



SANFORD



THE
ELEMENTS

INTEGRATED ANNUAL REPORT 2018



THE
ELEMENTS
ARE OUR ELEMENT

We have fished in New Zealand waters since 1881 and every year our knowledge and our respect for these oceans grows.

Our rewards are the wild and farmed resources we harvest respectfully to share their goodness with our customers and consumers.

Uncompromising care, a constant commitment to quality and our belief that innovation can unlock more value than we ever dreamed possible are intrinsic to who we are and how we operate.

Care. Passion. Integrity – these are the elements that make a successful, sustainable Sanford.

Volker Kuntzsch
CEO, SANFORD LIMITED



PASSION

SALT IN OUR VEINS

There are easier ways to make a living than fishing. But none deliver the pride we feel in bringing our catch to our customers and consumers in perfect condition, year after year. We put passion on plates.



INTEGRITY

SAND ON OUR SKIN

Building a reputation takes more than time – even if you’ve been around for more than 137 years. Respect, responsibility, and honouring honesty are the elements which make a reputation real. It’s something we try to live up to every day.

CARE

THE OCEAN IN OUR HEARTS

The ocean is an abundant place. Respect it and it will reward you. Take just enough so there is more tomorrow. Look beyond the obvious for the untapped treasures. Care for the ocean and the ocean cares for you.





— ABOUT THIS REPORT —

Welcome to Sanford's 2018 Annual Report – **'The Elements'**.

Here we report on progress towards delivering on our vision – to be the Best Seafood Company in the World – our journey and our 2025 aspirations to deliver on that vision.

Our report this year underlines our recognition that the elements play an important role in our success – from healthy oceans and well managed fish stocks through to the understanding of how science can intensify the best of nature's qualities to lead to beneficial nutraceuticals. It also recognises that the elements, as personified by tides, temperatures and weather, need to be respected and worked within as we aim to achieve our goals.

Sanford believes we can achieve a balance between profit and sustainability, returns and reductions, today's owners and their expectations and those of future generations. Every day we aim to create enduring value by ensuring we utilise the most value from every catch and harvest. Aiming to be the best is a challenging vision, but second best is simply not an acceptable alternative.

Profit, growth and sustainable decision-making are not mutually exclusive. Our report aims to reflect this, along with our enduring respect for the interests of our stakeholders and our relationships with our partners, our people, our communities and, most of all, the elements which contribute so much to who we are and how we succeed.

We always strive to do what's right, but sometimes we fall short of our own high standards. Our report celebrates our achievements, while acknowledging we still have a long way to go in some areas.

Understanding this keeps us focused, committed and determined to progress.

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IN OUR ELEMENT

Paul Norling
CHAIRMAN

Volker Kuntzsch
CHIEF EXECUTIVE OFFICER

At just 0.35% of the world's seafood supply, New Zealand will never compete on scale. Sanford's vision to be the Best Seafood Company in the World is, therefore, centred on growing sustainable value.

While this vision is very ambitious and the journey demanding, we firmly believe we are in our element with the strategy we have developed. In financial terms, the aspirational goal is to achieve, on average, \$1 of EBIT for every greenweight kilogram of the natural resources we fish or harvest and to become the investment of choice for investors. In non-financial terms we strive to be the employer and supplier of choice for these stakeholders.

We have made measurable gains, but there is some considerable way to go. Across our diverse portfolio, our strategy prioritises brand and channel development, innovation and product cascade improvements and we are starting to realise the benefits of this targeted approach. Our strategy for value creation has delivered significant advantages and risk mitigation potential in a year that was marked by challenging climatic conditions in our operations around the country.

OUR FINANCIAL RESULTS

Our Net Profit After Tax (NPAT) was \$42.3 million compared to last year's \$37.5 million – an increase of 12.9%. The increase in NPAT was largely driven by non-trading items and, in particular, the insurance settlement relating to the Kaikoura earthquake damage caused to our Havelock mussel processing facility. While the profit outcome falls short of our expectations, it does confirm our strategy of moving from volume to value being on the right track given the conditions we found ourselves in this year.

The focus on securing more value enabled us to deliver Adjusted Earnings Before Interest and Tax (Adjusted EBIT) of \$64.7 million, compared to the prior year's \$63.7 million. Sales revenue increased by 7.7% from \$477.9 million to \$515.0 million. This increase was primarily driven by improved pricing across farmed and wild caught species, an improved product cascade, primarily for hoki, and our investment in innovation starting to play a part.

The underlying or Adjusted EBIT operating result did not keep pace with our increase in sales revenue as we continued to build capability across our people, sales and marketing functions. We did, however, make continuing progress in our EBIT/kg (greenweight) growth from \$0.52 to \$0.54. Excluding the catch provided by our fishing partners, who are supporting us in catching a large share of lesser value species that are usually sold as commodities, we have been able to improve this value indicator from \$0.57/kg to \$0.63/kg year-on-year.



BIG GLORY BAY

While our Big Glory Bay salmon farm has a location advantage in the colder waters around Stewart Island we still experienced an increase in water temperatures. Despite a reduced harvest, we are very excited to see Big Glory Bay on the menu of some high end New Zealand restaurants already and are currently working on international opportunities. The launch of this brand is strongly aligned with our strategy of value creation through branding and innovation.



FEELING THE IMPACT OF CLIMATE CHANGE

The year has been a challenging one for the management team, exacerbated by the concerning climate change intrusions experienced in both summer and autumn. Climate change is now the most significant risk facing Sanford – particularly if we continue business as usual. Climatic intrusions had a meaningful impact on the supply side of the business and a consequential flow through to our bottom line. Total wildcatch and farmed volumes were down from approximately 125,000T to approximately 118,000T (-5.6%).

A marine heatwave, over summer this year, was caused by an area of high pressure almost at a standstill over New Zealand and the Tasman sea. The La Niña weather pattern, characterised by warm nor’ easterly winds, also pushed warm water towards New Zealand¹ – with sea surface temperatures reaching up to six degrees above average.

This marine heatwave initially limited salmon growth on our farm in Big Glory Bay, Stewart Island, south of New Zealand. Although our salmon farm has a location advantage in the colder waters down south, with average temperature of 14°C, we still experienced an increase in water temperatures of up to four degrees. This is lower than the temperatures exceeding 20°C experienced in the Marlborough Sounds, however, the warmer water still restricted growth rates over the first quarter. We made a carefully considered decision to suspend salmon sales for up to ten weeks through May and June to encourage stocks to recover. We recognise customers were frustrated by this, but it was an important decision for the longer-term health of the farm. Harvest volumes fell by 4.4%.

Mussel growth and yields, primarily in our Marlborough Sounds farms, were also impacted by the warmer waters. Higher temperatures led to an algal bloom, covering large areas of the Sounds. While these blooms are not harmful to adult mussels, they do impact spat and produce a biotoxin that is capable of causing Paralytic Shellfish Poisoning in humans. Harvesting

had to be interrupted for a prolonged period. Then, early spawning expedited and extended the seasonal shutdown, allowing the Havelock plant to undergo planned repairs following the November 2016 Kaikoura earthquake. We have the advantage of additional mussel farming operations being located elsewhere in New Zealand, e.g. in Coromandel and Stewart Island, and in these locations the algal bloom did not occur. However, production from these sites was insufficient to balance our Marlborough losses. Overall, our mussel harvest volume and purchases from third parties declined by 15.1% compared to last year.

In our wildcatch business, compared to the prior year, both, deepwater and inshore landings were down by 2% and almost 9% respectively, compensated to some degree by our fishing partners with their catches in the deep water. Reduced catches of hoki during the hoki spawning season, led the industry to agree a voluntary shelving of 20,000T (22%) of the Total Allowable Catch (TAC) for hoki on the West Coast for the 2019 fishing year. Although the hoki biomass appears healthy from the perspective of relevant marine scientists,

1. <https://www.niwa.co.nz/news/the-record-summer-of-2017-18>

the industry decided to take a prudent approach following a period of lower than usual catches in the deeper waters along the West Coast.

Climate change is now a reality we work with every day and – besides our value growth approach and the investments into innovation – Sanford's diverse portfolio and geographic spread across New Zealand help to mitigate this risk. Further mitigation is provided by the scale of New Zealand's exclusive economic zone and the sustainably managed fisheries of 100+ species.

IMPROVING OUR CUSTOMER FOCUS

Our move from a volume to a value focus comprises a significant cultural shift within Sanford. This encompasses investment into organisational excellence, the development of unique selling points, ideally to high-end customers, as well as a growing spend on innovation. We have also improved our capabilities around sales, marketing, brand development, corporate communications, sustainability, business development and other areas that enable our growing need to align with the demands of a more rapidly changing consumer base and the mitigation needs posed by climate change. These investments impact primarily on our head office costs.

Our branding effort increased this year to bring our Big Glory Bay ocean farmed King salmon brand to life here in New Zealand, across the USA and in Hong Kong. The Big Glory Bay brand secures a meaningful value increase over unbranded farmed salmon. While the brand's launch has been initially contained to a handful of markets, the reception the product has received reconfirms our confidence in our branding strategy.

In the coming year we will invest up to \$10 million to grow the brand and to further underpin and grow our farming operations. This includes investment in our hatchery capability and capacity.

We also expanded our sales capability to support our move away from sales through third party distributors into alternative channels where it makes sense to do so in key markets.

With more people in sales we are putting our customer-centric focus into practice, especially in foodservice. We are providing better products and service reflected in stronger relationships and improved margins. We are confident that increases in margin will more than offset the related increases in operating expenses, especially as our branding and sales channel strategy gains momentum.

INNOVATING BEYOND FOOD

Our business development activities are predominantly focused on creating new opportunities for mussel derivatives and finding new uses for marine resources that were previously disregarded or wasted. A good example of this is the collagen derived from Sanford's hoki skin for the cosmeceutical industry or the health-beneficial oils from selected marine species. Based on collaborative research with scientists at Plant & Food Research and with the technical expertise of our partners at Revolution Fibres, hoki collagen is extracted and electrospun into nanofibers. The nanofibers form the basis for facemasks that are easily absorbed into the skin, with the effect of significantly reducing wrinkles over time.

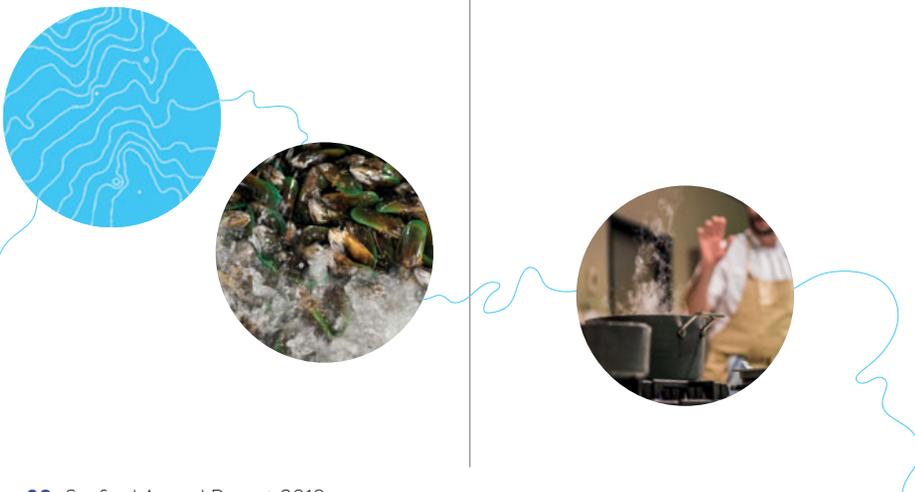
Last year's acquisition of Enzaq, the Blenheim, New Zealand, based mussel powder manufacturer and exporter, and the subsequent doubling of production capacity to two dryers, has delivered in line with our expectations on all fronts. Mussel powder has high anti-inflammatory properties and is used in products to support human and animal mobility.

In addition to the \$10 million investment into our salmon branding and production mentioned above, a further \$10 million will be invested in the innovation and nutraceuticals arm of our mussel operations in the new financial year. Nutraceuticals see us capitalising on the elements within these bivalves which can support health. We invested in brand development during the year with our Sea to Me nutraceuticals range due for launch early in the 2019 financial year, creating a platform for more differentiation and improved returns. This responds to market demand for products which are natural, but effective in their claims. Further investments in this regard will now be made to continue the diversification of our Greenshell™ mussel portfolio and enable strong growth with this species.

Our ongoing investment into SPATnz as part of a Primary Growth Partnership project continues to improve our understanding of the only Greenshell™ mussel hatchery in the world and excites us with the opportunities developing through targeted breeding of selected traits. These enable advantages ranging from increased production of bioactive benefits to mitigating the risks associated with ocean acidification on shellfish. The harvested mussels originating from the hatchery clearly indicate advantages in growth, uniformity and meat to shell ratio.

TAKING OUR STRATEGY FORWARD

Our business excellence framework, which is discussed in this Report, is invaluable in that it enables each part of our business to map out their role in helping us deliver on our goals. Our performance outcomes measure progress. But it is important that this framework delivers the clear sense of direction that comes from assessing how we create value now, while considering how we can create more in the future.



Our strategy is based on the premise that the value focus is the right thing to do to create sustainable wealth with our precious natural resources. We are very aware of the need to align with the communities we depend on and consider future consumer preferences, driven especially by millennials and the growing number of Gen Z affiliated consumers and their purpose driven and value-based expectations. Our strong support of the Graeme Dingle Foundation across the regions we work in complements the work we do in communities like Stewart Island. Here we ensure that the Stewart Island population understands in detail what Sanford does in their backyard, how salmon is being farmed and the effort and investment we put in to maintain that pristine environment.

Our business excellence framework connects each part of our business back to our “best in the world” vision and our strategy through six performance outcomes, i.e. building a sustainable seafood business, healthy food and marine extracts, healthy oceans, protecting the environment, our people and finally, our communities and partnerships as described throughout this report.

In order to ensure linkage between our business excellence framework and our value creation process this year, we introduced four Business Management Teams (BMTs) – wild caught fresh, wild caught frozen, salmon, mussels – as well as a Business Innovation Team (BIT). These teams are cross-functional and support the development of longer-term strategies for our diverse company.

The underlying theme across all teams is growing our value through premium products, quality, efficiency, innovation and diversification.

We have put all the building blocks in place for a successful and sustainable future. Now we are moving ahead with strategic initiatives and investments.

VALUE THROUGH FISHING

Brand development and building a more customer and consumer-centric approach to market is one half of our value driving strategy. The other is supporting our supply chain with effective and efficient harvesting and processing equipment to deliver our goal to reduce our commodity volumes from 80% to 50%, with a corresponding increase in higher value sales.

This year the Board approved, in principle, a significant investment programme totalling over \$100 million for the next two years, which has a strong emphasis on operational upgrades, as well as more investment in innovation and brand development.

We have a well-maintained, but ageing fleet and this puts some constraints on our ability to keep lifting the value and profitability of our wild caught products. In the coming year, \$3 million will be invested in upgrades of our inshore fleet to enable growth in our premium fresh fish business. This will be complemented by infrastructure upgrades in most of our plants around the country to provide our processing teams with safer, more efficient working environments. A further \$15 million is earmarked for the rejuvenation of our deepwater fleet.

The deepwater investment programme includes replacing a scampi vessel and improving the operational efficiency and production ability as well as selectively looking at crew conditions on another seven vessels. Upgrades will be largely scheduled to coincide with routine marine surveys, where vessels are taken out of the water for their safety checks and maintenance. This will protect our fleet’s operating capacity.

Despite the more difficult season, we saw *San Granit* move closer to her true capabilities with four trips near the end of the financial year achieving earnings in line with expectations. This is an encouraging turnaround from last year’s losses during commissioning. While it has fallen short of its annual performance target, the improvement confirms this vessel is a good fit within our fleet from a capacity viewpoint, enabling us to use quota more efficiently while complementing our fishing partners’ capabilities.

The focus on fresh that we introduced three years ago has led to growing volumes diverted from the frozen business. However, in addition to poor weather conditions necessitating our smaller inshore vessels to seek shelter on numerous occasions, we have also reduced our fleet size this year due to the excessive age of one vessel and the continuous underperformance of another. This has resulted in supply shortfalls, but our team has been very successful in engaging a larger number of private fishing partners and capitalising on their efficiency in harvesting and processing very high-quality fish.

These arrangements provide us with operational flexibility ahead of upgrades to our inshore fleet which will then be better configured to match our value over volume strategy.

ENGAGING OUR WORKFORCE

The shift away from a production volume focus to a customer-centric value-driven strategy has an inevitable impact on our employees across the business. The challenge of adapting our 137-year old culture to the requirements of an economically, environmentally and socially demanding stakeholder base is reflected in our employee engagement score. This has remained on par with the prior year, which is unsatisfactory.

Considerable effort and resource are being put into leadership training, people development, company-wide communication and employee engagement initiatives. Rebecca Stewart, GM People and Culture and Andrew Lorcet, joined us during the year to support our endeavours.

Low unemployment rates and national minimum wage adjustments introduce considerable wage cost pressures, especially at the frontline operational area of the business. This tends to outpace our efforts in addressing organisational needs. Criteria such as rewards and recognition, collaboration and talent and staffing score low in our engagement survey and will receive continuing focus. However, as we want our employees to share in the success of our company and strive to remunerate everyone fairly in line with their contribution, we will also need to invest into greater automation of our manufacturing processes to safeguard our competitiveness and deliver affordable product to our customers.

Our efforts in improving the awareness of health, safety and wellbeing achieve high scores in Sanford’s annual employee survey. We are also satisfied with the progress achieved in terms of health and safety, with total injuries continuing to reduce year-on-year (25% over the last two years). Lost time injuries are, however, on the same level as the prior year, with serious harm injuries (notifiable incidents) halving from 10 to 5 over the last year. The latter is a particularly pleasing reduction which we seek to improve further until serious harm is eliminated.

While these are positive trends, we will move to a more robust risk-based management system going forward and are excited to have recently been able to invite Susan D'Ath-Weston as GM, Health, Safety and Wellbeing, to our senior management team. She comes with a wealth of experience in this field.

Greg Johansson, Sanford's Chief Operating Officer (COO), left the company after 27 years of valuable service to the company. His experience and knowledge have been missed and Greg has agreed to continue to assist Sanford in a consulting capacity with important designated projects for which we are grateful. Clement Chia, previously Chief Financial Officer (CFO), showed tremendous courage and took on the responsibility of the COO and we are delighted to have Katherine Turner join us from Fonterra Brands as our new CFO in September 2018.

FACING THE CONSUMER

A complete revamp of the Auckland Fish Market in the Wynyard Quarter is part of a \$10 million investment in the fresh fish category. This redevelopment, which includes ten eateries, a revitalised fresh fish market and our popular Seafood School will open in late 2018 and shows our clear commitment to be a customer and consumer-centric seafood company.



The Auckland Fish Market will be far more than a market and restaurant complex. It is a vehicle for encouraging more consumption of fresh fish, putting into practice our commitment to share the natural goodness of the oceans with uncompromising care.



We're out to capture the imaginations of consumers with the best of the elements we work in every day. This investment in Auckland Fish Market continues our drive to grow our revenue in New Zealand through emphasising the amazing diversity of New Zealand's fresh fish and our ability to quickly get it from ocean to plate.

To further strengthen our endeavours in connecting directly with consumers we have recently purchased the Auckland based home-delivery business *Fresh Catch*. We are excited to team up with Annabel Langbein, iconic New Zealand celebrity cook and food writer, to highlight our seafood and its versatility.

OUR WIDER RESPONSIBILITY

'We Share the Natural Goodness of Our Oceans with Uncompromising Care.' Our purpose requires us to be mindful every day, and in every aspect of our business operations, of our impact on New Zealand's coastline, sea, biodiversity and climate. Protecting and enhancing the environment are responsibilities that are fundamental to our bottom line, and our communities' support of our licence to operate.

In 2018, we have taken further steps to mitigate the risk of environmental effects from our day-to-day and long-term operations and business decisions, and both marine plastic pollution and climate action continue to be particular areas of focus for Sanford. We have set ambitious targets, and some of the key initiatives that we have introduced to support positive action on both plastics and climate action are described further in this Report.

This year, we have seen measurable improvements in our water intensity (6.7%), core energy intensity (7.4%) and carbon intensity (3.2%).

We recently joined 60 major New Zealand businesses in pledging to reduce our greenhouse gas emissions and to hold ourselves publicly accountable by setting targets, and several of our suppliers have joined us. Collectively, the 60 original signatories produce almost half of New Zealand's total emissions, so it is a meaningful commitment, and one we see as important.

While we are very proud of our progress in creating a greater appreciation for the amazing natural resources our livelihoods depend on, there is ample opportunity for our country to engage in a greater

discussion around the potential our marine environment holds for New Zealand. The introduction of Fisheries New Zealand (FNZ) as a separate agency within the Ministry for Primary Industries is an encouraging step highlighting the importance of fisheries to our country. We are now looking forward to FNZ placing greater attention on dealing with a number of ongoing challenges, ranging from the availability of timely scientific knowledge across our fish stocks to deemed values. We also trust that FNZ, in collaboration with other Ministries, will support the availability of appropriate labour for our operations, especially those at sea.

We are convinced that New Zealand is in a strong position to lead by example internationally, given the size of our Exclusive Economic Zone (EEZ), the success of our Quota Management System (QMS), the diversity of our marine biomass and the caring nature of Kiwis. On the basis of this conviction we push the boundaries when it comes to increasing transparency in our operations and in taking a stance on a modern fisheries management system that can only be successful if we take all elements of the environment we operate in into account. We believe in stronger engagement with the communities we work within to enable the realisation of great outcomes and we encourage a wider discussion around the attraction and retention of people that will support us all in achieving a prosperous future for our country.

DIVIDENDS

With the continuing investment requirements of the business both in respect to our existing operations as well as the new developments, the Board has determined that the dividend should remain unchanged at 23 cents per share for this year. The final dividend of 14 cents per share will be payable on 7 December 2018.

DIRECTORS' FEES

It has been three years since we last sought an increase in the directors' fee pool. Given the increased complexities and the transformational journey the Company is on, this has placed considerable demands on the current Board of six directors. We are therefore at a point now where a request for an increase in the fee pool is necessary, having commissioned an independent report from an appropriately qualified external party.



The increase sought will accommodate a moderate increase in base director's fee, an increase in the Chairman's fee and the introduction of a Deputy Chairman's fee. In addition it will provide some modest headroom for potential added Board Committee cost.

Based on this independent report we will be seeking approval from Shareholders at the Annual General Meeting for an increase in the Directors' Fee Pool of \$90,000 from \$700,000 to \$790,000 effective 1 October, 2018. This is considered the minimum we can get by with this year and is below the level recommended by the Report.

ACKNOWLEDGEMENTS

It was a genuine pleasure to be recognised for the quality of our Integrated Report last year. In addition to considerable global recognition and very positive comments, we secured the ARA Sustainability Reporting Award as well as the Hong Kong and Australasian Reporting Award for Sustainability and a Gold Award for meeting the highest standard of reporting. We are very grateful to our GM Sustainability, Lisa Martin, and her team for the hard work in developing our integrated report to such high standard. It is wonderful to see other companies in New Zealand introducing integrated reporting. We have been happy to help them and see their results.

We would also like to sincerely thank Stuart Houliston, our GM Finance, who stepped in and successfully acted as Chief Financial Officer (CFO), while we were recruiting for the CFO position.

Our heartfelt *Thanks Team!* goes to the Sanford team. Besides operational unpredictability, you are all facing a rapid pace of change in a very demanding environment and often through yet another new face in the organisation. This is challenging and we really appreciate all your passionate and loyal support in

fulfilling our purpose and achieving our vision.

BOARD AND CHAIRMAN ACKNOWLEDGEMENTS

The 2018 year has been another very busy year for the company and your Board, which included a major internal strategic review of our operations, asset base and the pathway forward. This was a most worthwhile exercise with a number of our management team putting in a huge amount of work which the Board valued and appreciated.

On a more general level I also wish to thank Volker and his executive management team for their dedication and efforts to overcome the many challenges throughout the year that can and do arise when you are guiding and managing a company operating in what is the only remaining true commercial hunting industry of international scale that exists today. Not only is this a reality but we also add to our complexity by farming in the ocean! The challenges in this industry that management and our people face are quite unique on the all-important supply side of the business and we thank all of our staff in this respect.

And now to matters of the Board. Firstly, I wish to acknowledge and thank my Board colleagues for their application and high level of dedication to the company's operations, its results and the pathway forward – this has been greatly appreciated.

In February of this year we were very pleased to welcome Abby Foote to the Board. She is a well experienced Director and has provided a valuable view on all matters coming before the Board. She is a member of the Audit, Finance and Risk Committee, the Health & Safety and Regulatory Compliance Committee as well as the Nominations Committee. Abby has been nominated for re-election as a director, having been appointed to the Board subsequent to the last annual meeting and her re-election has my personal support and that of the rest of the Board.

It is with regret that Bruce Goodfellow has advised to the Board that he did not intend to stand for re-election at this year's Annual General Meeting and will retire from the Board following the meeting. Bruce is a longstanding Director of Sanford having joined the Board in 2006. As many shareholders will also be aware he is a

member of the Goodfellow family which has been such an important part of the very solid shareholding foundation of Sanford since the late 1970's when they took up their original shareholding in the company. We will miss Bruce's deep understanding and knowledge of the company's operations as well as the considered views he put forward on substantive matters coming before the Board. To Bruce we say thank you, and we wish him and his wife Mary Ann all the enjoyment of a well-earned retirement.

With additional planning in mind, I, as Chairman, have also indicated to my fellow Directors my likely retirement from the Board during the 2019 calendar year. In preparation for this likely eventuality and an ensuing smooth Board leadership transition, I am very pleased to advise that Rob McLeod has been unanimously elected by his Director colleagues as Deputy Chairman of the Company, effective November 1, 2018. I warmly congratulate Rob on his appointment and know that he will continue to serve the company outstandingly well, as he has done since he joined the Board in January 2016. During his time on the Board, Rob has also had extensive experience with our Board Committee structure having chaired the Health & Safety and Regulatory Compliance Committee, is currently Chairman of the Audit, Finance and Risk Committee and has also had meaningful exposure and involvement in People Committee matters.

Paul Norling

CHAIRMAN

14 November 2018

Volker Kuntzsch

CEO

14 November 2018

As this report goes to press, we are deeply saddened by the fatal accident to one of our crew members on the factory deck of the San Granit. We extend our sincere condolences to the crew member's family, friends and colleagues.

REPORT STRUCTURE

Welcome to Sanford's fifth integrated Annual Report – **The Elements, 2018.**

Sanford's bold and ambitious vision is to be the Best Seafood Company in the World. Quite simply this means our purpose is to Share the Natural Goodness of Our Oceans with Uncompromising Care. Our core values of Care, Passion and Integrity are at the heart of everything we do.

Each day and each year, we set out to create value, guided by our strategy and our business model. This report shows what we have achieved in the year ended 30 September 2018. In it we discuss how we performed, the value we created and our plans for future value creation. It reflects our deep commitment to our stakeholders by detailing in our material issues what matters most to them and our business.

- In keeping with our reporting model, we start by outlining our **Global operations** **P 14** and commenting on our markets, before showing our **Business model** **P 16** and how we create value.
- Our **Chairman and CEO review** covers the financial year, our performance and its connection to our strategy and other material and relevant matters on **P 6-11**.
- In **Reporting what matters**, on **P 20-25**, we set the scene for the diverse range of stakeholders we touch and how we engage on what matters most to them, as identified through our materiality and enterprise risk processes.

We report on our strategy to deliver value to our stakeholders through our Business Excellence Framework, which is made up of six outcomes.

These are the basis of our Sustainability Policy (www.sanford.co.nz/sustainability), and the six performance chapters presented in this Report:

Sustainable seafood business	P 30
Our people	P 46
Healthy food and marine extracts	P 60
Healthy oceans	P 72
Communities and partnerships	P 86
Protecting the environment	P 96

In each of these chapters we start with the global context, showing how we contribute towards achieving the United Nations Sustainable Development Goals (SDGs). The related material issues and value creation are then presented, focusing on what matters most to our stakeholders and the business over the short, medium and long term, alongside progress against our 2018 targets. Case studies and achievements bring our reported data to life. We conclude each chapter with a 'Future Focus' setting out our targets for 2019 and beyond, moving us towards our 2025 aspirations and ultimately our vision.

Our key performance indicators are documented in **Appendix A** from page 163, and our financial statements from page 116 to 155. We are confident that Sanford can continue to deliver improved financial returns, while living up to our values, commitments and aspirations, as detailed throughout this Report.

OUR BUSINESS EXCELLENCE FRAMEWORK

Our Business Excellence Framework is designed to enable us to deliver on our vision. It provides a structured and considered approach to enable integrated value creation across our business.

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



Building a sustainable seafood business

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

Creating a safe and high performing workplace culture

We will become an employer of choice by delivering industry leading safety risk management, ensuring a culture of high performance and growth, and living our values.

Leading the way to healthy food and marine extracts

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

Enabling healthy oceans

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

Supporting enduring communities and partnerships

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

Protecting and enhancing the environment

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

GLOBAL AMBITIONS: UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We have also aligned Sanford's sustainability strategy with the UN Sustainable Development Goals (SDGs), and report on the eight SDGs to which we can contribute the most. The SDGs have continued to challenge us to stretch our aspirations further, particularly in areas such as healthy oceans and climate action. We have captured these in the 'Future Focus' section for each of our six performance outcomes, and throughout the Report in the case studies that we have included, bringing them to life.



VALUE CREATION: THE SIX CAPITALS (INPUTS)

- FINANCIAL
- HUMAN
- MANUFACTURED
- INTELLECTUAL
- NATURAL
- SOCIAL AND RELATIONSHIP

This year we continued to explore in more detail the value we derive from the six capitals, as set out in our Business Model 'How we create value'. Value creation in any one performance outcome, as set out in our Business Excellence Framework, will typically create value across more than one of the six capitals. Examples in this year's report include investments in infrastructure to support production, expansion of Enzaq to double output of our high-quality mussel extract and continuous improvement in our ability to extract more value from each catch. We have advanced our closer-to-customer strategy by expanding our sales force and further investing in our brand

portfolio and our iconic Auckland Fish Market, and future investments planned in our fleet. We have worked hard to further build up our social and relationship capital through our communications channels and by talking even more to our stakeholders and the communities where we operate.

Recognising that Sanford's future is in the hands of its people, we have kept up our efforts to keep them engaged, safe, challenged and growing, both personally and professionally. Finally, we aim to make sure that everything we achieve will contribute to the natural capital that supports our business, as well as many others, over the long term.

ROBUST REPORTING FRAMEWORKS

This Report has been developed in accordance with the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> Framework.

This enables us to explain how we create value over time and provide transparency on every aspect of our business activity. We remain committed to <IR> because we know an increasing number of stakeholders are interested in how we create long term sustainable value.

We also applied the Global Reporting Initiative (GRI) Sustainability Reporting Standard 2016 to a core level of compliance, and report across a range of best practice environmental, social and governance (ESG) indicators. The GRI index is included in **Appendix E**.

DISCLOSURE

Unless otherwise indicated, this Report covers performance from all our operations, including North Island Mussels Ltd and Weihai Dong Won Food Company, operations in which Sanford has a 50% interest. All financial data is presented in New Zealand dollars, unless otherwise stated. Any changes or restatements of previously reported figures are identified throughout the Report.

KPMG has provided independent assurance of this Report, and this covers both statutory financial and selected non-financial information. The combined independent auditor's and limited assurance report is on pages 156 to 161.

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

The Directors are pleased to present the integrated Annual Report of Sanford Limited for the year ended 30 September 2018.

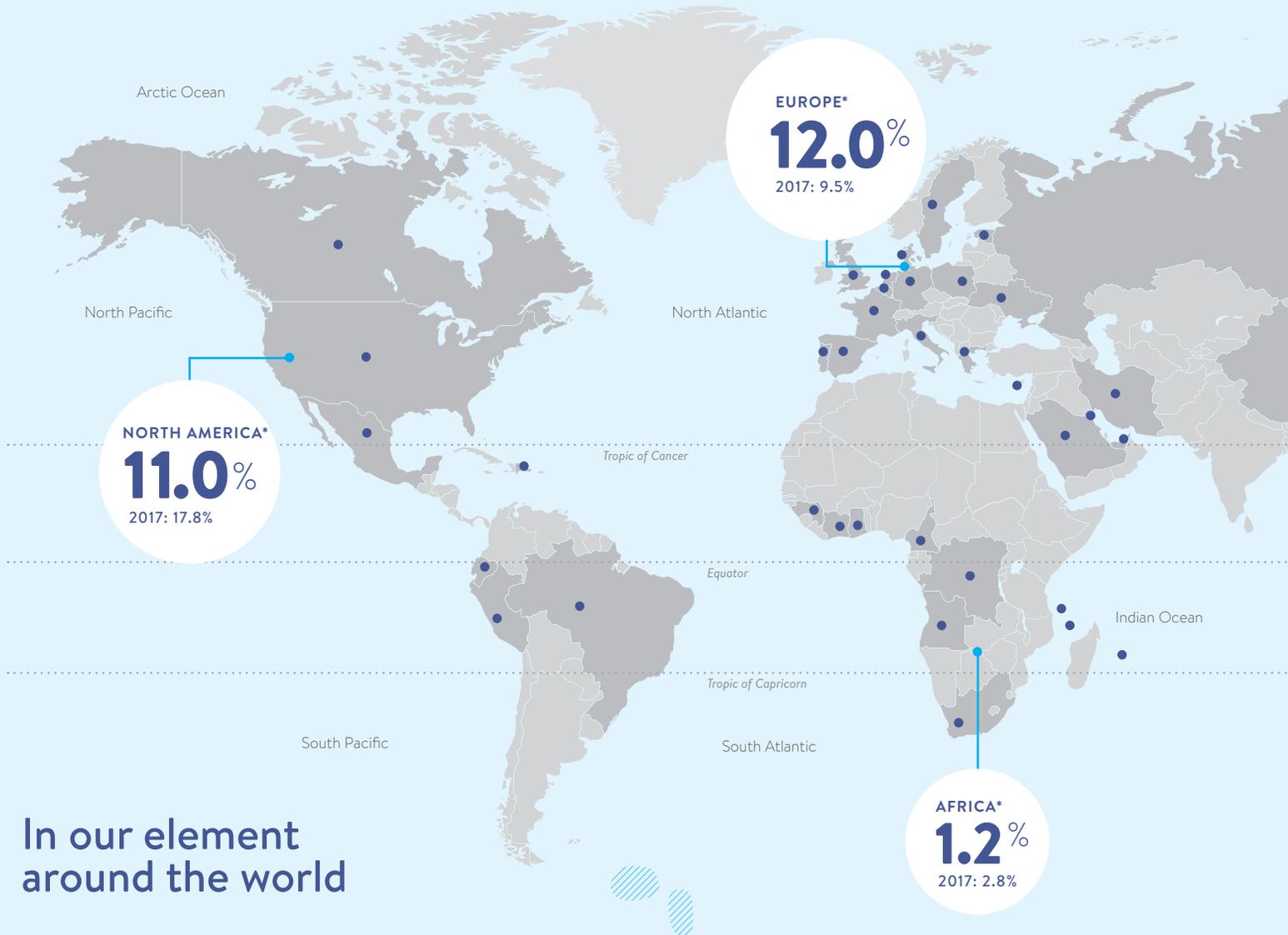
For and on behalf of the Board of Directors:

P G Norling
CHAIRMAN
14 November 2018

R A McLeod
CHAIR AUDIT FINANCE AND RISK COMMITTEE
14 November 2018



We welcome feedback and questions on this Report; and encourage you to send these to our GM Sustainability at: sustainability@sanford.co.nz.



In our element around the world

Our goal is to grow our relationships with our customers and consumers and we are prioritising the markets where we believe we can grow the best value returns. As our market snapshot this year shows, there is always a balance between growing demand for premium peak-value products, while meeting demand for a sustainable, affordable supply of more commodity marine protein. In our snapshot, percentages shown relate to the continuing operations revenue from our top nine geographical locations at point of sale.

NORTH AMERICA – Milestones this year include preparing to launch our Big Glory Bay King salmon brand and our Sanford Black brands to support value growth in the US. A new distribution model with key partners is enabling us to get closer to customers. Revenue this year reflects interruptions to mussel and salmon supplies caused by a marine heatwave, and changes to our distribution model.

EUROPE – Growth this year saw it become one of the best performing markets, equal with China. This was supported by good demand for premium white fish species and our ability to encourage customers away from block to fillets.

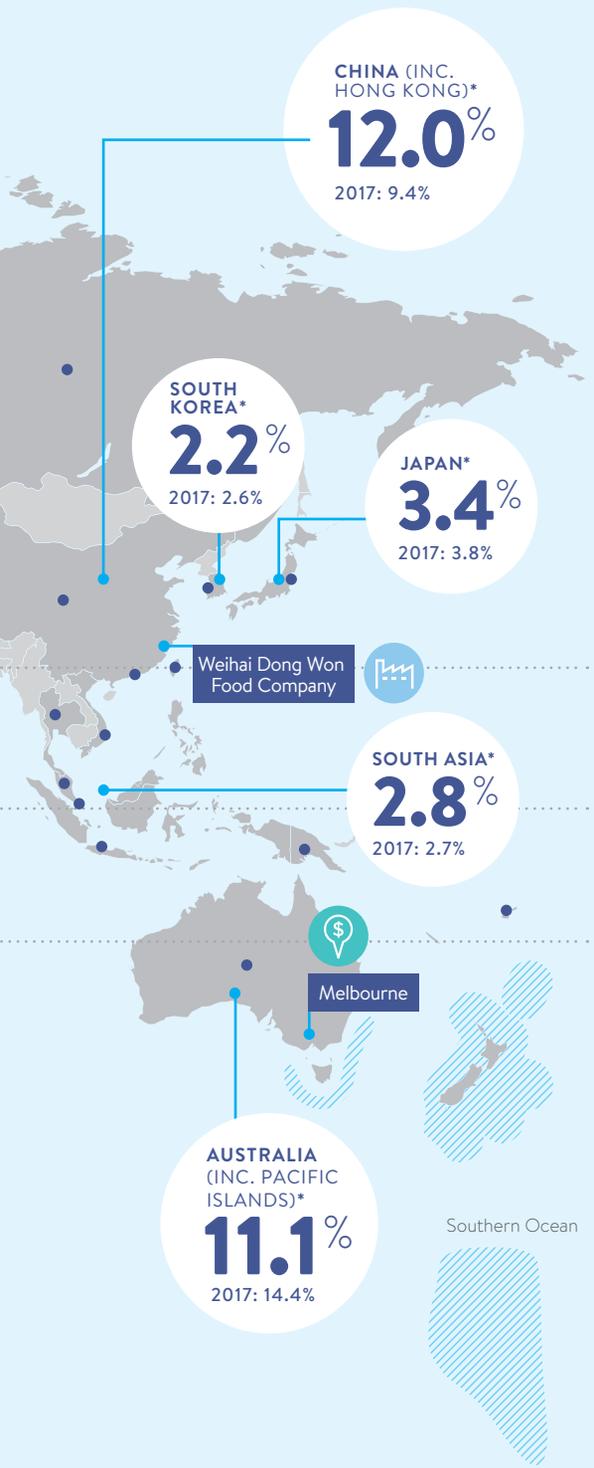
AFRICA – We meet demand in Africa for affordable, commodity seafood protein. This market remains focused more on volume, and presents limited opportunity to grow value returns.

CHINA, INCLUDING HONG KONG – China including Hong Kong was one of the best performing markets this year, equal with Europe. It now makes up 20% of our mussel business and is the second largest market for salmon exports. Demand this year was strong across most categories including scampi.

JAPAN – Remained a stable market this year for fresh and frozen salmon, mussels, scampi and white fish such as warehou. It is one of our oldest markets where we value long-standing relationships with our customers.

SOUTH KOREA – Performance was stable in this free trade market where we enjoy good access. Developments this year include a preliminary assessment of e-commerce opportunities in a market where some 20% of products are sold online, well ahead of Japan at 7% and China at 6%.

* PERCENTAGE OF CONTINUING OPERATIONS REVENUE FROM TOP NINE GEOGRAPHICAL LOCATIONS AT POINT OF SALE

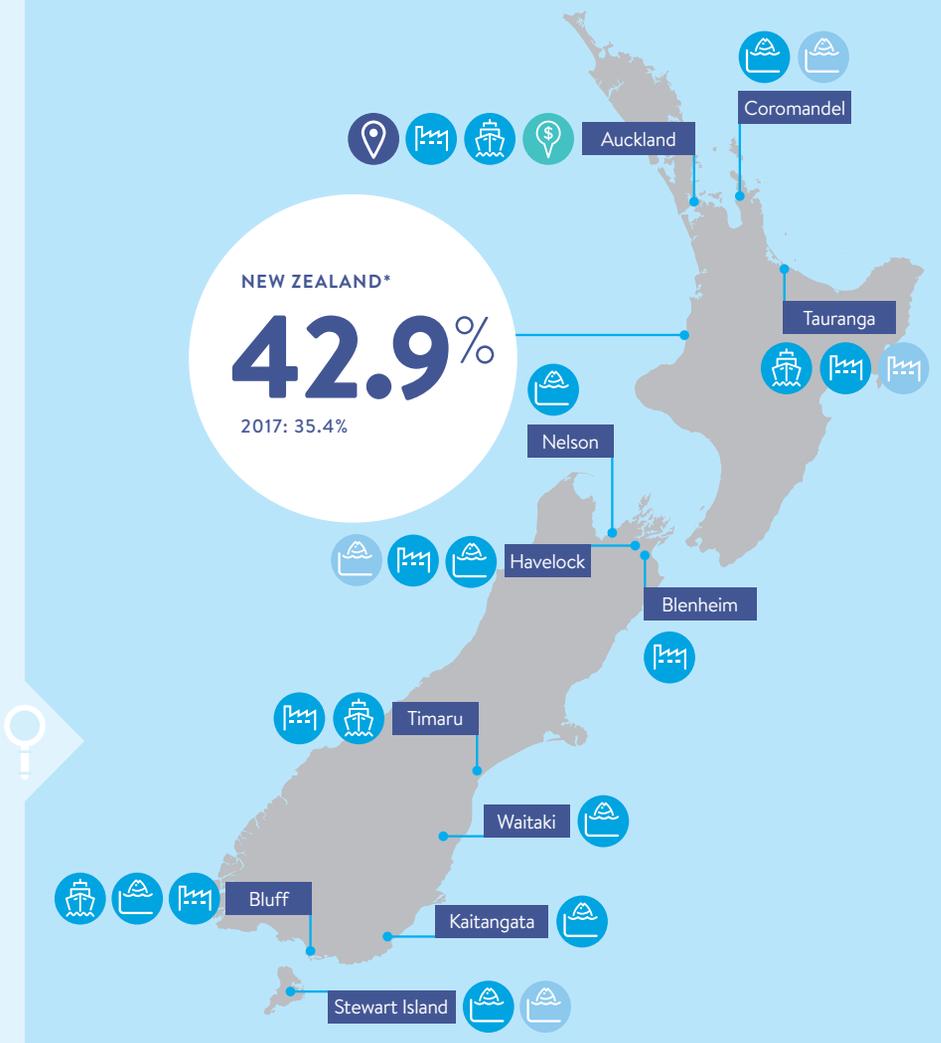


SOUTH ASIA – Includes Thailand which stands apart as the market which secures the most premium prices for salmon exports from NZ. This highlights the potential for our Big Glory Bay branded product, notably in the foodservice sector in Bangkok and Singapore.

AUSTRALIA – Revenue this year reflects strategic changes to our distribution model, as well as supply shortages. The market’s potential remains very positive, and we are aligning ourselves to get closer to customers and to capture more value through brands including Big Glory Bay.

1,705

SANFORD PEOPLE BRINGING BEAUTIFUL NEW ZEALAND SEAFOOD TO THOUSANDS OF PEOPLE AROUND THE WORLD EVERY DAY.



NEW ZEALAND – Revenue this year reflects increased sales to fishing partners, domestic fresh and foodservice business. The fresh business was predominantly in the restaurant/foodservice sector and a warm reception for Big Glory Bay salmon. The incorporation of Sanford frozen white fish fillets, mussel meat and scampi into the domestic foodservice business is also attracting an increasing number of new customers.

KEY

- Processing
- Fishing
- Processing Joint Arrangements
- Head Office
- Top 50 Export Countries
- Aquaculture
- Fish Market
- Aquaculture Joint Arrangements
- Fishing area

INPUTS



OUR BUSINESS



FINANCIAL CAPITAL

Pool of necessary funds (equity, debt and grants) provided by banks, shareholders and bond holders, or generated through operations or investments



HUMAN CAPITAL

Competencies, capabilities and experience of our employees, our key asset, and the capacity to add value through human capital development



MANUFACTURED CAPITAL

Tangible, production-orientated goods and infrastructure owned, leased or controlled by Sanford that contributes to the delivery of our products and services



INTELLECTUAL CAPITAL

Intellectual property, brand and reputation, a key element of our future earning potential and competitive advantage



NATURAL CAPITAL

Stock of natural resources or environmental assets (water, atmosphere, land, materials, biodiversity and ecosystem health) that are fundamental to our future prosperity



SOCIAL & RELATIONSHIP CAPITAL

Relationships within Sanford, and between Sanford and its external stakeholders, which are essential to retaining our social licence to operate including relationships to maintain quotas and licences

VALUE CREATION PROCESS OVER TIME

Our value creation process is impacted by the external environment in which we operate, which includes economic conditions, technological change, societal change and environmental conditions



OUR PURPOSE

WE SHARE THE NATURAL GOODNESS OF OUR OCEANS WITH UNCOMPROMISING CARE

OUR VALUES

CARE

PASSION

INTEGRITY

OUTPUTS



**BEAUTIFUL
NEW ZEALAND
SEAFOOD**

\$515.0M

REVENUE IN 2018



HIGHS AND LOWS
PAGE 18-19



OUTCOMES



BUILDING A SUSTAINABLE SEAFOOD BUSINESS

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

UN SDG



CREATING A SAFE AND HIGH PERFORMING WORKPLACE CULTURE

We will become an employer of choice by delivering industry leading safety risk management, ensuring a culture of high performance and growth, and living our values



LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS

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



ENSURING HEALTHY OCEANS

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



SUPPORTING ENDURING COMMUNITIES AND PARTNERSHIPS

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



PROTECTING AND ENHANCING THE ENVIRONMENT

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



OUR VISION

**THE BEST
SEAFOOD
COMPANY IN
THE WORLD**

VALUE CREATION OUTCOMES	HIGHS	LOWS
 <p>BUILDING A SUSTAINABLE SEAFOOD BUSINESS</p>	<p>\$515.0M REVENUE \$M ▲ 7.7% 2017 \$477.9M</p>	<p>\$64.7M ADJUSTED EBIT ▲ 1.4% 2017 \$63.7M</p>
	<p>\$42.3M NET PROFIT AFTER TAX \$M ▲ 12.9% 2017 \$37.5M</p>	<p>\$0.54 EBIT VALUE PER KG ▲ 3.8% 2017 \$0.52/KG</p>
	<p>Approved PRECISION SEAFOOD HARVESTING DEEPWATER METHODOLOGY, BY MPI</p>	<p>Innovation 2 MAJOR NEW INNOVATIONS BEYOND FOOD – HOKI SKINS TO COLLAGEN, MUSSEL POWDER</p>
		<p>▼ 5.6% TOTAL CATCH/HARVEST VOLUME, 118,000 GWT 2017: 125,000 GWT</p> <p>▼ 14.2% AQUACULTURE GWT ▼ 4.4% SALMON ▼ 15.1% MUSSELS</p> <p>\$3.4M IMPAIRMENTS LARGELY DUE TO ONE-OFF VESSEL WRITE DOWN OF SAN HIKURANGI INSHORE VESSEL 2017: \$2.1M</p> <p>Weather UNUSUAL PATTERNS AFFECTED SALMON AND MUSSEL BUSINESS, SALMON FEEDING LESS DURING PART OF SUMMER (\$2.1M EBIT LOSS) AND ALGAL BLOOMS IN MARLBOROUGH SOUNDS (\$3.1M EBIT LOSS)</p>
 <p>CREATING A SAFE AND HIGH PERFORMING WORKPLACE CULTURE</p>	<p>▼ 11.9% REDUCTION IN ACC CLAIMS 118 Claims 2017 134</p>	<p>970 TOTAL INJURIES ▼ 6% 2017 1,032</p>
	<p>>1554 FRONTLINE LEADERSHIP TRAINING DAYS COVERING HEALTH AND SAFETY 2017 693</p>	<p>32% WOMEN SENIOR LEADERS ▲ 5% 2017 27%</p>
	<p>121 PEOPLE COMPLETING MANAGEMENT AND LEADERSHIP TRAINING ▲ 48% 2017 82</p>	<p>▼ 50% SERIOUS HARM (NOTIFIABLE) INJURIES 5 2017 10</p>
		<p>13.89 LTIFR (BASED ON HOURS WORKED) ▼ 5% REDUCTION 2017 14.67</p> <p>▼ 1% REPORTED LEVELS OF ENGAGEMENT THROUGH PEOPLE SURVEY</p> <p>\$279,375 FINE AND REPARATIONS PAYMENT DUE TO SERIOUS HARM INCIDENT AT NIML (50% JV)</p>
 <p>LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS</p>	<p>100% LAND-BASED PROCESSING SITES CERTIFIED TO FSSC 22000 2017 80%</p>	<p>59% CUSTOMER SERVICE QUALITY RATING VERY POSITIVE EXPERIENCE ▲ 16% 2017 43%</p>
	<p>Purchased FRESHCATCH, E-COMMERCE PLATFORM FRESHCATCH.CO.NZ</p>	<p>Launched COOL CHAIN, REFRIGERATED COURIER SERVICE FROM BLUFF TO CHRISTCHURCH WITH NZ COURIERS</p>
	<p>▼ 7% FROZEN AT SEA AGED INVENTORY 207 PWT 2017 222 PWT</p>	<p>▼ 35% EXTERNAL STORAGE INVENTORY HOLDINGS 1,327 PWT 2017 2,051 PWT</p>
		<p>68% TARGET FOR NUMBER OF DAYS TO RESOLVE CUSTOMER COMPLAINTS NOT MET (TARGET 80% WITHIN 10 DAYS) 2017 68%</p> <p>73 CUSTOMER COMPLAINTS ▲ 1% 2017 72</p> <p>▼ 7% CUSTOMER PRODUCT QUALITY, RATED HIGH/VERY HIGH 79% 2017: 86%</p>
 <p>ENSURING HEALTHY OCEANS</p>	<p>Co-chair OF THE MARINE DOMAIN FOR THE AOTEAROA CIRCLE, SUSTAINABLE WEALTH CREATION INITIATIVE</p>	<p>4 VESSELS USING PRECISION SEAFOOD HARVESTING (PSH) 2017 2</p>
	<p>Launched WHATPLASTIC? REDUCTION PROGRAMME</p>	<p>100% GREENSHELL™ MUSSEL FARMS CERTIFIED A+ NZ SUSTAINABLE AQUACULTURE PROGRAMME</p>
	<p>44% OF SANFORD'S TOTAL 2018 WILDCATCH BY GREENWEIGHT WAS MSC CERTIFIED 2017 46%</p>	<p>234 SEABIRDS CAUGHT DEAD AT 9 MONTHS ▼ 22% 2017 286</p>
		<p>122 MUSSEL FARMS (ACROSS INDUSTRY) TEMPORARILY CLOSED DUE TO PRESENCE OF AN ALGAL BLOOM IN THE MARLBOROUGH SOUNDS</p> <p>34 MARINE MAMMALS CAUGHT DEAD AT 9 MONTHS ▼ 28% 2017 47</p>

VALUE CREATION OUTCOMES	HIGHS			LOWS	
 <p>SUPPORTING ENDURING COMMUNITIES AND PARTNERSHIPS</p>	<p>\$244K+</p> <p>CONTRIBUTED TO COMMUNITY, CHARITY AND SPONSORSHIP PROGRAMMES 2017 \$218K+</p>	<p>Open</p> <p>DAY, FOR LOCAL COMMUNITY AT OUR BIG GLORY BAY SALMON AND MUSSEL FARMS</p>	<p>10,667</p> <p>STUDENTS SUPPORTED THROUGH GRAEME DINGLE FOUNDATION PARTNERSHIP 2017 9,503</p>	<p>Closure for 5 weeks</p> <p>OF HAVELOCK PROCESSING SITE FOR EARTHQUAKE REPAIRS</p>	
	<p>Video</p> <p>PARTNERED WITH PARALYMPICS NZ TO PRODUCE A HEALTH & SAFETY VIDEO</p>	<p>2 year</p> <p>EXTENSION TO FORMAL PARTNERSHIPS WITH GRAEME DINGLE FOUNDATION AND PARALYMPICS NZ</p>	<p>58</p> <p>SCHOOLS SUPPORTED THROUGH GRAEME DINGLE FOUNDATION PARTNERSHIP 2017 55</p>		

PROTECTING AND ENHANCING THE ENVIRONMENT	ENVIRONMENTAL INTENSITY			WASTE & WILDCATCH	
	<p>▼3.2%</p> <p>KG CO₂-e/REVENUE \$ CARBON INTENSITY 0.152 2017 0.157</p>	<p>▼7.4%</p> <p>MJ/SALES \$ CORE ENERGY INTENSITY 0.543 2017 0.584</p>	<p>▼6.7%</p> <p>L/SALES \$ WATER INTENSITY 3.6L 2017 3.9</p>	<p>1</p> <p>ABATEMENT & INFRINGEMENT NOTICES ISSUED TO ENZAQ FOR ODOUR DISCHARGE 2017 0</p>	<p>31%</p> <p>RATE OF WASTE DIVERSION ACHIEVED (AGAINST TARGET OF 35%) ▲7% 2017: 24%</p>
	<p>17</p> <p>CONTINUOUS IMPROVEMENT INITIATIVES FOCUSED ON ENVIRONMENTAL IMPROVEMENT</p>	<p>CIRCA. 600</p> <p>REUSABLE CHILLER BAGS 'DON'T BAG THE OCEAN' SOLD PER MONTH IN OUR RETAIL STORES</p>	<p>SIGNATORY</p> <p>TO CLIMATE LEADERS COALITION WITH 60 MAJOR NZ BUSINESSES IN JUNE 2018</p>	<p>▲8%</p> <p>L/GWKg WILDCATCH VESSEL FUEL INTENSITY 0.371 2017: 0.344</p>	<p>4</p> <p>NOTIFIABLE SPILLS (THOUGH NO NEGATIVE ENVIRONMENTAL IMPACT) 2017: 2</p>
<p>Complete</p> <p>SUCCESSFUL COMPLETION OF TIMARU BOILER CONVERSION WITH PROJECTED REDUCTION IN CARBON EMISSIONS OF 1,721.34 T CO₂-e</p>					

ACCREDITATIONS

<p>MAINTAINED</p> <p>SanWell Silver Accreditation at Timaru site and Bronze at Tauranga site for workplace wellbeing</p>	<p>CERTIFIED</p> <p>44% of Sanford's total wildcatch by greenweight was Marine Stewardship Council Certified</p>	<p>MAINTAINED</p> <p>Secondary status in ACC Partnership Programme</p>	<p>ACHIEVED & MAINTAINED</p> <p>FSSC 22000 Food Safety Management System certification across 100% of all land-based processing sites</p>	<p>ACHIEVED</p> <p>ISO14001:2015 Environmental Management System certification</p>
<p>MAINTAINED</p> <p>Aquaculture New Zealand's A+ New Zealand Sustainable Aquaculture Programme</p>	<p>MAINTAINED</p> <p>Certified Organic, Big Glory Bay Greenshell™ mussel farms</p>	<p>MAINTAINED</p> <p>Marine Farm Association (MFA) Environmental Certification Marlborough mussel farms</p>	<p>ACHIEVED & MAINTAINED</p> <p>Best Aquaculture Practices (BAP) certification of Big Glory Bay King salmon (3 Star rating) & Greenshell™ mussels (21 farms)</p>	

AWARDS

<p>IN THE AUSTRALASIAN REPORTING AWARDS (ARA) 2018</p> <p>Sanford achieved the following for our 2017 report: Gold Award; Winner Sustainability Reporting Award; Winner Hong-Kong Australasia Sustainability Reporting Award; Finalist Integrated Report Award; Finalist Cover of the Year</p>	<p>MARINE FARMING ASSOCIATION ENVIRONMENT AWARD 2018</p> <p>Awarded to Mandy Hargood, Machinist, Farming Support Services Havelock</p>	<p>SEAFOOD NEW ZEALAND CONFERENCE SEAFOOD STAR AWARD 2018</p> <p>Awarded to Revolution Fibres and Sanford's Innovation Team for hoki skin face masks</p>	<p>INNOVATION IN AGRIBUSINESS & ENVIRONMENT AWARD 2017</p> <p>Awarded to SPATnz at the 2017 New Zealand Innovation Awards</p>	<p>FINALIST IN THE DELOITTE TOP 200 AWARDS 2017</p> <p>For Excellence in Governance</p>
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OUR APPROACH

From the inside looking out, our Board and our senior management team can make a well-informed assessment of what matters to our business and our reputation. But for us to comprehensively report on what matters, it is important that we also look from the outside in.

