



SANFORD LIMITED
SUSTAINABLE SEAFOOD



From sea to food – over 100 years of sustained growth



Sustainable Development Report 2004

The corporate identity of Sanford, "Sustainable Seafood", is more than a marketing slogan. It reflects the underlying values of the Company, in that sustainable development is crucial for the long-term survival of the seafood industry, as well as making sound business sense. Sanford has been in the seafood industry for over 120 years, and we plan on being in business for at least another 120 years. The longevity of our involvement in the seafood industry clearly shows that Sanford nurtures the natural resources available to us. We firmly believe that a focus on short-term over exploitation of a resource cannot lead to long-term profitability.

Sustainability at Sanford includes being part of the communities where we operate. In some locations the viability of these communities is essential so that we can have a hard-working and diligent pool of labour for our fishing fleet, marine farms and processing factories.

To remain in business the economic model of the operation must be sound and backed by resources that are recognised by the financial community. The New Zealand Quota Management System encompasses property rights over a natural resource (wild fish stocks) that enables Sanford to be able to plan in the long-term timeframe.

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Managing Director's Statement

Welcome to the fifth publication of Sanford's sustainable development report. We believe that reporting our sustainable development performance is part of our commitment to Sustainable Seafood and to inform our shareholders and stakeholders of the progress we have made in improving our environmental, social and economic performance.

Sustainable development continues to be fully integrated into the Company's operations. We continue to work on ways to improve resource efficiency and increase our advantage in the competitive market that comes with adopting this philosophy.

The business case continues to be made by:

- Encouraging customer and consumer loyalty and commitment to improving prices and returns in the long term
- Increasing supplier participation and commitment to sustainable development principles
- Maintaining and enhancing relations with the communities in which we operate
- Reducing environmental impacts and the costs of resource use
- Strengthening of relationships and providing confidence to regulators, banks, insurers, and financial markets
- Attracting and retaining loyal and committed employees.

By increasing our goals and targets year after year we raise the bar and set higher standards for ourselves. Continual improvement is central to Sanford becoming a sustainable business. Sustainable development reporting is not just about how we have performed over the past year. It is a balanced way of thinking, acting and driving accountability across Sanford each and every day. If we track how we are doing, we can make progress toward creating a better world for the future. This approach allows us to make decisions that enable all our stakeholders to be sure of the long-term viability of the Company and the communities in which we operate.

Sanford continues to be a leader in bringing innovative methods to the harvesting and processing of seafood products. Sanford's leadership can also be seen in the role we play in the wider business community. We are a foundation member of the New Zealand Business Council for Sustainable Development (NZBCSD) and through this group champion projects such as successful schools (of which Kiwi Can is a part) and the sustainable supply chain initiative.

Last year's sustainable development report won a commendation from the Institute of Chartered Accountants of New Zealand for a sustainable report by a listed company.

Highlights of the year in our sustainable development journey

- Continuation of our ISO 14001 status through a series of external audits on our processing plants and deep water vessels
- Completion of the Auckland Fish Market development as a certified green building measured against the internationally recognised United States Leadership in Energy and Environmental Design (LEED) Green Building Rating System
- Successful development and implementation of a specialist company-wide computer system incorporating industry best practice software from Iceland, United States and New Zealand
- Supporting the 44 per cent reduction in the hoki fishery quota for the 2004/05 fishing year to protect the long term sustainability of this resource
- Investing in the opportunities in China through a 25 per cent stake in Weihai Dong Won Food Co Limited
- Delivering growth potential through the acquisition of the Simunovich Fisheries assets for the start of the new fishing year on 1 October 2004.

We appreciate, and take seriously, feedback received regarding this report and encourage you to provide your comments on the prepaid response form at the back of the document.



E F Barratt
Managing Director
6 December 2004



Environmental Policy

Sanford Limited recognises its obligations and responsibilities to ensure it conducts its operations in a manner that protects the earth's environment and its natural resources. Sanford is committed to operating in both an environmentally and economically sustainable manner to fulfil our responsibilities to our stakeholders (shareholders, employees, customers and the communities we operate in).

Sanford Limited ensures full compliance with legislation in carrying out our business activities and seeks to foster and maintain good working relationships with administering agencies.

Sanford Limited is committed to continually improving our environmental performance whilst requiring that true environmental benefit is an essential factor in determining methods for environmental improvement.

Sanford Limited believes that everyone has a responsibility for taking care of the environment. This is demonstrated by Sanford's leadership role in promoting sustainable development through representation on the New Zealand Business Council for Sustainable Development. Sanford also requires all employees and contractors to exercise environmental care when carrying out work at Sanford operations and be accountable for their actions in accordance with their position and responsibilities.

The guiding policy objectives for improving environmental performance are:

1. To support sustainable use of marine resources by:

- Commitment to the Quota Management System and full compliance with New Zealand fisheries legislation
- Promotion of effective local, regional, national and international fisheries management based on sustainable harvesting principles and practices supported by appropriate research
- Involvement in responsible enhancement and research initiatives in wild fisheries and aquaculture
- Minimising or avoiding any adverse environmental effects of aquaculture on aquatic environments and marine life.

2. Minimising impacts on water and energy supply by:

- Seeking methods to conserve water and energy through improvement in efficiency.

3. Reducing the impact of waste emissions to land, water and air by:

- Using the 5R principles when implementing methods for waste management: Reduce, Reuse, Recycle, Recover, Residue management
- Aiming for maximum economic utilisation of raw materials
- Assessing the effects of land-based waste water discharge to water and implementing methods to reduce adverse effects appropriate to the assessed significance
- Implementing training and methods to comply with marine pollution regulations
- Ensuring the use and disposal of wastes are environmentally acceptable and lawful
- Ensuring environmental performance is a factor in purchase decisions
- Implementing practicable methods to control odorous and particulate emissions to air
- Planning towards minimisation and eventual elimination of ozone depleting substances.

4. Reducing the potential for adverse effects from the storage and use of hazardous substances by:

- Preventative maintenance practices
- Training in safe storage, handling and use
- Provision of facilities and equipment to put training into practice
- Emergency preparedness and response.

5. Endorsement of, and compliance with, seafood industry codes of practice and environmental initiatives

This environmental policy forms part of the Sanford Quality Management system, which is a commitment to continuous improvement. With this policy we will strive to deliver environmentally wholesome seafood desired by the customers of today and the future.

Environmental Footprint

Sanford recognises its obligations and responsibilities to conduct our operations in a manner that protects the environment and conserves natural resources. Minimising the impact of our operations on the environment and protecting the resources that we rely on are vital aspects of our business. The most relevant example is our reliance on what is grown in, and harvested from, the waters around New Zealand. Other examples are our reliance on energy in the form of electricity and fuel and fresh water from natural sources. Sanford is committed to the protection of the environment in which our business operates and the sustainable development and utilisation of marine and other resources.

We measure our environmental performance as a ratio of the resource consumed (electricity, diesel, coal, etc) over the amount of product produced (seafood product in kilograms). This is called the eco-efficiency of the resource.

Eco-efficiency measures make it possible to demonstrate progress in environmental terms while at the same time increasing economic growth. The smaller the ratio becomes over time, the more it reflects an improvement in the efficiency of the resource's use. Table 1 below outlines our key environmental indicators and how we performed during the year.

Environmental Profile

2001 to 2004	Unit	2001	2002	2003	2004	Target 2004	Target Met	Change from previous year	Per Cent Change	Target 2005
Finished product produced	tonnes	50,917	49,305	49,553	51,272			1,719	3.5%	
Fishmeal produced	tonnes	-	1,312	1,410	1,621			212	15.0%	
Electricity	kWhrs	24,755,137	25,388,000	22,797,368	21,086,097			(1,711,271)	(7.5%)	
Eco-efficiency (electricity)	kWhrs/kg product	0.4862	0.5149	0.4601	0.4113	0.4497	✓	(0.0488)	(10.6%)	0.4010 ¹
Diesel	litres	21,827,194	21,043,295	21,445,646	20,999,984			(445,662)	(2.1%)	
Eco-efficiency (diesel)	l/kg product	0.4287	0.4268	0.4328	0.4096	0.3858	✗	(0.0232)	(5.4%)	0.3858 ²
Coal	kg	930,468	1,044,280	974,955	943,380			(31,575)	(3.2%)	
Eco-efficiency (coal) ⁷	kg/kg fishmeal	-	0.6253	0.6519	0.5667	0.6193	✓	(0.085)	(13.1%)	0.5525 ⁴
Lube oil used	litres	129,840	96,656	98,376	82,721			(15,655)	(15.9%)	
Lube oil recycled	litres	-	64,937	67,025	55,757			(11,269)	(16.8%)	
Oil recycled as a % of oil used	litres	-	67.18%	68.1%	67.4%	>65%	✓			>65%
GHG emissions ⁶	tonnes	65,200	63,732	66,666	64,943			(1,724)	(2.6%)	
GHG efficiency	t/kg product	0.001281	0.001293	0.001345	0.001267	0.001240	✗	(0.000079)	(5.9%)	0.001240
Fresh water	m ³	751,400	678,800	790,171	682,353			(107,818)	(13.6%)	
Eco-efficiency (water)	l/kg product	14.76	13.77	15.95	13.31	15.15	✓	(2.64)	(16.5%)	12.98 ³
Solid waste	tonnes	1,110	991	771	691	694	✓	(80)	(10.4%)	622 ⁵

TABLE 1

¹ Electricity target is based on a 2.5% reduction of the 2004 actual

² Diesel target has remained based on a 10% reduction of the 2001 figure of 0.4287

³ Water target is based on a 2.5% reduction of the 2004 actual

⁴ Coal target is based on a 2.5% reduction of the 2004 actual

⁵ Solid waste target is based on a 10% reduction of the 2004 actual

⁶ Greenhouse gas emissions in tonnes of CO₂ equivalent (see pie chart for breakdown of sources)

⁷ Eco-efficiency of coal is based on coal used at the Timaru fishmeal plant only

Boundaries of Reporting

At present Sanford's sustainable development reporting is limited to activities that are 100 per cent owned and operated by Sanford that occur within New Zealand and New Zealand's territorial waters. Figure 3 (over page) portrays Sanford's operations and their consumption of natural resources. To be covered within this report an activity or division must be in operation for a complete financial year thus the new Auckland Fish Market is outside the boundaries of this year's sustainable development report.



