



# Thai Union

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## Sustainable Supply Chain Management Approach

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# Sustainable Supply Chain 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.



# 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.

The Code is universally applied to our employees, subsidiaries, key business partners and suppliers for all our products – including those from fishery; aquaculture; and general procurement sources, i.e. livestock, packaging, food ingredients and additives, and logistics providers.

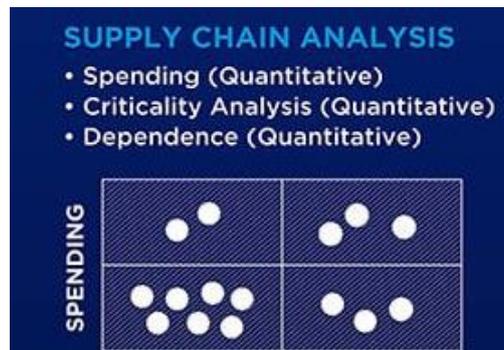
Through a three-step 'social compliance program,' Thai Union works with suppliers to:

- Sign the Business Ethics and Labor Code of Conduct;
- Through a capacity building program, train suppliers who wish to comply with the Code of Conduct but are currently unable to meet its commitments; and
- Conduct supplier audits to ensure adherence to the Code of Conduct, course-correcting or terminating relationships, if necessary.

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 focuses 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 are required to sign the VCoC in order to work with the company.

Thai Union has also issued [Principles of good practice for Broker](#) as specific guidelines for suppliers/ subcontractors throughout the production line; farms, aquatic animal processing plants, cold storage, processing plants and other supporting industries. In addition, Thai Union had established the [Agricultural Raw Material Sourcing Guideline](#) to provide a framework for our facilities and suppliers, which include our agricultural raw material suppliers, to ensure sustainable practices of our entire value chain and thus supporting our goal of being a global leader in sustainability.

# 1. 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

- **Spending 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.

## 2. Supply Chain 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 identification incorporates both supply chain mapping and activity-based risk analysis. The activity-based analysis is done through audits and social dialogue. To demonstrate the transparency of the process, civil society and third parties are engaged to assist with this process. In addition, Thai Union has conducted a country-level human rights risk assessment for countries where Thai Union has production facilities and where tier-one seafood suppliers operate. Such human rights risk assessment focuses on issues of labor trafficking, forced labor and child labor.

### **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 U.S. Department of Labor database and the Walk Free Foundation Global Slavery Index to assess country risk. 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.

### **Definition of "Sustainability High-Risk"**

"**Sustainability high-risk**" refers to issues such as child labor, human rights, slavery, labor abuses and human trafficking. The location of where our suppliers operates, whether or not it is associated with the aforementioned factors, is also another factor used for the assessment of level of risk.

### 3. Risk Management

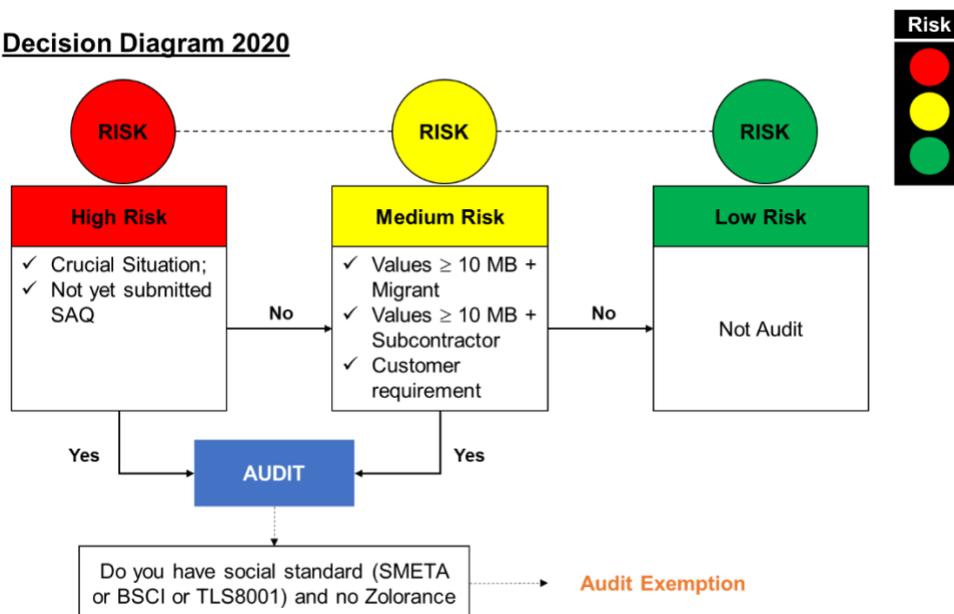


We incorporate spending, criticality and Environmental Social Governance (ESG) analysis to help us develop the right procurement strategies to engage and work collaboratively with our suppliers so we can collectively address our risks.

