A Tool for Rapid Assessment of the Business Capacity of Seafood Enterprises

Version 4.6

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Contents

I. Introduction

Background

In the past two decades, "certified sustainable" fishing practices have become commonplace in some of the world's largest fisheries.[1] More recently, attention has begun to focus on social responsibility in the fishing sector. Driving this change towards improved ecological and social responsibility was a suite of certification standards that were developed to address specific areas of concern. However, achieving certification against these standards entails independent assessments that can be time consuming and costly, often making them unattainable for many of the world's fisheries. Also, due to scarce resources, investing in early stage assessment can preclude investment in actual improvement. As a result, rapid assessment tools have been developed to decrease the cost of assessment and development and to identify needed interventions during the early stages of implementation.

For evaluation of environmental performance, Ocean Outcomes (O2),[2] the Sustainable Fisheries Partnership (SFP),[3] and the World Wildlife Fund US (WWF-US)[4] recently developed an Environmental Rapid Assessment Tool (ERA) that draws on various fishery evaluation methods. The work was funded by the Gordon and Betty Moore Foundation's Oceans Seafood and Markets Initiative (OSMI) to help streamline the improvement process, motivate more fisheries to participate in fishery improvement projects (FIPs), and facilitate the reporting of more basic and prospective FIPs on FisheryProgress.org – the global platform for publicly tracking FIPs.

Similarly, for social responsibility, the Coalition for Socially Responsible Seafood[5] and members of the Conservation Alliance for Seafood Solutions[6] co-produced the Social Responsibility Assessment Tool (SRA). SRA is intended as a diagnostic or rapid assessment tool to assess social risks, identify areas in need of improvement, and inform the development of a FIP workplan that will integrate a social element.

While systems are being developed to rapidly assess the social and environmental performance of FIP fisheries, evaluation of their current and potential business performance has not been undertaken systematically. To better understand the performance capacity of fisheries and seafood enterprises, Wilderness Markets[7] and SmartFish AC[8] have developed protocols for assessing fisheries' investability for the World Bank and Mexican fishing coops' business organizational and operational performance, respectively. We combined and refined these protocols to produce this globally applicable tool for rapidly assessing the business capacity of seafood enterprises, including fishing cooperatives and associations. Ensuring that seafood enterprises have support from civil society, access to good logistics and infrastructure for market access, and strong partnerships with local businesses will reduce the risks associated with FIP implementation and contribute to the durability of improvement.

Specific Objectives

Our goal was to develop a tool that provides an objective way to rapidly and efficiently quantify the key business attributes (organizational capacity and operational capacity) of a Seafood Enterprise. This rapid assessment tool was developed with the following specific objectives in mind:

- To develop capacity indicators suitable for assessing risk[9] in key areas of business activity;

[1] For example, see the State of Sustainability Initiatives (SSI) Review: Standards and the Blue Economy: https://www.iisd.org/ssi/standards-and-the-blue-economy/

[2] https://www.oceanoutcomes.org/

[3] https://www.sustainablefish.org/

[4] https://www.worldwildlife.org/

[5] Coalition for Socially Responsible Seafood is a consortium of stakeholders interested in advancing social responsibility and human rights issues in fisheries, representing conservation, human rights, and development NGOs, industry, and academia.

[6] https://solutionsforseafood.org/

[7] https://www.wildernessmarkets.com/

[8] https://www.smartfishac.org/

[9] See definition in Glossary.

- To establish reliable benchmarks against which future improvements can be measured; and
- To provide a means to rapidly diagnose where improvements are possible or necessary.

For this tool to get traction, it must be cost-effective. To this end, our methodology was designed to be used in conjunction with the ERA and SRA tools mentioned above in order to reduce assessment time and costs.

We anticipate that the primary user of this assessment tool will be FIP developers and implementers. In cases where external investment is being sought for FIPS, this tool can help FIP developers and funders identify the organizational attributes that need to be improved, as many of the capacity indicators assessed here are critical for de-risking investments.

Due Diligence

The importance of a due diligence process is widely recognized today. Businesses are expected to perform due diligence to assess risks in their supply chains,[10] including those who operate within the seafood sector.[11] Similarly, a process for due diligence is strongly recommended for parties who are looking to make an impact through investing in sustainable wild-capture fisheries.[12,13] Our business capacity assessment tool may supplement these efforts, but it is not intended to replace due diligence. As with the other fishery rapid assessments, our business capacity assessment tool serves to provide "a low-cost method to develop guidance, particularly in early stages when funding is limited and they are still motivating a fishery to join an improvement effort" (O2, WWF and SFP 2019).

II. Assessment Methodology

Scope

This methodology can be used to rapidly assess any entity engaged in commercial fishing or processing. Although it was initially developed for small to medium-sized seafood enterprises, the tool should be suitable for assessing enterprises of any size. This tool is applicable to both FIP and non-FIP fisheries. However, the tool is not intended for use with recreational fisheries, subsistence fisheries or aquaculture operations which are all considered to be out of scope.

Basis

Our methodology is based on the Rapid Assessment Tool (O2 et al. 2019). It incorporates and integrates the above mentioned protocols developed by Wilderness Markets and SmartFish AC for rapid assessment of business capacity. Indicators and scoring guideposts were developed using the conceptual approach of the Marine Stewardship Council (MSC).[14] Key terms are defined in the Glossary (Section V). Most terms were adapted from the ecolabelling literature, especially MSC and the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance.[15]

Unit of Assessment

Our definition of the unit of assessment (UoA) is based on the idea that each Seafood Enterprise represents a functional unit. Although such enterprises would ideally be established legal entities, our methodology does allow for the assessment of other, less formal types of arrangements. Some examples of this spectrum are fishery cooperatives or associations, fishing companies, and first buyers of fish. It will be emphasized that the "unit" which is being assessed under our system is a business-like entity: one that is at least notionally

[10] http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf

[11] See Nakamura, K. and Blaha, F. (2019) FAO Guidance on Social Responsibility in Fisheries and Aquaculture Value Chains. Draft Version.

[12] http://encouragecapital.com/wp-content/uploads/2015/09/sustainable-fisheries-report-8g.pdf

[13] http://www.fisheriesprinciples.org/files/2019/05/updated-PrinciplesInvestmentWEB_final.pdf

[14] https://www.msc.org/

[15] https://www.isealalliance.org/

competent and authorized to conduct business activities on behalf of itself, its members and/or participants. From an implementer's perspective, the UoA can be thought of as the "unit of investment."

Our approach to UoAs differs slightly from environmental-based assessment methodologies which tend to define the UoA (or Unit of Certification; UoC) in terms of the fishery resource. For example, MSC defines the UoA as follows: The UoA is defined by the target stock(s) combined with the fishing method/gear and practice (including vessel type/s) pursuing that stock, and any fleets, or groups of vessels, or individual fishing operators or other eligible fishers that are included in this assessment. In some fisheries, the UoA may be further defined based on the specific fishing seasons and/or areas that are included.

In theory, it may be difficult to reconcile the boundary of a UoA based on a business risk assessment with that of a UoA based on a fishery sustainability assessment (i.e. an MSC-type assessment). Discrepancies could arise, for example, because one Seafood Enterprise may simultaneously participate in multiple fisheries, or conversely, a single fishery may be prosecuted by numerous and distinct Seafood Enterprises. In practice, however, we do not know if different UoA definitions will cause a problem with reconciling different assessment methodologies. In an effort to understand and maintain UoA alignment across systems, our methodology requires that assessors collect the same UoA information as used by MSC, namely:

- Target species scientific name and common name
- Fishery location
- Gear type(s)
- Catch quantity (weight)
- Vessel type and size
- Number of registered vessels
- Management authority (the regulatory authority with fishing management responsibilities; there may be multiple authorities where joint jurisdictional responsibilities occur)

This will enable us to track disparities in UoA structure if and when they should arise.

