&S risks.

FIGURE 2 HOW ASSET MANAGERS ARE ACKNOWLEDGING SEAFOOD SPECIFIC E&S RISKS



**All percents based on group of 42 assessed asset managers*

While this progress is promising, overall, investor performance across the thirty eight sub-indicators varied widely and, like last year, continues to remain low overall. The highest scoring asset manager's seafood sector policy and E&S risk management approach aligned with 59% of the indicators, while the three lowest scoring asset managers achieved none of the 39 sub-indicators, thus scoring a 0. All but the top four asset managers achieved less than 25% of the sub-indicators, and the average score across the group was 15%, up from 13% last year.

In particular, there are some elements of the seafood sector framework where very few, if any, asset managers scored any points, indicating that they are yet to take action. These include:

INVESTEE COMPANY EXPECTATIONS ON CERTIFICATION

Only two asset managers (5%) publicly state that they expect investee companies to support or obtain relevant certifications to promote more responsible corporate behaviour in the ocean, such as the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC) certifications. In one instance, these expectations are framed in a stand-alone "Ocean Sustainability Expectations of Companies document", in the other, these expectations are laid out as discussion points with companies during active engagement.

Certification programs and credible time-bound Fisheries Improvement Projects (FIPs) and Aquaculture Improvement Projects (AIPs) that are benchmarked against these programs are key tools, amongst others, to transition the seafood industry towards more responsible practices. By encouraging and incentivising investee companies to pursue leading certifications and credible improvement pathways, whether directly participating or encouraging their supply chains to engage in these programs, asset managers can support the industry's transition to sustainability at scale.

INVESTEE COMPANY EXPECTATIONS ON TRACEABILITY

Only one of the assessed asset managers currently highlights the importance of supply chain traceability for meeting sustainability goals in its public reporting, though not specifically in relation to seafood. Seafood is one of the most highly traded global food commodities in terms of value, and much of the global volume is traded via highly complex, transnational, and opaque supply chains. The ability to track seafood products as they move from the point of production throughout the entire supply chain is critical for companies to understand and address any ESG risks embedded within these global value chains, and to unlock opportunities for improved business, product and brand value through greater transparency.

Fortunately, standards for robust seafood traceability do exist, for example via the Global Dialogue on Seafood Traceability (GDST). Investors can play a critical role in encouraging and incentivising investee companies to invest in adopting and implementing GDST aligned traceability systems both internally and across their supply chains; and some are already taking concerted action to do so. In 2023, a group of 35 investors, collectively representing US $6.5 trillion in combined assets, have committed via the FAIRR Initiative's Seafood Traceability Engagement - on which WWF are a founding member - to engage seven major seafood companies on enhancing the quality of their traceability commitments and progress against started targets.

DISCLOSING STEWARDSHIP PROGRESS AND IMPACT

Nearly all of the assessed asset managers (39 asset managers, 92%) disclosed that they actively engage with investee companies on E&S issues. However, of these, only five asset managers (12%) disclosed that they are specifically engaging with *seafood companies* (an increase from four asset managers (10%) last year), and none of these disclosed the progress of these engagements over time.[4]

Engagement can be a powerful avenue through which asset managers can reduce investee companies E&S risk exposure whilst at the same time, driving positive real-world impact. Based on our analyses from both 2022 and 2023, asset managers' current approaches to engaging seafood companies on E&S issues appear to be predominantly ad hoc. While such ad hoc engagements - in response to particular events or issues - serve an important role, systematic engagement across particular themes or sectors (like nature and biodiversity loss, oceans and seafood) can be a powerful way of driving sustainability improvements at scale. What's more, regularly monitoring and reporting on the progress of such stewardship activities, can be a powerful signal to industry of emergent investor expectations.

CREATING AND SCALING "BLUE" FINANCIAL PRODUCTS

While the majority of the assessed asset managers (36, or 86%) published information about green or sustainable financial products (ESG funds) only five asset managers (12%) explicitly include seafood within this scope. It is worth noting, however, that this is an increase from just three asset managers disclosing information about investment products specifically focused on sustainability in the seafood sector last year. Still, while growth is happening, there remains significant untapped potential for asset managers to develop targeted "blue"products that align with the UNEP FI guidance, to support the transition towards more sustainable seafood.

4 Of course, it is possible (even likely) that more of the assessed asset managers are engaging with investee companies on seafood-related E&S risks and are simply not disclosing this.