Annual Production

The recruitment failures of juvenile hoki and our subsequent early withdrawal from the West Coast hoki fishery led to a decline in the hoki catch. A good New Zealand tuna season, however, compensated for this and increased overall production figures.

Electricity

A 7.5 per cent drop in gross electricity use company-wide represents another excellent result in demand side electricity conservation. The improvement in the electricity eco-efficiency rate to 0.4113 kWh/kg of finished product reflects a greater than 20 per cent improvement over two years as shown by figure 1.

The installation of internet-based monitoring and measurement has enabled branch engineers to manage their electricity demand and use which has contributed to the overall drop in electricity consumption. As recommendations from the first suite of energy audits are implemented, a further reduction in the eco-efficiency rate can be expected in following years.

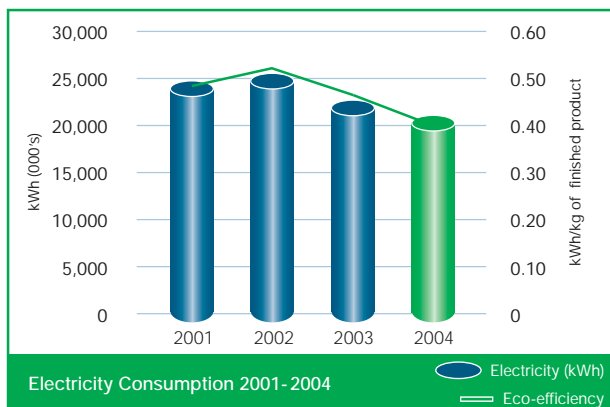


FIG 1

Diesel

In previous years fuel usage for the deepwater freezer vessels was measured on the basis of complete vessel voyages that commenced and finished during the year. Continuing to report on this basis showed a decrease in fuel usage over the past year of 3.92

per cent and a 3.10 per cent change in the eco-efficiency. We intend to move to an exact day's measurement next year however for this year we have based our figures on all voyages completed during the year regardless of start date. By restating the 2003 diesel figure (fig 2), the 2004 results show a 5.4 per cent increase in the eco-efficiency of diesel use and a 2.1 per cent decrease in total diesel consumption. We have not been successful in meeting the eco-efficiency target of 0.3858 l/kg of finished product. We intend that this will be the target for the 2005 year.



To achieve the reduction the Sanford fleet need to be practising sensible methods such as:

- Operating each vessel at its optimum hull speed
- Maintaining hulls and propellers to minimise fouling by marine organisms
- Where practical, minimising the distance travelled to and from fishing grounds
- Raising fuel awareness and providing training where necessary
- Use of long-term paint systems such as anti-foul that reduce hull drag.

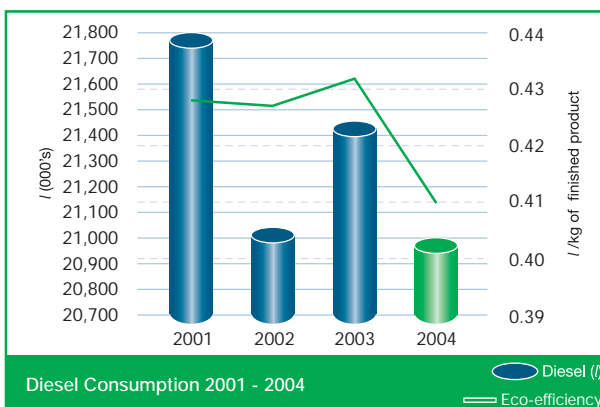


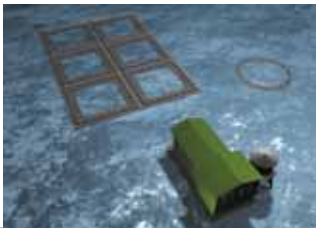
FIG 2

Environmental Footprint

Operational Boundaries of Reporting

INSIDE NEW ZEALAND EXCLUSIVE ECONOMIC ZONE (EEZ) (reported)

Aquaculture / Marine Farms



Fossil Fuel



Wild Fish Stocks



Vessels Harvest & Catch

Road Transport

OUTSIDE NEW ZEALAND (EEZ) (not reported)



Wild Fish Stocks



Vessels Harvest & Catch

FIG 3

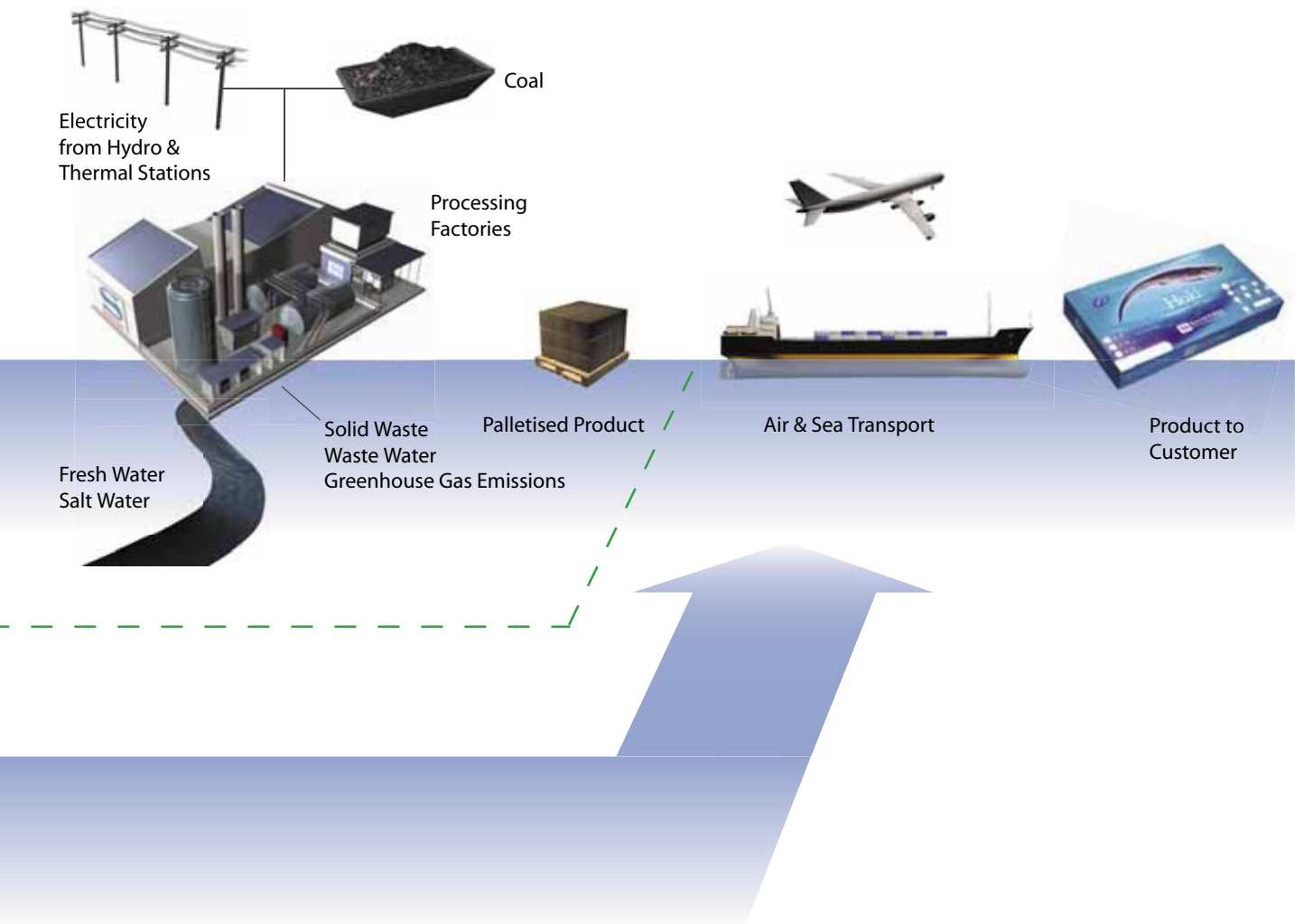
Inputs

Seafood

Sanford has quota for fish and shellfish in New Zealand under the Quota Management System as well as aquaculture activities that farm oysters, mussels and salmon.

Water

Seafood processing consumes vast amounts of water for cooking and washing of product and cleaning of production facilities. Ice and chilled brine are also used to chill fish after being caught on inshore vessels.



Outputs

Greenhouse Gas Emissions

Our major source of emissions is from our diesel powered fishing fleet. Other fossil fuel use includes factory boilers (diesel), trucks, cars and the Timaru fishmeal plant fired by coal.

Electricity used for the freezing and refrigeration of product is another major energy sink. New Zealand's present electricity matrix is geared to renewable power sources such as hydro-electric dams. New Zealand's current electricity shortage means that in the future more power will be generated from fossil fuels, which will increase greenhouse gas emissions.

Waste Water

Sanford has resource consents to discharge waste water from its processing facilities or where available waste water is directed into the trade waste sewer.

Solid Waste

Fish waste from Sanford's processing operations is used in fishmeal production. Mussel and oyster shells are used for a variety of purposes (including roading and fish burley).

Recycling facilities are available on board vessels and processing plants for all cardboard packaging paper items. Where it is possible, shrink wrap that holds palletised products together is recycled. All soiled paper products, plastics unable to be recycled, and broken polybins make up the bulk of Sanford's solid waste.

Environmental Footprint

Coal

The 3 per cent decrease in coal used at the Timaru fishmeal plant was achieved whilst increasing production. The corresponding increase in the eco-efficiency of the fishmeal plant can be attributed to the increase in production and the efficiencies achieved by not having to shut down and fire up the plant as often. The installation of a modern drier in June also assisted the improvement in the efficiency of coal use.

Lube Oil

The continuation of a lube oil recycling rate of over 60 per cent of oil used reflects the initiatives Sanford engineers have taken to minimise our resource profile. The gross amount of lube oil used has decreased due to the current year's activity within the cyclical nature of our vessel maintenance programme. We aim to keep the amount of oil being recycled above 65 per cent for the coming year.

