



SANFORD LIMITED
SUSTAINABLE SEAFOOD

Triple Bottom Line Report

2002





As New Zealand’s largest and most diversified listed fishing entity, Sanford has a long and proud history. The Company has been fishing for more than 120 years and is committed to sustainable development.

This report describes Sanford’s commitment to, and performance in, sustainable development – the protection and enhancement of resources, enabling the Company to thrive both now and in the future. It also provides an indication of the commitment and culture that has developed within the Company over generations.



CONTENTS

TRIPLE BOTTOM LINE REPORT

Managing Director’s Statement	40
Introduction	41
Environmental Sustainability – Our Footprint	42
Social Sustainability – Staff and Community Involvement	55
Economic Sustainability – Returns to Stakeholders	62
Response Form	69

MANAGING DIRECTOR'S STATEMENT

This is the third year that Sanford has produced a Triple Bottom Line Report. The main purpose of this report is to convey to you, a stakeholder in the Company's future, our commitment to continuous improvement in environmental, social and economic performance, which together make up the triple bottom line of sustainable development.

The business case for adopting a sustainable development philosophy is very strong. Improved efficiency and competitive advantage are two areas that can lead to improved financial returns. Reduced shareholder risk is also achieved by being able to:

- ▶ enhance customer loyalty and commitment, and improve prices in the long term,
- ▶ increase supplier commitment,
- ▶ enhance relations with the communities in which we operate,
- ▶ reduce environmental impacts and associated costs,
- ▶ strengthen relationships with regulators, banks, insurers and financial markets, and
- ▶ attract and retain loyal and committed employees.

Integration of environmental, social and economic considerations in making sound judgements for the long-term future of the Company will help ensure Sanford continues to develop successfully in a sustainable manner.

The size and diversity of Sanford's operations means that we have many stakeholders both in New Zealand and internationally. The key stakeholder groups that we have identified include: shareholders, customers, suppliers, employees, regulators and the communities in which we operate. This report is written with all stakeholders in mind, and should provide value for all. It is written to inform, validate, motivate, provide confidence and provide an avenue for communication to our many stakeholders, all of whom may be aware of the "Sustainable Seafood" business philosophy but may not see the significant effort that is expended in support of these principles.

Key points of Interest from this Report

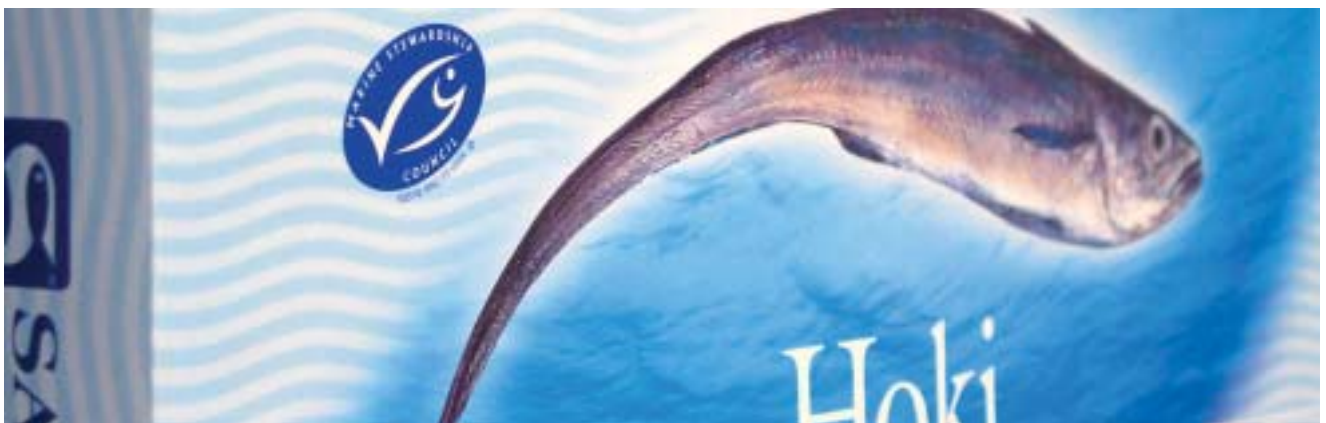
- ▶ Eco-efficiency advancements, particularly in the volume of fresh water used and solid waste created: these two alone resulting in an estimated \$75,000 reduction in operating cost per annum.
- ▶ The development, and Sanford's signing, of the Seafood Industry Charter, representing a significant move forward for sustainable development within the seafood industry in New Zealand.
- ▶ Maintenance of our ISO14001 status, following a series of planned external audits.
- ▶ Increased customer use and acceptance of the Marine Stewardship Council certification programme for New Zealand hoki.
- ▶ Sale or closure of the Nelson operation and the addressing of employment and community issues in the city.
- ▶ Training and staff development progress, including the continued use and our employees' achievement, of NZQA unit standards and qualifications.
- ▶ Strong financial and economic performance for the financial year.
- ▶ Significant investment in the upgrading and development of the Havelock and Auckland processing facilities during the year, to accommodate future expansion and improve operational efficiencies.

While this report focuses on Sanford's New Zealand activities, future reports will include additional information on the impacts of our international activities.

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
25 October 2002



INTRODUCTION



Welcome to Sanford's third Triple Bottom Line Report, describing the Company's environmental, social and economic impacts and reporting on performance in the following key sustainability areas.



Environmental Sustainability

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.



Social Sustainability

By acting in a socially responsible manner and demonstrating our commitment to our staff, the communities we operate in and the future of New Zealand, we ensure staff and community support. Sanford seeks to foster constructive relationships and partnerships with employees and provide a safe working environment, job security, good working conditions, equal opportunities, education and a stable and supportive working environment. Sanford also supports communities through economic development, employment and implementation and support of social development initiatives.



Economic Sustainability

Through the development of new products, markets, processing, aquaculture and information technologies, and by focusing on process efficiencies, quality improvements and possible investment opportunities, Sanford ensures continued financial performance. Sanford operates in regional, national and international economic environments and the Company is intent on contributing positively to those economies, ensuring that its financial performance is adequate to sustain forward progress. Sanford's goal is to continue to develop our business in a manner that will ensure financial stability and security.

The motto "Sustainable Seafood", which adorns all our products, buildings and documentation, conveys a clear message of the importance of sustainable development to Sanford's future. Commitment to the sustainable development approach to business management is evident from executive involvement with the New Zealand Business Council for Sustainable Development (NZBCSD) to staff participation in numerous initiatives at the operational level. In this report you will find examples of the many projects and initiatives managers and staff have given their time and effort to on behalf of Sanford.



Sanford is committed to continually improving its environmental performance.

 Responsibility

Sanford recognises its obligations and responsibilities, ensuring we conduct our operations in a manner that protects the environment and conserves natural resources. The Company is committed to continually improving its environmental performance whilst requiring that environmental benefit is an essential factor in determining methods for improvement.

 Environmental Profile

	UNIT	2002	2001	% CHANGE
Value Profile				
Mass of product produced ¹	tonnes	49,305	50,917	- 3 %
Environmental Profile				
Total harvests from NZ waters	tonnes	114,690	119,684	- 4 %
Electricity consumed	kWhrs	25.4m	24.8m	+ 3 %
Diesel fuel consumed	litres	21.0m	21.8m	- 4 %
Lube oil used	litres	96,656	129,840	- 26 %
Fresh water consumed	litres	678.8m	751.4m	- 10 %
Solid waste to landfill	tonnes	991	1,110	- 11 %
GHG emissions ²	tonnes	63,700	65,200	- 2 %

¹Mass of product produced includes all fresh and frozen fish products excluding fishmeal

²Greenhouse gas emissions in tonnes of CO₂ equivalent (global warming potential)





Sanford Environmental Management System



Sanford continues to operate an effective Environmental Management System (EMS), which is certified against the ISO14001 standard. The EMS ensures ongoing, active management of those environmental issues relevant to the Company's operations. Protection of the environment, improvement in environmental performance and continual improvement of environmental systems are the main objectives of the EMS. These are achieved through accurate monitoring and measurement, reporting, setting objectives and targets, and management review of significant environmental issues. Successful management of these environmental issues can have many benefits, such as:

- ▶ Helping to protect and enhance the environment that we live and work in
- ▶ Protecting the resources that we rely on to do business
- ▶ Enhancing Sanford and New Zealand's environmental image
- ▶ Reducing costs by managing consumption and minimising wastage of resources such as fuel, water and electricity
- ▶ Reducing the likelihood of environmental incidents
- ▶ Encouraging other companies to enter into sustainable management practices
- ▶ Ensuring the long-term viability and sustainability of our Company and industry.

(For more information on ISO14001 visit www.iso.ch).

Many of the environmental performance improvements described in this report can be attributed to Sanford's systematic approach to continuous improvement. The following sections detail environmental issues relevant to Sanford's operations, products and services. These are managed by the individual operations as part of the Company's EMS.

Corporate Environmental Responsiveness Survey 2002

Sanford achieved third place in this year's Survey of Corporate Environmental Responsiveness conducted by Massey University. The survey, covering 54 companies from a variety of business sectors, assesses the systematic approach to environmental management and the evolution of strategic environmental business planning within the organisation.



