



SANFORD LIMITED
SUSTAINABLE SEAFOOD



Sustainable Development Report 2010

From sea to food – over 100 years of sustained growth



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Management Directory

Head Office

E F Barratt	<i>Managing Director</i>
V H Wilkinson	<i>Business Development Manager</i>
G L McNamara	<i>Company Secretary/Quota Manager</i>
D C McIntosh	<i>Finance Manager</i>
D J Evans	<i>Accounting & Systems Manager</i>
A M Penfold	<i>Environmental Systems Manager</i>

Marketing

V B Anderson	<i>Market Manager Australia</i>
G J Burke	<i>Market Manager Europe</i>
P B Cox	<i>Market Manager Americas</i>
M J Comber	<i>Market Manager Asia</i>
S Kirschberg	<i>Market Manager Fresh Chilled & Oceania</i>
D K Cawdron	<i>Logistics Manager</i>
D A Stewart	<i>Shipping Co-ordinator</i>
K M Thompson	<i>Quality Manager</i>
S Jaganathan	<i>Food Safety Co-ordinator</i>

Inshore Fishing and Processing

S L Walsh	<i>Division Manager</i>
R S Zhang	<i>Accountant</i>

Auckland

T Searle	<i>Auckland Fish Market Manager</i>
J M Cooper	<i>Auckland Fish Market Seafood School Manager</i>
J H Fitzgerald	<i>Vessel Manager</i>
M E Hall	<i>Production Manager</i>
B D Stubbs	<i>Services Manager</i>

Tauranga

S D Keeves	<i>Manager</i>
D C Cowdrey	<i>Fleet Supervisor</i>
J R Steere	<i>Sales Manager</i>
D N Anderson	<i>ECS Coldstores Manager</i>

Timaru

B J Keelty	<i>Manager</i>
J W Routhan	<i>Processing Manager</i>
S Brown	<i>San Won Limited Manager</i>

Deepwater Fishing

G L Johansson	<i>Division Manager</i>
J P Martyn	<i>Accountant</i>
S C Coles	<i>Charter Manager</i>
A D Adamson	<i>Quota Manager</i>
D J Shaw	<i>Longline Fleet Manager</i>
S Collier	<i>Freezer Vessel Manager</i>
S J Gibb	<i>Freezer Vessel Manager</i>
L A Cowan	<i>Freezer Vessel Manager</i>
D C Woods	<i>Freezer Vessel Manager</i>
D V Jurasovich	<i>Freezer Vessel Manager</i>
D M Craig	<i>Engineering Manager</i>



Aquaculture

E J Culley	<i>Division Manager</i>
B W Champion	<i>Accountant</i>

Havelock

W R MacDonald	<i>Manager</i>
D Herbert	<i>Marine Farm Manager</i>
S J Gibb	<i>Factory Manager</i>
P McCaffrey	<i>Branch Engineer</i>

Kaeo

P J Harris	<i>Manager</i>
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Coromandel

J C Barr	<i>Marine Farm Manager</i>
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Bluff

T M Foggo	<i>Manager</i>
W J Crighton	<i>Assistant Manager</i>
S Ramsay	<i>Fish Factory Manager</i>
N W Smith	<i>Salmon Portioning Factory Manager</i>
M P O'Malley	<i>Salmon Farm Manager</i>
S Marwick	<i>Mussel Farm Manager</i>
P M Buxton	<i>Hatchery Manager</i>

International Fishing

T B Birdsall	<i>Division Manager</i>
A E Nicholls	<i>Australia, General Manager</i>

International Purse Seiners

M C de Beer	<i>Pacific Tuna Manager</i>
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International China

A C Stanley	<i>China Manager</i>
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Cover Image: San Hikurangi berthed at Auckland

Managing Director's Statement

Sanford has a long-term commitment and vision to embedding sustainability into our everyday business operations which I believe can be demonstrated in this our 11th Sustainable Development Report.