Table 1. Assessor Qualifications

	Desirable	Required
Education and Training:		
- University diploma or its equivalent[16] in business, fisheries science, or another subject area relevant to the assessment	√	√
- Coursework in fisheries science, fisheries economics, or economics	√	-
Work Experience:		
- Prior work evaluating the creditworthiness of enterprises	√	√
- Prior experience with seafood supply chains	√	-
- Prior experience auditing quality management systems	√	-
- Prior experience with interviewing or interview methods	√	√
Knowledge, Skills and Abilities:		
- Demonstrated ability to conduct interviews	√	√
- Good communication skills	√	√
- Cultural knowledge and sensitivity	√	-
- Specific KSAs as may be relevant to the local context of the assessment	√	-

Assessors should have relevant education or training in business or fisheries science and at least two years of experience in the evaluation of creditworthiness of enterprises. It is also desirable for assessors to be familiar with seafood supply chains. Assessors should be knowledgeable about techniques for auditing quality management systems (e.g. ISO 9000; ISO 19011) and should be competent at conducting document reviews. Minimum assessor qualifications are given in Table 1.

Our methodology relies heavily on the accuracy of responses obtained during one-on-one interviews. For this reason, assessors must have formal training in interview methods and a demonstrated ability to conduct

[16] A certificate of training in the relevant subject area may substitute for a university diploma.

interviews. Interviews also demand good communication skills, cultural knowledge and sensitivity, and may require specific language skills. Accordingly, an assessor's background should be matched to the local/regional context of the Seafood Enterprise which is under assessment.

Objectivity is a critical aspect of the methodology and assessors must remain independent and impartial throughout the assessment process. Therefore, it is important to identify and, if necessary, take steps to mitigate the potential for a conflict of interest (CoI) to arise in the assessment process. Assessors are expected to declare to the sponsoring partner(s) any prior or ongoing relationship they might have with the enterprise that is undergoing assessment. The partner(s) will need to review such declarations and determine an appropriate course of action to ensure impartiality is not undermined.

Assessors are expected to behave ethically through all stages in the assessment process. Assessors shall be honest and maintain the highest level of professionalism. When conducting interviews, assessors shall be respectful of any social, cultural and economic concerns of interviewees.

Information Gathering

Assessment information is primarily gathered through interviews with members of the Seafood Enterprise and other relevant stakeholders in the fishery. Assessors will use the standardized survey questionnaire (described below) as a guide to conduct interviews. The interviews should be done in person where practicable, and ideally as part of a site visit. Assessors must use their expert judgment to decide who is selected for interviews and how many interviews need to be conducted in total.

Assessors should also review documents as part of a 'desk study' that is initiated prior to conducting interviews. The purpose of the desk study is twofold: to familiarize the assessor with general aspects of the fishery and local seafood sector as well, providing a means to confirm/cross-check information which is obtained during assessment. Documents for the desk study may be solicited directly from the Seafood Enterprise or through other relevant entities (e.g. government agencies) as appropriate.

It is intended that this survey will be complementary to the ERA and SRA and if possible, it should be conducted in a time period that maximizes the time and cost efficiencies for interviewees, assessors and FIP developers. This may be before, at the same time, or after the other assessments, depending on the fishery.

Confidentiality

During the course of an assessment, assessors may encounter information which is considered confidential by the interviewee and/or the Seafood Enterprise. The assessor must exercise discretion in these instances to ensure that an atmosphere of trust and openness persists. If confidentiality is a significant concern, it may be necessary for the assessor to enter into more formal arrangements with the Seafood Enterprise (e.g. non-disclosure agreements) in order to safeguard confidence.

At the same time, it must be recognized that most FIP programs share a common goal of maximizing transparency. Therefore, assessors should encourage businesses and interviewees to work with potential or existing FIP partners (implementers and developers) to agree on the nature of information that will be made publicly available (e.g. posted online or made available upon request). Seafood Enterprises will also have an opportunity to review and comment on the draft Assessment Report, affording them with another opportunity to resolve any outstanding concerns about the level of disclosure.

Survey Questionnaire

At the heart of the methodology is a survey questionnaire (Appendix 1). It is comprised of three types of questions: 1) "scoring questions" are intended to elicit responses that will feed directly into Capacity Indicator (CI) scores; 2) "information questions" are designed to gather background information about the Seafood Enterprise; and 3) "decision questions" prompt a decision point in the survey process.

It should be noted that work on this methodology is ongoing and iterative. It may be necessary for assessors to adjust the phrasing of the questions to make them understandable in the local context and notes should be kept of such. Field trialing will continue to identify aspects of the survey that need improvement. Our goal is to make the survey questionnaire available online and eventually create a template for automated scoring.

Framework for Assessment

Similar to the other rapid assessment tools, ours is structured as a hierarchy. The highest level is a set of three Principles: Organizational Capacity, Operational Capacity, and Current Market Position. The next lower level is the Capacity Indicator (CI). CIs are comprised of one or more 'scoring attribute' (SA). SAs are linked closely to survey questions and responses. SAs provide the finest level of resolution. Scoring is meant to occur at the level of the SA but scores may also be aggregated at the level of the CI. The hierarchy of the assessment framework is shown in Table 2.

Table 2. Assessment Framework consisting of Principles, Capacity Indicators and Scoring Attributes.

Principle		Indicator	Scoring Attribute	CI.SA number
Principle 1 - Organizational Capacity	1.1	The Seafood Enterprise is established as a legal entity and has no pending legal challenges.	a) Legal entity	1.1a
			b) Pending legal challenges*	1.1b
	1.2	The Seafood Enterprise ensures that harvests are taken legally and in compliance with applicable regulations.	a) Fishing permits	1.2a
			b) Permitted fishing gear type	1.2b
			c) Validation of harvest compliance	1.2c
	1.3	The Seafood Enterprise has proficient leadership, an active and effective board, and relationships inside and outside the supply chain.	a) Leadership*	1.3a
			b) Board*	1.3b
			c) Market relationships	1.3c
	1.4	The performance history of the Seafood Enterprise demonstrates a record of profitable operation, successful history of funding, fulfillment of market commitments, and a commitment to quality.	a) Record of profitable operation	1.4a
			b) Prior history of funding*	1.4b
			c) Success in meeting funding terms*	1.4c
			d) Fulfillment of market commitment*	1.4d
			e) Commitment to quality	1.4e
	1.5	The Seafood Enterprise has clear short and long-term objectives, a business plan that incorporates key elements of business planning, and collects information relevant to decision-making.	a) Business objectives	1.5a
			b) Key elements of business planning	1.5b
			c) Business plan	1.5c
			d) Information to support decision-making	1.5d
	1.6	The Seafood Enterprise has clearly articulated its revenue model and it does not rely on grant funding over the long term.	a) Revenue model	1.6a
			b) Reliance on grant funding	1.6b
	1.7	The Seafood Enterprise has an accounting system that allows it to adequately record and report its assets, liabilities, income and expenses.	a) Accounting system	1.7a
			b) Statement of accounts	1.7b
	1.8	The Seafood Enterprise keeps records of production, costs and revenues, as appropriate to its position within the value chain.	a) Production records	1.8a
			b) Costs and revenues	1.8b
	1.9	The Seafood Enterprise is transparent about the costs and benefits of fishery improvements. The Seafood Enterprise has committed itself to reasonably and fairly distributing costs and benefits among fishers and other involved stakeholders. The enterprise has a process in place to ensure that the distribution of costs and benefits of fishery improvements is fair and reasonable.	a) Transparency	1.9a
			b) Commitment	1.9b
			c) Process	1.9c

