Vietnam Yellowfin Tuna Fishery Improvement Project (FIP) Traceability Program: Summary Results of Audits

December 2019

BACKGROUND

The Vietnam Yellowfin Tuna Fisheries Improvement Project (FIP), managed by WWF and the Vietnam Tuna Association (VinaTuna) in partnership with several international suppliers and domestic processors and the government of Vietnam, was launched in 2014. A key aspect of the FIP is to ensure that Vietnam yellowfin tuna is differentiated in the marketplace. This requirement is particularly important in Vietnam where over half of the total yellowfin tuna exports use foreign raw material, which is re-exported, and therefore not eligible as a FIP product in the marketplace.

For FIP industry partners to have recognized FIP products they are required to demonstrate that their yellowfin tuna products are coming from the FIP (i.e. are sourced from legally permitted Vietnamese handline vessels). The FIP traceability system was developed in 2017 - designed in close collaboration with industry partners and third-party auditor experts, with the aim of establishing a practical traceability program that will allow all FIP product to be differentiated and traceable back through the supply chain—from the vessel, landing port, receiving, processing, preservation, and packaging. Importantly, the FIP traceability system will also provide Vietnamese tuna processors with a tool than can be applied to help their businesses meet international anti-IUU requirements. A key element of FIP traceability system is a unique trace-code (UTC) proposed to be used for each batch of FIP product on the relevant production records to enable the tracing and tracking of the FIP product.

Following design of the FIP trace code, auditing system and initial coaching of participating processors, four (4) processors underwent a preliminary (pilot) audit in August 2017. This activity also aimed to assess the relative utility of the generic FIP trace code in meeting future MSC Chain of Custody (CoC) requirements as well as new requirements from the US under the Seafood Import Monitoring Program (SIMP). A summary of gaps, deficiencies and recommended revisions to the FIP traceability protocol were provided (see "Overview of FIP Traceability Protocol" report). Throughout 2018 and 2019 continued FIP traceability socialization, training workshops and one-on-one coaching sessions were implemented by VinaTuna/WWF. These heightened efforts led to steadily increasing interest from domestic processors to apply the FIP trace code, with a total of twenty-one (21) domestic processors expressing formal interest in implementing the system as of July 2019 (compared to 8 processors in 2017).

In July/August 2019, full factory audits of FIP trace code implementation was conducted for 13 processors utilizing the international auditing company Bureau Veritas. Reflecting the growing support for engaging in the FIP traceability program, 50% co-funding was secured from the processors to support the cost of these recent audits.

This report summarizes results of the 13 audited processing companies - describing their performance against 19 requirement standards, assessing relative compliance, highlighting gaps, recommended corrective actions and next steps. This is a summary report, complementing the more detailed information provided in the individual factory audits. As such, it does not investigate or address each incident of non-compliance encountered nor seeks to provide in-depth analysis of factors, constraints and opportunities associated with such issues. The more detailed individual factory audit reports (auditing checklist/spreadsheets and detailed accounting of specific compliance across all requirements) provide such comprehensive assessment[1] (and the 2017 review also includes an overall situational assessment of the state of play regarding traceability in the tuna sector).

As an overview document the aim of the report is to summarize site-level results, highlight areas of relative strength/weakness across the sector as related to FIP trace code implementation, provide relative scoring indices (i.e. for prioritization of future interventions) and offer recommended next steps towards achieving continued improvement in FIP traceability compliance.