DISCUSSION

CURRENT CHALLENGES AND OPPORTUNITIES

In this section we take a closer look at the key findings and observed trends, and discuss possible explanations for these within the context of the current social, political, economic, and environmental landscape. We then propose a set of priority recommendations for concrete actions asset managers can take to mitigate potential exposure to E&S risks in seafood portfolios, and ultimately support the collective effort towards a sustainable blue economy.

By understanding the nature-related dependencies, impacts, risks and opportunities in their investment portfolios, asset managers may be better equipped to manage key E&S risks specific to the seafood sector.

Research by the Natural Capital Finance Alliance in 2018 found that the seafood sector was one of the three sectors most dependent on the services nature provides, and therefore most exposed to economic disruption as depletion of nature accelerates. Five years later, evidence of nature loss contributing to both legal and financial risks in business-as-usual seafood production is growing. It is critical, therefore, for investors of seafood companies to understand these risks and take steps to ensure their investees are not contributing to the devaluation of the natural capital that supports the entire industry, and rather, that they are a part of the necessary transition to a sustainable seafood industry.

This year eight asset managers (19%) have implemented new commitments or policies for biodiversity in line with TNFD, or begun to pilot the TNFD LEAP framework. Many of these asset managers also acknowledge the strong interconnection between natural capital and biodiversity issues with climate change, human rights, and other social issues as a motivation for adopting biodiversity considerations into their investment analysis and stewardship activities.

National and regional policies related to biodiversity and nature are on the rise. Such policies can be a key driver of change in financial markets, as evidenced in particular by Japanese asset managers' progress on this year's assessment.

When governments establish regulatory frameworks that require companies and financial institutions to report their impacts on nature it creates an enabling environment for more consistent and decision-useful ESG disclosures. The emergence of such regulations in Europe - from the Sustainable Finance Disclosure Regulation (SFDR), to the Corporate Sustainability Reporting Directive (CSRD), to the Corporate Sustainability Due Diligence Directive (CSDDD) to the new European Securities and Markets Authority (ESMA) guidelines for labelling of funds - is already having immense ripple effects throughout the region, and globally.

Another recent example of the emergence of such regulations is in Japan, where the national government has set forward-looking policies related to biodiversity and seafood traceability. Japan adopted its first National Biodiversity Strategy in 2012 which promotes sustainable practices in agriculture, forestry, and fisheries. In 2023, guidelines were introduced to assist companies (including financial institutions) in setting goals and disclosing information relevant to biodiversity, in line with the TNFD. This new guidance is likely a significant driver of the increases noted in this year's assessment; of the 13 asset managers that made any progress against the framework this year, seven (53%) were Japanese. What's more, of the six asset managers that made moderate progress against the framework this year (+1.5-6 points) four (66%) were Japanese. This highlights that relative to the group, Japanese AMs have shown the most consistent improvement in their scores, particularly in sub-indicators related to biodiversity.

Another relevant piece of national regulation is Japan's Act on Ensuring the Proper Domestic Distribution and Importation of Specified Aquatic Animals and Plants, which came into force at the end of 2022, and aims to prevent the catch and trade of Illegal, Unregulated & Undocumented (IUU) seafood products. While none of the Japanese asset managers yet mention seafood traceability in their public policies and investee company expectations, there is evidence that this topic is increasingly on investors' agenda through bilateral and collective engagement.

There is an emerging body of work on target-setting, but limited implementation to date.

Beyond identifying and measuring corporates' *exposure to* nature-related impacts, dependencies, risks and opportunities, there has been significant progress during the past year in terms of developing *target-setting methodologies for the finance sector*. UNEP FI's recently released *Setting Sail* manual for target-setting in the blue economy provides investors (as well as banks and insurers) with a methodology to set both practice and impact targets for the seafood sector. The Finance for Biodiversity Foundation launched the beta version of its nature target setting framework for asset managers and asset owners with an initial focus on targets for sectors, engagement, initiation and portfolio coverage, with plans to publish the full framework in 2024. The Science Based Targets Network's (SBTN) Ocean Hub is in the midst of a two-year plan to deliver the first seafood value chain science-based targets.

All of these efforts will play a key role in helping to ensure companies - including seafood companies - and their financiers, take the right actions at the right time to halt and reverse nature loss. However, with many of these target-setting efforts still early on in adoption or in-development, implementation by companies and financiers to date has been limited. The next few years will be critical in ensuring that target-setting efforts are mainstreamed and aligned with the latest science, such that corporate and financial institution efforts to halt and reverse nature loss are effective at driving the necessary impact.

