

SUSTAINABLE DEVELOPMENT

1. OVERARCHING POLICY

For Thai Union Group, ‘SUSTAINABILITY’ means the continuing capacity of our business to contribute positively to the long-term development of the society and the conservation of natural resources. This definition lays a strategic foundation on how the company contributes to the triple bottom line of sustainable development - economic, social, and environment.

Our sustainability vision and journey have been conceptualized according to our sustainability philosophy “We can, We care, We connect”. These three basic elements of our philosophy indeed evolve from decades of our visionary leadership, values and culture which have formed the formula of successful our business growth and good corporate citizenship.

“WE CAN”

states our committed business proposition as a provider of safe foods and necessary nutrition to the world’s fast growing population, sourcing from well managed natural environment. In coupling with visionary leadership and distinctive expertise, we are thus prime to take the leadership in the world seafood industry with operational excellence, premium product offerings and a global network strength.

“WE CARE”

demonstrates our awareness of the dynamisms in economic, social, and environment that continuously drive contextual change from the past till present and onto the future, we always conduct the business with great caution and being responsible to our stakeholders.

“WE CONNECT”

reflects our strong belief that genuine sustainability is resulted from collective initiatives and offerings by every stakeholder. Consequently we take a participatory approach in propelling our sustainability strategy which is in alignment with our adherence to good corporate citizenship and our long-standing company’s values, the constituents that govern the way our business is conducted and the way we work. As the way to validate our sustainability direction and goals against economic, social, and environmental setting and stakeholders’ expectations, we seek first to understand the context of sustainability within which we operate and the values to which each of our stakeholders adhere. We take every effort to make sure that every opinion and concern of our stakeholders is seriously taken into consideration in planning and taking proactive actions towards the solutions that emphasize on precaution and prevention of potential risks and future problems. Besides, we strive for being recognized as an active member of the society who contributes to the development of long-term sustainability for all through incubating the good deeds from within our organization, then amplifying their impacts locally, regionally, and globally respectively.



In 2013, the Company has joined the United Nations Global Compact (UNGC) with commitment to respect human rights, uphold labor standards, protect the environment, and work against corruption. In effect, the Company has announced the sustainable development policy that is inclusive of all above commitments to provide a framework or guidance for management and staffs in ensuring that the governance and management practice are effective to achieve a sustaining development. The sustainable development policy focuses on 5 key areas namely engaging stakeholders, adhering to good corporate governance, promoting human rights and well-being of people, protecting the nature, and creating shared value.

To ensure effective implementation of the policy, the Sustainable Development Committee chaired by the President has considered restructuring the working groups as

- (1) Corporate Social Responsibility working group,
- (2) Ethical Labor Practice working group,
- (3) Human Capital Development working group,
- (4) Energy, Environment, and Climate Change working group, and
- (5) Sustainable Supply Chain working group

whose roles are to monitor and update situation, analyze, and assess the risks associated with the sustainable development aspects, to perform action planning, follow-up, and monitor the sustainable development performances, and to report the performances to the Sustainable Development Committee.



2. PERFORMANCE AND REPORTING

2.1 STAKEHOLDER ENGAGEMENT

The Company is well aware of its finite resources and limited expertise especially in steering the organization together with its stakeholders along a sustainable development pathway in which diversified resources and multi-disciplinary practices are essential. Engagement with stakeholders has become part of the way we work with others. Furthermore, stakeholders' interest and concern are the key enablers for our management and staffs to have a thorough understanding of the risks and opportunities in a wider context and in depth, inwardly and outwardly, and at present and into the future.

a) Employees

Our employees are the prime driver for sustainable development of both business and environmental and social responsibility. Through employee satisfaction and employee engagement surveys, the Company is on track to enhance the level of engagement of our employees. We are also committed to promote a wider access to the engagement platforms, for instance, by opening up an opportunity for employees of all nationalities to become the representatives in the welfare committee and occupational health and safety committee.

