



SANFORD

ANNUAL REPORT
- 2016 -



UNCOMPROMISING



CARE

An iceberg has up to 90% of its mass hidden beneath the waterline, making it unpredictable and therefore challenging to navigate. Perfection above the water – our vision – is just the tip of the iceberg. Care, Passion and Integrity drive the performance that makes up the massive but unseen bulk beneath. We aim to provide greater transparency about our business, and with that a better understanding of the path we are on.

For twenty years we have fished in a small part of Antarctica's Ross Sea during the summer and respectfully admire this pristine environment. The recent agreement negotiated through the Commission for the Conservation of Antarctic Marine Living Resources for the world's largest marine protected area is a milestone in international cooperation and stakeholder inclusion and we congratulate New Zealand on driving this initiative successfully over many years.

From the depths of the ocean to delivering beautiful seafood on the plate, we consistently assess, analyse and apply improvements to be the best we can be. This requires a level, considered approach to how we ensure we keep our oceans healthy, protect our environment and our people, build sustainable communities and partnerships and a business that leads the way in healthy food.

UNCOMPROMISING CARE

FOR OUR



OCEANS

ENVIRONMENT



PEOPLE



COMMUNITY



BUSINESS



FOOD







WELCOME

As New Zealand's largest fishing quota holder and a substantial participant in our country's aquaculture industry we are naturally obliged to look beyond mere extraction of resources.

When Albert Sanford bought his first fishing vessel back in 1864 to fish the Hauraki Gulf near Auckland, and soon after started selling his fish through outlets around the city, he must have felt as passionate about our beautiful seafood and its tremendous potential as the 1,548 Sanford colleagues do today, almost one and a half centuries later.

Creating value with such a precious resource requires uncompromising care. For us, the ocean is a living environment; we don't utilise it and move on, but farm it in a way that enables long term returns.

We understand our responsibility in ensuring everlasting outcomes and go about it with integrity, whether we work on land or at sea, come to the office every day or spend three months at a time on a vessel in the Deep South.

We believe in the great value that the New Zealand provenance provides and will contribute to preserving the positive image of our country, its caring people, rich diversity and Kiwi ingenuity, whilst striving to become the best seafood company in the world.

This is our commitment to building the foundation for the next century and a half.

Thank you to all our Sanford people for your significant input into making our company a better place.

Achieving Sustainability: Our Performance Outcomes



LEADING THE WAY IN HEALTHY FOOD

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Supply chain



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Endangered, threatened and protected species



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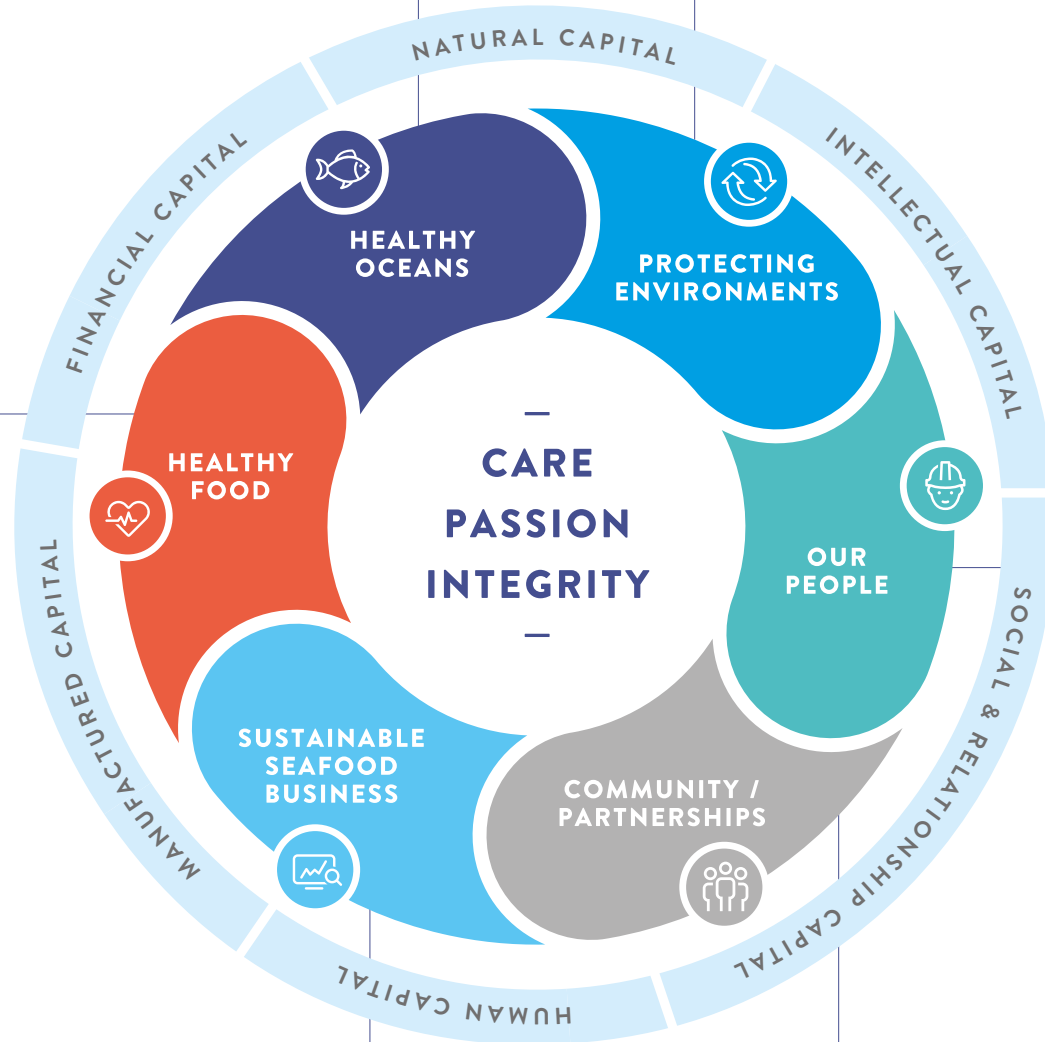
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ENABLING ZERO HARM AND GREAT PROSPECTS FOR OUR PEOPLE



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BUILDING A SUSTAINABLE SEAFOOD BUSINESS

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SUPPORTING ENDURING COMMUNITIES & PARTNERSHIPS



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INTRODUCTION

ABOUT THIS REPORT

Welcome to Sanford's 2016 Annual Report – **UNCOMPROMISING CARE.**

Here we set out our vision and journey. Our overall vision is large. Our 2025 performance aspirations are ambitious.

Full and transparent reporting lifts our performance and with the best available international frameworks we strive to set a high standard, both across and beyond Sanford.

Our vision is to be the best seafood company in the world. The values we need to deliver on this vision are Care, Passion and Integrity.

This, our third integrated Annual Report, focuses on Care. Uncompromising Care in everything we do, from ensuring healthy oceans, protecting our environments, enabling our people and supporting enduring communities and partnerships to a sustainable business that produces healthy food.

This Report is our authentic report to you, our stakeholders, on how we are delivering on that care. We always strive to do what's right, but sometimes we need to do better still. Our intention is that this Report shows how Care drives everything we do. Every day. Everywhere.

REPORT STRUCTURE

This Report is our value creation story. It presents our strategy and business model for the year ended 30 September 2016, how we performed, the value we created and our plans for the future. The Report focuses on what matters most to our stakeholders and our business, namely the material issues, in the short, medium and long term.

To provide a business context, we start by outlining our global presence – the many places where we operate. We then set out our business model, illustrating the processes by which we create value.

The Chairman and CEO review, *Building Momentum*, highlights our performance in 2016, our challenges and our future focus, on pages 12-15. In *Reporting What Matters*, on pages 18-25, we set the scene for the

diverse range of stakeholders we touch and how we engage on what matters most to them, as identified through our materiality and enterprise risk processes.

Our strategy is based on four business focus areas: Value, Brand, Quality and Innovation. This year, we have used these focus areas to inform our new Business Excellence Framework, which is made up of six outcomes. These are the basis of the six performance chapters presented in this report:

- Sustainable seafood business
- Great prospects for our people
- Leading the way to healthy food
- Ensuring healthy oceans
- Enduring communities and partnerships
- Protecting and enhancing environments

Each of these chapters starts with the global context, showing how we contribute towards achieving the United Nations (UN) Sustainable Development Goals (SDGs). The related material issues and value creation are then presented, focusing on what matters most to our stakeholders and the business, alongside progress against our 2016 targets. Case studies and achievements bring our reported data to life, describing our challenges and achievements. Each chapter concludes with a 'future focus' setting out our targets for 2017 and beyond, moving us towards our 2025 aspirations and ultimately our vision.

Our key performance indicators are documented from page 134, and our financial statements from page 139.

OUR BUSINESS EXCELLENCE FRAMEWORK

Our Business Excellence Framework enables us to take a holistic and longer term view that will position us to deliver on our vision to become the best seafood company in the world. It provides a structured and considered approach to enable value creation across our business.

The strength of this approach lies in its ability to align our operational processes with our long term vision. The framework enables each part of our business to roadmap the process and outcomes to achieve our vision, by setting measurable targets towards achieving each goal in each performance outcome area.



Building a sustainable seafood business

We will deliver sustainable, profitable and socially beneficial outcomes through our sector leadership and role in creating a more innovative and sustainable business, and effective risk management strategies.

Enabling zero harm and great prospects for our people

We will maximise the prospects of our people by making 'Zero Harm' a key priority, offering meaningful opportunities for continual learning and development, and living our values to ensure we become an employer of choice.

Leading the way to healthy foods

We will lead the way in driving sustainable performance across our value chain, and positioning our brand as the industry partner and supplier of choice.

Ensuring healthy oceans

We will lead by example in healthy ocean management, so that future generations can enjoy and benefit from our biologically diverse, safe, healthy and dynamic oceans.

Supporting enduring communities and partnerships

Our leadership in creating employment and skills opportunities, coupled with our understanding of the needs of our communities and partners, ensure we deliver a significant and positive contribution everywhere we work.

Protecting and enhancing environments

We will work with our people, customers and suppliers to lead the way in maximising resource utilisation, minimising our footprint and protecting the environment wherever we operate.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We are an early adopter of the UN SDGs here in New Zealand, exploring where we can make the biggest difference. As a starting point, we have identified the eight SDGs to which we can contribute the most, and have aligned these with the six performance outcomes of our Business Excellence Framework.

HOW SANFORD CONTRIBUTES TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

UN Sustainable Development Goal	Sanford contribution through performance outcomes
 UN SDG 3 Good health and wellbeing	 Great prospects for our people
 UN SDG 4 Quality education	 Great prospects for our people
 UN SDG 8 Decent work and economic growth	 Sustainable seafood business
	 Great prospects for our people
	 Enduring communities and partnerships
 UN SDG 9 Industry, innovation and economic growth	 Sustainable seafood business
 UN SDG 12 Responsible consumption and production	 Leading the way to healthy food
	 Protecting and enhancing environments
 UN SDG 13 Climate action	 Protecting and enhancing environments
 UN SDG 14 Life below water	 Ensuring healthy oceans
	 Leading the way to healthy food
 UN SDG 17 Partnerships for the goals	 Enduring communities and partnerships

VALUE CREATION: THE SIX CAPITALS

This year we are starting to explore in more detail the value we derive from the six capitals as shown on the diagram on page 5. Value creation in any one performance outcome, as set out in our Business Excellence Framework, will typically create value across more than one of the six capitals.

As this Report goes on to show, Sanford has increased its financial, manufactured and intellectual capital over the last year, with increased revenue, new vessels, upgraded onboard monitoring, aquaculture and

land-based technologies and considerable progress in our innovation activities. In the process, we have built our social and relationship capital as we work more closely with our stakeholders and the communities where we operate. We have also seen a significant gain on our invaluable human capital – the individual people who make Sanford what it is. In addition, we aim to make sure that everything we achieve will make a contribution to growing the natural capital that supports our business, as well as many others, for the long haul.

REPORTING FRAMEWORKS

This Report has been developed in accordance with the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> Framework. The Global Reporting Initiative (GRI) G4 Guidelines were applied to a core level of compliance, providing a picture of how we have created value. The GRI index is provided on page 185.

Unless otherwise indicated, the Report covers performance from all operations. Where specified, this includes North Island Mussels Limited and Weihai Dong Won Food Company, operations in which Sanford has a 50% interest.

Any changes or restatements of previously reported figures are identified throughout the Report. Unless otherwise stated, financial data is presented in New Zealand dollars.

At the request of the Chief Executive Officer and the Board, we engaged KPMG to provide independent assurance of this Report. For details of the assurance please refer to page 182 covering the statutory financial information, and pages 136-137 for all other elements. Our Report is also available online at www.sanford.co.nz. We welcome your feedback to help us improve our Report next year by emailing info@sanford.co.nz.

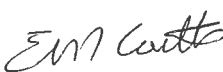
This Report was authored and produced by Sanford’s management team and has been reviewed by our executive team. The final Report has been signed off by Volker Kuntzsch, our Chief Executive Officer and the Board, as a true and accurate picture of our value creation during the year.

The Directors are pleased to present the integrated Annual Report of Sanford Limited for the year ended 30 September 2016.

For and on behalf of the Board of Directors:



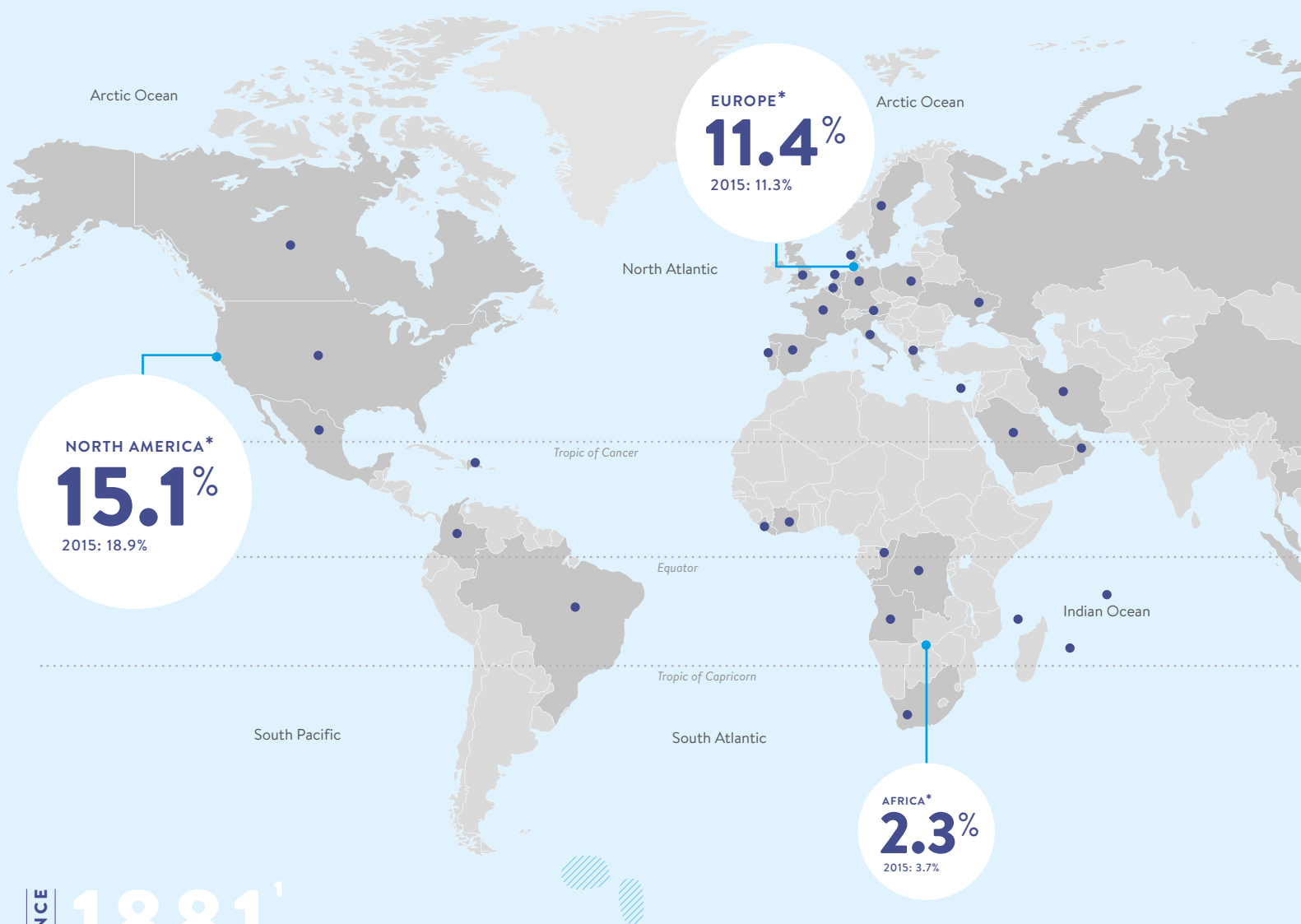
P G Norling CHAIRMAN
16 November 2016



E M Coutts DIRECTOR
16 November 2016

OUR GLOBAL OPERATIONS

- A GLOBAL PRESENCE -



SINCE 1881¹

Steeped in history dating back to 1881, Sanford is proud of its roots and the growth achieved in its more than 130 years as a seafood company delivering a diverse range of quality products to our discerning customers nationally and globally. Sanford’s vision is to be the “Best Seafood Company in the World”; a vision supported by its

dedicated team of over 1,500 staff, all of whom share the company’s core values of Care, Passion and Integrity. Sanford’s 23% ownership of New Zealand’s quota, 210 aquaculture farms and 50 vessels positions the company as New Zealand’s largest integrated fishing and aquaculture business.

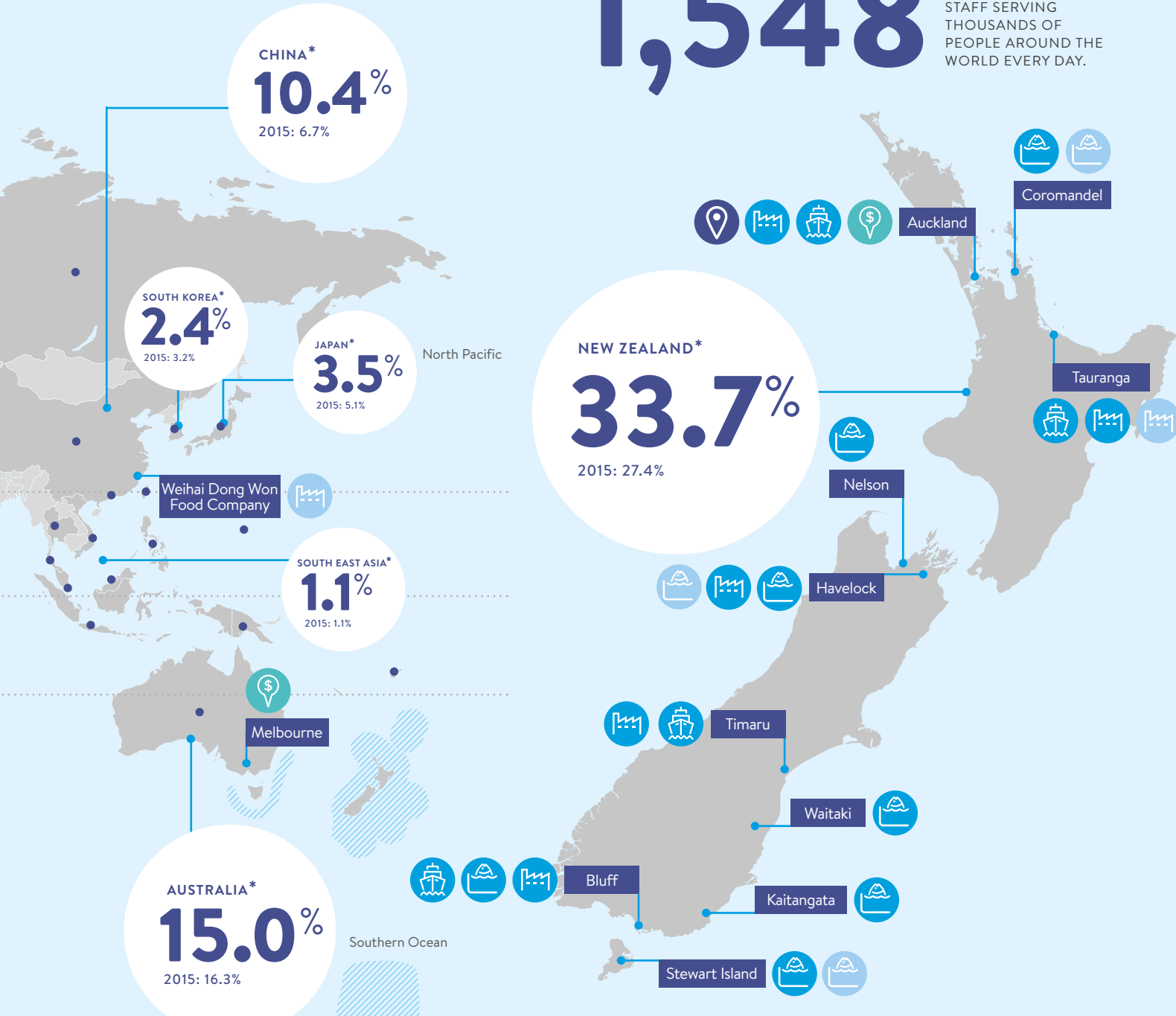
The company’s geographical operational spread spans New Zealand from Stewart Island to Auckland, with our international operations including Melbourne, Australia and Weihai, China. Sanford annually ships more than 3,324 containers of its products globally, reaching every continent in the world.

¹ Date of acquisition of first Sanford business premises on Federal Street; Sanford was formed into a limited liability company in 1904.

1,548



STAFF SERVING THOUSANDS OF PEOPLE AROUND THE WORLD EVERY DAY.

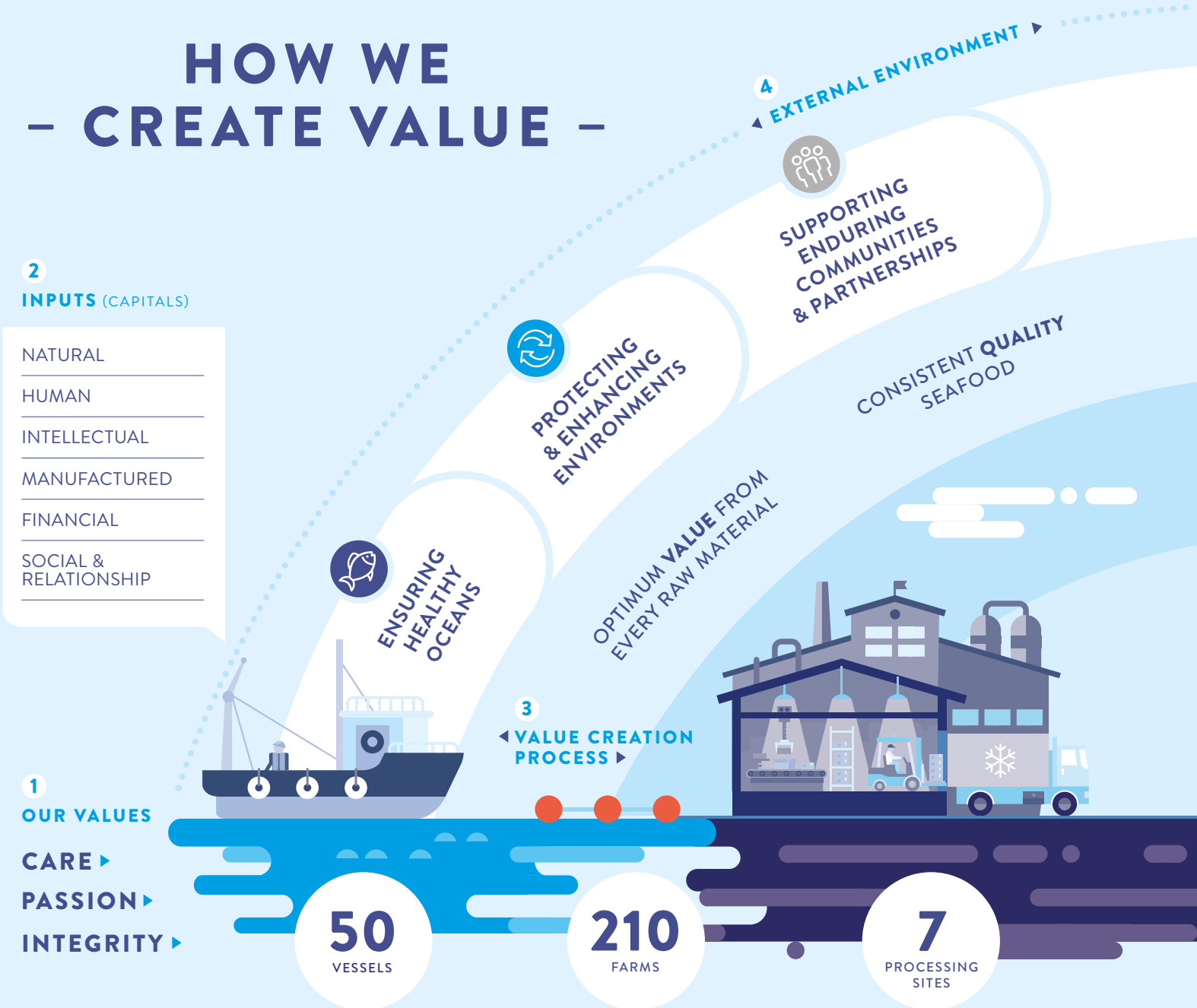


KEY

- Processing
- Aquaculture
- Fishing
- Fish Market
- Processing Joint Arrangements
- Aquaculture Joint Arrangements
- Head Office
- Fishing area
- Top 50 Export Countries
- * Percentage of continuing operations revenue from top nine geographical locations

OUR BUSINESS MODEL

HOW WE - CREATE VALUE -



1
OUR VALUES
CARE ▶
PASSION ▶
INTEGRITY ▶

1. VALUES

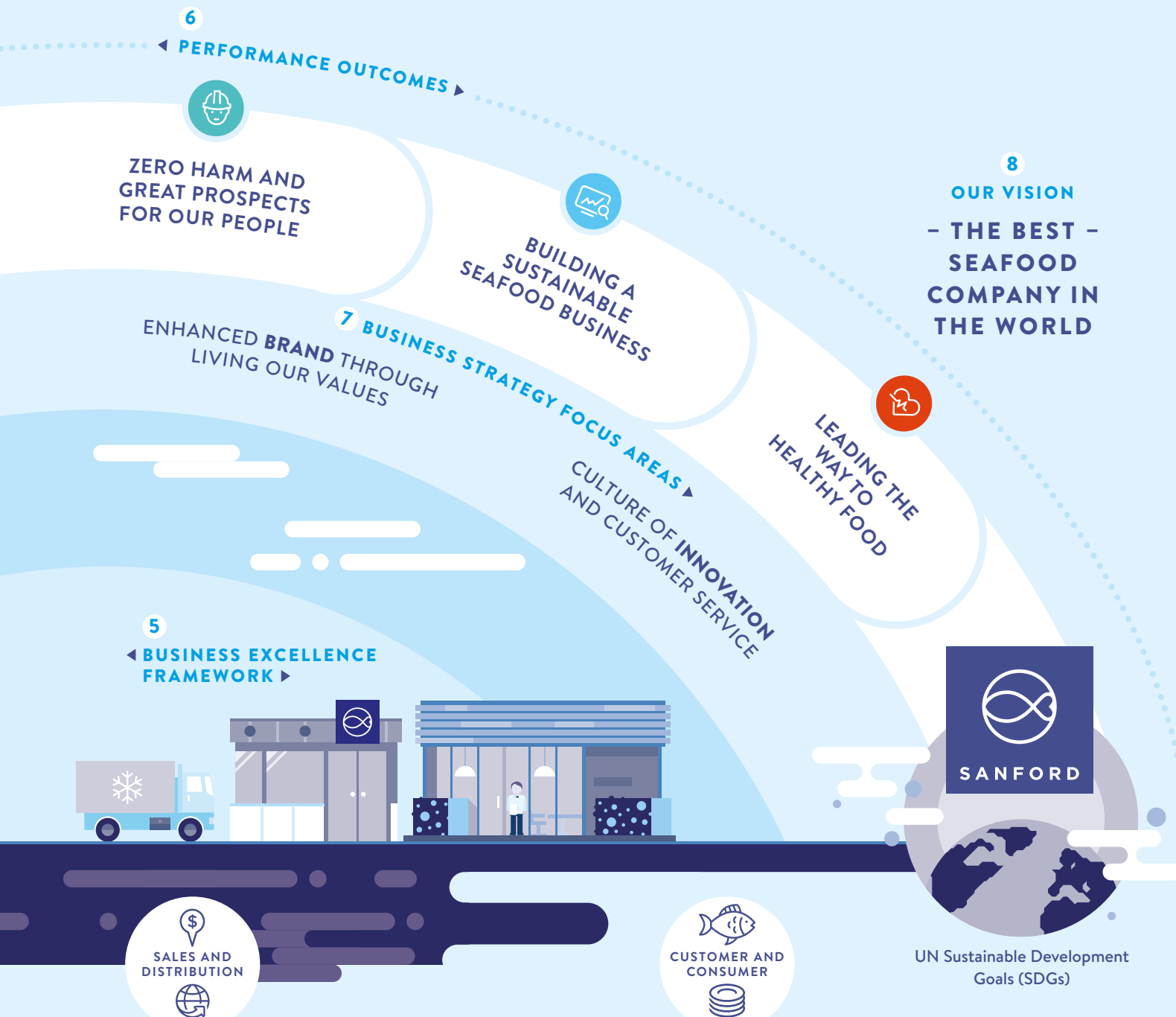
Our **VALUES** inform everything we do. Through living our values of Care, Passion and Integrity we protect the environment in which we work and enhance engagement with our communities. These values are fundamental to us achieving our vision to be the best seafood company in the world.

2. INPUTS

The business relies on the **SIX CAPITALS** as inputs to its value creation process. They are: natural capital (e.g. healthy oceans), human capital (e.g. aquaculture farmers), intellectual capital (e.g. innovative thinking on new fishing techniques), manufactured capital (e.g. processing plant), financial capital (e.g. profit and re-investment) and social and relationship capital (e.g. community engagement).

3. VALUE CREATION PROCESS

The **VALUE CREATION PROCESS** is how we do business. We use a wide range of inputs from across the six capitals to successfully fish, farm, harvest and sell our products. In doing so, we create value for the business and our stakeholders, while enhancing the six capitals.



4. EXTERNAL ENVIRONMENT

Our value creation process is impacted upon by the **EXTERNAL ENVIRONMENT** in which we operate, which includes economic conditions, technological change, societal issues and environmental challenges, and specific to Sanford, the risks detailed under *Reporting What Matters* refer page 24.

5. BUSINESS EXCELLENCE FRAMEWORK

Through the value creation process, by successfully navigating the external environment through our **BUSINESS EXCELLENCE FRAMEWORK**, we are able to harvest, supply and distribute beautiful New Zealand seafood to customers around the world.

6. OUTPUTS

We have identified **SIX PERFORMANCE OUTCOMES** (refer page 5) to address our material issues and create value. If these outcomes are achieved through our **BUSINESS EXCELLENCE FRAMEWORK**, we will fulfil our vision. We use these outcomes to drive our value creation process.

7. BUSINESS STRATEGY

Sanford's **BUSINESS STRATEGY** is informed by the Business Excellence Framework. As we deliver on the six performance outcomes, we will also grow the six capitals (inputs) and support progress towards the United Nations Sustainable Development Goals (SDGs). Together with our focus on **QUALITY** and **INNOVATION**, this will enhance our **BRAND** and optimise our **VALUE**.

8. VISION

Through this approach, our vision is to become the **BEST SEAFOOD COMPANY IN THE WORLD**.

CHAIRMAN AND CEO REVIEW



—
**BUILDING
 MOMENTUM**
 —

Paul Norling
 CHAIRMAN

Volker Kuntzsch
 CHIEF EXECUTIVE OFFICER

2016 IN REVIEW

The diversity of challenges within the wider seafood industry and our desire to further progress our ambitious vision signified we would face yet another busy year at Sanford. We embarked on our 2016 financial year with the emphasis on creating more value for every kilogram of raw material we harvest from New Zealand's exclusive economic zone, the Ross Sea and South Georgia. The company performed well and delivered a significantly improved result compared to the previous year.

We are therefore pleased to report that our Net Profit after Tax (NPAT) increased to \$34.7m for the 2016 financial year, a +152% improvement from NPAT of \$13.8m in 2015. Reported Earnings Before Interest and Tax (EBIT) for the year is \$57.7m, after impairments and a one-off restructuring cost of \$5.6m, being mainly attributable to the sale of the last remaining international skipjack tuna purse seiner, the *San Nikunau*, in a depressed market environment. This EBIT performance is an improvement of 86% on prior year's comparative earnings of \$31.1m from revenue of \$463.5m (2015: \$450.3m).

Total sales volume for the year of approximately 82,500 metric tons is 11.1% down on 2015, mainly due to the discontinuation of the skipjack tuna fishing operation in the Western and Central Pacific region and the conscious decision to limit catches of pelagic species, e.g. mackerel, during periods of reduced demand for these commodity species.

The USD continued to move in our favour overall, but as we were utilising existing hedges we remained at a higher level than the average spot rates throughout the year. This was partially offset by the weaker AUD and JPY compared to last year.

Cash flow from operations was positive at \$34.4m but the Board agreed to undertake some upgrading of our fishing fleet where we have invested \$27.8m into acquiring two fishing vessels, the *San Granit* (as advised in last year's Annual Report) and the *San Aramand*. These vessel acquisitions were considered a necessary enhancement of our catching capacity. Timing of sales has also impacted our working capital at year's end, but this will quickly recover.

The increased return per kilogram (kg) of product is partly due to the improved product mix resulting from a smaller proportion of lower value pelagic species. More importantly though, key initiatives encompassing 'Focus on Fresh', strategic procurement projects, operational efficiency improvements and changes to our supply chain processes have yielded excellent value, leading to an EBIT improvement of 45.7% per kg of greenweight raw material.

The 'Focus on Fresh' is our interpretation of adding value to New Zealand's marine resources. Instead of freezing the fish, we ensure that it is packed in its freshest form and shipped to our customers within hours of landing in port. Almost 9% of our wild caught fish has been sold as chilled fish this year, most of it into the domestic market. This is in line with our strategy of developing a stronger domestic base.

ORGANISATIONAL CAPABILITY

We continued to build our organisational capabilities to give effect to our strategy and this additional capacity has been a substantial component in the increase in head office costs of \$2.6m compared to last year. The priority in this respect fell on investment in people, IT infrastructure and procurement projects. The need for greater capabilities was identified when we embarked on our strategy of value creation two years ago and we have introduced very capable expertise since. Besides additional appointments in people management and health and safety related functions, we developed our IT team to ensure stronger alignment with technological advances supporting complex business processes.

While the 2015 year had been dedicated to building core functions like people management, quality assurance and supply chain management, 2016 was primarily targeted at capacity creation around our customer facing activities. We extended the executive team with Andre Gargiulo as Chief Customer Officer, and expanded the senior management team with responsibilities covering marketing and consumer, domestic sales and sustainability. These appointments initiated the process of developing our brand in a more segmented manner, advancing the focus on and interaction with consumers, both domestically and internationally, and furthering our strong commitment to sustainability.

ECONOMIES OF SCALE

While our immediate focus is on value creation, we are certainly not neglecting the importance of creating economies of scale through catch and harvest volume in our business. These are dependent on operational capacity and weather. Both played a significant role this year. Sanford's catching capacity was also supported through the successful reflagging of our Korean partners' vessels earlier this year, aligning all of their practices with New Zealand's laws and regulations and our company policies. These vessels made a valuable contribution in our achieving the outcome mentioned above. The weather, on the other hand, impacted on our Greenshell™ mussel harvest and to some extent, our fishing success through the El Niño weather pattern. While our mussel business suffered during the first half of the year due to unprecedented growth leading to larger than desired mussel meat, species like squid were unusually abundant in New Zealand's waters this year.

AQUACULTURE

Most of the second half of the year was spent on closing the shortfall in our mussel business as a result of El Niño. Although Greenshell™ mussels were in shorter supply than in previous years, competition was such that pricing remained at unsatisfactory levels. This substantiates the need for diversification of our product portfolio and innovation in this respect is receiving our close attention. New mussel based products that we introduced during the course of the year include nutraceutical mussel powder and pasteurised whole mussels. We have also advanced our understanding of the extraction and health benefits of Greenshell™ mussel oil and are excited about the prospects of developing this opportunity further.

The Greenshell™ mussel spat hatchery, a Primary Growth Partnership project between Ministry for Primary Industries (MPI) and Sanford, with support from Cawthron Institute, was opened in April last year, and has since delivered impressive results. In addition to enabling the selective breeding of nature's best specimens, the hatchery process has enabled generally better survival rates than traditional wild catch spat harvesting methods.

The other major species in our aquaculture business, King salmon, had a very successful year as we were able to sell almost the

entire production as fresh product into the domestic market. Demand in New Zealand has grown significantly over the last two years and we expect this trend to continue as consumers increasingly value the versatility, ease in preparation and nutritious advantages of King salmon. Operational improvements in our processing facility in Bluff contributed to the excellent performance. Given the constraint on volume owing to limited water space, further growth in this part of our business can only come from value improvement until additional water space is allocated to salmon farming. This is the most efficient, yet productive, form of protein farming having almost no impact on the environment, but certainly a positive one on employment in otherwise job-deprived regions. We therefore believe there is outstanding reason to provide more space for this activity.

AUDIT AND FINANCE

In addition to its fiduciary governance function, the 'Audit and Finance Committee' reviewed a number of investment proposals throughout the year. The most significant of these in recent years was decided towards the end of last year with the approval for the acquisition of the *Granit* from a Norwegian fishing company. The *San Granit*, as she is now known, arrived in New Zealand on 15 November 2016 and will enable the conversion of deepwater species to higher value products whilst eliminating waste through an onboard fishmeal plant.

The rejuvenation of our fleet requires as much priority as the targeted improvement of our land-based operations, but all investments are evaluated against their strategic intent, their return on investment potential and the list of priorities that management and the Board have agreed.

The Audit and Finance Committee is also instrumental in the oversight and approval of this Integrated Report and we are very pleased with the international accolades last year's report has received for 'Integrated Reporting' and 'Sustainability Reporting' in Australia, Hong Kong and New York. Judges complimented Sanford for the transparent and integrated representation of our financial results and the way we weave the concept of sustainability and value creation into everything we do.

CHAIRMAN AND CEO REVIEW

HEALTH AND SAFETY AND REGULATORY COMPLIANCE

The Board and management pay significant attention to the health and safety of our employees. The seafood industry is not much different to certain other primary industries in terms of the risks involved in land-based operations, but vessels at sea do pose a different set of challenges. In our 2015 Annual Report we lamented that serious harm injuries had doubled to twelve from the previous year and that this issue was receiving considerable scrutiny from the Board and senior management. We are therefore pleased to report that over this past year we have been able to reverse this adverse and concerning outcome, with notifiable (serious harm) injuries reduced back to six for the year. While the number of lost time injuries (LTIs) reverted somewhat to 53 over this year from 42 (including contractors) in the prior year, there was a 30% reduction in lost days resulting from LTIs, indicating a substantial lessening of the severity of these injuries to our people. The majority of lost time injuries were due to sprains and strains or to stings through handling fish with spikes and these will continue to receive our close attention.

The Board addresses health and safety through the 'Health and Safety and Regulatory Compliance Committee' and site visits. We also engage third parties to audit the appropriateness of our policies and procedures to ensure alignment with best practice. It is our vision to eliminate notifiable (serious harm) injuries altogether. The most challenging area in achieving progress in this respect is contractor management and 2017 will be devoted to contractor compliance.

Environmental matters, which are part of the wider sustainability agenda we are implementing and which is detailed to a great extent in this Report, are discussed in the Board's 'Health and Safety and Regulatory Compliance Committee'. This Committee also discusses Quality Assurance related topics. In both cases the Committee monitors targets and their achievement during the course of the year. With respect to quality we are very satisfied with the progress being made in our demanding focus on product quality across all operations.

PEOPLE

The 'People Committee' primarily deals with updating our remuneration and target setting policies and procedures to ensure alignment with best practice as well as

overseeing policies that are aimed at ensuring a motivated and positive workforce. The Committee also supports the selection of senior executives and details relating to the remuneration of the executive team. Our Chief People Officer resigned to take up a more senior HR role within another New Zealand based company and we are currently actively searching for a replacement.

An annual engagement survey probes the general mood of our employees across all sites. While we have come a long way in implementing improved people management practices, our current engagement score stands at 50% overall, which is not satisfactory. As we are striving towards an 'Employer of Choice' status, this score needs to improve beyond the 80% mark and we have started with progressive leadership training to create the required change over the next two years. We have also initiated 'Keeping it Fresh', a communication training programme, with our site in Timaru completing the first 10 week course during the year. Due to the success of this programme it will now be rolled out across our other sites.

COMMUNITY PARTNERSHIPS

We were proud supporters of the Paralympic Team that represented New Zealand at the Paralympic Games in Rio. As one of the Major Partners of Paralympics New Zealand (PNZ) we were able to invite some of the athletes to our sites around the country to share their inspirational stories with our teams. Their interaction with us made our own values of Care, Passion and Integrity so much more tangible and we are proud of the exceptional success our para-athletes had in Rio.

We are also pleased to continue our long running partnership with the Graeme Dingle Foundation, and specifically, the Kiwi Can programme. This year, we have helped to support 39 schools across five regions, benefitting 6,180 children.

RISK MANAGEMENT

During the year we had a detailed risk analysis undertaken and are confident that, wherever possible, we are addressing the risks identified in an appropriate manner. We have identified the challenges posed through climate change as our most significant risk, partly due to the impact this risk poses on the marine environment that we are dependent on, but mainly as a result of the limited opportunity

we have as a company on reducing this risk. Nevertheless, our activities, both internally and as participants in relevant organisations externally, are geared towards creating positive impact.

SUSTAINABILITY

Although the fishing industry has been in the media spotlight for much of this year, we strongly believe that New Zealand continues to play a leading role in sustainable fisheries management globally. It is unfortunate that much of the discussion is based on exaggerated data and historic facts and with disregard of the industry's obvious need for protecting its own future by acting sustainably. It is, however, also true that there may be isolated instances across the industry where practices have been and may occasionally still be wasteful.

There is a need to improve practices and to provide a transparent insight into our business at sea. This year's 30th anniversary of the Quota Management System (QMS) is a reminder of the world leading position New Zealand occupied through the introduction of this fisheries management tool, but tardiness in adapting the QMS to changing circumstances has led to some shortcomings that should be addressed. We strongly favour a multi-stakeholder approach to solving such a complex challenge as managing the fourth largest exclusive economic zone (EEZ) in the world. Stakeholders should include all relevant marine industries, recreational and customary entities, Non-Governmental Organisations (NGOs), scientists and the regulator.

While it may have shortcomings, the QMS has nevertheless enabled New Zealand to continually feature as an excellent example of successful fisheries management. This is a perfect starting point for building a more holistic ocean management framework. This framework would include the concept of Marine Protected Areas (MPAs), which we support in principle. However, instead of aiming to achieve a predetermined share of the EEZ to be classified a no-take zone, we promote a robust science based approach to identify parts of our EEZ on the basis of the risk that human interaction would pose to that area and introduce measures aligned with the sensitivity of the area under evaluation.

Sanford has adopted operational practices that provide for the future of our marine resources. These include



Innovation, quality, the Sanford brand and value creation will continue to be focus areas for our business into 2017. We are now in the process of implementing a stronger customer driven culture and expect that most of the value in the new financial year will be derived from a more differentiated approach to branding and closer proximity to those that use and/or consume our product.



Our new deepwater fleet vessel *San Granit*. Read more about the integration of this vessel on page 58.

the avoidance of fishing areas that are known for juvenile fish aggregations, not 'ordering' from our fishermen particular species and fish sizes to avoid discarding valuable quota species and voluntarily fitting an increasing number of our vessels with cameras. We are committed to ensuring a sustainable future for our business and will work towards underlining New Zealand's leadership position in managing the oceans responsibly.

Another Primary Growth Partnership project, Precision Seafood Harvesting, which involves three fishing companies including Sanford, as well as Plant & Food Research and the Ministry for Primary Industries, is currently in its fourth year of testing a fishing method that will bring inshore fish on deck alive and unstressed. In addition to the impressive quality of the fish caught, this method enables the return of live fish to the sea increasing their survival. This major project is proceeding in a very encouraging manner and during this past year the brand to be associated with the most exceptional quality fish delivered through the Precision Seafood Harvesting fishing method was introduced as *Tiaki*, the Māori word for 'care'.

LOOKING AHEAD

Innovation, quality, the Sanford brand and value creation will continue to be focus areas for our business into 2017. We are now in the process of implementing a stronger customer driven culture and expect that most of the value in the new financial year will be derived from a more differentiated approach to branding and closer proximity to those that use and/or consume our product.

Communication will play a major role in our future. We will contribute towards improving the industry's reputation through increased transparency in everything we do. We will also continue reducing the commodity nature of our portfolio. New Zealand's seafood industry holds great potential for adding substantial value to the economy. While wild catches are capped to ensure long term sustainability of our fish stocks, there is ample opportunity to add more value to our marine resources through product innovation, waste elimination and branding, as well as continuing to pursue efficiency and cost enhancements in the way we do business. The opportunity for aquaculture is similar, but includes volume growth as well,

especially given the fact that New Zealand currently produces only 0.2% of the global supply of farmed marine products.

The remainder of this Report will provide detail on many of the topics mentioned above. In summary we are very satisfied with our performance this year. We have made good organisational improvements and progress towards our objective of creating more value from our precious marine resources.

DIVIDENDS

While the reported Net Profit for the year is satisfying and we have made good progress on our journey from being a fishing company towards creating an added value seafood company with attendant increasing profit returns, our profitability is not yet at a level where the Company can prudently fund an increase in dividend. Notwithstanding the desire of shareholders for an increase, the Board has concluded to keep the dividend unchanged at 23 cents per share in favour of reducing net debt to a more acceptable level following the upgrading of our fishing capacity during this past year with the purchase of two additional fishing vessels at a cost of \$27.8m. The final dividend of 14 cents per share will be payable on 9 December 2016.

ACKNOWLEDGEMENTS

We appreciate the many hours and counsel that the Board contributed to the success of Sanford throughout the year. We also thank the management team, our employees and sharefishers for their commitment and passion in striving to make Sanford the best seafood company in the world. They have all worked hard and done a great job in getting us closer to that vision.

Paul Norling
CHAIRMAN



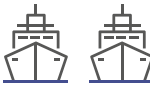







16 November 2016





Volker Kuntzsch
CEO



16 November 2016


OUR YEAR IN NUMBERS

THE HIGHS AND LOWS

OUTCOME	HIGHS			LOWS	
 <p>Building a sustainable seafood business</p>	<p>▲ 86% \$57.7M REPORTED EBIT \$M 2015 \$31.1M ▲ 86%</p>	<p>▲ 126% \$49.4M NET PROFIT BEFORE TAX \$M 2015 \$21.8M</p>	<p>▲ 152% \$34.7M NET PROFIT AFTER TAX \$M 2015 \$13.8M</p>	<p>\$5.6M IMPAIRMENTS AND ONE-OFF RESTRUCTURING COST, MAINLY ATTRIBUTED TO SALE OF SAN NIKUNAU</p>	<p>0.42KG LOWER MUSSEL PRICES, DROPPED USD 0.42/KG</p>
	<p>\$463.5M REVENUE \$M 2015 450.3M</p>	<p>▲ \$14.8M SIGNIFICANT GROWTH IN DOMESTIC FRESH SEAFOOD SALES</p>	<p>▲ 45.7% EBIT VALUE PER KG OF GREENWEIGHT RAW MATERIAL \$0.51/KG (2015: \$0.35/KG)</p>	<p>▲ \$2.6M costs INCREASED HEAD OFFICE COSTS INCURRED FROM INVESTMENT IN IT INFRASTRUCTURE, PEOPLE AND PROCUREMENT PROJECTS</p>	
	 <p>NEW LUCRATIVE BUSINESS OPPORTUNITIES IN THE PET FOOD MARKET REALISED</p>	<p>\$27.8M INVESTMENTS IN SAN GRANIT AND SAN ARAMAND</p> 		 <p>EL NIÑO WEATHER IMPACTING ON GREENSHELL™ MUSSEL YIELDS, EARLY PART OF FINANCIAL YEAR</p>	
 <p>Enabling zero harm and great prospects for our people</p>	<p>▼ 28.7% 134 ACC CLAIMS 2015 188</p>	<p>6 NOTIFIABLE (SERIOUS HARM) INJURIES 2015 12</p>	<p>289 NEAR MISS REPORTING ▲ 19.4% 2015 242</p>	 <p>HEALTH AND SAFETY PROSECUTION, FOLLOWING SERIOUS HARM INJURY IN JUNE 2015</p>	
	<p>\$272K INVESTMENT IN HEALTH AND SAFETY TRAINING</p>	<p>75% HIGH EMPLOYEE ENGAGEMENT SCORE FOR HEALTH AND SAFETY</p>	<p>6,354 TOTAL INDUSTRY TRAINING CREDITS 2015 6,333</p>	<p>14.69 LTIFR INCREASED (BASED ON MILLION HOURS WORKED) 2015 10.33</p>	<p>1,300 REPORTED INJURIES, ALTHOUGH REDUCTION IN SEVERITY ▲ 38% 2015 944</p>
 <p>Leading the way to healthy food</p>	<p>819M MEALS PRODUCED BASED ON 100 GRAMS OF SEAFOOD PER SERVING</p>	<p>4 NEW BRAND OFFERINGS DEVELOPED</p>	<p>▼ 16.9% FEWER CUSTOMER COMPLAINTS – 98 2015 118</p>	 <p>61.2% TARGET FOR NUMBER OF DAYS TO RESOLVE CUSTOMER COMPLAINTS NOT MET (TARGET 80% WITHIN 10 DAYS)</p>	 <p>4 CUSTOMERS (OUT OF 14) INVOLVED IN QUALITY SURVEY RATED SANFORD'S PRODUCTS AS SOMEWHAT NEGATIVE 2015: 5 CUSTOMERS (OUT OF 14)</p>
	<p>LAUNCH OF DOMESTIC FOOD SERVICE BUSINESS</p> 	<p>71% 'VERY HIGH / HIGH' IMPROVED CUSTOMER PRODUCT QUALITY RATING (10 OF 14 CUSTOMERS) 2015 64%</p>	<p>✓ TRIAL SUSTAINABLE PACKAGING SUCCESSFULLY TRIALLED TO REPLACE POLYBINS</p>		

OUTCOME	HIGHS		LOWS		
 <p>Ensuring healthy oceans</p>	<p>1,150^M</p> <p>MUSSEL LARVAE SPAT_{NZ} HATCHERY -READY TO SETTLE LARVAE, STAGE 2 DEVELOPMENT UNDERWAY</p> <p>\$200K+</p> <p>MONITORING INVESTMENT TO DATE INTO DEVELOPING CAMERA HARDWARE THAT WORKS AT SEA</p>	 <p>TRIALLING INNOVATIVE FISH HARVESTING AND HANDLING SYSTEMS TO LAND FISH LIVE AND IN PERFECT CONDITION</p>	<p>A+</p> <p>FIRST TO TRIAL NEW ZEALAND A+ SUSTAINABLE AQUACULTURE FOR MARLBOROUGH AND BANKS PENINSULA MUSSEL FARMS</p>  <p>ONGOING ENGAGEMENT THROUGH MULTI-STAKEHOLDER FORUMS, FOCUSED ON SPECIFIC CHALLENGES ASSOCIATED WITH HEALTHY OCEAN MANAGEMENT</p>	 <p>REPUTATION INDUSTRY REPUTATION CHALLENGED OVER HISTORIC CATCH DATA CLAIMS</p>	<p>27</p> <p>MARINE MAMMALS CAUGHT DEAD (9 MONTHS) 2015 60 (12 MONTHS)</p> <p>177</p> <p>SEABIRDS CAUGHT DEAD (9 MONTHS) 2015 242 (12 MONTHS)</p>

 <p>Supporting enduring communities and partnerships</p>	<p>\$147.6^K</p> <p>KIWICAN SUPPORT GRAEME DINGLE FOUNDATION (GDF) KIWICAN, CONTRIBUTION HELPED TO SUPPORT 6,180 CHILDREN ACROSS 39 SCHOOLS</p>	<p>\$32^{K+}</p> <p>SANFORD MARLBOROUGH TEAM FUNDRAISING ACROSS THE GROUP TO SUPPORT 'CROSSING THE COOK STRAIT' INITIATIVE FOR GDF</p>	 <p>NZ</p> <p>PARALYMPIC TEAM PARTNERSHIP AND SUPPORT, AND A SUCCESSFUL RIO CAMPAIGN FOR PARA ATHLETES</p>	<p>\$74.9^K</p> <p>COMMUNITY INVESTMENT LEVELS DOWN BY \$74,921 - 19.59% (MOSTLY DUE TO TIMING OF PARTNERSHIP PAYMENT SCHEDULES); EXCLUDES IN KIND SUPPORT AND COMMUNITY FUNDRAISING</p>	
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 <p>Protecting and enhancing environments</p>	<p>0.30</p> <p>kWh / KG ELECTRICITY EFFICIENCY IMPROVEMENT 2015 0.568</p>	<p>5 GWh</p> <p>COLLABORATION AGREEMENT WITH EECA IN PLACE, TARGETED ENERGY INITIATIVES WITH 5 GWh SAVING TARGET (2 YEARS)</p>	<p>19%</p> <p>OF ALL 2020 CONTINUOUS IMPROVEMENT PROJECTS FOCUSED ON ENVIRONMENT 2015 15%</p>	<p>4%</p> <p>IMPROVEMENT IN ECO-EFFICIENCY ACROSS ALL OPERATIONS (TARGET 5%)</p>	<p>25%</p> <p>WASTE DIVERSION RATE (TARGET 30%)</p>
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ACCREDITATIONS	<p>ACHIEVED</p> <p>ISO22000 Food Safety Management System certification for two plants, with two further plants in progress</p>	<p>MAINTAINED</p> <p>Secondary status ACC Partnership Programme</p>	<p>ACHIEVED</p> <p>Best Aquaculture Practices (BAP) certification of Big Glory Bay King salmon and Greenshell™ mussels (21 farms)</p>	<p>ACHIEVED</p> <p>SanWell Bronze Accreditation at Timaru site for workplace wellbeing</p>	<p>MAINTAINED</p> <p>ISO14001:2004 Environmental Management System certification</p>
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AWARDS	<p>AUSTRALASIAN REPORTING AWARDS</p> <p>In the Australasian Reporting Awards (ARA), Sanford won the following for our 2015 report:</p> <p>GOLD AWARD</p> <p>ARA SUSTAINABILITY REPORTING AWARD</p>	<p>ARA HONG KONG SUSTAINABILITY REPORTING AWARD</p> <p>ARA INTEGRATED REPORTING AWARD</p>	<p>MERCOMM ANNUAL REPORT COMPETITION (ARC) AWARDS - NEW YORK</p> <p>The 2015 Sanford Annual Report was awarded Gold in the Combined Annual and Sustainability Report category</p>	<p>MARLBOROUGH AWARD</p> <p>Awarded to Sanford by Marlborough District Council for its contribution to jobs or economic value to Marlborough. This award had not been issued for ten years.</p>	<p>WESTPAC TAURANGA BUSINESS AWARDS</p> <p>Sanford won the Waikato University Management School Corporate Leadership Award, celebrating success in business</p>
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REPORTING WHAT MATTERS

Engaging with our stakeholders

We are committed to developing and maintaining strong relationships with key stakeholders across our business, to ensure we understand and respond to their unique interests and concerns. Our aim is to practise open, honest and transparent communication, including when the feedback is challenging to hear. We recognise the mutual benefits to our stakeholders and the business that results from genuine and productive engagement, and embrace opportunities to enhance the way we do things.

The key stakeholder groups that contribute to our ability to create value in the short, medium and long term are wide ranging. They include our people and their representatives; shareholders and investors; governments and regulators; our business subsidiaries, joint venture, research and industry organisations; our suppliers; customers and consumers; the communities around our operations, environmental organisations, media and our partners. We recognise that the individual stakeholders within these groups are diverse, often with

different interests and concerns. We will continue to invest effort into improving our understanding of the specific issues of interest to different stakeholders, and finding the best ways to engage with stakeholders, both individually and collectively. The following table outlines our key stakeholder groups, their top three material issues, the key challenges faced, and how we engage with them to address the material issues and challenges together.

OUR STAKEHOLDERS	ROLE	HOW WE ENGAGE TO ADDRESS OUR CHALLENGES
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Our People and Representatives

Our 1,548 employees, including 474 sharefishers, are the foundation of our business and our most valuable asset. Through their commitment to living our values of care, passion and integrity, our people ensure that we continue to produce, deliver and succeed

We work to understand employee engagement, satisfaction and views through direct, ongoing communication with our employees and sharefishers. We engage with them using newsletters, team meetings, reporting and more. In 2016, we involved 18 representatives from across our business (from Board to management representatives and joint venture (JV) partners) in the materiality process. We implemented both senior management and frontline leadership training. In November 2015, we launched our first comprehensive engagement survey, followed up with a pulse (short and more specific) survey “The Voice” in September 2016, and will build on areas for improvement identified.

KEY ENGAGEMENT CHALLENGE: Embedding the tone at the top from the new leadership team across the organisation.

Further information on our employee engagement processes and outcomes is provided in *Outcome 2 – Our People*.

TOP THREE MATERIAL ISSUES	Leadership and our values	Customer relationships	Food safety and quality
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Shareholders and Investors

Around 2,000 shareholders provide the financial capital and stability required to sustain, grow and diversify our business

We release Interim and Annual Reports, provide investor briefings on our strategy and financial results, and release continuous disclosures to the New Zealand Stock Exchange (NZX). At our Annual Meeting, shareholders are updated on our strategy and performance, and can engage with our Board of Directors. Members of our executive team also meet regularly with institutional investors.

KEY ENGAGEMENT CHALLENGE: Encouraging interest from our investors, engaging them in regular dialogue and meeting their information needs.

Further information on our investor relations is provided in *Outcome 1 – Building a Sustainable Business*.

