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Sustainable Blue Economy

Setting Sail: Target Setting in the Sustainable Blue Economy

A manual for the implementation of the *Turning the Tide* and *Diving Deep* guidance

February 2024

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Author

Klaas de Vos | Ocean Fox Advisory

UNEP FI

Karla Martinez Toral | Consultant, Sustainable Blue Finance
Jessica Smith | Co-lead Nature
Romie Goedicke den Hertog | Co-lead Nature
Arielle Wat | Communications Lead, Nature
Careen Abb | UNEP FI
Costanza Ghera | UNEP FI

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Glossary

User	Financial institution to which the targets apply (bank, investor or insurer).
Client	Transaction/company/investment of relevance to the user in applying this manual
Principles	The Sustainable Blue Economy Finance Principles (SBEFP).
Guidance	UNEP FI guidance underpinned by the Sustainable Blue Economy Finance Principles, specifically *Turning the Tide* and *Diving Deep*.
(Recommended) Exclusions	List of exclusions based on *Turning the Tide* and Diving Deep's avoid-category scenarios
Target	A specific, quantitative, time-bound objective.
Exclusion Response	Short-term commitment to address discovered exclusions
Action Plan	Defined set of actions for implementation of a target

List of acronyms

ASC	Aquaculture Stewardship Council
ESG	Environmental, Social and Governance
ESRM	Environmental and Social Risk Management
FfB	Finance for Biodiversity
KPI	Key Performance Indicator
KYC	Know Your Customer
LEAP	Locate, Evaluate, Assess, Prepare
MSC	Marine Stewardship Council
NBSAP	National Biodiversity Strategies and Action Plans
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organisation
PRB	Principles for Responsible Banking
PRI	Principles for Responsible Investment
PSI	Principles for Sustainable Insurance
SBE	Sustainable Blue Economy
SBEFI	Sustainable Blue Economy Finance Initiative
SBTI	Science-based Targets Initiative
SBTN	Science-based Targets Network
SDG	Sustainable Development Goal
SMART	Specific, Measurable, Achievable, Relevant, Time-bound
TNFD	Taskforce on Nature-related Financial Disclosures
UNEP FI	United Nations Environment Programme Finance Initiative

Contents

Executive summary

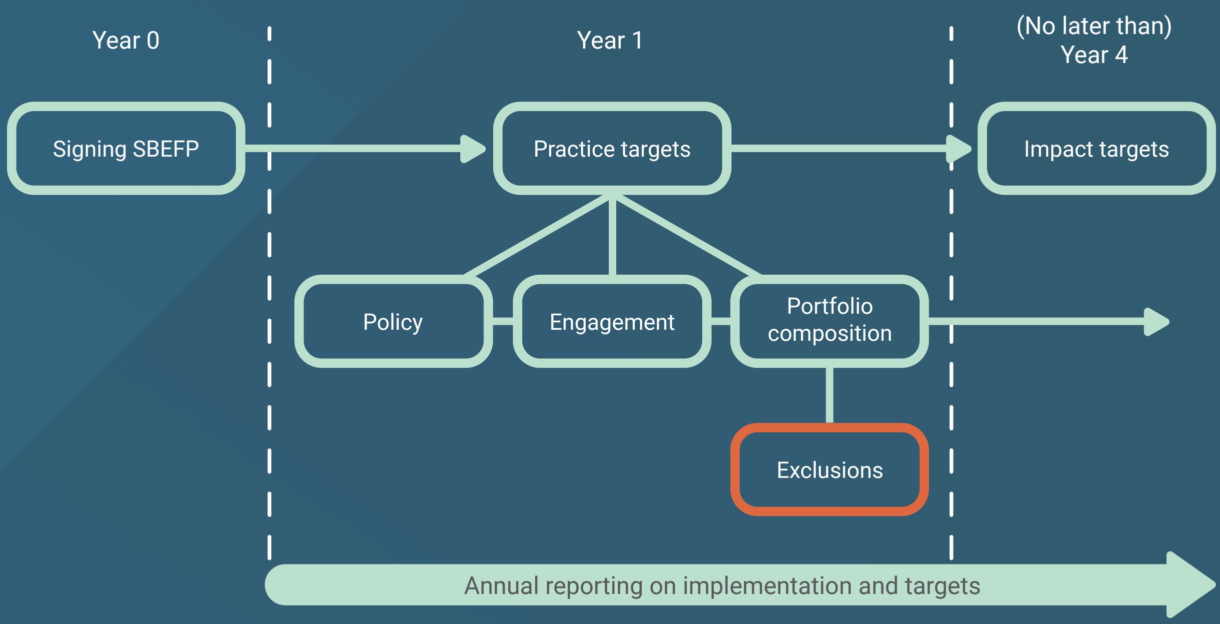
Banks, investors and insurers are increasingly looking to assess and disclose impacts and dependencies on nature and implement impact management approaches that allow for the setting of meaningful targets to measure progress. As part of this effort, there is a need to understand what key risks and impacts look like in the ocean. To that effect, UNEP FI has published two key resources: *Turning the Tide* and *Diving Deep* (Guidance), which outline what is meant by a Sustainable Blue Economy and map out negative social and environmental impacts in key sectors of the blue economy and provide recommended actions for financial institutions. Building on this work, and through the Initiative's Seafood Finance Working Group, which is co-convened with WWF, UNEP FI has developed this manual to support financial institutions in implementing the Sustainable Blue Economy Finance Principles (SBEFP) and setting targets for the Sustainable Blue Economy.

The manual enables institutions to set targets that align with the Guidance and support the transition to a Sustainable Blue Economy, in line with the objectives of the Kunming-Montreal Global Biodiversity Framework and the Paris Agreement. While its primary audience is members and signatories of the Sustainable Blue Economy Finance Initiative (SBEFI), any bank, investor or insurer may adopt this manual to support implementation of the Guidance and guide target setting for financing the SBE. Though applicable across the Guidance sectors, this document includes an annex of specific recommendations for target setting in the seafood (fisheries and aquaculture) sector. For SBEFI signatories that are also PRB signatories, note that this manual is compatible with the PRB Nature Target-Setting Guidance for practice targets.

The manual, in alignment with the UNEP FI Impact Protocol as well as the Taskforce on Nature-related Financial Disclosures' LEAP framework and guidance produced by the Science-based Targets Network, outlines steps that users of this manual can take to identify their impacts in the blue economy, assess their materiality, set and implement targets and monitor progress and results.

The manual sets a number of expectations for its users, while highlighting opportunities to be flexible in its implementation across a wide range of financial institutions on their sustainability journeys. These expectations are as follows:

1. **All users can take action**—where data gaps or capacity constraints exist regarding impact, users are strongly encouraged to set impact targets against a relevant sustainability issue identified from the guidance regardless, and support progress, including the collection of data, through an emphasis on engagement and policy targets.
2. Users are encouraged to set as many targets as are practical to support the implementation of the guidance, but are strongly encouraged to begin their target setting with a **focus on implementing the SBEFI exclusions** list through policy and portfolio composition.



3. Portfolio composition targets focused on **exclusions are strongly encouraged to be set and met within 1 year** of signing the SBEFP/2024, whichever is more recent.
4. Users are strongly encouraged to **set and implement impact targets** within four years of signing the Principles/2024, whichever is more recent. For banks that are also signatories to the PRB, utilise this guidance to support PRB reporting with SBE-specific impact management and target setting[1] in anticipation of the PRB Impact Roadmap.

While intended to enable robust target setting against the SBEFI Guidance, different users may have different constraints in target setting, particularly as they build out their capabilities in assessing and disclosing biodiversity and nature-related risk. To that effect, users are encouraged through this manual to set ambitious targets in relation to implementing the Guidance, while working to address data gaps through engagement and a focus on disclosure. At this stage, setting targets against the guidance is voluntary for both members and signatories. However, in line with the reporting framework

1 In this case, banks are expected to begin target setting against their earliest commitment—i.e. four years from signing on to the Principles if this came before signing on to the PRB, and vice versa.

for the Sustainable Blue Economy Finance Initiative, signatories to the Sustainable Blue Economy Finance Principles are encouraged to demonstrate, as part of their annual reporting, how they have set and published targets.

The manual provides a hypothetical implementation case study from mutual insurer The Shipowners' Club, a member of the Seafood Finance Working Group, who worked with the Initiative to consider the practical steps required to implement the steps of this document. This case study aims to illustrate how the steps of this manual can be interpreted and adapted to suit different institutional structures and corporate governance arrangements to allow all types of financial institutions to take steps to support the transition to a Sustainable Blue Economy.