In 2013, Mr.Thawil Nandatheero, the managing director of Thai Union Seafood Co., Ltd. (TUS), has initiated the management program called 'War Room' that is successful in unleashing the potential of the employees at all levels and engaging each individual in celebrate his/her work accomplishment along with organizational success. The key principles lie on the right balance of leadership development, executions of best practices, and proper change management. As a result, within a short period of time after launching, TUS has demonstrated remarkable improvements in its performances in terms of efficiency, cost, quality, and employees' morale. The concept of 'War Room' is now being applied to other business units across the group companies.



b) Business Partners and Suppliers

Normally our marketing teams are in close dialogue with customers in business discussion or commercial visit. In 2013, we have started the sustainability outreach to our customers in various occasions such as the visit of the members of the CSR & Environmental Affairs Advisory Committee, Mitsubishi Corporation Japan, the visits to customers' operational facilities and offices, and the visits and meetings by other customers.

As for our domestic fishery suppliers, the procurement and sustainable development were teamed up to promote the Company's Code of Conduct concerning Labor Practice and Responsible Sourcing from Thai Fisheries and discuss the challenges and opportunities in enhancing the standards and management practices across the supply chain. We aim at developing solutions for ethical labor practice and marine resource conservation in subsequent years. In specific to pasteurized crab, Pakfood PCL., a subsidiary, has been working on the conservation of blue swimming crab by collection of crab eggs and nursing of crab larvae. In coordination with suppliers in various locations, we are able to launch and continue this initiative in Pattani, Trang, Songkhla and Nakhon Si Thammarat, and aim at extending to Surat Thani and Chumphon next year. At the same time, the initiative on blue swimming crab management at Kung Krabaen Bay Royal Development Study Center in collaboration with Thai Frozen Foods Association (TFFA) has made tangible improvements in the stocks and is successful in engaging local fishers to support the collection of crab eggs for the project.

Apart from R&D Festival, the event organized annually for customers to meet and learn about the new culinary innovations and the potential for future development, our research and development team has engaged with packaging suppliers in brain-storming for new initiatives in packaging design that are modern, keeping pace with changing lifestyles, and more environmentally friendly. As for aquatic feed products, the research and development team continues its collaborations with customers in developing new feed formula that are suitable for specific culture and aquaculture condition, and with fishmeal supplier in preparation for responsible sourcing certification by International Fishmeal and Fish Oil Organization (IFFO RS) as another step towards minimizing impacts on the environment.

The Company has been working continuously with shrimp farmers to assure the quality standards and farm management for environmental and social responsibility in accordance with the requirements of related authorities such as Thailand's Good Aquaculture Practice (GAP) and international standards such as Best Aquaculture Practice (BAP) by Global Aquaculture Alliance (GAA).

As for the primary processors who are outsourced to process parts of our raw materials, the Company has provided a consistent support for the improvement and certification by third party for quality, labor, and environmental management standards in compatible to those of the Company, for instance, Good Manufacturing Practice (GMP), Hazards Analysis and Critical Control Points (HACCP), social standards such as Business Social Compliance Initiative (BSCI) and Sedex Members Ethical Trade Audit (SMETA).



c) Government and Policy Makers

The Company is in close connection with government authorities both directly and indirectly through associations or organizations of which the Company holds membership such as Thai Frozen Foods Association (TFFA), Thai Food Processors’ Association (TFPA), Thai Tuna Industry Association (TTIA). We have been committed to supporting a number of projects, for instance, the research study on an employment of migrant workers in fishery-related industries in Thailand, a joint project by Asian Research Center for Migration, Institute of Asian Studies, Chulalongkorn University and TFFA, the Good Labour Practices (GLP), a joint program by the International Labour Organization (ILO), Department of Fisheries, and Department of Labor Protection and Welfare.

As for environmental protection, the Company has participated in the carbon footprint label project by Thailand Greenhouse Gas Management Organization (TGO) with the support from the National Food Institute, Ministry of Industries, and registered the carbon footprint label for 185 gram canned Sealect sardines in tomato sauce in addition to 4 consecutive year registration of 185 gram canned Sealect tuna green curry. Furthermore, the Company has joined the carbon footprint for organization project by TGO with the support from the Industrial Environment Institute (IEI), the Federation of Thai Industries, as part of our commitment to Thailand’s green economy development and our own roadmap for the management of energy, environment, and climate change.

d) Society

Domestic and Local Level

Through the Environmental Management Representative Committee (EMRC), the engagement of surrounding communities is conducted on an on-going basis. This year we put further emphasis on engaging social organizations both locally and nationally with focus on human rights protection and promotion, community and social development. Apart from TUF Care Center which has been our flagship project with Labour Rights Promotion Network Foundation (LPN) since 2012, the Company is in close dialogue with Migrant Workers Rights Network (MWRN), Human Rights Development Foundation (HRDF), and human rights activists to ensure good labor management and practices, and to further enhance the quality of life and social well-being of the communities.