TOP THREE MATERIAL ISSUES	Financial performance	Transparency and communication	Sustainable fish stocks and marine farms
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OUR STAKEHOLDERS	ROLE	HOW WE ENGAGE TO ADDRESS OUR CHALLENGES	
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Governments and Regulators

Provide our licence to operate, including policy and regulatory frameworks which define what, how, where and when we can perform our activities

We engage regularly with different levels of government and other governing entities, both directly on behalf of Sanford and through relevant industry associations where industry-wide issues of significance arise. We provide information on issues of significance (environmental, social and economic) and work collaboratively to develop solutions. In particular, we engage with Ministry for Primary Industries (MPI), Ministry for the Environment (MfE), Department of Conservation (DoC), Ministry of Foreign Affairs and Trade (MFAT), Ministry of Business, Innovation and Employment (MBIE), Environmental Protection Authority (EPA), WorkSafe and Maritime Safety Authority (MSA). Our CEO continues to co-chair the business-government Natural Resources Sector (NRS) CEO group.

KEY ENGAGEMENT CHALLENGE: Lifting the culture of how Sanford and the regulators and policy makers work together.

Further information on our government and industry relations is provided in *Outcome 1 – Building a Sustainable Business*.

TOP THREE MATERIAL ISSUES	Policy and legislative change	Product traceability	Sustainable fish stocks and marine farms
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Business Subsidiaries, JVs, Research and Industry Partners

Unlock new opportunities, leverage and support delivery, growth, industry best practice, scientific research and development

We work collaboratively across our joint business subsidiaries, ventures and arrangements, to support new opportunities and growth. Through our work with scientific research and development and industry partnerships, we aim for industry best practice on a local, regional and global scale, and will continue to build on this work. We are represented across a diverse range of industry, sustainable business and scientific research organisations.

KEY ENGAGEMENT CHALLENGE: Establishing a dynamic relationship with our business and scientific research partners to translate research studies into business innovation in a timely way.

Further information on our memberships, research and industry partnerships is provided on page 21, *Outcome 1 – Building a Sustainable Business*, *Outcome 4 – Healthy Oceans* and *Outcome 5 – Communities and Partnerships*.

TOP THREE MATERIAL ISSUES	Leadership and our values	Marine conservation	Partnership and collaboration
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Suppliers

Share valued expertise, support and deliver products and services that strengthen our business and facilitate development and growth

We actively select and monitor our suppliers, working collaboratively to deliver mutually sustainable solutions. These solutions represent value for money, support our values and policies and aim for continual improvement and innovation. We seek to drive positive outcomes across our value chain, and increasingly include sustainability criteria in our decision-making processes.

KEY ENGAGEMENT CHALLENGE: Introducing digitisation across our supplier and customer relationships for real-time information provision, whilst maintaining face-to-face and other engagement.

Further information on our engagement with suppliers is provided in *Outcome 3 – Healthy Food*.

TOP THREE MATERIAL ISSUES	Customer relationships	Food safety and quality	Product traceability
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REPORTING WHAT MATTERS

OUR STAKEHOLDERS	ROLE	HOW WE ENGAGE TO ADDRESS OUR CHALLENGES	
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Customers and Consumers

Sustain our business, provide the basis for continued growth, product development and innovation

Relationships with both our domestic and export customers are highly valued and often long-standing. We strive to ensure regular, effective and responsive customer engagement, and to deliver value across our supply chain. We seek feedback through surveys and research, and enhance our seafood product and service offerings accordingly. For Sanford, quality and food safety are, without question, fundamental to our business success, providing our customers and consumers with confidence that the beautiful New Zealand seafood that we produce is not only healthy, but safe and of high quality. Sanford continues to be represented at both local and international events to ensure visibility and undertake targeted in-market visits to further enhance these relationships.

KEY ENGAGEMENT CHALLENGE: Building relationships with our international customers where face-to-face engagement is less frequent, and delivering a customer-focused culture that brings us closer to those who consume our products.

Further information on our engagement with customers and consumers is provided in *Outcome 3 – Healthy Food*.

TOP THREE MATERIAL ISSUES	Customer relationships	Food safety and quality	Sustainable fish stocks and marine farms
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Communities, Partners, NGOs and Media

Inform our social licence to operate, as well as a deeper understanding of social and environmental issues, alert us to potential challenges which may need to be addressed and afford the opportunity to work on initiatives of mutual interest

We are a positive, engaged and active member of the communities within which we operate. Sanford provides employment and skills development opportunities, supports numerous initiatives and charities and delivers shared value through our key strategic partnerships, which include the Graeme Dingle Foundation and Paralympics New Zealand. We also engage with non-governmental organisations (NGOs) and the media to provide information about our business that supports more accurate and clear reporting. We aim to respond promptly and with as much transparency as possible, to requests for information. We work with NGOs through various forums on key areas of mutual interest.

KEY ENGAGEMENT CHALLENGE: Rebuilding the confidence of the New Zealand community in the fishing industry.

Further information on our community engagement and media relations is provided in *Outcome 5 – Communities and Partnerships*.

TOP THREE MATERIAL ISSUES	Leadership and our values	Endangered, threatened and protected species	Transparency and communication
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We actively monitor legislative and regulatory change directly and via key industry and sustainability bodies of which we are a member. Our principal memberships and the key roles that Sanford representatives contribute are set out below:

ORGANISATION	FUNCTION	OUR ROLE
Aquaculture New Zealand aquaculture.org.nz	Industry body for aquaculture sector, focused on representing the current industry, while enhancing profitability and providing leadership to facilitate transformational growth	<ul style="list-style-type: none"> • Board member • Active industry member • Industry stakeholder group
Deepwater Group deepwatergroup.org	Industry body focused on the management of deepwater fisheries resources, within a long-term sustainable framework	<ul style="list-style-type: none"> • Directors • Active industry member • Industry stakeholder group
Fisheries Inshore inshore.co.nz	Commercial fisheries stakeholder organisation that represents collective interests as an inshore quota owner, Annual Catch Entitlement (ACE) holder and commercial fisher	<ul style="list-style-type: none"> • Directors • Active industry member • Industry stakeholder group
Groundfish Forum groundfishforum.com	Meeting place for leading members of the global groundfish industry to increase understanding about global supply and consumption trends and developments for groundfish products	<ul style="list-style-type: none"> • Executive committee member • Forum members
Natural Resources Sector Working Group nrs.mfe.govt.nz	Working group promoting responsible management and stewardship of New Zealand's precious natural resources	<ul style="list-style-type: none"> • Co-chair
Seafood New Zealand seafoodnewzealand.org.nz	Industry peak body for the New Zealand seafood sector, with a strategy to support the Government's growth objective to double seafood export revenue by 2025	<ul style="list-style-type: none"> • Directors • Active industry member
Southern Seabird Solutions Trust southernseabirds.org	Group focused on the protection of seabirds, with initiatives across 24 target species (from black petrel to yellow eyed penguins)	<ul style="list-style-type: none"> • Trustee • Management board member
Sustainable Business Council (SBC) sbc.org.nz	Executive-led advocacy body for sustainable business in New Zealand	<ul style="list-style-type: none"> • Advisory board member • Active member
Sustainable Seas sustainableseaschallenge.co.nz	Ecosystem-based management group set up to enhance and protect our marine resources	<ul style="list-style-type: none"> • Board member
Trident Systems tridentystems.co.nz	Organisation undertaking fisheries science, monitoring and catch sampling	<ul style="list-style-type: none"> • Directors • Shareholder
World Ocean Council oceanCouncil.org	Industry leadership alliance on 'Corporate Ocean Responsibility'	<ul style="list-style-type: none"> • Member



We are very proud to have Sanford as a member of the Sustainable Business Council. They are leaders in sustainable practice, evidenced by the international awards they have won for their integrated reporting. And they are also committed to continuously improving that practice; this year they are working to integrate the UN Sustainable Development Goals into their approach, one of the first companies in New Zealand to do so. But the thing that makes Sanford stand out, is their willingness to encourage and lead others to adopt a sustainability mindset, both in their sector and more broadly.

Abbie Reynolds

EXECUTIVE DIRECTOR
Sustainable Business Council (SBC)

REPORTING WHAT MATTERS

Our material issues

“Material issues have a direct or indirect impact on an organisation’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large.”

GLOBAL REPORTING INITIATIVE (GRI)

OUR APPROACH

Reporting what matters most to our stakeholders and our business is the basis of this, our third, integrated Annual Report. We strive to produce a balanced, accurate and transparent assessment of our strategy, performance and prospects in relation to the financial, economic, social, environment and governance issues and risks that have a material impact on the long-term success of Sanford, and are important to our key stakeholders. Our material issues relate to how Sanford creates value for stakeholders, our business and our wider operating environment, in the short, medium and long term. These material issues are our priorities. These informed the development of our new Business Excellence Framework and overall Business Strategy, which are closely aligned.

This year we engaged Jo Cain of Materiality Counts to provide independence, deliver a structured process and ensure ongoing enhancement of our materiality process and outcomes to reflect best practice.

IDENTIFYING ISSUES THROUGH A STRUCTURED PROCESS

In order to understand and prioritise the issues that matter to our stakeholders and our business the first step in our materiality process considered the following:

- the 2015 list of material issues
- issues that are critical to achieving our strategy and implementing our business model to create value
- our most significant risks and opportunities, reviewed via our enterprise risk management process
- issues that our stakeholders have told us are important to them during the year
- emerging issues, including global megatrends and the United Nations (UN) Sustainable Development Goals (SDGs)
- matters discussed by the Board during the reporting period
- issues prominent for our peers, locally, regionally and globally, drawing on media coverage, peer reports and industry reports.

Our stakeholders include a wide range of groups and individuals that are impacted by our activities and contribute to our ability to achieve our strategy in the short, medium and long term, as set out in ‘**Stakeholder Engagement**’.

We regularly review our material issues in the context of the rapidly changing business and societal context, as well as stakeholder feedback and emerging trends. We seek to collaborate, both to address challenges and capture opportunities within our industry. We also seek to ensure that our reporting continues to reflect our response to the material issues raised by our stakeholders.

Survey

To identify what matters most, Materiality Counts surveyed a balanced and representative sample of external and internal stakeholders. Balanced means that a similar number of external (22) and internal (18) stakeholders completed the survey. Representative means that we included the main parts of business, including the Board, and the key external stakeholder groups with which we engage. The number of stakeholders we engaged with increased this year for an extended and enhanced representative sample.

Survey Questions and Issues Ranking

The list of issues presented in the survey was based on our 2015 survey, enhanced through the process described above.

We asked our stakeholders to rank each issue from 1 to 5, where 1 was not important to them and 5 was extremely important. A spread of rankings was requested from each respondent, where possible, to allow us to understand the relative importance of the different issues. We also asked them to prioritise their top three issues and highlight any issues they felt were missing from the list, enabling us to focus our efforts on the right issues.

The survey results informed the 2016 materiality matrix and radar presented on page 23. By overlaying stakeholders’ top three issues onto the overall material issue rankings, we prioritised the top material issues shown in the Materiality Matrix.

As Sanford’s materiality process matures, we enhance it with additional questions and context. This year, we asked stakeholders to

help us better understand their thoughts on Sanford’s performance for each issue. The results from this question are presented in the size of the bubbles in the materiality matrix, where the larger the bubble, the more work we need to do. We also took the opportunity to discuss issue timeframe, to deepen our understanding of short, medium and long term value creation through addressing our material issues.

Interviews

As well as prioritising what matters most, we also needed to understand what each of the issues means to our stakeholders. To investigate this, Materiality Counts independently interviewed 21 external and 17 internal stakeholders, delving deeper into their top three issues in an open and transparent manner. This enabled Sanford to determine what we needed to include in this Report, as well as informing our Business Excellence Framework to address the material issues. We also took this valuable opportunity to ask our stakeholders for feedback on our 2015 Report and how we could improve this year. Stakeholders told us that we needed to provide greater clarity around what sustainability means to Sanford, and how we will deliver outcomes to address our material issues through our business strategy. We have responded by developing our Business Excellence Framework focused on the delivery of six performance outcomes, and have structured this Report accordingly. We have also considered the global context for sustainability, and how we can link our work to the UN Sustainable Development Goals (SDGs).

ENSURING BEST PRACTICE

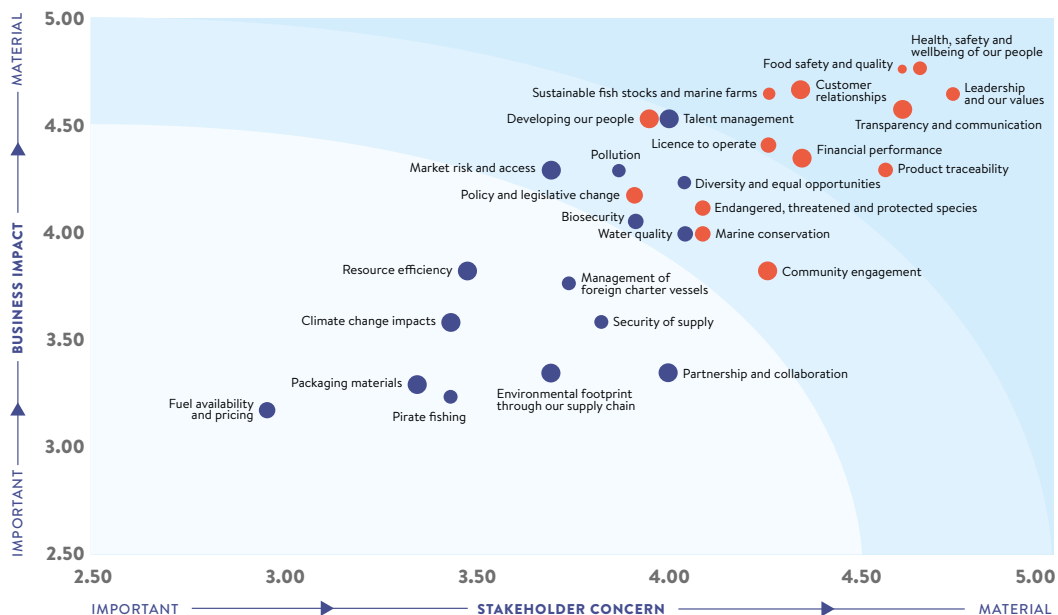
This assessment of material issues was carried out in accordance with the International Integrated Reporting Council (IIRC) <IR> Framework and the Global Reporting Initiative (GRI) G4 Guidelines.

All issues in the matrix are important to us and our stakeholders. The issues placed in the top right of the matrix, the red bubbles, are considered to be most material and accordingly receive more focus in this Report. The *diversity and equal opportunity* bubble is blue not red. This is because, when the top three issue selections were overlaid onto the top material issues, this issue was

Materiality Matrix with Performance

- HIGHEST RANKED MATERIAL ISSUES
Larger size = increased focus required

- IMPORTANT ISSUES



not included in the top 14 material issues overall. It is, however captured in *developing our people*. The size of the bubbles reflects our performance rating per issue, whereby larger bubbles indicate that additional focus is required to enhance our performance going forward. We will further refine this innovation as our materiality process continues to mature.

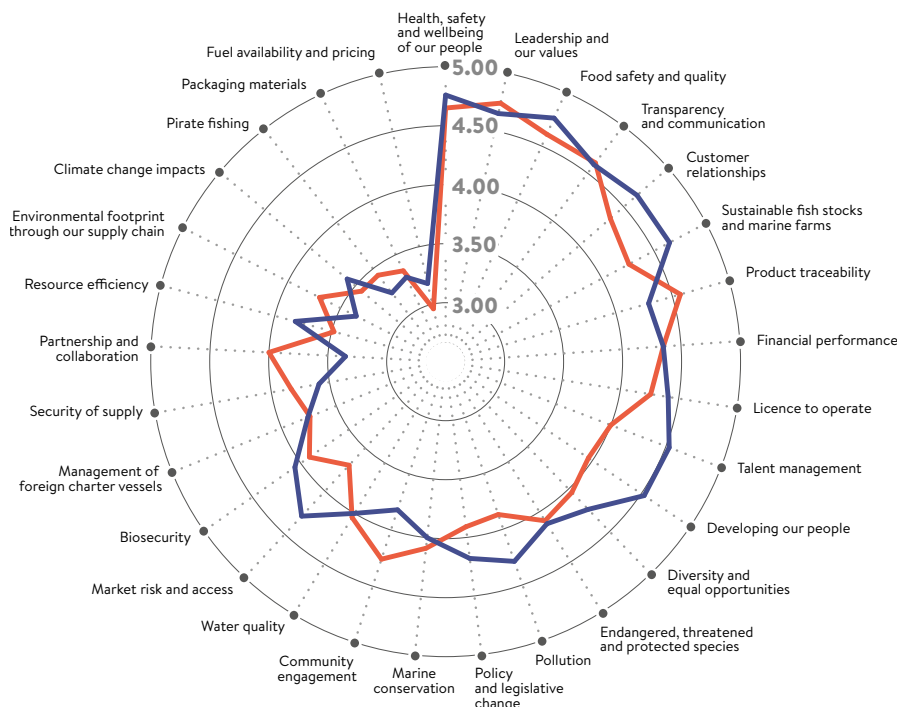
This materiality radar, often called a ‘spider diagram’, presents the results of our materiality process in a different way. The red and blue lines show the external stakeholder and business view respectively and demonstrate the synergy for most of our issues, where stakeholder views align with our business view. However, issues where there is some divergence between the external stakeholder and business view

require more attention, in particular where they are more important to external stakeholders than they are to the business. In 2016, these issues include product traceability, community engagement and partnership and collaboration. We refine our materiality process each year as it becomes more mature and welcome feedback from our stakeholders.

Materiality Radar

- STAKEHOLDER CONCERN

- BUSINESS IMPACT



REPORTING WHAT MATTERS

ENTERPRISE RISKS AND MITIGATION

During the year, we have deepened our understanding of enterprise risks to enable a more informed strategic process, better decision-making and strengthened risk management, monitoring and mitigation. External experts assist us to identify key risks each year as part of ongoing strategy development and implementation. Risk

reporting and response plans are reported to the appropriate Board committee for the top ten risks.

The top ten risks informed the materiality process to ensure that Sanford’s material issues reflect not only external stakeholder concerns, but also business risk. These risks are addressed throughout the performance

chapters in this Report, structured to reflect the six outcomes of the Business Excellence Framework, as identified in the table below.







Risk mapping was based on a risk criteria model which resulted in the following ranking of inherent risks:

PRIORITY	INHERENT RISK	POTENTIAL IMPACT	IMPACT ON OUTCOMES	KEY MITIGATION STRATEGIES
1.	Climate changes causing short or long term impacts	Changes in water temperature negatively impacting on fish or mussel stocks		<ul style="list-style-type: none"> Ongoing monitoring of environmental conditions Diversity of geography and species mix Development of SPAT_{NZ} (Shellfish Production and Technology)
2.	Biosecurity issues	Causing negative impacts on harvest/take out volume, food safety e.g. algae		<ul style="list-style-type: none"> Ongoing monitoring of water conditions Diversity of geographic locations for farming Relationship with Ministry for Primary Industries (MPI), scientific research organisations
3.	Accident causing injury and/or fatality	Fatality and resulting negative impacts on families, staff and business		<ul style="list-style-type: none"> Health and safety policy and systems Medium term strategy, plan Health and safety governance from Board level Significant investment in staff education and training
4.	Competing operational and commercial drivers compromise food safety	Can lead to contaminated product being exported or product specifications not being met		<ul style="list-style-type: none"> Group Quality Manager reporting directly to the CEO Regular review to ensure compliance, ISO22000 certification Rigorous testing, monitoring regime Finished product sampling on a regular basis
5.	Possible traceability limitations and impacts	Could limit Sanford’s growth as consumers demand full traceability. May also lead to food safety issues		<ul style="list-style-type: none"> Recall procedure Trace to vessel process Day coding for fresh fish
6.	IT systems and information do not support efficient decision making	Limits growth strategies for the future		<ul style="list-style-type: none"> Technology roadmap in place New analysis and reporting tools Longer term strategy, solutions
7.	Breach of quota/marine farm licence requirements	Potential loss of vessels, quota or marine farm licence		<ul style="list-style-type: none"> External onboard observers, independent audits Electronic and compliance monitoring Ongoing training for marine farm management, compliance
8.	Loss of licence to operate through government intervention	Loss of revenue streams		<ul style="list-style-type: none"> Active and strong relationships with local and central government Involvement in multi-stakeholder forums to inform, support and influence public policy outcomes
9.	Localised physical/natural disaster	Loss of head office, processing plant or vessels		<ul style="list-style-type: none"> Comprehensive insurance Business continuity plan (IT) Multiple operating locations and vessels On vessel monitoring
10.	Reputational risk, brand tarnished	Financial losses sustained as a result of reputational damage		<ul style="list-style-type: none"> Values based culture, messaging Ongoing stakeholder engagement Communication and public policy strategies and plans Business focus on Value, Brand, Quality and Innovation

ADDRESSING MATERIAL ISSUES THROUGH OUR BUSINESS EXCELLENCE FRAMEWORK

Addressing our most material issues is our priority. This is achieved with the six performance outcomes in our new Business Excellence Framework, as set out below. This Report contains six performance chapters, one for each of the performance outcomes, which will enable us to deliver on the related business focus areas of Value, Brand, Quality and Innovation set out in our Business Strategy.

Aligning our material issues with the six performance outcomes

 SUSTAINABLE SEAFOOD BUSINESS	 OUR PEOPLE	 HEALTHY FOOD	 HEALTHY OCEANS	 COMMUNITY AND PARTNERSHIPS	 PROTECTING ENVIRONMENTS
Building a sustainable seafood business	Enabling zero harm and great prospects for our people	Leading the way to healthy food	Ensuring healthy oceans	Supporting enduring communities and partnerships	Protecting and enhancing environments
<ul style="list-style-type: none"> • Governance and transparent communication¹ • Innovation and technology • Shareholder value and risk² 	<ul style="list-style-type: none"> • Health, safety and wellbeing of our people • Leadership and our values • Developing our people 	<ul style="list-style-type: none"> • Food safety and quality • Customer relationships • Product traceability 	<ul style="list-style-type: none"> • Sustainable fish stocks and marine farms • Endangered, threatened and protected species • Marine conservation 	<ul style="list-style-type: none"> • Community engagement • Strategic partnerships 	<ul style="list-style-type: none"> • Environmental effects³ • Resource utilisation and efficiency • Carbon reduction and offsetting

¹ The material issues 'leadership and our values,' 'transparency and communication' and 'policy and legislative change' ranked high among our stakeholder concerns. We have included these together, under the heading 'governance and communication', emphasising transparency and proactive stakeholder engagement in the description of the associated goal.

² The material issue 'financial performance' is captured under 'shareholder value and risk'.

³ The environmental issues noted were 'material' to some stakeholders, but in overall terms, ranked as 'important' when considered in the context of all stakeholder responses. These issues were identified as requiring additional focus through the materiality process (as defined by the size of the bubble in the materiality matrix). They contribute either directly or indirectly to our performance in managing the identified material issues. For example, the material issue 'water quality and pollution prevention' is captured under 'environmental effects'.

The materiality process needs to be considered in conjunction with our enterprise risks. Climate change, and specifically water temperature and quality (including ocean acidification), has been identified as the most significant risk to our business, and is therefore captured in this Report, along with carbon reduction and offsetting (what we can do internally in response to climate change issues), and resource efficiency and utilisation, which contributes to our financial performance. For the business, innovation and technology are increasingly strategic, which was reflected in the materiality process both inherently and as an 'additional' identified issue for some stakeholders. Therefore, innovation and technology are also captured above and included in this Report.

UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

In the global context, the United Nations Sustainable Development Goals are also an important framework for business to be able to contribute to a sustainable future for all in partnership with governments.

While the SDGs are not legally binding, they are likely to act as de facto regulation by driving the implementation of national regulations and incentives. It makes sense that we are actively engaged in this process to ensure we maximise value for all stakeholders.

Sanford sees a real opportunity to use the SDGs in two ways:

- as a framework to measure our impact upon, and the contribution we make to, the future of our communities; locally, nationally and globally; and

- as a lens through which to consider future business opportunities as we work toward our vision to be the best seafood company in the world.

As an early adopter of the SDGs, Sanford is firstly paying attention to the former opportunity by looking at our performance in terms of how we contribute towards the SDGs. To that end, we have included reference to the applicable SDGs upfront in the relevant six performance chapters of this Report, with a brief commentary on their application. Next year we will start to look at how we use the SDGs to consider future business opportunities alongside the existing strategic process we use for future forecasting.



PROGRESS ON OUR 2016 SUSTAINABLE BUSINESS TARGETS

Material issues	Goals	2016 Targets ¹	Progress ²	Update on progress towards targets
Outcome 1 Building a sustainable seafood business				
Shareholder value and risk	Improve our business margins and create shareholder value in a sustainable way. Demonstrate sector leadership in creating a more innovative and sustainable business. Lead the way in understanding and managing our risk profile.	Identify, implement and support a comprehensive enterprise risk management approach across the business. (S)	✓	<ul style="list-style-type: none"> Risk reporting and response plans defined for key business risks identified through enterprise risk process. Mitigation strategies defined, as set out in relation to top 10 risks, summarised under 'Reporting What Matters'. Policy and legislative changes are monitored on an ongoing basis, and reported through relevant operational forums and Board committees, as appropriate. Progress against risk response plans and mitigation strategies and reported through relevant Board committees (refer 'Corporate Governance').
		Continuous improvement at all sites through our Culture of Continuous Improvement (CCI) programme. (M)	✓	<ul style="list-style-type: none"> Ongoing initiatives for senior management across the Group and some sites and cross-function teams have developed excellent improvement projects. Rolled out 2020 improvement programme, with 77 key projects implemented or in progress.
		Continue improvement of our \$/kg return. (L)	✓	<ul style="list-style-type: none"> Overall Earnings Before Interest and Tax (EBIT) of \$0.51 per kg of greenweight raw material (product weight, prior to processing), which is 45.7% up on 2015.
Governance and communication	Be recognised as a company which lives its values in all our activities, demonstrates an ethical approach across areas of corporate responsibility, proactively engages with key stakeholders and communicates with clarity and as much transparency as possible.	Develop a clear communication strategy, both internal and external, to ensure engagement of our people and stakeholders. (M)	→	<ul style="list-style-type: none"> Stakeholder engagement, including materiality process (refer 'Reporting What Matters'), internal engagement survey (refer 'Outcome 2 – Our People'), public policy strategy work and social media activity in 2016 (refer 'Outcome 1 – Sustainable Seafood Business') lays a foundation for developing a communication strategy. Corporate governance structure reviewed and changes to Board committees as set out in 'Corporate Governance' section formalised and implemented. Improved engagement with investment community, with frequent interaction and presentations. ARA awards successes (Gold, Integrated Reporting, Australian Hong Kong Integrated Reporting, Sustainability Reporting)
Innovation and technology	Remain competitive on a global scale, and lead the industry in the creation of value through innovation and technology in collaboration with leading research partners.	2% of revenue to be from new markets annually. (M)	✓	<ul style="list-style-type: none"> Exceeded revenue from new markets with orange roughly whole and fresh salmon to China, this year doubling the size of our presence in that market. Lifting fresh fish volumes has enabled Sanford to move into more domestic outlets in 2016. Exploring new channels to the lucrative pet food markets, and continuing research and development into new products and increased utilisation.
Outcome 2 Zero harm and great prospects for our people				
Health, safety and wellbeing	Through the way we work and behave, and the initiatives we implement to continually enhance our work environments, our people will be protected from the risks of occupational injury or ill health.	Achieve Lost Time Injury Frequency Rate (LTIFR) of <5/million hours worked. (S)	✗	<ul style="list-style-type: none"> 2016 Lost Time Injury Frequency Rate (LTIFR) was 14.69/million hours worked (2015: 10.33). Increase in LTI to 53 (2015:42), however the majority were due to sprains and strains or stings through handling fish spikes Serious harm (notifiable) injuries halved to 6 (2015:12).
		Achieve a year-on-year increase in near miss reporting. (S)	✓	<ul style="list-style-type: none"> 19.4% increase in near miss reporting to 289 (2015: 242), indicative of improved awareness and culture of learning from health and safety hazards. High engagement score of 75% in health and safety.
		Implement focused health and safety training across all levels of the company by October 2016. (S)	✓	<ul style="list-style-type: none"> Programme of health and safety training rolled out across all levels of the organisation, from directors and executives, to management and staff. Included targeted, risk-based training to employees working on vessels and in processing plants.
		Implement SanWell at all Sanford sites by end of 2016 financial year. (S)	→	<ul style="list-style-type: none"> Sanford Timaru achieved Bronze and is working towards Silver. All other sites are currently working towards Bronze accreditation.
		Achieve Tertiary status with Accident Compensation Corporation (ACC). (M)	→	<ul style="list-style-type: none"> Maintained ACC Secondary status partnership programme. Continuing to work progressively towards Tertiary status. 28.7% reduction in ACC claims to 134 (2015: 188).
Developing our people	Maximise the prospects of our people, offering meaningful opportunities for continual learning and development to ensure that each and every one of our employees can reach their full potential.	Achieve recognition as an employer of choice through established awards in New Zealand. (L)	→	<ul style="list-style-type: none"> Baseline established in December 2015 engagement survey: four relevant questions yielded scores of 60, 56, 43 and 45% with respect to how well the staff like working for Sanford and would praise it to others.
		Embed the culture of continuous improvements throughout the business through the engagement and empowerment of our people via targeted programs, such as front line leadership. (M)	→	<ul style="list-style-type: none"> Ongoing. Set up Sanford 2020 continuous improvement programme and a number of task-specific programmes relating to our people across our processing operations, including the SanWell and 'Keeping it Fresh' programmes. Continued to offer communication and PITO training to frontline staff, in particular.

Material issues	Goals	2016 Targets ¹	Progress ²	Update on progress towards targets
Leadership and our values	Attract, develop and retain the very best people and promote diversity in a way that underpins our values. Ensure equal opportunities, recognise and reward sound performance and fresh thinking and create a happy and motivated workforce.	Establish a leadership development program of our senior management team, including 360° feedback and coaching for effectiveness and constructive leadership, by end of calendar year. (S)	✓	• Rolled out the Life Styles Inventory (LSI) 360° programme, with all senior managers (43 participating in programme), and due to complete all stages of the three-stage programme by December 2016.
		Participate in industry discussions and bring forward solutions that genuinely make a difference. (M)	→	• Continuing to play an active role in industry and other forums that address issues and opportunities facing the industry, as summarised under 'Reporting What Matters'.
		Undergo employee engagement survey and communicate results to staff by February 2016. (S)	✓	• Carried out full employee engagement survey in December 2015 and communicated results to staff by February 2016, including the baseline engagement score of 48% and 78% response rate. Carried out follow-up pulse survey, 'The Voice', nine months after the December 2015 survey, which showed a slight improvement in the engagement score to 50%.
Outcome 3 Leading the way to healthy food				
Food safety quality	Be recognised as a global leader in providing safe, high quality seafood that delights our customers and represents our love for the sea.	Implement and maintain ISO22000 Food Safety Management System in all land-based processing sites by October 2016. (S) (carried over from 2015)	→	• Ongoing. Two plants have finished the audit process and are due to receive certification to ISO22000 in 2016, and a further two processing plants are currently in the process of being certified. • The remaining land-based processing plants are due for audit mid-2017.
		Action and close out 80% of quality complaints within 10 working days. (S)	✗	• 61.2% of quality complaints closed out within 10 working days. 86% closed out within 15 working days, ongoing focus on improving response times. • 16.9% fewer customer complaints (98, 2015: 118).
		Engage with customers through a quality satisfaction survey annually. (S)	✓	• Quality survey completed by international customers, with 14 respondents (2015: 14), positive improvement realised (10 customers – 71% rated Sanford products very high or high quality, 13 customers – 92% rated quality of customer service very high or high).
		Implement British Retail Consortium (BRC) standard at Havelock by October 2016. (M)	✗	• To ensure consistency across all processing operations, the decision was made to achieve ISO22000 food safety accreditation, as a globally recognised, more comprehensive alternative.
		Complete full review of product specifications. (S)	✓	• Reviewed product specifications for all main product lines, and where necessary, produced new specifications, including detailed grading and product photos. • Aligning product specifications with product quality inspections has reduced customer complaints and improved product satisfaction levels.
Customer/consumer relationships Product traceability	Be the worldwide supplier of choice for New Zealand seafood, through nurturing a reputation of authenticity, trust and expertise, and growing consumer confidence in the origins of our seafood and story of our fish to enhance commercial and stakeholder value.	Engage with existing and potential customers at seafood trade shows to develop new products and markets. (M)	✓	• Key representatives from Sanford attended seafood shows in Europe, North America and China in 2016 (comprising 36.9% of our market, but significantly broader global attendance).
		Utilise social media channel to engage and inform consumers around the world on Beautiful New Zealand Seafood from Sanford, tracking statistics and progress. (S)	✓	• Statistics for Facebook and Twitter tracked in relation to Sanford, Auckland Fish Market and Seafood School, report key metrics, including fans, reach, engagement rate and demographic. Media platforms continuing to grow as investment in engaging content, promotions and information around seafood are increasing.
		Develop brand portfolio to differentiate product offerings, chosen channels and markets. (M)	→	• Portfolio of brand offerings developed, to enable Sanford to capitalise on different market opportunities.
		Investigate software systems to improve service delivery to internal and external customers. (M) (carried over from 2015)	→	• 'Project One Touch' implemented, to improve domestic customer order and delivery process, aligned with 'Focus on Fresh'. • Ongoing investment in IT technology in progress, with Customer Relationship Management (CRM) deliverable currently planned to take place in Q3 of FY2017, as part of a broader collaboration platform.
Supply chain	Work with our supply chain to deliver mutually sustainable solutions that deliver value for money, and support our focus on health and safety, product quality, sustainability, continuous improvement and innovation.	Embed best practice sales and operational planning (S&OP) process and distribution strategy to increase the mix and value of fresh products into the market. (M)	→	• S&OP process improvements carried out to align demand and supply, particularly for mussels and salmon. • Use of sustainable packaging for 'Focus on Fresh' offering was successfully piloted over 2016 and is due for full customer trial in February 2017.

PROGRESS ON OUR 2016 SUSTAINABLE BUSINESS TARGETS

Material issues	Goals	2016 Targets ¹	Progress ²	Update on progress towards targets
Outcome 4 Ensuring healthy oceans				
Sustainable fish stocks and marine farms	Ensure clear commitment to comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean management, including zero tolerance for overfishing, underreporting and discarding catch.	Promote and encourage Fishery Improvement Projects (FIPs) for key species. (M) (carried over from 2015)	→	<ul style="list-style-type: none"> Based on 2015-16 reported catch data for Sanford, of the main commercially harvested deepwater species: > 19.6% are in FIPs (2015: 13.3%).
		Achieve marine farm certification to Sanford marine farms by September 2016. (S)	✓	<ul style="list-style-type: none"> Awarded Best Aquaculture Practice (BAP) certification by Global Aquaculture Alliance (GAA) in relation to Sanford's production of King Salmon and Greenshell™ mussels in Big Glory Bay. Aquaculture New Zealand (AqNZ) A+ Sustainable Aquaculture certification trialled for three Banks Peninsula farms, currently working through pre-audit process for two farms in Marlborough.
		All fishers record and report their catch to ensure maximum transparency of fish stock status. (L)	✓	<ul style="list-style-type: none"> Full and compliant catch reporting was achieved. Enhancements were made through progressive implementation of electronic monitoring to increase transparency, with Sanford taking a leadership role advocating responsible fishing across sectors. Specific conditions of contract between sharefishers and Sanford, setting out requirements to meet all legal requirements, including catch reporting. Reinforced through senior management meeting with inshore share fishers.
		Continue engagement with New Zealand's Deepwater Group to achieve Marine Stewardship Council (MSC) sustainability certification for deepwater species in our Exclusive Economic Zone. (L) (carried over from 2015)	→	<ul style="list-style-type: none"> Of the commercially harvested deepwater species, five species (hoki, ling, hake, southern blue whiting and squid), 75% of all deep water species harvested, are either MSC certified or currently under assessment. In 2016, 37% of our total wildcatch (by greenweight kg), was MSC certified (2015: 41%). Sanford continues to actively engage with, and support, ongoing efforts to achieve MSC certification for the major large volume deepwater species.
Marine conservation	Embrace our role as a leader of change in our industry, applying influence on the sustainability of our oceans, leading to better practices and more sustainable outcomes, while making a positive impact on the communities and coastal ecosystems where we operate.	Continue with year 4 of 7-year Primary Growth Partnership between Government, Sanford Limited, Moana and Sealord Group Limited, trialling new harvest technology to result in more precise catches, less by-catch, lower mortality rates, more selectivity and higher quality landed fish. (M) (carried over from 2015)	→	<ul style="list-style-type: none"> Successful completion of year 4 of 7 year for this programme. Precision Seafood Harvesting (PSH) suite of new technologies and innovations now under trial, with four sizes of Modular Harvesting Systems (MHS) in testing, and soon to be used for commercial harvest of snapper, hoki and alfonsino species. Two Sanford Auckland inshore vessels now testing PSH/MHS technology on a regular basis, and a third vessel shortly to move to this technology. New sorting and handling systems successfully trialled on the <i>Ana</i>. Technology also successfully scaled up to deepwater vessel (<i>San Enterprise</i>), with immediate improvements in fish quality and survivability realised. Launch of new 'Tiaki' seafood brand, supported by social media platforms, website and traceability application.
		Continue with 7-year Primary Growth Partnership between Government and Sanford Limited introducing a selective breeding programme to produce a wide range of high-performing mussel strains. (M) (carried over from 2015)	→	<ul style="list-style-type: none"> Successful completion of year 4 of 7 for this programme, with decision made to progress to Stage 2. Independent mid-term review completed by Sapere Research Limited confirmed context for spat supply had changed (worsened), reinforcing investment in hatchery technology. Team now comprises 17 staff (2015:15). Produced 1,150 million ready to settle larvae this year, and producing up to 36 trillion cells per day (3,360 litres) of microalgae as mussel food.
Endangered, threatened and protected species	Ensure protection of marine species, including sea birds, sea lions, dolphins and sharks through delivering best practice farming and fishing practices, implementing protection measures and participating in ongoing science-based research programmes.	Carry out marine mammal medic training, when available, at all relevant Sanford locations. (S) (carried over from 2015)	✓	<ul style="list-style-type: none"> Marine mammal training is ongoing for selected staff, as appropriate, and this is included in the training of our 474 share fishers. Relevant industry plans of action, including operational procedures, are stringently adhered to. We closely follow the science around endangered, threatened and protected species to ensure we play our part, implementing appropriate mitigation protocols and devices. Specific conditions of contract with sharefishers set out requirements to adhere to both legal requirements and best practice industry plans, codes of practice and procedures relating to seabird and marine mammal interaction and mitigation.

Material issues	Goals	2016 Targets ¹	Progress ²	Update on progress towards targets
Outcome 5 Support enduring communities and partnerships				
Engagement and employment	Respect and support our local communities in line with our social licence to operate. Where possible, we will create local business, employment and skills development opportunities.	Measure the engagement of our communities through our social media channels. (S)	✓	<ul style="list-style-type: none"> Ongoing focus on community engagement initiatives, with social media engagement metrics tracked and reported. Recipient of prestigious Marlborough Award in 2016, in recognition of Sanford's leading role in the marine farming sector, and the notable difference it makes to life, wellbeing and the economy of the district. Continue to provide support for local businesses, employment and skills development across all areas in which we operate (Coromandel, Tauranga, Auckland, Havelock, Timaru, Bluff and Stewart Island). MBIE report on contribution of aquaculture to Southland supports ongoing work by Sanford to grow this sector (refer to case study under this section).
Strategic partnerships: community and industry	Establish strategic partnerships that create value for the community, our partners and Sanford in the short, medium and long term.	Investigate Graeme Dingle Foundation (GDF) Career Navigator programme to attract youth into the industry. (M)	→	<ul style="list-style-type: none"> Discussions held with Graeme Dingle Foundation. Initiatives are in place at regional level, and currently under consideration.
		Implement partnership strategies and plans with key community and industry partners. (S)	✓	<ul style="list-style-type: none"> Two strategic community partnerships; Paralympics New Zealand and Graeme Dingle Foundation, with formal agreements, strategies and partnership plans in place. Additional partnerships are also under consideration. A range of community sponsorships are also in place across our operations, with examples referred to in this Report. Various industry partnerships and agreements in place, as set out in this report. Case study of vessel reflagging with our Korean partners provides one such example.
Outcome 6 Protecting and enhancing environments				
Environmental effects	Minimise our impact on the environment when carrying out our business operation, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound mitigation and management.	Maintain ISO14001 Environmental Management System certification across our operations. (S)	✓	<ul style="list-style-type: none"> Maintained certification to ISO14001:2004.
Resource utilisation and efficiency	Do 'more with less' by maximising efficient use of resources, including optimising the utilisation of all fish and mussels harvested and ensuring waste minimisation, re-use and recycling.	Increase waste diversion rate by 30%, from landfill to recycling. (S)	→	<ul style="list-style-type: none"> Achieved 25% diversion rate for waste streams across Sanford operations. Through innovation, focus on increasing utilisation and/or value created from all fish and mussels harvested. 100% recycling of mussel floats in Marlborough, with Sanford providing a recycling hub for all operators.
		Achieve a 5% improvement in electricity eco-efficiency. (S)	→	<ul style="list-style-type: none"> Achieved average 4% improvement in eco-efficiency across all operations, with a range of targeted ongoing initiatives implemented, from processing plants to offices and vessel operations.
Carbon reduction and offsetting	Demonstrate our commitment to climate change response by actively reducing our energy consumption and emissions of greenhouse gases (GHG), and seeking to introduce low carbon solutions into our value chain where practicable.	Capture 100% of core energy intensity data. (S)	✓	<ul style="list-style-type: none"> Significant improvements to data capture and reporting, with further streamlining planned for 2017. Low carbon roadmap initiated, providing basis for defining future plans to reduce GHG and carbon emissions going forward.

✓ Achieved

→ In Progress

✗ Not Achieved

¹ S=Short term (1 year or less); M=Medium term (2-5 years); L=Long term (5 or more years)

² Where 2016 targets are in progress, work will continue with the targets carried forward into 2017

OUR SIX PERFORMANCE OUTCOMES

LEADING SUSTAINABILITY THROUGH SIX PERFORMANCE OUTCOMES

Our Business Excellence Framework, shown here, sets out the six performance outcome areas across which we carry out our activities. In the next six chapters we describe our performance in each of these outcome areas with respect to 2016, our targets for 2017 and our 2025 aspirations. To reflect our materiality process, we have ordered the performance outcome chapters such that the most material issues are reported upon first.

Ensuring healthy oceans

We will lead by example in healthy ocean management, so that future generations can enjoy and benefit from our biologically diverse, safe, healthy and dynamic oceans.

Protecting and enhancing environments

We will work with our people, customers and suppliers to lead the way in maximising resource utilisation, minimising our footprint and protecting the environment wherever we operate.

Leading the way to healthy foods

We will lead the way in driving sustainable performance across our value chain, and positioning our brand as the industry partner and supplier of choice.



Enabling zero harm and great prospects for our people

We will maximise the prospects of our people by making 'Zero Harm' a key priority, offering meaningful opportunities for continual learning and development, and living our values to ensure we become an employer of choice.

Building a sustainable seafood business

We will deliver sustainable, profitable and socially beneficial outcomes through our sector leadership and role in creating a more innovative and sustainable business, and effective risk management strategies.

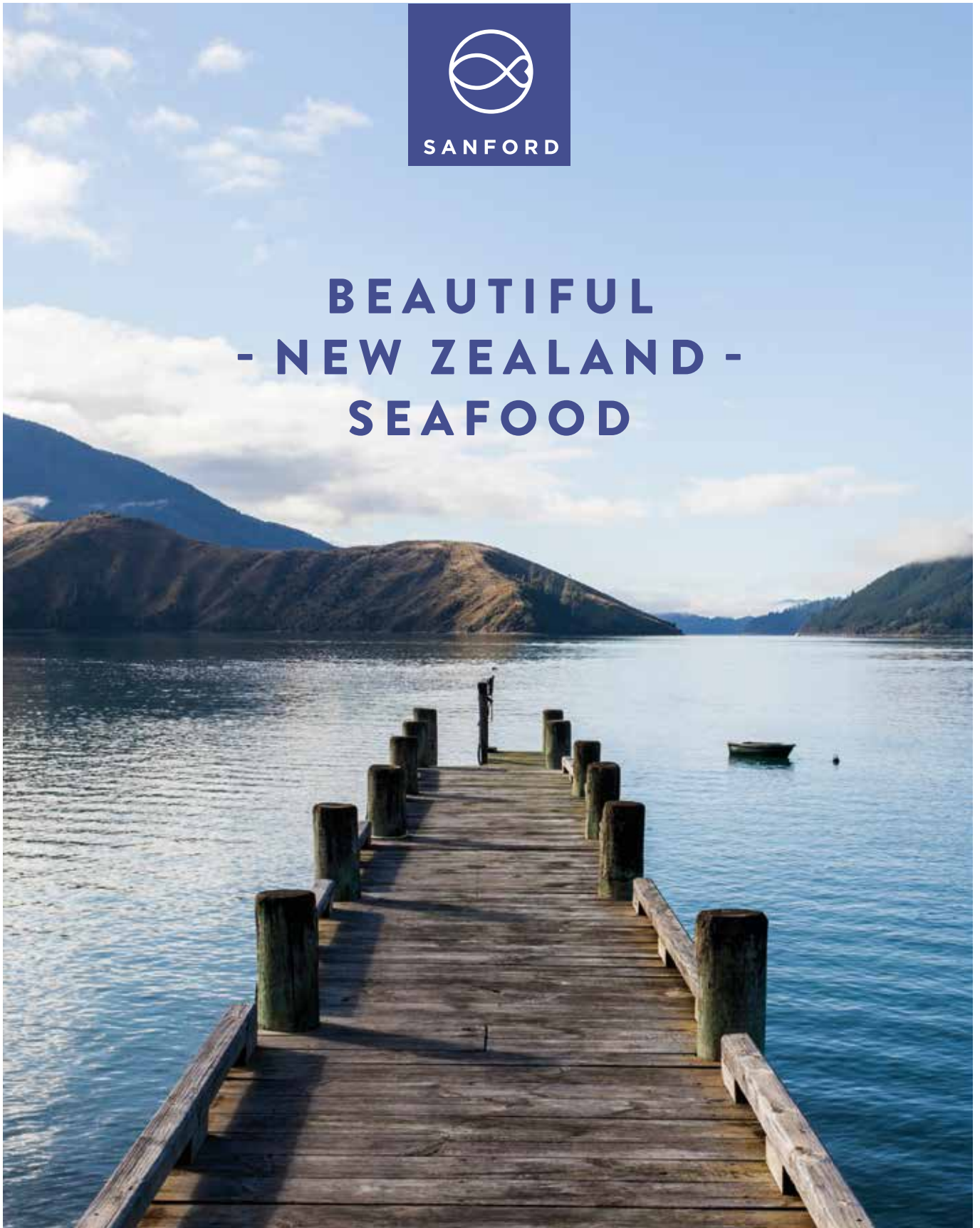
Supporting enduring communities and partnerships

Our leadership in creating employment and skills opportunities, coupled with our understanding of the needs of our communities and partners, ensure we deliver a significant and positive contribution everywhere we work.



SANFORD

BEAUTIFUL - NEW ZEALAND - SEAFOOD



UNCOMPROMISING CARE
FOR A SUSTAINABLE SEAFOOD

BUSIN



ESS

BUILDING A SUSTAINABLE SEAFOOD BUSINESS

We will deliver sustainable, profitable and socially beneficial outcomes through our sector leadership and role in creating a more innovative and sustainable business and effective risk management strategies.

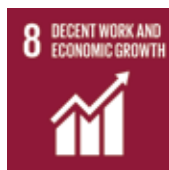
BUILDING A SUSTAINABLE SEAFOOD BUSINESS



Sanford in the global context

UN SDG 8

DECENT WORK AND ECONOMIC GROWTH



The seafood industry is well placed to supply a growing population with a protein source for the future. In 2015, the Government set an aspirational goal of doubling export revenues from the seafood sector in the ten years to 2025, a challenge the industry accepted. From the 2015 base of \$1.579 billion, the 2025 target is \$3.158 billion in export revenue from seafood. Aquaculture aims to generate \$1 billion of export revenue by 2025, so fisheries needs to be on track to earn \$2.158 billion in the year 2025. Sanford is well placed to be able to assist the Government to achieve this goal whilst creating quality jobs in local communities, generating strong economic returns to its shareholders and actively looking for ways to minimise its environmental footprint.

UN SDG 9

INDUSTRY, INNOVATION AND INFRASTRUCTURE



Technological progress is the foundation of efforts to achieve sustainability objectives, such as increased resource and energy efficiency. Without technology and innovation, environmentally sound industrialisation will not happen and without this, opportunities for growth and development of the seafood industry will not be optimised. Sanford's investment in innovation and technology is key to its ability to contribute to sustainable development. Value is added to our products through taking this more innovative approach resulting in an increased return per kilogram (kg) of product.



Material issues and value creation

This table summarises Sanford's material issues relating to *building a sustainable seafood business*, the strategic goals defined through our Business Excellence Framework, our targets for 2016 and our performance in contributing to value creation. At the end of this section, our future targets and vision to 2025 are also defined.

MATERIAL ISSUES	SUSTAINABILITY GOALS	2016 TARGETS*	PROGRESS AGAINST TARGETS**
Shareholder value and risk	Improve our business margins and create shareholder value in a sustainable way. Demonstrate sector leadership by creating a more innovative and sustainable business. Lead the way in understanding and managing our risk profile.	Identify, implement and support a comprehensive enterprise risk management approach across our business. (S)	Achieved. Enterprise risk process completed, plans in place, with ongoing review and reporting.
		Continuous improvement at all sites through our Culture of Continuous Improvement (CCI) programme. (M)	Achieved. Senior management and cross functional teams developed initiatives. Sanford 2020 continuous improvement programme (rebranded to replace CCI) in place, 77 projects identified.
		Continue improvement of our \$/kg return. (L)	Achieved. EBIT \$0.51 per kg GW, \$0.16 above 2015 (45.7% increase).
Governance and communication	Be recognised as a company which lives its values in all our activities, demonstrates an ethical approach across all areas of corporate responsibility, proactively engages with key stakeholders and communicates with clarity and as much transparency as possible.	Develop a clear communication strategy, both internal and external, to ensure engagement of our people and stakeholders. (M)	Ongoing. Stakeholder engagement processes in place (both internal and external), including social media and public policy strategy work. Corporate governance reviewed, with changes in Board committees implemented (refer <i>Corporate Governance</i> section).
Innovation and technology	Remain competitive on a global scale, and lead industry in the creation of value through innovation and technology in collaboration with leading research partners.	2% of revenue to be from new markets annually. (M)	Achieved. New product innovations in nutraceuticals and pet food, increasing product utilisation. In terms of markets, doubled size of orange roughy and fresh salmon exports to China, and fresh fish volumes increased in domestic market.



VALUE CREATION – OUTCOME:

We will deliver sustainable, profitable and socially beneficial outcomes through our people, sector leadership in creating a more innovative and sustainable business and effective risk management strategies

* S=Short term (1 year or less); M=Medium term (2-5 years); L=Long term (5 or more years)

** Refer to '*Progress on our 2016 sustainable business targets*' for full update across all targets defined

BUILDING A SUSTAINABLE SEAFOOD BUSINESS

Shareholder value and risk



GOAL

Improve our business margins and create shareholder value in a sustainable way. Demonstrate sector leadership by creating a more innovative and sustainable business. Lead the way in understanding and managing our risk profile.

In this section we review the following for 2016:

- financial performance
- operational performance
- customer and commercial performance

FINANCIAL OVERVIEW

2016 was another year of significant change within the business. The ‘Focus on Fresh’ strategy has delivered significant gains in our mix of fresh versus frozen products in line with our strategic direction of moving our precious resource up the value chain. In focusing on fresh products, we are delivering to the growing global demand for fresh seafood with authenticity and provenance. Our wild caught fresh volume increased by 1,175t which made up 8.9% of wild caught volume (2015: 7.8%).

We completed the exit of our international tuna business in 2016 with the sale of the remaining vessel, the FV *San Nikunau*. Unfortunately, given the continued depressed state of that commodity market, we have had to take a \$5m impairment on the sale of the vessel.

Sanford’s reported EBIT improved significantly to \$57.7m, 86% above 2015

reported EBIT of \$31.1m. It was pleasing to see this trend continued from the 2014 reported EBIT of \$44.1m.

These improvements reflect the change in our strategic direction to focus on value and the decisions in prior years to exit our non-performing businesses.

The USD exchange rate continued in Sanford’s favour in 2016 with an average spot rate of 0.69 (2015: 0.73). As per our hedging policy, we have continued to hedge forward to provide more certainty for the company’s export earnings. Given our hedging, we were still rolling off higher than spot exchange hedges during the year, giving an effective achieved rate of 0.71 for the year (2015: 0.76).

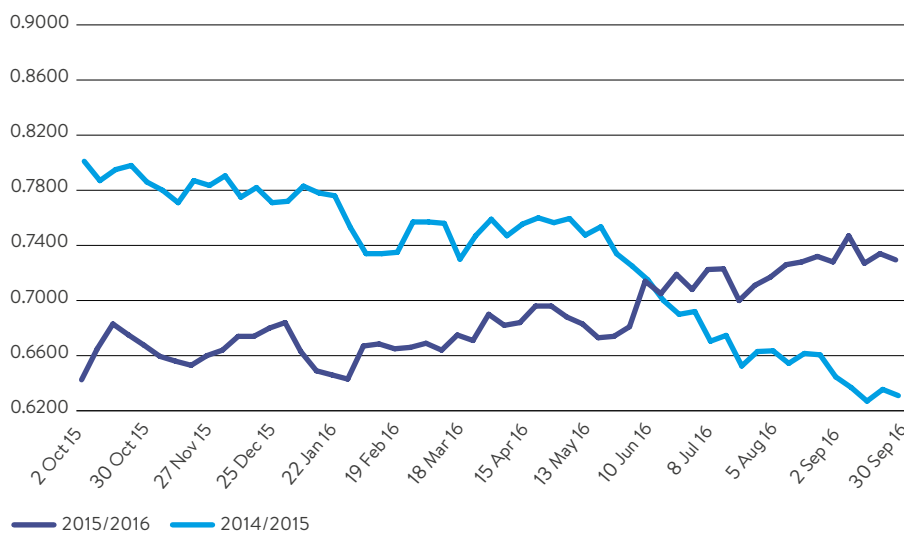
We have continued to invest in the capability of the Finance and IT teams in 2016 with the introduction of a dedicated sales and marketing commercial finance function to provide focused commercial analytics for that area of our business. Our business analyst team within the IT function will play a critical role in delivering the improvement roadmap set out on page 46.

To provide better clarity and alignment of underlying business performance with our statutory reporting, the Board has approved the adoption of the NZ IFRS9 financial reporting standard for the company. This change in our reporting will ensure that the result of our foreign exchange hedges are better matched to the underlying revenue and hence better reflect the underlying performance of the business (refer page 148 for a full disclosure of this change).

OPERATIONS OVERVIEW

Our committed and highly professional staff, crew, contractors and suppliers have once again delivered a great result for the year. Their ability to adjust to the vagaries of the seafood industry, new initiatives and unexpected challenges with enthusiasm and passion is a credit to them all. Many parts of the business operate 24/7, three hundred and sixty five days a year, with over fourteen hundred staff and fishers involved in the businesses operations. At any point in time Sanford has hundreds of sharefishers at sea or on farms, often working in difficult conditions, ensuring a constant supply of high quality seafood.

USD Exchange Rate 2015 Year compared to 2016 Year





Salmon Farming

Sanford's salmon operation in Big Glory Bay (Stewart Island) had another

very positive year with production exceeding expectations and market demand being very strong. The majority of the harvest is now being processed into fillet form at our Bluff factory and sold fresh into the New Zealand market. There is significant opportunity to expand this part of our business if additional water space can be made available (refer **Outcome 5 – Communities and Partnerships**).

We have an ongoing focus on improving our food conversion rates as salmon feed is our single largest cost. Ensuring efficient food conversion also reduces our environmental footprint (refer **Outcome 4 – Healthy Oceans**).

The highlight of the year was achieving the Global Aquaculture Alliance – Best Aquaculture Practice (BAP) Certification on our Big Glory Bay salmon and mussel farms. This is an internationally recognised third party certification of the highest standard that measures our operational performance over a broad range of criteria.



Mussel Farming

Overall 2016 has been a positive year for mussel farming. After a somewhat

slow start to the season, volumes and mussel condition settled well, providing our processing plants with quality harvests. During the year a definite link between El Niño weather patterns and improved mussel yields was apparent, particularly in our Kaitaia seeded crop. The geographic spread of our farms allowed optimised growing capability through matching farming sites with appropriate seed types and size. This year considerable volumes of virile Marlborough seed stocks were transported north to Coromandel, which reduced juvenile die off in the summer months and capitalised on the quicker crop rotations experienced in the Firth of Thames. Crop and seed stocks remain in line with plans. SPAT_{NZ} hatchery seed has started to flow through our operation, providing volumes that complement our wild stock.

In Stewart Island we achieved BAP certification for our 21 farms, while a

number of our Marlborough and Banks Peninsula operations entered into the new aquaculture A+ environmental certification program (refer **Outcome 4 – Healthy Oceans**). These initiatives coupled with backing from local council programmes such as Marlborough District Council's (MDC) 'Smart & Connected' have constructively advanced community support in all regions.

This year the MDC released its Marlborough Environmental Plan (MEP). Management is actively engaged in the consultation process, constructively challenging the content of the plan through a detailed company submission. The aquaculture provisions of the MEP have been withheld as further dialogue with key stakeholders occurs. The aquaculture planning process of government and local councils has been, and will continue to be, a key focus for the company in the lead up to the farm license renewal process due in 2024.



Fishing

Our pelagic fleet that operates out of Tauranga

experienced one of the weakest skipjack tuna seasons in many years and poor catches of other pelagic species, potentially a result of the strong El Niño weather influence. This weather pattern had both positive and negative effects on various fisheries around the New Zealand coast this year.

Our **Inshore fleet** welcomed the *San Tongariro* and crew to our Auckland operations, after being redeployed from Timaru. The *San Tongariro* and her sister ship *San Rakaia* are the largest of our inshore fleet at 32 metres in length and are deployed for wider coastal fishing operations around the North Island. The other four vessels in our Auckland inshore fleet are between 20 and 26 metres in length, operating in the nearer coastal waters of Auckland's East and West Coasts. Other than noted above, this year's inshore fishing results were generally on or above plan which resulted in good utilisation of our fishing quota and vessel assets.

The **Deepwater fleet** had another good year. Of significant note was the very successful squid season in and around the Auckland Islands which resulted in the best season in the last decade. In addition to great catching, we experienced very good

market prices due to poor catches in the Falkland Islands (South Atlantic) squid fishery this year. A change in market demand to orange roughly in a 'whole-round' product form (instead of fillets) required the *San Waitaki* to undertake a significant change to its annual catch plan and factory processing requirements – this change was embraced by the crew with excellent results.

