2024 VOL. 01

INDUSTRY UPDATE

This issue presents the latest sustainable insights released by FCF Co., Ltd. (FCF) in March 2024, providing comprehensive information on international standards and significant developments in the ESG domain and sustainable practices in the fisheries industry.

For further inquiries and consultation services regarding related topics, please contact the FCF's Sustainability Team:

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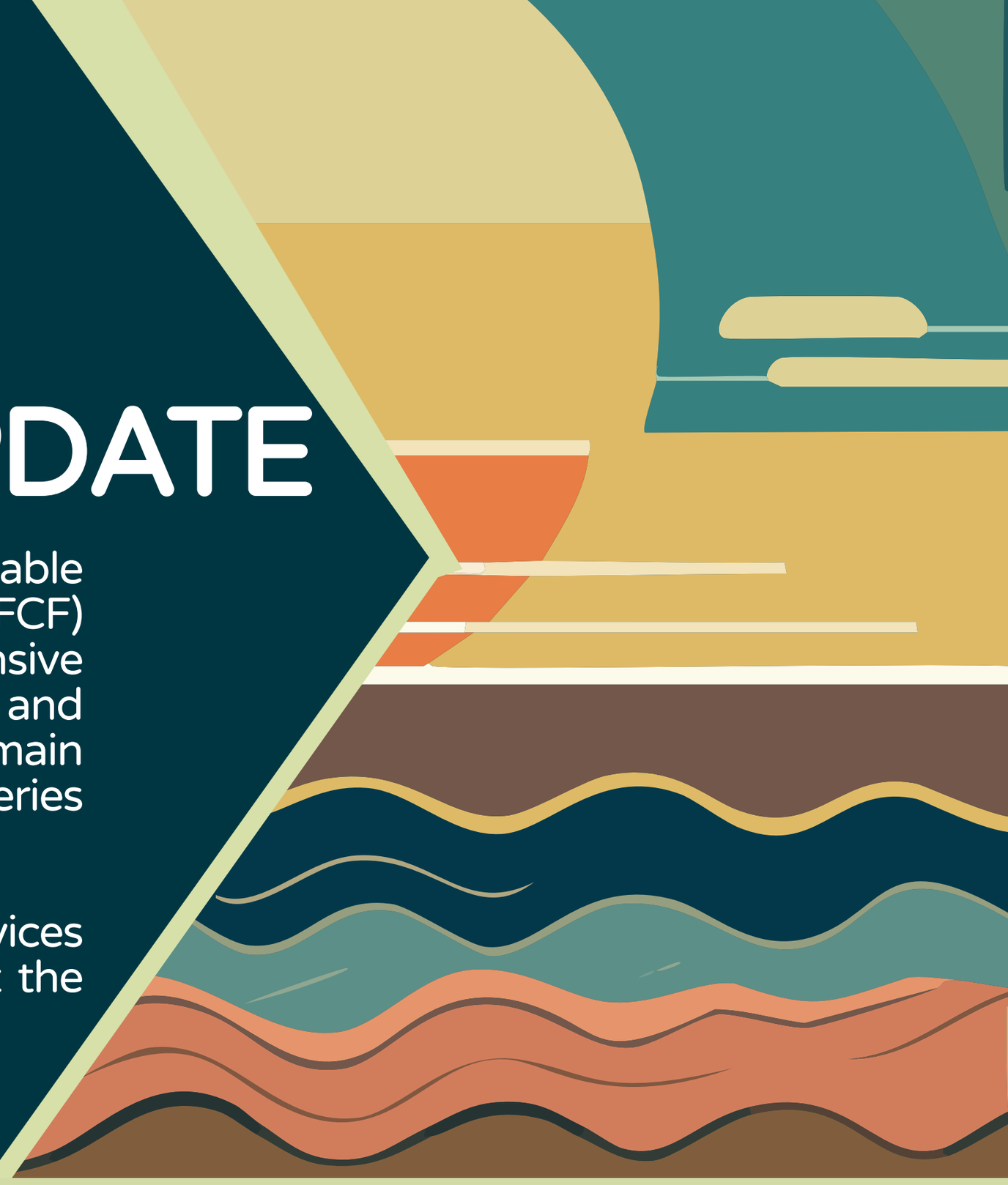