In addition, with the commitment to a meaningful and genuine sustainable development, the Company has partnered with Right Livelihood Foundation (RLF) in establishing a sustainable development roadmap for community that balances its economic development with conservation efforts for local resources and an upholding of community’s values and traditions. The participatory roles of government authorities and private sectors are also embedded in the design of the roadmap which is different from most conventional social development programs whose design of the development goal is predetermined on a top-down basis or is led by predestined business agenda. We have started a pilot project with 1 community and laid the foundation in other 2 communities through the network of RLF.



Regional and International Level

Apart from joining the United Nations Global Compact (UNGC), the Company also exchanges the sustainability prospect and perspective with other international organizations whose representative offices are based in Thailand or the regions where we operate. By engaging more partnerships for future programs on corporate social responsibility (CSR), we aim at creating wider impacts on our stakeholders and society through CSR programs, and aligning our CSR programs with regional and international sustainability roadmaps. Through the engagement, we have been able to identify opportunities to collaborate with business partners and organizations at regional and international levels in 3 areas with the focus on the aspects of sustainable (marine resources) supply chain and labor rights protection and promotion.

The Company together with its subsidiaries, Chicken of the Sea International and MW Brands, continue to bring forward the concepts and strategies in marine resource protection through International Seafood Sustainability Foundation (ISSF) since founded in 2009. This year, Mr.Thiraphong Chansiri, the President, was invited to sit on the Blue Ribbon Panel (BRP) whose missions were to establish the guiding principles and criteria for Global Partnership for Oceans (GPO) in funding the integrated ocean and coastal development and management followed the Declaration for Healthy and Productive oceans to Help Reduce Poverty at the United Nations Conference on Sustainable Development in Brazil in 2012. The Company has also engaged closely with the National Fisheries Institute (NFI) in the United States, to implement the fisheries improvement projects such as the research on the design of hatcheries and cages to protect egg bearing female blue swimming crabs at Kung Krabaen Bay Royal Development Study Center.

The Company has also reached out to international organizations who have interest in the protection of human rights and labor rights. By engaging them in the dialogues with our management and hosting the visits to our operational sites, we are able to create a better understanding of the issues and exchange views on the options for future improvement or enhancement. Moreover, we are cooperative with domestic and international media and agencies in providing factual and balance view of the issues of their concern.

For the first time that the company has been invited and participated in the sustainability assessment for Dow Jones Sustainability Indices (DJSI), we are excited to learn how our current sustainability performances are in comparing to the world leaders and the leaders in the food industry. Based on the assessment results, we have put more emphasis on planning and implementation in concerning with relevant aspects or material issues, and also sustainability reporting.



2.2 SUSTAINABLE DEVELOPMENT STRATEGY – MATERIAL ISSUES AND STRATEGIES

Based on our rich experiences in seafood industries, the global presence with operational and commercial sites around the world, and the enhanced stakeholder engagement programs in recent years, the company has conducted the materiality analysis of relevant sustainability aspects and subsequently identified sustainable development strategies in relation to each material issue described in brief as follows.

a) Natural Resources

Seas and Ocean remain the major sources of foods and the sources of economic drivers for coastal communities and governments, and related private sectors such as fisheries, seafood processors, tourisms, etc. Degradations of marine resources and environment have thus brought numerous concerns. Not only from scientists and conservationists, the retailers and people in the seafood industries have placed their great concerns on food security and quality as witnessed from an increase of marketing campaign for eco-friendly products. The concerns over our products relate mainly to (a) tuna which requires the supply chain management at regional and global level, and (b) domestic fishery products specifically sourced from the Gulf of Thailand and Andaman Sea.