Hoki fishing has been steady but below expectations from our 'Frozen at Sea' (FAS) vessels, however, very good catches were experienced from the inshore fleet out of the Cook Strait. Our FAS longliners have had a good year in the toothfish fisheries, especially in the Ross Sea. The South Georgia fishery also performed very well with the *San Aspiring* completing its quota allocation early. On its way home, the *San Aspiring* undertook research on toothfish fishing (under permit) in a completely new area controlled under the South Pacific Regional Fisheries Management Organisation (SPRFMO).

During the year, our long term Korean catching partners (Dong Won Fisheries and Juahm Industries) successfully reflagged their vessels and established New Zealand operating companies to meet the requirement that only New Zealand flagged vessels are allowed to fish in New Zealand waters (refer **Outcome 5 – Communities and Partnerships**). The reflagging process was a substantial undertaking, but with significant effort being put in by Sanford, Dong Won and Juahm staff (along with supporting contractors), the process proved to be relatively seamless, with minimal vessel downtime resulting.



Mussel Processing

Our Havelock processing plant had another busy year picking up

the volumes previously handled at our Christchurch plant. After a slightly delayed start to the season we experienced excellent growing conditions resulting in more large mussels being produced than initially predicted. The mussels sourced from the top of the South Island and Stewart Island were in good condition throughout the majority of the year. The plant has been working through a number of new initiatives to improve capacity and efficiency with encouraging results late in the season, which we expect to embed

BUILDING A SUSTAINABLE SEAFOOD BUSINESS

further next year. An alteration to shift patterns has improved the overall run time for the plant, and the installation of a colour sorter for removing blue mussels and marine waste from the raw material intake will further improve processing efficiency.



Fish Processing and Salmon Processing

Our processing sites in Auckland, Tauranga, Timaru and Bluff

focused on delivering additional volumes of fresh fish this year and did a great job in achieving ambitious targets. The Auckland and Tauranga plants worked well together on smoothing supply peaks to process as efficiently as possible and maximising the supply opportunity into the plants.

The salmon processing line in Bluff was revamped, which improved the capacity and the processing efficiency of the operation and we will look to streamline the packing area in the coming year. With the 'Focus on Fresh', the Bluff team did an excellent job of maximising production for fresh orders with the only limited volumes being frozen to order.



Supply Chain

The supply chain team has focused on three key areas in the last year: procurement

initiatives, optimising logistics and building a platform for a sales and operational planning (S&OP) process. A functional organisational structure has allowed for improved communication and visibility along the value chain and specifically the 'Focus on Fresh' has enabled a significant growth in fresh seafood sales. Growing fresh seafood volumes over a greater number of species and customers is allowing Sanford to improve the returns to the business. One of the key requirements for growing this market is the ability to quickly communicate daily catch volumes to the sales team and ensure fish unloading and packing are completed in time for transport. Working with packaging and courier companies has also enabled a better understanding of how we can further optimise the supply chain to customers. Having fresh seafood turn up for our customers in pristine condition every time is the goal and one we achieve every day.



Health & Safety

The Company continues to develop its health and safety culture and systems

with pleasing progress being reported by external auditors. Our staff engagement score on health and safety is very high across the group and is a credit to all involved. This year, we have achieved a 50% reduction in notifiable (serious harm) injuries, a 28.7% reduction in ACC claims and positive improvements in a range of other lead indicators. Unfortunately we have experienced an increase in lost time injuries (LTIs) reported during the year, but a significant reduction in days lost from these LTIs. Sanford is committed to providing a safe and healthy workplace.

Sanford operational staff actively participate in numerous forums and endeavour, wherever possible, to take a leadership role for the betterment of Sanford and the seafood industry as a whole. We take this leadership responsibility very seriously and willingly tackle the difficult issues.

CUSTOMER AND COMMERCIAL OVERVIEW

Overview

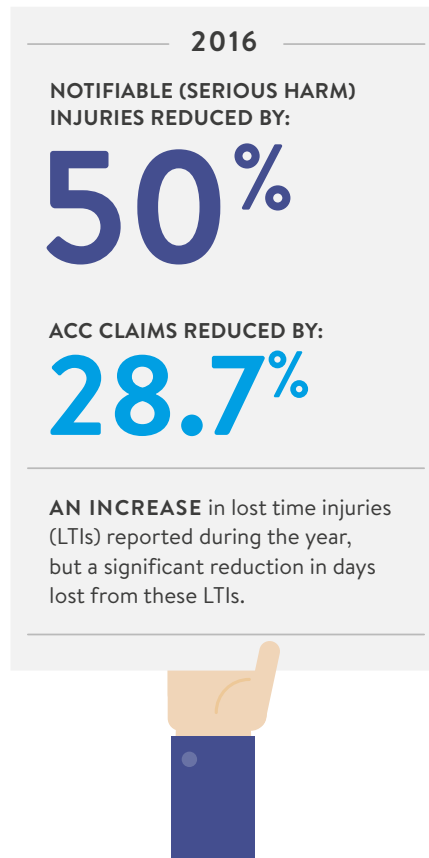
As a result of the overall Company strategic direction we have seen a real focus on customer and consumer come alive. Following on from this, our customer relationships have moved from transactional to relationships built on strong integrated plans that allow Sanford more transparency of our customers' goals and individual consumer demands. We aim to continue developing these types of partnerships with our customers so we can align our products, brand and innovation to their individual market requirements, thereby unlocking future value for all parties.

Sales – International

This year has seen a rapid growth in sales to the Chinese market with revenue lifting to 10.4% of turnover from 6.7% last year. The growth in this market has been driven by fresh King salmon, scampi, toothfish, orange roughy and Greenshell™ mussels. These products have been sold through restaurants and retail channels in both the Sanford brand and co-branded with a distributor. China continues to offer significant growth opportunities for other high value species and more packaged branded goods, due to demand for quality seafood from New Zealand. The opportunity for Sanford is to build the Sanford brand to deliver the market assurance of genuine and high quality New Zealand seafood for the Chinese market.

Fresh seafood sales have been a focus for Sanford with fresh King salmon exports lifting from \$4.2m to \$8.0m across Australia, China and North America. These volumes complemented our existing product range of frozen as well as wild caught fresh seafood in these markets, and have grown at the expense of frozen salmon sales, thus allowing for better inventory management and more consistent sales. We expect demand to continue to lift for all fresh fish, and pricing to reflect the restricted nature of supply.

The United States continues to be our biggest export market for a wide variety of frozen product, although it has reduced from 18.9% of revenue to 15.1%. The major impact on the North American market has been the reduced supply of medium half shell mussels and a reduction in the market





price, due to significant competition from other New Zealand exporters. The Australian market continues to grow in line with overall sales growth, with the 'Focus on Fresh' supply beginning to see increased volume and return from the market.

The remainder of our markets have been impacted by the increase in our domestic and key export markets, although we are seeing closer relationships with fewer customers, which assisted us in delivering better value.

Sales – Domestic

The domestic market has grown significantly over the last year with the 'Focus on Fresh' fish sales necessitating a strong domestic focus. Fresh seafood sales have increased by \$14.8m for the year, driven by King salmon and wild caught species. Key to this initiative has been greater collaboration with our main customers leading to the introduction of additional species such as gurnard, hoki, snapper and tarakihi to provide greater consumer choice.

Through increased presence within the foodservice market and leveraging our extensive range of fresh seafood we will improve the returns for our frozen product through key customers. This will lead to more scampi and toothfish being made available to New Zealand customers and enable us to drive a complete seafood offering for the foodservice industry.

Marketing and Branding

For Sanford to stand out from the crowd and continue to drive value in what has been traditionally a very commodity-driven industry, we have to find a platform to tell our unique and rich story. Following the appointment of a GM Marketing and Consumer we embarked on gaining further insight into the final destination of our products and relevant consumption behaviours. This knowledge enabled the development of a brand and communication plan that will allow us to speak directly to the consumer and also align brands to each product depending on value and story. We completed this work during 2016 and will see this come alive and play a huge part in unlocking value across the entire Sanford portfolio from 2017 onwards.

Commercial

One of the biggest contributors to growing seafood consumption comes from understanding how consumers purchase seafood, what current market trends are and how we utilise these to our advantage.

The Auckland Seafood Market and Auckland Seafood School give us a major competitive advantage to do just that, speaking directly to the people who purchase and interact with our product. We have, over the past 12 months, continued to develop both of these sites, however, in 2017 we plan to really bring them to life. We want to create 'the' New Zealand destination for experiencing seafood whilst also utilising this area to test and trial innovative ideas and concepts.

Innovation

For Sanford to lead the way in value creation we need to continually look at different ways of unlocking value through our methods of catching and farming, the use of the whole fish and also developing products in non-traditional sectors. The 2016 year has brought about a significant shift in the innovation team, again with a focus on customer and consumer, allowing the team to continue their focus on scientific research while gaining a greater understanding of consumer demand for alternative products, both within and beyond our current channels. In 2017 our innovation team will become the driving force behind value creation.

Australia

Australia is an important market for Sanford and we spent the year streamlining our sales activities through a limited number of well positioned and highly respected distributors.

Our subsidiary, Sanford Australia, has improved its performance compared to the prior year, and development of a strategy for our fish market in Melbourne is currently in progress.



BUILDING A SUSTAINABLE SEAFOOD BUSINESS

Governance and communication



Be recognised as a company which lives its values in all our activities, demonstrates an ethical approach across all areas of corporate responsibility, proactively engages with key stakeholders and communicates with clarity and as much transparency as possible.

As a values-based business, Sanford is committed to delivering high standards of business integrity and ethics across all activities. How we engage with stakeholders, and the materiality process we implemented to inform this Report are set out in the *Reporting What Matters* section (refer pages 18 to 25), while details of our corporate governance structure and organisation are set out in the *Corporate Governance* section of this Report (refer pages 122 to 133). In this section, the Report focuses on how Sanford manages investor relations, government and industry relations.

INVESTOR RELATIONS

We keep our shareholders informed of major developments and business events likely to affect our operations, financial standing and Sanford's share price. We provide shareholders with information through our Annual and Interim (half year) Reports, our Annual Meeting and announcements of relevant information, including results. These documents are lodged with the New Zealand Stock Exchange (NZX) and are publicly available on our website at www.sanford.co.nz. Over the last three years, we have sought to streamline our financial accounts through integrated reporting, ensuring greater transparency to stakeholders on our strategic direction, business



Sanford should continue to build its understanding of stakeholder information needs and meet them in a user-friendly way.

INVESTOR

model, value creation and environmental and social performance.

Shareholders are encouraged to engage with senior management and our Board of Directors at the Annual Meeting. Copies of addresses made by the Chairman and Chief Executive Officer at the Annual Meeting are lodged with NZX, and made publicly available on our website. We also communicate with the investment community via regular group presentations by senior management. The Chairman undertakes engagement with our major investors and advisors. This provides a useful forum for both the Board and our investors to stay abreast of current market views, commercial developments and industry trends.

GOVERNMENT AND INDUSTRY RELATIONS

Sanford strives to ensure a high level of professional engagement with government, public servants, regulators and industry bodies on policy, regulation and specific

projects. We are committed to fostering multi-stakeholder forums, where opportunities exist to work collaboratively on complex issues.

Sanford is actively working to position itself at the forefront of economic, social and environmental sustainability, underpinned by fair and ethical conduct. Our backdrop is a complex sector facing some political and public policy challenges. These relate to alternative uses for marine resources, including marine extraction, recreational fishing and marine sanctuaries. Licence to operate issues are challenging, including sustainability, labour standards, harvesting practices and the emergence of stricter international supply chain standards. Recognising these challenges and opportunities, we are creating a more strategic and structured approach to informing public policy, in line with our overall business strategy.



Focus on regulator relationships as a key enabler by changing the culture of how Sanford and regulators work together.

Phil O'Reilly
DIRECTOR
IRON DUKE LIMITED



Innovation and technology



Remain competitive on a global scale, and lead the industry in the creation of value through innovation and technology in collaboration with leading research partners.

INNOVATION – A KEY GROWTH STRATEGY

Innovation is vitally important for Sanford to ensure our ongoing competitiveness and sustainable growth. We invest in innovation to drive our future business success, and recognise that its application enables us to create solutions to both economic and environmental challenges and opportunities. Innovation also provides a basis for us to work in partnership with others, from leading scientific and research organisations, to our customers, suppliers and industry partners. By working collaboratively and sharing learnings where it makes sense to do so, we can optimise our ability to drive value creation.

The 2016 year has seen a significant increase in focus towards innovation across our business.

THRIVING INNOVATION CULTURE

We are working towards formalising the way innovation is integrated throughout the organisation, and this is reflected in our evolving culture of leadership and continuous improvement. Our business is continuously creating new products, competitive advantage, greater efficiency, higher value and a brighter and more secure future. Creating a culture of innovation is thus a core business strategy for Sanford.

The senior management team recently participated in a unique and valuable

‘Sanford Innovation Day’, visiting a range of innovative businesses with presentations from recognised leaders in innovation. This exercise has initiated a range of discussions, and the management team is enthusiastic about the opportunities to meet future challenges head on.

SANFORD RESEARCH AND DEVELOPMENT – LEADING THE INDUSTRY IN SEAFOOD INNOVATION

Since its establishment in 2012, the Sanford Innovation team has cemented its position as a leader in value creation, research and innovation within the business and the wider food industry.

Sanford is driving research in areas that we expect will deliver tangible economic and business outcomes as early as Q2 2017.

Government-funded programmes such as the High Value Nutrition (HVN) National Science Challenge provide excellent financial and science leverage to enable Sanford to gain market advantage quickly through an evidence-based approach to increasing market value.



To conclude the ‘Sanford Innovation Day’, the management team successfully met the challenge of creating a range of delicious new dishes from low value raw materials and by-products at the Auckland Seafood School.

Sanford Innovation Framework

Each innovation area is actively addressing multiple business problems that are limiting value creation and sustainable growth.

- Best in the World
- Financial Objectives
- Branding and Reputation
- Sustainability
- Industry Leadership

- Research
- Government Support
- Network
- Collaboration



BUILDING A SUSTAINABLE SEAFOOD BUSINESS

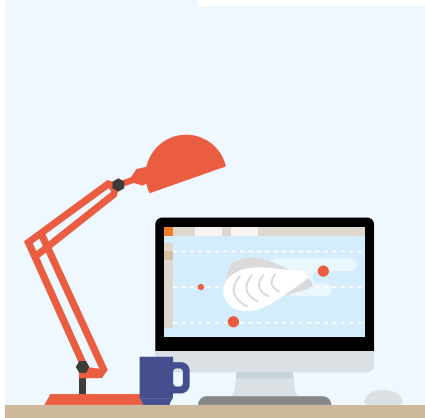
THE INNOVATION IMPERATIVE

Our innovation effort is balanced across six categories that reflect genuine business problems. Now that we have clearly identified the core challenges affecting the business, we can prioritise the investment needed to address them by creating elegant innovative solutions.

Far from reacting to random, discrete creative opportunities or events, Sanford proactively invests in strategic innovation focused on high priority threats, needs and opportunities. Examples include the Sanford innovation day and the product development innovations shown here.

THE LUCRATIVE PET FOOD MARKET IS ONE AREA OF PRODUCT DEVELOPMENT WE ARE WORKING ON.

• CASE STUDY •



High-value nutrition ‘musselling up’ Sanford and Cawthron collaborative research programme

Our business-led collaboration with the Cawthron Institute received \$1 million over three years through the New Zealand Government’s High Value Nutrition (HVN) National Science Challenge. Cawthron research scientists and the Sanford Innovation team are working together to identify and validate the health benefits of Greenshell™ mussels, in particular looking at their anti-inflammatory qualities and ability to improve people’s joint and bone health and mobility. The programme aims to generate scientific evidence of the specific health benefits of Greenshell™ mussels in food formats, as well as nutraceuticals, to appeal to the emerging market of wealthy, aging and health conscious consumers.

The Innovation team is constantly developing new intellectual property and securing it for Sanford’s future. Although some of our discoveries are not ready to be published, the team has uncovered significant value opportunities that we expect to exploit in the coming 1-2 years and beyond.

To improve product development efficiency, we recently introduced a customised New Product Development (NPD) process, which helps us to prioritise development efforts. The NPD process is already providing improved internal visibility and opportunities for multi-disciplinary teams to get involved in the new product development process.

Several new Sanford branded products have been launched during 2016 into new and existing markets, an example being the Greenshell™ mussel retort pouch. We have also led and been involved with a number of projects introducing new marine products into the nutraceutical market utilising by-products from our production plants and farms. These new business partnerships offer growth and value opportunities while more fully utilising our precious resources. A further example is our move into the pet food market, supplying material to The Natural Pet Treat Company and ZiwiPeak.



ZiwiPeak products



The Natural Pet Treat Company products



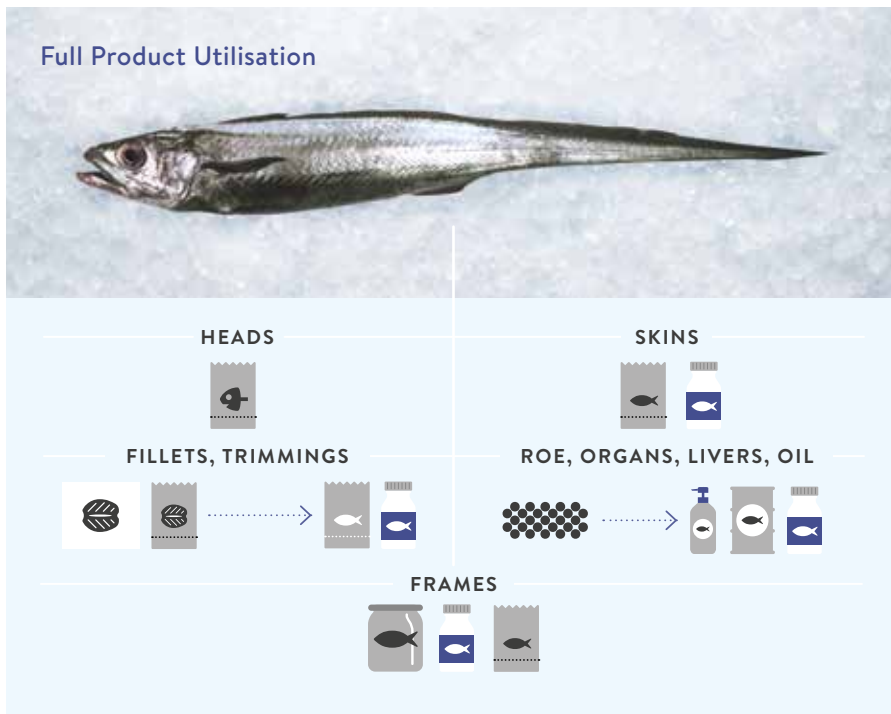
The Innovation team recognised the significant value opportunity that lies beyond existing seafood value chains, starting with a focus on under-valued raw materials and by-products. By exploring new markets and uses for seafood products, we have built a strong case for full product utilisation into high value outcomes, moving beyond the existing reliance on fishmeal production. The team has demonstrated that for some species, it is commercially viable to increase income by as much as 50% from whole fish weight over traditional practices.

Efforts to find new markets for marine products which represent net value are ongoing and proving successful. In addition to focusing on pet and animal industry products, the team has created a suite of marine extract products ready to launch into the dietary supplement market, and in early 2017, we plan to launch marine calcium, Greenshell™ mussel extract, squalene and omega-3 oil supplements.



ENVIRONMENTALLY SENSITIVE SAND-WEIGHTED SPAT ROPE

Sanford has partnered in a series of innovations with mussel rope supplier Diamond Aquaculture. The dynamic growth of the mussel industry and development of innovative growing and harvesting techniques has driven the need for more technologically advanced and environmentally sensitive rope. Recent developments include UV stabilisation, high strength, high abrasion, negative buoyancy ropes with increased spat-catching and spat-holding capacity.



MODELLING MUSSEL CONDITION

Sanford’s active research includes developing Greenshell™ mussel growth models in conjunction with NIWA and Aquatic Environmental Sciences Limited. We collected mussel growth data from selected farming bays in Pelorus Sound to inform a modified von-Bertalanffy growth model to describe mussel growth trajectories from seeding date. The results reflected the variables of mussel seed source, farming bay and location within

Pelorus Sound and were presented in graphical form with fitted equations and parameter values.

This research, jointly funded by Seafood Innovations Limited and the Marine Farming Association, enhances our harvest planning, and in the longer term will deliver environmental benefits to industry by informing seeding profiles and optimising the efficiency of farming and harvesting.



BUILDING A SUSTAINABLE SEAFOOD BUSINESS

DEVELOPING A TASTE FOR COLLABORATIVE RESEARCH



Roasted blue mussels with local wakame, paste and flowers
IMAGE COURTESY OF ARBOUR RESTAURANT

Two recent collaborative projects in Marlborough have caught the attention of human and canine foodies while delivering innovation and positive environmental outcomes.

Sanford teamed up with local chef Bradley Hornby of Arbour Restaurant in Blenheim to utilise by-products from both mussel farming and processing. The restaurant now has blue mussels and seaweed featuring on its mouth-watering menu. Refer to the back cover of this Report for the recipe.

Inspired by the Marlborough Research Centre’s collaboration forum, K9 Natural and Sanford got together to explore the opportunities for blue mussels and seaweed



This dish was inspired by our desire to utilise and showcase some lesser used but equally delicious local produce. It was only through meeting Ted Culley and his passion for food that we are able to serve this dish in our Marlborough restaurant Arbour.

Bradley Hornby
CHEF AND OWNER, ARBOUR RESTAURANT, MARLBOROUGH

to be incorporated in pet food treats and pet food formulations. K9 has now developed a freeze dried pet treat, and is taking an annual harvest of the kelp *Undaria pinnatifida* (undaria) to include in some of its formulations.

SHELLFISH PRODUCTION AND TECHNOLOGY NEW ZEALAND (SPAT_{NZ}) LEADING THE FUTURE

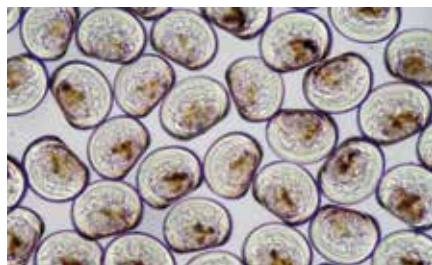
Unique to New Zealand waters, Greenshell™ mussels are one of our most iconic seafoods. However, the industry’s traditional reliance on wild-caught spat (baby mussels) has made it subject to inconsistent supply.

SPAT_{NZ} aims to change this. By taking control of mussel reproduction, SPAT_{NZ} will provide more certainty of spat supply, while traditional selective breeding done with Cawthron Institute scientists will also continually improve crop quality.

SPAT_{NZ} is a Primary Growth Partnership Programme, jointly funded by the Ministry for Primary Industries (MPI) and Sanford. Four years into a seven year project, we are pleased to report that good progress has been made on developing methods to produce spat in the state-of-the-art pilot scale mussel hatchery, opened in April 2015. The breeding programme is yielding a wide range of high-performing mussel strains selected for traits valued by farmers, processors and consumers and will drive substantial ongoing gains in Sanford’s Greenshell™ mussel operations.



Larval rearing tanks at SPAT_{NZ}



Mussel larvae

SPAT_{NZ} - KEY STATISTICS



4/7

4 YEARS INTO A 7 YEAR PROGRAMME

17

PERSONNEL (STARTED WITH 4 STAFF IN 2012)

FUNDING

50% (\$13m) SANFORD
50% (\$13m) MINISTRY FOR PRIMARY INDUSTRIES (MPI)

1,150M

READY TO SETTLE LARVAE PRODUCED

3,360

LITRES PER DAY OF MUSSEL FOOD, CONTAINING 36 TRILLION CELLS PER DAY OF MICROALGAE



POTENTIAL REVENUE INCREASE

\$100-\$230M

EXPECTED ECONOMIC BENEFITS INCLUDE AN ADDITIONAL \$100-\$230M PER ANNUM IN INDUSTRY REVENUE BY 2026 IF THE ENTIRE INDUSTRY INVESTS IN THE PROGRAMME’S TECHNOLOGY



This year was a key staging point in the SPAT_{NZ} programme in terms of deciding whether to progress to Stage 2. This would take the facility's capacity to produce spat from 10,000 tonnes of Greenshell™ mussels at harvest to 30,000 tonnes at harvest. Given the progress SPAT_{NZ} has made in the past four years, the Programme steering group made the decision to proceed to the next stage, with completion by the end of 2016.

Being at the mid-way point, the programme was subject to an independent review by Sapere Research Limited (Sapere) in 2016. This report was made public on 30 July 2016 and can be viewed at <http://www.mpi.govt.nz/funding-and-programmes/primary-growth-partnership/primary-growth-partnership-programmes/SPATNZ/>

Sapere believe the context of spat supply has changed (worsened), reinforcing the investment in the hatchery technology, even more so than the gains from selective breeding. Sapere made a number of recommendations to assist the programme to meet its outcomes, and the following are now being implemented:

- tighter focus on direct benefits to industry
- focus on outcomes within SPAT_{NZ} control and revise performance metrics accordingly
- develop the business model and commercialisation pathway
- longer term, spread the risk of a single hatchery.

Next year, the focus for the team at SPAT_{NZ} will be on ramping up the performance of the Stage 2 facility, and scaling up processes to deliver a lift in capacity. A new milestone for the programme will be reached in 2017 with the first harvest of crop grown in the new hatchery. This will provide the opportunity to start assessing the performance of hatchery spat in commercial conditions.



Mussel spat at about 1 mm shell length, ready for transfer from the hatchery to a marine farm



Hatchery spat at finger nail size (above and below)



Creativity in new product development will bring value through innovation. Research and development relating to innovation will address many of Sanford's most important issues.

Dr Charles Eason
CHIEF EXECUTIVE
CAWTHRON INSTITUTE

TECHNOLOGY – REALISING OUR POTENTIAL

Electronic monitoring

Sanford continued to support the development of electronic monitoring through its engagement with Snapper 1 (SNA1) Commercial and Trident Systems, which has seen cameras and vessel tracking deployed on the majority of our inshore vessels and electronic data transfer trials being carried out on one vessel. We are looking forward to MPI implementing this technology across the wider industry, planned for 2018, as we firmly believe that greater transparency across our operations, created through this technology, is not only beneficial to Sanford, but also to the wider seafood industry (refer *Outcome 4 – Healthy Oceans*).

Precision Seafood Harvesting /Modular Harvest System

Sanford's commitment to the Precision Seafood Harvesting (PSH)/Modular Harvest System (MHS) has stepped up over the past year, with two of our Auckland inshore vessels deploying this technology on a regular basis and a third about to join the move towards this method of harvest (refer *Outcome 4 – Healthy Oceans*). On the deepwater front, we also trialled the deployment of this technology on our 64m factory vessel *San Enterprise*. The scaling up of this technology, whilst challenging, was deemed a success, with improvements in fish quality immediately visible.

The 'Tiaki' brand, the very best of the catch from this technology was launched during 2016, with fish carrying this brand expected to be available in limited commercial quantities in early 2017 (refer *Outcome 3 – Healthy Food*).

BUILDING A SUSTAINABLE SEAFOOD BUSINESS

IT initiatives

Sanford is moving from a traditionally linear adoption of new technologies and capabilities to a best of breed, cloud-first approach. The Information Technology (IT) Strategy is centred around flexibility, core capability, customer engagement and business value. Sanford’s ability to present rich provenance data to customers and consumers is a key driver of the digital strategy. Richer interactions with customers, consumers, partners and suppliers will be supported through a cloud-based infrastructure that enables rapid execution and real-time analytics.

Central to our business drivers is the need to replace or refresh legacy systems and add new capabilities. Vessels and branches will have the information they need at their fingertips and will be working in a

collaborative and highly-mobile working environment. IT will continue delivering operational efficiencies through production and farming automation.

Managing risk and security will be key competencies in the modern cloud-based ecosystem of technologies.

As we move to a cloud-based technology ecosystem and consume IT as a service, IT can spend more time on strategy and innovation. In this new operating model, IT will bring its knowledge of the market, technologies and vendors, together with a deep understanding of business needs to help drive the right technology outcomes for the business.

The focus of IT in FY16 was establishing the strategy, roadmap, and foundational platforms to support future growth.

The initiatives delivered included the introduction of video conferencing to reduce business travel and promote collaboration by utilising video enabled meetings and content sharing; an Integration Platform (Mulesoft) to provide Sanford with the solid foundation on which to rapidly deliver subsequent projects, allow the agility to onboard new business partners and adopt new business models; automating the positive releasing system for Greenshell™ mussels (GSM) products based on microbiological test results; and enable the sales, operations and logistics teams to process customer orders using One Touch functionality.

In FY17 the technology focus will be on standardisation and increasing capabilities, following the roadmap detailed below.

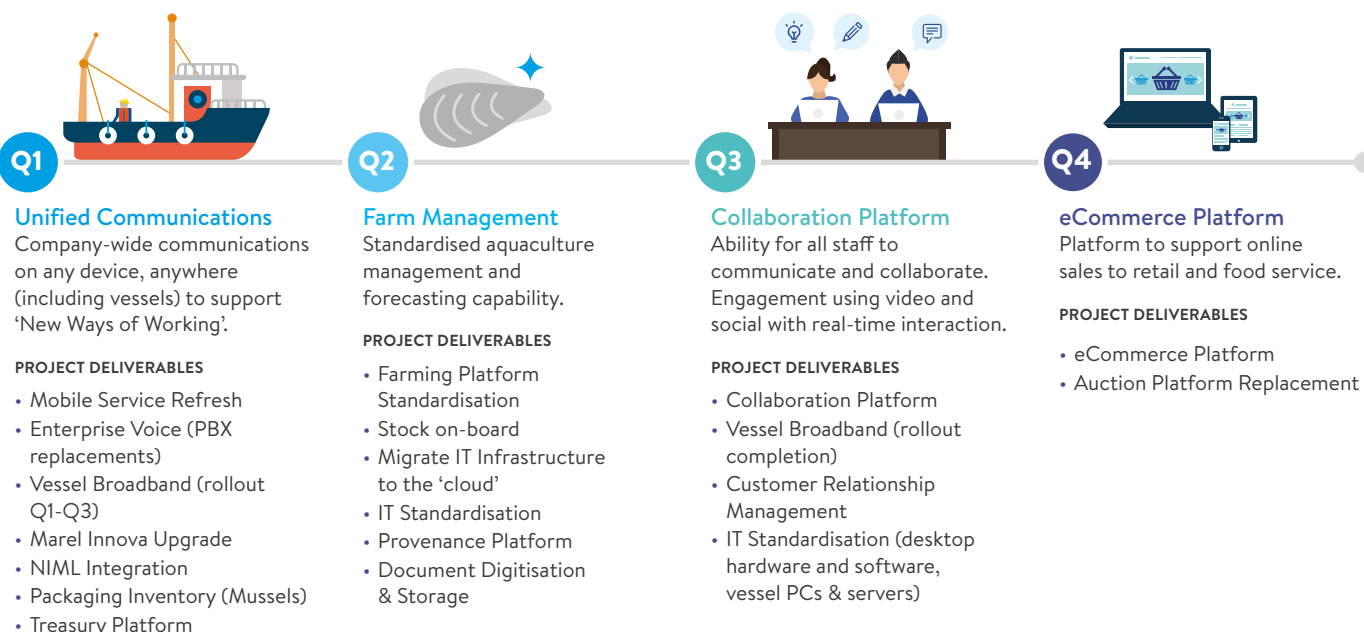
- TO BE THE BEST SEAFOOD COMPANY IN THE WORLD -

CARE	PASSION	INTEGRITY
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Empower the business to achieve Sanford’s vision through informed and innovative technology solutions

CREATE FLEXIBLE ARCHITECTURE	MAINTAIN RELEVANCE	DELIVER BUSINESS VALUE	SUPPORT A DIGITAL FUTURE	ADVANCE THE VISION
<ul style="list-style-type: none"> • Future capabilities • Rapid deployment • Rich analytics 	<ul style="list-style-type: none"> • Strong business alignment • Best practice • Embedded risk & security management • Modern technology ecosystem 	<ul style="list-style-type: none"> • Represent value for staff, customers, partners, and shareholders • Make it easy to consume IT services • Scale as needed 	<ul style="list-style-type: none"> • Rich consumer interactions • Rapid execution • Real-time analytics • Rich provenance data 	<ul style="list-style-type: none"> • New capabilities • Information in the field - vessels and branches • Collaborative and highly-mobile working environment • Operations automation

FY17 Technology roadmap





Our future focus

MATERIAL ISSUES	SUSTAINABILITY GOALS	FUTURE TARGETS 2017 AND BEYOND	OUR 2025 VISION
Shareholder value and risk	<p>Improve our business margins and create shareholder value in a sustainable way. Demonstrate sector leadership in creating a more innovative and sustainable business. Lead the way in understanding and managing our risk profile.</p>	<ul style="list-style-type: none"> Continue improvement of our \$/kg return with a view to achieving the long term goal of an average return of \$1/kg (greenweight equivalent). Embed best practice S&OP (sales and operational planning) process and distribution strategy to increase the mix and value of fresh products into the market. 	<p>Sanford has achieved sustainable, profitable growth year-on-year and sector-leading management of our risk profile, ensuring measurable value creation as a best practice sustainable business.</p>
Governance and communication	<p>Be recognised as a company which lives its values in all our activities, demonstrates an ethical approach across all areas of corporate responsibility, proactively engages with key stakeholders and communicates with clarity and as much transparency as possible.</p>	<ul style="list-style-type: none"> Develop and implement a robust external communication strategy and process, to facilitate productive relationships and partnerships that are aligned to our industry leadership and public policy position. 	<p>Sanford is an exemplar of a responsible, ethical, transparent, well-governed organisation that leads with care, passion and integrity. Our performance is communicated on a proactive basis, and is valued by our stakeholders.</p>
Innovation and technology	<p>Remain competitive on a global scale, and lead the industry in the creation of value through innovation and technology in collaboration with leading research partners.</p>	<ul style="list-style-type: none"> 2% of revenue to be from new products annually. 	<p>Sanford is undoubtedly competitive on a global scale, leading the seafood sector in the creation of value through our continual focus on driving robust research, innovation and state-of-the-art information technology.</p>



UNCOMPROMISING CARE

— FOR OUR

PEOPLE

ENABLING ZERO HARM AND GREAT PROSPECTS FOR OUR PEOPLE

We will maximise the prospects of our people by making 'Zero Harm' a key priority, offering meaningful opportunities for continual learning and development, and living our values to ensure we become an employer of choice.





ENABLING ZERO HARM AND GREAT PROSPECTS FOR OUR PEOPLE



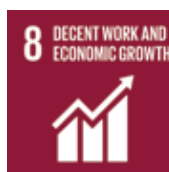
Sanford in the global context

UN SDG 4
**QUALITY
EDUCATION**



Continual investment in our people is critical to ensure as an organisation we are always learning. This investment has implications at both a local level, where we support personal development programs, through to investing in our national talent pool for senior management who are deepening their understanding of leadership and personal development. Because of our active commitment toward education, we are enriching the lives of our people as well as adding value to the business.

UN SDG 8
**DECENT WORK AND
ECONOMIC GROWTH**



Sanford can improve economic outcomes in local communities through the jobs it creates, particularly in areas that otherwise have limited employment opportunities, and the associated local employment through the supply chain. Global sustainable economic growth requires societies to create conditions that allow people to have quality jobs that stimulate the economy and keep our people safe while not harming the environment. It is critical that all work is safe and our people's wellbeing is important to us. The growth targets Sanford has for the future are aimed at contributing toward this outcome.

UN SDG 3
**GOOD HEALTH AND
WELLBEING**



Ensuring healthy lives and promoting wellbeing at all ages is essential to sustainable development. Although from a global perspective our workforce are relatively healthy and well, there are always opportunities to add value to our people over and above our economic contribution. This year, Sanford has implemented a workplace wellbeing programme, 'SanWell', which is achieving life-changing results for some of our people.



Material issues and value creation

This table summarises Sanford's material issues relating to *our people*, the strategic goals defined through our Business Excellence Framework, our targets for 2016, and our performance in contributing to value creation. At the end of this section, our future targets and vision to 2025 are also defined.

MATERIAL ISSUES	SUSTAINABILITY GOALS	2016 TARGETS*	PROGRESS AGAINST TARGETS**
Health, safety and wellbeing	Through the way we work and behave and the initiatives we implement to continually enhance our work environments, we will strive to protect our people from the risks of occupational injury or ill health.	Achieve Lost Time Injury Frequency Rate (LTIFR) of <5/million hours worked. (S)	Not achieved. 2016 Lost Time Injury Frequency Rate (LTIFR) was 14.69/million hours worked, however notifiable (serious harm) injuries were halved to 6 (2015: 12).
		Achieve a year-on-year increase in near miss reporting. (S)	Achieved, 19.4% increase to 289 (2015: 242).
		Implement focused health and safety training across all levels of the company by October 2016. (S)	Achieved. Programme of training rolled out across all levels of organisation, with targeted training for vessel and processing plant staff.
		Implement SanWell at all Sanford sites by end of 2016 financial year. (S)	Ongoing. Timaru achieved bronze accreditation and working towards silver. All other sites working towards bronze.
		Achieve Tertiary status Accident Compensation Corporation (ACC) Partnership programme. (M)	Ongoing. Maintained Secondary status ACC Partnership programme. 28.7% reduction in ACC claims in 2016.
Developing our people	Maximise the prospects of our people, offering meaningful opportunities for continual learning and development to ensure that each and every one of our employees can reach their full potential.	Achieve recognition as an employer of choice through established awards in New Zealand. (L)	Ongoing. Baseline established December 2015 engagement survey: four relevant questions yielded scores of 60, 56, 43 and 45% with respect to how well the staff like working for Sanford and would praise it to others.
		Embed the culture of continuous improvements throughout the business through the engagement and empowerment of our people via targeted programs, such as front line leadership. (M)	Ongoing. Our CCI programme was refreshed and rebranded the Sanford 2020 programme and a number of task-specific training programmes were delivered to processing staff, including SanWell, 'Keeping it Fresh' and PITO training targeting frontline staff in particular.
Leadership and our values	Attract, develop and retain the very best people and promote diversity in a way that underpins our values. Ensure equal opportunities, recognise and reward sound performance and fresh thinking and create a happy and motivated workforce.	Establish a leadership development program of our senior management team, including 360° feedback and coaching for effectiveness and constructive leadership, by end of 2016 calendar year. (S)	Achieved. Rolled out the Lifestyles Inventory 360° programme, with all senior managers due to complete all stages of the three stage programme by December 2016.
		Participate in industry discussions and bring forward solutions that genuinely make a difference. (M)	Ongoing. Continuing to play an active role in industry and other forums, as summarised under ' <i>Reporting What Matters</i> '.
		Undergo employee engagement survey and communicate results to staff by February 2016. (S)	Achieved. Carried out full employee engagement survey in December 2015 and communicated results to staff by February 2016. Carried out follow-up pulse survey, 'The Voice' in September 2016.



VALUE CREATION – OUTCOME:

We will maximise the prospects of our people by making 'Zero Harm' a key priority, offering meaningful opportunities for continual learning and development, and living our values to ensure we become an employer of choice

* S=Short term (1 year or less); M=Medium term (2-5 years); L=Long term (5 or more years)

** Refer to '*Progress on our 2016 sustainable business targets*' for full update across all targets defined

ENABLING ZERO HARM AND GREAT PROSPECTS FOR OUR PEOPLE

Health, safety and wellbeing



GOAL

Through the way we work and behave, and the initiatives we implement to continually enhance our work environments, we will strive to protect our people from the risks of occupational injury or ill health.

Health, safety and wellbeing are critically important to Sanford, and our people need to be able to do the best they can, in a safe environment, to meet the needs of all our stakeholders. Healthy, safe people are at the centre of all we do.

To manage health, safety and wellbeing, in 2016, Sanford focused on:

- a 10-point health and safety action plan
- health and safety governance driven by the Directors
- health and safety education and training
- workplace health and wellbeing support programme ('SanWell').

This approach to managing our health and safety performance is working well in some areas, although we acknowledge there is room to improve.

The increase in lost time injuries is largely influenced by enhanced awareness and reporting processes across the organisation. Balanced against the significant decrease in lost days, the overall risk in terms of severity has been reduced.

Next year, 2017, will see an increased focus on 'Sprains and Strains' in an effort to reduce lost time injuries due to this leading causal injury type (511 reported injuries, including first aid cases, 39%).

Sanford continues to improve its health, safety and wellbeing culture and systems, with pleasing progress being reported by our external auditors. At 75%, our staff engagement score on health and safety

is very high. We have seen a significant reduction in serious harm injuries and positive improvements in a range of other lead indicators. To continue our performance improvement, during the 2016 year we improved training, management systems and engagement.

ACTION PLANNING

This year Sanford embedded the 2015 Health and Safety at Work Act, which became law in April 2016. We have started implementing a 3-year 10-point Health and Safety Action Plan with specific focus on:

- risk management, especially for the four critical risks which Sanford and our external auditors have identified:
 - traffic management
 - ammonia containment
 - working on vessels
 - contractor management
- safety leadership at all levels
- awareness and training
- staff engagement and participation
- our people's health and wellbeing.

Our 10-point action plan is based on a strategy focused on people, processes and performance, and is supported by our Directors' commitment to a Health and Safety Charter.

Our key undertakings, which support the targets referred to above (refer *Material Issues and Value Creation table* at the start of this section) include:

- identifying and managing workplace risks with robust policies and procedures and supporting staff to use the pocket guide 'Take 5' (stop and think) risk assessment system
- developing a structured process for managing and learning from near misses
- aligning with world class best practice for global benchmarking and verifying this through the WorkSafe New Zealand Safety Star Rating Scheme
- achieving a 50% reduction in lost time and notifiable (serious harm) injuries by 30 September 2017, against the base year to 1 October 2014.

For each of our ten charter and action plan commitments we have set targets, responsibilities and completion dates for actions that will deliver on our vision for a safe and healthy work environment for our people – our employees, sharefishers, contractors and visitors.

Unfortunately, an accident occurred in the Bluff processing plant in June 2015, whereby a contractor inadvertently put his foot on a machine control pedal and activated the machine while his hand was inside. Sanford entered an early guilty plea to a charge laid by WorkSafe of failing to take all practicable steps to ensure that the worker was not harmed while working at the processing plant. When the case was heard in the Invercargill District Court in June 2016 the company was ordered to pay a fine and reparations to the contractor.

"IT'S HOW WE DO THINGS AROUND HERE"

A positive attitude and commitment to continual improvement saw real health, safety and wellbeing improvements this year:

- ↓ health and safety risks through better traffic management and use and storage of refrigerant chemicals in ammonia plants
- ↓ reduction in notifiable (serious harm) injuries
- ↑ awareness by managers and staff of their health and safety responsibilities
- ↑ health and safety culture through more visible leadership, involving people at all levels and more effective communication
- ↑ knowledge and competency from our *Education and Training Programme*, with courses for Directors, executives, senior and middle managers and staff



	2016	2015
Total number of ACC claims ¹	134	188
Number of reported injuries ²	1,300	944
Number of notifiable events ³ (formerly serious harm injuries) ²	6	12
Number of near misses reported ²	289	242
Safety-related prosecutions	1	0
Work-related fatalities [new measure]	0	0
Lost-time injury frequency rate (LTIFR) number of claims per 1,000,000 hours worked ⁴	14.69	10.33
Number of lost-time injuries ⁴	53	42
Number of days off work ⁵	283	402
Average cost per claim paid ¹	\$1,116	\$997
Average cost per claim (including outstanding estimates) ¹	\$1,844	\$1,797

¹ Relates to ACC data for Sanford employees only (excludes independent sharefishers and contractors and Auckland Fish Market). ACC claims are continuously updated throughout the year based on acceptance of ongoing claims and costs relating back to the date of injury. As a result, the figure for 2016 has decreased by 28.7%, or 54 cases

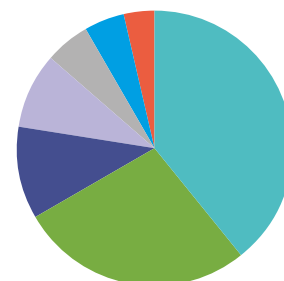
² Includes total workforce and includes onsite first aid (employees, independent sharefishers and contractors)

³ Notifiable events includes injuries, illnesses and incidents (as defined under new Health and Safety at Work Act 2015), updating previously stated serious harm injuries

⁴ Total workforce (employees, independent sharefishers and contractors)

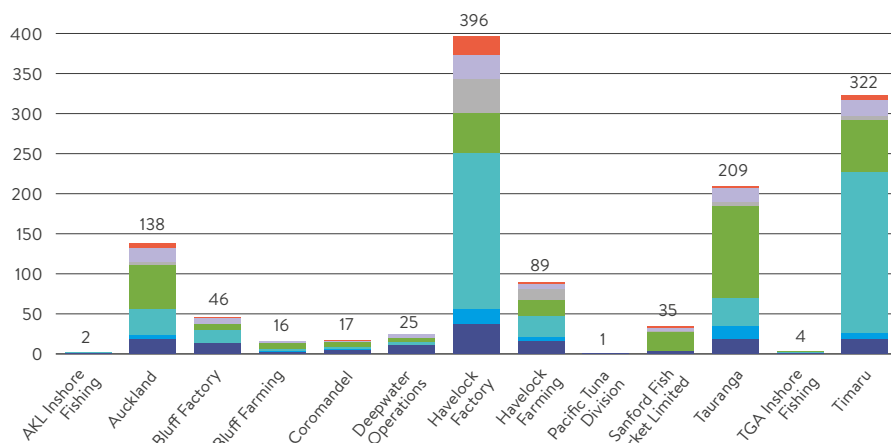
⁵ Figures relate to ACC cases, refer to days off work over seven days, and exclude contractors and independent sharefishers

Total number of injuries by type



● Sprains and strains	511
● Laceration, puncture, sting	357
● Crushing, bruising	142
● Slips, trips or falls	115
● Bodily function (discomfort, breathing, physical or mental illness)	70
● Foreign body (in orifice or eye)	61
● Skin irritation (chemicals, burns)	44

Type of injury by site



● Crushing, bruising ● Foreign body (in orifice or eye) ● Sprains and strains ● Laceration, puncture, sting
 ● Bodily function (discomfort, breathing, physical or mental illness) ● Slips, trips or falls
 ● Skin irritation (chemical, burns)

AKL = Auckland TGA = Tauranga

ENABLING ZERO HARM AND GREAT PROSPECTS FOR OUR PEOPLE



STAFF ENGAGEMENT SCORE ON HEALTH AND SAFETY

75%

We have started implementing a 3-year 10-point Health and Safety Action Plan. Our 10-point action plan is based on a strategy focused on people, processes and performance

The following are some of the positive comments received from our employee engagement survey, carried out in December 2015:



“Continue pushing health and safety so at the end of each day we get to go home safe.”

“The organisation is doing pretty good at health and safety concerns also encouraging staff to have better wellbeing which could affect the performance of staff.”

“Continue to have a Senior Leadership that is progressive, interested in the environment, and sustainability of the ocean’s resources. Continue to emphasise Health & Safety”.

STAFF RESPONSES TO ENGAGEMENT SURVEY, DECEMBER 2015

TRAINING

From the start of 2015, well before the new health and safety legislation came into force, we invested in rolling out staff training through an external provider, including:

- training sessions across the group at all levels of the organisation, from Directors and executives to management and staff
- risk management, tailored for employees working on vessels and in processing plants
- safety leadership training for Directors, senior managers and supervisors

Sanford 2020 is the refocused programme for our continuous improvement initiatives across the company, as set out in **Outcome 6 – Protecting and Enhancing Environments**. It uses ‘lean tools’ and active engagement with staff to identify and manage improvement opportunities and projects, and provides an integrated approach aligned with our operational excellence goals. Many of the projects identified include a health and safety component, and in 2016, 24.6% of all continuous improvement projects were primarily focused on improving health and safety.

During 2016, Sanford regained our secondary Accident Compensation Corporation (ACC) Partnership Programme status, set up a health and safety dashboard reporting system and established formal health management and staff participation programmes at each site to improve our people’s physical wellbeing, healthy eating and mental health.

Going forward into next year, we will improve our training management systems, and action the formal requirement from the ACC Partnership Programme to implement enhanced record keeping.

WORKING BETTER THROUGH WELLBEING

SanWell

Sanford is committed to improving employee wellbeing and we have adopted the WorkWell programme to support our development of a healthy working environment.

Developed by Toi Te Ora – Public Health Service, WorkWell is a free workplace wellbeing support programme which provides three levels of accreditation to recognise workplaces which ‘work better through wellbeing’. Sanford Timaru has already achieved Bronze and is well on its way to achieving Silver accreditation. All other Sanford sites are currently working towards achieving Bronze accreditation.

‘SanWell’ is our internal brand for the programme, which we are rolling out at three levels:

- **organisational**, to make sure our policies, procedures and culture support our people’s wellbeing
- **environmental**, improving our physical working environments to remove hindrances to and promote wellbeing
- **individual**, providing opportunities for employees to increase their knowledge, behaviours and beliefs or attitudes around wellbeing, and those of their families and whanau

Through internal staff surveys, each branch determines three initiatives to promote health and wellbeing in the workplace, examples of which are ‘Physical Wellbeing, Mental Health, Healthy Eating.’



Workplace wellbeing is a state of contentment which allows an employee to flourish and achieve their full potential for the benefit of themselves and their organisation.

WorkWell



ROSE KATENE'S STORY

Mid-morning on 31 May 2016 SanWell invited diabetes specialist Debbie Cunliff to share her knowledge about diabetes with Sanford Tauranga staff.

I sat there in the canteen amongst the staff in silence listening to Debbie talking and I was overwhelmed by the knowledge she has. However as she continued talking, I mumbled under my breath, "Umm, I did not know that sugar and carbohydrates contribute to diabetes." Wow!! There's a lot I don't know about diabetes.

My name is Rose Katene and I want to share my story. My husband Albert Tohiariki and I have been married for over 40 years and he has got type 2 diabetes. I did not know anything about diabetes until this day: all I knew was my husband is a type 2 diabetic. I didn't know anything more.

After Debbie spoke to the staff, I approached her and got some information about diabetes to take home. I gave the brochures to my husband to read, as I was excited to show him what I had learned.

Before; when we did our shopping there was always on our shopping list chocolate and fizzy drinks and other high sugar products. Now we have changed the way we shop: more healthy products and no fizzy drinks. We drink water now – not just my husband but the whole family.

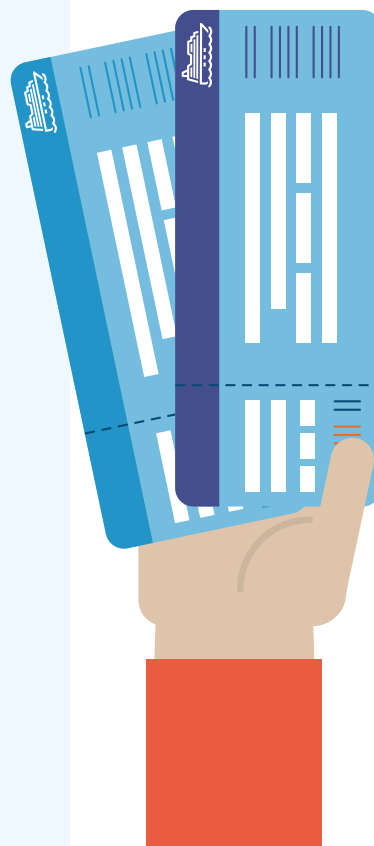
I see the change in Albert. He has lost lots of weight and gained self-confidence: he is a lot happier and more active. All we did was change the way we shop and cook to healthier choices.

In the past I used to suggest to Albert that we could go on a holiday, and it was always a mission to convince him to come. But, now we are going on holiday and he is the one who's counting how many days to go before we leave. We are going on a cruise to the Pacific and I am looking forward to our trip together. I am looking at life now. Perhaps I have saved Albert 20 more years of his life with me.

I hope my story inspires some people out there.

Thank you for taking time to read my story.

Rose Katene
Sanford Tauranga



ENABLING ZERO HARM AND GREAT PROSPECTS FOR OUR PEOPLE

Developing our people



GOAL

Maximise the prospects of our people, offering meaningful opportunities for continual learning and development to ensure that each and every one of our employees can reach their full potential

Sanford cannot reach its potential in terms of value creation without our people reaching their potential. It is not an issue that we have always managed as effectively as we could, so we have been working hard to ensure we put in place management systems to consistently do this well.

Talent management and diversity and equal opportunities are ranked high among the stakeholder concerns identified through our materiality process (refer 'Reporting What Matters', pages 22-23). The next sections look at these in terms of our demographics and staff training.

WHO WE ARE: SANFORD DEMOGRAPHICS

We have had some growth in our workforce, in line with our expanded operations, though the proportion of women employed increased slightly and our average length of service dropped slightly. Women in management increased slightly to 27% (from 22%). Our population has aged a little, although we recruited more young people. The average age of sea workers has increased by a year while that of land-based workers decreased by a year, however our ethnicity has remained fairly consistent with respect to previous years.

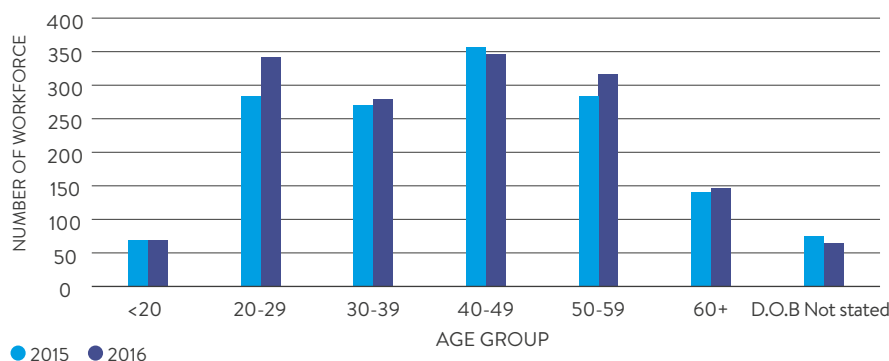
20% of Sanford employees belong to a union, compared with 22% in 2015 and 20% in 2014. Our relationships with the unions are amicable and negotiations are under way to improve working conditions.

CONTRACT TYPE	TOTAL 2016 ¹ (2015) ²	FEMALE 2016 (2015)	MALE 2016 (2015)	GENDER UNDECLARED 2016
Permanent Full-Time	882 (817)	37% (37%)	63% (63%)	-
Permanent Part-Time	37 (18)	59% (72%)	41% (28%)	-
Fixed Term Full Time	53 (34)	55% (47%)	45% (53%)	-
Fixed Term Part Time	0 (3)	0% (100%)	0% (0%)	-
Casual and Seasonal	102 (99)	36% (42%)	64% (58%)	-
Independent Sharefishers	474 (503)	10% (8%)	85% (92%)	5%
Grand Total	1,548 (1,474)	30% (28%)	69% (72%)	1%

¹ As at 30 September 2016

² 2015 figure excluded Sanford Fish Market (SFM)

Our workforce in age groups

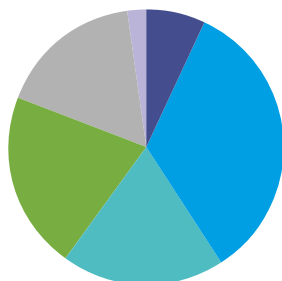


Last year we found that most of our workforce were between 40 and 49 years of age. Our 2016 age distribution is relatively well balanced across all age groups between 20 and 59 years.





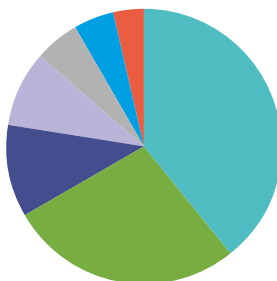
New hires by age group



● Under 20	7%	(2015: 9%)
● 20 to 29	34%	(2015: 28%)
● 30 to 39	19%	(2015: 34%)
● 40 to 49	21%	(2015: 20%)
● 50 to 59	17%	(2015: 9%)
● 60+	2%	(2015: 0%)

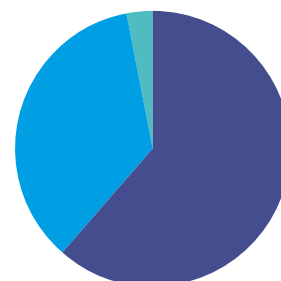
* Data relates to permanent employees only

Our workforce in ethnic groups



● New Zealand European	52%	(2015: 52%)
● Pacific Island Peoples	19%	(2015: 18%)
● Māori	14%	(2015: 14%)
● Other	7%	(2015: 9%)
● Not stated	3%	(2015: 2%)
● Asian	3%	(2015: 3%)
● European	2%	(2015: 2%)

New hires by gender¹



● Males	184	(2015: 162)
● Female	106	(2015: 111)
● Not declared	9	(2015: 0)

¹ Includes fixed term, casuals and seasonal workers. New hires by group, set out in KPI table on page 134 relates to permanent employees only.

COMPENSATION

Sanford introduced salary bands in 2015 and this is the second year we have worked with them. Ernst & Young (EY) are our remuneration partners and we use the Career Matrix bands to benchmark our roles internally and externally. Now that we are more familiar with the bands and how they work, we are more confident about where we place our roles with respect to the market.



We are passionate about people.

We in payroll see ourselves as a partner to both the business and employees, and are committed to providing a high level of customer service to both. We are focused on continually improving our service through feedback and internal review, and continually reviewing our processes in an effort to minimise our footprint through the use of technology.

Bobbie Hanlon
PAYROLL MANAGER, SANFORD

OUR WORKFORCE

AVERAGE AGE



SEA

33 Years

2015: 32

UNION MEMBERSHIP

20%

2015: 22%

ABSENTEEISM RATE

4%

2015: 4%



LAND

42 Years

2015: 43

AVERAGE LENGTH OF SERVICE

7.9 Years

2015: 8.55 Years

* Data for average age relates to total workforce
 * Data for length of service relates to permanent employees only
 * Union membership relates to total workforce excluding independent sharefishers
 * Absenteeism relates to total workforce excluding independent sharefishers

ENABLING ZERO HARM AND GREAT PROSPECTS FOR OUR PEOPLE

• CASE STUDY •

SAN GRANIT INTEGRATION

Integrating our newly-bought deepwater fleet vessel, *San Granit*, was to be one of the biggest challenges I've faced in my 19 years in the fishing industry. I had been appointed Project Manager, and although I had handled two trans-Tasman projects previously, this was more challenging than both combined.

