

MATERIALITY ASSESSMENT

EPA and DHA Omega-3 Oils

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GOED



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Introduction

GOED is a membership-driven association representing the EPA and DHA omega-3 industry with over 200 members from around the world. GOED is committed to the sustainability of the industry and, as such, in 2023 commissioned a “horizon scan” report to research and explain more than 20 environmental, social or governance trends that will become increasingly important to the category (1). This materiality assessment report builds on this work.

Today, it's incontrovertible that instituting a sustainability strategy is good for business. Alongside delivering a wide range of environmental and social benefits, sustainability gives businesses a license to operate, drives greater prosperity and ensures businesses adapt and thrive in the long term.

Many EPA and DHA omega-3 companies have integrated environmental, social and governance (ESG) factors into their businesses, and many others are eager to adopt best sustainable practices. However, embedding sustainability in businesses operation and cultures is not always that easy. Changing business models needs to balance what is often referred to as the 3Ps of sustainability—People, Planet, and Profit, also often referred to as the triple bottom line. A company may not be able to address every ESG (environmental, social and governance) issue, such as those in the Horizon Scanning report. For practical and effective implementation of sustainable practices, it is important to analyse and identify those issues that are most important for a company or the sector as a whole and design sustainability strategies accordingly. This is where a ‘materiality assessment’ can help.

This materiality report is based on consultant insights, an online questionnaire (31 responses), and interviews with 15 stakeholders (both internal and external),



specifically chosen for their range of experience and perspectives on the list of material ESG issues. A visual showing the results of this materiality assessment can be found on page 8 of this report. The top six key material issues identified are explained in further detail on page 10. The report also explains in further detail how each of these opportunities could be addressed. Finally, a set of recommendations and next steps for GOED is listed. Comments and feedback on this report are welcome.

For the purposes of this work, omega-3 oils are defined as an oil containing EPA and/or DHA as an ingredient for inclusion in a consumer product including dietary supplements, fortified foods and beverages, infant formula, pharmaceuticals, medical foods/clinical nutrition and pet foods. The report excludes oils used as ingredients for feed in aquaculture or livestock/poultry production, as well as products that contain only alpha-linolenic acid (ALA), an omega-3 fatty acid derived from vegetable sources. Specific attention is given to EPA and DHA omega-3s from marine sources (including fatty or oily fish, fish body or liver oils, marine crustaceans such as krill), marine microorganisms such as algae, and plants that have been modified to produce EPA and DHA.

What is a Materiality Assessment?

Materiality assessments are formal exercises aimed at engaging stakeholders to find out how important specific environmental, social and governance (ESG) issues are to them. The insights gained can then be used to guide strategy and communication and help tell a more meaningful sustainability story. The results of materiality assessments can help individual businesses and GOED identify risks and opportunities and support decision-making on where to focus limited financial and human resources. They can also be used to prioritise key issues for public reporting and within wider communications strategies.

According to sustainability reporting standard body the Global Reporting Initiative (GRI), the term 'materiality' relates to any topic that has a direct or indirect impact on a company's ability to adhere to social and environmental needs, maintain economic value and engage key stakeholders (2).

Managing ESG risks and opportunities is an important and growing concern for GOED members. Increasingly, customers, governments, investors and civil society organizations want confidence that the sector understands how the operating context is evolving and that GOED members can have a positive impact on people, planet and profit. Identifying and managing ESG issues proactively is a powerful force for good and will ensure the long-term viability of the EPA/DHA omega-3 oils industry for years to come.



Benefits of a Materiality Assessment



CLARITY

A better understanding of the ESG/sustainability context of the EPA/DHA omega-3 oils sector



FOCUS

Ensures that the industry can focus on the key priority issues for which a real difference and impact can be made



TRUST

An increase in trust and engagement with key stakeholders



CONFIDENCE

An opportunity to improve the sector's sustainability and be a stronger force for good



KNOWLEDGE

To have knowledge, to take meaningful next steps and realize sustainability opportunities



RESILIENCE

The ability to foster resilience against potential risks and threats to the sector