The challenges for the sustainability of tuna fisheries are about the control of harvesting at the level that can sustain the reproduction of those concerned species in the long run and the reduction of bycatch. These are placed high on the agenda of International Seafood Sustainability Foundation (ISSF) where the Company and two of its subsidiaries play an active role as members. This year, ISSF is campaigning for the Proactive Vessel Register (PVR) program which is intended to inform consumers and retailers of tuna sourced by well-managed fisheries.

For fishery products sourced domestically, our strategy is to avoid sourcing from fisheries with significant impacts on resources or environment. For instance, we keep reducing the proportion of fishmeal sourced from fisheries while increasing the by-product content in our shrimp feed products. Besides, we have been in collaboration with research institutes, trade associations, related international organizations in planning and implementing fisheries improvement projects for Thai fishery products.



b) Human Rights and Labor Practices

Thai industries that are labor-intensive have been impacted from labor shortage as the country has gone through a significant shift in its economic and social structure in the past decade. A number of workers from neighboring countries especially Myanmar and Cambodia are recruited and employed. This has caused an increasing concern from international communities for the risks of human rights abuses and labor rights violations on these migrant workers. The Government of the United States by Department of State has placed Thailand in 'Tier 2 Watch List' category in its Trafficking in Persons (TIP) report for 4 consecutive years indicating unsatisfactory country performances on combating human trafficking in spite of commitments and significant efforts by the government. If continued as is, there is a possibility that Thailand will be automatically downgraded to 'Tier 3' placement next year. Consequently, Thailand will be subject to a non-humanitarian or non-traded related sanction by the US Government but there is no mandate for determining how US private sectors source goods from Thailand. Besides, in the past several years, a number of human rights organizations have closely monitored the situation in Thailand, in particular fisheries, agriculture, garment and textile industries. Various campaigns have been raised in the developed countries asking for customers and consumers to put pressures on both public and private sectors in Thailand to take the matter more seriously.

With our main production base in Thailand, the overall human rights and labor rights situation of the country has direct and indirect impacts on the business, both the Company and its overseas subsidiaries and business partners. The protection of our workforce from all sorts of abuses is the utmost priority. Therefore, the strategies in ensuring good labor practices cover 3 areas namely (1) making the path cleaner – through rightful recruitment process, (2) making the practice right – through rightful employment practice, and (3) promoting social well-being.

c) Climate Change and Environmental Protection

As we source our raw materials mainly from wild-caught fisheries and aquaculture, the climate change has impacted both directly and indirectly to our business operation, especially in terms of the fluctuation in quantity, quality, and prices of raw materials. This year, we have some setback of revenue and profitability in shrimp-related business from shortage of supply and sharp increase of raw material price as a result of the latest outbreak of Early Mortality Syndrome (EMS) in vannamei shrimp aquaculture in Thailand. With possible connections between the environmental quality and climate change, the Energy, Environment, and Climate Change working group is in the process of developing roadmap for managing the impacts from business operations on the environment in terms of resource use (especially energy and water), use of hazardous chemicals or materials with high adverse impacts, pollution and wastes generated, and greenhouse gas emission. Long-term goal and target of each environmental aspect will be defined in conjunction with the annual target set by Environmental Management Representative Committee (EMRC).



d) Quality, Innovation and Product Responsibility

Product quality and food safety are of the greatest importance in the food industries as they are directly linked to consumers' trust and business's license to operate. Therefore, a rigorous control of quality and hygiene in every processing step is a must. As the manufacturing base for world export market, the Company has adopted the most stringent standards being recognized by both domestically and internationally, for instance, Good Manufacturing Practice (GMP), Hazards Analysis and Critical Control Points (HACCP), BRC Global Standards, and IFS Standards. Furthermore, we are capable of manufacture to specific requirements such as Halal Standard by the Central Islamic Committee of Thailand, Kosher Certificate by the Union of Orthodox Jewish Congregations of America. In addition to the strict provision of our factories, the good management practice throughout the supply chain is also of our emphasis. The Company has been certified by Aquaculture Certification Council, Inc. (ACC) for its shrimp aquaculture and production supply chain covering hatchery, farms, feed mill, and processing factories.

