

Second-Party Opinion

Thai Union Group Public Company Limited

Sustainability-Linked Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Thai Union Group Public Company Limited Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- Selection of Key Performance Indicators (KPIs)** Thai Union Group's Sustainability-Linked Financing Framework includes three KPIs, of which Sustainalytics' opines on KPI 2 and KPI 3. Sustainalytics considers KPI 2 to be strong given that it is a direct measure of performance on a material environmental issue, it is based on a clear and consistent methodology, and it can be assessed against external benchmarks. KPI 3, which is an indirect performance metric, is considered to be adequate based on its scope of applicability to the Group's operations, its materiality/relevance and its clear calculation methodology.
- Calibration of Sustainability Performance Targets (SPTs)** Thai Union's Sustainability-Linked Financing Framework includes three SPTs, of which Sustainalytics opines on two: SPT 2 – a reduction in its carbon emissions intensity by 0.56 by 2026 and SPT 3 – 100% of tuna vessels in Thai Union's supply chains to be fitted with electronic monitoring and/or human observers by 2026. Sustainalytics considers SPT 2 to be ambitious given that it exceeds peer performance and targets and aligns with a well-below-2-degree scenario, while SPT 3 is considered moderately ambitious as it represents an improvement over past performance and exceeds peer performance.

Bond Characteristics Thai Union will link the bond's financial characteristics to the achievement of the SPTs, namely a step-up (or potentially a step-down) in the coupon rate from the first coupon date after the relevant observation date until the maturity date of the bond. Sustainalytics positively notes that all SPTs need to be met to avoid an increase in the coupon rate.

- Reporting** Thai Union commits to report on an annual basis on its performance on the KPIs in a separate report, which will be available on its website. The reporting commitments are aligned with the SLBP.
- Verification** Thai Union commits to have external limited or reasonable assurance conducted on its KPI performance at the communicated SPT deadline, which is aligned with market expectations.

Evaluation Date	July 9, 2021
Issuer Location	Samut Sakhon, Thailand

The SPTs contribute to the following SDGs:



Overview of KPIs and SPTs

KPI	Baseline	SPT	Strength of the KPI	Ambitiousness of SPT
Carbon intensity of finished goods (tCO ₂ e/tFG)	2019	Reduction in carbon intensity to 0.64tCO ₂ e/tFG by 2023 and 0.56tCO ₂ e/tFG by 2026	Strong	Ambitious
Percentage of tuna vessels with electronic monitoring and/or human observers	2020	90% of tuna vessels fitted with electronic monitoring and/or human observers by 2023 and 100% by 2026	Adequate	Moderately Ambitious



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Scope of Work and Limitations

Thai Union Group Public Company Limited has engaged Sustainalytics to review the SLB Framework and provide an opinion on the alignment of the notes with the Sustainability-Linked Bond Principles (SLBP).¹ The Group's Framework has three KPIs and SPTs but Sustainalytics will only provide an opinion on two of the KPIs and SPTs. As part of this engagement, Sustainalytics will not opine on the KPI and SPT relating to Thai Union's inclusion and position in the Dow Jones Sustainability Index.

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the reviewed SLB Framework with the Sustainability-Linked Bond Principles 2020, as administered by ICMA.

As part of this engagement, Sustainalytics exchanges information with various members of Thai Union Group Public Company Limited's management team to understand the sustainability impact of their business processes and SPTs, as well as reporting and verification processes of aspects of the SLB Framework. Thai Union Group Public Company Limited's representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public and non-public information. This document contains Sustainalytics' opinion of the Bond Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Thai Union Group Public Company Limited. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Bond/Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure the KPIs' performance. The measurement and reporting of the KPIs is the responsibility of the Bond issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Thai Union Group Public Company Limited has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks³ against which targets were set;
- (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SLBs or the materiality of the KPI.

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¹ The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>

² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

³ Benchmarks refers to science based benchmarks



Introduction

Thai Union Group Public Company Limited (“Thai Union”, the “Company”, the “Issuer”, or the “Group”) is a global seafood-based food products company. Founded in 1977, the Group is headquartered in the Samut Sakhon province of Thailand and has over 45,000 employees globally. Thai Union sells its products in North America, Europe, Asia and the domestic market. Thai Union’s sells branded as well as private label products. Thai Union’s product portfolio includes ambient seafood (tuna, salmon, sardine, mackerel), frozen and chilled seafood and related products (shrimp, lobster), pet care and other value-added products. In North America, Thai Union’s portfolio contains tuna and salmon, sold in different varieties under the Chicken of the Sea and Genova brands. In Europe, the company offers seafood and fish products under brands such as John West, Petit Navire, Parmentier, King Oscar, Mareblu, Rügen Fisch and Hawesta. In Asia-Pacific, the local brands are Sealect, Fisho, Bellotta, and Marvo.