One of the key aims of this report is to provide a transparent overview of Sanford's operations enabling our stakeholders to gain an accurate understanding of the Company and the risks and opportunities we face. Over the 11 years of sustainable development reporting we have aimed to continually evolve and improve in an effort to ensure that the report remains a concise, reliable and complete account of our business. This year, we have made changes to the report so that it continues to be of a high standard and, more importantly, is relevant, complete and engaging for the reader, as well as being a valuable business tool.

Our Sustainability Vision

- Strive toward greater efficiencies within our business without compromising product quality, personal safety, economic growth and the sustainability of the environment and community
- Lead and inspire the New Zealand seafood industry
- Continue to build a business that is strong and adaptable to the risks, challenges and opportunities resulting from the changing environmental and business climate.

Key Changes to the 2010 Report include:

- A new key performance indicator table
- Updated methods of setting eco-efficiency targets
- The creation of a document that is more engaging and meaningful for our stakeholders
- A consolidation of the text to include our key areas of focus while utilising the Sanford website for updates on issues as they come to light.

Sanford purchased the Greenshell™ mussel and Pacific oyster businesses from Pacifica Seafoods in November 2010. This report does not include this business unit.

I am proud of the direction in which the Company is heading and firmly believe Sanford will continue to be a sustainable business not only for our Shareholders but also for our team, communities and suppliers.

Business sustainability is a journey and it is something to which Sanford is committed in the long term. I trust you will find this report informative and engaging.



E F Barratt

Managing Director

6 December 2010



Managing Director, Eric Barratt on board San Sinikka, Marlborough Sounds



Key Performance Indicators

	Unit	2006	2007	2008	2009	2010
Production						
Onshore production ¹	tonnes	35,431	35,398	48,100	48,272	49,500
Fishmeal and oil produced ²	tonnes	1,145	860	1,080	3,768	5,192
Frozen-at-sea product ³	tonnes	13,833	14,949	35,184	34,409	28,168
Environmental						
Electricity consumed	kWhrs	23,987,910	23,915,880	24,491,708	25,911,076	29,365,399
Water used	m ³	667,239	591,356	713,001	757,472	771,960
Solid waste produced ⁴	m ³				2,143	2,470
Coal consumed	kg	614,539	418,000	502,340	560,420	553,700
Liquid fossil fuels consumed ⁵	litres	19,299,241	18,341,852	28,032,781	27,054,288	26,362,099
Greenhouse Gas Emissions (CO ₂ -e)	tonnes	61,450	60,339	83,910	82,554	91,214
Lube oil used	litres	90,188	98,373	123,187	105,307	95,874
Social						
Employees (full and part-time)		1,068	1,094	1,147	1,137	1,055
Share fishermen		380	368	360	437	471
Lost-time injury frequency rate ^{4,6}						17
Number of ACC claims accepted ⁴						147
Average age of employees ⁴	years					43.0
Average length of service ⁴	years					7.1
Economic						
Revenue	\$000	390,402	367,920	436,564	433,091	421,087
Profit (after tax) for the year	\$000	26,074	20,135	53,344	39,075	25,004
Profit before taxation margin	%	10.2	6.7	15.7	12.7	9.0
New Zealand domestic purchases	\$000	126,000	138,000	174,000	182,000	185,000
Ordinary dividend per share	cents	22	22	23	23	23
Earnings per share	cents	27.8	21.5	57.0	41.7	26.7
Donations	\$	182,267	224,960	223,898	318,965	437,109
Business						
New Zealand quota share ⁴	%		24.29	24.80	23.58	23.53
Export sales ⁴	tonnes			89,682	69,725	78,384
Local sales ⁴	tonnes			12,986	15,689	20,169
Aquaculture space owned ⁴	hectares					1,233
Vessels owned ⁴						47
TEU containers shipped ^{4,7}						3,784

TABLE 1

Key Performance Indicators

Notes

- Onshore production includes New Zealand (Inshore and Aquaculture), Australia and China.
- Fishmeal and oil produced at Timaru and on deepwater vessels.
- Frozen-at-sea product includes deepwater, scampi and Pacific tuna vessels.
- Prior years' data not reported.
- Liquid fossil fuels includes diesel and light fuel oil as of 2010.
- Number of lost-time injuries per million hours worked.
- TEU – twenty-foot equivalent units.