Having majority of products as commodity and for private label, our research and development capability is essential. Our research and development team works closely with customers to make sure that we are capable of meeting customers' expectations. At the same time, the Company has strategized the penetration to the markets for its branded products through product innovation and packaging design. All of these capabilities are enabled based on the solid foundation of process and operational management innovations. Another area of research and development is about an innovation for the environment. Our feed producer continues to develop the products that have lesser contents produced from wild-caught fisheries by substituting with by-products from tuna processing. At present we have successfully commercialized 'D-Grow', the product having none of any wild-caught ingredients. We also aim at having on average half of fishmeal, the key ingredient in the aquatic feeds, sourced as by-product or from certified sources by 2015.

e) Human Capital

Human capital for us is critical for sustainable business. Apart from the challenge we face about human rights and labor practices concerning daily worker which accounts for more than 80 percent of the total workforce, the Company has encountered the great challenge in the need to maintain its operational excellence through experienced and skillful workforce in seafood processing, a solid foundation of the Company throughout our 30 years of history, and the need for redefined business and operational models to cope with the Company's expansion and growth into multiple regions (e.g. Asia, North America, Africa) and branded products in the past decade by the specialized team with distinct requirement of the experience and expertise comparing to the former group of staffs. Our people management strategies thus emphasize on employee engagement and talent management. In the past two years, the Company has introduced various human resource management schemes such as TUF Management Associate program, talent management program, organizational development and restructure in the areas of sustainable development, innovation, strategy and business development, and environmental and safety management.



2.3 SUSTAINABILITY COMMUNICATION AND REPORTING

Upon being well aware of the importance of stakeholder engagement in our sustainable development journey, apart from the efforts to communicate and create partnership with key stakeholders as mentioned in the previous section, the Company has also planned to publish its first sustainability report describing the management and performances in relation to the sustainable development of the Company in 2013. We have chosen to adopt the reporting guideline by Global Reporting Initiative (GRI) to ensure a meaningful communication and to achieve a constructive dialogue between the Company and the stakeholders. The Company may be a first-time reporter but sustainability reporting is not new to us as Chicken of the Sea International, one of our subsidiaries, has its second year sustainability report published which can be downloaded at <http://chickenofthesea.com/company/sustainability>

3. SIGNIFICANT IMPACTS ON CORPORATE SOCIAL RESPONSIBILITY

3.1 GOOD LABOUR PRACTICE

a) Making the Path Cleaner – through rightful recruitment process

The Company realizes that its participation and support in the recruitment process can help to protect migrant workers from being abused potentially by recruitment brokers and related personnel within the process due to lack of understanding by and limited access to necessary resources of the workers themselves. The Company also seeks assistances from human rights organizations and activists to gain an insight from the workers' perspective to the issues. Specific working team has been appointed to get more understanding of the recruiting procedure and process in detail. The trips were made to Yangon in order to learn about the way recruitments are done by Myanmar recruitment agencies and to Myawaddy and Mae Sod, the Thai-Myanmar border districts - the prime immigration point for workers from Myanmar, to learn about official procedure and process on Myanmar and Thai sides. With recent EMS outbreak that has resulted in an oversupply in the labor market especially in the seafood industries, there has not been a chance for the Company to exercise any new initiative for recruiting workers from overseas this year. Nonetheless, we are equipped with a more thorough understanding of the process and will be able to form a right strategy and partnership for future recruitment.



b) Making the Practice Right – through rightful employment practices

In 2013 the Company has announced its code of conduct concerning labor practice to be used as guidance for all operational facilities across the group companies in providing equal treatment of Thai and migrant workers. This code of conduct has been communicated to business partners and suppliers as way to encourage partnership for good labor practices within our supply chain. Particular emphasis was made to address the prohibition for the use of child and forced labor, all forms of harassments, the law compliance in terms of wage, benefits, working time, and annual leave and holiday. Without labor union, the Company provides various channels internally for employees of all levels and nationalities to voice any of their concern to the management such as suggestion boxes, consultation with Human Resource staffs, representation in the welfare committee and occupational health and safety committee. Besides, the Company has engaged local labor rights organizations to gain an insight to the concerns in a wider scope which, in turn, is supportive in defining the improvement strategies for the Company and for the industry as a whole.

c) Promoting Social Well-being

Samut Sakhon and Songkhla, the two provinces where most of our factories in Thailand are located, are home to a number of migrant workers. As an employer, we take a responsibility to promote social well-being of migrants or local residents in those communities. For a number of years, the Company has been recognized as drug-free or narcotic-free workplace. We provide continuous supports for various missions by local authorities. The Company also supports religious activities with a strong belief that right-mind individual creates strong family relationship and subsequently peaceful society. Additionally, we have established TUF Care Center (see next section for more detail) with an urge to taking care of the children of these migrant workers and getting them a proper education while they are living in Thailand.