METHODOLOGY

The following methodology was used in quantifying factory compliance with the FIP trace code protocol and standards requirements, for 13 processors of yellowfin tuna in Khanh Hoa, Phu Yen and Binh Dinh provinces:

1. Preliminary consultations in person and/or by phone/email to outline audit plans and confirm interest of participants.
2. Follow-up consultations and discussions with all participating to confirm co-funding of audits by processing companies.
3. Interviews with 13 processors during factory visits, conducted by VinaTuna and Bureau Veritas technical staff. The 13 companies engaged were chosen based on their representativeness and current active engagement and/or expressed interest in the FIP trace code program, as well as willingness to provide 50% co-funding support for audits.
4. Audits (inspection visits) of the above 13 processors, at all stages of processing, conducted by VinaTuna and Bureau Veritas, and using the standardized assessment methodology developed by the above and WWF (initially developed in 2017 and revised slightly based on pilot results of four factories audited that year). Individual site visits were conducted over approximately 3-4 hours each. Individual audit reports (excel files) were produced by Bureau Veritas for each of the 13 participating processors.

RESULTS

Summary results of the 13 audited processing plants are presented in Table 1. Note that individual processor names are confidential to the public in the reported results (FIP Partners/Participants can

[1] Note that the individual factory audits are confidential; however, participating processors have agreed to share their individual reports with current or prospective buyers expressing interest in sourcing FIP products.

request detailed audit results from their suppliers, either through contacting them directly or through sending request to FIP coordination unit). As illustrated, the level of conformity against all 19 criteria (Standard Requirements) are denoted with a color code, with green representing “pass or N/A”; yellow representing a “minor issue”; red indicating a “major issue” and black representing “critical issue”. All audits were conducted using the same template, checklist and onsite procedures.

As illustrated, one processor achieved a perfect grade according to the independent audit. Another processor was documented with only two Minor issue. Several other factories have two or less Major issues – the suggested measure for recognition as a “conditional” level of compliance, based on implementation of corrective actions within prescribed timelines (see Discussion section). Conversely, 5 of the 13 processors were documented to have more than two Major issues (including examples of Critical issues), indicating a range of performance results across all factories.

Figure 1 illustrates the “conformity index” for all 19 standard requirements. This generic index is used to help assess and compare the relative strengths and weaknesses of the sector for each individual requirement, and is calculated as a total sum with the following scoring criteria:

Pass = 0 points
Minor Issue = 1 point
Major Issue = 2 points
Critical Issue = 3 points

As indicated, a few specific requirements stand where conformity is generally weak across the sector, in particular:

1.1 - System to ensure the product is from a FIP source. Documented information of each batch of input raw material shall be detailed in the “Vessel information form”, including date of harvest, date and quantity of input, vessel number, harvest area;
2.2 - System to enable the traceability of FIP Products from the point of receiving to the output, including any interval steps;
4.1 - Visual identification system on physical for FIP products at any step of handing between input and output;
4.2 - Identification system for records relevant to FIP products is in place, including the receiving, processing, storage and transaction document (N/A for transaction document when selling FIP product as “non-FIP”).

Table 1 – FIP Traceability Conformity Grading for Thirteen Participating Yellowfin Tuna Processing Companies

STANDARD REQUIREMENT	PROCESSOR[2]												
	A	B	C	D	E	F	G	H	I	J	K	L	M
1. INPUT MANAGEMENT													
1.1 System to ensure the Product are from FIP source. Documented information of each batch of input raw material shall be detailed in the "Vessel information form", including date of harvest, date and quantity of input, vessel number, harvest area													
1.2 System to ensure that the copies of "vessel documents" are maintained at the facility for any input event of FIP product													
1.3 System to ensure that supplied vessels are legal, registered and approved fishing licenses at the supplied time													
2. TRACEABILITY AND MASS BALANCE CONTROL													
2.1 System to enable the traceability of FIP Products from the point of receiving to the output, including any interval steps													
2.2 A "unique trace-code" (UTC) used for each batch of FIP product on the relevant production records													
2.3 Production records for any FIP product detailing the product weight at each production steps where weight is changed (to enable input-output reconciliation of any given period). Conversion ratio of each production step shall be suitable with the relevant product and be comparable with factory history of similar productions													
2.4 Documentation of self-calculating mass-balance between input and output of FIP product for at least every 6 months													
3. SEGREGATION OF FIP PRODUCTS													
3.1 Segregation system to ensure that the FIP product is clearly separated to the non-FIP product at any time													
3.1.1 Physical segregation at batch level of FIP Product													
3.2 No evidence of mixing of FIP and non-FIP products													
4. IDENTIFICATION													
4.1 Visual identification system on physical for FIP products at any step of handing between input and output													