First and foremost, I was to set up a strong, diligent and motivated project team to make progress fast and efficient. I set out to achieve this by handpicking a number of people who had been involved with similar projects, including Tim Clubb (Project Engineer) and Mike Jackman (Project Skipper). Tim was the first to be heavily involved, with a familiarisation trip onboard while the vessel was still in operation under the previous owners. This paid true dividends for great understanding for me as Project Manager and Tim as Engineer of our new vessel. I also engaged an external resource, Grant Finlayson, who liaised with Maritime New Zealand and seamlessly worked through the reflagging of the vessel while it was in Ålesund, Norway. Mike Jackman has handled many delivery voyages and setups of similar sized vessels within the New Zealand fishery, and I highly commend him and his team's efforts to date.

To undertake a project of this size, I felt I needed more tools in the tool box, so I attended a couple of short courses on Essential Skills for Project Managers and Microsoft Project 2013. This catapulted my skill set and equipped me with the competencies to develop a very rigid plan for the coming months of the integration. With two trips to Norway and hundreds of emails between our counsels acting in Bergen, Norway and New Zealand, Sanford took possession of *San Granit* on 25 August 2016.



San Granit arrived in New Zealand on 15 November 2016. The vessel will make her maiden fishing trip in December 2016, and lots of people are excited about her operational capacity.

This project has been challenging and exciting and I have really enjoyed the opportunity afforded to me to undertake it. It has certainly provided me with the confidence to learn something new and know that I can apply my recently learnt skills to achieve the desired outcome.

Matt Harvey
PROJECT MANAGER,
SAN GRANIT INTEGRATION

Developing our people

In order to offer meaningful opportunities for continual learning and development to ensure our employees reach their full potential, Sanford has committed to building our human resources team. The new team will be able to build on an impressive track record of staff development.

Our ongoing focus on employee engagement, continual improvement and our response to the engagement survey and complaints analysis has led us to set up:

- targeted leadership training for senior and middle management to provide them with the skills to lead their people and develop and support them in their work
- focused health and safety training at all levels in the company
- health and safety and environment and sustainability training for all managers

We are committed to making sure that each and every one of our employees has access to learning and development: we are putting more people through New Zealand Qualifications Authority (NZQA) programmes. Provided by the Primary Industry Training Organisation (PITO), the programmes give our employees an opportunity to gain qualifications in a wide range of areas that support both our people and our products and brand.

We have also ensured key staff have received specialist technical training (refer **Outcome 4 – Healthy Oceans**), as required. For example, this includes:

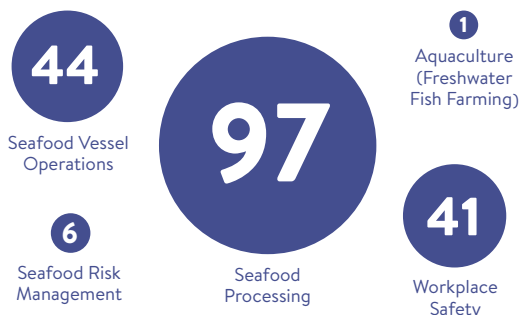
- fish sampling of seven key species
- Deepwater Group's 2014-15 'Sharks Operational Procedures'
- Project Jonah's marine mammal medic training
- Deepwater Group's 2014 'Marine Mammals Operational Procedures'

This year we have learned that we can all communicate better with each other, so our 'Keeping it Fresh' programme includes basic communication skills as the first building block, being rolled out first with our processing team.

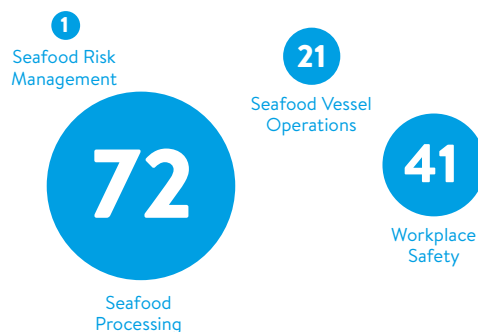


How many of our people

COMPLETED QUALIFICATIONS AT LEVELS 1-6 – as at 30 September 2016



ARE CURRENTLY TRAINING FOR QUALIFICATIONS AT LEVELS 1-6 – as at 30 September 2016

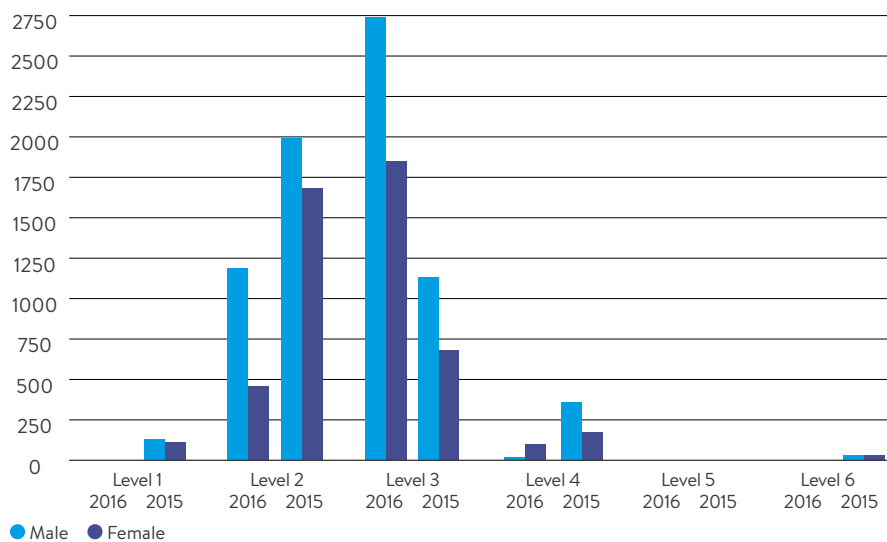


Training credits through PITO*

	2016	2015	2014
Completed PITO programmes	189	176	113
Total credits awarded	6,354*	5,021*	3,783
Formal qualifications received (National Certificate)	135	53	71
End of year enrolments	138	186	115

* Figures are subject to change as new enrolments or completed enrolments may be backdated into this specified period when entered into the PITO database.

Credits achieved by level and gender



Note: one credit equates to approximately 10 hours of learning

The different levels of credits are: **Level 1:** Basic awareness by all staff (Certificate) **Level 2:** Competent operator (Certificate) **Level 3:** Supervisor (Certificate) **Level 4:** Management (Certificate) **Level 5:** Specialised business function (Diploma) **Level 6:** Specialised business function (Diploma).



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of our front line staff earned a total of 6,354 credits, with 43% of these qualified trainees being female and 57% male. This does not include internal training which is delivered across all levels of the business. We will be working on a more robust learning and development reporting framework in the future.



Developing Sanford's people is closely linked with a number of other important issues, including health, safety and wellbeing, diversity and equal opportunities and talent management. If Sanford gets this right, then many other issues will also be on the right track.

Rachel Froggatt
COMMERCIAL AND MARKETING DIRECTOR
PARALYMPICS NEW ZEALAND

ENABLING ZERO HARM AND GREAT PROSPECTS FOR OUR PEOPLE

• CASE STUDY •

MATTHEW PENE

Matt Pene joined Sanford in December 2013 on one of our deepwater vessels, *San Enterprise*. He came to us through an Iwi Collective Partnership (ICP) Scholarship program, which he had strived very hard to obtain. His previous employment was orchard work and other labouring jobs through employment agencies.



Matt Pene pictured doing relief trips on Sanford inshore vessel *Ikawai*.

There was certainly a shine to Matt when he presented for his first trip aboard *San Enterprise*, and it was clearly visible he wanted change in his life and was prepared to do whatever he had to, in order to achieve this. In February of this year after many months of references, appraisals and sheer hard work, Matt obtained his ADH-F ticket through Westport Deep Sea fishing school. He now holds an officer position on board *San Enterprise* as Deck Boss (Bosun).

This is a true reflection of hard work and dedication. Matt now tells us he is saving hard to buy a house in the very near future, and has set goals to achieve more tickets. He is one of many Sanford people who have simply achieved over and above expectation with the right support and guidance from people who believe in them.

Leadership and our values



Attract, develop and retain the very best people and promote diversity in a way that underpins our values. Ensure equal opportunities, recognise and reward sound performance and fresh thinking and create a happy and motivated workforce.

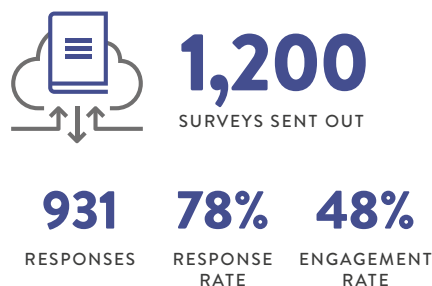
Leadership was identified during the materiality process as the second most important issue for Sanford's stakeholders. It is an issue we have given a lot of attention to over the past three years with the appointment of our CEO, Volker Kuntzsch.

The leadership opportunity is not only for Sanford, but the wider seafood industry to ensure we provide social, economic and environmental value to our stakeholders over the short, medium and long term.

During 2016, we implemented a management system that includes a personal development programme (Lifestyles Inventory) for our senior managers to deepen their leadership capabilities, as well as a performance management system.

We are also building capacity at a local level through programmes designed to enhance leadership for local people.

Staff Engagement Survey, December 2015



EMPLOYEE ENGAGEMENT

Given the changes made to the organisation in 2014 – moving from a vertically integrated structure to the current model, it was important to find out how people were adapting to the changes. To that end, the first ever staff engagement survey was undertaken in December 2015. It provided baseline data to highlight where to focus our efforts first. In Sanford's view, engagement is a prerequisite for becoming an 'employer of choice' and ultimately the 'best seafood company in the world'.

The response rate was 78%, showing that our people really wanted to tell us how they felt and what they thought. We are glad they did: at 48% engagement, our score was somewhat below the benchmark for the food industry and further below the score of the best employers.

In the spirit of continuous improvement and commitment to our people and their prospects, we set up a 360° leadership programme that is directly informed by what our staff told us. The programme is helping us develop our leaders to help them nurture their staff and make sure we can continue to attract great employees who want to contribute to the company and feel recognised for doing so.

And we are listening: we conducted a follow-up pulse survey, calling it 'The Voice', nine months after our first engagement survey to check in with people and ask if we are getting it right. While we realised a marginal improvement in engagement score, moving from 48% to 50% between the two surveys, we recognise that we need to do much better, and have set an ambitious target of 80% engagement in the medium term.

Our next full engagement score will tell us how well we succeed in improving our people skills – and our peoples' skills.



There is increasing evidence that strong leadership and values are important factors in attracting and retaining employees.

Belinda van Eyndhoven
PROJECT MANAGER
NEW ZEALAND SUSTAINABLE BUSINESS COUNCIL (SBC)



Inspired site engagement

Following our first staff engagement survey, each site embarked on an engagement initiative:

- Bluff completed the project of integrating the two sites by negotiating one collective employment agreement and improving the site layout.
- Timaru restructured the processing team, promoted a staff member within it, and were first to run the 'Keeping it Fresh' communication programme.
- Havelock mussel processing staff negotiated two 30 minute breaks in their collective agreement instead of 15 – 30 – 15, giving them longer rest breaks – and better throughput.
- Tauranga introduced the monthly reward and recognition programme successfully adopted by the Auckland site and started the 'Keeping it Fresh' programme in August.

STAFF RETENTION

Other indicators of staff engagement are turnover and absenteeism: engaged staff are happy staff who like coming to work and stay with the company.

Voluntary turnover in 2016 was 18%, compared with 12% in 2015. A buoyant economy has seen a significant amount of competition for unskilled labour.

Involuntary turnover in 2016 was 6.6%, compared with 4% in 2015. The two main contributing factors are the restructure of a number of departments to streamline services, and a more active approach to disciplinary matters.

New staff turnover for the first half of the year fluctuated around 25%, the upper of our two benchmarking measures, before declining to below 20%, something below midway between the two benchmarking measures.

At an average of 4%, absenteeism averaged across the group as a whole was the same as last year.



I felt the culture at Sanford; the passion for the industry, the care and connection between employees and the future-focused concern for biodiversity and New Zealand. My experience at Sanford will be something I take with me throughout my future career.

Brittany Little
A STUDENT IN THE AUT 'SHADOW A LEADER' PROGRAMME

GENDER	VOLUNTARY TURNOVER 2016 (2015)	INVOLUNTARY TURNOVER 2016 (2015)	TOTAL TURNOVER 2016 (2015)
MALE	112 (66)	35 (18)	147 (84)
FEMALE	59 (32)	13 (13)	72 (45)

AGE GROUP	VOLUNTARY TURNOVER 2016 (2015)	INVOLUNTARY TURNOVER 2016 (2015)	TOTAL TURNOVER 2016 (2015)
Under 20	14 (3)	1 (2)	15 (5)
20 to 29	62 (35)	13 (8)	75 (43)
30 to 39	38 (19)	5 (3)	43 (22)
40 to 49	28 (24)	5 (6)	33 (30)
50 to 59	17 (9)	7 (4)	24 (13)
60+	12 (8)	17 (8)	29 (16)
Total	171 (98)	48 (31)	219 (129)

Staff turnover is costly, and becomes increasingly so when skilled personnel leave the company. Our figures indicate that Sanford staff retention is good compared with industry benchmarks.

Again, results from our staff survey and our leadership and communications programmes will help us continue to keep our people happy to be at work.

ENABLING ZERO HARM AND GREAT PROSPECTS FOR OUR PEOPLE

—
CARE
PASSION
INTEGRITY
—

VALUES INFORM PERFORMANCE

Sanford's values are Care, Passion and Integrity. We have started to include them in our performance review process to help our managers and team leaders keep our values top of mind and inspire their staff to do the same. Rotating Timaru's 'make it real' posters around our workplaces (refer '*Keeping it Fresh*') will help with this.

To support our executive and senior managers, we invested in the Life Styles Inventory (LSI 360°) leadership programme, which helped our managers identify how they demonstrate some or all of 12 specific styles or patterns of thinking that can contribute to, or detract from, personal effectiveness. The results give them more awareness of their impact on people, with feedback on what they do well and where they can further develop the leadership competencies needed to make progress towards Sanford's six performance outcomes.

All 43 executive and senior managers are on track to complete the 3-stage process by the end of December 2016, whereby they complete their own leaderships styles inventory, ask up to a dozen staff and other colleagues to do their own inventory of the same characteristics, review the two sets of results and share the results with their coach. They then plan what development areas to focus on and how to share this with their higher level managers.

• A CASE STUDY IN COMMUNICATION •

'KEEPING IT FRESH' IN TIMARU

In December 2015, Sanford conducted its first ever employee survey and in early 2016, senior managers decided an improvement in employee engagement would be one of the KPIs to be measured across the company, with a second 'pulse' employee survey scheduled for late 2016.

Quite by chance, while planning another training activity with the Risk Management Group (a training organisation Sanford works with), we came across a training programme funded by the Tertiary Education Commission (TEC) that other industries had found to work well in engaging employees.

We then met with Lyn Nikoloff, the programme tutor and a very engaging and positive person. With the feedback from the engagement survey, the timing was great for developing the programme as a communication initiative. In working with Lyn to develop it for Sanford's health and safety and other systems, we renamed it '*Keeping it Fresh*'.

The '*Keeping it Fresh*' programme was rolled out with 32 Sanford employees from all areas of the Timaru site. They formed groups of five or six and during April, May and June 2016, they went through ten weekly 4-hour sessions on-site, a total of 40 hours of tuition and coaching for each employee.

All the groups developed a strong team bond over the 10-week training, and grouping people with others that they didn't normally work with strengthened these bonds and built greater mutual understanding across the workplace.

Communication skills were a key thread throughout the training, with a strong health and safety element. In the second five weeks of the programme each group had to complete a project with a health and safety or communication focus. At the graduation afternoon, each group presented their project to senior management (including CEO Volker Kuntzsch and COO Greg Johansson), Sanford staff, friends and family. Each member of each group spoke in front of this large group of over 60 people, most for the very first time.

The following provides a summary of each of these projects.

Allergic To Work

This project focused on the impact of different fish species on allergies and how allergic people responded to histamines. This fascinating project warrants further investigation, particularly the allergenic impact of hoki and orange roughy, key species processed in Timaru, and the role water temperature and seasonality also play in the development of rashes and other skin reactions.

Going to the Gemba

Gemba is Japanese for the 'real place' (the factory floor). This project aimed to further develop engagement with the workforce by having them involved in safety walks, initially in their own department, but over time expanding this into other areas on the site. The project team developed forms for these walks which were so good that these '*Gemba*' walks are now routinely happening on the site.



That was a Close One!

Near Miss reporting has been a challenge on site for quite some time. This project team came up with their own definition of a 'Near Miss', in words that everyone could relate to: *'a hitting, nudging, tripping, falling or slipping in the workplace without causing injury'*. They introduced a new report card, and since then there has been an increase in 'Near Miss' reports – and that's got to be a good thing!

RIPE for Change

Repetitive Injury Prevention Exercises = RIPE. This group focused on the health and safety issues around repetitive work and repetitive injuries. Although factory staff do use micropauses and have a range of exercises to choose from, this team felt there was a way to reduce the impacts of repetitive injuries on staff as well as improve worker engagement. They came up with a plan to have daily warm up exercises for each group of workers in the factory, the first session being run first thing each morning and a second straight after lunch. This plan is ready for launch!

Our People, Our Values

Sanford's values of Care, Passion and Integrity have struck a real chord with the team in Timaru. This group wanted to 'make it real' with their own words and photos. They brainstormed the byline for each of the values and generated 15 new posters, five for each of the values, each with their own new words describing what that value means to them. These posters are A2 size and have been put up all around the site. They look great!

Tarakihi TV

Sanford Timaru has had a newsletter for quite some time – but it's time for a change! The Tarakihi TV group has set out what they would like to see in a newsletter and what they would like to see displayed on the TV in the café. After resolving some technical issues, the team is ready to launch this project!

Outcome

All the projects were realistic, and proved cost-effective for the business by reducing accidents and absenteeism.

After initially being reluctant to do the course, all 32 people who completed the programme enjoyed it. *'Keeping it Fresh'* also gave them new skills to solve real workplace issues, and this is the true value of the course. They have gained the confidence to raise issues, and feel they are being heard and are contributing positively to the workplace.

There were challenges around getting the programme under way: 40 hours of training for 32 personnel is a considerable commitment and had to work around production requirements. Running the training at a slightly slower time of year and forming the groups from people in different roles from around the site eased this pressure. The support of the management and supervisory staff on site was invaluable. Without their wanting to make it work, the programme would never have happened.

The support from Risk Management Group was also instrumental in the success of the course. Lyn Nikoloff has an exceptional ability to connect with people at all levels: she has managed to bring to the surface a lot of the skill and abilities of our teams and it is exciting to see the potential of our staff emerging. The team from the Tertiary Education Commission, who visited the site, were very complimentary about the course and the results we achieved – so much so that Sanford Timaru's course has been the subject of a TEC case study and a report published on the TEC website.

Timaru plans to enlist more staff in the programme and is looking forward to the future. Tauranga has already enjoyed the programme, while Havelock, Bluff and Auckland are in the pipeline.

For me, after the group presentations;



It's one of the proudest moments I've had as a boss. We're in a place to make Sanford Timaru one of the best performing workplaces in Sanford. Outside of your comfort zone is where the magic happens!"

Grant Day

SITE MANAGER, SANFORD TIMARU

32

PEOPLE
COMPLETED
THE PROGRAMME

Keeping it Fresh.

ENABLING ZERO HARM AND GREAT PROSPECTS FOR OUR PEOPLE

Our future focus

MATERIAL ISSUES	SUSTAINABILITY GOALS	FUTURE TARGETS 2017 AND BEYOND	OUR 2025 VISION
Health, safety and wellbeing	Through the way we work and behave and the initiatives we implement to continually enhance our work environments, we will strive to protect our people from the risks of occupational injury or ill health.	<ul style="list-style-type: none"> • Achieve a year-on-year reduction in notifiable (serious harm) injuries. • Increase near miss reporting, tracking statistics and utilising learnings to inform and reduce risk profile. • Implement robust contractor and compliance processes. • Progressively work to achieve and maintain ACC Tertiary status across all Sanford operations. • Implement SanWell Silver, as a minimum, across all Sanford sites, and in the longer term, progress to Gold standard. 	Zero harm to our people. Wellbeing valued and fully supported. Zero harm performance is aligned with operational excellence, and how we do business.
Developing our people	Maximise the prospects of our people, offering meaningful opportunities for continual learning and development to ensure that each and every one of our employees can reach their full potential.	<ul style="list-style-type: none"> • Achieve recognition as an employer of choice through established awards in New Zealand. 	Sanford delivers tailored and effective learning and development activities that inspire employees to consistently reach their full potential. Performance appraisals aligned with values and six performance outcomes.
Leadership and our values	Attract, develop and retain the very best people and promote diversity in a way that underpins our values. Ensure equal opportunities, recognise and reward sound performance and fresh thinking and create a happy and motivated workforce.	<ul style="list-style-type: none"> • Continue our leadership development programme of our senior management team, including 360° feedback mechanism and coaching for effectiveness and constructive leadership. • Develop a clear internal communication strategy, to ensure engagement of our people and stakeholders. • Carry out follow-up employee survey, and target a 10% improvement in our engagement survey result (2017), and in the longer term, an engagement score of 80%. 	Sanford has created an excellent workplace that people want to join, stay and feel valued. We are widely recognised in the industry as a true leader, and employer of choice.



UNCOMPROMISING CARE
FOR HEALTHY

F

**LEADING THE
WAY TO HEALTHY FOOD**

We will lead the way in driving sustainable performance across our value chain, and positioning our brand as the industry partner and supplier of choice.



D



LEADING THE WAY TO HEALTHY FOOD



Sanford in the global context

UN SDG 14
LIFE BELOW WATER



The seafood industry is well placed to supply a growing population with a protein source for the future. In 2015, the Government set an aspirational goal of doubling export revenues from the seafood sector in the ten years to 2025, a challenge the industry accepted. From the 2015 base of \$1.579 billion, the 2025 target is \$3.158 billion in export revenue from seafood. Aquaculture aims to generate \$1 billion of export revenue by 2025, so fisheries needs to be on track to earn \$2.158 billion in the year 2025. Sanford is well placed to be able to assist the Government to achieve this goal whilst creating quality jobs in local communities, generating strong economic returns to its shareholders and actively looking for ways to minimise its environmental footprint.

UN SDG 12
RESPONSIBLE CONSUMPTION AND PRODUCTION



Sanford supports the health of its customers and consumers in New Zealand and around the world. We work in partnership with our stakeholders to ensure that our impact on responsible consumption and production is a positive one. There are unlimited ways Sanford has the ability to impact upon responsible consumption and the examples in this section highlight some of those we are currently working toward.



Material issues and value creation

This table summarises Sanford's material issues relating to *leading the way to healthy food*, the strategic goals defined through our Business Excellence Framework, our targets for 2016, and our performance in contributing to value creation. At the end of this section, our future targets and vision to 2025 are also defined.

MATERIAL ISSUES	SUSTAINABILITY GOALS	2016 TARGETS*	PROGRESS AGAINST TARGETS**
Food safety and quality	Be recognised as a global leader in providing safe, high quality seafood that delights our customers and represents our love for the sea.	Implement and maintain ISO22000 food safety in all land-based processing sites by October 2016. (S)	Ongoing. Two plants have finished the audit process and are due to receive certification in 2016. A further two are in the process of being certified and the remaining plants are due for audit mid-2017.
		Action and close out 80% of quality complaints within 10 working days. (S)	Not achieved. 61.2% of quality complaints closed out within 10 working days, 86% closed out within 15 working days. Overall, 16.9% fewer customer complaints.
		Engage with customers through a quality satisfaction survey annually. (S)	Achieved. Survey completed (14 customers), 10 customers rated Sanford products very high or high, 13 customers rated quality of customer service very high or high.
		Implement British Retail Consortium (BRC) standard at Havelock by October 2016. (M)	Not achieved. Decision made to align all processing plants with ISO22000, as a globally recognised, more comprehensive alternative.
		Complete full review of product specifications. (S)	Achieved. Reviewed for all main product lines, aligned with product quality inspection processes.
Customer/ consumer relationships	Be the worldwide supplier of choice for New Zealand seafood, through nurturing a reputation of authenticity, trust and expertise.	Engage with existing and potential customers at seafood trade shows to develop new products and markets. (M)	Achieved. Sanford representatives attended seafood shows in Europe, North America and China (comprising 36.9% of our market, although significantly broader global attendance).
Product traceability		Utilise social media channel to engage and inform customers around the world on Beautiful New Zealand Seafood from Sanford, tracking statistics and progress. (S)	Achieved. Tracked for Auckland Fish Market, Seafood School, Sanford and Tiaki, including key metrics such as engagement and demographic profiles.
		Develop Sanford branding strategy, including targeted channels and value proposition under each brand structure. (M)	Ongoing. Brand portfolio under development, building value into four brand offerings (Sanford Blue, Sanford Black, Big Glory Bay and Tiaki). Starting to differentiate product offerings, value propositions, targeted channels and markets.
		Investigate software systems to improve service delivery to internal and external customers. (M)	Ongoing. 'Project One Touch' implemented, aligned with 'Focus on Fresh'. Ongoing investment in IT and CRM platforms planned.
Supply chain	Work with our supply chain to deliver mutually sustainable solutions that deliver value for money, and support our focus on health & safety, product quality, sustainability, continuous improvement and innovation.	Embed best practice sales and operational planning (S&OP) process and distribution strategy to increase the mix and value of fresh products into the market. (M)	Ongoing. Embedded for mussels and salmon. Use of sustainable packaging for 'Focus on Fresh' offering was successfully piloted over 2016 and is due for full customer trial in February 2017.



VALUE CREATION - OUTCOME:

We will lead the way in driving sustainable performance across our value chain, positioning our brand as the industry partner and supplier of choice

* S=Short term (1 year or less); M=Medium term (2-5 years); L=Long term (5 or more years)

** Refer to 'Progress on our 2016 sustainable business targets' for full update across all targets defined

LEADING THE WAY TO HEALTHY FOOD

Food safety and quality



GOAL

Be recognised as a global leader in providing safe, high quality seafood that delights our customers and represents our love for the sea

With food safety and quality being one of our top three material issues, we invest in management systems to ensure we deliver best practice food safety and quality.

The Sanford Risk Management Programme ensures we comply with the Ministry for Primary Industries (MPI) Seafood Code of Practice and the Global Food Safety Standard, ISO22000 FSSC. We also have robust health and safety management across the business (refer *Outcome 2 – Our People*).

Our customers and suppliers help us to understand our performance through surveys, feedback and complaints. We are investing in product specifications, traceability and quality systems for continual improvement.

Customers are becoming more aware of and concerned about food quality and safety and the need for transparency. Our approaches to build consumer confidence are proactive and creative, with a safety net of responsive systems that kick in when we need them.

How we manage food safety and quality



PROACTIVE

CREATIVE

RESPONSIVE

PROACTIVE

- Product traceability
- Product specifications
- Product testing
- Product certification
- Customer & consumer surveys
- Internal compliance audits

CREATIVE

- Research
- Innovation
- Lifelong learning
- Partnerships

RESPONSIVE

- External compliance audits
- Product quality complaints
- Product recall

COMPLIANCE

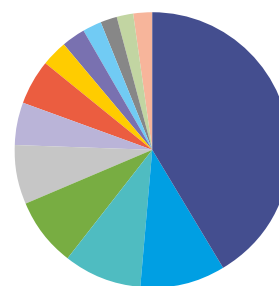
This year we achieved compliance with all regulatory requirements relating to food safety and quality.

Customer feedback on product quality

Our focus on monitoring customer feedback and analysing complaints was enhanced this year as our systems and processes continued to improve. Our data show that most product quality complaints are triggered by sensory issues such as poor texture, bruising or poor trimming in fish fillets or voids in frozen hoki fillet blocks. Tracking these in a systematic way allows us to detect these defects before they reach the customer or consumer, and in the past year we have achieved:

- 16.9% fewer customer complaints (from 118 in 2015 to 98 this year)
- 60% fewer complaints relating to the deepwater fleet compared with last year, resulting from a concerted effort to improve on-vessel quality management
- 50% fewer product grading and missing product errors
- 8% fewer product quality defects

Quality complaints breakdown – FY 2016



Quality defects	41%
Under delivered	10%
Other	10%
Foreign material	8%
Wrong product	7%
Product grading error	5%
Bone	5%
Date coding error	3%
Labelling error	3%
Temperature abuse	2%
Parasites	2%
Product missing	2%
Weight control	2%



Product testing

Sanford has stepped up its level of product testing for market access and product validation by 20% this year (based upon expenditure on testing), with more risk-based residue and microbiological testing. For example, every batch of our Greenshell™ mussels is sampled and tested for microbiological safety.

Product quality

Sanford has again undertaken a customer survey to gauge our performance. Quality and customer-focused surveys were sent out to 24 of our largest global customers in Asia, Europe and North America. Of these, 14 (2015: 14) returned completed surveys, with the results shown here.

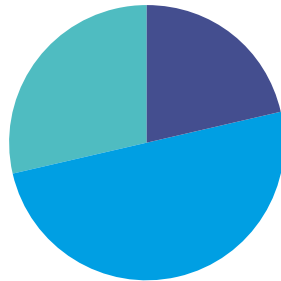
While the results are an improvement over last year, we need to continue working hard to reduce the less positive feedback. Sanford has a strong commitment to make sure our customers are satisfied with all aspects of our customer service.

Responding to product questions

Our customers send us a diverse range of questions and information requests about anything from detailed questionnaires about Sanford's quality and food safety systems through to questions about our aquaculture practices or nutritional information.

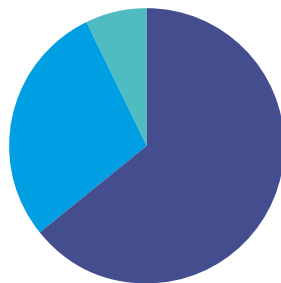
This year we set up a monitoring system to track these requests and measure our response times. The results have already helped us respond more quickly and improve our customer service.

How would you rate the quality of Sanford's products?



Very high quality	21.43% (3)
High quality	50.00% (7)
Neither high nor low quality	28.57% (4)

How would you rate the quality of your customer service experience?



Very positive	64.29% (9)
Somewhat positive	28.57% (4)
Somewhat negative	7.14% (1)

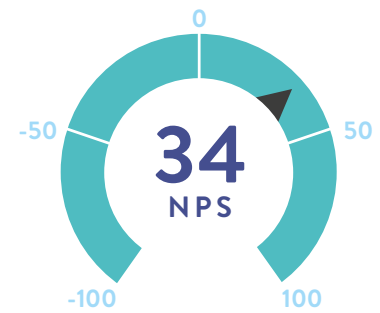
BUILDING OUR RELATIONSHIPS BASED ON PRODUCT QUALITY

This year we benchmarked our Net Promoter® Score against Survey Monkey's benchmarking database and are pleased to report that we scored in the top 50-75% of its database. Our target next year will be to improve on our baseline score.

How likely is it that you would recommend this company to a friend or colleague?



We scored in the top 50-75% Sanford Net Promoter® Score



SurveyMonkey Global Benchmark

Average from 88,906 Organisations
1 July 2015 – 30 June 2016



LEADING THE WAY TO HEALTHY FOOD

RESPONDING TO QUALITY AND FOOD SAFETY COMPLAINTS

For the second year we have continued to monitor our progress on improving product service levels by recording the nature of quality complaints and the time we take to respond to them.

We set a target to action and close out 80% of quality complaints within 10 days. This timeframe allows for collecting source data, product testing, root cause analysis and implementing corrective and preventative actions. About 20% of complaints need a higher level of investigation and a longer response time.

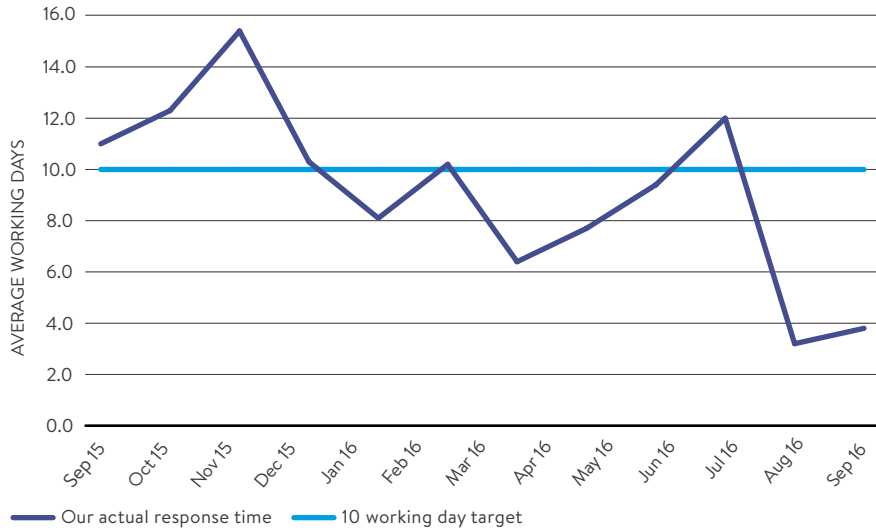
The average response time has improved to 9.77 working days, compared with 17 last year. However, we only closed 61.2% of complaints within 10 working days, falling short of our 80% target. 86% of complaints were closed off within 15 working days.



Food safety is the main priority. Without this, Sanford and its customers wouldn't be in business as it puts everyone's reputation on the line.

Lars Olsen
CEO NORDIC SEAFOOD
(CUSTOMER)

2016 Average working days to action and close complaints





PRODUCT SPECIFICATIONS

We have reviewed product specifications for all our main product lines and where necessary produced new ones, including detailed grading and product photos. This standardisation across the business is already improving our product quality and consistency across our entire product range.

Aligning the product specifications with our product quality inspections is one of the ways we have reduced customer complaints and improved their satisfaction with the quality of our products.



FOOD SAFETY CERTIFICATION

Our product traceability helps us certify the safety of our food and our product specifications deliver high quality food. However, many of our customers are also requiring Sanford to have some form of international food safety standard audited by a third party.

At the start of 2016, Sanford therefore committed to adopt the ISO22000 FSSC food safety standard across all Sanford’s processing facilities. This standard is part of the Global Food Safety Initiative (GFSI) and is widely recognised across all markets as world best practice with respect to third party food safety certification.

To date, two of our plants have undergone audits and are in the process of being certified to the ISO22000 FSSC standard, two are currently in the process of being audited and the remainder of land-based processing plants are scheduled for audit by mid-2017. We are confident that by the end of FY17 all Sanford land-based food processing plants will be certified to the ISO22000 FSSC standard.

COMPLIANCE AUDITS

As well as our own internal audits, both routine and responsive, we undergo a number of external compliance audits. Some are part of verification processes to which we have committed ourselves. Others are mandatory audits that the Government carries out on behalf of our customers and consumers. During this year, we were subject to 76 audits, as set out below.

PRODUCT RECALL

Sanford has robust product recall systems in place, meeting MPI requirements. These require our products to be traced back to their origin as well as forward to the customer. We are proud to report, once again, that in 2016 we had no product recalls.

Overall, Sanford is focused on a suite of proactive steps to enhance the safety and quality of our food, with the necessary systems also firmly in place to respond to customer and consumer concerns. As we continue to do better with both of these, creative partnerships and innovations arise.

Compliance audits – food safety, quality, health and safety, environmental, maritime

	2016	2015
Ministry for Primary Industries (MPI) Food Safety Performance Based Verification Audits (PBV)	45	56
MPI National Shellfish Sanitation Programme (NSSP)	6	10
Marine Stewardship Council (MSC) Chain of Custody	1	1
A+ Sustainable Aquaculture (trials only as at 30 Sept 2016)	0	0
Best Aquaculture Practice (BAP)	1	0
British Retail Consortium	0	1
ISO14001 Environmental Management System Audits	1	8
ISO22000 Food Safety Management System Audits	3	0
Accident Compensation Corporation (ACC)	6	1
Maritime Audits	11	10
Customer Food Safety Audits	2	0
Total Audits	76	87

LEADING THE WAY TO HEALTHY FOOD

Customer/consumer relationships and product traceability



GOAL

Be the worldwide supplier of choice for New Zealand seafood, through nurturing a reputation of authenticity, trust and expertise

The importance of customer/consumer relationships at Sanford is reflected in our establishment of a new executive position of Chief Customer Officer, to ensure we deliver value to our domestic and international customers.

UNDERSTANDING OUR CONSUMERS

Before we can deliver real value through our branded products, we need to understand our domestic consumers better. In July this year we carried out an online survey of 500 people living in the greater Auckland area to take a snapshot of their consumption patterns and their perceptions of the Auckland Fish Market, one of our major consumer touchpoints.

The findings indicate we are a nation of seafood eaters, with only 3% of respondents not consuming seafood. Given that 71% of respondents consume seafood at least once a fortnight, our domestic market opportunity lies in increasing the frequency of consumption by this group to once or twice a week. To achieve this, we need to reduce the barriers to more frequent consumption.

We are in a unique position to do this through our consumer-facing touchpoints, Auckland Fish Market and Auckland Seafood School. Here we can trial new offerings, educate consumers about different species, build confidence around how to cook seafood and deliver traceability around where and when our seafood is harvested. At the same time, we can generate content to reach our global audiences via social media.

ENGAGING AND INFORMING OUR CUSTOMERS AND CONSUMERS

Customer relationships

With around two-thirds of our product, by revenue, sold to a comparatively small number of overseas wholesalers, this makes it easier for us to build direct relationships with key international customers. We do this by asking them what they want, meeting them one to one, and showcasing our products and our story at international trade shows in our most popular export markets.



EUROPE*

11.4%**

OF OUR MARKET BY REVENUE

Brussels Seafood Show

(recognised as the seafood show with the largest global reach)

ATTENDED BY: Chief Executive Officer, Chief Customer Officer, Senior Market Manager, Market Manager

Conxemar Vigo

ATTENDED BY: Market Manager

NORTH AMERICA*

15.1%**

OF OUR MARKET BY REVENUE

Boston Seafood Show

ATTENDED BY: Chief Customer Officer, Chief Operating Officer, Market Manager

CHINA*

10.4%**

OF OUR MARKET BY REVENUE

Qingdao Seafood Show

ATTENDED BY: Chief Executive Officer, Chief Operating Officer, Market Manager, Senior Market Manager

* Continuing operations revenue

** % market by revenue is indicative, although all shows attended by representatives from across the globe.



Social media

Social media remains a cornerstone of our marketing communications strategy. Through this critical channel we can engage and inform consumers around the world on ‘Beautiful New Zealand Seafood’ from Sanford.

As the most consumer-facing branded assets that we have, Auckland Fish Market and Auckland Seafood School play a unique role in driving brand awareness and engagement. Both these offerings allow us to generate and capture great content which we can deploy across various social media platforms.

Auckland Fish Market

The Auckland Fish Market is a long-standing Auckland icon for both locals and tourists. Known for its fresh fish and breadth of offering, we continue to supply top quality seafood to a diverse range of consumers: there is something for everyone. The courtyard is a hive of activity on summer days, where visitors can choose their fish and get it cooked to their liking by our skilled chefs. The newly introduced sushi bar offers fresh sushi and sashimi all year round and complements the café offering. Sourcing our seafood from the Auckland plant and the onsite auction means we can guarantee Beautiful New Zealand Seafood by Sanford is available seven days a week. We are currently undertaking a review of the fish market, and looking at redevelopment to allow us to deliver an interactive, high quality fish market experience.

- FACEBOOK STATISTICS -

f **COMBINED AUCKLAND FISH MARKET AND SEAFOOD SCHOOL PAGES**

METRICS

12,524 Facebook fans

41,216 Reach – people (last 28 days)
7,554 Post engagements in the last 28 days

DEMOGRAPHICS

67% female **33%** male

36% aged 25-34
26% aged 35-44
14% aged 45-54

Of the **12,524** likes, **9,253** are people who live in the Greater Auckland Region

f **SANFORD**

METRICS

2,186 Facebook fans

(end September 2016); +8.9% versus previous month

137,217 Reach – people (last 28 days)
3.7% Engagement rate

DEMOGRAPHICS

56% male **44%** female

30% aged 25-34
27% aged 35-44

Sanford social media platforms continue to grow as we invest in engaging content, promotions and information around seafood. September 2016 was our most successful month, on the back of our focus on the Paralympic games and fan zone (refer *Outcome 5 – Communities and Partnerships*).

- TWITTER STATISTICS -

t **AUCKLAND FISH MARKET**

METRICS

271 followers

DEMOGRAPHICS

56% male **44%** female

34% aged 25 to 34
34% aged 35 to 44

t **SANFORD**

METRICS

670 followers

(as at September 2016); +4.9% versus last month

DEMOGRAPHICS

72% male **28%** female

29% aged 25 to 34
14% aged 35 to 44

LEADING THE WAY TO HEALTHY FOOD

Auckland Seafood School

Auckland Seafood School is Auckland’s largest, with the capacity to seat up to 90 people. The school has been operating now for 12.5 years, offering a range of corporate and public classes every week to over 9,000 people each year.

Situated above the Auckland Fish Market, we use only the freshest seafood available. Our chefs demonstrate how to cook a range of delicious meals, showcasing different species and cooking methods that get the best results – and then participants get hands-on, preparing, cooking and enjoying a meal in our multi-station cooking facility. Seafood is delicious, nutritious and versatile, and is best when shared with others. Our philosophy is simple: we want people to love seafood as much as we do.



What an awesome evening. Great food, company and entertainment. Wonderful chef – approachable, knowledgeable and passionate about the food.

Leanne and Gavin
AUCKLAND SEAFOOD SCHOOL
ATTENDEES

Launch of domestic food service

A recent offering on the local market, our domestic food service business is under way, with prime Sanford seafood being served in high-end Auckland restaurants around the Viaduct and North Wharf. We have also engaged a distributor to service our wider customer base in East and South Auckland and the Waikato region.

Good prices at the Auckland Fish Market continue the growth trend in sales, assisted by the Sanford Timaru and Sanford Bluff teams, who have provided product direct to market. Customer response has been extremely positive and we aim to continue this supply chain from the deep South.

PRODUCT TRACEABILITY

A greater understanding of our customers and consumers and the market dynamics that affect their lives and consumption patterns indicates they have a growing desire to enjoy better health and wellbeing and to understand where our products come from. Sanford is in a strong position to capitalise on the different market opportunities these growth areas represent through a portfolio of brands.

How we trace our products

Each product finished in any of the Sanford processing sites includes the following minimum traceability details:

- 1 Fishing area
- 2 Fishing trip
- 3 Lot (batch) number
- 4 Net weight
- 5 Producer name
- 6 Product code (includes size grade and quality grade)
- 7 Production date



Consumer pressure is increasingly driving purchasing decisions from the home dining table to the global supermarket giants, even whole markets. The more Sanford can tell consumers about the provenance of the fish in real time, the more value there is in the story of the fish.

Trish Sherson
DIRECTOR, SHERSON WILLIS

BRAND PORTFOLIO

Sanford is in a strong position to capitalise on the different market opportunities with the changes in consumer preferences through a portfolio of brands. Our new brand portfolio builds value into four brand offerings, allowing us to differentiate product offerings and also our chosen channels and markets.

Our portfolio of brands



Sanford Blue
MAINSTREAM



Sanford Black
PREMIUM RANGE



BIG GLORY BAY

Big Glory Bay – by Sanford
SUPER PREMIUM PROVENANCE



TIAKI

Tiaki
PREMIUM SUSTAINABLE SEAFOOD





On our way from being a technically proficient fishing fleet to becoming a purveyor of Beautiful New Zealand Seafood to the world, we realised we had to develop a Sanford brand. Our staff and customers told us we needed to do better at listening, responding and communicating our continuous improvement. We are learning that our brand is a result of what we do, not what we say. The better we do, the better our brand.

Andre Gargiulo
CHIEF CUSTOMER OFFICER
SANFORD

TIAKI LAUNCH

The Precision Seafood Harvesting (PSH) programme now has the Modular Harvesting System (MHS) in trial on select vessels enabling us to realise the full value of our harvested seafood (refer *Outcome 4 – Healthy Oceans*). We need a brand to reflect these much-improved technologies. Together with our PSH and MHS partners, Moana (formerly Aotearoa Fisheries) and Sealord, we developed a shared brand, and in February 2016 we launched the Tiaki brand to a number of guests in Auckland.

Our vision for this technology is to change the way the world fishes and to improve the quality of the catch. The very best of the catch will be branded Tiaki. Simply put, Tiaki is the best fish caught the best way.

Launch of the ‘Tiaki’ brand will identify the provenance story to customers around the world. While PSH has been retained as the name of the partnership and is associated with the ‘technology’, ‘Tiaki’ tells the seafood story, and is more closely linked to the New Zealand seafood companies that have invested in developing the new technologies and are using them to supply high quality seafood to market. See www.tiaki.com.

The brand is now supported by social media platforms, a website and a traceability application. These are all necessary steps for the initial supply of small quantities of Tiaki product to market before the end of 2016. We are excited about Tiaki’s future as we start selling Tiaki branded seafood to the local market.

BIG GLORY BAY

In Big Glory Bay, pristine waters adjoining a national park on Stewart Island, Sanford grows and harvests some of the world’s most sustainably farmed seafood. New Zealand King salmon, Bluff oysters and Greenshell™ mussels are all grown here, and all, with the exception of Bluff Oysters, are certified by the International Global Aquaculture Alliance to Best Aquaculture Practice (BAP). New Zealand’s King salmon was also recognised when Monterey Bay Aquarium’s Seafood Watch® programme named it as the world’s most environmentally sustainable farmed salmon. Launch of these brands in 2017 will allow us to tell our story around product and place, with consumers and customers able to trace the product back to source, gaining full visibility of where the product they are consuming came from, and when, as well as its nutritional benefits.



tiaki (verb) (-na) to guard, keep, look after, care for, protect, conserve and save*



Tiaki media platforms

f 2,186 Facebook fans
(end 30 September 2016); +8.9% versus previous month

317,113 Reach – people (last 28 days) (+220%)

876 Followers (+582)

92,924 Total video views (+221%)

95,773 Total engagement (+195%)

30.1% Total engagement rate

5.8% Organic reach

22 followers

174 followers (+74)

* Te Aka Māori-English, English-Māori Dictionary and Index. Online Māori dictionary at <http://maoridictionary.co.nz/>

LEADING THE WAY TO HEALTHY FOOD

Supply chain



Work with our supply chain to deliver mutually sustainable solutions that deliver value for money, and support our focus on health and safety, product quality, sustainability, continuous improvement and innovation

At Sanford, we work up and down our supply chain to maximise value-creation opportunities with our suppliers and our customers. The supply chain team manages performance through our procurement framework, which includes sustainability criteria. The team also works cross-functionally, as explained below, to ensure value is maximised across the business.

ADDING VALUE FOR SUPPLIERS

This year, procurement savings were over \$1.5m across many functions, including supply chain services, mechanical handling equipment, packaging and consumables. The procurement framework now provides a basis for us to apply sustainability criteria so as to align our suppliers with our values and to consider strategic value rather than just price. We also included some key strategic suppliers in our materiality process this year.

Our focus for next year is to continue to work with key suppliers who can demonstrate value and innovation and help deliver operational excellence.



Z wants to supply organisations that take the right approach to health and safety. Sanford is a good partner for us with its proactive approach, seeking to learn more and improve.

Nicholas Williams
GM COMMERCIAL, Z ENERGY (SUPPLIER)



ADDING VALUE FOR CUSTOMERS

During 2016, we grew our internal supply chain capability by implementing ‘Project One Touch’, a new system to improve the domestic customer order and delivery process. This has allowed us to pack fresh product to customer orders much more efficiently, and improve our ability to track orders so we have visibility over the location of customer consignments. In 2017 we will extend this to fresh export orders as we grow our ‘Focus on Fresh’ business.



Developing technology for supplier and customer relationships achieves many things. It improves communication, how business is done day-to-day, brings the customer’s customer into the information flow and creates new business opportunities.

Tony Mildon
SALES DIRECTOR, MAERSK LINE (SUPPLIER)

Further improvement to our sales and operational planning (S&OP) process has been carried out to align demand and supply, particularly for mussels and salmon. Salmon demand has been steadily growing over the last 12 months and it was important for us to set up an effective cross-functional process to help us understand customer demand and fish harvest volumes in order to maximise value when demand exceeds supply. The ‘Focus on Fresh’ initiative has also built a platform on which to align wild harvest inshore volume with customer requirements.

The volume sold fresh has increased significantly (to \$77.8m, up by \$18.5m on 2015, or 18% of turnover). This has built capability in the business for further fresh optimisation by improving communication and speed to market.

Another example of adding value through the supply chain is our efficiency project at Sanford’s coldstore in Mount Maunganui. Our new pallet racking system has increased capacity by 20%, reducing some significant external storage costs. The new racking will also deliver reduced ongoing repairs and maintenance costs, because the automated ‘Satellite’ unit moves pallets along the racks and forklifts no longer need to enter the racking lanes.



• CASE STUDY •

SANFORD'S NEW SAFE AND EFFICIENT FLEET

Sanford operates a large vehicle fleet, mainly for its fishing and maintenance activities.

Over time these vehicles have aged, not representing the Sanford brand well in the communities where we operate and also incurring expensive fuel, repair and maintenance costs. We set up a team to identify exactly what the business needed with respect to a safer, more sustainable and consistent fleet, with selection criteria including ANCAP 5 Star safety rating and improved fuel efficiency. From several options, Mitsubishi utes were identified as the most appropriate

vehicle, and vehicle leasing was chosen as the most cost effective way of updating the fleet. The team was also able to reduce fleet numbers without affecting operational capability.

Vehicle leasing has enabled Sanford to improve its visibility over operating costs and fuel efficiency, and has simplified the internal fleet management and compliance effort. With the added



benefit of telematics, we now have the opportunity to better understand and continuously improve key variables such as driving styles and fuel efficiency.

TOWARDS A SUSTAINABLE PACKAGING SOLUTION

Sanford uses over 100,000 expanded polystyrene boxes (polybins) a year to keep fresh seafood cool during domestic and overseas shipping. Polybins have excellent thermal resistance and strength, but they are made from non-renewable resources, and while they are considered to be recyclable, they are not currently recycled in New Zealand and are put into landfill.

During 2016 Sanford ran a dedicated project to find a sustainable alternative to polybins for domestic customers. Our biggest user of polybins is the Bluff plant, which produces a range of fresh salmon products, so we set up a cross-functional team of representatives from innovation, quality, supply chain, sales and operations.

The team looked for suppliers of alternative packaging options, with the key performance criteria being environmental impact, thermal and mechanical performance and commercial impact. The team selected the best of these options for static and transportation trials which were carried out during the year.



This is an exciting development for Sanford and the entire domestic seafood market. It's been great to see how excited our customers are to have a sustainable and practical packaging option that allows them to enjoy the freshest seafood New Zealand can offer in a package that can be easily disposed of by simply putting it in a recycling bin.

Robert Lethbridge
PACKAGING DEVELOPMENT MANAGER,
SANFORD

The project findings will allow Sanford to replace polybins in the Auckland, Tauranga and Timaru plants and ultimately, our aim is to roll this initiative out across all processing sites. We expect the new range of cartons to deliver significant cost savings, allow for the development of new domestic customers and reduce the environmental impact of the fresh seafood packaging used by Sanford.



LEADING THE WAY TO HEALTHY FOOD

Our future focus

MATERIAL ISSUES	SUSTAINABILITY GOALS	FUTURE TARGETS 2017 AND BEYOND	OUR 2025 VISION
Food safety and quality	Be recognised as a global leader in providing safe, high quality seafood that delights our customers and represents our love for the sea.	<ul style="list-style-type: none"> Maintain International Organisation for Standardisation (ISO) standard ISO22000 food safety across all land-based processing sites. Action and close out 80% of quality complaints within 10 working days, longer term increasing to 100%. 	Sanford is recognised and respected as a global leader that provides safe, high quality, beautiful New Zealand seafood that meets the expectations of our increasingly sophisticated customers and consumers.
Customer/ consumer relationships and product traceability	Be the worldwide supplier of choice for New Zealand seafood, through nurturing a reputation of authenticity, trust and expertise.	<ul style="list-style-type: none"> Fully develop Sanford branding strategy, including differentiated product offerings, value propositions, targeted channels and markets under each brand. 	Sanford is the worldwide brand of choice for New Zealand seafood, built on a reputation of authenticity, trust and expertise. Our customers and consumers place significant value on the provenance of our seafood.
Supply chain	Work with our supply chain to deliver mutually sustainable solutions that deliver value for money, and support our focus on health and safety, product quality, sustainability, continuous improvement and innovation.	<ul style="list-style-type: none"> Continue to embed S&OP process and distribution strategy to increase the mix and value of fresh products into the market. 	Sanford ensures all materials and services are sourced in a sustainable manner. Opportunities for value creation are delivered through our value chain in partnership with key suppliers.



UNCOMPROMISING CARE

_____ FOR HEALTHY

OCE

ENSURING HEALTHY OCEANS

We will lead by example in healthy ocean management, so that future generations can enjoy and benefit from our biologically diverse, safe, healthy and dynamic oceans.



A N S

ENSURING HEALTHY OCEANS



Sanford in the global context

UN SDG 14
LIFE BELOW WATER



The oceans – their temperature, chemistry, currents and life – drive global systems that make the earth habitable for humankind. They are the natural capital that Sanford’s business relies upon to provide value to our stakeholders. It is therefore imperative that we do everything in our power to ensure the health of the oceans. The biggest impact we have is on sustainably utilising fish stocks and our aquaculture operations, and ensuring that we don’t pollute the resource we rely on for our product. This section outlines how we manage this impact.



Material issues and value creation

This table summarises Sanford's material issues relating to *ensuring healthy oceans*, the strategic goals defined through our Business Excellence Framework, our targets for 2016, and our performance in contributing to value creation. At the end of this section, our future targets and vision to 2025 are also defined.

MATERIAL ISSUES	SUSTAINABILITY GOALS	2016 TARGETS*	PROGRESS AGAINST TARGETS**
Sustainable fish stocks and marine farms	Ensure clear commitment to comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean management, including zero tolerance for overfishing, underreporting and discarding catch.	Promote and encourage Fishery Improvement Projects (FIPs) for key species. (M)	Ongoing. Based on our 2015-16 reported catch, of the main commercially harvested deepwater species, 19.6% are in FIPs (2015: 13.3%).
		Achieve Best Aquaculture Practices (BAP) Marine Farm certification to Sanford Marine Farms by September 2016. (S)	Achieved BAP in relation to Big Glory Bay. A+ certification trialled in relation to three Banks Peninsula farms, and currently working through pre-audit process for two Marlborough farms.
		All fishers record and report their catch to ensure maximum transparency of fish stock status. (L)	Achieved. Full and compliant catch monitoring. Progressive implementation of electronic monitoring to enhance transparency.
		Continue engagement with New Zealand's Deepwater Group to achieve Marine Stewardship Council (MSC) sustainability certification for deepwater species in our Exclusive Economic Zone. (L)	Ongoing. Sanford continues to actively engage with and support MSC certification for deepwater species. In 2016, 37% of our total wildcatch, by greenweight, was MSC certified.
Marine conservation	Embrace our role as a leader of change in our industry, applying influence on the sustainability of our oceans, leading to better practices and more sustainable outcomes, while making a positive impact on the communities and coastal ecosystems where we operate.	Continue with 7-year Primary Growth Partnership between Government, Sanford Limited, Moana (formerly Aotearoa Fisheries Limited) and Sealord Group Limited, trialling new harvest technology to result in more precise catches, less by-catch, lower mortality rates, more selectivity and higher quality landed fish. (M)	Ongoing PSH/MHS programme that has delivered excellent results and is being progressively adopted across Sanford and other partners. Now in place on a number of inshore vessels, and scaled up to deepwater vessel, <i>San Enterprise</i> . Launch of new 'Tiaki' brand, supported by social media platforms, website and traceability application.
		Continue with 7-year Primary Growth Partnership between Government and Sanford Limited introducing a selective breeding programme to produce a wide range of high-performing mussel strains. (M)	Ongoing. SPAT _{NZ} has received one more year of funding, taking it to 7 years. Context for spat supplied has further justified investment in hatchery. The mussel breeding is proving very successful, producing 1,150m ready-to-settle larvae.
Endangered, threatened and protected species	Ensure protection of marine species, including seabirds, sea lions, dolphins and sharks through delivering best practice farming and fishing practices, implementing protection measures and participating in ongoing science-based research programmes.	Carry out marine mammal medic training, when available, at all relevant Sanford locations. (S)	Achieved. Marine mammal training is ongoing for selected staff. We closely follow the science around endangered, threatened and protected species to ensure we play our part. Conditions of contract in place with sharefishers set out requirements to be adhered to.



VALUE CREATION - OUTCOME:

We will lead by example in healthy ocean management, so that future generations can enjoy and benefit from our biologically diverse, safe, healthy and dynamic oceans

* S=Short term (1 year or less); M=Medium term (2-5 years), L=Long term (5 or more years)

** Refer to 'Progress on our 2016 sustainable business targets' for full update across all targets defined

ENSURING HEALTHY OCEANS

Sustainable fish stocks and marine farms



GOAL

Ensure clear commitment to comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean management, including zero tolerance for overfishing, underreporting and discarding catch

Sustainable fish stocks are the basis of Sanford’s business and as such are a key material issue to us as we strive to create value. We manage our performance through the Quota Management System (QMS) although we see changing external circumstances meaning that the QMS must evolve.

Sanford has adopted operational practices that provide for the future of our marine resources. These include the avoidance of fishing areas that are known for juvenile fish aggregations, abstaining from ‘ordering’ from our fishermen particular species and fish sizes to avoid discarding valuable quota species and voluntarily fitting an increasing number of our vessels with cameras.

Our Quota: How do we use it?

SANFORD IS NZ’S LARGEST – QUOTA HOLDER –

23%¹

2015: 23%

7

PROCESSING SITES INCLUDING JOINT OPERATIONS

474

INDEPENDENT SHAREFISHERS
2015: 503

25

DEEPWATER & INSHORE VESSELS
2015: 25

313²

FISHSTOCKS
2015: 313

87²

SPECIES
2015: 87

How have we performed?

TONNES OF FISHMEAL AND OIL PRODUCED

9,927

2015: 11,895

WILDCATCH GREENWEIGHT TONNES

81,245³

2015: 84,579



1 Quota ownership based on ACE equivalent
 2 Previous reported figures (set out in 2015 annual report), related to all quota owners, rather than Sanford specifically, therefore restated in this Report
 3 Total Wildcatch GWT comprises Sanford fleet, including charter vessels. For comparability, 2015 total excludes pacific skipjack tuna volumes; 0 volume for 2016 following sale of *San Nikunau*



30 YEARS

Celebrating 30 years of the quota management system (QMS)

Tim Pankhurst
CHIEF EXECUTIVE
SEAFOOD NEW ZEALAND

This year, the 30th anniversary of the Quota Management System, is a time to celebrate and a time to look forward to a fisheries management system suited to future needs.