The manual also contains a series of annexes that provide more information on the relationship between this manual and the steps of the TNFD LEAP framework and the SBTN guidance; further detail on the Sustainable Blue Economy Finance Principles; a checklist to support the implementation of the steps of the manual, and a set of example targets. This last annex provides examples of how the *Turning the Tide* seafood guidance can be interpreted using the steps of this manual to create practice and impact targets for users.

Introduction

This manual was developed with United Nations Environment Programme Finance Initiative (UNEP FI) members as part of the Seafood Finance Working Group, a collaboration between UNEP FI's Sustainable Blue Economy Finance Initiative (SBEFI) and WWF to support UNEP FI members in implementing the transition to a Sustainable Blue Economy (SBE),[2] with a focus on the seafood sector. It enables institutions to set targets that align with and support this transition, in line with the objectives of the Kunming-Montreal Global Biodiversity Framework and the Paris Agreement. While its primary audience is the members and signatories of the SBEFI, any bank, investor or insurer may adopt this manual to guide target setting for financing the SBE. Though applicable across the Guidance sectors, this document includes an annex of specific recommendations for target setting in the seafood (fisheries and aquaculture) sector.

Given the need for greater harmonisation to reduce the administrative burden of reporting across sustainability standards and initiatives, this manual is aligned with UNEP FI's previously developed Impact Protocol and adapts this for use for the SBE. The manual is also intended to be complementary to, and harmonise with, the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and guidance of the Science-based Targets Network (SBTN) (see Annex 1), as well as recommended targets for nature set by the Principles for Responsible Banking (PRB) for banks and the Finance for Biodiversity (FfB) Foundation for asset managers and asset owners.

Context

UNEP FI's Nature Thematic team works to advance the integration of nature into financial decision-making. In this way, the thematic supports the financial sector's actions toward financing the transition to a nature-positive economy. As part of the Nature Thematic, the Sustainable Blue Economy Finance Initiative (SBEFI) has a special focus on the ocean, and manages signatories and members to the Sustainable Blue Economy Finance Principles (SBEFP—see Annex 2 for the full list of principles), a set of 14 principles that outline ocean-specific standards, to allow the financial industry to mainstream sustainability of ocean-based sectors. The SBEFI has previously developed sectoral guidance on the risks associated with unsustainable activity in key sectors of the blue economy, as well as recommended actions (supporting due diligence, environmental, social and governance (ESG) policies, lending decisions etc) to take as a result.

2 A Sustainable Blue Economy provides social and economic benefits for current and future generations; restores, protects and maintains diverse, productive and resilient ecosystems; and is based on clean technologies, renewable energy and circular material flows. It is a subset of the ocean-based 'blue economy' that includes all economic activity in the ocean and coasts, whether sustainable or not. For more information click here

The Guidance is set out in two publications, *Turning the Tide* and *Diving Deep* (the Guidance), which provide an overview of material environmental and social risks in sectors of the Sustainable Blue Economy and recommendations for financial institutions (Users) on what to do when presented with a particular environmental or social scenario. Sectors covered by *Turning the Tide* and *Diving Deep* are:

- Seafood, including wild-caught fisheries, aquaculture and cross-cutting supply chain considerations;
- Ports;
- Maritime transportation;
- Coastal and marine tourism;
- Marine renewable energy;
- Waste prevention and management (in *Diving Deep*);
- Coastal resilience, infrastructure and Nature-based Solutions (in *Diving Deep*).

On the basis of the presence or absence of a specific scenario, certain actions are recommended for financial institutions, organised as follows:

- **Avoid**, where it is recommended financial institutions do not provide financing due to the severity of a given scenario;
- **Challenge**, where financial instititions are recommended to address a specific issue highlighted by an scenario, for example via engagement with a company or project developer; and
- **Seek out**, where a scenario denotes current best practice on a particular issue and where financing is encouraged.

Table 1 below provides an example of these recommendations and their structure from *Turning the Tide's* annex of seafood industry recommendations.

A companion document, the Recommended Exclusions (the Exclusions), codifies the *Avoid* scenarios in a streamlined format for financial institutions to understand what behaviour to avoid financing.

The approach outlined in this document refers to both the Guidance and the Exclusions unless otherwise specified.

Table 1: Overview of the Criteria Annex of recommendations for financial institutions in the Sustainable Blue Economy from *Turning the Tide*.

Sub-sector	Criterion	Indicator	Verification	Action	Recommendation
Aquaculture	1. Location and siting of farms	Evidence that owned and operated farms or farms in supply chain are not located in a legally designated aquaculture zone or do not have the required legal permit or licence, including within legally protected areas that do not allow multiple uses, such as High Conservation Value Areas or RAMSAR or UNESCO World Heritage Sites.	Company disclosure; Public records RAMSAR sites: ramsar.org/sites/default/files/documents/library/sitelist.pdf HCVA: hcvnetwork.org/ UNESCO: whc.unesco.org/en/list/	**Avoid**	Do not finance.
Aquaculture	1. Location and siting of farms	Evidence that owned and operated farms or farms in supply chain are located in areas of ecological sensitivity such as mangroves and wetlands.	Company disclosure; Geo-spatial data	**Challenge**	Require evidence that farms are located in legal and permitted zones for aquaculture development. Require evidence of best practice in planning and development of new sites such as Environmental and Social Impact Assessments and mitigation plan. Require Accountability Framework Initiative and verification of deforestation and conversion-free aquaculture production and supply chains.
Aquaculture	1. Location and siting of farms	Lack of disclosure or transparency around siting of farms in supply chain.	Company reports	**Challenge**	Require evidence that farms are located in legal and permitted zones for aquaculture development. Require commitment to farm site disclosure and time-bound implementation of full chain digital traceability, aligning with global best practice guidance and standards, such as the GDST framework. Encourage use of spatial data and GPS coordinates for transparency.
Aquaculture	1. Location and siting of farms	Companies or projects presenting 'nature-based' solutions such as reforestation, or remediation of ecosystems such as mangroves or wetlands.	Company disclosure; Third-party opinion	**Seek out**	Seek out companies that are actively restoring and replacing natural capital that enhances the viability of the business model as well as the surrounding environment.

Approach

This manual is designed to support Users on their journeys to financing the SBE and may be used to disclose how they are meeting the Sustainable Blue Economy Finance Principles. While intended to enable robust target setting against the SBEFI Guidance, different Users may have different capacities in target setting, particularly as they build out their capabilities in assessing and disclosing biodiversity and nature-related risk. To that effect, Users are encouraged to set ambitious targets in relation to implementing the Guidance, while working to address data gaps through engagement and a focus on disclosure. At this stage, setting targets against the guidance is voluntary for both members and signatories. For SBEFI signatories that are also PRB signatories, note that this manual is aligned with the PRB Nature Target-Setting Guidance for practice targets, released in late 2023.

As part of their emerging reporting obligations against the SBEFI, Users are accountable for targets they set—that is to say, they are always the ones who set and report on their targets.[3] By contrast, either Users or Clients are responsible for target implementation (that is to say, tasked with the implementation of the target), depending on the type of target.

Given the urgency of the transition to sustainability in the ocean as elsewhere, all targets should be science-based, just, ambitious and SMART (specific, measurable, achievable, relevant and timebound). In addition to environmental objectives, the Guidance and, therefore, this target-setting manual also apply to social sustainability considerations in the SBE. As such, this work, alongside the implementation of the Guidance, seeks to support a just transition in the SBE, without which an equitable and inclusive SBE is not possible.

Types of targets

Before outlining a manual for target setting, it is important to describe what kinds of targets are expected of financial institutions and how and to whom they apply. Broadly, there is a distinction to make between practice and impact, where the former focus on how sustainability issues are integrated into an institution's strategy, business and systems and the latter are the positive impacts achieved and the negative impacts avoided as a result of the bank's practice. Practice is the conduit for positive impact, the achievement of which should be the goal of implementing the guidance.

The below overview of target types is based on the Impact Protocol developed by UNEP FI for banks, adapted for this audience and recognising the Guidance as a basis for target setting.[4] It is important to note that the target types are complementary and seek to address different facets of sustainability challenges; as such, they should ideally be used in concert—e.g. engagement and portfolio composition targets should work together to achieve and support impact. Example impact and practice targets linked to individual Guidance scenarios in the seafood sector are provided in Annex 4.