- **Integration of ESG factors into supplier selection**

All new suppliers are expected to surpass our social compliance assessment, which covers ESG aspects, as a supplier pre-requisite step. We categorize the suppliers into high, medium and low risk groups based on various circumstances. TU will conduct labor audits on suppliers categorized in the high and medium risk groups. High risk groups are suppliers who are in crucial situations and/ or did not submit their Self-Assessment Questionnaires. Medium risk group are suppliers with a procurement value exceeding THB 10 million with migrant workers, with a procurement value exceeding THB 10 million with subcontractors, or those that are requested for audit by our customers.

**Decision Diagram 2020**



- **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. All Thai Union contracted suppliers globally may be subject to internal or third-party audits at any point during the procurement cycle, not only the ones with high-risk profile.

We conduct second-party 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.

Since 2016, we conducted social dialogue based audits which is an important pillar for our Vessel Code of Conduct (VCoC) 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 staff were given full access to Thai Union's factories and staff, as well as to records, to enable them to conduct a full assessment. As an outcome of the audits, we developed our [Ethical Migrant Recruitment Policy](#) to reduce the 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. [In 2019, we welcomed an independent evaluation from an ethical trade consultancy, Impactt, to evaluate the positive progress of our Ethical Migrant Recruitment Policy.](#) The evaluation report, "Ethical Recruitment and the Employer Pays Principles: Translating Policy into Practice", was published following a six-month evaluation of the policy commissioned by Humanity United and The Freedom Fund. 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 since 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.

Additionally, Thai Union has initiated an external audit process of its vessels, globally and in Thailand against the Thai Union Vessel Code of Conduct (VCoC). The audit checks compliance with the Illegal, Unreported and Unregulated Regulations. The results of these third-party audits identify whether improvement is required in the form of a Vessel Improvement Program (VIP) to meet the clauses and address any non-compliance issues identified. This provides suppliers with the ability to increase transparency, demonstrate accountability as well as to remedy any issues. In 2019, we completed the first round of third-party social audits against the VCoC and implemented the Vessel Improvement Program to our suppliers to uphold labor and human rights in the supply chain ([Sustainability Report 2019](#), p25-26).

As a Founding Member of the International Seafood Sustainability Foundation (ISSF), Thai Union commits to only source from large-scale purse seiners that are registered on the Pro-Active Vessel Register (PVR). In 2019, we continued to participate in the annual external audit on conservation measures and compliance with the ISSF resolutions.

- **Collaborative Work and Shared Value**

We understand that the 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 in many ways. For example, to ensure our traceability systems are aligned, we work with the Global Dialogue for Seafood Traceability (GDST) Standards, which opens the door to full end traceability in many ways, including: identification and operationalize Key Data Elements throughout the Seafood Supply Chain; standardizing critical events for tracking seafood; standardizing end-to-end-data model from catch to consumption and ensuring interoperability of collected data amongst systems. For example, the GDST has initiated a method to code or track seafood from catch within a system by creating a unique identifier such as a URL for every caught seafood. The code is then transmitted into our system, tracked throughout our processing operations and imprinted onto the product cans and pouches specifically for our shelf stable tuna products. Our customers can access all the aforementioned traceability information by searching for the code through our relevant brands' websites. In 2020 we started to work with suppliers to trial the rollout of GDST Standard 1.0. In collaboration with NGO partners we work to facilitate social dialogue, social auditing and capacity building through training, workshops and practical demonstrations. For example, Thai Union and the International Transport Workers' Federation (ITF) co-hosted a health and safety training workshop in 2019 for more than 70 fishers in Thailand. Participants received a range of guidance, including first aid and basic medical training techniques such as CPR and how to effectively respond to a potential life-threatening situation while at sea. Each participant from each vessel received a medical kit containing supplies to use while on board vessels. The workshop also covered basic instruction on fire safety, good health practices as well as how to use bank accounts in Thailand. In addition to partnering with ITF to co-host health and safety training workshops, Thai Union also works with the International Labour Organization (ILO) in relation to select information that is being promoted among fisher communities, along with other important partners within the seafood and fishing industry.

## 4. Performance Reporting

Thai Union regularly communicates our Supply Chain ESG Management Approach, Thai Union's Code of Conduct and Performance related to supply chain management with stakeholders via the Sustainability Report and online at [SeaChange](#) website.

At minimum the following issues in compliance with Global Reporting Initiative (GRI) are reported:

- Supply chain spend analysis (containing basic spend analysis information such as: number of suppliers, category, spend value and geographical spread)
- Supply chain awareness (identification of critical suppliers)
- Supply chain risk assessment and corrective actions (e.g. supplier sustainability assessment)
- ESG integration in supply chain management strategy
- Continuing to elevate quantitative targets and reporting on progress