Earlier this year I caught up with Colin Moyle, the Minister of Fisheries who ushered the QMS into law in 1986. He remains proud of this major reform and rightly so. As he noted, the rest of the world looks to the QMS.

Moving from a piecemeal approach, to one of prudent fisheries management informed by strong science, has paid off. Thirty years on, New Zealand fish stocks are in a strong state – more than 95 per cent of stocks have no sustainability concerns. Stocks that were in trouble before the QMS have rebuilt and orange roughly has recovered to the extent that it is in the final stages of assessment for Marine Stewardship Council certification, the international stamp of sustainability.

Industry's commitment and investment in fisheries management and robust science have underpinned the success of the QMS.

A stand out example of industry taking the lead is the investment with government, under the Primary Growth Partnership (PGP), by Sanford, Moana (formerly Aotearoa Fisheries Limited) and Sealord in the revolutionary new trawl technology Precision Seafood Harvesting. The potential economic and environmental benefits of this new fishing technology that lands fish live are huge.

Another example is Sanford's project with SPAT_{NZ}, another PGP with equal funding of \$13m each from the Ministry for Primary Industries and Sanford for the hatchery. The ground-breaking technology used to breed the mussels is natural and sustainable.

While there's much to celebrate in this 30th year of the QMS, there has also been a great deal of public comment and concern raised about discarding, an issue industry has been working to resolve with Government for some time. It is unfortunate that much of the recent discussion, emanating from research out of Auckland University, is based on exaggerated data and historic facts, which suggested that New Zealand catch over 60 years is nearly three times that reported.

The issues are complex, but they can be solved and industry is keen to do so in concert with the Ministry for Primary Industries under the current operational review of the Fisheries Act.

Government has signalled its intention to speed up the rollout of electronic monitoring on fishing vessels.

Sanford and other progressive companies like Moana and Leigh Fish have led the way by voluntarily trialling, at their own expense, electronic monitoring on their vessels – yet another example of industry investing in progressive fisheries management.

But electronic monitoring is just part of the solution. It is not the end point. It will improve transparency, but can only be fully effective if the settings and policies are prudent. Monitoring a problem is not necessarily solving it.

Fishers are the guardians of the sea and companies like Sanford are here for the long haul.

ENSURING HEALTHY OCEANS

HEALTHY OCEAN MANAGEMENT – WHAT THIS MEANS TO SANFORD

This last year commercial fishing has been in the spotlight following the release of a report from the University of British Columbia's Institute for the Oceans and Fisheries, which suggested that the sustainability of New Zealand's fish stocks was based on unreliable data.

The scientific robustness of the data used for the report is highly questionable, but in combination with a number of leaked internal government reports, which revealed incidents of misreporting and dumping of fish by commercial operators, some of which were fishing into Sanford, it is evident that there is a definite need to further improve practices at sea.

When concerns were raised, in the media, about vessels that lease Sanford catch allowance to supplement their own catching package, we immediately investigated and in some instances installed video cameras on these vessels. This was as much to protect the fishers as it was to ensure their ongoing compliance with regulations.

Sanford is committed to bringing greater transparency into what happens at sea on our and others' vessels. We have taken a leadership role advocating responsible fishing across all sectors, and have made a significant financial investment into developing video technology and more complete electronic catch reporting through our involvement with Trident Systems.

Back in 2012 Sanford requested Trident Systems to develop a smart technology video monitoring system on fishing vessels between East Northland and the Bay of Plenty. We were part of a group of companies who wanted to better understand the effects of commercial fishing practices on fish stocks and if necessary change our behaviour on the water. The result of this work, such as quantifying the volume of small snapper, that we are legally required to return to the sea, and was found to be less than 3.4% of the total snapper catch and declining, has placed us in a strong position to contribute effectively to sustainable harvesting.

Capturing accurate and comprehensive catch and vessel position data is a crucial first step towards managing fish stocks. The growing impact of recreational fishermen and fishing charter operators on New Zealand's fish populations would require some form of monitoring or recording of their catches as well in order to ensure effective management of our inshore species. Since we share these species across different sectors it is essential that all stakeholders contribute to their long term survival.

The events over the last year have reinforced the need for our sector to not only improve practices, but to also communicate the major advances that have already been made over time.



Delivering positive benefits in partnership with our sharefishers

Sanford runs a comprehensive training programme across the company for all staff. For our sharefishers, training spans fisheries' regulations, health and safety, emergency response and what to do if they inadvertently catch a seabird or marine mammal. Our goal is that all Sanford people 'Take Five' (stop and think), and assess the situation before acting.

This year for the first time, senior management met with all our North Island inshore sharefishers to ensure a clear understanding of behaviour on the water and to also thank them for participating in the many voluntary programmes we are running across the fleet. These include sampling programmes on snapper, tarakihi, trevally and bluenose and requires vessels to act as a research platform and the fishermen as science technicians.

Sanford staff at our processing sites are also involved in science, and our teams in Auckland, Tauranga and Timaru have now been trained in fish sampling of seven key species. They often work under contract to NIWA, MPI and Trident Systems.



Electronic monitoring

We are confident that electronic monitoring is the most effective and progressive approach towards improved transparency and knowledge of practices at sea. We are a major shareholder of Trident Systems, the company which led the development of New Zealand's first fully integrated smart video monitoring. This is an investment that Sanford has made to support improved visibility and full transparency of operations at sea, through real time tracking, monitoring and reporting. We are satisfied with the progress that has been made in ensuring a better understanding towards the sustainability of the marine species we interact with, and remain fully committed to this initiative.

The Black Petrel video monitoring programme, which will see 15 long line vessels carrying cameras in a trial to determine whether cameras and land based reviewers can replace human observers on board vessels, is a good example of this. This programme is 100% voluntary, is funded by quota owners and is sponsored by the Southern Seabird Solutions Trust and several other key partners.

A key driver was concern about the lack of data to show that seabird capture mitigation devices that fishermen had in place were effective.

The aim of the cameras is to monitor the capture of seabirds – primarily black petrel – but they will also be used in the upcoming Snapper One tagging programme to audit and record where fish are tagged and recaptured to enable scientific capture of data to get the absolute biomass of snapper in the region.

MPI has deferred the start of the Snapper One tagging programme by at least one year, but Sanford continues to support the pursuit of more accurate snapper biomass data.



Delivering enhanced visibility in partnership with Trident Systems

Sanford through its shareholding in Trident Systems, has been instrumental in delivering New Zealand’s first operational video observation program for fishing vessels.

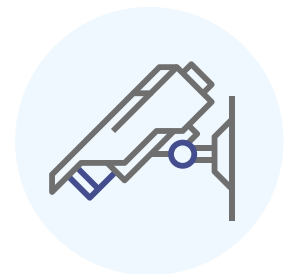
The innovation behind the 360° FishEye camera technology and supporting software that tracks vessel movements, records catch and allows reviewers to shift footage into data for analysis is leading-edge technology and has been recognised by winning the Restorative Innovation Award at the Sustainable Business Network awards in late November 2015, supplementing earlier awards successes in November 2014 and May 2015.

Key to Trident’s success on the water has been our commitment to work collaboratively with fishers on our own Sanford vessels and from other companies. Our aim has been to deliver on sustainability and transparency.

Like all of Trident’s shareholders, Sanford expects to be running a business on New Zealand’s precious marine resources for generations to come. This relies on good fisheries information and we want to ensure research meets not only science outcomes but also assists us in running our fishing fleet more efficiently.

While video observation is a cost-effective alternative to human observers, it’s not low cost.

As data storage and review of footage are the key costs in a long term programme, the next stage under development is smart software to automate the review process, identify fishing events and detect any footage that requires particular attention.



\$200,000

TO DATE SANFORD HAS INVESTED MORE THAN \$200,000 INTO DEVELOPING CAMERA HARDWARE THAT WORKS AT SEA, IN CHALLENGING OCEAN CONDITIONS.



ENSURING HEALTHY OCEANS

CO-OPERATION FOR CONSERVATION

Thirty years on from its inception, the quota management systems (QMS) has so far sustained New Zealand’s fisheries. But as we learn more about the dynamics of fish populations, we need to make sure that the industry upholds the sustainability of our fisheries.

This is why Sanford supports the development of cost-effective monitoring systems that give accurate measures of the whole catch.

Such systems should support prosecutions for intentional practices that undermine sustainable fishing – but even more importantly, they must provide population data that is robust enough to give Government, industry, consumers and the wider New Zealand and global population the confidence that our sustainable management practices work.

We’re all in this together.



We all share the inshore fisheries with each other, and if we are to pass on this gift to future generations, we really must count all the fish we catch. The commercial sector is using camera technology to complement the observer programme, and perhaps the Fish4All app or something similar could be made available to recreational fishers to help them play their part. Whether the fish on your plate is bought or caught, we all need to be aware of our impact on the marine environment.

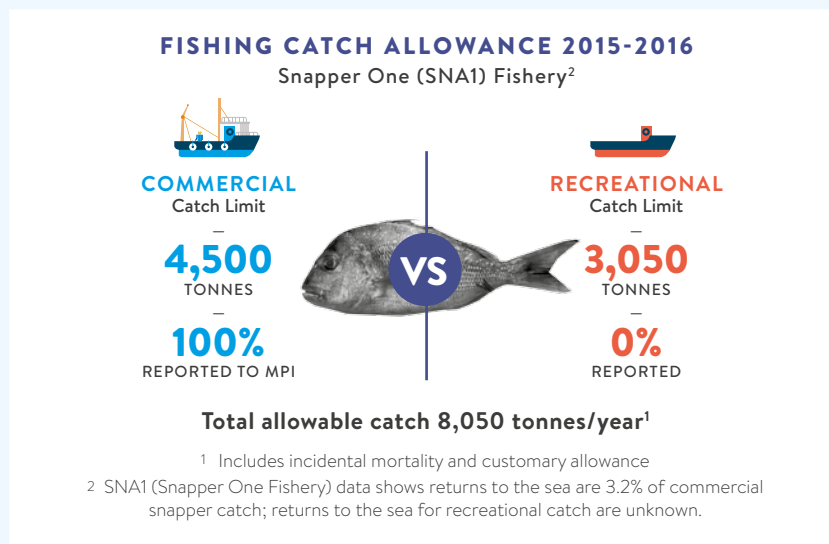
Volker Kuntzsch
CHIEF EXECUTIVE OFFICER
SANFORD

MAKING EVERY FISH COUNT

2015 research by the Ministry for Primary Industries into the Hauraki Gulf’s Snapper One fishery found that on a typical weekend day or public holiday nearly 7,000 boats could be holding up to 21,000 people fishing in the Gulf. With a catch limit of seven snapper each, if they caught 4kg of snapper each, they could take up to 84 tonnes of snapper. 37 days of summer fishing would see them reach the total recreational catch limit of 3,050 tonnes – but two problems arise.

Firstly, with 78 days of fishing possible over a typical summer – and every fisher being lucky enough to get the full catch – the recreational catch could reach 6,552 tonnes, over twice the current recreational catch limit in the Snapper One region. Even allowing for the inevitable catches below seven snapper, the total catch could still be over the limit. Secondly, unlike the commercial sector, recreational fishers do not have to count or report their catch or the number of fish they discard.

Snapper One Fishery:		
annual commercial catch limit	+	annual recreational catch limit
4,500 t/yr		3,050 t/yr
		=
		total allowable catch
		8,050 t/yr
		<i>(includes incidental mortality and customary allowance)</i>



Why it matters

- Fish catch³ is used as a population indicator: catch information is used to set allowable fishing quotas.
- We must therefore count our catch – the whole catch for accurate and sustainable fisheries management.
- We believe that recreational fishers should also report their catch, especially charter vessels that carry recreational fishers, in order to build a complete picture of fish stock health.
- Full and accurate reporting allows the industry to play its role in sustaining New Zealand’s fisheries: it encourages us to innovate to avoid by-catch and identify areas where the QMS and fishing technologies can be improved to make it easier to avoid over-catching of target species and capture of non-target species.

³ Catch includes target, non-target and by-catch. Discarded catch includes undersized fish of target species or lower-value unwanted (non-target) fish species. By-catch includes non-fish species such as marine mammals or seabirds.



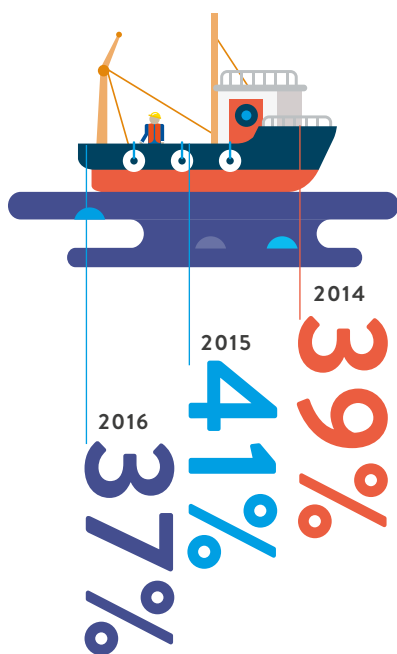
MARINE STEWARDSHIP COUNCIL (MSC) CERTIFICATION

Of New Zealand’s key deepwater fisheries, around 75% of the catch is either Marine Stewardship Council (MSC) certified or currently undergoing formal MSC assessment. MSC sets the highest independent standards for sustainable fishing production. It follows international, professional benchmarks to promote robust processes and uphold values of independence, transparency, impartiality and stakeholder consultation. There are now five fisheries within the New Zealand EEZ that are MSC certified, and one fishery (orange roughy) that is currently undergoing assessment.

An important part of the food safety and quality story is being able to verify that fisheries are both well-managed and ecologically sustainable so that the quality of raw materials is maximised. The MSC certification provides a scientific standard for assessing this.



Wild-caught MSC certified catch*



* Based on Sanford’s total wildcatch (by greenweight) for 2016 (2015 figures restated). Deviations reflect fluctuations with seasonality, annual catch entitlements, species composition and climatic events (e.g. El Niño)



BEST PRACTICE AQUACULTURE

Sanford’s aquaculture farms at the top of the South island and beyond its southernmost tip have been awarded two prestigious certifications.

In March 2016 the international Global Aquaculture Alliance awarded its Best Aquaculture Practices (BAP) certification to Sanford’s production of King salmon and Greenshell™ mussels in Stewart Island’s Big Glory Bay. This international certification system verifies environmentally and socially responsible aquaculture processes. It audits the whole aquaculture production chain, including farms and processing plants (and where applicable, hatcheries and feed mills), thereby providing assurance for customers and consumers that Sanford farms follow internationally recognised aquaculture practices that respect workers’ rights and the natural environment.

In 2016, Aquaculture New Zealand launched the A+ certification to promote best practice sustainable farming processes to protect the marine environment. Sanford was the first seafood company to enter the scheme, initially trialling it across three of its Banks Peninsula farms, and is working towards becoming the first recipient of this world-class sustainable management framework, having completed pre-audit processes for two of our Marlborough farms to date. Together with its Environmental Code of Practice, A+ enables the New Zealand aquaculture industry to better engage with our communities and continuously improve our environmental practices, while strengthening global demand for our seafood.

In providing one of the world’s most environmentally-friendly protein sources, Sanford realises we owe a lot to our natural resources, so we are careful to preserve them for future generations.



Sustainability is at the core of everything we do at Sanford. Earning the BAP and A+ certifications ties well into our company ethos. For us, this is about benchmarking ourselves against the rest of the world in sustainable aquaculture. These certifications mean consumers can trust Sanford to deliver the best quality seafood while being confident that we are independently measured in terms of our environment, social and food safety impacts, to meet the growing demand for ethically produced marine farming.

Volker Kuntzsch
CHIEF EXECUTIVE OFFICER
SANFORD



ENSURING HEALTHY OCEANS

Marine conservation



GOAL

Embrace our role as a leader of change in our industry, applying influence on the sustainability of our oceans, leading to better practices and more sustainable outcomes, while making a positive impact on the communities and coastal ecosystems where we operate

Healthy oceans ensure Sanford's future: we need to do everything we can to conserve them. We contribute to marine conservation through our interactions with the public, customary, industry, consumer, research and NGO sectors, and strive to incorporate conservation principles through all our work at both strategic and operational levels.

We endorse a multi-stakeholder approach to the challenge of managing the world's fourth largest exclusive economic zone (EEZ), the Government's commitment to ensuring marine biodiversity for future generations and to protecting New Zealand's waters, and Sanford is committed to supporting these approaches, where decisions are made based on informed science.



Sanford must be on the front foot. Do the research, establish baselines (current position data), develop ambitious policy positions and propose innovative solutions, most of which will need to be collaborative.

Katherine Short

PARTNER AND SCIENTIST, TERRA MOANA

As research progresses, the need for a more holistic ocean management framework becomes increasingly apparent. Such a framework may include Marine Protected Areas (MPAs), but these should be based on a good understanding of the risks that human interaction pose to that area. We promote a robust science-based approach to identifying high risk areas and the need for measures aligned with the sensitivity of the various areas.

In particular, Sanford has adopted operational marine conservation practices that provide for the future of our marine resources. These include:

- avoiding fishing in areas that are known for juvenile fish aggregations
- abstaining from asking our fishers to catch particular species and fish sizes, to help them avoid discarding valuable quota species
- voluntarily fitting an increasing number of our vessels with cameras
- maximising the utilisation of everything we catch.

We are committed to ensuring a sustainable future for our business and will work towards underlining New Zealand's leadership position in managing the oceans responsibly.

PRECISION SEAFOOD HARVESTING (PSH)

What is PSH?

PSH is a suite of new technologies and innovations that allow trawl vessels to harvest fish live and in a low damage, low fatigue condition. The Modular Harvest System (MHS), central to the programme, includes several modules designed for special purposes such as selectivity to avoid capture of small fish, bycatch minimisation and catch limitation to avoid damaging fish when caught in large numbers. The intention is to replace, where practical, the bulk trawl nets that damaged much of the catch; instead the vessels tow a fabric funnel (as shown below) which the target species swim into. This system is more selective and causes less damage to the fish.



The older MHS designs were constructed as prototypes from a heavy duty PVC material and webbing. In preparation for commercial manufacture, these older designs are in the process of being phased out and replaced with lightweight and extremely strong designs made out of composite UHMWPE (ultra high molecular weight polyethylene) fabrics, known as Dyneema. This material has already been tested on board the Sanford vessel *Ana* for several months in 2016, and has been well received.



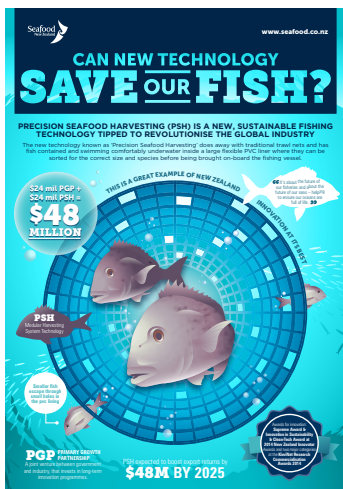
Teamed with MHS

We are trialing four sizes of MHS for different sized fishing vessels and specific designs for commercial harvest of inshore, middle depths and deepwater species. A range of specialist modules have also been designed for special purposes, such as selectivity to avoid capture of small fish and catch limitation to avoid damaging fish when large bags of fish are caught. The fish are transferred to the vessel in a section of the MHS called the ‘lift-bag’. Once landed, the job of the PSH test vessels has been to maintain the high quality of fish that is being delivered. The crew of the *Ana* have been testing a new design for a sorting and handling system specially built for handling the new high quality PSH catch. The results to date have been very encouraging for everyone involved.

The new PSH harvest and handling systems have been developed together to maintain the new standards of quality and survivability right across the harvesting, processing and storage processes. When these systems are all linked together, it could result in a new benchmark for fish quality under the ‘Tiaki’ brand.

Our quality goal

We want our target fish to be landed alive in perfect condition, with far fewer small fish and non-target species, and processing systems that deliver higher quality products and greater value from a carefully targeted catch.



Our environmental goal

A more environmentally friendly way of fishing that offers real, long-term, high quality sustainability for our oceans, our people and our business.

Our partners

PSH is a Primary Growth Partnership (PGP) programme that is 50% funded by Ministry for Primary Industries (MPI) and 50% funded by industry; Sanford, Moana (formerly Aotearoa Fisheries) and Sealord. The ‘inshore fish on deck alive and unstressed’ goal of this programme is an example of one of the multi stakeholder programmes we are involved in to continually improve the management of our fish stocks.

The term ‘PSH’ has been retained as the name of the PGP programme and is associated with the ‘technology’ while fish caught and processed with PSH or MHS are branded ‘Tiaki’. This tells the seafood story, and is more closely linked to the New Zealand seafood companies that have invested in developing the new technologies and use them to supply high quality seafood to market. ‘Tiaki’ will provide the provenance story for New Zealand and demonstrate how it is ‘changing the way the world fishes’ (refer *Outcome 3 – Healthy Food*).

Forward plan into the new financial year and beyond

The PSH partners successfully applied to have the Primary Growth Partnership (PGP) funding period extended by 12 months through to March 2019. As a part of the most recent annual plan review, PSH has set out a 30 month schedule of expenditure, tasking and outcomes including the extension period. The programme focus has evolved from evaluation of multiple new innovations to one of a tighter scope with focus on key commercial outcomes. These include manufacture of the final design harvest systems, validation and regulatory approval, consistent supply of ‘Tiaki’ brand product to market, and catch control and catch sensor technology to allow MHS to be used during high density fishing in the hoki season.

PRECISION SEAFOOD HARVESTING

4/7

4 YEARS INTO AN EXTENDED 7-YEAR PROGRAMME

- specialised systems avoid capture of small fish
- catch limitation avoids damage to fish by reducing catch volume
- innovative fish handling systems to reach new standards of quality and survivability at all steps of harvesting and processing
- derives more value from all species

KEPT UP SIGNIFICANT IMPROVEMENTS IN:

- survival rates and value of snapper
- value and sustainability gains in hoki

**PGP FUNDING: \$24 MILLION
INDUSTRY FUNDING: \$24 MILLION**

Expected economic benefits to PSH partners: \$83 million per annum by 2029 (assuming 80% of technology)



– 2016 WINNER OF –

- Maori Innovation section in the New Zealand Hi-Tech Awards
- South Canterbury Business Excellence Award

– 2014 WINNER OF –

- Researcher Entrepreneur Award, People’s Choice Award, Runner up for Supreme Award, KiwiNet Awards

– 2014 WINNER OF –

- Supreme New Zealand Innovator 2014, at the New Zealand Innovators Awards

– FINALIST IN –

- SeaWeb Seafood Champions Awards for Innovation

ENSURING HEALTHY OCEANS

Endangered, threatened and protected species



GOAL

Ensure protection of marine species, including seabirds, sea lions, dolphins and sharks through delivering best practice farming and fishing practices, implementing protection measures and participating in ongoing science-based research programmes

New Zealand's sea life is as unique to who we are as our terrestrial flora and fauna. All seabirds and marine mammals, four coral groups and many species of sharks are fully protected by our laws, and we constantly strive to minimise our interaction with them.

Sanford knows that crews who follow best practice are less likely to capture protected and non-target species and we use the special mitigation tools developed in consultation with researchers and a wide range of other stakeholders, such as bird-scaring devices, sleds, weights on long-line hooks and escape holes in nets.



This endangered species issue fits into a broader picture. If Sanford wants to be a successful company and grow value, it has to tackle these issues, differentiate itself, build relationships and increase transparency.

Peter Hardstaff

HEAD OF CAMPAIGNS, WWF NEW ZEALAND



SEABIRDS

The International Union for the Conservation of Nature (IUCN) ranks seabirds as the world's most threatened bird grouping, and identifies fishing operations as the key threat to them. With more species of seabirds breeding here than in any other country, New Zealand's fishing industry has a special duty of care to protect them.

In 2013, Ministry for Primary Industries (MPI), Department of Conservation (DoC), the fishing industry, tangata whenua and environmental groups together produced a National Plan of Action to reduce the incidental catch of New Zealand seabirds, including many species of albatross, petrel, penguin and shags.

Sanford is a member of the Black Petrel Seabird and Fisher Working Group, which is committed to reducing fishing-related mortality of black petrels by developing new and better mitigation methods, observation and monitoring methods and relevant research. Our CEO, Volker Kuntzsch, is a member of the Southern Seabird Solutions Trust, a group focused on the protection of seabirds, which has rolled out initiatives targeting the protection of 24 species.



FUR SEALS, SEA LIONS AND DOLPHINS

Sanford is an active member of the Deepwater Group, and has actively trained staff in the use of the Group's 2014 Marine Mammals Operational Procedures.

These set out:

- a wide range of effective methods to minimise interactions with these animals
- detailed procedures to follow for each of those methods, including posting dedicated observers
- what to do if a marine mammal is incidentally captured
- how to safely and properly handle live and dead marine mammals
- proper data collection and mandatory reporting, to build up a data base that will help the industry to further reduce these interactions.

Sanford also endorses and follows the Sea Lion Risk Threat Management Plan, developed by the Department of Conservation (DoC) and Ministry for Primary Industries (MPI).



SHARKS

New Zealand waters are home to at least 113 shark species, some of which support significant commercial fisheries. This includes all sharks, rays, skates and chimaeras (though not all the other members of the class Chondrichthyes). There are global concerns about managing sharks, as their slow growth and low reproductive rates combined with pressures such as finning threaten the populations of some species.

New Zealand law bans finning and protects a number of shark species, some of which interact with deepwater fisheries. Sanford has committed to the 2013 New Zealand National Plan of Action for the Conservation and Management of Sharks, and has trained staff in the Deepwater Group's 2014-5 Sharks Operational Procedures.

These very detailed procedures aim to:

- enable the safe, humane and proper handling of live and dead sharks
- enable the proper collection and reporting of shark catch
- support the National Plan of Action for sharks and other relevant regulations.

Commercial fishers are legally required to report any protected species they capture as incidental bycatch. Many protected species carry tags or have been marked in some way for research purposes, and Sanford is committed to documenting any relevant information and forwarding it to the appropriate agencies.

• CASE STUDY •



PROJECT JONAH MARINE MAMMAL TRAINING

On a stormy autumn day in May this year, a group of five Sanford team members from Tauranga braved the weather and set out to make a difference.

They joined more volunteers from Project Jonah, New Zealand's marine mammal rescue charity, to learn how to respond to cetacean strandings.

New Zealand has the highest whale stranding rate in the world, but thanks to volunteers, we also have the highest rescue success rate. Pepe, Lindsay, Rose, Michaela and Melody learnt vital skills to help keep the mammals safe and calm until they are able to refloat and direct them back out to sea.

We look forward to continuing our work with Project Jonah and getting more volunteers on board, helping to save cetacean lives.



ENSURING HEALTHY OCEANS

BY THE NUMBERS

During 2016, Sanford caught just over 85,000 greenweight tonnes (GWT) of fish, during which we regrettably experienced a number of interactions with seabirds and marine mammals.

In particular, there was a spike of 17 marine mammal interactions in June 2016. This is very early in the hoki spawning season fishing, where hungry opportunistic seals gather to take advantage of the fishing activity. We are currently working towards putting in place special measures to address this challenge, wherever practicable.

All fishers are legally required to deliver all catch data to MPI immediately upon landing, including details of any marine mammal and seabird interactions. The most recent data available is for the first nine months of the financial year (to 30 June 2016) and tells us the number of unintended interactions, catch caught uninjured, injured and dead recorded by species and by vessel.

MPI summary of Sanford's reported incidental catch data

NUMBERS	SEA BIRDS	MARINE MAMMALS	TOTAL
Caught uninjured	84	0	84
Caught injured	6	0	6
Caught dead	177	27	204
Total	267	27	294
Mortality rate (%)*	66.3%	100%	69.4%

* Mortality rate is found by (numbers caught uninjured + numbers caught injured) as a ratio to numbers caught dead expressed as a percentage

Despite the short data record for 2016, the mortality rate for both seabirds and marine mammals are higher than 2015 (52% and 83% respectively, an averaged total mortality rate of 67.5% compared with 69.4% in 2016), although total numbers of both seabirds and mammal interactions were lower in 2016 relative to 2015 (by 30% and 50% respectively, based on monthly totals). Overall, an average of one incidentally caught marine mammal per Sanford vessel, and 10 sea birds per Sanford vessel occurred over the entire 9-month reporting period. A wide range of sea bird species were caught, with the largest representations from several species of albatrosses, petrels and prions, with 43 white-chinned petrels also being caught (13 live and uninjured). Three black petrels were caught, one uninjured and two injured. Over the same period, the 27 dead marine mammals comprised four common dolphins, 22 New Zealand fur seals and one New Zealand sea lion.

With our staff training on the various protected species protocols, we have more confidence in these numbers, and staff at all levels are highly motivated to reduce them.

However there is a gap in our data around live escapes resulting from our precautionary measures. For example, we cannot count the number of seals, sea lions, dolphins, sharks and other protected species that escape through the designed escape holes in our nets. Such uncounted escapes of live animals distort the percentage mortality rate. Ideally we would like to capture this information, although it is difficult or impossible to measure negative data such as birds, mammals and protected sharks not caught. That said, we continue to improve our crew training, monitoring systems and data collection and interpretation in order to inform improvements and innovations in mitigation measures. An example of this is the Black Petrel video monitoring programme which is discussed on page 88.

We continually explore and implement mitigation measures to improve our performance towards an ultimate goal of zero fatal interactions.

Sanford operates within and strongly advocates the various industry operational plans, codes of practice and procedures referred to above, which are over and above the regulatory requirements, and we continually explore and implement mitigation measures to improve our performance towards an ultimate goal of zero fatal interactions.

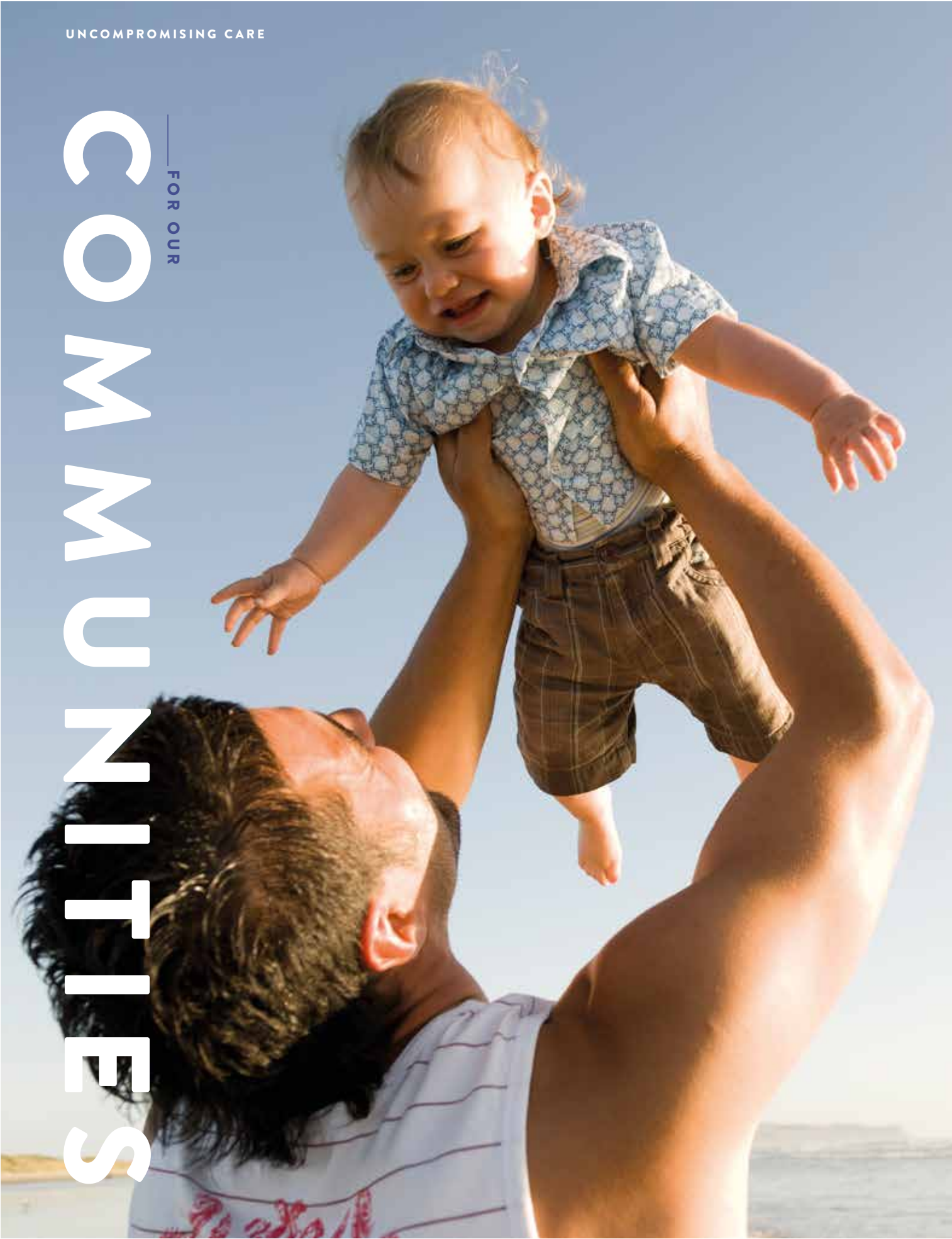


Our future focus

MATERIAL ISSUES	SUSTAINABILITY GOALS	FUTURE TARGETS 2017 AND BEYOND	OUR 2025 VISION
<p>Sustainable fish stocks and marine farms</p>	<p>Ensure clear commitment to comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean management, including zero tolerance for overfishing, underreporting and discarding catch.</p>	<ul style="list-style-type: none"> • Continue with 7-year Partnership Growth Programme between Government, Sanford Limited, Moana Fisheries Limited and Sealord Group Limited trialling new harvesting technology to result in more precise catches, less by-catch, lower mortality rates, more selectivity and higher quality landed fish. • Continue with 7-year Partnership Growth Programme between Government and Sanford Limited introducing a selective breeding programme to produce a wide range of high-performing mussel strains. 	<p>Sanford leads the industry to ensure, through its operations, that fish stocks and marine farms are verified as sustainable on the basis of robust, scientific based research, monitoring and transparent reporting.</p>
<p>Marine conservation</p>	<p>Embrace our role as a leader of change in our industry, applying influence on the sustainability of our oceans, leading to better practices and more sustainable outcomes, while making a positive impact on the communities and coastal ecosystems where we operate.</p>	<ul style="list-style-type: none"> • Actively engage in multi-stakeholder collaboration, including targeted research and partnership projects to advance sustainable marine conservation outcomes. 	<p>Sanford contributes significantly to ensuring the sustainability of our oceans, leading industry best practice, leaving a positive and lasting legacy on the communities and coastal ecosystems where we operate.</p>
<p>Endangered, threatened and protected species</p>	<p>Ensure protection of marine species, including sea birds, sea lions, dolphins and sharks through delivering best practice farming and fishing practices, implementing protection measures and participating in ongoing science-based research programmes.</p>	<ul style="list-style-type: none"> • Actively engage in science-based research and development initiatives, to advance best practice species avoidance and protection techniques. 	<p>Sanford is an industry leader in the delivery of best practice marine species avoidance and protection techniques, and a significant contributor to ongoing science-based research and development initiatives.</p>

UNCOMPROMISING CARE

FOR OUR
COMMUNITIES





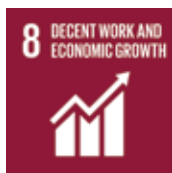
**SUPPORTING ENDURING
COMMUNITIES & PARTNERSHIPS**

Our leadership in creating employment and skills opportunities, coupled with our understanding of the needs of our communities and partners, ensure we deliver a significant and positive contribution everywhere we work.

SUPPORTING ENDURING COMMUNITIES & PARTNERSHIPS

Sanford in the global context

UN SDG 8
DECENT WORK AND ECONOMIC GROWTH



Under-employment affects communities around New Zealand, with decent work opportunities needed if we are all to share in our progress as a nation. Sustainable economic growth creates the conditions that enable people to hold down decent jobs that stimulate the local and national economy. We are committed to our local communities and value the opportunity to become part of them. With the potential for growth in the aquaculture sector in particular, we believe we can create long term quality employment in the communities where we work without harming the environment.

UN SDG 17
PARTNERSHIPS FOR THE GOALS




Achieving all of our sustainability goals cannot be done by Sanford alone. We must work in partnership with others; governments, civil society and other businesses, to ensure we maximise our ability to impact on sustainable outcomes for the future. Our strategic partnerships both local and global, help us create the most value we can to current and future generations.

Material issues and value creation

This table summarises Sanford’s material issues relating to *supporting enduring communities and partnerships*, the strategic goals defined through our Business Excellence Framework, our targets for 2016 and our performance in contributing to value creation. At the end of this section, our future targets and vision to 2025 are also defined.

MATERIAL ISSUES	SUSTAINABILITY GOALS	2016 TARGETS*	PROGRESS AGAINST TARGETS**
Engagement and employment	Respect and support our local communities in line with our social licence to operate. Where possible, we will create local business, employment and skills development opportunities.	Measure the engagement of our communities through our social media channels. (S)	Achieved. Ongoing focus on community engagement. Recipient of prestigious Marlborough Award in 2016. Continuing to grow jobs and skills in other areas of Sanford operations.
		Investigate Graeme Dingle Foundation (GDF) Career Navigator programme to attract youth into the industry. (M)	Ongoing. Discussions held with GDF, continuing to explore opportunity.
Strategic partnerships	Establish strategic partnerships that create value for the community, our partners and Sanford in the short, medium and long term.	Implement partnership strategies and plans with three key community partners. (S)	Achieved. Actively involved in two strategic partnerships; Paralympics New Zealand and Graeme Dingle Foundation (Kiwi Can). Various industry strategic partnerships and agreements in place. Vessel reflagging process completed with Korean partners.



VALUE CREATION – OUTCOME:

Our leadership in creating employment and skills opportunities, coupled with our understanding of the needs of our communities and partners, will ensure we deliver a significant and positive contribution everywhere we work

* S=Short term (1 year or less); M=Medium term (2-5 years), L=Long term (5 or more years)
 ** Refer to ‘Progress on our 2016 sustainable business targets’ for full update across all targets defined



Engagement and employment



Respect and support our local communities in line with our social licence to operate. Where possible, we will create local business, employment and skills development opportunities

Sanford is actively involved in the local communities in which it operates: we understand we have an impact and can make a difference to their social, environmental and economic outcomes. In this section, we illustrate just some of the ways we are doing this through growing jobs and skills to supporting sustainability education and providing staff time for local initiatives.

To date we have taken opportunities as they have arisen, however we are starting to formalise the way we manage our local contributions. The following provides some examples of how we have given effect to this during 2016.

IN THE MARLBOROUGH COMMUNITY

In 2016, the Marlborough District Council awarded Sanford the prestigious Marlborough Award in recognition of its leading role in the marine farming sector and the notable difference it makes to life, welfare and the economy of the district.

Marlborough is a critical region for Sanford and in accepting the award, CEO Volker Kuntzsch said, "There are not many areas globally that provide the shelter and water quality of the Marlborough Sounds, and we are committed to creating a strong future for the region through our sustainable marine farming." With reference to increasing global demand for protein, he pointed to the opportunity for New Zealand to focus not on ever-increasing volumes,



Sanford GM Processing, Ted Culley, Marlborough Mayor Alistair Sowman and Sanford CEO Volker Kuntzsch with the Marlborough Award (Photo credit: Graham Brooks)

but on value. "With significantly increasing demand for protein, it is essential we understand our obligation to contribute our share to global supply. Doing this within the context of stricter environmental standards will be a challenge, but certainly not one we feel can't be overcome." Volker said that "We need to realise we are only a small player globally, and for that reason, we need to focus on value. Our brand will increasingly be associated with provenance and the story we can tell about the origin of the product and the special care taken to farm it, harvest it and process it for discerning customers."

Sanford's General Manager Processing, Ted Culley, noted that the award was the result of the dedication and hard work of the processing teams. "Every day on the water our farming team represents Sanford's values of Care, Passion and Integrity. The future holds great opportunities for the mussel industry in Marlborough, and we are proud of this community and look forward to playing our part in its future," he said.

Alistair Sowman, Marlborough Mayor, acknowledged that Sanford was a big player in the region's export economy and a key contributor to the advances made in marine farming innovation, saying "Havelock thrives because of the presence of Sanford's plant; its plant in Havelock is the heart of mussel processing and hundreds of people rely on the company for work." Introduced in 1990 by the Marlborough District Council to publicly acknowledge individuals or businesses which contribute jobs and economic value, the Marlborough Award also highlights innovation and entrepreneurship, and was last awarded in 2006.



Havelock thrives because of the presence of Sanford's plant; its plant in Havelock is the heart of mussel processing and hundreds of people rely on the company for work

Alistair Sowman
MARLBOROUGH MAYOR

SUPPORTING ENDURING COMMUNITIES & PARTNERSHIPS



IN THE SOUTH CANTERBURY COMMUNITY

Sanford has been the proud sponsor of the South Canterbury ‘Sanford Science and Technology Fair’ for the last 11 years. This initiative has a broad range of entrants from year 7 to 13 students from all around the district, including a number of home-schooled students. There are three main categories; Science, Technology and Photography. For the last three years, two Sanford vessel managers, Matt Harvey and Simon Gibb, have been involved with viewing entries, judging and speaking at the prize-giving. Many of these well-presented projects are either about our environment or sustainability – key focus areas for Sanford, which is very positive and rewarding.

IN THE SOUTHLAND COMMUNITY

The social and economic benefits associated with Sanford’s aquaculture operations in Southland are well documented, providing positive effects for both Stewart Island and Bluff. The following case study summarises our future aspirations relating to the growth of aquaculture in Southland and the ongoing benefits that we seek to contribute to.

• CASE STUDY •



SANFORD SUPPORTS SOUTHLAND’S “SLEEPING GIANT”

Already one of the country’s largest salmon farms, Sanford’s Big Glory Bay salmon farm in Stewart Island could be the start of something much, much bigger for Southland’s aquaculture industry.

Sanford is keen to support the region as it looks to learn from Norway and Iceland’s billion-dollar aquaculture sectors.

With almost 200 workers already employed in Sanford’s aquaculture operations in Southland, several promising new sites already identified and a sustainable model to follow, District Mayor Gary Tong says he is inspired by the opportunities ahead for Southland’s fish farming industry. “Four to five rugby fields of aquaculture, whether that be salmon or something else, adds 200 jobs.”

Tommy Foggo, Sanford Salmon and Aquaculture Development Manager, says the company is also very optimistic about the industry’s future in the region. “We are working positively with both local and central Government to help identify potential aquaculture opportunities that could bring significant employment to places that badly need it,” he says.

“An independent MPI report showed that aquaculture delivers major positive social and economic benefits into the Stewart Island, Bluff and Southland economies from a very small footprint.”

Firstly, aquaculture is nimble: it can grow quite rapidly, delivering jobs and flow-on economic benefits in a relatively short time. Secondly, aquaculture is productive.

2,000x

A recent MBIE¹ report states that salmon returns 2,000 times more per hectare than beef or sheep farming – and it’s one of the healthiest foods on the menu.

¹ MBIE, 2012 Investment Opportunities in the New Zealand Salmon Industry, prepared by Coriolis



Thirdly, when well-managed, its environmental impacts are sustainable in terms of water quality, occupation of space and carbon emissions.

“If the wider seafood industry were to expand salmon farming by another 25,000 tonnes a year, it would only occupy 17 hectares of farm space. International best practice is for rotational farming, so we would need another 167 hectares to allow for seabed fallowing. This extra production would create up to 367 direct full-time-equivalent positions (FTEs) and 180 indirect FTEs in Southland and generate \$360-\$400m in revenue,” Tommy says.

Lastly, with New Zealand salmon fetching more than the price of a barrel of crude oil, the economic return is impressive.

\$22m

At present, Sanford Southland produces about 3,600 tonnes of salmon and 740 tonnes of mussels a year, employing 193 full-time-equivalent workers. Sanford’s wages, salaries, operating expenses and purchases return about \$22m to the local Southland economy.



Our own work as well as the Scandinavian experience shows that when impacts on the environment are carefully controlled in order to sustain aquaculture jobs in the long term, it also brings in extra income from tourism.”

Tommy Foggo
SANFORD SALMON AND AQUACULTURE DEVELOPMENT MANAGER

The Government’s vision is for 1 billion dollars in export earnings from aquaculture by 2025, off a 2015 base of \$338.1m in export earnings - a projected increase of almost 200%. Sanford CEO Volker Kuntzsch says, “With our aquaculture operations already a major part of the industry nationally, Sanford has a positive role to play in expanding the aquaculture industry to meet this goal. We look forward to investing further in Southland.”

NEW ZEALAND FIRE SERVICE

On 20 August 2016, the New Zealand Fire Service awarded Sanford a Certificate of Appreciation, in recognition of our volunteer fire fighters’ contribution to the Picton, Canvastown and Havelock communities. Across the Sanford Havelock farming and processing operations, we have 14 volunteer fire fighters who have a combined length of service with Sanford of 177 years.

“Sanford have been unwavering in their support of the team with any fire or emergency callouts,” said Denis Marfell, a Sanford employee of 30 years standing who is also the Canvastown Rural Fire Chief. “Sanford’s generosity towards the Fire Service has allowed us to save many lives, houses, forests and flooded buildings over the years.”



Harvest Manager and Station Officer Phil Hawke received his two year bar for 15 years’ service with Picton Fire Brigade, and was made a Life Honorary Member of the Picton Fire Brigade.



SUPPORTING ENDURING COMMUNITIES & PARTNERSHIPS

Strategic partnerships



GOAL

Establish strategic partnerships that create value for the community, our partners and Sanford in the short, medium and long term

Sanford seeks to establish strategic partnerships that create value for the community, our partners and our company in the short, medium and long term. This year, we have taken a more structured approach to our key partnerships, putting in place formalised agreements and partnership plans together with associated targets to optimise benefits to both Sanford and our strategic partners.

Strategic partnerships are important to us because we believe we have a responsibility to improve social, environmental and economic outcomes. We have focused on two partnerships this year, where we believe through leveraging our influence and size, we can make the biggest sustainable difference.

Partnership 1: Paralympics New Zealand

Combining with Paralympics New Zealand to achieve success on the world stage.

Just over a year ago, Sanford made the decision to partner with Paralympics New Zealand, through its Spirit of Gold® Initiative. This partnership was a very carefully considered decision borne out of a strategic alignment of two organisations with shared values and a strong commitment to supporting local communities. We also strongly identified with Paralympics New Zealand, as a New Zealand organisation punching well above its weight by delivering high performance on the world stage.

It was with great pride that everyone at Sanford was able to watch our Paralympians achieve such success at the Rio 2016 Paralympic Games. To see the team over-deliver on their target of 18 medals, bringing home a total of 21, including 9 gold, 5 silver and 7 bronze – and by doing so capture the imagination of the whole country, was made extra special by the involvement we had with them on their road to Rio. The New Zealand Paralympic Team also defended its title of number 1 in the world for medals per capita, an amazing feat topped only by the fact it finished 13th on the overall medal table, its highest placing ever in its 48-year history at the Games. It brought tears to our eyes to see the Para-Swimming team achieve 10 medals in total, especially after meeting so many of them and having Rebecca Dubber visit. We shared in the heart-break of the Para-Sailors, especially as Andrew May and Chris Sharp had visited us before the Games to tell us about their ambitions. They finished equal third after a tough 10-race regatta, dropping off the podium after a count-back saw Canada take bronze. Their passion, commitment and spirit echoes what we see every day from our Sanford team.

ADDING VALUE TO LOCAL COMMUNITIES

PROGRAMME	COMMUNITY INVESTMENT
Community Programmes	\$28,379
Paralympics Spirit of Gold	\$108,517
Graeme Dingle Foundation	\$147,681
Other Charity	\$22,993
2016 Total	\$307,570
2015 Total	\$382,491

Sanford contributed a total of \$307,570 to community and charity programmes in 2016. This represents a \$74,921 drop from our 2015 contribution of \$382,491, due to the timing of scheduled payments to one of our key partners falling just outside the 2016 financial year. This does not include the significant in-kind support which our teams contribute through volunteering and fund raising efforts within our local communities.





Sanford CEO Volker Kuntzsch presenting para-swimming team

As a Major Partner, we continue to fully support Paralympics New Zealand's awareness and fundraising initiative, the Spirit of Gold® Initiative. We have been involved in lots of ways that provide benefit to Sanford, including many of our team connecting with and being promoted amongst local businesses through Paralympics New Zealand's series of regional Chamber of Commerce events. We also enjoyed hosting the Spirit of Gold® portrait collection, featuring 12 of New Zealand's most high profile Paralympians and Para-Athletes. On three different occasions, this gave us a unique way to engage with many stakeholders – during the Auckland Seafood Festival, at the Havelock site, and when it reached the bottom of the country, during a community event in Bluff.

In addition, many members of the Sanford team attended selection announcements and helped to celebrate key milestones as Paralympics New Zealand gradually unveiled their 31-strong team for the Rio 2016 Paralympic Games. Staying true to our natural affinity with the Para-Swimming team, we hosted an exclusive invite only lunch for the selected Para-Swimmers and some of our key stakeholders to congratulate them on their selection.



Liam Malone powers to a gold medal at the Rio 2016 Paralympic Games

Subsequently, Sanford CEO Volker Kuntzsch was invited to present the Para-Swimming Team in front of 300 media and invited guests at Sky City in July.

Before the team departed for Rio, we compiled messages of support from both individuals and teams across the Sanford business, delivered through inspirational images in a visual presentation.

In September, we set up New Zealand's only Paralympic Games Fan Zone with the Auckland Fish Market Café being transformed for the duration of the Games as a gathering point for fans. The menu was themed gold and with a big screen in place, it became a great gathering point for Sanford head office staff each morning, as they popped down to catch our Paralympians in action as they contested 57 finals in 10 days. At the same time, we ran a unique social media campaign called #goldenrecipes. We found out the favourite fish of each of our Para-Swimmers and each day, recommended a recipe. We ran a competition that saw winners get to meet and cook with two Rio 2016 gold medallists, Para-Swimmers Nikita Howarth and Mary Fisher, at the Auckland Seafood School.



Paralympics New Zealand is incredibly proud of its partnership with Sanford. We have met members of the Sanford team up and down the country over the past year and it's obvious just how much enjoyment they take from getting to know our Paralympians and from being a part of our story. But we also know just how important it is to deliver real business value for Sanford too, so it's been very gratifying to be able to help Sanford achieve a number of key business objectives, especially around relationships with key stakeholders.

Fiona Allan
CHIEF EXECUTIVE PARALYMPICS
NEW ZEALAND

SUPPORTING ENDURING COMMUNITIES & PARTNERSHIPS

Partnership 2: The Graeme Dingle Foundation (GDF)

SANFORD SUPPORTS KIWI CAN

At Sanford, we are proud of our long standing partnership with the Graeme Dingle Foundation (formerly known as the Foundation for Youth Development), a child and youth development charity which every year inspires and motivates over 21,000 young Kiwis across Aotearoa to become their own heroes.

We are delighted to report that over the last year our partnership has helped support five regions across New Zealand in 39 schools reaching out to a total of 6,180 children.

Our support has focussed on the Graeme Dingle Foundation's primary school programme, Kiwi Can. We often hear stories from our teams across the country about the change our backing brings to communities and we are delighted to share one such story from Ted Culley, General Manager Processing, who is based in the northern region of the South Island.

“

The Kiwi Can programme is one of those programmes that can have a huge influence on the future of New Zealand – and how better can you support the community if not through supporting children's education; teaching them values, teaching them the right things to do – that's why we at Sanford became involved.

We see the influence of Sanford's involvement right through our communities – less tagging, better language in schools and kids that go to the local dairy and show respect to the dairy owner – that's what we want in our communities.”

vimeo.com/173400423

Ted Culley

GENERAL MANAGER PROCESSING
SANFORD, HAVELOCK



The tandem sky dive from 19,500ft by the Sanford team raised \$19,500 in October 2015 to support the Graeme Dingle Foundation

In 2012, the Graeme Dingle Foundation commissioned a report on the financial benefit of its programme to New Zealand. The report, 'Growing Great Futures – Whakatipu Tamariki Ora', estimated a benefit to cost ratio of Graeme Dingle Foundation activities of 7.15. Therefore, every dollar invested in Graeme Dingle Foundation activities is expected to result in a long term benefit to society of \$7.15.¹

In the last financial year, Sanford has supported the Graeme Dingle Foundation with \$100,000, as well as over \$47,000 in targeted community-based fundraising through initiatives such as a tandem sky dive and crossing the Cook Strait (refer to case study). With a 7.15 multiplier, our investment into New Zealand has been the equivalent of over \$1m, in one year alone.

We are looking forward to deepening our relationship with the Foundation by offering opportunities for our staff to engage, such as through additional community-based beach clean ups with students, mentoring and career workshops.

The Graeme Dingle Foundation runs school-based programmes for thousands of Kiwis ages between 5 and 18 – Kiwi Can, Stars, Career Navigator and Project K, along with MYND (an Auckland based programme for youth offenders). These initiatives aim to broaden horizons, offer opportunities and give young people the chance to become the next generation of successful parents, leaders and business people. For more information visit www.dinglefoundation.org.nz.



“

Sanford is a valuable partner of ours and we believe in the importance of measuring and reporting on partnership value and progress – Sanford does this very well through their materiality process.

Claire Baldwin

PARTNERSHIP MANAGER
GRAEME DINGLE FOUNDATION

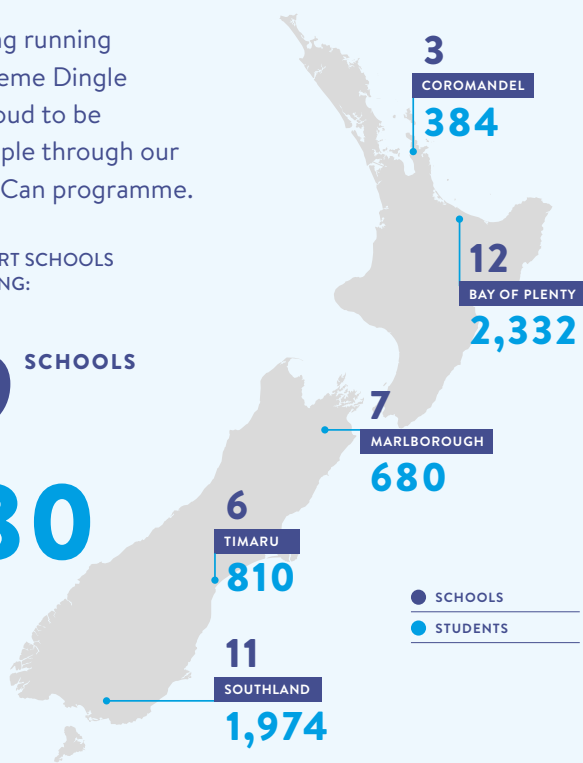
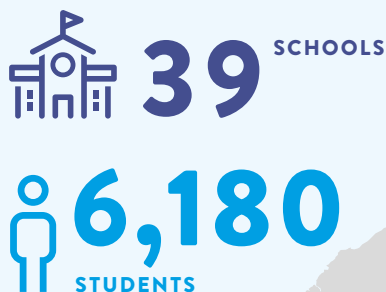
¹ Infometrics Report – Growing Great Futures – Whakatipu Tamariki Ora found that every dollar invested in Graeme Dingle Foundation programmes results in an average long term benefit to New Zealand of an estimated \$7.15.



IMPACT LOCAL COMMUNITIES

Sanford has had a long running partnership with Graeme Dingle Foundation and is proud to be impacting young people through our support of their Kiwi Can programme.

WE'RE HELPING TO SUPPORT SCHOOLS IN FIVE REGIONS, IMPACTING:



WHAT OUR STAFF SAY

It was so good to sit with the kids while they learnt about respect, responsibility, reliability, honesty and trust. This is what we are raising the money for, and being part of that class reinforced why we are doing it, and how good the program was.

Grant Boyd
SANFORD FLOATING AND FARM DEVELOPMENT MANAGER

WHAT SCHOOLS SAY

As a school, we have noticed a significant drop off in stand downs and use of the time out resource. Our students want to be at school and motivation is rarely an issue in class. Improved attendance across the whole school.

School Principal

SHARED VALUES

SANFORD
CARE
PASSION
INTEGRITY

GRAEME DINGLE FOUNDATION
CARING
COURAGEOUS
COLLABORATIVE

The Kiwi Can programme is developed for children age 5 to 12 years, and is an interactive learning, life skills and values programme delivered to the whole school by trained Kiwi Can leaders, with every child attending a Kiwi Can lesson once a week, every week of the school year. Research shows that Kiwi Can builds self-confidence, reduces bullying and reinforces positive behaviour.

In early September 2016, our Sanford Havelock aquaculture team engaged with Kiwi Can at Havelock School, conveying values such as respect, responsibility, reliability, honesty and trust, to a group of 5-6 year old children.

CASE STUDY

HAVELOCK ESTUARY CLEAN-UP WITH KIWI CAN TEAM



In August 2016, volunteers from Sanford joined pupils from Havelock School at a Kiwi Can beach clean-up of the Havelock estuary.

According to Kelvin Watt, Regional Manager of the Graeme Dingle Foundation. "The idea behind teaching them about integrity is to do the right thing even when nobody is watching," he goes on to say, "They collected a dozen full rubbish bags and were rightly really proud of what they had achieved."

Students are learning about environmental responsibility and integrity and returned to the estuary where they have already planted some trees as part of the programme. All in all, a very engaged team making a significant difference to their local community.

SUPPORTING ENDURING COMMUNITIES & PARTNERSHIPS

• CASE STUDY •

SANFORD TEAM TAKES ON THE COOK STRAIT

Adventurous Sanford employees made the commitment in May this year to tackle the unpredictable waters of the Cook Strait in a double kayak to raise funds for the Graeme Dingle Foundation’s Kiwi Can programme in Marlborough, and they did it.

Unpredictable and unforgiving - Cook Strait is an infamous stretch of water; the narrow channel between the North and South Islands through the tidal streams, tidal flow, swells and wind are unbelievably treacherous... but some ideas just can't be ignored!

What started out as a throwaway dare in the Sanford staff coffee room has now become a reality for Grant Boyd and Zane Charman. Both are based in Sanford’s Havelock office, and while Grant has some adventure racing experience, Zane had hardly seen the inside of a kayak. However, their commitment to making a difference to young Kiwis is what binds them together.

The pair successfully completed the crossing on 27 October in a respectable time of 3 hours 28 minutes. Setting the exact date and timing was contingent on a variety of factors – tides, swell, wind and weather conditions – the multitude of variables added to the anticipation and excitement.