Managing Director Eric Barratt receiving the third place certificate from New Zealand Prime Minister Helen Clark



"It was a pleasure to audit a company where management and staff are committed to the protection of the environment and the sustainability of the fishing industry. This proactive approach will benefit future generations of New Zealanders both socially and economically."

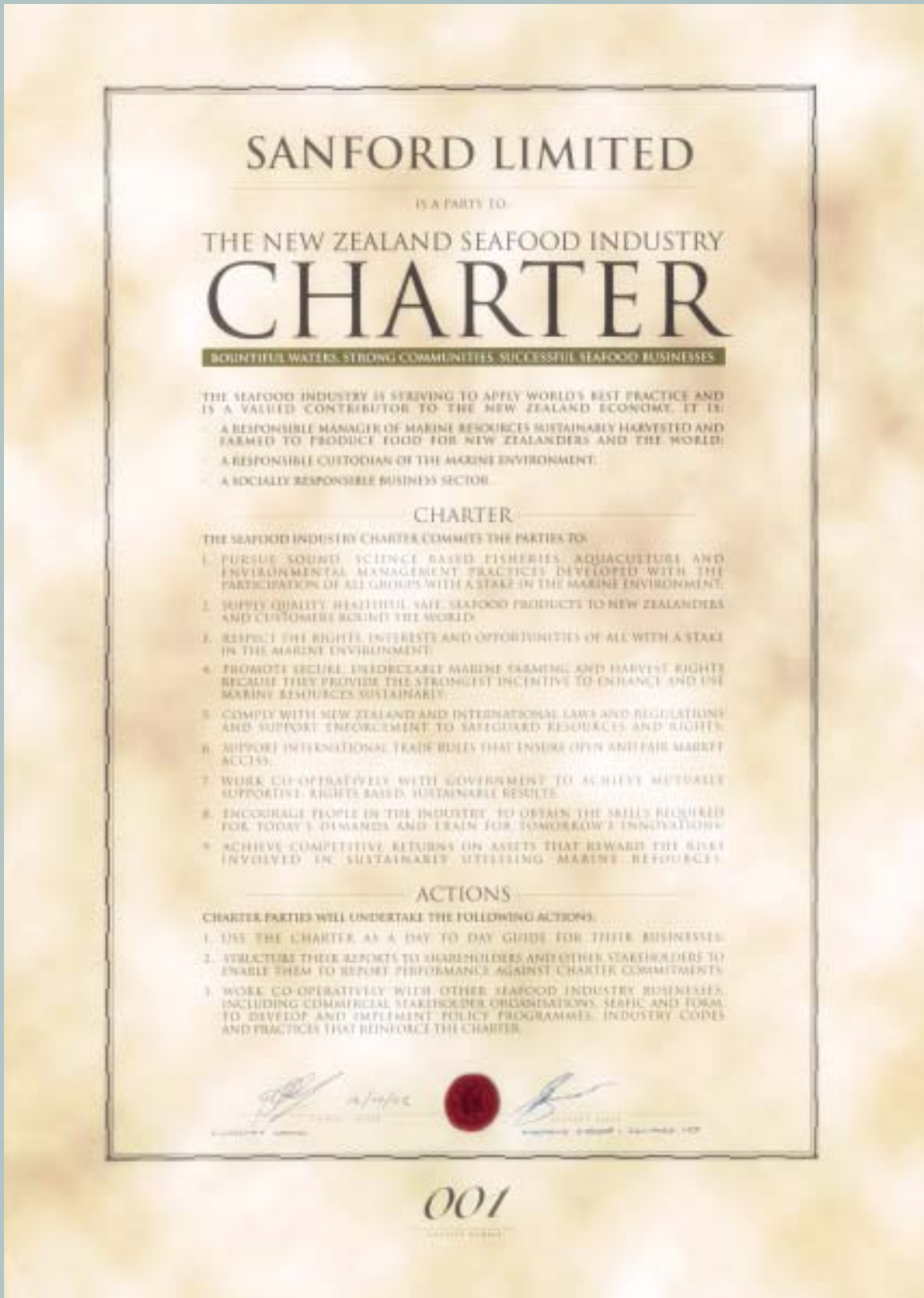
Senior Auditor SGS (ISO14001 audit September 2002)



Sanford EMS teams regularly meet to discuss the latest environmental issues

New Zealand Seafood Industry Charter

The New Zealand seafood industry has developed a charter that individual seafood companies can sign up to. Demonstrating our full commitment to its principles, Sanford recently became the first company to sign the charter.



 **The Sea as a Resource**

Our oceans represent the single most important natural resource to the Company and the industry. The oceans provide us with the raw materials needed to feed New Zealand and overseas consumers of seafood.

Fisheries Management

The main method used to manage fisheries is a system based on controlling the levels of catch, known as the Quota Management System (QMS). Under this system, periodically reviewed catch limits are set for each fish stock. The QMS allocates each quota holder a share of the total allowable commercial catch, which can then be caught or traded.

Allowances for recreational and customary Maori catch are made before the Total Allowable Commercial Catch (TACC) is set. A few species outside the QMS are managed under a permit system, conferring non tradable rights.

In addition to the QMS, there are various regulatory controls to manage aspects of commercial and recreational fishing. These include method and gear restrictions, closed areas, recreational daily bag limits, minimum fish sizes and closed seasons. There are also specific regulations for customary Maori fishing.



Freshly caught iki snapper about to be stowed for the voyage back to port

The Fisheries Act 1996 requires that fish stocks be utilised in a sustainable manner. This means sustaining fish stocks while also sustaining marine ecosystems. Most species are harvested at rates that ensure stocks are maintained at or near the level that produces the maximum sustainable yield. Sanford invests significant resources to make certain wild fish harvests are in line with quota management requirements and consistent with best practice (including the adoption of various industry codes of practice and voluntary area closures).

Along with other fishery stakeholders, we have accepted increased responsibility for the management and protection of the marine environment. We continue to be active members in stakeholder, industry and government working groups and organisations that are responsible for resource management. In most cases, the objective of this participation is to contribute to initiatives that promote sustainable harvesting of New Zealand’s seafood resources and sustainable development within the industry.

The Company also contributes to the increased knowledge of the marine ecosystem by undertaking marine research and funding fisheries management and research through industry levies.

Ten commercially fished species have been introduced into the QMS for the 2002/2003 quota year, bringing the total number of fish or shellfish managed under the system to 54. The new species introduced are: paddle crab, butterfish, blue mackerel, queen scallops, cockles, anchovy, pilchard, garfish, sprats and kina.

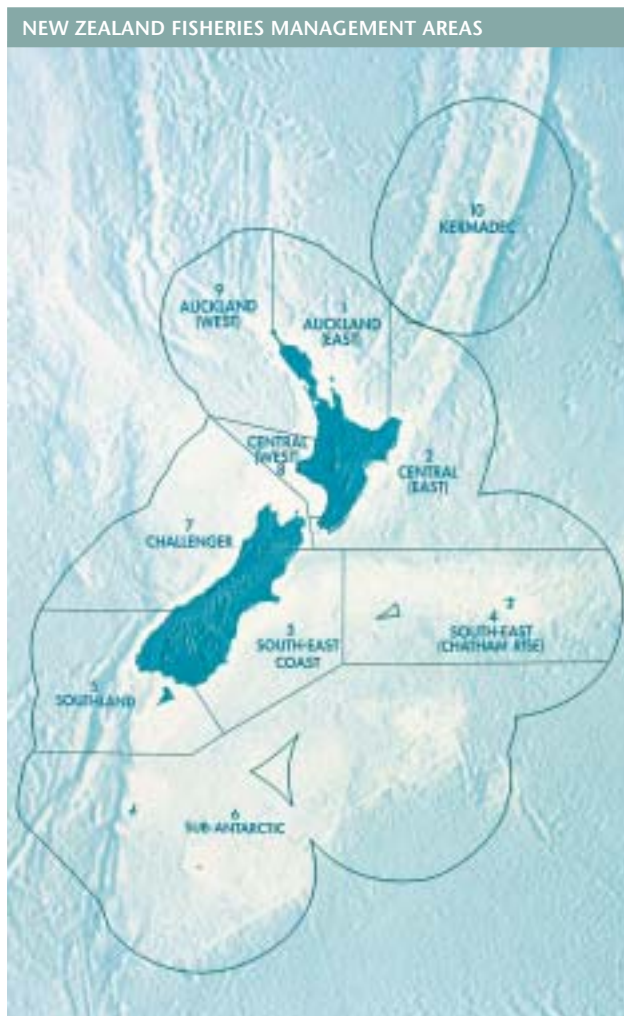
Over the next three years the Ministry of Fisheries will be working towards the introduction of about 40 species that will benefit from the better management framework provided by the QMS.

A review of fish stocks resulted in an increased catch level for six species for the 2002/2003 year. Measures are being taken to rebuild other fish stocks that are below sustainable levels, including some orange roughy stocks. Changes to the TACC of a fish stock, the result of ongoing scientific research and analysis, help ensure that fisheries resources can continue to be sustainably utilised in the future. The following table details the relevant changes.