Momentum on blue products is growing.

While most of the asset managers assessed–86%–offer ESG-related financial products (green bonds, loans, sustainability-linked loans), most are presently geared towards addressing climate-related risks in the energy sector, with far fewer products yet designed to address nature and biodiversity loss on land, let alone in the ocean. That said, momentum in this space is growing, with six of the assessed asset managers (14%) offering financial products that enhance marine conservation and the sustainable blue economy, five of those specifically inclusive of fishing and seafood investments. This represents an increase in the number of asset managers developing such products, up from just three asset managers in 2022.

Growing interest in the blue product space is evident. For example, there has been a surge in white papers and articles related to the topic. A sample of these are linked here for further reading.[5] While such enthusiasm is generally positive, it is of critical importance that emerging blue products are robust in their alignment of financial incentives and environmental and social KPIs. The first-of-its-kind global practitioner's guide for bonds to finance the sustainable blue economy, published in 2023 by IFC, ICMA, UN Global Compact, UNEP FI and ADB is a useful tool for investors interested in blue products to consult.

5 Economist Impact 2023; T. Rowe Price 2023; NPR 2022; Morgan Stanley 2019;

EXAMPLES OF BLUE FINANCIAL PRODUCTS

UBS ROCKEFELLER OCEAN ENGAGEMENT FUND

In 2020, Credit Suisse and Rockefeller announced the launch of their joint Ocean Engagement Fund, which was taken over by UBS and Rockefeller in May 2024. The UBS Rockefeller Ocean Engagement Fund is an actively managed equity fund focused on engagement as a powerful means of reducing ocean-related ESG risks and identifying solutions.

The fund is composed of a mix of companies across the following three categories:

1. Ocean leaders - companies whose business models have linked targets to ocean health
2. Ocean solutions - companies whose business modes actively address an ocean threat
3. Ocean improvers - companies that aim to reduce risks to ocean environments

As a core KPI, the fund aims to engage with 70 investee companies (or approximately 75% of the fund) annually, on issues related to:

» *Reducing waste and preventing plastic pollution,*
» *Promoting carbon offset and reduction,*
» *Promoting sustainable fishing and aquaculture practices.*

Read more here.

DWS CONCEPT ESG BLUE ECONOMY

Launched in March 2021, the DWS Concept ESG Blue Economy fund is an ESG conform global equity fund that invests primarily in companies focused on:

» *mitigating ocean acidification,*
» *reducing marine pollution,*
» *conserving and sustaining marine resources & ecosystems usage, and*
» *sustainable fisheries.*

Active engagement is a core part of the fund's structure, and several companies are selected each year for dedicated engagement beyond regular corporate governance actions in order to have a stronger contribution towards a sustainable blue economy.

Read more here.