Zane and Grant decided to undertake the challenge in order to raise funds for Graeme Dingle Foundation’s Kiwi Can programme in Marlborough – a significant and longstanding Sanford partner. Kiwi Can challenges children’s views on what they are capable of and encourages them to have a ‘can do’ attitude - something Zane and Grant needed a lot of!

The training went well and they made the 24.6km paddle, starting out at 5:00am. It was tough psychologically; “When you are training near the coast you have the shoreline as a reference of how much distance you are making but out in the channel we didn’t have that.” Through this initiative, they have raised over \$32,000.

ZANE & GRANT RAISED OVER

\$32,000





Other Strategic Partnerships

As well as community partnerships we also have strategic partnerships with other stakeholders with whom we work collaboratively to increase the social, environmental and economic outcomes across the seafood industry, as illustrated in the two examples below.

VISIT FROM PRIME MINISTER OF VANUATU AND MFAT

Vanuatu Prime Minister Salwai and his delegation visited our Tauranga office and processing plant in August 2016, in a visit arranged through MFAT, the Ministry for Foreign Affairs and Trade.

“

The delegation gained a lot of useful information on the processing they observed and will take back to share with fellow colleagues. I have to also add there was a lot of ‘animated’ discussion over the filleting skills of the team, which really impressed them!

On behalf of the Visits and Ceremonial Office thank you to you and your team for accommodating our Guest of Government on this occasion. We know their visit to Tauranga was the highlight of their trip and they departed New Zealand with a lot of knowledge to share back home.

Elizabeth Munday

DEPARTMENT OF INTERNAL AFFAIRS,
17 AUGUST 2016



Steve Keeves, Sanford Tauranga and Auckland Site Manager hosting a Prime Ministerial delegation from Vanuatu



Dong Won 519 departs Timaru sporting its new ‘ZM’ New Zealand call sign and new port of registration – Timaru

VESSEL REFLAGGING

In April 2016 Sanford and our Korean fishing partners concluded a long term joint project to reflag our foreign charter vessels to the New Zealand flag, in compliance with law changes requiring all fishing vessels to be New Zealand flagged in order to fish in New Zealand waters as of 1 May 2016. Sanford supported this move, which meant all New Zealand laws would apply to these vessels.

This was an important project for Sanford, in order to continue the long term working relationship we have with the two Korean vessel owners, supplying additional catching capacity and fishing expertise to Sanford which we don’t currently have.

The reflagging of the Korean vessels was a massive project involving a high level of cooperation and coordination between our companies and with several government regulatory authorities in both New Zealand and Korea. While a couple of foreign charter vessels operating in New Zealand had already reflagged, Sanford and our Korean fishing partners once again blazed a trail in developing and implementing a business model which saw the vessels reflagged to New Zealand in a way that enhanced the commitment of the foreign companies to stand up and be counted as part of the New Zealand fishing industry.

While we had been working towards vessel reflagging for some time, the project ramped up in the later part of 2015, with a project team coming together to work through the final phases. The following months were extremely busy with numerous internal meetings, meetings with government, vessel inspections, crew training and office audits. A key facet of reflagging involved a number of Korean crew getting New Zealand recognition of their qualifications, with Maritime New Zealand examination of their technical ability.

The final stage of reflagging started in April 2016, with the actual transfer of the vessels from the Korean to New Zealand registries, vessel marking and issuing of all registrations and certificates for the vessels to operate. This phase of the project saw the vessels laid up in port for around three weeks each, as most of this part of the process was sequential, having to be completed step by step, certificate by certificate.

SUPPORTING ENDURING COMMUNITIES & PARTNERSHIPS



Staff and guests at the opening of the DW New Zealand and JAICO Limited office in Timaru

Along with the reflagging of the vessels, both Dong Won Fisheries Co Limited and Juahm Industries Co Limited committed to setting up New Zealand companies (DW New Zealand Limited and JAICO Limited respectively) and setting up full New Zealand branches including an office/warehouse facility, hiring local staff, company vehicles and all the goods and chattels that go into setting up a business. The joint DW New Zealand and JAICO Limited office was officially opened on 3 June 2016, with the participation of the Mayor of Timaru Damon Odey, Dong Won and Juahm management and Sanford CEO Volker Kuntzsch.

The reflagging project saw a huge effort put in by many people from our Korean fishing partners, our consultants, government officials both in New Zealand and Korea, vessel crews, contractors and of course throughout Sanford.

While there is still plenty of work to do bedding in new systems and operational practices, we look forward to the continuation of this part of Sanford's business for the envisaged future.

“

It was with a great sense of accomplishment and satisfaction as we saw our vessels depart Timaru port, proudly flying the New Zealand flag. This reflagging project would not have been successful without the teamwork and cooperation between Dong Won Fisheries and Sanford, as well as the support of the Korean and New Zealand government agencies involved. We believe that this project further strengthened our working relationship with Sanford, as well as showing our long term commitment to New Zealand, and to operate as a responsible New Zealand fishing entity. We want to thank our consultants, contractors and the various government agencies, but especially Sanford management and employees, in working with us to reflag our vessels!

Ki Choul Wang
PRESIDENT DONG WON FISHERIES,
DIRECTOR DW NEW ZEALAND

“

Our path towards reflagging has generally been viewed in a negative light in recent years, both within New Zealand and South Korea. However, with the sincere effort and cooperation from all relevant parties, including the related departments of both countries' government, contractors, the crew and land staff members, we succeeded in reflagging our vessel within the legal timeline set by the New Zealand government. The journey has been long and windy, but thanks to Sanford's warm helping hand, we were able to carry on. Our mutual confidence in each other and our future, stemming from over a decade-long joint business operation, has fuelled our success. I want to thank all relevant parties, especially the management and all of the esteemed Sanford members. Without Sanford's support, it would not have been easy for us to keep fishing in the New Zealand waters today.

JAICO Limited will now devote itself to becoming a good and reliable New Zealand company within the fishing industry. Fortunately, we have a great company like Sanford Limited to take after.

HanGee, Lee
MANAGING DIRECTOR
JUAHM INDUSTRIES CO., LTD.



Our future focus

MATERIAL ISSUES	SUSTAINABILITY GOALS	FUTURE TARGETS 2017 AND BEYOND	OUR 2025 VISION
Engagement and employment	Respect and support our local communities in line with our social licence to operate. Where possible, we will create local business, employment and skills development opportunities.	<ul style="list-style-type: none"> Implement targeted strategies and plans to support local business, employment and skills development, including effective communication and engagement processes. Continue to measure the engagement of our communities through our social media, broader communication and engagement channels. 	Sanford is recognised for leaving a positive legacy for our communities, as a significant contributor to community initiatives, employment generation and skills development.
Strategic partnerships	Establish strategic partnerships that create value for the community, our partners and Sanford in the short, medium and long term.	<ul style="list-style-type: none"> Continue to foster existing strategic partnerships and establish new ones where desirable and appropriate, in line with our overall business strategy and priorities. 	Through leveraging our strategic partnerships, tangible value is realised and clearly communicated by our partners, Sanford and the wider community, all of whom share in the value creation opportunities.



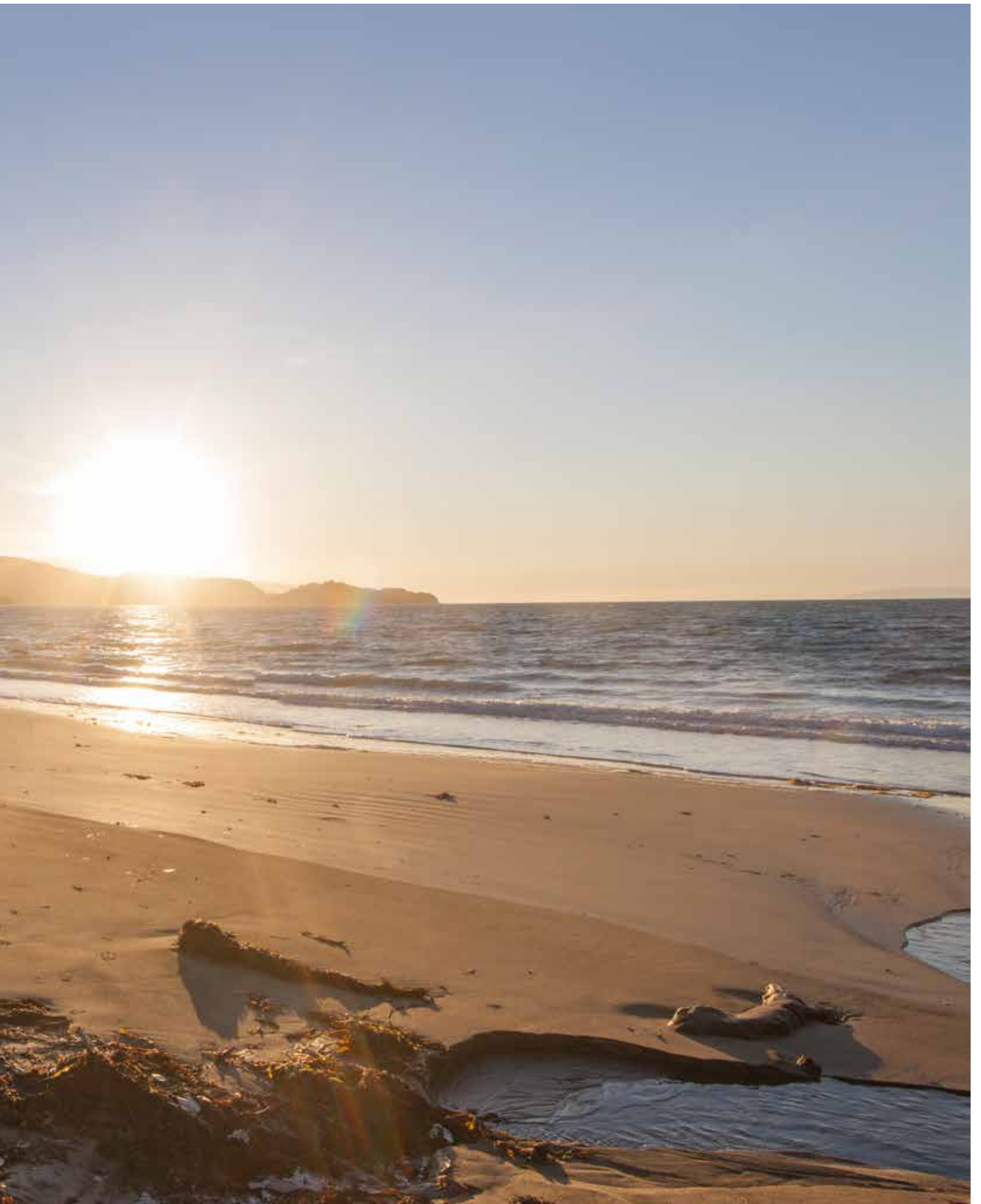
UNCOMPROMISING CARE

FOR OUR

ENVIRONMENT

PROTECTING AND ENHANCING ENVIRONMENTS

We will work with our people, customers and suppliers to lead the way in maximising resource utilisation, minimising our footprint and protecting the environment wherever we operate.



PROTECTING AND ENHANCING ENVIRONMENTS



Sanford in the global context

UN SDG 12

RESPONSIBLE CONSUMPTION AND PRODUCTION



Sanford can contribute to the level of responsible consumption and production through resource efficiency and growth of the aquaculture industry. Our efforts to do more and better with less, and our growth of aquaculture’s small environmental footprint compared with other protein sources contribute to the national environmental footprint in a positive way. We are formalising our approach toward improving our resource efficiency and to that end are committed to continuing to look for ways to help with the achievement of the UN sustainable development goals.

UN SDG 13

CLIMATE ACTION



Climate change is now affecting every country on every continent and the disrupting effects are likely to have a significant impact on all of our stakeholders. In particular we are conscious of the climate change impact on the oceans and therefore the risk to our very business model. We have the ability to reduce our impact on climate change through our operations and to that end are striving to reduce our carbon emissions to 30% below 2005 levels by 2030.



Material issues and value creation

This table summarises Sanford's material issues relating to *protecting and enhancing the environment*, the strategic goals defined through our Business Excellence Framework, our targets for 2016, and our performance in contributing to value creation. At the end of this section, our future targets and vision to 2025 are also defined.

MATERIAL ISSUES	SUSTAINABILITY GOALS	2016 TARGETS*	PROGRESS AGAINST TARGETS**
Environmental effects	Minimise our impact on the environment when carrying out our business operations, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound mitigation and management.	<ul style="list-style-type: none"> Maintain ISO14001 certification across our operations. (S) 	Achieved. ISO 14001:2004 certification maintained.
Resource utilisation and efficiency	Do 'more with less' by maximising efficient use of resources, including optimising the utilisation of all fish and mussels harvested and ensuring waste minimisation, re-use and recycling.	<ul style="list-style-type: none"> Increase waste diversion rate by 30%, from landfill to recycling. (S) Achieve a 5% improvement in electricity eco-efficiency. (S) 	<p>Ongoing. Achieved 25% landfill diversion rate across all operations. 100% recycling of Sanford mussel floats in Marlborough, acting as recycling hub for all operators. Increased utilisation of all fish and mussel harvested, through innovation.</p> <p>Ongoing. Achieved average 4% improvement in eco-efficiency across all operations.</p>
Carbon reduction and offsetting	Demonstrate our commitment to climate change response by actively reducing our energy consumption and emissions of greenhouse gases, and seeking to introduce low carbon solutions into our value chain where practicable.	<ul style="list-style-type: none"> Capture 100% of core energy intensity data. (S) 	<p>Achieved. Significant improvements in data capture and reporting, with further streamlining planned for 2017.</p> <p>Initiated low carbon roadmap.</p>



VALUE CREATION - OUTCOME:

We will work with our people, customers and suppliers to lead the way in maximising resource utilisation, minimising our footprint and protecting the environment wherever we operate

* S=Short term (1 year or less); M=Medium term (2-5 years), L=Long term (5 or more years)

** Refer to '*Progress on our 2016 sustainable business targets*' for full update across all targets defined

PROTECTING AND ENHANCING ENVIRONMENTS

Environmental effects



GOAL

Minimise our impact on the environment when carrying out our business operations, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound management and mitigation

As a company we have a responsibility to manage our environmental effects because we have the potential to negatively impact on New Zealand's natural coastline, sea, biodiversity and climate change. Although the material issues for this chapter were not among the top 14 issues highlighted through the materiality process, protecting and enhancing our environment was highlighted as important to many of our stakeholders, and is of concern to our business.

Together, these factors mean that rigorous management of Sanford's environmental performance is critical to the Company providing long term value to our shareholders.

Environmental performance is managed through the environmental management system (EMS) ISO14001 and its associated requirements for policy, monitoring, training and audits. Some of the highlights of our performance this year are identified in the stories below.

Aspects of our management of environmental performance require ongoing improvement, for example in terms of tracking our compliance status to ensure greater awareness of requirements and improved inspection and maintenance regimes. We are also working to better integrate the EMS into our risk identification and management processes.

ENVIRONMENTAL MANAGEMENT THROUGH RESEARCH AND DEVELOPMENT

Eco Rope

Increasing public and industry concern about microplastics in the environment encouraged the Sanford mussel farming team to investigate replacements for the plastic ropes used for lashing the mussel lines. Their 'ECO Rope' breaks down naturally over time and its compostable particles are plastic-free.

Trial results to date have been very encouraging, although the first trial worked a 'little too well', and the breakdown rate had to be somewhat slowed up. That being done, mussels on trial lines have been successfully grown fully through to harvest. Farming Support Services Manager James Higgins leads the project, and he's enthusiastic that the ECO Rope is the way forward, reducing the industry's reliance on plastic based material. He says, "This project is a great example of trying something new and unique, and shows the ongoing and very real commitment that Sanford has towards reducing our environmental footprint."



Trial comparing plastic lashing (left) with the new ECO Rope (right)

Biodegradable hydraulic oil

Winches, deck cranes, mussel harvesting equipment and davits are among the many hydraulically-driven items of plant on Sanford's aquaculture vessels. Most of the equipment, oil supply and return lines are mounted on upper decks where potential failures present a very real risk of spills of hydraulic oil into the environment. In the sensitive areas where we operate, even minor spills could be significant.

As well as planning for spill response equipment and training, the Sanford engineering fleet team is proactively working with oil supplier Transdiesel to trial Arnica S46, a biodegradable hydraulic fluid. ENI Arnica S46 is an ester-based, biodegradable and fire-resistant hydraulic oil which on exposure to the environment decomposes into alcohols and glycols, its biodegradable organic components. Arnica S46 fluids rapidly separate from water, which can be drained off the bottom of the hydraulic system tank. This minimises the presence of water in the circuit and guarantees the continuity of the lubricant film and correct lubrication.

Hawkeye, our mussel vessel, has used Arnica S46 as a hydraulic fluid for over two years with no detrimental effects on machinery performance. We now plan to roll out Arnica S46 to all Sanford vessels as the hydraulic fluid of choice.

Transdiesel is also just completing a fleet-wide oil, grease and coolant survey which will allow us to consolidate our fluid usage and introduce innovative and environmentally beneficial solutions across all 50 vessels in Sanford's fleet.

Reducing biosecurity risk

As part of our ongoing initiatives to reduce the environmental risks associated with our operations and protect and enhance the environments in which we operate, we proactively look for opportunities to enhance our operations, where possible going beyond our strict compliance obligations. For example, we have recently fitted and trialled a bilge water filter to one of our Marlborough based farming vessels, and plan to install these units on all our other vessels. The filters operate down to 3ppm, and will remove 99.9% of all hydrocarbon pollutants.



ENVIRONMENTAL MANAGEMENT THROUGH TRAINING

Sanford makes every effort to avoid pollution from our operations, aiming to achieve zero oil and fuel spills by training our people, and carrying out regular emergency drills and system audits. These were put to the test when in April 2016, while installing and commissioning a new crane on Sanford's Marlborough-based harvesting vessel *Intrepid*, a blocked hydraulic pipe burst. With a spill kit on site and staff trained in health, safety and environmental systems, the resulting spill was contained within the Hiab's footprint, posing no danger to staff and preventing contamination of the surrounding area.

No significant oil or fuel spills occurred as a result of our operations during 2016 and this reflects our focus on proactive maintenance and training.

As a major vessel operator in a number of key locations, including Timaru, Marlborough Sounds and Tauranga, for example, our ships and trained staff act as a resource to support Harbour Masters in marine oil spill contingency planning and response. Equipment is kept on our operational jetties at key locations, on vessels, and in Havelock, at Farm Support Services.

ENVIRONMENTAL MANAGEMENT THROUGH POLLUTION CONTROL

Our staff willingly play an important environmental stewardship role in annual beach clean ups around the Marlborough Sounds as part of our commitments under our Marine Farming Association Certification. In December 2015, we collected almost half a tonne of rubbish during the Marine Farming Association's annual Big Day Out beach clean-up. Around 50 marine farming volunteers on board 11 vessels cleared beaches in Kerepuru Sound, Croisilles Harbour, Port Underwood, Ruby Bay, Tasman Bay, Pohara, Tata, Ligar, Wainui and Pakawau.

Nearly two-thirds of the debris collected is now unrelated to marine farming, says Jonathan Large, MFA Environment Committee Chairman. "It used to be that our industry's debris accounted for half or two-thirds of what we collected," he says. "Now our collection bags are more filled with plastic, cans and bottles than marine farm debris such as rope."¹

Our vessel operators are also constantly on the lookout for shoreline and marine debris. Recently, the *Lady Marie* picked up debris from a boat fire including a fuel tank, as well as a number of floats, none of which had originated from Sanford operations.

In our Marlborough marine clean-up activities over the last five years we have.....

- collected nearly 20 tonnes of debris
- donated more than two weeks work every year
- invested 1,491 person hours
- invested 416 vessel hours
- made what is equivalent to a financial contribution of \$157,530



Debris washed up on coastline



Crewmen Rob MacGibbon and Clint Nott with Grant Boyd on board *Pacifica* having just completed a beach clean on the Boulder Bank, Okiwi Bay

¹ Source: The Marlborough Express and Stuff, December 18, 2015

PROTECTING AND ENHANCING ENVIRONMENTS

Resource utilisation and efficiency



GOAL

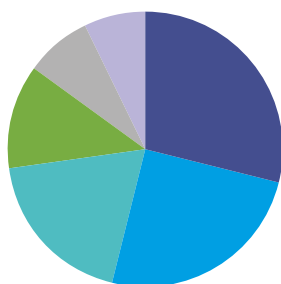
Do more with less by maximising efficient use of resources, including optimising the utilisation of all fish and mussels harvested, and ensuring waste minimisation, re-use and recycling

Sanford’s environmental and economic outcomes are achieved through our focused efforts on resource utilisation and efficiency. Performance is managed through both the environmental management system ISO14001 as well as through our continuous improvement project, Sanford 2020, as set out in *Outcome 1 – Building a Sustainable Business*.

Sanford 2020 uses ‘lean tools’ and active engagement with staff to identify and manage improvement opportunities and projects. Although it covers all aspects of the business, several projects have resource efficiency improvement outcomes. Aside from the everyday ‘one off’ improvement opportunities which staff identify and implement, the Sanford 2020 programme also seeks out bigger keystone projects across all operating divisions and across cross functional activities.

Key production staff are actively engaged every day through short-interval management techniques such as daily operational review meetings and ‘sprint’ boards for project tracking. Daily production meetings focus on visual reporting of results and keep staff interested in ongoing progress.

2020 Projects



● Process / Production	29%
● Health & Safety	25%
● Environmental (including energy)	19%
● Supply chain/logistics	12%
● Quality development	8%
● People development	7%

In 2016, we identified 77 key projects in the Sanford 2020 plan with projected savings largely from supply chain and processing. We formed multiple teams to complete feasibility studies, estimate capital expenditure, where needed, and manage the projects to ensure they deliver on planned outcomes.

Our main focus in 2016 was on process efficiency, health and safety improvement projects, including implementing traffic management policies by putting physical barriers between pedestrians and traffic flows on our sites and energy efficiency initiatives across our processing operations and vessels.

We periodically publish our ‘Sanford 2020 Newsletter’ to broadcast our successes across the company, and all our staff can contribute their improvement stories, hear about successes in other parts of the business and stay engaged on the journey of continuous improvement.

Some of our environmental efficiencies are summarised below.

ENERGY EFFICIENCY

The table below summarises Sanford’s energy consumption during the 2016 financial year.

	UNIT	2016	2015
Liquid fossil fuel consumed	L	19,057,553	20,786,897
Electricity consumed	kWh	25,164,394	27,755,910
Coal consumed	kg	484,060	649,220
Lube oil consumed	L	145,109	92,554
Natural gas consumed	kWh	2,861,134	1,806,346

The table shows good reductions in overall energy consumption, including liquid fossil fuels, electricity and coal, with increases in natural gas and lube oil.

The table below sets out the energy efficiency achieved in 2016, showing a positive improvement in electricity efficiency, but an increase in L/kg fuel efficiency. Fuel efficiency is calculated by fuel used divided by the harvested greenweight per tonne. Electricity efficiency is calculated by the total electricity used divided by the onshore fish oil and fish meal produced.

	UNIT	2016	2015
Fuel efficiency (GW)	L/kg	0.35	0.166
Electricity efficiency (GW)	kWh/kg	0.30	0.568

GW = greenweight



In February 2016, Sanford partnered with the Energy Efficiency and Conservation Authority (EECA) to implement a multi-year programme to drive energy and carbon savings. EECA partners directly with large energy-consuming businesses such as Sanford because large-scale operations offer the most cost-effective gains, providing the greatest benefits to New Zealand's economy, and because their prominence also provides energy efficiency leadership to other businesses, large and small. Sanford aims to save 5GWh through more efficient fuel and diesel use by its vessels, as well as reduced electricity use in its land-based operations. EECA is supporting Sanford to help staff at all levels understand how improved energy management can add value across the whole business. On top of this and also funded by the grant funding assistance we received from EECA are large potential savings from land-based vehicles. Our targets are ambitious, but we are on course to achieve them. Saving gigawatts saves dollars – and makes a positive contribution to the environment, too.

“

Energy audits have identified projects that will help Sanford to achieve annual energy savings of 5 GWh and create other benefits such as reducing carbon emissions by about 950 tonnes each year – the equivalent of taking over 350 cars off the road. Sanford is fostering a strong culture of continuous improvement and looking to engage with its people. This will benefit its bottom-line and productivity while providing wider benefits to New Zealand through carbon reduction.

Greg Visser
GENERAL MANAGER
EECA BUSINESS

EFFICIENCY IN MARLBOROUGH

Operational efficiency delivers environmental as well as business benefits. Sanford regularly reviews yield and productivity improvement, as well as process extensions.

Resource utilisation and efficiency are key aspects of our commitment to sustainability: we strive to do more with less by maximising efficient use of resources, including the optimisation of all fish and mussels harvested, maximising production eco-efficiency and ensuring waste minimisation, re-use and recycling. Mechanisation projects such as automatic mussel openers, automatic portioning line and batching and grading systems have already significantly improved the quality and reduced the cost of processing. Together with investigations into equipment and processes that will provide capacity to produce nutraceutical and other medium-to-high value products, this all yields greater overall resource utilisation and value creation.

RECYCLING MUSSEL FLOATS

Over 9,500 mussel farm floats a year are needed to satisfy the growing demand from Sanford and other marine farmers in and around the Marlborough Sounds, as well as in Coromandel and Stewart Island. Every long line on a marine farm is supported by 50-70 polypropylene floats, each of which can support a tonne of mussel-laden weights. Damaged and end-of-life floats are repaired or recycled – and manufacturer Sanford's Havelock-based Farm Support Services has now also become New Zealand's largest mussel float recycler, collecting and recycling 4,500 floats a year from across Marlborough.

Sanford currently replaces about 4% of our floats a year, and none end up in landfill. We aim to re-use or recycle 100% of floats industry-wide, and we encourage other marine farmers to take advantage of our Havelock float recycling hub.

We have also donated rope and other marine farm materials to Tasman and Marlborough District Councils to re-use in building fish ladders to allow native species to move between streams and sea.



New orange Sanford ID floats recently introduced to improve visibility and enable ready identification

PROTECTING AND ENHANCING ENVIRONMENTS

Carbon reduction and offsetting



GOAL

Demonstrate our commitment to climate change response by actively reducing our energy consumption and emission of greenhouse gases and seeking to introduce low carbon solutions into our value chain, where practicable

Climate change is a significant consideration for Sanford’s business because it has the ability to affect ocean temperature and acidification, which impacts on our ability to create economic value through natural capital (refer to the risk section in *Reporting What Matters*). It is imperative that we take proactive steps to help protect our industry for the future.

A stable climate is critical to our business and with the signing of the Paris agreement at the United Nations Climate Change Conference (COP 21), we are committed to striving to reduce our carbon emissions to 30% below 2005 levels by 2030.

To help us measure, manage and report our greenhouse gas (GHG) impacts, we have embarked on a low carbon journey, with support from Enviro-Mark Solutions. This roadmap has provided a basis for us to understand our own position as well as the global context for climate change policy, action and best practice reporting.

This year we have a sharper focus on data capture and emissions reporting. We have calculated robust baselines, including recent electricity and fuel eco-efficiencies,

while expanding our reporting scope by adding marine waste to landfill and freight as part of our scope 3 emissions calculations (as can be seen from the table below). We are also working with key suppliers to ensure greater visibility and transparency of reporting.

Our direct emissions and purchased electricity have both fallen for the year.

As we continue on our low carbon roadmap journey, we will work towards our goal by focusing on setting achievable annual reduction targets, improving procurement of goods and services, optimising the utilisation of all raw material, looking at alternative fuel sources, reducing the use of HFC refrigerants and increasing waste minimisation, re-use and recycling.

	UNIT	2016	2015
Total greenhouse gas emissions (CO ₂ -e)	T	71,812	71,563
Direct emissions (CO ₂ -e) – Scope 1	T	61,413	65,927
Purchased electricity (CO ₂ -e) – Scope 2	T	3,473	3,840
Indirect emissions (CO ₂ -e) – Scope 3	T	6,927	1,796

LOW EMISSION ENGINES ON VESSELS

Our operations in the pristine waters of the Marlborough Sounds have achieved A+ and other certifications, and we take our social and environmental undertakings seriously across all aspects of our operations, including our vessels.

We have recently installed four new Hyundai engines on our Marlborough-based vessels, selecting engines which meet the United States Environmental Protection Agency (USEPA) Tier 3 emissions certification, delivering significant benefits in terms of fuel use, emissions and noise. The significantly longer warranty on these new engines gives us confidence in their reliability and performance.

As part of our continuous improvement, we track fuel burn as a ratio to total mussels seeded and the value of greenweight (GW) production delivered relative to fuel used.



New USEPA Tier 3 Hyundai Engine



CLIMATE FRIENDLY REFRIGERATION

Active Refrigeration is conducting a fleet-wide assessment of the cargo and domestic refrigeration systems on all Sanford vessels. This will allow us to make better decisions about maintenance schedules, safety policies and CFC-free replacement gases. Active Refrigeration is also assessing the larger freezer vessel systems for possible change to variable speed drive control systems, which will provide more control and reduce energy use.

Our future focus

MATERIAL ISSUES	SUSTAINABILITY GOALS	FUTURE TARGETS 2017 AND BEYOND	OUR 2025 VISION
Environmental effects	Minimise our impact on the environment when carrying out our business operation, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound mitigation and management.	<ul style="list-style-type: none"> • Maintain ISO14001 certification across our operations. • Develop and implement environmental risk mitigation plans, on a targeted basis, across all key critical risk areas identified. 	Sanford responsibly manages, protects and demonstrates positive impacts on the environment across all our operations, including sourcing, processing and delivery of our products across our value chain.
Resource utilisation and efficiency	Do 'more with less' by maximising efficient use of resources, including optimising the utilisation of all fish and mussels harvested and ensuring waste minimisation, re-use and recycling.	<ul style="list-style-type: none"> • Continue to integrate targeted resource efficiency initiatives into the Sanford 2020 continuous improvement programme, measuring and reporting progress and key outcomes. 	Sanford is 'virgin resource neutral', where practicable, and all materials are fully utilised, re-used, recycled or where necessary, disposed of in a sustainable manner.
Carbon reduction and offsetting	Demonstrate our commitment to climate change response by actively reducing our energy consumption and emissions of greenhouse gases, and seeking to introduce low carbon solutions into our value chain where practicable.	<ul style="list-style-type: none"> • Progress low carbon roadmap and EECA collaboration projects, implementing targeted initiatives to achieve 5 GWh energy saving and projected carbon benefits. • Actively engage in collaborative, multi-stakeholder initiatives to support climate change agenda and action. 	Sanford is recognised as a 'zero emissions' business. All Sanford products and services are carbon neutral. We provide solutions to our value chain in carbon reduction and offsetting.

CORPORATE GOVERNANCE

Corporate Governance

CREATING VALUE THROUGH SOUND CORPORATE GOVERNANCE

Sound corporate governance is the foundation of a sustainable business and pivotal in ensuring Sanford delivers long-term value to our shareholders and employees; a company that has a positive association with its stakeholders. As a values-based business, Sanford is committed to delivering high standards of business integrity and ethics in all our activities.

This section provides an overview of Sanford’s main corporate governance policies, practices and processes which have been adopted and are adhered to by Sanford’s Board.

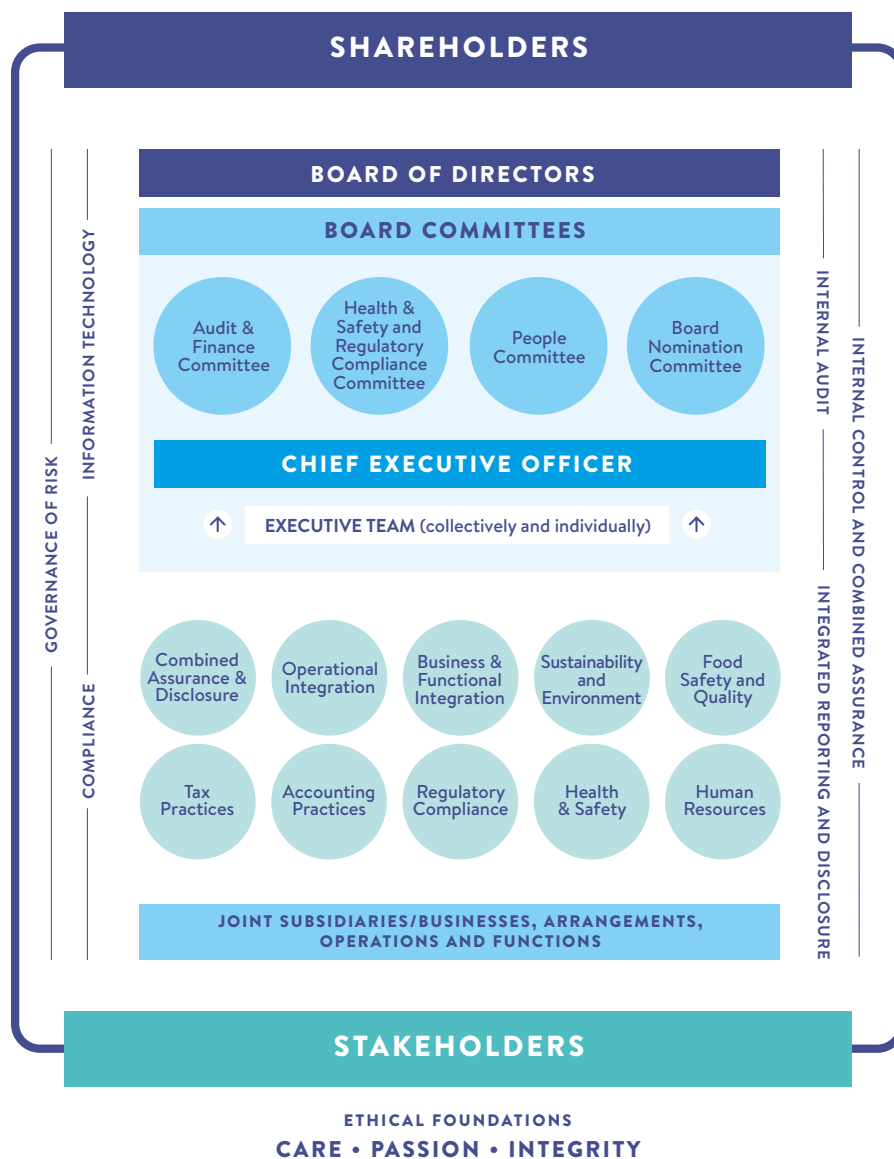
OUR GOVERNANCE FRAMEWORK

The Board of Directors of Sanford Limited (the Board), supported by the Audit and Finance, Health & Safety and Regulatory Compliance, People and Board Nomination Committees, regularly reviews and benchmarks the organisation’s structure and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainability, and that these principles are applied in the best interests of Sanford and its diverse range of stakeholders.

As a listed company on the New Zealand Stock Exchange (NZX), our governance practices and policies reflect, and are consistent with, the NZX Main Board Listing Rules. The Company considers that the governance practices it has adopted follow these principles and policies for the year ended 30 September 2016. The Board periodically reviews and assesses Sanford’s governance policies, processes and practices to identify opportunities for enhancement, and to ensure they reflect our operations and culture.

Sanford welcomes the recent focus by both the NZX and the FMA on corporate governance practices and disclosures. The new corporate governance code that is anticipated to come into effect in 2017 will provide improved guidance on corporate governance practices. Sanford fully supports increased transparency in respect of the proposed focus areas of Board diversity, environmental, social and governance (ESG), health and safety reporting and remuneration reporting.

The Board provides effective leadership in the best interest of Sanford and is responsible for the strategic direction and control of the company. The Board exercises this control by way of a governance framework, which includes detailed reporting to the Board and its Committees, effective delegation, risk management and a system of assurances regarding financial and non-financial reporting and internal controls.



Strong governance and effective leadership

OUR DIRECTORS AND COMPOSITION OF THE BOARD

Sanford Directors bring a diverse wealth of experience and passion, acting on behalf of our shareholders and other stakeholders.

The Board is focused on enhancing the diversity of Directors' perspectives. Directors are chosen for their corporate leadership skills, professional backgrounds, experience and expertise. The right blend of skills and experience is crucial to ensuring the attainment of long-term value for Sanford's shareholders.



Left to right: Peter Goodfellow, Peter Kean, Paul Norling, Elizabeth (Liz) Coutts, Robert McLeod and Bruce Goodfellow.

CORPORATE GOVERNANCE

PAUL G NORLING

CHAIRMAN,
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board in 2008, appointed Deputy Chair in 2013, appointed Chairman in 2015

Role at Sanford

Chairman of Board and Nominations Committee, member of Audit and Finance Committee, Health & Safety and Regulatory Compliance Committee and People Committee

Expertise and experience

Paul has had an extensive career in banking with senior executive and/or director roles in New Zealand and Australia. He was the founding Managing Director of merchant bank Bancorp Holdings Limited, established and listed on the New Zealand Stock Exchange in 1987, until he retired from this role in 1998. Since that time he remained a non-executive member of the Bancorp Board until 2014 when he also retired from this position. He was also a member of the Board of listed Gullivers Travel Group Limited and has other private company director interests. He is also a past director and President/Chairman of the American Chamber of Commerce in New Zealand, and is a chartered member of the New Zealand Institute of Directors.

ELIZABETH (LIZ) COUTTS

ONZM
BMS, CA, CFInstD
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board in 2011

Role at Sanford

Chair of Audit and Finance Committee

Expertise and experience

A former Chief Executive of Caxton Group and Chartered Accountant, Liz is Chairman of Ports of Auckland Limited, Oceania Healthcare Limited, Urwin and Company Limited, and a director of EBOS Group Limited, Skellerup Holdings Limited, Yellow Pages Group of Companies, Tennis Auckland Region Incorporated and a member of the Marsh Advisory Board. She is Vice President and a Chartered Fellow of the Institute of Directors in New Zealand Inc. Liz has previously been Chairman and director of a number of companies in the private and public sector across a diverse range of industries as well as a member of the Monetary Policy Committee of the Reserve Bank and the Financial Standards Reporting Board of the Institute of Chartered Accountants in New Zealand. In January 2016, Liz was awarded Officer of the New Zealand Order of Merit for her services to governance.

PETER J GOODFELLOW

BCom, LLB (Hons), MBA
NON-EXECUTIVE DIRECTOR

Appointed to Board in 2006

Role at Sanford

Member of People Committee

Expertise and experience

Peter has degrees in Commerce and Law from Auckland University as well as an MBA from the University of California, in Los Angeles. He is Chairman of trade finance and factoring company S H Lock (NZ) Limited, director of Cambridge Clothing Limited and a director of Refrigeration Engineering Company Limited as well as other private investment companies. Peter is a trustee of the Auckland Medical Research Foundation and St Andrew's Village in Glendowie. He has previously practiced law and for some years was a director and Chairman of former listed radio company XS Corporation Limited.

W BRUCE GOODFELLOW

ME, PhD
NON-EXECUTIVE DIRECTOR

Appointed to Board in 2006

Role at Sanford

Member of Health & Safety and Regulatory Compliance Committee

Expertise and experience

Bruce has a Doctorate in Chemical Engineering from Auckland University and wide experience in trading, financial and commercial business management. He has been a director of ASX-listed firm Nufarm Limited (formerly Fernz Corporation) since 1991 and is a director of a number of private investment and manufacturing companies as well as being Chairman of The St Kentigern Trust Board, Refrigeration Engineering Company Limited and Sulkem Company Limited.

PETER N KEAN

PMD
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board in 2014

Role at Sanford

Chair of People Committee, member of Health & Safety and Regulatory Compliance Committee

Expertise and experience

Peter has had extensive corporate experience in New Zealand, Australia and internationally. He is former Managing Director of three Lion Nathan divisions in New Zealand and Australia, including Retail; International, Beer, Spirits and Wine and Dairy and Drinks. He has had vast experience in dealing with major customers in a fast moving and complex world.

Peter is also a Director of the New Zealand Rugby Union and Chairman of its Commercial Committee. Other directorships include All Blacks Experience (ABEx), The Lion Foundation, Southfuels/Northfuels, the Highlanders and Freightways.

Peter is Chairman of the Partners' Programme for the Bank of New Zealand, Rogue Society Gin Limited and A J Hackett – Bungy New Zealand Limited.

ROBERT MCLEOD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board in 2016

Role at Sanford

Chair of Health & Safety and Regulatory Compliance Committee, Member of Audit and Finance Committee

Expertise and experience

Rob has had an extensive professional and governance career both within the accounting profession and various public and private companies. His past directorships include ANZ National Bank, Sky City Entertainment Group and Telecom. He is a past Chairman of Aotearoa Fisheries Limited (now Moana), Sealord Group Limited and was a Commissioner of the Waitangi Fisheries Commission. He has chaired and been a member of a number of Government Task Forces and is also a past Chairman of the New Zealand Business Roundtable.

His most recent roles were as CEO of Ernst & Young Oceania (Australia, New Zealand and Pacific Islands) based in Sydney from 2010 to the end of 2014 and finally as the New Zealand Chairman for the 2015 calendar year prior to his retirement from EY. In addition to his current governance responsibilities, he is also a barrister sole.

Sanford's constitution, and each of the charters and policies referred to in this corporate governance section, is available on the corporate information section of the company's website. www.sanford.co.nz/investors/governance

Under the Constitution of Sanford, one-third of the independent non-executive Directors (two, being the nearest third), shall retire from office at the Company's Annual Meeting. This requires the retirement, by rotation, of Mr P N Kean and Dr W B Goodfellow, both of whom will seek re-election at the Annual Meeting in December 2016.

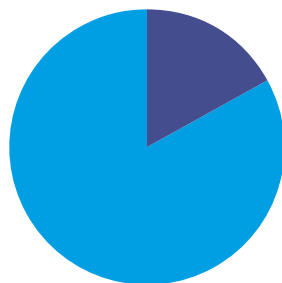
The right balance of skills and experience to make a meaningful and ongoing contribution to long-term value creation across Sanford

BOARD SKILLS, EXPERIENCE AND DIVERSITY	
EXPERIENCE	Banking and financial
	Legal and regulatory compliance
	Public policy and consultation
	Sales and marketing
	Fisheries consultation, Treaty settlement allocation
SKILLS	Financial acumen
	Governance
	Strategy and risk
	Human resource management and remuneration
	Public sector policy formulation, advocacy
	Global operational management
TENURE	9 years and longer 2
	6 to 8 years 1
	3 to 5 years 1
	Less than 3 years 2
DIVERSITY	Female 17% (2015:17%)
	Male 83% (2015:83%)

GENDER DIVERSITY

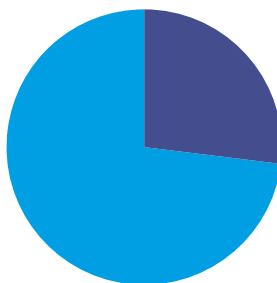
In accordance with the New Zealand Stock Exchange (NZX) Diversity Rule, we continue to report the gender composition of our Directors and our Senior Leadership Team. As noted above, the Sanford Board comprises six members (2015: 6), five of whom are male (2015: 5), and one being female (2015: 1). The Senior Leadership Team, inclusive of the Executive Team, comprises of 22 members, of which 16 (2015: 14) are male (73%, 2015: 78%), and six (2015: 4) are female (27%, 2015: 22%).

Board gender diversity



Female Board	17%	(2015: 17%)
Male Board	83%	(2015: 83%)

Senior leadership team gender diversity



Female Senior Leadership team	27%	(2015: 22%)
Male Senior Leadership team	73%	(2015: 78%)

LAYING SOLID FOUNDATIONS FOR MANAGEMENT

The Board's charter recognises the respective roles of the Board and management. The charter reflects the sound base the Board has developed for providing strategic guidance and oversight of management. The Board's charter can be found on the company website.

Sanford's governance practices are designed to:

- enable the Board to provide strategic guidance for Sanford and effective oversight of management;
- clarify the roles and responsibilities of Sanford's Directors and senior executives in order to facilitate Board and management accountability to both the Company and its shareholders; and
- ensure a balance of authority, so that no single individual has unfettered powers.

Each Director has a duty to act in the best interests of Sanford and the Directors are aware of their collective and individual responsibilities to stakeholders for the manner in which Sanford's affairs are managed, controlled and operated.

The Board's primary objective is to protect and enhance the value of Sanford in the interests of the Company and its shareholders and, in that context, to have due regard to the interests of other stakeholders. The Board exercises this obligation through the approval of appropriate corporate strategies, practices and processes. These include the approval of transactions and commitments not within the authorities delegated by the Board to management and the review of company performance against strategic objectives.

The Board has established the following committees to ensure efficient decision making, further details of which are provided under 'Board Committees':

- Audit and Finance Committee
- Health & Safety and Regulatory Compliance Committee
- People Committee
- Board Nomination Committee.

CORPORATE GOVERNANCE

Our executive team – leading the way

Our vision is ambitious, and our strategy supports this. We have continued to embed a cross-functional approach to realise it, led by a management team all of whom are experts in their respective fields. Sanford's executive team has been further enhanced by the appointment of a Chief Customer Officer in 2016 to strengthen our customer focus, and we are in the process of recruiting a new Chief People Officer. Our strong leadership team positions us well in terms of realising our potential to become the Best Seafood Company in the World.



Left to right: Greg Johansson, Andre Gargiulo, Volker Kuntzsch and Clement Chia.

VOLKER KUNTZSCH

MSc
CHIEF EXECUTIVE OFFICER

Expertise and experience

Volker's distinguished international career in the seafood industry spans 25 years. Former appointments include: President of Nippon Suisan (USA) and President and CEO of King and Prince Seafood Corp in Brunswick, Georgia, USA. He has also held positions with Nippon Suisan Kaisha Limited, Tokyo, Hangana Seafood, Namibia and Unilever Europe in Germany and the United Kingdom. Educated in South Africa, Volker attended the University of Stellenbosch where he gained a Master of Science.

Volker's passion for sustainability, in particular sustainable seafood, saw him play a key role in the development of the Marine Stewardship Council and the early accreditation of the New Zealand hoki fishery.

CLEMENT CHIA

BMS (Hons), CA
CHIEF FINANCIAL OFFICER

Expertise and experience

Clement is a chartered accountant with over 20 years' experience in corporate financial management. Joining Sanford in September 2014, Clement is responsible for all financial aspects of the company including financial management and reporting, legal, risk, treasury and information technology. A commercially focused CFO with extensive experience in business transformation, Clement has a diverse background having worked in FMCG, timber, forestry and service industries prior to joining Sanford. His most recent role was as the CFO of Griffin's Foods Limited. He has also held senior financial management roles in Carter Holt Harvey and Fletcher Challenge Forests.

ANDRE GARGIULO

CHIEF CUSTOMER OFFICER

Expertise and experience

Andre is a highly regarded senior executive with a proven track record for driving revenue and profit growth. He has extensive business strategy, leadership, consumer marketing and general management experience. He has held senior management positions for global and regional consumer goods companies such as Coca-Cola, Cerebos, Sara Lee and MG Marketing. Until recently, Andre held the position of Country Manager for Cerebos Greggs New Zealand, a coffee and food manufacturing business. He is a member of The Institute of Directors and has held directorships for Dominion Salt Limited, Skellerup NZ Limited, Atomic Coffee Limited and L'Affare Coffee Limited.

Andre leads Sanford's sales, marketing, consumer, commercial, Australian business and innovation activities.

GREG JOHANSSON

BBS
CHIEF OPERATING OFFICER

Expertise and experience

Greg has 30 years of fishing industry experience, the last 25 of these with Sanford after joining the company in 1991. He is responsible for the company's inshore, deepwater and aquaculture activities both at sea and ashore, along with health and safety, compliance and industry liaison.

Greg represents Sanford as a director on a range of stakeholder groups and joint ventures and has been involved with Precision Seafood Harvesting since its inception.

Guiding principles

Sanford's Board is committed to maintaining the highest standards of corporate governance, ensuring transparency, business integrity and ethics, and recognising the interests of our shareholders and other stakeholders.

Sanford strives to maintain a framework of corporate governance that reflects this commitment, recognising that good corporate governance enhances the company and its reputation.

OUR VALUES

Our core values of Care, Passion and Integrity underpin how Sanford does business, how it interacts with stakeholders, and how our people operate in the workplace. The core values are promoted across all operations.

CODE OF CONDUCT

As part of our commitment to conducting business according to the highest standards of business ethics and integrity, Sanford has a Code of Conduct in place. This Code of Conduct is made available to all employees, and sets out the standards expected from Sanford Directors, officers, employees and anyone acting on our behalf. Sanford monitors compliance with the Code through established performance management processes and adherence to the Whistleblower Policy, set out below.

CONTINUOUS DISCLOSURE

Sanford is committed to providing accurate, timely and consistent disclosure that complies with its continuous disclosure regime, in accordance with the NZX Main Board Listing Rules. This includes Board examination of continuous disclosure issues at each Audit and Finance Committee meeting, as appropriate.

INDEPENDENCE OF EXTERNAL AUDITORS

This Policy sets out the procedures required to obtain Board Audit and Finance Committee approval for the use of Sanford's appointed external audit firm for non-audit services. The use of the external audit firm may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of the auditor, subject to the approval of the Audit and Finance Committee.

SECURITIES TRADING POLICY AND GUIDELINES

This Policy details Sanford's position on, and rules that apply to, all Directors, officers and employees of Sanford Limited and its subsidiaries in New Zealand who intend to trade in Sanford's listed securities in New Zealand. The requirements imposed by the Policy are separate from, and in addition to, the legal prohibitions on insider trading that apply.

INTERESTS REGISTER

Sanford maintains an Interests Register in which relevant transactions and matters involving the Directors are recorded. Details of Directors' interests are set out in the Directors' Shareholding table.

WHISTLEBLOWER POLICY

Disclosure of serious wrongdoing is strongly encouraged by Sanford as a means of managing risk, promoting openness and transparency, and protecting the reputation of the Company. This Policy recognises Sanford's commitment to encouraging, supporting and protecting those employees who, in good faith, disclose such wrongdoing, detailing the procedure and protection offered, when this occurs.

CORPORATE GOVERNANCE

Remuneration

DIRECTORS' REMUNERATION 2016

NAME OF DIRECTOR	BOARD FEES	AUDIT & FINANCE COMMITTEE	EMPLOYMENT AND REGULATORY COMPLIANCE COMMITTEE (OLD) ³	HEALTH & SAFETY AND REGULATORY COMPLIANCE COMMITTEE	PEOPLE COMMITTEE	TOTAL REMUNERATION
	\$	\$	\$	\$	\$	\$
Paul Norling (Chair)	150,000	6,875	1,250	4,688	3,750	166,563
Elizabeth (Liz) Coutts	85,000	18,750 (Chair)	-	-	-	103,750
Mark Cowsill ¹	14,166	-	2,500	-	-	16,666
Peter Goodfellow	85,000	1,250	-	-	3,750	90,000
W Bruce Goodfellow	85,000	-	1,250	4,688	-	90,938
Peter Kean	85,000	1,250	2,082	4,688	7,500 (Chair)	100,520
Robert McLeod ²	63,750	5,625	-	9,375 (Chair)	-	78,750
Total	567,916	33,750	7,082	23,439	15,000	647,187

¹ Retired 30 November 2015

² Appointed 1 January 2016

³ Committee structure changed from 1 January 2016 – Employment and Regulatory Compliance Committee split into Health & Safety and Regulatory Compliance Committee and People Committee

DIRECTORS' REMUNERATION 2015

NAME OF DIRECTOR	BOARD FEES	AUDIT COMMITTEE	EMPLOYMENT AND REGULATORY COMPLIANCE COMMITTEE	TOTAL REMUNERATION
	\$	\$	\$	\$
Paul Norling ¹	106,250	5,000	5,000	116,250
Elizabeth (Liz) Coutts	65,000	15,000 (Chair)	-	80,000
Mark Cowsill	65,000	-	15,000 (Chair)	80,000
Peter Goodfellow	65,000	5,000	-	70,000
W Bruce Goodfellow	65,000	-	5,000	70,000
Peter Kean ²	54,166	4,167	4,167	62,500
Jeff Todd ³	28,750	1,250	1,250	31,250
Total	449,166	30,417	30,417	510,000

¹ Chair from 1 January 2015

² Joined Board 1 December 2014

³ Retired 31 December 2014

The total Directors' fees pool is capped at \$700,000, effective 1 October 2015; this was approved by shareholders at the 2015 Annual Meeting.

No other payments were made to Directors.

CHIEF EXECUTIVE OFFICER (CEO) REMUNERATION

The CEO's remuneration consists of fixed remuneration, a short term incentive (STI) and a long term incentive (LTI). This is reviewed annually by the People Committee and the Board after reviewing the Company's performance, the CEO's individual performance and advice from external remuneration specialists.

The aim of the STI is to reward the CEO for achieving strategic objectives which will result in strong financial returns for our shareholders. Participation in the plan is by annual invitation at the discretion of the Company at which time financial targets and key performance indicators are established. If minimum financial thresholds are not met no incentive will be paid. The STI value is set at 30% of the CEO's base salary. The STI has two components, individual performance and financial performance. Individual performance accounts for 30% and is based on achieving certain personal performance goals. Financial performance accounts for 70% and is based on EBIT against budget. For FY16 the financial threshold is set at achieving 90% of budget with the maximum target set at 110%. Achievement of the maximum financial target results in a payment of 150% of the financial

performance component. The STI payments are shown in the financial year which they were paid which may not be the same year as they are earned.

In July 2014 the Company announced an LTI plan for the CEO. The LTI plan is designed to improve the long-term sustainable performance of the Company by incentivising and motivating the CEO and to encourage share ownership. The Board retain absolute discretion as to whether any future offers will be made and to review the terms. The benefits provided under the plan are capped at 30% of the CEO's annual base salary which is the equivalent of up to \$240,000 under the current offer. This is then translated to the equivalent number of shares based on the weighted average share price over the 10 trading days immediately following the market announcement of the annual financial results for the year. The CEO has been granted three tranches of Performance Share Rights as follows:

- Tranche one – 53,097 issued 28 July 2014
- Tranche two – 46,466 issued 17 December 2014
- Tranche three – 42,770 issued 11 December 2015

Each tranche vests over a consecutive three year period. A Performance Share Right represents a conditional right to, upon vesting, acquire a Sanford Limited ordinary share at a nil exercise price. If the CEO departs the Company's employ for any reason prior to vesting, all Performance Share Rights will lapse. Vesting is conditional on achieving certain threshold levels in relation to the objective to progressively improve underlying operating profit to a level which approximates 130% of its Weighted Average Cost of Capital over a 5 year period. The first tranche of 53,097 Performance Share Rights will be available to vest based on the average return on funds for three years 2014, 2015 and 2016. Vesting of the LTI Performance Shares Rights are recorded in the financial year of Board approval.

The CEO is not a member of the Board.

YEAR	BASE SALARY \$	VEHICLE ALLOWANCE \$	FIXED REMUNERATION \$	PAY FOR PERFORMANCE \$		TOTAL REMUNERATION \$
				STI	LTI	
FY16*	825,000	50,000	875,000	120,000	–	995,000
FY15*	800,000	50,000	850,000	124,000	–	974,000

* Based on year the amount was paid

CORPORATE GOVERNANCE

Shareholdings

DIRECTORS' SHAREHOLDING

as at 30 September 2016

	BENEFICIAL INTEREST		NON BENEFICIAL INTEREST		ASSOCIATED PERSONS	
	2016	2015	2016	2015	2016	2015
E M Coutts	24,000	24,000	-	-	-	-
M G Cowsill*	-	10,000	-	-	-	-
P J Goodfellow	127,200	127,200	-	-	-	-
W B Goodfellow	146,049	146,049	-	-	500	500
P N Kean	5,000	5,000	-	-	-	-
R McLeod	500	-	-	-	-	-
P G Norling	43,500	43,500	-	-	-	-

* Retired November 2015

SHARE DEALINGS BY DIRECTORS

Directors acquired shares during the year as follows:

	NUMBER OF SHARES ACQUIRED	CONSIDERATION PAID	DATE
R McLeod	500	\$2,800	22 June 2016

Indemnity and Insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, the Company has given indemnities to, and has effected insurance for, the directors and executives of the Company and its related companies which, except for some specific matters that are expressly excluded, indemnify and insure directors and executives against monetary losses as a result of actions undertaken by them in the course of their duties. Specifically excluded are certain matters, such as the incurring of penalties and fines, which may be imposed for breaches of law.

Risk management, internal control and integrity in financial reporting

RISK MANAGEMENT AND COMPLIANCE

The identification and mitigation, where possible, of business risks, along with the integrity of management systems and the quality and relevance of reporting to shareholders are a critical oversight responsibility of the Board. The Board is satisfied that there are sufficient written procedures, policies, guidelines and organisational structures in place to ensure an appropriate division of responsibility, as well as programmes to identify, assess and manage areas of significant risk.

Sanford uses an Enterprise Risk Management approach to identify, evaluate, address, monitor, quantify and report material business risks to the Audit and Finance and Health & Safety and Regulatory Compliance Board Committees, including assessing the implementation and/or effectiveness of mitigation measures. The objective of this approach is to enhance stakeholder value through continuous improvement in the Company's management of risk. Further details relating to the specific risks identified are provided in *'Reporting What Matters'* (refer pages 18 to 25).

A key control is Sanford's annual business plan and operating budget, which is prepared by management and approved by the Board. This document, combined with the preparation and presentation of monthly financial statements, allows the Board to review management performance against the annual plan and previous year. The Board has an ongoing focus on strategic direction, as well as both global and local trends impacting the Company and industry overall. In addition to internal mechanisms, the Board engages external advisors to carry out internal audit functions on various parts of the business on a rotational basis each year.

LEGISLATIVE COMPLIANCE AND ETHICS

Sanford utilises both internal resources and external consultants, as appropriate, to ensure full compliance with legislation governing its activities in fisheries, maritime transport, health and safety, environmental and resource management and human resources.

Beyond the statutory financial audit, other external audit processes, systems and reporting are in place with respect to safe vessel operation, environmental management, sustainable development, finance and taxation, licensed fish-receiving and health and safety. Group policies require management and our people to comply fully with legislative and operational requirements of authorities in jurisdictions within which the Company operates. Any issues of unethical behaviour are brought to the Board's attention.

SHARE TRADING

The Constitution requires that each Director holds a minimum of 500 shares in the Company. Directors and executives are required to seek approval in advance of their share trading, and certify to the Board that they are not in possession of inside information, in accordance with the Share Trading Policy and Guidelines. The Board has determined that trading may occur during two trading window periods in each year. The periods commence immediately following the interim and annual results being announced, and end on 31 August, after the end of the half-year and on 28 February, after the end of the financial year.

Details of share trading by Directors are included on page 130 of this report.