ENVIRONMENTAL SUSTAINABILITY – OUR FOOTPRINT

SPECIES	FISH STOCK	LOCATION	2002/2003 TACC (TONNES)	2001/2002 TACC (TONNES)	EFFECT ON SANFORD QUOTA (TONNES)
Elephant fish	ELE 3	South east coast of South Island	950	825	+ 12 (15%)
Gurnard	GUR 3	East and south coast of South Island	800	900	- 8 (-11%)
Ling	LIN 1	Upper half of North Island	400	265	+ 33 (51%)
Orange roughy	ORH 3A, 2A (south), 2B	East coast of North Island and Kaikoura coast	800	1,500	- 97 (-40%)
Oreo dory	OEO 3A	Wellington coast and east coast of South Island	3,100	3,900	- 270 (-21%)
Ruby fish	RBV 1	Upper east coast of North Island	300	109	+ 61 (175%)
Silver warehou	SWA 1	North Island and west coast of South Island	3,000	2,132	+243 (41%)
Snapper	SNA 2	Lower east coast of North Island	315	252	+ 3 (25%)
Stargazer	STA 7	Nelson, Marlborough and west coast of South Island	997	702	+ 49 (42%)

It is important to note that the above management areas may be one of several for a particular species, and that in each case Sanford will have access to only a proportion of the available quota. Refer to www.fish.govt.nz for further details.



The Minister of Fisheries' decision follows consideration of the most recent scientific assessments and consultation with all stakeholders, including Maori, recreational and commercial fishers and environmental groups. Adjustments to catch limits are intended to ensure the sustainability of fisheries and the marine environment.

(For more information on fisheries management visit the Ministry of Fisheries website at www.fish.govt.nz, or the Seafood Industry Council website at www.seafood.co.nz).



ENVIRONMENTAL SUSTAINABILITY – OUR FOOTPRINT

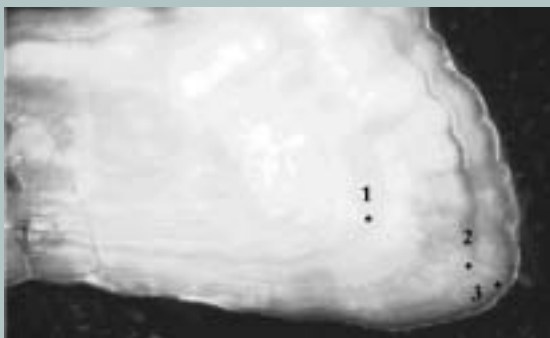
Sanford – a Fisheries Research Provider

The seafood industry, other stakeholders and government agencies continually work together, gathering information to aid research into various fisheries. Sanford assists in the research of a number of fisheries by collecting biological data from sampled fish.

In addition to measuring the physical size of specimens, the age of some fish can be determined by counting the rings on otoliths. (Otoliths are part of the inner ear of the fish that are important for balance and hearing.) They grow in a series of daily rings and seasonal bands or growth zones, similar to the rings of a tree. This information, with details of where and when the catch was taken, is used to build up a picture of the size and age structure of a fish stock.



The Otolith from a red gurnard



The rings of the otolith allow us to estimate the age of a fish

Catch Volumes

<i>Total weight harvested from NZ waters</i>	114,690 tonnes (last year 119,684 tonnes)
--	--

Catch volumes for existing quota species from New Zealand waters in the coming year are expected to remain relatively static, with only minor adjustments in TACC levels. The introduction of blue mackerel into the quota system is likely to result in a lower quota allocation than past catches of this species due to the allocation of 20% of the quota to Maori. The volume of fish caught in international waters is expected to increase with the *San Arawa II* now operating full time in Argentine waters and the continued successful operation of two purse seine vessels in the South Pacific.

Fisheries Compliance

The Company has a policy of 100% compliance with fisheries legislation. Management, administration staff, skippers and crews are required to undertake compliance training at regular intervals. Regular external audits provide us with confidence that our operations are complying with fisheries regulations.

Earlier this year the Ministry of Fisheries arrested a Japanese trawler, chartered by Sanford, on allegations of crossing the 25 mile line off the West Coast of the South Island while fishing. The vessel was released under bond to continue fishing while an investigation was undertaken into the actions of the vessel's captain and fishing master. Charges were laid against the two fishermen, with the fishing master returning to Japan. The vessel continues to fish for Sanford under the constant supervision of Company and/or Ministry of Fisheries observers.



Record keeping, particularly on fishing vessels, is an important part of compliance management



The new mussel barge San Nikau heading off for a day on the farm

Marine Stewardship Council Hoki Certification

Last year the Marine Stewardship Council (MSC) certified the New Zealand hoki fishery as meeting the strict requirements of the Council’s certification standard for well-managed fisheries. Under the MSC’s internationally recognised certification programme, organisations that commission the assessment are permitted to state this fact as part of their general promotional activities. New Zealand hoki was the first major whitefish fishery to gain MSC certification. Obtaining certification has provided hoki with a unique market advantage over other whitefish species in Europe, the United States and Australia.

Aquaculture

Sanford’s aquaculture activities include king salmon, pacific oyster and Greenshell™ mussel farming. Aquaculture operations work in partnership with the marine environment to produce seafood for harvest. Sanford is, therefore, constantly aware of the environmental and economic benefits in improving best environmental practice.

The total weight harvested from aquaculture operations was marginally higher in 2002, mainly due to increased mussel farming capacity and the completion of the Havelock plant upgrade.

Sanford is committed to the further development of aquaculture, with a focus on increasing capacity by expanding traditional farming activities and applying new aquaculture technology. Aquaculture activities will be developed in a sustainable manner to increase resource availability for our processing plants. Communities will benefit through this from increased employment, both on farms and at processing plants, and local economic growth through the supply of products and services.



Marine Environment

Impacts on the marine environment from fishing and aquaculture activities are not always visible or obvious. Fishing operations can have an effect on marine life through disturbance of the ocean floor, the release of biological wastes into the ocean, capture of non-target fish species and the interaction with marine mammals and seabirds. Aquaculture operations affect the environment through their utilisation of marine nutrients, the release of biological wastes and the attraction of fish and marine mammals to mussel and salmon farms.

Codes of practice have been developed by several industry sectors to ensure the industry manages and, wherever possible, reduces the impact on the environment. Sanford also co-ordinates, and participates in, various studies to learn more about these potential environmental impacts and how they might be avoided.

Seabirds

Seabirds today are faced with many threats, including introduced predators, pollution, loss of breeding habitat and human interactions. Baited hooks on fishing lines are an attractive source of food for seabirds and some species unknowingly endanger themselves in their attempts to feed during long line setting and retrieval. Long line vessels put significant effort into reducing the risk to seabirds associated with this operation by employing methods such as:

- ▶ Using tori lines to discourage the birds from diving on baited hooks
- ▶ Using thawed baits and/or weighted lines to improve sink rate
- ▶ The retention of offal on board vessels
- ▶ Reducing vessel lighting while night setting.

An example of how effective these measures can be is evident in the *San Aotea II*'s successful fishing journeys to the Ross Sea in Antarctic waters, where once again no seabirds were caught.



ENVIRONMENTAL SUSTAINABILITY – OUR FOOTPRINT

Marine Mammals

Those who live and work on the ocean have considerable respect for marine mammals and seabirds.

Seals

Our salmon farms in Stewart Island’s Big Glory Bay continue to provide an attractive food source for seals. They attack the salmon through the nets and attempt to climb through protective netting or electric fencing to enter net pens. We are continually seeking ways to protect the salmon and reduce the likelihood of the seals becoming dependent on the farming operation and the fish for survival.

To further improve our understanding of the mammals that share our marine resources, Sanford continues to sponsor independent scientific research on the NZ fur seal and NZ sea lion populations, both as a company and as part of industry-funded research projects.

Sea lions

The development of a sea lion excluder device (SLED) for squid trawlers around the Auckland Islands has significantly reduced problems with sea lions. The SLED allows the sea lions to escape from trawl nets, without the loss of fish. Work is continuing on the development of this technology and its application.

Dolphins

Each year, a small number of dolphins drown after becoming entangled in fishing nets; the majority of these deaths occur in shallow coastal waters where set nets are used. Sanford vessels do

not use set nets, although we purchase fish from vessels that do. Our purse seine vessels encounter dolphins from time to time, however, due to the nature of the operation (the encircling and closing of a net around a school of fish) any dolphins encircled in the net are able to be released unharmed. Sanford’s trawlers do not generally operate in areas or at depths where dolphins are likely to be present. Sanford encourages, and actively participates in, programmes that seek to reduce harmful dolphin interactions.

Albatross Down – A True Story

As storms go, this one was as bad as it gets. Steve Collier, skipper of the San Waitaki, listened to the wind howling around his bridge. Out of the dark he saw a flash of white through the bridge windows and heard a thump. Outside, a royal albatross was lying on the deck. Unsure whether the bird was dead or alive Steve carefully picked it up and brought it inside. The bird had a serious injury to its left eye and was obviously dazed from the impact. With two weeks of the voyage left to go and no possibility of getting the injured albatross ashore, Steve decided the best course of action was keep the bird on board and look after it until the vessel reached Timaru.

Steve made a nest for the albatross and patiently fed and cared for it during the remainder of the voyage. He worried about the injured eye and whether or not the albatross would survive the two week journey.