Thai Union Group Public Company Limited (“Thai Union”) intends to issue Sustainability-Linked Bonds (SLB) where the coupon rate of the bond is tied to the achievement of the Sustainability Performance Targets for three KPIs related to (i) Thai Union’s inclusion in the Dow Jones Sustainability Index, (ii) carbon intensity of the Company’s manufacturing operations, and (iii) the percentage of tuna vessels in supply chains with electronic monitoring systems and/or human observers. For the purpose of this SPO, Sustainalytics opines only on the latter two KPIs.

Thai Union has engaged Sustainalytics to review the SLB Framework and provide an opinion on the alignment of the bond framework with the Sustainability-Linked Bond Principles (SLBP).⁴

The KPIs and SPTs used by Thai Union and assessed by Sustainalytics are defined in Tables 1 and 2 below.

Table 1: KPI Definitions

KPI	Definition
Carbon intensity of finished goods (tCO ₂ e/tFG)	<p>The KPI is a measure of the Scope 1 and 2 GHG emissions intensity of Thai Union’s manufacturing operations measured in finished goods terms.</p> <ul style="list-style-type: none"> Carbon intensity = tCO₂e/tFG <p>The GHG inventory accounting is prepared in accordance with the GHG Protocol’s corporate reporting standards.</p> <p>Finished Goods (FG) refers to the production volume.</p>
Percentage of tuna vessels with electronic monitoring and/or human observers	<p>The KPI is a measure of the supplier’s tuna vessels fitted with electronic monitoring equipment and/or human observers, as a percentage of the total fleet of supplier’s tuna vessels.</p>

⁴ The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>



Table 2: SPTs and Past Performance

KPI	2016	2017	2018	2019 (baseline)	2020 ^s	SPT 2023	SPT 2026
Carbon intensity of finished goods (tCO ₂ e/tFG)	0.87	0.78	0.78	0.71	0.63	0.64	0.56

KPI	2020 (baseline)	SPT 2023	SPT 2026
Percentage of tuna vessels with electronic monitoring and/or human observers	75%	90%	100%

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of Thai Union Group Public Company Limited Sustainability-Linked Financing Framework with the Sustainability-Linked Bond Principles.

Sustainalytics is of the opinion that the Sustainability-Linked Bond Framework align with the five core components of the Sustainability-Linked Bond Principles 2020 (SLBP).



Selection of Key Performance Indicators (KPIs)

Relevance and Materiality of KPIs

Sustainalytics in its assessment of materiality and relevance considers i) whether an indicator speaks to a material impact of the issuer's business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers KPI 2 to be material and relevant for the Group considering energy costs are among the major operating costs for food producers. Sustainalytics methodology for assessing ESG risks classifies "Carbon-Own Operations" as a material environmental issue for the packaged foods subindustry. According to Sustainalytics assessment, the Group's exposure to Carbon - Own Operations issues is medium and moderately above the subindustry exposure.

According to Thai Union's 2020 Sustainability report, an internal materiality assessment identified climate change and environmental protection as high priorities for the Group's future, and Thai Union has committed to reducing its carbon footprint and to effectively monitor and measure its Greenhouse Gas (GHG) emissions.⁵

The selected KPI covers approximately 98% of Scope 1 and 2 emissions. Sustainalytics notes that the Group has not measured its Scope 3 and, as a result, is unable to determine the total applicability of Scope 1 and Scope 2 emissions to the Group's total emissions. In absence of the Scope 3 emissions data, Sustainalytics notes the

⁵ Thai Union has set the baseline for KPI 2 at 2019 instead of the latest 2020 data to normalize the effects of the COVID-19 pandemic on the Group's business and operations.

⁶ Thai Union, "Sustainability Report, (2020)", at: <https://www.thaiunion.com/en/sustainability/report>



contribution of reductions in Scope 1 and Scope 2 emissions towards the reduction in the overall emissions portfolio.