EXTERNAL AUDITOR

KPMG were commissioned as Sanford's external auditors for the year ending 30 September 2016. The Board, after considering the recommendation of the Audit and Finance Committee, considers and reviews the appointment of external auditors. It is proposed that the current Auditor should continue in office, in accordance with Section 196 of the Companies Act 1993.

The Audit and Finance Committee provides a formal forum for communication between the Board and the external auditors, ensures the independence of the external auditors, has oversight of audit planning, reviews and recommends audit fees, considers audit opinions and evaluates the performance of the external auditors. KPMG did provide non-audit services during the year ended September 2016 which, in the opinion of the Audit and Finance Committee, did not affect its independence. The audit partner responsible for the Sanford audit has been the lead auditor for the past year, having been rotated in 2015/16.

No issues relating to the external auditors' independence have been identified to the year ending 30 September 2016.

AUDIT

The Board ensures the quality and independence of the external audit process, which culminates in the audit report being issued in relation to the annual financial statements. The significant issues and judgements considered by the Audit and Finance Committee are disclosed in Note 2(d) Use of estimates and judgements, page 147.

CORPORATE GOVERNANCE

Board Committees

The Board recognises the essential role of Committees in guiding the Company on specific issues, where specialist knowledge and experience is required. Four standing Board Committees have been established to assist, advise and make recommendations to the Board on matters falling within their areas of responsibility, as set out below.

Each Committee is governed by a formal Charter, setting out its objectives, roles and responsibilities, composition, structure, membership requirements and operation. Copies of the Board and Committee Charters are available at: www.sanford.co.nz/investors/governance/board-and-committees. The Committees meet on at least a quarterly basis, or more often throughout the year, as required.

The four Board committees are described below:

BOARD NOMINATION COMMITTEE

The Board Nomination Committee assists the Board by considering nominations to ensure an appropriate mix of expertise, skills, experience and diversity on the Board. The full Board meets once a year, or as required, to determine the most appropriate make-up of the Board and its committees and to nominate any changes.

AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee assists the Board in fulfilling its responsibilities to protect the interests of shareholders, customers, employees and the communities in which Sanford operates through analysis and monitoring of financial and capital allocation matters, establishing a sound risk management framework and ensuring rigorous processes for internal control across financial management, financial accounting, corporate regulatory compliance, audit and related reporting processes.

HEALTH & SAFETY AND REGULATORY COMPLIANCE COMMITTEE

The Health & Safety and Regulatory Compliance Committee assists the Board in fulfilling its responsibilities to protect the interests of Sanford, its shareholders and stakeholders given the regulatory environment in which Sanford operates. This includes providing leadership and policy with respect to health and safety, fisheries, environmental, food safety, product quality control, and political and regulatory compliance matters.

PEOPLE COMMITTEE

The People Committee assists the Board in establishing and overseeing appropriate policies and strategies for all aspects of human resources management and remuneration, including corporate culture and ethics. This includes regulatory compliance matters relating to people, and the attraction, retention and development of people. The Committee's agenda reflects the importance of human capital to Sanford's strategic and business planning.

BOARD AND BOARD COMMITTEE MEETING ATTENDANCE IN THE YEAR ENDED 30 SEPTEMBER 2016

Committee structure changed from 1 January 2016, with memberships reviewed and adjustments made accordingly, as reflected in attendance records.

BOARD COMMITTEES

BOARD MEMBER	FULL BOARD MEETINGS	AUDIT & FINANCE	H&S AND REGULATORY COMPLIANCE	PEOPLE	BOARD NOMINATION
Paul Norling	11/11	8/9	5/5	4/4	1/1
Elizabeth (Liz) Coutts	11/11	9/9	1/1	-	1/1
Mark Cowsill ¹	1/1	-	1/1	-	1/1
Peter Goodfellow	10/11	2/2 2 ³	-	3/4	1/1
W Bruce Goodfellow	10/11	2 ³	5/5	-	1/1
Peter Kean	11/11	1/2 3 ³	5/5	4/4	1/1
Robert McLeod ²	9/9	6/6	3/3	-	1/1

¹ Retired 30 November 2015

² Elected January 2016

³ Attended by invitation

ANNUAL MEETING

Wednesday

14

December 2016

2:00pm

The Maritime Room,
Princes Wharf
Corner Quay
and Customs Streets
Auckland 1010

Disabled parking is available on the Eastern Viaduct at 210 Quay Street, just after the Canterbury NZ shop. Pay and Display parking is also available on the Eastern Viaduct, 210 Quay Street. Alternative parking is in the Downtown car park at 31 Customs Street West, from where attendees can walk across Quay Street to Princes Wharf.

The Directors encourage full participation of shareholders at the Annual Meeting.

- VIADUCT HARBOUR -



KEY PERFORMANCE INDICATORS

	UNITS	2016	2015	2014	2013
ECONOMIC PERFORMANCE					
Revenue	\$m	463.5	450.3	460.5	462.6
Profit Attributable to Shareholders	\$m	34.7	13.8	22.4	20.4
Total Assets	\$m	797.8	745.3	777.3	780.0
Total Equity	\$m	558.1	513.1	545.8	554.9
Return on Average Equity	%	6.5	2.6	4.1	3.7
Dividend per Share	cents	23.0	23.0	23.0	23.0
Earnings per Share	cents	37.1	14.8	24.0	21.7
Total Sales Export ⁱ	%	66.3	72.6	72.3	77.3
Total Sales Domestic ⁱ	%	33.7	27.4	27.7	22.7
Product Sales Export ⁱ	%	71.1	80.3	82.7	86.9
Product Sales Domestic ⁱ	%	28.9	19.7	17.3	13.1
USD Exchange Rate Comparison	NZD/USD	0.69	0.73	0.84	0.82
Wages and Salaries ⁱⁱ	\$m	105.0	101.6	101	94
Payments to Domestic Suppliers	\$m	246	230	238	225
Payments to New Zealand Income Tax	\$m	12.5	9.2	3.0	12.6
Community and Charitable Investments	\$000	307	383	172	198
PEOPLE AND SOCIETY					
Total Workforce (as at 30 Sept 2016)		1,548	1,474	1,639	1,603
Women in the Workforce – Directors (annual average)	%	17	17	14	14
Women in the Workforce – Executive (annual average)	%	16	25	25	0
Women in the Workforce – Senior Management ⁱⁱⁱ	%	27	22	not reported	not reported
Independent Sharefishers (as at 30 Sept 2016)		474	503	427	483
New Hires <20 (land only)	%	7	9	11	not reported
New Hires 20 to 29 (land only)	%	34	28	32	not reported
New Hires 30 to 39 (land only)	%	19	34	21	not reported
New Hires 40 to 49 (land only)	%	21	20	22	not reported
New Hires 50 to 59 (land only)	%	17	9	11	not reported
New Hires 60+ (land only)	%	2	0	3	not reported
Involuntary Turnover	%	6.6	4.0	2.0	not reported
Voluntary Turnover	%	18	12.0	14.0	not reported
Average Length of Service ^{iv}	years	7.9	8.55	6.98	6.30
Average Age of Employees on Land	years	42	43	42	not reported
Average Age of Employees at Sea	years	33	32	33	not reported
Union Membership	%	20	22	20	not reported
Absenteeism Rate	%	4	4	5	not reported
Age of Workforce <20 (annual average)		68	68	70	63
Age of Workforce 20 to 29		340	283	312	347
Age of Workforce 30 to 39		278	269	322	303
Age of Workforce 40 to 49		345	356	408	379
Age of Workforce 50 to 59		318	285	316	300
Age of Workforce 60+		146	139	147	130
Workforce Date of Birth Not Stated		63	74	56	not reported
Ethnicity – New Zealand European	%	52	52	47	not reported
Ethnicity – Pacific Island Peoples	%	19	18	17	13
Ethnicity – Maori	%	14	14	14	18
Ethnicity – Asian	%	3	3	11	not reported
Ethnicity – European	%	2	2	2	53
Ethnicity – Other	%	7	9	7	16
Ethnicity – Not stated	%	3	2	2	not reported
Number of Accepted ACC Claims ^v		134	188 ^v	154	158 ^v
Average Cost per Claim (including outstanding estimates)	\$	1,844	2,761	1,418	3,384 ^v
Number of Reported Injuries		1,300	944	853	718
Number of Notifiable events ^{vi}		6	12	6	11
Number of Near Misses Reported		289	242	122	72
Lost Time Injury Frequency Rate (LTIFR) ^{vii}		14.69	10.33	18.09	13.00
Number of Lost-time Injuries ^{vii}		53	42	56	26
Number of Days Off Work ^{viii}		283	402	418	1,394
Number of Accepted ACC Claims per Employee		0.14	0.2	0.1	0.13
Safety-related Prosecutions		1	0	0	1
KiwiSaver Membership (excludes sharefishers)	%	42.5	50.0	48.4	not reported
Super Plan Membership (excludes sharefishers)	%	25.3	27.3	20.2	not reported

	UNITS	2016	2015	2014	2013
Training Credits Achieved by Females ^{ix}		2,410	2,694	940	1,381
Training Credits Achieved by Males ^{ix}		3,944	3,639	2,843	3,440
Health Insurance Plan	members	172	182	176	175
Employees in Super Scheme Only		125	150	150	171
Employees in KiwiSaver Only		456	368	475	271
Employees in Both Schemes		147	111	83	71
OPERATIONAL CAPABILITY AND CAPACITY					
Number of Vessels		50	49	48	50
Number of Aquaculture Farms		210	210	211	not reported
Total Wildcatch (GWT) ^x	tonnes	81,245	84,579	not reported	not reported
Fishmeal and Oil Produced – excludes Offal ^{xii}	tonnes	9,927	11,895	10,362	8,723
Frozen at Sea Production ^{xiii}	tonnes	34,192	33,563	31,231	36,283
Onshore Production ^{xiii}	tonnes	37,124	40,992	47,154	43,400
Mussels Production ^{xiii}	tonnes	8,092	8,858	11,545	9,828
Salmon Production ^{xiii}	tonnes	3,380	3,395	3,232	3,815
Number of CCI (Sanford 2020) Projects Completed ^{xiii}		77	119	160	not reported
CCI Projects Relating to Health and Safety	%	25	25	not reported	not reported
CCI Projects Relating to Environmental Stewardship	%	19	15	not reported	not reported
Approximate Projected Savings from Continuous Improvement Projects	\$m	3.9	1.9	2	not reported
Number of Fuel Spills		1	3	4	7
Total Amount of Fuel Spills	litres	5	75	65	218
Liquid Fossil Fuel Consumed	litres	19,057,553	20,786,897	24,062,218	25,834,285
Electricity Consumed	Kwh	25,164,394	27,755,910	30,601,113	30,271,206
Coal Consumed	kg	484,060	649,220	608,820	323,280
Lube Oil Consumed	litres	145,109	92,554	128,517	154,889
Natural Gas Consumed	Kwh	2,861,134	1,806,346	1,905,188	2,075,981
Fuel Efficiency ^{xiv}	L/Kg	0.354	0.166	0.175	not reported
Electricity Efficiency ^{xv}	Kwh/kg	0.301	0.568	0.595	not reported
Total Greenhouse Gas Emissions (CO ₂ -e) ^{xvi}	tonnes	71,812	71,563	88,410	89,418
Direct Emissions (CO ₂ -e) – Scope 1	tonnes	61,413	65,927	82,079	82,569
Purchased Electricity (CO ₂ -e) – Scope 2	tonnes	3,473	3,840	4,233	4,188
Indirect Emissions (CO ₂ -e) – Scope 3 ^{xvii}	tonnes	6,927	1,796	2,097	2,660
Total Number of Compliance Audits		76	87	83	not reported
CONSUMERS AND MARKET ACCESS					
Number of Containers Shipped ^{xviii}	TEU	3,324	4,570	4,697	4,770
Marine Stewardship Council Certified Sales by Revenue	%	33	28	27	23
Number of Food Safety Recalls		0	0	0	0
Working Days to Action and Close Complaints (12 month average)	days	9.77	17	not reported	not reported
Product Exported to Global Customers	% revenue	64	69	84	not reported
SUSTAINABLE RAW MATERIALS					
Quota Owned Based on ACE Equivalent	%	22.93	22.94	22.82	23.10
Greenweight wild caught harvested – Inshore fleet ^{xix}	tonnes	29,634	33,059	36,519	33,671
Greenweight wild caught harvested – Deepwater fleet	tonnes	53,928	56,346	52,953	56,433
Greenweight wild caught harvested – International fleet	tonnes	0	6,570	5,385	5,459
Greenweight Mussels Harvested ^{xix}	tonnes	30,957	29,621	37,504	34,679
Greenweight King Salmon Harvested	tonnes	3,843	3,859	3,624	3,719
Marine Stewardship Council Fisheries Certified in New Zealand	fisheries	5	5	5	not reported
Seabird Mortality Rate ^{xx}	%	66	52	46	62
Marine Mammal Mortality Rate ^{xx}	%	100	83	87	72

i Sales have been restated based on known destination of customers (previously reported under predicted destination of product).

ii Wages and Salaries (including Super) data includes all subsidiaries at 100% (companies we own more than 50% shareholding in), 50% of NIML, excludes Perna, San Won, WDWF, which are associates and not consolidated into our Group accounts.

iii Senior Management Team formed in 2015 (annual average).

iv 2014 figures restated to reflect actual years' service (previously based on mean calculation).

v ACC claims relates to Sanford employees only (excludes share fishers, contractors, and Auckland Fish Market). ACC claims are continuously updated throughout the year. Figures for 2013 and 2015 restated to rectify earlier reporting discrepancies.

vi Number of notifiable events (formerly serious harm injuries) includes injuries, illnesses, and incidents (defined under new Health and Safety at Work Act 2015).

vii Lost time injuries and frequency rate relates to all workforce injuries resulting in lost time per 1,000,000 hours worked. Includes employees, independent sharefishers, and contractors.

viii Figures relate to ACC cases, refers to days off work > 7 days (excludes contractors and independent sharefishers).

ix Report training credits as a proxy for hours – one credit equates to approximately 10 hours of learning.

x Production and harvested figures reported in 2014 and 2015 in line with new reporting process. Includes Deepwater, Inshore, and Charter vessel wildcatch.

xi Mussels production excludes 50% of finished goods from NIML factory.

xii Production data restated. Granularity of reporting enhanced for 2016, reflecting improved processes.

xiii CCI – Culture of Continuous Improvement rebranded 2020 project in 2016.

xiv Fuel efficiency: Fuel used / GWT harvested.

xv Electricity efficiency: Electricity used / Onshore, fishmeal and fishoil production.

xvi All six Kyoto gases are included in the calculation as appropriate. Emission factors are based on the most recent Ministry for the Environment guidelines and where applicable, international emission factors provided by Enviro-mark Solutions.

xvii Indirect Emissions reporting scope increased in 2016 to capture emissions calculations from sea freight.

xviii TEU – twenty-foot equivalent units – export containers

xix GWT – Weight of seafood before processing.

xx Mortality Rate – Ratio between species caught and species caught dead, data supplied by MPL.

KPMG ASSURANCE STATEMENT



INDEPENDENT LIMITED ASSURANCE OPINION TO THE DIRECTORS OF SANFORD LIMITED

We were engaged by the Board of Directors of Sanford Limited (“Sanford”) to perform a limited assurance engagement in relation to Sanford’s Annual Report for the year ended 30 September 2016 (“the Report”).

Our assurance engagement involves providing a limited assurance conclusion as to whether anything has come to our attention that causes us to believe that the “Selected Non-Financial Information”, as defined below, has not been prepared in all material respects in accordance with the Global Reporting Initiative (“GRI”) G4 reporting principles and guidelines.

Selected non-financial information

The “Selected Non-Financial Information” covers the collation and presentation of the significant indicators and claims made in the Report under the following sections:

Our material issues (pages 22 -23)

The six performance outcomes (pages 30 -121)

Key performance indicators table (pages 134 -135)

We have not been engaged to provide assurance over any comparative indicators outside of the reporting period.

Management responsibility

Management is responsible for the preparation and presentation of the “Selected Non-Financial Information” in accordance with the criteria set out in the GRI G4 guidelines, for each of the principles of materiality, stakeholder inclusiveness, sustainability context and completeness.

Management is also responsible for determining Sanford’s objectives in respect of sustainability reporting and for establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

Our responsibility

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE (NZ) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information.

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance approach

We planned and performed our work to obtain all the evidence, information and explanations we considered necessary in relation to the above scope. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate.

Our procedures included:

- Enquiries of Sanford personnel to understand the process for deriving the “Selected Non- Financial Information”;
- Analytical review and other testing to assess the reasonableness of the information presented;
- Checking whether the appropriate indicators have been reported in accordance with the GRI G4 Core in accordance level; and
- Overall sense check of the Report against our findings and understanding of Sanford.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with New Zealand Auditing and Assurance Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance or audit opinion.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

Use of our report

Our assurance report is made solely to the Directors of Sanford in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Sanford those matters we have been engaged to state in this assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of Sanford for our work, for this assurance report, or for the conclusions we have reached.

Scope and Limitation of this Report

Because of the inherent limitations of an assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the year and the procedures are undertaken on a test and specific procedures basis, our assurance engagement cannot be relied on to detect all instances where Sanford may not have complied with the GRI G4 reporting principles and guidelines. The opinion expressed in this report has been formed on the above basis.

Independence

KPMG also provides financial statement audit and other assurance and advisory services to Sanford. Subject to certain restrictions the Partners and employees of our firm may also deal with Sanford on normal terms within the ordinary course of trading activities. This has not impaired our independence in respect of this engagement. The firm has no other relationship with, or interests in, Sanford.

Opinion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the “Selected Non-Financial Information” has not been prepared, in all material respects, in accordance with the GRI G4 reporting principles and guidelines.

Our assurance engagement was completed as at 16 November 2016 and our opinion is expressed as at that date.



16 November 2016

Auckland

NON-GAAP PROFIT MEASURES

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford have used non-GAAP measures when discussing financial performance in this document. The Directors and management believe that these measures provide useful information as they are used internally to evaluate divisional and total Group performance and to establish operating and capital budgets. Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be viewed in isolation or as a substitute for GAAP profit measures as reported by Sanford in accordance with NZ IFRS.

DEFINITIONS

EBITDA: Earnings before interest, taxation, depreciation, amortisation, restructuring, impairment and gain (loss) on sale of investments, intangible and long term assets.

Reported EBIT: Earnings before interest, taxation and gain (loss) on sales of investments, intangible and long term assets.

GAAP TO NON-GAAP RECONCILIATION

	Audited 30 September 2016 \$000	Audited 30 September 2015 (Restated) ⁽ⁱ⁾ \$000
Reported net profit for the period (GAAP)	34,731	13,778
<i>Add back:</i>		
Income tax expense	14,681	8,024
Net interest	8,193	9,460
Net loss (gain) on sale of investments, property, plant & equipment	136	(136)
Reported EBIT	57,741	31,126
<i>Adjustments:</i>		
Impairment of assets	5,389	13,287
Restructuring	228	3,048
Adjusted EBIT	63,358	47,461
<i>Add back:</i>		
Depreciation and amortisation	15,515	16,901
EBITDA	78,873	64,362

(i) Certain amounts shown here do not correspond to the Annual Report as at 30 September 2015 and reflect adjustments made as detailed in Note 25: *Reconciliation of Previously Reported Statements*.

FINANCIAL STATEMENTS 2016

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2016.

For and on behalf of the Board of Directors:



P G Norling
CHAIRMAN
16 November 2016



E M Coutts
DIRECTOR
16 November 2016

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FIVE YEAR FINANCIAL REVIEW

	2016 \$000	2015 (restated) ⁽ⁱ⁾ \$000	2014 \$000	2013 ⁽ⁱⁱ⁾ \$000	2012 \$000
Revenue	463,472	450,332	460,521	462,644	459,957
EBITDA*	78,873	64,362	60,040	49,285	50,099
Depreciation and amortisation	(15,515)	(16,901)	(17,975)	(17,428)	(15,797)
Restructuring	(228)	(3,048)	-	-	-
Adjusting items	-	-	4,332	-	-
Impairment	(5,389)	(13,287)	(2,260)	(4,226)	(2,610)
EBIT	57,741	31,126	44,137	27,631	31,692
Net interest	(8,193)	(9,460)	(9,607)	(8,692)	(10,196)
Net currency exchange (losses) gains	-	-	(4,558)	10,349	7,385
Net (loss) gain on sale of investments, property, plant and equipment and intangible assets	(136)	136	1,755	152	(150)
Profit before income tax	49,412	21,802	31,727	29,440	28,731
Income tax expense	(14,681)	(8,024)	(9,363)	(9,040)	(9,074)
Profit for the year	34,731	13,778	22,364	20,400	19,657
Non controlling interest	13	21	66	(39)	(42)
Profit attributable to equity holders of the Group	34,744	13,799	22,430	20,361	19,615
Equity					
Paid in capital	94,958	95,027	95,152	95,355	95,355
Reserves	462,779	417,592	450,206	458,978	458,777
Non controlling interest	398	451	483	575	559
Total equity	558,135	513,070	545,841	554,908	554,691
Represented by:					
Current assets	141,149	127,708	121,543	132,416	136,095
Less current liabilities	90,366	114,082	53,972	48,366	62,924
Working capital	50,783	13,626	67,571	84,050	73,171
Property, plant and equipment	119,841	93,658	128,769	131,077	120,047
Investments	11,313	10,964	10,438	10,651	12,370
Biological assets	14,978	12,654	10,510	6,693	7,754
Intangible assets	500,327	500,356	506,078	499,177	496,786
Derivative financial instruments	10,228	-	-	-	-
	707,470	631,258	723,366	731,648	710,128
Less non-current liabilities	149,335	118,188	177,525	176,740	155,437
Total net assets	558,135	513,070	545,841	554,908	554,691
Dividend per share (cents)	23 [†]	23 [†]	23 [†]	23 [†]	23 [†]
Dividend cover	1.6 [†]	0.6 [†]	1.0 [†]	1.0 [†]	0.9 [†]
Return on average total equity	6.5%	2.6%	4.1%	3.7%	3.6%
Earnings per share (cents)	37.1	14.8	24.0	21.7	21.0
Net asset backing per share	\$5.97	\$5.48	\$5.83	\$5.93	\$5.92

*Earnings before interest, taxation, depreciation, amortisation, restructuring, impairment, gain (loss) on sale of investments, intangible and long term assets and up to 2014, non-trading net currency exchange gains (losses).

† Includes dividend proposed after balance date.

(i) Certain amounts above do not correspond to the Annual Report as at 30 September 2015 and reflect adjustments made as detailed in Note 25 – *Reconciliation of Previously Reported Statements*.

(ii) The Group, on adoption of NZ IFRS 11: *Joint Arrangements*, has adjusted the comparatives for the year ended 30 September 2013 to reflect the portion at consolidation of its 50% owned joint arrangement North Island Mussels Limited. The 2013 to 2016 financial years all adhere to the accounting and disclosure requirements of NZ IFRS 11.

The five year financial review includes both continuing and discontinued businesses.

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 \$000	2015 (Restated) ⁽ⁱ⁾ \$000
Continuing Operations			
Revenue	4	463,469	439,302
Cost of sales		(350,753)	(330,728)
Gross profit		112,716	108,574
Other income		5,530	4,424
Distribution expenses		(24,452)	(28,361)
Administrative expenses	5	(23,962)	(21,561)
Other expenses	5	(9,214)	(18,255)
Operating profit		60,618	44,821
Finance income	6	474	263
Finance expenses	6	(8,649)	(9,706)
Net finance income		(8,175)	(9,443)
Share of profit of equity accounted investees	13	1,249	1,190
Profit before income tax		53,692	36,568
Income tax expense	7	(15,879)	(12,149)
Profit for the year from continuing operations		37,813	24,419
Discontinued operation			
Loss for the year from discontinued operation (attributable to equity holders of the parent)	18	(3,082)	(10,641)
Profit for the year		34,731	13,778
Profit attributable to:			
Equity holders of the parent		34,744	13,799
Non controlling interest		(13)	(21)
		34,731	13,778
Earnings per share from continuing and discontinued operations net of tax attributable to equity holders of the company during the year (expressed in cents per share)			
Basic and diluted earnings per share (cents)			
From continuing operations		40.4	26.2
From discontinued operation		(3.3)	(11.4)
From profit for the year	16	37.1	14.8

(i) Certain amounts above do not correspond to the Annual Report as at 30 September 2015 and reflect adjustments made as detailed in Note 25 – Reconciliation of Previously Reported Statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016	2015
	\$000	(Restated) ⁽ⁱ⁾
		\$000
Profit for the year (after tax)	34,731	13,778
Other comprehensive income		
<i>Items that may be reclassified to the income statement</i>		
Foreign currency translation differences	(257)	(132)
Change in fair value of cash flow hedges	41,083	(35,192)
Income tax on cash flow hedges	(11,503)	9,854
Cost of hedging gains recognised in other comprehensive income	3,631	24
Income tax on cost of hedging	(1,017)	(7)
<i>Items that may not be reclassified to the income statement</i>		
Amount of treasury share cost expensed in relation to share-based payment	171	97
Other comprehensive income for the year	32,108	(25,356)
Total comprehensive income for the year	66,839	(11,578)
Total comprehensive income for the year is attributable to:		
Equity holders of the parent	66,865	(11,546)
Non controlling interest	(26)	(32)
Total comprehensive income for the year	66,839	(11,578)
Total comprehensive income attributable to shareholders arises from:		
– continuing operations	69,921	(937)
– discontinued operation	(3,082)	(10,641)
	66,839	(11,578)

(i) Certain amounts above do not correspond to the Annual Report as at 30 September 2015 and reflect adjustments made as detailed in Note 25 – Reconciliation of Previously Reported Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Note	2016 \$000	2015 (Restated) ⁽ⁱ⁾ \$000
Current assets			
Cash on hand and at bank	8	3,589	5,960
Trade receivables	9	64,340	51,305
Derivative financial instruments	19	10,512	-
Other receivables and prepayments		4,896	3,472
Biological assets	10	14,876	12,349
Inventories	11	34,140	36,433
Assets held for sale	18	8,796	18,189
Total current assets		141,149	127,708
Non-current assets			
Property, plant and equipment	12	119,841	93,658
Investments	13	11,313	10,964
Derivative financial instruments	19	10,228	-
Biological assets	10	14,978	12,654
Intangible assets	14	500,327	500,356
Total non-current assets		656,687	617,632
Total assets		797,836	745,340
Current liabilities			
Bank overdraft and borrowings (secured)	8	55,234	56,218
Current portion of term loan (secured)	19	-	10,402
Derivative financial instruments	19	2,169	15,139
Trade and other payables	15	29,923	28,199
Taxation payable		3,040	1,429
Liabilities held for sale	18	-	2,695
Total current liabilities		90,366	114,082
Non-current liabilities			
Bank loans (secured)	19	121,400	88,160
Contributions received in advance		3,814	3,609
Employee entitlements		1,791	1,892
Derivative financial instruments	19	9,294	25,621
Deferred taxation	7	12,128	(2,035)
Lease obligation		908	941
Total non-current liabilities		149,335	118,188
Total liabilities		239,701	232,270
Equity			
Paid in capital		94,958	95,027
Retained earnings		456,164	442,927
Other reserves		6,615	(25,335)
Shareholder funds		557,737	512,619
Non controlling interest		398	451
Total equity	16	558,135	513,070
Total equity and liabilities		797,836	745,340

(i) Certain amounts above do not correspond to the Annual Report as at 30 September 2015 and reflect adjustments made as detailed in Note 25 – Reconciliation of Previously Reported Statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 \$000	2015 \$000
Cash flows from operating activities			
Receipts from customers		449,684	474,618
Interest received		456	191
Dividends received		18	17
Payments to suppliers and employees		(394,738)	(400,856)
Income tax paid		(12,501)	(9,255)
Interest paid		(8,547)	(9,746)
Net cash flows from operating activities		34,372	54,969
Cash flows from investing activities			
Sale of property, plant and equipment		4,301	10,045
Contributions received in advance		205	1,099
Dividends received from associates	13	854	664
Purchase of property, plant and equipment and intangible assets		(42,148)	(16,076)
Purchase of business		-	(1,940)
Net cash flows from investing activities		(36,788)	(6,208)
Cash flows from financing activities			
Proceeds from borrowings		41,240	18,489
Repayment of term loan		(18,402)	(80,003)
Dividends paid to parent shareholders	17	(21,507)	(21,518)
Dividends paid to non controlling shareholders in subsidiaries		(27)	-
Purchase of treasury shares	16	(240)	(222)
Net cash flows from financing activities		1,064	(83,254)
Net (decrease) in cash and cash equivalents		(1,352)	(34,493)
Effect of exchange rate fluctuations on cash held		(35)	56
Cash and cash equivalents at beginning of year		(50,258)	(15,821)
Cash and cash equivalents at 30 September		(51,645)	(50,258)
Represented by:			
Bank overdraft and borrowings		(55,234)	(56,218)
Cash on hand and at bank		3,589	5,960
	8	(51,645)	(50,258)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RECONCILIATION OF PROFIT FOR THE PERIOD WITH THE NET CASH FLOW FROM OPERATING ACTIVITIES

	Note	2016 \$000	2015 (Restated) \$000
Profit for the year (after tax)		34,731	13,778
Adjustments for non-cash items:			
Depreciation and amortisation		15,515	16,901
Impairment of property, plant and equipment	12	343	789
Impairment of intangible assets	14	-	6,500
Impairment of other investments		46	-
Impairment of assets held for sale	18	5,000	5,998
Long term incentive plan fair value adjustment		171	97
Change in fair value of biological assets		(4,851)	(1,944)
Change in fair value of fuel swaps		(118)	118
Change in fair value of interest rate swaps		-	(77)
Change in fair value of foreign currency options		(1,782)	1,656
Change in fair value of forward exchange contracts		(4,402)	3,213
Equity accounted (profit) in associated companies	13	(1,249)	(1,190)
Increase (decrease) in deferred taxation		388	(2,450)
Unrealised foreign exchange (gains) losses		(75)	2,791
		8,986	32,402
Movement in working capital			
(Increase) decrease in trade and other receivables and prepayments		(13,541)	11,147
Decrease (increase) in inventories		2,271	(1,422)
Increase (decrease) in trade and other payables and other liabilities		178	(1,738)
Increase in current tax		1,611	938
		(9,481)	8,925
Items classified as investing activities			
Loss (gain) on sale of property, plant and equipment		136	(136)
		136	(136)
Net cash inflows from operating activities		34,372	54,969

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Group	Note	Share Capital \$000	Treasury Shares \$000	Translation Reserve \$000	Cashflow Hedge Reserve \$000	Cost of Hedging Reserve \$000	Retained Earnings \$000	Total \$000	Non Controlling Interest \$000	Total Equity \$000
Balance at 1 October 2015		95,355	(328)	520	(24,464)	(1,391)	442,927	512,619	451	513,070
Profit for the year (after tax)		-	-	-	-	-	34,744	34,744	(13)	34,731
Other comprehensive income										
Foreign currency translation differences		-	-	(244)	-	-	-	(244)	(13)	(257)
Hedging gains recognised in other comprehensive income		-	-	-	41,083	3,631	-	44,714	-	44,714
Deferred tax on change in reserves		-	-	-	(11,503)	(1,017)	-	(12,520)	-	(12,520)
Amount of treasury share cost expensed in relation to share-based payment		-	171	-	-	-	-	171	-	171
Total comprehensive income		-	171	(244)	29,580	2,614	34,744	66,865	(26)	66,839
Acquisition of treasury shares	16	-	(240)	-	-	-	-	(240)	-	(240)
Distributions to shareholders	17	-	-	-	-	-	(21,507)	(21,507)	(27)	(21,534)
Balance at 30 September 2016		95,355	(397)	276	5,116	1,223	456,164	557,737	398	558,135
Balance at 1 October 2014 as previously reported		95,355	(203)	641	874	-	448,691	545,358	483	545,841
Effect of change in accounting policy	25	-	-	-	-	(1,408)	1,955	547	-	547
Balance at 1 October 2014 restated		95,355	(203)	641	874	(1,408)	450,646	545,905	483	546,388
Profit for the year (after tax)		-	-	-	-	-	13,799	13,799	(21)	13,778
Other comprehensive income										
Foreign currency translation differences		-	-	(121)	-	-	-	(121)	(11)	(132)
Hedging gains (losses) recognised in other comprehensive income		-	-	-	(35,192)	24	-	(35,168)	-	(35,168)
Deferred tax on change in reserves		-	-	-	9,854	(7)	-	9,847	-	9,847
Amount of treasury share cost expensed in relation to share-based payment		-	97	-	-	-	-	97	-	97
Total comprehensive income		-	97	(121)	(25,338)	17	13,799	(11,546)	(32)	(11,578)
Acquisition of treasury shares	16	-	(222)	-	-	-	-	(222)	-	(222)
Distributions to shareholders	17	-	-	-	-	-	(21,518)	(21,518)	-	(21,518)
Balance at 30 September 2015		95,355	(328)	520	(24,464)	(1,391)	442,927	512,619	451	513,070

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1 – GENERAL INFORMATION

Reporting entity

Sanford Limited ('the parent' or 'the Company') is a profit orientated company that is domiciled and incorporated in New Zealand. The Company is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an FMC entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013.

The financial statements presented are for Sanford Limited ('Sanford' or 'the Group') as at, and for the year ended 30 September 2016. The Group comprises the Company, its subsidiaries, and its investments in joint arrangements and associates.

In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent disclosures are not required.

The Group is a large and long-established fishing and aquaculture farming business devoted entirely to the farming, harvesting, processing, storage and marketing of quality seafood products and investments in related activities.

NOTE 2 – BASIS OF PREPARATION

(a) Statement of compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

- Derivative instruments: interest rate and fuel swaps, forward exchange contracts and foreign currency options
- Biological assets: immature salmon and mussels are measured at fair value less costs to sell

(c) Foreign currency

Functional and presentation currency

These financial statements are presented in New Zealand dollars (NZD) – the Company's functional currency. All financial information presented in NZD has been rounded to the nearest thousand dollars (unless described as millions within the notes to these financial statements).

Foreign currency transactions

Foreign currency transactions are translated to NZD at the exchange rates ruling at the dates of the transactions. At balance date foreign currency monetary assets and liabilities are translated at the closing rate. The exchange variations arising from these translations are recognised in the income statement.

Foreign operations

Foreign operations are entities within the Group, the activities of which are based in a country other than New Zealand, or which are conducted in a currency other than NZD. The assets and liabilities of foreign operations are translated into NZD at the balance date closing rate, while revenues and expenses are translated at rates approximating the exchange rate ruling at the date of the transaction.

Exchange variations are taken directly to the foreign currency translation reserve (FCTR).

(d) Use of estimates and judgements

The preparation of financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts in the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Accounting policies, information about judgements, estimates and assumptions that have had a significant impact on the amounts recognised in the financial statements are disclosed in the relevant notes as follows:

- Valuation of deferred tax assets (refer note 7)
- Impairment testing of property, plant and equipment (refer note 12 and note 18)
- Impairment testing of intangible assets (refer note 14)
- Valuation of biological assets (refer note 10)
- Valuation of financial instruments (refer note 19)

Estimates are designated by a **E** symbol in the notes to the financial statements.

(e) Significant accounting policies

Accounting policies are disclosed within each of the applicable notes to the financial statements and are designated with a **P** symbol.

The Group's accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

There have been no changes in accounting policies or methods of computation except as detailed below. To ensure consistency with the current period, comparative figures have been restated where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 2 – BASIS OF PREPARATION (continued)

NZ IFRS 9 (2014): Financial instruments

In the current period, the Group has applied NZ IFRS 9 (2014): *Financial Instruments* in advance of its effective date. The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities) is 1 October 2015. The Group has applied NZ IFRS 9 in accordance with the transitional provisions set out in NZ IFRS 9. To apply the classification and measurement requirements, the Group's financial assets were evaluated based on the facts and circumstances as at the date of initial application and the classifications were applied retrospectively. There were no changes to the basis of measurement (amortised cost versus fair value) as a result of the analysis. The hedge accounting requirements of the standard are applied on a prospective basis from the date of initial application except for the requirements relating to the time value of options which are applied retrospectively to hedge relationships that existed at the beginning of the comparative period or were designated thereafter.

The impact of the retrospective application and the effect of the change in accounting policy on individual line items in the income statement, the statement of comprehensive income, and the statement of financial position is shown in more detail in Note 25, and in the statement of changes in equity.

NZ IFRS 9 introduces new classification and measurement requirements for financial assets and financial liabilities and new hedge accounting requirements which aim to align hedge accounting more closely with risk management.

Financial assets and liabilities

NZ IFRS 9 introduces new classification and measurement requirements for financial assets and liabilities that are within the scope of NZ IAS 39: *Financial Instruments – Recognition and Measurement*.

There have been no changes to classification or carrying amounts of financial assets and financial liabilities in the statement of financial position under NZ IFRS 9.

Hedge Accounting

The key changes to the hedge accounting model under NZ IFRS 9 are:

- a closer alignment of hedge accounting with risk management and accordingly, better matching of the effect of the financial instrument to the risk being managed;
- a broadening of the risks eligible for hedge accounting;
- changes in the way forward contracts and derivative options are accounted for when in a hedge accounting relationship, which reduces profit or loss volatility;
- the effectiveness test has been replaced with the principle of an economic relationship; and
- enhanced disclosures regarding an entity's risk management activities.

The hedge accounting model in NZ IFRS 9 extends the eligibility of risk components to include non-financial items, provided the component is separately identifiable and reliably measurable. This together with the amended effectiveness requirements means that it is more feasible for the Group to apply hedge accounting for fuel derivatives prospectively.

The adoption of NZ IFRS 9 has also resulted in a change to the Group's accounting policies relating to options. The Group designates only the intrinsic value of options into hedging relationships. Under NZ IAS 39 the fair value change in the time value component of these options has been recognised in profit or loss, which led to unnecessary volatility in earnings. Under NZ IFRS 9 the time value of options is treated as a non-profit and loss item and recognised in the cost of hedging reserve.

Under NZ IFRS 9 a similar approach is taken in accounting for forward points of a forward contract where the spot component is designated in a hedge relationship. The Group currently designates the forward rate in its hedge relationships where it uses forward exchange contracts so there is no impact on the financial statements on adoption of NZ IFRS 9 in relation to forward contracts.

Impairment

The NZ IFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology under NZ IAS 39. The Group applies the simplified approach for trade and other receivables and cash and cash equivalents, which requires the lifetime expected credit loss method to always be applied when measuring the loss allowance. The impact of adopting NZ IFRS 9 has not had a significant impact on the allowance for doubtful debts.

Disclosure Initiative (Amendments to NZ IAS 1)

The Group has early adopted the Disclosure Initiative (Amendments to NZ IAS 1) issued in December 2014, for its 30 September 2016 financial year. The amendments provide the Group with discretion around the inclusion of specific disclosures that would have otherwise been mandated by other standards on the basis of materiality, including 30 September 2015 comparatives.

(f) New accounting standards and interpretations not yet adopted

The following standards and interpretations which are considered relevant to the Group but not yet effective for the year ended 30 September 2016 have not been applied in preparing the financial statements:

NZ IFRS 15: Revenue from Contracts with Customers

The standard was issued in May 2014 and will replace all existing guidance for revenue recognition, including NZ IAS 11: *Construction Contracts* and NZ IAS 18: *Revenue*. It is required to be adopted by the Group in the year ending 30 September 2018. The Group has not yet fully evaluated the impact this standard will have on the financial statements.

NZ IFRS 16: Leases

This standard was issued in January 2016 and will replace all existing guidance on leases, including NZ IAS 17: *Leases*. The standard introduces a single, on-balance sheet accounting model for leases that is similar to current finance lease accounting. It is required to be adopted by the Group in the year ending 30 September 2020. The Group has not yet fully evaluated the impact this standard will have on the financial statements.

Disclosure Initiative (Amendments to NZ IAS 7)

The amendments to NZ IAS 7: *Cash Flow Statements* were issued in January 2016. The amendments introduce a reconciliation between cash flows arising from financing activities as reported in the statement of cash flows to the corresponding liabilities in the opening and closing statement of financial position. This change will be effective for the Group's financial year ending 30 September 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 3 – SEGMENT REPORTING

The executive management of the Group monitors the operating results of the wildcatch and aquaculture divisions separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Capital expenditure consists of additions of property, plant and equipment.

The Group's key operating segments are:

- wildcatch – responsible for catching and processing inshore and deepwater fish species.
- aquaculture – responsible for farming, harvesting and processing mussels and salmon.

The Group has determined that the above operating segments should be aggregated to form one reportable segment to reflect the farming, harvesting, processing and selling of seafood products.

The criteria as set out in paragraph 12 of NZ IFRS 8: *Operating Segments* was considered in determining the aggregation of the operating segments. In aggregating these operating segments into one reportable segment, the Group identified similarities in the following:

Similar economic characteristics

The Group considered and identified similarities in economic characteristics in the wildcatch and aquaculture segments. The Group concluded, having considered several factors, that the operating segments exhibited similar long term economic characteristics because the impact of these factors is expected to be similar across all operating segments. This is supported by the following observations:

Foreign exchange

A large proportion of the Group's sales are derived from exporting seafood products. Movements in foreign exchange rates have a significant influence on the degree of profitability of the Group.

Competitive and operating risks

The operating risks are similar for all of the seafood products in which the Group trades, due to the vagaries of nature and its impact in respect of weather patterns, nutrients in the oceans, parasites and disease.

The global growth in seafood product demand and rising commodity prices has led to a heightened competitive environment in which the Group trades, this applies in a similar manner across all of the operating segments.

Economic and political risk

Economic/political prosperity and stability for countries in which Sanford's customers are based, have a direct impact across the Group in its ability to derive increasing positive returns to shareholders.

Other variables impacting profit

There are many other variables that directly or indirectly impact the profitability of the operating segments such as international trade rules and tariffs and climate change. The Group has assessed that the operating segments are similarly impacted by these variables.

Nature of the products

All of the seafood products have similar nutritional factors, principally they are a good source of protein and relatively low in fat.

Similar nature of production processes

The Group has determined that all of the seafood products produced for its customers are harvested from the sea. Additionally, certain fish species and mussels have hand opening or machine opening processes involved in the final completion of the production chain.

The type or class of customer for the product

The Group sells products derived from all of its operating segments to nine of its top ten customers. The Group's customers are largely of a wholesale nature.

The methods used to distribute the product

The Group's sales and marketing team is structured geographically and not by product type or by operating segment.

The nature of the regulatory environment

Both aquaculture and fish products are governed by the quality control regulations set by the Ministry for Primary Industries in New Zealand and those countries to which the Group export. In respect of vessels these must meet Maritime New Zealand regulations; this requirement is similar for all operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 3 – SEGMENT REPORTING (continued)

(a) Income and expenditure (continuing operations)

Segmental information is presented in respect of the Group's industry and geographical segments.

	NEW ZEALAND		AUSTRALIA		ELIMINATIONS		TOTAL	
	2016 \$000	2015 (Restated) ⁽ⁱ⁾ \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 (Restated) ⁽ⁱ⁾ \$000
Total external revenues	434,146	413,492	29,323	25,810	-	-	463,469	439,302
Inter-segment revenue	2,512	3,757	-	-	(2,512)	(3,757)	-	-
Segment revenue	436,658	417,249	29,323	25,810	(2,512)	(3,757)	463,469	439,302
Segment profit (loss) for the year	36,760	29,478	(196)	(6,249)	-	-	36,564	23,229
Share of profit of equity accounted investees							1,249	1,190
Reported profit for the year (continuing operations)							37,813	24,419

Inter-segment transactions

Inter-segment revenues are eliminated upon consolidation and reflected in the eliminations column.

(b) Revenue by geographical location of customers (continuing operations)

	2016 \$000	2015 (Restated) ⁽ⁱ⁾ \$000
New Zealand	155,977	120,276
Australia	69,601	71,542
Europe	52,842	49,472
North America	69,779	82,855
Japan	16,029	22,372
China	40,022	20,455
Hong Kong	8,506	8,684
Korea	11,079	14,112
Other Asia	18,260	16,862
Africa	10,782	16,403
Middle East	6,503	8,666
Pacific	2,857	1,869
Other	1,232	5,734
Revenue	463,469	439,302

The revenue information above is based on the delivery destination of sales.

Sales to one customer for the year accounted for \$53.0m or 11% of total sales (2015: \$48.4m and 11%).

(i) The above reflects a change in approach of disclosure from last year's Annual Report. See note 25 for details on this disclosure change.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 3 – SEGMENT REPORTING (continued)

(c) Assets and liabilities

	Note	NEW ZEALAND		AUSTRALIA		DISCONTINUED OPERATION		TOTAL	
		2016	2015	2016	2015	2016	2015	2016	2015
		\$000	(Restated) \$000	\$000	\$000	\$000	\$000	\$000	(Restated) \$000
Segment assets		780,711	718,933	5,901	6,484	-	9,094	786,612	734,511
Investment in equity accounted investees	13	11,224	10,829	-	-	-	-	11,224	10,829
Total assets		791,935	729,762	5,901	6,484	-	9,094	797,836	745,340
Segment liabilities		219,626	208,558	20,075	21,017	-	2,695	239,701	232,270
Total liabilities		219,626	208,558	20,075	21,017	-	2,695	239,701	232,270
Capital expenditure		42,231	15,182	47	9	-	2,124	42,278	17,315
Depreciation and amortisation		15,388	14,675	127	132	-	2,094	15,515	16,901

NOTE 4 – REVENUE



Revenue from the sale of goods is measured at the fair value of the consideration received and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

NOTE 5 – EXPENSES

	Note	2016 \$000	2015 \$000
Continuing operations			
(a) Administrative and other expenses includes			
Directors' fees	23	647	510
Donations		152	159
Audit fees – KPMG		196	196
Audit fees – other auditors (for audit of Group companies)		60	57
KPMG fees for other services [†]		82	30
Leasing charges		5,302	4,287
Bad debts written off		54	6
Increase (decrease) in doubtful debts provision		8	(5)
Share-based payment expense		171	97
Impairment of property, plant and equipment	12, 18	343	789
Impairment of other investments		46	-
Restructuring costs		228	2,356
Impairment of intangible assets	14	-	6,500
Research and development		3,715	2,668
(b) Personnel expenses included in cost of sales, administrative and distribution expenses			
Wages and salaries (including short-term employee benefits)		105,006	101,643

Sanford announced on 20 April 2015 that it was closing the Christchurch mussel processing facility. The closure led to the redundancy of 232 staff employed at the Riccarton site. Weather patterns in 2015 had impacted on natural spat (offspring) leading to a reduced Greenshell™ mussel crop supply in the short to medium term, which led Sanford to reduce its mussel processing capacity. Sanford combined its South Island mussel volumes at the Havelock site. Costs associated with the closure were \$2m and include payments to staff for notice period, redundancy and leave entitlements, these have been recognised in the income statement. Other restructuring costs within the Group of \$0.3m were recognised in 2015.

[†] KPMG fees for other services are in respect of accounting advice on transition to NZ IFRS9 \$40,000; a limited assurance engagement in relation to selected sustainability information included in the Sanford Annual Report \$36,500; and scrutineering results of the annual meeting \$5,000 (2015: Limited assurance engagement in relation to selected sustainability information included in the Sanford Annual Report for the year ended 30 September 2015, \$30,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 6 – FINANCE INCOME AND EXPENSES



Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, impairment losses recognised on financial assets (except for trade receivables).

	2016 \$000	2015 (Restated) ⁽ⁱ⁾ \$000
Finance income		
Interest income	456	246
Dividend	18	17
	474	263
Finance expenses		
Interest rate swaps fair value movement (gain)	–	(77)
Interest expense on bank loans and bank overdraft	8,649	9,783
	8,649	9,706
Net finance expense	8,175	9,443

(i) The above reflects a change in approach of disclosure from last year's Annual Report. See note 25 for details on this disclosure change.

NOTE 7 – TAXATION



Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income (OCI) in which case it is recognised in OCI.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is:

- Recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
- Not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.
- Measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at balance date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 7 – TAXATION (continued)

7.1 Income Tax Expense – Continuing Operations

	2016 \$000	2015 (Restated) \$000
Current period	13,450	11,792
Adjustment for prior periods	786	(163)
	14,236	11,629
Deferred tax expense		
Origination and reversal of temporary differences	1,896	334
Adjustments for prior periods	(253)	186
	1,643	520
Income tax expense	15,879	12,149
Reconciliation of effective tax rate		
Profit for the year	37,813	24,419
Income tax expense	15,879	12,149
Profit before income tax	53,692	36,568
Tax at current rate of 28%	15,034	10,239
Non-deductible expenses	585	123
Capitalised asset timing differences	(2)	9
Non-taxable income – other	–	(281)
Unutilised and unrecognised tax losses	–	1,775
Adjustment for prior periods	533	23
Different foreign tax rate	2	2
Other	(273)	259
	845	1,910
Income tax expense	15,879	12,149
Imputation credit account		
Imputation credits available for use in subsequent reporting periods	66,597	61,902

The Group imputation credits are available to be attached to dividends paid by Sanford Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 7 – TAXATION (continued)

7.2 Deferred Tax

	2016			
	Balance 30 September 2015 (Restated) \$000	Recognised in Income Statement Continuing Operations \$000	Recognised in Other Compre- hensive Income \$000	Balance 30 September 2016 \$000
Movement in temporary differences during the year				
Property, plant and equipment	(3,071)	438	-	(2,633)
Intangible assets	(9,431)	(1,543)	-	(10,974)
Trade receivables	60	-	-	60
Derivative financial instruments	10,054	-	(12,520)	(2,466)
Biological assets	1,899	(445)	-	1,454
Other liabilities	2,524	(93)	-	2,431
Net deferred tax asset (liability)	2,035	(1,643)	(12,520)	(12,128)

	2015					
	Balance 30 September 2014 (Restated) \$000	Recognised in Income Statement – Continuing Operations \$000	Recognised in Income Statement – Discontinued Operation \$000	Recognised in Other Compre- hensive Income \$000	Discontinued Operation Deferred Tax Transferred to Held for Sale \$000	Balance 30 September 2015 (Restated) \$000
Movement in temporary differences during the year						
Property, plant and equipment	(7,401)	(196)	2,876	-	1,650	(3,071)
Intangible assets	(7,793)	(1,638)	-	-	-	(9,431)
Trade receivables	60	-	-	-	-	60
Derivative financial instruments	207	-	-	9,847	-	10,054
Biological assets	508	1,391	-	-	-	1,899
Other liabilities	2,925	(77)	71	-	(395)	2,524
Net deferred tax asset (liability)	(11,494)	(520)	2,947	9,847	1,255	2,035

Deferred tax recognised in OCI relates to tax on the effective portion of the change in fair value of cash flow hedges, and on cost of hedging gains or losses.



Deferred tax assets have not been recognised in respect of the following item because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. There is no expiry time for the use of these tax losses.

	2016 \$000	2015 \$000
Unrecognised deferred tax assets		
Net tax losses – Australia	2,736	2,724

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 8 – CASH AND CASH EQUIVALENTS



Cash and cash equivalents includes deposits that are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are classified and measured at amortised cost in the statement of financial position. These financial instruments are short term in nature and the carrying amount is considered to be a reasonable approximation of fair value.

Bank overdraft and borrowings are classified and measured at amortised cost. These financial instruments are short-term in nature and the carrying amount is considered to be a reasonable approximation of fair value.

	2016 \$000	2015 \$000
Cash on hand and at bank	3,589	5,960
Bank overdraft and borrowings (secured)	(55,234)	(56,218)
	(51,645)	(50,258)

Borrowings expire in April 2017 (2015: March 2016).

Interest rates

Interest rates applicable on call deposits range from 0.50% – 3.58% (2015: 1.50% – 4.06%).

Interest rates applicable on the bank overdraft and borrowings range from 2.72% – 14.40% (2015: 2.75% – 14.65%).

Security

Bank loans are secured by a general security interest over property and a mortgage over quota shares.

NOTE 9 – TRADE RECEIVABLES



Trade and other receivables are financial assets classified and measured at amortised cost less allowance for doubtful debts. Short term trade receivables are not discounted. These financial instruments are short term in nature and the carrying amounts are considered to be a reasonable approximation of fair values.

	2016 \$000	2015 \$000
Gross trade receivables	64,473	51,430
Less: Allowance for doubtful debts (refer to note 19(a))	(133)	(125)
	64,340	51,305

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 10 – BIOLOGICAL ASSETS



Biological assets include pre-harvest salmon and mussel stocks, and are measured at fair value less costs to sell, with any change therein recognised in the income statement. Costs to sell include all costs that would be necessary to sell the assets. Biological assets are transferred to inventories at the date of harvest.

	2016		
	Mussels \$000	Salmon \$000	Total \$000
Balance at beginning of year	19,287	5,716	25,003
Change in fair value less estimated costs to sell	24,145	5,534	29,679
Harvested produce transferred to inventories	(20,431)	(4,397)	(24,828)
Balance at 30 September 2016	23,001	6,853	29,854
Current	10,010	4,866	14,876
Non-current	12,991	1,987	14,978
	23,001	6,853	29,854

	2015		
	Mussels \$000	Salmon \$000	Total \$000
Balance at beginning of year	18,717	4,342	23,059
Change in fair value less estimated costs to sell	23,188	5,787	28,975
Harvested produce transferred to inventories	(22,618)	(4,413)	(27,031)
Balance at 30 September 2015	19,287	5,716	25,003
Current	8,428	3,921	12,349
Non-current	10,859	1,795	12,654
	19,287	5,716	25,003



Risk factors

The Group is exposed to a number of risks relating to its farming of salmon and mussel stocks. These include storms, marine predators, biosecurity incursions and other contamination of the water space. The Group has extensive processes in place to monitor and mitigate these risks including insurance of salmon, regular inspection of the growing areas and contingency plans in the event of an adverse climatic event.

The key assumption which could lead to future uncertainty and which may cause an adjustment to the carrying amounts of biological assets is the fair value per kg at the point of harvest. The value of these assets may fluctuate with both market prices and foreign exchange movements.

Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volumes of salmon and mussels. Management performs regular analysis to ensure that the Group's pricing structure is in line with the market and to ensure harvest volumes are appropriate.

Determining fair value

Salmon

The pre-harvest salmon stock has been valued with reference to their stage of development, the length of the growth cycle, number in the water, assumptions in respect of biomass and feed conversion rates, and the fair value per kg at the point of harvest. The fair value per kg at the point of harvest is determined with reference to market selling prices, as at 30 September 2016.

Mussels

The pre-harvest mussel stock has been valued with reference to their stage of development, the length of the growth cycle for the mussels in the regions being farmed, the fair value per kg at point of harvest, and the physical quantity in the water at year end. The fair value per kg at the point of harvest is determined with reference to market selling prices, as at 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 11 – INVENTORIES



Inventories are measured at the lower of cost and net realisable value. The estimated costs of marketing, selling and distribution are deducted in calculating net realisable value.

Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventory and bringing it to its existing condition and location. In the case of processed inventories and work in progress, cost includes an appropriate share of overheads. Fixed overheads are allocated on the basis of normal operating capacity. The cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

	2016 \$000	2015 \$000
Seafood	26,361	28,893
Packaging, fishing gear, fuel and stores	7,779	7,540
	34,140	36,433

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT



Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Cost may include:

- the consideration paid on acquisition of the asset
- the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use
- the costs of dismantling and removing the items and restoring the site on which they are located, and
- borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The capitalisation of expenditure ceases when the asset is ready for use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure that increases the economic benefits derived from an asset is capitalised.

Depreciation of property, plant and equipment, other than land, is calculated using straight-line basis and is expensed over the useful life of the asset. Depreciation methods, useful lives and residual values are reassessed at balance date. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Estimated useful lives (years) are as follows:

	2016	2015
Buildings (freehold and leasehold)	20–25	20–25
Fishing vessels:		
Hulls	20–30	20–30
Engines	12–15	12–15
Electronic equipment	3–4	3–4
Machinery and plant	7–10	7–10
Motor vehicles	5	5
Office fixtures and fittings	3–7	5–7
Marine farm assets	5–15	5–15

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)

	2016					
	Land \$000	Freehold Buildings \$000	Leasehold Buildings \$000	Fishing Vessels \$000	Plant and Equipment \$000	Total \$000
Cost						
Balance at beginning of year	2,572	20,776	43,070	132,437	124,370	323,225
Additions – other	–	196	361	35,620	6,080	42,257
Disposals	–	–	–	(2,665)	(3,483)	(6,148)
Net transfer from assets held for sale	–	18	–	–	555	573
Effect of movements in exchange rates	–	–	(72)	–	(7)	(79)
Balance at end of year	2,572	20,990	43,359	165,392	127,515	359,828
Accumulated depreciation and impairment						
Balance at beginning of year	–	(7,376)	(24,838)	(107,208)	(90,145)	(229,567)
Depreciation	–	(525)	(1,667)	(6,671)	(6,617)	(15,480)
Impairment	–	–	–	(343)	–	(343)
Disposals	–	–	–	2,402	3,297	5,699
Net transfer from assets held for sale	–	(12)	–	–	(284)	(296)
Balance at end of year	–	(7,913)	(26,505)	(111,820)	(93,749)	(239,987)
Net book value at 30 September 2016	2,572	13,077	16,854	53,572	33,766	119,841
	2015					
	Land \$000	Freehold Buildings \$000	Leasehold Buildings \$000	Fishing Vessels \$000	Plant and Equipment \$000	Total \$000
Cost						
Balance at beginning of year	3,840	28,273	42,813	173,746	122,405	371,077
Additions – business combination	–	–	–	–	378	378
Additions – other	–	229	257	8,960	6,517	15,963
Disposals	(175)	(302)	–	(27,137)	(650)	(28,264)
Net transfer to assets held for sale	(1,093)	(7,424)	–	(23,139)	(4,241)	(35,897)
Effect of movements in exchange rates	–	–	–	7	(39)	(32)
Balance at end of year	2,572	20,776	43,070	132,437	124,370	323,225
Accumulated depreciation and impairment						
Balance at beginning of year	–	(7,970)	(23,421)	(126,048)	(84,869)	(242,308)
Depreciation	–	(763)	(1,417)	(7,206)	(7,430)	(16,816)
Impairment	–	–	–	(5,998)	(789)	(6,787)
Disposals	–	1	–	17,419	636	18,056
Net transfer to assets held for sale	–	1,356	–	14,625	2,307	18,288
Balance at end of year	–	(7,376)	(24,838)	(107,208)	(90,145)	(229,567)
Net book value at 30 September 2015	2,572	13,400	18,232	25,229	34,225	93,658



2015: The plant and equipment impairment charge (\$0.8m) relates to the Christchurch mussel processing facility. All Christchurch related assets were transferred to assets held for sale, being land (\$1.1m), buildings (\$6.1m) and plant and equipment (\$1.9m) net of impairment. The fishing vessel impairment charge (\$6.0m) was in respect of two international purse seine vessels. The San Nikunau, which was classified as held for sale at 30 September 2015 was sold in May 2016. See note 18 for further details on the held for sale assets.