Near the end of the voyage, the San Waitaki headed for Timaru. Notification was radioed ahead to the albatross colony at Taiaroa Heads outside Dunedin, advising of the bird’s condition and asking what more could be done. Staff at the colony decided to drive up to Timaru, meet the San Waitaki and take the bird back to the colony for treatment.

With the San Waitaki secured alongside the wharf, Steve headed down the gangway with the albatross safely in his arms. He handed the bird over to the waiting staff from the albatross colony and watched as the car whisked it away, down to Taiaroa Heads for treatment.

In a typical fisherman’s unassuming fashion, Steve told no one about what he’d done or how he felt about the albatross, but he knew that he had done what he could. Two days later he got a call from Taiaroa Heads asking if he’d like to come out and check on the progress of the bird. He didn’t hesitate and drove to the albatross colony. After chatting with the staff they took him to the cliff top where the bird was sitting in a nest in the long grass. The staff were astounded to see that, as the fisherman approached, the albatross got up and walked over to him. Steve sat down and the bird sat next to him. The staff at the colony were then dumbfounded when Steve reached into a bucket, took out some fish and began to feed the albatross.



Living and working on the ocean can be extremely demanding but it can also provide for some memorable experiences and encounters

 Energy



Sanford is a heavy user of electricity, mainly due to energy requirements of freezing and coldstorage; our total usage equals that of a small town

Electricity

New Zealand generates the majority of its electricity energy from hydroelectric stations, which can impact on river flows and lake levels, threatening the ecological and recreational features of these resources. The remaining electricity is generated from fossil fuels (oil, gas and coal) and geothermal power stations, with a small amount from alternative renewable sources (e.g. wind and solar).

Sanford is managing electricity usage at all of our processing sites. Usage monitoring is in place and initiatives for the improvement in efficiency and minimising electricity wastage are underway.

Total electricity used by processing plants	25,388,385 kWhrs (last year 24,755,137 kWhrs)
---	--

This represents 0.51 kWhrs per kg of finished product (last year 0.49), the increased usage due mainly to a reduction in the total amount of product produced. There was also a significant increase in electricity use in mussel processing in Havelock, due to new mussel processing equipment which utilises electricity rather than fossil fuel energy. The energy efficiency of this equipment is expected to be improved in the coming year. In the next two years, we continue to expect a sustained 5% reduction in electricity used per kg of fish produced, based on 2001 figures. We believe this can be achieved once the benefits of facility upgrades are realised, through better utilisation of processing capacity and the continuation of energy saving initiatives. To assist in energy efficiency improvement we intend joining the EECA EnergyWise Business programme during the coming year.

Hydrocarbons

The combustion of non-renewable fossil fuels contributes to declining air quality, as well as damaging the ozone layer. Sanford consumes a significant amount of fuel, mainly diesel, in its fishing

operations. Practical, environmentally friendly alternatives to diesel for fishing vessels are not yet available. In the meantime, we are committed to improving fuel efficiency, reducing harmful emissions, and preventing spills polluting water or land. We are also monitoring the climate change issue and the possible effect of emission reduction targets, carbon taxes and the use of carbon sinks.

Reducing fuel consumption and emissions to air is achieved by:

- ▶ Operating each vessel at its optimum hull speed
- ▶ Carrying out regular engine maintenance
- ▶ Maintaining hulls and propellers to minimise fouling by marine organisms
- ▶ Where practical minimising the distance travelled to and from fishing grounds
- ▶ Raising fuel-usage awareness and providing training where necessary.

Total diesel fuel consumed	21,043,395 litres (last year 21,827,194 litres)
----------------------------	--

The actual decrease in diesel consumed is approximately 4%, due mostly to reduced fishing effort. When comparing to the volume of product produced, the amount of fuel used equals 0.4268 litres of diesel per kg of finished product (last year 0.4287), less than a 0.5 % improvement from last year. Over the next two years our target is to reduce this usage by 9% through implementation of a number of fuel reduction initiatives.

Lube oil used	96,656 litres (last year 129,840 litres)
---------------	---

This is a 26% reduction in the volume of lube oil used. The large variation in consumption is primarily due to the cyclical nature of vessel maintenance programmes, where oil consumption is dramatically reduced immediately following engine overhauls. In addition to regular, ongoing maintenance on vessel engines, the complete servicing of several of our larger vessels earlier in the year has resulted in a significant reduction in the amount of oil consumed. Consumption is likely to increase in the coming year as engine hours in these larger vessels increase.



Lube oil is a necessary addition to car, truck and fishing vessel engines



ENVIRONMENTAL SUSTAINABILITY – OUR FOOTPRINT

Lube oil recycled	64,937 litres or 67% (last year 56%)
-------------------	---

The proportion of oil recycled has increased from 56% to 67%, largely due to reduced volumes used on vessels and return of waste oil from independent vessels. The target is to maintain the recycling proportion above 60% for the coming year.

Solid fuel used (coal)	1,044,280 kg (last year 930,468 kg)
------------------------	--

Coal use has increased by 12% in the 2002 year, largely due to increased processing requirements of Sanford's landbased fishmeal plant, which processes fish by-products from several sources. The use of coal by Sanford operations is expected to reduce by approximately 20% in the coming year due to the sale or closure of Sanford Nelson.

Spills

Preventing fuel, oil and chemical spills is a focus for all Sanford employees operating vessels or working near waterways. Preventative systems, which have been reviewed and strengthened over recent years, have dramatically improved the management of fuel, oil and chemical usage, transfer and storage. Equipment is available on all Company vessels and at all sites to lessen the environmental impact of any spills that may occur. The Company has a "prevention is better than cure" attitude towards spills.



Coal is used to heat water at the Sanford Nelson branch and generate steam for our Timaru fishmeal plant



Prevention is better than cure, but it pays to be adequately prepared

 Water

Unpolluted water resources and aquatic ecosystems are a significant part of our natural heritage and recreational activities. In some places water is plentiful, but in others demands sometimes cannot be met. The quality and quantity of New Zealand’s water is sometimes affected by inefficient or inappropriate use which, in some cases, has reduced river flow levels below the ecological “bottom line” needed to maintain species diversity.

Sanford processing plants utilise both fresh and salt water in fish and shellfish processing. In some areas the water supply is periodically restricted and conservation measures are required to ensure environmental impacts are minimised. Water conservation programmes have been implemented in all Sanford processing plants.

<i>Total fresh water used by processing plants</i>	678,787 cubic m (last year 751,435 cubic m)
--	--

This is equivalent to 13.8 litres of fresh water used per kg of finished product (last year 14.8).

The target for 2002 was a 5% reduction. A 7% saving was achieved, slightly better than target, which is encouraging. The target for the coming year is a 5% reduction in water per kg of finished product.



Sanford has reduced its fresh water consumption by 72.6 million litres in the past year

 Waste Water

Most New Zealanders live within an hour’s drive of the ocean. Beaches, estuaries and harbours are an important part of our culture and recreation, especially in summer. These areas are also important to our economy – clean, safe water is part of the “Clean & Green” image we use to market New Zealand, its products and services overseas. One of the risks to the quality of New Zealand’s fresh water and marine environments is deteriorating water quality as a result of inadequate treatment or disposal of industrial effluents and other waste waters.

Sanford carefully manages the use of fresh water and, consequently, the volume of water being discharged.

<i>Total volume of waste water to sewer systems</i>	258,013 cubic m (last year 390,519 cubic m)
---	--

<i>Total volume of waste water to stormwater or direct to waterways</i>	366,133 cubic m (last year 285,813 cubic m)
---	--

Any discharges made directly into waterways or harbours meet the strict quality requirements of the resource consents granted for these activities. Milli-screening systems are used at several Sanford branches to remove solid material from sewer wastewater prior to council treatment. Local government authorities also assist in our conservation efforts by monitoring and reporting on the quality of discharges to sewer systems.

 Solid Waste and Recycling

Approximately 3.2 million tonnes of waste is disposed to landfills annually by New Zealanders.

Sanford processing operations create a significant volume of solid waste. Waste generated by fish or shellfish processing typically consists of:

- ▶ Organic food wastes
- ▶ Paper/cardboard
- ▶ Metal
- ▶ Plastics
- ▶ Wood
- ▶ Other non-hazardous wastes.

<i>Total solid waste to landfill</i>	991 tonnes (last year 1,110 tonnes)
--------------------------------------	--

Recycling programmes and a reduction in the use of consumables have resulted in reduced waste going to landfill. In 2001, the target was set for a 20% reduction in solid waste to landfill over two years. At the end of 2002, Sanford branches had achieved savings of 11%, well on the way to achieving this target.



Recycling efforts extend from offices and processing facilities to marine farms

ENVIRONMENTAL SUSTAINABILITY – OUR FOOTPRINT

Shells

Aquaculture processing generates significant quantities of shell waste, with our shellfish plants producing some 2,385 tonnes this year (last year 1,846 tonnes). This volume is set to increase as aquaculture operations are expanded. Semi-crushed shells are used for roading and fill material, however, options for better utilisation of this by-product continue to be investigated.



Mussel and oyster shells are a by-product of shellfish processing that can be utilised for other purposes



Biological Fish Waste

Sanford seeks to extract the maximum value of every fish caught by recovering as much as possible in the form of edible products. There are, of course, parts of every fish species that are considered inedible. These materials are collected and further processed into fishmeal by either Sanford or independent processors. Sanford owns one land-based fishmeal plant and has progressively incorporated fishmeal plants into our processing-at-sea fishing fleet. This has resulted in a significant reduction in fish waste discharges at sea, while providing a valuable market by-product.