Greenhouse Gas Profile

With diesel contributing over 87 per cent (fig 4) of the total emissions, the restatement of the 2003 diesel usage has had an impact on the calculation of Sanford greenhouse gas (GHG) emissions. This has seen total GHG emissions fall by 2.6 per cent to under 65,000 tonnes of CO₂e (the universal unit of measurement used to indicate the global warming potential of each of the 6 greenhouse gases as a tonne of CO₂ equivalent). Unfortunately we were not able to meet the eco-efficiency target (fig 5) for the year, but with implementation of the recommendations from energy audits undertaken we aim to achieve the 2005 targets. Under the proposed government maximum tax of \$25/t on GHG emissions, our present output of 65,000t of CO₂e (carbon dioxide equivalent) would equate to an annual charge of \$1.6m.

The ratification of the Kyoto Protocol by the Russian government confirms that the Kyoto Protocol will come into place in 2008. The reliance of Sanford (and the New Zealand

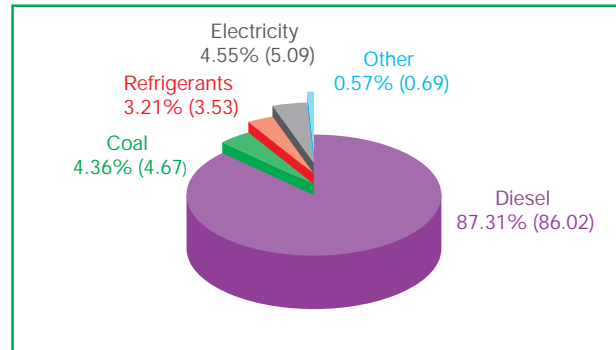


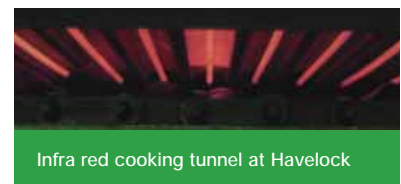
FIG 4 Major Contributors to Sanford's Greenhouse Gas Profile 2004 (2003)

seafood industry as a whole) on diesel to power its fishing fleet means the industry is vulnerable to any carbon charge or tax imposed by the government. Sanford, along with the fishing industry, is investigating ways to reduce diesel consumption whilst maintaining annual catch figures.

Water

Water consumption has decreased by 13.6 per cent mainly due to controlled monitoring and measuring at the Havelock plant. This has brought the eco-efficiency rate to well below the target of 15.15l/kg of finished product to 13.31l/kg (fig 6). Improvements at the Havelock factory in the system process of chilling mussels after their initial cook has led to a sharp drop in water use. Whilst this process lowers the electricity consumption required to freeze product, there is still room to reduce water consumption further. There has also been a significant drop in water consumption at the Auckland factory due to more vigilant monitoring of high-use areas.

A company-wide target of 12.98l/kg (or 2.5 per cent decrease) has been put in place for the coming year.



Infra red cooking tunnel at Havelock

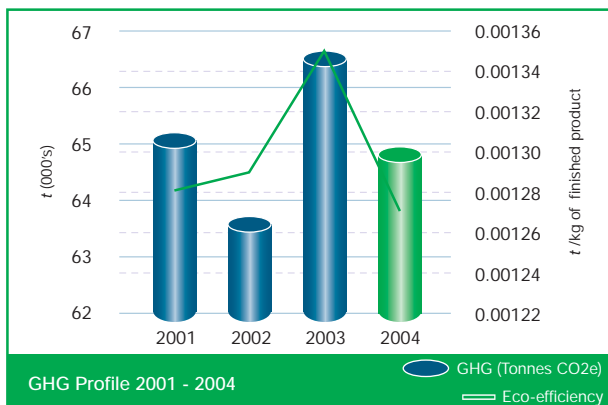


FIG 5

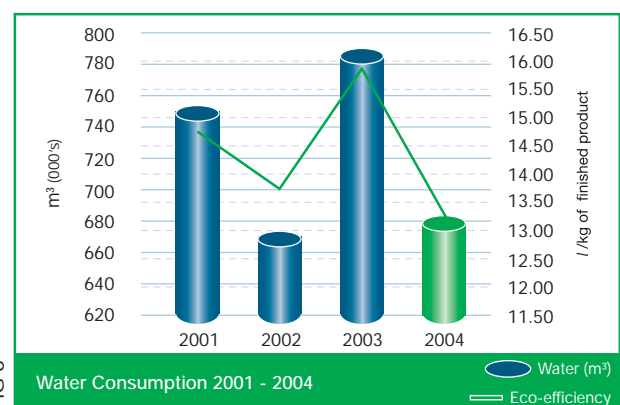


FIG 6

The New Zealand Seafood Industry Council Limited

The New Zealand SeaFood Industry Council (SeaFic) is an industry-based organisation representing all harvesters, processors and marketers of seafood, as well as aquaculturists. The council represents the industry (and various sub-groups) in governmental and international forums, gives economic and legislative advice, and raises the profile of the seafood sector within the community.

In 1997, SeaFic took over the role of the New Zealand Fishing Board and is financed by a statutory levy collected on all fish landed and processed by the New Zealand industry. It is managed by a board of directors who represent the industry stakeholder companies and groups. The organisation is divided into four business units: science, policy, trade and information and industry training.

The New Zealand fishing industry is the only one in the world that fully pays for the costs of management, compliance and administration of commercial fishing. The advent of globalisation and liberalisation in the terms of trade has benefited the seafood industry in opening up markets, but this has been offset by the introduction of technical barriers to trade. SeaFic endeavours to ensure these markets remain open on competitive terms by working with the New Zealand government to open up markets to seafood products among World Trade Organisation member countries. Alongside this, SeaFic ensures that responsible utilisation of fish stocks extends beyond our territorial seas. This is reflected in New Zealand being a signatory to treaties that require international sustainable management of fish stocks.

Waste Streams

A further 10 per cent reduction in solid waste volumes has strengthened Sanford's commitment to target zero waste in all its operations. In-house recycling programmes are continuing to help us meet our solid waste reduction targets. Examples of this include reusing parts of damaged pallets to build new pallets. Where local recycling facilities are not available, practices have been put in place with organisations so that recyclables (cardboard, clean plastic and bottles) are collected and stored until there is sufficient quantity for them to be shipped to the nearest recycling centre.

The drop in water consumption is reflected in a decrease in waste water being discharged. Any discharge of waste water directly into waterways complies with the conditions of each plant's resource consent, with the discharge monitored to ensure continuous compliance.



Sanford continues to minimise solid waste with simple techniques such as recycling of all cardboard packaging

Refrigerant Profile

2001 to 2004

Refrigerant type	Ozone depleting potential (relative to CFC-11)	Volume in use (kg)				Change from previous year	Volume of gas released (kg)	Percent change
		2001	2002	2003	2004			
Ammonia	0.00	34,380	29,530	28,610	28,710	100	2,360	(0.3%)
R404A	0.00	890	1,762	489	474	(15)	299	(3.1%)
69L	0.00	290	230	627	650	23	88	3.7%
R507	0.00	40	40	40	40	0	0	0.0%
R406A	0.03	108	105	-	-	0	0	0.0%
R22	0.05	4,013	4,254	3,757	3,022	(735)	1,225	(19.6%)
R502	0.33	1,504	339	39	-	(39)	0	(100.0%)
R12	1.00	87	39	41	39	(2)	0	4.9%

TABLE 2

Environmental Footprint

The increase in mussel production has seen shell waste increase to 2,594 tonnes for the past year. Some of the shells produced by Sanford's operations are currently being utilised for purposes such as raceways on farms. We are investigating further options for extracting better value from this resource such as for use in fish burley.

Refrigerants

Refrigerants play a major role in freezing seafood and storing product below the set minimum temperatures required by various regulations. As our factories are modernised, the more harmful CFC and HCFC coolants are being replaced with others such as ammonia that have a neutral effect on the ozone layer. Table 2 (page 55) shows Sanford's current volume in use of all refrigerant gases.

The removal of the decommissioned ice tower at Havelock has seen the total removal of R502 refrigerants from Sanford operations. The releases of R22, as well as having a detrimental effect on the ozone layer, have quite high global warming potential. This means that one tonne of R22 released into the atmosphere is equivalent to 1,700 tonnes of CO₂. The release of ammonia, R404A and 69L also add to Sanford's greenhouse gas emissions.

Environmental Impacts of Fishing and Aquaculture

Activity – Catching Fish

The very nature of fishing can bring Sanford vessels into direct contact with endangered species, including Hooker's sea lion and the royal albatross in some fisheries. These interactions can be fatal, and as a company we employ a number of measures to minimise the risk of harm to other inhabitants of the marine environment.

Vessels which fish with longlines can have interaction with seabirds when baiting hooks and setting lines. To minimise these interactions, vessels utilise some of the following techniques:

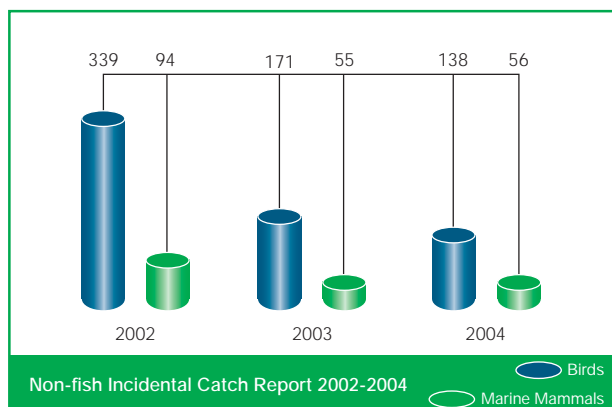
- Using tori lines (a line that is run out above the fishing line which has streamers attached) to discourage the birds from diving on baited hooks
- Using thawed baits and/or weighted lines to improve sink rate so the bait is available to the birds for a shorter time
- The retention of offal on board vessels for conversion into fishmeal
- Reducing vessel lighting while night setting.