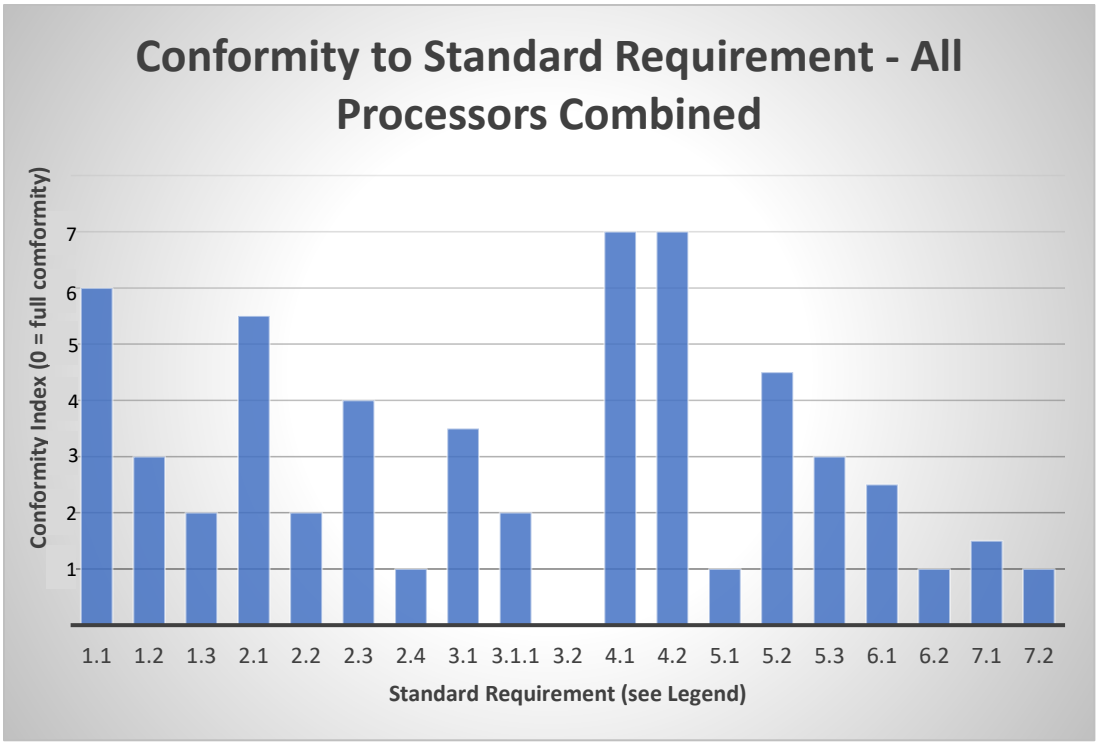
[2] Note that individual processor names are confidential to the public in the reported results such as Table 1. FIP Partners/Participants can request detailed audit results from their suppliers, either through contacting them directly or through sending request to FIP coordination unit (VinaTuna/WWF).

4.2 Identification system for records relevant to FIP products is in place, including the receiving, processing, storage and transaction document (N/A for transaction document when selling FIP product as "non-FIP")													
5. PACKAGE MATERIAL CONTROL													
5.1 The UTC is presented on "Business-to-Business" (B-to-B) packaging material of FIP product to support the traceability of the FIP product from packing case back to product original													
5.2 System to ensure no FIP product packaging material being used for non-FIP product													
5.3 B-to-B packaging material of product that contains more than one batch of FIP product shall be labeled with the details of all relevant UTC and with clear statement about content of each batch (percentage, weight of each batch)													
6. OUTPUT MANAGEMENT													
6.1 System to ensure that only FIP products used in output to fill the order													
6.2 Organization shall have the final check at dispatching the FIP product to prevent error outputting													
7. RECORDS MAINTAINANCE													
7.1 All records relevant to FIP products (input, production, storage, packing, and sale records) maintained for at least 2 years													
7.2 Confirmation of corrections or adjustments on FIP product records													