Principle		Indicator	Scoring Attribute	CI.SA number
	1.10	The Seafood Enterprise has systems in place for conducting market research including the collection of information central to decision-making. The Seafood Enterprise performs sales forecasts/modeling and participates in conferences or events.	a) Sales forecasts	1.10a
			b) Conference or event participation*	1.10b
Principle 2 - Operational Capacity	2.1	The Seafood Enterprise has access to adequate and reliable infrastructure.	a) Services*	2.1a
			b) Landing sites*	2.1b
			c) Product transportation*	2.1c
	2.2	The Seafood Enterprise has reasonable access to funding, and may currently receive funding for infrastructure, capacity and commercialization.	a) Access to funding*	2.2a
			b) Current funding*	2.2b
	2.3	The Seafood Enterprise has access to an appropriate processing facility with sufficient capacity and an operating strategy which maximizes commercial value of the product.	a) Processing facility*	2.3a
			b) Processing workforce	2.3b
			c) Maximization of commercial value	2.3c
	2.4	The Seafood Enterprise addresses concerns about product quality & safety by ensuring that: vessels are maintained in good condition; vessels are operated within an acceptable range of sanitary and safety conditions; and holds/ice deposits are kept in an acceptable state of cleanliness.	a) Fleet condition	2.4a
			b) Sanitary and safety conditions	2.4b
			c) Cleanliness of holds/ice deposits	2.4c
	2.5	A cold chain is established to ensure the quality and safety of the target product.	a) Prevalence	2.5a
			b) Adequacy	2.5b
			c) Quality	2.5c
			d) Continuity	2.5d
Principle 3 - Current Market Position	3.1	The Seafood Enterprise has analyzed its current position in the market and found potential for expansion. There is a high level of interest in doing so. The Seafood Enterprise has diversified its buyers.	a) Potential for market* expansion	3.1a
			b) Commercial interest	3.1b
			c) Diversified buyers	3.1c
	3.2	The Seafood Enterprise has identified and evaluated its competitors and understands its own competitive advantages.	a) Identification of competitors	3.2a
			b) Types of competitors*	3.2b
			c) Competitive advantages	3.2c
	3.3	Production is relatively predictable, fishing gears in use are selective and the target stock is the most valuable component of the fishery resources available to the enterprise. Markets show a preference for the product.	a) Predictability of production	3.3a
			b) Gear selectivity	3.3b
			c) Product acceptance and preference	3.3c
			d) Relative value of target stock	3.3d

Scoring

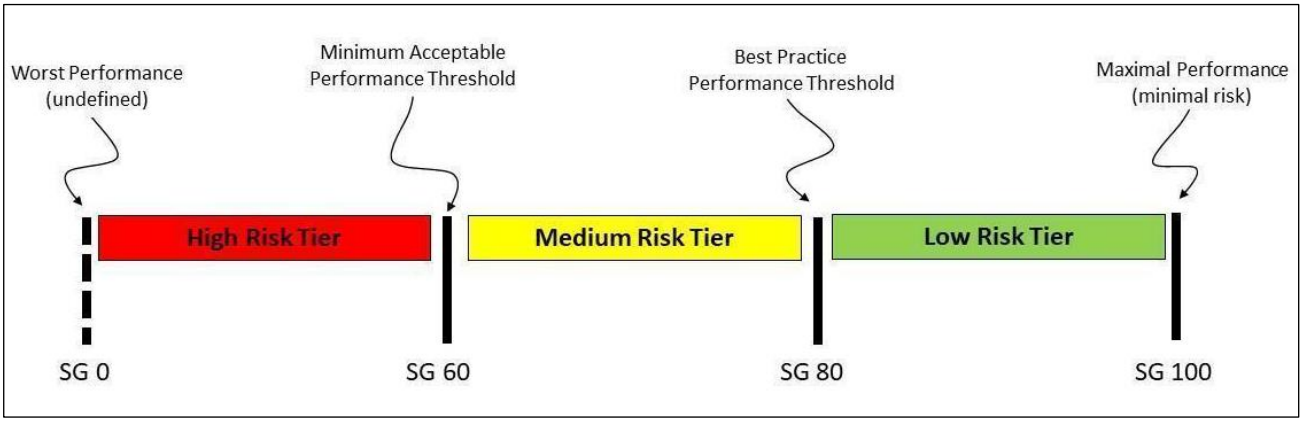
Our assessment methodology adopts a framework similar in structure to the MSC default assessment tree (MSC 2018a) which is based on performance thresholds. Our rapid assessment methodology, however, simplifies MSC's approach to scoring (MSC 2018b) in several ways, especially by using qualitative color coding instead of numeric scoring.[17]

In our methodology, each CI sets out performance thresholds or 'scoring guideposts' (SGs) at three levels: SG60, SG80 and SG100 (see Figure 1). Performance levels are progressive, such that SG60 represents a threshold for the minimum acceptable level of performance, SG100 represents maximal performance, and SG80 is a threshold between them. SG80 sets a boundary between minimum acceptable performance level

[17] It is also possible to assign a numeric score to each CI by following the scoring rules of the MSC default assessment tree but this increased resolution is unlikely to beneficial at this stage of protocol development.

and good performance (i.e. best practice). Note that we do not attempt to define what is worst practice (i.e. there is no SG zero level) nor do we attempt to introduce thresholds between SG 0 and SG60.[18]

Figure 1. Performance thresholds and risk tiers.



Our tool assumes that risk is negatively related to an entity's performance level or business capacity. That is, a higher performance level and/or greater business capacity corresponds to a lower risk level. Along a continuum of performance from low to high, our guideposts delineate three categories of performance that correspond to decreasing risk levels. Red coloring (< SG60) indicates that performance falls below the minimum acceptable threshold and it is therefore the highest risk tier. Yellow coloring (between SG60 and SG80) indicates that performance is above the minimum acceptable threshold but does not meet best practice. Yellow is therefore the medium risk tier. Green coloring (SG80 level or higher) indicates that performance meets or exceeds best practice and it is therefore the lowest risk tier.

Assessor will use survey responses to evaluate the Seafood Enterprise against scoring guideposts as follows. The first scoring attribute (SA 'a') is evaluated at the lowest scoring guidepost level (SG60 level) to determine whether the scoring guidepost is met or not. The assessor then moves to the next scoring attribute (SA 'b') at the SG60 level and makes a determination. This is repeated until all scoring attributes have been evaluated at the SG60 level. If all scoring attributes are met, then the assessor moves to next higher level (SG80) and repeats the process starting with scoring attribute 'a'. If a scoring attribute is unmet, the assessor skips this SA at higher SG levels during subsequent iterations.[19]

For some CIs, the performance threshold of a given scoring attribute has not been defined at the SG60 level. In our framework this occurred when we could not ascribe a minimum acceptable performance threshold for a given attribute. For these SAs, a dash replaces the scoring guidepost in the CI table. Where dashes appear, the SG60 scoring level is attained by default (see Figure 2) and the assessor should progress to the next (SG80) scoring guidepost level for scoring.

[18] This arrangement differs from the scoring tiers used by FisheryProgress.org (FP.org) or OSMI Rapid Assessment insofar as ours does not further subdivide the lower range of tiers falling in the 'red' (< 60) zone. Unlike systems predicated on an existing certification standard such as MSC, we had no *a priori* basis on which to set the minimum acceptable performance level (SG60).

[19] This step is unlike the MSC scoring process where evaluation does not proceed beyond the level of an unmet SG.

Figure 2. Default scoring when SG60 is unspecified.

For some CIs, the guidepost statement at the SG100 level is the same as the statement at the SG80 level (indicated with brackets). In our framework, this occurred when the threshold for best practice was judged to be effectively the same as maximal performance for a given attribute. For these CIs, the assessor should award the higher score (i.e. SG100) by default as shown in Figure 3.

Figure 3. Default scoring when SG100 is the same as SG80.

When scoring is completed the assessor should prepare a Scoring Summary Table (similar to Table 3) using color codes to show all risk scores. In some instances, assessors are instructed not to score a particular scoring attribute because it is not applicable. For these the assessor should enter "NA" and use a gray color code.

For each SA that does not meet the SG60 level, the assessor should include in the assessment report a brief rationale to explain why a "red' high-risk score was assigned. Rationales are mandatory for any sub-SG60 score that is assigned to a Scoring Attribute shown with ***bold italics*** in the CI tables below. There are 15 such SAs: 1.1b, 1.3a, 1.3b, 1.4b, 1.4c, 1.4d, 1.10b, 2.1a, 2.1b, 2.1c, 2.2a, 2.2b, 2.3a, 3.1a and 3.2b (also indicated in Table 3). For the remaining SAs, it is optional for the assessor to provide a rationale for sub-SG60 scores.