Other methods employed by Sanford to avoid incidental mortalities of seabirds include the use of bird bafflers on trawling vessels. High numbers of birds are often attracted to the stern of fishing vessels and can be so intent on possible feeding opportunities they collide with the trawl warps or the vessel structures. The bird bafflers work on the principle of a bird's aversion to having objects overhead or flying underneath items. The bafflers are suspended on arms that are lowered into place (both perpendicular to and parallel with the boat) at the stern and fool the birds into thinking the vessels are bigger than they really are. To date the bird bafflers are proving a reliable method of reducing seabird mortalities from trawling.

Southern Seabird Solutions is one forum being used to resolve these issues and Sanford is a significant and active participant in this cross-sector group. The group is involved in discovering and trialling new techniques aimed at avoiding incidental seabird mortalities. Another important role of the group is in building awareness and sharing techniques with other countries such as South Africa and Chile, which have fisheries in water visited by seabirds that breed in New Zealand.

Seabirds are a critical component in the interrelationships between marine and land-based ecosystems. This is particularly evident on offshore islands that lack human habitation, where seabirds bring nutrients from the sea (in the form of fish and other marine life) back to the often rocky land. The accumulation of guano from the seabirds living on the islands increases the nutrients available and helps provide a richer soil for vegetation and terrestrial biodiversity.

Figure 7 shows how Sanford's efforts to mitigate incidental by catch mortality is improving as our fishermen become more adept at implementing mitigation methods such as bird bafflers and tori lines.



Many of the areas where we target hoki and squid are also habitat for marine mammals such as New Zealand fur seals and Hooker's sea lion. Both these marine mammals will chase prey into a trawl net, thus becoming trapped themselves. Devices such as the Sea Lion Excluder Device (SLED) have been developed to minimise the impact our activities have on marine mammal populations. There is also a financial incentive not to catch sea lion due to the Maximum Allowable Fishing Related Mortality (MALFIRM). In any fishing year there is a cap on the number of sea lion deaths in the squid fishery around the Auckland Islands. If the number of deaths is reached the Minister of Fisheries can close the fishery for the year. In the four years from 1995 to 1999 when the Minister closed the fishery early, industry losses were estimated at \$60m. This year the squid fishery around the Auckland Island's only remained open after the Courts corrected the calculation of the MALFIRM part way through the year.

The Hoki Fishery Management Company (HFMC) has implemented a code of practice in relation to minimising the risk to marine mammals. This details the precautions and preventive measures that are required of all members of the HFMC and include such requirements as:

- A designated crew member observing the shooting and hauling of the trawl gear

- If a large number of seals or sea lions are congregating around the vessel, the vessel is to lift its gear and steam away fast for 10–15 minutes
- The vessel must not execute wide turns or changes of direction when the mouth of the net is open and near the surface.

The use of set nets in inshore fisheries can, if not managed properly, lead to the capture and eventual death of dolphins. Although Sanford vessels do not currently use set nets, we do purchase fish from vessels using this method. A ban on set netting on the North Island west coast has been implemented to protect the Maui dolphin, a sub-species of the endangered Hector's dolphin (listed as vulnerably threatened by the IUCN-The World Conservation Union).

Bottom trawling (and dredging) can modify benthic environments on the sea bottom. Some claim that this damage could be destructive to ecosystems that are found around underground features, such as seamounts where orange roughly occur. Trawling has occurred around New Zealand for over one hundred years and there is little evidence of any permanent damage to the sea bottom. In addition quite a number of seamounts in New Zealand's EEZ are protected and off limits to trawling.



Oysters being harvested in the Kerikeri Inlet. Sanford is always seeking to minimise the environmental effect of its marine farming activities

Environmental Footprint

Activity – Aquaculture

Interactions between marine farms and surrounding ecosystems occur on several levels. Seals are strong predators that occasionally prey on farmed salmon. They are capable of biting fish through nets, and can kill hundreds of salmon in a single night, resulting in significant economic losses. Salmon farms in Big Glory Bay on Stewart Island are a tempting buffet for seals looking for an easy meal. Various methods have been employed to deter the unwelcome diners including acoustic sonar devices and electric fences. Work with the Department of Conservation (DOC) has seen trapping and tagging of seals to find out what happens to repeat offenders.

Impacts of mussel and oyster farms on the environment include lessening the opportunity for recreational water pursuits from certain waterways, landscape values and build-up of sediments underneath shellfish farms. Through consultation with the various stakeholders and compliance with resource consents, Sanford has endeavoured to minimise any adverse effects of the marine farms. In many cases marine farms enhance recreational fishing both through acting as fish aggregation devices and providing sheltered anchorage for recreational fishing.

The Sustainable use of the Natural Resources from the Ocean

New Zealand, as an island nation, is surrounded by the sea, which provides an abundance of natural resources. These resources enable the Company to catch and harvest a wide variety of seafood products for consumers both in New Zealand and globally. Because we are utilising a natural resource for our product, it is crucial that our operations are carried out in a sustainable manner.

The sustainability of New Zealand's fishing industry is based around the Quota Management System (QMS). Every year, the QMS is reviewed to adjust the Total Allowable Catch (TAC) in each fishery Quota Management Area (QMA). This is done using proven scientific research data collected on the species and the surrounding marine ecosystem. The TAC allows the fish stocks to be maintained at or near a level that produces the Maximum Sustainable Yield (MSY). Species outside the QMS that are commercially viable are gradually being brought into the system.

By October 2004, the Ministry of Fisheries will have introduced 50 new species to the QMS since 2001. Generally these species will benefit from the better management framework provided by the QMS.

On 1 October 2004 36 new species were introduced into the QMS, bringing the total under management to nearly 100. Of the new species introduced, Sanford's operations have a significant interest in kahawai, spiny dogfish, scampi and southern bluefin tuna. Sanford supports the QMS system as the appropriate vehicle to manage New Zealand's fish resources unless there are specific reasons why other management measures are more appropriate. However, the use of the system needs to be backed up by sound scientific and manageable business practices.



Regular monitoring of the seabed by divers is just part of the compliance conditions of the salmon farm resource consent

Commercial fishing is not alone in utilising New Zealand's marine resources, with recreational and customary fishing takes also included when the TAC is set. The Total Allowable Commercial Catch (TACC) is calculated after taking into consideration the recreational and customary fishing allocations. Other national and regional regulatory controls used to manage commercial, recreational and customary fisheries include method and gear restrictions, closed areas, recreational daily bag limits, minimum fish sizes and closed seasons.

When a species is first brought into the quota system, the TACC is divided into Individual Transferable Quota shares (ITQ), which is based on the catch history of commercial fishing permit holders in previous years. The creation of an ITQ creates a proportional harvesting right that can be bought and sold by commercial fishing ventures.

As well as complying with all relevant legislation, Sanford invests significant resources to make certain wild fish harvests are in line with the QMS requirements and consistent with international best practice. This includes the adoption of various industry codes of practice and voluntary area closures. The Company also contributes to a greater understanding of the dynamics of the resources the ocean provides through levies (such as the Conservation Services Levy) paid to government and industry bodies funding research and scientific studies on New Zealand fisheries.

Hoki reductions – are they necessary and what do they really mean?

Sanford Limited has been a committed supporter of the Quota Management System (QMS) as a fisheries management tool since inception in 1986. We believe the QMS provides the best fisheries monitoring and management techniques available. Sanford also believe the QMS provides the right incentives to ensure long-term sustainable utilisation of our fisheries. The New Zealand hoki fishery is benefiting from being actively managed in the QMS.

Since the development of the hoki fishery in the mid-1970's, significant resources have been committed to ensure that the commercial catches are sustainable. New research practices like acoustic surveys have been developed, refined and deployed in recent years. The New Zealand fishing industry has invested over NZD\$11m in hoki fishery research since 1999.

Hoki is the first and only New Zealand fish stock to meet the Marine Stewardship Council's (MSC) environmental standard. This certifies the Hoki stock as a well managed and sustainable fishery which adheres to the MSC's environmental standard.

Catches escalated to approximately 100,000 tonnes in the mid-1970's, and peaked at over 160,000 tonnes prior to the introduction of the QMS in 1986. A catch limit of 250,000 tonnes was then implemented in 1986 when hoki was introduced to the QMS. Until the 2001/02 fishing year, other than a few fluctuations of catches in the 1990's, the total industry catch has remained at over 200,000 tonnes. Sanford, along with the majority of the industry opposed increasing the Total Allowable Commercial Catch (TACC) to a higher level (greater than 250,000 tonnes) during this period. Industry thinking was that the then current stock levels were being fully utilised, and increasing harvest levels may jeopardise sustainability.

Recent research has found that recruitment of juvenile fish into the adult fishery is very poor. This poor recruitment into the fishery is reflected in the reduction of commercial catches in recent years. The poor recruitment is believed to be driven by recent changes in environmental conditions. These climatic factors have affected juvenile hoki recruitment (growing) into the adult fishery, hence fewer adult fish available to be commercially harvested.

Sanford has supported a reduction in harvest levels to ensure that the fishery population can increase once again as climatic conditions permit. Unsurprisingly, supporting this conservative reduction comes at a significant cost to both the industry and specifically Sanford. The total industry hoki export value for 2003 was over NZ\$229m from an approximate industry catch of 184,000 tonnes. Sanford sales of hoki for 2004 were approximately NZ\$33m.

The financial cost to Sanford of reducing the catch limit from 180,000 tonnes to 100,000 tonnes for the 2004/05 fishing year (the level being supported by Sanford) equates to the potential loss of \$15m of sales revenue. The reduction in quota lead to the San Venturer being sold and its crew of 60 staff being transferred to other Sanford vessels or retrenched. However Sanford strongly believe that supporting this more conservative catch level ensures the long-term sustainability of the New Zealand hoki, which provides a more stable environment for forward business planning.

When scientific research tells us a fishery harvest level is not currently sustainable, such as the current situation with hoki, we can be assured that the short-term costs from a harvest reduction will be outweighed by the longer term benefits when the fishery population improves.

We are confident that the hoki stocks will have a greater potential to recover back to the levels seen in the past with the current conservative management approach of reducing the catch levels to 100,000 tonnes.