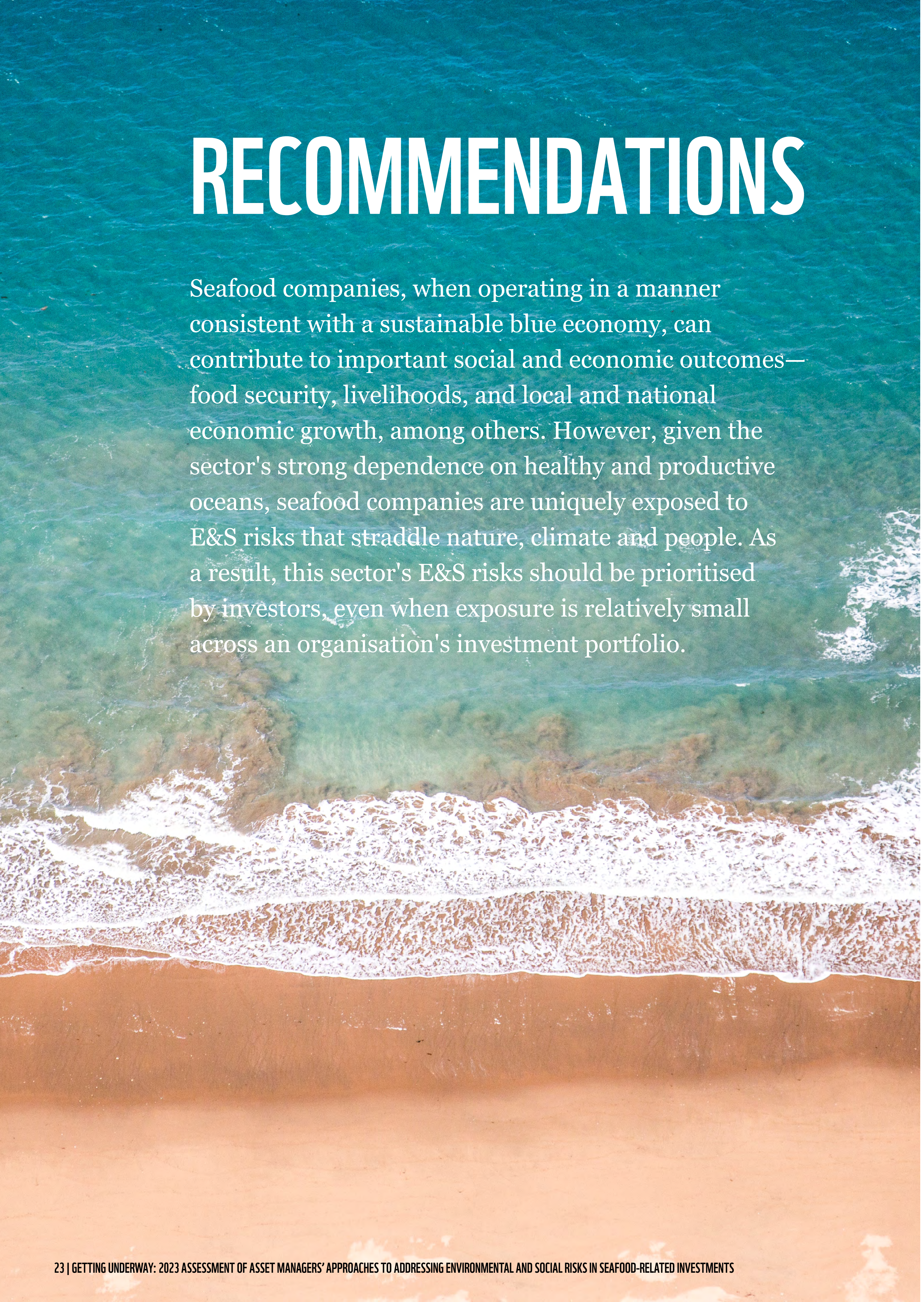
ROBECO BIODIVERSITY EQUITIES STRATEGY

Launched in October 2022, the RobecoSAM Biodiversity Equities strategy invests in companies that support the more sustainable use of natural resources and ecosystem services, as well as the technologies, products and services that help to reduce biodiversity threats or restore natural habitats. The strategy focuses on four investment clusters:

1. Sustainable Land Use;
2. Freshwater Networks;
3. Marine Systems; and
4. Traceable Products.

These will target a broad remit of themes, including environmental remediation, reforestation, wastewater treatment, hazardous waste management, aquaculture and sustainable fishing.

Read more here.



RECOMMENDATIONS

Seafood companies, when operating in a manner consistent with a sustainable blue economy, can contribute to important social and economic outcomes—food security, livelihoods, and local and national economic growth, among others. However, given the sector's strong dependence on healthy and productive oceans, seafood companies are uniquely exposed to E&S risks that straddle nature, climate and people. As a result, this sector's E&S risks should be prioritised by investors, even when exposure is relatively small across an organisation's investment portfolio.

The latter half of this decade will be a critical period for accelerating the transition to a sustainable blue economy if we are to meet the SDG 14–life below water–2030 target. As momentum around managing climate and nature-related risks continue to grow, and more countries commit to protect and sustainably manage their marine resources, asset managers must ensure that they are effectively managing their own exposure to seafood-related E&S risks, and that they are proactively seeking out opportunities to invest in nature-positive solutions. While our 2023 assessment shows that some asset managers are making progress on these issues, much more needs to be done. As such, our recommendations remain largely consistent with those made in 2022.

Asset managers should:

1 Formalise high-level biodiversity risk statements into actionable policies and include seafood-related expectations and criteria into these policies, as well as into other relevant policies related to climate, deforestation and human rights;

A growing number of asset managers now acknowledge that biodiversity and natural capital impacts may pose financially material risks to their investment portfolios. While acknowledging that these risks exist is a good and important first step, integration of biodiversity and nature-related risks into policy and strategy is necessary to drive and demonstrate action.