Each year we work with more internal and external stakeholders, including a wide range of groups and individuals that are impacted by our activities and contribute to our ability to achieve our strategy over time. These stakeholders were selected and ranked using best practice criteria from the AA1000 Stakeholder Engagement Standard 2015, with selection based on elements such as dependency, responsibility, tension, influence and diversity.

Through surveys and interviews informed by the International Integrated Reporting Council (IIRC) Framework and the Global Reporting Initiative (GRI) Standards, in partnership with thinkstep, we identify and rank the issues which our stakeholders regard as material, and this in turn informs our reporting processes.



SELECTIONS BASED ON:

Dependency
Responsibility
Tension
Influence
Diversity

THE FIVE STEPS OF STAKEHOLDER ENGAGEMENT



01

IDENTIFY STAKEHOLDERS

Between 2017 and 2018, 43 stakeholders (23 external and 20 internal) were selected and invited to participate in our process. These stakeholders were identified and ranked using best practice criteria from the AA1000 Stakeholder Engagement Standard 2015. They included new, as well as existing, stakeholders to provide an appropriate balance between consistency and the injection of new perspectives into the process. This year, the process also included a further ten youth participants, who we involved through an innovative workshop approach (refer to case study *Adding a millennial perspective*, page 23).



02

THE INTERVIEW

With the exception of the youth participants, all stakeholders were interviewed using a semi-structured format based around a set of open-ended questions. The questions were designed to allow the stakeholders' views to be determined on the issues most crucial for Sanford in the short, medium and long term. External stakeholders were offered the opportunity to have a Sanford representative present in the interview to help deepen the level of engagement.



03

ASK STAKEHOLDERS TO SCORE EACH ISSUE

A shortlist of 30 issues was prepared from the interview outcomes, and a web-based questionnaire was sent to all stakeholders. Six of the ten participants in the youth workshop also responded. They were asked to rank each of the issues that were identified by all stakeholders collectively. These questionnaire results were used to populate the materiality matrix. The business then reviewed the matrix to validate and ensure the internal business results gave a true and fair view of material issues, leading to the potential business impact of several issues being moderated.



04

PRODUCE A MATERIALITY MATRIX

The results of the questionnaires were transferred to a materiality matrix, shown in this section.

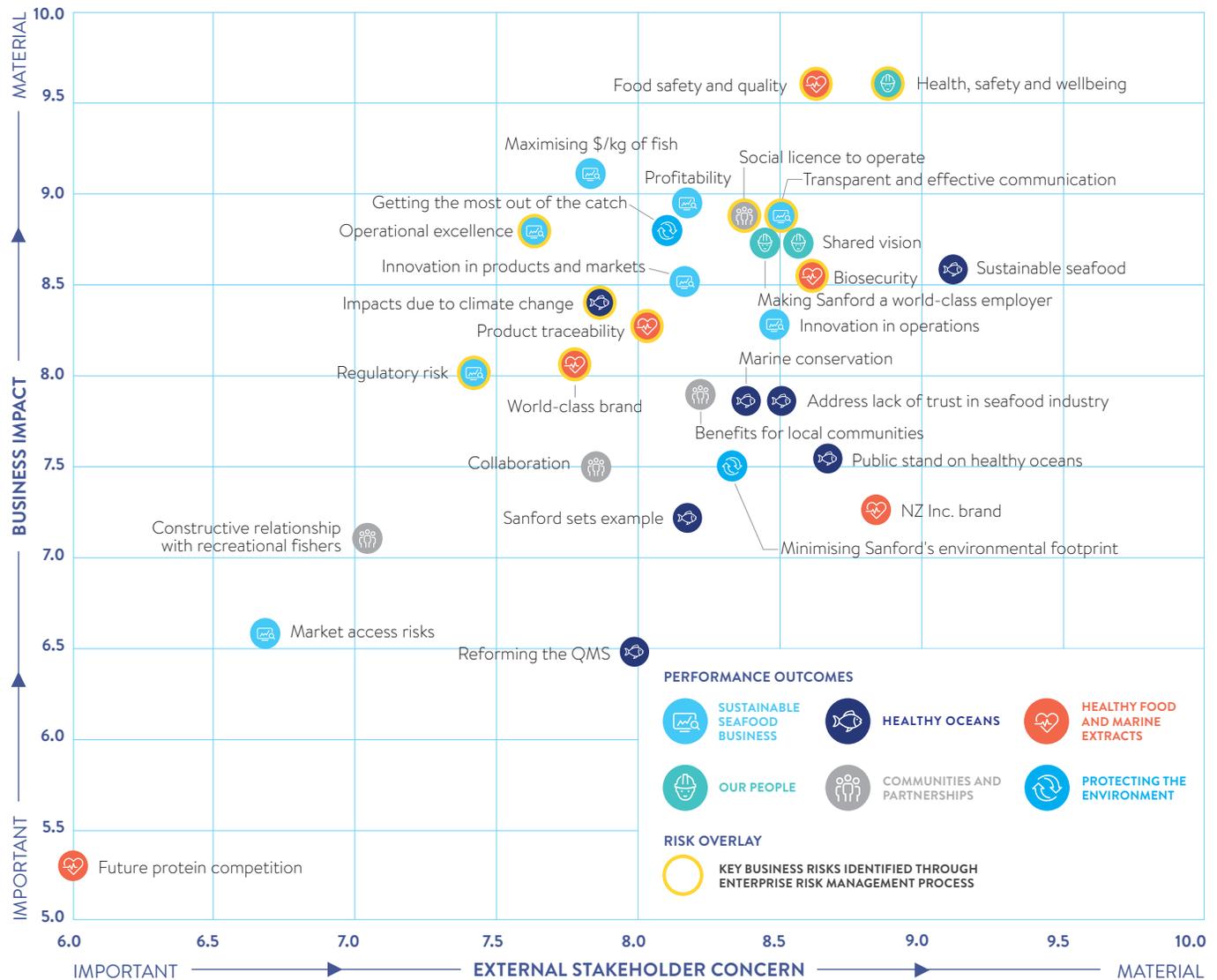


05

SENSE-CHECK THROUGHOUT THE PROCESS

Sources of information to check for completeness included the UN Sustainable Development Goals (SDGs), outputs from the Audit, Finance and Risk Committee and global best practice in sustainable seafood, broader sustainability and reporting.

Materiality matrix



THE TOP ISSUES AND KEY CHANGES BETWEEN 2017 AND 2018

This matrix shows the top 30 issues identified, through the combined 2017 and 2018 processes, and here we have grouped the issues to align with the six performance outcome areas that we focus on through this Report. We also highlight those that align with our enterprise risk process, and summarise key mitigation strategies for these in *Appendix B*. The focus on these issues in the Report reflects the importance that both the business and external stakeholders placed on these issues.

Out of the 30 issues raised by stakeholders, two ranked the highest by both internal and external stakeholders:

- 1 HEALTH, SAFETY AND WELLBEING
- 2 FOOD SAFETY AND QUALITY

Last year, our stakeholders ranked **biosecurity, profitability, transparent and effective communication, shared vision, social licence to operate, maximising \$/kg, sustainable seafood** and **getting the most out of the catch** as the next most important issues to them.

This year, our surveys and interviews included the voices of millennials, adding a new dimension to our process. Their views, combined with those of existing stakeholders, resulted in some thought-provoking shifts in our materiality matrix.

In 2018, the next highest ranked issues identified were:

3		SUSTAINABLE SEAFOOD
4		TRANSPARENT AND EFFECTIVE COMMUNICATION
5		SHARED VISION
6		SOCIAL LICENCE TO OPERATE
7		MAKING SANFORD A WORLD CLASS EMPLOYER
8		BIOSECURITY
9		PROFITABILITY
10		MAXIMISING \$/KG OF SEAFOOD

In terms of some of the key changes between 2017 and 2018, **sustainable seafood** climbed six places to third overall and was the top-ranked issue for both internal and external stakeholders in 2018. The reason it was not moved into first place is because we combined rankings for 2017 and 2018 to give each stakeholder across both years an equal voice.

Where the millennial voice resonated most strongly was in the importance of **profitability** which fell five places overall from 4th to 9th. There were also downward shifts in the issues linked to it such as **maximising \$/kg of seafood, getting the most out of the catch** and **innovation in product and markets**.

In addition to being influenced by the millennial view, these shifts also reflect more engagement across civil society in 2018, whereas many stakeholders interviewed in 2017 had a more direct connection to Sanford as suppliers, customers or industry organisations.

Internal stakeholders had a different perspective. They considered **profitability** and **efficiency** to be absolutely necessary to enable reinvestment and innovation within the business.

Operational excellence moved from 22nd to 14th and **innovation in operations** from 19th to 13th with both receiving a significant boost from internal stakeholders in 2018. This reflected the mood of the internal stakeholder interviews well, as it was clear that the focus internally has shifted from sharing our vision to *implementing* the strategy to achieve it.

Impacts due to climate change jumped significantly from 25th place to 17th place. Most of this change was driven by internal stakeholders, as the effects of climate change started to be felt in our salmon and mussel businesses in 2018. This is identified as our top business risk, through our enterprise risk process, as set out in *Appendix B*.

Regulatory risk increased in importance for both internal and external stakeholders, partly influenced by the change in the New Zealand Government in October 2017.

The importance of **world-class brand** slipped nine places from 13th overall in 2017 to 22nd overall in 2018. This was a major topic in the 2017 interviews, but it was less of a focus in 2018.

The importance of **biosecurity** fell, moving it down from 3rd overall to 8th overall; however, it remains in the cluster of issues most material for Sanford in the top-right of the 2018 materiality matrix.

There was little change for most other issues, particularly towards the bottom-left of the materiality matrix. Those issues least material for Sanford all retain their low rankings from 2017, namely **reforming the QMS, constructive relationship with recreational fishers, market access issues** and **future protein competition**.



Of course, future generations understand the aspect of profitability. They know a company must be economically viable, but they are expecting more from industries and companies. It's not enough to claim sustainability, they want action and they want to see results. It's the actions that count.

— Nav Singh

NIELSEN, YOUTH WORKSHOP FACILITATOR



ENGAGING WITH STAKEHOLDERS

We take stakeholder engagement seriously, investing heavily in continuing to improve engagement processes, and developing positive relationships founded on shared understanding. We recognise that the individual stakeholders within key stakeholder groups are diverse, often with different interest and concerns, and so we work hard to address this challenge within our engagement. Further details of the roles of our respective stakeholder groups, including principal memberships and the key roles that Sanford representatives contribute, are set out in *Appendix C*.

Adding a millennial perspective



Becoming the Best Seafood Company in the World requires in-depth engagement with our stakeholders, including the next generation.

While our stakeholder pool is both wide and deep, we recognised this year that we were missing the voice of millennials. Given the young are future employees and customers and, we hope, regular consumers, it's as important we hear their perspectives and their take on what our other stakeholders regard as material issues.

We invited a diverse group of ten youth representatives, including several from one of our community partners the Graeme Dingle Foundation, to join us in Auckland for a workshop hosted by CEO Volker Kuntzsch and the Executive team, with the Children's Commissioner Judge Andrew Becroft as a special guest and observer.

Photo: Children's Commissioner Judge Andrew Becroft, Volker Kuntzsch, CEO Sanford and Lisa Martin, GM Sustainability with youth participants



Our millennials emphasised the importance of Sanford preserving the resources available to us today for future generations. They felt that as the largest seafood company in New Zealand, we have a responsibility to set an example to the industry. They focused on the importance of finding a balance between profit and environmental outcomes and discussed the value of transparency, innovation and collaboration in achieving this balance.

Emphasis was also placed on becoming a world-class employer by ensuring our values of care, passion and integrity are shared by all staff. Giving iwi a voice in the company's operations was also raised.

A typical comment, from Sam McDonnell (19), was – “regardless of our age, we are the next generation that companies like Sanford are looking to employ. So, if they can make the company as ready for us as possible, then we can do the best possible job for that company.” Others like Georgie Williamson (20) expressed genuine appreciation for being invited: “to come in and be listened to by the CEO of such a big company was quite impressive and I felt really valued as a 20-year-old student.”

A wide variety of brainstorming activities took place, based on the key aspects outlined in our Materiality Matrix, from selecting an image which represented Sanford as a company, to choosing words they felt described the seafood industry.

The youth representatives were then asked to present their findings to our Executive team and Judge Becroft. Our intention is to fold the millennial voice into our stakeholder engagement each year, engaging with new groups as our current millennials get older.



What Sanford have done, I believe in some senses, is a blueprint for corporate New Zealand. We must not miss out on the voices of nearly a quarter of the population and we will all be the better for it. The message today is that modern New Zealand businesses need to be explicitly values driven. I was really encouraged by that.

Judge Andrew Becroft
NEW ZEALAND CHILDREN'S COMMISSIONER

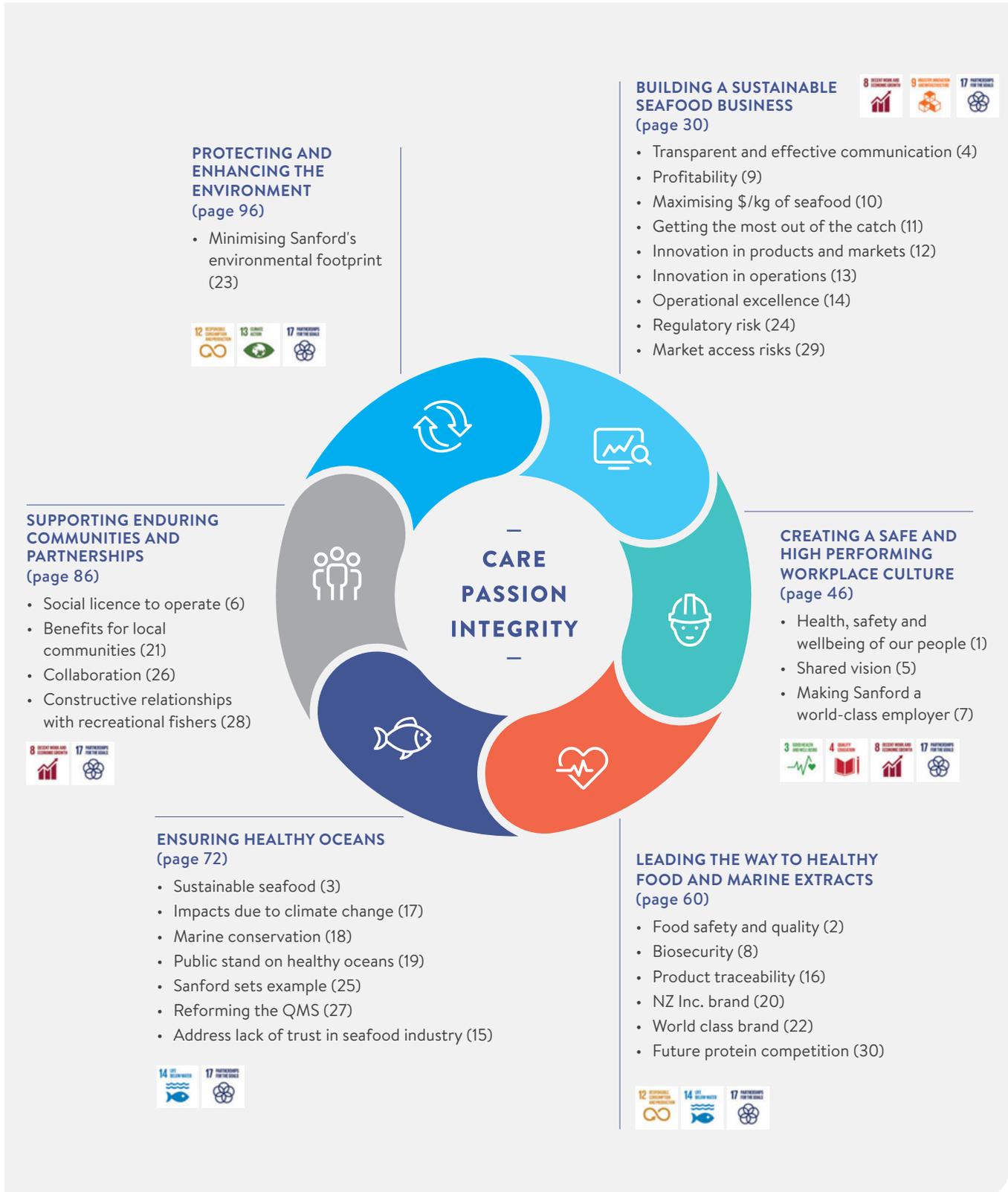


▶ VIDEO

<https://www.youtube.com/watch?v=JadZIV9gJQc>

ADDRESSING MATERIAL ISSUES THROUGH OUR BUSINESS EXCELLENCE FRAMEWORK

Addressing the most material issues is our priority. This is achieved through the six outcomes which are described in the performance chapters of this Report. In the following diagram, we link the material issues to the performance outcomes, and identify the overall priority of each to the stakeholders we consulted through our stakeholder engagement and materiality processes in 2017 and 2018.





HOW WE REFLECT THE GLOBAL CONTEXT

Sanford has continued to take a step forward in understanding the opportunities the United Nations Sustainable Development Goals (SDG) framework provides to create value for our stakeholders, whilst continuing to contribute towards achieving the Goals.

This year, we have continued to focus on the eight SDGs that are most relevant to our business, and these have again informed our review of the completeness of the material issues and strategies identified. In *Appendix D*, we summarise some of the key initiatives we have undertaken this year to contribute to the SDGs.

The gap in central government leadership regarding the implementation of the SDGs for New Zealand continues, although this year, we have supported a number of initiatives, both nationally and internationally, to work with others to improve not only our own performance in relation to the SDGs, but that of New Zealand Inc., as detailed in the case study on this page.

CASE STUDY •



Bringing the SDGs to life

The Sustainable Development Goals (SDGs) are a globally focused framework for changing outcomes for humanity. The 17 Goals, often referred to as The UN Global Goals, call on governments and businesses to work together and play their part to end poverty, protect the planet and ensure that all people live in peace and prosperity.

The Goals have been adopted across the world and have established themselves as a powerful set of collective objectives. However, many businesses remain overwhelmed by the challenge of applying these global goals in tangible ways within their business. The trap that many fall into is simply mapping their existing initiatives against the SDGs (colloquially known as “SDG bingo”)

To help share our approach to use the SDGs strategically to advance both our business and Sanford’s contribution to a better world, we partnered with thinkstep Australasia to deliver workshops across New Zealand. Through thinkstep’s hands-on workshops and leading methodology we jointly encourage others to follow our lead in ‘how and why’ we have incorporated the SDGs into our core strategy. It proved a powerful and effective way to involve people from over 60 businesses in conversations many had never had. As one participant commented, “The context of the SDGs was clearly presented with some real life examples providing useful background. The workshop element, where they were applied to specific company value chains, was fascinating and a real learning experience.”

We shared the outcomes at thinkstep’s Symposium ‘think 2018’ in Stuttgart in March 2018. In a panel, alongside international leaders from Mahindra Group, Siemens and Interface, Lisa Martin, GM Sustainability presented how we use sustainability to create value for all our stakeholders. Lisa then delivered a keynote at New Zealand’s first SDG summit in April this year that summarised learnings from all our SDG workshops in New Zealand and internationally.

“Lisa’s presentation has clearly put New Zealand on the map in line with global sustainability leaders presenting at the symposium,” says thinkstep AG’s CEO Jan Poulsen who hosted the Stuttgart event. “Sanford have been able to clearly demonstrate how the SDGs can be a source of business inspiration.”

“The way forward is for more businesses to look at the UN Global Goals through the lens of business opportunities,” observes Barbara Nebel, Managing Director thinkstep Australasia. “Through our workshop series and by showcasing the work of leaders like Sanford we want to encourage New Zealand companies to embrace the Goals. Regardless of size or industry everyone has a part to play.”

We agree. Our message to other businesses is that not only will you see your organisation in new ways, but you will join the many other companies in New Zealand, Australia and beyond who are working together to make the world a better place for all of us.



Progress on our 2018 sustainable business targets

This provides a snapshot summary of performance against our 2018 sustainable business targets, for further detail refer to the Material issues and value creation table at the start of each Outcome section.

MATERIAL ISSUES & STRATEGIC GOALS	TERM ¹	2018 TARGETS	PROGRESS ²
OUTCOME 1 – BUILDING A SUSTAINABLE SEAFOOD BUSINESS 			
Shareholder value and risk  Improve our business margins and create shareholder value in a sustainable way. Demonstrate sector leadership by creating a more innovative and sustainable business. Lead the way in understanding and managing our risk profile.	M	Continue to implement and support a comprehensive enterprise risk management approach across our business.	✓
	L	Continue to achieve improvements in our \$/kg return.	✓
	M	Drive continuous improvement at all sites through our 2020 Culture of Continuous Improvement programme.	✓
	L	Utilise innovative asset management tools and processes to facilitate the effective upkeep of Sanford's physical assets.	→
Governance and communication  Be recognised as a company which lives its values in all our activities, demonstrates an ethical approach across all areas of corporate responsibility, proactively engages with key stakeholders and communicates with clarity and as much transparency as possible.	S	Review Corporate Governance practices to ensure that we continue to apply best practice and comply with the requirements of the 2017 NZX Corporate Governance Code (NZX Code).	✓
	M	Continue to implement a communication strategy and structure that enables the sharing of how we live our values with our stakeholders and supports the active management of our reputation.	✓
	S	Continue to produce a high standard, world class, transparent Integrated Annual Report.	✓
Innovation and technology  Remain competitive on a global scale, and lead the industry in the creation of value through innovation and technology in collaboration with leading research partners.	S	Increase capacity of Enzaq mussel powder processing operation by 100%.	✓
	M	Continue the development of marine extracts, understanding market and consumer demand.	→
	S	Scale up hoki collagen supply to commercial volumes, in partnership with Revolution Fibres.	✓
	M	Foster and promote innovative ideas for value creation that lead to innovative and viable business proposals.	→
	L	Research and identify innovation partnership and equity opportunities in alignment with our value-add strategy.	→
	M	Continue with the 7-year Primary Growth Partnership between the Government and Sanford introducing a selective breeding programme to produce a wide range of high performing mussel strains.	→
	M	Continue with the 7-year Primary Growth Partnership between the Government, Sanford, Moana NZ and Sealord, trialling new harvest technology resulting in more precise catch, less by-catch, lower mortality rates, more selectivity and higher quality landed fish.	→
	M	Continue to build IT capacity with incremental improvements and new tactical solutions whilst building our foundational technology.	→

¹ S = Short term (1 year or less); M = Medium term (2-5 years); L = Long term (5-10 years, or more)

² Where 2018 targets are ongoing, work will continue with the targets carried forward into 2019

 Achieved
  Ongoing
  Not Achieved

OUTCOME 2 – CREATING A SAFE AND HIGH PERFORMING WORKPLACE CULTURE

<p>Safety, health and wellbeing</p> <p></p> <p>Through the way we work and behave, and the initiatives we implement to continually enhance our work environments, we will strive to collaboratively protect our people from the risk of harm, whether it be operational or occupational injury or ill health.</p>	S	Continue to increase and monitor near miss reporting, utilising learnings to inform and reduce risk profiles, closing out 75% by year end.	
	S	Implement health and safety focused training across all levels of Sanford operations.	
	S	Continue to build on the SanWell wellness programme at all Sanford sites.	
	M	Build a leadership driven culture across health, safety and wellbeing to continuously improve the levels of engagement and improve performance.	
	M	Implement programmes to identify, effectively manage and mitigate the most critical risk work activities.	
	S	Maintain a secondary status in the Accident Compensation Corporation (ACC) Partnership Programme.	
<p>Developing our people</p> <p></p> <p>Create a high performance culture where every one of our people is skilled, empowered and engaged in contributing to the goals of the business and reaching their full potential.</p>	S	Leverage literacy and numeracy programmes to build and improve skills, confidence and engagement in the workplace.	
	S	Continue to implement the frontline leadership programme to develop leadership capabilities across frontline and middle management.	
	S	Progress the Senior Leadership Programme to improve our senior leaders' understanding of their own style and impact to improve their effectiveness.	
	M	Continue to invest in Primary Industry Training to build core capabilities in Occupational Health and Safety, seafood processing, risk management, and seafood vessel operations.	
<p>Strengthening our workplace culture</p> <p></p> <p>Build a culture of high engagement and performance across our workforce to optimise people and business outcomes.</p>	S	Increase the visibility of the senior leadership group and communication with employees to improve the opportunities for engagement.	
	S	Develop and deliver a values connection programme to deepen the understanding and demonstration of our values.	
	S	Design a recognition programme that engages employees in key business outcomes and recognises great achievements against the framework.	
	M	Increase employee engagement in improvement activities to achieve a step change in people and business results.	

OUTCOME 3 – LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS

<p>Food safety quality</p> <p></p> <p>Be recognised as a global leader in providing safe, high quality seafood that delights our customers and represents our love for the sea.</p>	S	Engage with customers through a quality satisfaction survey annually, achieving year-on-year improvement in results.	
	M	All sites and vessels with less than 1 complaint frequency per million kilogram processed overall.	
	S	Action and close out 80% of quality complaints within 10 working days, and an improvement year-on-year.	
	M	Implement and maintain FSSC 22000 in all land-based processing sites by February 2018.	
	S	Complete full review of customer specifications.	
	S	Maintain Ministry for Primary Industries (MPI) Performance Based Verification (PBV) audit step 6 for certification and export status for all Risk Management Programme (RMP) sites and step 3 for limited processing vessels.	
	S	Ensure no food safety product recalls.	

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² Where 2018 targets are ongoing, work will continue with the targets carried forward into 2019

 Achieved  Ongoing  Not Achieved

MATERIAL ISSUES & STRATEGIC GOALS	TERM ¹	2018 TARGETS	PROGRESS ²
Drive value through brand creation  Be the brand of choice worldwide for our prized New Zealand seafood, by building a portfolio of brands that engage with consumers.	M	Build consumer engagement and understanding of our brand.	→
	S	Develop the Portfolio of brands that grow our dollar per greenweight kilogram:	✓
	M	• Continue to develop the Big Glory Bay Brand.	→
	M	• Develop Sanford Black brand	→
	M	• Develop Tiaki Brand.	→
	S	Redevelop the Auckland Fish Market as a destination and a celebration of New Zealand seafood.	→
	S	Develop and launch a nutraceutical brand.	→
Supply chain  Work with our supply chain to deliver mutually sustainable solutions that deliver value for money, and support our focus on health and safety, product quality, sustainability, continuous improvement and innovation.	M	Continue to embed the sales and operational planning (S&OP) process and distribution strategy to increase the variety and value of fresh products into the market.	✓
	M	Create a cultural change within the business to better align supply and demand to meet customer expectations.	→
	M	Contribute to the bottom line by: achieving hard cost savings through procurement projects, cost avoidance and by introducing new efficiencies into the business.	→
	M	Achieve inventory improvement by optimising stock levels.	→
<div style="background-color: #003366; color: white; padding: 5px;">  OUTCOME 4 – ENSURING HEALTHY OCEANS  </div>			
Sustainable fish stocks and marine farms  Ensure clear commitment to comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean management and taking the elimination of overfishing, underreporting and illegal discards of catch seriously.	S	Maintain third party certifications across Sanford aquaculture farms, validating our commitment to farm efficiently and deliver sustainable seafood.	✓
	L	All fishers to record and report their catch to ensure maximum transparency of the fish stock status.	✓
	L	Continue engaging with New Zealand’s Deepwater Group to maintain and support MSC sustainability certification for deepwater species in New Zealand’s Exclusive Economic Zone.	→
Marine conservation  Embrace our role as a change leader in the seafood industry, applying influence on the sustainability of our oceans, leading to better practice and more sustainable outcomes, while making a positive impact on the communities and coastal ecosystems where we operate.	L	Take a strategic long term view of the vision, risks and opportunities relating to sustainability aspects of fisheries and work with others to operationalise best practice adaptive planning, management and response.	→
	L	Identify, define and deliver targeted initiatives to reduce plastic waste by 70% and re-use or recycle those plastics that remain necessary across our operations, by 2025.	→
Endangered, threatened and protected species  Ensure protection of marine species, including seabirds, sea lions, dolphins and sharks through delivering best practice farming and fishing practices, implementing protection measures and participating in ongoing robust research programmes.	M	Implement ongoing initiatives to minimise seabird and marine mammal interactions through research, technology and best practice mitigation.	→
	M	Develop and implement a Plan to progressively remove fishing-related threats and enable the Māui dolphin population to recover and expand.	→

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² Where 2018 targets are ongoing, work will continue with the targets carried forward into 2019

 Achieved
  Ongoing
  Not Achieved

MATERIAL ISSUES & STRATEGIC GOALS		TERM ¹ 2018 TARGETS	PROGRESS ²
  OUTCOME 5 – SUPPORTING ENDURING COMMUNITIES AND PARTNERSHIPS			
Engagement and employment  <p>Respect and support our local communities in line with our social licence to operate. Where possible, we will create local business, employment and skills development opportunities.</p>	M Implement targeted strategies and plans to support local business, employment, and skills development.		
	M Continue to grow the engagement across the communities that we operate in through a range of initiatives, from open days to communication through multiple forums.		
Strategic partnerships and collaboration  <p>Establish strategic partnerships that create value for the community, our partners and Sanford in the short, medium and long term.</p>	L Continue to foster existing strategic partnerships and establish new ones where appropriate in line with our overall business strategy and priorities.		
	L Contribute towards the New Zealand Inc. brand and key sustainability initiatives through collaborating with others to deliver outcomes that make a difference.		
   OUTCOME 6 – PROTECTING AND ENHANCING THE ENVIRONMENT			
Environmental effects  <p>Have no adverse impact on the environment when carrying out our business operations, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound management and mitigation.</p>	S Achieve certification to ISO 14001:2015 across all of our operations.		
	M Design and implement targeted engagement programme, raising awareness of marine plastic pollution.		
	M Develop and implement environmental risk mitigation plans across identified critical risk areas and maintain up-to-date aspects and impacts registers.		
Resource utilisation and efficiency  <p>Do more with less by maximising efficient use of resources, including optimising the utilisation of all fish and mussels harvested, and ensuring waste minimisation, re-use and recycling.</p>	S Improve water intensity by 3% at all land-based processing sites.		
	S Reduce the core intensity at our land-based processing sites by 3%.		
	M 35% waste diversion rate across all of our operations.		
Carbon reduction and offsetting  <p>Demonstrate our commitment to climate change response by actively reducing our energy consumption and emission of greenhouse gases and seeking to introduce low carbon solutions into our value chain, where practicable.</p>	S Reduce our carbon emission intensity by 2.5% across all of our operations.		
	M Save 5GWh of energy or renewable energy conversion potential across all operations in line with the Energy Efficiency and Conservation Authority (EECA) agreement.		
	L Define transition pathways to drive our overall goal of reducing greenhouse gas emissions to 30% below 2005 levels by 2030.		

¹ S = Short term (1 year or less); M = Medium term (2-5 years); L = Long term (5-10 years, or more)

² Where 2018 targets are ongoing, work will continue with the targets carried forward into 2019

 Achieved  Ongoing  Not Achieved



BUILDING A SUSTAINABLE SEAFOOD BUSINESS

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

SANFORD IN THE GLOBAL CONTEXT



DECENT WORK AND ECONOMIC GROWTH

The seafood industry is well placed to supply a growing population with a source of protein. Sanford is committed to providing employment opportunities across New Zealand and creating sustainable wealth through innovation and branding without increasing the reliance on our natural resources. This has progressed well, and we have managed to decouple economic growth from environmental degradation.



INDUSTRY, INNOVATION AND INFRASTRUCTURE

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



PARTNERSHIPS FOR THE GOALS

Partnerships are key to realising sustainable business opportunities and demonstrating sector leadership. Innovative partnership opportunities allow us to remain leaders in the seafood industry and competitive on a global scale, combining our resources and experience to enhance existing operations and open up new business avenues. Being industry leaders comes with great responsibility and through collaboration we can lift the industry to our standards, paving the way to sustainable seafood growth.





Material issues and value creation

Many elements need to work in unison to create sustainable value for our business. This table summarises Sanford's material issues relating to *building a sustainable seafood business*, the strategic goals defined through our Business Excellence Framework, our targets for 2018, and our progress against these targets in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2018 TARGETS*	PROGRESS AGAINST TARGETS**
<p>Shareholder value and risk</p> <p> GOAL</p> <p>Improve our business margins and create shareholder value in a sustainable way. Demonstrate sector leadership by creating a more innovative and sustainable business. Lead the way in understanding and managing our risk profile.</p>	Continue to implement and support a comprehensive enterprise risk management approach across our business. (M)	<p>✔ Achieved. Enterprise risk process plans in place with ongoing review and reporting (refer <i>Appendix B</i>). Completed qualitative assessment to enhance understanding of climate change impacts (our number one business risk), to inform work on strategic implications and management actions.</p>
	Continue to achieve improvements in our \$/kg EBIT return. (L)	<p>✔ Achieved. EBIT \$0.54 per GWKg, marginal increase on 2017 (0.52 per GWKg) including catch from third party partners. Excluding third party supply, EBIT increased from \$0.57 to \$0.63 per GWKg.</p>
	Drive continuous improvement at all sites through our 2020 Culture of Continuous Improvement programme. (M)	<p>✔ Achieved. In 2018, 99 continuous improvement projects were completed or are underway across the six outcome areas of our Business Excellence Framework. Ideasnet engagement initiative introduced.</p>
	Utilise innovative asset management tools and processes to facilitate the effective upkeep of Sanford's physical assets. (L)	<p>➔ Ongoing. Operation's Project Management Team created to take ownership of running large capital projects from scoping to delivery. This year the team has successfully delivered several key projects and started the implementation of a best practice asset management system.</p>
<p>Governance and communication</p> <p> GOAL</p> <p>Be recognised as a company which lives its values in all our activities, demonstrates an ethical approach across all areas of corporate responsibility, proactively engages with key stakeholders and communicates with clarity and as much transparency as possible.</p>	Review Corporate Governance practices to ensure that we continue to apply best practice and comply with the requirements of the 2017 NZX Corporate Governance Code (NZX Code). (S)	<p>✔ Achieved. Continued to report against the recommendations of the NZX Code, and to enhance Corporate Governance framework and practices. Refer to www.sanford.co.nz/investors/governance</p>
	Continue to implement a communication strategy and structure that enables the sharing of how we live our values with our stakeholders and supports the active management of our reputation. (M)	<p>✔ Achieved. In 2018 there has been emphasis on internal communications, as we seek to improve our staff engagement and grow our culture of care, passion and integrity. There has been a strong focus on video as an accessible communication tool, to tell stories across the business, many of which feature in this Report.</p>
	Continue to produce a high standard, world class, transparent Integrated Annual Report. (S)	<p>✔ Achieved. The Sanford 2017 Annual Report, <i>The Power of And</i> received a Gold Award, the Australasian Sustainability Report of the year, the Hong Kong-Australasian Sustainability Report of the year, and was a finalist in the Australasian Integrated Report of the Year and Cover of the Year.</p>

TABLE CONTINUES ▾

MATERIAL ISSUES & STRATEGIC GOALS

Innovation and technology



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

2018 TARGETS*

PROGRESS AGAINST TARGETS**

<p>Increase capacity of Enzaq mussel powder processing operation by 100%. (S)</p>	<p>✔ Achieved. Acquisition of Enzaq in 2017 has opened new revenue opportunities, utilising anti-inflammatory properties of mussels. Invested in new drier to double capacity.</p>
<p>Continue the development of marine extracts, understanding market and consumer demand. (M)</p>	<p>➔ Ongoing. Consumer research in NZ and US completed. <i>Sea to Me</i> nutraceutical brand under development, and due to be launched early in the new financial year. Strong growth in Greenshell™ Mussel (GSM) Powder forecast.</p>
<p>Scale up hoki collagen supply to commercial volumes, in partnership with Revolution Fibres. (S)</p>	<p>✔ Achieved. Working alongside research partner Revolution Fibres, we are supplying hoki skins as a collagen-rich source of nano material, used to create high-value, high-tech face masks. This year, we scaled up hoki skin collagen supply to commercial volumes.</p>
<p>Foster and promote innovative ideas for value creation that lead to innovative and viable business proposals. (M)</p>	<p>➔ Ongoing. Continuing to explore new opportunities into other nutraceutical & cosmeceutical products and markets. Strong growth potential identified.</p>
<p>Research and identify innovation partnership and equity opportunities in alignment with our value-add strategy. (L)</p>	<p>➔ Ongoing. Sanford continues to develop partnerships with key research partners to deliver mutually beneficial outcomes. These include Plant & Food Research, Cawthron Institute, Callaghan Innovation and Scion.</p>
<p>Continue with the 7-year Primary Growth Partnership between the Government and Sanford introducing a selective breeding programme to produce a wide range of high performing mussel strains. (M)</p>	<p>➔ Ongoing. Commercial harvest continued. Hatchery spat from our investment in SPATnz has continued to flow into our Marlborough operations and has been impressive in terms of growth performance, consistency in size and performance through the processing plant. An independent review of the SPATnz selective breeding programme found that it compared very favourably to other shellfish and aquaculture breeding programmes on a global scale.</p>
<p>Continue with the 7-year Primary Growth Partnership between the Government, Sanford, Moana NZ and Sealord, trialling new harvest technology resulting in more precise catch, less by-catch, lower mortality rates, more selectivity and higher quality landed fish. (M)</p>	<p>➔ Ongoing. In May 2018, gained approval for use of the Modular Harvest System (MHS) for deepwater species hoki, hake and ling, allowing for commercial rollout. Development for inshore fisheries underway. Ongoing improvements in composition, configuration, performance, including for on-board handling systems. Completion of standard operating procedures and safety guidelines for using MHS.</p>
<p>Continue to build IT capacity with incremental improvements and new tactical solutions whilst building our foundational technology. (M)</p>	<p>➔ Ongoing. The IT team continued to modernise our core technology and drive operational efficiencies. A new network designed to support future platforms, with stronger resilience, has been implemented. The rollout of new satellite communications to support greater vessel capabilities is ongoing. The first steps to deliver a greater range of information across the business have been completed, and the work will continue in the new financial year.</p>



VALUE CREATION – OUTCOME

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

* S = Short term (1 year or less); M = Medium term (2-5 years); L = Long term (5-10 years, or more)

** Refer to 'Progress on our 2018 sustainable business targets' for full updates across all targets defined

Further information on data and trends is provided in the Key Performance Indicator (KPI) table, contained in **Appendix A** of this Report.



Shareholder value and risk



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



Photo: Fish market Tauranga

FINANCIAL OVERVIEW

Sanford delivered an Adjusted Earnings Before Interest and Tax (Adjusted EBIT) of \$64.7 million, compared to the prior year's \$63.7 million. Our Net Profit After Tax (NPAT) was \$42.3 million, up from the prior year of \$37.5 million, assisted by a successful insurance settlement in relation to the Kaikoura earthquake, affecting our Havelock operation.

Sales volumes remained flat however the average selling price per kilogram increased 7.6%, evidence that the strategic drive to add value is proving successful. The increased sales of fresh product (from 8.3% to 9.2%) also had a positive effect on profitability. The fresh fish sales growth was a reflection of successfully developing our relationships with private inshore fishers, who are able to deliver fantastic quality fresh fish.

Although our wildcatch volumes were down 2% overall, 2018 was a good catch year for orange roughy (up 9.4%), squid (up 27%) and ling (up 22.7%). These catch gains were supported by positive price achievements for salmon, hoki frozen at sea fillet and block, and several of the inshore species.

Sanford was able to successfully utilise its Annual Catch Entitlement (ACE) by continuing to engage with its long standing fishing partners. Our fishing partners successfully landed 5.1% more volume of fish which due to strong squid prices resulted in a significant sales value uplift, and a corresponding increase of the catching fee. The arrangement with our fishing partners leads to large volumes of commodity catch and the utilisation of otherwise potentially uncaught ACE, but at a relatively low margin, which directly

pulls down our overall group EBIT per kilogram metric.

The highly valuable Antarctic and Patagonian toothfish saw 13.9% drop in catch relative to the prior year, impacted by whale depredation and pricing constraints due to export restrictions from the Falkland Islands. Despite the drop relative to the prior year this is still an incredibly successful fishery offering a beautiful and relatively rare product with wonderful provenance (refer *Outcome 4 – Healthy oceans*, pages 78–79). This species offers an exciting opportunity to further develop products and move up the value chain.

Abnormally warm waters led the salmon in Big Glory Bay to slow down their feeding which impacted growth, resulting in the business having to curtail supply to a large proportion of its customers for up to ten weeks, in order for the salmon to feed and grow back to customer desired weights.

For our mussel business, warmer waters resulted in an algal bloom in turn creating spat drop off and yield losses, leading to a lower mussel harvest (15.1% down on last year), negatively impacting returns.

The mussel business was also impacted by the longer than usual shutdown of the Havelock mussel processing plant in order to effect earthquake repairs for which the business received an insurance settlement of \$10.1 million net of the deductible. The insurance-based cash injection enabled the funding of earthquake repairs necessary to reinstate the plant back to its pre-earthquake condition. The overall pre-tax impact in 2018 was a positive \$6.8 million (insurance income less deductible less repair costs).

Despite the challenging climatic conditions during the year and, specifically the warm waters during the summer months, which impacted our ability to meet internal targets, overall the business bettered the prior year's financial performance.

Our Earnings per Share is 45.2 cents, compared to the prior year of 40.1 cents.

A strong operating cash flow of \$72.6 million (up 44.5%) led to a lowering of the overall group secured borrowings from \$186 million in 2017 to \$155 million for this year. This positively impacted the gearing ratio, improving it from 33% to 27%, further strengthening our balance sheet for future planned investments.

Dividend

The Board has determined that the dividend should remain unchanged at 23 cents per share for this year. The final dividend of 14 cents per share will be payable on 7 December 2018.



EARNINGS PER SHARE

45.2¢

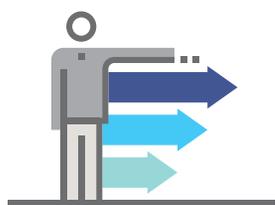
2017: 40.1 CENTS

OPTIMISING VALUE CREATION THROUGH CONTINUOUS IMPROVEMENT

This year, 99 continuous improvement projects were identified and progressed, covering all aspects of our operations. These projects range from process optimisation to energy efficiency and include improvement projects that support the health and safety of our people, protect the environment and enhance the efficiency of our supply chain.

PERFORMANCE OUTCOME	NUMBER OF PROJECTS
Sustainable seafood business	31 (FY17: 35)
Our people	18 (FY17: 15)
Healthy food and marine extracts	12 (FY17: 16)
Healthy oceans	10 (FY17: 11)
Communities and partnerships	11 (FY17: 3)
Protecting the environment	17 (FY17: 10)
TOTAL	99 (FY17: 90)

Knowing that people are often a source of our best ideas, a new initiative at Sanford in 2018 was the launch of our first company-wide ideas contest, which invited staff and sharefishers to submit ideas that could help contribute to our vision to become the Best Seafood Company in the World. Entries were requested across the six categories that form our Business Excellence Framework, and the six chapters of this Report.



CONTINUOUS IMPROVEMENT PROGRAMMES

99

PROGRESSED ACROSS THE BUSINESS

OPERATIONS OVERVIEW



Sanford's Stewart Island salmon operation had a challenging year over the summer period when the marine heatwave affected growth and mortality rates, and disrupted supplies to our markets for up to ten weeks. The farming team responded well to dealing with these challenges, enabling the farm to recover earlier than anticipated.

This year investments in infrastructure included a new harvest barge and harvesting technology, and a new smolt farm feeding barge to replace *Explorer Douglas*, which was a converted fishing vessel.

We added six new cages, optimising our growing operations to meet market requirements. Investments were also made in technology and equipment to mitigate similar environmental conditions experienced this year, and to improve fish health.

A replacement feed barge deployed this year provides increased flexibility to the farming team to undertake comparative feeding regimes for our fish that we have not been able to do in the past. We now have the capability to explore feeding options to continuously improve the performance of our fish.

Our farms passed their annual Best Aquaculture Practices (BAP) certification audit. This is an internationally recognised standard around operational performance that is audited, by a third party, to the highest standard. We included our feed supplier to achieve 3 stars, and next year we intend to certify our hatcheries to achieve 4 stars (refer *Outcome 4 - Healthy oceans*, page 77).

Further opportunities to meet the demand for our King salmon are being explored.



2018 was also a challenging year for mussel farming with an unseasonal winter algal bloom in the Marlborough Sounds disrupting supply (refer to *Outcome 3 - Healthy food and marine extracts*, page 64). With our geographical spread, Sanford was able to partially mitigate the impact, but we would like to acknowledge our customers for their understanding in the disruptions to supply. We are working on a geographically diversified supply strategy to mitigate future risks. Sanford is fortunate to have a significant waterspace holding that is spread across diverse regions to enable the extension of this strategy. We continue to work on optimising the supply to our processing plants to meet our customers' needs. Hatchery spat from SPATnz has continued to flow into our Marlborough operations and has been impressive in terms of growth performance, consistency in size and performance through the processing plant. We intend to accelerate volumes from the hatchery to capitalise on the performance of this spat source.

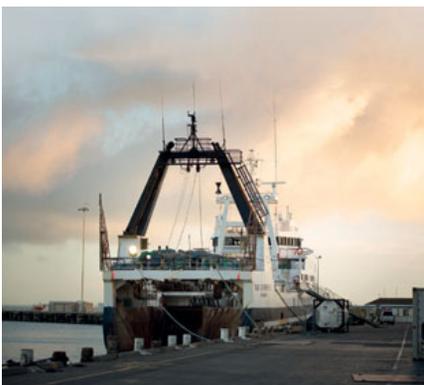
In Stewart Island, we renewed our international BAP certification for our 21 mussel farms. We are avid supporters of the A+ NZ Sustainable Aquaculture Programme and the continuation of the Marine Farming Association (MFA) environmental certification initiative. We continued to build on our positive relationships with council and government. The National Direction Working Group has engaged effectively with the Ministry for Primary Industries (MPI) to create a set of draft aquaculture provisions that will provide more consistent aquaculture plans across regional councils. Engagement with legislators, regional councils, and communities will remain a key focus for the team in the lead up to the 2024 marine farm licence renewal process.



The Tauranga **purse seine** fleet experienced variable weather patterns and sea temperatures. This resulted in a very good English mackerel season, but weak skipjack and jack mackerel seasons.

Our **Inshore fleet** fell short of the overall volumes expected, as catch plans were adjusted during the year to accommodate changes in catching capacity and processing requirements. The North Island East Coast inshore operations are regularly working further afield from Auckland and in deeper waters. This is providing greater catch mix of other species such as gurnard and john dory. Continued evidence of a strong recruitment into the East Coast snapper fishery bodes well for the future of this fishery.

The **Deepwater fleet** achieved variable results. The scampi fleet performed very well and in line with last year. Our longliners' results were lower than last year as a result of whale depredation of fish off the set lines. The factory vessels achieved good results apart from the West Coast hoki fishery, which had highly variable catch results and an early finish to the season. An industry-led initiative to take a precautionary approach to this fishery, resulted in a 22% shelving of hoki quota on the West Coast, which will see reduced extraction in the FY19 reporting period (refer **Outcome 4 – Healthy oceans**, pages 75–76). The squid season delivered excellent volumes with market prices holding up well. World demand could not be satisfied from the traditional fisheries such as the Falkland Islands, which experienced their third consecutive poor season.



FY18 was a very challenging year on the mussel processing front, with poor mussel conditions driving a lower-than-expected yield. The biotoxin event that commenced in May (refer **Outcome 3 – Healthy food and marine extracts**, page 64) was managed well with volume from other regions providing partial mitigation. In August, the Havelock facility was closed for five weeks for earthquake strengthening to achieve the required 67% New Building Standard (NBS) rating. This work was required after the 2016 Kaikoura earthquake which struck the region. This project was completed within a very short timeframe by very supportive contractors and our own engineering and processing staff. The factory was up to full production efficiency within two weeks of start-up, which was a great achievement. A video describing the earthquake strengthening work is here:

▶ **VIDEO** <https://www.youtube.com/watch?v=9TNUxPzyIVc>



Our wetfish processing teams in Auckland, Tauranga, Timaru and Bluff made a strong contribution to our fresh fish production through a focused effort underpinned by our newly developed sales and operational planning (S&OP) process (refer **Outcome 3 – Healthy food and marine extracts**, pages 68–70).

Despite lower than expected hoki volumes, our Tauranga plant maintained its efficiency targets. In Timaru and Bluff, processing capacity was added at low cost to deliver additional volume and revenue with the improved harvesting of ling sounds (swim bladders). This opportunity is expected to deliver more than \$1.5 million in additional revenue in FY19 and beyond. In Timaru, the newly completed multipurpose room in FY18 enabled improved efficiencies, especially for toothfish handling, and allowed for the implementation of the ling sound process line.

Careful planning and scheduling of volumes between the Auckland and Tauranga factories allowed for production efficiencies to achieve customer demand. In Bluff, investment in vacuum lifting systems at the palletisation stages on both the salmon and wetfish processing lines removed significant manual handling activities and injury risks (refer **Outcome 2 – Our people**, pages 49–51). Despite a challenging year on salmon, the plant delivered well in terms of its production efficiencies. Many staff at Sanford sites undertook the opportunity for training in FY18, with 208 completing the Keeping It Fresh, San Ignite and San Activate programmes in total across our business (refer **Outcome 2 – Our people**, pages 52–55).



The supply chain function has further embedded and strengthened its planning capability across the value chain over the last 12 months. By moving towards a more customer led demand process, we have been able to facilitate and predict supply constraints, and in collaboration with other functions, identify options to maximise value (refer **Outcome 3 – Healthy food and marine extracts**, pages 68–70).

The business is well versed now on working across the full supply chain - from harvest to customer - to predict, plan and measure its supply and margin performance. Planning is facilitated across the separate Business Management Teams (BMTs) – Salmon, Mussels, Fresh and Frozen, whilst the physical logistics activities are combined to allow optimal asset utilisation and operational efficiency.

There has also been further development with third party supply chain partners to improve the delivery performance of our product and remove under utilised capacity. Health and safety performance has improved, with work undertaken to reduce manual handling risks as well as internal assessments of transport safety and compliance.

PEOPLE OVERVIEW



Our people bring our business to life. We are focused on building a high-performance culture where every one of our people is skilled, empowered, reaching their full potential and engaged in contributing to our business goals. This year we extended the leadership programmes developed and launched in 2017 to more people leaders across the business including skippers and frontline supervisors from different sites, farms and vessels, as described in *Outcome 2 – Our people*, pages 52–55. We also continued to invest in literacy and numeracy training across our processing sites. These build our peoples' confidence and ability to contribute their thoughts and ideas, often with outstanding results.

Many of our people successfully completed training through the Primary Industry Training Organisation and Competenz in elements of operational, retail and safety excellence. The investment is paying off in our recent engagement survey result where our people have confirmed safety is our leading source of work experience satisfaction followed closely by our commitment to environmental sustainability. Next year we will be focusing on individual and team contributions to engagement action plans, continuing to build upon and embed leadership learning and accountability, and improve the effectiveness of our reward and recognition systems and practices.



The health, safety and wellbeing of our people is a priority for the Board and management. We have invested in additional human resources, training and targeted wellbeing interventions. We also engaged several external audits on our health and safety systems this year with the recommendations and learnings converted into improvement action plans. These have included investment in capital and automation to eliminate hazards and manual handling and system and process improvements developed in conjunction with our people.

It has been encouraging to see great improvement across our lag indicators (50% reduction in notifiable incidents from ten in FY17 to five in FY18) and safety related outcomes. We will continue to transition to a risk-based safety management framework to improve the effectiveness of our management of safety across our business in 2019. We will also continue to leverage and increase the engagement of our people in safety with our 'Think Safe – Be Safe – Home Safe' programme developed in partnership with Paralympics NZ. We describe this further in *Outcome 2 – Our people*, page 49 and *Outcome 5 – Communities and partnerships*, page 91.

CUSTOMER AND COMMERCIAL OVERVIEW



2018 was a year of both progress and disruption for the international sales team and our customers, as we move ahead with our market and channels strategies to increase our value returns across our product portfolio.