The Materiality Process

Issue Analysis	Using the insights gleaned within the 2023 Horizon Scanning Report, the extensive trends database used by project consultants and selected industry literature and peer reports, an initial list of 25 ESG issues was identified by the Tasting the Future and GOED teams. This formed the basis of the subsequent stakeholder engagement exercise, and matrix development.
Stakeholder Engagement	Interviews were conducted with GOED members and external stakeholders, specifically chosen for their range of experience and perspectives on the list of material ESG issues. GOED members included representation of different parts of the EPA and DHA omega-3 value chain and from a wide range of geographic locations. We also selected businesses that were at different stages of their sustainability journey. External interviews, using insights from interviews conducted in 2023 and further interviews completed in 2024, were also completed.
Generating the Matrix	<p>To generate the matrix, a variety of different sources were used, and each were individually weighted to reflect the appropriate level of importance to GOED and the EPA/DHA omega-3 oils sector:</p> <p>Y axis (importance to external stakeholders): Consultant insights, interviews with external stakeholders, analysis of company reporting and regulations, external reports and social media.</p> <p>X axis (importance to the EPA/DHA omega-3 oil sector): Online surveys, interviews with GOED members supplemented by a short review of industry reports and insights.</p>



List of Material Issues

25 ESG issues which were used as the basis of GOED's materiality exercise



ENVIRONMENTAL ISSUES (E)

Environmental responsibility companies have and how they manage their environmental impacts as stewards of the planet.

1. Climate Change
2. Declining wild caught fish populations
3. Contaminants in the oceans
4. Algal/microbial or plant-based EPA + DHA alternatives
5. Reducing waste via a circular economy
6. Reducing plastic waste: plastic pollution, packaging and fishing gear
7. Sustainable packaging
8. Transitioning to renewable energy
9. Net Zero (including Scope 3 emissions)
10. Regenerative Ocean Fisheries
11. Green distribution networks
12. Sustainable finished product manufacturing



SOCIAL ISSUES (S)

Social responsibility covers a wide range of topics from how companies are fostering people and culture to diversity statistics and community impact.

13. Human rights and safe working conditions in supply chains
14. Public health
15. Promoting ethical and accurate information about omega-3 oils
16. Ingredient transparency/clean label