Sustainalytics considers KPI 3, installation of electronic monitoring equipment on tuna vessels, to be material and relevant given the industry-wide recognition that installation of electronic equipment is a critical step to addressing the environmental issue of illegal, unregulated and unreported (IUU) fishing, overfishing and bycatch. The World Wildlife Fund (WWF) identified that electronic monitoring serves to not only improve documentation of instances of bycatch, but to also provide better fisheries data to improve fisheries’ management and stock assessments.⁷

The selected KPI intends to cover all tuna vessels of Thai Union’s suppliers by 2026. Thai Union has disclosed that tuna accounts for almost 50% of the Group’s total sales and raw material cost as the main raw material of its ambient seafood and pet care. This lends the KPI a wide scope of impact to Thai Union’s overall operations.

KPI Characteristics

Sustainalytics in its assessment of the KPI characteristics considers i) whether a clear and consistent methodology is used, ii) whether the issuer follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the issuer on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.⁸

Sustainalytics considers Thai Union’s definition and methodology to calculate KPI 2, carbon intensity, to be clear and consistent based on historical calculations of performance on the KPI. The KPI’s methodology for GHG inventory accounting follows the GHG Protocol’s corporate reporting standards. The KPI is also directly linked to the performance of the Issuer regarding the material impact, given that the KPI is measuring Scope 1 and 2 emissions per unit of finished goods. The KPI lends itself to being indirectly benchmarked against external contextual benchmarks such as the Paris-agreement.⁹

Sustainalytics considers Thai Union’s definition and methodology to calculate KPI 3 to be clear and consistent based on the ease of calculation and simplicity of interpretation. Sustainalytics notes that the KPI is company-specific and was developed in response to calls for greater transparency on fishing activities, thus it does not enable comparison to any externally recognized definition or contextual benchmark. The KPI is also an indirect measure of the material sustainability issue, which is the reduction of bycatch and Illegal, Unregulated and Unreported (IUU) fishing and overfishing.

Overall Assessment

Sustainalytics overall considers KPI 2 to be strong given that it speaks to a material environmental issue for the packaged foods subindustry, and it is a direct measure of performance on the issue. It has a clear and consistent methodology and can be used, indirectly, to benchmark against external benchmarks. Sustainalytics notes the absence of Scope 3 emissions inventory as a limitation in assessing the KPI’s scope of impact to Thai Union’s overall Scope 1, 2 and 3 emissions inventories.

Sustainalytics considers the KPI 3 to be adequate given its high materiality to the sustainability issue of IUU fishing, overfishing and bycatch from third-party tuna vessels, and its wide scope of impact to total Group’s operations. However, the KPI is an indirect measurement of performance and does not enable comparison against external contextual benchmarks, which do not exist as it is a new area of development.

Carbon intensity of finished goods	Not Aligned	Adequate	Strong	Very strong
Percentage of tuna vessels with electronic monitoring and/or human observers	Not Aligned	Adequate	Strong	Very strong

⁷ WWF, “What’s in the net report, (2020)”, at: <https://www.wwf.org.uk/whats-in-the-net>

⁸ External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

⁹ EU, “Handbook of climate transition benchmarks, Paris-aligned benchmark and benchmarks’ ESG disclosures, (2019)”, at: https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/192020-sustainable-finance-teg-benchmarks-handbook_en_0.pdf



Calibration of Sustainability Performance Targets (SPTs)

Alignment with Issuer’s Sustainability Strategy

Thai Union has set the following SPTs for its KPIs:

- SPT 2: Reduction in carbon intensity (Scope 1 and 2 emissions per ton of finished goods) to 0.64 by 2023 and to 0.56 by 2026, from a 2019 baseline and;
- SPT 3: 90% of tuna vessels fitted with electronic monitoring system and/or human observers by 2023 and 100% by 2026, from a 2020 baseline

Sustainalytics considers the SPTs to be aligned with Thai Union’s sustainability strategy (please refer to Section 2 for analysis of the credibility of the Group’s sustainability strategy). Recognizing the impact that its operations have on the environment, Thai Union launched its sustainability strategy, SeaChange, in 2016.¹⁰ The Group’s sustainability strategy is underpinned by four pillars: (i) providing safe and legal employment, (ii) improving traceability of products sourced, (iii) reducing the adverse environmental impact of its operations, and (iv) contributing towards the upliftment of local communities.¹¹

As part of its strategy to become a low-carbon business and reduce the impact of its operations, the Group has already achieved a 30% reduction in its absolute Scope 1 and 2 emissions and a 28% reduction in its carbon emissions intensity between 2016 and 2020.¹¹ Thai Union’s emissions reduction goals are aligned with meeting the goals of the Paris Agreement to limit global warming to well-below 2°C.