Sanford fish processing plants, at sea and on land, produce approximately 25,000 tonnes of biological fish waste annually, 95% of which is processed into fishmeal.

Stewardship of Local Environment

All Sanford operations have taken responsibility for the cleanliness of the immediate environment in which they operate. All operations regularly check and clear rubbish from local waterways, foreshore areas, wharves and streets. In some locations, extended annual cleanups covering entire harbours and bays take place.











Refrigerant Profile

There continues to be scientific and public interest and concern about ozone losses in the upper atmosphere. CFCs and other similar human-produced gases, which are used for many purposes including refrigeration, have been shown to contribute to this phenomenon. The refrigeration industry has developed “ozone-friendly” substitutes, which is allowing the phasing out of potentially damaging substances.

Sanford operations utilise refrigerants in closed loop systems to refrigerate fish and fish products. The majority of refrigerants in use by Sanford are considered to be ozone friendly (see table over), however, several refrigeration systems are still to be converted to ozone-friendly alternatives. Effective maintenance programmes ensure that the accidental release of refrigerant gases is minimised.



ENVIRONMENTAL SUSTAINABILITY – OUR FOOTPRINT

REFRIGERANT TYPE	OZONE DEPLETING POTENTIAL (RELATIVE TO CFC-11)	VOLUME IN USE 2002 (KG)	VOLUME IN USE 2001 (KG)	PERCENT CHANGE	VOLUME OF GAS RELEASED INTO THE ENVIRONMENT (KG)
Ammonia	0.00 	29,530	34,380	- 14 %	800
R404A	0.00 	1,762	890	+ 98 %	178
69L	0.00 	230	290	- 21 %	11
R507	0.00 	0	40	-100 %	0
R406A	0.03 	105	108	- 3 %	90
R22	0.05 	4,254	4,013 ¹	+ 6 %	1,138
R502	0.33 	300	1,504 ¹	- 80 %	0
R12	1.00 	39	87	- 55 %	0

¹Note – R22 and R502 figures for the 2001 year have changed from those reported in the 2001 TBL report. This is due to the inadvertent exclusion of two systems on board fishing vessels last year.

The most significant development in refrigerant use has been the conversion of several refrigeration plants from R502, which has a moderate ozone damaging affect, to ozone friendly alternatives. The coming year will see the removal and safe disposal of the remaining R12 and R502, with continued phasing out of R22. It was disappointing to see the loss of a moderate amount of R22 through engineering failures during the year. In the decommissioning of all refrigeration plants, refrigerant gases and lubricants are recovered for reuse elsewhere or safe disposal.



Summary of Performance for 2002 and Targets for 2003

	PREVIOUS TARGET	RESULT FOR THE 2002 YEAR	COMING YEAR'S TARGET
Electricity Consumed (kWhrs/kg finished product)	5% reduction over 3 years (i.e. target 0.4655 kWhrs per kg)	6% increase (i.e. from 0.4862 to 0.5149 kWhrs per kg)	11% decrease over next two years (i.e. target still 0.4655 kWhrs per kg)
Diesel Fuel Consumed (litres/kg finished product)	10% reduction over 3 yrs (i.e. target 0.3858 L per kg)	0.4% reduction (i.e. from 0.4287 to 0.4268 L per kg)	9% reduction over next two years (i.e. target still 0.3858 L per kg)
Lube Oil Used (litres)	No target set	26% reduction	No target set
Lube Oil Recycled (Percentage recycled)	No target set	Increase in proportion recycled to 67%	Maintenance of proportion above 60%
Fresh Water Consumed (litres/kg finished product)	5% reduction over 2002 year (i.e. target 14.0201 L per kg)	7% reduction (i.e. from 14.7580 to 13.7671 L per kg)	5% reduction in 2003 (i.e. target 13.0787 L per kg)
Solid Waste to Landfill (kg)	20% reduction over 2 years (i.e. target 888 Tonnes)	11% reduction (i.e. from 1,110 to 991 Tonnes)	9% reduction in 2003 (i.e. target still 888 Tonnes)
Refrigerants in Use (kg)	No targets set	80% reduction in R502 55% reduction in R12	Replacement of remaining R12 and R502 in 2003

Sanford is committed to achieving economic growth in a socially responsible manner.

Sanford recognises that it has responsibilities to its employees, including the provision of a safe working environment, job security, good working conditions and equal employment opportunities. We also see mutual benefit in encouraging employee development through on-job and classroom education, and Company-organised community and social events.

Positive community contact and the provision of social benefits are also fundamental to our sustainability goals. Sanford supports communities through providing employment, economic development and the implementation of social and environmental initiatives that inevitably strengthen the Company's relationship with the communities.

Employees and the Working Environment

Sanford employs a significant number of people in and around small communities such as Kaeo, Coromandel, Havelock, Oamaru, Bluff and Stewart Island, as well as in Auckland, Tauranga and Timaru. The Company's presence strongly benefits all these communities. As at 31 August 2002, staff numbers were as follows:

LOCATION	EMPLOYEES	TOTAL
Inshore Fishing / Processing		
Auckland	99	
Tauranga	163	
Nelson	126	
Timaru	225	
Oamaru	9	622
Aquaculture		
Kaeo (including Houhora, Whangaroa and Kerikeri)	124	
Coromandel	173	
Havelock	178	
Bluff (including Stewart Island, Kaitangata and Waitaki)	120	595
Deep Water Fishing		
Deep Water Fleet		305
Head Office		
Head Office (Auckland)	35	
Service Division	15	50
Total New Zealand operations		1,572
International Fishing		
FV San Nanumea,		
FV San Nikunau (Pacific)	45	
FV San Arawa II (Argentina)	60	
Racovolis Amalgamated (Australia)	34	139
Total		1,711

SANFORD NEW ZEALAND OPERATIONS



Sale or Closure of Nelson

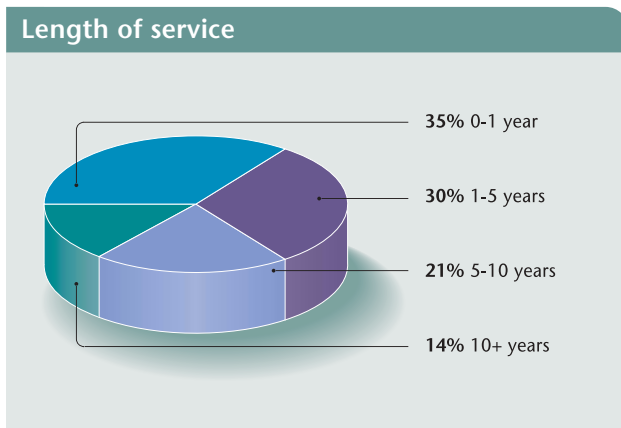
Sanford is in the process of reducing overall fish processing capacity through the sale or closure of the Nelson plant. This could result in up to 90 permanent employees being affected. Sanford is consulting with Nelson employees and their representatives, as well as with government agencies and Nelson civic, community and business leaders, over the future of the plant and alternative employment prospects for our employees. The Company has put in place a local job search programme, contacting major employers in the Nelson district to discuss employment opportunities. A number of staff have been offered the opportunity and assistance to relocate to other Sanford plants where suitable vacancies have been identified.

SOCIAL SUSTAINABILITY – STAFF AND COMMUNITY INVOLVEMENT

The diversity of Sanford employees, the commitment they display, and the culture and atmosphere that exist at Sanford branches are considered real assets.

Length of Service

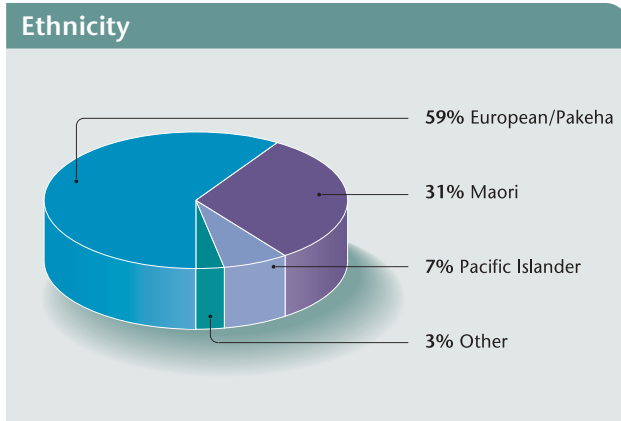
Long serving staff are a valuable asset, passing on skills and knowledge to newer employees and using experience to help the Company progress in a sustainable manner.



