



Thai Union

Supply Chain ESG Management Approach

Contents

Supply Chain ESG Management Approach	2
1.1. Supplier Code of Conduct	2
1.2. Supply Chain Analysis	3
1.3. Environmental, Social, and Governance Risk Assessment	4
1.4. Risk management	5
1.5. Performance (Target and KPI)	7

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 delivering 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 [Supplier Business Ethics and Labor Code of Conduct](#) 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. We have integrated the Code into our procurement procedures. All contracted and prospective suppliers to Thai Union must sign an acknowledgment of the Code, whereby they accept to strictly follow our mandatory principles and policies on business ethics and labor practices. 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 of this Policy.

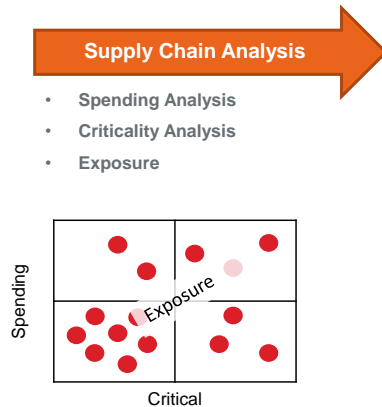
Our Code of Conduct is made up of 12 fundamental principles grounded in internationally recognized standards. In addition, the Code has been translated into 19 languages to allow us to apply it to operations and supply chains around the world:

1. Business shall be lawfully conducted with integrity.
2. Work shall be conducted on the basis of freely-agreed and documented terms of employment with legal compliance.
3. All workers shall be equally treated with respect and dignity.
4. Work shall be conducted on a voluntary basis with no forced or compulsory labor.

5. Child labor shall not be permitted.
6. All workers shall be paid with fair wages.
7. Working hours for all workers shall be reasonable.
8. All workers shall be 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 shall be protected at work.
10. Workers shall have access to fair procedures.
11. Business shall be conducted in a manner that embraces sustainability and reduces environmental impact.
12. Progress and compliance shall be continuously monitored.

Furthermore, to further improve standard for labor rights in the fishing sector, in December 2017 Thai Union published its [Fishing Vessel Improvement Program and Vessel Code of Conduct \(VCoC\)](#), which focus on the recruitment and treatment of workers, stipulating protocols on employee welfare, benefits, wages, age, the right to freedom of association, the right to collective bargaining, and non-negotiable frameworks for health and safety. The VCoC is an extension of the company's CoC that was previously introduced in 2015 but reflects a unique set of working conditions on fishing vessels in our supply chains. Thai Union's existing and new vessel suppliers, including those supplying tuna from the Pacific region, are required to sign the VCoC in order to work with the company.

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

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, squid, 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. High risk supply can be because of a variety of external factors such as the location where a supplier operates, the nature of the work, the gear type used, how operations are staffed 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. Known high risk supply chains, such as for raw materials like seafood, have been prioritized.

Sustainability Risks

Modern slavery, child labor, forced labor, human rights abuses, and human trafficking issues are high-risk issues to us. The assessment of the level of risk includes the locations where suppliers operate. We use sources such as the US Department of Labor database and the Walk Free Foundation Global Slavery Index to assess country risk. 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 a commitment 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 Codes of Conduct. We conduct internal or third-party audits of our suppliers' facilities, farms, and vessels to ensure that they and their sub-suppliers are in full compliance with Thai Union standards. We seek to work with our suppliers to resolve non-compliances as the first response. If remediation is required, suppliers are expected to inform Thai Union and implement a time-bounded corrective or preventive action plan. Failure to implement timely remedial action can lead to suspension until proof of rectification is available.

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) as well as a number of retailer specific programs to audit and verify fair and legal labor. In addition, we annually conduct internal audits of all of our Thailand-based facilities against our Code of Conduct and related Thai labor law.

In 2016, we conducted 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 allowed 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 were given full access to Thai Union's factories and staff, as well as to records, to enable them to conduct full assessment. As an outcome of the audits, we developed our [Ethical Migrant Recruitment Policy](#) to reduce risk of debt bondage and developed our worker welfare committee to provide migrant and local workers alike with a direct and united voice to management.

