

# Bonafide and the Sustainable Blue Economy Finance Principles

## What are the Sustainable Blue Economy Finance Principles?

“The Sustainable Blue Economy Finance Principles are the foundational keystone to invest in the ocean economy. Launched in 2018, they are the world’s first global guiding framework for banks, insurers and investors to finance a sustainable blue economy. They promote the implementation of SDG 14 (Life Below Water), and set out ocean-specific standards, allowing the financial industry to mainstream sustainability of ocean-based sectors.

The principles were developed by the European Commission, WWF, the World Resources Institute (WRI) and the European Investment Bank (EIB) and are hosted by UNEP FI as part of the Sustainable Blue Economy Finance Initiative.”

Source: UNEP Finance Initiative

## How is Bonafide contributing to the Sustainable Blue Economy Finance Principles?

Bonafide is a founding member of the United Nations' Sustainable Blue Finance Initiative. Its contribution to each of the principles can be briefly summarized as follows:

### 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.*

- As an asset manager exclusively focused on the fish & seafood value chain, healthy oceans are essential to Bonafide’s long-term success. Of the three major threats facing our oceans (climate change, pollution and overexploitation), we target with our funds primarily the issue of overfishing. By supporting the development of an increasingly sustainable aquaculture industry, we hope to relieve global fishing pressures, establish seafood as a sustainable source of protein and contribute to a more sustainable food system in general, as stated in **Bonafide’s investment philosophy**.

### 2. Compliant

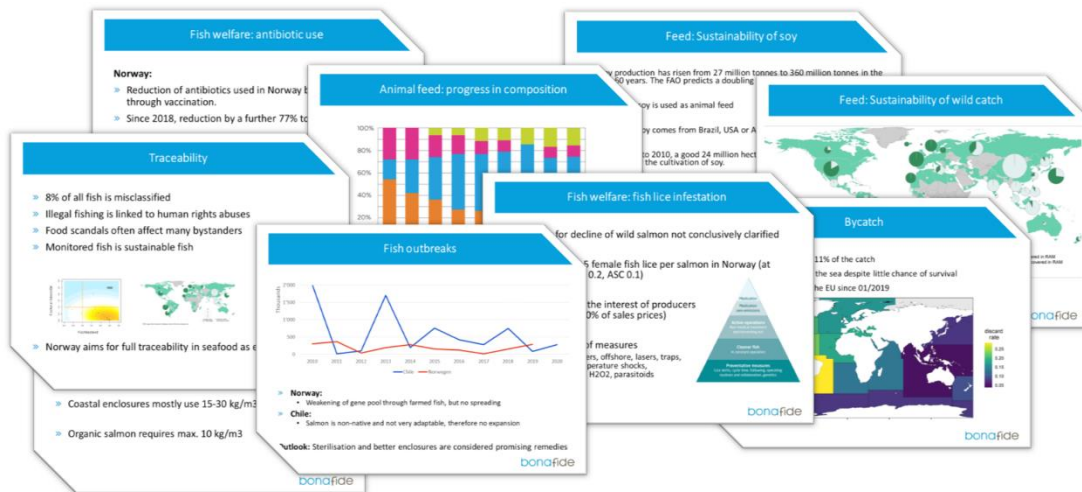
*We will support investments, activities and projects that are compliant with international, regional, national legal and other relevant frameworks which underpin sustainable development and ocean health.*

- Our investment focus on publicly-traded food companies ensures that investee companies adhere to high regulatory standards, as confirmed by regular audits of their operations.
- The industry’s aspiration to go beyond the legally required minimum and meet sustainability best practices, as indicated by the growing adoption of voluntary certificates such as ASC, MSC, GAP, BAP, ProTerra and RTRS in the seafood sector, is viewed positively by us.

### 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.*

- As an asset manager focused exclusively on the fish & seafood sector, we conduct in-depth analyses of industry-specific risks, such as the use of antibiotics in salmon farming, deforestation risk in soy protein, measures against sea lice, aquafeed composition, and traceability of wild fish.



#### 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.

- Seafood companies are highly dependent on natural resources that need to be managed collectively in order to prevent overexploitation. As such, collaboration and good relations with local communities are central to well-run operations. Our investee companies therefore engage regularly with local populations through community initiatives.
- Most seafood companies operate in very remote areas, providing jobs where otherwise none would be found.

#### 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.

- Bonafide partners with an increasing number of cooperative **organisations**, such as UNEP FI, UN PRI and FAIRR, to facilitate the development of a sustainable seafood industry and a sustainable food system in general. Recent collaborative engagements we participated in can be found in our latest **Active Ownership report**.

#### 7. Transparent

We will make information available on our investment / banking / insurance activities 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.

- Bonafide reports through an increasing number of frameworks an increasing number of sustainability KPIs.
- Current sustainability reporting includes:
  - **FNG label**
  - **Eurosif Transparency Code**
  - **ESG ratings**
  - **SDG impact assessment**
  - **Climate KPIs**
  - **Active Ownership report**

#### 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.

- Bonafide **reports** on its funds' contribution to the Sustainable Development Goals, with roughly 2/3s of companies claiming to contribute specifically to SDG 14.

## 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.*

- Bonafide supports the long-term development of the aquaculture industry, which includes pioneering investments in companies trialling new fish species, such as yellowtail kingfish, novel feed ingredients, such as micro algae, and uncommon food products, such as algae snacks.

