



29 November 2016

Dear Shareholder

### **Amendment to the Company's Constitution – Overseas Shareholdings**

Please find enclosed your Company's Notice of Annual Meeting, scheduled to be held at 2pm on Wednesday 14 December in Auckland at The Maritime Room, Princes Wharf, Corner Quay and Customs Streets, Auckland. In addition to the resolutions regarding the re-election of two Directors, and the usual resolution to authorise the Directors to fix the fees and expenses of the auditors, the Board is recommending a special resolution to make a number of changes to your Company's constitution.

The Company's current constitution contains several provisions that allow the Company to monitor its level of foreign ownership. These provisions exist because the Overseas Investment Act and Fisheries Act place restrictions on foreign investment in fishing quota which, as you will be aware, is the major asset of the Company. As long as the level of foreign ownership in the Company remains below 25% (as it currently is) the relevant Overseas Investment Act and Fisheries Act restrictions are not engaged. Breaching the 25% foreign ownership limit places additional regulatory obligations on the Company, and could seriously jeopardise the Company's continued ownership of fishing quota.

With the passing of time, the existing constitutional provisions have become outdated and, given recent increases in the level of foreign ownership of your Company, the Board wishes to update its constitution to better protect its assets.

In short, the recommended changes will allow the Company to (i) more accurately determine and monitor its level of foreign ownership, and (ii) act to reduce the level of foreign ownership of the Company, if necessary, to protect the Company's holdings of fishing quota from the adverse regulatory consequences arising under the Fisheries Act described on page 4 of the Notice of Annual Meeting under the heading "Background". This would include a power to require overseas shareholders that have caused the level of foreign ownership in the Company to exceed a threshold prescribed by the Board (which the Board recommends should be 22.5%) to sell some or all their shares.

The Board considers that the recommended changes will not have any material negative impact on any of the Company's non-overseas shareholders, and will only directly impact those overseas shareholders who cause the level of foreign ownership in the Company to exceed the threshold prescribed by the Board.

Several other Australasian companies have constitutions which contain similar limits on the level of permissible foreign ownership of those companies to allow the companies to comply with regulatory or statutory limits on foreign ownership. Further, NZX has granted the Company approval under, and a waiver from, certain Listing Rules to allow the Company to include the recommended changes in its constitution.

This cover letter is not a complete discussion of the recommended changes, and accordingly I encourage you to read the enclosed Notice of Meeting, including the explanatory notes, to understand the detail of these changes the Board is proposing for your Company.

Your Board regards these changes as being very important for the protection of the Company's assets, and strongly recommends you vote in favour of Resolution 4 in particular, and the other ordinary resolutions proposed.

We look forward to seeing you on 14 December, but if you can't make it please remember to submit your postal vote or proxy in respect to this important matter.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Paul Norling', with a stylized flourish at the end.

Paul Norling  
Chairman  
Sanford Limited