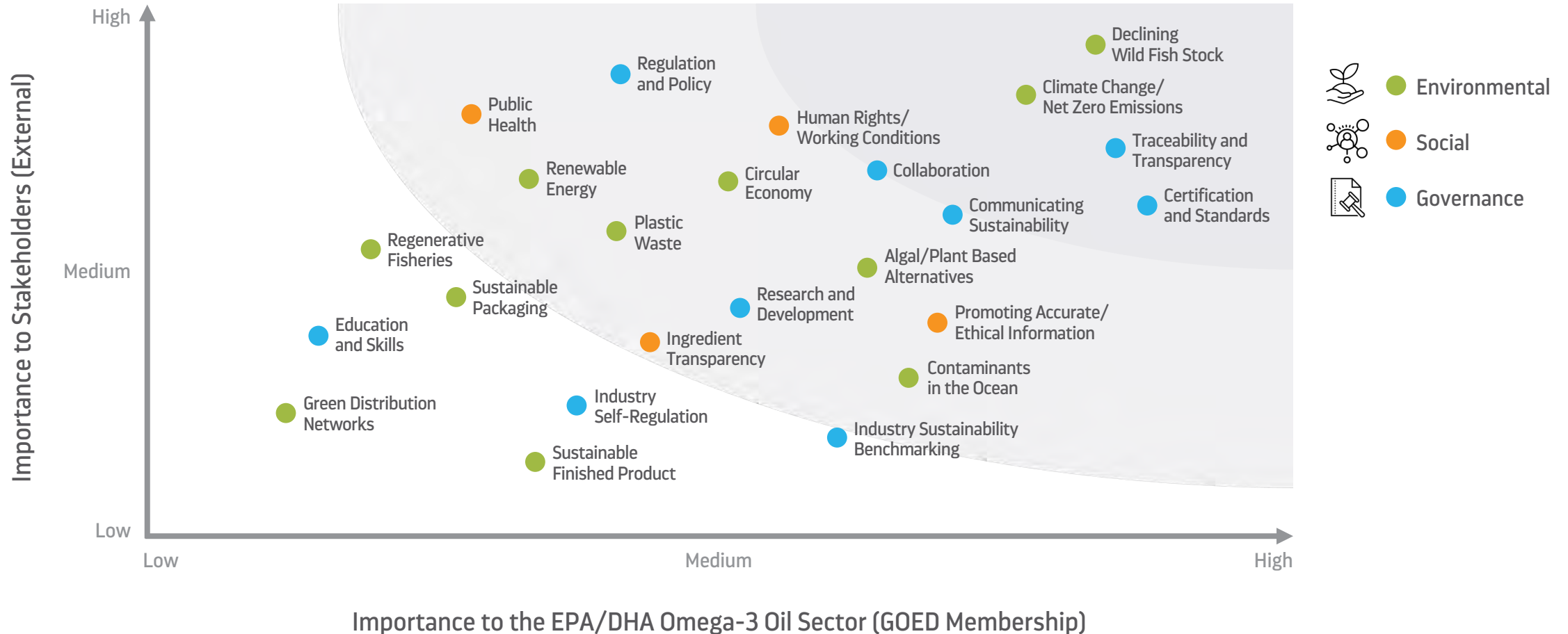


GOVERNANCE ISSUES (G)

Governance covers how companies are directed and controlled—and how leaders are held accountable.

17. Influencing regulation and policy
18. Promoting transparency and traceability
19. Sustainable certification and standards
20. Collaboration with key sustainability stakeholders (e.g., industry, NGOs, regulators, investors)
21. Proactive industry sustainability self-regulation
22. Communicating sustainability (stories, best practices, successes etc.)
23. Sustainability research and development
24. Sustainability education and skills building
25. Omega-3 industry sustainability benchmarking

Sustainability Materiality Matrix



Analysis of Results

An analysis of the materiality matrix shows the priority given to the 25 important issues and their classification into three levels of relevance: high, medium and low. Different degrees of urgency were attributed to these categories for implementing specific strategies, plans and projects—those that require urgent and immediate implementation in the short term and those with less priority. It should be noted that this assessment focuses on issues across the whole EPA/DHA sector, but these will vary according to individual businesses and where they are positioned geographically and within the value chain. There is considerable overlap and interplay between the different issues identified and climate change/net zero emissions were combined following feedback from stakeholders.

The hierarchy of the issues analysed in order of importance is found in the table opposite.



PRIORITIZATION	MATERIAL ISSUE	ESG CATEGORY
HIGH RELEVANCE <i>Priority action across the EPA/DHA omega-3 oils sector providing opportunities for GOED</i>	Climate Change/Net Zero emissions	E
	Declining wild caught fish populations	E
	Promoting transparency and traceability	G
	Sustainable certification and standards	G
	Collaboration with key sustainability stakeholders	G
	Communicating sustainability	G
MEDIUM RELEVANCE <i>Important issues to be tackled by the EPA/DHA sector through collaboration</i>	Human rights and safe working conditions	S
	Regulation and policy	G
	Circular economy	E
	Algal/microbial or plant-based EPA + DHA alternatives	E
	Public health	S
	Renewable energy	E
	Plastic waste	E
	Research and development	G
	Contaminants in the oceans	E
	Promoting accurate and ethical information	G
Ingredient transparency/clean label	E	
LOW RELEVANCE	Industry sustainability benchmarking	G
	Regenerative fisheries	E
	Sustainable packaging	E
	Education and skills	G
	Green distribution networks	E
	Industry self-regulation	G
	Sustainable finished product	E

The Top Six Material Issues

1. Declining Wild Fish Stocks

This is one of the sector's most important material issues. Two-thirds of the world's fish stocks are either fished at their limit or overfished. Even though omega-3 fisheries may practice sustainable harvesting, this represents the most significant risk to the sector given most EPA/DHA omega-3 oils are sourced from finite marine sources. It also presents the most significant opportunity for industry action.

2. Climate Change/Net Zero Emissions

Warming oceans lead to ocean acidification and oxygen depletion, which will have significant consequences for the quantities, composition and distribution of fish stocks. An industry-wide approach to tackling greenhouse gas emissions (including more difficult scope 3 emissions) and leading by example was prioritized by external stakeholders and GOED members.

3. Traceability and Transparency

Generating and communicating data about the origin, composition and sustainability (e.g., through LCAs) of EPA/DHA omega-3 oils was rated very highly by both external and internal stakeholders. This requires companies to know what is happening upstream in the supply chain and better collaboration at both regional and global levels to share insights, manage risks and to communicate this information to the downstream stakeholders. Human rights are rated as a very important component of this issue.