3 Signatories to the SBEFP are strongly encouraged to include their target-setting approach, their targets and their progress towards meeting them within their annual reporting to the SBEFI.

4 For signatory banks that are also PRB signatories, this resource should be considered as a complementary document covering the Sustainable Blue Economy Finance Initiative's guidance. These banks should utilise this guidance to support their PRB reporting with SBE-specific impact management and target setting.

Impact targets

Impact targets are those that focus on the Users' impact through their financing and should set out how a User will meet the objectives of the Guidance and uphold the Sustainable Blue Economy Finance Principles. Depending on the type of User and their capacities for engagement, impact targets may be set at the level of an individual Client—in this context, they are especially relevant for Clients and may be the Client's responsibility to implement—or a portfolio, in which case they should be supported by relevant policy, engagement and portfolio composition targets.

For example, an impact investment fund may choose to set impact targets for specific companies in their portfolio, whereas a large-scale bank or insurer may focus on impact targets at a portfolio-wide or fund-wide level. Table 2 below provides an example of where impact targets may be set as either the User's or the Client's responsibility to implement, bearing in mind that the User remains accountable for reporting on the target in both examples.

Impact targets should be aligned with international, regional, or national frameworks including the Kunming-Montreal Global Biodiversity Framework and its targets, the Paris Agreement, the SDGs (where applicable) and informed by science and policy.[5]

Impact targets are most closely linked to the Guidance itself, and may follow directly from the wording or context provided by an individual scenario (See Annex 4 for example targets). In this context, impact targets should also be cross-referenced with both TNFD core and additional disclosure metrics where these relate to the blue economy. While all core metrics are important, for the seafood sector, this is especially relevant for metrics C1.0 on land/freshwater/ocean-use change and C3.1 on high-risk natural commodities (per the SBTN's High Impact Commodity List. N.B.: **All seafood falls under this category, and quantities sourced should be disclosed under the TNFD recommendations)**.[6]

Given the real-world implications of impact targets in particular, dialogue with Clients to ensure impact targets are both ambitious and achievable is especially important for Users to undertake (this may be combined with an engagement target to that effect) as part of setting and implementing an impact target (see also next section 'How to set targets').

5 As global governance frameworks evolve and are updated over time, Users are similarly expected to keep their target setting aligned with new global agreements.

6 Sector-specific metrics for fisheries and aquaculture under the TNFD are currently under development.

Practice targets

Practice targets relate to a User's own practices, and as such Users are both responsible and accountable for practice targets. In broad terms, there are three types of practice target, enabling target setting even in the context of limited data or information about Clients' behaviour.

Financial or portfolio composition targets

These targets are not directly expressed by thematic or behavioural changes. Instead, they are expressed with financial indicators and metrics, e.g. to redirect volumes of capital to sectors, activities or projects aligned with the Guidance. Users can also set financial targets related to specific types of Clients, e.g. low-income Clients or women entrepreneurs. As a result, Users are both accountable and responsible for financial targets.

Financial targets should aim to include substantial parts of a portfolio.

Exclusions—what to do if an excluded activity is identified

A specific issue within portfolio composition against the guidance is the presence of 'avoid' category behaviour, highlighted in the list of Recommended Exclusions. These Recommended Exclusions can be thought of as portfolio composition targets, where the target should be set at 0—e.g. the target is the absence of these behaviours from a portfolio. In principle, no financial institution should be financing activity that falls within the list of Recommended Exclusions, and should implement relevant portfolio composition targets to that effect as soon as possible. These should be complemented by appropriate policy targets on e.g. implementing updates to environmental and social risk management or due diligence approaches to screen out exclusions from investment, lending and other financing activity.

Where identified, exclusions should be comprehensively addressed and resolved within one year of discovery—e.g. portfolio composition targets of 'zero' for exclusionary behaviour should be set by Users for all relevant sectors on the basis of the Recommended Exclusions, and these targets should be met within one year of signing the Principles or by 2025 for existing signatories.

Engagement targets

Engagement targets involve engaging relevant Clients to enable the broader impact target to be met, and for this reason are closely linked to impact targets and are based directly on the Guidance scenarios. Engagement targets, as a result of their reliance on communication with Clients, are best utilised for longer-term improvement in a Client's sustainability profile, and hence are somewhat less applicable to Insurers as Users. Engagement targets can be a good starting point for emerging topics where information gaps or data limitations prevent the setting of impact or financial targets—engagement targets that focus on Client disclosures are important steps in achieving positive impact.

Internal policy targets

Setting up, amending or implementing internal policies and processes can also be an object of target setting. This kind of target serves to integrate impact management into a User's systems. These targets can reference a variety of types of policies and processes, such as: policies for certain sectors or activities (including but not limited to exclusion policies); thematic policies or strategies on e.g. nature and biodiversity; credit policies for specific sectors or types of clients (e.g., low-income customers, innovative projects); due diligence processes, risk management systems, Know Your Customer (KYC) processes, etc.

At a minimum, all Users are strongly encouraged to set one policy target for implementation of the Exclusions within their existing environmental and social risk management (ESRM) frameworks, sector policy documents and/or ESG policies within their first year of reporting using the approach described here.

Table 2: Example targets for impact, portfolio composition, engagement and policy

Target examples[7]	
User responsibility	**Client responsibility**
Impact target setting [As part of a wider nature positive finance by 2050 objective] by 2030, 100% of banked seafood processing companies source only from Marine Stewardship Council certified fisheries or fisheries in credible Fisheries Improvement Projects	**Impact target setting** By 2030 no illegal, unregulated or unreported fishing is present in the supply chain
Portfolio composition target setting By 2030, 100% of seafood companies in portfolio operate with full-chain digital traceability **Exclusion example** By the end of 2024, no seafood companies in portfolio catch, process or sell endangered or critically endangered species	
Engagement target setting Engage with most exposed 75% of corporate seafood clients to disclose sourcing of feed ingredients for owned fish farms and farms in supply chain	
Policy target setting By the end of 2024, update our E&S risk management policy and practice to align with UNEP FI guidance to minimise seafood-related risk	

7 See Annex 4 for further examples

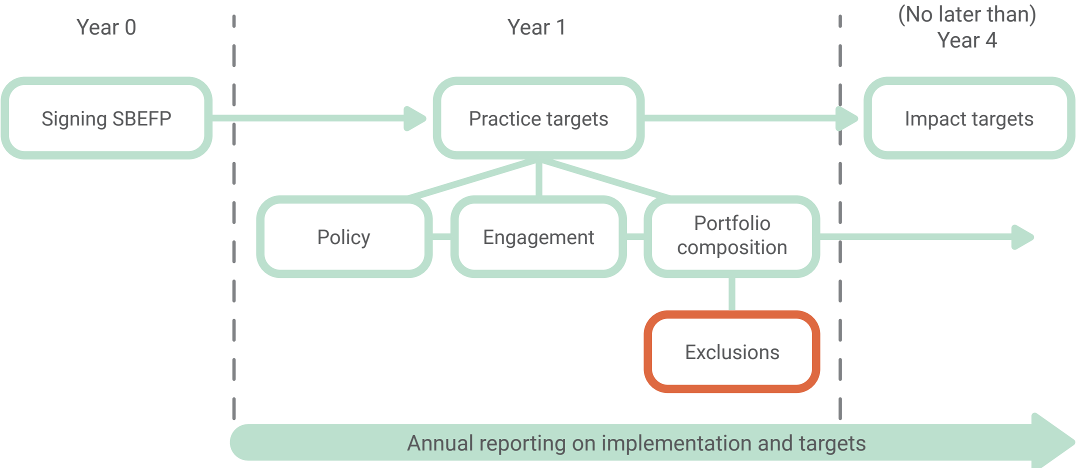
Expectations

In alignment with the Science Based Targets Network (SBTN) all targets should be science-based, that is to say made on the basis of the best available science that allows Users and Clients to align to Earth's limits and societal sustainability goals.

Further, targets developed through this approach should align with existing national and international goals and commitments, including the Sustainable Development Goals (SDGs), Global Biodiversity Framework and Paris Agreement, and related National Biodiversity Strategy and Action Plans (NBSAPs) and Nationally Determined Contributions (NDCs).