With the TNFD recommendations now published, asset managers must begin to distil high-level statements into actionable policies. As discussed, a growing number of financial institutions have already committed to doing so through the TNFD Early Adopters programme.

Recognizing the seafood sector's significant exposure to biodiversity related E&S risks, it is strategic for asset managers to focus early efforts on developing specific biodiversity risk management metrics. Beyond formalised biodiversity policies, the following issue areas may provide useful existing policies or frameworks into which asset managers should consider integrating the seafood-specific asks outlined in this framework:

» *Climate*
» *Agriculture and food production*
» *Deforestation*
» *Human rights*
» *Supply chain traceability*
» *Illegality*

2 Regularly review seafood-related investments for potential exposure to E&S risks against specific, and disclosed, themes or indicators aligned with the Sustainable Blue Economy Finance Principles and *Turning the Tide* seafood sector guidance;

UNEP FI's Sustainable Blue Economy Finance Principles, launched in 2018, are the world's first global guiding framework for banks, insurers and investors on how to finance a sustainable blue economy. Their implementation is supported by two guidance documents–(i) Turning the Tide: How to Finance a Sustainable Ocean Recovery and (ii) Recommended Exclusions for Financing a Sustainable Blue Economy, both with specific guidance on the seafood sector.

WWF encourages asset managers to integrate the UNEP FI SBE Finance Principles and Guidance into their own seafood sector or broader thematic policies, as well as regular investee company review processes. Key themes and issues which could be integrated into policies and review processes are highlighted in the Investee Company Expectations framework indicators (see Appendix). As noted in the Key Findings and Trends section of this report, investee company expectations on certification and traceability are particularly useful ways to identify and address E&S risks, and at the same time are currently lacking in most asset managers disclosed policies and processes. WWF is committed to support asset managers in this process through bilateral engagement and internal capacity building. For example, we have developed a free, self-guided e-learning course for financial institutions–Seafood Sustainability 101–and encourage banking professionals to enrol;

3 Develop and set time-bound targets for sustainability improvements in their seafood portfolios and disclose progress against those targets.

In addition to regularly reviewing individual investee companies' exposure to seafood related E&S risks, asset managers can set targets to help focus, monitor and report publicly on their own sustainability efforts. Asset managers can set internal targets for their own processes/practices (e.g. a target to establish new policy, or to engage with a certain number of seafood companies in a given year). They can also set external looking impact targets (e.g. a target to drive a certain, tangible change in the real economy, such as achieving full chain traceability across a % of its total financed seafood portfolio.) Disclosing progress against these targets over time can demonstrate where certain policies and processes have supported risk reduction, and can help asset managers to prioritise which remaining risks need to be most urgently addressed.

The newly-released UNEP FI manual for target-setting in the Sustainable Blue Economy–*Setting Sail*–is designed specifically to support investors to begin this process. Other relevant target setting guidance includes:

» Emerging targets from the Science Based Targets for Nature (SBTN) Oceans Hub, and

» the Finance for Biodiversity Foundation's *Nature Target Setting Framework for Asset Mangers and Asset Owners*;

4 Join the UNEP FI Sustainable Blue Economy Finance Initiative to become part of a community that is helping to shape the future of finance to deliver a sustainable blue ocean economy - and take leadership by becoming signatories and adopting the principles

We encourage asset managers to adopt the 14 Sustainable Blue Economy Finance Principles and in-so-doing to become sector leaders. By joining the UNEP FI's Sustainable Blue Economy Finance Initiative, members have the opportunity to actively shape and pilot the guidance towards delivering cutting edge new solutions, amplify success, and catalyse change in the blue economy. More than 80- global financial institutions currently participate as members of the Sustainable Blue Economy Finance Initiative and 44 are signatories to the Principles. UNEP FI's Seafood Working Group is also an active and open sector platform which offers support, sharing and learning for those FIs wishing to strengthen their seafood policies, enabling members to become E&S ready for emerging regulation and accountability frameworks across this sector.

5 Proactively engage with financial regulators and supervisors to call for mandatory disclosures of nature and biodiversity risks within the countries and regions where the firm operates or invests, leading to large scale improvement in ocean-related practices and to support the transition to a sustainable blue economy (e.g. the publication of transition plans inclusive of both climate and nature)

Influential asset management companies should engage in policy advocacy to encourage more countries to adopt rules that standardise and incentivize nature-related disclosures, for both marine and terrestrial ecosystems. Japan's Strategy for Biodiversity sets a clear example of how these policies can lead to progress at a wide scale. Standardising rules across regions reduces confusion across industries, sets a clear priority for all financial institutions and corporations to evaluate their impacts on and opportunities related to natural capital, and establishes a foundation for enhancing biodiversity.