We have made good progress with shortening our supply chain in key markets, building partnerships and growing understanding of our branded seafood range (refer *Our global operations*, pages 14–15). However, the marine heatwave influenced volumes in our mussel and salmon ranges for part of the year.

In markets where we can generate higher value by selling more premium products, we are working with key partners rather than several distributors, so we can get closer to our customers, especially in the foodservice segment.

We are also developing clear category plans by species and identifying the markets which will deliver the best growth over the next three to five years. We have invested in strengthening our sales force and in market intelligence, so we are building both a talent and knowledge base. This will generate insights into what customers and consumers want, especially in the premium end of the foodservice segment.

We have made difficult decisions around rationalising distribution channels and in some cases customers, but these support our goal of generating higher returns.

In key markets such as the USA, we have reached agreement on joint business plans with key partners as we evolve our business model. These are people who align with and support our vision to be the Best Seafood Company in the World. We are preparing to launch our Big Glory Bay King salmon premium brand and our Sanford Black brands to support value growth in this market. This has seeded in opportunities for future growth, with our initial focus being on the West Coast, where access from an air freight and frozen perspective is more straightforward.





While the pause in salmon exports influenced progress with our brands strategy, we have had positive engagements with customers about who we are, and what we are doing as a sustainable business. We are confident that we can achieve the shift from selling an unbranded, but high-quality salmon product, to a branded premium Big Glory Bay King salmon, securing a significant improvement on returns.

China, as well as South East Asia, have real potential with an emerging middle class driving additional demand and higher incomes also supporting growth. Demand out of China is strong for raw material toothfish, mussels, scampi, and white fish like orange roughy and hoki. We believe China has great potential as a market for branded product.

Japan remained a strong market this year for most varieties in our portfolio, especially our fresh and frozen salmon, mussels, and hoki. Other markets across Asia were largely stable.

Our returns in Australia were down, partially because of reduced mussel availability and changes to our distribution model designed to get us closer to end customers in the longer term.

Europe performed well this year, with good demand for premium white fish species. This market was affected by fish shortages of many of the main competitors for hoki, which supported positive value gains. We grew demand across several markets for higher value products in key species such as hoki, where we are successfully shifting our product portfolio away from block to fillets.

While the elements were not all in our favour this year, we have made some very positive progress. Demand is increasing more than our supply, and we are achieving good strong value returns for our key products. Our investment in growing our sales team and our market intelligence is paying off, and we expect good growth in FY19.



Our Sanford domestic market teams across the country have been in their element, growing sales of premium white fish, especially in the foodservice sector where excellent progress was made this year.

The value of our preferred customer channel strategy and improved processes was recognised with Sanford confirmed as the preferred supplier of premium white fish in several Top 50 restaurants throughout Auckland and New Zealand.

Having a highly skilled and knowledgeable domestic team has encouraged increasing numbers of high-profile chefs to engage directly with us. We are fostering these partnerships with seafood training models, rolled out to restaurant and hotel groups.

Establishing procurement relationships throughout the seafood industry has enabled us to increase our product offerings and grow business and revenue through sales of live paua (abalone), crayfish, Northland scallops and premium Te Kouma Bay oysters through our domestic foodservice channel. This approach works well for Sanford, our suppliers and ultimately our customers in terms of a sustainable and consistent supply of quality seafood.

We are confident that through our revised premium customer channel strategy and the quality of our local Sanford product, we can continue to grow demand. Our branded Big Glory Bay salmon now features in several high-profile restaurants and hotels including The Cordis (formerly Langham). The Cordis is the first recipient of awards recognising their commitment to sustainability and the role played by suppliers with a shared vision.

Our processing teams at Sanford Auckland, Timaru, Tauranga and the Bluff have played a vital role in our ability to grow value returns through their skills and commitment to provide supply for fresh sales and consistent quality.

The value to our customers and consumers of a fresh, quality product has been even more evident this year at our Auckland Fish Market (AFM) auctions. The improved allocation of premium line caught product has been an important driver of our ability to secure price improvements.

The team capped off a positive year of growth with no major lost time injuries reported in the Auckland Fish Market auction over the financial year. This result shows the value of our full commitment to getting our people home safely.



Following the extension of the footprint of our Big Glory Bay premium brand of King salmon within the Auckland and Queenstown markets, we laid the foundation for growth of Big Glory Bay and our premium Sanford Black brand into key export markets such as the USA, Hong Kong and Australia (refer *Outcome 3 – Healthy food and marine extracts*, pages 65–67).

Our newly developed Sea to Me brand of nutraceuticals will launch with our first product (Greenshell™ mussel powder), in November 2018. Launching on an e-commerce platform focused on New Zealand and leveraging our fully integrated supply chain, from coast to capsule, this is an exciting consumer proposition.

Getting closer to our consumers is a critical part of our growth strategy, and the development work being done on our newly imagined fish market is a cornerstone of this strategy. The newly developed space will house not only a world class fishmonger, Sanford & Sons, but also ten hospitality offerings showcasing a plethora of seafood dishes (refer *Outcome 3 – Healthy food and marine extracts*, page 66). Located at our historical home, Wynyard Quarter, and launching in December 2018, this will become a destination for not only locals, but tourists alike.

Our newly purchased *Fresh Catch* e-commerce platform for delivering Seafood will be incorporated into the Sanford & Sons Fishmonger offering, proving that geography is no barrier to consumers' access to fresh seafood.

Our focus for 2019 is bedding in our brands into the markets we operate in, as well as extending our footprint through regional expansion and product extensions, ensuring we become the brand of choice for both our customers and consumers.

Governance and communication



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



CORPORATE GOVERNANCE

Sound corporate governance through having the right structure, people, practices and policies in place is fundamental to ensuring Sanford’s ability to create maximum value over the short, medium and long term. An overview of our Corporate Governance Framework, including an introduction to our Board, Executive team and the key practices and policies that are in place is set out under **Corporate Governance** (refer pages 106–112). Consistent with our commitment to best practice corporate governance, Sanford has continued to adopt and report against the recommendations of the 2017 NZX Corporate Governance Code (NZX Code). Our Corporate Governance Statement 2018, which details the extent to which Sanford has followed the recommendations of the NZX Code, is available here: www.sanford.co.nz/investors/governance.

Our **Combined Independent Auditor’s and Limited Assurance Report**, issued by our external auditor KPMG in relation to this Report, is included on pages 156–161.

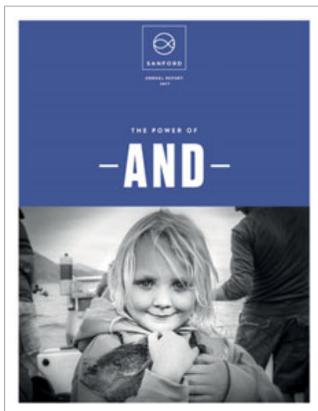


Photo: Sanford Integrated Annual Report 2017

INVESTOR RELATIONS

We remain committed to meeting our obligations to shareholders, communicating through our Annual and Interim Reports and at our Annual General Meeting. We will communicate any news likely to affect our operations, share price or financial standing. We provide these updates to the New Zealand stock exchange and on our website www.sanford.co.nz. Our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO) have also made several presentations to investor groups in FY18.

STRUCTURED FOR STRATEGIC PROGRESS

Our Business Excellence Framework supports our “best in the world” vision and our strategy through six performance outcomes: building a sustainable seafood business, healthy food and marine extracts, healthy oceans, protecting the environment, our people and finally, our communities and partnerships.

It supports performance by enabling each part of our business to map out its role in helping us reach this goal. This year, as we refreshed our strategy, we also asked how we could better align our senior leaders and their capabilities to accelerate the value growth identified in our strategy. At the same time, we looked at how we could strengthen our culture to encourage an engaged, collaborative workforce and more accountability for achieving our annual performance goals.

We now have Business Management Teams (BMTs) aligned to our primary business categories in wild caught fresh, wild caught frozen, salmon and mussel, with a fifth focused on accelerating business growth in innovation, such as nutraceuticals. Membership varies between teams, with some of our senior people contributing to several teams. Forming these teams means each category will receive the attention, guidance and resources it needs to respond to industry dynamics and to contribute to our overall growth.

The BMTs have a collective responsibility for setting category targets based on market trends, creating the business plans to achieve them, monitoring progress, supporting projects and leveraging the business skills we have to better support our growth.



BUSINESS MANAGEMENT TEAMS

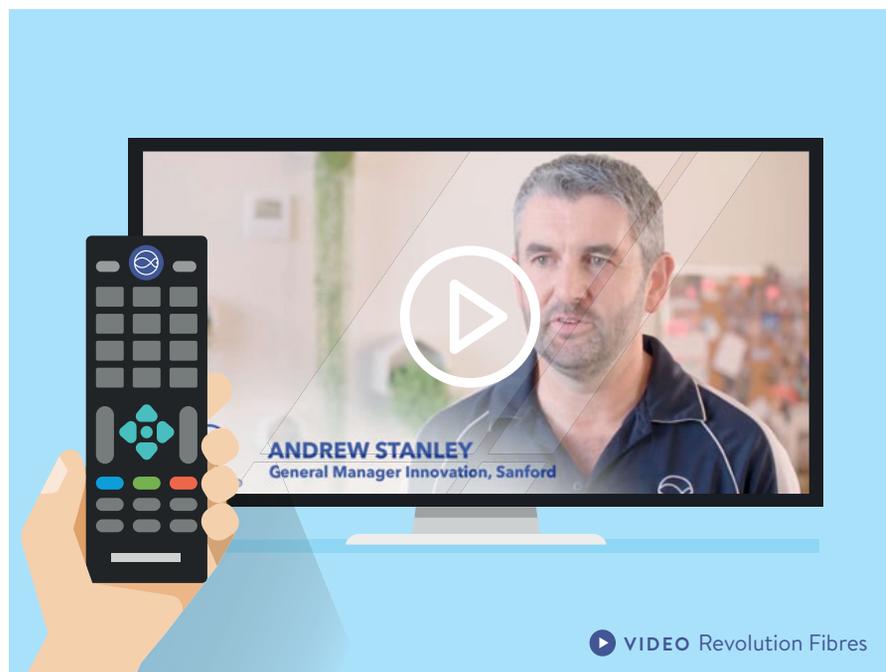
**Achieving
Monitoring
Supporting
Growing**



MANAGING OUR COMPLIANCE: INTERNAL AND EXTERNAL AUDITS

Sanford continued with our comprehensive internal audit programme, and in 2018, this covered food safety and quality, health and safety, environment, sustainability, asset management and maritime compliance aspects. This year, 98 external compliance audits were conducted on Sanford's operations, an increase of 8% from FY17, as set out below:

EXTERNAL COMPLIANCE AUDIT	NUMBER OF AUDITS COMPLETED	
	2018	2017
MPI Food Safety Performance Based Verification Audits (PBV)	48	57
MPI National Shellfish Sanitation Programme (NSSP)	6	8
Marine Stewardship Council Chain of Custody	2	2
A+ NZ Sustainable Aquaculture Programme	0	0
MPI European Union Listing Maintenance	3	0
Best Aquaculture Practices (BAP)	2	1
Organic Certification	1	1
ISO 14001 Environmental Management Systems	1	1
FSSC 22000 Food Safety Management Systems	9	7
Accident Compensation Corporation (ACC)	7	6
Maritime Audits (MOSS)	9	5
Customer Food Safety Audits	1	3
Fleet Governance and Due Diligence Audit (HSE NZ)	9	0
Total Audits Conducted	98	91



BUILDING OUR COMMUNICATIONS

Sanford introduced a communications function in 2017 with the appointment of a General Manager of Corporate Communications. In 2018 there has been an emphasis on internal communications, as we seek to improve our staff engagement and grow our culture of care, passion and integrity.

Corporate Communications has a strong focus on video as an accessible communication tool, to tell stories across the business. The limited proportion of Sanford staff with access to work emails has been a challenge, but it is one that we have worked around thanks to the proliferation of "mess room TV" at Sanford sites. Continuing to develop an effective multi-channel approach, using many different methods for sharing our stories, is an important goal for 2019.

Sanford's stories lend themselves particularly well to a visual medium - we work in some of the most beautiful places in the world and our seafood is, arguably, equally beautiful. In 2018 those stories included the first Sanford staff ideas competition, our partnership with Revolution Fibres to create nanofibre hoki skin face masks (refer to case study on page 44), and a series of videos designed to bridge the geographic distances in the business called Two Minute Tours.

VIDEO https://www.youtube.com/watch?v=yVvn_A-0yTc

Some of these initiatives are detailed in throughout this Report.

Communications is about bringing people together and strengthening relationships and this was very much in evidence in the production of a health and safety video incorporating one of our community partners, Paralympics New Zealand. The case study for this initiative is in **Outcome 5 - Communities and partnerships**, page 91.

Sanford also took part in Ports of Auckland's SeePort event for the first time in 2018, where our displays were in prime position to be seen by the 72,000 people who attended the festival during Auckland Anniversary Weekend. For more on this initiative, refer to the case study on page 40.

We have also continued to build links with key stakeholders outside the business and remain committed to multi-stakeholder forums where sound decisions can be made by all key stakeholders working together. In 2018, we have focused on growing the relationship with peak bodies, sharing our stories with the wider industry, and finding common ground on important issues. Further details of the key initiatives Sanford is involved in are described in **Outcome 4 - Healthy oceans**, pages 75-84 and **Outcome 5 - Communities and partnerships**, page 94.

CASE STUDY •



Engaging the wider community - Sanford at SeePort 2018

In 2018, Sanford was invited to participate in the Ports of Auckland SeePort festival. Founded in 2013, it has evolved into a celebration of Auckland’s maritime heritage and seafaring organisations including The Royal New Zealand Navy, Coastguard New Zealand, the Sea Scouts and many others.

The Port wished to include Sanford because of our visible presence in Auckland’s maritime environment. It was an opportunity for us to share the story of who we are, what motivates us to fish and farm sustainably and how we use science and innovation to make the most of the precious resources we harvest.

Effective community engagement goes well beyond simply telling the community what we are doing. Listening, participating and responding generates genuine stakeholder confidence. That is why we focused on providing an entertaining and memorable experience for everyone who visited our stands.

The festival is aimed at families, so we offered interactive games and competitions designed to appeal to a wide demographic and each with a message about sustainable fishing and marine farming. For example, children from 3 to 12 were invited to participate in a Measure the Fish game where they competed to measure two dozen rubber fish as quickly and accurately as possible and identify which ones that needed to be released back to the sea. While they played, we talked about the need to follow the rules, care for the fish and return the small ones to the sea so they could grow up and have small fish of their own. This game took place beside a large display of a section of Precision Seafood Harvesting (PSH) gear, the shared fishing industry technology which allows fish to be landed in such good condition that they have a much better chance of surviving if they must be legally returned to the sea.

Also on display were two video screens with rolling educational content, informative posters, and a Name the Fish game which encouraged people to widen their fish diet to include delicious but lesser known species. We featured a series of exhibits that told the story of our SPATnz venture (Shellfish Production and Technology New Zealand), that has invested in developing hatchery-reared Greenshell™ mussels with superior resilience and growth profiles. There was a constant queue for the free tasting pots of a mussel recipe from the Auckland Seafood School.

Ports of Auckland reported 72,000 people attended SeePort in 2018, and almost all of them would have walked past the Sanford stands near the main entrance. Thousands stopped to visit us and take part in the activities we offered. SeePort proved to be a great venue for achieving consistently positive community engagement and we are keen to participate again in 2019.



Photo: Chief People Officer, Karen Duffy talks sustainable fishing with children at SeePort

▶ VIDEO <https://www.youtube.com/watch?v=nYFfdtVkaWM>

SEEPORT 2018

72,000

ATTENDED – THOUSANDS
ENGAGING WITH SANFORD'S
STAND AND DISPLAYS



Innovation and technology



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



INNOVATION – OPENING FUTURE GROWTH PATHWAYS

Innovation is fundamental to achieving our goal of \$1 of EBIT for every greenweight kilogram of seafood. The pillars of our innovation strategy are the unique features of our New Zealand seafood, the competitive advantages we gain through vertical integration; our supply chain, product quality, and reputation; and our strong capabilities in science and technology.

In 2018, we invested in innovative technologies that give us competitive advantage and improve sustainability. We are growing value through full utilisation and diversification of our wildcatch and farmed seafood.

BREEDING BETTER MUSSELS – SPATnz

During 2018, SPATnz hit some important milestones. For the first time, hatchery mussels became a significant part of our commercial crop.

SPATnz is a company owned by Sanford and runs a Primary Growth Partnership (PGP) programme, initiated in 2012, that demonstrates the power of Kiwi ingenuity when it is applied to aquaculture. Its purpose is to develop commercially viable methods of breeding high-performing mussel spat (baby mussels) at scale. The SPATnz PGP Programme is a co-investment between Sanford and the Ministry for Primary Industries.

Traditionally, Sanford and other mussel farmers have relied on wild spat and have had to deal with uncertainty of supply and quality. SPATnz is now well advanced in its efforts to deliver a solution that will enhance the efficiency of our New Zealand Greenshell™ mussel operations and the quality and consistency of product.

In anecdotal reports, our mussel processing teams said the hatchery mussels appeared to be more efficient for processing than wild mussels.



We find that hatchery mussels process very well. They have a nice clean shell and the finished product looks world class. The hatchery mussels are very consistent, so they suit the automatic mussel opening machines. We typically see an increase in opening success from 80% to 85%. This means it is easier to maintain a consistent flow of product to the opening room.

—
Andre Smith
DAYSHIFT AMO SUPERVISOR
HAVELOCK FACTORY



We also established that hatchery mussels' growth rates were demonstrably better than those grown from wild spat. A large trial comparing three selected hatchery strains with three batches of wild spat found that on average, the growth rate (length gain) of the hatchery mussels was significantly higher than the wild mussels.



The selectively bred hatchery mussels that we've had on our farm have given outstanding results with fast growth, a very high crop yield and very consistent product size.

—
Jeff Meachen
MARINE FARMER



An independent review of the SPATnz selective breeding programme found that it compared very favourably to other shellfish and aquaculture breeding programmes on a global scale. It was seen as highly cost effective, the fundamental science and design aspects were described as sound, and it satisfied the requirements of a modern selective breeding programme.

SPATnz

KEY STATISTICS



6/7
6 YEARS INTO A 7 YEAR PROGRAMME



22
PERSONNEL (STARTED WITH 4 STAFF IN 2012)

FUNDING

– SPEND TO DATE –
50% (\$9.8M) SANFORD
50% (\$9.8M) MINISTRY FOR
PRIMARY INDUSTRIES

5,372M

READY TO SETTLE
LARVAE PRODUCED

7,475

LITRES PER DAY OF MUSSEL FOOD,
CONTAINING 71 TRILLION CELLS
PER DAY OF MICROALGAE

POTENTIAL REVENUE
INCREASE

**\$100 TO
\$230M**

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

Now in the final year of its seven year PGP programme, the focus for SPATnz in 2019 will be on scaling up the output from the hatchery and establishing that the breeding technology has long term commercial viability.

KEY ACHIEVEMENTS 2017 – 2018¹

- Selective breeding continues to progress, with successful cohorts of around 100 families established in each of 2017 and 2018.
- An independent expert review of the selective breeding programme was supportive of both past research and the programme's future direction, and provided useful suggestions for improvements.
- Growth monitoring of a wide range of Pelorus Sound sites showed that selectively bred hatchery mussels grow much more quickly than wild mussels. This growth benefit is evident, from poor to good growing sites, indicating the benefits of selective breeding will be widely applicable.
- Hatchery mussels became a significant part of the commercial crop for the first time.
- Mussel factory staff reported that hatchery mussels appeared to be more efficient for processing than wild mussels due to their cleaner shells and greater product consistency.

1. Source: Primary Growth Partnership Annual Report, Ministry of Primary Industries, 1 July 2017 to 30 June 2018

ENZAQ – INVESTING FOR GROWTH

One year on from our acquisition of Enzaq, based in Blenheim, we have been investing for growth to meet international demand for the Greenshell™ mussel powder produced at our Marlborough site.

At the time we bought the business, Enzaq was primarily dedicated to producing animal nutraceuticals. We have successfully grown demand by diversifying our customer base and introducing new channels for human nutraceuticals and cosmeceuticals. We are selling to more customers now than at the time we assumed ownership of the business – many of whom had no prior relationship with Enzaq.

The opportunity to achieve further growth in a global market for mussel powder and related products is why we have strengthened our manufacturing capacity with the installation of a new dryer that has doubled our annual powder output. We also made changes to recover some of the waste heat and re-use it to improve energy efficiency and working conditions, and recover mussel shells for re-use, rather than disposal.

Post-balance date, in November 2018 we launch our *Sea to Me* brand, which is designed to differentiate our mussel extract products in our local and international markets.

RESEARCH AND DEVELOPMENT – HIGH VALUE NUTRITION

We work with Crown Research Institutes, independent research organisations and individuals and most New Zealand universities in research and development relationships. The scope of work is wide and there are more opportunities to further our knowledge than we can practically explore. We remain disciplined about applying funding and scientific knowledge to commercial applications for value creation.

A clinical trial is underway to improve understanding of the health benefits of mussels on joints and bones, mobility and their anti-inflammatory properties, in collaboration with the Cawthron Institute and Christchurch Clinical Studies Trust. The trial examines the digestibility of the active components in Greenshell™ mussels, what happens to these components after digestion, how much gets into the blood, and how much is therefore bioavailable to the consumer.

The study is part of a research programme funded by the Government's High Value Nutrition (HVN) National Science Challenge and Sanford, to assist the transition of Greenshell™ mussels from a market concentrated on relatively low-price commodity protein products to one based on high-value nutrition and health products.

PRECISION SEAFOOD HARVESTING IN ACTION

Our company excels at catching fish. We also want to excel at not catching fish – such as those that are too small or are protected species. Precision Seafood Harvesting (PSH) is a great example of creative New Zealanders applying their knowledge and skills to develop a new technology that will reduce incidental catch.



Sanford and two other local companies – Moana NZ and Sealord – have been collaborating and funding the PSH programme since 2012, along with matching funding from the Ministry for Primary Industries (MPI) via the Primary Growth Partnership (PGP).

Further detail about this innovation and developments this year are described in the case study on this page.

The following describes key achievements from the project in 2017-2018:

KEY ACHIEVEMENTS 2017 – 2018²

- The Modular Harvest System (MHS) was approved for use in the deepwater fisheries for hake, hoki and ling. This now allows for the commercial rollout of the MHS across the deepwater fleet, which will result in greater realisation of the operational efficiency, fish quality and value improvements.
- Development of the application for use of the MHS in inshore fisheries is underway and due for submission prior to the end of the programme.
- Continued improvement in the composition, configuration and performance of the MHS in different fishing environments.
- Ongoing development of the on-board handling systems to complement the MHS and further improve the quality and value of fish harvested.
- Completion of the standard operating procedures and safety guidelines for using the MHS.

2. Source: Primary Growth Partnership Annual Report, Ministry of Primary Industries, 1 July 2017 to 30 June 2018

As we approach the conclusion of the PSH Primary Growth Partnership programme in March 2019, further milestones we aim to achieve include:

- Inshore trials completed and PSH approved for use
- Gain patents for the Modular Harvest System
- Finalise manufacturing specifications and the ordering process for longer term commercial use
- Finalise the quarterly reporting process around the catch
- Establish commercial business models for management of the PSH assets and intellectual property.

CASE STUDY •



Fishing with precision

Precision Seafood Harvesting (PSH) is a new harvesting system that enables fishing companies to better target selected species, land them in good condition, and increase the probability of juvenile fish or incidental catch being released alive.

It is the product of seven years of collaborative development as part of a PGP funded by MPI, Sanford, and two other New Zealand fishing companies Sealord and Moana NZ.

PSH uses a new, carefully designed net – called a Modular Harvesting System (MHS). It is made from flexible, light weight and very strong materials and is dotted with escape portals through which undersized and non-target species are more likely to be able to escape and return to the sea, as shown in the photo below.

Over the past 12 months, the methodology for using PSH on deepwater species passed a huge milestone when it gained formal approval from Fisheries New Zealand, part of MPI.

It was a lengthy process that started in October 2017 with a consultative process

resulting in a new regulation that enabled applications for an innovative type of trawl system to be considered. Prior to that, there wasn't a way to have PSH considered for commercial deployment – there was only a special permit for its use as part of the research programme.

In May 2018, MHS was approved for use in the hoki, hake and ling fisheries.

This was a significant decision – in effect, it was a credibility tick from the regulator that PSH is a bona fide piece of fishing technology.

The approval has enabled the emphasis of further research and development to be shifted into other areas, including reducing the costs of manufacturing the Modular Harvest System and developing reporting and measuring processes for its use that are legally robust.

It's meant a complete mind shift from research to business execution and operation. The MHS is now fully deployed under research permit, on our inshore vessels *Ana* and *Tengawai* and our deepwater vessels *San Discovery* and *San Enterprise*, and 11 other vessels from Moana NZ and Sealord.



Photo: Snapper in Modular Harvest System (MHS)

**PRODUCT DEVELOPMENT
- FROM WASTE TO FACE**

Working alongside talented research partners has enabled us to respond to the huge global demand for collagen, while also fulfilling one of our innovation targets. The use of hoki skins in facial masks means we are delivering an innovative approach to optimise the use of all materials, and we are diversifying our product offerings.

There is huge demand for collagen globally. The easiest option is bovine, but a lot of people want a safer and more ethical product provenance. Discerning customers are choosing marine collagen. Revolution Fibres' actiVLayr face mask meets that need, and its development is outlined in the following case study.

INFORMATION TECHNOLOGY

Our Information Technology (IT) team has set its sights this year on the major technology step change needed to support delivery of our business strategy.

The team has analysed current challenges and assessed Sanford's future-state needs. These were the first steps of our transformational change programme - SanCore - which will deliver business value by enhancing our systems, developing our people, and improving process capability. The changes will extend across the business, from our land-based operations to our vessels. The programme represents a significant multi-year investment in technology, with implementation starting in the 2019 financial year.

SanCore will be supplemented with tactical initiatives, which in 2018 included digital asset management and project management platforms. The IT team continued to modernise our core technology and drive operational efficiencies. A new network designed to support future platforms, with stronger resilience, has been implemented. The rollout of new satellite communications to support greater vessel capabilities is ongoing. The first steps to deliver a greater range of information across the business have been completed, and the work will continue in the new financial year.

Cyber security remains a focus along with business continuity for branches and vessels.

CASE STUDY ·



**Skin in the game: hoki by-product
in high-tech face masks**

Skin from one of New Zealand's most plentiful, sustainably caught deepwater fish - the hoki - is the new hero in the quest for anti-aging facial products.

Ten years in the making, a high-tech nanofibre facepack made from discarded hoki skins is the result of collaboration between Sanford, West Auckland company Revolution Fibres, and Plant & Food's Seafood Research Centre in Nelson.

Marketed as actiVLayr, the facepack is made by taking the structural protein collagen from the fish skins and using Revolution Fibres' proprietary process to make a super-thin, extremely light nano-material. During this process, bioactive products like fruit extracts and the moisturising compound hyaluronic acid are bonded to the collagen fibre. When the nanofibre tissues are placed on wet skin they dissolve and release their nutrients.

Research has shown that actiVLayr reduces facial wrinkles by more than 30 percent and the response in China, where it was launched in May, has been positive. Conscious consumers don't just want cosmetics that work. They also want products that are sustainably sourced, ethically manufactured and natural.

Our involvement in this project makes good on our commitment to innovation and sustainability. Previously, the hoki skins were used for fishmeal and pet food. Now, they are being used to support a high tech company poised to earn increased export revenue for New Zealand. It's exactly what we're all about - making the most of the precious resources from the sea.

And the supply of hoki is unlikely to run out. It is New Zealand's biggest fishery by volume - the Total Allowable Commercial Catch (TACC) in 2018 is 150,000 tonnes³.

That's good news for Revolution Fibres which is exploring further opportunities to deploy its technology. There is a demand for different ways to deliver drug products into the skin and actiVLayr could be an alternative for creams and injections. It also has medical potential. Drug compounds or medicines could be added to the formula and used to treat burns or skin lesions or acne.

HOKI
THE NEW HERO IN
FACIAL CARE

VIDEO <https://www.youtube.com/watch?v=fLbIQjY4inI>



Photo: collagen rich hoki skin facepacks



Photo: dissolving nanofiber tissues derived from hoki skin

3. 12 months to 30 September 2018



Our future focus



MATERIAL ISSUES & STRATEGIC GOALS	FUTURE TARGETS 2019 AND BEYOND	OUR 2025 VISION
<p>Shareholder value and risk</p> <p> GOAL</p> <p>Improve our business margins and create shareholder value in a sustainable way. Demonstrate sector leadership by creating a more innovative and sustainable business. Lead the way in understanding and managing our risk profile.</p>	<p>Continue to improve our \$/kg EBIT return with a view to achieving the long term goal of an average EBIT return of \$1 / kg (greenweight equivalent).</p> <p>Drive value creation through the ongoing and proactive identification of continuous improvement opportunities across the business.</p> <p>Develop and maintain a best practice risk capture mitigation process supported by latest risk recording and tracking technology.</p> <p>Be recognised as an industry leader in the use of innovative asset management tools to facilitate the effective upkeep of Sanford's physical assets.</p>	<p></p> <p>Sanford has achieved sustainable, profitable growth year-on-year and sector-leading management of our risk profile, ensuring measurable value creation as a best practice sustainable business.</p>
<p>Governance and communication</p> <p> GOAL</p> <p>Be recognised as a company which lives its values in all our activities, demonstrates an ethical approach across all areas of corporate responsibility, proactively engages with key stakeholders and communicates with clarity and as much transparency as possible.</p>	<p>Deliver a corporate governance structure and framework that continues to support best practice, including ongoing compliance with the NZX Code.</p> <p>Establish and support continuous stakeholder engagement processes to ensure we continue to deepen our understanding between Sanford and its stakeholders.</p> <p>Continue to operate a robust communications structure and processes to ensure that together with our stakeholders, partners and our people, we are working collaboratively to deliver on, and communicate our values and vision.</p>	<p></p> <p>Sanford is an exemplar of a responsible, ethical, transparent well-governed organisation that leads with care, passion and integrity. Our performance is communicated on a proactive basis, and is valued by our stakeholders.</p>
<p>Innovation and technology</p> <p> GOAL</p> <p>Remain competitive on a global scale, and lead the industry in the creation of value through innovation and technology in collaboration with leading research partners.</p>	<p>Implement innovative approaches to optimise the utilisation of Sanford's valuable resources, with a direct focus on efficiency of production and ensuring the capability to provide our consumers a diversity of quality product offerings.</p> <p>Continue to build and foster a creative innovation culture through building internal and external collaborative networks, and incorporating innovation into all aspects of Sanford's operations.</p> <p>Implement the SanCore business system transformation programme to enable the business capability required to deliver the business strategy.</p>	<p></p> <p>Sanford is competitive on a global scale, leading the seafood sector in the creation of value through robust research, innovation leadership, and the use of technology.</p>

These targets for **2019 and beyond** have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a thorough review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals.

1. GRI and UN Global Compact 2017: *Business Reporting on the SDGs - An Analysis of the Goals and Targets*.



CREATING A SAFE AND HIGH PERFORMING WORKPLACE CULTURE

We will become an employer of choice by delivering industry leading safety risk management, ensuring a culture of high performance and growth, and living our values



SANFORD IN THE GLOBAL CONTEXT



GOOD HEALTH AND WELLBEING

Ensuring healthy lives and promoting wellbeing at all ages is essential to sustainable development. From a global perspective our workforce are relatively healthy and well, but there are always opportunities to add value to our people over and above our economic contribution. As a key material issue to our business, the health, safety and wellbeing of our people, as well as those in our supply chain, represent key focus areas that we are actively working on.



QUALITY EDUCATION

Continuous investment in our people is critical to ensure that the business is always learning. We invest in our people from the frontline, through vocational training and formal qualifications, through to our company-wide talent pool for senior management, who are deepening their understanding of leadership and personal development. Due to our active commitment towards education, we are enriching the lives of our people as well as adding value to the business.



DECENT WORK AND ECONOMIC GROWTH

Sanford can improve the economic outcomes of local communities through the jobs we create (particularly in the areas that would otherwise have limited employment opportunities) and the associated local employment through the supply chain. It is critical that all work is safe; our people's wellbeing is very important to us. The growth targets Sanford has for the future are aimed at contributing toward this outcome.



PARTNERSHIPS FOR THE GOALS

Sanford works in partnership with our stakeholders to ensure that we provide sustainable outcomes for our people. Our partnerships, help us protect our people from risk and ultimately work to create a high performing culture. By collaborating with stakeholders, we can shift the dial in the areas where we can make the most difference to our people.



Material issues and value creation

Safety, empowerment and engagement are all vital elements in our people strategy. This table summarises Sanford's material issues relating to **our people**, the strategic goals defined through our Business Excellence Framework, our targets for 2018, and our progress against these targets in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2018 TARGETS*	PROGRESS AGAINST TARGETS**
<p>Safety, health and wellbeing</p> <p>GOAL</p> <p>Through the way we work and behave, and the initiatives we implement to continually enhance our work environments, we will strive to collaboratively protect our people from the risk of harm, whether it be operational or occupational injury or ill health.</p>	Continue to increase and monitor near miss reporting, utilising learnings to inform and reduce risk profiles, closing out 75% by year end. (S)	<p>✓ Achieved. Raised 671 Health and Safety System Improvement Notices (SINs), of which 79% were closed out as at 30 September 2018 (target 75%). Marginal 4.3% decrease in near miss reporting to 310 (FY17: 324).</p>
	Implement health and safety focused training across all levels of Sanford operations. (S)	<p>→ Ongoing. The programme of training was rolled out across all levels of the business, delivering >1,554 frontline leadership training days in FY18, covering general health and safety management, targeted risk assessments and vessel level health and safety management.</p>
	Continue to build on the SanWell wellness programme at all Sanford sites. (S)	<p>→ Ongoing. Implementation on the majority of sites, with Bluff and Auckland aiming to achieve SanWell Bronze accreditation, Tauranga aiming for Silver and Timaru applying for Gold accreditation. Havelock to commence FY19.</p>
	Build a leadership-driven culture across health, safety and wellbeing to continuously improve the levels of engagement and improve performance. (M)	<p>→ Ongoing. There was an overall improvement in cultural maturity based on an internal governance review and audit. Directors and managers continue to undertake site visits and inspections. The adoption of a risk-based approach to safety management will further support ongoing cultural maturity.</p>
	Implement programmes to identify, effectively manage and mitigate the most critical risk work activities. (M)	<p>→ Ongoing. Risk assessments and controls are in place for ammonia containment, traffic management, working on vessels, contractor management, and improvement programmes. During FY18, 98 risk assessments were completed. Targeted initiatives include the adoption of a critical control framework.</p>
	Maintain a secondary status in the Accident Compensation Corporation (ACC) Partnership Programme. (S)	<p>✓ Achieved. Realised an 11.9% reduction in ACC accepted claims to 118 (FY17: 134). 25% reduction in the average cost per claim to \$1,157 (FY17: \$1,524).</p>
<p>Developing our people</p> <p>GOAL</p> <p>Create a high performance culture where every one of our people is skilled, empowered and engaged in contributing to the goals of the business and reaching their full potential.</p>	Leverage literacy and numeracy programmes to build and improve skills, confidence and engagement in the workplace. (S)	<p>✓ Achieved. 87 staff from four processing sites participated in the Keeping it Fresh programme. All learning teams delivered tangible action items to improve employee engagement, workplace process and outcomes.</p>
	Continue to implement the frontline leadership programme to develop leadership capabilities across frontline and middle management. (S)	<p>✓ Achieved. Extended San Activate and San Ignite training programme further across the business to build leadership capability with another 121 people leaders completing the programme.</p>
	Progress the Senior Leadership Programme to improve our senior leaders' understanding of their own style and impact to improve their effectiveness. (S)	<p>→ Ongoing. Leadership training for senior leaders to create high performance environment with strong engagement extended to this group. Ongoing deployment of training will be modular based, to build on group learning needs and insights drawn from workplace culture opportunities.</p>
	Continue to invest in Primary Industry Training to build core capabilities in Occupational Health and Safety, Seafood Processing, Risk Management, and Seafood Vessel Operations. (M)	<p>✓ Achieved. 157 employees and sharefishers completed level 2, 3 and 4 NZQA programmes in Seafood Processing, Seafood Retailing, Risk Management and Seafood Vessel Operation. A further 1,124 training days in deepwater marine safety were delivered across our deepwater operations.</p>

MATERIAL ISSUES & STRATEGIC GOALS

Strengthening our workplace culture



Build a culture of high engagement and performance across our workforce to optimise people and business outcomes.

2018 TARGETS*

Increase the visibility of the senior leadership group and communication with employees to improve the opportunities for engagement. **(S)**

Develop and deliver a values connection programme to deepen the understanding and demonstration of our values. **(S)**

Design a recognition programme that engages employees in key business outcomes and recognises great achievements against the framework. **(S)**

Increase employee engagement in improvement activities to achieve a step change in people and business results. **(M)**

PROGRESS AGAINST TARGETS**

→ **Ongoing.** Our senior leaders have invested more time in visiting sites, spending time on vessels and farms to meet with our people at their place of work. However this remains an opportunity to improve as the measures of senior leader visibility have not increased upon last year.

→ **Ongoing.** A leader led values programme was rolled out over the year with many teams developing and implementing their own improvement action plans.

→ **Ongoing.** More work is needed for our recognition framework to effectively support our people and people leaders to celebrate the great things they do. When surveyed about their satisfaction around reward and recognition, this is an area our people want to see improvement.

→ **Ongoing.** Our people have had great opportunity to engage in improvement activity in conjunction with their learning and development. Each of our San Ignite and San Activate learning programmes have required our people to work on a project to apply their learning, with many of these new initiatives delivering fantastic people and process improvements.



VALUE CREATION – OUTCOME

We will become an employer of choice by delivering industry leading safety risk management, ensuring a culture of high performance and growth, and living our values.

* **S** = Short term (1 year or less); **M** = Medium term (2-5 years); **L** = Long term (5-10 years, or more)

** Refer to 'Progress on our 2018 sustainable business targets' for full updates across all targets defined

Further information on data and trends is provided in the Key Performance Indicator (KPI) table, contained in **Appendix A** of this Report.





Safety, health, and wellbeing



Through the way we work and behave, and the initiatives we implement to continually enhance our work environments, we will strive to collaboratively protect our people from the risk of harm, whether it be operational or occupational injury or ill health.



Having the systems and processes that protect our people from the risk of harm is one of Sanford's top three business risks, as well as key material issues identified by our stakeholders. We are building on previous work to create a Sanford Safety Management System (SMS) that supports us in consistently, repeatedly and effectively managing our safety risk.

We are also reviewing and updating our Safety Strategy as we move to a risk-based approach to managing safety hazards. This work includes enhancing our Health and Safety Action Plan to reflect cascading safety initiatives that support our 2025 vision to be the safest seafood company in the world.

We are focusing on action that makes a difference. We have refined our SMS framework and enhanced our foundation elements - a programme of targeted risk initiatives and improved safety analysis and reporting that supports better organisational decisions and allocation of resources by risk.

We will maintain our focus on base compliance, encouraging our people to observe our systems and processes, and will work to ensure Sanford operates within a just and collaborative culture. We want to ensure that our people are able to work in a safe environment and will further develop our wellbeing programme to support that goal.

This year we're delighted to work with one of our community partners, Paralympics New Zealand and Cameron Leslie, three

times gold medallist in Para swimming, to highlight the importance of safety in the workplace and need for constant vigilance. By sharing his life story with prosthetics, Cameron challenged our people to 'Think Safe, Be Safe, Home Safe' so that we can all go home at night free from sickness, injury or harm. Cameron's infectious personality and humour captured the attention and hearts of our people and encouraged everyone to think of the hazards inherent in our work, the risks in our business and the need for individual attention and teamwork to stay safe. A video co-starring many of our employees and follow up workshops reinforced the need to focus on our most precious resource - our people. A case study on this initiative is in **Outcome 5 - Communities and partnerships**, page 91.

WHAT WE'VE BEEN DOING

Ongoing people training

- NZQA certified health and safety training to levels 3, 4 and 5
- **Toolbox training** delivered daily at the start of work on everyday health and safety issues
- **Targeted training**, including Permit-To-Work, Lock Out Tag Out systems, and contractor management
- **Leadership training** - San Activate, San Ignite, senior management
- **Health and safety awareness video**, in partnership with our community partner, Paralympics New Zealand, as described above and in page 91.

Workplace programmes

- **SanWell**, our in-house commitment to being a workplace that 'works better though wellbeing'
- **Keeping it Fresh**, a Tertiary Education Commission communication programme
- **SiteWise**, a system for pre-qualifying our contractors to ensure their health and safety
- **ACC Partnership Programme**, enabling Sanford to actively support our employees' rehabilitation.

Audits, assessments and reporting

- Sanford has undergone seven external health and safety audits
- We have an ongoing programme of risk assessments on vessels and processing plants
- We have carried out two internal health and safety governance reviews (Impact and NZHSE)
- We present a monthly health and safety report to the Board and a detailed performance improvement report to the Board Health, Safety and Regulatory Compliance Committee every two months.



Daily

TOOLBOX TRAINING FOR EVERYDAY HEALTH & SAFETY ISSUES

CASE STUDY



Vac-U-Lift manual handling system - Auckland

Manual handling injuries consistently feature as one of our top two injury categories, resulting in a high number of sprains and strains - 327 were recorded in FY18. This is a reduction of 25% over the last two years, however we know that further improvement can be made.

We have introduced Vac-U-Lift mechanical manual handling equipment into our factories to further reduce manual handling injuries.

SERIOUS HARM INCIDENT AT NORTH ISLAND MUSSELS LIMITED (NIML)

Regrettably, a notifiable incident occurred in January 2017 at North Island Mussels Limited (NIML), an operation in which Sanford has a 50% interest. During manual decanting of a corrosive cleaning product, a piece of tubing flicked the worker in the eye. The corrosive product and impact of the tubing ultimately caused damage that resulted in loss of that eye. NIML entered an early guilty plea to a charge laid by WorkSafe, and was sentenced on 21 September 2018 under the Health and Safety at Work Act 2015 for failing to ensure the health and safety of the worker. NIML was fined \$219,375, and ordered to pay reparations of \$60,000. As a result of this incident, dispensing of the cleaning product is now automated. Eye protection continues to be a mandatory requirement across all Sanford processing operations, including NIML. We are using learnings from this incident to educate our people elsewhere in regard to the criticality of wearing required Personal Protective Equipment (PPE).

IMPROVING NOTIFIABLE (SERIOUS HARM) INJURIES

In 2018, we saw a decline in our harm and injury reports. The total number of injuries went down to 970 (FY17: 1,032). We recorded a slight improvement in our Lost Time Injury Frequency Rate (LTIFR) at 13.89 (FY17: 14.67). The number of notifiable (serious harm) injuries reduced to five (FY17: ten), and our Lost Time Injuries (LTIs) reduced to 52 (FY17: 55).

TOTAL INJURIES BY SITE

When looking at injuries by site, it is clear that our peak injury numbers are related to the hours worked, with our processing sites continuing to show the highest number of injuries by site. The good news is that our targeted injury reduction programmes during the year are making a difference. Compared to the previous year, all sites have shown a reduction in the pure numbers of injuries with substantive improvements apparent in Timaru, Tauranga and Havelock.

DECLINE IN HARM AND INJURY REPORTS 2018



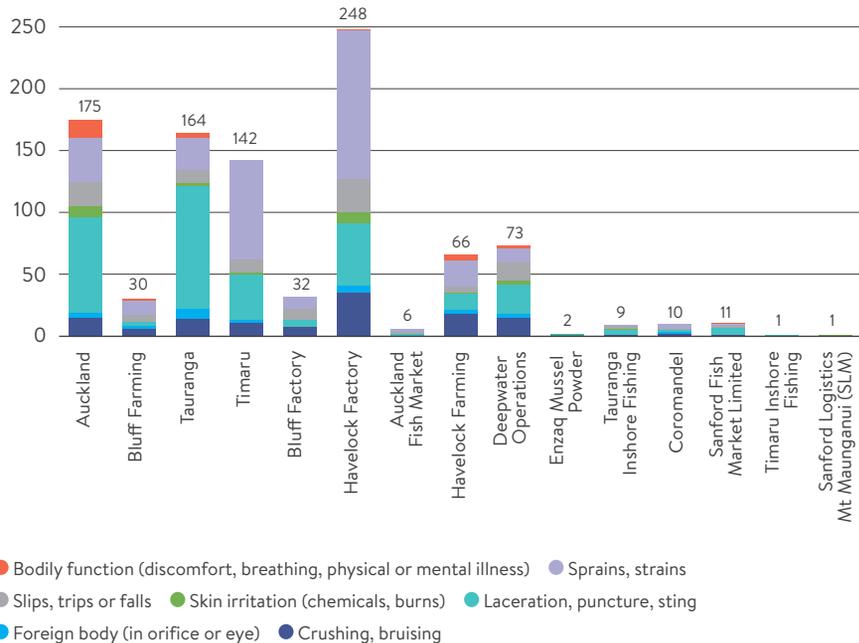
970

TOTAL NUMBER OF INJURIES
FY17: 1,032

13.89

LOST TIME INJURY FREQUENCY RATE (LTIFR) FY17 14.67

Type of injury by site

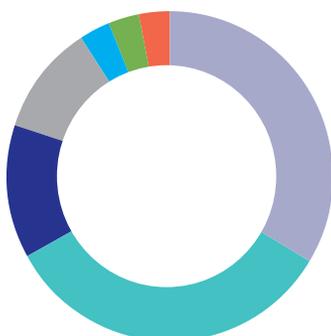




TOTAL INJURIES BY TYPE

In 2017, we significantly reduced our rate of injuries involving skin irritations and bodily functions, and we increased our focus on sprains and strains. In 2018, we achieved across the board reductions in all other types of injury, particularly in slips, trips or falls. However, we saw slight increases in the previous year's focus areas of skin irritation and bodily function. We want to ensure our risk management gains are bedded in by driving a uniform reduction in all areas, with particular focus on sprains, strains and laceration, punctures and stings.

Total number of injuries by type



TYPE OF INJURY	TOTAL NUMBER OF INJURIES	
	2018	2017
● Sprains, strains	327	369
● Laceration, puncture, sting	324	326
● Crushing, bruising	126	142
● Slips, trips or falls	105	119
● Foreign body (in orifice or eye)	30	39
● Skin irritation (chemicals, burns)	29	25
● Bodily function (discomfort, breathing, physical or mental illness)	29	12
TOTAL	970	1,032

CASE STUDY •



Ammonia containment

Using ammonia in refrigeration equipment is a 'critical risk' for Sanford. Previous risk assessments identified opportunities for improving our critical controls.

In order to prevent explosion in the plant rooms, enhanced factory ammonia risk control systems now include 'shunt tripping' equipment. This effectively circuit breaks the system.



MORE TO DO

We continue to work towards introducing more mature safety IT platforms to encourage higher reporting levels and increased accuracy, as described in *Outcome 1 – Sustainable seafood business*, page 44. Our safety strategy 'Foundation Elements' addresses this issue, along with more sophisticated lead performance indicators so we can provide our Board, Executives, managers and people with enhanced safety information, and better support our business in managing the risk of harm.

We continue to track and report near miss incidents, establishing a culture that reinforces every opportunity to review and control hazards, reduce risk and prevent harmful incidents. Near miss reporting and investigation is vitally important to identify those near miss incidents that are less frequent, but have the potential to be far more harmful than other incidents. Recognising this, we are sharpening our focus on serious near miss incidents, as a priority.

CASE STUDY •



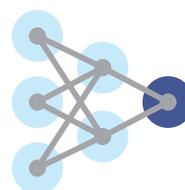
Eye Protection PPE



Our incident reporting identifies the risk of eye injury, particularly in our processing operations, where mandatory eye protection is required. As noted, a serious harm incident occurred at NIML and we have learnt from this.

Discomfort is a key reason given by employees who do not consistently wear eye protection. Our Timaru factory took action by bringing in the Bolle company to present the options available and the importance of a correct fit.

We will review this pilot programme with a view to implementing it across all sites.



LEARNING FROM OTHER OPERATORS

We know that successful and mature safety organisations learn from other operators in their industry. Our safety reporting will include a focus on 'other learnings' in our regular management and board reviews to ensure that we are consistently aware of best practice as well as the contributing factors to incidents and accidents in our industry.

Developing our people



Create a high performance culture where every one of our people is skilled, empowered and engaged in contributing to the goals of the business and reaching their full potential.



Our Sanford people comprise many different ethnicities, cultures, languages, ages and years of experience. We work in very diverse operations on land and at sea throughout New Zealand and its surrounding waters. Harnessing the wealth of this diversity is a key enabler of individual and business success. It is both an exciting and challenging opportunity, and in 2018 we have continued to build capability and work to create a strong culture that encourages and supports high levels of engagement and performance.



WHO WE ARE: SANFORD DEMOGRAPHICS

Our total workforce is 1,705 (FY17: 1,717) people, comprising 621 (FY17: 583) independent sharefishers and 1,084 (FY17: 1,134) employees. In terms of ethnicity, 46% (FY17: 47%) of our people identify as New Zealand European, 20% (FY17: 19%) identify as Pasifika, 13% (FY17: 14%) Māori and 4% (FY17: 3%) Asian. In addition, we represent many of the world's nations, which is evident when we celebrate events and our people wear their national costumes to show their pride in who they are and where they come from.

OUR WORKFORCE IN OVERVIEW

In terms of gender and age, we are only able to report on our direct employees as at 30 September 2018. We have 61% male (FY17: 62%) and 39% female (FY17: 38%) employees. Women are increasingly entering senior leadership, with a 20% increase in female executives who now make up 40% of our executive team (FY17: 20%) and a 5% increase in senior leaders who now total 32% (FY17: 27%). Our ambition to become the Best Seafood Company in the World requires us to build diverse teams capable of accommodating progressive schools of thought at all levels of the business.

In terms of age, we have 4% under 20 years of age, 23% between 20 and 29, 17% between 30 and 39, 22% between 40 and 49, 21% between 50 and 59, 9% over 60 and 3% unknown. We welcome and value this diversity and work hard to ensure everyone is skilled and able to contribute their thoughts and ideas to the business.

The age distribution of our workforce remains relatively well balanced across all age groups between 20 and 59 years. The greatest increase was in the 20-29 years age range in FY18.

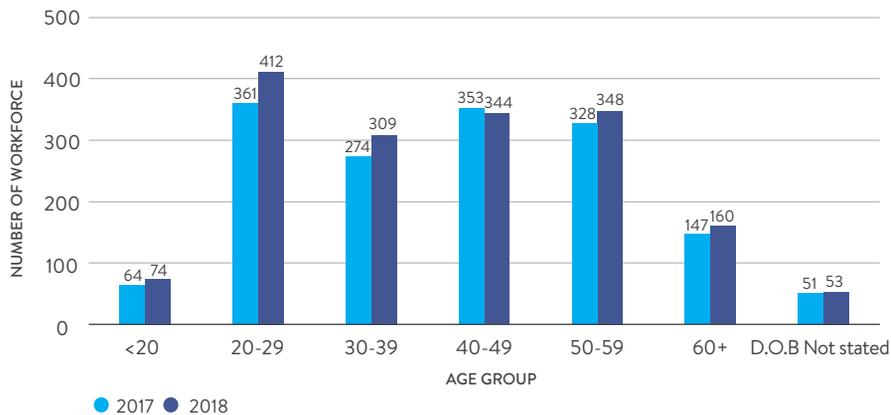


CONTRACT TYPE	TOTAL 2018 ¹ (2017)	FEMALE 2018 (2017)	MALE 2018 (2017)	GENDER UNDECLARED 2018 (2017)
Permanent Full-Time	927 (914)	38% (38%)	62% (62%)	-
Permanent Part-Time	42 (29)	57% (52%)	43% (48%)	-
Fixed Term Full-Time	42 (95)	40% (51%)	60% (49%)	-
Fixed Term Part-Time	1(1)	100% (100%)	0% (0%)	-
Casual and Seasonal	72 (95)	43% (39%)	57% (61%)	-
Independent Sharefishers	621 (583)	11% (9%)	86% (89%)	2% (2%)
Total workforce	1,705 (1,717)	29% (29%)	70% (69%)	1% (2%)

1. As at 30 September 2018

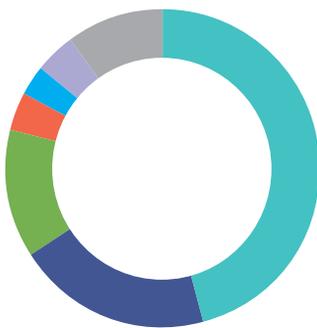


Our workforce in age groups²



2. Based on annual quarterly averages.

Our workforce in ethnic groups



New Zealand European	46%
Pasifika	20%
Māori	13%
Not stated	10%
Other	4%
Asian	4%
European	3%



OUR NEW HIRES IN AGE GROUPS AND GENDER

This year, the spread of new hires by age group remained relatively consistent with last year. Percentage changes are indicated in the KPI table (refer *Appendix A*).

AGE GROUP ³	NUMBER OF NEW HIRES 2018 (2017)
Under 20	39 (48)
20 to 29	76 (177)
30 to 39	39 (68)
40 to 49	49 (51)
50 to 59	43 (38)
60+	4 (15)
Grand Total	250 (397)

3. New hires by gender and age indicates land-based permanent, fixed term, casuals and seasonal workers. New employee by age calculations in the KPI table (refer *Appendix A*) are based on annual quarterly averages.

We want all our people to believe they are supported in achieving their fullest potential.



WE ARE CREATING A HIGH PERFORMANCE CULTURE WHERE EVERYONE IS SKILLED, EMPOWERED AND ENGAGED IN CONTRIBUTING THEIR IDEAS TO MAKE A POSITIVE DIFFERENCE AT SANFORD.

We are not pretending this is easy. We are a diverse business with our people working in operations on land and at sea throughout New Zealand and its surrounding waters. It is however, a challenge that is rewarded by having teams of people who contribute their very best to a company in which they feel valued.

FOUNDATIONAL SKILLS

We continue to invest in foundational skills for our people so they can be safe and thrive at Sanford. In 2018, 157 people gained their Level 2, 3 or 4 NZQA qualification in Seafood Retailing, Seafood Vessel Operation, Seafood Processing and Risk Management through the Primary Industry Training Organisation (PITO). In addition, Competenz provided a further 1,124 training days in deepwater marine safety to strengthen our understanding and management of critical risks and personal safety. The reduction in PITO training credits and qualifications, when compared to 2017, reflects the transition to the delivery of targeted deepwater marine safety through Competenz during 2018.

