



SANFORD LIMITED
SUSTAINABLE SEAFOOD

Overview of Sanford Foreign Crew Systems

BACKGROUND

Foreign Charter Vessels (FCVs) form an integral and crucial part of Sanford's deepwater fishing operations in New Zealand waters. As such, Sanford has been and continues to be actively and constructively involved with government, regulatory authorities and various committees, including the Ministerial Inquiry into Foreign Charter Vessels (FCVs), and the subsequent review of its recommendations.

Sanford understands its obligations to all foreign crew under New Zealand legislation and the Code of Practice on Foreign Fishing Crew, and has always endeavoured to comply with those obligations.

In the wake of some negative international publicity and publication of results of the Ministerial Inquiry, Sanford has been engaged in a range of audits on its FCV operations, including internal Sanford audits/investigations, third party Sanford commissioned audits, and customer initiated third party audits. During April 2012 we began drawing together a raft of data and information flowing out of those audits and investigations, and forming what we believe is a comprehensive picture of the crewing arrangements on our FCV operations. The key findings are outlined below, but in summary we found:

- Foreign crew on FCV chartered by Sanford are well treated and not subject to abuse or mistreatment;
- There is an issue with crew wage payments and record keeping, particularly in regard to practices offshore.

Unsatisfactory wage and record keeping offshore makes it difficult to track how much each individual crew member has been paid and when he received monies owed and remitted to him offshore. Overwhelmingly crew reported no dissatisfaction with the wages received, but the lack of transparency over payment by offshore interests falls well short of what Sanford would expect.

In early May of 2012, given these concerns and the climate of uncertainty after the announcement of the Ministerial Inquiry recommendations, Sanford decided to engage with officials on proposals to address our concerns. Independently, we began to develop a new, robust foreign crew management system. The outcome of this engagement and development work by Sanford and its charter partners is contained in the new Sanford foreign crew management system.

OUTCOMES OF INVESTIGATIONS

Summary of Sanford findings regarding Sanford operated foreign charter vessels.

- No indications of any sexual abuse occurring on Sanford charter vessels.
- One allegation of minor physical abuse that was reported by the complainant as not physically hurtful but which made him feel angry towards the supposed perpetrator. This allegation was investigated, however inconsistencies in the allegations and contrary testimony by other persons interviewed meant we were unable to determine the truth of the matter.
- No incidents of medical neglect or sick/injured crew being forced to work.
- Generally crews are happy with their living and working conditions on the vessels, (also evidenced by the 47% returning crew rate).
- Generally crews are happy with their agent, wages and received wages consistent with what they expected to receive when they signed up with the overseas crewing agent for the job.
- In addition to the employment contract crew sign with their employer (FCV owner), they sign additional contracts (a work contract and a service contract) with their agent.
- In response to the many crew absconding from vessels in the 2004 – 2006 period, crew agents in many cases applied financial controls in an attempt to discourage such crew behaviour.
- In a few cases, agents are holding personal documents belonging to individual crew members.
- Crew had agreed with the agent to a penalty regime if they deserted the vessel or terminated the contract early.
- Wages records and documentation was extensive, but in some areas unsatisfactory.

SANFORD INVESTIGATIONS FOLLOW UP

Having considered its FCV operations in respect to crewing and the issues identified by a number of audits and investigations, Sanford finds the current model of operation is unacceptable. We believe a new model of operation is required, incorporating greater transparency, robust systems and more direct involvement by Sanford.

Sanford is aware of government decisions relating to the FCV Ministerial Inquiry report and the current dialogue/consultation regarding the implementation of new government systems over the next four years. However Sanford believes it should take urgent action to develop and implement a new model for crew payments on our FCVs.

To that end Sanford has developed the package as set out in this document, for implementation within a short timeframe.

TERMS OF REFERENCE FOR SYSTEM DEVELOPMENT

In developing the new foreign crew management system, some initial guidelines and concepts were put in place.

- That systems would need to be robust, ensure fair treatment and easily understood by crew.
- The system and implementation must allow for crew families offshore to receive money promptly as each crew member decides.
- Sanford would be the “paymaster” in the system.