Rationales should follow the language of the scoring guideposts where possible, and may be supported by data or figures if appropriate. For benchmarking and monitoring purposes, it is important to specify the nature of the deficiency(ies) which triggered a "high risk" score. Nonetheless, because this is a rapid assessment tool, a concise description should suffice in most cases.

III. Assessment Framework

Principle 1 – Organizational Capacity

CI 1.1 – Legal Establishment

The legal status of an enterprise influences its relationship to other businesses, governments and other legally established organizations. In cases where investment is needed for fishery improvements, private investors are likely to favor a situation where arrangements are legally codified at all levels of the value chain. This helps to mitigate investment risk. However, it may not always be practical to require that seafood enterprises have legal recognition - particularly when communities are involved. While it may be reasonable for some investors to continue investments under an informal, de facto, rights or access-based system, it may not be appropriate for others who prefer formal, de jure, rights.[20] Of primary importance is that the counterparty to investment is legally authorized to do so in the relevant jurisdiction.

This indicator is used to assess whether the Seafood Enterprise is established as a legal entity and has no pending legal challenges.

CI 1.1 - Legal Establishment: ***The Seafood Enterprise is established as a legal entity and has no pending legal challenges.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Legal entity	The Seafood Enterprise has initiated the process for being recognized as such.	The Seafood Enterprise is currently a registered legal entity.	[same as SG80]
b) Pending legal challenges	***There are currently no pending criminal or civil legal challenges against the Seafood Enterprise, its officers or its board members.***	There are currently no pending ***criminal or civil*** legal challenges against the Seafood Enterprise, its officers or its board members AND there have been no such legal challenges within the past 5 years.	[same as SG80]

[20] The investor, of course, should have legal authority to conduct business in the relevant jurisdiction.

CI 1.2 – Regulatory Compliance

Seafood enterprises must ensure that fishery resources are harvested in compliance with applicable laws, rules and regulations. A high degree of regulatory compliance will reflect the Seafood Enterprise's level of commitment to proper governance and management of the fishery resource. It will also help to ensure that production proceeds predictably, without interruptions or costs arising from legal or regulatory infractions.

This indicator is used to assess whether the Seafood Enterprise ensures that harvests are taken legally and in compliance with applicable regulations.

Note: A survey question asks if the enterprise or its members engage directly in fishing. If the answer is 'no', do not score CI 1.2.

CI 1.2 - Regulatory Compliance: ***The Seafood Enterprise ensures that harvests are taken legally and in compliance with applicable regulations.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Fishing permits	A permit is required to participate in the fishery.	All participants from the Seafood Enterprise hold valid permits for commercial harvesting of the target resource.	All participants from the Seafood Enterprise hold valid permits for commercial harvesting of the target resource. The Seafood Enterprise records permit details for all of its fishers and/or vessels.
b) Permitted fishing gear type[21]	The vessel and type of fishing gear which is usually used by participants from the Seafood Enterprise to harvest the resource is included in the permit.	All types of fishing gears used by participants from the Seafood Enterprise to harvest the resource are included in the permit and the number of permits is sufficient for the number of vessels.	[same as SG80]
c) Validation of harvest compliance	The Seafood Enterprise keeps records of fishers, vessel ID numbers, or fishing permits for all its harvesters.	The Seafood Enterprise keeps records of fishers, vessel ID numbers and or fishing permits and cross-checks this information with relevant authorities/ issuing agencies.	The Seafood Enterprise uses digital recordkeeping sufficient to demonstrate that all harvesting by its members is done in compliance with applicable regulations.

[21] If fishing gear is not regulated through a permit process then CI 1.2b is not scored.

CI 1.3 – Organizational Structure

The organizational structure of an enterprise strongly impacts its management, efficiency and profitability. Seafood enterprises should have proficient leaders with formal business training and a strong track record of success in business. An actively engaged board with various backgrounds and skillsets that provides financial oversight, business acumen and strategic direction provides another foundational layer for success. Having diverse relationships - whether business-oriented, community based or otherwise - will also tend to mitigate against risks that may be present in the supply chain.

This indicator is used to assess whether the Seafood Enterprise has proficient leadership, an active and effective board, and maintains diverse business relationships.

CI 1.3 – Organizational Structure: ***The Seafood Enterprise has proficient leadership, an active and effective board, and relationships inside and outside the supply chain.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Leadership	***The chief decision-maker has either:*** ***1) formal business training;*** ***or*** ***2) work experience in the seafood industry and another industry.***	The chief decision-maker has > 5 years of work experience in the seafood industry.	The chief decision-maker has formal business training, more than 5 years of work experience in seafood; and work experience in at least one other industry.
b) Board	***The Seafood Enterprise has some form of governing body providing oversight.***	The Seafood Enterprise has a board of directors.	The Seafood Enterprise has an active and effective board of directors.[22]
c) Market relationships[23]	The Seafood Enterprise has 1 to 3 market relationships inside their seafood supply chain.	The Seafood Enterprise has 1 to 3 market relationships both inside and outside their seafood supply chain. or The Seafood Enterprise has more than 3 relationships inside their seafood supply chain.	The Seafood Enterprise has more than 3 market relationships both inside and outside their seafood supply chain.

[22] Evidence that a board is active/effective may come from a variety of sources including documents showing regular board meetings, agendas & meeting minutes, written responsibilities of members (e.g. terms of reference), appointments, member term limits, etc.

[23] This excludes relationships with fishers. In addition to business and market oriented relationships, this may include relations with other groups such as fisher organizations, community groups, government agencies, NGOs etc. Relationships should be active, including multiple correspondences throughout the year, whether participating in meetings or working on projects together.

CI 1.4 – Performance History

Performance history should reflect the ability of a seafood enterprise to ensure the profitability of its operations, repay its debts and fulfill its market commitments. Seeing that a seafood enterprise has a demonstrated 'track record' will assure partners about the enterprise's capacity to perform, improve and grow their business.

This indicator assesses whether performance history of the Seafood Enterprise demonstrates a record of profitable operation, repayment of debts, fulfillment of market commitments, and a commitment to quality.

CI 1.4 – Performance History: ***The performance history of the Seafood Enterprise demonstrates a record of profitable operation, successful history of funding,[24] fulfillment of market commitments, and a commitment to quality.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Record of profitable operation[25]	The Seafood Enterprise has had 2 consecutive years of profitable operations.	The Seafood Enterprise has had 3 consecutive years of profitable operations.	The Seafood Enterprise has had more than 3 consecutive years of profitable operations.
b) Prior history of funding	***The Seafood Enterprise has received funding at least once in the past.***	The Seafood Enterprise has received funding on multiple occasions and/or from multiple sources (e.g. public, private, et).	[same as SG80]
c) Success in meeting terms of funding[26]	***The Seafood Enterprise has received funding at least once and successfully met the terms & conditions of funding.***	The Seafood Enterprise has received funding on multiple occasions and/or from multiple sources and has never failed to meet the terms & conditions of funding.	The Seafood Enterprise has received funding on multiple occasions and/or from multiple sources and has never failed to meet the terms & conditions of funding. Beneficiaries were supervised by a third party.[27]
d) Fulfillment of market commitment	***The Seafood Enterprise makes market commitments in terms of both the quality and volume of agreed goods and services. The enterprise has rarely failed to fulfill those commitments.***	The Seafood Enterprise has not defaulted on its market commitments.[28]	The Seafood Enterprise has not defaulted on its market commitments. The Seafood Enterprise has an established record of meeting its market commitments in terms of both the quality and volume of agreed goods and services.
e) Commitment to quality	-	The Seafood Enterprise regularly discusses quality with their buyers.	The Seafood Enterprise actively works with buyers to align evaluations of quality through ongoing training with its workers and those they buy from. The Seafood Enterprise discusses quality evaluations with buyers at least annually.