Legend

	PASS (or N/A)
	MINOR ISSUE
	MAJOR ISSUE
	CRITICAL ISSUE

Figure 1 – Conformity Indices for Individual FIP Traceability Standard Requirements



Legend:

1.1	System to ensure the Product is from FIP source. Documented information of each batch of input raw material shall be detailed in the "Vessel information form", including date of harvest, date and quantity of input, vessel number, harvest area
1.2	System to ensure that the copies of "vessels' documents" are maintained at the facility for any input event of FIP product
1.3	System to ensure that supplied vessels are legal, registered and approved fishing licenses at the supplied time
2.1	System to enable the traceability of FIP Products from the point of receiving to the output, including any interval steps
2.2	A "unique trace-code" (UTC) used for each batch of FIP product on the relevant production records
2.3	Production records for any FIP product detailing the product weight at each production steps where weight is changed (to enable input-output reconciliation of any given period). Conversion ratio of each production step shall be suitable with the relevant product and be comparable with factory history of similar productions
2.4	Documentation of self-calculating mass-balance between input and output of FIP product for at least every 6 months
3.1	Segregation system to ensure that the FIP product is clearly separated to the non-FIP product at any time
3.1.1	Physical segregation at batch level of FIP Product
3.2	No evidence of mixing of FIP and non-FIP products
4.1	Visual identification system on physical for FIP products at any step of handing between input and output
4.2	Identification system for records relevant to FIP products is in place, including the receiving, processing, storage and transaction document (N/A for transaction document when selling FIP product as "non-FIP")
5.1	The UTC presented on "Business-to-Business" (B-to-B) packaging material of FIP product to support the traceability of the FIP product from packing case back to product original
5.2	System to ensure no FIP product packaging material being used for non-FIP product
5.3	B-to-B packaging material of product that contains more than one batch of FIP product shall be labeled with the details of all relevant UTC and with clear statement about content of each batch (percentage, weight of each batch)
6.1	System to ensure that only FIP products used in output to fill the order
6.2	Final check at dispatching the FIP product to prevent error outputting
7.1	All records relevant to FIP products (input, production, storage, packing, and sale records) maintained for at least 2 years
7.2	Confirmation of corrections or adjustments on FIP product records

DISCUSSION

The 13 factory audits illustrated some of the progress that is being achieved in elements of the FIP traceability program, and with the considerable sample size is useful in assessing the relevant prevalence of issues – insight that is helpful in identifying priorities and next steps. By highlighting relative performance of a considerable number of processing plants across all requirement categories, these results are also of significant strategic planning value in that they can suggest where to focus "peer to peer" follow-up interventions (e.g. organizing small mentoring sessions facilitated by VinaTuna/WWF and involving staff from higher-compliance factories working directly with staff from factories exhibiting poorer compliance on a particular requirement). For those processors scoring poorly on specific requirements, these results also provide a solid basis for developing and implementing corrective actions and associated workplans.

Overall, there is strong indication that the outreach and coaching conducted by VinaTuna/WWF since 2017 has led to notable improvements in the quality and effectiveness of FIP trace code implementation at the site level. Identified needs and reforms stemming from the 2017 audit and review appear to have been suitably communicated and understood. While many key gaps remain, the progress witnessed with the three factories that participated in both the 2017 and 2019 audits - and overall outcomes as a whole - suggests that investments in coaching and capacity development are yielding good results.