NAVIGATING EU REGULATIONS OPPORTUNITIES & CHALLENGES IN DEEP-SEA FISHING

Over the past year, the European Union has introduced a series of influential sustainability indicators that directly target the core of international business operations. These include emerging sustainability disclosure standards such as the Corporate Sustainability Reporting Directive (CSRD), European Sustainability Reporting Standards (ESRS), and Corporate Sustainability Due Diligence Directive (CS3D). Traditional industries like deep-sea fishing are bound to be affected in the near future. This is not just a regulatory shift; it will redefine the standards of international business operations and information transparency, profoundly impacting the ecosystem of suppliers. In this storm of sustainability transformation, opportunities and challenges coexist. How the global seafood supply chain adapts and responds flexibly to this sustainability transformation will be the key to seizing opportunities in the future business landscape.

Corporate Sustainability Reporting Directive

The goal of this directive is to enhance the quality, credibility, and comparability of sustainability indicators' information disclosure and to establish the directive's scope of application.

While this directive primarily targets large enterprises, it also covers non-EU companies whose subsidiaries generate high revenues in the EU region. For deep-sea fishing industry operators involved in the EU supply chain, there may be requirements to provide disclosure on actions and information related to environmental, social, and governance (ESG) aspects.

CSRD

European Sustainability Reporting Standards

The new reporting standards aim to streamline various sustainability regulations, reducing redundant reporting for enterprises. ESRS will be crucial for implementing CSRD and will impact not only EU-based parent companies but also non-EU companies with significant revenue, including those in the deep-sea fishing industry supply chain. It requires companies to undertake a dual materiality analysis, focusing on both "sustainability materiality" and "financial materiality" to identify significant issues and disclose relevant information. It emphasizes the importance of considering both societal impact and financial aspects equally.

ESRS

Corporate Sustainability Due Diligence Directive

The directive mandates companies to manage both their own operations and those of their suppliers, focusing on environmental and human rights impacts. This involves conducting due diligence, developing policies, procedures, and complaint mechanisms, and publicly reporting progress to address risks. Companies are jointly responsible for the social and environmental aspects of their supply chains, covering issues like forced labor, child labor, environmental pollution, and biodiversity loss. Compliance with CS3D will significantly impact global businesses involved in the deep-sea fishing supply chain.

CS3D

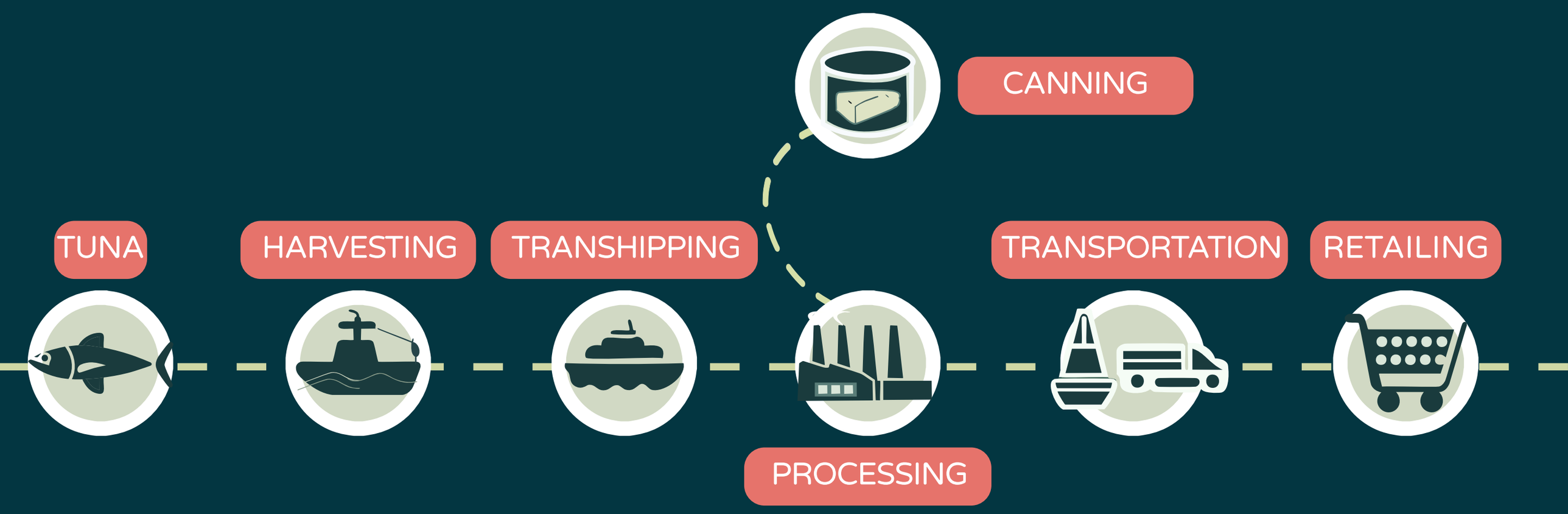
In summary, the CSRD will require more businesses operating in the EU to disclose comprehensive ESG information. The ESRS will define the scope of sustainability reporting, emphasizing equal importance of financial and non-financial disclosures. The CS3D indicates that sustainability disclosure and transformation will significantly extend to the entire value chain of organizations. As international laws and regulations continue to expand and demand more, industries can expect a growing emphasis on sustainability transformation. This will undoubtedly impact the deep-sea fishing industry. To address these changes, establishing effective internal processes and collaborating with stakeholders to enhance industry transparency will help maintain competitiveness when facing sustainability challenges.