[24] Funding includes loans, credit, and grants. It does not include subsidies, tax exemptions or similar.

[25] Excludes non-profit organizations. Scoring attribute (a) is not scored if the Seafood Enterprise is a registered non-profit organization.

[26] This is a rapid assessment and not a substitute for due diligence. Acceptable evidence of meeting funding terms includes whether the loan was repaid in the agreed upon timeframe, if the spending and reporting obligations of a grant were met. Inquiring whether additional funding was sought and received from the same source and whether it was given may identify success or shortcomings. If SG60 is not met, additional information should be gathered.

[27] Typically, supervision by a third party refers to use of an auditor or firm to validate compliance.

[28] No record of default within the past 5 years.

CI 1.5 – Business Planning

The skills and insight required to conduct business planning provide a valuable gauge of the business expertise, foresight and culture of a seafood enterprise. A good business plan is built on historical information, market research, realistic projections of revenue generation, and appropriately set goals. The planning process should integrate a number of the key elements of business planning.

This indicator is used to assess whether the Seafood Enterprise has clear short and long-term objectives and a business plan. Key elements of business planning are given in Table 3 below.

Table 3. Key elements of business planning.

1. Market and industry analysis
2. Commercialization plan
3. Strategic plan
4. Operational risk analysis and mitigation
5. Financial analysis and projections, including cost and pricing models
6. Funding needs and use of proceeds
7. Measurable socioeconomic and environmental outcomes

CI 1.5 – Business Planning: ***The Seafood Enterprise has clear short and long-term objectives, a business plan that incorporates key elements of business planning, and collects information relevant to decision-making.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Business objectives[29]	The Seafood Enterprise has objectives.	The Seafood Enterprise has clear short and long-term objectives.	The Seafood Enterprise has clearly articulated specific, measurable, time-bound short and long-term objectives that are understood by members, harvesters and/or shareholders.
b) Key elements of business planning	The Seafood Enterprise has conducted/identified at least one key element of business planning (Table 3).	Within the past three years, the Seafood Enterprise has conducted more than one key element of business planning (Table 3).	[same as SG80]
c) Business plan	The Seafood Enterprise has a written business plan.	The Seafood Enterprise has a written business plan that integrates at least three of the key elements of business planning (Table 3).	The Seafood Enterprise has a business plan that integrates six or more of the key elements of business planning (Table 3).
d) Information to support decision-making	The Seafood Enterprise collects **basic information** relevant to decision-making (ex-vessel prices, units purchased by the first buyer, costs).	The Seafood Enterprise collects **basic information** relevant to decision-making as well as keeping **internal records of key statistics** (ex-vessel prices, costs, capture volume and fishery value).	The Seafood Enterprise has a relatively sophisticated system for collecting and storing information relevant to decision-making including all the information in SG60 and SG80, plus revenue, costs, expenses and profits at the level of the whole enterprise.

[29] See definition in Glossary.

CI 1.6 – Revenue Model

Seafood enterprises should have a clearly formulated revenue model that does not rely on external sources of funding over the long term. Ideally, the revenue model would position a seafood enterprise to capture the future benefits of a more sustainably managed fishery.

This indicator is used to assess whether the Seafood Enterprise has clearly articulated its revenue model and whether it relies on grant funding over the long term.

CI 1.6 – Revenue Model: ***The Seafood Enterprise has clearly articulated its revenue model and it does not rely on grant funding over the long term.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Revenue model	The Seafood Enterprise has a revenue model, but it is not well documented or described.	The Seafood Enterprise has a revenue model that adequately describes how it currently generates revenue.	The Seafood Enterprise has clearly articulated its current revenue model and describes how it will capture the benefits of a more sustainably managed fishery in the future.
b) Reliance on grant funding[30]	The Seafood Enterprise's revenue model does rely on grant funding but only in the short-term (< 3 years).	The Seafood Enterprise's revenue model does not rely on grant funding.	[same as SG80]

CI 1.7 – Accounting

An effective accounting system is a significant determinant of whether the Seafood Enterprise's accounts are paid or collected on time. Transparent recordkeeping helps assure partners, employees and others of fair dealings.

This indicator is used to assess whether the Seafood Enterprise has an effective accounting system that allows it to adequately record its assets, liabilities, income and expenses.

CI 1.7 – Accounting: ***The Seafood Enterprise has an accounting system that allows it to adequately record and report its assets, liabilities, income and expenses.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Accounting system	The Seafood Enterprise has a simple accounting system (e.g. paper-based, single-entry) that fulfills its basic needs.	The Seafood Enterprise has an electronic accounting system that is reliable, quick and efficient.	The Seafood Enterprise has an electronic accounting system that adequately records assets, liabilities, income and expenses.
b) Statement of accounts	-	The Seafood Enterprise prepares, at least annually, a statement of accounts, including income, balance sheet and cash flows.	The Seafood Enterprise prepares a statement of accounts including income, balance sheet and cash flows periodically (e.g. quarterly) for review by senior managers.

[30] If the Seafood Enterprise has no revenue model, then CI 1.6(b) is not scored.

CI 1.8 – Production Records

Record-keeping is an essential aspect of the business activities of a seafood enterprise as it forms the foundation for accounting and the basis for decision-making and business planning. Systems to keep accurate and comprehensive production records, as well as tracking of costs and revenues, will assure partners that the Seafood Enterprise is competent in its business dealings.

This indicator is used to assess whether the Seafood Enterprise keeps records of production, costs and revenues as appropriate to its position within the value chain.

CI 1.8 – Production Records: ***The Seafood Enterprise keeps records of production, costs and revenues, as appropriate to its position within the value chain.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Production records	Some production records exist (e.g. catch, sales receipts). Records may be kept by fishers or by the Seafood Enterprise. The quality of those records may be unreliable or unknown.	The Seafood Enterprise keeps production records. Production records are properly filled out.	The Seafood Enterprise keeps current and historic production records as appropriate to its position within the value chain. Production records are complete and reviewed annually by a third party.
b) Costs and revenues	Some records of costs and revenues exist. Records may be kept by fishers or by the Seafood Enterprise. The quality of those records may be unreliable or unknown.	The Seafood Enterprise and fishers keep records of costs and revenues. These records are considered to be reliable.	The Seafood Enterprise and fishers keep current and historic records of costs and revenues. Records are consistent with one another.

CI 1.9 – Distribution of Costs and Benefits

Transparency surrounding revenues is a key differentiator of socially responsible value chains. If revenues increase because of fishery improvements, transparency by the Seafood Enterprise will enable FIP participants and partners to evaluate whether the enterprise is fair in its business dealings. Such transparency also helps to ensure that rewards from FIP participation are fairly and reasonably distributed among participants such that no one group (e.g. fishers) should unduly bear the cost of implementing changes without realizing the benefits of doing so.

This indicator is used to assess whether the Seafood Enterprise is transparent about - and committed to - a fair and reasonable distribution of the costs and benefits with fishers other involved stakeholders. The indicator also assesses whether there is a process in place to achieve this end.