Thai Union has identified enhancing the traceability of its products as the key driver to improve sustainability in the seafood industry. Tuna products account for over 50% of the Group’s revenues. In 2019, the Group procured 79% of its tuna products from raw materials procured from fisheries certified under the Marine Stewardship Council (MSC) or those identified as Fishery Improvement Projects (FIP), with an aim to reach 90% by 2022.¹¹ Based on the above, Thai Union’s initiative to install electronic monitoring systems and/or human observers on the tuna vessels of its suppliers will support its strategy of increasing the transparency of its supply chain, and reducing the prevalence of illegal, unregulated and unreported fishing.

Strategy to Achieve the SPTs

Thai Union intends to achieve the SPTs through the following strategy:

In order to achieve its carbon intensity reduction targets, Thai Union intends to invest in improving its operational efficiency, reducing energy consumption and increasing its reliance on renewable energy. The Group aims to reduce its carbon emissions intensity by 4% annually until 2026 through initiatives such as (i) increasing the energy efficiency of its steam production process by using higher quality coal and installing insulators on steam pipelines, (ii) reducing the electricity consumption of refrigeration systems through implementation of improved energy management systems and installation of inverter compressor fans, and (iii) increasing the use of renewable energy by switching from bunker oil to biomass boilers which use wood chips to produce steam and installing solar rooftops in its manufacturing facilities.

In 2021, Thai Union has partnered with The Nature Conservancy with an aim to attain a 100% transparency in its global tuna supply chain by 2025.¹² To achieve its goal, the Group will deploy electronic monitoring systems and/or human observers on the partner vessels in its supply chains. Electronic monitoring systems installed in the vessels may include onboard video cameras to help track, verify and monitor the fishing activities of the vessels.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers i) whether the SPTs go beyond business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compare with science.¹³

¹⁰ SeaChange, “Responsible Operations”, at: <https://seachangesustainability.org/about-seachange/responsible-operations/>

¹¹ Thai Union, “Sustainability Report 2020”, at: <https://www.thaiunion.com/en/sustainability/report>

¹² The Nature Conservancy, at: <https://www.nature.org/en-us/about-us/who-we-are/>

¹³ We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.



SPT 2: For SPT 2, Thai Union has set the baseline at 2019 instead of the latest 2020 data to normalize the effects of the COVID-19 pandemic on the Group’s business and operations. As such, Thai Union considers the 2019 baseline to be more reflective of the long-term trend in its emissions performance.

Sustainalytics notes that benchmarking the SPT with Thai Union’s past emissions intensity performance is not a suitable method of assessing the SPT’s ambitiousness as the Group is required to utilize a new emissions factor to calculate its absolute emissions from 2021. In March 2021, Thailand Greenhouse Gas Management Organization (TGO) announced a change in the emissions factor that the Group utilizes for its calculation of absolute emissions.¹⁴ Thai Union will calculate its absolute emissions for 2021 using the new methodology and report them as part of its 2021 Sustainability Report.

As per the absolute emissions reduction trajectory set forth by the SBTi, the minimum annual reduction required for alignment with the well-below-2-degree climate scenario by 2050 is 2.5%.¹⁵ To achieve its emissions intensity reduction targets, Thai Union commits to reducing its emissions intensity by 4.0% annually between 2019 and 2026. This will lead to an annual reduction of 2.6% in the Group’s absolute Scope 1 and 2 emissions during this period, which is in line with the emissions reduction as per the SBTi. As such, Sustainalytics considers the SPT to be consistent with the well-below-2-degree climate scenario by 2050. In addition, Sustainalytics assessed information related to GHG emissions targets for global seafood companies and notes that the SPT compares favorably against sub-industry peers with regards to emissions intensity performance and targets.¹⁶

SPT 3: For SPT 3, Thai Union has set the baseline at 2020. The implementation of electronic monitoring and/or human observers on supplier vessels is a new initiative by the Group due to which relevant historical data is not available.

To achieve the SPT, Thai Union commits to increasing the percentage of tuna vessels that are fitted with electronic monitoring systems and/or human observers by 5% annually between 2020 and 2026. The Group estimates that 75% of the tuna vessels were fitted with electronic monitoring systems and/or human observers as of 2020. Sustainalytics considers the SPT to be beyond a business-as-usual trajectory as it represents a substantial increase in the percentage of tuna vessels with electronic devices such as video cameras and/or human observers compared to the 2020 baseline.

Sustainalytics notes that Thai Union’s peers have not yet set similar targets and considers the Group to be a leader in the industry in this regard.

Events such as material mergers and acquisitions or drastic changes in the regulatory environment can impact the calculation of the KPIs, the restatement of the SPTs and/or pro-forma adjustments of baselines or KPI scope. Thai Union will obtain an updated opinion from an external review provider for any such adjustments.