NAVIGATING THE IMPACT OF THE 2050 NET ZERO GOAL ON FISHERIES

THE JOURNEY OF CARBON FOOTPRINT ASSESSMENT

Amidst the intensifying threat of global climate change, countries worldwide are committing to achieving "net zero emissions" within set timeframes to curb global warming and preserve ecological equilibrium. This push extends beyond energy sectors to impact vital industries like fishing, where Taiwan and others are yet to mandate greenhouse gas (GHG) assessments. However, discussions suggest a changing landscape. With international markets increasingly valuing sustainable practices, the fishing supply chain faces mounting pressure for carbon footprint assessments and management.

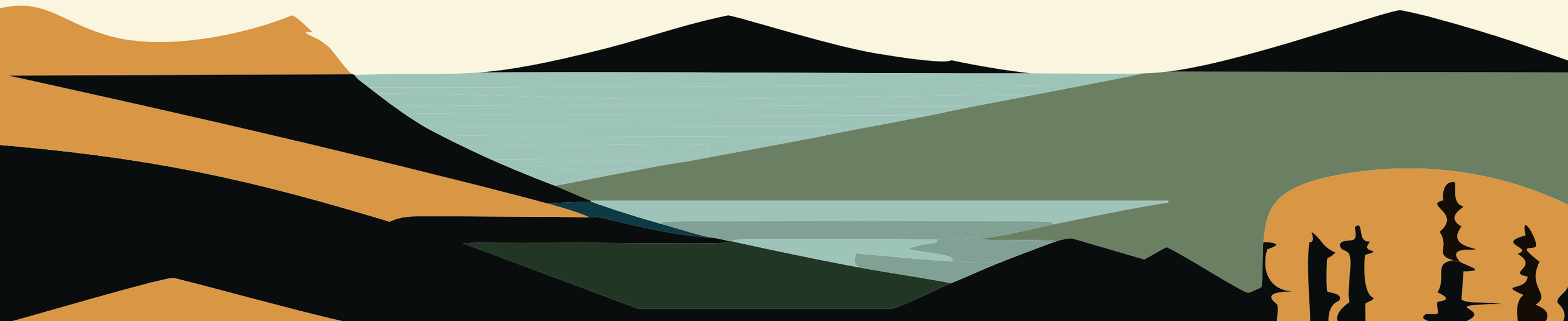
On the flip side, there's a silver lining in the growing demand for eco-friendly, low-carbon products. Scientific evidence highlights seafood, like tuna, as a lower-carbon and nutritious alternative to beef. Anticipating shifts towards sustainable consumption, adopting proactive measures to meet market expectations for "industry net zero" and "low-carbon diets" will be crucial for the deep-sea fishing industry's future resilience.



