



Thai Union

Supply Chain ESG Management Approach

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Supply Chain ESG Management Approach

Given the complexities of the seafood industry, Thai Union recognizes the importance of proactively addressing both emerging and ongoing issues in our dynamic business environment. Being able to fully understand and effectively manage our supply chain risks will not only help us gain the trust and confidence of stakeholders; it will also increase our competitiveness. From sourcing of materials, to production in our facilities, to deliver to our customers, supply chain management is key to Thai Union’s sustainability strategy.



1.1. Supplier Code of Conduct

To ensure worker safety and freedom, our suppliers play a critical role in helping us to source responsibly, and we apply the same principles and benchmarks to our suppliers as to our own company. Our Code of Business Ethics is our way of informing our suppliers of what we expect today and in the future.

The Code embodies our commitment to conduct business with integrity, openness, and respect for universal human rights and core labor principles throughout our operations. This Code of Business Ethics provides the framework through which we outline our responsible sourcing ambitions and approach. We will work only with suppliers that share our values and comply with our Code of Business Ethics. Our suppliers also must agree to ensure transparency, to remedy any shortcomings, and to drive continuous improvement under the Fundamental Principles that create the foundations to this Policy.

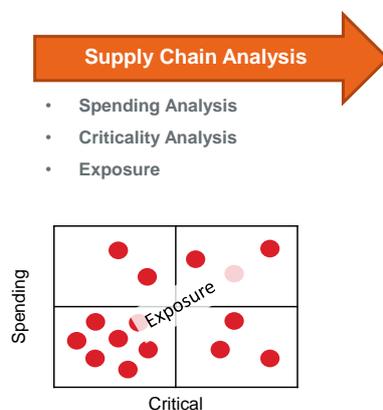
Our Code of Conduct is made up of 12 fundamental principles grounded in internationally recognized standards. In addition, the Code has been translated into 19 languages to allow us to apply it to operations and supply chains around the world:

1. Business is conducted lawfully and with integrity.
2. Work is conducted on the basis of freely agreed and documented terms of employment with legal compliance.
3. All workers are treated equally and with respect and dignity.
4. Work is conducted on a voluntary basis with no forced or compulsory labor.
5. All workers are of an appropriate age.
6. All workers are paid fair wages.
7. Working hours for all workers are reasonable.

8. All workers are free to exercise their right to form and/or join trade unions and to bargain collectively where permitted by law.
9. Workers' health and safety are protected at work.
10. Workers have access to fair procedures.
11. Business is conducted in a manner that embraces sustainability and reduces environmental impact.
12. Progress and compliance are monitored.

We have integrated the Code of Conduct into our procurement procedures. New suppliers must sign the Code of Conduct prior to working with Thai Union

1.2. Supply Chain Analysis



We incorporate spending, criticality and ESG analysis to help us develop the right procurement strategies to engage and work collaboratively with our suppliers so we can collectively address our risks

- **Spend Analysis**

Thai Union conducts an annual spend analysis across different procurement categories to identify which of our suppliers are critical to the continuity of our business.

- **Critical Analysis**

Suppliers are classified into critical and non-critical suppliers based on both spend, high volume, critical raw material, non-substitutable, and risk assessment through audits and social dialogue. Hence suppliers with high ESG risks (such as associated with labor issue, operating in high-risk countries) are also classified as critical. In addition, supply chain risk assessment indicates that our risks are tied with geographical location of our suppliers, particularly Thailand from where significant volume of raw materials is sourced, for example, tuna loid, shrimp and pet food. We therefore focus and prioritize our risk management effort in Thailand boundary, allowing supply chain risk mitigation for our subsidiaries as major raw material sources are from Thailand.

1.3. Environmental, Social, and Governance Risk Assessment



Seafood supply chains are complex as high risk suppliers can be as a result of a variety of external factors such as the location where a supplier operates, the nature of the work and whether there is any third party involvement. Therefore Thai Union’s risk analysis method involves both supply chain mapping and activity-based risk analysis through audits and social dialogue to identify the potential risks in our supply chain. To demonstrate the transparency of the process, the civil society and third parties are engaged to assist with this process.

All supply chains are in the process of being mapped to source, and audited for compliance with quality and labor standards

Sustainability Risks

Due to the nature of business, slavery, child labor and human rights, labor abuses, human trafficking issues are sustainability high-risk issue to us, including the locations where suppliers operate. Thailand has been identified as one of the highest risk countries in which we operate followed by other countries in the ASEAN region. Thai Union has placed a commitment is to demonstrate leadership in Thailand on these issues. We are actively engaged with industry, civil society and government on solutions to eradicate modern slavery. On a global level, Thai Union applies our commitments across the company, and priority is given to deploying these policies, risk mitigation procedures, and capacity building activities within the highest risk countries.