WWF recognises the diversity in asset management approaches and strategies. Therefore in addition to the above actions, for those asset managers following active ownership strategies we recommend they:

6 Deepen engagement with investee companies across seafood value chains - including banks with substantial seafood-related financing portfolios - to support sustainability improvements, and publicly report on engagement progress;

Engagement is a powerful avenue through which asset managers can reduce investee companies E&S risk exposure whilst at the same time, driving positive real-world impact. Yet asset managers' current approaches to engaging companies on seafood-related E&S issues appear to be predominantly ad hoc. While such ad hoc engagements - in response to particular events or issues - serve an important role, systematic engagement across particular themes or sectors can be a powerful way of driving sustainability improvements at scale.

In addition to direct bilateral engagements with investee companies, asset managers should consider collaborative engagement as another powerful tool. FAIRR's Seafood Traceability Engagement is a good example of this, with 35 institutional investors coming together to engage seven key seafood companies on enhancing their commitments to and implementation of traceability.

WWF recommends that asset managers:

» Systematically engage with seafood-related investee companies to better understand the scope and scale of E&S risks to which they are exposed, how they are managing these risks, and where there are opportunities;

» Consider participating in collaborative engagements on seafood sustainability like the FAIRR Seafood Traceability Engagement, and

» Disclose the progress of these engagements over time.

7 Leverage existing screening, ESG integration and engagement processes to develop targeted "blue" products that align with the UNEP FI guidance, to support the transition towards more sustainable seafood.

The true potential of the sustainable blue economy can only be realised if our ocean's health is secured, protected and restored through a nature-positive approach–one that replaces the idea of the managed decline of our natural world with one that taps into the potential of businesses to transform their practises to actively protect, restore nature and rebuild marine ecosystems. Given the seafood sector's particularly high dependence on healthy natural capital (fish stocks) the business case for prioritising sustainable management is clear.

Recognizing this opportunity, asset managers should work to proactively increase their "blue financial product" offerings. Leading asset managers are developing financial products that support the sustainable blue economy and incentivize biodiversity-enhancing activities. This includes the creation of blue bonds, biodiversity products, insurance, bonds, and sustainability-linked loans. These products not only accelerate investment in a greener economy, they can also deliver positive performance on financial returns[6], particularly over longer investment time horizons.

Targeted financial products that link financial incentives to science-based environmental and social impacts and verifiable metrics can be an effective tool for driving impact in the real economy. We encourage investors to review to the global practitioner's guide for bonds to finance the sustainable blue economy, published in 2023 by the International Finance Corporation (IFC), the International Capital Market Association (ICMA), United Nations Global Compact (UN Global Compact), United Nations Environment Programme Finance Initiative (UNEP FI), and the Asian Development Bank (ADB).

6 ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015 – 2020. Tensie Whelan, Ulrich Atz, Tracy Van Holt and Casey Clark, CFA. https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf

CONCLUSION AND NEXT STEPS

Seafood is one of the most important food commodities in the world, and its long-term sustainability will continue to be critical to billions of people's diets, millions of livelihoods, and economies around the world. Progress to address E&S risks in business-as-usual seafood production is happening, albeit slowly, driven by regulatory, industry, and civil society pressure, and, as evidenced by this report, growing efforts by financial institutions. Yet much more needs to be done. Amidst this progress, major risks posed by climate change, nature loss, human and labour rights abuses, and socio-political conflict continue to exist.

Throughout 2024, WWF seeks to engage bilaterally with the asset managers included in this baseline assessment, to encourage and support them in leveraging their influence as lenders, to support the transition to more sustainable seafood production. A third annual progress update is planned for publication next year.