Ethnicity/Gender

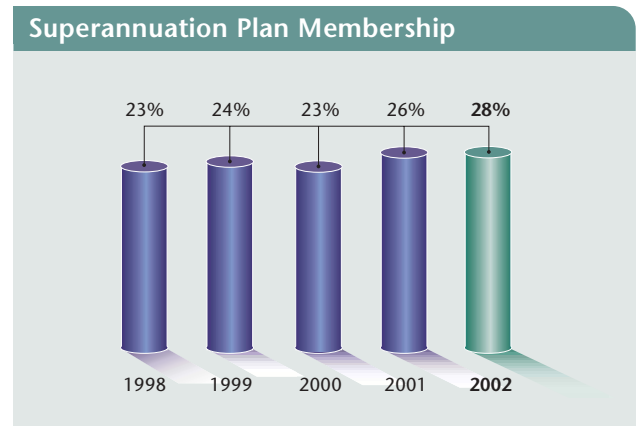
ETHNICITY	SANFORD	NZ POP. ¹
European/Pakeha	58.7%	79.6%
Maori	30.8%	14.5%
Pacific Islands	7.1%	5.6%
Other	3.4%	3.3%
Gender		
Male	65.7%	49.3%
Female	34.3%	50.7%

(1 Source: Statistics New Zealand)



Superannuation

Sanford operates a defined contribution superannuation scheme for permanent employees whose employment contract provides for membership. The percentage of permanent employees who are members of the scheme is shown in the adjacent graph.



Staff Numbers

Despite staff numbers fluctuating at individual branches, the total number of people employed by Sanford has not changed. Total New Zealand staff (at 31 August) of 1,572 includes permanent and casual Sanford staff, fishermen and management, but excludes the 139 people working outside New Zealand. In the coming year the Company expects to maintain overall employee numbers despite the sale or closure of Nelson due to increased processing at the remaining fish processing plants.





SOCIAL SUSTAINABILITY – STAFF AND COMMUNITY INVOLVEMENT

Social Events

Many Sanford branches have enthusiastic social committees that co-ordinate various events throughout the year, such as bus trips, sporting events etc, which many staff participate in. Staff also support Company-organised events such as Christmas functions and food fairs, which enhance the team atmosphere and community culture within the Company.

An internal staff magazine, "Sea News", is used to communicate Company and staff information, news and stories. The 16-page colour publication is produced and sent to all Sanford staff and fishermen at least annually.



Sanford Tauranga outrigger canoe team

Commonwealth Gold Medal for Sanford Champion

Teresa Borrell, Sanford's Technical Manager represented New Zealand in trap shooting at the 2002 Commonwealth Games at Manchester. Along with her shooting partner, Teresa won New Zealand's first medal of the games – gold in the women's double trap pairs event. The performance was also a personal best for Teresa in this discipline. Sanford is proud to support Teresa in her achievements.



Teresa shoots to the top



Children from Havelock School performed "E Kui e" and "Pelorus Jack" at the opening of the Sanford Havelock mussel processing plant



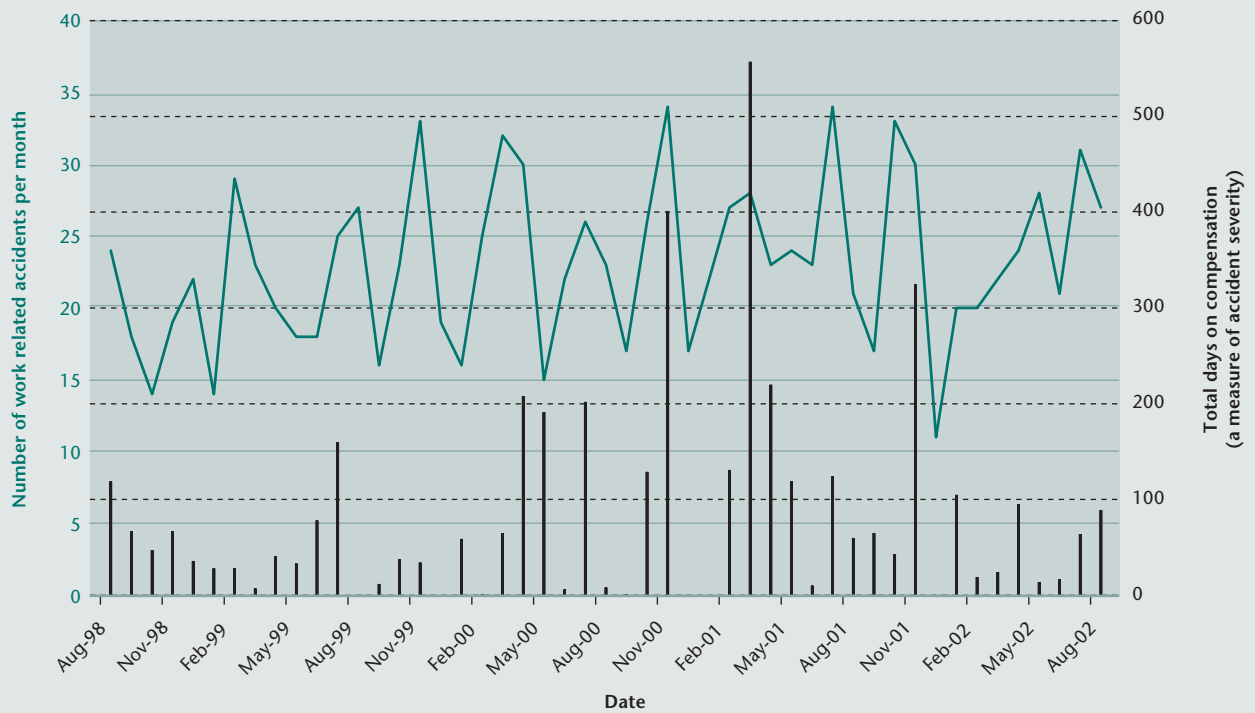
Employee Health and Safety

Sanford has an ongoing programme to reduce the occurrence of health and safety incidents at work. The success of this programme is expected to be illustrated by a decrease in work-related accidents over the next few years.

The achievement of ACC accredited employer status by the Company indicates our commitment to employee safety. The

programme allows the Company to manage its own claims and rehabilitation programmes, with a significant reduction in ACC premiums. This is a great achievement and reflects the commitment of both management and staff to improve health and safety in the workplace. Improvements in the quality of preventative systems are continually taking place.

Work related accidents¹



¹Work related accident statistics do not include contract fishermen

The majority of work-related accidents were minor in nature, involving cuts and sprains etc and precautionary visits to the doctor.



Many tasks involve repetitive actions, some involving knives

Employee Training

Industry Training

The most extensively used tool for staff development in the seafood industry is the use of 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 to demonstrate the skill or knowledge acquired.

The Company's commitment to education and training of employees is highlighted in the graph showing the increasing number of NZQA unit standards achieved through the Seafood Industry Training Organisation programmes (SITO). The Company's goal is to have at least 50% of fulltime employees engaged in some form of training under the NZQA framework, with a large proportion going on to complete a nationally-recognised certificate. We are close to achieving this target, with a total of 626 trainees having been involved to date.

Environmental Training Video

The need for an effective method of educating new and existing staff in the area of environmental responsibility was identified early in the development of Sanford's Environmental Management System. To meet this need several staff went about creating a training video that could be used to teach new employees about the policies, responsible attitudes and practices considered important in the Company and industry. The video could also be used for re-inducting staff at the beginning of each season or when refreshers were required. A variety of activities related to Sanford operations, from mussel harvesting to fishing vessel unloading were captured, with a professional voice-over discussing the Company's key sustainability issues. The final output was an excellent quality, 10 minute video that has been received well throughout the Company.



A scene from the new environmental training video

NZQA/SITO ACHIEVEMENTS	2002	2001
Total number of staff involved since 1998	626	517
Quality fish/shellfish handling Certificate	408	326
HACCP qualified	34	32
National Certificate (level 2)	78	43
National Certificate (level 3)	26	0
National Certificate (level 6)	1	0

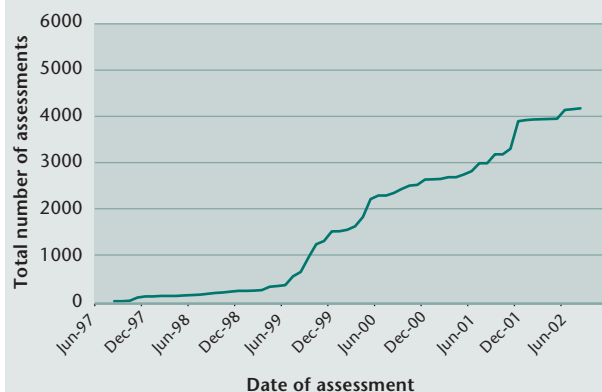
Individual unit standards are combined to make up industry or national qualifications

Sanford Auckland's Education Programme

At the Sanford Auckland branch, the Company has spent the last two years addressing the issue of numeracy and literacy. The initial programme, for the predominantly Polynesian workforce, included the building blocks for literacy and numeracy, as well as modules on health and safety, workplace documentation, maths at work, quality at work, giving instructions at work, and compliance. The branch saw a significant improvement in maths and communication skills. Staff reported confidence to shop alone or sit their driver's test, they participated more in their community, were able to help with their children's homework, buy computers for the family and use ATM machines. In addition to higher morale at work, the Company has seen greater interaction with customers and a willingness to handle phone calls. Other benefits include receiving more feedback and input at meetings, a willingness to attempt new tasks, attention to detail, accurate and meaningful completion of documentation, and increased reporting of workplace hazards.

The training has a real social benefit, but also an economic benefit with conservative estimates placing the value at more than \$60,000 per annum. This investment in training is set to continue in the coming year.