NZQA credits and qualifications awarded through PITO, by level and gender

CREDITS ACHIEVED BY GENDER AND LEVEL ⁴	GENDER		TOTAL
	FEMALE	MALE	
Level 2	432	2,242	2,674
Level 3	95	810	905
Level 4	120	150	270
Total	647	3,202	3,849

4. One credit is approximately 10 hours of training. The different levels of credit are: **Level 1:** Basic awareness by all staff (Certificates); **Level 2:** Competent operator (Certificate); **Level 3:** Supervisor (Certificate); **Level 4:** Management (Certificate).

NZQA credits and qualifications awarded through PITO⁵

	2018	2017	2016	2015
Completed PITO programmes	157	273	189	176
Total credits awarded	3,849	7,484	6,354	5,021
Formal qualifications received (national certificate)	93	214	135	53
End of year enrolments	22	72	138	186

5. Figures may change; new or completed enrolments may be backdated to the period when they were submitted to the PITO database.



Literacy and numeracy skills go hand in hand with our people’s ability to confidently share their ideas and turn them into actions that make a difference. This year another 87 staff across our Auckland, Tauranga, Timaru and Bluff sites graduated from our Keeping it Fresh programme and shared 16 business improvement projects. When asked about the benefits of the programme, most participants talk about sharing ideas more confidently, the fun they had learning and encouraging each other, developing a better understanding about how to manage their money and the learnings gained when they reviewed the health and safety insights from the Pike River tragedy.

A plastic elimination programme launched in Timaru, a ‘Choose our Kaimoana for dinner tonight’ programme in Tauranga and reducing bottlenecks project in our processing sites at Bluff and Tauranga are among the great business improvement projects generated by our people. Keeping it Fresh enriches our learning experience and supports our commitment to continuous improvement both at work and in the personal lives of our people.



I have enjoyed using my brain, learning new things and leading our project on parking.

Adam Washbourne

SECOND IN CHARGE - CHILLER, HAVELOCK
 Awarded ‘Champion Learner’, Skills Highway, Tertiary Education Commission Awards



Clayton McIntyre, Shift Manager confirmed “Adam has utilised the skills learned on ‘Keeping it Fresh’ to progress. He has become more confident and assertive in his decision making – earning respect from the wider team.”



Keeping it Fresh is life changing for so many learners – whether it is taking the bold step to engage budget advice services, learning how to better manage debt, developing a household budget or gaining the self-worth and confidence to speak up. Every learner in some way climbs Mt Everest during the programme – gaining the knowledge skills and confidence to help take the company, their community and family forward into an exciting positive space where dreams are realised. Every day their stories inspire me to try that little bit harder, to be that little bit braver – they are all amazing people and an asset to your business.

—
Lyn Nikoloff

LITERACY AND NUMERACY PROGRAMME MANAGER AND TUTOR, RISK MANAGEMENT GROUP

Winner, Skills Highway Champion Trainer, Tertiary Education Commission (TEC)



87

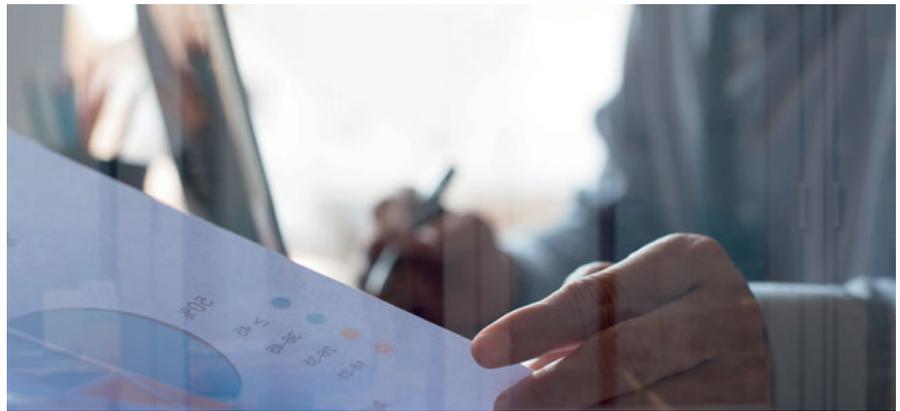
GRADUATES – ACROSS AUCKLAND, TAURANGA, TIMARU AND BLUFF SITES

BUSINESS IMPROVEMENT PROJECTS INCLUDED:

A plastic elimination programme
TIMARU

‘Choose our Kaimoana for dinner tonight’
TAURANGA

Reducing bottlenecks in our processing sites
BLUFF & TAURANGA



MANAGEMENT AND LEADERSHIP DEVELOPMENT

We need to ensure our people leaders are creating a high performance culture where everyone is engaged, contributing and developing to their full potential. That is why we have strengthened our investment in management and leadership skills and continued to roll out targeted learning programmes across the country. This year a further 121 people leaders from across our sites and vessels gained great insight into their own leadership style, learning new ways to improve personal effectiveness, team cohesion, engagement and performance through our San Ignite, San Activate and Senior Leader Programme.



SAN IGNITE
Introduction to Leadership I

I found the course very informative. There were many group activities and brainstorming sessions with great opportunity to have input and talk of your own experiences. We learnt a lot about how different people learn in different ways and I found this particularly interesting. I have been able to put the content into practice and I know that others in the group have also. This has been a great learning experience.

—
Maureen Pask

ADMINISTRATION SUPPORT, HAVELOCK FARM



SAN ACTIVATE
Introduction to Leadership II

I found the San Activate course to have many tools that have helped with my position within Sanford, including time management, individual learning techniques, different ways of thinking (through understanding HBDI® tool), and interacting with staff. The whole experience for me helped to overcome a few personal and professional goals and build in confidence in what I do. I look forward to a bright future with Sanford for years to come.

—
Andrew Neeves

ELECTRICAL ENGINEER, TAURANGA



These programmes have been tailored to maximise learning and transfer of skills back into the workplace with positive results. We have introduced many new tools to guide our thinking and decision making including the Hermann Brain Dominance Instrument® (HBDI®). This gives an insight into people’s thinking preferences, and how we can improve our interaction and communication with others. It has helped to broaden our thinking and behaviour to better reflect the many opportunities and challenges we face across the business.

Strengthening our workplace culture



Build a culture of high engagement and performance across our workforce to optimise people and business outcomes.



VALUES BASED CULTURE

The values that guide us – care, passion and integrity – are a strong foundation on which we continue to build pride in our business. Our team based discussions continue to endorse our values as drivers of meaningful conversations, and behaviours and outcomes that are right for Sanford.

Our annual culture survey results were stable compared with the prior year (51% versus 52% in 2018). A significant number of our people let us know that our efforts to increase reward and recognition are not happening fast enough. We have made significant progress in our waged remuneration negotiations since we recognised this as an issue in our last survey. However more work is required to ensure we attract and retain the people we need to achieve our business goals.

We also measured lower on collaboration than expected. We will address this by engaging our people as we introduce an additional value around collaboration and team work in the new year.

CARE
—
PASSION
—
INTEGRITY



The Drysdale has a strong committed crew that is led by experienced skippers Dhugal Riddoch and Craig Mangino.

When checking in with the crew on their values, there were no surprises around what they were passionate about. I was encouraged by their discussion and openness around what matters to them, for example pride in their work and being a fisherman, being part of a team, their children and families. Caring about building a tight team and doing the right thing for the company, crew members and family came through.

From a leader’s perspective, it shows the strengthening of our connection and commitment to Sanford values.

Also, from the positive feedback received, I believe that listening and sharing our values reinforces that good communication is so important. Through workshops such as this, we are able to inspire crew and build relationships based on effective, open and honest communication.

Louise Cowan

VESSEL MANAGER, SAN AOTEA II & DRYSDALE



RECOGNITION

Humility is one of the hallmarks of our culture, and our people are not always comfortable about public recognition or praise. However, by improving the ways we communicate within our business we have been able to find ways of celebrating long service milestones and great individual or team contributions at site update events. This is an area we will continue to work on in 2019, with particular focus on demonstrating values and achievements across health and safety, food safety and quality, business improvement, business excellence and sustainability.

BUSINESS MANAGEMENT AND INNOVATION TEAMS

Having an agreed strategic framework is vital for business cohesion and performance. This year we created focused business management and innovation teams drawn from across our existing functional organisational structure and delivered a strategic framework for our total business, as described in *Outcome 1 – Sustainable seafood business*, page 38. Each team was charged with defining our core strategic goals, their target performance outcomes and appropriate timelines for delivery to support our five year strategy. As we share this framework throughout the business, it will support high engagement of our people, help them perform at their very best and deliver business outcomes, including developing our talent and succession capabilities.



The benefits of working on these strategies was two-fold, firstly the teams got to step out of their everyday roles and immerse themselves in one facet of the business, and the other was the exposure to other functions and roles within the business that we wouldn't normally have. All with a very deliberate focus on developing our five year roadmap that will help us achieve our vision to be The Best Seafood Company in the World.

It would be fair to say that it was a steep learning curve as the teams got to grips with the intricacies of their respective areas. However, over time the discussions and insights developed started to form the basis of the strategies, with clearly defined growth opportunities as well as our resource requirements to deliver against the objectives.

Being able to present this to the Executive and the Board in February to some really constructive and positive feedback was a very rewarding experience. Now the hard work starts!

—
Justine Powell
 GM MARKETING AND CONSUMER



STAFF MOVEMENTS

Voluntary turnover during 2018 was 21% across the total workforce (FY17: 16%); involuntary turnover was 5% (FY17: 7%); and absenteeism averaged 4% across the group (FY17: 5%).

GENDER	VOLUNTARY TURNOVER 2018 (2017)	INVOLUNTARY TURNOVER 2018 (2017)	TOTAL TURNOVER 2018 (2017)
Male	120 (128)	35 (53)	155 (181)
Female	77 (68)	16 (28)	93 (96)

AGE GROUP	VOLUNTARY TURNOVER 2018 (2017)	INVOLUNTARY TURNOVER 2018 (2017)	TOTAL TURNOVER 2018 (2017)
Under 20	17 (14)	3 (2)	20 (16)
20 to 29	63 (69)	23 (31)	86 (100)
30 to 39	37 (34)	5 (16)	42 (50)
40 to 49	43 (44)	6 (14)	49 (58)
50 to 59	28 (26)	8 (3)	36 (29)
60+	9 (9)	6 (15)	15 (24)
Total	197 (196)	51 (81)	248 (277)





Our future focus



MATERIAL ISSUES & STRATEGIC GOALS

FUTURE TARGETS 2019 AND BEYOND

OUR 2025 VISION

Safety, health and wellbeing



Through the way we work and behave, and the initiatives we implement to continually enhance our work environments, we will strive to collaboratively protect our people from the risk of harm, whether it be operational or occupational injury or ill health.

Reduce our total recordable incident frequency rate (TRIFR) by 5% by 2020 in line with the Government's 2020 safety strategy.

Build a leadership driven safety, health and wellbeing culture to enable high engagement and performance.

Embed an enhanced Sanford Safety Management System across all areas of the organisation. Support increased voluntary reporting of safety events and concerns. Develop our in-house investigation capability to better manage our risk. Introduce a critical control framework and refine our safety assurance plans.

Continue to identify, track and report key lead indicators that will drive a preventative and proactive approach to safety risk management.

Progressively work to achieve and maintain ACC Tertiary status across all Sanford operations.

Achieve Silver accreditation across the SanWell wellness programme, as a minimum, across all Sanford sites, and ensure that each site is progressing to the Gold standard.



Consistent and effective risk management that allows us to effectively manage the risk of harm to our people and to achieve our aim of being the safest seafood company in the world.

Developing our people



Create a high performance culture where every one of our people is skilled, empowered and engaged in contributing to the goals of the business and reaching their full potential.

Extend and embed Sanford's learning and development framework to increase capability and engagement in the business and achieve recognition as a high performing business and employer of choice.

Strengthen succession planning across the business to ensure more than 75% of role opportunities are appointed from within our own talent pool.



Sanford people are able to develop and achieve to their full potential through active engagement and application of learning across our learning and development framework. Our people strive for high performance from themselves and for Sanford.

Strengthening our workplace culture



Build a culture of high engagement and performance across our workforce to optimise people and business outcomes.

Achieve 10% annual improvement in engagement across the business each year.



Sanford is a business that people want to join, stay in and contribute their best to. Our people are highly engaged in the business and we are widely recognised in the industry as a true leader and employer of choice.

These targets for **2019 and beyond** have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a thorough review of international guidance⁵ on business commitments to support achievement of the UN Sustainable Development Goals (SDGs).

5. GRI and UN Global Compact 2017: Business Reporting on the SDGs – An Analysis of the Goals and Targets.

OUR PEOPLE

WORK HARD FOR EACH
OTHER, THEIR WHANAU AND
THE NEXT GENERATION.
THANK YOU.



Photo: Courtesy of John Bennett, Sanford skipper. Charlize (Charli) Susan Bennett Shields (John's granddaughter), a passionate third generation recreational fisher. Her inclusion is a symbol of our commitment to sustainability.



LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS

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



SANFORD IN THE GLOBAL CONTEXT



RESPONSIBLE CONSUMPTION AND PRODUCTION

Sanford supports the health of its customers and consumers in New Zealand and around the world. We work in partnership with our stakeholders to ensure that we responsibly consume and produce seafood; there are many examples in this section to highlight how Sanford is working towards responsible seafood consumption and production.



LIFE BELOW WATER

Careful management of the ocean is critical to Sanford's sustainable success in delivering value to its stakeholders. Our goal of leading the way in healthy food requires us to constantly consider our impact on the oceans and Sanford is actively looking for ways to minimise its environmental footprint, and continue toward sustainable ocean management both locally and globally.



PARTNERSHIPS FOR THE GOALS

Partnerships are vital to Sanford achieving our quality and sustainability goals. To be the worldwide seafood brand of choice and a world class supply chain, we collaborate with key stakeholders to ensure our unique position for full product provenance is realised. Our partnerships bring us closer to our goal of being recognised as a global leader in safe and sustainable seafood.



Material issues and value creation

Every element of our supply chain, from the sea to our customers and consumers, is focused on delivering safe, high quality seafood. This table summarises Sanford's material issues relating to *leading the way to healthy food and marine extracts*, the strategic goals defined through our Business Excellence Framework, our targets for 2018, and our progress against these targets in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2018 TARGETS*	PROGRESS AGAINST TARGETS**
<p>Food safety and quality</p> <p> GOAL</p> <p>Be recognised as a global leader in providing safe, high quality seafood that delights our customers and represents our love for the sea.</p>	Engage with customers through a quality satisfaction survey annually, achieving year-on-year improvement in results. (S)	<p>✓ Achieved. The survey was completed by 19 customers; 79% of customers rated the quality of Sanford's products high or very high, and 82% of customers rated the quality of customer service positive or very positive, with 11.8% rating satisfaction as neutral.</p>
	All sites and vessels with less than 1 complaint frequency per million kilogram processed overall. (M)	<p>✓ Achieved. Overall, the sites and vessels are below the 1 complaint frequency per million kilogram (kg) target.</p>
	Action and close out 80% of quality complaints within 10 working days, and an improvement year-on-year. (S)	<p>✗ Not achieved. 68% of quality complaints closed out within 10 working days, and 86% were closed out within 15 working days. Overall, there was a 1% increase in customer complaints. While quality defects decreased from 38% (2017) to 20.6% (2018), an increase of 16.6% of 'other' complaints was documented this year, and was largely attributable to packaging and container damage on arrival.</p>
	Implement and maintain FSSC 22000 in all land-based processing sites by February 2018. (M)	<p>✓ Achieved. 100% of Sanford's land-based sites have achieved certification, and we continue to standardise and consolidate systems across the Company.</p>
	Complete full review of customer specifications. (S)	<p>➔ Ongoing. Work continues on creating a complete set of customer specifications for sales and marketing (target completion by end of 2018).</p>
	Maintain Ministry for Primary Industries (MPI) Performance Based Verification (PBV) audit step 6 for certification and export status for all Risk Management Programme sites and step 3 for limited processing vessels. (S)	<p>✓ Achieved. Maximum MPI audit step 6 (for certification and export status) for processing sites and step 3 for limited processing vessels, with an audit every 6 months for all Risk Management Programme sites and limited processing vessels.</p>
	Ensure no food safety product recalls. (S)	<p>✓ Achieved. No food safety product recalls occurred.</p>

TABLE CONTINUES ▾

MATERIAL ISSUES & STRATEGIC GOALS

Drive value through brand creation



Be the brand of choice worldwide for our prized New Zealand seafood, by building a portfolio of brands that engage with consumers.

2018 TARGETS*

PROGRESS AGAINST TARGETS**

<p>Build consumer engagement and understanding of our brand. (M)</p>	<p>➔ Ongoing. Over 20,000+ followers across our social media platforms for our key brands, Sanford, Big Glory Bay, Auckland Fish Market and Seafood School. Our social and digital media platforms continue to enable us to engage with consumers in a meaningful and timely manner. We have had over five million impressions and 31,000 engagements across all platforms for the year.</p>
<p>Develop the portfolio of brands that grow our dollar per greenweight kilogram:</p> <ul style="list-style-type: none"> • Continue to develop the Big Glory Bay Brand (S) • Develop Sanford Black brand (M) • Develop Tiaki Brand. (M) 	<p>✔ Achieved. The Big Glory Bay brand is now established in the local market with the appointment of a Premium On Premise Channel Manager to manage our expanding customer base in NZ. Product on menus of key Auckland and Queenstown restaurants. Expansion plans underway for an imminent launch into the USA and AU market.</p> <p>➔ Ongoing. Packaging and product being sold under Sanford Black, Scampi and Orange Roughy, with plans to extend to Snapper and John Dory in 2019.</p> <p>➔ Ongoing. The Tiaki brand was trialled with key customers and is for sale at the Auckland Fish Market. However expansion plans have been put on hold as part of the Business Management Teams (BMT) Fresh Strategy.</p>
<p>Redevelop the Auckland Fish Market as a destination and a celebration of New Zealand Seafood. (S)</p>	<p>➔ Ongoing. Plans developed and building works underway. Ten out of 11 tenancies occupied. New branding developed for both the Auckland Fish Market and the newly imagined Sanford & Sons Fishmonger, opening late 2018.</p>
<p>Develop and launch a nutraceutical brand. (S)</p>	<p>➔ Ongoing. The brand Sea to Me has been developed. Launch of our first product (Greenshell™ mussel powder) on the 19th November 2018. NZ E-Commerce platform initially, plans for product and regional expansion in 2019.</p>

Supply chain



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

<p>Continue to embed the sales and operational planning (S&OP) process and distribution strategy to increase the variety and value of fresh products into the market. (M)</p>	<p>✔ Achieved. Managing supply chain planning through capturing timely forecasts, broadening the forecast portfolio and improving tools and processes. S&OP now actively coordinates several pieces of the value chain and synchronises plans across business functions while Business Management Teams govern execution against strategy.</p>
<p>Create a cultural change within the business to better align supply and demand to meet customer expectations. (M)</p>	<p>➔ Ongoing. There has been company-wide change in mindset, with cross-functional people actively coming together to share information and design collaborative solutions to align supply and demand.</p>
<p>Contribute to the bottom line by: achieving hard cost savings through procurement projects, cost avoidance and by introducing new efficiencies into the business. (M)</p>	<p>➔ Ongoing. Engaged competitive markets in key spend categories and invested in business intelligence tools to better understand our base costs, suppliers, products and services to meet our business needs.</p>
<p>Achieve inventory improvement by optimising stock levels. (M)</p>	<p>➔ Ongoing. Reduction of Frozen at Sea Aged Inventory by -7%. Increase in Total Delivery in Full on Time (DIFOT) by +5%.</p>



VALUE CREATION – OUTCOME

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

* S = Short term (1 year or less); M = Medium term (2-5 years); L = Long term (5-10 years, or more)

** Refer to 'Progress on our 2018 sustainable business targets' for full updates across all targets defined

Further information on data and trends is provided in the Key Performance Indicator (KPI) table, contained in **Appendix A** of this Report.



Food safety and quality



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



We exist to bring the best quality seafood to our customers and consumers. Trust is important to us, so we have robust food safety, quality and compliance systems in place, all backed with detailed documentation, data management and a well-resourced Food Safety and Quality (FSQ) team.

We take all complaints seriously and we are devoting more resources to resolving them promptly. Close out rates averaged 8.6 days this year compared to nine in the previous year, with 68% of all complaints resolved within ten working days.

By increasing our resources, we are aiming to reduce the time needed for resolution, but at the same time we need to be realistic. We are lifting the volumes of fresh fish supplied to customers and consumers and we are getting closer to both groups. Better relationships encourage people to give rapid feedback when they are not happy, and we need to ensure our responses are equally fast.

This year, block bone complaints have been halved – although it helps to understand volumes and the season. For example, we received only two block bone complaints, but the volumes sold have reduced given our emphasis on processing for frozen fillets which have more value.

Quality complaints breakdown



	2018
Quality defects	20.6%
Other	20.6%
Labelling error	16.4%
Foreign material	12.3%
Product missing	6.9%
Wrong product	6.9%
Temperature abuse	5.5%
Product grading error	2.7%
Bone	2.7%
Under delivered	1.4%
Date coding error	1.4%
Parasites	1.4%
Weight control	1.4%

NEW SEASON, RAISE THE BAR

Each year we try harder, raising the bar in line with our customers' expectations around quality and safety. Our priorities include maintaining the FSSC certification we have now achieved at all our land-based sites. We will also stay at the Ministry for Primary Industry (MPI) Performance Based Verification (PBV) audit step six for all processing sites, and step three for limited processing vessels. These are the highest levels of performance we can achieve, and this is verified by audits every six months. As part of our FSSC programme, we have evaluated our food security and food defence programmes, and implemented additional measures on some of our sites and operational practices. One example is tamper-proof tape which we have introduced on all air freight shipments.

This year, we have introduced a new quality control function into our Auckland inshore operations, in line with our fresh fish strategy. This role ensures ongoing feedback to both our operational and sales teams on quality and performance. Importantly, it supports improved supply chain decision-making, ensuring our premium, fresh fish gets to market early and in top condition.

With more quality resource, we are aiming to close out 80% of all product quality complaints within ten working days. Next year, a centralised database will be established for all audit outcomes and the management of new compliance requirements raised after audits.

RAPID TESTS, MORE SAFETY CERTAINTY

During this year, we completed assessments of new pathogen testing technology for our processing facilities. We test our products as well as our processing environments and equipment, so we can verify to our customers and consumers that our products meet stringent food safety standards.

The rapid testing technology we are investing in is proven in other food industries, where many of the pathogens we guard against are also found. With more rapid testing, we can act more quickly if we detect a potential issue and ensure it is addressed, mitigating any risks to consumers.

GUARDING AGAINST TOXINS

In May of this year, MPI issued health warnings when routine testing of shellfish in the Marlborough Sounds showed levels of Paralytic Shellfish Poisoning (PSP) toxins above the regulatory limit of 0.8 milligrams of saxitoxin equivalents/kg.

While it is very unusual to see a risk of PSP toxins in the winter months, the unprecedented rapid development of the harmful algal bloom species *Alexandrium pacificum* was confirmed with shellfish test results increasing from 0.1 mg/kg to 1.0 mg/kg in just seven days. The algal bloom led to 122 farms being closed, and another 128 voluntarily ceasing their harvest until the toxin dissipated naturally from the shellfish once the bloom collapsed – as they do. Sanford farms were among them.

We opted to take a very conservative approach to managing the risk, closing off areas which were not affected, but had the potential to be. We tested all our mussel harvest to ensure compliance. We also aided the industry and MPI by supplying a vessel to allow extra sampling to speed up reopening when the bloom declined.

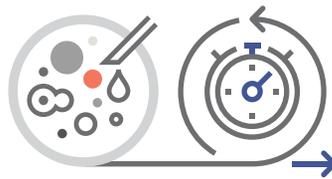


While the algal bloom was disruptive to us, the industry and to our affected customers, it has also created opportunities for everyone to learn more and strengthen our defences. The bloom occurred later in the year than is typical, but this was triggered by a range of factors aligning, including nutrient levels, temperature and water conditions. Scientists at Nelson's Cawthron Institute have been researching algal blooms, enabling us and the industry to understand key dynamics and farm accordingly.

We are working with industry and MPI to increase the number of sampling points for toxins and algae (phytoplankton) to enable a clearer picture of future risks. We are also investigating a rapid qualitative PSP test for Greenshell™ mussels that has started to be used in Tasmania for oysters. This method will enable tests to be done much closer to the harvesting areas, virtually within real time. This compares with typical test-to-results time of 24-36 hours.

Under a National Science Challenge, Sustainable Seas research grant, Cawthron is also currently testing a novel piece of equipment (an Imaging Flow CytoBot) that can automatically identify and count toxic algae out on the water. This has the potential to considerably increase our ability to predict and manage any future events of this nature. Sanford has supported this work to enable Cawthron to secure this research funding.

CURRENTLY INVESTIGATING



Rapid

QUALITATIVE PSP TEST FOR GREENSHELL™ MUSSELS

TESTING MUCH CLOSER TO THE HARVESTING AREAS, VIRTUALLY WITHIN REAL TIME

CUSTOMER FEEDBACK ON PRODUCT QUALITY

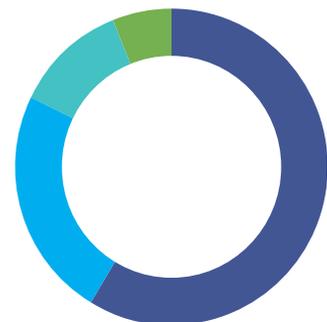
Sanford undertook another survey to gauge our performance with our customers, with 19 being answered by our largest global customers in Asia, Europe and North America. The 2018 outcomes show a steady, overall improvement in results from last year.

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



	2018	2017
Very high quality	21.05%	4.76%
High quality	57.89%	80.95%
Neither high nor low quality	21.05%	14.29%
Low quality	0.00%	0.00%
Very low quality	0.00%	0.00%

How would you rate the quality of your customer service experience about food safety and quality?



	2018	2017
Very positive	58.82%	42.86%
Somewhat positive	23.53%	38.10%
Neutral	11.76%	14.29%
Somewhat negative	5.88%	4.76%
Very negative	0.00%	0.00%



Drive value through brand creation



Be the brand of choice worldwide for our prized New Zealand seafood, by building a portfolio of brands that engage with consumers.



BRANDS FROM THE BIG BLUE

Sanford's brand work is drawing together all the elements that make us a successful and sustainable company – from generations of fishing experience and decades of marine science to knowing our customers and consumers and what they value.

Our premium Big Glory Bay brand launched last year, and is all these elements on a plate. Our King salmon and our mussels, farmed in the pristine waters of Stewart Island, are successfully differentiated through their taste, texture and provenance. Our focus remains the foodservice channel where chefs are not only discerning but also demanding in their requirements for the best and freshest quality seafood delivered consistently. It certainly is a benchmark we are proud to achieve on an ongoing basis with our partner restaurants.

With Big Glory Bay branding, we are successfully securing significantly improved margins. It is important for our customers and consumers to have confidence in this provenance and in our own sustainability credentials. We made the decision to put reputation first this year, placing an up to ten week stay on harvesting to allow our salmon stocks in the year class to come up to the weights preferred by customers, following a marine heatwave. While this meant we could not supply our salmon products to customers, it was important to take this step to protect our reputation for quality, as well as sustainability.

The Big Glory Bay brand is established in New Zealand and we are growing the number of customers keen to put our branded King salmon on their menus. Internationally we have achieved a smaller-scale rollout in Hong Kong with plans to extend into the USA and AU market in 2019. Feedback to date has confirmed that customers like our story and what we stand for as much as they enjoy our fish.

Our Big Glory Bay brand is supported with independent provenance provided by Oritain, who are world leaders in scientifically verifying the origin of food. The farm also carries Best Aquaculture Practices (BAP) third party certification (refer *Outcome 1 – Sustainable seafood business* page 34, *Outcome 4 – Healthy oceans*, page 77).

SANFORD BLACK AND SANFORD BLUE

We're looking for continuous improvement each season in our quest to increase the value we achieve with our frozen and fresh catches. In frozen, we are focusing on producing more fillets and less block, while in fresh, how we process the fish can result in important differences such as higher yields, or greater volumes which meet higher grade specifications.

Consistency is all part of our branded promise. After processing specifications for all product lines were completed in early 2017, we moved on to create a complete set of customer specifications for sales and marketing with target completion by the end of this calendar year.

Our Sanford Black premium brand and our Sanford Blue commodity brand show us putting our name to our work, so our customers can be confident in the quality, provenance and sustainability of the seafood they are buying. Packaging for the Sanford Black and Sanford Blue brands now covers all 45 of the products in the portfolio, completing the work initiated last year. Plans to extend the Sanford Black range in 2019 are underway.



3

PERFORMANCE OUTCOME:
HEALTHY FOOD AND MARINE EXTRACTS

OUR BOATS TO YOUR PLATE

Every week Sanford vessels and those of our partnering fishers are delivering fresh and quality frozen fish to processing sites and to retailers, including our own fish markets in Auckland, Tauranga and Timaru.

Because our supply chain is controlled by Sanford from sea to shore, we can confidently provide information on where the fish was caught, when and by whom. This is a strong competitive advantage and one that resonates with consumers who are wanting to know more about the products they are consuming and it's a powerful story for us to be able to communicate full transparency across the supply chain.

In the new financial year, we are looking forward to taking this consumer engagement a big step further with the Auckland Fish Market revitalisation into a seafood destination of ten eateries, our Sanford and Sons Fishmonger and our Auckland Seafood School.

Through this development we will be able to let consumers learn more about seafood, try different species, sample different cooking styles through our food outlets and celebrate seasonal favourites. We have clear objectives to grow the sales of lesser known species which not only ensures the ongoing sustainability of all of our fish stocks but also provides consumers more value driven species to choose from.

This approach brings the 'species, source, fisher and flavour' facts to life in a very consumer-friendly environment which we are confident will not only attract locals and tourists alike, but also grow domestic sales of one of our country's most affordable protein sources.

Our Sanford Facebook page is further consolidating our consumer-friendly presence, sharing stories about ourselves, our people and our products.

These initiatives are complemented by our continued involvement with Seafood New Zealand's The Promise Campaign, highlighting the reputation of our industry at large and its stewardship credentials.

CASE STUDY •



Auckland Fish Market

Back in the 1870s the Sanford name meant smoked snapper, bought off the boat at Queens Wharf in downtown Auckland.

Fast forward to 2018 and what have we got? Smoked snapper joined by another 90 or so species of sustainable fish, as sparkling fresh as the waters they came from and many still sold in downtown Auckland by the sea, in the Wynyard Quarter.

That's the promise behind the revitalised Auckland Fish Market where more than a century of seafood experience is the force behind a single-minded purpose to make seafood the hero of New Zealand's food culture. The long term aim is to attract at least two million visitors annually as diners and another one million as fresh fish customers.

The market, long considered the best place to buy fish in Auckland, is undergoing a complete revitalisation, with ten eateries, a relaxed courtyard and bar and our popular Seafood School combining to create the ultimate fresh food experience for locals and visitors. It will open in late 2018.

To coincide with the revamp, we are also launching the Sanford and Sons Fishmonger brand, celebrating our historic roots.

We are planning to do more than lure the hungry in for the traditional fish and chips. Despite being surrounded by four million square kilometres of ocean, not to mention a richness of sustainable species, we tend to default to regularly cooking and eating just four fish species – and being 'spectators' of the rest.

One of the Market's missions is to encourage enjoyment of a greater variety of fish from all points of the price scale, proving that fish is not only delicious, but also a highly versatile, diverse and affordable source of protein. With the eateries on board, there will be ample opportunities to taste different species – including the more unusual ones – while the Seafood School will pass on the skills to take the taste home to the family kitchen. The aim is to double the sales of lesser-known species, while enriching consumers' enjoyment of seafood.

We are also delighted to have engaged a social enterprise, *Fresh Desk*, to provide cleaning services, and are looking forward to fostering this partnership to drive positive change in our community.



Photo: Artist impression of new Auckland Fish Market courtyard



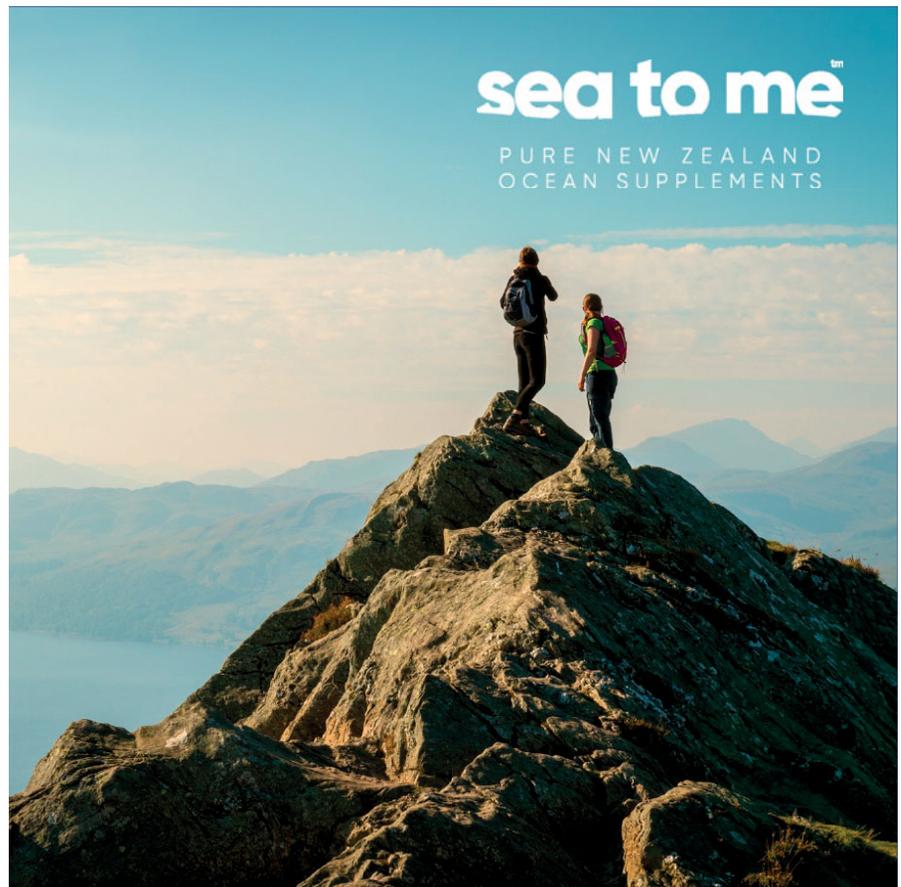
FRESH, FAST AND FAMILY FRIENDLY

A tactical acquisition of Freshcatch this year accelerated our drive to connect with more consumers and increase everyone's appetite for fish. Freshcatch is now folded into the Sanford stable as our online fishmonger, offering home delivery of fresh seafood throughout the Auckland region.

We are aiming to bring fish market freshness and quality to consumers' kitchens, making seafood an integral part of a healthy diet every week. Over time, we will explore expanding the product offering and delivery service to the rest of New Zealand.



VISIT freshcatch.co.nz



A NEW ELEMENT TO OUR BRAND

The Sanford brand is synonymous with the sea and increasingly, this means more than seafood. We continue to have a focus on product utilisation to maximise the return of each fish we catch or farm (refer *Outcome 1 – Sustainable seafood business*, pages 41–44). Science is unlocking elements within natural resources, such as mussels, which have been shown to offer anti-inflammatory properties.

Our 2017 acquisition of Enzaq, a company using uncooked mussel meat and low temperature flash drying to create a high nutritional quality powder, has enabled us to produce a product that we can in turn encapsulate and expand our offering to the nutraceuticals sector (refer *Outcome 1 – Sustainable seafood business*, page 42). As well as its anti-inflammatory properties, the Greenshell™ mussel powder provides nutritional support for the heart, lungs, joints, muscles and connective tissues.

The acquisition was a win-win for Enzaq and Sanford, as it not only opened new revenue opportunities but also enables us to generate more value from the quality mussels we can produce sustainably at our farms around New Zealand waters.

As well as investing in additional dryers to increase production capacity, we began work this year to develop our *Sea to Me* brand which will initially focus on a Greenshell™ mussel powder-based product. Launching in November 2018, over time the brand will grow to include more marine-based nutraceutical products.



3

PERFORMANCE OUTCOME:
HEALTHY FOOD AND MARINE EXTRACTS

Supply chain



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



When Sales & Operations Planning (S&OP) began in 2016 it was primarily a supply chain-driven process aimed at getting product to our customers more efficiently.

It has since evolved into a holistic business-led process incorporating broader areas such as margins, harvest optimisation and product reliability. One of our strategic ambitions is to achieve operational excellence. Our supply chain capabilities are integral to achieving that goal.

In 2018 our Business Management Teams have helped roll out category strategies. S&OP developed processes which tie into each of Sanford's business unit strategies. We have implemented robust monthly future-focused planning processes that provide greater transparency through the whole value chain of catch to plate. Our Focus-on-Fresh improvement initiatives have significantly contributed to the +\$2.8m margin growth over a volume increase of +400T Greenweight (GWT) fresh sales.

We have used planning forums to balance supply and demand and this has paved the way for the Executive team to focus decisions around risk mitigation, maximising revenue opportunities, improving customer service and reducing inventory holding.

We know that as Sanford continues to transform into a more customer-centric business, our planning processes will become more complex as we strive to manage capacity, variability of supply, inventory allocation and introduce new products.

In 2019, S&OP will gradually roll out a dedicated Value Chain Planning Organisation, with a team that will design and introduce enhanced planning platforms. Planning decisions will be better aligned financially, with assumptions driven and tested through scenario-based analysis. Improved planning visibility means we will be able to work more efficiently with external partners including shipping lines, transport companies, warehouse providers and maintenance contractors.

FOCUS-ON-FRESH
IMPROVEMENT INITIATIVES
A SIGNIFICANT CONTRIBUTOR TO THE

+\$2.8M

MARGIN GROWTH
OVER A VOLUME INCREASE OF

+400T

GWT FRESH SALES



BEAUTIFUL - NEW ZEALAND - SEAFOOD



3

PERFORMANCE OUTCOME:
HEALTHY FOOD AND MARINE EXTRACTS

Copyright details: Salt and pepper scampi from *The New Zealand Seafood Cookbook* by Auckland Seafood School. Food photography by Sean Shadbolt. Published by Penguin Group NZ. Chef: John Campbell.

CASE STUDY •



Cool chain to Christchurch

Ensuring our fresh salmon and southern fish from Bluff reaches Christchurch for air freight in pristine condition was the starting point of a dynamic relationship between Sanford and New Zealand Couriers (a Freightways business).

This year, we partnered to launch a refrigerated courier service that ensures product delivery at an ideal -2 degrees C. This required us to collaborate on an innovative and flexible approach, and sustainability was a key consideration.

Sanford was the launch customer of the scheme and being first has its benefits – we have been able to convert our existing oyster shed into a refrigerated storage unit as part of the deal.

The trucks have a false curtain side effect, which allows for eye-catching co-branding for both businesses, while staying true to existing branding and colour schemes.

The new refrigerated storage capability, combined with the refrigerated courier, ensures our product reaches the domestic network in optimal condition, and enables Sanford to implement more sustainable and brandable packaging in non-polystyrene formats.

Combining the benefits of an efficient, refrigerated fleet with a flexible solution has been really positive for the region. The New Zealand Couriers service is now providing valuable infrastructure to other producers of perishable products in Southland.



MORE SUSTAINABLE PACKAGING

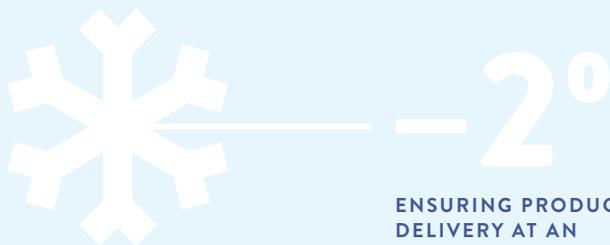
Sanford has been keen to explore more sustainable and brandable packaging solutions, constructed from recyclable cardboard rather than polystyrene – which has traditionally been used in the industry due to its insulative properties. The refrigerated infrastructure and new packaging technologies should ensure that fish reaches all our customers well within agreed temperature specification. Current trials have been successful, and will be ongoing during the height of summer until we have robust temperature data year round before making the change.

NEW BUSINESS SYSTEMS IN SUPPLY CHAIN

A strategic focus of the Supply Chain team this year has been the introduction of digital tools to support commercial decision making in the business. In particular, to better understand the cost drivers across the distribution chain to customer – this can be very complex with over 100 species, each with different SKU's and costs, and over 700 customers, in over 70 countries! The aim of this activity is to support our sales team in directing our products to the best markets. The tools are giving more insights into our costs to service our different markets and to ensure we're optimising routes and linkages using our freight forwarding and airline partners.



Photo: New co-branded refrigerated courier service keeps fish fresh enroute to Christchurch



ENSURING PRODUCT DELIVERY AT AN IDEAL TEMPERATURE



Our future focus



MATERIAL ISSUES & STRATEGIC GOALS

FUTURE TARGETS 2019 AND BEYOND

OUR 2025 VISION

Food safety and quality



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

Maintain FSSC 22000 food safety across all five land-based processing sites, achieving no more than 30 non-conformances.

Trial and implement commercially available rapid microbiological testing technologies for Greenshell™ mussels at Havelock, with the view to use this technology at other sites. Introduce the testing service to other Sanford sites and increase the speed of results, meeting market access and customer specific requirements.

Investigate and implement an in-situ rapid PSP test for Greenshell™ mussels, to enable real time testing.

Support every worker to be a quality inspector who owns their products and processes.

Work with fishing, processing and supply chain to monitor and improve the quality of fresh fish and service delivery via specific quality monitoring systems and feedback loops from sea to plate.



Sanford is recognised and respected as a global leader that is responsible, engaged and empowered with the necessary culture, tools and training to provide safe, high quality, and sustainable New Zealand seafood that meets the expectations of our increasingly sophisticated customers and consumers.

Drive value through brand creation



Be the brand of choice worldwide for our prized New Zealand seafood, by building a portfolio of brands that engage with consumers.

50% of NZ consumers are aware of Sanford products. Validated through market research.

Relaunch the Auckland Fish Market with 1 million consumers per year.

Redevelop the Auckland Fish Market Seafood School with world class offerings, and a 75% occupancy rate for all Seafood School classes.

Amplify and extend consumer engagement across social and digital media platforms with 50,000+ consumers in our online communities.

Continue to launch consumer led innovation.

Extend the branded product and market footprint of Sea to Me nutraceutical brand.

Extend the branded product and market footprint of Big Glory Bay.

Develop the system and technology to trace from sea to plate across all Sanford consumer facing brands.



Sanford is the worldwide brand of choice for New Zealand seafood, built on a reputation of authenticity, trust and expertise. Our customers and consumers place significant value on the provenance of our seafood.

Supply chain



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

Continue the emphasis on adding value to our customers through delivering ongoing supply chain improvements.

Integrate the strategic ambitions of the company into supply chain activities by actively engaging in Business Management Teams.

Develop and use tools to build forecasting capability across harvesting, supply, demand and inventory functions.

Continue to contribute positively to Sanford's bottom line by actively managing key suppliers. Implement best practice procurement, embedding sustainability into our selection and management of suppliers and continue to grow influence and reduce complexity across all third party expenditure.



A world class, sustainable supply chain that enables the company to achieve its vision of being the Best Seafood Company in the World; bringing beautiful New Zealand seafood to customers all around the world.

These targets for **2019 and beyond** have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a thorough review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals (SDGs).

1. GRI and UN Global Compact 2017: Business Reporting on the SDGs – An Analysis of the Goals and Targets.



ENSURING HEALTHY OCEANS

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

SANFORD IN THE GLOBAL CONTEXT



LIFE BELOW WATER

The oceans – their temperature, chemistry, currents and life – drive global systems that make the earth habitable for humankind. They are the natural capital that Sanford’s business relies upon to provide value to our stakeholders. It is therefore imperative that we do everything in our power to ensure their health. The biggest difference we can make is by sustainably utilising fish stocks and our aquaculture operations, ensuring that we don’t pollute the resource we rely on for our product. Sanford is also taking a leadership role, both within New Zealand and globally to support sustainable ocean management.



PARTNERSHIPS FOR THE GOALS

Healthy oceans require strong multi-stakeholder partnerships that cut across the boundaries of industry, government, academia and non-governmental organisations (NGOs). Sanford is an industry leader in breaking down barriers so that collaborative partnerships can evolve to develop innovative solutions and long-term commitments, with a goal to ensuring healthy and sustainable oceans for generations to come.





Material issues and value creation

When we talk about being in our element, it's the oceans which come first to mind. They are our primary source and their health is our primary consideration. This table summarises Sanford's material issues relating to **ensuring healthy oceans**, the strategic goals defined through our Business Excellence Framework, our targets for 2018 and our performance in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2018 TARGETS*	PROGRESS AGAINST TARGETS**
<p>Sustainable fish stocks and marine farms</p> <p> GOAL</p> <p>Ensure clear commitment to comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean management and taking the elimination of overfishing, underreporting and illegal discards of catch seriously.</p>	<p>Maintain third party certifications across Sanford aquaculture farms, validating our commitment to farm efficiently and deliver sustainable seafood. (S)</p> <hr/> <p>All fishers to record and report their catch to ensure maximum transparency of the fish stock status. (L)</p> <hr/> <p>Continue engaging with New Zealand's Deepwater Group to maintain and support Marine Stewardship Council (MSC) sustainability certification for deepwater species in New Zealand's Exclusive Economic Zone (EEZ). (L)</p>	<p> Achieved. Five certifications maintained including Best Aquaculture Practice (Big Glory Bay King (BGB) salmon and Greenshell™ mussel farms); Certified Organic (BGB mussel farms and processing plant); Marine Farm Association Environmental Certification (mussel farms Marlborough); A+ Sustainable Aquaculture in progress (mussel farms).</p> <hr/> <p> Achieved. Full and compliant catch monitoring. AIS (GPS tracking), Cedric and cameras in use by Sanford operations. Progressive roll out of the Global Position Reporting (GPR) and Electronic Reporting (ER) will further increase data collection and transparency in FY19.</p> <hr/> <p> Ongoing. Sanford continues to actively engage with and support MSC certification for deepwater species. In 2018, 44% of our total wildcatch by greenweight tonne (GWT) was MSC certified (FY17: 46%). Two MSC chain of custody audits were carried out in relation to Sanford operations in FY18.</p>
<p>Marine conservation</p> <p> GOAL</p> <p>Embrace our role as a change leader in the seafood industry, applying influence on the sustainability of our oceans, leading to better practice and more sustainable outcomes, while making a positive impact on the communities and coastal ecosystems where we operate.</p>	<p>Take a strategic long term view of the vision, risks and opportunities relating to sustainability aspects of fisheries and work with others to operationalise best practice adaptive planning, management and response. (L)</p> <hr/> <p>Identify, define and deliver targeted initiatives to reduce plastic waste by 70% and re-use or recycle those plastics that remain necessary across our operations, by 2025. (L)</p>	<p> Ongoing. We continue to take a multi-stakeholder approach to co-creating a vision for New Zealand and the world's oceans, working to research and implement leading edge sustainable fisheries and aquaculture management. Co-leadership of marine domain of The Aotearoa Circle provides a further forum to progress this.</p> <hr/> <p> Ongoing. Launched WHATPLASTIC? plastic reduction programme. A range of initiatives are in progress, from packaging innovations to the development and progressive phase out of plastic in our retail operations, and ongoing roll-out of eco-ties in our aquaculture operations.</p>

TABLE CONTINUES ▾

MATERIAL ISSUES & STRATEGIC GOALS

Endangered, threatened and protected species



GOAL

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

2018 TARGETS*

Implement ongoing initiatives to minimise seabird and marine mammal interactions through research, technology and best practice mitigation. **(M)**

Develop and implement a Plan to progressively remove fishing-related threats and enable the Māui dolphin population to recover and expand. **(M)**

PROGRESS AGAINST TARGETS**



Ongoing. We continue to focus on research, technology and training to reduce our interactions with endangered, threatened and protected species through a range of industry initiatives. We recognise the importance of transparent reporting and are focusing on targeted initiatives as we strive to improve our performance.



Ongoing. *Māui Dolphin Protection Plan* making steady progress. Working with fishers from wider commercial community to assist them to transform to dolphin-safer fishing methods. Supported this process by providing a secure supply of commercial catching rights in key species.



VALUE CREATION – OUTCOME

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

* **S** = Short term (1 year or less); **M** = Medium term (2-5 years); **L** = Long term (5-10 years, or more)

** Refer to 'Progress on our 2018 sustainable business targets' for full updates across all targets defined

Further information on data and trends is provided in the Key Performance Indicator (KPI) table, contained in *Appendix A* of this Report.





Sustainable fish stocks and marine farms



Ensure clear commitment to comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean management and taking the elimination of overfishing, underreporting and illegal discards of catch seriously.



Sustainable fish stocks and marine farms are fundamental to our sustainability as a business. We work individually and with key partners to innovate, research and develop the optimal ways to protect and harvest marine resources. Science and technology have a big role to play, but as this year shows, we remain vulnerable to external environmental conditions and events. A marine heatwave at the peak of summer affected growth and mortality rates at our Big Glory Bay salmon farm and we suspended exports for up to ten weeks. An algal bloom in the Marlborough Sounds affected our mussel harvest volumes (refer *Outcome 1 - Sustainable seafood business*, page 34). Innovations such as SPATnz and Precision Seafood Harvesting (refer *Outcome 1 - Sustainable seafood business*, pages 41-43) reflect our ongoing commitment to adaptation, as well as

delivering improvements about the way we fish and farm.

Our results confirmed that we successfully managed these climatic effects in 2018. This is due in no small part to the commitment of our staff, crew, contractors and suppliers and the understanding of our customers.

This year we've been working hard to improve the sustainability of our salmon farming operation at Big Glory Bay, Stewart Island including increased community engagement (refer *Outcome 5 - Communities and partnerships*, page 89) and the installation of two new barges. Our new brood farm feed barge is fitted with a feed control and camera system and three feed hoppers, giving greater control over feeding.

We also commissioned a new harvest barge equipped with state of the art stunning and harvesting equipment reflecting industry best practice and fish welfare standards. This has vastly improved the efficiency of fish harvesting and the handling of salmon (refer *Outcome 1 - Sustainable seafood business*, page 34).

We are collaborating with our salmon feed supplier, Skretting, at the Okiwi Bay Finfish Research Centre in the Marlborough Sounds. The centre is working on the growth performance of Chinook salmon under changing parameters, such as zero marine products in the feed. We will be monitoring and ultimately benefiting from the research outcomes.

SUSTAINABLE COMMERCIAL CATCH

Our livelihood is dependent on a sustainable fishery, so we support changes to quota when they occur. In September, we joined other industry leaders in announcing a proactive reduction in the amount of hoki we will catch in the 2019 fishing season. This decision responds to our observations of changing patterns in one part of the hoki fishery, and includes shelving of 20,000 tonnes of West Coast quota, which represents a 22% catch reduction. The decision also includes an agreement that there will be no carryover of any uncaught West Coast hoki quota from the 2017/18 fishing year.



Photo: our new brood farm feed barge



We believed it was prudent to take this action in light of changing patterns of distribution of hoki. We are aware that there has been an unusual pattern of warmer water temperatures in the Tasman Sea in the last 18 months. We can't say for sure that this is causing hoki to change their behaviour, but until the science can give us firm answers, we felt that this co-operative approach to limit our fishing activity was the right thing to do.

Volker Kuntzsh
CHIEF EXECUTIVE OFFICER, SANFORD



Fisheries New Zealand have officially announced changes in Total Allowable Commercial Catch (TACC) for the 2018/19 fishing year, notably a reduction in catch limits of 12 fisheries including a 20% reduction for tarakihi on the East Coast. Sanford agrees this is necessary to rebuild the fishery. TACC for 11 fisheries has been increased for the coming year, including scampi and orange roughy, indicating that these fisheries continue to thrive.

MARINE PROTECTED AREAS (MPAS)

In 2007, New Zealand established Benthic Protection Areas (BPAs) which closed 17 large areas to bottom trawling and dredging across a broad range of deepwater benthic habitats. Combined, this equates to approximately 30% of New Zealand's Exclusive Economic Zone (EEZ). This change to legislation was led by the seafood industry, through the Deepwater Group (DWG), and was supported by Sanford.

BPAs are internationally recognised as Marine Protected Areas (MPAs) and meet the International Union for Conservation of Nature's (IUCN) definition of a MPA. New Zealand has the largest coverage of MPAs of the OECD countries. Refer to the case study *Fishing in an Antarctic haven* on pages 78-79 for information of how we operate in the new Ross Sea region MPA.

OUR QUOTA: HOW DO WE USE IT?

SANFORD IS NZ'S LARGEST - QUOTA HOLDER -

22%¹
2017: 23%

8
PROCESSING SITES INCLUDING JOINT OPERATIONS
2017: 8

621
INDEPENDENT SHAREFISHERS
2017: 583

22
DEEPWATER & INSHORE VESSELS
2017: 23

313²
FISHSTOCKS
2017: 313

87²
SPECIES
2017: 87

HOW HAVE WE PERFORMED?

TONNES OF FISHMEAL AND OIL PRODUCED
11,184
2017: 11,644

WILDCATCH GREENWEIGHT TONNES
92,612³
2017: 96,225⁴



1. Quota ownership based on New Zealand annual catch entitlement (ACE) equivalent
2. Figures relate to Sanford's New Zealand quota only
3. Total wildcatch GWT comprises Sanford fleet, including contracted ACE fisher's landings
4. 2017 GWT restated due to timing difference between data capture and recording across internal and statutory databases



SUPPORTING THE EASIER COLLECTION OF DATA

While New Zealand's Quota Management System (QMS) was considered a breakthrough in sustainable fisheries management 30 years ago, it is important to maintain its value by ensuring it considers changes in science and technology, as well as the expectations of recreational, customary and commercial fishers.

That is why we supported the introduction by the Ministry for Primary Industries (MPI) of mandatory Global Position Reporting (GPR) and Electronic Reporting (ER), including cameras. The first will show every vessels' position and the second covers the electronic reporting of catch details. In time it will include the gathering of video footage from vessels. Sanford has run GPR on our wildcatch fleet for more than ten years, and for several years, we have used ER on our trawl vessels over 28 metres. This is going to be extended to the rest of the Sanford fleet, including our smaller inshore vessels. The benefits go beyond purely meeting the regulatory requirements, providing useful information for fisheries management, sales, voyage planning, and safety alerts.