SANFORD FOREIGN CREW MANAGEMENT SYSTEM

1. **Independent observer monitoring**

Sanford has had a policy of 100% observer coverage on its FCVs for over 10 years. These observers have primarily focused on fishery compliance, although observers were asked to report on an informal basis on issues regarding crew treatment, living and working conditions and health & safety. Sanford has now strengthened this reporting, with the observer reporting requirements formalised in respect to crew welfare, treatment and health & safety.

2. **Transparency of documentation**

Sanford has implemented a policy whereby documents which foreign crew sign relating to their wages (such as times sheets, receipts of money, receipts of goods etc) must be multi-language documents, being in English and the languages of both the crew signing the documents, and the crew administering the documents.

3. **Documentation**

New and amended documentation has been developed for the new crew management system.

4. **Consultation with crew**

Sanford believes it is important to involve the crew themselves in the development of crew management systems. We have already had feedback via individual questionnaire forms from all crew, regarding how they would like to be paid and other wages related questions. This information has been considered in developing the new model, and further briefing of crew regarding the new system will occur before implementation.

5. **Transitional arrangements**

Sanford is mindful of the need for transitional arrangements between the old and new crew management systems. The proposals on this are:

- Until arrangements for payment of all crew wages in New Zealand can be implemented
 - A. Family support monies will continue to be remitted to families overseas via the crew agents.
 - B. Agents will be instructed that they cannot retain any family support money; it must all be forwarded to the families.

- C. FCV owner will pay the monthly agent fees. This will be remitted to the agent separately to the family support money.
- Any “savings” money currently held by crew agents on behalf of crew, will be required to be remitted to New Zealand for payment to the crewman in New Zealand at the end of his contract.
- Any personal documents of crew held by an agent will be required to be returned to the crewman or his family by the agent.
- Due to issues noted from Sanford investigations, the FCV owner crew employment agreement will need to be reviewed and changed. This work is now completed and crew have been offered new improved contracts.

6. **Compensation payments**

Sanford investigations have revealed that not all monies remitted to the crew agents by the employer have been passed on to the crew. Various portions of it have in the past been retained by the agent. Sanford therefore believes that at least some crew did not in fact receive their full entitlement of wages. It is difficult to determine however precisely which crew were/are affected and to what degree. Sanford believes an honest attempt to put right any short fall in crew wages needs to be made, by way of a compensation payment. Sanford’s revised system will include complete oversight of the Charter Vessel Operator’s work to put right any previous shortfall in crew wages for both current and former crew in the following ways:

- A. For current crew, any shortfall between wages monies remitted to their agent and money received by their families will be calculated and agreed with each crew member and arrangements made individually with each crew as to how they wish these payments to be made. The calculation of crew final wash up payments will only include money which has been paid to their families by the agent, not the amounts remitted offshore by their employer.
- B. For current crew who have also completed previous contracts, it is intended to settle any applicable wages shortfall from those previous contracts, by way of a compensation payment based on a standard monthly credit. The amount of the standard monthly credit will be an average determined by Sanford investigations. For each crewman in this category, the monthly credit amount will be multiplied by the months of service that crewman had previously served on his vessel in New Zealand, to determine his compensation payment. Our investigations have shown that an appropriate standard monthly credit is US\$340 or US\$440 per month, depending on the period of employment. It should be noted that crew will also be given the option to have their compensation payment calculated individually if they believe they are disadvantaged by using the standard monthly credit process and have evidence to support this. However if crew take up this option, they will have to abide by the results of the individual calculation, no matter whether the end result is higher or lower than under the standard monthly credit calculation.
- C. Crew who no longer work for the FCV owner will also be eligible to make a claim for a compensation payment for wages shortfall under previous employment with the FCV owner. While many ex-crew will hear of this via word of mouth, Sanford and the FCV owner are in discussion with MBIE, on options available to make ex-crew aware of the claims process.
- D. It is anticipated that in some cases, the compensation payment for some crewmen may be substantial. For some crew the amount of their payment in the context of their home country will likely be a very large lump sum payment, which raises concerns regarding the unintended consequences of settling the compensation issue. We do not wish to create any kind of security issue for a crewman or his family, through him receiving a large cash pay-out, which proves

too tempting for criminal elements in his country. The options available to make these payments and which might alleviate some of these concerns are listed below.