Completed unit standards by Sanford employees



Other Training

TRAINING TYPE	EXAMPLES
External short and long-term training to improve technical knowledge and skill.	<ul style="list-style-type: none"> ▶ Master of Business Administration ▶ Diploma in Business Studies ▶ Diploma in Quality Assurance ▶ Westport Deepsea Fishing School cadetships ▶ Various computer skills development ▶ Sanford Post Graduate Scholarship for Antarctic Studies of Toothfish ▶ Internal auditing ▶ Qualified Fishing Deckhand ▶ First aid, advanced medical training, Navy damage control, fire fighting, forklift driving
Internal and external training and assessment using NZQA registered unit standards and qualifications for personal and professional development.	<ul style="list-style-type: none"> ▶ Quality fish handling course ▶ National Certificate in Seafood Processing ▶ National Certificate in First Line Management ▶ Modern apprenticeships ▶ Fisheries compliance course ▶ HACCP and food safety training ▶ Electrical apprenticeship ▶ Language, literacy and numeracy
On-job training initiatives using mentoring, coaching and team training tools for professional development.	<ul style="list-style-type: none"> ▶ Supervisory management training ▶ Process worker mentor programmes ▶ Individual coaching initiatives ▶ Food safety, quality, environmental, health and safety, and compliance training ▶ Chemical handling and use



Communities

In the 2002 financial year, Sanford made donations totalling approximately \$4,200 (2001: \$4,500) to 15 charitable organisations (health, disabled and disadvantaged). Individual Sanford operations also sponsored and supported various regional causes.

Sanford is a founding member of the New Zealand Business Council for Sustainable Development (NZBCSD) and has involvement in a number of the social initiatives originated by the Council. One such initiative is the Successful Business and School Partnerships project. The work of the project team, championed by Sanford and The Warehouse, resulted in the development of a set of guidelines designed to make it easier for New Zealand businesses to find ways in which they can work within schools in their communities. By working with schools in partnerships such as Kiwi Can, or through other initiatives such as the development of educational resources for students, we believe we can make a meaningful contribution to the education system and the future of society in New Zealand. Sanford is also a participant in other NZBCSD projects including the Sustainable Development Reporting (SDR) initiative.

For information on the NZBCSD, a coalition of leading New Zealand companies, visit www.nzbcSD.org.nz.

“Kiwi Can”

Sanford Kaeo has continued its Kiwi Can education enhancement partnership with Kaeo Primary School.

The life skills and values-based programme runs all day, every day, hand in hand with normal school routines utilising its own classroom and a specially trained educator, made possible through contributions from Sanford and the community. The programme seeks to create a positive environment where children can develop their self-esteem and also a respect for their peers, parents, community and the environment.

There is already strong evidence emerging that the programme is benefiting the children, teachers, parents and the community in and around Kaeo.



“OF COURSE YOU CAN – KIWICAN”

Sanford’s Inshore Fishing/Processing Manager, Shane Walsh, with the Kaeo children

SOCIAL SUSTAINABILITY – STAFF AND COMMUNITY INVOLVEMENT

 **Take A Kid Fishing**

Sanford and the New Zealand Sports Industry Association have agreed to a partnership to promote recreational fishing amongst younger New Zealanders as a healthy, responsible and educative pastime.

To Sanford, sponsoring the Take A Kid Fishing programme is seen as encouraging responsible recreational fishing. The Company believes that recreational and commercial fishing can co-exist and shared responsibility in fisheries management will benefit the resource. It is also seen as an opportunity to strengthen Sanford's relationship with the communities in which we operate.

Events were held in 11 locations throughout the country, from Kaeo in the north to Oamaru in the south.

We are currently seeking clarification on the commitment of the New Zealand Sports Industry Association to this programme.

Other Initiatives

There are many other community initiatives the Company supports, from participation at local food fairs to providing tours and education packs for local schools visiting our processing plants. As an example, this year Sanford had 124 entries in the Auckland Round the Bays fun run, with representatives from all four North Island branches. Sanford appreciates and thanks management and staff for the contribution and effort made in organising and participating in such activities.



Sanford recognises that it does not operate in isolation and others have the right to responsibly utilise the sea's resources



Staff at 2002 Coromandel wine and food fair

ECONOMIC SUSTAINABILITY – RETURNS TO STAKEHOLDERS

Sanford is committed to maximising economic growth while ensuring financial stability, for the benefit of all stakeholders.

Sustainable development is an evolving process that seeks to improve the economy, the environment and society, both today and in the longer term. In order for a company to assist in this process and add value for its stakeholders, it must itself be sustainable. This section of the report discusses a number of financial indicators that highlight Sanford's economic performance in recent years and how this translates into financial sustainability and added value for the stakeholder groups.

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.



FIVE YEAR FINANCIAL REVIEW

1998 – 2002

	2002	2001	2000	1999	1998
	\$000	\$000	\$000	\$000	\$000
Sales revenue	393,531	354,887	341,917	351,124	330,180
Profits					
EBITDA* ⁽¹⁾	83,727	84,727	87,809	79,113	55,822
Depreciation	(18,016)	(14,240)	(12,756)	(12,692)	(12,393)
Net Interest	(2,285)	(1,916)	(1,395)	(475)	(1,902)
Net currency exchange (losses) gains	(6,760)	(27,694)	(5,054)	106	(11,947)
Profit on disposal of fixed and long term assets	154	4,487	9,537	11,370	3,763
Operating surplus before taxation	56,820	45,364	78,141	77,422	33,343
Less taxation	20,276	15,176	23,549	23,554	7,723
Operating surplus after taxation	36,544	30,188	54,592	53,868	25,620
Minority interests	491	–	–	–	–
Net surplus attributable to shareholders	37,035	30,188	54,592	53,868	25,620

*Earnings before interest, taxation, depreciation, total currency exchange losses and profit on disposal of fixed and longterm assets

⁽¹⁾ Comparatives restated to present equity accounted earnings in accordance with the change in accounting policy

Financial information

The Annual Report contains detailed data for the 2001/2002 financial year, along with information from previous years. Previously published annual reports are available on our website at www.sanford.co.nz.



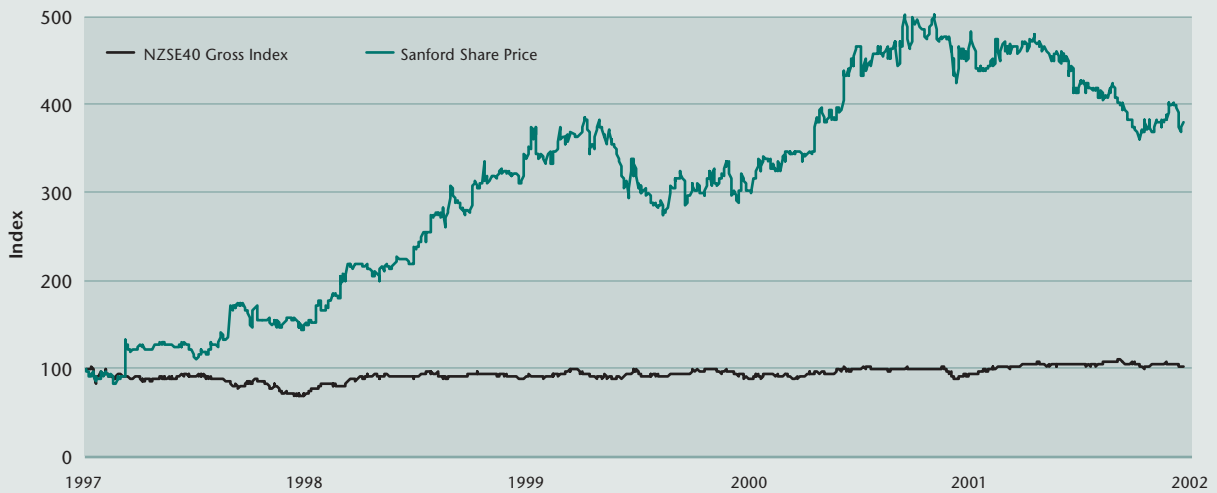
ECONOMIC SUSTAINABILITY – RETURNS TO STAKEHOLDERS



Shareholder Returns

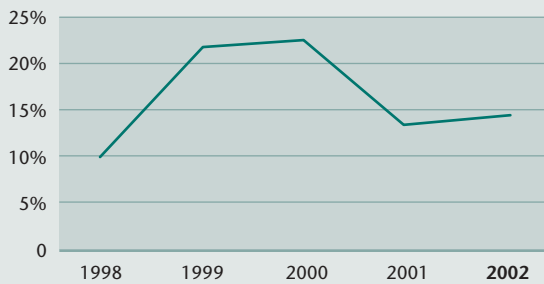
Shareholder returns comprise both dividends and capital growth. Share price performance is a good indicator of the market's view as to whether a business is sustainable. This is because company share prices are generally based on estimates of future returns to shareholders. A company focused on short-term exploitation of resources may have good short-term financial results, but its share price should suffer as the market discovers that those results are not maintainable. The graph below compares the performance of Sanford's shares with the equivalent return on the NZSE40 over the past five years.