Managing the deep-sea fishing supply chain involves a complex web of activities, each linked to carbon emissions. Fishing operations, transportation, processing, and retailing all contribute to greenhouse gas emissions. Fishing vessels emit carbon through fuel and refrigerant use, while transportation of catches and processing also add to emissions. Although retail stage emissions are minor, energy use in-store still impacts overall emissions.

Achieving comprehensive carbon footprint assessments and management in the seafood supply chain relies heavily on obtaining detailed information from fishing vessel operators. This data is crucial for tracking, improving, and ultimately reducing carbon emissions across the supply chain.

The first step for industries to achieve net zero is conducting comprehensive carbon footprint assessments and accurately quantifying greenhouse gas emissions at various points in the supply chain. This involves adhering to internationally recognized standards like ISO 14064-1:2018 and following guidelines provided by tools such as the GHG Protocol. These standards offer clear guidance for setting assessment boundaries, collecting quantitative data, and formulating effective strategies to reduce emissions throughout the supply chain.



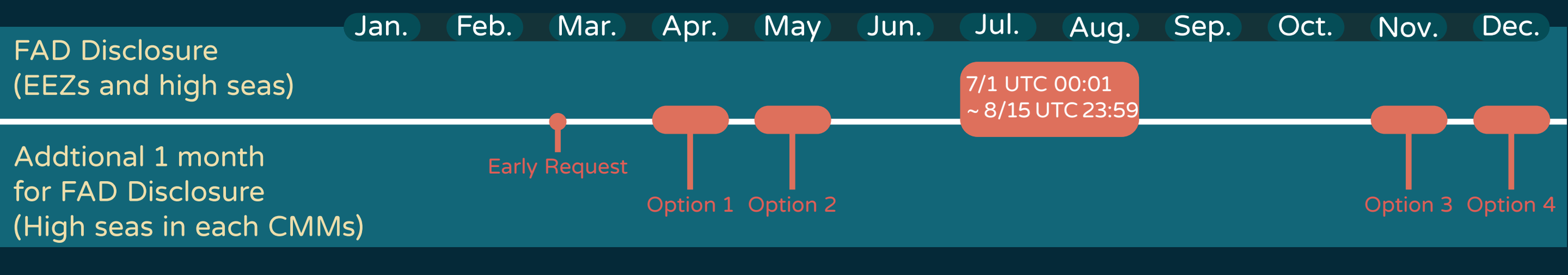
CONSERVATION MEASURES FOR SUSTAINABLE TUNA FISHING

FADS MANAGEMENT

During the recent WCPFC 20 meeting, new conservation and management measures for bigeye, yellowfin, and skipjack tuna in the Western and Central Pacific Ocean were adopted. These measures include regulations regarding Fish Aggregating Devices (FADs) management in purse seine fisheries:

1. Non-entangling FAD: To address issues like marine fauna entanglement and marine debris, the use of mesh netting on FADs is prohibited starting from January 1, 2024, as per WCPFC CMM 2023-01.

2. FAD Set Management: The measures will be shortened to 1.5 months from 2024 to 2026. During the prohibition period (July to mid-August) is enforced for deploying, servicing, or setting on FADs, applicable to all purse seine vessels and supporting vessels operating in EEZs and high seas. Additionally, each CCM is required to select one month (Apr., May, Nov., or Dec.) for FAD closure in the high seas for the specified years and notify the Secretariat of their decision by March 1st.