Overall Assessment

Sustainalytics considers the SPTs to align with Thai Union’s sustainability strategy and considers Thai Union’s SPT 2 to be ambitious given that it exceeds targets set by peers and aligns well with a well-below-2-degree climate scenario. Sustainalytics considers Thai Union’s SPT 3 to be moderately ambitious given that it presents a material improvement compared to past performance.

Reduction in carbon intensity to 0.64 by 2023 and 0.56 by 2026 (Carbon intensity of finished goods)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
90% of tuna vessels fitted with electronic monitoring system and/or human observers by 2023 and 100% by 2026	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Bond Characteristics

¹⁴ TGO, “Update Emission Factor CFP – March 2021”, at: <http://thaicarbonlabel.tgo.or.th/index.php?lang=TH&mod=Y0hKdIplVmpkSE5mWlcxcGMzTnBiMjQ9>
¹⁵ SBTi, “SBTi Corporate Manual”, at: <https://sciencebasedtargets.org/resources/?tab=develop#resource>
¹⁶ Sustainalytics has assessed non-public documents shared by Thai Union.



Thai Union has disclosed that bond issuances pertaining to the Framework will be subject to a penalty (or incentive) for not achieving (or achieving) the SPTs by December 2023 and December 2026. If the Group is unable (or able) to achieve any of the SPTs on the relevant observation date, a coupon step-up (or step-down) will be applied in the coupon rate from the first coupon date following the SPT observation date until the maturity date of the bond. The step-up or step-down in the coupon will be calculated by multiplying the weight assigned to the corresponding KPI with a margin of 0.10%. KPI 1 has been assigned a weight of 20% whereas KPI 2 and KPI 3 have each been assigned a 40% weightage. Sustainalytics positively notes that all SPTs need to be met to avoid an increase in the coupon rate.



Reporting

Thai Union commits to report on an annual basis on its performance on the KPIs and expects to include the relevant figures in its Annual Sustainability Report or in a separate report. The Group also commits to disclose other relevant information that may enable investors and other stakeholders to monitor the level of ambition of the SPTs in a Sustainability-Linked Financing Progress Report on an annual basis. The report will be published on the Group's website within five months from the previous financial year end on 31st December, and may also include, where feasible, an illustration of the positive impact of the performance improvement and an explanation of the key contributing factors for the improvement in performance. Thai Union's reporting commitments are aligned with the recommendations of the SLB Principles.



Verification

Thai Union commits to having an external verifier provide limited or reasonable assurance on the published KPI performance figures for each fiscal year. The Group will disclose the verification report on its website. This is aligned with the SLB Principles on verification.



Section 2: Assessment of Thai Union’s Sustainability Strategy

Credibility of Thai Union Sustainability Strategy

Thai Union has embedded sustainability considerations in its governance structures, and the Group’s sustainability efforts are led by the Sustainability Committee, which is co-chaired by the Global Director of Sustainability Development and the President and CEO of the Group. Composed of leaders from all functional divisions, the Sustainability Committee is responsible for, among other things, establishing the sustainable development policy and direction for approval by the Board of Directors, and reviews and approves KPIs and SPTs for sustainability-linked transactions.

Thai Union’s sustainability strategy “SeaChange®” was launched in 2016. The SeaChange® strategy is executed through four main pillars: i) Safe and legal labor – provision of safe, legal and freely-chosen employment in the Group’s facilities and in supply chains ii) Responsible operations – ensuring environmental responsibility and a duty of care for workers across the value chain iii) Responsible sourcing – ensure traceability is possible from catch to consumption and that suppliers abide by the same sustainability commitments as Thai Union and iv) People and communities - take responsibility for improving the lives of those living and working where operations are based.

To further Thai Union’s commitment to climate initiatives, the Group has joined the EP100,¹⁷ a global initiative on smarter energy use led by The Climate Group in partnership with the Alliance to Save Energy. As a member of the EP100, Thai Union is aiming to double its energy productivity by 2041 from a 2016 baseline as part of its strategy to tackle climate change and reduce its impact on the world’s oceans.¹⁷ This target provides a long-term perspective of Thai Union’s SPT 2, emissions intensity, for this SLB Framework.

Sustainalytics considers Thai Union to have a strong sustainability strategy and considers that the SLBs will further support the Thai Union sustainability strategy.