We understand from Fisheries New Zealand that mandatory carrying of cameras on vessels is imminent, although the exact timeline is not yet clear. We have used camera technology on various vessels in the Sanford fleet for at least five years. This includes our cameras deployed within our fleet for specific projects, such as our vessels *San Aotea II* and *San Aspiring*, which operate in the Ross Sea and South Georgia toothfish fisheries.

However, we also believe it is important that regulators clearly stipulate how footage from electronic monitoring is to be used and who can see it. We do want to protect the privacy of individuals and make sure that the intellectual property we hold in areas like Precision Seafood Harvesting remains protected.

We're looking forward to and embrace the opportunity to use new technologies that we believe will improve information flows to Fisheries New Zealand, and Sanford, as sound fisheries management and business decisions are built on good information.

SUSTAINABILITY CERTIFICATIONS

We support and validate our commitment to delivering sustainable seafood via five certification programmes; one for our wildcatch and four for our marine farms.



We are members of the Deepwater Group (DWG) Fisheries Certification Programme. The programme adopts the **Marine Stewardship Council (MSC)** certification. Six species in the New Zealand Exclusive Economic Zone (EEZ) are MSC Certified, these are: ling, hoki, hake, southern blue whiting, orange roughy and albacore tuna. Outside the EEZ, the Ross Sea Antarctic toothfish and South Georgia Patagonian toothfish are also certified.



We are in our third year of the Global Aquaculture Alliance's **Best Aquaculture Practices (BAP)**. In 2018, our Big Glory Bay King salmon achieved three-stars for our farm, processing facility and feedmill, now that our feed supplier, Skretting, obtained BAP certification in early April.



Our Big Glory Bay Greenshell™ mussel farms and processing facility in Bluff are **Certified Organic** by Asure Quality.

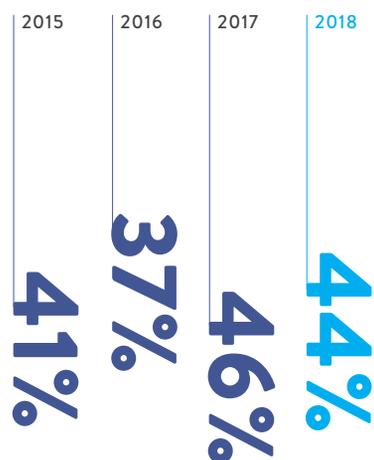


All our Greenshell™ mussel farms are signed up to Aquaculture New Zealand's **A+ New Zealand Sustainable Aquaculture** programme.



Our Mussel farms in Marlborough have continued certification to the **Marine Farming Association's (MFA) Environmental Programme**. Focusing on farm management, vessel operations and crew behaviour on the water.

Wild caught MSC certified catch⁵



5. Based on Sanford's total wildcatch (by GWT) for 2018. Deviations reflect fluctuations with seasonality, annual catch entitlements, species composition and climate events such as El Niño/la Niña.

CASE STUDY •



Fishing in an Antarctic haven

When the Ross Sea region Marine Protected Area (MPA) came into force in December 2017, it became the world's largest protected area on land or sea - six times the size of New Zealand and twice the size of the US state of Texas.

The historic agreement forged between 25 member countries of the Convention on the Conservation of Antarctic Marine Living Resources (CCAMLR) and the European Union (EU), included significant input from Sanford and other New Zealand fishing companies.

The Ross Sea is one of our planet's most remarkable and inaccessible areas of ocean. It is also a body of water that stirs the passions and interests of many different groups. These include conservationists who want to protect its unique ecosystem; scientists keen to study the Ross Sea and ensure its marine life is understood and properly documented, CCAMLR members charged with ensuring that its fisheries are sustainably managed; and companies like ours fishing responsibly for Antarctic toothfish with the goal of sustainability and maintenance of future stocks.



Photo: a team effort to smash ice from the decks of the *San Aspiring* Credit: John Bennett

We became involved in the MPA consultation in 2011, and in 2013 advised the New Zealand Government of our formal support for the proposal – but we had an important proviso. We asked for tougher rules to be put on fishing vessels operating in such an ecologically sensitive and dangerous environment.

That might seem counter-intuitive for a fishing company – but the changes we sought were designed to protect the Ross Sea environment and to ensure that the Antarctic toothfish remains a resource that supports Sanford, our families and our customers now and for generations to come.

The establishment of the MPA significantly reduced the available fishing areas in the Ross Sea and we believed it was critical for the rules around approvals, numbers and operations of vessels to be monitored to ensure the fishable area is utilised in the optimal way. We believe that long-term commitment to research should be one of the key drivers for deciding which vessels fish there.

The effort required to negotiate the MPA was massive. New Zealand's public agencies, Ministry of Foreign Affairs and Trade (MFAT), scientists and conservationists, and our fishing companies all helped in the international effort to secure what was described by National Geographic as one of the top five environmental achievements of 2016.

The 1.55 million square kilometre MPA has a fully protected zone of about 1.12 million square kilometres, or three quarters of the MPA, where commercial fishing is prohibited. This protected area includes the main nursery grounds for juvenile and sub-adult Antarctic toothfish. Limited, carefully monitored fishing is still permitted in the Ross Sea. However, the net effect of the MPA is that some fishing areas have been closed, and it has compressed the available area for catch.

The fishing method used is bottom longline. This automated system uses hooks and lines and means that seabed contacts and any resulting adverse effects are minimal. This is the only fishing method allowed in the area by CCAMLR and ensures a very low environmental footprint from participating vessels.

During the 90-100 days each year that sea ice clears and conditions allow, our two vessels *San Aotea II* and *San Aspiring* operate under strict rules prescribed by CCAMLR that relate not only to the Antarctic toothfish, but to the entire ecosystem.

Those rules are tough – and we are tough about making sure we comply with them. There are strong restrictions and measures that apply to the disposal of offal, bait, garbage; that deal with careful management of oil and fuel products; provide protection for seabirds, marine mammals, and other creatures; and govern all fishing and reporting of catches. There are also very strict limits on the amount of fish that can be taken, and daily and monthly reporting that is mandatory. We carry two independent scientific observers who conduct research and report on vessel operations.

The arrangement permitting controlled fishing requires a total commitment to ongoing scientific research. Some of this research is to provide monitoring and regular updates to ensure the MPA is fulfilling its objectives.

To provide information to monitor stock size of Antarctic toothfish, we must tag and then release alive and in good condition some of the fish we catch. When those fish are caught again this information is reported and scientists can use these numbers to assess stock size for management. The information also allows us to monitor fish growth and their movements around the region.



Photo: Antarctic fisherman Duane Walker holds an Antarctic toothfish Credit: John Bennett

TOUGH RULES - TOUGH CONDITIONS

SEA ICE /
CONDITIONS ALLOW

90-100

FISHING DAYS
EACH YEAR

3
PERFORMANCE OUTCOME:
HEALTHY OCEANS

At Sanford, we firmly believe that rigorous science is vital for maintaining accurate stock assessments and the long-term future of this prized fishery. Our licence to fish in the future will be conditional on our ability to consistently deliver accurate and timely information about the environment and all its creatures (including toothfish) for management of the Ross Sea area. Environmental monitoring is also important, as the Ross Sea is a key area for monitoring critical parameters to assess climate change.

Our Antarctic toothfish crews operate in one of the world's most unforgiving environments, where the elements and distance from port can present brutal challenges - particularly to the uninitiated. Our people undergo disciplined training on land before departure and throughout their weeks at sea. Many are veterans of this remote fishery since Sanford started operating there in 1997.

Rules, restrictions, remoteness and a tough operating environment - is the Antarctic toothfish worth the effort?

Our customers - including top international chefs - certainly think so because its succulence makes it taste delicious and almost impossible to overcook. We continue to send our vessels south each season because it remains a profitable fishery.

Fishing in the Ross Sea MPA is a tightly controlled, highly regulated and legitimate activity. We have proven that it is possible to have a marine protected area alongside a well-managed fishery. That is a credit to our own crews, those on other vessels licensed to operate in the Ross Sea MPA, and their adherence to the regulatory environment.

Sanford vessels are also part of a smaller select group of vessels operating in the Ross Sea that have achieved Marine Stewardship Certification (MSC). The bar to gain this additional recognition is set even higher than the stringent CCAMLR rules and regulations.

MSC recognises and rewards sustainable fishing practices and increasingly influences the choices people make when buying seafood. Sanford was one of the founding members of the Ross Sea Antarctic toothfish MSC group. The initial certification in 2011 followed rigorous evaluation and intensive scrutiny from environmental groups and scientists and we were awarded one of the highest MSC scores ever achieved at that time. Recertification is required every five years. The 2016 recertification gained an equally impressive score.

Sanford is proud that our achievements in responsible fishing for Antarctic toothfish have been publicly acknowledged in this way.

Marine conservation



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



Leadership requires us to be more cohesive as a country in our approach to marine sustainability. We need to unite across business, science, and government to manage our marine environment, and we continue to support managing fisheries in a wider ecosystem approach, with science at the centre of what we do. Sanford is proactively working to affect positive change and will continue to do more.

Sanford is committed to continuing our work, both individually and in partnership to advance sustainability. Our key priority areas include:

- Interactions with seabirds, marine mammals and other species and how to avoid and/or reduce these
- Transparency and accountability assurance from accurate data collection systems on fishing vessels
- Biodiversity and biosecurity issues
- Marine reserves and the science, policy and engagement around their coverage and location
- Marine plastic pollution
- Climate change and the real threat it poses
- The effects of land use on fresh and marine water quality
- The effects of other uses of the sea and sea floor
- Bottom trawling and better understanding about the seabed ecosystem.

Sanford advocates shared responsibility for enhancing our marine environment so that its use is sustainable, enriching and accessible to all. We are a strong supporter of multi-stakeholder processes that span all ocean related activities, and that ultimately should link with land-based activities that affect the ocean, such as sedimentation and water quality. Sanford has been working on some of these challenges for some time and is committed to continuing to work with other stakeholders in open conversations that help to co-create new solutions. We continue to be actively involved in a range of multi-stakeholder forums and initiatives (refer **Outcome 5 – Communities and partnerships**, page 94).

SUSTAINABLE WEALTH CREATION

Collaborating with business leaders committed to halting and reversing the decline of New Zealand’s natural assets is among the steps Sanford has taken to influence policy and projects that support marine conservation. Sanford is a founding member of The Aotearoa Circle – a coalition of public and private sector leaders committed to pursuing sustainable prosperity and safeguarding New Zealand’s natural capital (refer **Outcome 5 – Communities and partnerships**, page 94). This initiative was launched in October, and the starting point is the frank recognition that few countries are more dependent on

natural assets for the wellbeing of their society, their economy and their natural environment, than New Zealand. Six domains have been identified; Sustainable Finance, Land and Soil, Freshwater, Climate Change, Biodiversity and Marine. The diversity of the domains demonstrates the importance of an integrated approach, and an understanding that what happens on the land impacts the sea. Our CEO, Volker Kuntzsch co-chairs the Marine Domain working group, alongside Dan Bolger, CEO of Fisheries New Zealand. This group is developing a collective vision with input from industry stakeholders. More information can be found on The Aotearoa Circle website www.theaotearoacircle.nz.

OUR MARINE PLASTIC COMMITMENT

Plastics have a detrimental effect on the health of oceans and we value the increasing awareness of this issue among our customers, consumers, stakeholders and regulators. This year, we have made our own formal commitment to reduce total plastic waste by 70% by 2025, and reuse or recycle those plastics that remain necessary across our operations. This commitment goes beyond packaging (refer to case study on **Outcome 6 – Protecting the environment**, pages 101–102), and through innovation, we are working to identify alternatives to plastics, where we can. Examples include our work on eco-ties, where we have worked collaboratively with suppliers to trial and introduce alternatives made from plant-based resins in our aquaculture operations.





COMMITMENT TO REDUCE
TOTAL PLASTIC WASTE BY

70% BY 2025

AND REUSE OR RECYCLE
THOSE PLASTICS THAT REMAIN
NECESSARY ACROSS
OUR OPERATIONS

We want to be part of the solution, not the problem, and our commitment extends to influencing the broader industry. At this year's Seafood New Zealand Conference we shared our experiences to inspire and support industry colleagues in their own efforts. Recently, we collaborated with Seafood New Zealand and others in the seafood industry, to present a submission to the New Zealand Government's Environment Committee on the issue of plastic pollution in New Zealand coastal waters. We welcome the New Zealand Government signing up to the UN CleanSeas campaign, as well as the banning of microbeads and single use plastic bags. Collectively, we expressed a desire to be involved in work on marine plastic pollution, as it affects commercial fishing and the marine environment that we are reliant on.

In collaboration with industry and other key community stakeholders, we have taken steps to reduce the issue of plastic pollution already in our oceans. Teams of Sanford people are regularly out at our beaches and harder to reach places, cleaning up marine debris (refer *Outcome 6 – Protecting the environment*, page 99). This includes our involvement in a large scale, collaborative clean up on Stewart Island, detailed in a case study on this page.

CASE STUDY •



You don't count the cost

What's the cost of a coastal clean-up at remote Stewart Island? Well over \$100,000 – and that doesn't include the helicopters to transport people or the vessels to remove the waste.

What's the cost of not doing the clean-up? More than 16 tonnes of rubbish washed out to sea.

Fortunately, people like Joyce Kolk, Johan Groters and the members of the Southern Charitable Trust, along with 30 volunteers don't hand over an account for the operation, and sponsorship from businesses like Sanford helps cover the cost.

The marathon four-day effort, from Doughboy Bay on the southern coast of Stewart Island to Ruggedy on the South West coast, was completed in mid-winter and showed the commitment of the crew drawn from all walks of life. Volunteers included people from Sanford, others from the seafood industry and tourism, Department of Conservation (DOC) and Environment Southland, lawyers, farmers and a property developer. There were even folk who paid to come on the experience.

Helicopters ferried personnel, while the Rakiura Shipping vessel *Foveaux Freighter* was used to hold and transport the waste

back to Bluff. The seafood industry provided a berth, gear and people to sort through 80 fadges of rubbish for recycling, returning or landfill disposal.

What was among the 16.6MT collected? The bulk of it was fishing gear, including nets, crayfishing floats, rope, net mending cut-offs, banding tape from deepwater vessels and plastic bags. The catch included 130 fish cases from all the major fishing companies from Bluff and South Island and the odd stray from as far afield as Grupo Conarpesa in Buenos Aires Argentina and the Schoellerallibet in the Netherlands. Reusable cases were cleaned and put back into service, and broken cases sent for repair.

Then came household waste including a fridge, LPG gas cylinders, an air tank off a compressor unit, household food wrappers and finally children's toys. Plastic was a common find, both intact and as fragments. Everything possible was repurposed or recycled and the rest sent to landfill.

The Southern Charitable Trust plan to hold the next clean-up in 2019 around June to August, on the Fiordland coast. Again, it's not about what it costs, but the cost of not doing it, and once again, Sanford will be right behind this collaborative initiative.



Photo: rubbish collected from remote Stewart Island beaches

Endangered, threatened and protected species



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



We are in our element in the oceans and so are New Zealand's abundance of marine species. With so many endangered or threatened, all seabirds and marine mammals, including many species of sharks, are fully protected by our laws.

This puts a clear onus on us to minimise our interactions with them when carrying out all operations.

This starts with crew training and follows through with best practice mitigation devices such as bird scaring devices, Sea Lion Exclusion Devices (SLEDs), weights on longline hooks and escape holes in nets. We are also trialing dolphin dissuasion devices on some of our inshore vessels, and continually improving our monitoring systems and data collection so we can ensure the effectiveness of these options. But even with these efforts, incidental catch remains a challenging issue.

We are also continuing to work with scientists and a wide range of other stakeholders to carry out ongoing research into, and trials of, innovative solutions to reduce injuries and mortality of both seabirds and marine mammals.

Our care for marine mammals and seabirds extends to initiatives influencing their prosperity while we work out at sea as well as on land, such as the Yellow-eyed Penguin conservation project we support in Otago. More detail is provided in the case study on page 83.

AREAS OF ACTION

SEABIRDS



We endorse and follow the *MPI National Plan of Action for Seabirds (NPOA)* to reduce the incidental catch of seabirds.

Signatory and member of the Black Petrel Seabird and Fisher Working Group, committed to reduce fishing-related mortalities through enhanced mitigation, observation and monitoring methods, and supporting relevant research.

Board and management committee involvement in Southern Seabird Solutions Trust, working to develop and implement targeted initiatives to protect 24 seabird species.

MARINE MAMMALS



We endorse and follow the *Deepwater Group Marine Mammals Operational Procedures* to reduce the incidental catch of marine mammals.

Co-leadership of the *Māui Dolphin Protection Plan*, a proactive initiative to build collaboration amongst sharefishers to work towards progressively removing fishing-related threats, and enable the Māui population to recover and expand.

Endorse and follow the *MPI and DOC Sea Lion Risk Threat Management Plan*, implementing requirements in crew training and on water practices and procedures.



CASE STUDY •



Feathered friends – community support for the birds of Penguin Place

Good things take time – and for Sanford’s Jim Routhan the 30-year wait was rewarded by seeing the results of his conservation efforts just before he retired.

The origins of Jim’s story go back a long way. In 1985, Dunedin man Howard McGrouther began a conservation project for Yellow-eyed Penguins on his Otago Peninsula farm. He was worried about the future of the species and worked hard to make his land a safe place for these endangered birds.

McGrouther’s conservation project grew with the creation of a rescue and rehabilitation facility to tend to sick and injured penguins. That facility was named Penguin Place.

Around this time, Jim was working for Sanford and was based in Oamaru. He heard about the project and wanted to support it. It seemed like the perfect destination for spare silverside fish - a smaller species which is just the right size for penguins to eat whole. They are not keen on anything they can’t recognise as a fish, so fillets or off-cuts will not do.

Jim set up a system to regularly select surplus silverside and deliver it to Penguin Place. However, he never visited the rehab centre, nor did he seek any personal credit for the scheme, which was run out of Timaru when Jim moved there.

Thirty years later, at the end of 2017, Jim was approaching retirement. Sanford wanted to acknowledge the length of his commitment and give him a chance to see the birds and the place he had helped. A visit was arranged to Penguin Place, where Jim saw first-hand how the centre has grown to treat thousands of birds over the years, including 107 in the summer of 2016/17. That total includes not just Yellow-eyed but also Erect Crested, Snares Crested and Fiordland Penguins.

Finally seeing a penguin and being thanked for his long-standing contribution was an emotional experience for Jim. Sanford applauds what he has done and is committed to continuing the work of feeding the birds at Penguin Place.

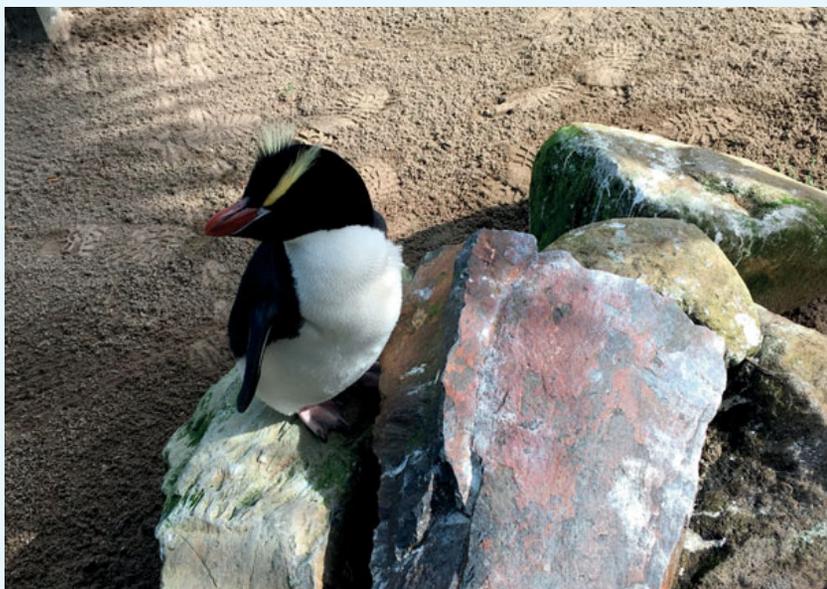


Photo: Erect crested penguin at Penguin Place



Photo: Jim Routhan and Julia Reid feeding penguins at Penguin Place

▶ VIDEO <https://www.youtube.com/watch?v=0VvFxxPIXX4>

Commercial fishing has a well-recognised impact on marine bird life - we acknowledge this, and list below the total number of fatal or harmful seabird interactions with our fishing vessels. These interactions include penguins. During the 2017 financial year, we caught two uninjured penguins and returned them safely to the sea, in line with our commitment to helping as much as we can.

BY THE NUMBERS

During 2018, Sanford harvested 92,612 GWT of fish compared with 96,225 in 2017 (inclusive of charter operations). Mortality rates have remained consistent in terms of marine mammals, whilst seabird mortality was reduced significantly from 75% to 57%, being the ratio between total species caught, and species that have been caught dead.

The decrease in interactions with marine mammals from 53 to 38 between 2017 and 2018, and a decrease in the seabird mortality rate by 18% over the same period are encouraging. All incidents that did occur were thoroughly investigated, and we continue to implement and explore new mitigation measures to reduce our interactions with marine mammals and seabirds and adapt Vessel Management Plans accordingly.

There were 234 seabird losses, and 34 mammal losses across the 9 month data collection period (October 2017 to June 2018) available from MPI at the time of writing this report, a decrease from last year (2017: 286, 47) for the same period. This data tells us the number of unintended interactions by type and outcome, recorded by species and by vessel.

MPI SUMMARY OF SANFORD'S REPORTED INCIDENTAL CATCH DATA

	SEABIRDS ⁶		MARINE MAMMALS ⁶	
	2018	2017	2018	2017
Uninjured	173	86	4	6
Injured	2	8	0	0
Dead	234	286	34	47
Total	409	380	38	53
Mortality Rate (%)⁷	57%	75%	89%	89%

6. 2017 and 2018 data covers the 9 month period 1 October to 30 June, which reflects the data set available from MPI at the time of reporting. Based on 12 months of data for 2017 (as subsequently supplied by MPI in relation to 2017 dataset), the mortality rates for seabirds and marine mammals are 73% and 91% respectively.

7. Mortality rate is calculated as the ratio between total species caught and species caught dead.



Photo: Raglan Seafoods



MOANA & SANFORD

MĀUI DOLPHIN PROTECTION PLAN

MAKING PROGRESS ON MĀUI DOLPHINS

Our *Māui Dolphin Protection Plan* has been making steady advances as we work with fishers from the wider commercial community on ways that Sanford can assist them to transition to dolphin-safer fishing methods.

Raglan Seafoods and the three private set net vessels that land into them came on board with our *Māui Plan* this year. The fishers removed set net gear from their vessels and are now permanently trawling or lining. It has been a costly commitment for the fishers who lost access to some species that can only be caught by set net.

Sanford's contribution to the fishers' transitioning has been to provide a secure supply of commercial catching rights in key species, such as snapper that are more likely caught by trawl and hooks than set net.

The *Māui Plan* requires courage. Sanford and Moana NZ stepped up and took responsibility to lead the solution, our progress is steady as we seek to put in place long term enduring solutions for ourselves and others in the seafood business.



Our future focus



MATERIAL ISSUES & STRATEGIC GOALS

FUTURE TARGETS 2019 AND BEYOND

OUR 2025 VISION

Sustainable fish stocks and marine farms



Ensure clear commitment to comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean management and taking the elimination of overfishing, underreporting and illegal discards of catch seriously.

Actively continue to explore opportunities to achieve and maintain appropriate third party certifications of wildcatch and marine farms, considering a common certification platform.

Actively engage with leading players to develop and roll out accurate recording and reporting systems for both target catch and incidental catch to ensure maximum transparency of fish stock status.



Sanford leads the industry to ensure, through its operations, that fish stocks and marine farms are verified as sustainable on the basis of robust, scientific research, monitoring and transparent reporting.

Marine conservation



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

Continue to collaborate with multiple stakeholders through targeted research and partnership projects to advance sustainable marine conservation outcomes.

Actively promote the multi-stakeholder co-creation of a shared vision for our oceans and the establishment of a Ministry for the Oceans.



Sanford contributes significantly to ensuring the sustainability of our oceans, leading industry best practice, leaving a positive and lasting legacy on the communities and coastal ecosystems where we operate.

Endangered, threatened and protected species



Ensure protection of marine species, including sea birds, sea lions, dolphins and sharks through delivering best practice farming and fishing practices, implementing protection measures and participating in ongoing robust research programmes.

Continue to engage in science-based research and development initiatives to advance best practice species avoidance and protection techniques, such as the trial of a dolphin dissuading device on the Ana.

Actively implement and promote industry, public and government support for the *Māui Dolphin Protection Plan* and extend this to other dolphin species and marine mammals as soon as possible.

Actively work with scientists, fishing crews and key stakeholders to progressively reduce fatal interactions with seabirds and marine mammals.



Sanford is an industry leader in the delivery of best practice marine species avoidance and protection techniques, and a significant contributor to ongoing innovation, scientific research and development initiatives.

These targets for **2019 and beyond** have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a thorough review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals.

1. GRI and UN Global Compact 2017: *Business Reporting on the SDGs – An Analysis of the Goals and Targets.*



SUPPORTING ENDURING COMMUNITIES AND PARTNERSHIPS

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

SANFORD IN THE GLOBAL CONTEXT



DECENT WORK AND SUSTAINABLE ECONOMIC GROWTH

Under-employment affects communities around New Zealand, and we need decent work opportunities if we are all to share in our progress as a country. Sustainable economic growth creates the conditions that enable people to hold down decent jobs that stimulate the local and national economy. We are committed to creating productive employment opportunities for our local communities and we value living and working in them. The increasing diversity in our product portfolio through innovation, and with the aquaculture sector having a high potential for growth, we believe we can create long term employment in our communities through our growth goals.



PARTNERSHIP FOR THE GOALS

To achieve all our sustainability goals, Sanford needs to work in partnership with our stakeholders to ensure that we have sustainable outcomes for the future. Our strategic partnerships, both local and global, help us create the most value that we can for current and future generations. We invest significant time and energy collaborating with stakeholders to help shift the dial in areas where we can make the most difference.





Material issues and value creation

We are in our element when we work with the people around us in communities, charities and government bodies. This table summarises Sanford’s material issues relating to *supporting enduring communities and partnerships*, the strategic goals defined through our Business Excellence Framework, our targets for 2018 and our progress in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2018 TARGETS*	PROGRESS AGAINST TARGETS**
<p>Engagement and employment</p> <p> GOAL</p> <p>Respect and support our local communities in line with our social licence to operate. Where possible, we will create local business, employment and skills development opportunities.</p>	<p>Implement targeted strategies and plans to support local business, employment, and skills development. (M)</p> <hr/> <p>Continue to grow the engagement across the communities that we operate in through a range of initiatives from open days to communication through multiple forums. (M)</p>	<p> Ongoing. At the regional level, support various educational and employment initiatives, from university and school visits to internships. Worked with the Graeme Dingle Foundation’s Career Navigator programme to support the delivery of a ‘Ready-for-Work’ programme.</p> <hr/> <p> Ongoing. Implemented a wide range of community initiatives from planting to coastal clean-up events, fundraising activities and open days. Visits and presentations from various academic groups, from schools to universities. Engagement tracked through social media metrics.</p>
<p>Strategic partnerships and collaboration</p> <p> GOAL</p> <p>Establish strategic partnerships that create value for the community, our partners and Sanford in the short, medium and long term.</p>	<p>Continue to foster existing strategic partnerships and establish new ones, where appropriate, in line with our overall business strategy and priorities. (L)</p> <hr/> <p>Contribute towards the New Zealand Inc. brand and key sustainability initiatives through collaborating with others to deliver outcomes that make a difference. (L)</p>	<p> Achieved. Formal partnerships with the Graeme Dingle Foundation and Paralympics NZ continue renewed for two-year period. Active memberships across a range of organisations (refer <i>Appendix C</i>). Signatory to a range of initiatives, such as Climate Leaders Coalition, The Aotearoa Circle, <i>Māui Dolphin Protection Plan</i>, and Black Petrel Pledge.</p> <hr/> <p> Ongoing. Active involvement in a wide range of multi-stakeholder forums and initiatives at industry, national and international levels. Strong focus on alignment to UN SDGs.</p>



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

* **S** = Short term (1 year or less); **M** = Medium term (2-5 years); **L** = Long term (5-10 years, or more)
 ** Refer to ‘Progress on our 2018 sustainable business targets’ for full updates across all targets defined

Further information on data and trends is provided in the Key Performance Indicator (KPI) table, contained in *Appendix A* of this Report.

Engagement and employment



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



We are not only part of local communities, we rely on them, because in many cases they are the regions which provide our workers, our customers and the next generation of seafood enthusiasts.

We see relationships as the best way to connect with the people around us, especially when they are in areas which may be more remote than most, such as Stewart Island.

Our stakeholder engagement and materiality process confirmed in 2018 that our social licence to operate is important to Sanford's stakeholders— in fact it ranked as the sixth most important material issue overall.

We understand the strong correlation between our 'social licence to operate' and the quality of the relationships we have in our local communities. This extends to all parts of those communities - well beyond our staff and their families - and takes in the regulators, educators, tangata whenua, and governing bodies.

Sanford operates from 11 New Zealand centres and our operations bring economic benefits to those places. In turn, we are conscious that we benefit in return from being part of those communities. The benefits in both directions are much more substantial than simply economic (refer *Our global operations*, pages 14–15). This is true in every place we work, but in this section, we discuss Marlborough and Southland, the regions which have seen considerable engagement and focus from us in 2018.

OUR CONTRIBUTION TO THE MARLBOROUGH COMMUNITY

The Marlborough region is important to us and we hope that we are to them. The marine farming sector is a valued employer and we aim to be the preferred choice of skilled local workers. We remain committed to creating a strong future for the region through our sustainable marine farming business and ongoing investments.

This year, repair work required following the 2016 Kaikoura earthquake strengthened our processing plant, and with great contractors, and the support of our people, we got back to business within five weeks, continuing to provide meaningful employment to the local community. That work included extensive structural modification both inside and out (refer *Outcome 1 – Sustainable seafood business*, page 35). This investment underlines our ongoing commitment to continue to invest in Havelock and the wider Marlborough region.

Engaging with our community and raising awareness of our industry continued in Marlborough in 2018. The Havelock based Sanford farming team hosted 12 students from the Marlborough region in June as part of Graeme Dingle Foundation's Career Navigator Programme. This was an opportunity for the students to learn about our aquaculture operation and gain an understanding of potential future employment options. The students were given a briefing first and then taken out on the water to see first-hand what we do.

Our Floating and Farm Development Manager, Grant Boyd, represents the aquaculture industry for the programme and is now a registered mentor.

Our recent expansion at Enzaq in Blenheim, where we installed a second dryer, has created new employment opportunities (refer *Outcome 1 – Sustainable seafood business*, page 42). This reinforces our commitment to Marlborough and Sanford continues to make key contributions to advance marine farming innovation and new product innovation (refer *Outcome 1 – Sustainable seafood business*, pages 41–44).



Photo: Havelock – Career Navigator Programme, an opportunity for students to learn more about aquaculture and career possibilities



OUR CONTRIBUTION TO THE SOUTHLAND COMMUNITY

Our operations on Stewart Island and in Bluff remain a point of focus for us, as they are the home of our Big Glory Bay salmon farm. In 2018, we opened our salmon farm to the public (see *Opening our fish farm gates* case study on this page) and we were delighted to host locals of all ages. Activities linking us to the community also happen all year round. Some of these activities are undertaken in partnership with the Graeme Dingle Foundation as described later in this section.

In August, Sanford staff in Bluff were involved with the planning and delivery of a lesson on sustainability for Graeme Dingle Foundation's Kiwi Can programme in Southland schools. The key message for the 1,200 students reached by the programme was that we are all guardians of a resource which must be protected for the future. Simple, fun exercises brought this point home, including a fishing game which explained elements of New Zealand's Quota Management System and the need to return smaller fish to the sea.

Bluff and Stewart Island staff are also actively involved in volunteer firefighting, wildlife conservation and support work for local charities. Members of our Southland team displayed their Southern generosity in 2018 when they won a local competition for a Christmas tree design and immediately donated their winnings to buy toys for the Bluff Medical Centre. Their demonstration of Sanford values in action and their commitment to helping those around them are an example of the foundations on which strong community relationships are built.

In other parts of the country we've welcomed the opportunity to share what we do with our local communities as well. In Tauranga, staff members from our joint venture North Island Mussels Limited (NIML), put together a display for a two day careers expo. Eighteen industry sectors were represented and the NIML team were kept busy with enquiries from students and parents. We also sponsored the Sanford Science and Technology Fair in Timaru in September. Sanford has supported the fair for a number of years and we continue to be impressed by the quality of entries. At our Head Office in Auckland, we hosted the students from the AUT Shadow a Leader programme, an Executive MBA student group from the University of Portland, Oregon and numerous school groups.

CASE STUDY •



Opening our fish farm gates



Photo: Stewart Island community members checking out our salmon farm

Fish farms are not as accessible as your average dairy or beef unit. You can't drive past and look over the fence and local schools don't run a piscine equivalent of calf clubs.

So, we made a point of opening our farm gates in February to host our local Stewart Island community. Everyone on the island has a view about Sanford, but until we hosted an aquaculture weekend, there had been few chances to have a conversation with us, about us.

Sanford has one of 35 farm licences in Big Glory Bay. We are the only salmon producer and we also farm mussels. Our marine farms are all located in the remote 1,100ha bay, a good 45 minutes by boat from the village of Oban.

Sanford bought into the business of salmon farming in Stewart Island 25 years ago when we purchased one of the first trial farms established in the 1980s. Today, the farm produces our Big Glory Bay branded King salmon, sold here and around the world with pride.

Our feed supplier and partners Skretting Australia worked with us, presenting on the science and feed technology that sits behind modern functional fish feed. It is important to us that we maximise feed conversion. We monitor our fish feeding with cameras to ensure there is minimal feed falling uneaten through the pen.

Our open day included a seafood barbecue hosted by the Lion's Club and

plenty of open conversations about the way we work. Down at Stewart Island, at 47 degrees south, a whole weekend focused on Big Glory Bay aquaculture was not only a celebration but a signal of how we intend to work in our local community.

And make no mistake, we know throwing open the farm gates once a year does not in itself make for an enduring relationship. Sanford's support of the Stewart Island community comes in many guises. Full time, permanent jobs are of course important, but the non-cash benefits our business, staff and their families invest locally when they volunteer also make a big contribution to the community.

Our workers' families benefit from the local school and it makes sense to support them. Halfmoon Bay School and Sanford have partnered for the past ten years, with our \$35,000 contribution annually helping to fund Graeme Dingle Foundation's Kiwi Can programme.

Like all good locals, we contribute what we can where we can. Our seafood contributions of salmon and mussels to community, sporting events and tangi are informal but frequent. We also make a significant cash contribution to the Southern Coastal Trust which cleans up remote areas – this year it was the Western coastline of Stewart Island (refer *Outcome 4 – Healthy Oceans*, page 81).

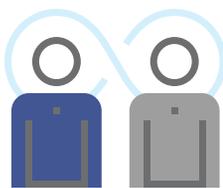
Strategic partnerships and collaboration



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



Partnerships enable us to combine our strength with others to make a difference and improve social, environmental and economic outcomes as part of being in business. We have continued to focus on two key community partnerships this year where we believe we can make the most significant and sustainable difference. In addition, we contribute to industry initiatives, as well as national initiatives, such as the Climate Leaders Coalition of 60 CEOs and businesses in New Zealand committed to action to reduce emissions (refer *Outcome 6 – Protecting the environment*, page 103).



PARTNERSHIPS AND SUPPORTING INITIATIVES ACROSS:

Communities
Industry
National

ADDING VALUE TO LOCAL COMMUNITIES

In 2018, we contributed community investment of \$244,881.65, compared to last year's \$218,416.23. This does not include the significant in kind support our teams have contributed through volunteering and fund-raising efforts within our local communities.





PARTNERSHIP 1

Sanford and Paralympics New Zealand

Sanford is proud to continue its relationship with Paralympics New Zealand (PNZ). We have been partners since 2015 and have renewed our association until 2020. The partnership allows us to actively support diversity and inclusion in our communities. We believe there are valuable opportunities for our Sanford employees to engage with New Zealand Paralympians and to learn more about their life experiences and goals.

We celebrate excellence, by supporting Paralympians in their quest to succeed, and in providing the best seafood in the world to our customers. Our commitment to PNZ was acknowledged at the New Zealand Sustainable Development Goals Summit in relation to specific partnerships that assist in achieving these Goals.

Sanford worked with PNZ on a variety of projects this year. We produced a Health and Safety video with Paralympian Cameron Leslie, which played in our factories and other facilities (refer to case study – *Think Safe, Be Safe, Home Safe*). Sanford also connected PNZ to the Graeme Dingle Foundation to begin work on integrating Paralympians into their schools programme.

PNZ supported World Oceans Day by distributing Sanford information through its social media channels and its wider network, promoting the plastic reduction pledge that appears on Sanford’s website.

We assisted PNZ in fundraising by donating cooking school vouchers to raffle in support of PNZ’s involvement as charity of choice of the Vodafone Warriors, and by our staff participating once again in the annual PNZ Spirit of Gold Mufti Day. Both initiatives raised valuable funds for our NZ Paralympians in their journey to the Tokyo 2020 Paralympic Games.

Both initiatives raised valuable funds for our NZ Paralympians and Para athletes to compete on the international stage in their journey to the Tokyo 2020 Paralympic Games.

HELPING SUPPORT
THE JOURNEY TO
**TOKYO
2020**

CASE STUDY •



Think Safe, Be Safe, Home Safe

When we asked our community partner Paralympics New Zealand (PNZ) to nominate someone to work with us on an innovative campaign to identify workplace risks, it was clear that Paralympian Cameron Leslie was the perfect choice. He is a triple Paralympic gold medallist in Para swimming, Wheel Blacks player, coach, farmer, sports writer and influential community role model.

Born with quadruple limb deficiency, Cameron walks on prosthetics. Famous for his sense of humour and infectious personality, he worked closely with the director of a video developed to support the campaign, making its story real with down to earth comments such as “the difference with me is, I can put my legs back on. You can’t.”

We launched the campaign internally in June and rolled it out nationwide, supported by a series of workplace posters, collateral and team discussion around safety at work. We had a clear purpose: to reinforce our key safety message *Think Safe, Be Safe, Home Safe*.

Cameron said “I’m a farmer, so I understand the risks Sanford’s workers face every day. Health and safety campaigns can be quite dull, so I wanted to help Sanford create something that was surprising, entertaining and that captured attention. I really enjoyed working closely with Sanford as we threw around ideas for creation of the video. They realised straight away that a campaign like this can not only help their workers be safe, but also challenge community perceptions and show disability in a really positive way.”

The video is a great reflection of our long-standing partnership with PNZ. Fiona Allan, Chief Executive of PNZ said: “This is an outstanding film from our community partner, Sanford. Paralympians and Para athletes are powerful role models and it is great to see Cameron being profiled in this way. PNZ promotes the need for a more diverse and inclusive society, and I was proud to be at the launch and witness the positive reaction from the Sanford team.”

The Think Safe, Be Safe, Home Safe campaign will continue during 2019, reassuring our people that we put health and safety front and centre, and want to ensure that everyone gets home safe.

Thank you, Cameron, for sharing yourself with us in this most personal, inspiring and impactful way.

▶ VIDEO

<https://www.youtube.com/watch?v=5AMc1xM5drk>



Photo: Paralympian Cameron Leslie in our Think Safe, Be Safe, Home Safe campaign

PARTNERSHIP 2

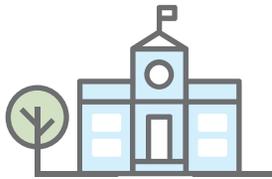
Sanford continues to support the Graeme Dingle Foundation

As a seafood company, schools are part of our natural element – and that extends to those on the land. We partner with the Graeme Dingle Foundation, which runs school-based programmes, because like them we appreciate our future lies in nurturing the next generation – and the ones after that.

The Foundation is an established leader in positive child and youth development, building resilience and self-belief, so children know what they have inside is greater than any obstacle.

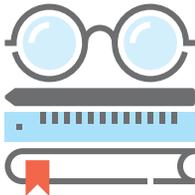
This year we contributed towards supporting 10,667 students in five regions across 58 schools through the Foundation’s four school-based programmes. The Foundation’s school-based model also enables our regional teams to get involved and give support to their local communities.

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



58

SCHOOLS



10,667

STUDENTS

POSITIVE IMPACT TO LOCAL COMMUNITIES

Sanford has had a long running partnership with Graeme Dingle Foundation and is proud to be impacting young people through supporting their programmes.

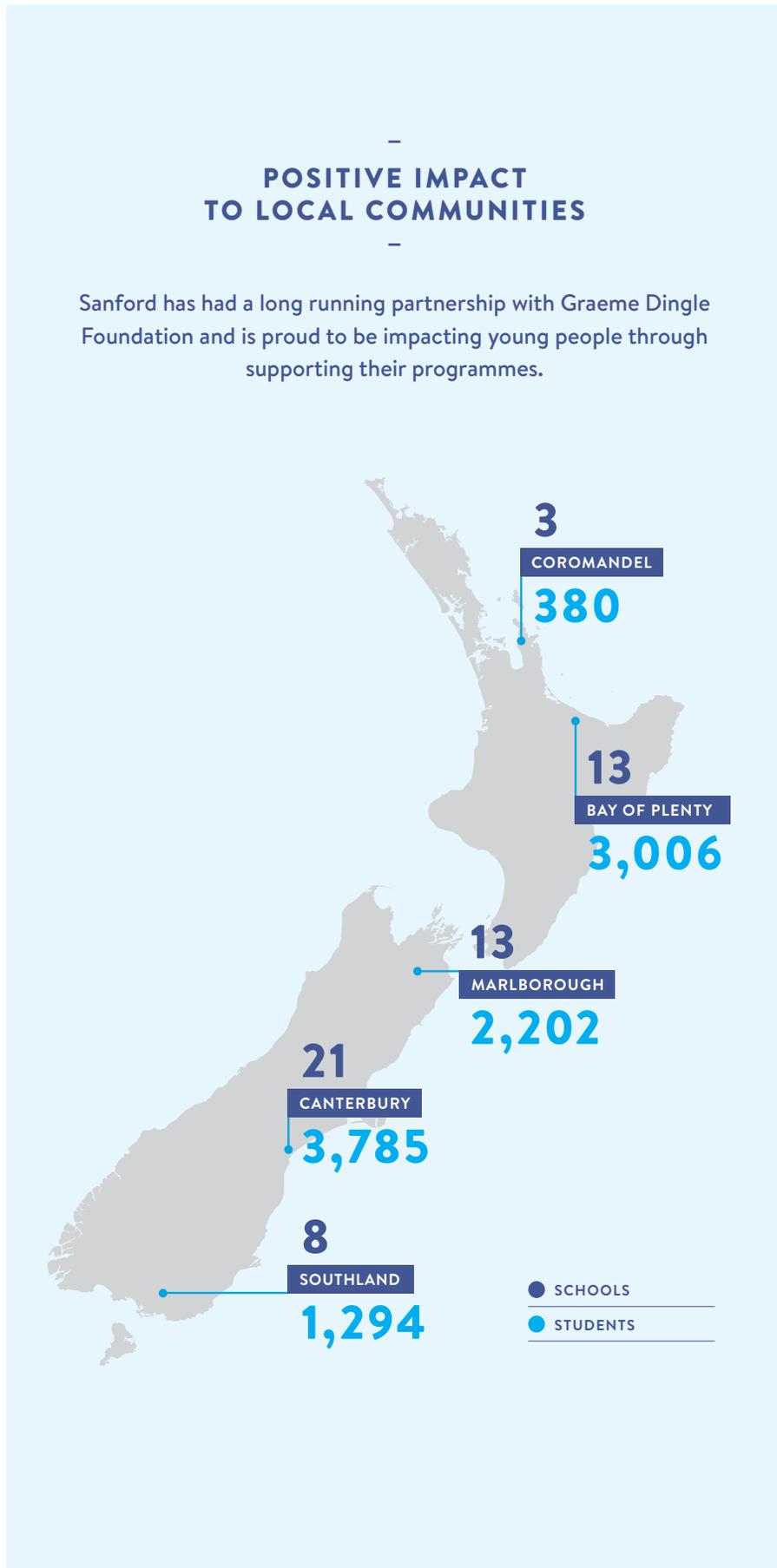




Photo: Image from the Sanford Marine Plastic Activation Kit for Worlds Oceans Day

WORLD OCEANS DAY

A great example of our community partnership was World Oceans Day with its theme of eliminating plastic waste. We developed a marine plastic activation kit with information on this important issue, as well as ideas on how we can all contribute. These kits rolled out to Graeme Dingle Foundation students around New Zealand.

Our Southland Sanford team contributed their industry knowledge to developing and delivering lessons to Southland Kiwi Can students as part of World Oceans Day.

The best lessons combine fun and fact and our team and Graeme Dingle Foundation used the activation kit to engage students with quizzes and games focused on the impact that rubbish and overfishing have on the ocean and its inhabitants.



We had representatives from Sanford at most of the lessons throughout the week. This meant some of their team had to travel 70 km up from Invercargill to Gore, which I thought was amazing.

—
Scott Bowden
 REGIONAL MANAGER, SOUTHLAND
 GRAEME DINGLE FOUNDATION



We got young brains thinking and learning in a game to sort different forms of rubbish into categories estimating the time it would take them to breakdown. This reinforced the threat in plastic bags, which take many years to breakdown.

The main activity also combined fun and facts to explain the quota system and the importance of the size and measurement of fish in ensuring sustainability. The children caught mock fish, checked their measurements and either returned the catch to the sea, or added it to their team's bucket, depending on the size.



The activation kit is a fabulous resource for our community partners to create superb lessons. I know they will very much appreciate having all the resources in one place to work with, usually they seek out their own resources if not using the exemplars. I must say I have learned a lot myself from this resource, and am now more worried now about the state of the ocean!

—
Kerry-Ann Norman
 KIWICAN MANAGER
 GRAEME DINGLE FOUNDATION



YOUTH WORKSHOP

This year we took our Graeme Dingle Foundation partnership a step further, involving a staffer and three students in a special youth workshop, as part of our stakeholder engagement process. We describe this further in *Reporting what matters*, page 23.

Each year we gather feedback from stakeholders and talk to them about our business strategies and goals. This year, extending the discussion to millennials enabled us to test what is most important to them. We capture their thinking and those of other participants on page 23 of this report.



It was a great opportunity to discuss important issues with a group of people my age and it was really interesting to hear different perspectives on several issues that both related and didn't relate to Sanford in particular. As an employee of an organisation that works for and with youth, I think it's extremely important that Sanford has considered Youth as a key stakeholder and they're genuinely taking on board what young people have to say about certain issues and how we think Sanford can improve their operations.

—
Pare Mackay, 23
 COMMUNICATIONS AND MARKETING
 COORDINATOR
 GRAEME DINGLE FOUNDATION



Photo: Our CEO Volker Kuntzsch and Judge Andrew Becroft at our Youth Workshop in Auckland

COLLABORATION

We are in our element in the Pelorus Sounds where many of our operations are based, in Marlborough. It's home for us, so when we can put our weight or resources behind a good community initiative, we are happy to help. We believe it is important to look after local assets, like beaches and the bush, and this year, caring took on a new dimension with our mission to help wipe out wasps which were attacking native bees, birds and the locals.

CASE STUDY •



Wiping out wasps

Sanford's Havelock team is on a mission to help wipe out wasps.

The wasp population is threatening the survival of species of native New Zealand insects and honey bees, which is having a knock-on effect on birds. Humans are under attack as well – particularly in the Pelorus Sound where most of our business operations are based.

In early 2018 our team worked alongside the Department of Conservation (DOC) and Stuff to provide transport, raw materials and labour during the Wasp Wipeout season. This environmental protection programme completed 20,000 hectares of wasp control across the upper South Island during 2017.

Our people helped to lay out the bait in five target sites where DOC believes wasps are rampant and threatening fauna as well as tourists and local outdoor enthusiasts.

Sanford's decision to lend support to Wasp Wipeout stemmed from meetings with local groups.

Our participation in the Wasp Wipeout programme is an extension of other community projects which saw our people take on guardianship roles at local beaches and campsites.

We will support the programme again during the 2019 season.

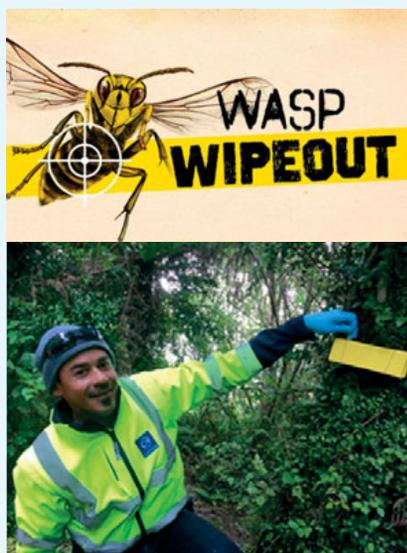


Photo: Sanford employee Dave Horton checking bait stations



Sanford and our employees live and work here too, so this is playing our part in making it a better place to be and we're happy to make that contribution..

Ted Culley
GENERAL MANAGER,
AQUACULTURE



WORKING WITH OTHERS TO SHARE IN VALUE CREATION

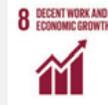
This year we have focused on the role that partnerships play in helping us achieve our vision of becoming the Best Seafood Company in the World. We've invested a considerable amount of time and energy in collaborating with other stakeholders to help shift the dial in areas that make a real difference to achieving our vision and contributing positively towards the UN Sustainable Development Goals (SDGs).

A full list of key memberships is included in **Appendix C**. Some examples of key multi-stakeholder forums and initiatives that Sanford has actively contributed to this year include:

- Providing leadership and operational input into a wide range of industry forums from the Southern Seabird Solutions Trust, to Fisheries Inshore New Zealand, Deepwater Group, the Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR) and Coalition of Legal Toothfish Operators (COLTO) (refer **Outcome 4 – Healthy oceans**, pages 73–85)
- Collaborating in a range of joint research, development and innovation projects, from our work with Revolution Fibres on hoki skins, to our Precision Seafood Harvesting and SPATnz Programmes, supported by Primary Growth Partnerships (refer **Outcome 1 – Sustainable seafood business**, pages 41–44)
- Signatory to the Climate Leaders Coalition, a business led initiative to position New Zealand towards a low emissions economy, with business level commitments to measuring, reporting and working with suppliers to reduce emissions (refer **Outcome 6 – Protecting the environment**, page 103)
- Co-chairing the marine domain element of a The Aotearoa Circle, a national forum of public and private sector leaders focused on creating a new ambition and platform for action on sustainable wealth creation for our natural assets. Launched in October 2018, this Coalition provides a unique opportunity for New Zealand to lead by example (refer **Outcome 4 – Healthy oceans**, page 80)
- Continuing to implement the *Māui Dolphin Protection Plan* in conjunction with WWF-New Zealand and Moana NZ to ensure Māui dolphin safe fishing (refer **Outcome 4 – Healthy oceans**, page 84).



Our future focus



MATERIAL ISSUES & STRATEGIC GOALS

FUTURE TARGETS 2019 AND BEYOND

OUR 2025 VISION

Engagement and employment



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

Develop a strategic approach to engagement with communities of interest, including through social media and other communication channels as well as face to face.

Continue to roll out targeted initiatives, such as the Graeme Dingle Foundation Career Navigator 'Ready-for-Work' programme, to create local and wider employment opportunities and attract youth into our industry.



Sanford is recognised for leaving a positive legacy for our communities, as a significant contributor to community initiatives, employment generation and skills development.

Strategic partnerships and collaboration



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

Continue to work at the national and international level in formal and informal partnerships to collaboratively progress the vision and outcomes for a truly sustainable and prosperous seafood industry in New Zealand and globally.

Continue to review our strategic partnership and collaboration activities to align and move towards our vision of being the Best Seafood Company in the World.



Through leveraging our strategic partnerships, tangible value is realised and clearly communicated by our partners, Sanford and the wider national and international community, all of whom share in the value creation opportunities.

These targets for **2019 and beyond** have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a thorough review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals (SDGs).

3

PERFORMANCE OUTCOME:
COMMUNITIES AND PARTNERSHIPS

1. GRI and UN Global Compact 2017: *Business Reporting on the SDGs - An Analysis of the Goals and Targets*.



PROTECTING AND ENHANCING THE ENVIRONMENT

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



SANFORD IN THE GLOBAL CONTEXT



RESPONSIBLE CONSUMPTION AND PRODUCTION

Sanford can responsibly produce food and marine extracts by efficiently using resources, growing the aquaculture industry. Our efforts to do more and better with less, and the growth of our aquaculture sector's comparatively small environmental footprint (relative to other protein sources) contributes positive, sustainable outcomes for New Zealand. We are formalising our approach towards improving our resource efficiency, and driving innovation.



CLIMATE ACTION

Climate change is affecting every country and the disruption is likely to have a significant impact on all of our stakeholders. We are conscious of the impact that climate change could have on the oceans and the inherent risk to our business model. We can reduce climate change impact through our operations and are striving to reduce our greenhouse gas emissions to 30% below 2005 levels by 2030.



PARTNERSHIP FOR THE GOALS

We collaborate with internal and external stakeholders to implement environmentally sound technologies to protect and enhance the environment. Sanford partners with other organisations to encourage a coordinated approach for national and global action on climate change and the efficient use of resources.