ASSET MANAGERS ASSESSED

NORTH AMERICA:

» AllianceBernstein L.P.
» Berkshire Hathaway Inc.
» BlackRock
» Capital Group
» Charles Schwab Investment Management, Inc.
» Fidelity Investments
» Fisher Investments
» Geode Capital Management, L.L.C.
» Invesco Advisers, Inc.
» Jennison Associates LLC
» JP Morgan Asset Management
» MFS Investment Management
» Morgan Stanley Investment Management Inc. (US)
» Northern Trust
» Nuveen LLC
» State Street Global Advisors (US)
» T. Rowe Price Associates, Inc.
» The Vanguard Group, Inc.
» Wellington Management Company, LLP

EUROPE

» Norges Bank Investment Management (NBIM)
» Schroder Investment Management[7]
» Baillie Gifford & Co.
» Legal & General Investment Management Ltd.
» Janus Henderson Investor

ASIA:

» Asset Management One Co., Ltd.
» CP Worldwide Investment Company Limited
» Daiwa Asset Management Co., Ltd.
» GIC Private Limited
» Meiji Yasuda Life Insurance Company
» Mitsubishi UFJ Kokusai Asset Management Co., Ltd.
» Mitsui Sumitomo Insurance Co Ltd
» Nikko Asset Management Co., Ltd.
» Nippon Life Insurance Company
» Nomura Asset Management Co., Ltd.
» Social Security Office
» Sompo Japan Insurance Inc
» SPARX Asset Management Co., Ltd.
» Sumitomo Life Insurance Co.
» Sumitomo Mitsui Trust Asset Management Co., Ltd.
» The Dai-ichi Life Insurance Company, Limited
» Tokio Marine & Nichido Fire Insurance Co., Ltd.
» Tokio Marine Asset Management International Pte. Ltd

7 *Schroder Investment Management (Japan) Ltd., specifically, was identified via the asset manager selection process (see page 5) however, to be consistent with our assessment approach, the analysis of Schroder's public disclosures was conducted at the global level.*

FRAMEWORK SUB-INDICATORS

1. ASSET MANAGER COMMITMENTS

1.1 Sector Approach

1.1.1 Does the asset manager (AM) acknowledge biodiversity or nature-related impacts as risks in companies' activities?

1.1.2 Does the AM acknowledge negative impacts on marine environments as risks in seafood companies' activities?

1.1.3 Does the AM identify the seafood sector (i.e. fisheries, aquaculture or seafood processing) as a key sector and have a specific sector policy or position statement?

1.1.4 Does the AM offer financial products that support a transition towards sustainable practices in the sector?

1.1.5 Does the AMs seafood sector policy/position statement apply to relevant investee companies operating in all parts of the seafood value chain (such as production, processing, distribution, brands)?

1.1.6 Does the AM participate in relevant commitment-based sustainable seafood finance initiatives (e.g. the UNEPFI Sustainable Blue Economy Finance Initiative).

1.2 Disclosure

1.2.1 Does the AM disclose an exclusion policy?

1.2.2 Does the AM disclose the full sector policy or position statement document?

1.2.3 Does the AM disclose environmental performance or impact of their seafood portfolio (e.g. biodiversity, emissions)?

1.2.4 Does the AM disclose the % or number of seafood sector investee companies that are sustainably certified or have time-bound plans to achieve certification?

1.3 Monitoring and Engagement

1.3.1 Does the AM perform periodic review or state how frequently it reviews its seafood sector investee companies' profiles on E&S?

1.3.2 Does the AM disclose the process to address non-compliance of seafood sector investee companies with its policies?

1.3.3 Does the AM actively engage with investee companies on E&S issues?

1.3.4 Does the AM actively engage with seafood sector investee companies on E&S issues?

1.3.5 Does the AM disclose the results of its engagements with seafood sector investee companies on E&S issues?

2. INVESTEE COMPANY EXPECTATIONS

2.1 Production (Wild-caught fisheries)

2.1.1 Require all investee companies to operate only in fisheries that have obtained MSC or other globally benchmarked standards listed under the Global Sustainable Seafood initiative, have a time-bound plan to achieve this, or are in credible fishery improvement projects (e.g. have Fishery Improvement Plan in place).

2.1.2 Require all investee companies to have no involvement in illegal, unreported or unregulated (IUU) fishing.

2.1.3 Require all investee companies not to target species that are critically endangered and endangered based on the IUCN Red List of Threatened Species

2.1.4 Require all investee companies not to catch (as bycatch) species that are critically endangered and endangered based on the IUCN Red List of Threatened Species.