Further details on indicators are included in this report.

Updates

- Global Reporting Initiative (GRI) – the new Food Processing Sector Supplement indicators for sustainability reporting were partially reported this year and will be fully implemented in 2011. The GRI Index is available at www.sanford.co.nz
- Kahawai Legal Challenge – the Minister's Kahawai Area 1 decision, which took effect from 1 October 2010, has in part left all parties dissatisfied. The TACC remains the same despite best available information indicating the stock could support a TACC increase. Both customary and recreational allowable catches were reduced, although bag limits remain the same.
- Auckland Waterfront Management Plan – negotiations have been concluded between Sanford, Auckland Council and Auckland Regional Holdings. Sanford was successful in ensuring that developments would not adversely impinge on our operations and objectives to protect the interests of the fishing industry and associated businesses in the Wynyard Quarter.

Over the year, major construction and development of Jellicoe Street began. This has had some negative impact on the Auckland Fish Market retailers due to road closures and the interruption of customers' access to parking; however, we believe there will be long-term benefits from the redevelopment.

Auckland Waterfront Development Agency Limited leads the strategic approach to development across the Auckland waterfront. For more information, go to www.waterfrontauckland.co.nz



Impression of Auckland waterfront redevelopment, due for completion mid-2011

Sustainable Development Reporting Scope

Our ISO 14001-certified Environmental Management System involves setting annual objectives and reviewing them to ensure continuous improvement is made. Each plant is responsible for setting key performance indicators and measuring progress against them. This maintains focus on sustainability through measured business decisions and efficiency initiatives which, in turn, ensures the continued success of the Company. We aim to clearly report our sustainable progress, but also recognise the importance of disclosing any targets we have not achieved and the associated causes of those outcomes.

The information in this report is sourced from a number of systems within the business including our internal environmental databases, financial reporting, payroll, and sales and inventory systems. Input is provided by branch and head-office staff and the executive team.

The decision process we use to ascertain what is included in this report follows the GRI G3 Sustainability Reporting Guidelines for content, namely: Materiality, Stakeholder Inclusiveness, Completeness and Sustainability. More information on the GRI is available from www.globalreporting.org. We have again used the services of Tonkin & Taylor, an external verifier, to provide an independent assurance of this report. The assurance statement can be found on page 39.

Authoring and production of this report was managed by our Environmental Systems Manager and the report has been reviewed by our executive team and subsequently signed off by our Managing Director, Eric Barratt.

Every year, we provide a feedback form for our stakeholders to use to send us comments and suggestions on our Sustainable Development Report; this is on page 41. We value this feedback and appreciate the time taken to complete the form. Last year, we received feedback which has contributed to some of the improved ways we now report information.

Further information on our financial performance can be found in our [2010 Annual Report](#).



New Zealand Segment				Australia Segment
Deepwater	Inshore	Aquaculture	International	
<ul style="list-style-type: none"> • New Zealand quota deepwater fishing • Frozen-at-sea product • Toothfish • Charter 	<ul style="list-style-type: none"> • New Zealand quota inshore fishing • Land-based operations • Onshore processing • Seafood Auction Market 	<ul style="list-style-type: none"> • Mussel, Pacific oyster and salmon farming • Lobster, scallop and dredge oyster operations • Onshore processing (Bluff) 	<ul style="list-style-type: none"> • Skipjack tuna in South Pacific • China – reprocessing of Sanford and third-party catch 	<ul style="list-style-type: none"> • Australian seafood auction market • Australian quota fishing
Key Operational Structure				

TABLE 2

Environmental Sustainability

Environmental Profile

We have made a change to the way eco-efficiency targets are set in an effort to better reflect the main areas where resources are used and the production directly related to the resource. Previously eco-efficiency targets were set using total production against the total resource used i.e. total diesel use was set against total production. We will continue to monitor these changes and will review them in 2011 to ensure that we are providing clear and concise

information that is relevant to how the Company operates. In this report, 2010 targets were reset to reflect this new target-setting criteria.