Thai Union’s Environmental and Social Risk Management

According to Sustainalytics ESG Rating methodology, the ESG risk management practices of Thai Union are considered aligned with the average performance of peers in the packaging foods sub-industry. Sustainalytics also recognizes that while the Thai Union’s defined targets are impactful, there exist some environmental and social risks associated with achievement of the SPTs. Key risks identified for the packaging foods subindustry from Sustainalytics ESG rating include “product governance, corporate governance, and human capital”.

In the following section Sustainalytics comments on Thai Union’s ability to mitigate such potential risks.

To mitigate risks related to product governance, Thai Union works closely with the International Seafood Sustainability Foundation (ISSF) that has developed the Proactive Vessel Register (PVR).¹⁸ The PVR provides validated information on the steps each vessel is taking to implement sustainability commitments. Thai Union has committed to increasing the quantity of fish purchased from PVR listed vessels, and since the start of 2016, all of the large-scale purse seiners were PVR registered, and the Group is actively encouraging all of its suppliers to be registered.

Under corporate governance, Thai Union has set up a Global Sustainability Committee which brings together team members across functions and locations throughout the world to meet twice per year. Subcommittees lead the work streams throughout the year, reporting on progress at the biannual Global Sustainability Committee. The represented subcommittees are i) grievance mechanisms and worker voice ii) 2025 goals iii) EHS governance and iv) responsible sourcing.

For human capital risks, all Thai Union workers, including migrant workers, have access to independent hotlines run by local NGOs to preserve anonymity and confidentiality when reporting grievances as well as extensive internal procedures such as helplines, drop-in clinics, and elected Worker Welfare Committees. The Group promotes helplines operated by the Thai Ministry of Labor and National Human Rights Commission of Thailand. Also, Thai Union uses select third-party service providers to offer accessible grievance and whistleblowing channels for employees and the general public to complement existing internal grievance mechanisms. Based on Sustainalytics event level assessment of risk and impact, Thai Union had an event involving labor abuse practices back in 2015 which was assigned a controversy level at category 3.¹⁹ Thai Union responded with commitments to ensure the sustainability of its Thai seafood supply chain. A major component of the announcement was to bring all shrimp peeling

¹⁷ The Climate Group, “Thai Union joins EP100 and signs up to energy efficient cooling, (2020)”, at: <https://www.theclimategroup.org/our-work/news/thai-union-joins-ep100-and-signs-energy-efficient-cooling>

¹⁸ ISSF, “Proactive vessel register, (2020)”, at: <https://issf-foundation.org/knowledge-tools/public-vessel-lists/proactive-vessel-register/>

¹⁹ Sustainalytics event assessment methodology ranks controversies from category 1 -5, in the order of severity. Category 3 is considered a significant controversy and Thai Union maintained a neutral outlook because of its adequate reaction to the controversy.



activities in-house, a goal that was accomplished in early 2016. That year the company launched its SeaChange® Sustainability Strategy and hosted approximately 600 of its suppliers in Bangkok for training on its Code of Conduct.

Overall, Sustainalytics considers that Thai Union has strong management programs and policies to mitigate risks that could arise during the SPT period and is of the opinion that the Group has sufficient structures to manage any such risks.

Section 3: Impact of the SPTs Chosen

The global seafood industry has more than tripled in terms of volume between 1980 and 2020,²⁰ with fish being the most traded commodity worldwide.²¹ According to the Food and Agriculture Organization (FAO), total fish food consumption grew by 122% between 1990 and 2018.²² The FAO predicts that an additional 30% of seafood in terms of volume will be needed to meet the global seafood demand by 2030.²³ As per Greenpeace, one in three fish populations have collapsed since 2050.²⁴ As per the International Seafood Sustainability Foundation (ISSF), nearly 88% of the global tuna catch is from stocks considered to be at a healthy levels of abundance, 9.6% from overfished stocks and 2.8% from fish stocks at an intermediate level of abundance.²⁵ Additionally, the supply chain for seafood products is carbon intensive and generates GHG emissions in every step of the process including travel for capture, transportation, refrigeration and seafood products manufacturing.²¹ Emissions from the global fishing industry rose by 28% between 1990 and 2011.²⁶ A large chunk of the emissions from the sector are released from vessels used to capture fish and other seafood, followed by cold storage.²⁷ In order to satisfy the growing demand without accelerating the pace of global warming to levels higher than those under the Paris Agreement, it is imperative that the seafood industry addresses these critical sustainability issues.