Information is available on
the Marine Stewardship
Council on www.msc.org

Environmental Footprint

Sanford was the first company to sign up to the New Zealand Seafood Industry Charter (SEAFIC) and then led the way in producing a code of conduct for the snapper fishery. The underlying values that Sanford represent are also reflected in our participation in government and industry groups promoting the sustainable harvesting of New Zealand's seafood resources and sustainable development within the industry.

Through our efforts in research and development, we are looking to new technology to increase the capacity of our aquaculture operations. Increasing the yield from the various marine farms around the country creates benefits not only for the Company, but also for the regional communities where the processing plants and farms are located. A lift in production volumes leads to more employment opportunities and increased economic activity through purchasing of local products and services.



Rainwater collected from auction building roof is reused

Auckland Fish Market

– An Environmentally Friendly Building

The recently completed Auckland Fish Market has been built with Sanford's 'Sustainable Seafood' slogan in mind. The standard used and adapted to New Zealand conditions, the United States Green building Council's Leadership in Energy and Environmental Design (LEED) Green Building Rating System, charges companies to achieve a rating of 26 or more to be "certified green" on a scale beginning at zero.

The Auckland Fish Market has been designed and built to exceed the "certified green" threshold figure with specific features that contribute to this rating shown below:

- Prudent redevelopment of an existing site
- Reuse and incorporation of existing buildings into the development
- Careful selection of building position and layout to achieve favourable light and shading characteristics with good connection between internal and external environs
- Reuse of demolition materials (crushed concrete as hardfill)
- Careful selection of materials to avoid environmentally inappropriate use
- Selection of refrigerants that are environmentally friendly
- Collection and reuse of roof rainwater from the auction building for non-potable use (flushing toilets, irrigation etc) to reduce supply draw off
- Solar heating to supplement water heating in the office building
- Efficient lighting for energy savings.
- Heating and ventilating systems with central digital control to achieve optimum internal conditions and efficient energy use.

Sustainable People



Sanford's catching, farming and processing operations are located throughout New Zealand mostly in provincial centres and small communities away from the major urban centres. Sanford acknowledges the responsibility it has towards these communities by providing a safe and secure workplace as well as supporting and liaising with each local community and through implementing social partnership programmes to ensure that the communities are able to remain healthy and vibrant.

Continual strengthening of the relationships we enjoy with our various stakeholders ensures that Sanford retains a community-endorsed mandate to operate in these regions. Sanford has a responsibility to the ultimate consumers of the seafood that we catch, grow and provide a product that is safe, healthy and flavoursome to eat.

The many benefits of eating seafood, which have been known for many years, have now been proven by scientific facts. Various studies have shown that people who have a regular intake of fish are less susceptible to heart disease and strokes as well as to other diseases such as rheumatoid arthritis, Crohn's disease and psoriasis. Oily fish species such as salmon and hoki, which have a high omega-3 component, are beneficial to health.

Employees and the Working Environment

Sanford's employees are crucial to the efficient running and management of the business, acting as the interface between the business and other key stakeholders (communities, purchasers, suppliers and tangata whenua). A workforce that is well empowered and given responsibility for its operation is going to contribute significantly to the ongoing success of an organisation.

A number of Sanford's branches are situated in regional communities, many of which rely on the continued existence of the Company's operations for their economic survival. During the past year the Company reduced operations at Oamaru, with many functions being transferred to Timaru. Affected staff were offered the opportunity to transfer to a similar position in Sanford Timaru if they so desired. They were also provided outside support if required to assist them in the writing of CVs, interview techniques, job search skills and counselling.

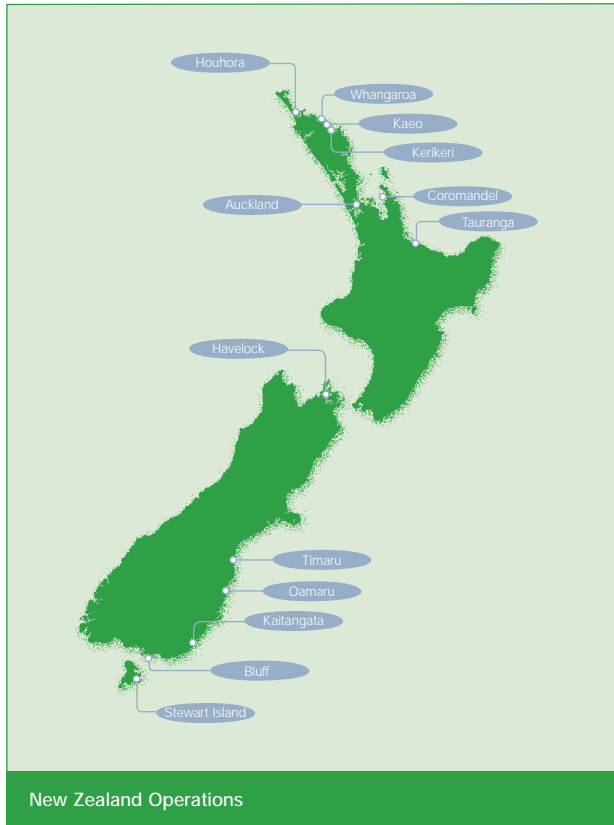
Nationwide staff numbers (table 3) were maintained throughout the Company in the past year. With the inclusion of the Auckland Fish Market and the acquisition of Simunovich Fisheries assets the total number of staff will rise next year.

Employees at 30 Sep 2004

Location	2001	2002	2003	2004
Inshore – fishing and processing				
Auckland	48	99	128	136
Tauranga	126	163	152	147
Nelson	216	126	-	-
Timaru	201	225	243	236
Oamaru	7	9	8	4
	598	622	531	523
Aquaculture				
Kaero	102	124	108	107
Coromandel	75	173	25	22
Havelock	170	178	191	200
Bluff	148	120	125	145
	495	595	449	474
Deepwater Fleet	425	305	259	256
Head Office				
Head Office (Auckland)	39	35	33	42
Service Division	15	15	15	14
	54	50	48	56
Total	1,572	1,572	1,287	1,309

TABLE 3

Sustainable People



Sanford Sponsoring Promotion from Within

Danielle Taylor, from Sanford's Bluff Branch, is an example of Sanford encouraging promising staff. Danielle first started at Sanford in 1995 as a production line worker. These days Danielle's job has grown from her early days of processing and gutting salmon to promotion to the quality co-ordinator's role. This role is critical in meeting legislative requirements with regards to food safety, and ensuring that product meets the specifications set by Sanford customers.

At Bluff, as at other locations, Sanford plays a big part in many families' lives in providing jobs and stability. A born and bred 'Bluffite', Danielle has at various times had siblings and cousins working with her at Sanford, making it very much a family environment. The way Danielle has risen through the ranks within Sanford exemplifies how we value our staff and their communities.

It also shows that there are pathways to management roles for talented people willing to learn and expand their career horizons within our communities. This approach to cultivating and developing good staff also help keeps young people within their local communities, instead of having to go to the major metropolitan centres to seek employment opportunities.

Workforce Diversity

A real strength of Sanford's workforce is the long service of many staff members (fig 8). Several staff have worked at the Company for their whole working life. This fosters a spirit of camaraderie amongst workers who share each others lives. Long-serving staff make a huge contribution to our success by passing on their skills and knowledge to staff members who are new to the organisation.



The diversity of Sanford's workforce (table 4) in age, gender and race, when combined with their work ethic and the Company's culture, provide a valuable asset for the Company

Just over 62 per cent of Sanford's workers are male, a considerably higher percentage than the national workforce at 53 per cent, reflecting the physically demanding nature of fishing industry work. When compared with the seafood industry, gender and ethnicity statistics are much the same.

Workforce Diversity

	Sanford 2004	Sanford 2003	Seafood Industry ¹	NZ Workforce ¹
Ethnicity				
European/Pakeha	61%	65%	68%	79%
Maori	25%	25%	21%	11%
Pacific Island	11%	8%	6%	4%
Other	3%	2%	4%	6%
Gender				
Female	38%	32%	33%	47%
Male	62%	68%	67%	53%

TABLE 4

¹ Source: Statistics New Zealand

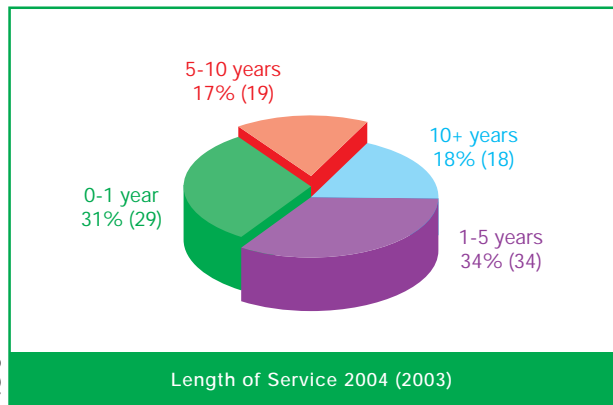
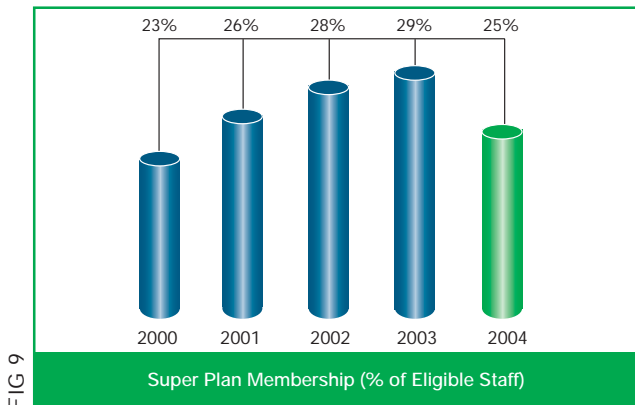


FIG 8

Superannuation

Sanford operates a defined contribution superannuation scheme for permanent employees whose employment contract provides for membership. This is a method of rewarding staff for their continuing contribution to the success and growth of the Company. The percentage of permanent eligible employees who are members of the scheme is shown below (fig 9).



Employee Training

The most extensively used tool for staff development in the seafood industry is the industry-developed New Zealand Qualification Authority (NZQA) approved unit standards. Each unit standard is topic and/or task specific, and not only requires the trainee to learn about the topic or task, but also to demonstrate the skill or knowledge acquired.