MARINE GARBAGE MANAGEMENT

The marine garbage problem is worsening, harming millions of marine species yearly. Starting January 1, 2024, Taiwan's Ministry of Transport enforced the International Convention for the Prevention of Pollution from Ships 1973 (MARPOL) and amendments, regulating ship-generated garbage to combat marine pollution. FCF initiated a Waste Management Plan in our supply chain, set for implementation this year. Collaborating with Bumble Bee Seafood and The Global Ghost Gear Initiative (GGGI), we're researching Abandoned, Lost, or Otherwise Discarded Fishing Gear (ALDFG) to devise mitigation strategies. Below are ALDFG impacts and recommended improvements:

Definition	Type	Reason	Impact	Improvement
Derelict Fishing Gear  Abandoned, lost or otherwise discarded fishing gear, ALDFG.	Nets, lines, ropes, hooks, floats, fish aggregation devices, FADs...etc	1. Abandoned 2. Lost 3. Discarded	**Direct** • Ingestion entanglement • Habitat degradation, ghost fishing…etc. **Indirect** • Decreased catch • Fisheries economic • Reduced tourism quality…etc.	**Handling** • Implement effective collection and storage. • The quantity of fishing gear acquired, retrieved and lost shall be recorded. **Procedure & Record** • Crews should receive training on waste management procedures. Record-keeping of garbage including methods of handling. **Management** • Reduce single-use items • Fishing gear should be marked with vessel identification or equipped with a locator to reduce the risk of loss.
Marine Garbage  Any man-made waste or item present in the ocean, whether intentionally discarded or accidentally lost.	Food wastes, domestic wastes, plastics, operational wastes			

BAIT MANAGEMENT

As a participant in the maintenance of marine ecosystems, protecting target species and maintaining ecological diversity are crucial. The goal is to ensure the sustainable use of fisheries resources. However, particularly in longline fishing, in order to preserve ecological diversity, we also need to consider the capture of non-target species and ecological impacts - bait management.

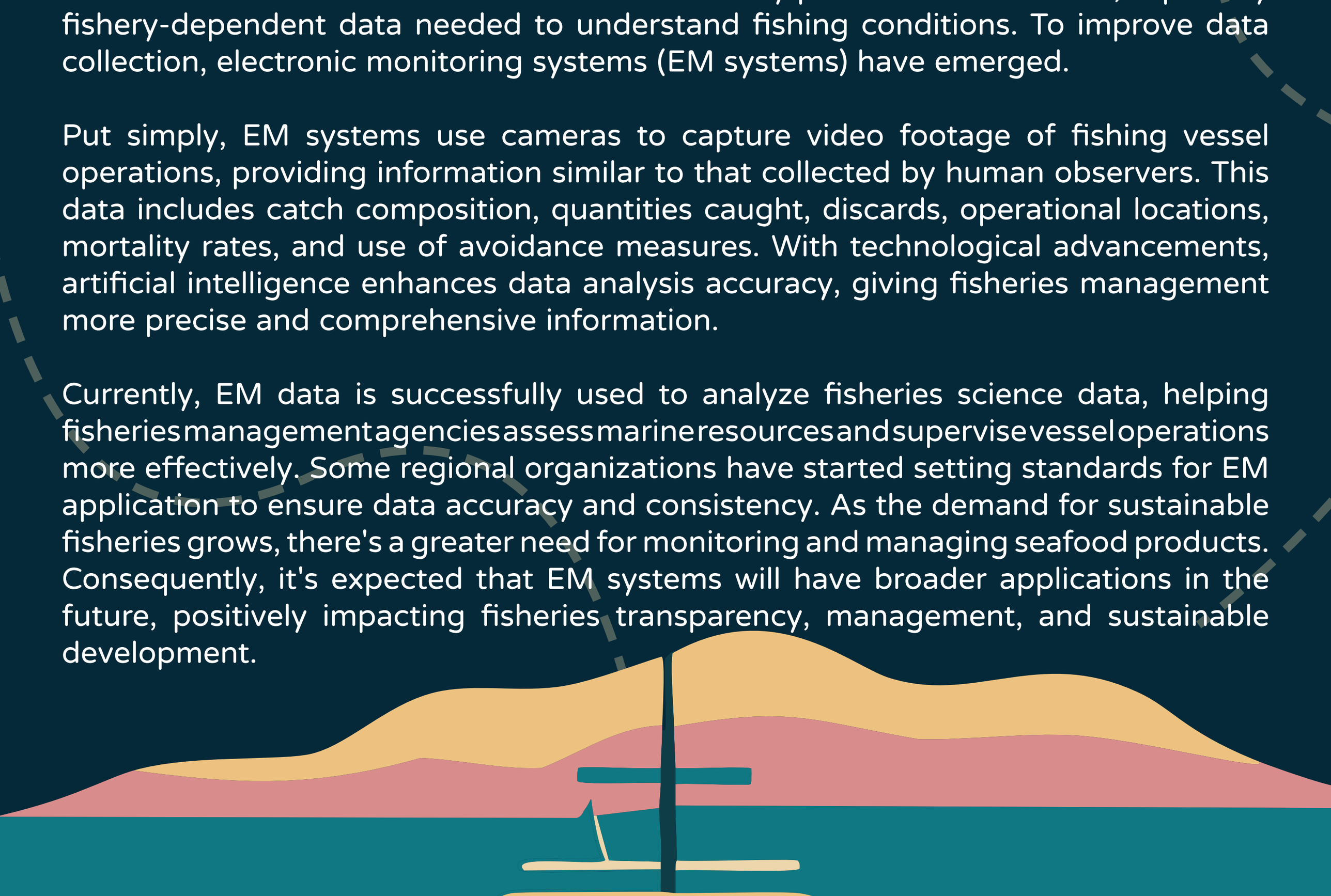
Bait management directly relates to the health and balance of marine ecosystems. Excessive use or selection of unhealthy bait populations may have negative impacts on non-target species, thereby disrupting ecological balance. In fisheries improvement projects or evaluations for MSC sustainability certification, bait management is considered a key factor. We urge you to recognize the importance of bait tracking and tracing, including species, populations, origins, production methods, and implementing measures such as records of bait usage. These measures enhance the autonomy of fisheries management and minimize the impact on ecosystems to continuously uphold MSC certification.