Beyond overfishing and its contribution to global GHG emissions, Sustainalytics notes that the prevalence of illegal, unregulated and unreported fishing (IUU) is a material sustainability issue for the seafood industry. IUU fishing is a key driver of global overexploitation of marine waters which remains a significant threat to marine biodiversity and ecosystems, with around 90% of the fish stocks in the world reported to have reached maximum exploitation or overexploitation.²⁸ The percentage of fish stocks within biologically sustainable levels has also declined significantly from 90% in 1990 to 65.8% in 2017.²² IUU fishing is recognized to be responsible for undermining efforts to manage fisheries responsibly, especially in developing countries that lack the capacity and resources for effective monitoring, control, and surveillance.²⁹ It is also a major driver of substantial quantities of bycatch as vessels use prohibited fishing gear, misreport catch quantities and fish in vulnerable areas.³⁰ It is estimated that one-third of all the global seafood caught each year is illegally fished.³¹

Based on the above context, Thai Union's investments in reducing the emissions intensity of its manufacturing operations as well as its efforts in fitting its tuna vessels with electronic monitoring systems will contribute towards the global efforts to increase the traceability of seafood which in turn will help to mitigate the impact of IUU fishing.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability linked bonds advance the following SDG goals and targets:

²⁰ Rabobank, "World Seafood Map 2019", at: https://research.rabobank.com/far/en/documents/303049_2216728_rabobank_seafood-map_may2019_dgtl.pdf

²¹ Elizabeth, M.P., et al., (2015), "Incorporating carbon footprints into seafood sustainability certification and eco-labels", Marine Policy, at: <https://www.sciencedirect.com/science/article/pii/S0308597X15000585>

²² Food and Agriculture Organization of the United Nations, at: <http://www.fao.org/state-of-fisheries-aquaculture>

²³ Mordor Intelligence, "Global Seafood Market - Growth, Trends, COVID-19 Impact, and Forecasts (2021 - 2026)", at: <https://www.mordorintelligence.com/industry-reports/global-seafood-market>

²⁴ Greenpeace, "Overfishing & Destructive Fishing", at: <https://www.greenpeace.org/usa/oceans/issues/overfishing-destructive-fishing/>

²⁵ ISSF, "Status of the Stocks Report" (2021), at: <https://iss-foundation.org/87-6-of-global-tuna-catch-continues-to-come-from-stocks-at-healthy-levels-while-9-6-require-stronger-management/>

²⁶ Robert W.R., et al., (2018), "Fuel use and greenhouse gas emissions of world fisheries", at: https://www.nature.com/articles/s41558-018-0117-x?WT.feed_name=subjects_sustainabilityv

²⁷ Tam, Raymond R., et al., (2009), "Estimating the Carbon Footprint of Tuna Fisheries", at: https://wwfau.awsassets.panda.org/downloads/estimating_the_carbon_footprint_of_tuna_fisheries_9may2009.pdf

²⁸ The World Bank, at: <https://datatopics.worldbank.org/sdgdatalas/archive/2017/SDG-14-life-below-water.html>

²⁹ FAO, "Illegal, Unreported and Unregulated (IUU) fishing", at: <http://www.fao.org/iuu-fishing/en/>

³⁰ FAO, "Four reasons illegal, unreported and unregulated (IUU) fishing affects us and what we can do about it", (2021) at: <http://www.fao.org/fao-stories/article/en/c/1403336/>

³¹ Greenpeace, "The Illegal Fishing and Forced Labour Prevention Act", (2021), at: https://www.greenpeace.org/usa/wp-content/uploads/2021/05/Illegal-Fishing-and-Forced-Labor-Prevention-Act-Fact-Sheet.pdf?_ga=2.140860402.1152185288.1624458724-730697085.1624458724



KPI	SDG	SDG Target
Carbon intensity of finished goods	<p>7. Affordable and clean energy</p> <p>9. Industry, Innovation and Infrastructure</p> <p>12. Responsible Consumption and Production</p>	<p>7.2 By 2030, increase substantially the share of renewable energy in the mix.</p> <p>7.3 By 2030, double the global rate of improvement in energy efficiency.</p> <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p> <p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</p>
Percentage of tuna vessels with electronic monitoring and/or human observers	14. Life below Water	14.4 By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics.

Conclusion

Thai Union Group Public Company Limited intends to issue Sustainability-Linked Bonds which will tie the coupon rate to the achievements of the following SPTs:

- (1) **SPT 1:** To be included in the Dow Jones Sustainability Index (DJSI) Emerging Markets and ranked in the top 10 companies for the DJSI Food Products Industry Index in 2023 and in 2026;
- (2) **SPT 2:** Carbon intensity of finished goods: Reduction in carbon intensity to 0.64 by 2023 and to 0.56 by 2026;
- (3) **SPT 3:** Percentage of tuna vessels with electronic monitoring and/or human observers: 90% by 2023 and 100% by 2026;

However, as part of this engagement, Sustainalytics will not opine on the KPI and SPT relating to Thai Union’s inclusion and position in the Dow Jones Sustainability Index.