Through working with the Seafood Task Force, an international industry alliance, we piloted a social audit system to audit from vessel to shrimp feed factory in 2015/16. Internal audits of this supply chain have also been completed. This audit system was designed in collaboration with leading retailers, manufacturers, government and NGOs. 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 marine catch purchase documentation is mandated.

In addition and in consultation with Greenpeace and the International Transport Workers Federation (ITF), Thai Union published vessel improvement program and Vessel Code of Conduct (VCoC) at the end of 2017. Since this time, we have appointed independent consultants to assess compliance of the fishing vessels that are supplying us. These third-party audits identify improvements that are required to drive positive change in the sector. We have also developed documents that will support implementation of the VCoC, such as a one-page 'poster' overview, a guidance document, and self-assessment questionnaire.

- **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. For example, in 2018 we trained 204 individuals from 125 suppliers of food ingredients, packaging and logistics on our Business Ethics and Labor Code of Conduct.

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, [Thai Union and the ITF co-hosted a series of health and safety training workshops for hundreds of vessel owners, captains and crew in Thailand in 2018](#). Participants received a range of guidance, including first aid and basic medical training techniques such as CPR, how to effectively respond to a potential life-threatening situation while at sea. One medical kit was issued per vessel. In addition to partnering with ITF to co-host health and safety training workshops, Thai Union also works with the International Labour Organization (ILO) related to select information that is being promoted among fisher communities, along with other important partners within the seafood and fishing industry.

1.5. Performance (Target and KPI)

KPIs	2016 Progress	2017 Progress	2018 Progress	Target
Percent of suppliers that signed Code of Conduct (CoC) acknowledgement	<p>100 Percent of critical tier-1 suppliers in Thailand (shrimp, fish and chicken) and logistics suppliers signed the CoC acknowledgement</p> <p>For non-critical tier 1 suppliers in Thailand. 69 percent of packaging suppliers and 61 percent of ingredients suppliers signed the CoC acknowledgement</p>	<p>100 Percent of critical tier-1 suppliers in Thailand (shrimp, fish and chicken) and logistics suppliers signed the CoC acknowledgement</p> <p>For non-critical tier 1 suppliers in Thailand. 94 percent of packaging suppliers and 88 percent of ingredients suppliers signed the CoC acknowledgement</p>	<p>100 Percent of critical tier-1 suppliers in Thailand (shrimp, fish and chicken) and logistics suppliers signed the CoC acknowledgement</p> <p>For non-critical tier 1 suppliers in Thailand. 100 percent of packaging suppliers and 100 percent of ingredients suppliers signed the CoC acknowledgement</p>	100 Percent of critical tier-1 suppliers in Thailand by end of 2017
Fishery responsible sourcing performance	<ul style="list-style-type: none"> • 100% sourced from PVR listed large scale purse seine vessels • 7% Pole & Line 	<ul style="list-style-type: none"> • 100% sourced from PVR listed large scale purse seine vessels • 8% Pole & Line 	<ul style="list-style-type: none"> • 100% sourced from PVR listed large scale purse seine vessels • 9.5% Pole & Line 	Percentage of tuna sourced from ISSF PVR listed vessels and P/L tuna by 2020
Percentage sourced from Marine Stewardship Council (MSC) certified fisheries or those engaged in Fishery Improvement Projects (FIPs)	<ul style="list-style-type: none"> • 13 percent share of tuna sourced from fishery or FIP • 52 percent share of non-tuna sourced from MSC fishery or FIP 	<ul style="list-style-type: none"> • 12 percent share of tuna sourced from fishery or FIP • 45.2 percent share of non-tuna sourced from MSC fishery or FIP 	<ul style="list-style-type: none"> • 19 percent share of tuna sourced from fishery or FIP • 62 percent share of non-tuna sourced from MSC fishery or FIP 	75 percent of tuna by 2020