ELECTRONIC MONITORING SYSTEMS

In fisheries policy-making and decision-making by Regional Fisheries Management Organizations (RFMOs) and governments, reliable data is essential. Assessing fishery resources, conducting scientific analysis, and creating regulations all rely on this information. Onboard observers are crucial as they provide scientific data, especially fishery-dependent data needed to understand fishing conditions. To improve data collection, electronic monitoring systems (EM systems) have emerged.

Put simply, EM systems use cameras to capture video footage of fishing vessel operations, providing information similar to that collected by human observers. This data includes catch composition, quantities caught, discards, operational locations, mortality rates, and use of avoidance measures. With technological advancements, artificial intelligence enhances data analysis accuracy, giving fisheries management more precise and comprehensive information.

Currently, EM data is successfully used to analyze fisheries science data, helping fisheries management agencies assess marine resources and supervise vessel operations more effectively. Some regional organizations have started setting standards for EM application to ensure data accuracy and consistency. As the demand for sustainable fisheries grows, there's a greater need for monitoring and managing seafood products. Consequently, it's expected that EM systems will have broader applications in the future, positively impacting fisheries transparency, management, and sustainable development.



INNOVATIONS IN FISHERIES LABOR RIGHTS
FAIR EMPLOYMENT PRACTICES

Over the past two years, international media attention on fisheries human rights has increased significantly, leading retailers to scrutinize their supply chains and assess suppliers' efforts in addressing labor rights issues. Apart from FCF, many industry players have also committed to initiatives promoting fair employment practices.

While we acknowledge the uncertainties faced by fisheries operators, we believe that industry-wide improvements in employment practices and clear communication can help reduce such incidents. Below, we provide international standards and solutions to keep you informed on the latest fisheries human rights developments.

INTERNATIONAL TREND & EMERGING STANDARDS

The issue of crew members being charged extra fees during the hiring process has received significant attention in the market. In 2019, the Council of Agriculture, Executive Yuan, enforced regulations prohibiting recruitment agencies from imposing fees on crew members, as outlined in the "Regulations on the Authorization and Management of Overseas Employment of Foreign Crew Members." Similar regulations are reflected in the International Labour Organization's C188. Major buyers and distributors have committed to incorporating the "Guidance on Responsibility for Recruitment Related Costs" from the Seafood Task Force into their procurement processes, starting in 2024.

Despite these regulations and global standards, our research uncovers disparities in labor supply chain operations. This discrepancy stems from a lack of awareness among recruitment agencies in crew members' home countries and a deficiency in comprehensive audit and documentation mechanisms in the supply chain management systems, including Taiwanese fishing companies and agencies.