While some improvements can certainly be widely credited to the situation of the 2018 Yellow Card handed to Vietnam by the European Commission, there is clear indication that awareness, enthusiasm, performance and professionalism related to the implementation of the FIP trace code – through all stages of the processing chain – is rising. Importantly, 100% compliance has been fully achieved in one factory and seven factories have achieved an acceptable level of compliance such that they too may be recognized in the supply chain and market as providing FIP-eligible product (i.e. conditionally compliant). The current situation is ideal for expanding the number of compliant / conditionally compliant factories even further in the next 12 months - all of which supports the goal of expanding the constituency of industry partners, including formal FIP Participants supporting (including financially) the FIP and its various field, technical, outreach and traceability activities.

As evidenced at the three factories participating in both the 2017 and 2019 audits and indicated in many of the other processor results, some key issues and gaps previously documented have been suitably addressed. For example, input information (catch documentation and other trip data, licensing information, etc.) was a major gap across all 4 factories audited in 2017, and generally perceived to be a confounding problem and gap (in both on-site capacity and in terms of legal/policy instruments) across the sector two years ago. It is also evident that the traceability scheme to control FIP product from landing ports until the first receiving point at the processing plant, though still lacking in several examples, has overall improved. It is inferred that this improvement is strongly linked to the heightened attention and response to logbook / Catch Certificate protocols following the EU Yellow card and associated legal documents (e.g Circular 21 on logbook requirements and Decree 26 on Implementation of Fisheries Law) mandating stronger measures for vessel data collection.

Input Controls

There are four key steps to control the inputs of FIP products:

1. Require that the raw material is from eligible FIP source (i.e. is caught in Vietnam by handline vessel).
2. Require that the FIP products being processed and eventually sold into the supply chain are from participating tuna processors that are adopting a FIP trace code protocol.
3. Require product is from a legal vessel with appropriate documentation.
4. Require that processed YFT can be traced to a legally registered Vietnamese vessel granted by MARD, the verification documents made by landing ports officers, logbooks and the catch diary (e.g. NOAA Captain's statement).

As with the 2017 audits, the 2019 inspections confirmed that vessels' documents are generally well maintained by all producers. Control systems for FIP inputs are fully in place for 9 of the 13 factories. Significant deficiencies were confined to those processors that only recently (i.e. within the previous 6 months) joined the program formally, and therefore such poor compliance may not be entirely surprising or unexpected. It was also noted at all inspection sites that the recent (2018-19) reformed policy and legal instruments in response to the EU Yellow Card[3] (and the associated increased engagement of processor management and technical staff in issues related to input data management and documentation) has been a key factor in the across-the-board improvement in the quality and veracity of documentation. 18 of the 19 processors have suitable systems in place to ensure that supplying vessels are legal, registered and have approved fishing licenses.

Following from the Yellow Card response, including a detailed legal Circular (Circular 21) elated to logbook data requirements, portside data collection and increased capacity for monitoring by local authorities, there is comparatively far less ambiguity and much higher awareness related to data collection requirements, as well as the responsibilities of processors to collect and maintain documents (both official and discretionary). However, some minor gaps still exist related to the internal FIP trace code controls (i.e. beyond what may have been required or included in the EU/Yellow Card response), in particular as related to vessel yield data (i.e. summary calculation of total 6 monthly capture weight of each vessel in a verifiable format and making these available for external audits or anytime when needed). While the design of the FIP traceability system appears overall rather effective in ensuring the confirmation of information of "what, when and where?", corrective actions should be implemented as required to address gaps in summary data, cross-checking and verification tools, to fully ensure the elimination of erroneous and/or fraudulent inputs.

Segregation and Identification

Segregation and identification are important requirements in FIP traceability protocol. The segregation system is implemented at any producing steps to control the substitution of different FIP batches, and of FIP and non-FIP products (i.e. as a condition of FIP traceability). The identification system is to support the

segregation system and enable producers and buyers to identify the FIP products and in associated records/documents.