We evaluate our performance by the use of eco-efficiency values, which are ratios of the resources consumed compared to the total product produced. A lower eco-efficiency indicates the resource is being more efficiently utilised. Annual evaluation is a practical means of measuring the progress made in sustainable initiatives.

New Eco-Efficiency Target-Setting Criteria	
Electricity	Eco-efficiency set on electricity used and production at New Zealand Inshore and Aquaculture operations.
Water	Eco-efficiency set on water used and production at New Zealand Inshore and Aquaculture operations.
Solid Waste	Eco-efficiency set on waste data and production figures from New Zealand Inshore, Aquaculture and Deepwater operations.
Coal	Eco-efficiency set on the Timaru fishmeal plant only.
Liquid Fossil Fuels	Eco-efficiency set on fuel used by, and landed weights from, New Zealand vessels only.
Greenhouse Gas Emissions	Eco-efficiency set on total production including Pacific tuna vessels but excluding Australia and China.

Production

- This year, production has been split into the following:
 - Onshore production which includes New Zealand, Australia and China
 - Fishmeal and oil produced at Timaru and on board deepwater vessels
 - Frozen-at-sea product which includes that from deepwater, scampi and Pacific tuna vessels.
- Onshore production levels are comparable to those of previous years; however, a significant reduction in Pacific tuna catch contributed to a reduced frozen-at-sea contribution (Table 1).
- Fishmeal and oil production has increased due to the inclusion of the deepwater vessel production which was not previously reported (Table 1).

Fishmeal

- An internal eco-audit was carried out at the Timaru fishmeal plant in December 2009 which highlighted a number of improvements regarding resource use (electricity, water and coal) and plant management which would aid efficiency:
 - Better operation of the evaporators to ensure optimal temperatures are reached
 - Improved management of the cooker to reduce occurrences of overflow and therefore loss of product
 - Overall improved maintenance of the system.
 Implementation and monitoring of these improvements is continuing.

Environmental Sustainability

Electricity

2010			2011	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
0.5400 kWh/kg product	0.3656 kWh/kg product	YES	0.3583 kWh/kg product	2% reduction on 2010 results

Eco-efficiency set on electricity used and production at New Zealand Inshore and Aquaculture operations. The 2010 target was reset against these new criteria.

Key Points

- We were very encouraged to meet the eco-efficiency target for electricity use this year; it was not met in 2009.
- The increase in total electricity consumed (Table 1) was due to the inclusion of Export Cold Storage (ECS), Tauranga, which was not previously reported.
- A 30% reduction in electricity consumption at our Bluff branch was due mainly to production changes. In February, we ceased mussel production which was a large user of electricity; salmon portions are now produced.
- In August, our Havelock branch underwent an energy design audit (partially funded by the Energy Efficiency and Conservation Authority – EECA), which highlighted potential for energy-usage reductions despite the production capacity increase; in particular:
 - The IR tunnel heaters will be replaced with direct steam cooking – which will result in a significant reduction in energy use and a lower peak load.

A full overview of this project will be provided once work is completed in 2011.

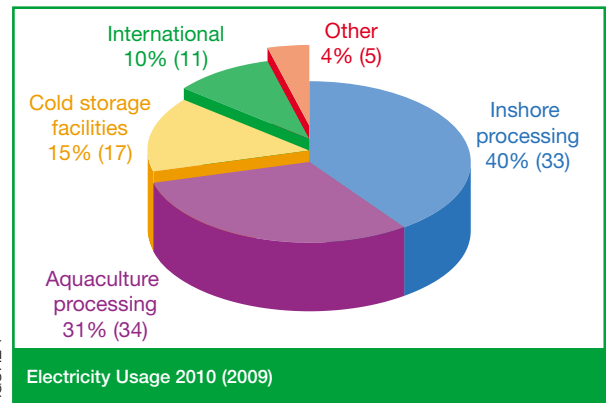


FIGURE 1

Figure 1 shows where electricity is consumed: 71% is used in our New Zealand Inshore and Aquaculture branches. “Other” includes our head-office, Auckland Fish Market and the Auckland Seafood School.