To promote fair hiring practices, obtain detailed information from recruitment agencies regarding crew wages and any fees charged. Engage with crew members to inquire about additional fees during the hiring process and intervene proactively in cases of concern or suspicion to ensure fair employment practices.

FCF RESPONSIBLE RECRUITMENT PROJECT

Since 2021, FCF has researched supply chain hiring mechanisms. By December 2023, our inaugural analysis report highlighted disparities between local labor intermediaries in Indonesia and international standards. Key concerns include incomplete recruitment policies, unclear repatriation contract terms, and insufficient training for high-risk environments.

In the last two years, numerous fishing companies have joined us in addressing these issues through communication and collaboration with their labor intermediaries. We aim to sustain this positive momentum and collaborate with all industry stakeholders to advance the fishing industry.

COMMUNICATION AT SEA

The advancement of communication technology and crew access onboard has become a central focus in discussions on maritime labor rights, with Wi-Fi provision emerging as a pivotal concern. Article 71 of the International Labour Organization (ILO) C188, governing onboard living conditions, underscores the importance of "reasonable access to communication facilities" for all fishermen. Moreover, the ILO's "Forced Labour Convention" highlights that restricting workers' external communication may infringe upon human rights.

Regarding Wi-Fi installation, the Fisheries Agency (Taiwan) initiated a subsidy program for onboard Wi-Fi routers in 2022, offering two subsidy options: a 300,000 NT dollar installation subsidy and a monthly communication subsidy of 8,000 NT dollars. However, surveys indicate that due to budget constraints and subsidy limitations, the current policy's effectiveness falls short of expectations.

AN EFFECTIVE GRIEVENCE MECHNISM

What are the avenues for improvement in this situation? While the implementation of onboard Wi-Fi may not happen overnight, establishing a suitable onboard grievance mechanism can provide crew members with basic and effective ways to address communication needs.

UN human rights guidelines emphasize the need for workers to have a safe way to voice complaints and report violations. Different organizations have varying standards for onboard grievance mechanisms, but they generally need to meet four criteria:

(1) crew members must be aware of the mechanism and how to use it;

(2) even at sea, crew members should have access to the mechanism;

(3) both crew members and employers must feel confident and secure using the mechanism;

(4) there must be evidence and a mutually satisfactory resolution.

FCF WORKER'S VOICE PROJECT

FCF Workers' Voice e-platform, developed based on the above criteria, is open for use by all fishing vessels, not just limited to FCF's supply chain. To maintain independence, all complaints are handled by the Kaohsiung-based non-profit organization, the Seamen and Fishermen Service Center (SFSC). This service has been operational for two years and has accumulated 240 users. Based on the case, the SFSC coordinates between parties, gathers facts, provides necessary assistance throughout, and continues to monitor case progress.

If you're interested in participating in this project and implementing this complaint mechanism onboard your vessel, please contact the SFSC or reach out through FCF's contact channels for more information.

JOIN OUR SUSTAINABLE BLUEPRINT

FISHTOPIA

This issue delves into the implementation of new EU sustainable regulations, highlighting their potential to elevate global attention on ESG issues in fisheries and revolutionize the seafood supply chain. Global net-zero emissions objectives also influence distant water fisheries, presenting both challenges and opportunities. Sustainable food markets offer pathways for promoting eco-friendly products, yet achieving net-zero emissions requires innovative solutions.

In addressing environmental concerns, various conservation measures for sustainable tuna fishing are emerging, emphasizing the importance of managing FADs, marine debris, bait, and scientific data.

On the labor front, regulations from national and international standards, such as the Seafood Task Force's guidelines, are increasingly becoming procurement requirements. We also stress the significance of safeguarding fishing partners and improving onboard communication facilities to enhance working conditions. However, there remains a gap between labor practices on board and these standards, necessitating collaborative efforts to uphold expectations regarding fisheries human rights.

We invite everyone to join FCF Sustainable Fisheries Blueprint - Fishtopia, advocating for ESG actions toward the sustainable development of fisheries.

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