3.2 RESPONSIBLE SOURCING

In 2013 the Company has announced the code of conduct concerning responsible sourcing from Thai fishery with the emphasis on compliance with laws, regulations, or provisions of related government authorities such as marine catch purchasing document (MCPD). In addition, the code of conduct includes our commitment not to transact business with any fisheries practicing shark finning in consistent to the policy committed by the members of International Seafood Sustainability Foundation (ISSF). We have communicated this code of conduct to fishers and suppliers of fisheries products as part of our commitment to protect the marine resources. The target is set to increase the percentage of raw materials with MCPD beyond the limited portion currently required for exporting to European Union. In parallel, our communication to fishers and suppliers has also included our code for human rights protection and good labor practices.



4. AFTER PROCESS CSR

4.1 TUF CARE CENTER

TUF Care Center has been established since late 2012 in supporting sustainability commitment on social development and youth education, with specific aim to strengthening basic skills necessary for Thai and migrant children enrolling into Thai mainstream education. Our aim is well in alignment with the mission by the Ministry of Education to provide equal opportunity for education and to enhance the standard of education towards ASEAN community. The overall funding of 10 million Baht includes investments in infrastructures, educational supplies and professional staffs throughout 5 year project period. This project is co-sponsored by Labour Right Promotion Network (LPN) and schools in Samut Sakhon province. On July 16, the Company launched its first TUF Care Center at Wat Sri Sutharam School having initial 101 beneficiaries, while the second center will be opened in 2014 at Wat Sirimongkol with expected 200 or more beneficiaries. The operating model for each TUF Care Center has been tailored to suit the context and capacity of each school. For example, our first care center arranges multiple classrooms dedicated for 3 different levels of communication and language capabilities, whereas the second care center deploys its strength in unifying basic skill enhancement with mainstream education curriculum.

4.2 SUSTAINABLE COMMUNITY DEVELOPMENT

Apart from transcribing our sustainable development philosophy into business conduct, we aim also at managing sustainable development together with our stakeholders to build a solid and fertile ground for further collaboration between the company and our stakeholders along the journey towards sustainability. In 2013, we have partnered with Right Livelihood Foundation (RLF) in developing a model community for sustainable development at Bang Son, Patew district, Chumphon province. As opposed to a traditional corporate social responsibility program which focuses on the capacity to contribute by business sector, the focus of this program is based on the sustainability context of the community and its sustainability drivers comprising community economic development, conservation of resources, and upholding of values and traditions. Only with true understanding of the context of community’s sustainability, we can establish a meaningful and successful roadmap for sustainable development.

Based on this roadmap, appropriate engagement strategy by the Company can be laid either by means of leveraging an existing business capacity to facilitate the community development or co-creating the capacity for future growth of business and community that leads ultimately to creating shared value (CSV). Since inception in June 2013, project coordinators have worked continuously with community leaders and social groups. Capacity buildings were conducted through sharing of experiences and lesson learnt from other communities such as a community plan development by Bua Yai, Na Noi district, Nan province, a development roadmap for self sufficiency by Khao Than, Tha Chang district, Surat Thani province. At present, the roadmap for sustainable community development is in the process of drafting with wide engagement of community members, leaders, various groups of social and profession interest, local administrations, public organizations and authorities.

The roadmap puts the emphasis on natural resource and environment, social development and well-being, and community economic development. It is expected that stakeholder mapping will be made available after completion of the roadmap so that the community and its stakeholders can further enhance their mutual understanding and capitalize on their engagement. As for the Company, the knowledge about community’s sustainability context together with its sustainability vision will enable us and our stakeholders to establish social and environmental programs that are relevant and meaningful. As for the community, its development strategies and action plans can be established and executed in an integrated manner.