4. Certification and Standards

This was rated very highly, particularly by external stakeholders interviewed. Using certification and other assurance schemes (e.g., with regards to human rights) can improve credibility and trust with customers, NGOs, investors and other stakeholders. Certification, using and working collaboratively with certification bodies such as the Marine Stewardship Council (MSC), Friend of the Sea, and Marin Trust, also help to address declining fish stocks.

5. Communicating Sustainability

This was rated as highly important, particularly amongst GOED members. With the rise of greenwashing and greenhushing, the practice of downplaying or concealing environmental issues, merely making sustainability claims is no longer enough to win over discerning customers or build the trust with other stakeholders. Communicating stories, best practices, case studies and being open about sustainability impacts and data reinforces the sector's commitment to transparency, traceability and accountability.

6. Collaboration

The ability of GOED and the industry to pull together collaborations to address shared challenges, particularly focused on those most pertinent material issues highlighted within this report, was rated highly by both GOED members and external stakeholders. No one company or organization can tackle key material issues alone. There is a need and opportunity for companies to work in the precompetitive collaborative space on key issues or geographies.



Opportunities and Next Steps for the EPA and DHA Omega-3 Sector

This section of the report explores in further detail the opportunities across the EPA/DHA omega-3 oils sector to address the key material issues contained within the report. This is based on Tasting the Future’s own experience of supporting businesses with their own sustainability journeys, and insights gleaned from GOED members during interviews in an online survey.

- 1. **Tackling declining wild fish stocks: The adoption of and improvements to certification schemes and fisheries standards**
- 2. **Climate change: Net zero and measuring and reducing Scope 3 emissions across value chains**
- 3. **Radical traceability and transparency (including human rights)**
- 4. **Communicating sustainability**

It should be noted that **collaboration**, both between GOED members and between GOED and external partners, will be key to maximizing these opportunities, all of which are based on the prioritized material issues highlighted within this report.

Packaging, reducing waste via a circular economy, local fisheries regulation and ocean contaminants were also highlighted by interviewees as other opportunities for collaboration at a more regional level.



Tackling Declining Wild Fish Stocks: The Adoption of and Improvements to Certification Schemes and Fisheries Standards

Declining fish stocks present a strategic threat to the omega-3 oil sector, which also has a moral and ethical responsibility to ensure the preservation and enhancement of the ocean ecosystems. Sustainable management scores peaked 5–6 years ago but have seen declines in some fisheries (e.g., North Atlantic cod, herring). The following opportunities for action, with a focus on collaborative partnerships/initiatives on certification and standards, were identified:

1. **Build closer relationships with fishery management, certification and research bodies (e.g., MSC, Sustainable Fisheries Partnership, Peru’s National Fisheries Agency).** Many bodies are keen to explore opportunities for close cooperation with GOED, perhaps focusing on fisheries improvement plans within certain vulnerable geographies. Some research and foresight analysis on climate change’s effects on fisheries were also highlighted as key needs.
2. **Joining the Global Roundtable on Marine Ingredients.** The platform runs projects (e.g., LCAs, West Africa fisheries) related to the sustainability of marine ingredients that are highly relevant to the omega-3 oils sector. There are further opportunities to identify other workstreams that are specifically relevant to the omega 3 oils sector.
3. **Developing Specific Fisheries-Based Life Cycle Assessments (LCAs).** Many organisations highlighted that there is a lack of LCA analysis focused on specific fisheries or between different certification standards. There is also a research gap with regard to LCA analysis between certified and



non-certified fisheries, which will provide the sector with a better understanding of the broader climate and biodiversity impacts and benefits of certification schemes (please see page 15 for more information on LCAs).

4. **Supporting continuous certification improvements.** Organizations highlighted the importance of the omega-3 sector working to improve the standards of certification schemes. For example, there are opportunities to commission research into the pros and cons of the different certification bodies, using this data to work with accreditation bodies to push for continuous improvements.