Material issues and value creation

It is vital we protect the natural elements which are fundamental to our business and our success. This table summarises Sanford's material issues relating to *protecting and enhancing the environment*, the strategic goals defined through our Business Excellence Framework, our targets for 2018, and our progress against these targets in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2018 TARGETS*	PROGRESS AGAINST TARGETS**
<p>Environmental effects</p> <p> GOAL</p> <p>Have no adverse impact on the environment when carrying out our business operations, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound management and mitigation.</p>	Achieve certification to ISO 14001:2015 across all of our operations. (S)	Achieved. ISO 14001:2015 certification, with the Seafood School & Fish Market also now in scope. Ongoing enhancement to Environmental Management System.
	Design and implement targeted engagement programme, raising awareness of marine plastic pollution. (M)	Ongoing. Engagement initiatives developed and rolled out both internally and externally, to coincide with World Oceans Day. WHATPLASTIC? initiative launched, activation kits developed and shared. Cooler bags launched.
	Develop and implement environmental risk mitigation plans across identified critical risk areas and maintain up-to-date aspects and impacts registers. (M)	Ongoing. Aspects and impacts registers including a life cycle approach are up-to-date. Critical risks identified and management plan development in progress. Key critical risk controls being developed and implemented on a targeted basis (e.g. chemical storage and handling, farm support services yard sealing, stormwater treatment).
<p>Resource utilisation and efficiency</p> <p> GOAL</p> <p>Do more with less by maximising efficient use of resources, including optimising the utilisation of all fish and mussels harvested, and ensuring waste minimisation, re-use and recycling.</p>	Improve water intensity by 3% at all land-based processing sites. (S)	Achieved. 6.7% decrease in land-based water intensity in 2018, when compared to total sales by site (L/Sales \$).
	Reduce the core energy intensity at our land-based processing sites by 3%. (S)	Achieved. Core energy intensity at land-based sites decreased 7.4%, when compared to total sales by site (MJ/Sales \$).
	35% waste diversion rate across all of our operations. (M)	Ongoing. Consolidation of waste suppliers commenced, with pilot at Auckland site underway. 31% diversion rate achieved across all operations in 2018, a 7% improvement on 2017.
<p>Carbon reduction and offsetting</p> <p> GOAL</p> <p>Demonstrate our commitment to climate change response by actively reducing our energy consumption and emission of greenhouse gases and seeking to introduce low carbon solutions into our value chain, where practicable.</p>	Reduce our carbon emission intensity by 2.5% across all of our operations. (S)	Achieved. Overall carbon emission intensity decreased 3.2% across all operations, when compared to Revenue (CO ₂ -kg/Revenue \$). Targeted carbon reduction initiatives underway.
	Save 5GWh of energy or renewable energy conversion potential across all operations in line with the Energy Efficiency and Conservation Authority (EECA) agreement. (M)	Ongoing. EECA collaboration agreement ongoing. Targeted initiatives and reporting continued throughout 2018. Timaru fishmeal boiler conversion from coal to renewable wood chip successfully implemented. Significant ongoing focus on streamlining data collation, tracking and reporting at overall business and operational levels.
	Define transition pathways to drive our overall goal of reducing greenhouse gas emissions to 30% below 2005 levels by 2030. (L)	Ongoing. Signatory to the Climate Leaders Coalition. Actively engaging in collaborative, stakeholder initiatives to support climate change agendas and actions. Completed work on strategic implications of climate change impacts for Sanford, and working to define transition pathways, aligned with our overall business strategy.
<p>VALUE CREATION – OUTCOME</p> <p>We will work with our people, customers and suppliers to lead the way in maximising resource utilisation, minimising our footprint and protecting and enhancing the environment wherever we operate.</p>		

* **S** = Short term (1 year or less); **M** = Medium term (2-5 years); **L** = Long term (5-10 years, or more)

** Refer to 'Progress on our 2018 sustainable business targets' for full updates across all targets defined

Further information on data and trends is provided in the Key Performance Indicator (KPI) table, contained in **Appendix A** of this Report.

Environmental effects



Have no adverse impact on the environment when carrying out our business operations, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound management and mitigation.



Achieving our vision of being the Best Seafood Company in the World requires us to be mindful every day, in every aspect of our business operations, of our impact on New Zealand’s coastline, sea, biodiversity and climate change. Protecting and enhancing the environment are responsibilities that are fundamental to our bottom line, and our communities’ support of our licence to operate.

In 2018, we have taken further steps to mitigate the risk of environmental effects from our day-to-day and long term operations and business decisions. By continually asking ourselves how we can reduce our environmental footprint, we can identify and apply practical new ways of doing things that deliver measurable results. The smart thinking, the innovation and the commitment starts with our own people, who are guided by our values of care, passion and integrity.

CONTINUOUS IMPROVEMENT, ENVIRONMENTAL MANAGEMENT

In March 2018 we achieved certification to the updated ISO 14001:2015 environmental management system standard. The new standard places greater emphasis on taking a lifecycle approach, understanding the views of external stakeholders, and ensuring better integration of environmental management considerations with wider business activities. We are working hard to ensure our enhanced system is properly bedded into the business, and this effort will continue over the next year.

PREVENTION OF POLLUTION

Reducing the risk of pollution from oil, fuel and chemical spills in our business operations remains a critical aspect of responsibly managing potential impacts on the environment, both on land and at sea. Last year we introduced biodegradable oil into our vessel operations, to progressively replace traditional hydraulic oil, and we remain committed to this programme.

This year, one of our key areas of focus has been chemical storage and handling across our operations, and minimising key areas of pollution risk across land-based operations. At our Farming Support Services operation in Havelock, for example, an extensive yard area was sealed, and a stormwater treatment system installed to significantly reduce the risk of contaminants leaching into the ground and water. We have also continued to enhance our stormwater systems, through labelling and installing filtration, such as LittaTraps™ to capture solid matter, and fine filters to capture microplastics on a targeted basis, both on land and at sea. Further work will continue on this next year.



LittaTraps™ installed in key stormwater drains, to prevent litter and pollutants entering waterways

COMPLIANCE AT ENZAQ

In September 2018, we were issued with an Abatement Notice and Infringement Fine at Enzaq, our new mussel powder manufacturing site in Blenheim, following an alleged odorous air discharge across the boundary of our property. Marlborough District Council determined two cyclonic drying systems were the origin of the alleged odour. Following a site visit with Compliance Officers and Site Management, immediate remedial action was taken, and a custom-built, water-based scrubbing system will be ready for installation in December 2018. The system has a target reduction in odour of 90%, and we are also expecting the dust content of the discharge to be reduced by 90%. Ultimately, this will provide a positive outcome, and we will work closely with Marlborough District Council to ensure successful implementation and ongoing operation.

RAISING THE BAR ON SPILLS

Since last year, we have sharpened our focus on documenting learnings from spill events, and identifying appropriate preventative actions. In 2018, we had four spills that required notification to a regulator because they left the boundary of our site or vessel. All the spills were minor in terms of volume, and these consisted of oil, diesel, or a combination of oil, diesel and water. Cumulatively they totalled 48.51 litres. In each case we acted swiftly to clean them up without resulting in harm to the environment. The increase in the number of spill incidents compared with last year is regrettable, but reflects heightened risk awareness and more stringent reporting protocols.



During 2018, we started rolling out targeted spill response training across our land-based operations, building on the extensive spill response equipment and capability we already have on the water. We started in Tauranga, where the Regional Council's Maritime Pollution Prevention Officer attended the training to give the team insight into spill response from a regulator's perspective.



Sanford's Tauranga site has regularly tested its spill response procedures through team-based exercises and training. Regulators were invited along to observe and to provide feedback and for continuous improvement. This shows the commitment to compliance, spill prevention and preparedness.

—
Adrian Heays
 MARITIME POLLUTION PREVENTION OFFICER,
 BAY OF PLENTY REGIONAL COUNCIL



In Marlborough, our team joined forces with the Marine Farming Association (MFA) to develop a training video focused on minimising pollution risk on the water. This video is now available to the whole industry.



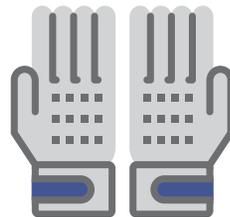
Photo: Sanford vessels and crew contribute to MFA training video

MOBILISING POSITIVE ACTION, COASTAL CLEAN-UPS

Accumulated plastic in our land and marine ecosystems has continued to be a topic of concern this year, and has significantly increased in profile both in New Zealand and internationally. The focus that Sanford has placed on this important issue is described further in *Outcome 4 - Healthy oceans*, pages 80-81 and in this section under 'Resource efficiency and utilisation'. Here we describe some of the key initiatives that we are implementing to reduce the use of plastics across our operations.

Every day, our operational crews out on the water collect marine debris, when they can, doing their part to enhance our coastlines. For example, in Marlborough and Coromandel we routinely carry out regular coastal clean-ups as part of our environmental commitments to the Marine Farming Association (MFA).

THIS YEAR, IN MARLBOROUGH ALONE, SANFORD:



COLLECTED

9 Tonnes

OF DEBRIS, INVOLVING THE EQUIVALENT OF 440 PEOPLE

INVESTED

195

VESSEL HOURS AND 209 PERSON HOURS IN CLEAN-UP ACTIVITIES

CONTRIBUTED

\$49,950

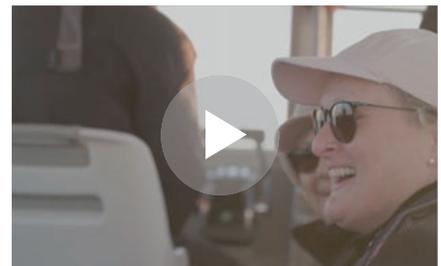
EQUIVALENT FINANCIAL CONTRIBUTION



Photo: Stewart Island clean-up, July 2018

In *Outcome 4 - Healthy oceans*, page 81 we feature the largest collaborative clean-up effort involving a range of stakeholders that Sanford supported on the remote western side of Stewart Island. In July, a further 16.6 tonnes of material was removed, a high proportion of which contained plastic.

In partnership with organisations such as Seacleaners and Sustainable Coastlines, as well as our community partners, such as Graeme Dingle Foundation, Sanford teams around the country have worked hard to help clean up debris from coastlines. Our efforts have extended from Great Barrier Island to South Georgia in the Sub-Antarctic region, where the *San Aspiring* fishes our toothfish quota for a few months every year (profiled in 'Fishing in an Antarctic haven' case study, *Outcome 4 - Healthy oceans*, pages 78-79). With a particular focus on marine plastic pollution, our teams removed around six tonnes of rubbish from coastlines during June and July alone, as part of our World Oceans Day initiative.



A video from one of our Auckland clean-ups on Ponui Island

▶ VIDEO

www.youtube.com/watch?v=0IYloaS8jYI&t=41s

Resource utilisation and efficiency



Do more with less by maximising efficient use of resources, including optimising the utilisation of all fish and mussels harvested, and ensuring waste minimisation, re-use and recycling.



Each year we strive to meet targets to progressively reduce energy, water use and carbon emissions. We also pursue targeted improvement programmes to reduce waste – particularly plastic – and explore ways of making the best use of materials.

PRODUCT UTILISATION

This year, we have continued our focus on delivering the best possible use of the precious raw materials required to maintain our business operations. In keeping with our focus on growing sustainable value, we continue to look for ways to generate sustainable returns from what might otherwise be considered by-products of our wildcatch, farmed salmon and mussel operations. These innovative product streams include fish oil, and fish collagen face masks derived from hoki skins – profiled in a case study in *Outcome 1 – Sustainable seafood business*, page 44. We are also continuing to develop our nutraceutical business utilising mussel powder, as described in *Outcome 1 – Sustainable seafood business*, page 42 and to investigate alternative, sustainable uses for Greenshell™ mussel shells.

EFFICIENT USE OF RESOURCES

In 2018, 17 initiatives focused on environmental improvement have either been completed or are underway (refer *Outcome 1 – Sustainable seafood business*, page 34). Our increased focus on monitoring and reporting has helped to inform decisions around these environmental projects, although we recognise that enhanced technology and IT platforms will help to further guide our priorities going forward.

During 2018, our water intensity for our land-based operations decreased by 6.7% (based on total sales \$ per site), largely through implementing targeted water reduction initiatives across several of our processing plants. Our core energy intensity for our land-based operations decreased by 7.4% (based on total sales \$ per site) with a range of processing plant efficiency improvements delivered or underway. We increased our overall waste diversion rate (amount of waste diverted from landfill to recycling) by 7%, to 31% against a target of 35%. Our progress in rolling out a waste consolidation project has been slower than anticipated, and we aim to achieve more in the coming year.



WATER INTENSITY

▼ 6.7%

ACROSS LAND-BASED OPERATIONS



CORE ENERGY INTENSITY

▼ 7.4%

ACROSS LAND-BASED OPERATIONS

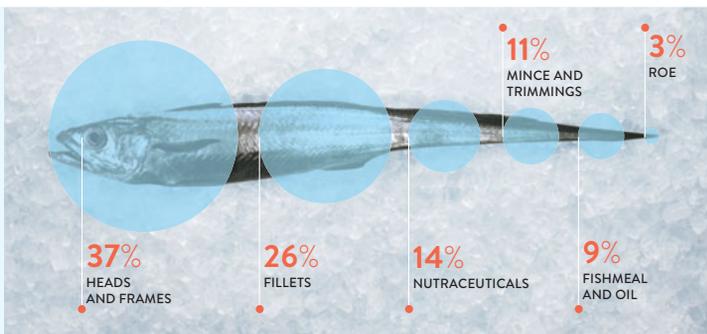


OVERALL WASTE DIVERSION

31%

AN INCREASE OF 7% – WASTE DIVERTED FROM LANDFILL TO RECYCLING (TARGET 35%)

Product Utilisation – Future State





CASE STUDY •



Mandy turns trash into treasure

If you catch Mandy Hargood looking at an old mussel harvest bag, chances are she's thinking "what can I make with that?"

As one of the lynchpins in the Havelock Farming Support Team, she has a talent for upcycling the bags, ropes and offcuts of mussel stocking material into useful and often beautiful pieces.

Her skills and passion for recycling earned her the Marine Farming Association Environment Award, which also recognised the coastal clean-ups she helps run around Havelock and Okiwi Bay.

Mandy's expertise as a machinist sees her transform old harvest bags into reusable rubbish bin liners for vessels and shore support, eliminating the use of plastic bags. Harvest bags also get turned into easily transportable clean-up bags for the beach blitzes, and her talents extend to making innovative cushions and greeting cards. Even old uniforms and wet weather gear have been made into new creations, such as a smoker's hut and couch cover.



Photo: from left: James Higgins, Mandy Hargood, Grant Boyd, receiving Mandy's MFA Environment Award

Mandy is also a talented knitter, transforming offcuts of mussel stocking material into beautifully crafted bags and rugs, some of which are sold or raffled to support worthy causes in her community. She even made an award-winning outfit, adorned with mussel shells, for a recent mussel festival.

She epitomises the values we all share of looking after the environment that we love, especially the Marlborough Sounds. And who knows what she will upcycle next?



Photo: Mandy's creations, from left: rug made from cotton stocking offcuts, Sanford cushion made from mussel harvest bags



PLASTIC REDUCTION PROGRAMME

The theme of this year's World Oceans Day (WOD) in June 2018 was to prevent plastic pollution and encourage solutions for a healthy ocean. While our focus on plastic reduction is not new, and we have previously reported on targeted initiatives such as our rope and eco-tie innovations across our mussel farms, this year we ramped up our efforts. Formalising our commitment, we have set an ambitious goal to reduce total plastic waste by 70%, and re-use or recycle those plastics that remain necessary across our operations by 2025 (refer *Outcome 4 - Healthy oceans*, pages 80-81).

Following the launch of our **WHATPLASTIC?** programme this year, levels of engagement across the Sanford team have been extremely positive, with ideas and initiatives to reduce plastic manifesting in many forms across our business. Further examples can be found in the pages of this Report, including *Outcome 1 - Sustainable seafood business*, page 34 (IdeasNet), *Outcome 2 - Our people*, pages 54-55 (Keeping it Fresh), *Outcome 3 - Healthy food and marine extracts*, page 70 (polystyrene box replacement), *Outcome 4 - Healthy oceans*, page 81 (Stewart Island multi-stakeholder clean-up) and *Outcome 5 - Communities and partnerships*, page 93 (World Oceans Day marine plastic pollution resources for schools).



Photo: From left: Cherry, Mandeep, Brad, Elaine and Sabrina with our new cool storage bags

It has been encouraging that various stakeholders, from suppliers to industry representatives, have benefitted from, or contributed to, our plastic reduction campaign. In June we launched a Plastic Pledge on our website, and a competition to identify the best ideas to reduce plastic waste at a personal level, rolled out marine plastic pollution activation kits, engaged in themed morning teas, and mobilised various coastal clean-up events, as documented earlier in this Report. We also introduced reusable chiller bags branded 'Don't Bag the Ocean', to show our support for banning single use plastic. Our branded, reusable cool storage bags are made from recycled plastic bottles, with spaces to store ice-packs, and are perfect for fresh fish from our retail stores. The bags have been an enormous success, fuelling social media conversations, with sales reaching around 600 bags per month across our retail stores.

In 2018, we continued to progress our project to replace polystyrene boxes (refer *Outcome 3 – Healthy food and marine extracts*, page 70), and when we reopen our new Auckland Fish Market in late 2018, packaging across all eateries will be 100% reusable, recyclable or compostable (refer *Outcome 3 – Healthy food and marine extracts*, page 66). We have also reconfigured our packaging processes to remove the plastic inners used in cartons on some of our deepwater vessels, profiled in the following case study.

CASE STUDY •



Deepwater fleet pioneers plastic reduction

Scientists estimate that up to 12.7 million tonnes of plastic waste are washed into the ocean each year¹ and as global production of plastic accelerates, that amount is likely to grow much bigger.

At Sanford, we aim by 2025 to reduce plastic use by 70 percent, and re-use or recycle those plastics that remain necessary across our operations. Our people take this goal seriously, and our Deepwater team has pioneered an initiative that will move us closer towards achieving it.

While it looks like a simple cardboard box, until now each of the top loading cartons used on our *San Granit* vessel required the use of large plastic inner bags. After seven months of investigation, design and trials, the Deepwater team has developed an innovative end loading carton design that renders plastic bags null and void.

We estimate that by making this change on the *San Granit*, the team's innovation will eliminate the use of around 160,000 bags per year. When the initiative is rolled out to the *San Enterprise* and the *San Discovery* we expect another 150,000 – 200,000 bags to be eliminated per year.

The new cartons have delivered other benefits that serve to increase our efficient use of resources. The higher grade of cardboard from which they are made provides better insulation during discharge and storage. The cartons are also stronger, and our box damage rate has dropped from around 26 percent to 0.25 percent on the *San Granit*. The new design is much easier for the discharge crew to handle, substantially reducing the need for repacking.



Photos: new packaging configuration, from top loading boxes, wrapped in plastic (left), to plastic free side loading boxes (right)

¹ <http://www.abc.net.au/science/articles/2015/02/13/4178113.htm>



Carbon reduction and offsetting



Demonstrate our commitment to climate change response by actively reducing our energy consumption and emission of greenhouse gases and seeking to introduce low carbon solutions into our value chain, where practicable.



This year we have experienced the effects of climate change on our financial performance. The risk to our business model that we noted last year has, in 2018, become a reality that has tested the resilience of our wild and farmed operations.

The summer marine heatwave has served to sharpen our focus on the goal of reducing climate change impacts through our own operations and striving to reduce our greenhouse gas emissions.

During 2018, we formed new partnerships, stepped up our effort to better understand climate change impacts on Sanford so we can define our transition pathways, and continued to implement targeted efficiency and climate change mitigation and adaptation projects. For example, innovative initiatives such as SPATnz (refer Outcome 1 – Sustainable seafood business, pages 41–42), also protect Sanford from the future insecurities of spat supply, which could be created by climate change impacts.

We have also continued to improve the efficiency of our operations, reduce the proportion of our waste to landfill, improve the optimisation of our supply chain practices and collaborate with a number of key suppliers on low carbon initiatives.

CLIMATE LEADERS COALITION

In June 2018, Sanford became one of 60 major New Zealand businesses to form the Climate Leaders Coalition, making up nearly 50% of New Zealand’s emissions. The coalition’s goal is to help New Zealand transition to a low emissions economy and, in doing so, create a positive future for New Zealanders, business, and the economy.

Each of the business leaders has committed to measuring and reporting their organisation’s greenhouse gas emissions and working with suppliers to reduce their emissions. We are committed to transparent reporting, and like many other businesses, are actively working to define our transition pathway, ultimately to a zero carbon future. One of our key suppliers, Freightways and its brand New Zealand Couriers are partnering with us on a cool chain distribution project (refer Outcome 3 – Healthy food and marine extracts, page 70). Freightways has joined Sanford in signing up to the Climate Leaders Coalition, along with one of our professional service providers, thinkstep Australasia.



Thanks to Sanford for linking us into this forum. It is so important that Kiwi businesses like ours are collaborating to directly reduce our impact on the environment and ensure a sustainable future for New Zealand... this cool chain project is proof that economic success and environmental care can be linked.

—
Mark Troughear
CEO, FREIGHTWAYS LIMITED



We have pledged to reduce our greenhouse gas emissions and be publicly accountable by setting targets. We have set an emissions reduction target consistent with the Paris Agreement on Climate Change, to reduce our greenhouse gas emissions to 30% below 2005 levels by 2030.



Thanks so much, an absolute pleasure to catch up. With both our businesses working in emission intensive industries, it is vital we continue to work together to minimise environmental impact and safe-guard our beautiful country for future generations.

—
Robert Levy
SENIOR EXECUTIVE, NEW ZEALAND COURIERS



OUR CARBON MISSION

Our business strategy has been evolving to focus on providing more premium products to our consumers and less lower value, commodity items, refer *Outcome 1 – Sustainable seafood business*, pages 34–37. With this in mind, this year we have redefined the way we represent our carbon emission intensity to align our total emissions with revenue (refer *Appendix A – Key performance indicators*). Our carbon intensity reduced by 3.2% from 0.157kg CO₂-e/Revenue to 0.152kg CO₂-e/Revenue, exceeding our target of 2.5%.

This year, we commissioned a qualitative assessment on the potential implications of climate change to our business, and this is now informing the development of a prioritised list of management actions to address the impacts of climate change on Sanford’s operations and strategic planning. The assessment concluded that Sanford has demonstrated a mature attitude and approach to the climate risks facing the company, both through changing climate variables and the shift towards a net zero emissions economy. The next steps will be to develop a plan for transitioning to a net-zero economy longer term, and to ensure we are well positioned to provide full and accurate disclosures of climate risk.

WORKING IN PARTNERSHIP WITH EECA

We continue to partner with the Energy Efficiency and Conservation Authority (EECA), through our two year Collaboration Agreement, as we strive to achieve energy savings or renewable energy conversion potential of 5GWh. A range of energy efficiency projects have been implemented across our business, and in 2018, ten continuous improvement projects with an energy efficiency focus had either been implemented or were underway (refer *Outcome 1 – Sustainable seafood business*, page 34). The conversion of the boiler in Timaru from coal to wood biomass fuel, as detailed on this page, has contributed significantly to achieving this target, with many unexpected benefits being realised. In 2019, we plan to implement more energy projects across our processing plants, vehicle and vessel operations, and we will continue to formalise our energy management programme and reporting.

CASE STUDY •



Chips for fishmeal

We made hard-won progress this year to transition our Timaru fishmeal plant boiler operating fuel from coal to wood chip. The boiler has successfully been fuelled by wood chip since April 2018.

The prize is significant, with improved processing controls, safety and fuel efficiency, a cleaner work environment and a 50% projected reduction in emissions, saving 1,721.34 T CO₂-e² in carbon each year.

Our progress reflects the value of our partnerships approach to the way we operate. Our own team’s knowledge has been complemented by input from EECA, Ahika Consulting, Findlater Sawmills (SRA), Canterbury Woodchip (CWC), Environment Canterbury and PROLEC throughout the project timeline.

Making the switch from coal to biomass (wood chip) is not a case of simply substituting fuel sources. An early trial made the challenges plain. A simple substitution of wood chips for coal enabled the boiler’s internal temperature profile to be achieved, but only for a short period of time. Constraints with chip volumes, slow feed rates and fast grate rates, air losses and insufficient safety controls were all identified as problem areas.

Introduction of wood chip also triggered several maintenance issues, highlighting the inefficiencies when operating with coal. The project team persevered, and a major overhaul of the key operational components was instigated during the annual maintenance shutdown.

This work included the installation of a purpose-built feed system designed by SRA to handle the specific chip size supplied by CWC. This proved to be the game changer. Further trials with wood chip were more successful, giving the



Photo: Wood chip alight in our fishmeal plant boiler

team confidence to progress refinement of the boiler operating system in consultation with Boiler Control experts (PROLEC).

Converting from coal to wood has reduced the emission of greenhouse gases (SO₂, NO, CO₂) and reduced the volume of coal ash and clinker sent to landfill at the rate of 4MT a month and an annual saving of around \$10,000.

Boiler ash volumes have reduced in volume to 0.4MT a month, and the ash is being analysed for potential blending into commercial fertiliser. Wood as a fuel source offers a reduction in particulate matter and PM₁₀ emissions, and it is a sustainable substitute for coal.

The project team and partners’ perseverance has successfully delivered a sustainable outcome which has enhanced our physical environment, our reputation and our boiler operation. A successful outcome also means cleaner air for our local community, where many of our people live. Air quality can be an issue over winter in Timaru, so removing around 600 tonnes of coal a year from our processes can make a real difference.

² “Carbon dioxide equivalent” or “CO₂-e” is a term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO₂-e signifies the amount of CO₂ which would have the equivalent global warming impact.



Our future focus



MATERIAL ISSUES & STRATEGIC GOALS

FUTURE TARGETS 2019 AND BEYOND

OUR 2025 VISION

Environmental effects



Have no adverse impact on the environment when carrying out our business operations, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound management and mitigation.

Maintain certification to the updated ISO 14001:2015 EMS standard across all of our operations, while progressing integration with health, safety and quality systems.

Build a leadership driven environmental culture to deliver consistently high engagement and performance.

Deliver targeted programmes to identify and mitigate critical environmental risk areas including legal compliance, reputation, and pollution prevention and control.



Sanford responsibly manages, protects and demonstrates positive impacts on the environment across all our operations, including sourcing, processing, and delivery of our products across our value chain.

Resource utilisation and efficiency



Do more with less by maximising efficient use of resources, including optimising the utilisation of all fish and mussels harvested, and ensuring waste minimisation, re-use and recycling.

Continue to set annual targets to progressively achieve energy use, water use, carbon emission and packaging reductions, supported by targeted improvement programmes.

Drive ongoing improvements in waste diversion rates across all of our operations, targeting plastic waste streams as a key priority to reduce.

Continue to implement innovative approaches to optimise the utilisation of all materials as a proactive step towards supporting a circular economy.



Sanford is 'virgin resource neutral', where practicable, and all materials are fully utilised, reused, recycled or where necessary, disposed of in a sustainable manner.

Carbon reduction and offsetting



Demonstrate our commitment to climate change response by actively reducing our energy consumption and emission of greenhouse gases and seeking to introduce low carbon solutions into our value chain, where practicable.

Continue to implement targeted programmes, to drive our overall goal of reducing greenhouse gas emissions to 30% below 2005 levels by 2030.

Research opportunities to optimise the potential of carbon sequestration across all of our farming operations through innovation and targeted research and development.



Sanford is recognised as a 'zero emissions' business. All Sanford products and services are carbon neutral. We provide solutions to our value chain in carbon reduction and offsetting.

These targets for **2019 and beyond** have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a thorough review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals (SDGs).

1. GRI and UN Global Compact 2017: *Business Reporting on the SDGs - An Analysis of the Goals and Targets*.

Corporate Governance

CREATING VALUE THROUGH SOUND CORPORATE GOVERNANCE

The Board of Directors of Sanford Limited (the Board) and management are committed to building long-term value for shareholders and employees. Sanford is committed to maintaining the highest standards of governance, supported by best practice structures, people, practices and policies. This includes maintaining high standards of business integrity and ethics in all our activities.

This section provides an overview of Sanford's Corporate Governance Framework, introducing our Board and Executive team, and detailing key information on remuneration, shareholdings, indemnity and insurance. For further details on governance structure, policies and practices, please refer to the Sanford Corporate Governance Statement 2018, available at: www.sanford.co.nz/investors/governance/corporate-statement/.

OUR GOVERNANCE FRAMEWORK

The Board, supported by the Audit, Finance and Risk, Health & Safety and Regulatory Compliance, People and Board Nomination Committees, regularly review and benchmark the organisation's structure and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainability, and ensure that these principles are applied in the best interests of Sanford and its diverse range of stakeholders.

As a listed company on the NZX, our governance practices and policies reflect, and are consistent with, the Listing Rules. The Company considers that the governance practices it has adopted follow these principles and policies for the year ended 30 September 2018.

The Board provides effective leadership in the best interest of Sanford and is responsible for the strategic direction and control of the Company. The Board exercises this control by way of a governance framework, which includes detailed reporting to the Board and its Committees, effective delegation, risk management and a system of assurances regarding financial reporting and internal controls.

Sanford's constitution, and each of the charters, codes and policies are referred to in our Corporate Governance Statement 2018.

The Board's charter recognises the respective roles of the Board and management, and reflects the sound base the Board has developed for providing strategic guidance and oversight of management.



Strong Governance and Effective Leadership

OUR DIRECTORS AND COMPOSITION OF THE BOARD

Sanford's Directors bring a diverse wealth of experience and passion, acting on behalf of our shareholders and other stakeholders. Directors are chosen for their corporate leadership skills, professional backgrounds, experience and expertise. The right blend of skills and experience, combined with the diversity of Directors' perspectives, is crucial to ensuring the attainment of long-term value for Sanford's shareholders. In 2018, we welcomed Abigail (Abby) Foote to our Board, replacing Elizabeth (Liz) Coutts, who retired on 13 December 2017.



Left to right: Peter Kean, Robert McLeod, Paul Norling, Abby Foote, Peter Goodfellow and Bruce Goodfellow

For more information about each Director, please visit:
<http://www.sanford.co.nz/investors/governance/board-of-directors/>

Under the Constitution of Sanford, and the Listing Rules, one third of the independent non-executive Directors (two, being the nearest third), shall retire from office at the Company's Annual Meeting on 14 December 2018. This requires the retirement, by rotation, of Mr W B Goodfellow, who will not seek re-election and Mr R A McLeod, who will seek re-election at the Annual Meeting in December 2018. Mrs A K Foote being a Director appointed by the Board since the last Annual Meeting is not included in the rotation calculation in accordance with the NZX Listing Rules and the Company's Constitution. She has therefore been nominated to be re-elected as a Director of the Company.

Our Executive team – leading the way

Our vision is ambitious, and our strategy supports this. We have continued to embed a cross-functional approach to realise it, led by an Executive team who are all experts in their respective fields. Our strong Executive team, enhanced in 2018 by the appointment of a new Chief Financial Officer, positions us well on our journey to become the Best Seafood Company in the World.

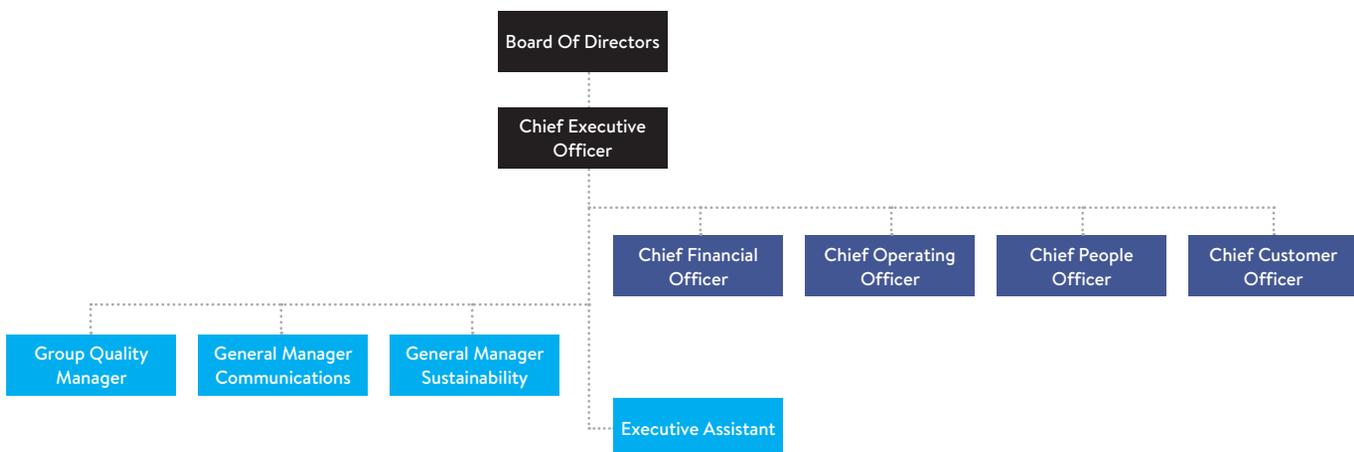


Left to right: Clement Chia, Karen Duffy, Andre Gargiulo, Katherine Turner and Volker Kuntzsch

For more information about each Executive, please visit: <http://www.sanford.co.nz/investors/governance/executive-team/>

EXECUTIVE AND CEO DIRECT REPORT ORGANISATION CHART

The Board and Chief Executive Officer (CEO) are effectively assisted by the Executive team who are direct reports to the CEO. All direct reports to the CEO are shown in the following diagram, with members of the Executive team shown in dark blue:



For more information about our Executive team, please visit: <http://www.sanford.co.nz/investors/governance/executiveteam>

GENDER DIVERSITY

In accordance with the NZX Diversity Rule, we continue to report the gender composition of our Directors and our Senior Leadership Team. As noted above, the Board is comprised of six members (2017: 6), of which five are male (2017: 5), and one is female (2017: 1). The gender diversity of the Board comprises 83% male and 17% female representation. The Senior Leadership Team (inclusive of the Executive team) is comprised of 28 members, (2017:26) of which 19 are male (2017: 19) and nine are female (2017: 7).

Indemnity and Insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, Sanford has given indemnities to, and has effected insurance for, the directors and executives of the Company and its related companies which, except for some specific matters that are expressly excluded, indemnify and insure directors and executives against monetary losses as a result of actions undertaken by them in the course of their duties. Specifically excluded are certain matters, such as the incurring of penalties and fines, which may be imposed for breaches of law.

Remuneration

The following tables provide a breakdown of remuneration for Board fees and committee roles. No other payments were made to Directors.

DIRECTORS' REMUNERATION 2018

NAME OF DIRECTOR	BOARD FEES	AUDIT, FINANCE & RISK COMMITTEE ³	HEALTH & SAFETY AND REGULATORY COMPLIANCE COMMITTEE	PEOPLE COMMITTEE	TOTAL REMUNERATION
Paul Norling (Chair)	150,000	9,375	7,375	6,500	173,250
Elizabeth (Liz) Coutts ¹	21,250	5,000			26,250
Abigail (Abby) Foote ²	56,666	6,667	5,167		68,500
Peter Goodfellow	85,000			11,750 (Chair)	96,750
W Bruce Goodfellow	85,000		7,375		92,375
Peter Kean	85,000		13,188 (Chair)	7,750	105,938
Robert McLeod	85,000	16,875 (Chair)	8,937		110,812
Total	567,916	37,917	42,042	26,000	673,875

1. Retired 13 December 2017; fees do not represent a full year
2. Appointed 1 February 2018; fees do not represent a full year
3. Audit Finance and Risk Committee name change in 2018, to explicitly include risk

DIRECTORS' REMUNERATION 2017

NAME OF DIRECTOR	BOARD FEES	AUDIT & FINANCE COMMITTEE	HEALTH & SAFETY AND REGULATORY COMPLIANCE COMMITTEE	PEOPLE COMMITTEE	TOTAL REMUNERATION
Paul Norling (Chair)	150,000	7,500	6,250	5,000	168,750
Elizabeth (Liz) Coutts	85,000	20,000 (Chair)			105,000
Peter Goodfellow	85,000			5,000	90,000
W Bruce Goodfellow	85,000		6,250		91,250
Peter Kean	85,000		6,250	10,000 (Chair)	101,250
Robert McLeod	85,000	7,500	12,500 (Chair)		105,000
Total	575,000	35,000	31,250	20,000	661,250

The total Directors' fees pool is capped at \$700,000, effective 1 October 2015; this was approved by shareholders at the 2015 Annual Meeting. No other payments were made to Directors.

CHIEF EXECUTIVE OFFICER (CEO) REMUNERATION

The CEO's remuneration consists of fixed remuneration, a short term incentive (STI) and a long term incentive (LTI). This is reviewed annually by the People Committee and the Board after reviewing the Company's performance, the CEO's individual performance and advice from external remuneration specialists.

Short Term Incentive (STI)

The aim of the STI is to reward the CEO for achieving strategic objectives, which will result in strong financial returns for our shareholders. Participation in the plan is by annual invitation at the discretion of the Company at which time financial targets and key performance indicators are established. If minimum financial thresholds are not met, no incentive will be paid. The STI value is set at 30% of the CEO's base salary. The STI has two components, individual performance and financial performance. Individual performance accounts for 30% and is based on achieving certain personal performance goals. Financial performance accounts for 70% and is based on EBIT against budget.

For FY18 the financial threshold is set at achieving 90% of budget with the maximum target set at 110%. Achievement of the maximum financial target results in a payment of 150% of the financial performance component. The STI payments are shown in the financial year that they are paid, which may not be the same year that they are earned.

Long Term Incentive (LTI)

In July 2014, the Company announced an LTI plan for the CEO. The LTI plan is designed to improve the long-term sustainable performance of the company by incentivising and motivating the CEO and to encourage share ownership. The Board retain absolute discretion as to whether any future offers will be made and to review the terms. The benefits provided under the plan are capped at 30% of the CEO's annual base salary, which at the time was the equivalent of up to \$240,000 under the 2014 offer. This is then translated to the equivalent number of shares based on the weighted average share price over the 10 trading days immediately following the market announcement of the annual financial results for the year. The CEO has been granted three tranches of Performance Share Rights as follows:

- Tranche one – 53,097 issued 28 July 2014
- Tranche two – 46,466 issued 17 December 2014
- Tranche three – 42,770 issued 11 December 2015

Each tranche vests over a consecutive three year period. A Performance Share Right represents a conditional right to, upon vesting, acquire a Sanford Limited ordinary share at a nil exercise price. If the CEO departs the Company's employ for any reason prior to vesting, all Performance Share Rights will lapse. Vesting is conditional on achieving certain threshold levels in relation to the objective to

progressively improve underlying operating profit to a level which approximates 130% of its Weighted Average Cost of Capital over a five year period.

The threshold for tranche one was achieved for the vesting period ended 30 September 2016 resulting in 21,735 (41%) Performance Share Rights becoming Eligible Share Rights that the CEO subsequently exercised in April 2017. The balance of 31,362 Performance Share Rights are forgone. The threshold for tranche two was not achieved and 46,466 Performance Share Rights were forgone. Vesting of the remaining tranche three Performance Shares Rights are recorded in the financial year of Board approval.

A second LTI plan was established in February 2017, effective for the period from 1 October 2018. This is on similar terms and conditions to the 2014 plan but with the benefits provided under the 2017 plan capped at 30% of the CEO's current annual base salary at the time, which is the equivalent of up to \$253,800 for tranche one and \$259,500 for tranche two. Vesting is conditional on achieving certain threshold levels in relation to achieving a Return on Funds Employed Compound Annual Growth Rate of 18% over a three year period.

The CEO was granted the following Performance Share Rights:

- Tranche one – 38,525 issued 22 February 2017
- Tranche two – 32,494 issued 23 February 2018

The CEO is not a member of the Board.

YEAR	BASE SALARY \$	VEHICLE ALLOWANCE \$	FIXED REMUNERATION \$	PAY FOR PERFORMANCE \$		TOTAL REMUNERATION \$
				STI	LTI	
FY18 ⁴	865,000	50,000	915,000	76,000	-	991,000
FY17 ⁴	846,000	50,000	896,000	250,000	159,000	1,305,000

4. Based on year the amount was paid

EMPLOYEES' REMUNERATION

The table below shows the number of employees and former employees who received remuneration and other benefits in excess of \$100,000 during the year ended 30 September 2018. The table does not include amounts paid after 30 September 2018 that relate to the year ended 30 September 2018.

REMUNERATION RANGE \$000	NUMBER OF EMPLOYEES	REMUNERATION RANGE \$000	NUMBER OF EMPLOYEES
100 – 110	27	240 – 250	2
110 – 120	22	250 – 260	1
120 – 130	20	270 – 280	2
130 – 140	16	300 – 310	1
140 – 150	9	310 – 320	1
150 – 160	5	320 – 330	1
160 – 170	5	330 – 340	1
170 – 180	3	370 – 380	1
180 – 190	5	380 – 390	1
190 – 200	3	400 – 410	1
200 – 210	1	430 – 440	1
210 – 220	1	520 – 530	1
220 – 230	4	600 – 610	1
230 – 240	2	990 – 1,000	1

Shareholdings

DISCLOSURE OF DIRECTORS' INTERESTS

Interests register

Sanford maintains an Interests Register in which relevant transactions and matters involving the Directors are recorded. Details of Directors' interests are set out in the Directors' Shareholding table below.

DIRECTORS' INTERESTS IN SHARES

The Directors disclosed the following relevant interests in shares as at 30 September 2018:

	BENEFICIAL INTEREST		NON BENEFICIAL INTEREST		ASSOCIATED PERSONS	
	2018	2017	2018	2017	2018	2017
E M Coutts ⁵	n/a	24,000	n/a	-	n/a	-
A K Foote ⁶	12,000	n/a	-	n/a	-	n/a
P J Goodfellow	127,200	127,200	-	-	-	-
W B Goodfellow	146,049	146,049	-	-	500	500
P N Kean	5,000	5,000	-	-	-	-
R A McLeod	8,500	500	-	-	-	-
P G Norling	43,500	43,500	-	-	-	-

5. Retired 13 December 2017

6. Appointed 1 February 2018

SHARE TRADING

Sanford's Constitution directs that each Director holds a minimum of 500 shares in the Company. Directors and Executives are required to seek approval in advance of share trading, and certify to the Board that they are not in possession of inside information, in accordance with the Share Trading Policy and Guidelines. The Board has determined that share trading may only occur during two trading window periods in each year. The periods commence at the time the interim and annual reports are announced and end on 31 August, after the end of the half-year and on 28 February, after the end of the financial year.

Directors acquired shares during the year as follows:

	NUMBER OF SHARES ACQUIRED	CONSIDERATION PAID	DATE
R A McLeod	8,000	\$60,460	14 February 2018

There was no other share trading by Directors in this reporting period.

External Auditor

KPMG were commissioned as Sanford's external auditors for the year ending 30 September 2018. The Board, after considering the recommendation of the Audit, Finance and Risk Committee, assess and review the appointment of external auditors. It is proposed that the current Auditor should continue in office, in accordance with Section 207T of the Companies Act 1993.

Statutory Information

SHAREHOLDING ANALYSIS

AS AT 19 OCTOBER 2018

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 999	524	23.90	232,287	0.25
1,000 – 4,999	1,020	46.53	2,120,757	2.26
5,000 – 9,999	283	12.91	1,831,369	1.96
10,000 – 49,999	277	12.64	5,147,731	5.50
50,000 – 99,999	30	1.37	2,081,000	2.22
Over 100,000	58	2.65	82,213,591	87.81
	2,192	100.0	93,626,735	100.0

TWENTY LARGEST SHAREHOLDERS

AS AT 19 OCTOBER 2018

SHAREHOLDER	NUMBER OF SHARES	%
New Zealand Central Securities Depository Limited ¹	26,861,151	28.68
Amalgamated Dairies Limited	21,221,567	22.66
Forsyth Barr Custodians Limited <1-Custody>	7,266,297	7.76
Maruha Nichiro Corporation	4,534,231	4.84
Masfen Securities Limited	4,079,605	4.35
Sterling Nominees Limited	2,159,037	2.30
JB Were (NZ) Nominees Limited <NZ Resident A/C>	1,950,693	2.08
Kevin Glen Douglas & Michelle McKenney Douglas <K & M Douglas A/C>	1,395,180	1.49
Tasman Equity Holdings Limited	1,212,886	1.29
FNZ Custodians Limited	1,043,413	1.11
Arden Capital Limited	758,590	0.81
James Douglas & Jean Ann Douglas <Douglas Family A/C>	623,722	0.66
Kevin Douglas & Michelle Douglas <Douglas Irrevocable A/C>	623,504	0.66
New Zealand Depository Nominee Limited <A/C 1> Cash Account	597,180	0.63
Seaford Holdings Limited	534,750	0.57
The Goodfellow Foundation Incorporated	523,687	0.55
Brian Grove Spackman & Murray Gordon Wells <Brian Spackman Family A/C No 2>	500,000	0.53
Auckland Medical Research Foundation	459,920	0.49
Marie Roberta Taylor & Richard Heywood Taylor <Taylor Family A/C>	431,314	0.46
Geoffrey Francis Lindberg & Craig Francis Lindberg <G F Lindberg Family A/C>	400,300	0.42

¹ New Zealand Central Securities Depository Limited provides a custodial depository service to institutional shareholders and does not have a beneficial interest in these shares. Its major holders are:

Citibank Nominees (New Zealand) Limited	6,504,734	6.95
BNP Paribas Nominees (NZ) Limited	3,974,942	4.25
HSBC Nominees (New Zealand) Limited	3,397,994	3.63
TEA Custodians Limited Client Property Trust Account	2,368,265	2.53
National Nominees New Zealand Limited	2,217,227	2.37
Accident Compensation Corporation	2,007,441	2.14
BNP Paribas Nominees (NZ) Limited	1,759,051	1.88
New Zealand Permanent Trustees Limited	1,225,000	1.31
JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct	827,524	0.88
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	687,077	0.73
BNP Paribas Nominees (NZ) Limited	658,909	0.70

SUBSTANTIAL PRODUCT HOLDERS

According to the Company's records and substantial product holder notices given to the Company under the Financial Markets Conduct Act 2013, as at 30 September 2018, the following were substantial product holders in the Company through having a relevant interest in the Company's ordinary shares:

	NUMBER OF VOTING SECURITIES
Amalgamated Dairies Limited	22,021,567
Forsyth Barr Investment Management Limited	6,721,738
First NZ Capital Group Limited	5,940,362

The total number of quoted voting products of Sanford Limited on issue as at 30 September 2018 was 93,626,735.

OVERSEAS OWNERSHIP - NZX WAIVER AND OIO EXEMPTION

NZX waiver

In November 2016, NZX granted the Company a waiver from NZX Main Board Listing Rule 11.1.6 which allows the Company to suspend the voting rights of any of the Company's shares which are "Affected Shares".

"Affected Shares" are those shares which the Board determines have caused the Company to be in breach of the "Overseas Ownership Threshold" (currently, a level of overseas ownership of 22.5% of the Company) and in respect of which the Board can exercise its powers to require (or effect) a sale of the "Affected Shares" to a "Non-Overseas Person".

The NZX also granted approval for the Company to include provisions in its Constitution which allow the Board to restrict the transfer of the Company's shares to "Overseas Persons" and which allow the Board to require certain documentation and/or information in relation to a proposed transfer or transferee of the Company's shares.

A more detailed outline and explanation of the effects of the powers that the Board has to restrict the transfer and in certain circumstances suspend voting rights of securities can be found on our website www.sanford.co.nz/investors/governance/company-constitution/, and the provisions which enable the Board to exercise those powers are set out in the Company's Constitution. The full text of the NZX's waiver can also be found here www.nzx.com/files/documents/companies/SAN/249139.pdf.

OIO exemption

In September 2018, the Overseas Investment Office granted the Company an exemption from the requirement under the Overseas Investment Act 2005 to obtain consent prior to acquiring "fishing quota" in certain limited circumstances.

The exemption, which is subject to conditions, means that the Company will not breach the Overseas Investment Act if it acquires "fishing quota" at a time when the Company has a level of overseas ownership of 25% or more, *provided that* the Company did not know (or could not reasonably have known) that its level of overseas ownership was 25% or more at the time of the acquisition. If Sanford acquires fishing quota under such circumstances, the exemption allows the Company a period of time to either (i) lower its overseas ownership to a level below 25%; or (ii) dispose of the fishing quota it acquired when the Company was 25% or more overseas owned. Sanford is obliged to undertake a quarterly analysis of its share register in order to determine its level of overseas ownership.

The Company sought this exemption to complement the provisions introduced to its constitution in 2016 which enable the Board to require (or effect) a sale of the "Affected Shares" to a "Non-Overseas Person" (as discussed above).

The exemption currently runs until 31 August 2023, and the Company must comply with certain conditions in order to have the continued benefit of the exemption.

For the avoidance of doubt, this exemption does not exempt any overseas person from any requirement to obtain consent under the Overseas Investment Act before giving effect to an acquisition of rights or interests in the Company's securities.

Current level of overseas ownership

The Company estimates Overseas Person ownership to be 14.62% based on NASDAQ reporting, as at 30 September 2018 (16.09% at 30 September 2017). Sanford's level of overseas ownership may have changed since this estimate was prepared. Overseas persons intending to trade in Sanford shares should seek legal advice regarding their obligations under the Overseas Investment Act 2005.

NON-GAAP PROFIT MEASURES

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford have used non-GAAP measures when discussing financial performance in this document. The Directors and management believe that these measures provide useful information as they are used internally to evaluate divisional and total Group performance and to establish operating and capital budgets. Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand equivalents to International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be viewed in isolation or as a substitute for GAAP profit measures as reported by Sanford in accordance with NZ IFRS.

DEFINITIONS

- EBITDA:** Earnings before interest, taxation, non-trading currency exchange gains (losses), depreciation, amortisation, restructuring, adjusting items, impairment and gain (loss) on sale of investments, intangible and long term assets.
- Reported EBIT:** Earnings before interest, taxation, non-trading currency exchange gains (losses) and gain (loss) on sales of investments, intangible and long term assets.
- Adjusted EBIT:** Reported EBIT adjusted for impairment, restructuring and other one-off items.

GAAP to Non-GAAP Reconciliation

	Audited 30 September 2018 \$000	Audited 30 September 2017 \$000
Reported net profit for the period (GAAP)	42,300	37,478
<i>Add back:</i>		
Income tax expense	17,664	14,172
Net interest	8,065	8,492
Non-trading currency exchange losses	116	-
Net (gain) loss on sale of investments, property, plant and equipment	(463)	580
Reported EBIT	67,682	60,722
<i>Adjustments:</i>		
Impairment of assets	3,387	2,130
Provision for one-off vessel disposal costs	60	474
Restructuring	377	418
Havelock earthquake insurance settlement, net of repair cost	(6,835)	-
Adjusted EBIT	64,671	63,744
<i>Add back:</i>		
Depreciation	19,731	18,803
EBITDA	84,402	82,547

FINANCIAL STATEMENTS 2018

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2018.

For and on behalf of the Board of Directors:



P G Norling
Chairman
14 November 2018



R A McLeod
Director
14 November 2018

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FIVE YEAR FINANCIAL REVIEW

	2018 \$000	2017 \$000	2016 \$000	2015 \$000	2014 \$000
Revenue	514,976	477,940	463,472	450,332	460,521
EBITDA*	84,402	82,547	78,873	64,362	60,040
Depreciation	(19,731)	(18,803)	(15,515)	(16,901)	(17,975)
Restructuring costs	(377)	(418)	(228)	(3,048)	-
Havelock earthquake insurance settlement, net of repair cost	6,835	-	-	-	-
Impairment of assets	(3,387)	(2,130)	(5,389)	(13,287)	(2,260)
Other one-off items	(60)	(474)	-	-	4,332
EBIT	67,682	60,722	57,741	31,126	44,137
Net interest expense	(8,065)	(8,492)	(8,193)	(9,460)	(9,607)
Net currency exchange losses	(116)	-	-	-	(4,558)
Net gain (loss) on sale of investments, property, plant and equipment and intangible assets	463	(580)	(136)	136	1,755
Profit before income tax	59,964	51,650	49,412	21,802	31,727
Income tax expense	(17,664)	(14,172)	(14,681)	(8,024)	(9,363)
Profit for the year	42,300	37,478	34,731	13,778	22,364
Non controlling interest	3	8	13	21	66
Profit attributable to equity holders of the Company	42,303	37,486	34,744	13,799	22,430
Equity					
Paid in capital	94,690	94,690	94,958	95,027	95,152
Reserves	486,659	480,619	462,779	417,592	450,206
Non controlling interest	585	527	398	451	483
Total equity	581,934	575,836	558,135	513,070	545,841
Represented by:					
Current assets	155,095	150,363	141,149	127,708	121,543
Less current liabilities	99,495	123,682	90,366	114,082	53,972
Working capital	55,600	26,681	50,783	13,626	67,571
Property, plant and equipment	130,787	132,000	119,841	93,658	128,769
Investments	1,494	10,940	11,313	10,964	10,438
Biological assets	15,077	16,448	14,978	12,654	10,510
Intangible assets	506,249	504,398	500,327	500,356	506,078
Derivative financial instruments	669	5,816	10,228	-	-
	709,876	696,283	707,470	631,258	723,366
Less non-current liabilities	127,942	120,447	149,335	118,188	177,525
Total net assets	581,934	575,836	558,135	513,070	545,841
Dividend per share (cents)	23 [†]				
Dividend cover (times)	2.0 [†]	1.7 [†]	1.6 [†]	0.6 [†]	1.0 [†]
Return on average total equity	7.3%	6.6%	6.5%	2.6%	4.1%
Earnings per share (cents)	45.2	40.1	37.1	14.8	24.0
Net asset backing per share	\$6.22	\$6.16	\$5.97	\$5.48	\$5.83

* Earnings before interest, taxation, depreciation, amortisation, restructuring, adjusting items, impairment, gain (loss) on sale of investments, intangible and long term assets and non-trading net currency exchange gains (losses).

[†] Includes the dividends proposed after balance date.

The five year financial review includes both the continuing and discontinued businesses.