The SBEFI aims for this approach to be flexible in supporting a wide range of financial institutions on their sustainability journeys in implementing the Guidance. In this context, the SBEFI recognises a need for flexibility in applying this approach to allow different Users to set targets in ways that work within their own institutions. Nevertheless, a number of consistent expectations are set across all Users:

1. **All Users can take action**—where data gaps or capacity constraints exist regarding impact, Users are strongly encouraged to set impact targets against a relevant sustainability issue identified from the guidance regardless, and support progress, including the collection of data, through an emphasis on engagement and policy targets.
2. Users are encouraged to set as many targets as are practical to support the implementation of the guidance, but are strongly encouraged to begin their target setting with **a focus on implementing the SBEFI exclusions** list through policy and portfolio composition.



3. Portfolio composition **targets focused on exclusions are strongly encouraged** to be set and met within one year of signing the SBEFP/2024, whichever is more recent.
4. Users are strongly encouraged to **set and implement impact targets within four years** of signing the Principles/2024, whichever is more recent. For banks that are also signatories to the PRB, utilise this guidance to support PRB reporting with SBE-specific impact management and target setting[8] in anticipation of the PRB Impact Roadmap.
   a. Practice targets, which support impact targets through their focus on engagement, policies and portfolio composition, should be set and implemented within one year of signing the Principles/after 2024, whichever is more recent.

8 In this case, banks are expected to begin target setting against their earliest commitment—four years from signing on to the Principles if this came before signing on to the PRB, and vice versa.

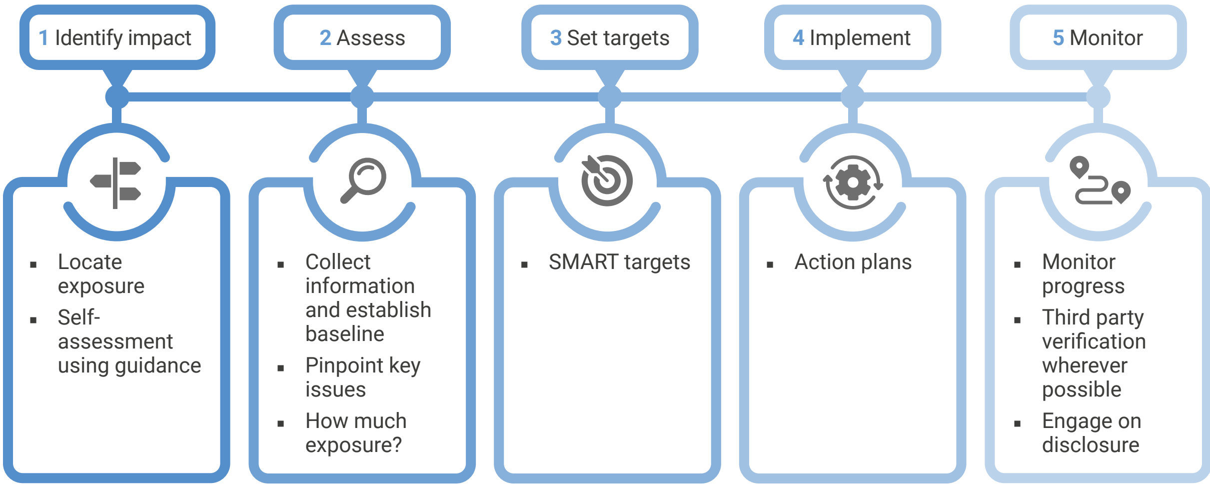
How to implement the guidance

Step-by-step guide

The remainder of this manual outlines how Users may implement the Guidance through a series of steps focused on managing risks and impacts. These steps are outlined sequentially below.

Please note that implementation of the Guidance applies to both new Clients as well as existing Clients for a User. To that effect, particularly in the case of implementing the Exclusions List, Users are expected to ensure compliance for both new activity as well as existing activity.

A checklist to support the implementation of Steps 1–5 is provided in Annex 3.



1. Identify impact associations and understand exposures.

In the first instance it is important for Users to locate their exposure to unsustainable behaviour in SBE sectors through portfolio composition analysis and a review of existing policies.

While a Client assessment may be self-evident in some cases (e.g. seafood companies are clearly exposed to seafood-related risk), Users should investigate and interrogate the scope of their exposure—some Clients, such as retailers, may still be indirectly exposed to e.g. seafood-related risks.[9] This step includes portfolio reviews of Clients on the basis of their size, sector and activities for impacts and dependencies (both direct and indirect) on the ocean and marine environment. While Users may assess their own portfolios, Users may also engage third parties to undertake such portfolio review and assessment. In line with the framing of the TNFD, Users should assess exposure to both impact and financial materiality.

User self-assessment of their existing sustainability policies should reflect the Guidance, and include, for example, a scan of whether avoid scenarios are reflected in exclusions policies, or whether key sectors such as fisheries and aquaculture are reflected in ESRM policies. A number of existing tools, such as the UNEP FI Portfolio Impact Analysis Tool for Banks (notably the Context and Identification modules), Investment Portfolio Impact Analysis Tool, ENCORE, and the Natural Capital Toolkit may help Users at this stage.

9 In this context Users may consider mapping Guidance sectors and their value chains against NACE/NAICS/equivalent sector classification schemes to assess exposure.

2. Assess exposures, Identify key issues, pinpoint relevant scenarios

After undertaking the broad analysis and review in Step 1, the next step is to explore in greater detail which sectors and specific scenarios from the Guidance are most urgent or relevant to address. This step, and examination of the risks and impacts outlined in the Guidance, works to give Users a clearer sense of their impacts and dependencies in the blue economy. At this stage, Users should assess in greater detail the strength of their existing sustainability or environmental and social risk policies for SBE sectors, with a particular focus on identifying potential exposure to the most material risks, e.g. activities highlighted in the recommended exclusions and challenge-category scenarios in the Guidance.

In this step, Users should work to understand their current approach and exposure in two ways:

- **Practice:** such as what proportion of the portfolio is exposed to key issues; what internal policies and processes for managing guidance-linked sustainability issues exist; what engagement takes place on these topics already; what communication has been released on related topics.
- **Impact:** such as what are the consequences of the User's activity on people, communities and the environment.[10]

This process will allow the User to define a baseline of current practice and impact and prioritise areas of focus before setting a target, an essential step in order to measure change over time and make sure targets are referring to the most material issues.

Assessment of impact and dependencies will require Users to apply the guidance to the relevant parts of their portfolio and collect information, for example through questionnaires and review of Client policies and sustainability reporting, on their Client performance and sustainability footprint. For assessments based on existing information, this should be based on the best available science and prioritise recent reporting—Users should not look to reporting that is more than three years out of date for this assessment.

A helpful tool for banks at this stage is the UNEP FI Portfolio Impact Analysis Tool for Banks—Assessment Module.

3. Set targets

Users should prioritise their target-setting efforts against the most material issues as identified through their assessment of existing practice against the Guidance. Users should consider setting targets for relevant *Challenge* and *Seek Out* scenarios from the Guidance to focus on positive improvement, and Exclusion Responses for addressing identified *Avoid* scenarios (through policy portfolio composition).

10 Reminder: Any impact that is a clear violation of the recommended exclusions **must** be disclosed and **resolved** (through engagement or divestment) within one year of discovery.

Building on the approach outlined in UNEP FI's Impact Protocol,[11] financial institutions should aim to set and implement impact targets wherever possible; however, practice is considered the conduit for User impact, and so Users may set practice targets with engagement and financial indicators as milestones on the way to setting or achieving impact.[12]

Targets should always be SMART, that is to say they should always ensure they meet the below conditions:

Specific (science-based)—e.g. contained and well-defined in what they are describing, both in terms of specific activities and/or location, and based on the best available science;

Measurable—targets must be quantifiable and infrastructure must exist for progress to be measured;

Achievable—they must be realistic, though ambitious;

Relevant—they must relate to the issue they are setting out to act on;

Time-bound—they must have a deadline to be achieved.

Once set, the timeframe for a given target depends on the nature of the issue it addresses but should follow or outpace the timeline of relevant SDG targets and be aligned with decarbonisation objectives under the Paris Agreement. Wherever relevant, targets should also be aligned with guidance set by the SBTI and SBTN.