Climate Change: Net Zero and Measuring and Reducing Scope 3 Emissions Across Value Chains

Recognizing the strategic importance and threat of climate change to the omega-3 oils sector, the industry must demonstrate that it is taking action to adapt and mitigate the threats of climate change. Some companies have committed to Net Zero targets and many others have committed to reducing emissions in their value chains. Many companies, despite their commitments, want more industry support, training and target setting (linking with the Science Based Targets initiative (SBTI)) (3) when addressing scope 3 (downstream) emissions. For the omega-3 industry, Scope 3 emissions are particularly significant given the complexity of global supply chains. The following opportunities for action were identified:

- 1. Develop a net zero plan for the omega-3 sector.** With the support of a climate/GHG emissions consultancy and working closely with SBTi, the omega-3 oils sector should consider developing a cross-sectoral climate mitigation and adaptation plan.
- 2. Scope 3 emissions training.** Many members are struggling with scope 3 emissions and often do not know where to start. The need for training to build competence/knowledge on this issue was highlighted as a priority by members. There should be a focus on identifying and categorizing a member's Scope 3 emissions. This includes how to collect data, calculate emissions and set Scope 3 targets. It should also cover practical approaches to implementing the standard.
- 3. Setting company scope 3 targets.** The GHG Protocol is the global standard for measuring Scope 3 GHG emissions. Companies should assess their emissions across their entire value chain. Then they should identify where to focus their reduction efforts.
- 4. Research and communicating the impacts of climate change.** Given that our oceans are particularly affected by climate change, there is a need for a better understanding of how ocean temperatures could impact future fish populations and the availability of omega-3 oils with links to the long-term impacts on human health and sustainability. There is a need for more research on this agenda with opportunities to communicate to consumers and members of the public the threats of climate change to the future availability of omega-3 oils.



OPPORTUNITY 3

Radical Traceability and Transparency (Including Human Rights)

Whilst the materiality assessment treated traceability and transparency and human rights as two separate material issues, stakeholders highlighted the importance and close interrelationships between these two material issues, and hence we have combined them into one opportunity. The following opportunities for action were identified:

1. **Communicating commitments to human rights and safe working conditions.**

Omega-3 oil companies will be increasingly expected to have a comprehensive commitment to protect human rights in their operations and supply chains, with due diligence mechanisms in place so they can identify, assess and act on human rights risks in their supply chains. There are a range of social auditing tools/platforms businesses can use, including SEMTA (Ethical Trade Partnership) (4), for example. Companies should also consider joining the UN Global Compact, which provides tools and resources aligned with the UN Guiding Principles on Business and Human Rights (5).