New cooker being unloaded in Blenheim

Environmental Sustainability

Water

2010			2011	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
13.03 L/kg product	17.28 L/kg product	NO	16.93 L/kg product	2% reduction on 2010 results

Eco-efficiency set on water used and production at New Zealand Inshore and Aquaculture operations. The 2010 target was reset against these new criteria.

Key Points

- Water use increased (Table 1) due to a rise in the amount of product reprocessed as this requires large amounts of water for thawing.
- Reducing water use continues to be a high priority across the processing factories although usage can be very dependent on the type of processing being undertaken.
- Cleaning of plants is an essential aspect of our quality management system and requires large quantities of water. Food safety requirements are of paramount importance to ensure we deliver high-quality products; however, we will continue to investigate less water-intensive options in the future.

Where do we get our water from?

- 62% fresh potable water
- 36% treated bore water
- 2% treated sea water

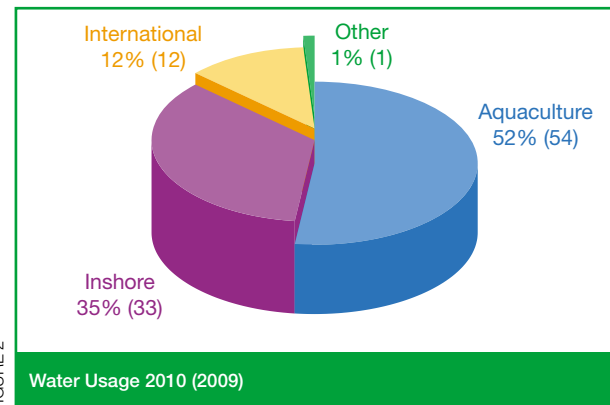


Figure 2 shows that 87% of water usage is in our New Zealand Inshore and Aquaculture branches. "Other" includes head office, Auckland Fish Market and the Auckland Seafood School.

Measuring and Monitoring Resource Use Pays Off

Throughout 2009, our Bluff environmental team began to notice that the water usage of the plant was increasing; historical monitoring showed that, under normal operating conditions, usage is between 67 and 70 litres per kilogram (kg) of packed product. During October 2009, usage was shown to exceed 120 litres per kg. This prompted the team to carry out additional monitoring of the mussel factory's water usage during November and December 2009.

The additional monitoring of usage was undertaken during hours of non-production with meter readings taken over several days at 5:00am and 5:00pm which indicated there was an unexplained loss of approximately 140 cubic metres per day.

An investigation was then carried out to ascertain the cause of the water loss. A check of usage during production found everything to be normal. The factory manager and assistant branch manager then went through the factory and outside listening with a stethoscope to the drains while no machinery was running and found running water noise at an outside stormwater drain. An Invercargill City Council water contractor was commissioned to trace the water back to source using sensitive listening gear. The investigation revealed that a solenoid had failed on the automatic water shut-off valve to a hydraulic compressor pump which resulted in water running directly to the stormwater outlet.

Environmental Sustainability

Measuring and Monitoring Resource Use Pays Off (continued)

The initial installation of the compressor pump, prior to Sanford's ownership of the building, had been set up incorrectly allowing water to run directly to the stormwater outlet. The solenoid was immediately repaired to ensure the water loss ceased.

The outcome of the investigation not only led to a large reduction in water use but the branch also received a rebate from the City Council of approximately \$13,600 for the water lost to stormwater that did not go through the sewerage treatment plant. This is a great example of how measuring and monitoring our resource can directly reduce costs.