In addition, targets should aim to follow the below format:

By [DATE], [MEASURABLE CHANGE] in specific [INPUT/APPROACH/OUTPUT] in relevant [REMIT/OPERATION/LOCATION] is achieved

Users are encouraged to consult internally on their target setting to ensure alignment with broader initiatives as well as global/regional/local policy goals, as well as raise awareness of SBE target setting within institutions. In addition, Client dialogue and feedback is important in setting a successful target against a Guidance scenario, particularly (though not exclusively) in the case of impact targets where the focus is on effecting change in the real economy. Ensuring client input, particularly on the timeliness of a target in relation to its achievability, is helpful both in building confidence in the delivery of the target as well as building subject matter expertise for both the User and the Client. To support this, engagement targets may be set around the same scenario that fosters awareness raising and dialogue.

Wherever possible, targets should leverage existing, relevant information—for example through building on existing disclosure/reporting requirements for a Client. Similarly, impact targets may leverage existing standards for sustainability as a proxy to streamline implementation and verification challenges—e.g. through certifiers highlighted in the Guidance including the aquaculture stewardship council (ASC) and marine stewardship council (MSC) for seafood companies.

11 unepfi.org/impact/impact-protocol/

12 In cases where data is limited on a given metric or impact area, practice targets may be used to build disclosure of information for baselining, on which to base subsequent impact targets.

Disclosure of information is central to target setting, as is acknowledgement of data gaps by Clients and Users. For indicators where information gaps exist (for example in the absence of information on local living wages or employment gender balance), an emphasis in the first instance may be on engagement to address data gaps. Building on this, incrementalism and ratchet mechanisms for targets to become more rigorous/demanding over time are encouraged, to allow for situations where data gaps exist or where targets are tackling complex situations.

4. Implement action plans

Once targets have been set, Users should develop and implement action plans that detail how targets will be met and what resources and activities are required to support implementation. Action plans should include defined milestones to meet set targets.

Key performance indicators (KPIs) may be developed against impact targets in order to track progress and support the implementation of targets. It is helpful to consider practice targets as a de facto backbone for implementation, where they become milestones towards the achievement of an impact target along the KPI. See Annex 4 for examples of how practice targets may support achievement of impact targets.

A number of activities and approaches to support implementation of targets are outlined in the table below, divided across broad categories, that should be considered in developing an action plan. Although not to be considered sequentially, some activities may be more relevant for different practices: for example business strategies, the approach taken by the User, are important for all targets but especially important in the context of policy and portfolio composition.

Completed action plans should also consider two key implementation points:

- Human resource needs, including capacity-building as well as the definition of roles, responsibilities and reporting lines;
- Data collection and data analytics needs, either in-house or sourced from third parties.

Business strategy	Internal policies and processes	Client engagement	Advocacy
Development and implementation of transition plans to align portfolio with Guidance recommendations Development of services and products (e.g., advisory, credit lines) Strategy to grow client base for some specific sectors or type of clients	Improve credit policies for specific sectors or type of clients (e.g., low-income customers, innovative projects) Exclusion or disinvestment policies Human rights policies Reinforcement of risk management processes Refinement of KYC processes	Capacity building Awareness raising campaigns Engagement on impact profile and transition pathways	Advocate government or regulators Release policy positions Participation in sector commitments (e.g., sustainable seafood, traceability etc) Collaborating with NGOs and academia

5. Monitor progress

It is important to monitor the approach taken and progress made both by Users and Clients on a regular basis. This means reviewing the targets and their corresponding action plans to see if they have been successfully implemented, and whether they have delivered their expected outcomes and impacts. This should include a review of the User's practice and impact in relation to identified exposures—in effect repeating step 1 above. All Users are strongly encouraged to report progress made on an annual basis as part of their reporting to the SBEFI.

Closely related to monitoring progress is the verification of results. In the first instance, verification is the responsibility of the User, although in time all targets should be verifiable by a third party, e.g. analytics firms, standard bodies and rating agencies. Verification may be a challenge in the case of data limitations for impact targets; in these cases, incorporating engagement targets that emphasise information transparency and data disclosure as a first step towards impact may be advisable. For banks that are also PRB signatories, they may follow the verification process under the PRB for their reporting of targets to the SBEFI.

Third-party stakeholders and verification

In the first instance, verification is the responsibility of the User, although in time all targets should be verifiable by a third party, e.g. analytics firms, standard bodies and rating agencies.

For impact targets and their application to individual Clients, the volume of assessment for Users may be prohibitively high. In light of these requirements, and in order to streamline the assessment and setting of Targets and Exclusion Responses, Users are encouraged to drive the integration of avoid scenarios with third parties with relevant expertise, including sustainability standard-holders and certifiers, second party opinion (SPO) providers and ESG rating agencies. However, this is not without its own challenges, as many ESG agencies and the screening tools used do not include topics and areas of concern covered by the guidance, and may lack the deep sectoral expertise required to fully assess sustainability and its nuances in different sectors. As a result, both building capacity with these agencies as well as identifying other supportive institutions is important.

Piloting implementation—The Shipowners' Club

As part of the development of this manual, UNEP FI conducted piloting conversations with several member financial institutions to assess the steps and process of the manual to ensure it is both ambitious and achievable. One of these institutions was The Shipowners' Club, a London-based mutual association with a membership of over 8,500 vessel owners. The Club provides insurance solutions and services for small and specialist vessels, such as claims and loss prevention, which helps to keep its members' vessels operating worldwide. As a mutual insurance provider, the Club has an interest in ESG-related impacts and improvements for its members. Therefore, as part of this pilot, the Club has considered these impacts when assessing the target-setting process across seafood, tourism, and maritime transportation, providing insight into the applicability of this manual for insurance providers

Initial discussions with the Club built an understanding how a mutual association interacts with its members, and the relationship between insurers and their clients in terms of ability to engage and manage impact—given the Club's >8,500 members and circa 34,000 insured vessels, early conversations reflected challenges in relation to data collection and any verification that the Club might seek when implementing the Guidance. These discussions reflected the Club's corporate structure and role of the Corporate Responsibility Working Group (CRWG), as well as its existing approach to sustainability engagement through the set of KPIs developed for the Club's own practice and its membership.

It became clear that policy and portfolio composition targets would be more relevant to develop for a mutual association, whereas impact targets might be more challenging to implement and verify across its members at this stage. Considering this, the piloting focused on an exploration of what changes the Club could implement that reflect the recommendations of the sector guidance, and work from the bottom up to determine what impacts are ambitious but achievable for the Club. In this conversation, the Club was especially interested in identifying ways to use existing products to offer sustainability-related incentives and develop an approach to raise member awareness of sustainability issues in the Sustainable Blue Economy. To that effect, the piloting discussion focused on developing a set of targets on member incentivisation, implementing the recommended exclusions, and raising member awareness of sustainability at sea:

1. **Member incentivisation.** The first target will be a policy target on incentivising member improvements to their sustainability practices, and will be based on investigation by the Club into changes that could be made to policies and products offered to its members. Once the Club has identified specific sections of the Guidance to focus on (e.g. seafood traceability and IUU) to incentivise members, an impact target can be formulated to set out the Club's overall objectives for improvement.

2. **Implementing recommended exclusions.** The second target focuses on updating policies to implement the Recommended Exclusions. This will have a phased approach with the first step proposed to focus on seafood members. A resultant portfolio composition target for Shipowners' would be formulated whereby the Exclusions are implemented across the eligible membership and coverage voided where vessels are found to be in violation.
3. **Raising awareness.** The final discussion focused on a set of targets that cover steps to raise awareness of marine sustainability issues among members through engagement, and in this way complements the first target on incentivisation. This would take place through circulation of information materials and development of dedicated sustainability resources for inclusion in Shipowners' media platforms, including on an app accessible to members. The aim is to raise awareness of marine sustainability challenges and encourage changes in behaviour as reflected by updated member CR/ESG strategies. This approach looks to achieve impact through engagement and building up capacity for data collection—in this case using digital media—in line with this manual's recommendation to focus on disclosure.

The remainder of the piloting exercise focused on how the Club would go about implementation and monitoring of progress against targets, particularly given the challenges that the Club might face in assessing and verifying the behaviour of its many members. Data collection remains a challenge, and the Club is currently developing a new data dashboard to streamline interpretation of incoming member data.

The piloting exercise makes clear that many institutions face challenges understanding where they may be able to avoid harm and support positive impact in the Sustainable Blue Economy, in addition to understanding how and where to source relevant data. By taking a bottom-up approach to assessing how to implement the UNEP FI guidance through this manual and starting with practice targets wherever possible with the aim of identifying impact areas over time, this piloting exercise demonstrates that despite challenges, there are nevertheless steps that all financial institutions can take to support the transition to a healthy and sustainable ocean.