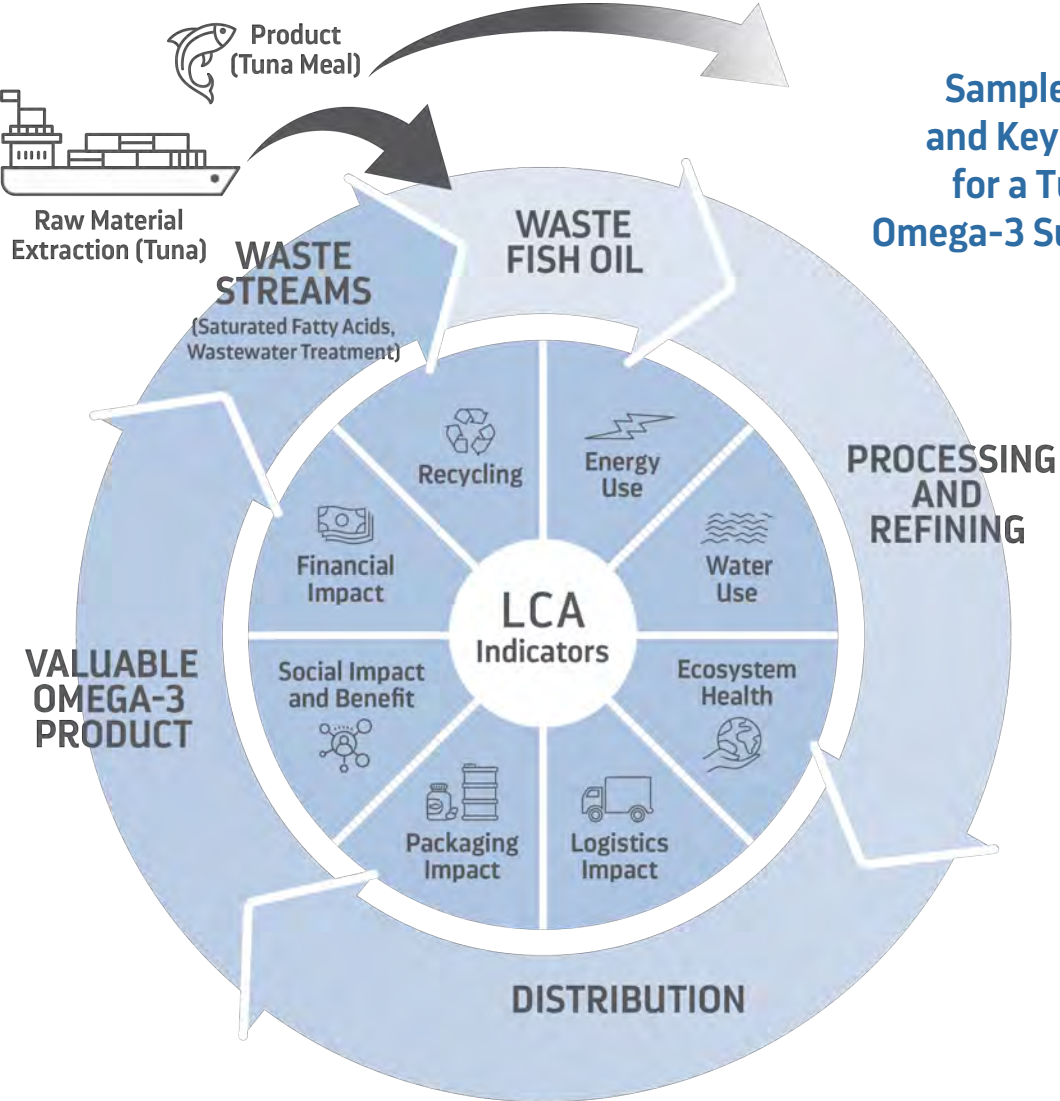
2. **Industry-wide human rights code of conduct.** In cooperation with suppliers of omega-3 oil ingredients, there is an opportunity to develop an industry-wide human rights and safe working conditions code of conduct that sets out minimum expected standards for the industry.



3. **Improving traceability.** The omega-3 oils sector confronts specific challenges, particularly when sourcing from small-scale fisheries or, for example, using by-products from multiple species, which are often collected in one facility. Identifying where all these are sourced can be almost impossible. There is an opportunity for the industry to use Blockchain technologies to address these issues.

4. LCA database, collection and analysis. Collating and sharing an analysis of LCA data from different omega-3 sources and fisheries can improve traceability and transparency in the supply chain. Companies can use omega-3 LCAs to communicate impacts and data to customers, and they could also use them to convey the ESG impacts on specific fisheries. In some cases, LCA methodologies do not include overfishing impacts at all. Furthermore, there is no standardised approach to omega-3 oil LCA methodologies, which means when data are shared (often companies conduct LCAs but do not share data), they are difficult to compare. An industry-wide approach to develop one agreed-upon standardization of LCA methodologies and a cross-industry focus on comparing of LCAs across different ingredients and regions would help the sector to identify and manage ESG hotspots. The feed ingredients sector has started something similar (the GFLI database), which could be used as an example of such an approach (6).