Warren Crighton, Bluff Assistant Manager, checking for a water leak

Solid Waste

2010			2011	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
0.0557 m ³ /kg product	0.0563 m ³ /kg product	NO	0.0557 m ³ /kg product	1% reduction from 2010 result

Eco-efficiency set on solid waste produced and production at New Zealand Inshore, Aquaculture and Deepwater operations. The 2010 target was reset against this new criteria.

Key Points

- A large part of our waste stream is plastic and cardboard packaging. This is usually recyclable but, because it is highly contaminated by organic matter, it has been difficult to find a recycling company willing to accept it in this state. In 2011, we will investigate the use of biodegradable or compostable packaging products that meet our high quality standards and food safety requirements.
- We continue to investigate options to divert shell waste from landfill into alternative uses. One challenge is the organic matter mixed in with the shells, which makes it less attractive for use in urban environments such as crushed in footpaths or for stock tracks. We will continue to look at alternative solutions with the forecast increased mussel production over the coming years.

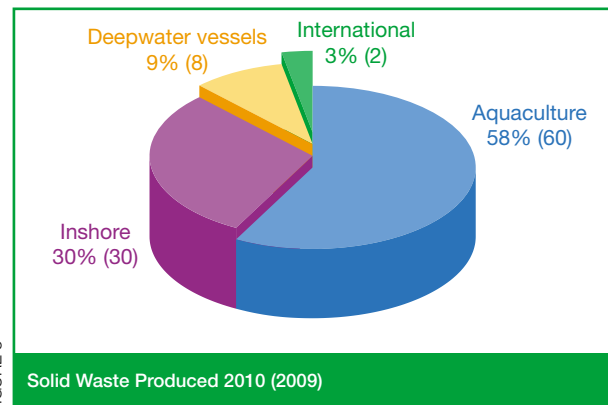


FIGURE 3

Figure 3 shows that 88% of solid waste came from our New Zealand Inshore and Aquaculture branches.

Environmental Sustainability

Coal

2010			2011	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
0.4401 kg/kg fishmeal	0.4674 kg/kg fishmeal	NO	0.4674 kg/kg fishmeal	Maintain 2010 result

Eco-efficiency set on Timaru fishmeal plant only.

Key Point

- Coal use at our Timaru fishmeal plant is expected to increase slightly due to the outcomes of the eco-audit. The plant's waste water will now be run through the evaporators allowing more product to be recovered that would otherwise have been lost. This process will require more coal. Coal is currently the most cost-efficient form of energy for this process.

Liquid Fossil Fuels

2010			2011	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
0.4348 L/kg product	0.4406 L/kg product	NO	0.4317 L/kg product	2% reduction on 2010 results

Eco-efficiency set on fuel used by, and landed weights from, New Zealand vessels only. The 2010 target was reset against these new criteria.

Key Points

- To assist with comparability, liquid fossil fuels include diesel and light fuel oil as the fuels are similar and can be interchanged if required due to supply issues.
- Our three Sterkoder vessels (San Waitaki, San Discovery and San Enterprise) began running on light fuel oil (LFO) during 2010.
- Liquid fossil fuels continue to be our largest contributor to Greenhouse Gas (GHG) emissions and we persist with our initiatives to achieve greater efficiency to reduce costs and environmental impact.
- Both the deepwater and scampi vessels have continued to actively measure resource use and vessel performance through MoTeC, a data acquisition system. The system allows for engineers, skippers and shore-based vessel managers to monitor important performance indicators on the vessels and make informed decisions on the way in which the vessels are operated. Training of skippers and crew has allowed for increased understanding of the behavioural components to key areas of the vessels' day-to-day operations. We hope to see greater eco-efficiency results from these vessels in 2011.

- We continue to investigate options for running our vessels on biodiesel. The main issue continues to be securing sufficient supply to meet our demands and at the locations of our vessel port-calls.