Sanford's commitment to education and training of employees is highlighted in the graph showing the number of NZQA unit standards achieved through the Seafood Industry Training Organisation (SITO) programmes. As the programme develops and the workforce becomes more skilled, more emphasis will be placed on achieving credits at level four and above. The credits attached to these courses are not given until the course is complete, therefore an increase in trainees may not be reflected in credits obtained until the following year.

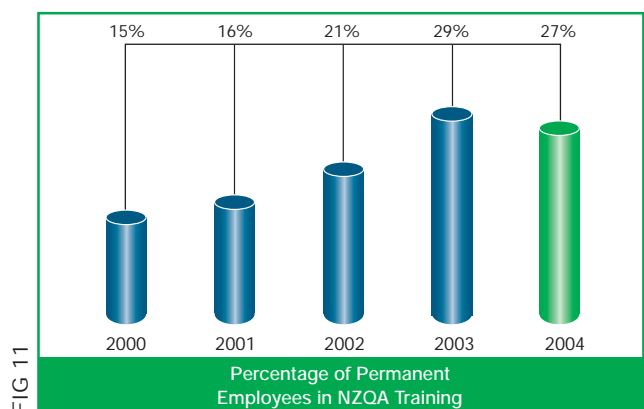
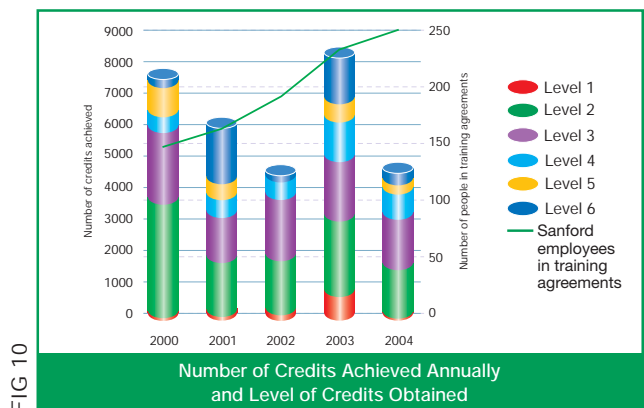
The drop in credits for the 2002 and 2004 (fig 10) fishing years was due to more employees taking diplomas or certificates that require 9 to 12 months to complete. The credits attached to these courses are not given until the course is complete, therefore an increase in trainees may not be reflected in credits obtained until the following year. We would expect the number of credits to rise again in the 2005 fishing year.

The goal over five years is to increase to 50 per cent the proportion of permanent employees (fig 11) engaged in some form of training under the NZQA framework, with a large proportion going on to complete a nationally recognised certificate.



Industry specific training courses enable staff to gain theoretical and practical knowledge that is utilized in the field.

Sanford has also sponsored young people through a post-secondary school course which acts as a bridge to entry into the seafood industry.



Health Benefits of Eating Seafood

It has long been acknowledged that the eating of seafood can have many health benefits. The link between the fatty acids (omega-3) found in fish such as NZ hoki and king salmon and lowering incidence of heart disease has been well documented over the last 30 years. Relief for people suffering from Crohn's disease and rheumatoid arthritis has also been scientifically proven recently.

Sustainable People

However new research is showing that the culinary delights of fish are bringing far more health and societal benefits than at first thought. In the United Kingdom TV chef Rick Stein and his brother John (an Oxford University professor of neurophysiology) are trumpeting the benefits of fish on the brain.

“What our grandmothers said is true. You can aid reading in dyslexic kids [Rick’s son Edward is dyslexic], concentration in attention deficit hyperactivity disorder kids, coordination in dyspraxia and even, we think, the social functioning of autistic children.” *

Others believe that fish oils could help schizophrenics and manic depressives. And a plot of the incidence of post-natal depression against the consumption of fish reveals that the gloomiest are in New Zealand, where there is lowest consumption of fish. And the highest consumption, in Japan, matches the lowest incidence of depression.

Employee Health and Safety

Sanford has an ongoing programme to reduce the number of health and safety incidents at work. This is being achieved by continual improvement and by both employees and management taking ownership of the programme. The success of this programme is expected to result in a decrease in work-related accidents over the next few years.

The achievement of ACC tertiary accredited employer status recognises the fact that Sanford is in the top echelon of employers in the country when it comes to providing a safe and healthy environment.

The attainment of the accredited employer status allows the Company to manage its own claims and rehabilitation programmes, with a significant reduction in ACC premiums. From fig 12 it can be seen that the number of days off due to injury has fallen dramatically. This is due to several staff who suffered from long-term injuries completing their rehabilitation and returning to work. More significantly, the reduction in work accidents per employee has fallen well below the target of 0.25 accidents per employee. A work accident is defined as an injury that requires treatment from a medical practitioner and ACC pays out on the claim. A winter programme of flu vaccinations was offered to employees this year.

Community Support

Donations that organisations make to community groups, non-government organisations and the like can be split into three distinct categories. The first such category is charitable

donations. This category is characterised by intermittent support to a wide range of organisations for altruistic reasons. Community investment is defined as long-term community partnerships aimed at particular social issues. Examples of this at Sanford include the Kiwi Can programme and our staff literacy courses for Auckland factory employees. The final type of donations are commercial initiatives which are aimed at supporting the success of the Company and promoting its corporate and brand identities in partnership with community based charity groups. An example of this type of sponsorship is Sanford’s involvement with the “Take a Kid Fishing” programme.

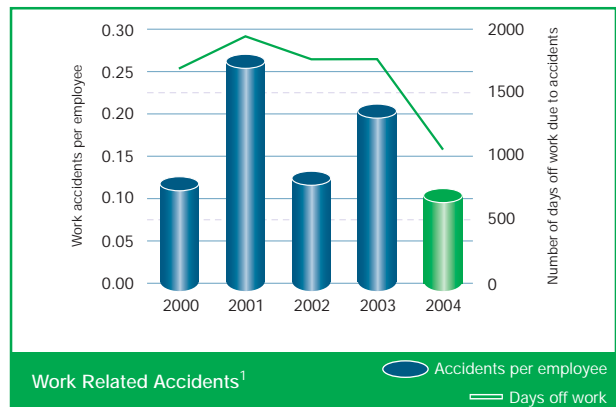


FIG 12

¹ Work related accidents do not include contract fishermen

The table following outlines Sanford’s charitable donations divided into the various categories. Sanford’s donations for the 2003/04 financial year totalled over \$120,000.

TABLE 5

Type of Donation	2004
Charitable donations	\$5,500
Community investment	\$94,300
Commercial initiatives	\$22,500

Sanford is a founding member of the New Zealand Business Council for Sustainable Development (NZBCSD) and has involvement in a number of social initiatives originated by the council. By working with the community in partnership through ventures such as Kiwi Can, we believe we can make a meaningful contribution to the future society of New Zealand. Sanford has been involved in the NZBCSD sustainable supply chain initiatives and the Sustainable Development Reporting (SDR) working group. Sanford as a member of this group is helping to advise new council members on the pathways to successful reporting.

* Copyright Telegraph Group Ltd 2004

Social activities play a large part in forming a team culture environment amongst Sanford employees. Social committees in all the branches co-ordinate various events throughout the year such as sporting and cultural activities. Staff also support Company organised events such as Christmas functions and food fairs, which adds to the ownership of community led initiatives. Branches have put together social sporting teams including outrigger canoeing, basketball and touch rugby.

A highlight of Sanford's annual calendar of social events is participation in the annual Round the Bays fun run. Staff from factories located in the North Island travel to Auckland to participate in the run.



The annual 'Round the Bays' fun run in Auckland is a popular social event attended by many staff from our northern branches

Sanford's Youth Employment Scheme

Enthusiasm and vitality on one side, a good job opportunity and the chance to learn some valuable workplace skills on the other - Sanford's youth employment scheme is paying dividends all-round.

For 21-year-old Tupuni Riki, a three-month summer holiday job has turned into a fulltime position in the Auckland factory's coldstore; while the eight other students on the scheme have returned to school or university with some cash and good skills under their belts.

Tupuni helps with the bar code scanning of stock out of the factory into the coldstore, moving stock with the forklift and using the new real-time inventory system on the coldstore's computers. He says his job is varied, carries a fair bit of responsibility and will be a good way to spend a year or so while he works out what to do in the future. "I'm looking to get as many skills as I can and see where it goes from there and this job is a great place to make a start. You just have to have a go to see what you might want to get into. There's also lots of different people here who are older than me and interesting to be around."

Sanford has taken the students on as part of its commitment to the youth employment project of the New Zealand Business Council for Sustainable Development, a coalition of more than 40 leading businesses. Youth employment is a big push for the council and as part of that Sanford approached South Auckland schools to offer work and training opportunities.

Sanford's inshore manager Shane Walsh said, "from our relationship with the schools we are able to help the students gain new skills, a CV and, for many, their first pay packet. We hope that we have provided them with a positive employment experience and helped give them a start on their chosen career paths or a taste of the workplace and funds for further study."

The Sanford youth employment programme really took off when management learned of the Gateway programme, a government initiative that encourages schools and business partnerships to help students move more easily from school to the workplace. The schools in this year's Sanford youth employment project – Hillary Collegiate, Penrose High School, and Papatōetoe High School – are part of Gateway.

South Auckland was a deliberate choice given that many of the Sanford Auckland factory's permanent staff are from there, it has limited job opportunities, and being a lower-income area the scheme gives an opportunity for students to gain funds for their tertiary education. Medical, engineering and physiotherapy students are among the students having worked at Sanford over the summer.

Sustainable People



Regular blood donations are made by Sanford staff

Kiwi Can is a life skills and values-based programme working in primary and intermediate schools. It runs all day, every day, hand in hand with normal school routines. Sanford is now entering into the third year of this programme with Kaeo Primary School. Sanford has also been part of Kiwi Can projects being instigated at primary schools in Bluff, Coromandel and Havelock. The ethos of Kiwi Can is that, while it develops higher self-esteem, the children are also encouraged to develop a respect for their peers, parents, community and the environment.