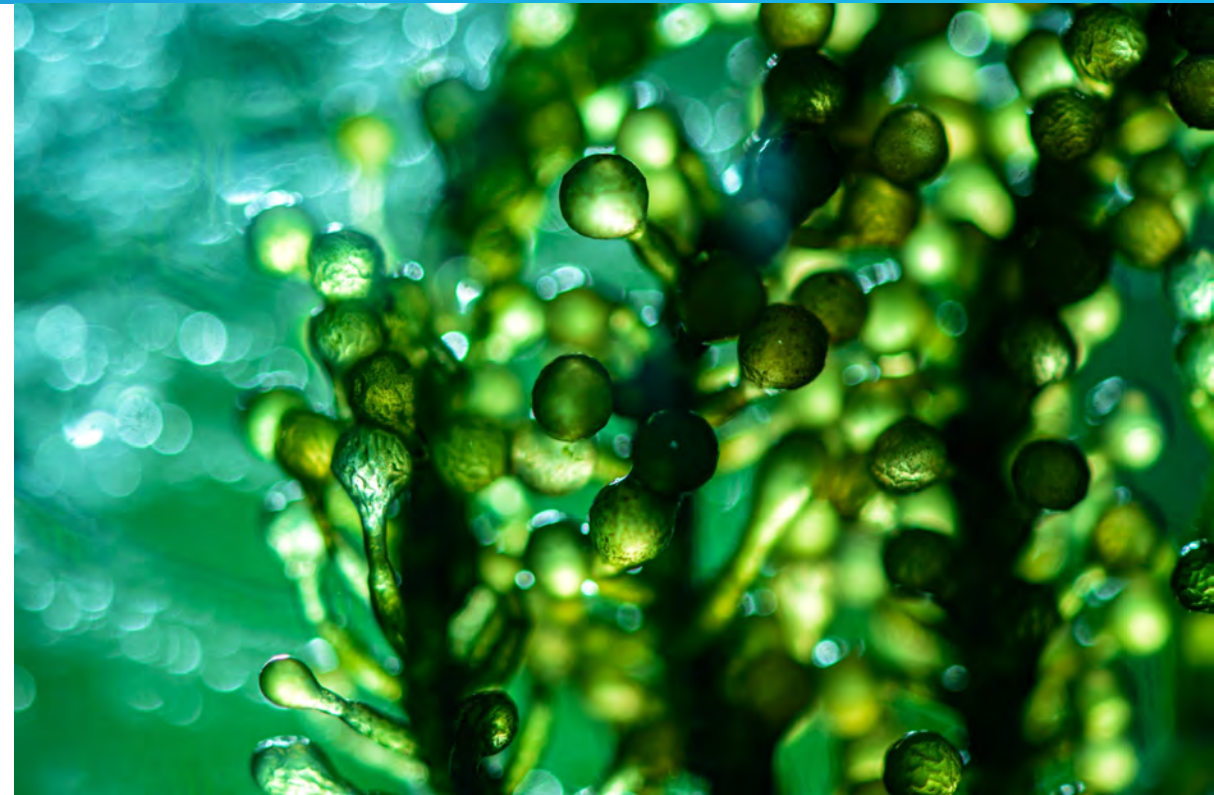
5. Sustainability monograph. Whilst GOED has a voluntary industry monograph for product quality, there may be an opportunity to develop a similar complementary monograph as a baseline for sustainability standards. It could also be used to provide some sustainability tips and guidelines focused on the material issues identified in this report.



Communicating Sustainability

Stakeholders stressed the need for the EPA and DHA sector to improve transparency. They saw a chance to do this through better communications. There are opportunities to improve communication both within the GOED membership and between the EPA/DHA omega-3 oils sector and the wider public. Companies can build trust and credibility with customers by communicating their sustainability efforts. This can lead to increased brand value, improved engagement with external stakeholders, and a deeper trust in the omega-3 oils sector. The following opportunities for action were identified:

- 1. Showcasing best practices.** Effective sustainability communication aligns messaging with tangible actions. There are lots of great examples of sustainability best practices across the EPA/DHA omega-3 oils sector, but often these are not communicated, or where they are, widely disseminated. Stakeholders highlighted an opportunity to develop a comprehensive set of case studies highlighting best practices and top tips and ideas for other companies. These could also be used to highlight the work being undertaken across the sector to external stakeholders and could be placed on the GOED website, for example. There are more opportunities to share these examples across the industry, for example, by developing a set of case studies pointing to solutions or approaches.
- 2. Sustainability dashboard.** A sustainability dashboard can help the omega-3 sector track (and communicate) progress towards sustainability goals. It could include, in a visually engaging way, a short factsheet on each of the



sustainability hotspots, a brief assessment on the sector's work on each hotspot and what more needs to be done. Such a dashboard could enhance the sector's accountability and transparency to the public to build legitimacy.

- 3. Integrating sustainability with traditional marketing.** EPA/DHA sustainability messaging should not exist in isolation; it should form a cohesive part of a broader marketing strategy through market and insights reports, for example. Aligning sustainability with a company's brand core values can create a cohesive narrative that resonates with both new and existing audiences.