CI 1.9 – Distribution of Costs and Benefits: ***The Seafood Enterprise is transparent about the costs and benefits of fishery improvements. The Seafood Enterprise has committed itself to reasonably and fairly distributing costs and benefits among fishers and other involved stakeholders. The enterprise has a process in place to ensure that the distribution of costs and benefits of fishery improvements is fair and reasonable.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Transparency[31]	The Seafood Enterprise shares <u>some</u> information with fishers and other involved stakeholders about the costs and benefits arising from fishery improvements. The means of sharing may be <u>informal (e.g. verbal)</u>.	The Seafood Enterprise is <u>fully transparent</u> with fishers and other involved stakeholders about the costs and benefits arising from fishery improvements. The information is shared <u>in writing</u> and it identifies any increase in organizational revenues.	The Seafood Enterprise is <u>fully transparent</u> with fishers and other involved stakeholders about the costs and benefits arising from fishery improvements. The information is shared in writing and it explicitly identifies any increase in organizational revenues. <u>AND</u> The Seafood Enterprise holds a forum with stakeholders to share information about costs, benefits, and increased organizational revenues.
b) Commitment	The Seafood Enterprise has <u>expressed a willingness</u> to reasonably and fairly distribute the costs and benefits of fishery improvements to fishers and other involved stakeholders.	The Seafood Enterprise has <u>stated in writing</u> its commitment to reasonably and fairly distribute the costs and benefits of fishery improvements to fishers and other involved stakeholders.	The Seafood Enterprise has <u>demonstrated</u>[32] its commitment to reasonably and fairly distribute the costs and benefits of fishery improvements to fishers and other involved stakeholders.
c) Process[33]	The Seafood Enterprise uses an <u>internal</u> process to decide on cost/benefit distribution. Input from relevant stakeholders is considered in the process.	The Seafood Enterprise uses a <u>participatory</u> process to determine cost/benefit distribution. A forum is held with relevant stakeholders to discuss how to make the distribution fair and reasonable.	The Seafood Enterprise uses a participatory process which is <u>mediated by an independent third-party</u> to determine cost/benefit distribution. A mediated forum is held with relevant stakeholders to <u>negotiate</u> a fair and reasonable distribution.

[31] If records of costs and revenues are lacking (i.e. CI 1.8b scores < SG60), the assessor may consider how the enterprise shares other relevant information (e.g. estimated figures, results of cost-benefit analyses, sales forecasts) with stakeholders.

[32] Evidence of a demonstrated commitment may include written agreements or previous partnerships.

[33] If the Seafood Enterprise has not committed to fair and reasonable distribution of benefits, then CI 1.9c is not scored.

CI 1.10 – Market Research

Seafood enterprises should continually strive to understand their position within the marketplace by collecting relevant market statistics and by monitoring current trends and developments. Having accurate information about the market will facilitate decision-making processes and enable sales forecasting/modeling. Participation in conferences and sector events provides another opportunity for seafood enterprises to gain market knowledge and insights.

This indicator is used to assess whether the Seafood Enterprise has systems in place for conducting basic market research including performing sales forecasts/modeling and monitoring industry developments through participation in conferences or events.

CI 1.10 – Market Research: ***The Seafood Enterprise has systems in place for conducting market research including the collection of information central to decision-making. The Seafood Enterprise performs sales forecasts/modeling and participates in conferences or events.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Sales forecasts	The Seafood Enterprise has conducted limited sales forecasting or modeling; minimally 1 model.	The Seafood Enterprise has conducted adequate sales forecasting or modeling: minimally more than 1 model, the most recent within the past 3 years.	The Seafood Enterprise has conducted robust sales forecasting or modeling: minimally > 1 model, the most recent within the past 12 months. Forecasts/model results were used by management.
b) Conference or event participation	***The Seafood Enterprise attends sector conferences or events at local and regional levels.***	The Seafood Enterprise participates in local, regional and some international conferences or events of relevance to their sector (e.g. government meetings).	The Seafood Enterprise regularly attends and actively participates in local, regional and international conferences or events of relevance to their sector (e.g. government meetings).

Principle 2 – Operational Capacity

CI 2.1 – Infrastructure

Access to infrastructure - whether public, private or community-owned - is necessary to access markets. Higher paying markets typically require higher quality and/or more reliable access to infrastructure. This includes essential services such as electricity, water and waste management, as well as product transportation from landing sites.

This indicator is used to assess whether the Seafood Enterprise has access to adequate and reliable infrastructure.

CI 2.1 – Infrastructure: ***The Seafood Enterprise has access to adequate and reliable infrastructure.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Services	***At least some services (electricity, potable water or waste removal) are available in the area although these services may be inconsistent.***	The Seafood Enterprise has access to most services (electricity, potable water, and waste management) and these services are generally reliable.	The Seafood Enterprise has consistent and uninterrupted access to services including electricity, potable water, and waste management.
b) Landing sites	***The current landing site(s) provides a minimum level of infrastructure (e.g. beach with ramps or docks);*** ***Or*** ***More extensive facilities exist at landing sites but are in poor condition or may need extensive replacement or repairs.***[34]	Infrastructure at the landing site(s) is <u>acceptable</u> but may require upgrades or expansions to meet the needs of the Seafood Enterprise.	Infrastructure at the landing site(s) is <u>in good condition</u> and adequately serves the needs of the Seafood Enterprise.
c) Product transportation	***The Seafood Enterprise has informal arrangements for product transportation from landing sites.***	The Seafood Enterprise has formal arrangements[35] securing for product transportation from landing site(s) although these services may be limited in terms of capacity or reliability.	The Seafood Enterprise has formal arrangements for securing <u>reliable product transportation</u> from landing sites. Services meet or exceed the enterprise's product transportation needs.

[34] Major deterioration of the infrastructure at landing sites could require a significant investment if required.
[35] Formal arrangements may include ownership of transportation vehicles or contracted services.

CI 2.2 – Funding

Access to funds, whether from profitable operations, public funds or private sources (e.g. investors or bank financing), partially determines the capacity of an enterprise to engage in changes in practice related to improving a fishery. Investors may also consider seafood enterprises who are currently funded to be less risky partners.

This indicator is used to assess whether the Seafood Enterprise has access to and/or currently receives funding.

CI 2.2 – Funding: ***The Seafood Enterprise has reasonable access to funding, and may currently receive funding for infrastructure, capacity and commercialization.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Access to funding	***Funding sources are thought to be reasonably available/accessible to the Seafood Enterprise.***	The Seafood Enterprise has access to public or private grants/funding.	The Seafood Enterprise has access to both public and private sources for grants/funding and beneficiaries are supervised by a third party.
b) Current funding	***The Seafood Enterprise is not currently funded, although it has sought external funding (e.g. a grant or loan applications is pending).***	The Seafood Enterprise currently has funding for one or more of the following areas: infrastructure; organizational capacity; and commercialization including ongoing maintenance.	The Seafood Enterprise currently has funding for all of the following areas: infrastructure; organizational capacity; and commercialization including ongoing maintenance.

CI 2.3 – Processing

Like infrastructure, the level and availability of processing partially determines and is partially influenced by the level of market access. Where high value end markets are part of the value chain, processing facilities are more likely to have relevant certifications (local operating certificates, US-FDA, HACCP or equivalent). Maximizing commercial value through local processing, if the workforce is available, allows the local enterprises to have greater autonomy and, typically, retain more of the revenue stream. All of these factors contribute to the profitability and, ultimately, to the success or failure of the enterprise.

This indicator is used to assess whether the Seafood Enterprise has access to an appropriate processing facility with sufficient capacity and an operating strategy which maximizes commercial value of the product.

CI 2.3 – Processing: ***The Seafood Enterprise has access to an appropriate processing facility with sufficient capacity and an operating strategy which maximizes commercial value of the product.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Processing facility	***A processing facility is accessible to the operations of the Seafood Enterprise.***	The processing facility is accessible and has obtained all necessary certificates of operation from local authorities.	In addition to local certificates of operation, the processing facility also holds a US-FDA certificate or an audited HACCP system (or its equivalent).
b) Processing workforce[36]	The processing facility has access to a local population of workers but may lack sufficient number, training or interest.	The processing facility has local access to a sufficient number of workers to fulfill its workforce needs, although those workers may be lacking in the relevant training or interest.	The processing facility has sufficient capacity for the needs of the Seafood Enterprise, including a local workforce of a sufficient number of workers who are interested and appropriately trained.
c) Maximization of commercial value[37]	The current approach to processing is assumed to maximize the commercial value of the product by aligning market demand and maximum physical utilization.	The processing alternatives have been fully evaluated and the current approach maximizes the commercial value by aligning market demand and maximum physical utilization.	[same as SG80]

[36] If the Seafood Enterprise does not have access to a processing facility, then CI 2.3(b) is not scored.

[37] Survey question #56 identifies product presentations which are known to have maximum commercial value in the marketplace. Question #57 identifies all product presentation currently utilized by the Seafood Enterprise. Both sources of information should be considered when scoring the Seafood Enterprise's current processing strategy under CI 2.3c.