Sustainalytics considers the KPIs chosen to be relevant and material and aligned with the Group’s sustainability strategy. Further, Sustainalytics considers KPI 2 to be strong as it is a direct measure of a material environmental issue for the subindustry and can be benchmarked. SPT 2 is considered to be ambitious as it exceeds the targets set by peers and is consistent with the well-below-2-degree climate scenario. Sustainalytics considers KPI 3 to be Adequate based on its high materiality to sustainability issues in the fishing industry such as IUU fishing, overfishing and bycatch. SPT 3 is considered to moderately ambitious as it represents an improvement relative to past performance. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers Thai Union Group Public Company Limited’s SLB Framework to be in alignment with the five core components of the SLBP and the prospective of achievement of the SPTs to be impactful.



Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Thai Union Group Public Company Limited

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: July 9, 2021

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

At the launch of the bond, the structure is:

- a step-up/step-down structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- assessed all the following elements (complete review) only some of them (partial review):
- | | |
|--|--|
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Verification | |
- and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)



Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section: Thai Union Group’s Sustainability-Linked Financing Framework includes three KPIs, of which Sustainalytics’ opines on KPI 2 and KPI 3. Sustainalytics considers KPI 2 to be strong based on its a direct measure performance, is a material environmental issue, is based on a clear and consistent methodology and is comparable against external benchmarks. KPI 3, which is an indirect performance metric, is considered as adequate based on its scope of applicability to the Group’s operations, its materiality/relevance and a clear calculation methodology.

List of selected KPIs:

- Carbon intensity of finished goods
- Percentage of tuna vessels with electronic monitoring and/or human observers

Definition, Scope, and parameters

- | | |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (please specify): | |

Relevance, robustness, and reliability of the selected KPIs

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked |
| | <input type="checkbox"/> Other (please specify): |

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section: Thai Union’s Sustainability-Linked Financing Framework includes three SPTs, of which Sustainalytics will opine on two: SPT 2: a reduction in its carbon emissions intensity by 0.56 by 2026 and SPT 3: 100% of tuna vessels in Thai Union’s supply chains fitted with electronic monitoring and/or human observers by 2026. Sustainalytics considers SPT 2 to be ambitious given that it exceeds peer performance and targets and aligns with a well-below-2-degree scenario, while SPT 3 is considered moderately ambitious as it represents an improvement over past performance and exceeds peer performance.

Rationale and level of ambition

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement | <input type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline |
| | <input type="checkbox"/> Other (please specify): |



Benchmarking approach

- Issuer own performance
- Issuer’s peers
- reference to the science
- Other (*please specify*):

Additional disclosure

- potential recalculations or adjustments description
- issuer’s strategy to achieve description
- identification of key factors that may affect the achievement of the SPTs
- Other (*please specify*):

3-3 BOND CHARACTERISTICS

Overall comment on the section: Thai Union will link the bond’s financial characteristics to the achievement of the SPTs, namely a step-up (or potentially a step-down) in the coupon rate from the first coupon date after the relevant observation date until the maturity date of the bond. Sustainalytics positively notes that all SPTs need to be met to avoid an increase in the coupon rate.

Financial impact:

- variation of the coupon
- ...
- Other (*please specify*):

Structural characteristic:

- ...
- ...
- Other (*please specify*):

3-4 REPORTING

Overall comment on the section: Thai Union commits to report on an annual basis on its performance on the KPIs in a separate report, which will be available on its website. The reporting commitments are aligned with the SLBP.

Information reported:

- performance of the selected KPIs
- verification assurance report
- level of ambition of the SPTs
- Other (*please specify*):

Frequency:

- Annual
- Semi-annual
- Other (*please specify*):



Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the “useful links” section.

Level of Assurance on Reporting

- limited assurance
- reasonable assurance
- Other (please specify): limited or reasonable assurance

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

Section 4. Post-issuance verification

Overall comment on the section: Thai Union commits to have external limited or reasonable assurance conducted on its KPI performance at the communicated SPT deadline, which is aligned with market expectations.

Information reported:

- limited assurance
- reasonable assurance
- Other (please specify): limited or reasonable assurance

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Material change:

- Perimeter
- KPI methodology
- SPTs calibration



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Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