The summary results suggest that - as was the case with the results of the 2017 inspections - the sector has performed relatively well in terms of segregation and identification of products, particularly from the point of receiving onward. Most factories were found to have a system in place that ensures FIP products are separated from the non-FIP product at any time, including segregation at the batch level. Importantly, no evidence was found at any factory indicating mixing of FIP and non-FIP product. However, in addition to some factories still lacking a physical segregation system, in those plants where a physical system does exist, the formal documentation systems varied considerably and are generally not yet standardized (nor do any factories utilize fully electronic trace systems).

Overall, the audit found that internal procedures are effective enough within the processing plant itself, from the point of receiving raw material through to the shipping of finished products. Some producers still have problems of segregation between different batches of FIP products in the preservation phase during peak period, due to a lack of cold storage space. As with input controls (see above), there are still some gaps in vessel data collection and verification in a few processing plants, and this may negatively compromise segregation objectives. This highlights the need to continue working to improve the coverage and veracity of logbooks to ensure the full documentation from the landing port, not merely from receiving at the plant. Given that it is fairly common practice for transport trucks to carry products from more than one vessel/batch, the continued improvement in documentation at the landing port will be critical for the long-term viability and integrity of the FIP trace code program across the sector.

FIP Trace Code UTC

The Universal Trace Code (UTC) contains clear information of FIP identification, Julian date, calendar year, landing port, gear type and requires the producer to combine this list of key data in an obligatory and standardized Product Code (type “A”) with option of an additional, discretionary Internal Code (type “B”) to enable buyer to read and understand the UTC clearly (see Annex 1). During the onsite auditing, it was confirmed that different producers require different information to be reflected in the Internal trace code (e.g. worker teams, shift code, product specification code, client code, packaging code, PO number, etc.).

Thus, as anticipated following the 2017 audits and subsequent follow-up, the Internal Code (“B”) may be designed with more than one character and can be flexibly adjusted on an individual company basis without compromising the veracity and effectiveness of the UTC system. The inspections and interviews confirmed that those companies that are familiar with the FIP trace code (i.e. have been engaged for at least 12 months in training and coaching inputs) have been able to implement the system appropriately and that previously identified issues and questions (e.g. suggestion by some of need for additional “batch number” in the Product Code) have been suitably resolved, allowing for both standardized product coding (essential data) and for individual flexibility (internal coding) to adapt to each company’s specific Quality Management System.

The inspections confirmed that indeed the issue is not particularly about the components of UTC but about the standardized use of the UTC on product labels. On this matter, it is recommended that clear

guidelines are developed and circulated widely to help all companies suitably and consistently denote the UTC on FIP product packaging material with integrity, including:

1. Define the text format, including but not limited to font design, size and color
2. Ensuring that the originally proposed dash ("-") in the middle of each code value which is understood to be *optional* (noting that some companies may have difficulty with the "dash" due to limited availability of stamps with dash ("-") in the market
3. Ensuring a systematic use of any printed QR (barcode) and shared understanding of requirements to be eligible to use a scannable barcode with links to a FIP landing page (i.e. with information about the FIP and the individual company's status in terms of qualifications to provide FIP product)

CONCLUSIONS

Several conclusions can be extracted from the set of 13 audits and following the outcomes of training and coaching implemented from 2017 to 2019.

1. The FIP trace code tool was created with strong industry support and engagement, and is being adapted and applied by a growing number of processors. In principle, it seems to be an appropriate and workable approach.
2. Overall, there is strong indication of notable improvements in the quality and effectiveness of FIP trace code implementation at the site level. Identified needs and reforms stemming from the 2017 audit and review appear to have been suitably communicated and understood.
3. Performance has improved across all elements but is particularly notable in terms of Input Management, Output Management, Records Maintenance, Package Material Controls standardized use of the unique trace code (UTC) and some elements of Mass Balance Control.
4. The implementation of reforms to logbook and other catch documentation procedures in response to the EU Yellow Card appears to have been a significant positive factor in the improvements noted. However, enhanced performance was noted in many categories – including those not directly influenced by the new legal measures and enhanced capacity following the Yellow Card. This suggests that managers and staff at the processing plants have increased considerably their awareness about the FIP trace code, with many factories displaying a relatively sophisticated understanding and professional aptitude as related to implementation of the FIP code program and its requirements.
5. The agreed co-funding (50%) of the audit costs from all participating processors further indicates the increased support and awareness of the yellowfin tuna processing sector with regards to FIP trace code. This development bodes well for not only the sustainable financing of the FIP (and any subsequent MSC label) but also the long-term integrity and overall quality of the FIP code program.
6. Major gaps are still evident, however, in all but two factories. Only around half of the factories were able to ensure that products are from FIP source with documented vessel and harvest data. Performance was even poorer with respect to visual identification, identification of relevant