## 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.*

- Bonafide invests globally along the entire seafood supply chain. As such our portfolios are generally quite diversified in terms of geography, investee market cap and investee business model.

## 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.*

- Bonafide supports the long-term development of the aquaculture industry, which includes pioneering investments in companies trialling new fish species, such as yellowtail kingfish, novel feed ingredients, such as micro algae, and uncommon food products, such as algae snacks.

## 13. Partnering

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

- Bonafide partners with an increasing number of cooperative **organisations**, such as UNEP FI, UN PRI and FAIRR, to facilitate the development of a sustainable seafood industry and a sustainable food system in general.

## 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.*

- As an asset manager focused exclusively on the fish & seafood sector, we conduct in-depth analyses of industry-specific risks, such as the use of antibiotics in salmon farming, deforestation risk in soy protein, measures against sea lice, aquafeed composition, and traceability of wild fish.
- Such information is occasionally shared as part of our quarterly webinar series.

## Target Setting Exercise

### 1. Identify impact associations and understand exposures

As an asset manager focused on investing along the seafood supply chain, seafood-related criteria are the obvious focus of our target setting efforts. For this reporting cycle we focused on assessing solely companies directly involved in the production of fish, i.e. aquaculture and wild capture fisheries. A portfolio composition analysis reveals that roughly 60% of fund assets were invested in companies primarily focused on such activities.

### 2. Assess exposures, identify key issues, pinpoint relevant scenarios

For the prioritization of issues, we follow the guidance provided by UNEP FI. This year's assessment focuses on the criteria marked as "Avoid" in the **Turing the Tide Guidance**.

Cross-cutting issues are generally covered in our investment policies as part of the controversy assessment concerning the UN Global Compact principles. The other criteria concerning the sustainability of fish stocks by and large also form part of our investment practices, albeit in a less formal manner.

## Seafood

Sub-sector	Criterion	Indicator	Verification	Action
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: <a href="https://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf">https://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf</a>  HCVA: <a href="http://www.hcvnetwork.org/">http://www.hcvnetwork.org/</a>  UNESCO: <a href="https://whc.unesco.org/en/list/">https://whc.unesco.org/en/list/</a>	AVOID
Wild capture fisheries	7. Species	Species being fished, processed or sold are on the IUCN Red List of Threatened Species.	Company disclosure; Procurement data  IUCN Red List: <a href="https://www.iucnredlist.org/">https://www.iucnredlist.org/</a>	AVOID
Wild capture fisheries	8. Illegal, unreported and unregulated (IUU) Fishing	Evidence of IUU fishing activity by company-owned vessels or vessels in company's supply chain; or lack of compliance with local, national or international laws and regulations.	Company disclosure; Public records; NGO/watchdog analysis  EU IUU Vessel List: <a href="https://ec.europa.eu/fisheries/cfp/illegal_fishing/info">https://ec.europa.eu/fisheries/cfp/illegal_fishing/info</a>  Compiled IUU Vessel List: <a href="http://www.iuu-vessels.org">www.iuu-vessels.org</a>  IHS Seaweb Database: <a href="https://maritime.ihs.com/Account2/Index#">https://maritime.ihs.com/Account2/Index#</a>  C4ADS Portal: to be published in Q1 2021	AVOID
Wild capture fisheries	9. Fishing method	Evidence of use of destructive (and often illegal) fishing practices such as blast (dynamite) fishing, pulse fishing or cyanide fishing by the company or within supply chain. These types of fishing practices are not eligible for globally leading standards.	Company disclosure; Media and NGO reports	AVOID
Wild capture fisheries	9. Fishing method	Evidence of catching or sourcing from vessels that do not have robust and transparent by-catch measures in place for non-target species (by-catch) that are on the IUCN Red List of Threatened Species.	Company disclosure; Observer reports; RFMO reports; NGO/watchdog reports  IUCN Red List: <a href="https://www.iucnredlist.org/">https://www.iucnredlist.org/</a>	AVOID
Cross-cutting issues	15. Labour and working conditions	Evidence that seafood is fished, farmed, processed or sold with the involvement of labour or human rights abuses.	Company disclosure; Media and NGO reports; Coastguard reports; Interpol reports; International Narcotics Control Board	AVOID
Cross-cutting issues	16. Racial and gender equality	Evidence of racial or gender-based discrimination in farms, fisheries or in the supply chain workforce.	Company disclosure and reports	AVOID

Source: UNEP FI

### **3. Set targets**

We aim to exclude companies that currently show significant involvement in “Avoid” criteria from our portfolios. “Challenge” and “Seek Out” criteria are not included in this year’s assessment.

We rely on auditor opinions, third-party controversy monitoring, and internal news monitoring as key performance indicators for the stated criteria.

### **4. Implement action plans**

Company dialogues are utilized to enhance self-disclosure by companies and to facilitate target setting and monitoring.

In 2023 we conducted a survey asking for self-disclosure on the “Avoid” criteria from 39 companies active in aquaculture or wild capture fisheries. The responses provided by twelve companies did not reveal any potential misconduct. An internal analysis based on publicly available information of eight additional portfolio companies revealed that endangered species according to IUCN made up 0.1% of processed wild-catch volumes. We are in discussion with the company to remedy the situation.

### **5. Monitor progress**

Targets are scheduled for annual review.