Relative 5 year share price performance (Index)

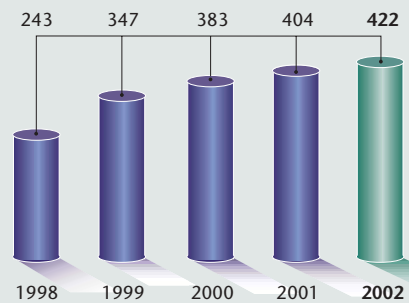


Source: Bloomberg

Operating Surplus Before Taxation Margin

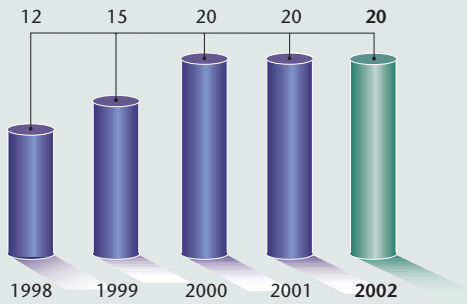


Total Equity (NZ \$million)

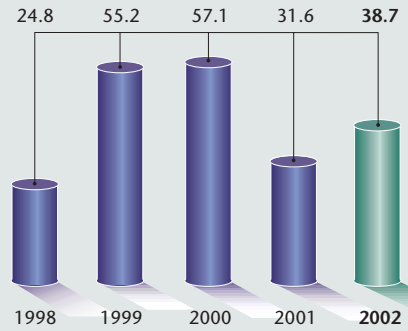


ECONOMIC SUSTAINABILITY – RETURNS TO STAKEHOLDERS

Ordinary Dividend per Share (NZ cents)



Earnings per Share (NZ cents)



The financial health of a company can be measured by both its financial performance and returns to shareholders. Over time, these measures can also indicate the success of a company in fostering its long term sustainable growth.

Economic Value Added (EVA) is another method of assessing company performance that is gaining wide acceptance. In essence, this compares the return on capital generated by a company with

the company's cost of capital. If a company is making a higher return on capital than its cost of capital then it is generating economic value. In the long run, to generate wealth the economy needs companies that do just this. Companies that fail to generate economic value will, over time, shrink relative to other companies and, therefore, not contribute to sustainable economic growth. The following table shows EVA calculations for Sanford for 1998 to 2001 (the latest available data) and Sanford's 2002 estimate.

	2002	2001	2000	1999	1998
Return on capital	9.0%	7.7%	20.7%	21.1%	11.6%
Cost of capital	9.7%	9.7%	10.4%	10.1%	10.3%
Economic Value Added	\$(4m)	\$(2m)	\$28m	\$26m	\$3m

Source : 1998 ,1999, 2000, 2001 Stern Stewart & Co, 2002 Sanford estimate

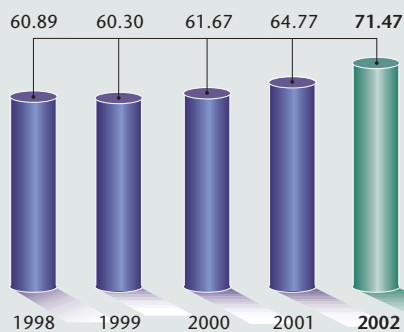


ECONOMIC SUSTAINABILITY – RETURNS TO STAKEHOLDERS

 **Economic Environment**

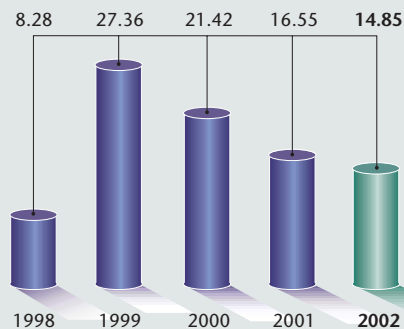
Sanford operates in regional, national and international economic environments. The Company contributes positively to all of these economies.

Payments to employees and fishermen (NZ millions)



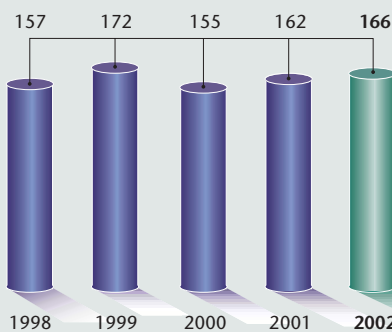
Payments to employees and fishermen, including international fishing operations which were increased during the last year. These payments are often a major contributor to the local communities in which Sanford operates, and also generate significant tax income for the New Zealand government.

New Zealand income taxes paid (NZ millions)



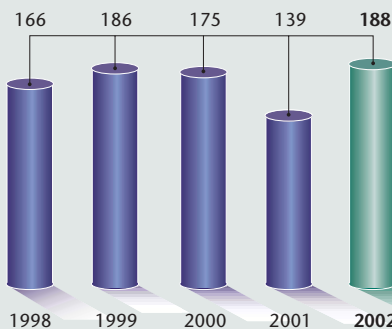
Tax payments. This shows the amount of the Company's profits paid to the New Zealand government.

New Zealand domestic purchases (NZ millions)



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

Balance of export earnings over imported supplies (NZ millions)



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



The Financial Contribution of Sustainable Development

Sustainable development, and the reporting of sustainable development, can contribute 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 investments not only benefit the community but also eventually benefit 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 preferred as a supplier. There is also evidence that financial markets respond favourably to companies practising, and reporting on, sustainable development. Achieving ISO14001 certification for our EMS systems and MSC certification for the New Zealand hoki fishery also help create demand for Sanford products and ensure a competitive advantage in the market place.

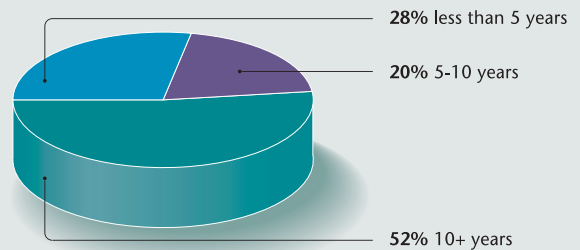
More tangible examples of how financial benefits are realised from sustainable development include the focus on, and the resulting reduction in, resources consumed by the Company. The reduction in water usage in the past year has reduced operating costs by an estimated \$70,000. The decrease in fuel usage, although partly due to a reduction in fishing effort, equates to approximately \$390,000. These savings are going to become even more relevant with the likely introduction by the New Zealand government of carbon taxes to meet commitments to the Kyoto protocol.



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 the following graph.

Length of Customer Relationship (Based on top 81 customers)



Bidders at the Tsukiji fish market in Tokyo use a series of hand signals to communicate the offer price for a particular fish

 **Renewal and Growth**

Through the development and improvement of its facilities, Sanford ensures operational efficiencies are achieved and competitive advantages are maintained through improved processing capability and technology. Upgrading facilities, or where appropriate, developing new facilities also allows the Company to capitalise on growth opportunities as they arise.

Havelock Mussel Processing Factory

Earlier this year Prime Minister Helen Clark opened the rebuilt Sanford Havelock processing factory. The factory was built to accommodate the Greenshell™ mussel production expansion in the Marlborough Sounds. At the same time a new mussel harvesting and seeding vessel, the *San Nikau*, was officially named. The new vessel and plant will considerably benefit the Havelock aquaculture operation in both the short and long term.

Auckland Fish Processing Factory

The Sanford Auckland operation has also benefited from an upgrade in facilities. The new factory is smaller in size but more efficient in operation. The majority of the old processing factory and associated buildings have been demolished to make way for the Auckland fish market development.



The new Sanford Auckland factory built earlier this year



Sanford Havelock opening

ECONOMIC SUSTAINABILITY – RETURNS TO STAKEHOLDERS

Information Technology

A project is currently underway to integrate many of the systems used by individual operations within the Company. The outcome will improve efficiency and provide management with more valuable and timely information. Completion of the project is scheduled for late 2003. The project supports the Company's goal to utilise computer technology to its best advantage, while ensuring economic benefits result from its use.

Research and Development

In addition to the large investment in fisheries research and the major development projects mentioned previously, additional research and development efforts are occurring in the areas of aquaculture and waste utilisation. Work continues in the area of shellfish technology, including the rearing of shellfish spat in a hatchery to avoid reliance on wild spat. Additional effort is being put into securing aquaculture space for future growth.



Sanford is committed to continually improving its environmental performance, operating in a socially responsible manner and maximising economic growth while ensuring financial stability, for the benefit of all stakeholders.



Your Reaction to the Sanford Triple Bottom Line Report

We would greatly appreciate your feedback on our Triple Bottom Line Report to help us develop an even better report next year. For your convenience we have prepaid the postage. All comments are welcome.

1) How do you rate our Triple Bottom Line Report?

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

Comments:

2) Is there a particular section that appeals to you? If so, why?

3) What would you like to see in future Triple Bottom Line Reports?

4) Do you have any other comments or questions?

5) What stakeholder group do you belong to?

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

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

FreePost Authority Number 173356



FreePost 173356
Sanford Limited
P O Box 443
Auckland





SANFORD LIMITED
SUSTAINABLE SEAFOOD

22 Jellicoe Street, Freemans Bay, Auckland 1001, New Zealand
P O Box 443, Auckland 1015, New Zealand
Telephone +64 9 379 4720 Facsimile +64 9 309 1190
Website www.sanford.co.nz Email info@sanford.co.nz