2.1.5 Require all investee companies to operate only in fisheries that have documented harvesting control strategies for target and non-target species

2.1.6 Require all investee companies to commit to no shark finning

2.1.7 Require all investee companies to avoid destructive fishing methods and/or gear (such as dynamite, cynide-fishing, driftnets, deep sea bottom trawling, etc.) AND to use or adopt low-impact or selective fishing methods or gear

2.2 Production (Aquaculture Farms)

2.2.1 Require all investee companies to be certified or have a time-bound commitment to obtain ASC certification or an equivalent globally benchmarked standard listed under the Global Sustainable Seafood initiative, or to have all farms in credible aquaculture improvement projects (e.g. have Aquaculture Improvement Plan in place).

2.2.2 Require that all investee companies' owned farms not be within legally protected areas that do not allow multiple uses (i.e High Conservation Value Areas, RAMSAR, and UNESCO World Heritage Sites) and areas of ecological sensitivity (i.e. mangroves, wetlands)

2.2.3 Require all investee companies to have undertaken carrying capacity and environmental impact assessments to understand tolerance limits, and monitor farm impact on surrounding wildlife and ecosystem (e.g. water risks, pollution, benthic effects/disturbance, disease control, etc.)

2.2.4 Require all investee companies to have adequate measures to minimise the risk of introducing non-native species or genetically altered stocks into waters (e.g. minimising escapes, broodstock and fingerling sourcing and management)

2.2.5 Require all investee companies to have a clear policy and documentation for sustainable sourcing (including sourcing location of feed and sustainable feed ingredients such as plant-based or ASC/MSC certified) and efficient utilisation of feed/feed conversion

2.2.6 Require all investee companies to have clear policy for animal health management and overall welfare

2.2.7 Require all investee companies to avoid use of banned or harmful chemicals, and overuse of anti-microbials (e.g. prophylactic use of microbials) or pesticides

2.3 Downstream (Processors, value-add, distribution, brands)

2.3.1 Require all investee companies to source only from or have a time-bound commitment to source only from certified seafood producers (ASC, MSC or equivalent globally benchmarked standards listed under the Global Sustainable Seafood initiative) or from farms/fisheries that have credible aquaculture/fisheries improvement project

2.3.2 Require all investee companies to have no involvement in illegal, unreported or unregulated (IUU) fishing or trade.

2.3.3 Require all investee companies not to source species that are critically endangered or endangered based on the IUCN Red List of Threatened Species.

2.3.4 Require all investee companies not to source from farms located in areas of ecological sensitivity (i.e. mangroves), High Conservation Value Areas, RAMSAR, and UNESCO World Heritage Sites

2.4 Crosscutting

2.4.1 Require all seafood sector investee companies to commit to respecting human rights, in line with the UN Guiding Principles on Business and Human Rights

2.4.2 Require all seafood sector investee companies to adhere to international labour standards equivalent to the ILO Fundamental Conventions

2.4.3 Require all seafood sector investee companies to undertake Social Impact Assessments, best practice community and stakeholder engagement, such as FPIC, and due diligence processes and conflict resolution mechanisms, in alignment with the UN Guiding Principles on Business and Human Right to ensure aquaculture operations and fishing activities are not resulting in loss of access to natural resources or marginalisation of local or indigenous communities

2.4.4 Require all seafood sector investee companies to achieve supply chain traceability (e.g. through the adoption of Global Dialogue on Seafood Traceability (GDST) standard as requirement)

2.4.5 Require all seafood sector investee companies to disclose emissions data, implement energy efficiency measures, and disclose a timebound plan to transition to cleaner, renewable sources of energy?

ABBREVIATIONS

AUM	Assets under management
E&S	Environmental and Social
ESG	Environmental, Social and Governance
GDST	Global Dialogue on Seafood Traceability
GHG	Greenhouse gas
GRI	Global Reporting Initiative
ILO	International Labour Organisation
IUU	Illegal, Unreported and Unregulated
NBS	Nature-based solutions
NGO	Non-Governmental Organisation
PRB	Principles for Responsible Banking
PRI	Principles for Responsible Insurance
RESPOND	Resilient and Sustainable Portfolios Assessment
SASB	Sustainability Accounting Standards Board
SBE FI	Sustainable Blue Economy Finance Initiative (of the United Nations Environment Programme Finance Initiative)
SBTN	Science Based Targets Network
SDGs	Sustainable Development Goals
SFDR	Sustainable Finance Disclosure Regulation
SUSBA	Sustainable Banking Assessment
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Task Force on Nature-related Finance Disclosures
UNEP	United Nations Environment Programme
UNEP	FI United Nations Environment Programme Finance Initiative

Working to sustain the natural world for the benefit of people and wildlife.

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