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 \$000	2017 \$000
Revenue	4	514,976	477,940
Cost of sales		(401,069)	(365,661)
Gross profit		113,907	112,279
Other income		14,448	6,464
Distribution expenses		(22,873)	(24,457)
Administrative expenses	5	(26,072)	(23,329)
Other expenses	5	(12,453)	(11,676)
Operating profit		66,957	59,281
Finance income	6	462	389
Finance expense	6	(8,628)	(8,853)
Net finance expense		(8,166)	(8,464)
Share of profit of equity accounted investees	13	1,173	833
Profit before income tax		59,964	51,650
Income tax expense	7	(17,664)	(14,172)
Profit for the year		42,300	37,478
Profit attributable to:			
Equity holders of the Company		42,303	37,486
Non controlling interest		(3)	(8)
		42,300	37,478
Earnings per share, net of tax attributable to equity holders of the Company during the year (expressed in cents per share)			
Basic and diluted earnings per share (cents)			
From profit for the year	16	45.2	40.1

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 \$000	2017 \$000
Profit for the year (after tax)	42,300	37,478
Other comprehensive income		
<i>Items that may be reclassified to the income statement</i>		
Foreign currency translation differences	20	189
Change in fair value of cash flow hedges recognised in other comprehensive income	(20,055)	2,254
Deferred tax on cash flow hedges	5,616	(631)
Cost of hedging losses recognised in other comprehensive income	(566)	(385)
Deferred tax on cost of hedging	158	108
<i>Items that may not be reclassified to the income statement</i>		
Amount of treasury share cost expensed in relation to share-based payment	72	62
Other comprehensive (loss) income for the year	(14,755)	1,597
Total comprehensive income for the year	27,545	39,075
Total comprehensive income for the year is attributable to:		
Equity holders of the Company	27,547	39,075
Non controlling interest	(2)	-
Total comprehensive income for the year	27,545	39,075

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Note	2018 \$000	2017 \$000
Current assets			
Cash on hand and at bank	8	2,630	5,150
Trade receivables	9	49,759	55,362
Derivative financial instruments	19	3,438	12,450
Other receivables and prepayments		7,314	7,277
Biological assets	10	28,393	18,048
Inventories	11	45,869	43,576
Assets held for sale	18	17,692	8,500
Total current assets		155,095	150,363
Non-current assets			
Property, plant and equipment	12	130,787	132,000
Investments	13	1,494	10,940
Derivative financial instruments	19	669	5,816
Biological assets	10	15,077	16,448
Intangible assets	14	506,249	504,398
Total non-current assets		654,276	669,602
Total assets		809,371	819,965
Current liabilities			
Bank overdraft and borrowings (secured)	8	55,000	55,121
Current portion of bank loan (secured)	19	-	36,000
Derivative financial instruments	19	7,936	2,631
Trade and other payables	15	32,434	29,354
Taxation payable		4,125	576
Total current liabilities		99,495	123,682
Non-current liabilities			
Bank loans (secured)	19	100,000	95,000
Contributions received in advance		3,469	3,756
Employee entitlements	15	1,355	1,964
Derivative financial instruments	19	7,947	3,496
Deferred taxation	7	15,171	15,781
Lease obligation		-	450
Total non-current liabilities		127,942	120,447
Total liabilities		227,437	244,129
Equity			
Paid in capital		94,690	94,690
Retained earnings		492,943	472,147
Other reserves		(6,284)	8,472
Shareholder funds		581,349	575,309
Non controlling interest		585	527
Total equity	16	581,934	575,836
Total equity and liabilities		809,371	819,965

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 \$000	2017 \$000
Cash flows from operating activities			
Receipts from customers		525,823	490,102
Havelock earthquake insurance settlement, net of deductible		10,096	-
Interest received		447	361
Dividends received		15	28
Payments to suppliers and employees		(446,032)	(418,078)
Income tax paid		(8,950)	(13,505)
Interest paid		(8,752)	(8,628)
Net cash flows from operating activities		72,647	50,280
Cash flows from investing activities			
Sale of property, plant and equipment		2,101	419
Contributions received in advance		(287)	(58)
Dividends received from associates	13	894	1,206
Purchase of property, plant and equipment and intangible assets		(24,739)	(36,803)
Purchase of business		(510)	(1,478)
Net cash flows from investing activities		(22,541)	(36,714)
Cash flows from financing activities			
Proceeds from borrowings		40,000	23,600
Repayment of term loans		(71,000)	(14,000)
Dividends paid to Company shareholders	17	(21,507)	(21,503)
Dividends paid to non controlling shareholders in subsidiaries		(27)	(27)
Net cash flows from financing activities		(52,534)	(11,930)
Net (decrease) increase in cash and cash equivalents			
Effect of exchange rate fluctuations on cash held		29	38
Cash and cash equivalents at beginning of year		(49,971)	(51,645)
Cash and cash equivalents at 30 September		(52,370)	(49,971)
Represented by:			
Bank overdraft and borrowings (secured)		(55,000)	(55,121)
Cash on hand and at bank		2,630	5,150
	8	(52,370)	(49,971)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Reconciliation of Profit for the Period with Net Cash Flows from Operating Activities

	Note	2018 \$000	2017 \$000
Profit for the year (after tax)		42,300	37,478
Adjustments for non-cash items:			
Depreciation		19,731	18,803
Impairment of property, plant and equipment	12	2,314	1,865
Impairment of assets held for sale	18	560	265
Impairment of advance		513	-
Share-based payment expense		72	62
Change in fair value of biological assets		(8,974)	(4,642)
Change in fair value of foreign currency options		372	(479)
Change in fair value of forward exchange contracts		2,922	(515)
Share of profit of equity accounted investees	13	(1,173)	(833)
Increase in deferred tax	7	5,164	3,130
Unrealised foreign exchange (gains) losses		(2,894)	2,658
		18,607	20,314
Movement in working capital			
Decrease in trade and other receivables and prepayments		7,931	4,034
Increase in inventories		(2,291)	(8,913)
Increase (decrease) in trade and other payables and other liabilities		3,015	(749)
Increase (decrease) increase in taxation payable		3,548	(2,464)
		12,203	(8,092)
Items classified as investing activities			
(Gain) loss on sale of property, plant and equipment		(463)	580
		(463)	580
Net cash flows from operating activities		72,647	50,280

Reconciliation of Movement of Liabilities to Cash Flows Arising from Financing Activities

	Lease Obligation \$000	Bank Loans (secured) \$000	Derivative Financial (Assets) Liabilities \$000	Total \$000
As at 1 October 2017	450	131,000	(12,139)	119,311
Proceeds from bank loans	-	40,000	-	40,000
Repayment of bank loans	-	(71,000)	-	(71,000)
Financing cash flows	-	(31,000)	-	(31,000)
Change in fair value of derivative financial instruments	-	-	23,915	23,915
Settlement of lease obligation reflected as investing activities	(450)	-	-	(450)
As at 30 September 2018	-	100,000	11,776	111,776



The Group has adopted the disclosure requirements in Disclosure Initiative (Amendments to IAS 7). The table above provides an explanation of changes in the Group's liabilities for which cash flows have been classified as financing activities in the statement of cash flows.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Group	Note	Share Capital \$000	Share Based Payment Reserve \$000	Translation Reserve \$000	Cash Flow Hedge Reserve \$000	Cost of Hedging Reserve \$000	Retained Earnings \$000	Total \$000	Non Controlling Interest \$000	Total Equity \$000
Balance at 1 October 2017		94,690	330	457	6,739	946	472,147	575,309	527	575,836
Profit for the year (after tax)		-	-	-	-	-	42,303	42,303	(3)	42,300
Other comprehensive income										
Foreign currency translation differences		-	-	19	-	-	-	19	1	20
Hedging gains (losses) recognised in other comprehensive income		-	-	-	(20,055)	(566)	-	(20,621)	-	(20,621)
Deferred tax on change in reserves		-	-	-	5,616	158	-	5,774	-	5,774
Amount of treasury share cost expensed in relation to share-based payment		-	72	-	-	-	-	72	-	72
Total comprehensive income		-	72	19	(14,439)	(408)	42,303	27,547	(2)	27,545
Shares issued to non controlling shareholders in subsidiaries		-	-	-	-	-	-	-	87	87
Distributions to shareholders	17	-	-	-	-	-	(21,507)	(21,507)	(27)	(21,534)
Balance at 30 September 2018		94,690	402	476	(7,700)	538	492,943	581,349	585	581,934
Balance at 1 October 2016		94,690	268	276	5,116	1,223	456,164	557,737	398	558,135
Profit for the year (after tax)		-	-	-	-	-	37,486	37,486	(8)	37,478
Other comprehensive income										
Foreign currency translation differences		-	-	181	-	-	-	181	8	189
Hedging gains (losses) recognised in other comprehensive income		-	-	-	2,254	(385)	-	1,869	-	1,869
Deferred tax on change in reserves		-	-	-	(631)	108	-	(523)	-	(523)
Amount of treasury share cost expensed in relation to share-based payment		-	62	-	-	-	-	62	-	62
Total comprehensive income		-	62	181	1,623	(277)	37,486	39,075	-	39,075
Shares issued to non controlling shareholders in subsidiaries		-	-	-	-	-	-	-	156	156
Distributions to shareholders	17	-	-	-	-	-	(21,503)	(21,503)	(27)	(21,530)
Balance at 30 September 2017		94,690	330	457	6,739	946	472,147	575,309	527	575,836

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 1 – GENERAL INFORMATION**(a) Reporting entity**

Sanford Limited ('the parent' or 'the Company') is a profit-orientated company that is domiciled and incorporated in New Zealand. The Company is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an FMC entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013.

The financial statements presented are for Sanford Limited ('Sanford' or 'the Group') as at, and for the year ended 30 September 2018. The Group comprises the Company, its subsidiaries, and its investments in joint arrangements and associates.

In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent disclosures are not required.

The Group is a large and long-established fishing and aquaculture farming business devoted entirely to the farming, harvesting, processing, storage and marketing of quality seafood products and investments in related activities.

NOTE 2 – BASIS OF PREPARATION**(a) Statement of compliance**

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

- Derivative financial instruments: interest rate and fuel swaps, forward exchange contracts and foreign currency options
- Biological assets: in water salmon and mussel assets are measured at fair value less costs to sell

(c) Foreign currency**Functional and presentation currency**

These financial statements are presented in New Zealand dollars (NZD), the Company's functional currency. All financial information presented in NZD has been rounded to the nearest thousand dollars (unless described as millions within the notes to these financial statements).

Foreign currency transactions

Foreign currency transactions are translated to NZD at the exchange rates ruling at the dates of the transactions.

At balance date foreign currency monetary assets and liabilities are translated at the closing rate. The exchange variations arising from these translations are recognised in the income statement.

Foreign operations

Foreign operations are entities within the Group, the activities of which are based in a country other than New Zealand, or are conducted in a currency other than NZD. The assets and liabilities of foreign operations are translated into NZD at the balance date closing rate, while revenues and expenses are translated at rates approximating the exchange rate ruling at the date of the transaction. Exchange variations are taken directly to the foreign currency translation reserve.

(d) Use of estimates and judgements

The preparation of financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts in the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Accounting policies, and information about judgements, estimates and assumptions that have had a significant impact on the amounts recognised in the financial statements are disclosed in the relevant notes as follows:

- Valuation of deferred tax assets and liabilities (refer note 7)
- Impairment testing of property, plant and equipment (refer note 12) and assets classified as held for sale (refer note 18)
- Impairment testing of intangible assets (refer note 14)
- Valuation of biological assets (refer note 10)
- Valuation of financial instruments (refer note 19)

Estimates are designated by a **E** symbol in the notes to the financial statements.

(e) Significant accounting policies

Accounting policies are disclosed within each of the applicable notes to the financial statements and are designated with a **P** symbol.

The Group's accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

There have been no changes in accounting policies or methods of computation.

To ensure consistency with the current period, comparative figures have been restated where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 2 – BASIS OF PREPARATION (continued)

(f) New and amended accounting standards and interpretations adopted

Disclosure Initiative (Amendments to NZ IAS7)

The Group has adopted Disclosure Initiative (Amendments to NZ IAS7) in the current year. The impact of the amendment is limited to disclosures only, requiring a disclosure of changes in liabilities arising from financial activities. Refer to the statement of cash flows.

NOTE 3 – SEGMENT REPORTING

Executive management of the Group monitors the operating results of the wildcatch and aquaculture (mussels and salmon) divisions. Divisional performance is evaluated based on operating profit or loss. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

The Group's key operating divisions are:

- wildcatch - responsible for catching and processing inshore and deepwater fish species; and
- aquaculture - responsible for farming, harvesting and processing mussels and salmon.

The Group has determined that the divisions above should be aggregated to form one reportable segment to reflect the farming, harvesting, processing and selling of seafood products, due to the aggregated manner in which performance is monitored.

The criteria as set out in paragraph 12 of NZ IFRS8: *Operating Segments* was considered in determining the aggregation of the operating divisions. In aggregating these operating divisions into one reportable segment, the Group identified similarities in the following:

Similar economic characteristics

The Group considered and identified similarities in economic characteristics in the wildcatch and aquaculture divisions. The Group concluded, having considered several factors, that the operating segments exhibited similar long term economic characteristics because the impact of these factors is expected to be similar across all operating divisions. This is supported by the following observations:

Foreign exchange

A large proportion of the Group's sales are derived from exporting seafood products. Movements in foreign exchange rates have a significant influence on the degree of profitability of the Group.

Competitive and operating risks

The operating risks are similar for all of the seafood products in which the Group trades, due to the vagaries of nature and its impact in respect of weather patterns, nutrients in the oceans, parasites and disease.

The global growth in seafood product demand and rising commodity prices has led to a heightened competitive environment in which the Group trades, this applies in a similar manner across all of the operating divisions.

Economic and political risk

Economic prosperity and political stability for countries in which Sanford's customers are based, have a direct impact across the Group in its ability to derive increasing positive returns to shareholders.

Other variables impacting profit

There are many other variables that directly or indirectly impact the profitability of the operating divisions such as international trade rules and tariffs and climate change. The Group has assessed that the operating divisions are similarly impacted by these variables.

Nature of the products

All of the seafood products have similar nutritional factors, principally they are a good source of protein and relatively low in fat.

Similar nature of production processes

The Group has determined that all of the seafood products produced for its customers are harvested from the sea. Additionally, certain fish species and mussels have hand opening or machine opening processes involved in the final completion of the production chain.

The type or class of customer for the product

The Group sells products derived from all of its operating divisions to six (2017: eight) of its top ten customers. The Group's customers are largely of a wholesale nature.

The methods used to distribute the product

The Group's sales and marketing team is structured geographically and not by product type or by operating division.

The nature of the regulatory environment

Both aquaculture and fish products are governed by the quality control regulations set by the Ministry for Primary Industries in New Zealand and those countries to which the Group exports. In respect of vessels these must meet Maritime New Zealand regulations; this requirement is similar for all operating divisions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 3 – SEGMENT REPORTING (continued)

(a) Income and expenditure

Segmental information is presented in respect of the Group's industry and geographical segments.

	NEW ZEALAND		AUSTRALIA		ELIMINATIONS		TOTAL	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Total external revenue	490,592	451,786	24,384	26,154	-	-	514,976	477,940
Inter-segment revenue	2,934	2,824	-	-	(2,934)	(2,824)	-	-
Segment revenue	493,526	454,610	24,384	26,154	(2,934)	(2,824)	514,976	477,940
Segment profit (loss) for the year	41,428	36,657	(301)	(12)	-	-	41,127	36,645
Share of profit of equity accounted investees							1,173	833
Reported profit for the year							42,300	37,478

Inter-segment transactions

Inter-segment revenue is eliminated upon consolidation and is reflected in the eliminations column.

(b) Revenue by geographical location of customers

	2018 \$000	2017 \$000
New Zealand	220,669	169,247
Europe	61,546	45,554
China	57,353	40,488
North America	56,810	85,083
Australia	55,016	65,542
Japan	17,312	18,261
Other Asia	14,557	12,749
South Korea	11,399	12,351
Africa	6,007	13,589
Hong Kong	4,634	4,326
Middle East	3,552	5,623
Pacific	2,280	3,307
Other	3,841	1,820
Revenue	514,976	477,940

The revenue information above is based on the delivery destination of sales.

The group has no customers accounting for more than 10% of total sales for the year (sales to one customer for the 2017 year accounted for \$49.8m or 10% of total sales).

(c) Assets and liabilities

	Note	NEW ZEALAND		AUSTRALIA		TOTAL	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Segment assets		802,812	802,747	5,154	6,367	807,966	809,114
Investment in equity accounted investees	13	1,405	10,851	-	-	1,405	10,851
Total assets		804,217	813,598	5,154	6,367	809,371	819,965
Segment liabilities		207,205	223,046	20,232	21,083	227,437	244,129
Total liabilities		207,205	223,046	20,232	21,083	227,437	244,129
Capital expenditure	12, 14	24,049	36,228	56	131	24,105	36,359
Depreciation		19,582	18,669	149	134	19,731	18,803

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 4 – REVENUE



Revenue from the sale of goods is measured at the fair value of the consideration received and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

NZ IFRS15: Revenue from Contracts with Customers (including subsequent amendment)

The standard was issued in May 2014 and will replace all existing guidance for revenue recognition, including NZ IAS11: *Construction Contracts* and NZ IAS18: *Revenue*. It is required to be adopted by the Group in the year ending 30 September 2019. Guiding principles in the standard will impact when, how and how much revenue is recognised in the Group's financial statements. Key revenue streams of the Group were analysed and the Group has concluded its evaluation of the impact of this standard and does not believe it will have a material impact on the financial statements.

NOTE 5 – EXPENSES

	Note	2018 \$000	2017 \$000
(a) Administrative and other expenses includes			
Directors' fees	24	674	661
Donations		257	179
Audit fees - KPMG		214	214
Audit fees - other auditors (for audit of Group companies)		77	58
KPMG fees for other services †		50	49
Leasing charges		5,383	5,242
Bad debts written off		220	120
Increase in allowance for doubtful debts	19	48	145
Impairment of property, plant and equipment	12	2,314	1,865
Impairment of assets held for sale	18	560	265
Impairment of advance		513	-
(Gain) loss on sale of property, plant and equipment		(463)	580
Restructuring costs		377	418
Research and development		2,586	3,314
(b) Personnel expenses included in cost of sales, administrative and distribution expenses			
Wages and salaries (including short-term employee benefits)		115,230	113,613

† KPMG fees for other services are in respect of a limited assurance engagement in relation to selected sustainability information included in the Sanford annual report (\$49,555). 2017 fees for other services related to a limited assurance engagement in relation to selected sustainability information included in the Sanford annual report (\$41,500) and scrutineering results of the annual meeting (\$7,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 6 – FINANCE INCOME AND EXPENSE

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings and impairment losses recognised on financial assets (except for trade receivables), as well as non-trading currency exchange losses.

	2018	2017
	\$000	\$000
Finance income		
Interest income	447	361
Dividends received	15	28
	462	389
Finance expense		
Interest expense on bank loans and bank overdraft	8,512	8,853
Non-trading currency exchange losses	116	–
	8,628	8,853
Net finance expense	8,166	8,464

NOTE 7 – TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income (OCI) in which case it is recognised in OCI.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is:

- Recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
- Not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.
- Measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at balance date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 7 – TAXATION (continued)

7.1 Income tax expense

	2018 \$000	2017 \$000
Current tax expense		
Current period	12,608	11,054
Adjustments for prior periods	(108)	(12)
	12,500	11,042
Deferred tax expense		
Origination and reversal of temporary differences	5,058	3,093
Adjustments for prior periods	106	37
	5,164	3,130
Income tax expense	17,664	14,172
Reconciliation of effective tax rate		
Profit for the year	42,300	37,478
Income tax expense	17,664	14,172
Profit before income tax	59,964	51,650
Tax at current rate of 28%	16,790	14,462
Non-deductible expenses	313	152
Capitalised asset timing differences	(57)	(5)
Non-taxable income	-	(7)
Unutilised and unrecognised tax losses	700	-
Adjustments for prior periods	(2)	25
Different foreign tax rate	1	4
Other	(81)	(459)
	874	(290)
Income tax expense	17,664	14,172
Imputation credit account		
Imputation credits available for use in subsequent reporting periods	73,704	71,384

The Group imputation credits are available to be attached to dividends paid by Sanford Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 7 – TAXATION (continued)

7.2 Deferred Tax

	2018			
	Balance 30 September 2017	Recognised in Income Statement	Recognised in Other Compre- hensive Income	Balance 30 September 2018
	\$000	\$000	\$000	\$000
Movement in temporary differences during the year				
Property, plant and equipment	(3,287)	593	-	(2,694)
Intangible assets	(12,537)	(1,634)	-	(14,171)
Trade receivables	60	24	-	84
Derivative financial instruments	(2,989)	-	5,774	2,785
Biological assets	307	(3,245)	-	(2,938)
Other liabilities	2,665	(902)	-	1,763
Net deferred tax liability	(15,781)	(5,164)	5,774	(15,171)

	2017			
	Balance 30 September 2016	Recognised in Income Statement	Recognised in Other Compre- hensive Income	Balance 30 September 2017
	\$000	\$000	\$000	\$000
Movement in temporary differences during the year				
Property, plant and equipment	(2,633)	(654)	-	(3,287)
Intangible assets	(10,974)	(1,563)	-	(12,537)
Trade receivables	60	-	-	60
Derivative financial instruments	(2,466)	-	(523)	(2,989)
Biological assets	1,454	(1,147)	-	307
Other liabilities	2,431	234	-	2,665
Net deferred tax liability	(12,128)	(3,130)	(523)	(15,781)

Deferred tax recognised in OCI relates to tax on the effective portion of the change in fair value of cash flow hedges, and on cost of hedging gains or losses.



A deferred tax asset has not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise these benefits. There is no expiry time for the use of these tax losses.

	2018 \$000	2017 \$000
Unrecognised deferred tax asset		
Net tax losses - Australia	3,098	2,852
Net tax losses - New Zealand	2,501	-
	5,599	2,852

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 8 – CASH AND CASH EQUIVALENTS



Cash and cash equivalents includes deposits that are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are classified and measured at amortised cost in the statement of financial position. These financial instruments are short term in nature and the carrying amount is considered to be a reasonable approximation of fair value.

Bank overdraft and borrowings are classified and measured at amortised cost. These financial instruments are short term in nature and the carrying amount is considered to be a reasonable approximation of fair value.

	2018 \$000	2017 \$000
Cash on hand and at bank	2,630	5,150
Bank overdraft and borrowings (secured)	(55,000)	(55,121)
	(52,370)	(49,971)

Borrowings are all denominated in NZD and expire in April 2019 (2017: April 2018).

Interest rates

Interest rates applicable on call deposits range from 0.50% - 3.25% (2017: 0.60% - 3.30%).

Interest rates applicable on the bank overdraft and borrowings range from 2.47% - 3.47% (2017: 2.62% - 3.06%).

Security and covenants

Bank loans are secured by a general security interest over property and a mortgage over quota shares. All borrowings are subject to borrowing covenant arrangements. The Group has complied with all covenants during the year (2017: all covenants complied with).

NOTE 9 – TRADE RECEIVABLES



Trade and other receivables are financial assets classified and measured at amortised cost less allowance for doubtful debts. Short term trade receivables are not discounted. These financial instruments are short term in nature and the carrying amounts are considered to be a reasonable approximation of fair values.

	2018 \$000	2017 \$000
Gross trade receivables	50,085	55,640
Less: Allowance for doubtful debts (refer to note 19(a))	(326)	(278)
	49,759	55,362

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 10 – BIOLOGICAL ASSETS



Biological assets include pre-harvest salmon and mussel stocks, and are measured at fair value less costs to sell, with any change therein recognised in the income statement. This method of valuation falls into level 3 on the fair value hierarchy. Biological assets are transferred to inventories at the date of harvest.

	2018		
	Mussels \$000	Salmon \$000	Total \$000
Balance at beginning of year	25,156	9,340	34,496
Changes due to biological transformation and movement in fair value less estimated costs to sell	23,504	14,782	38,286
Harvested produce transferred to inventories	(25,310)	(4,002)	(29,312)
Balance at 30 September 2018	23,350	20,120	43,470
Current	12,578	15,815	28,393
Non-current	10,772	4,305	15,077
	23,350	20,120	43,470
	2017		
	Mussels \$000	Salmon \$000	Total \$000
Balance at beginning of year	23,001	6,853	29,854
Changes due to biological transformation and movement in fair value less estimated costs to sell	23,845	6,671	30,516
Harvested produce transferred to inventories	(21,690)	(4,184)	(25,874)
Balance at 30 September 2017	25,156	9,340	34,496
Current	11,148	6,900	18,048
Non-current	14,008	2,440	16,448
	25,156	9,340	34,496

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 10 – BIOLOGICAL ASSETS (continued)



Risk factors

The Group is exposed to a number of risks relating to its growing of salmon and mussel stocks. These include storms, marine predators, biosecurity incursions and other contamination of the water space. The Group has extensive processes in place to monitor and mitigate these risks including insurance of salmon and mussels, regular inspection of the growing areas and contingency plans in the event of an adverse climatic event.

The key assumption which would lead to future uncertainty and may cause an adjustment to the carrying amounts of biological assets is the fair value per kg at the point of harvest. The value of these assets may fluctuate with both the market prices and foreign exchange movements.

Fair value risk

The Group is exposed to financial risks arising from fluctuations in the price and sales volumes of salmon and mussels, as well as climatic events, disease and contamination of the water space. Management performs regular analysis to ensure that the Group's pricing structure is in line with the market and to ensure harvest volumes are appropriate.

Determining fair value

Salmon

The pre-harvest salmon stock has been valued with reference to their stage of development, the length of the growth cycle, number in the water, assumptions in respect of biomass and feed conversion rates, and the fair value per kg at the point of harvest. The fair value per kg at the point of harvest is determined with reference to market selling prices as at 30 September 2018. The fair value measurement commences at the date of transfer to sea water as this is considered the point at which the fish commence their grow out cycle.

For this year end greater use has been made of the observable inputs arising from the new AM100 sizing machine, used as a basis to determine fish size and weight of the fish in each of the cages on the farm. Previously the biomass was straight lined over the growing period, however with the new information available, account is now taken of the specific number of fish and their weight in each of the cages, to which a fair value per kilogram is applied. This change has resulted in an \$8.4m year on year increase in the fair value of salmon. The remaining increase in fair value relative to 2017 is due to biomass and current market price changes.

Mussels

The pre-harvest mussel stock has been valued with reference to their stage of development, the length of the growth cycle for the mussels in the regions being farmed, the fair value per kg at point of harvest, and the physical quantity in the water at balance date. The fair value per kg at the point of harvest is determined with reference to market selling prices as at 30 September 2018. The fair value measurement commences at the date of seeding as this is considered the point at which the mussels commence their growth cycle.

NOTE 11 – INVENTORIES



Inventories are measured at the lower of cost and net realisable value. The estimated costs of marketing, selling and distribution are deducted in calculating net realisable value.

Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventory and bringing it to its existing condition and location. In the case of processed inventories and work in progress, cost includes an appropriate share of overheads. Fixed overheads are allocated on the basis of normal operating capacity. The cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

	2018 \$000	2017 \$000
Seafood	34,337	34,354
Packaging, fishing gear, fuel and stores	11,532	9,222
	45,869	43,576

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Cost may include:

- the consideration paid on acquisition of the asset;
- the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use;
- the costs of dismantling and removing the items and restoring the site on which they are located; and
- borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The capitalisation of expenditure ceases when the asset is ready for use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure that increases the economic benefits derived from an asset is capitalised.

Depreciation of property, plant and equipment, other than land, is calculated using straight-line basis and is expensed over the useful life of the asset.

Depreciation methods, useful lives and residual values are reassessed at balance date. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Estimated useful lives (years) are as follows:

	2018	2017
Buildings (freehold and leasehold)	20-25	20-25
Fishing vessels:		
Hulls	20-30	20-30
Engines	12-15	12-15
Electronic equipment	3-4	3-4
Machinery and plant	7-10	7-10
Motor vehicles	5	5
Office fixtures and fittings	3-7	3-7
Marine farm assets	5-15	5-15

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)

	2018					
	Land \$000	Freehold Buildings \$000	Leasehold Buildings \$000	Fishing Vessels \$000	Plant and Equipment \$000	Total \$000
Cost						
Balance at beginning of year	2,572	21,323	46,769	183,527	130,133	384,324
Additions - other	-	830	1,053	13,084	7,288	22,255
Disposals	-	-	(32)	(10,733)	(2,221)	(12,986)
Effect of movements in exchange rates	-	5	-	-	1	6
Balance at end of year	2,572	22,158	47,790	185,878	135,201	393,599
Accumulated depreciation and impairment						
Balance at beginning of year	-	(8,454)	(27,731)	(118,254)	(97,885)	(252,324)
Depreciation	-	(564)	(1,770)	(10,982)	(6,415)	(19,731)
Impairment	-	-	-	(2,163)	(151)	(2,314)
Disposals	-	-	54	9,446	2,057	11,557
Balance at end of year	-	(9,018)	(29,447)	(121,953)	(102,394)	(262,812)
Net book value at 30 September 2018	2,572	13,140	18,343	63,925	32,807	130,787
	2017					
	Land \$000	Freehold Buildings \$000	Leasehold Buildings \$000	Fishing Vessels \$000	Plant and Equipment \$000	Total \$000
Cost						
Balance at beginning of year	2,572	20,990	43,359	165,392	127,515	359,828
Additions - business combination	-	-	9	-	141	150
Additions - other	-	333	4,154	23,486	5,676	33,649
Disposals	-	-	(798)	(5,351)	(3,215)	(9,364)
Effect of movements in exchange rates	-	-	45	-	16	61
Balance at end of year	2,572	21,323	46,769	183,527	130,133	384,324
Accumulated depreciation and impairment						
Balance at beginning of year	-	(7,913)	(26,505)	(111,820)	(93,749)	(239,987)
Depreciation	-	(541)	(1,675)	(9,764)	(6,823)	(18,803)
Impairment	-	-	(51)	(1,814)	-	(1,865)
Disposals	-	-	500	5,144	2,687	8,331
Balance at end of year	-	(8,454)	(27,731)	(118,254)	(97,885)	(252,324)
Net book value at 30 September 2017	2,572	12,869	19,038	65,273	32,248	132,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)**Impairment**

Following its failure to meet survey, it was deemed uneconomic to repair the Auckland-based fishing vessel, *San Hikurangi*. On the basis that the vessel was decommissioned from the fleet and sold in August 2018, an impairment loss of \$2.2m was recognised, being the book value of the vessel less its eventual disposal proceeds of \$0.3m.

The 2017 fishing vessels impairment charge of \$1.8m relates to a small inshore vessel acquired during that year, which subsequently was found to have structural issues that require significant remediation work in order for the vessel to meet compliance standards for fishing. The Group continues to pursue legal remedy, however no recoveries have been recorded at balance date due to the early stage of this process (2017: Nil). A provision of \$0.4m has been raised in respect of the anticipated disposal costs of this vessel (2017: \$0.5m).

**Commitments**

The estimated capital expenditure for property, plant and equipment contracted for at reporting date but not provided is \$4.6m for the Group (2017: \$1.0m).

Kaikoura earthquake update

The Havelock mussel processing plant was impacted by the 14 November 2016 Kaikoura earthquake. The Group's insurer agreed a settlement of \$11.1m in respect of this event which has been recognised in other income net of the \$1m insurance excess. All remedial works were completed during the planned shut down in August 2018, and have been reported against the settlement income, resulting in a net gain of \$6.8m.

NOTE 13 – INVESTMENTS

The Group's interest in equity accounted investees comprises interests in those associates and joint ventures disclosed in note 22.

Associates are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than the rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

The Group's other investments comprise shareholdings in other companies which do not constitute controlling interests, nor does the Group have significant influence over the investees. As these are not held for trading, the Group has elected these equity instruments to be classified and measured at fair value through OCI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 13 – INVESTMENTS (continued)

	Note	2018 \$'000	2017 \$'000
Equity Accounted Investees			
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:			
Current assets		21,716	18,971
Non-current assets		11,427	11,354
Total assets		33,143	30,325
Current liabilities		4,495	3,460
Non-current liabilities		667	633
Total liabilities		5,162	4,093
Revenue		44,428	40,479
Expenses		(42,042)	(38,833)
Profit		2,386	1,646
(b) Movements in carrying value of equity accounted investees:			
Balance at beginning of year		10,851	11,224
Share of profit		1,173	833
Dividends received from associates		(894)	(1,206)
Transfer of investment to held for sale	18	(9,725)	-
Balance at 30 September		1,405	10,851
Other Investments			
Shares in other companies		89	89
		1,494	10,940

The Group has agreed to sell its 50% equity accounted investment in Weihai Dong Won Food Company Ltd. This seafood processing business located in Weihai, China is not core to the strategy of the Group and consequently the decision has been made to sell the business. All conditions contained in the sale and purchase agreement, including payment of the sale proceeds of \$9.2m, were fulfilled on 14 November 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 14 – INTANGIBLE ASSETS



Purchased fishing quota is carried at cost less impairment losses. Quota and licences which are initially recognised on the basis of previous permits, catch history or when purchased through business combinations are initially valued at fair value on allocation. Fair value is determined by reference to Crown tender prices and market prices available close to the time of the acquisition. This became the deemed cost upon the adoption of NZ IFRS.

Marine farm licences are recorded at cost, or when purchased through business combinations are initially measured at fair value.

Marine farm licences and fishing quota have indefinite useful lives are not amortised but are tested annually for impairment at reporting date. Fishing quota has no expiry date and is therefore deemed to have an indefinite useful life. Marine farm licences are deemed by the Directors to have indefinite useful lives as it is highly probable that they are renewed and the costs of renewal are expected to be minimal.

	2018				
	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Intellectual Property \$000	Total \$000
Carrying amount					
Balance at beginning of year	412,720	101,833	2,324	414	517,291
Additions - other	-	6	-	1,844	1,850
Effect of movements in exchange rates	1	-	-	-	1
Balance at end of year	412,721	101,839	2,324	2,258	519,142
Impairment					
Balance at beginning and end of year	(11,649)	(1,244)	-	-	(12,893)
Carrying amount at 30 September 2018	401,072	100,595	2,324	2,258	506,249

	2017				
	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Intellectual Property \$000	Total \$000
Carrying amount					
Balance at beginning of year	412,709	99,537	974	-	513,220
Additions - business combination	-	-	1,350	-	1,350
Additions - other	-	2,296	-	414	2,710
Effect of movements in exchange rates	11	-	-	-	11
Balance at end of year	412,720	101,833	2,324	414	517,291
Impairment					
Balance at beginning and end of year	(11,649)	(1,244)	-	-	(12,893)
Carrying amount at 30 September 2017	401,071	100,589	2,324	414	504,398

During 2017, the Group purchased water space at Wilson's Bay in the Coromandel for \$2.3m.

**Impairment testing**

The carrying amounts of the Group's non-financial assets other than inventories, biological assets and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount which is the greater of its value in use and its fair value less costs to sell. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement. For goodwill and intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 14 - INTANGIBLE ASSETS (continued)

Cash Generating Units

The table below outlines the allocation of intangible assets with indefinite useful lives to CGUs:

	2018				
	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Intellectual Property \$000	Total \$000
New Zealand Seafood	400,759	100,595	2,324	2,258	505,936
Australia Seafood	313	-	-	-	313
	401,072	100,595	2,324	2,258	506,249

	2017				
	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Intellectual Property \$000	Total \$000
New Zealand Seafood	400,759	100,589	2,324	414	504,086
Australia Seafood	312	-	-	-	312
	401,071	100,589	2,324	414	504,398

14.1 Fishing Quota and Marine Farm Licences



Impairment testing and assumptions

Based on impairment testing undertaken in September 2018 no impairment is required for New Zealand fishing quota or marine farm licences and none for the remaining Australian fishing quota or licences, given the recoverable amount of all CGUs exceed the carrying value of the net assets at 30 September 2018.

Impairment testing was performed on the applicable New Zealand CGU to determine whether fishing quota and marine farm licences were impaired using a discounted cash flow model based on value-in-use. Post-tax discount rates of between 7.3% and 8% (2017: 7.3% and 7.9%) were applied. Future cash flows were projected for 5 years and a terminal growth rate of 3% (2017: 3%) was applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecasts for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cash flows in the terminal year.

14.2 Goodwill



Goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets of the acquired business. Goodwill is carried at cost less accumulated impairment losses.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.



During the 2017 year, the Group acquired the business and assets of En'zaq Aquaculture Limited. The acquisition gave rise to goodwill (\$1.35m). No impairment was identified in respect of the goodwill in this or any other CGU (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 15 – TRADE AND OTHER PAYABLES**Trade and other payables**

Trade and other payables are financial liabilities, classified and measured at amortised cost. As these are short term in nature the carrying amount is considered to be a reasonable approximation of fair value.

Employee entitlements**(i) Long service leave**

The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using an actuarial technique. Changes in the long service leave provision are recognised in the income statement.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

	2018 \$000	2017 \$000
Trade payables	9,117	7,841
Other payables and accruals	15,695	12,817
Employee entitlements	8,977	10,660
	33,789	31,318
Less: employee entitlements classified as non-current	(1,355)	(1,964)
	32,434	29,354

NOTE 16 – CAPITAL/RESERVES AND EARNINGS PER SHARE**(a) Translation reserve**

This reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

(b) Share based payment reserve

This reserve comprises the fair value of equity instruments granted under the long-term incentive plan.

(c) Cash flow hedge and cost of hedging reserves

The cash flow hedge reserve comprises the effective portion of changes in the fair value of derivative contracts for highly probable forecast transactions.

The cost of hedging reserve contains the cumulative net change in fair value of time value on foreign currency options which are excluded from the hedge designations of foreign currency risk.

(d) Share capital and earnings per share

	Ordinary Shares	
	2018 No. of Shares	2017 No. of Shares
On issue at beginning and end of year	93,626,735	93,626,735

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to Sanford's residual assets. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

The calculation of basic earnings per share at 30 September 2018 was based on the profit attributable to ordinary shareholders of \$42.3m (2017: \$37.5m) and a weighted average number of ordinary shares outstanding of 93,506,137 (2017: 93,495,121).

(e) Treasury shares

In 2014, Sanford established a long-term incentive plan (the LTI plan) for the CEO. The LTI plan is designed to improve the performance of the Group by incentivising and motivating the CEO. This involves the Group purchasing treasury shares pursuant to the terms of the LTI plan. The Group has not acquired any Sanford Limited shares in 2018 for the purposes of the LTI plan (2017: no shares acquired).

Total treasury shares held at 30 September 2018 was 120,598 shares (2017: 120,598 shares).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 17 – DIVIDENDS

	2018 \$000	2017 \$000
The following dividends were declared and paid by the Company for the year ended 30 September:		
\$0.23 per ordinary share (2017: \$0.23)	21,507	21,503

On 14 November 2018 the Directors proposed a final dividend of 14 cents per share (2017: 14 cents per share) to be paid on 7 December 2018.

This dividend has not been provided for in the accounts at 30 September 2018.

NOTE 18 – ASSETS CLASSIFIED AS HELD FOR SALE



The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment is not depreciated once classified as held for sale.

	2018 \$000	2017 \$000
Property, plant and equipment at fair value less costs to sell	8,527	8,500
Equity accounted investments at fair value less costs to sell	9,165	-
Total assets held for sale	17,692	8,500



Christchurch Mussel Processing Facility

Property, plant and equipment classified as held for sale reflects the Christchurch mussel processing facility, which was closed during the 2015 financial year and continues to be marketed for sale. During 2017, an impairment loss of \$0.3m was recognised against the carrying value of these assets.

Weihai Dong Won Food Company Limited

The Group has agreed to sell its 50% equity investment in Weihai Dong Won Food Company Limited, which is classified as held for sale (refer to note 13). A sale agreement has been concluded, and an impairment loss of \$0.6m has been recognised in 2018 to reduce the carrying value of this investment to the anticipated final selling price, less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 19 – FINANCIAL INSTRUMENTS**Classification and measurement****Classification and measurement of financial assets**

Financial assets are classified into three categories depending on their contractual cash flow characteristics and the Group's business model for managing the financial assets. These categories are:

- Amortised cost;
- Fair value through profit or loss; and
- Fair value through OCI.

A financial asset which is a debt instrument is measured at amortised cost only if both the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For investments in equity instruments that are not held for trading nor managed on a fair value basis, the Group has elected to measure these at fair value through OCI.

Derivative financial instruments which are not designated in an effective hedge relationship are classified as fair value through profit or loss.

Classification and measurement of financial liabilities

Financial liabilities are classified as either amortised cost or fair value through profit or loss. The Group may choose at initial recognition to designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. All financial liabilities of the Group are measured at amortised cost except for derivative financial instruments which are measured at fair value. Changes in the fair value of derivative financial liabilities are recognised in profit or loss except when the derivative instrument is designated in an effective hedge relationship.

Specific accounting policies for the Group's financial assets and liabilities are described below.

Exposure to credit, interest rate, foreign currency, fuel price and liquidity risks arises in the normal course of the Group's business. Derivatives may be used as a means of reducing exposure to fluctuations in foreign exchange rates, interest rates and fuel prices. While these instruments are subject to the risk of subsequent changes to market rates, such changes would generally be offset by opposite effects on the items being hedged.

The Group is not exposed to substantial other market price risk arising from financial instruments.

Fair value measurement

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates. The fair value of forward foreign exchange rate contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates. The fair value of foreign currency options is estimated using option valuation methods with reference to current spot rates and market volatility. The fair value of fuel contracts is estimated using forward fuel prices at reporting date.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(a) Credit risk



Credit risk, the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, arises principally from the Group's receivables from customers.

The Group does not generally require collateral in respect of trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions (defined as having a minimum credit rating of A-) are used for investing and cash handling purposes.

Maximum exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

The Group's maximum exposure to credit risk for trade and other receivables by geographic region is as follows:

	2018 \$000	2017 \$000
New Zealand	25,910	21,830
North America	11,125	16,138
Europe	6,623	11,359
Australia	5,015	6,336
Japan	2,594	1,544
Other	1,578	1,564
Trade and other receivables	52,845	58,771

Concentration of credit risk

The Group has credit insurance in respect of two (2017: two) of its largest customers for USD 15.0m (2017: USD 15.0m). At balance date the Group's exposure in respect of these debts is USD 6.9m (2017: USD 11.7m) which comprised 18% (2017: 29%) of trade receivables. Since balance date and in accordance with agreed credit terms these customers have subsequently paid 30% (2017: 40%) of the outstanding balance. There are no concerns with the collectability of these debts.

The status of trade receivables at the reporting date is as follows:

	Gross Receivables 2018 \$000	Allowance for Doubtful Debts 2018 \$000	Gross Receivables 2017 \$000	Allowance for Doubtful Debts 2017 \$000
Not past due	41,554	–	48,301	–
Past due 0 - 30 days	5,978	–	5,779	–
Past due 31 - 120 days	1,625	(28)	714	–
Past due 121 - 365 days	660	(254)	846	(278)
Past due 365+ days	268	(44)	–	–
	50,085	(326)	55,640	(278)

Impairment assessment - expected credit losses



The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The allowance for doubtful debts on trade receivables that are individually significant are determined by an evaluation of the exposures on a line by line basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on number of days overdue, and taking into account the historical loss experience in portfolios with a similar number of days overdue. The expected credit losses incorporate forward looking information and relevant macroeconomic factors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk



Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on a daily basis. The Group has secured bank loans which contain debt covenants. A breach of covenant may require accelerated repayment of the loans earlier than indicated in the loan contract.

The following table sets out the contractual and expected cash flows for all financial liabilities and derivatives:

	2018						
	Statement of Financial Position \$000	Contractual Cash Out (In) Flows \$000	6 Months or Less \$000	6-12 Months \$000	1-2 Years \$000	2-5 Years \$000	More than 5 Years \$000
Bank loans	100,000	107,090	1,401	1,409	62,119	42,161	-
Trade payables	9,117	9,117	9,117	-	-	-	-
Other payables	15,695	15,695	15,695	-	-	-	-
Bank overdraft and borrowings	55,000	55,819	703	55,116	-	-	-
Total non-derivative liabilities	179,812	187,721	26,916	56,525	62,119	42,161	-
Foreign currency options	(928)	(4,181)	(1,811)	(1,009)	(1,361)	-	-
Forward exchange contracts	8,600	8,786	2,990	2,442	3,387	(33)	-
Interest rate swaps	6,536	7,171	1,221	1,128	1,930	2,614	278
Fuel swaps	(2,432)	(2,464)	(1,552)	(912)	-	-	-
Total derivative liabilities (assets)	11,776	9,312	848	1,649	3,956	2,581	278
	2017						
	Statement of Financial Position \$000	Contractual Cash Out (In) Flows \$000	6 Months or Less \$000	6-12 Months \$000	1-2 Years \$000	2-5 Years \$000	More than 5 Years \$000
Bank loans	131,000	136,896	1,758	37,374	52,030	45,734	-
Trade payables	7,841	7,841	7,841	-	-	-	-
Other payables	12,817	12,817	12,817	-	-	-	-
Bank overdraft and borrowings	55,121	55,876	759	55,117	-	-	-
Total non-derivative liabilities	206,779	213,430	23,175	92,491	52,030	45,734	-
Foreign currency options	(7,521)	(8,738)	(2,410)	(2,863)	(2,819)	(646)	-
Forward exchange contracts	(8,960)	(9,223)	(4,565)	(2,165)	(2,493)	-	-
Interest rate swaps	5,458	5,883	1,169	1,113	1,791	1,713	97
Fuel swaps	(1,116)	(1,128)	(538)	(410)	(180)	-	-
Total derivative liabilities (assets)	(12,139)	(13,206)	(6,344)	(4,325)	(3,701)	1,067	97

Facilities

The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. At year end the Group had available approximately \$75m of headroom funding to meet any unforeseen liability obligations (2017: \$44m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(c) Market risk****Financial risk management and hedge accounting**

Market risk is the risk that arises from changes in foreign exchange rates, interest rates and commodity (specifically fuel) prices. Such changes will affect the Group's earnings and/or the value of its holdings of financial instruments. These risks arise due to the Group having financial instruments that would be impacted by changes in these market factors.

The Group enters into derivative contracts, being forward exchange contracts, foreign currency options and interest rate swaps to manage exposure to foreign currency and interest rate risks. The Group also enters into commodity swaps to manage fuel price risk. Senior management are involved in the operation and oversight of risk management and derivative activities. Regular reporting of activities is provided to the Board of Directors which provides the policy for the use of derivative instruments. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as held for trading and classified at fair value through profit or loss.

The Group initially recognises derivatives at fair value when the Group becomes a party to the contractual provisions of the instrument, and subsequently re-measures these at fair value at each balance date. All derivatives are classified as level 2 on the fair value hierarchy. The resulting fair value gain or loss on re-measurement is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in profit or loss depends on the nature of the designated hedge relationship.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in OCI to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. For cash flow hedges of financial items (for example forecast sales), the changes in fair value deferred in OCI are transferred to the income statement when the hedged item affects the profit or loss.

The Group designates only the intrinsic value of options into hedging relationships. The time value of the options is treated as a cost of hedging. Changes in fair value of the time value component of the option contract are deferred in OCI over the term of the hedge. For transaction related hedged items the cumulative change in fair value deferred in OCI is recognised in profit or loss at the same time as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in OCI remains there until the forecast transaction occurs, or is immediately recognised in profit or loss if the transaction is no longer expected to occur.

Interest rate risk

The Group is exposed to interest rate risk through its cash balances, short and long term borrowings. The Group adopts a risk management strategy of managing the exposure to interest rate risk through a proportion of fixed and floating rate borrowings. In order to meet this strategy the Group has a policy of using interest rate swaps to fix between 25% and 75% of the floating rate exposure on long term borrowings in line with its Board approved Treasury Policy. In the current period, the Group designated the highly probable forecast transactions and the interest rate swap contracts into cash flow hedge relationships.

Interest rate swap contracts are recognised within Derivative Financial Instruments on the statement of financial position as at balance date. The fair value gains and losses on these derivatives were recognised in OCI and transferred to profit or loss when the underlying transactions affected the profit or loss within finance expenses in the income statement. The amounts designated as the hedged item in qualifying cash flow hedges mirror the amounts designated as hedging instruments, therefore the Group has established a 1:1 hedge ratio.

Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. The source of any ineffectiveness would be largely due to credit valuation adjustments and timing of cash flows. No ineffectiveness arose on cash flow hedges of interest rate risk during the year (2017: None).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest-bearing variable rate instruments and related derivatives reprised as follows:

	2018					
	Total \$000	6 Months or Less \$000	6-12 Months \$000	1-3 Years \$000	3-5 Years \$000	More than 5 Years \$000
Cash and cash equivalents	2,630	2,630	–	–	–	–
Bank overdraft and borrowings	(55,000)	(55,000)	–	–	–	–
Bank loans	(100,000)	(100,000)	–	–	–	–
Interest rate swaps						
Notional cash inflows	160,000	160,000	–	–	–	–
Notional cash outflows	(160,000)	–	(28,000)	(33,000)	(48,000)	(51,000)
Total variable rate	(152,370)	7,630	(28,000)	(33,000)	(48,000)	(51,000)

	2017					
	Total \$000	6 Months or Less \$000	6-12 Months \$000	1-3 Years \$000	3-5 Years \$000	More than 5 Years \$000
Cash and cash equivalents	5,150	5,150	–	–	–	–
Bank overdraft and borrowings	(55,121)	(55,121)	–	–	–	–
Bank loans	(131,000)	(131,000)	–	–	–	–
Interest rate swaps						
Notional cash inflows	167,000	167,000	–	–	–	–
Notional cash outflows	(167,000)	–	(27,000)	(43,000)	(41,000)	(56,000)
Total variable rate	(180,971)	(13,971)	(27,000)	(43,000)	(41,000)	(56,000)

Effects of hedge accounting on financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships.

	2018					
	Nominal \$000	Weighted Average Rate	Carrying Amounts Assets \$000	Carrying Amounts Liabilities \$000	Change in Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
Cash flow hedges						
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(155,000)	2.72%	n/a	n/a	6,591	n/a
Hedging instrument: Interest rate swaps [†]	(160,000)	3.78%	–	(6,536)	(6,536)	6,536

	2017					
	Nominal \$000	Weighted Average Rate	Carrying Amounts Assets \$000	Carrying Amounts Liabilities \$000	Change in Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
Cash flow hedges						
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(186,000)	2.66%	n/a	n/a	5,488	n/a
Hedging instrument: Interest rate swaps [†]	(167,000)	3.62%	72	(5,530)	(5,458)	5,458

[†] The interest rate swaps include \$30m of forward starting swaps (2017: \$34m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Foreign currency risk



The Group is exposed to foreign currency risk as a result of sales and investments denominated in foreign currencies, as well as the foreign currency exposure arising from USD denominated fuel and freight purchases. The Group has entered into forward exchange contracts and foreign currency options (hedging instruments) to hedge the variability in cash flows arising from foreign exchange rate movements in relation to foreign currency sales (hedged item) up to two years forward. Minimum and maximum hedging levels for the next two years expected sales volumes are stipulated by its Board approved Treasury Policy. In the current period, the Group designated the highly probable forecast transactions and the forward exchange contracts and foreign currency options into cash flow hedge relationships.

Forward exchange contracts and foreign currency options are recognised within Derivative Financial Instruments on the statement of financial position as at balance date. The fair value gains and losses on these derivatives were recognised in OCI and transferred to profit or loss when the underlying transactions affected profit or loss within revenue and cost of sales in the income statement. The amounts designated as the hedged item in qualifying cash flow hedges mirror the amounts designated as hedging instruments as set out below, therefore the Group has established a 1:1 hedge ratio.

Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. The source of any ineffectiveness would be largely due to credit risk adjustments on the derivatives and timing of cash flows. No ineffectiveness arose on cash flow hedges of foreign currency transactions during the year (2017: None).

As at 30 September 2018, the Group's exposure to foreign currency risk for the next 12 months can be summarised as follows:

(figures are NZD)	2018				
	USD \$000	AUD \$000	JPY \$000	EUR \$000	GBP \$000
Cash	263	111	57	1	8
Trade receivables	18,406	2,513	2,594	293	397
Trade payables	(2,634)	(390)	–	(498)	–
Net statement of financial position exposure before hedging activity	16,035	2,234	2,651	(204)	405
Forecast net receipts	169,580	14,101	14,623	2,250	1,643
Net cash flow exposure before hedging activity	185,615	16,335	17,274	2,046	2,048
Forward exchange contracts and options	(182,344)	(15,235)	(15,030)	–	–
Net un-hedged exposure	3,271	1,100	2,244	2,046	2,048

(figures are NZD)	2017				
	USD \$000	AUD \$000	JPY \$000	EUR \$000	GBP \$000
Cash	707	353	42	369	15
Trade receivables	29,880	3,531	1,544	385	451
Trade payables	(2,411)	(388)	–	(461)	–
Net statement of financial position exposure before hedging activity	28,176	3,496	1,586	293	466
Forecast net receipts	164,932	15,096	15,696	5,293	1,389
Net cash flow exposure before hedging activity	193,108	18,592	17,282	5,586	1,855
Forward exchange contracts and options	(134,846)	(16,874)	(11,933)	–	–
Net un-hedged exposure	58,262	1,718	5,349	5,586	1,855

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Foreign currency risk (continued)

Effects of hedge accounting on the financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships.

	2018				
	Nominal	Carrying Amounts Assets	Carrying Amounts Liabilities	Change in Fair Value Used to Measure Ineffectiveness	Cash Flow Hedge Reserve
Cash flow hedges*	\$000	\$000	\$000	\$000	\$000
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	300,260	n/a	n/a	7,584	n/a
Hedging instruments: Forward exchange contracts	(262,404)	362	(8,022)	(7,660)	7,660
Hedging instruments: Foreign currency options	(37,856)	313	(225)	88	(88)
	2017				
	Nominal	Carrying Amounts Assets	Carrying Amounts Liabilities	Change in Fair Value Used to Measure Ineffectiveness	Cash Flow Hedge Reserve
Cash flow hedges*	\$000	\$000	\$000	\$000	\$000
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	204,803	n/a	n/a	(12,738)	n/a
Hedging instruments: Forward exchange contracts	(131,993)	7,087	(108)	6,979	(6,979)
Hedging instruments: Foreign currency options	(72,810)	5,743	-	5,743	(5,743)

* Includes all hedges of forecast future transactions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Fuel price risk



The Group is exposed to fuel price risk through its purchases of fuel for its fishing fleet.

Fuel price risk is the risk of loss to the Group due to adverse fluctuations in fuel prices in USD terms. The currency exposure arising from USD fuel costs is managed separately (see foreign currency risk management). The Group's fuel price risk has the following contractually specified components: gas oil and light fuel oil prices, and shipping costs.

The Group enters into gas oil and light fuel oil commodity swaps to reduce the variability in those components of fuel costs, which historically have comprised approximately 80% (2017: 85%) of total fuel cost. Minimum and maximum hedging levels for the next two years expected purchase volumes are stipulated by its Board approved Treasury Policy. A 1:1 hedge ratio is used, reflecting the match of the hedging instruments and the component exposures in the fuel costs.

Fuel swaps are recognised within Derivative Financial Instruments on the statement of financial position as at balance date and were designated as the hedging instruments in qualifying cash flow hedges. The fair value gains and losses on these derivatives were recognised in OCI and transferred from OCI and included in the initial carrying amount of inventory. When the fuel is consumed it is expensed to profit or loss within cost of sales in the income statement.

Hedge ineffectiveness is only expected to result from credit valuation adjustments and any shortfalls in the amounts of the expected exposures. Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. Any ineffectiveness is recognised within cost of sales in the income statement.

All fuel derivative contracts mature within 12 months of balance date (2017: 22 months).