Feedback from the community and the school about the programme is very positive. Parents of pupils have responded by saying, "Kiwi Can is great because it reinforces and encourages responsibilities and respect towards manners."

Teachers also appreciate Kiwi Can because they see any programme that supports pupils and staff wellbeing as a very good idea. In the wider community, kaumatua (Maori elders) have commented how "my tamariki (children) have grown in confidence, especially ones that are living in step-relationships (not with their parents), and how obstacles that were in their path have now loosened." Shopkeepers have also seen the improvement in the children's manners, and the respect they show towards the community.

The Sanford branch at Tauranga has been a community leader when it comes to integrating their core business and enabling some of the less-fortunate people of the Bay of Plenty to obtain work skills and to gain confidence within a work environment. A number of people with intellectual disabilities have been employed and are working well with existing staff.

At the Mount Maunganui (ECS) coldstores employee numbers have been increased by hiring long-term unemployed. The development of a high-quality work ethic increases the employability of people who would otherwise be a burden on the state. Both these schemes help Sanford achieve several objectives in that we are helping integrate people into mainstream society and widen the available labour pool for our operations. This is very essential as the unemployment rate drops and it becomes harder to fill vacancies.

Economic Sustainability

To be sustainable, a business must be financially sound and able to foster the means of its own growth and renewal. For Sanford, the core of our sustainability is based around maintaining an appropriate share of New Zealand's sustainably managed fish stocks and aquaculture, supplemented by value-added processing. Our operations (outlined on the Company website, www.sanford.co.nz) form the basis of the Company's financial sustainability. Sanford's rich history in establishing the New Zealand seafood industry going back to the 19th century and the innovation we bring to the 21st century show that long-term economic sustainability is deeply entrenched in the Company.

Financial Summary

for the year ended 30 September 2004

	2004 12 months	2003 13 months
	\$000	\$000
Sales revenue	350,445	367,736
Profits		
EBITDA*	35,639	50,353
Depreciation	(17,069)	(16,402)
Net interest	598	285
Net currency exchange gains	55,202	35,730
Profit on disposal of investments and fixed and long term assets	6,691	3,616
Operating surplus before taxation	81,061	73,582
Less taxation	27,713	26,876
Operating surplus after taxation	53,348	46,706
Minority interests	522	552
Net surplus attributable to shareholders	53,870	47,258

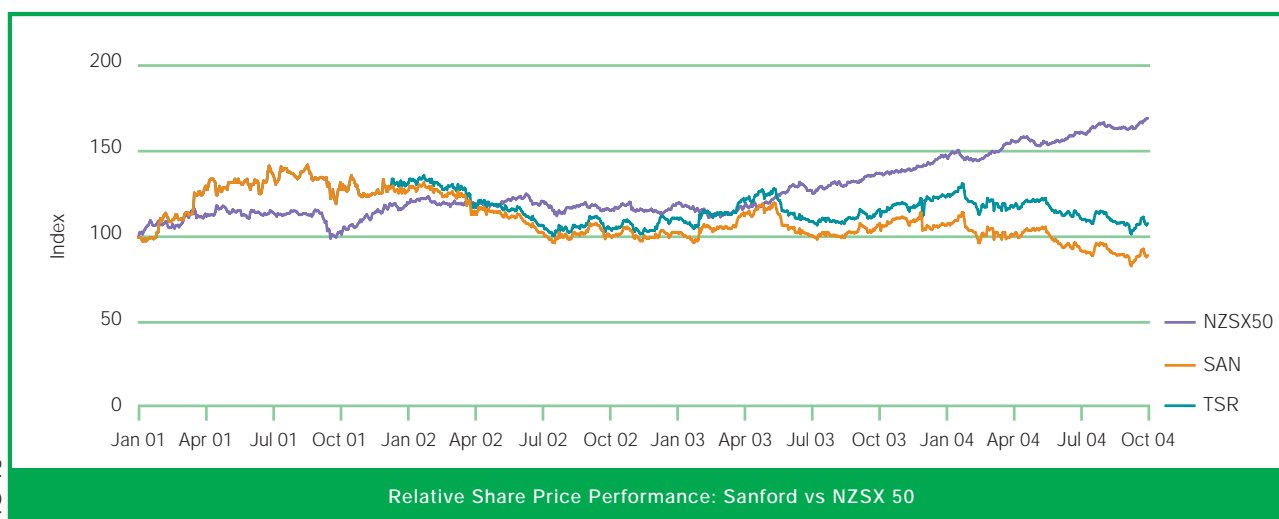
*Earnings before interest, taxation, depreciation, total currency exchange gains and profit on disposal of investments and fixed and long term assets

The Annual Report contains detailed data for the 2003/04 financial period, along with information from earlier years. Previously published annual reports are available on our website at www.sanford.co.nz

Economic Sustainability

Shareholder Returns

Shareholders in a company get a return on their investment in two ways: capital growth through an increase in the share price, and dividends paid by the company. The performance of a company's share price is a reflection on how the market views the company's sustainability. This is because share prices are generally based on estimates of future earning potential. A company focused on short-term exploitation of resources may have good short-term financial results, but its share price will suffer if the market believes that those results are not sustainable. Figure 13 below compares the performance of Sanford's share price against the index of the leading companies on the New Zealand Stock Exchange (NZSX) and the Total Shareholder Return (TSR) of Sanford stock. TSR includes any dividends paid by the company. The NZSX40 has now been discontinued and a new index, the NZSX50 is used to compare Sanford's performance. Since January 2001 the NZSX has outperformed many other stock markets of the world. Global factors, such as an undervalued American dollar and sluggish economies due to threat of terrorism, combined with the strong domestic economy in New Zealand and a high New Zealand dollar, have impacted on market prices and net returns for Sanford. Publicity on issues such as the hoki quota reductions, aquaculture law reform, foreshore and seabed issues and scampi disputes has seen the Sanford share price not perform as well as the market as a whole.



Economic Value Added

Economic Value Added (EVA) is a modern method of valuing a company and monitoring its performance. EVA measures the economic performance of a company after taking into consideration the cost of capital. It tells us how much value the company has created by comparing the return achieved on invested capital with the expected return to investors on investments of comparable risk. Therefore, if a company is making a higher return on capital than its cost of capital then it is generating economic value. Companies that fail to generate economic value over time will shrink relative to companies that are, therefore not contributing to sustainable economic growth. Table 6 shows Stern Stewart & Co's calculations for 2000 – 2002; the 2003 and 2004 figures are an estimate by Sanford. Apart from a minor reversal in 2001, Sanford has shown strong sustainable economic growth.

Economic Value Added

	2000	2001	2002	2003	2004
Return on Capital	20.7%	9.2%	12.1%	10.9%	11.5%
Cost of Capital	10.4%	9.7%	9.2%	6.5%	7.2%
Economic Value Added (NZ\$m)	28	(2)	11	18	18

TABLE 6

Economic Environment

Sanford operates in regional, national and international economic environments. The Company contributes positively to all of these economies.

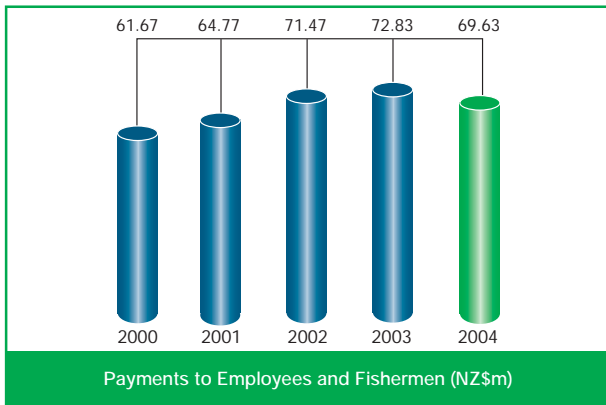


FIG 14

Payments to employees and fishermen are often a major contributor to the local communities in which Sanford operates, and also generate significant tax income for the New Zealand government.

Champions of Quality

Ensuring quality of product is essential to the long-term sustainability of the Company. Without internationally recognised quality systems in place, Sanford would not be able to export produce to the diverse range of countries that we do today.

Sanford employs quality specialists at each location whose purpose is to maintain customer specifications and ensure that all operations meet export requirements. On average, over 2,000 cartons of product are measured carefully each month to ensure that the product meets the customers' requirements. We are required to maintain Food Safety Programs and ensure that the best practices are in place to meet product standards for 37 different countries. The Company works with government officials, such as the New Zealand Food Safety Authority, to ensure that our processing standards are the best in the world.



FIG 15

Purchases from domestic suppliers give an indication of the Company's contribution to the domestic commercial economy.



FIG 16

Tax payments show the amount of the Company's profits paid to the New Zealand government (excluding tax on employees' wages and salaries).



FIG 17

Balance of export earnings over imported supplies shows our net aggregate contribution to the New Zealand economy. The Company is a major positive contributor to New Zealand's trade balance.

Economic Sustainability

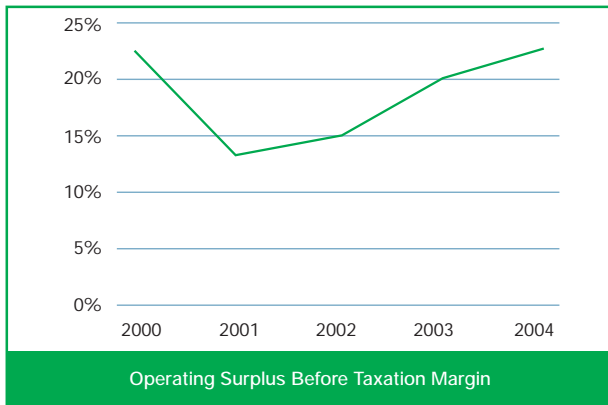


FIG 18

The operating surplus before taxation margin (fig 18) is an indication of how a company is making a profit within the current sales revenue. The dividend paid to shareholders (fig 19) and earnings per share (fig 20) reveal the health of a company and its financial performance. The total equity (fig 21) of the Company reveals the strength of the balance sheet and the ability of the company to maintain sustainable growth. Sanford has strength in all four of these indicators, which show that it is in good shape for a sustainable financial future.