CI 2.4 – Product Quality and Safety

Product quality and safety are requisites for accessing higher value markets and minimizing product waste. Cleanliness of the vessel, hold, and ice deposit (where applicable) and the condition of the paint, fiberglass, and bulkheads may impact upon product quality and safety.

This indicator is used to assess whether the Seafood Enterprise addresses concerns about product quality and safety by ensuring that vessels are maintained in good condition; vessels are operated within an acceptable range of sanitary and safety conditions; and holds/ice deposits are kept in an acceptable state of cleanliness.

CI 2.4 – Product Quality and Safety: ***The Seafood Enterprise addresses concerns about product quality and safety by ensuring that: vessels are maintained in good condition; vessels are operated within an acceptable range of sanitary and safety conditions; and holds/ice deposits are kept in an acceptable state of cleanliness.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Fleet condition	Fewer than 50% of vessels require repairs of broken/cracked bulkheads, new fiberglass and/or paint.	Fewer than 20% of vessels require repairs of broken/cracked bulkheads, new fiberglass and/or paint.	Fewer than 5% of vessels require repairs of broken/cracked bulkheads, new fiberglass and/or paint.
b) Sanitary and safety conditions	More than 50% of vessels have acceptable sanitation and product safety conditions.	More than 80% of vessels have acceptable sanitation and product safety conditions.	More than 95% of vessels have acceptable sanitation and product safety conditions.
c) Cleanliness of holds/ice deposits[38]	More than 50% of vessels have acceptable cleanliness of the ice deposit or hold on-board.	More than 80% of vessels have acceptable cleanliness of the ice deposit or hold on-board.	More than 95% of vessels have acceptable cleanliness of the ice deposit or hold on-board.

[38] If the Seafood Enterprise does not use ice for transport during harvest (e.g. catch is transported live or as dried/preserved product), then CI 2.4c is not scored.

CI 2.5 – Cold Chain

Attainment of high-quality product generally requires that products are adequately refrigerated during all stages of harvest, storage and transport through the chain of custody (i.e. the "cold chain"). In most cases,[39] judicious use of ice is required to ensure product quality and safety. This indicator is used to assess whether a cold chain is established to ensure the quality and safety of the target product.

If the Seafood Enterprise responds that the use of ice is not applicable, then CI 2.5 is not scored.

CI 2.5 – Cold Chain: ***A cold chain is established to ensure the quality and safety of the target product.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Prevalence	The exact frequency of ice usage is not known for the fleet but it is thought to be used on most fishing trips (> 50% of the time).	The practice of icing catch is well established within the fleet and occurs on almost all fishing trips (more than 90% of the time).	The Seafood Enterprise ensures that ice is always used in the fleet (> 99% of the time).
b) Adequacy	The quantity of ice used is adequate (ratio of ice to product is ≥1:1) on most fishing trips/vessels.	The quantity of ice used is adequate (ratio of ice to product is ≥1:1) across the entire fleet.	[same as SG80]
c) Quality	The ice used for the catch has been subjected to microbiological testing and it was found to be fit for human consumption.[40]	The quality of the ice used for the catch has been tested and certified by a third party. It is fit for human consumption.	[same as SG80]
d) Continuity	A cold chain is in place that may be partly interrupted because either of the following occur: 1) Icing or refrigeration starts at the landing site and is maintained during delivery to the first buyer; Or 2) Icing or refrigeration is used for delivery to the first buyer.	A continuous cold chain is in place. Icing or refrigeration starts on board the fishing vessel and is maintained during landing and through delivery to the first buyer.	A continuous cold chain is in place. Icing or refrigeration starts on board the fishing vessel and is maintained during landing and through delivery to the first buyer. The Seafood Enterprise keeps records to show that the continuous cold chain extends to all production.

[39] An exception is value chains where the product is shipped live, dried or preserved.

[40] Ice may not have a certificate of quality or it may have a certificate that was not issued locally.

Principle 3 – Current Market Position

CI 3.1 – Market Analysis

The Seafood Enterprise should analyze the market to evaluate where its operations and its products fit within the larger industry sector. Seafood enterprises that have identified a high commercial interest in the fishery and have oriented commercial efforts to overcome barriers are likely to need less time and resources to achieve commercial success. Products with high demand are less risky and may provide more predictable revenue opportunities. Similarly, enterprises who have diversified buyers are less exposed to market risk.

This indicator is used to assess whether the Seafood Enterprise has analyzed its current position in the market and has diversified its buyers.

CI 3.1 – Market Analysis: ***The Seafood Enterprise has analyzed its current position in the market and found potential for expansion. There is a high level of interest in doing so. The Seafood Enterprise has diversified its buyers.***

Scoring Attribute	SG60	SG80	SG100
a) Potential for market expansion	***The Seafood Enterprise understands its current markets, which may be local or regional, but the enterprise has not yet conducted a market analysis to determine if there is potential to expand into new markets.***	The current market for products from the fishery may be local or regional. Market analysis shows there is potential to expand into new areas (e.g. national or international markets).	[same as SG80]
b) Commercial interest	The Seafood Enterprise has explored the level of interest in expanding/developing the commercial fishery. Interest exists but barriers may also be present.	There is a high level of interest in further developing the commercial fishery. Barriers are known and incentives have been identified (e.g. new clients, product differentiation, new markets).	The Seafood Enterprise recognizes this fishery as one of its most valuable resources. Commercial and production efforts are oriented towards further development of the fishery.
c) Diversified buyers	The Seafood Enterprise sells its products within a limited range of buyer types (e.g. only intermediaries) however those arrangements are voluntary[41] and economically attractive to the enterprise.	The Seafood Enterprise sells its products to a diverse range of buyers (e.g. intermediaries, HORECA,[42] retailers, and/or wholesalers) however barriers such as transportation and logistics may persist.	The Seafood Enterprise sells its products to a diverse range of buyers and the major barriers to further development of the commercial fishery have been identified and resolved.

[41] As opposed to obligatory relationships.

[42] HORECA stands for Hotels, Restaurants and Caterers.

CI 3.2 – Competition

Seafood enterprises should have the capacity and willingness to appraise their competitiveness in the marketplace. Having more than one competitive advantage can mitigate risks and facilitate decision making.

This indicator is used to assess whether the Seafood Enterprise has identified and evaluated its competitors and has a clear understanding of its own competitive advantages.

CI 3.2 – Competition: ***The Seafood Enterprise has identified and evaluated its competitors and understands its own competitive advantages.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Identification of competitors	-	The Seafood Enterprise has identified some of its competitors.	The Seafood Enterprise has identified all of its main competitors.
b) Types of competitors[43]	***Competitors may be common but the competition does not include large, well-organized groups such as multinational enterprises (MNEs) or similar entities.***	Competitors are relatively uncommon and consist primarily of small or medium size enterprises (SMEs) that may or may not be well-organized.	Competitors are largely absent or are represented by relatively few groups of small and/or poorly organized entities.
c) Competitive advantages	The Seafood Enterprise identifies itself as having at least one competitive advantage.[44]	The Seafood Enterprise identifies itself as having at least two competitive advantages.	The Seafood Enterprise identifies itself as having at least three competitive advantages and has incorporated this into their business strategy.

[43] If the Seafood Enterprise has no competitors or has not identified any of its competitors, then CI 3.2b is not scored.

[44] Aside from price, recognized types of competitive advantage are: Story; Logistics; Healthy stock; Business experience; Partners; Value chain linkages; Innovation capacity and ability.

CI 3.3 – Key Product Attributes

An understanding of key product attributes helps developers and implementers better evaluate the risks and opportunities within the supply chain. Resources that are only available for part of the year or are unreliable will likely have uneven cash flows. Fishing gear with high selectivity has the benefit of providing mitigation against overfishing as well as providing another means to positively differentiate the product in the marketplace. A unique market preference for the product may also signal opportunity. The relative value of the product to the enterprise can also guide strategy development.