Reconciliation of changes in hedge reserves

The movement in the fair value of hedging instruments which are deferred to the cash flow hedge reserve during the year are set out below, together with changes in the cost of hedging reserve, and the tax thereon:

Recognised in Statement of Changes in Equity Hedge Reserves	2018			
	Hedging Instruments used to Hedge			Total \$000
	Interest Rate Risk \$000	Currency Risk \$000	Fuel Price Risk \$000	
Balance at the beginning of the year	(3,929)	10,811	803	7,685
Changes in cash flow hedge reserve	(1,079)	(20,293)	1,317	(20,055)
Changes in cost of hedging reserve	-	(566)	-	(566)
Deferred tax on changes in reserves	302	5,841	(369)	5,774
Balance at the end of the year	(4,706)	(4,207)	1,751	(7,162)

Recognised in Statement of Changes in Equity Hedge Reserves	2017			
	Hedging Instruments used to Hedge			Total \$000
	Interest Rate Risk \$000	Currency Risk \$000	Fuel Price Risk \$000	
Balance at the beginning of the year	(6,671)	13,483	(473)	6,339
Changes in cash flow hedge reserve	3,808	(3,326)	1,772	2,254
Changes in cost of hedging reserve	-	(385)	-	(385)
Deferred tax on changes in reserves	(1,066)	1,039	(496)	(523)
Balance at the end of the year	(3,929)	10,811	803	7,685

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Sensitivity to changes in market prices or rates



All derivatives are measured at fair value and changes in market inputs used to determine these fair values would have an impact on the Group's financial statements. For each type of market risk to which the Group is exposed at the end of the reporting period, the below sensitivity analysis shows the impacts of reasonably plausible changes in the relevant market variables on the profit or loss and OCI for the period. The effects of a variation in a particular assumption is calculated independently of any changes in another assumption. As this sensitivity analysis is only on financial instruments (derivative and non-derivative), these ignore the offsetting impacts of future forecast transactions designated as hedged items to the derivatives held.

	2018		2017			
	\$000 Increase	\$000 Decrease	\$000 Increase	\$000 Decrease		
Impact on other comprehensive income (net of tax):						
Sensitivity to changes in interest rates						
100 bp change in interest rates		Increase (decrease) in OCI	3,696	(3,899)	3,850	(4,057)
Sensitivity to changes in foreign exchange rates						
10% change in foreign exchange rates		Increase (decrease) in OCI	10,677	(12,502)	13,003	(14,851)
Sensitivity to changes in fuel prices						
10% change in gas oil / light fuel oil prices		Increase (decrease) in OCI	1,141	(1,077)	623	(1,225)
Impact on profit (after tax):						
Sensitivity to changes in interest rates						
100 bp change in interest rates		(Decrease) increase in profit (after tax)	(29)	29	(71)	71
Sensitivity to changes in foreign exchange rates						
10% change in foreign exchange rates		Increase (decrease) in profit (after tax)	698	(636)	(282)	459

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of capital structure on shareholders' return is also recognised and the Group acknowledges the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

(e) Master netting arrangements

Sanford enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts. Under the ISDA agreements the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. The potential net impact of this offsetting is shown below. Sanford does not hold and is not required to post collateral against its derivative positions.

Net derivatives after applying rights of offset under ISDA agreements

	2018 \$000	2017 \$000
Derivative assets	4,107	18,266
Derivative liabilities	(15,883)	(6,127)
Net amount	(11,776)	12,139

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 20 – OPERATING LEASES

Payments made under operating leases, where the lessors effectively retain the risks and benefits of ownership, are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Non-cancellable operating lease rentals are payable as follows:

	2018 \$000	2017 \$000
Less than one year	5,476	5,351
Between one and five years	15,760	14,843
More than five years	27,030	24,818
	48,266	45,012

Lease of premises

The Group leases land and buildings under operating leases. The leases typically run for a period of 25 years with an option to renew the lease after that date. Lease payments are increased periodically to reflect market rentals.

Lease of annual catch entitlement (ACE)

The Group acts as a lessor and lessee in respect of leasing certain ACE to and from other ACE holders in the industry.

	2018 \$000	2017 \$000
Lessor of ACE	11,696	10,386
Lessee of ACE	11,792	9,864

The ACE leasing arrangements are never for more than one year and vary each year in respect of species and amount.

**NZ IFRS16: Leases**

NZ IFRS16: *Leases* will replace all existing guidance on leases. Under NZ IFRS16, an entity's right to control the use of an asset (analogous to an operating lease under NZ IAS17: *Leases*) meets the definition of, and is recognised as an asset on the statement of financial position. A lease liability reflecting future lease payments is also recognised. Sanford is a lessee in predominantly buildings, land and water space leases. The new standard is required to be adopted by the Group in the year ending 30 September 2020. The Group is continuing to evaluate the impact this standard will have on the financial statements, which is expected to be material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 21 – CONTINGENT LIABILITIES

	2018 \$000	2017 \$000
Guarantees	592	779

The Group considers guarantees to be insurance arrangements and accounts for them as such. In this respect the Group treats the guarantee contracts as contingent liabilities until such times as it becomes probable that the Group will be required to make payments under the guarantees.

NOTE 22 – GROUP ENTITIES

Basis of consolidation



Business combinations

The Group accounts for business combinations using the acquisition method when control is secured by the Group. The consideration transferred in the acquisition is generally measured at fair value (excluding transaction costs), as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expense arising from intra group transactions, are eliminated on consolidation.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. The Group classifies its joint arrangements as either joint operations or joint ventures depending on the legal, contractual or other rights and obligations. Where the interest in the joint arrangement is in the net residual of the business, the arrangement is a joint venture. Joint ventures are accounted for using the equity method; which is detailed in note 13. Where the Group has rights to the assets, and obligations for liabilities of the joint arrangement, this is a joint operation. The Group recognises its share of assets, liabilities, revenues and expenses of each joint operation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 22 – GROUP ENTITIES (continued)**Basis of consolidation (continued)**

The Group comprises the Company and the following principal entities:

Name	2018 Interest Held (%)	2017 Interest Held (%)	Balance Date	Principal Activity
Subsidiaries:				
New Zealand				
Auckland Fish Market Limited	100	100	30 September	Auction
Sanford Fish Market Limited	100	100	30 September	Retail
Sanford Investments Limited	100	100	30 September	Investment company
Sanford LTI Limited	100	100	30 September	Holding company
Shellfish Production & Technology NZ Limited	100	100	30 September	Research company
BreedCo Limited	80	80	30 September	Research company
Auckland Fishing Port Limited	67	67	31 March	Wharf company
Australia				
Sanford Australia Pty Limited	100	100	30 September	Auction
Sanford Seafoods (Australia) Pty Limited	100	100	30 September	Holding company
Primestone Nominees Pty Limited	75	75	30 September	Seafood wholesaler
Joint Operation:				
New Zealand				
North Island Mussels Limited	50	50	30 September	Mussel farming and processing
Joint Ventures and Associates:				
New Zealand				
Perna Contracting Limited	50	50	31 March	Mussel harvesting
San Won Limited	50	50	30 September	Cold storage
New Zealand Japan Tuna Company Limited	46.74	46.74	30 September	Fish catching and processing
Live Lobster Southland (1995) Limited	50	50	31 March	Seafood processing
Trident Systems General Partner Limited	42.35	42.35	30 September	Research company
Precision Seafood Harvesting General Partner Limited	33.33	33.33	30 September	Research company
China				
Weihai Dong Won Food Company Limited	50	50	31 December	Seafood processing

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTE 23 – RELATED PARTY TRANSACTIONS

(a) Basis of transactions

Related parties of the Group include the joint ventures, associates and joint operation disclosed in note 22.

Transactions with related parties have been entered into in the ordinary course of business and undertaken on normal commercial terms.

(b) Material transactions and balances with related parties

	Transaction Value Joint Ventures and Associates		Transaction Value Joint Operation	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Income (Expenses)				
Management fees	220	211	-	-
Sales	-	-	2,729	2,582
Sale of property, plant and equipment	-	-	1,381	-
Interest received	-	-	603	595
Dividends received	894	1,206	-	-
Processing and harvesting services	(3,819)	(3,003)	-	-
Freight	-	(62)	-	-
Purchases	-	-	(22,150)	(25,452)
	(2,705)	(1,648)	(17,437)	(22,275)

	Amounts Owing from Related Parties	
	2018 \$000	2017 \$000
Associates	381	363
Joint Operation	17,069	14,044
	17,450	14,407

In respect of the joint operation the transaction values and amounts owing are eliminated on consolidation and are therefore for information purposes.

Except for North Island Mussels Limited (NIML) no interest is charged on balances between New Zealand related parties. Interest is charged at market rates on other balances. All related party balances are repayable on demand. The parties have agreed not to call upon the loans within 12 months from balance date.

NOTE 24 – KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation comprised:

	2018 \$000	2017 \$000
Salary and short-term employee benefits	8,613	7,166
Directors' fees	674	661
	9,287	7,827

Key management personnel is defined as the executive and their direct reports.

NOTE 25 – SUBSEQUENT EVENTS

Other than the matter disclosed in note 13, no subsequent events have been identified.

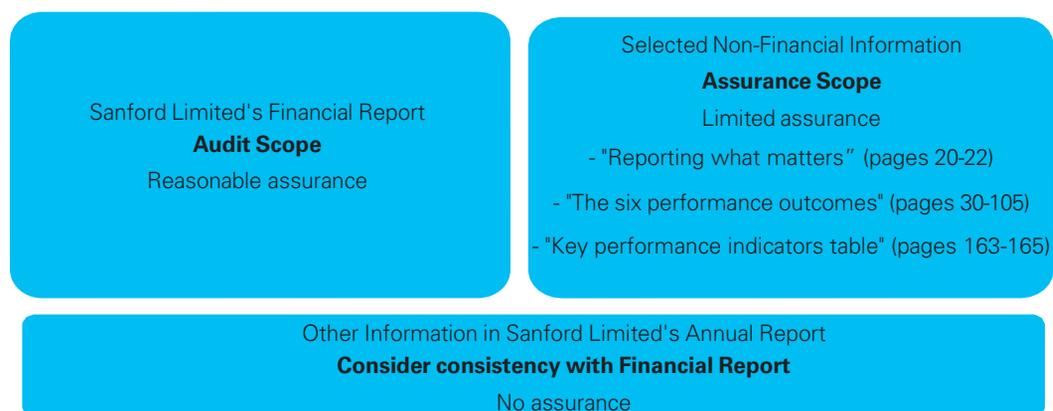


Combined Independent Auditor's and Limited Assurance Report

General

Our assurance procedures consisted of the audit of the Consolidated Financial Statements of Sanford Limited and limited assurance procedures on Selected Non-Financial Information in Sanford Limited's Annual Report.

Our scope can be summarised as follows:



Independent Auditor's Report

To the shareholders of Sanford Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Sanford Limited ('the company') and its subsidiaries ('the group') on pages 118 to 155:

- i. present fairly in all material respects the Group's financial position as at 30 September 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 September 2018;
- the consolidated income statement, statement of other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to sustainability assurance. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$2.8 million, determined with reference to a benchmark of group profit before tax from continuing operations. We chose the benchmark because, in our view, this is the key measure of the group's performance.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter

How the matter was addressed in our audit

Valuation of quota and marine farm licences (carrying value \$501.67m)

Refer to Note 14 to the Financial Report. The Group holds quota and Marine Farm Licences in New Zealand and Australia, recognised as indefinite life intangible assets, across three cash generating units. The accounting standards require those assets with an indefinite useful life to be tested for impairment annually.

Our audit procedures to assess the carrying value of the intangible assets included understanding and challenging the key assumptions and estimates used to determine the carrying value, specifically those relating to discount rates, growth assumptions, and terminal growth rates, wherever possible referring to external data.

We compared the cash flow forecasts to Board approved business plans, assessed management's accuracy in budgeting, and compared previous forecasts to actual results achieved.



The key audit matter

Impairment of these assets is considered to be a key audit matter due to the uncertainty inherent in the growth and discount rates used in the cash flow forecasts that support the carrying value.

In relation to the Marine Farm Licences we also note the uncertainty surrounding whether these licences will be renewed upon expiry in 2024. This required us to assess the continual recognition of the licences as indefinite life assets.

How the matter was addressed in our audit

Additionally, we also applied stress-testing to the Group's assumptions used in the cash flow forecasts, by analysing the impact on results from using reduced growth rates, discount rates and cash flow forecasts.

In relation to the 2024 expiration of the Marine Farm Licences, we performed our own independent research into the status of the Marine Farm Licence renewal process, including the costs expected to be incurred upon renewal.

Finally, we noted the Group's market capitalisation exceeds the Group's net assets as at 30 September 2018.



Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and



— to issue an independent auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our independent auditor’s report.

Limited assurance report on Selected Non-Financial Information included in the annual report

To the Directors of Sanford Limited

Conclusion

Based on the procedures performed, as described, nothing has come to our attention that causes us to believe that the Selected Non-Financial Information has not been prepared, in all material respects, in accordance with the GRI Standards.

The Selected Non-Financial Information on which we have concluded comprises:

- Reporting what matters (pages 20-22)
- The six performance outcomes (pages 30-105):
 - Building a sustainable seafood business
 - Creating a safe and high performing workplace culture
 - Leading the way to healthy food and marine extracts
 - Ensuring healthy oceans
 - Supporting enduring communities and partnerships
 - Protecting and enhancing the environment



Basis for conclusion

We have performed an engagement to provide limited assurance in relation to whether anything has come to our attention to indicate the Selected Non-Financial Information has not been prepared in all material respects in accordance with the GRI Standards.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) Assurance Engagements other than audits or reviews of historical financial information ('ISAE (NZ) 3000 (Revised)') and Standard on Assurance Engagements 3100 (Revised) Assurance Engagements on Compliance ('SAE 3100 (Revised)'). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.



Our procedures included:

- Enquiries of Sanford personnel to understand the process for deriving the Selected Non-Financial Information;
- Analytical review and other testing to assess the reasonableness of the information presented;
- Checking whether the appropriate indicators have been reported in accordance with the GRI Standards in accordance with core level; and,
- Overall sense check of the Report against our findings and understanding of Sanford.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with New Zealand Auditing and Assurance Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance or audit opinion.

Because of the inherent limitations of an assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the year and the procedures are undertaken on a test and specific procedures basis, our assurance engagement cannot be relied on to detect all instances where Sanford may not have complied with the GRI Standards. The conclusion expressed in this report has been formed on the above basis.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.



Use of this limited assurance report

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our limited assurance report is made solely to the Directors of Sanford in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Sanford those matters we have been engaged to state in this assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of Sanford for our work, for this assurance report, or for the conclusions we have reached.



Responsibilities of the management for the Selected Non-Financial Information

Management, on behalf of the company, are responsible for:

- for the preparation and presentation of the Selected Non-Financial Information in accordance with the criteria set out in the GRI Standards, for each of the principles of materiality, stakeholder inclusiveness, sustainability context and completeness; and



- for determining Sanford’s objectives in respect of sustainability reporting and for establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

Auditor’s responsibilities for the assurance of the Selected Non-Financial Information

Our responsibility is to carry out a limited assurance engagement and to express a conclusion in relation to whether anything has come to our attention to indicate the Selected Non-Financial Information has not been prepared in all material respects in accordance with the GRI Standards.

Other information

The Directors, on behalf of the group, are responsible for the Other Information included in the entity’s Annual Report (specifically the areas entitled The elements are our element (pages 1-3), About this report (pages 4-5), Chairman and CEO review (pages 6-11), Our Report Structure (pages 12-13), Our global operations (pages 14-15), How we create value (pages 16-17), Highs and lows (page 18-19), Addressing material issues throughout Business Excellence Framework (page 24), UN Sustainable Development Goals (page 25), Corporate governance (pages 106-112), Statutory information (pages 113-114), Non-GAAP profit measures (page 115), Five year financial review (page 117) and Appendices (pages 166-168 titled Appendix B: Aligning Material Issues with Business Risk, Appendix C: Industry Memberships and stakeholders and Appendix D: Key Initiatives contributing to the UN Sustainable Development Goals 2018). We do not express any form of assurance conclusion thereon within the Independent Auditors (in respect of the consolidated financial statements) and Assurance Report (in respect of the Selected Non-Financial Information) in respect of the Other Information.

In connection with our audit of the consolidated financial statements and our limited assurance engagement in respect of the Selected Non-Financial Information, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The partners on the engagement resulting in this Combined Independent Auditor’s and Assurance Report are

Ian Proudfoot – Audit Partner

David Sutton – Assurance Partner

For and on behalf of
KPMG
Auckland

14 November 2018

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GRI Standard Ref	KPI Metric	Units	2018	2017	2016	2015
 OUTCOME 1 – BUILDING A SUSTAINABLE SEAFOOD BUSINESS						
ECONOMIC PERFORMANCE						
201-1	Revenue	\$m	515	478	463	450
201-1	Profit Attributable to Shareholders	\$m	42	37	35	14
102-7	Total Assets	\$m	809	820	798	745
102-7	Total Equity	\$m	582	576	558	513
201-1	Return on Average Equity	%	7	7	7	3
201-1	Dividend per Share	cents	23	23	23	23
201-1	Earnings per Share	cents	45	40	37	15
201-1	Wages and Salaries ^[i]	\$m	115	114	105	102
201-1	Payments to New Zealand Income Tax	\$m	9	13	13	9
204-1	Payments to Domestic Suppliers	\$m	314	283	246	230
OPERATIONAL CAPABILITY AND CAPACITY						
102-7	Number of Vessels ^[ii]	#	43	49	50	49
102-7	Number of Aquaculture Farms ^[iii]	#	219	211	210	210
103-2	Number of Continuous Improvement Projects ^[iv]	#	99	90	77	119
N/A	Number of External Compliance Audits ^[v]	#	98	91	76	87
GLOBAL PRESENCE						
102-7	Total Sales Domestic	%	43	35	34	27
102-7	Product Sales Domestic	%	40	32	29	20
N/A	USD Exchange Rate Comparison	NZD/USD	0.70	0.71	0.69	0.73
102-6	Product Exported to Global Customers	% revenue	55	62	64	69
102-7	Total Sales Export	%	57	65	66	73
102-7	Product Sales Export	%	60	68	72	80
102-7	Number of Containers Shipped ^[vi]	TEU	2,816	3,498	3,324	4,570
 OUTCOME 2 – CREATING A SAFE AND HIGH PERFORMING WORKPLACE CULTURE						
102-7	Total Workforce (as at 30 Sept 2018)	#	1,705	1,717	1,548	1,474
102-8	Independent Sharefishers (as at 30 Sept 2018)	#	621	583	474	503
102-13	Union Membership	%	19	19	20	22
404-1	Training Credits Achieved by Females ^[vii]	#	647	2,246	2,410	2,694
404-1	Training Credits Achieved by Males ^[vii]	#	3,202	5,238	3,944	3,639
401-1	Average Length of Service	years	7	8	8	9
401-1	Involuntary Turnover	%	5	7	7	4
401-1	Voluntary Turnover	%	21	16	18	12
AGE OF WORKFORCE						
405-1	<20 (annual quarterly average)	#	74	64	68	68
405-1	20 to 29 (annual quarterly average)	#	412	361	340	283
405-1	30 to 39 (annual quarterly average)	#	309	274	278	269
405-1	40 to 49 (annual quarterly average)	#	344	353	345	356
405-1	50 to 59 (annual quarterly average)	#	348	328	318	285
405-1	60+ (annual quarterly average)	#	160	147	146	139
N/A	DOB Not Stated (annual quarterly average)	#	53	51	63	74
405-1	Average Age of Employees on Land	years	42	43	42	43
405-1	Average Age of Employees at Sea	years	33	34	33	32
AGE OF NEW HIRES (PERMANENT, LAND-BASED STAFF ONLY)						
401-1	<20 (annual quarterly average)	%	16	13	7	9
401-1	20 to 29 (annual quarterly average)	%	30	36	34	28
401-1	30 to 39 (annual quarterly average)	%	16	12	19	34
401-1	40 to 49 (annual quarterly average)	%	20	22	21	20
401-1	50 to 59 (annual quarterly average)	%	17	13	17	9
401-1	60+ (annual quarterly average)	%	2	4	2	0

GRI Standard Ref	KPI Metric	Units	2018	2017	2016	2015
WOMEN IN THE WORKFORCE						
405-1	Directors	%	17	17	17	17
405-1	Executive (annual quarterly average)	%	22	13	16	25
405-1	Senior Leadership Team (annual quarterly average) ^[viii]	%	27	26	27	22
ETHNICITY						
405-1	New Zealand European (annual quarterly average)	%	46	47	52	52
405-1	Pasifika (annual quarterly average)	%	20	19	19	18
405-1	Māori (annual quarterly average)	%	13	14	14	14
405-1	Asian (annual quarterly average)	%	4	3	3	3
405-1	European (annual quarterly average)	%	3	2	2	2
405-1	Other (annual quarterly average)	%	4	5	7	9
405-1	Not stated (annual quarterly average)	%	10	10	3	2
EMPLOYEE BENEFITS						
401-2	Health Insurance Plan	members	179	178	172	182
401-2	– Health Insurance Plan Membership	%	16	16	Not reported	Not reported
201-3	Employees in Super Scheme Only	members	112	115	125	150
201-3	– Super Scheme Membership (excludes Sharefishers)	%	10	10	25	27
201-3	Employees in KiwiSaver Only	members	660	586	456	368
201-3	– KiwiSaver Membership (excludes Sharefishers)	%	60	53	43	50
201-3	Employees in Both Schemes	members	155	144	147	111
HEALTH AND SAFETY						
403-2	Absenteeism Rate	%	4	5	4	4
NZ/ACC	Number of Near Misses Reported	#	310	324	289	242
403-2	Number of Reported Injuries	#	970	1,032	1,300	944
NZ/ACC	Number of Notifiable Events ^[ix]	#	5	10	6	12
403-2	Number of Lost Time Injuries ^[x]	#	52	55	53	42
403-2	Lost Time Injury Frequency Rate (LTIFR) ^[xi]	#/mhrs	14	15	15	10
NZ/ACC	Number of Accepted ACC Claims ^[xii]	#	118	134	141	188
NZ/ACC	– Number of Accepted ACC Claims per Employee	#	0.11	0.12	0.14	0.20
NZ/ACC	– Average Cost per Claim (including outstanding estimates)	\$	1,157	1,525	3,439	2,761
403-2	Total Number of Days Off Work ^[xiii]	#	230	386	846	402
419-1	Safety-related Prosecutions ^[xiv]	#	1	0	1	0
OUTCOME 3 – LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS						
416-1	Number of Food Safety Recalls	#	0	0	0	0
416-1	Working Days to Action and Close Complaints (12 month average)	days	8.6	9.1	9.8	17.0
OUTCOME 4 – ENSURING HEALTHY OCEANS						
304-2	NZ Quota Owned Based on ACE Equivalent	%	22	23	23	23
304-3	Wildcatch sourced from MSC designated fisheries	%	44	46	37	41
102-7	Total Wildcatch (GWT) ^{[xv][xvi][xvii]}	tonnes	92,612	96,225	83,495	95,975
102-7	– Greenweight Wild Caught Harvested - Deepwater Fleet ^[xvii]	tonnes	66,649	67,784	53,928	56,346
102-7	– Greenweight Wild Caught Harvested - Inshore Fleet ^[xvii]	tonnes	25,963	28,441	29,567	32,960
102-7	– Greenweight Wild Caught Harvested - International Fleet	tonnes	0	0	0	6,570
102-7	Greenweight King Salmon Harvested ^[xv]	tonnes	3,078	3,657	3,843	3,859
102-7	Greenweight Mussels Harvested ^[xv]	tonnes	29,941	31,631	30,957	29,621
304-3	Marine Stewardship Council Deepwater Species Certified in New Zealand ^[xviii]	#	6	6	5	5
304-2	Seabird Mortality Rate ^{[xviii][xix]}	%	57	73	77	52
304-2	– Total Number of Seabirds Caught Dead ^[xix]	#	234	325	372	242
304-2	Marine Mammal Mortality Rate ^{[xviii][xix]}	%	89	91	96	83
304-2	– Total Number of Marine Mammals Caught Dead ^[xix]	#	34	84	73	60

GRI Standard Ref	KPI Metric	Units	2018	2017	2016	2015
 OUTCOME 5 – SUPPORTING ENDURING COMMUNITIES AND PARTNERSHIPS						
201-1	Community and Charitable Investments - Sponsorships and Donations ^[xx]	\$000s	245	218	307	383
 OUTCOME 6 – PROTECTING AND ENHANCING THE ENVIRONMENT						
306-3	Number of Notifiable Spills ^[xxi]	#	4	2	Not reported	Not reported
306-3	– Total Volume of Notifiable Spills	litres	49	152	Not reported	Not reported
302-1	Total Liquid Fossil Fuel Consumed	litres	22,927,395	22,590,717	19,057,553	20,786,897
302-1	– Total Vessel Liquid Fossil Fuel Consumed ^[xxii]	litres	22,084,583	21,657,270	Not reported	Not reported
302-3	– Wildcatch Vessel Fuel Efficiency ^[xxiii]	L/GWkg	0.371	0.344	0.354	0.166
302-3	– Aquaculture Vessel Fuel Efficiency ^[xxiv]	L/GWkg	0.055	0.040	Not reported	Not reported
302-1	Electricity Consumed	kWh	24,164,871	25,408,460	25,164,394	27,755,910
302-3	– Electricity Efficiency by Production ^[xxv]	kWh/GWkg	0.336	0.306	0.301	0.568
302-3	– Electricity Efficiency by Total Sales by Site ^[xxvi]	kWh/\$	0.087	0.090	0.087	0.090
302-1	Coal Consumed ^[xxvii]	kg	234,300	381,100	484,060	649,220
302-1	Wood Chip Consumed ^[xxviii]	kg	332,832	19,200	Not reported	Not reported
302-1	Lube Oil Consumed	litres	162,924	158,760	145,109	92,554
302-1	– Biodegradable Lube Oil Consumed	litres	8,180	12,508	Not reported	Not reported
302-1	Natural Gas Consumed	kWh	2,302,383	2,868,330	2,861,134	1,806,346
N/A	Total Greenhouse Gas Emissions (CO ₂ -e) ^[xxviii]	tonnes	78,144	74,951	71,812	71,563
305-1	– Direct Emissions (CO ₂ -e) – Scope 1	tonnes	69,405	66,125	61,413	65,927
305-2	– Purchased Electricity (CO ₂ -e) – Scope 2	tonnes	2,876	3,024	3,473	3,840
305-3	– Indirect Emissions (CO ₂ -e) – Scope 3 ^[xxix]	tonnes	5,863	5,802	6,927	1,796

- [i] Wages and Salaries (including Super) data includes all subsidiaries at 100% (companies we own more than 50% shareholding in), 50% of NIML, excludes Perna, San Won, WDFW, which are associates and not consolidated into our Group accounts.
- [ii] Excludes barges, includes MTOP certified vessels and negotiable non-operational registered vessels.
- [iii] Shareholder farms are not included.
- [iv] 2017 onwards captures key continuous improvement projects defined in business plans and in progress; 2015-2016 included all projects completed, irrespective of size and scale.
- [v] Compliance audits include external food safety, quality, health and safety, environmental and maritime; this does not include internal audits carried out by third parties on behalf of Sanford.
- [vi] Twenty-foot equivalent units (TEU) – export containers.
- [vii] Report training credits as a proxy for hours – one credit equates to approximately 10 hours of learning.
- [viii] Senior Leadership Team formed in 2015 (annual quarterly average). Includes Executive team and their Direct Reports.
- [ix] Number of notifiable events (formally serious harm injuries) includes injuries, illnesses, and incidents (defined under Health and Safety at Work Act 2015).
- [x] Lost time injuries and frequency rate relates to all workforce injuries resulting in lost time per 1,000,000 hours worked. Includes employees, independent sharefishers, and contractors.

- [xi] ACC claims relates to Sanford employees only (excludes sharefishers, contractors, and Auckland Fish Market). ACC claims are continuously updated throughout the year.
- [xii] Figures relate to ACC cases, refers to days off work >7 days (excludes contractors and independent sharefishers).
- [xiii] Safety related prosecution in 2018 relates to NIML, a business which Sanford has a 50% joint venture interest in.
- [xiv] Total Wildcatch has been adjusted to reflect total catch landed including Sanford and third party fleets landing to Sanford facilities. Includes Deepwater, Inshore, and Charter vessel wildcatch.
- [xv] GWT – Greenweight, weight of seafood before processing, measured in tonnes.
- [xvi] 2017 restated due to timing difference between data capture and recording across internal and statutory databases.
- [xvii] MSC certified fishery – globally recognised standard for a sustainable fishery.
- [xviii] Mortality Rate is the ratio between total species caught and species caught dead, data is supplied by MPI.
- [xix] 2017 figures restated to reflect 12 month dataset (9 months available at time of 2017 report production). 2018 figures based on 9 month dataset, as available from MPI at the time of reporting.

- [xx] 2017 Community and Charitable Investments figure restated to reflect 12 month data (9 months available at time of 2017 report production).
- [xxi] Notifiable spills (significant as defined by GRI) are discharges into the environment that, if uncontained, are notifiable to a regulatory authority. Includes any discharge of fuel or oil regardless of the amount, that has entered the land or body of water or is greater than 100 litres.
- [xxii] Fuels used on all vessels.
- [xxiii] Fuel used/GWkg landed. Calculation relates to wildcatch vessel fuel consumption specifically (rather than total fuel consumption). Greenweight measured in kg.
- [xxiv] Fuel used on mussel and salmon farming vessels per greenweight kg harvested. 2017 figure restated due to inclusion of additional data now available.
- [xxv] Land based processing sites only per greenweight kg (GWkg) processed.
- [xxvi] Land based processing sites only per total sales by site.
- [xxvii] In 2018 Timaru fishmeal plant boiler transitioned from coal to wood chip.
- [xxviii] All six Kyoto gases are included in the calculation as appropriate. Emission factors are based on the most recent Ministry for the Environment guidelines.
- [xxix] Indirect Emissions reporting scope increased in 2016 to capture emissions calculations from sea freight.

External experts assist us to identify key risks each year as part of ongoing strategy development and implementation. Risk reporting and response plans are reported to the appropriate Board committee for the top ten risks. This year we commissioned a qualitative assessment on the potential implications of climate change, the number one risk to our business, to inform work on strategic implications and management actions (refer *Outcome 6 – Protecting the environment*, page 103).

The top ten risks informed the materiality process to ensure that Sanford’s material issues reflect not only external stakeholder concerns, but also business risk. These risks are addressed throughout the performance chapters in this Report, structured to reflect the six outcomes of the Business Excellence Framework, as identified in the table below.

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

PRIORITY	INHERENT RISK	POTENTIAL IMPACT	IMPACT ON OUTCOMES	KEY MITIGATION STRATEGIES
1. 	Climate changes causing short or long term impacts	Changes in water temperature negatively impacting on fish or mussel stocks	 	<ul style="list-style-type: none"> Ongoing monitoring of environmental conditions Diversity of geography and species mix Development of SPAT_{NZ} (Shellfish Production and Technology) Innovative farming systems, practices Full product utilisation, innovation Precision Seafood Harvesting (PSH)
2. 	Biosecurity issues	Causing negative impacts on harvest/take out volume, food safety e.g. algae	 	<ul style="list-style-type: none"> Ongoing monitoring of water conditions Diversity of geographic locations for farming Relationship with Ministry for Primary Industries (MPI), scientific research organisations Rapid testing techniques
3. 	Accident causing injury and/or fatality	Fatality and resulting negative impacts on families, staff and business	 	<ul style="list-style-type: none"> Health and safety policy and systems Medium term strategy, plan Health and safety governance from Board level Significant investment in staff education and training
4. 	Competing operational and commercial drivers compromise food safety	Can lead to contaminated product being exported or product specifications not being met	 	<ul style="list-style-type: none"> Group Quality Manager direct report to CEO Regular review to ensure compliance, FSSC 22000 certification Rigorous testing, monitoring regime Finished product sampling on a regular basis
5. 	Possible traceability limitations and impacts	Could limit Sanford’s growth as consumers demand full traceability. May also lead to food safety issues	 	<ul style="list-style-type: none"> Recall procedure Trace to vessel process Day coding for fresh fish
6.	IT systems and information do not support efficient decision making	Limits growth strategies for the future		<ul style="list-style-type: none"> Technology roadmap in place SanCore transformational change programme New analysis and reporting tools Longer term strategy, solutions
7. 	Breach of quota/marine farm licence requirements	Potential loss of vessels, quota or marine farm licence	 	<ul style="list-style-type: none"> External onboard observers, independent audits Electronic and compliance monitoring Ongoing training for marine farm management, compliance
8. 	Loss of licence to operate through government intervention	Loss of revenue streams		<ul style="list-style-type: none"> Active and strong relationships with local and central government Involvement in multi-stakeholder forums to inform, support and influence public policy outcomes
9.	Localised physical/natural disaster	Loss of head office, processing plant or vessels	 	<ul style="list-style-type: none"> Comprehensive insurance Business continuity plan (IT) Multiple operating locations and vessels On vessel monitoring
10. 	Reputational risk, brand tarnished	Financial losses sustained as a result of reputational damage	 	<ul style="list-style-type: none"> Values based culture, messaging Ongoing stakeholder engagement Communication and public policy strategies and plans Business focus on quality, brand, value and innovation GM Sustainability, GM Corporate Communications direct reports to CEO

 Risks that were also identified as material issues in 2018 (refer *Reporting what matters*, page 21).

INDUSTRY MEMBERSHIPS

We actively monitor legislative and regulatory change directly and via key industry and sustainability bodies of which we are a member. Our principal memberships and the key roles that Sanford representatives contribute to are set out below:

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

STAKEHOLDER GROUPS AND THEIR ROLES

OUR STAKEHOLDERS	ROLE	OUR STAKEHOLDERS	ROLE
 <p>Our People</p>	Our 1,705 employees, including 621 sharefishers, are the foundation of our business and our most valuable asset. Through their commitment to living our values of care, passion and integrity, our people ensure that we continue to produce, deliver and succeed.	 <p>Customers</p>	Sustain our business, provide the basis for continued growth, product development and innovation.
 <p>Shareholders and Investors</p>	As at 30 September 2018, 2,192 shareholders provide the financial capital and stability required to sustain, grow and diversify our business.	 <p>Communities, Scientific partners, NGOs</p>	External partners help us to gain a deeper understanding of social and environmental issues. They also can unlock new opportunities, understand industry best practice, scientific research and development and alert us to potential challenges which may need to be addressed.
 <p>Government and Regulators</p>	These stakeholders provide our formal licence to operate, including policy and regulatory frameworks which define what, how, where and when we can perform our activities.	 <p>Civil Society including recreational fishers</p>	The views and needs of civil society and recreational fishers assist us to stay in-step with society, and hence ensure our social license to operate. We share some fishing space with recreational fishers and it is important to us that we collaborate with other users of the ocean.
 <p>Industry and business associations</p>	As a company committed to its own vision as well as a vision for a sustainable future for New Zealand and the world, we are members of a number of organisations (refer above). They help us leverage our impact and, in partnership, collectively find ways of achieving a more sustainable future.	 <p>Iwi</p>	Partnership with Iwi represent a critical relationship for us. As guardians of the land and ocean that we operate on/in, we are pleased to work together to ensure good outcomes for all. For example, we work closely with Ngapuhi and Ngai Tahu.
 <p>Suppliers</p>	Share valued expertise, support and deliver products and services that strengthen our business and facilitate development and growth. Further information on our engagement with suppliers is provided in <i>Outcome 3 – Healthy food and marine extracts</i> .	 <p>Youth</p>	The views and needs of the future generation of Sanford employees, customers and consumers assists us to ensure their perspectives are built into our long term business strategy. An innovative example of how we have approached this interaction in 2018 is in <i>Reporting what matters</i> , page 23.

This table highlights some of the initiatives undertaken by Sanford in 2018 that contribute to the eight key Sustainable Development Goals (SDGs) that Sanford can contribute most towards. This year we are bringing the SDGs to life by profiling some of our key initiatives in case studies throughout this Report. As a company committed to value creation for all stakeholders, it is critical that we use this international SDG framework to guide us in strategy, goal development and initiatives to ensure we are contributing toward the global achievement of the goals. More information on how we have contributed to bringing the SDGs to life is described in *Reporting what matters*, page 25.

CASE STUDY	SANFORD CONTRIBUTION THROUGH PERFORMANCE OUTCOMES	SUSTAINABLE DEVELOPMENT GOAL							
		3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	17 PARTNERSHIPS FOR THE GOALS
Adding a millennial perspective – page 23	REPORTING WHAT MATTERS		✓						✓
Bringing the SDGs to life – page 25	REPORTING WHAT MATTERS								✓
Engaging the wider community- Sanford at SeePort – page 40			✓			✓			✓
Fishing with precision – page 43					✓			✓	✓
Skin in the game: hoki by-product in high-tech face masks – page 44				✓	✓	✓			✓
Vac-U-Lift manual handling System – page 50 Improvement: ammonia containment – page 51 Improvement: Eye Protection PPE – page 51		✓							
Auckland Fish Market – page 66			✓	✓	✓	✓			✓
Cool chain to Christchurch – page 70				✓	✓		✓		✓
Fishing in an Antarctic haven – page 78						✓		✓	✓
You don't count the cost – page 81								✓	✓
Feathered friends – community support for the birds of Penguin Place – page 83						✓		✓	✓
Opening our fish farm gates – page 89			✓			✓			✓
Think Safe, Be Safe, Home Safe – page 91		✓	✓		✓				✓
Wiping out wasps – page 94		✓							✓
Mandy turns trash to treasure – page 101					✓	✓			
Deepwater fleet pioneers plastic reduction – page 102						✓		✓	✓
Chips for fishmeal – page 104		✓		✓	✓	✓	✓		✓

APPENDIX E – GRI INDEX

This Report has been developed in accordance with the International Integrated Reporting Council (IIRC) Integrated Report <IR> Framework. The Report has been prepared in accordance with the GRI Sustainability Reporting Standards (GRI) 2016, and were applied to a core level of compliance. Further references to GRI indicators are provided in **Appendix A** (Key Performance Indicators).

DISCLOSURES	DESCRIPTION	SECTION DESCRIPTION AND PAGE NUMBER
GRI 102: GENERAL DISCLOSURES 2016		
STRATEGY AND ANALYSIS		
102-14	Chairman, CEO statement	In our element, pages 06–11
ORGANISATIONAL PROFILE		
102-1	Name	Sanford Limited
102-2	Operations	Aquaculture, fishing, fish processing, nutraceuticals, retail; refer Our global operations, pages 14–15
102-3	Head Office	22 Jellicoe Street, Auckland, New Zealand
102-4	Locations	Our global operations, pages 14–15
102-5	Legal form	NZX listed New Zealand limited liability company
102-6	Markets and customers	Our global operations, pages 14–15; Sustainable seafood business, page 36–37
102-7	Scale of operation	Our global operations, pages 14–15; Our business model – How we create value, pages 16–17
102-8	Workforce	Our global operations, pages 14–15; Our people, pages 46–58; Key Performance Indicators, pages 163–164
102-41	Collective agreements	Key Performance Indicators, page 163
102-9	Supply chain	Operations overview, page 35; Healthy food and marine extracts (supply chain), pages 62, 68–71
102-10	Business changes	Financial and operations overviews, pages 33–37; Financial statements, pages 116–155
102-11	Precautionary principle	Corporate governance, page 106; Healthy oceans, pages 72–85
102-12	Charters	Healthy oceans, pages 72–85; Strategic partnerships and collaboration, page 94
102-13	Memberships	Appendix C – Industry memberships, page 167
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
102-45	Organisation	About this Report, pages 12–13; Financial statements – group entities, pages 153–154
102-46	Report content	About this Report, pages 12–13; Reporting what matters, page 20
102-47	Material issues	Reporting what matters, pages 20–25
103-1	Scope – Boundary inside	Material issues cover all Sanford entities unless otherwise stated, page 13
103-1	Scope – Boundary outside	About this Report, pages 12–13; Our business model – How we create value, pages 16–17
102-48	Restatements	Key Performance Indicators, pages 163–165; Financial statements, pages 116–155
102-49	Changes	Reporting what matters, pages 20–25; Financial and operations overviews, pages 33–37
STAKEHOLDER ENGAGEMENT		
102-40	Stakeholders - Groups	Reporting what matters – Engaging with our stakeholders, page 20; Appendix C, page 167
102-42	Stakeholders – Basis	Reporting what matters – Engaging with our stakeholders, page 20; Appendix C, page 167
102-43	Stakeholders – Approach	Reporting what matters – Engaging with our stakeholders, page 20
102-44	Stakeholders – Key Topics	Reporting what matters – Engaging with our stakeholders, pages 20–25
REPORT PROFILE		
102-50	Report period	1 October 2017 to 30 September 2018
102-51	Last report	Sanford Annual Report 2017
102-52	Reporting cycle	Annual
102-53	Contact	Contact sustainability@sanford.co.nz for queries, or to provide feedback
102-54	GRI compliance	GRI Standard 2016; Core
102-55	GRI content index	Heading in this Index
102-56	Assurance	Combined (financial and non-financial), pages 156–161
GOVERNANCE		
102-18	Governance	Sustainable seafood business, pages 38–39; Corporate governance, pages 106–112; Corporate governance statement 2018: www.sanford.co.nz/investors/governance
ETHICS AND INTEGRITY		
102-17	Ethics and values	Our business model – How we create value, pages 16–17; Corporate governance, pages 106–112; Corporate governance statement 2018: www.sanford.co.nz/investors/governance

MATERIAL TOPICS AND RELATED INDICATORS

Including GRI 100, GRI 200 2016, GRI 300; 2016

DMA AND INDICATORS	DESCRIPTION	REPORT SECTION TITLE	SECTION DESCRIPTION AND PAGE NUMBER
CATEGORY: ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE (M: SHAREHOLDER VALUE AND RISK)			
103-1	Approach	Sustainable seafood business	Year in numbers, pages 18–19; Financial, operations and customer overviews, pages 33–37; Governance and communication, pages 38–40; Innovation, pages 41–44
201-1	Economic value	Healthy oceans Communities and partnerships	Shareholder value and risk, pages 33–37; Continuous improvement projects, page 34; EECA, page 104; Communities and partnerships, pages 86–95; KPIs, pages 163–165; Financial statements, pages 116–155
201-4	Government assistance		Year in numbers, pages 18–19; SPATnz pages 41–42; HVN page 42; PSH, pages 42–43; EECA page 104;
CATEGORY: ENVIRONMENTAL			
ASPECT: ENERGY (M: RESOURCE UTILISATION AND EFFICIENCY)			
103-1	Approach	Protecting the environment	Resource utilisation and efficiency, pages 100–102; Carbon reduction, pages 103–104
302-1	Energy		Resource efficiency, page 100; Carbon reduction, pages 103–104; KPIs, page 165
302-3,4	Reduction of energy		Resource efficiency, page 100; Carbon reduction and offsetting, pages 103–104; EECA, page 104; KPIs Appendix A, page 165
ASPECT: BIODIVERSITY (M: SUSTAINABLE FISH STOCKS AND MARINE FARMS)			
103-1	Approach	Healthy oceans	Sustainable fish stocks and marine farms, pages 75–79
304-2	Impact		Sustainable fish stocks and marine farms, pages 75–79; Marine conservation, pages 80–81; Endangered, threatened and protected species, pages 82–84; KPIs Appendix A, pages 163–165
ASPECT: EMISSIONS (M: CARBON REDUCTION AND OFFSETTING)			
103-1	Approach	Protecting the environment	Carbon reduction and offsetting, pages 103–104; KPIs, Appendix A, page 165
305-1	GHG (Scope 1)		Carbon reduction and offsetting, page 104; KPIs, Appendix A, page 165
305-2	GHG (Scope 2)		Carbon reduction and offsetting, page 104; KPIs, Appendix A, page 165
305-3	GHG (Scope 3)		Carbon reduction and offsetting, page 104; KPIs, Appendix A, page 165
ASPECT: EFFLUENTS AND WASTE (M: SUSTAINABLE FISH STOCKS AND MARINE FARMS)			
103-1	Approach	Healthy oceans	Sustainable fish stocks, page 75–79; Environmental effects, pages 98–99
306-3	Spills	Protecting the environment	Environmental effects, pages 98–99; KPIs Appendix A, page 165
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT (M: DEVELOPING OUR PEOPLE)			
103-1	Approach	Our people Communities and partnerships	Developing our people, pages 52–55; Engagement and employment, pages 88–89; Strategic partnerships and collaboration, pages 90–94
401-1	Hires and turnover		Developing our people, pages 52–55; KPIs Appendix A, pages 163–164
ASPECT: OCCUPATIONAL HEALTH AND SAFETY (M: SAFETY, HEALTH AND WELLBEING)			
103-1	Approach	Our people	Safety, health and wellbeing, pages 47, 49–51, 58
403-2	Injury Statistics		Safety, health and wellbeing, pages 47, 49–51, 58; KPIs, Appendix A, page 164
ASPECT: TRAINING AND EDUCATION (M: DEVELOPING OUR PEOPLE)			
103-1	Approach	Our people	Developing our people, pages 47–58; Strengthening our workplace culture, pages 48–58
404-1	Training		Developing our people, pages 47–58; Strengthening our workplace culture, pages 48–58; KPIs, Appendix A, pages 163
SUB-CATEGORY: SOCIETY			
ASPECT: LOCAL COMMUNITIES (M: ENGAGEMENT AND EMPLOYMENT)			
103-1	Approach	Communities and partnerships	Engagement and employment, pages 88–89; Strategic partnerships and collaboration, pages 90–95
413-1	Programmes		Engagement and employment, pages 88–89; Strategic partnerships and collaboration, pages 90–95
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY (M: FOOD SAFETY AND QUALITY)			
103-1	Approach	Healthy food and marine extracts	Food safety and quality, pages 61, 63–64, 71
416-2	Non-compliance		Food safety and quality (compliance), pages 61, 63–64; KPIs Appendix A, page 164
G4-FP5 ¹	Third party certification	Sustainable seafood business	Year in numbers, pages 18–19; Certifications, pages 61–63, 77; Compliance audits, page 39; Traceability, page 65; KPIs, Appendix A, pages 163–165
G4-FP13 ¹	Non-compliance		Compliance, pages 61, 63–64; Product quality and testing, pages 61, 63–64; complaints response, page 61; product recall, page 61; KPIs Appendix A, page 164
ASPECT: PRODUCT AND SERVICE LABELLING (M: CUSTOMER RELATIONSHIPS AND TRACEABILITY)			
103-1	Approach	Healthy food and marine extracts	Drive value through brand creation, pages 65–67; Sustainable fish stocks and marine farms, page 77
417-1, 304-3	Information required	Healthy oceans	Sustainable fish stocks, pages 73–79; Certifications, pages 73, 77–79; Drive value through brand creation, pages 65–67; Traceability, page 65; MSC Certification, pages 73, 77–79; KPI Appendix A, page 164
G4-PR5	Customer satisfaction		Customer survey, pages 61, 63–64; Customer relationships, pages 61–71

1. Aspects and indicators sourced from GRI Disclosure for Food Processing, 2014

APPENDIX F – ABBREVIATIONS

ABBREVIATION	DESCRIPTION	ABBREVIATION	DESCRIPTION
ACC	Accident Compensation Corporation	Kg	Kilogram
ACE	Annual Catch Entitlement	IUCN	International Union for Conservation of Nature
AFM	Auckland Fish Market	KPI	Key Performance Indicator
AIS	Global Positioning System Tracking	LTIFR	Lost Time Injury Frequency Rate
ARA	Australasian Reporting Awards	LTIs	Lost Time Injuries
AU	Australia	MFA	Marine Farming Association
AUT	Auckland University of Technology	MFAT	Ministry of Foreign Affairs and Trade
BAP	Best Aquaculture Practices	MHS	Modular Harvesting System
BAU	Business as Usual	MOSS	Maritime Operator Safety System
BGB	Big Glory Bay	MPAs	Marine Protected Areas
BIT	Business Innovation Team	MPI	Ministry for Primary Industries
BMTs	Business Management Teams	MSC	Marine Stewardship Council
BPA	Benthic Protection Areas	NBS	New Building Standard
BTT	Business Transformation Team	NEBIT	Normalised Earnings Before Interest and Tax
CCAMLR	Convention for the Conservation of Antarctic Marine Living Resources	NGOs	Non-Governmental Organisations
CEO	Chief Executive Officer	NIML	North Island Mussels Limited
CFO	Chief Financial Officer	NPAT	Net Profit After Tax
COLTO	Coalition of Legal Toothfish Operators	NPOA	National Plan of Action
COO	Chief Operating Officer	NSSP	National Shellfish Sanitation Programme
CWC	Canterbury Woodchip	NZHSE	New Zealand Health and Safety in Employment
DIFOT	Delivery in Full on Time	NZQA	New Zealand Qualifications Authority
DOC	Department of Conservation	NZX	NZ Stock Exchange
DWG	Deepwater Group	OECD	Organisation for Economic Co-operation and Development
EBIT	Earnings Before Interest and Taxes	P&L	Profit and Loss
EECA	Energy Efficiency and Conservation Authority	PBV	Performance Based Verification
EEZ	Exclusive Economic Zone	PGP	Primary Growth Partnership
EMS	Environmental Management System	PITO	Primary Industry Training Organisation
ER	Electronic Reporting	PNZ	Paralympics New Zealand
ESG	Environmental, Social and Governance Indicators	PPE	Personal Protective Equipment
EU	European Union	PROLEC	Boiler Control Experts
FNZ	Fisheries New Zealand	PSH	Precision Seafood Harvesting
FSQ	Food Safety and Quality	PSP	Paralytic Shellfish Poisoning
FSSC	Food Safety System Certification 22000	QMS	Quota Management System
FY	Financial Year	RMP	Risk Management Programme
GDF	Graeme Dingle Foundation	S&OP	Sales and Operational Planning Process
GM	General Manager	SDGs	Sustainable Development Goals
GPR	Global Position Reporting	SINs	System Improvement Notices
GRI	Global Reporting Initiative	SLEDs	Sea Lion Exclusion Devices
GSM	Greenshell™ Mussel Powder	SMS	Safety Management System
GWKg	Greenweight Kilogram	SPATNZ	Shellfish Production and Technology Ltd. New Zealand
GWT	Greenweight Tonne	SRA	Findlater Sawmills
HBDI	Hermann Brain Dominance Instrument	TAC	Total Allowable Catch
HNV	High Value Nutrition	TACC	Total Allowable Commercial Catch
HSE NZ	Health, Safety in Employment New Zealand	TFIFR	Total Recordable Injury Frequency Rate
IIRC	International Integrated Reporting Council	UN	United Nations
ISO	International Organisation for Standardisation	USA	United States of America
IT	Information Technology	WOD	World Oceans Day
		WWF	World Wildlife Fund

BOARD OF DIRECTORS

Paul Norling, Chairman
Abigail (Abby) Foote
Bruce Goodfellow
Peter Goodfellow
Peter Kean
Robert McLeod

EXECUTIVE TEAM

Volker Kuntzsch, Chief Executive Officer
Clement Chia, Chief Operating Officer
Karen Duffy, Chief People Officer
Andre Gargiulo, Chief Customer Officer
Katherine Turner, Chief Financial Officer

REGISTERED OFFICE

22 Jellicoe Street
Freemans Bay
Auckland 1010
New Zealand

PO Box 443
Shortland Street
Auckland 1140
New Zealand

Telephone +64 9 379 4720

Email info@sanford.co.nz

Website www.sanford.co.nz

PRINCIPAL BANKERS

ANZ Bank New Zealand Limited
Bank of New Zealand
Rabobank New Zealand Limited

SOLICITORS

Chapman Tripp
Russell McVeagh

GROUP AUDITORS

KPMG, Auckland

STOCK EXCHANGE

The Company's shares trade on the New Zealand Stock Exchange (NZX).

NZX Trading Code: SAN

The minimum marketable parcel on the Exchange is 100 shares (price \$2 to \$5 per share) or 50 shares (\$5 to \$10 per share)

SHARE REGISTRAR

Computershare Investor Services Limited
Private Bag 92 119
Auckland 1142
New Zealand

159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

MANAGING YOUR SHAREHOLDING ONLINE

To change your address, update your payment instructions and to view your investment portfolio including transactions please visit:

www.investorcentre.com/nz

GENERAL ENQUIRIES

General enquiries can be directed to:
enquiry@computershare.co.nz
Private Bag 92 119
Auckland 1142
New Zealand

Telephone +64 9 488 8777

Please assist our registrar by quoting your CSN or shareholder number.

Other queries should be directed to the General Manager Risk and Corporate Affairs at the Registered Office.

Photo credit: Thank you to Steve Hussey, who was commissioned by Sanford to capture many of the photographic images that appear in the pages of this Report.

ANNUAL MEETING

Friday 14th December 2018

2:00pm

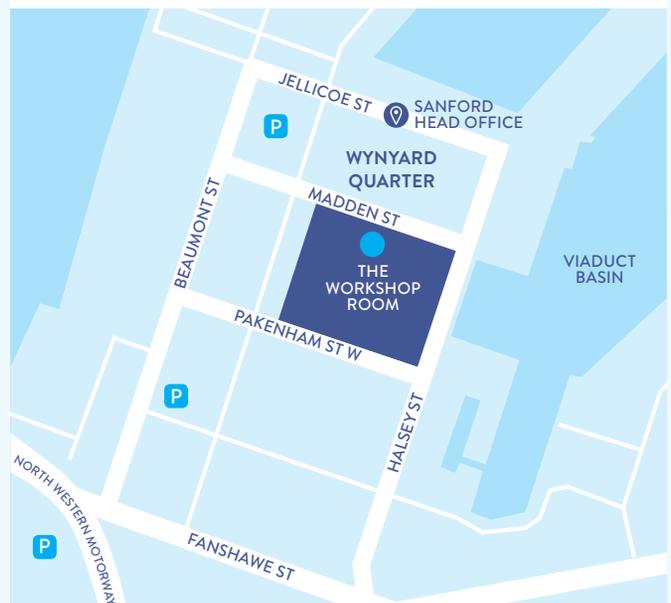
GridAKL
The Workshop Room
Level 1
12 Madden Street
Wynyard Quarter
Auckland 1010

GridAKL is located midway down Madden Street, Wynyard Quarter <https://gridakl.com/how-to-get-here/>.

Wynyard Quarter operates on a 70/30 split due to spatial restrictions, with 70% of people expected to arrive using the available public transport alternatives. With the Ferry Building, Britomart and the CBD less than 2km away, we encourage you to do the same. "Innerlink" Citylink buses are available to connect between trains and buses to the CBD or Britomart, alternatively the Wynyard Bridge may be utilised to reach Madden Street.

If required, car parking is available at the following locations:

- Jellicoe Street Carpark
- 69 Gaunt Street
- Victory Church Carpark,
cnr Fanshawe and Beaumont Streets



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IN OUR ELEMENT