Commitments

The estimated capital expenditure for property, plant and equipment contracted for at reporting date but not provided is \$4.4m for the Group (2015: \$29.9 m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 13 – INVESTMENTS



The Group's interest in equity accounted investees comprises interests in those associates and joint ventures disclosed in note 24.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than the rights to its assets and obligations for its liabilities.

Interest in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

The Group's other investments comprise shareholdings in other companies which do not constitute controlling interests, nor does the Group have significant influence over the investees. As these are not held for trading, the Group has elected these equity instruments to be classified and measured at fair value through OCI.

	2016 \$000	2015 \$000
Equity Accounted Investees		
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:		
Current assets	21,550	21,436
Non-current assets	11,606	13,650
Total assets	33,156	35,086
Current liabilities	4,632	3,824
Non-current liabilities	1,752	1,362
Total liabilities	6,384	5,186
Revenue	37,411	45,477
Expenses	(34,909)	(43,158)
Profit	2,502	2,319
(b) Movements in carrying value of equity accounted investees:		
Balance at beginning of year	10,829	10,303
Share of profit	1,249	1,190
Dividends from associates	(854)	(664)
Balance at 30 September	11,224	10,829
Other investments		
Shares in other companies	89	135
	11,313	10,964

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 14 – INTANGIBLE ASSETS



Purchased fish quota is carried at cost less impairment losses. Quota and licences which are initially recognised on the basis of previous permits, catch history or when purchased through business combinations are initially valued at fair value on allocation. Fair value is determined by reference to Crown tender prices and market prices available close to the time of acquisition. This became the deemed cost upon the adoption of NZ IFRS.

Marine farm licences are recorded at cost, or when purchased through business combinations, are initially valued at fair value.

Marine farm licences and quota which have indefinite useful lives are not amortised but are tested annually for impairment at balance date. Quota has no expiry date and is therefore deemed to have an indefinite useful life. Marine farm licences have indefinite useful lives as it is highly probable that they are renewed and the costs of renewal are expected to be minimal.

	2016				
	Intellectual Property \$000	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Total \$000
Carrying amount					
Balance at beginning of year	35	412,703	99,537	974	513,249
Additions	-	21	-	-	21
Amortisation	(35)	-	-	-	(35)
Effect of movements in exchange rates	-	(15)	-	-	(15)
Balance at end of year	-	412,709	99,537	974	513,220
Impairment					
Balance at beginning and end of year	-	(11,649)	(1,244)	-	(12,893)
Carrying amount at 30 September 2016	-	401,060	98,293	974	500,327
	2015				
	Intellectual Property \$000	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Total \$000
Carrying amount					
Balance at beginning of year	120	412,814	99,537	-	512,471
Acquired as part of business combination	-	-	-	974	974
Amortisation	(85)	-	-	-	(85)
Effect of movements in exchange rates	-	(111)	-	-	(111)
Balance at end of year	35	412,703	99,537	974	513,249
Impairment					
Balance at beginning of year	-	(5,149)	(1,244)	-	(6,393)
Impairment	-	(6,500)	-	-	(6,500)
Balance at end of year	-	(11,649)	(1,244)	-	(12,893)
Carrying amount at 30 September 2015	35	401,054	98,293	974	500,356



Impairment testing

The carrying amounts of the Group's non-financial assets other than inventories, biological assets and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount which is the greater of its value in use and its fair value less costs to sell. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash generating unit (CGU) to which the asset belongs. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement. For goodwill and intangible assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 14 – INTANGIBLE ASSETS (continued)

Cash Generating Units

The table below outlines the allocations of intangible assets with indefinite useful lives to CGUs:

	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Total \$000
New Zealand Seafood	400,750	98,293	974	500,017
Australia Seafood	310	-	-	310
	401,060	98,293	974	500,327

14.1 Fishing Quota and Marine Farm Licences



Impairment testing assumptions

Based on impairment testing undertaken in September 2016 no impairment is required for New Zealand quota or marine farm licences and none for the remaining Australian fishing quota or licences, given the recoverable amount of all CGUs exceed the carrying value of the net assets at 30 September 2016.

An impairment charge of \$6.5m was recognised in 2015 in respect of the carrying value of Australian fishing quota and licences. The impairment reflected the challenges faced by the Group to profitably catch a sufficient quantum of fish in the Great Australian Bight to support the value of this asset.

Impairment testing was performed on the applicable New Zealand CGU to determine whether fishing quota and marine farm licences were impaired using a discounted cash flow model based on value-in-use. Post-tax discount rates of between 7.3% and 8.0% (2015: 7.2% and 7.9%) were applied. Future cash flows were projected for 5 years and a terminal growth rate of 3% (2015: 3%) was applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecasts for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cash flows in the terminal year.

14.2 Goodwill



Goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets of the acquired business. Goodwill is carried at cost less accumulated impairment losses.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.



During the 2015 year the Group acquired the business of Wynyard Seafood Market Limited and its subsidiaries, the acquisition gave rise to goodwill (\$0.974m). No impairment was identified in respect of this goodwill (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 15 – TRADE AND OTHER PAYABLES



Trade and other payables

Trade and other payables are financial liabilities, classified and measured at amortised cost. As these are short term in nature the carrying amount is considered to be a reasonable approximation of fair value.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Employee entitlements

(i) Long service leave

The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using an actuarial technique. Changes in the long service leave provision are recognised in the income statement.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

	2016 \$000	2015 \$000
Trade payables	5,755	5,298
Other payables and accruals	16,152	16,002
Employee entitlements	8,016	6,899
	29,923	28,199

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 16 – CAPITAL/RESERVES AND EARNINGS PER SHARE

(a) Translation reserve

The translation reserve comprises all foreign currency differences arising from translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

(b) Cash flow hedge reserve

The reserve comprises the effective portion of changes in the fair value of derivative contracts for highly probable forecast sales.

(c) Cost of hedging reserve

This reserve contains the cumulative net change in fair value of time value on foreign currency options which are excluded from the hedge designations of foreign currency risk.

(d) Share capital and earnings per share

	ORDINARY SHARES	
	2016 No. of Shares	2015 No. of Shares
On issue at beginning and end of year	93,626,735	93,626,735

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Sanford. All shares rank equally with regard to Sanford's residual assets. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

The calculation of basic earnings per share at 30 September 2016 was based on the profit attributable to ordinary shareholders of \$34.7m (2015: \$13.8m) and a weighted average number of ordinary shares outstanding of 93,493,922 (2015: 93,538,228).

(e) Treasury shares

In 2014, Sanford established a long-term incentive plan (the LTI plan) for the CEO. The LTI plan is designed to improve the performance of the Group by incentivising and motivating the CEO. This involves Sanford purchasing treasury shares pursuant to the terms of the LTI plan. The Group acquired 42,770 Sanford Limited shares between 15 and 21 December 2015 at a price of \$5.60 per share (2015: 46,466 shares at prices ranging from \$4.69 to \$4.90 per share). Total treasury shares held at 30 September 2016 was 142,333 shares (2015: 99,563 shares).

NOTE 17 – DIVIDENDS

	2016 \$000	2015 \$000
The following dividends were declared and paid by the company for the year ended 30 September:		
\$0.23 per ordinary share (2015: \$0.23)	21,507	21,518

On 16 November 2016 the Directors proposed a final dividend of 14 cents per share (2015: 14 cents per share) to be paid on 9 December 2016. This dividend has not been provided for in the accounts at 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 18 – ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

(a) Assets Classified as Held for Sale



The Group classifies non-current assets and disposal groups as held for sale if carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment is not depreciated or amortised once classified as held for sale.

	Group	
	2016 \$000	2015 \$000
Property, plant & equipment at fair value (continuing operations)	8,796	9,095
Property, plant & equipment at fair value (discontinued operation)	-	9,094
Total assets held for sale	8,796	18,189
Liabilities (discontinued operation per note 18(b))	-	2,695
Total liabilities held for sale	-	2,695

As described in note 5, during the 2015 financial year, the Group exited the mussel processing plant based in Christchurch, which is now marketed for sale. External valuers were engaged to assess the fair value of the various assets at this site, the result of which was to impair plant and equipment by \$0.8m, which is recorded in the 2015 income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 18 – ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (continued)

(b) Discontinued Operation



Where a disposal group that is either sold or is held for sale meets the following parameters, it is reported as a discontinued operation:

- The operations and cash flows can be clearly distinguished from the rest of the Group; and
- It represents a separate major line of business or geographical area of operations.

With the decision to exit the IPS business in 2015, the results of this operation are disclosed as a discontinued operation.

	2016 \$000	2015 \$000
(i) Assets		
Property, plant and equipment	–	9,094
Total	–	9,094
(ii) Liabilities		
Other creditors, provisions and accruals	–	1,440
Deferred taxation	–	1,255
Total	–	2,695
(iii) Income Statement		
Revenue	3	11,030
Operating expenses	717	(19,106)
Restructuring	–	(692)
Impairment	(5,000)	(5,998)
Loss before income tax	(4,280)	(14,766)
Income tax expense	1,198	4,125
Loss for the year	(3,082)	(10,641)
(iv) Cash Flows		
Operating cash flows	(520)	(6,674)
Investing cash flows	3,917	7,180
Total	3,397	506



Continued unsatisfactory returns of the IPS vessels driven by low prices and the strict commodity nature of skipjack tuna, coupled with increasing access costs to the fisheries, resulted in the decision to exit this business in 2015 and offer the vessels for sale, one of which was sold in 2015. During the year the carrying value of the San Nikunau was reviewed and a further impairment of \$5.0m was recognised in the results of the discontinued operation in the income statement. In May 2016, the vessel was sold for \$3.9m.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS

Classification and measurement



Classification and measurement of financial assets

Financial assets are classified into three categories depending on their contractual cash flow characteristics and the Group's business model for managing the financial assets. These categories are:

- Amortised cost
- Fair value through profit or loss
- Fair value through OCI

A financial asset which is a debt instrument is measured at amortised cost only if both the following conditions are met:

- it is held within a business model where the objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For investments in equity instruments that are not held for trading nor managed on a fair value basis, the Group has elected to measure these at fair value through OCI.

Derivative financial instruments which are not designated in an effective hedge relationship are classified as fair value through profit or loss.

Classification and measurement of financial liabilities

Financial liabilities are classified as either amortised cost or fair value through profit or loss. The Group may choose at initial recognition to designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. All financial liabilities of the Group are measured at amortised cost except for derivative financial instruments which are measured at fair value. Changes in the fair value of derivative financial liabilities are recognised in profit or loss except when the derivative instrument is designated in an effective hedge relationship.

Specific accounting policies for the Group's financial assets and liabilities are described below.

Exposure to credit, interest rate, foreign currency, fuel price and liquidity risks arises in the normal course of the Group's business. Derivatives may be used as a means of reducing exposure to fluctuations in foreign exchange rates, interest rates and fuel prices. While these instruments are subject to the risk of subsequent changes to market rates, such changes would generally be offset by opposite effects on the items being hedged.

The Group is not exposed to substantial other market price risk arising from financial instruments.

Fair value measurement



The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates. The fair value of forward foreign exchange rate contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates. The fair value of options is estimated using option valuation methods with reference to current spot rates and market volatility. The fair value of fuel contracts is estimated using forward fuel prices at reporting date.

Fair value hierarchy



When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(a) Credit risk



Credit risk, the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, arises principally from the Group's receivables from customers.

The Group does not generally require collateral in respect of trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions (defined as having a minimum credit rating of A-) are used for investing and cash handling purposes.

Maximum exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

The Group's maximum exposure to credit risk for trade and other receivables by geographic region is as follows:

	2016 \$000	2015 \$000
New Zealand	26,631	21,218
Australia	7,140	3,995
Europe	10,501	10,364
North America	14,689	11,500
Japan	1,911	2,142
Other	8,364	5,558
Trade and other receivables	69,236	54,777

Concentration of credit risk

The Group has credit insurance (net of deductible) in respect of its largest customer for USD 8.4m (2015: USD 8.4m). At balance date the Group's exposure in respect of this debt is USD 8.4m (2015: USD 4.0m) which comprised 18% (2015: 12%) of trade receivables. Since balance date and in accordance with agreed credit terms the customer has subsequently paid 47% (2015: 46%) of the outstanding balance. There are no concerns with the collectability of this debt.

The status of trade receivables at the reporting date is as follows:

	Gross Receivables 2016 \$000	Allowance for Doubtful Debts 2016 \$000	Gross Receivables 2015 \$000	Allowance for Doubtful Debts 2015 \$000
Not past due	58,763	-	39,183	-
Past due 0 – 30 days	4,382	-	10,448	-
Past due 31 – 120 days	858	(3)	1,679	(4)
Past due 121+ days	470	(130)	120	(121)
	64,473	(133)	51,430	(125)

Impairment assessment – expected credit losses



The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The allowance for doubtful debts on trade receivables that are individually significant is determined by an evaluation of the exposures on a line by line basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on number of days overdue, and taking into account the historical loss experience in portfolios with a similar number of days overdue. The expected credit losses incorporate forward looking information and relevant macro-economic factors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk



Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on a daily basis. The Group has secured bank loans which contain debt covenants. A breach of covenant may require accelerated repayment of the loans earlier than indicated in the loan contract.

The following table sets out the contractual and expected cash flows for all financial liabilities and derivatives.

	2016					
	Statement of Financial Position	Contractual Cash Out (In) Flows	6 Months or Less	6–12 Months	1–2 Years	2–5 Years
	\$000	\$000	\$000	\$000	\$000	\$000
Bank loans	121,400	131,486	1,798	1,808	40,164	87,716
Trade payables	5,755	5,755	5,755	–	–	–
Other payables and accruals	16,152	16,152	16,152	–	–	–
Bank overdraft	55,234	56,112	988	55,124	–	–
Total non-derivative liabilities	198,541	209,505	24,693	56,932	40,164	87,716
Foreign currency options	(9,684)	(13,466)	(2,094)	(3,896)	(4,389)	(3,087)
Forward exchange contracts	(9,516)	(9,764)	(3,538)	(2,747)	(3,479)	–
Interest rate swaps	9,266	10,288	1,061	993	2,188	6,046
Fuel swaps	657	661	357	398	(88)	(6)
Total derivative liabilities (assets)	(9,277)	(12,281)	(4,214)	(5,252)	(5,768)	2,953
	2015					
	Statement of Financial Position	Contractual Cash Flows	6 Months or Less	6–12 Months	1–2 Years	2–5 Years
	\$000	\$000	\$000	\$000	\$000	\$000
Bank loans	98,562	125,191	12,049	1,500	51,343	60,299
Trade payables	5,298	5,298	5,298	–	–	–
Other payables and accruals	16,002	16,002	16,002	–	–	–
Bank overdraft	56,218	56,218	56,218	–	–	–
Total non-derivative liabilities	176,080	202,709	89,567	1,500	51,343	60,299
Foreign currency options	15,919	18,347	2,823	2,936	5,990	6,598
Forward exchange contracts	17,235	17,603	7,726	4,723	4,550	604
Interest rate swaps	4,927	5,551	662	766	1,295	2,828
Fuel swaps	2,679	2,737	967	913	845	12
Total derivative liabilities	40,760	44,238	12,178	9,338	12,680	10,042

Facilities

The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. At year end the Group had available approximately \$54m of headroom funding to meet any unforeseen liability obligations (2015: \$77m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

Term loans



Bank loans are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition bank loans are measured at amortised cost, applying the effective interest method.

Facilities, interest rate ranges, expiry dates and balances of bank loans for the Group are as follows:

	2016		
	Facility \$000	Expiry Date	Balance \$000
Non-current liabilities			
Term loans (secured)			
3 year	40,000	April 2018	37,000
4 year	70,000	April 2019	44,400
5 year	65,000	April 2020	40,000
	<u>175,000</u>		<u>121,400</u>
	2015		
	Facility \$000	Expiry Date	Balance \$000
Current liabilities	10,402	October 2015	10,402
Non-current liabilities			
Term loans (secured)			
3 year	40,000	April 2018	25,000
4 year	60,000	April 2019	38,160
5 year	65,000	April 2020	25,000
	<u>175,402</u>		<u>98,562</u>

Interest rates

Interest rates on the above loans ranged from 2.72% – 3.12% (2015: 3.31% – 5.44%).

Security and covenants

Bank loans are secured by a general security interest over property and a mortgage over quota shares. All borrowings are subject to borrowing covenant arrangements. The Group has complied with all covenants during the period (September 2015: all covenants were complied with).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk

Financial risk management and hedge accounting



Market risk is the risk that arises from changes in foreign exchange rates, interest rates and commodity (specifically fuel) prices. Such changes will affect the Group's earnings and/or the value of its holdings of financial instruments. These risks arise due to the Group having financial instruments that would be impacted by changes in these market factors.

The Group enters into derivative contracts, being forward exchange contracts, foreign currency options and interest rate swaps to manage exposure to foreign currency and interest rate risks. The Group also enters into commodity swaps to manage fuel price risk. Senior management are involved in the operation and oversight of risk management and derivative activities. Regular reporting of activities is provided to the Board of Directors which provides the policy for the use of derivative instruments. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as held for trading and classified at fair value through profit or loss.

The Group initially recognises derivatives at fair value when the Group becomes a party to the contractual provisions of the instrument, and subsequently re-measures these at fair value each balance date. All derivatives are classified as level 2 on the fair value hierarchy. The resulting fair value gain or loss on re-measurement is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in profit or loss depends on the nature of the designated hedge relationship.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in OCI to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. For cash flow hedges of financial items, (for example forecast sales), the changes in fair value deferred in OCI are transferred to the income statement or loss when the hedged item affects the profit or loss.

The Group designates only the intrinsic value of options into hedging relationships. The time value of the options is treated as a cost of hedging. Changes in fair value of the time value component of the option contract are deferred in OCI over the term of the hedge. For transaction related hedged items the cumulative change in fair value deferred in OCI is recognised in profit or loss at the same time as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in OCI remains there until the forecast transaction occurs, or immediately recognised in profit or loss if the transaction is no longer expected to occur.

(c) (i) Interest rate risk



The Group is exposed to interest rate risk through its cash balances, short term and long term borrowings. The Group adopts a risk management strategy of managing the exposure to interest rate risk through a proportion of fixed and floating rate borrowings. In order to meet this strategy the Group has a policy of using interest rate swaps to fix between 25% and 75% of the floating rate exposure on long term borrowings in line with its Board approved Treasury Policy. In the current period, the Group designated the highly probable forecast transactions and the interest rate swap contracts into cash flow hedge relationships.

Interest rate swap contracts are recognised within Derivative Financial Instruments on the statement of financial position as at balance date. The fair value gains and losses on these derivatives were recognised in OCI and transferred to profit or loss when the underlying transactions affected the profit or loss within finance expenses in the income statement. The amounts designated as the hedged item in qualifying cash flow hedges mirror the amounts designated as hedging instruments, therefore the Group has established a 1:1 hedge ratio.

Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. The source of any ineffectiveness would be largely due to credit valuation adjustments and timing of cash flows. No ineffectiveness arose on cash flow hedges of interest rate risk during the year (2015: None).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

(c) (i) Interest rate risk (continued)

Interest-bearing variable rate instruments and related derivatives reprice as follows:

	2016					
	Total \$000	6 Months or Less \$000	6–12 Months \$000	1–3 Years \$000	3–4 Years \$000	4–5 Years \$000
Cash and cash equivalents	3,589	3,589	–	–	–	–
Bank overdrafts and borrowings	(55,234)	(55,234)	–	–	–	–
Bank loans	(121,400)	(121,400)	–	–	–	–
Interest rate swaps						
Notional cash inflows	168,000	168,000	–	–	–	–
Notional cash outflows	(168,000)	–	(25,000)	(55,000)	(15,000)	(73,000)
Total variable rate	(173,045)	(5,045)	(25,000)	(55,000)	(15,000)	(73,000)
	2015					
	Total \$000	6 Months or Less \$000	6–12 Months \$000	1–3 Years \$000	3–4 Years \$000	4–5 Years \$000
Cash and cash equivalents	5,960	5,960	–	–	–	–
Bank overdrafts and borrowings	(56,218)	(56,218)	–	–	–	–
Bank loans	(98,562)	(98,562)	–	–	–	–
Interest rate swaps						
Notional cash inflows	140,000	140,000	–	–	–	–
Notional cash outflows	(140,000)	–	(10,000)	(45,000)	(25,000)	(60,000)
Total variable rate	(148,820)	(8,820)	(10,000)	(45,000)	(25,000)	(60,000)

Effects of hedge accounting on the financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships.

	2016					
	Nominal \$000	Weighted Average Rate	Carrying Amounts Assets \$000	Carrying Amounts Liabilities \$000	Change In Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
Cash flow hedges						
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(176,400)	2.82%	n/a	n/a	9,561	n/a
Hedging instrument: Interest rate swaps	168,000	3.66%	–	(9,266)	(9,266)	9,266
	2015					
	Nominal \$000	Weighted Average Rate	Carrying Amounts Assets \$000	Carrying Amounts Liabilities \$000	Change In Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
Cash flow hedges						
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(154,780)	3.50%	n/a	n/a	5,179	n/a
Hedging instrument: Interest rate swaps	140,000	3.90%	–	(4,927)	(4,927)	4,927

The interest rate swaps include \$36.0m of forward starting swaps (2015: \$20.0m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

(c) (ii) Foreign currency risk



The Group is exposed to foreign currency risk as a result of sales and investments denominated in foreign currencies, as well as the foreign currency exposure arising from USD denominated fuel purchases. The Group has entered into forward exchange contracts and foreign currency options (hedging instruments) to hedge the variability in cash flows arising from foreign exchange rate movements in relation to foreign currency sales (hedged item) up to two years forward. Minimum and maximum hedging levels for the next two years expected sales volumes are stipulated by its Board approved Treasury Policy. In the current period, the Group designated the highly probable forecast transactions and the forward exchange contracts and options into cash flow hedge relationships.

Forward exchange contracts and foreign currency options are recognised within Derivative Financial Instruments on the statement of financial position as at balance date. The fair value gains and losses on these derivatives were recognised in OCI and transferred to profit or loss when the underlying transactions affected the profit or loss within revenue and cost of sales in the income statement. The amounts designated as the hedged item in qualifying cash flow hedges mirror the amounts designated as hedging instruments as set out below, therefore the Group has established a 1:1 hedge ratio.

Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. The source of any ineffectiveness would be largely due to credit risk adjustments on the derivatives and timing of cash flows. No ineffectiveness arose on cash flow hedges of foreign currency transactions during the year (2015: None).

As at 30 September 2016, the Group's exposure to foreign currency risk for the next 12 months can be summarised as follows:

(figures are NZD)	2016				
	USD \$000	AUD \$000	JPY \$000	EUR \$000	GBP \$000
Cash	38	213	46	-	7
Trade receivables	36,190	3,667	1,911	39	91
Trade payables	(1,441)	(355)	-	-	-
Net statement of financial position exposure before hedging activity	34,787	3,525	1,957	39	98
Forecast net receipts	189,564	13,125	11,028	3,730	1,935
Net cash flow exposure before hedging activity	224,351	16,650	12,985	3,769	2,033
Forward exchange contracts and options	(123,882)	(15,758)	(12,283)	-	-
Net un-hedged exposure	100,469	892	702	3,769	2,033

(figures are NZD)	2015 (Restated)				
	USD \$000	AUD \$000	JPY \$000	EUR \$000	GBP \$000
Cash	2,059	311	30	28	16
Trade receivables	31,965	3,747	2,002	78	231
Trade payables	(339)	-	-	-	-
Net statement of financial position exposure before hedging activity	33,685	4,058	2,032	106	247
Forecast net receipts	167,478	24,573	14,379	4,899	1,487
Net cash flow exposure before hedging activity	201,163	28,631	16,411	5,005	1,734
Forward exchange contracts and options	(175,428)	(18,433)	(12,174)	-	-
Net un-hedged exposure	25,735	10,198	4,237	5,005	1,734

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

(c) (ii) Foreign currency risk (continued)

Effects of hedge accounting on the financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships.

	2016				
	Nominal \$000	Carrying Amounts Assets \$000	Carrying Amounts Liabilities \$000	Change in Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
Cash flow hedges*					
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	210,998	n/a	n/a	(16,234)	n/a
Hedging instruments:					
Forward exchange contracts	(103,218)	8,785	(736)	8,049	(8,049)
Hedging instruments:					
Foreign currency options	(107,780)	8,042	(43)	7,999	(7,999)
	2015				
	Nominal \$000	Carrying Amounts Assets \$000	Carrying Amounts Liabilities \$000	Change in Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
Cash flow hedges*					
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	384,138	n/a	n/a	27,060	n/a
Hedging instruments:					
Forward exchange contracts	(193,269)	213	(14,518)	(14,305)	14,305
Hedging instruments:					
Foreign currency options	(190,869)	317	(12,509)	(12,192)	12,192

* Includes hedges of all forecast future transactions

(c) (iii) Fuel price risk



The Group is exposed to fuel price risk through its purchases of fuel for its fishing fleet.

Fuel price risk is the risk of loss to the Group due to adverse fluctuations in fuel prices in USD terms. The currency exposure arising from USD fuel costs is managed separately (see foreign currency risk management). The Group's fuel price risk has the following contractually specified components: gas oil and light fuel oil prices, and shipping costs.

The Group enters into gas oil and light fuel oil commodity swaps to reduce the variability in those components of fuel costs, which historically have comprised approximately 85% of total fuel cost. Minimum and maximum hedging levels for the next two years expected purchase volumes are stipulated by its Board approved Treasury Policy. A 1:1 hedge ratio is used, reflecting the match of the hedging instruments and the component exposures in the fuel costs.

Fuel derivatives are recognised within Derivative Financial Instruments on the statement of financial position as at balance date and were designated as the hedging instruments in qualifying cash flow hedges. The fair value gains and losses on these derivatives were recognised in OCI and transferred from OCI and included in the initial carrying amount of inventory. When the fuel is consumed it is expensed to the profit or loss within cost of sales in the income statement.

For hedge relationships designated after 1 October 2015, due to NZ IFRS 9 allowing components of fuel costs to be designated, hedge ineffectiveness is only expected to result from credit valuation adjustments and any shortfalls in the amounts of the expected exposures. Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. Any ineffectiveness is recognised within cost of sales in the income statement.

All fuel derivative contracts mature within 24 months of balance date (2015: 24 months).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

(c) (iv) Reconciliation of changes in hedge reserves

The movement in the fair value of hedging instruments which are deferred to the cash flow hedge reserve during the year are set out below, together with changes in the cost of hedging reserve:

Recognised in Statement of Changes in Equity Hedge Reserves	2016			
	Hedging instruments used to hedge			Total \$000
	Interest rate risk \$000	Currency risk \$000	Fuel price risk \$000	
Balance at the beginning of the year	(3,548)	(20,464)	(1,843)	(25,855)
Changes in cash flow hedge reserve	(4,338)	43,518	1,903	41,083
Changes in cost of hedging reserve	-	3,631	-	3,631
Taxation on reserve movements	1,215	(13,202)	(533)	(12,520)
Balance at the end of the year	(6,671)	13,483	(473)	6,339

Recognised in Statement of Changes in Equity Hedge Reserves	2015			
	Hedging instruments used to hedge			Total \$000
	Interest rate risk \$000	Currency risk \$000	Fuel price risk \$000	
Balance at the beginning of the year	980	(1,514)	-	(534)
Changes in cash flow hedge reserve	(6,289)	(26,343)	(2,560)	(35,192)
Changes in cost of hedging reserve	-	24	-	24
Taxation on reserve movements	1,761	7,369	717	9,847
Balance at the end of the year	(3,548)	(20,464)	(1,843)	(25,855)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

(c) (v) Sensitivity to changes in market prices or rates



All derivatives are measured at fair value and changes in market inputs used to determine these fair values would have an impact on the Group's financial statements. For each type of market risk that the entity is exposed to at the end of the reporting period, the below sensitivity analysis shows the impacts of reasonably plausible changes in the relevant market variables on the profit or loss and OCI for the period. The effects of a variation in a particular assumption is calculated independently of any changes in another assumption. As this sensitivity analysis is only on financial instruments (derivative and non-derivative), these ignore the offsetting impacts of future forecast transactions designated as hedged items to the derivatives held.

		2016		2015	
		\$000 Increase	\$000 Decrease	\$000 Increase	\$000 Decrease
Impact on other comprehensive income (net of tax):					
Sensitivity to changes in interest rates					
100 bp change in interest rates	Increase (decrease) in OCI	3,895	(4,170)	3,375	(3,610)
Sensitivity to changes in foreign exchange rates					
10% change in foreign exchange rates	Increase (decrease) in OCI	13,116	(14,736)	23,679	(29,228)
Sensitivity to changes in fuel prices					
10% change in gas oil/light fuel oil prices	Increase (decrease) in OCI	887	(888)	893	(893)
Impact on profit after taxation:					
Sensitivity to changes in interest rates					
100 bp change in interest rates	(Decrease) increase in profit after tax	(103)	103	(74)	74
Sensitivity to changes in foreign exchange rates					
10% change in foreign exchange rates	(Decrease) increase in profit after tax	(736)	980	118	(111)

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of capital structure on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(e) Master netting arrangements

Sanford enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts. Under the ISDA agreements the right to offset is enforceable only on the occurrence of future events such as a default on bank loans or other credit events. The potential net impact of this offsetting is shown below. Sanford does not hold and is not required to post collateral against its derivative positions.

Net derivatives after applying rights of offset under ISDA agreements

	2016 \$000	2015 \$000
Derivative assets	20,740	–
Derivative liabilities	(11,463)	(40,760)
Net amount	9,277	(40,760)

NOTE 20 – OPERATING LEASES



Payments made under operating leases, where the lessors effectively retain the risks and benefits of ownership, are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Non-cancellable operating lease rentals are payable as follows:

	2016 \$000	2015 \$000
Less than one year	5,053	4,726
Between one and five years	15,521	15,573
More than five years	27,036	28,153
	47,610	48,452

Lease of premises

The Group leases land and buildings under operating leases. The leases typically run for a period of 25 years with an option to renew the lease after that date. Lease payments are increased periodically to reflect market rentals.

Lease of annual catch entitlement (ACE)

The Group acts as a lessor and lessee in respect of leasing certain ACE to and from other ACE holders in the industry.

	2016 \$000	2015 \$000
Lessor of ACE	9,328	10,740
Lessee of ACE	8,261	8,571

The leasing arrangements are never for more than one year and vary each year in respect of species and amount.

NOTE 21 – CONTINGENT LIABILITIES

	2016 \$000	2015 \$000
Guarantees (Joint Operation)	–	10,125
Guarantees (Other)	566	3,942

The Group considers guarantees to be insurance arrangements and accounts for them as such. In this respect the Group treats the guarantee contracts as contingent liabilities until such times as it becomes probable that the Group will be required to make payments under the guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 22 – RELATED PARTY TRANSACTIONS

(a) Basis of transactions

Related parties of the Group include the joint ventures, associates and joint operation disclosed in note 24.

Transactions with related parties have been entered into in the ordinary course of business and undertaken on normal commercial terms.

(b) Material transactions and balances with related parties

	Transaction Value Joint Ventures and Associates		Transaction Value Joint Operation	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Income/(Expenses)				
Management fees	175	248	-	-
Sales	-	-	4,609	2,824
Dividends received	854	664	-	-
Processing	(1,469)	(2,297)	-	-
Freight	(77)	(133)	-	-
Purchases	-	-	(33,872)	(20,370)
	(517)	(1,518)	(29,263)	(17,546)

	Amounts Owing from Related Parties	
	2016 \$000	2015 \$000
Joint Ventures and Associates	424	527
Joint Operation	14,274	1,937
	14,698	2,464

In respect of the joint operation the transaction values and amounts owing are eliminated on consolidation and are therefore for information purposes. Except for North Island Mussels Limited (NIML) no interest is charged on balances between New Zealand related parties. Interest is charged at market rates on balances with Australian subsidiaries and NIML. All related party balances are repayable on demand. The parties have agreed not to call upon the loans within 12 months from balance date.

NOTE 23 – KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation comprised:

	2016 \$000	2015 \$000
Salary and short-term employee benefits	6,153	5,335
Directors' fees	647	510
Share-based payments	171	97
	6,971	5,942

Key management personnel is defined as the executive and their direct reports.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 24 – GROUP ENTITIES

Basis of consolidation



Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated on consolidation.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. The Group classifies its joint arrangements as either joint operations or joint ventures depending on the legal, contractual or other rights and obligations. Where the interest in the joint arrangement is in the net residual of the business, the arrangement is a joint venture. Joint ventures are accounted for using the equity method; the equity method of accounting is detailed in note 13. Where the Group has rights to the assets, and obligations for liabilities of the joint arrangement, this is a joint operation. The Group recognises its share of assets, liabilities, revenues and expenses of each joint operation.

The Sanford Group comprises the Company and the following principal entities:

Name	2016 Interest Held (%)	2015 Interest Held (%)	Balance Date	Principal Activity
Subsidiaries:				
New Zealand				
Auckland Fish Market Limited	100	100	30 September	Auction
Sanford Fish Market Limited	100	100	30 September	Retail
Sanford Investments Limited	100	100	30 September	Investment company
Sanford LTI Limited	100	100	30 September	Holding company
Shellfish Production & Technology NZ Limited	100	100	30 September	Research company
BreedCo Limited	80	80	30 September	Research company
Auckland Fishing Port Limited	67	67	31 March	Wharf company
Australia				
Sanford Australia Pty Limited	100	100	30 September	Auction
Sanford Seafoods (Australia) Pty Limited	100	100	30 September	Holding company
Primestone Nominees Pty Limited	75	75	30 September	Seafood wholesaler
Joint operation:				
New Zealand				
North Island Mussels Limited	50	50	30 September	Mussel farming and seafood processing
Joint ventures and associates:				
New Zealand				
Perna Contracting Limited	50	50	31 March	Mussel harvesting
San Won Limited	50	50	30 September	Cold storage
New Zealand Japan Tuna Company Limited	46.74	46.74	30 September	Fish catching and processing
Live Lobster Southland (1995) Limited	25	25	31 March	Seafood processing
Trident Systems General Partner Limited	42.35	42.35	30 September	Research company
Precision Seafood Harvesting General Partner Limited	33.33	33.33	30 September	Research company
China				
Weihai Dong Won Food Company Limited	50	50	31 December	Seafood processing

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 25 – RECONCILIATION OF PREVIOUSLY REPORTED STATEMENTS

Income Statement for the year ended 30 September 2015

	12 months ended 30 September 2015	Change in Accounting Policy (i)	Disclosure Change (ii)	12 months ended 30 September 2015 (Restated)
	\$000	\$000	\$000	\$000
Revenue	444,289	-	(4,987)	439,302
Cost of sales	(330,728)	-	-	(330,728)
Gross profit	113,561	-	(4,987)	108,574
Other income	4,424	-	-	4,424
Distribution expenses	(28,361)	-	-	(28,361)
Administrative expenses	(21,561)	-	-	(21,561)
Other expenses	(18,255)	-	-	(18,255)
Operating profit	49,808	-	(4,987)	44,821
Finance income	263	-	-	263
Finance expenses	(14,669)	(24)	4,987	(9,706)
Net finance income	(14,406)	(24)	4,987	(9,443)
Share of profit of equity accounted investees	1,190	-	-	1,190
Profit before income tax	36,592	(24)	-	36,568
Income tax expense	(12,149)	-	-	(12,149)
Profit for the year from continuing operations	24,443	(24)	-	24,419
Loss for the year from discontinued operation	(10,641)	-	-	(10,641)
Profit for the year	13,802	(24)	-	13,778
Profit attributable to:				
Equity holders of the parent	13,823	(24)	-	13,799
Non controlling interest	(21)	-	-	(21)
	13,802	(24)	-	13,778
Earnings per share from continuing and discontinued operations attributable to equity holders of the Company during the year (expressed in cents per share)				
Basic and diluted earnings per share (cents)				
From continuing operations	26.2	-	-	26.2
From discontinued operation	(11.4)	-	-	(11.4)
From profit for the year	14.8	-	-	14.8

(i) Change in accounting policy

The restated figures reflect the impact of the change in the treatment of the time value component of option contracts designated in hedging relationships as further described in note 2(e).

(ii) Disclosure change

Foreign exchange gains and losses on hedging instruments linked to sales transactions which have already taken place were previously taken to profit or loss through finance income and expenses. The Directors have determined that these are more appropriately presented as an offset to the transactions to which they relate, in revenue.

Comparative disclosures have been restated to reflect this disclosure change.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 25 – RECONCILIATION OF PREVIOUSLY REPORTED STATEMENTS (continued)

Statement of Comprehensive Income for the year ended 30 September 2015

	12 months ended 30 September 2015 \$000	Change in Accounting Policy (i) \$000	12 months ended 30 September 2015 (Restated) \$000
Profit for the year (after tax)	13,802	(24)	13,778
Other comprehensive income			
<i>Items that may be reclassified to the income statement</i>			
Foreign currency translation differences	(132)	-	(132)
Change in fair value of cash flow hedges	(35,192)	-	(35,192)
Income tax on cash flow hedges	9,854	-	9,854
Cost of hedging gains recognised in other comprehensive income	-	24	24
Income tax on cost of hedging gains	-	(7)	(7)
<i>Items that may not be reclassified to the income statement</i>			
Amount of treasury share cost expensed in relation to share-based payment	97	-	97
Other comprehensive income for the year	(25,373)	17	(25,356)
Total comprehensive income for the year	(11,571)	(7)	(11,578)
Total comprehensive income for the year is attributable to:			
Equity holders of the parent	(11,539)	(7)	(11,546)
Non controlling interest	(32)	-	(32)
Total comprehensive income for the year	(11,571)	(7)	(11,578)
Total comprehensive income attributable to equity shareholders arises from:			
- continuing operations	(930)	(7)	(937)
- discontinued operation	(10,641)	-	(10,641)
	(11,571)	(7)	(11,578)

(i) Change in accounting policy

The restated figures reflect the impact of the change in the treatment of the time value component of option contracts designated in hedging relationships as further described in note 2(e).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 25 – RECONCILIATION OF PREVIOUSLY REPORTED STATEMENTS (continued)

Statement of Financial Position as at 30 September 2015

	30 September 2015	Change in Accounting Policy (i)	30 September 2015 (Restated)
	\$000	\$000	\$000
Current assets			
Cash on hand and at bank	5,960	–	5,960
Trade receivables	51,305	–	51,305
Other receivables and prepayments	3,472	–	3,472
Biological assets	12,349	–	12,349
Inventories	36,433	–	36,433
Assets held for sale	18,189	–	18,189
Total current assets	127,708	–	127,708
Non-current assets			
Property, plant and equipment	93,658	–	93,658
Investments	10,964	–	10,964
Biological assets	12,654	–	12,654
Intangible assets	500,356	–	500,356
Total non-current assets	617,632	–	617,632
Total assets	745,340	–	745,340
Current liabilities			
Bank overdraft and borrowings (secured)	56,218	–	56,218
Current portion of term loan (secured)	10,402	–	10,402
Derivative financial instruments	15,139	–	15,139
Trade and other payables	28,199	–	28,199
Taxation payable	1,429	–	1,429
Liabilities held for sale	2,695	–	2,695
Total current liabilities	114,082	–	114,082
Non-current liabilities			
Bank loans (secured)	88,160	–	88,160
Contributions received in advance	3,609	–	3,609
Employee entitlements	1,892	–	1,892
Derivative financial instruments	25,621	–	25,621
Deferred taxation	(1,495)	(540)	(2,035)
Lease obligation	941	–	941
Total non-current liabilities	118,728	(540)	118,188
Total liabilities	232,810	(540)	232,270
Equity			
Paid in capital	95,027	–	95,027
Retained earnings	440,996	1,931	442,927
Other reserves	(23,944)	(1,391)	(25,335)
Shareholder funds	512,079	540	512,619
Non controlling interest	451	–	451
Total equity	512,530	540	513,070
Total equity and liabilities	745,340	–	745,340

(i) Change in accounting policy

The restated figures reflect the impact of the change in the treatment of the time value component of option contracts designated in hedging relationships as further described in note 2(e).

NOTE 26 – SUBSEQUENT EVENTS

An earthquake struck the top of the South Island in the early hours of 14th November. At the announcement date of these financial statements, the Group has determined that most importantly no injuries were sustained by the Sanford team. The earthquake has only affected the Havelock mussel processing plant, which is fully insured. The exact impact is still being established and should it be necessary, the Group has contingency plans through its NIML mussel processing plant in Tauranga to ensure continuity of supply (2015: Nil).

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF SANFORD LIMITED

We have audited the accompanying consolidated financial statements of Sanford Limited and its subsidiaries ("the group") on pages 141 to 181. The financial statements comprise the consolidated statement of financial position as at 30 September 2016, the consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the consolidated financial statements

The directors are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the group in relation to sustainability assurance and accounting advisory services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Opinion

In our opinion, the consolidated financial statements on pages 141 to 181 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Sanford Limited as at 30 September 2016 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of the KPMG firm, written in dark ink. The letters 'KPMG' are clearly legible and written in a cursive, professional style.

16 November 2016

Auckland

STATUTORY INFORMATION

SHAREHOLDING ANALYSIS

AS AT 30 SEPTEMBER 2016

	Number of Shareholders	%	Number of Shares	%
Size of Holding				
1 – 999	468	22.60	206,335	0.22
1,000 – 4,999	955	46.11	2,002,207	2.14
5,000 – 9,999	288	13.91	1,864,945	1.99
10,000 – 49,999	276	13.33	5,388,689	5.76
50,000 – 99,999	29	1.40	1,941,706	2.07
Over 100,000	55	2.65	82,222,853	87.82
	2,071	100.0	93,626,735	100.0

TWENTY LARGEST SHAREHOLDERS

AS AT 30 SEPTEMBER 2016

Shareholder	Number of Shares
Amalgamated Dairies Limited	25,471,567
New Zealand Central Securities Depository Limited ¹	12,532,684
Avalon Investment Trust Limited	8,606,054
Masfen Securities Limited	4,079,605
Maruha Nichiro Corporation	4,036,500
Cazna (2904) Limited	3,434,370
Investment Custodial Services Limited	2,767,976
Waikato Investment Company Limited	2,576,580
Forsyth Barr Custodians Limited	2,549,499
Sterling Nominees Limited	2,159,037
Kevin Glen Douglas & Michelle McKenney Douglas – K & M Douglas A/C	1,330,182
3640 Limited	1,297,731
Cazna (JAG) Limited & Cazna (JAG2) Limited – J A Goodfellow A/C	1,182,012
NZ Guardian Trust Company Limited – A/c 01036200	699,994
James Douglas & Jean Ann Douglas – Douglas Family A/C	593,721
Kevin Douglas & Michelle Douglas – Douglas Irrevocable A/C	593,503
Seaford Holdings Limited	534,750
Vela Holdings Limited	531,404
The Goodfellow Foundation Incorporated	518,687
Mary Dorcas Spackman	500,000

¹ New Zealand Central Securities Depository Limited provides a custodial depository service to institutional shareholders and does not have a beneficial interest in these shares. Its major holders are:

Citibank Nominees (New Zealand) Limited	3,123,322
JP Morgan Chase Bank NZ Branch – Segregated Clients Acct	2,355,177
National Nominees New Zealand Limited	1,897,681
HSBC Nominees (New Zealand) Limited	1,596,950
Accident Compensation Corporation	1,400,000
New Zealand Permanent Trustees Limited	1,000,000
BNP Paribas Nominees (NZ) Limited	700,587

STATUTORY INFORMATION

SUBSTANTIAL PRODUCT HOLDERS

According to the Company's records and substantial product holder notices given to the Company under the Financial Markets Conduct Act 2013, as at 30 September 2016 the following were substantial product holders in the Company through having a relevant interest in the Company's ordinary shares as shown below.

	Number of Voting Securities
Avalon Investment Trust Limited	8,606,054
Amalgamated Dairies Limited	25,471,567*
Paul Gerard Keeling and Edgar William Preston	26,404,517*

The total number of Voting Securities of Sanford Limited on issue as at 30 September 2016 was 93,484,402.

Because of the provisions of the Financial Markets Conduct Act 2013 more than one relevant interest can exist in the same Voting Security.

* The shares held by Amalgamated Dairies Limited are included in the shares in which Messrs Keeling and Preston have a relevant interest.

EMPLOYEES' REMUNERATION

	NUMBER OF EMPLOYEES	
	2016	2015
\$100,000 – \$109,999	22	16
\$110,000 – \$119,999	11	15
\$120,000 – \$129,999	11	5
\$130,000 – \$139,999	10	6
\$140,000 – \$149,999	5	10
\$150,000 – \$159,999	6	4
\$160,000 – \$169,999	4	1
\$170,000 – \$179,999	2	3
\$180,000 – \$189,999	1	2
\$190,000 – \$199,999	4	1
\$210,000 – \$219,999	1	1
\$220,000 – \$229,999	1	3
\$230,000 – \$239,999	1	1
\$240,000 – \$249,999	2	–
\$250,000 – \$259,999	1	–
\$260,000 – \$269,999	1	2
\$280,000 – \$289,999	1	–
\$300,000 – \$309,999	1	–
\$310,000 – \$319,999	–	1
\$320,000 – \$329,999	1	–
\$330,000 – \$339,999	1	–
\$340,000 – \$349,999	–	1
\$370,000 – \$379,999	1	–
\$400,000 – \$409,999	–	1
\$450,000 – \$459,999	–	1
\$470,000 – \$479,999	1	–
\$490,000 – \$499,999	1	–
\$500,000 – \$509,999	1	–
\$600,000 – \$609,999	–	1
\$710,000 – \$719,999	–	1
\$970,000 – \$979,999	–	1
\$990,000 – \$999,999	1	–

SANFORD GRI CONTENT INDEX 2016

GENERAL STANDARD DISCLOSURES

This Report has been developed in accordance with International Integrated Reporting Council (IIRC) Integrated Report <IR> Framework. The Global Reporting Initiative (GRI) G4 Guidelines, 2013 were applied to a core level of compliance. Where relevant, reference has also been made to the GRI G4 Disclosure for Food Processing, 2014 in relation to specific indicators and aspects.

As this 2016 Report goes to print, the Global Reporting Initiative (GRI) international reporting framework has recently been upgraded from a guideline to an international reporting standard and this includes some content changes. These changes will be reflected in Sanford's 2017 Annual Report.

Disclosures	Description	Section description and page number
STRATEGY AND ANALYSIS		
G4-1	Chairman, CEO statement	Building Momentum, pages 12-15
ORGANISATIONAL PROFILE		
G4-3	Name	Sanford Limited
G4-4	Operations	Aquaculture, fishing, fish processing, retail; refer Our Global Operations, pages 8-9
G4-5	Head Office	22 Jellicoe Street, Auckland, New Zealand
G4-6	Locations	Our Global Operations, pages 8-9
G4-7	Legal form	NZX listed New Zealand limited liability company
G4-8	Markets and customers	Our Global Operations, pages 8-9; Sustainable Seafood Business, pages 38-39
G4-9	Scale of operation	Our Global Operations, pages 8-9; Our Business Model, pages 10-11
G4-10	Workforce	Great Prospects for Our People, pages 51-64
G4-11	Collective agreements	Great Prospects for Our People, page 56
G4-12	Supply chain	Operations Overview, page 38; Healthy Food, pages 69, 78-80
G4-13	Business changes	Financial and Operations Overviews, pages 36-39; Financial Statements, pages 139-184
G4-14	Precautionary principle	Corporate Governance, pages 122-132; Healthy Oceans, pages 85-97
G4-15	Charters	Engaging with our stakeholders, pages 18-21
G4-16	Memberships	Reporting What Matters, page 21
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Organisation	About this Report, pages 6-7; Financial Statements – Group Entities, page 178
G4-18	Report content	About this Report, pages 6-7
G4-19	Material issues	Reporting What Matters – our material issues, pages 22-23
G4-20	Scope – Boundary inside	Material issues cover all Sanford entities unless otherwise stated, page 7
G4-21	Scope – Boundary outside	About this Report, pages 6-7; How We Create Value, pages 10-11
G4-22	Restatements	Key Performance Indicators, pages 134-135; Financial Statements, pages 139-184
G4-23	Changes	Reporting what matters, pages 22-23; Financial and Operations Overviews, pages 36-39
STAKEHOLDER ENGAGEMENT		
G4-24	Stakeholders - Groups	Reporting What Matters – engaging with our stakeholders, pages 18-21
G4-25	Stakeholders – Basis	Reporting What Matters – engaging with our stakeholders, pages 18-21
G4-26	Stakeholders – Approach	Reporting What Matters – engaging with our stakeholders, pages 18-21
G4-27	Stakeholders – Key Topics	Reporting What Matters – engaging with our stakeholders, pages 18-21
REPORT PROFILE		
G4-28	Report period	1 October 2015 to 30 September 2016
G4-29	Last report	Sanford Annual Report 2015 – SALT IN OUR VEINS
G4-30	Reporting cycle	Annual
G4-31	Contact	Contact info@sanford.co.nz with queries or feedback
G4-32	GRI compliance	Core
G4-33	Assurance	Non-financial, pages 136-137; Financial, page 182
GOVERNANCE		
G4-34-55	Governance	Sustainable Seafood Business page 40; Corporate Governance, pages 122- 132
ETHICS AND INTEGRITY		
G4-56-58	Ethics and values	Our Business Model, pages 10-11; Corporate Governance, pages 122-132

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SPECIFIC STANDARD DISCLOSURES

DMA AND INDICATORS	Description	Report section title	Section description and page number
CATEGORY: ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE (M: Shareholder value and risk)			
G4-DMA	Approach	Sustainable seafood business Healthy oceans	Year in numbers, pages 16-17; Financial, operations and customer overviews, pages 36-39; Governance and communication, page 40; Innovation, pages 41-45
G4-EC1	Economic value	Enduring communities and partnerships	Shareholder Value and risk, pages 24-25, 35-39; Continuous Improvement: ISO14001 and Sanford 2020: pages 118-121; Partnerships, pages 100-111; KPIs, pages 134-135; Financial statements, pages 139-184
G4-EC4	Government assistance		SPAT _{NZ} pages 13, 44-45; HVN page 42; Greenshell™ pages 42-44; PSH, pages 15, 45, 85 and 92-93; EECA page 119
CATEGORY: ENVIRONMENTAL			
ASPECT: ENERGY (M: Resource utilisation and efficiency)			
G4-DMA	Approach	Protecting and enhancing environments	Resource efficiency and utilisation, pages 118-119
G4-EN3	Energy		Environmental effects, pages 116-117; KPIs, page 135
G4-EN6	Reduction of energy		Resource efficiency, pages 118-119; EECA, page 119; carbon reduction and offsetting, page 120-121; KPIs, page 135
ASPECT: BIODIVERSITY (M: Sustainable fish stocks and marine farms)			
G4-DMA	Approach	Healthy oceans	Sustainable fish stocks, pages 86-91
G4-EN12	Impact		Sustainable fish stocks and marine farms, pages 86-91; Marine conservation, pages 92-93; Endangered, threatened and protected species, pages 94-96; KPIs pages 134-135
ASPECT: EMISSIONS (M: Carbon reduction and offsetting)			
G4-DMA	Approach	Protecting and enhancing environments	Carbon reduction and offsetting, pages 120-121
G4-EN15	GHG (Scope 1)		Carbon reduction and offsetting, pages 120-121; KPIs pages 134-135
G4-EN16	GHG (Scope 2)		Carbon reduction and offsetting, pages 120-121, KPIs pages 134-135
G4-EN17	GHG (Scope 3)		Carbon reduction and offsetting, pages 120-121, KPIs pages 134-135
ASPECT: EFFLUENTS AND WASTE (M: Sustainable fish stocks and marine farms)			
G4-DMA	Approach	Healthy oceans	Sustainable fish stocks, pages 86-91; Environmental effects, pages 116-117
G4-EN24	Spills	Protecting and enhancing environments	Environmental effects, pages 116-117; KPIs pages 134-135
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT (M: Developing our people)			
G4-DMA	Approach	Our people Enduring communities and partnerships	Leadership and our values, pages 60-63; Engagement and employment, pages 101-102; Strategic partnerships, pages 104-111
G4-LA1	Hires and turnover		Developing our people, pages 56-60; Leadership and our values, pages 60-63
ASPECT: OCCUPATIONAL HEALTH AND SAFETY (M: Health, safety and wellbeing)			
G4-DMA	Approach	Our people	Health, safety and wellbeing, pages 52-55
G4-LA6	Injury Statistics		Health, safety and wellbeing, pages 52-53; KPIs page 134
ASPECT: TRAINING AND EDUCATION (M: Developing our people)			
G4-DMA	Approach	Our people	Developing our people, pages 56-60
LA9	Training		Developing our people, pages 56-60, KPIs pages 134-135
SUB-CATEGORY: SOCIETY			
ASPECT: LOCAL COMMUNITIES (M: Engagement and employment)			
G4-DMA	Approach	Enduring communities and partnerships	Engagement and employment, pages 101-102
G4-SO1	Programmes		Strategic partnerships, pages 104-111
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY (M: Food safety and quality)			
G4-DMA	Approach	Healthy food	Food safety and quality, pages 70-73
G4-PR2	Non-compliance		Food safety and quality (compliance), pages 70-73; KPIs pages 134-135
G4-FP5 ¹	Third party certification		Certifications, page 70; Compliance audits, page 73; Traceability, page 76; KPIs pages 134-135
G4-FP13 ¹	Non-compliance		Compliance, page 70; Product quality and testing, pages 70-71; complaints response, page 72; product recall, page 73, KPIs pages 134-135
ASPECT: PRODUCT AND SERVICE LABELLING (M: Customer relationships and traceability)			
G4-DMA	Approach	Healthy food Healthy oceans	Customer/consumer relationships and product traceability, pages 74-77; Sustainable fish stocks and marine farms, pages 86-91
G4-PR3	Information required		Sustainable fish stocks, pages 86-91; Certifications, pages 73, 91; Tiaki, pages 76-77, 93; Traceability, page 76
G4-PR5	Customer satisfaction		Customer survey, page 74; Customer relationships, pages 74-77

¹ Aspects and indicators sourced from GRI *G4 Disclosure for Food Processing*, 2014

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Paul Norling, Chairman
Elizabeth (Liz) Coutts
Bruce Goodfellow
Peter Goodfellow
Peter Kean
Robert McLeod

EXECUTIVE MANAGEMENT

Volker Kuntzsch, Chief Executive Officer
Clement Chia, Chief Financial Officer
Andre Gargiulo, Chief Customer Officer
Greg Johansson, Chief Operating Officer

REGISTERED OFFICE

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Facsimile +64 9 309 1190

Email info@sanford.co.nz

Website www.sanford.co.nz

PRINCIPAL BANKERS

ANZ Bank New Zealand Limited
Bank of New Zealand
Rabobank New Zealand Limited

SOLICITORS

Chapman Tripp
Russell McVeagh

GROUP AUDITORS

KPMG, Auckland

STOCK EXCHANGE

The Company's shares trade on the New Zealand Stock Exchange (NZX).

NZX Trading Code: SAN

The minimum marketable parcel on the Exchange is 100 shares (price \$2 to \$5 per share) or 50 shares (price \$5 to \$10 per share)

SHARE REGISTRAR

Computershare Investor Services Limited
Private Bag 92 119
Auckland 1142
New Zealand

159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

MANAGING YOUR SHAREHOLDING ONLINE

To change your address, update your payment instructions and to view your investment portfolio including transactions please visit:

www.investorcentre.com/nz

GENERAL ENQUIRIES

General enquiries can be directed to:

enquiry@computershare.co.nz

Private Bag 92 119

Auckland 1142

New Zealand

Telephone +64 9 488 8777

Please assist our registrar by quoting your CSN or shareholder number.

Other queries should be directed to the General Manager Risk and Corporate Affairs at the Registered Office.

ANNUAL MEETING

The Annual Meeting will be held at 2.00pm Wednesday, 14 December 2016 at The Maritime Room, Princes Wharf, Corner Quay and Customs Streets, Auckland.

R

ROASTED BLUE MUSSELS WITH LOCAL WAKAME, REKA PASTE AND FLOWERS

CHEF: BRADLEY HORNBY

Sanford teamed up with local chef Bradley Hornby of “Arbour” Restaurant in Blenheim to utilise by-products from both mussel farming and processing. This restaurant now has blue mussels and seaweed featuring on the restaurant’s mouth-watering menu. Refer to page 44 of this Report for further details

SERVES FOUR

ROASTED MUSSELS

12 each blue mussels

100 gm Marlborough rock salt

3 large stalks wild fennel

6 each fresh bay leaves

2 each lemon zest (large strips)

2 gm Marlborough flaky sea salt

½ each lemon juice

METHOD

Preheat oven to its highest setting.

Place the rock salt and aromats onto a baking tray and place the mussels on top.

Cool until the mussels begin to open.

Remove from oven and allow to cool enough to handle.

Remove the mussel from the shell and remove the beard also. Season with flaky sea salt and lemon juice.

Set to one side for service.

FRESH WAKAME SALAD

300 gm fresh wakame (thoroughly washed)

50 ml good quality light soy

25 gm Urban Hippie™ miso

½ each lemon juice

70 ml extra virgin olive oil

3 gm togarashi (Japanese chilli spice)

Bring a large pot of salted water to a boil.

Quickly blanch the wakame until the colour turns bright green and plunge into ice water immediately to stop the cooking process.

Drain the wakame and dry with paper towels.

Place all other ingredients in a bowl and whisk to combine.

Dress the blanched wakame with enough of the dressing to coat lightly.



REKA PASTE

4 each nori sheets

2 each kombu sheets

100 ml mirin

50 gm caster sugar

5 gm wasabi

50 ml light soy

50 ml olive oil

50 ml rice wine vinegar

½ each lemon juice

Place all ingredients into a suitably sized sauce pan and bring to the boil.

Turn down to a simmer and cook for 20 minutes.

Transfer contents to a jug blender and puree on high speed for two minutes.

Pass through a fine sieve into a storage container.

This paste will last for up to one month when refrigerated.

“

This dish was inspired by our desire to utilise and showcase some lesser used but equally delicious local produce. It was only through meeting Ted Culley and his passion for food that we are able to serve this dish in our Marlborough restaurant Arbour.

Bradley Hornby

CHEF AND OWNER, ARBOUR RESTAURANT, MARLBOROUGH

TO FINISH

Picked wild fennel

Chives flowers

Mustard flowers

1 each shaved fennel bulb

Togarashi

To finish the dish spread some of the reka paste onto the base of a serving plate. Gently lay the wakame onto the plate and add some of the shaved fennel. Place the mussels on top and finish with the herbs and flowers.