Recommendations for GOED

GOED members highly value GOED as a convener on sustainability issues and recognize the important role of the Sustainability Committee as a platform for sharing knowledge and information. There was feedback that GOED could further support members with their own sustainability journeys and catalyse collaboration across the industry to address some of the material issues identified within this report. Based on Tasting the Future's experience and insights from GOED members, several broader recommendations for GOED are listed below. These are in addition to those on pages 12–17.

- 1. Identify and establish collaborative platforms to address key material issues.** GOED is in an ideal position to facilitate the establishment of collaborative sustainability platforms focusing on one or more of the opportunities and material issues identified within this report. Some interviewees said these platforms should focus on material issues relevant to specific geographies (e.g., Peruvian fisheries) or take a global approach. Since many GOED members meet at the GOED Exchange, there is an opportunity to hold dynamic workshops for interested organizations, before or during this or other GOED events. These workshops would scope out the Terms of Reference of each platform. Given limited resources, 1–2 priority platforms could be piloted initially.
- 2. Sustainability training and toolkits.** Given the critical importance of ESG issues for the omega-3 oils sector, it is crucial for organizations to invest in comprehensive sustainability reporting training programs.



Many members felt that GOED could take on an important role in this regard. There are opportunities to offer a more formalized package of training programs and webinars, hosted by GOED and run by specialist topic experts focused on several material topics identified within this report. Members highlighted training on Scope 3 emissions, traceability and transparency, life cycle assessments, human rights and the broader development of sustainability strategies. The use of toolkits and the development of a sustainability monograph was also recommended, particular for members starting out on their sustainability journey.

3. **Developing a sector-wide voluntary code of best practice.** The development of voluntary codes of practice can enable the sector to keep ahead of government regulation, enhance industry license to operate and support members who are at the start of their own sustainability journey. Codes of practice, for example focusing on supply chain management, can provide phased approaches to improved performance and set a minimum performance standard for the sector.
4. **Collaborative research partnerships.** GOED already has close working relationships with several key external partners. Using these foundations, there are opportunities to deepen these relationships through the establishment of, for example, specific research partnerships. There are specific opportunities around developing new science and evidence regarding the impacts of climate change on vulnerable fisheries, an analysis of the impacts of different certification schemes (benchmarking), and LCA modelling of different EPA/DHA omega-3 oils.
5. **Communication and transparency.** As already highlighted in this report, many organizations emphasize the invaluable role GOED could play in sharing sustainability stories and successes, both among the GOED membership and with a broader audience. There are opportunities for the development of a set of case studies, testimonials and examples of good practice, distributing these via GOED and members' websites, for example.
6. **Updates to materiality assessment.** It is worth considering updating this materiality assessment every 2–3 years to ensure that it remains relevant to both external stakeholders and the rapidly changing world (changing regulation, consumer expectations etc.) in which the EPA/DHA omega-3 oils sector operates.



Conclusion

It is hoped that the outputs of this materiality assessment and the qualitative feedback provided by stakeholders will provide further impetus for companies working across the EPA/DHA omega-3 oils sector to explore opportunities to collaborate to tackle some of the six material issues identified within this report. There is a real opportunity, with the support of GOED as a neutral and independent convenor, for the GOED membership to establish 1–2 collaborative platforms and/or working groups to identify opportunities for action.

Collaboration with internal and external stakeholders is essential for achieving sustainability because it allows organizations to share resources, pool knowledge and work together to address complex challenges, such as Net Zero or a unified approach to LCA analysis, which no one organization can tackle alone.

For individual companies conducting individual materiality assessments, reflecting their own position in the EPA/DHA omega-3 oils value chain and their unique geographical challenges is a great way to align sustainability efforts with stakeholder expectations and regulatory demands by identifying and prioritising critical environmental, social and governance issues.



“Surely it is our responsibility to do everything within our power to create a planet that provides a home not just for us, but for all life on Earth.”

—DAVID ATTENBOROUGH,
BROADCASTER AND BIOLOGIST

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Blackmores	Golden Omega	Naturals
Copeinca	LYSI	Olvea
DSM—	Marine	Sustainable
Firmenich	Stewardship	Fisheries
ED&F Man	Council	Partnership

The views, opinions or recommendations within this report are not necessarily the views of the people who were interviewed.



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