This indicator is used to assess key product attributes that may contribute to product development and marketing.

CI 3.3 – Key Product Attributes: ***Production is relatively predictable, fishing gears in use are selective and the target stock is the most valuable component of the fishery resources available to the enterprise. Markets show a preference for the product.***			
Scoring Attribute	**SG60**	**SG80**	**SG100**
a) Predictability of production	Commercial catches are taken between 2 and 6 months per year.	Commercial catches are taken more than 6 months per year but production rates may fluctuate strongly within a given fishing season.	Production rates are relatively stable and predictable within seasons and between years. The commercial fishing season lasts more than 6 months each year.
b) Gear selectivity	The Seafood Enterprise uses fishing gear with medium selectivity (e.g. gillnets, longlines) or higher. Gears with low selectivity (e.g. bottom trawl) are not used.	The Seafood Enterprise uses fishing gear with medium-high selectivity for the species targeted (e.g. traps, trammel net).	The Seafood Enterprise uses only fishing gear with high or very high selectivity for the species targeted (e.g. hooks, diving).
c) Product acceptance and preference	The product is known and accepted by local and/or regional markets.	The product is known and accepted by local, regional, and national markets. However, those markets may not show a preference for it (i.e. the product may be easily replaceable).	The product is known and preferred by national and international markets. Those markets have a unique preference for it (i.e. the product is not easily replaceable).
d) Relative value of target stock	Among the other fishery resources available to the Seafood Enterprise, the target stock is one of the most valuable.	Among the other fishery resources available to the Seafood Enterprise, the target stock is the most valuable.	[same as SG80]

IV. Assessment Report

Assessment Report Structure

At the conclusion of the assessment the assessor will prepare an Assessment Report. It has three main sections (Table 4).

Table 4. Main sections of the Assessment Report.

Report Section	Topics Covered	Information Base
I. Descriptive Information	- Description of the Seafood Enterprise - Brief overview of the fishery - Other information to provide context for the assessment	- Information questions - Assessor observations - Previous studies - Relevant literature
II. Risk Assessment	- Scoring Summary Table - Rationales for 'red' high-risk scores	- Scoring questions - Assessor observations
III. Conclusions and Recommendations	- Strengths and weaknesses of the Seafood Enterprise - Areas of significant data deficiency	- Assessor's expert Judgment

In Report Section I, the assessor should integrate the various forms of background material (i.e. survey responses to "information" questions, direct observations, information obtained from the desk study) to provide a descriptive overview of the Seafood Enterprise and to place the local fishery into an appropriate context for the reader. In Report Section II, the assessor should summarize risk scores using a scoring summary table. Detailed scoring rationales should also be presented using a scoring worksheet or similar template. In Report Section III, the assessor should present his/her conclusions and recommendations. The assessor may use this section to comment on the strengths and weaknesses of the Seafood Enterprise and/or to identify any significant areas of data deficiency.

Report Finalization

A draft of the Assessment Report should be provided to the Seafood Enterprise for review prior to its finalization. Representatives of the Seafood Enterprise will be invited to comment on any omissions or errors of fact. Representatives will also be asked to flag any information they feel should be kept in confidence. If necessary, an abridged version of the report (for public release) may be produced to protect confidential information. The assessor should then proceed to revise the draft document as applicable and provide a copy of the Final Assessment Report to the Seafood Enterprise and authorized FIP partners.

V. Glossary

Term	Definition
Assessor	The person who conducts an assessment. Assessors must fulfill specified competencies before undertaking assessment activities.
Assessment	A rapid, independent and documented process for evaluating Seafood Enterprises using the capacity assessment tool.
Assessment Report	The report which presents results from an assessment of a Seafood Enterprise.
Business Capacity	All institutional structures and processes of an enterprise (including the knowledge, abilities, skills and behaviors of individuals employed by that enterprise) which contribute to its ability to conduct business effectively.
Capacity Indicator (CI)	An intermediate-level indicator of the business capacity of the Seafood Enterprise. Each CI addresses a single subject area which may be further subdivided into Scoring Attributes.
Conflict of Interest (COI)	An actual or perceived interest in an action that results in, or has the appearance of resulting in, personal, organizational, or professional gain.
Due Diligence	The research and analysis of a company or organization done in preparation for a business transaction such as a corporate merger or purchase of securities. [adapted from Merriam-Webster]
Enterprise	A group of people, facilities, and operations with an arrangement of responsibilities, authorities and relationships. For example: a company, corporation, firm, institution, charity, sole trader, association, or parts or combinations thereof. [adapted from ISO 9000]
Fishery Improvement Project (FIP)	A multi-stakeholder effort to improve the sustainability of a fishery. While FIPs vary in scope and nature, to be considered as such, a FIP must meet a number of requirements pertaining to participation, funding, transparency, and scientific rigor[45].
Objective (Business Objective)	A specific result that a person or system aims to achieve within a time frame and with available resources. Objectives are basic tools that underlie all planning and strategic activities. They serve as the basis for creating policy and evaluating performance. Some examples of business objectives are: minimizing expenses; expanding internationally; and making a profit. [adapted from The Business Dictionary]
Principle	A high-level designation used to organize Capacity Indicators and Scoring Attributes. There are three principles in the capacity assessment framework: I. Organizational Capacity; II. Operational Capacity, and III. Current Market Position.
Rapid Assessment	See 'Assessment'.
Risk	The effect of uncertainty on attainment of a specific set of objectives (adapted from ISO 3100). In the context of this tool, risk is the likelihood that a given attribute of a Seafood Enterprise will influence, whether positively or negatively, the attainment of FIP goals and objectives.
Scoring Attribute (SA)	The level at which the capacity of the Seafood Enterprise is scored by the assessor. SAs address topics at a finer scale of resolution than the Capacity Indicator.

[45] MSC also provides an expanded definition of a 'credible' FIP https://www.msc.org/docs/default-source/default-document-library/for-business/fishery-improvement-tools/msc-definition-of-a-credible-fip.pdf.

Scoring Guidepost (SG)	The benchmark level of performance used by assessors when evaluating the Seafood Enterprise. Numeric performance levels of SG60, SG80 and SG100 are given for each scoring attribute.
Seafood Enterprise (SE)	An enterprise engaging in business activities in the seafood sector. Note: Capitalized when used as a proper noun "The Seafood Enterprise"
Unit of Assessment (UOA)	The full scope of what is being assessed. The UOA must specify the Seafood Enterprise under assessment and it must identify the target stock(s) combined with the fishing method or gear type(s), vessel type(s) and/or practices, and the participating fishing fleets or groups of vessels, or individual fishing operators pursuing that stock. [adapted from MSC Vocabulary]
Value Rescue	An improvement in the efficiency of a production system in order to realize (or 'rescue') a greater proportion of product value. Value rescue is often achieved by reducing product waste within a value chain.
Value Retention	Modification of a production system that results in the redistribution of revenue such that a greater proportion of product value is realized (or 'retained') within the target segment.

VI. List of Acronyms Used

CI	Capacity Indicator
CoI	Conflict of Interest
EDF	Environmental Defense Fund
ERAT	Environmental Rapid Assessment
FIP	Fishery Improvement Project
HACCP	Hazard Analysis and Critical Control Point
HORECA	Hotels, Restaurants and Caterers
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
ISO	International Standardization Organization
MNE	Multi-National Enterprise
MSC	Marine Stewardship Council
NGO	Non-Governmental Organization
O2	Ocean Outcomes
OSMI	Oceans Seafood and Markets Initiative
PI	Performance indicator
SA	Scoring Attribute
SG	Scoring Guidepost
SFP	Sustainable Fisheries Partnership
SME	Small and Medium-sized Enterprise
SRA	Social Responsibility Assessment
SSI	State of Sustainability Initiatives
UoA	Unit of Assessment
UoC	Unit of Certification
US-FDA	U.S. Food and Drug Administration
WWF-US	World Wildlife Fund-US

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IX. Appendices

Appendix 1. Survey Questionnaire

Please contact report authors for survey details.