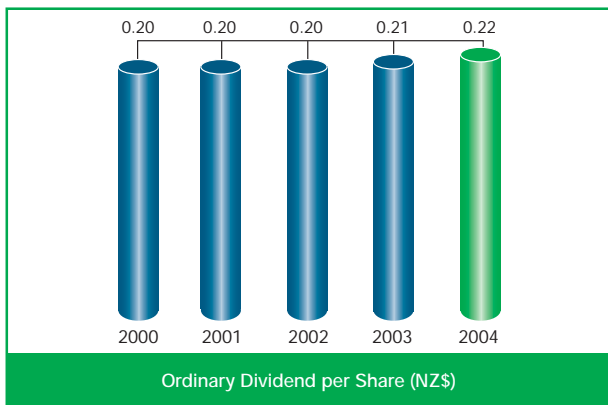


FIG 19

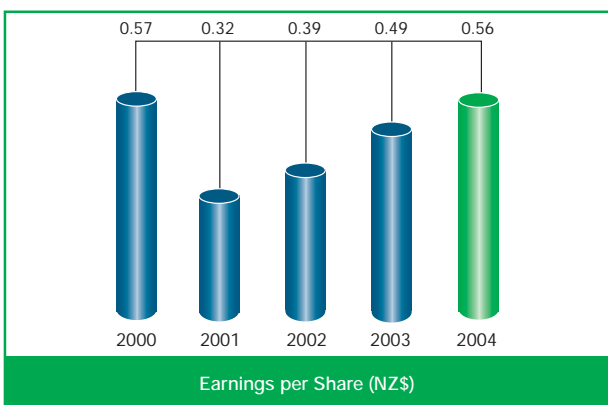


FIG 20

The Financial Contribution of Sustainable Development

By entering down the path of becoming a sustainable company, not only are we minimising our ecological footprint, we are also contributing in many ways to the financial goals of the Company and its shareholders. Initiatives such as Kiwi Can at first do not appear to have obvious benefits for the Company. We believe, however, that social investment not only benefits the community but also the Company, whether in terms of employment relations, regulatory relations or interactions with community groups.

Being responsible, and communicating this to stakeholders, can also bring rewards in terms of becoming a preferred supplier to our customers. There is also evidence that financial markets respond favourably to companies that are transparent in their operations and report their progress in other areas (social and environmental) alongside the more traditional financial reporting. Obtaining ISO 14001 accreditation for our vessels and processing plants environmental management systems, along with Marine Stewardship Council certification of the New Zealand hoki fishery, has enabled Sanford to obtain a competitive advantage by offering a product in the marketplace that meets the needs of those consumers who desire fish products that meet environmental standards.

More tangible examples of how financial benefits are realised from sustainable development include the focus on, and the resulting reduction in, resources consumed by the Company. The increase in the eco-efficiency of electricity use by the Company has seen a reduction in operating costs of \$275,000. The increase in the eco-efficiency of diesel has seen a reduction in operating costs of \$480,000 over the last two years. As we become more efficient in producing more finished product, the Company will be in a better position to manage any charges the government introduces to cover environmental costs, such as a charge on CO₂ emissions.

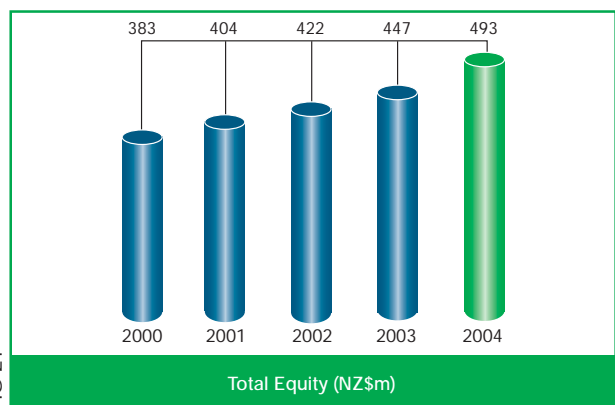


FIG 21

Where do all our products go?

As the images below show, Sanford ensures that New Zealand seafood ends up in a diverse range of countries. From top restaurants in New York to the bazaars of Tehran, New Zealand seafood is known for its quality and taste. As global consumers become more aware of the sustainability issues surrounding renewable resources, New Zealand seafood becomes a more attractive option. This is because of the Quota Management System (QMS) that is in place is acknowledged worldwide as a model for sustainable fisheries management. The creation of property rights in the form of individual transferable quotas (ITQ) creates an incentive for quota holders to ensure that their "property" maintains value. New Zealand hoki has been recognised by the Marine Stewardship Council (MSC) as a well-managed and sustainable fishery by its certification to the MSC's environmental standard, 'The Principles and Criteria for Sustainable Fishing'. The three principles are:

1. Condition of fish stocks – the fishery shall be conducted at catch levels that continually maintain the high productivity of the target population(s) and associated ecological community relative to its potential productivity.
2. Impact of the fishery on the marine environment – the effect fishing has on the surrounding marine ecosystem, including non-target fish species, marine mammals and seabirds.
3. Fishery management system – appraises the systems in place to maintain a sustainable fishery (and minimise any environmental impact) and how these procedures are implemented.

These management techniques give New Zealand a market advantage when wholesalers and consumers modify their behaviour to take sustainability issues into account when purchasing seafood. Sainsbury's, a major supermarket in the United Kingdom, is now putting policies in place which specify by 2010 that all of its wild fish is sourced from sustainable (MSC) sources.



Economic Sustainability

Sanford Customers

Sanford has an excellent reputation internationally for the quality and consistency of our products and services. A small but vital team of quality assurance staff at each branch ensures all products meet our exacting Company specifications, as well as compliance with stringent regulatory requirements. The Company's focus over many years on quality management in the processing environment and relationship management with key customers has contributed to the establishment of many long-term business relationships. Sanford's efforts in maintaining effective business relationships are reflected in figure 22.

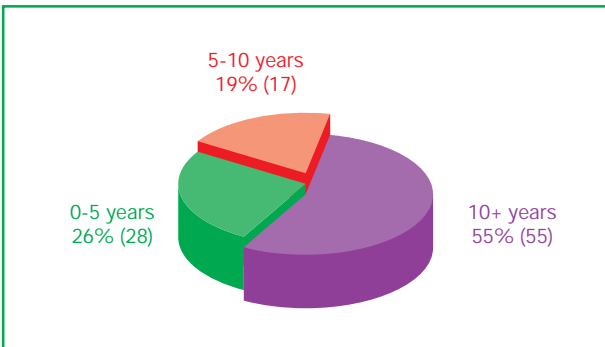


FIG 22

Length of Customer Relationship 2004 (2003)

Renewal and Growth

The Sanford business model is based on prudence and a long term vision which enables the upgrading of facilities that ensure operational efficiencies are achieved and competitive advantages are maintained through improved processing capability and technology. This puts the Company in a position to capitalise on growth opportunities wherever they arise.

The completion and opening of the Auckland Fish Market (AFM) has seen an exciting addition to the Auckland seafood retail and culinary scene. The \$15 million dollar project incorporates the daily fish auction, seafood cooking school and retail and wholesale specialty food shops. The daily electronic fish auction uses the Dutch auction technique where prices start high and bidders wait until the price drops to the level that they are prepared to pay. Local customers both large and small are able to compete on a level playing field in obtaining the freshest of produce. With other fishing companies supplying fish daily to the auction it is becoming a focal point for seafood wholesalers, restaurateurs and fishmongers. Every morning at six, the buyers meet up, share a coffee and discuss the previous day's events. It is expected to result in increased supplies of quality fish available on the

local market as well as becoming a focus for the fishing industry and a new tourist attraction in Auckland.

Completion of the 'WiseFish' technology project has enabled Sanford to have a 'sea to customer' computer system. The system encompasses catching, harvesting, landing, processing, storage and inter-branch transfers, marketing, and sales and export of all our product – inshore fishing (processed on land), deepwater fishing (processed at sea) and aquaculture farming and processing.

It integrates Marel (production-tracking hardware and software) with WiseFish (specialist fishing and inventory software), and Navision (corporate finance and accounting) and PayGlobal (payroll).

Now, for the first time, Sanford is able to operate, manage and report – in one system and in real-time – on nearly every aspect of its business: from its head office in Auckland and from any of its 10 processing and storage facilities around the country.

Survey of Readers' Thoughts on our Sustainable Development Reporting

Over the past three years we have been asking you, the reader, for feedback on our annual sustainability reporting. The responses received have been overwhelmingly (95 per cent) in support of the culture Sanford has adopted in becoming more transparent in our operations through the sustainable development report.

From your feedback we know that the characteristic of the report that ranks highest with our audience is the use of pictures, tables and graphs to convey information to the reader. The most appealing to our readers has been the environmental section where case studies highlighted the human element within the Company's operation. Your positive feedback has encouraged us to continue our commitment towards a sustainable future.



Milan Barbarich from Anton's Seafoods presents a ships bell, rung at 6am to signal the start of the auction



Sanford welcomes your comments on our Sustainable Development Report

We would greatly appreciate your feedback on our Sustainable Development Report to help us develop an even better report next year. For your convenience we have prepaid the postage.

1) How do you rate our Sustainable Development Report?

- | | | | | | |
|--------------------------------------|------------------------------------|------------------------------------|-------------------------------|-------------------------------|------------------------------------|
| Overall content: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Comprehensiveness: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Writing style: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Clarity of graphs and tables: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Pictures: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Layout and design: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Credibility: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |

Comments:

2) Which section appealed to you most? Why?

3) What would you like to see in future Sustainable Development Reports?

4) Do you have any additional comments or questions?

5) What stakeholder group do you belong to?

- | | | |
|--|---|---|
| <input type="checkbox"/> Sanford shareholder | <input type="checkbox"/> International customer | <input type="checkbox"/> New Zealand customer |
| <input type="checkbox"/> Sanford employee/family | <input type="checkbox"/> Contractor/supplier | <input type="checkbox"/> Community member |
| <input type="checkbox"/> Other (please specify) | | |

For more information or to view a copy of the Sustainable Development Report online please visit our website at www.sanford.co.nz or contact us on +64 9 379 4720.

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