1.4. Risk management



We incorporate spending, criticality and ESG analysis to help us develop the right procurement strategies to engage and work collaboratively with our suppliers so we can collectively address our risks.

- **Audit**

Supply chain audits are one way to ensure our own operations and those of suppliers comply with legal obligations and our Code of Conduct. We conduct internal and third party audits to inspect manufacturing facilities and interview employees to ensure our suppliers and their sub-suppliers are in full compliance with Thai Union standards. Any supplier found to be in violation of zero tolerance policy towards forced or child labor and human trafficking will be immediately terminated as a supplier.

Our own operations are subject to world recognized external verifications and audits by third-party certification bodies working to promote standard labor practices which include the Ethical Trade Initiative (ETI) Base Code; Business Social Compliance Initiative (BSCI), Supplier Ethical Data Exchange (Sedex) and Verite social capacity standards as well as a number of retailer specific programs to audit and verify fair and legal labor.

We are conducting social dialogue based audits in the relevant languages of the workers (primarily Burmese and Cambodian), in collaboration with the Migrant Workers Rights Network (MWRN) in Thailand. This process allows for workers to actively participate in the social audit process, express their concerns or suggestions for improvement as well as highlight good progress. MWRN staffs are given full access to Thai Union's factories and staff, as well as to records, to enable them to conduct full assessment. We are also working together to develop strengthened welfare committees for our factories, to provide migrant and local workers alike with a direct and united voice to management.

Through working with the Shrimp Sustainable Supply Chain Task Force, an international industry alliance, we have piloted a social audit system to audit from vessel to shrimp feed factory. Internal audits of this supply chain have been completed and third party audits will be completed in 2016. This audit system was designed in collaboration with leading retailers, manufacturers, government and NGOs and a revised and strengthened labor Code will be used to audit all vessels providing Thai caught seafood. To mitigate the high risk of labor violations in the Thai Seafood industry, all vessels supplying Thai Union in Thailand have



been first party audited by our own trained procurement and HR staff, and full documentation for each catch is mandated.

In addition, Thai Union has initiated an external audit process of its supplying fleet to Europe. The audit will check compliance with the European Union Illegal, Unreported, Unregulated Regulation, ISSF requirements, quality and food safety, our own Thai Union sustainability policy and Code of Conduct. This project will be completed in Europe in 2017 and rolled out across the Group.

- **Collaborative Work and Shared Value**

We understand that audit approach alone might not be an effective tool to change suppliers' behavior. We engage in supplier capacity building, so that any suppliers who are unsure of how to comply with our Code of Conduct are given the opportunity to meet our standards

Examples of supplier communication include supplier information events on our Business Ethics and Labor Code of Conduct where suppliers are trained on how to best adhere to Thai Union's Code of Conduct. Suppliers are then invited to sign an acknowledgement of this document, which commits them to compliance with Thai Union standards regarding, amongst other things, fair labor standards.

We work in collaboration with our suppliers to ensure our traceability systems are aligned, and in collaboration with NGO partners to facilitate social dialogue, social auditing and capacity building through training, workshops and practical demonstrations. For example our subsidiary Chicken of the Sea shifted to a performance improvement plan (PIP) approach with suppliers. Working with the Verite, a third-party audit team conducts an initial assessment to determine performance gaps, and then works with the supplier over the following year to develop new policies, change or introduce new practices, and to create better data management systems

1.5. Performance (Target and KPI)

KPIs	Target	2016 Progress
Percent of suppliers that signed Code of Conduct (CoC) acknowledgement	100 percent of critical tier-1 suppliers in Thailand by end of 2017	100 percent of critical tier-1 suppliers in Thailand (shrimp, fish and chicken) and logistics suppliers signed the CoC acknowledgement. For non-critical tier-1 suppliers in Thailand, 69 percent of packaging suppliers and 61 percent of ingredients suppliers signed the CoC acknowledgement.
Percent of shrimp sourced from internationally certified farms	75 percent of aquaculture raw materials sourced from internationally certified farms by 2020	Share of shrimp sourced from internationally certified farms include: <ul style="list-style-type: none"> • 55 percent of Thai Union Factory and Thai Union Seafood • 35 percent of Okeanos Food Co. • 14.5 percent of Chicken of the Sea Share of internationally certified farmed salmon sales revenue: <ul style="list-style-type: none"> • 37.5 percent of Thai Union Europe Chilled • 100 percent of Chicken of the Sea frozen food
Percent sourced from Marine Stewardship Council (MSC) certified fisheries or those engaged in Fishery Improvement Projects (FIPs)	75 percent of tuna by 2020	<ul style="list-style-type: none"> • 13 percent share of tuna sourced from MSC fishery or FIP • 52 percent share of non-tuna sourced from MSC fishery or FIP