- i. Direct deposit to a crewman's bank account in his home country.
 - ii. Deposit to a crewman's individual New Zealand bank account, whereby he can access those fund even when offshore, via an ATM card.
 - iii. Deposit to a third party administered trust account in the home country of a crewman, with the crewman being able to draw off that account as and when he wishes, up to the amount of what he is owed.
 - iv. Western Union transfer, or
 - v. Cash if this is their preferred option
- E. Sanford has taken legal advice on the tax implications of making compensation payments to crew and ex-crew. We are advised that Sanford is not required to deduct PAYE from compensation payments to the crew or ex-crew.

7. Contractual arrangements going forward.

As a key component of the new crew management system, contractual changes will be needed as follows:

- New FCV owner crew employment agreements are being offered to all current and future crew. This will be completed by the end of July 2012 for Dong Won and mid September for Juahm.
- FCV owner will formalize its relationship with the crew agents. This relationship will be on the basis of the agent providing to the FCV owner the services of recruitment of crew and making the necessary arrangements (work visas, air travel etc) to get the crew to New Zealand. The costs of these services shall be charged by the agent to the FCV owner. This will be completed before the end of July for Dong Won and mid September for Juahm.
- There will be a need for Sanford and the FCV owner to review the current contractual arrangements for vessel chartering. These contractual arrangements do not prohibit the implementation of the proposals in this document, however the charter agreement may need some amendment when it is reviewed later in the year.

8. Final process going forward.

Barring changes required to fit with government requirements flowing out of the Ministerial Inquiry recommendations, it is envisaged that once the new Sanford foreign crew management system is fully implemented, it will operate as per the following overview.

- . The role of crew agents offshore will be reduced to recruitment only through formalised contracts with the FCV owner, to recruit suitable crew and make arrangements for those crew to come to New Zealand. The agents will invoice the FCV owner directly for these services. That will be the end of the process for the crew agent.
- A. Upon arrival on board their vessel, crew will be properly inducted on board. This induction will include but not be limited to:
- . Health & Safety on board.
 - i. The Ministry of Business, Innovation and Employment (MBIE) information pamphlet for foreign crew working in New Zealand.

- ii. Wages payment and banking options available to them.
 - iii. Options available to them to remit money home to their families.
 - iv. Who Sanford Limited is and our role.
 - v. The role of on board observers.
 - vi. Employment dispute and complaint processes.
 - vii. Fisheries compliance
- B. Individual New Zealand bank accounts will be set up for crew upon arrival in New Zealand. Assistance will be given to crew to activate those accounts when they are ready.
- C. Crew wages will be paid into a bank account in their name in New Zealand. Crew will be responsible for their own money, including remitting money back to their families (although information on options and available processes will be provided).
- D. Sanford will act as paymaster for crew wages, and will be responsible for receiving crew wages from the FCV owner and then depositing those wages into crew bank accounts.
- E. Any records crew sign on board in relation to their work hours, goods & services received etc, will be signed in a timely manner, and on multi-language records sheets which they can understand.
- F. When a crewman finishes their term of employment, and before their departure from New Zealand, their final wash up wages payment will be calculated and submitted to Sanford for approval. If Sanford approves the calculation, we will make the wages payment to the crewman by cash, bank deposit or other means as per their wishes.
- G. Sanford will continue to maintain a policy of 100% observer coverage on its FCV's, and will continue to require its contracted observers to report on crew welfare, living & working conditions and health & safety.

CONCLUSION

In developing these systems Sanford is taking a hands on approach to ensuring foreign crew on our FCV's are treated fairly and in accordance with government requirements.

Sanford will apply this system to all FCV operations Sanford is involved with now or in the future.

Sanford hopes that other FCV operators will match our commitment to improving the systems and accountability of our FCV operations.