The Shipowners' Club continues to work on and refine targets with UNEP FI and aims to finalise these in time for the next review of its broader KPIs in 2024.

Reporting

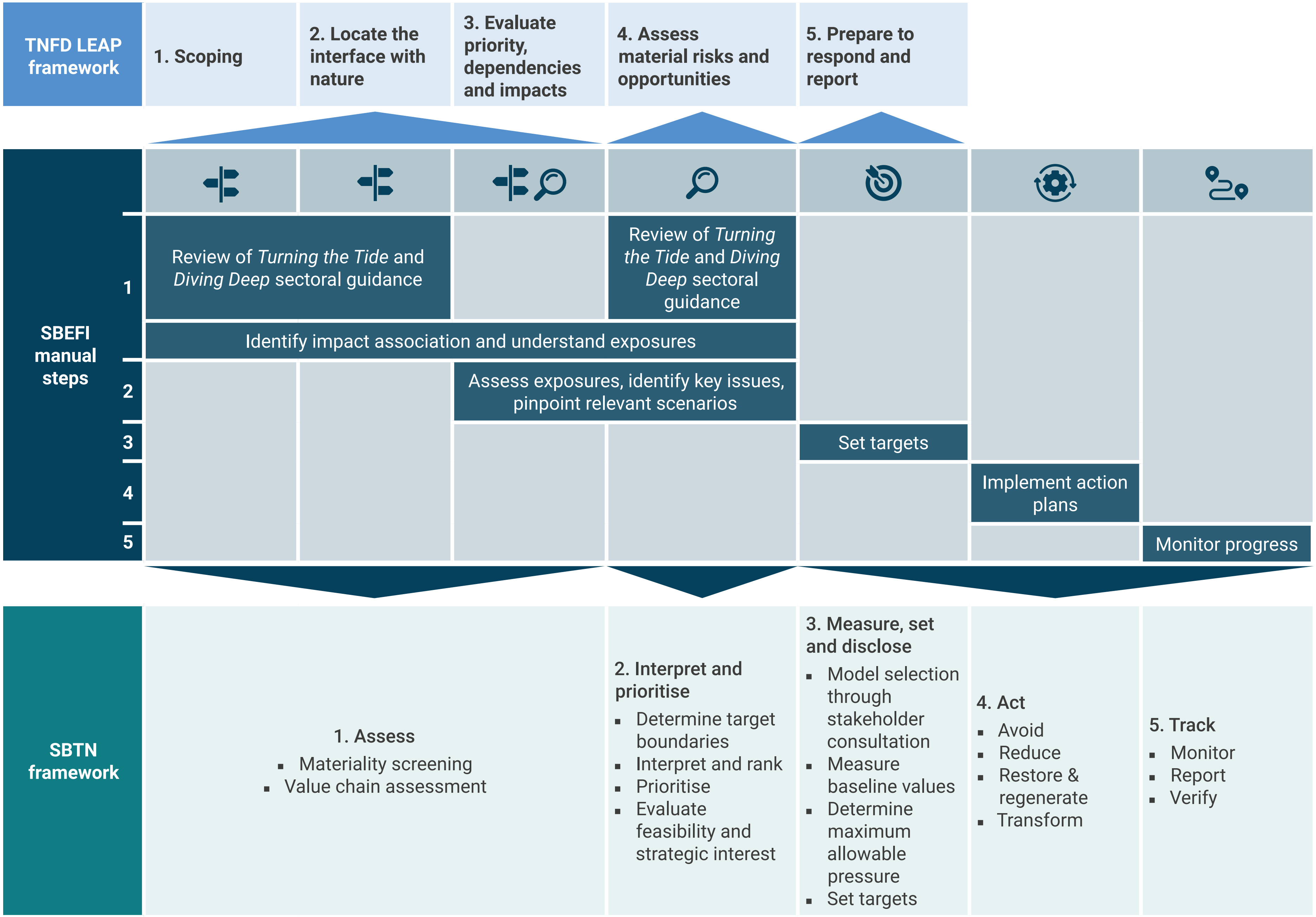
In line with the wider reporting framework for the Sustainable Blue Economy Finance Initiative, signatories to the Principles are encouraged to demonstrate, as part of their annual reporting, how they have set and published SBE targets per the framework provided in this manual. Signatories are recommended, as part of this disclosure, to provide information on how measurement and monitoring of progress through action plans will be effected.

As the reporting obligation on signatories is intended to demonstrate year-on-year progress, signatories are similarly encouraged to show what actions have been taken (including through implementation of action plans outlined this document) to meet targets on an annual basis. Where this is not possible due to delays in implementation or targets not being met, signatories are requested to explain reasoning and offer corrective action and an associated timeline in order to successfully meet their targets.

Annexes

Annex 1: Alignment with TNFD LEAP framework and SBTN guidance

In line with the UNEP FI Impact Protocol on which this manual is based, the manual aligns to the five steps of the LEAP framework as well as the SBTN 5-step approach, as outlined in the table below. Note that the Impact Protocol and SBTN approach go further than the LEAP framework on target setting and the definition of action plans.


TNFD LEAP framework
1. Scoping
2. Locate the interface with nature
3. Evaluate priority, dependencies and impacts
4. Assess material risks and opportunities
5. Prepare to respond and report
SBEFI manual steps
1
2
3
4
5
Review of *Turning the Tide* and *Diving Deep* sectoral guidance
Review of *Turning the Tide* and *Diving Deep* sectoral guidance
Identify impact association and understand exposures
Assess exposures, identify key issues, pinpoint relevant scenarios
Set targets
Implement action plans
Monitor progress
SBTN framework
1. Assess
▪ Materiality screening
▪ Value chain assessment
2. Interpret and prioritise
▪ Determine target boundaries
▪ Interpret and rank
▪ Prioritise
▪ Evaluate feasibility and strategic interest
3. Measure, set and disclose
▪ Model selection through stakeholder consultation
▪ Measure baseline values
▪ Determine maximum allowable pressure
▪ Set targets
4. Act
▪ Avoid
▪ Reduce
▪ Restore & regenerate
▪ Transform
5. Track
▪ Monitor
▪ Report
▪ Verify

Annex 2: The Sustainable Blue Economy Finance Principles

1. Protective

We will support investments, activities and projects that take all possible measures to restore, protect or maintain the diversity, productivity, resilience, core functions, value and the overall health of marine ecosystems, as well as the livelihoods and communities dependent upon them.

2. Compliant

We will support investments, activities and projects that are compliant with international, regional, national legal and other relevant frameworks which underpin sustainable development and ocean health.

3. Risk-aware

We will endeavour to base our investment decisions on holistic and long-term assessments that account for economic, social and environmental values, quantified risks and systemic impacts and will adapt our decision-making processes and activities to reflect new knowledge of the potential risks, cumulative impacts and opportunities associated with our business activities.

4. Systemic

We will endeavour to identify the systemic and cumulative impacts of our investments, activities and projects across value chains.

5. Inclusive

We will support investments, activities and projects that include, support and enhance local livelihoods, and engage effectively with relevant stakeholders, identifying, responding to, and mitigating any issues arising from affected parties.

6. Cooperative

We will cooperate with other financial institutions and relevant stakeholders to promote and implement these principles through sharing of knowledge about the ocean, best practices for a sustainable Blue Economy, lessons learned, perspectives and ideas.

7. Transparent

We will make information available on our investment/banking/insurance actives and projects and their social, environmental and economic impacts (positive and negative), with due respect to confidentiality. We will endeavour to report on progress in terms of implementation of these Principles.

8. Purposeful

We will endeavour to direct investment/banking/insurance to projects and activities that contribute directly to the achievement of Sustainable Development Goal 14 ("Conserve and sustainably use the oceans, seas and marine resources for sustainable development") and other Sustainable Development Goals especially those which contribute to good governance of the ocean.

9. Impactful

We will support investments, projects and activities that go beyond the avoidance of harm to provide social, environmental and economic benefits from our ocean for both current and future generations.

10. Precautionary

We will support investments, activities and projects in our ocean that have assessed the environmental and social risks and impacts of their activities based on sound scientific evidence. The precautionary principle will prevail, especially when scientific data is not available.