records relevant to FIP products is in place, and full traceability through all steps of processing including receiving, processing, storage and transactions. Some aspects of mass balance control (i.e. documentation of product weight at each production step to enable input-output reconciliation of any given period) are lacking, and many plants do not systematically and routinely tabulated conversion ratios throughout internal processing.

7. Not surprisingly, several "new addition" factories (i.e. formally declaring interest in participating in the FIP trace code program within the last 12 months) scored relatively poorly in the audits. Indeed, this was largely expected and the audit process itself was viewed by VinaTuna/WWF as well as the processing companies as a useful endeavor to raise awareness and to provide important insight on gaps and needs for future targeted interventions.
8. It may useful to describe the compliance of the processors across three levels: Fully Compliant, Conditionally Compliant (two or less Major issues) and Non-compliant. Furthermore, factories under "Conditionally Compliant" status would benefit from a clear workplan of corrective actions, providing clear activities, criteria, timelines and deadlines for achieving Fully Compliant status (or risk losing the "conditionally Compliant" status and fall into non-compliance).

RECOMMENDATIONS

1. The FIP Coordination Unit (WWF and VinaTuna) should continue to focus on improving the effectiveness of FIP trace code implementation, and in parallel expand the reach and engagement across the sector.
2. Continued follow-up coaching – targeted interventions, prioritized based on identified strengths/weaknesses
3. Develop a Corrective Action template and implement individual workplans
4. Future targeted coaching and focused engagement with individual processors should also apply "peer to peer" exchanges and training programs, where staff from processors that are fully compliant with a particular standard requirement are teamed with staff from lesser compliant processors, in a pre-competitive and open training environment.
5. Develop a system for classifying compliance and communicating via QR code (market recognition) linked to website information
6. Factories meeting the "Conditionally Compliant" criteria should be given a corrective action workplan, with a strict timeline of maximum 12 months in order to rectify issues, or risk being de-listed as a "recognized" FIP fish provider.
7. The program must also address the potential counterfeit use of the trace code, and document any current misuse, in cooperation with FIP Participants, through use of industry advisories and verification activities etc. to the extent possible.
8. There is a need to clarify requirements for audit frequency (i.e. 12 months) and agree with domestic processors regarding co-financing, including a transition to 100% processor-supported audits within an agreed timeframe.

ANNEX 1 – FIP Unique Trace Code (UTC)

A key element of F4F traceability is a unique trace-code (UTC) proposed to be used for each batch of FIP product on the relevant production records to enable the tracing and tracking of the FIP product in any stage of the supply chain (see Annex I for details on FIP trace code structure and protocols). The key elements of the trace-code include: species identifier (i.e. yellowfin tuna); Julian date; letter codes denoting year, port, and gear (i.e. longline or handline[4]); and sequence number (truck sequence delivery on date).

A hypothetical example of the UTC is as follows:

FI-207-271-6-07-1

- "FI" represents "yellowfin tuna from FIP"
- "207" represents the company (processor) code
- "271" represents the Julian date
- "6" represents the calendar year (i.e. 6 = 2016)
- "07" represents the port code (i.e. 07 = Hon Ro port)
- "1" represents gear type (i.e. 1 = longline)

[4] This will be revised from 202o due to change in FIP unit of certification to Handline.