11. Diversified

Recognising the importance of small to medium enterprises in the Blue Economy, we will endeavour to diversify our investment/banking/insurance instruments to reach a wider range of sustainable development projects, for example in traditional and non-traditional maritime sectors, and in small and large-scale projects.

12. Solution-driven

We will endeavour to direct investment/banking/insurance to innovative commercial solutions to maritime issues (both land- and ocean-based), that have a positive impact on marine ecosystems and ocean-dependent livelihoods. We will work to identify and to foster the business case for such projects, and to encourage the spread of best practice thus developed.

13. Partnering

We will partner with public, private and non-government sector entities to accelerate progress towards a sustainable Blue Economy, including in the establishment and implementation of coastal and maritime spatial planning approaches.

14. Science-led

We will actively seek to develop knowledge and data on the potential risks and impacts associated with our investment/banking/insurance activities, as well as encouraging sustainable finance opportunities in the Blue Economy. More broadly, we will endeavour to share scientific information and data on the marine environment.

Annex 3: Target-setting checklist

Have you identified your involvement with sectors of the SBE using the Guidance?	
Have you assessed your exposure to key sustainability issues within Guidance sectors?	
Have you mapped your current approach to these sustainability issues?	
Did you define and report your baseline?	
Did you set an ambitious target that upholds the Sustainable Blue Economy Finance Principles?	
Have you implemented a policy target in relation to exclusions?	
Is your target SMART?	
Is your target aligned with national/regional/global frameworks and plans?	
Did you engage relevant internal and external stakeholders during the target-setting process to get ambitious targets?	
Have you set and implemented an action plan?	
Did you define milestones?	
Did you define and report KPIs to monitor your progress?	
Have you considered human resourcing needs?	
Have you considered data needs and capacities?	
Are you monitoring your progress and have you re-assessed your exposure and approach?	

Annex 4: Example targets, action plans and exclusion responses for Users in the seafood sector

This annex provides examples of how the *Turning the Tide* seafood guidance can be interpreted using the steps of this manual to create practice and impact targets for Users. The following examples are based on 4 specific guidance scenarios across fisheries and aquaculture as well as a cross-cutting example of implementing the Recommended Exclusions. The following subjects are addressed through these examples:

- Nature-based Solutions and restoring natural capital in aquaculture
- Transparency and traceability in fishing operations
- Implementation of the recommended exclusions
- Climate resilience across both fisheries and aquaculture
- Permitting and zoning of aquaculture farms

Each of these examples draws its scenarios directly from the seafood guidance, and are further subdivided for specific audiences to illustrate how different institutions may approach target setting, with examples for investment, banking and insurance. However, it is important to note that any type of institution can set targets against any sustainability scenario, provided it is material to them.

The examples provide context to the scenarios from the guidance, offer potential resources and considerations for due diligence and then describe different potential targets. It is important to note that across the range of practice and impact targets, many different approaches are possible for each of the guidance scenarios, and the two targets provided per scenario are intended to illustrate some of the possible approaches. For each scenario, additional targets may be set that complement the ones described, particularly with respect to policy and engagement where these aren't featured.

Lastly, the examples provide brief consideration of implementation, particularly in the context of developing action plans to achieve the target, as well as any challenges that Users may face.

While intended to support Users in their development of specific targets and implementing impact management against the *Turning the Tide* guidance, please note that these examples are fictional and intended to inform target setting, rather than provide a prescriptive target to implement by different institutions.

Guidance scenario

Companies or projects presenting 'nature-based' solutions such as reforestation, or remediation of ecosystems such as mangroves or wetlands.

Investment

Aquaculture

Guidance recommendation and description

Seek out companies that are actively restoring and replacing natural capital that enhances the viability of the business model as well as the surrounding environment.

This scenario emphasises the opportunities for building with nature in the context of aquaculture development.

Due diligence

Assessing the presence of nature-based solutions, in particular nature-based solutions that meet best practice, will rely heavily on company disclosure and direct engagement. Resources such as the University of Oxford's Nature-based Solutions Evidence Platform as well as the International Union for the Conservation of Nature (IUCN)'s Global Standard for Nature-based Solutions are helpful to consult in this context.

Example targets

Portfolio composition target

By 2030, 25% of pure play aquaculture funds are invested in companies integrating nature-based solutions into their products or services.

This target focuses on portfolio composition and capital allocation for thematic funds, though it could be generalised across funds or within a specific fund's portfolio. It will be important in the development of a target to consider how this would affect the investment universe, as well as what the threshold for integration of nature-based solutions would look like—particularly in the context of, e.g. reporting requirements for thematic funds.

Engagement target

By 2030, [we] have successfully engaged with 30 aquaculture companies across [our] portfolio on integrating nature-based solutions within their business models or practices.

This engagement target focuses on dialogue with portfolio companies on how they might integrate nature-based solutions into their activities. As this target is based on a seek out category scenario, this open-ended engagement may work well to foster understanding and improvement. It would not be appropriate for a challenge scenario where concerted action for sustainability improvement is a required outcome.

Implementation

Portfolio composition target

For portfolio composition targets, it will be important to assess the current state of adoption of nature-based solutions as part of the baselining for this target to determine thresholds for integration as well as an appropriate but ambitious proportion of funds (or portfolio companies) to cover. The action plan for this target should carefully consider what outputs or outcomes companies may expect as a result of integrating nature-based solutions in order to define metrics for assessing portfolio coverage. Similarly, it will be important to map out the potential transition plans required for portfolio alignment as well as ESG strategies to identify opportunities and grow the investment universe against this target.

Engagement target

For the engagement target, a clear approach to client engagement on this topic will be necessary, including by ensuring there is dedicated capacity and expertise with ESG teams and portfolio analysts to allow for successful engagement. It may be interesting in this context to explore advocacy opportunities as a means of reaching a wider audience and supporting engagement directly with the portfolio, for example by issuing policy positions on aquaculture, advocating government or regulators in relation to incentive structures around nature-based solutions, or participating in sector-based commitments on the topic.

Guidance scenario

Fully transparent fishing operations and ownership structures and end-to-end traceable seafood products; evidence of full compliance with local, national and international laws and regulations.

Guidance recommendation and description

Seek out companies that achieve alignment with global best practice guidance and standards for traceability, such as the GDST framework. This *seek* out scenario illustrates best practice in wild capture fishing on transparency and traceability. It underscores the importance within fisheries management of these properties as a foundation to sustainability. Without traceable products, supply chains face challenges in confirming the provenance and management of the seafood products they are processing or distributing, making traceability and transparency central to downstream ESG risk management.

Due diligence

While the MSC only partially addresses traceability and transparency, membership in the Global Dialogue on Seafood Traceability (GDST) and following the guidance it has set out are a good proxy for a company's performance against this scenario. Elsewhere, the IHS Seaweb Database is a helpful verification tool, though in the first instance company disclosure will be the most important source of information on approach to transparency and traceability.

Example targets

Policy target

By 2026, update sector policy on seafood to incorporate traceability as a key ESG theme across the seafood supply chain. This policy target serves to focus effort on incorporating the importance of traceability within a given investor's seafood sector policy. This could include a requirement for invested seafood companies to participate in disclosure frameworks such as the GDST. In this way, it lays the ground for work that can be based on traceability being a key ESG theme, including towards engagement and impact (see below).

Impact target

By 2028, sales of traceable seafood products account for 75% of seafood sales by volume across portfolio companies. As an overarching impact target, this targets the behavioural change in seafood companies that would result in meeting best practice in full transparency and end to end traceability. The specific percentage should be adapted to reflect the specifics of a given portfolio, company geographies and data availabilities but should always strive to be ambitious. It is important however that this target reflects sales by volume and not value, to ensure traceability efforts are implemented across species and supply chains, and not centred on high-value and data-rich species (though in intermedia impact target could be set in order to get underway with such lower-hanging fruit).

Implementation

Policy target

As with all targets, ensure that this is properly contextualised within wider impact management, including an assessment of exposure to unsustainable seafood within a portfolio. This will help provide context and solutions for any questions that may arise as a result of implementing a policy change, particularly in relation to consequences for the investment universe.

Impact target

A key challenge for this target will be monitoring and verification, particularly given that there are few available resources to support financial institutions on seafood traceability. While the GDST is robust, its uptake to date has been limited. In this context, an action plan for this target may helpfully include communications and advocacy on the need for traceability-related disclosures by the seafood industry and a focus on traceability metrics by ESG rating agencies. This target may similarly be supported by an engagement target to raise awareness and encourage action on traceability by portfolio companies.

As with other data-limited situations, consider whether partnerships with NGOs or academic institutions may be able to provide capacity for data collection and/or interpretation to support implementation of this target.

Guidance scenario

Implementation of recommended exclusions.

Guidance recommendation and description

The recommended exclusions represent unsustainable behaviour across fisheries, aquaculture and their value chains that should not be financed—including issues such as illegal fishing, human rights abuses and destructive fishing practices.

All

All

Due diligence

While the exclusions cover a number of areas across social and environmental impacts, many of these are covered by commitments to global standards including the UN Guiding Principles on Business and Human Rights, the MSC and ASC standards, as well as compliance with local, national and international law.

Example targets

Policy target

By 2026, update ESG risk management framework to incorporate exclusions reflecting the UNEP FI Recommended Exclusions.

This policy target will vary depending on the type of exclusions and how these are dealt with at an institutional level, but fundamentally this speaks to an institution's ability to set a target for itself to update its own governance in relation to these activities.

Portfolio composition target

By 2028, no (0%) investment/financial service is provided for companies that violate the UNEP FI Recommended Exclusions.

Exclusions are in effect portfolio composition targets where the desired composition is 0. In this case, this is applied across the recommended exclusions in aggregate, but individual targets could be set for individual exclusions—in this case, it may also be helpful to set a corresponding impact target that the portfolio composition is aiming to achieve (e.g. elimination of illegal fishing activity from a supply chain, or no development of fish farms within protected areas).

Implementation

Policy target

As with all targets, ensure that this is properly contextualised within wider impact management, including an assessment of exposure to unsustainable seafood within a portfolio. Some institutions may be challenged by the use of exclusions at a policy level, and in these cases it may be helpful to focus less on a formal policy target and instead look to construct relevant portfolio composition targets in relation to not financing certain activities, e.g. due to material reputational risk associated with unsustainable seafood.

Portfolio composition target

Depending on the degree of exposure within a given institution, determining the right timeframe for this target may be challenging—particularly given the need to balance rapid and decisive action on exclusions with the need to examine consequences of implementing an exclusion on any broader relationship with a company—e.g. in the case where there are existing outstanding financial obligations or other funds that have invested in the company. While divestment may be a consequence of this target, there is flexibility in implementing the guidance to support companies in a rapid transition away from exclusionary activity. Depending on degree of exposure, it may therefore be appropriate to set complementary engagement targets that focus on a transition away from exclusionary activity as quickly as possible.

Guidance scenario

Owned and operated aquaculture or fishing operations, or operations in supply chains are located in areas of high exposure and vulnerability to extreme weather events.

Insurance

All

Guidance recommendation and description

Require risk mitigation and financing to be in place for recovery from economic, social and environmental damage from extreme weather events.

This challenge scenario highlights the importance of climate resilience for seafood companies and applies across wild-caught fisheries, aquaculture and downstream operations. Climate resilience is key across all sectors, particularly in areas that are exposed to extreme weather events, and tools and approaches to build resilience and enable rapid recovery are required for all seafood sector activities.

Due diligence

For insurers, due diligence on this scenario is both a requirement to test for climate sensitivities and exposures as well as an opportunity to develop such tools and design products that mitigate the risks of climate impacts. Newly adopted approaches for climate resilience in the Sustainable Blue Economy, including the Climate Risk Index as well as parametric insurance policies, are examples of positive steps to build resilience that can be led by the insurance industry.

Example targets

Policy target

By 2026, [we] have developed risk mapping tools to pinpoint where seafood companies are exposed to physical climate risk, and has developed products to mitigate these risks. This policy target looks to do two things—one, to further the development of risk assessment and management tools like the Climate Risk Index that benefit the seafood sector in understanding its exposure to physical climate risk. The second is the development of specific insurance products to mitigate these risks—this can include the replication of existing approaches like parametric insurance but can also be viewed as a call for greater innovation in the insurance industry.

Impact target

By 2030, 50% of seafood company clients are covered by insurance products that enable them to recover from climate impacts to physical assets. This impact target looks at the ultimate purpose of developing new products and approaches to improve resilience—enabling recovery of vulnerable assets. The specifics of what products this may include are open-ended, and the 50% coverage of seafood clients is intended as an example—it is not tied to any real-world data.

Implementation

Policy target

Given the precedence of establishing new risk management tools and products for climate-related risks, depending on the type of insurer and the services it offers, the development or adoption of analogous tools for the seafood sector should not present significant design challenges. Implementation, however, may require additional effort to understand where exposure to physical climate risk sits for seafood companies—particularly in emerging markets, where data on e.g. impact and frequency of extreme weather events may be less granular or comprehensive. In this context, ensure the existence of partnerships, especially those that may leverage local and indigenous knowledge, to facilitate the implementation of this target.

Impact target

Encouraging uptake of new insurance products will be key to implementing this target, and the action plan for this may consider including awareness raising opportunities and engagement with seafood company clients on the needs and benefits of insurance coverage. Social equity will be a key concern in the implementation of this target, as the affordability of the insurance cover and its availability will need to be carefully considered, particularly for clients in emerging markets. The precise percentage of clients to include under this target will need to depend on assessment of reach and competitiveness of climate-linked products; it may be helpful to disaggregate targets for production and downstream operators, as appetite for coverage and the magnitude of risks and their impacts to manage may differ.

Guidance scenario

Evidence that owned and operated farms or farms in supply chain are located in areas of ecological sensitivity such as mangroves and wetlands.

Banking

Aquaculture

Guidance recommendation and description

- Require evidence that farms are located in legal and permitted zones for aquaculture development.
- Require evidence of best practice in planning and development of new sites such as Environmental and Social Impact Assessments and mitigation plan.
- Require Accountability Framework Initiative and verification of deforestation and conversion-free aquaculture production and supply chains.
- This scenario challenges FIs to ensure aquaculture activity does not take place in ecologically sensitive areas where they can cause harm to the natural environment.

Due diligence

For this scenario, Users may benefit from spatial information on the whereabouts of aquaculture holdings among their Clients, and may work with ESG data providers to secure this information where possible and relevant.

For specific and more intensive engagement directly with Clients, these should be prompted on their permitting and certificates for the siting of aquaculture farms, and these should be verified against known UNESCO World Heritage Sites, RAMSAR sites, High Conservation Value Areas and public records.

Example targets

Portfolio composition target

By 2028, 100% of banked aquaculture companies disclose location and permitting information for their owned and operated fish farms.

This portfolio composition target is directed towards requiring a shift in both how a bank selects aquaculture clients and engages with them. This could also be framed as an engagement target to serve the same impact target, highlighted below.

Impact target

By 2030, [we] will not knowingly finance developments within UNESCO World Heritage Sites, RAMSAR sites and areas of high conservation value.

This impact target outlines the long-term, time-bound objective for implementing this guidance indicator, and serves as the central objective which supporting targets complement—in addition to the portfolio composition target above, further policy and engagement targets can support the objective of the impact target.

Implementation

Portfolio composition target

Consider what steps are required in order to effectively transition portfolio composition towards aquaculture companies that disclose location and permitting information. Is there sufficient expertise in-house or through third party data providers to enable action? In this context, consider a complementary engagement target that focuses on e.g. encouraging TNFD disclosures. Data availability may be a challenge in this context, particularly in country contexts where spatial planning or permitting are opaque or poorly established. To overcome these challenges, consider whether partnerships with data providers may help provide more information, and explore advocacy and communication around disclosure and transparency with government audiences in relevant geographies.

Impact target

Examine what capacities and approvals are necessary to update risk management frameworks and plan out the process for updating risk management approaches to support this target. A key challenge in relation to this target is determining to what extent this impacts financing capabilities and your client base—particularly in markets where uncertainty over permitting and spatial planning may make it difficult to evidence. Leverage emerging standards, including the TNFD recommendations, to drive through ambitious targets for seafood. Consider including supportive policy targets that focus on your institution's own capacities and decision-making frameworks in meeting the overarching impact target.

UN environment programme

finance initiative

UNEP Finance Initiative brings together a large network of banks, insurers and investors that collectively catalyses action across the financial system to deliver more sustainable global economies. For more than 30 years the initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda. We've established the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance (ESG) challenges.

unepfi.org

unepfi.org

info@unepfi.org

/UNEPFinanceInitiative

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@UNEP_FI