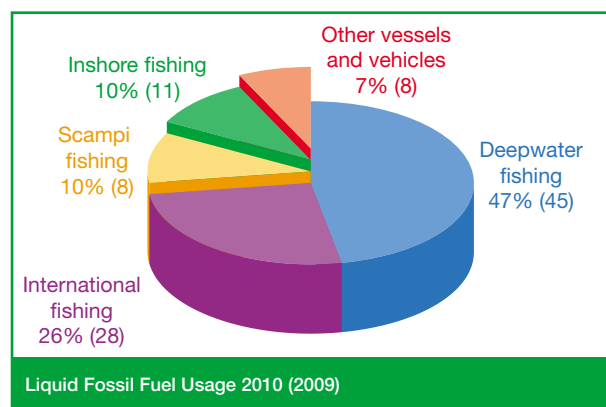


FIGURE 4

Figure 4 shows that 93% of liquid fossil fuels is used in fishing operations.

Environmental Sustainability

Timaru Heat-Recovery Project Update

A heat-recovery system has been installed in our Timaru processing plant which is expected to result in annual savings to the Company of approximately \$50,000 and 80 tonnes of greenhouse gas emissions.

To make the project financially viable, second-hand equipment was sourced, which included a large insulated water tank and two heat exchangers from an old ice-cream factory in Invercargill.

The ammonia used in the refrigeration system is compressed and heated by the compressors resulting in superheated gas exiting the compressor at between 65 and 70°C. The heat-recovery system uses the waste heat from this process to preheat water. The hot ammonia passes through a heat exchanger which heats water from a storage tank on the other side of the unit. The water is heated to between 32 and 35°C by the heated ammonia and stored in the new insulated water tank. The warm water will be used for thawing product for reprocessing, preheating factory hot water and to heat the factory in the winter.

The water used for thawing product was previously heated using a diesel-fired boiler; the diesel was supplied from an underground storage tank. The 30-year-old tank was due to be decommissioned by owners Shell Oil because of its age and risks of contamination to the surrounding land and harbour. The tank has since been removed and this will result in annual savings of approximately 31,500 litres of diesel.

This project is also expected to save approximately four million litres of water which had been used to cool the ammonia pipes in the compressor; the Timaru plant has already seen a 10% reduction in water usage in the 2009/10 year.



New water storage tank



Removal of the old diesel tank

Additionally, by automating the blast freezers to shut off upon completion of the freezing cycle and by manually turning off a second compressor, a further annual saving of 300,000 kWhrs (\$50,000) has been achieved. Although these changes add 30 to 60 minutes to the freezing cycle, this is not seen to have a significant impact on processing times.

Environmental Sustainability

Lube Oils

Key Points

- Achieving accurate measurements of recycled lube oil has continued to prove difficult due to the large amounts of waste oil and bilge water that are pumped off the vessels. This water/oil mix is collected by contractors and we lose control over its end use. Consequently, we will no longer be setting a target for recycled lube oil until we can verify recycling processes and data collection.
- We will continue to monitor the amount of lube oil used as detailed in the key performance indicators, Table 1.

Refrigerants

Key Point

- The use of some refrigerants increased this year due to:
 - Recommissioning of the Petersen
 - Biennial system maintenance work explains the fluctuations in ammonia and R22 usage.

After being laid up for three years, the Petersen was deployed into the orange roughy fishery. This required the onboard refrigeration plant to run at 100% capacity, as opposed to a 25% requirement when this vessel was in the scampi fishery. This required a further 3,500 kg of R22 refrigerant to be added to the system (61% of the total R22 added).

The global warming potential (GWP) refers to how much a chemical impacts global warming over a specified period of time in comparison with the same amount of carbon dioxide.



Petersen anchored at Auckland Islands

We use these factors and the data in Table 3 to calculate the amount of greenhouse gas emissions (GHG) created from the escaped refrigerants.

The ozone depleting potential (ODP) column has been removed from Table 3; all refrigerants currently used have an ODP relative value of less than 0.05 compared to the CFC-11. Given worldwide concerns regarding global warming, GWP is considered to be a more relevant factor in determining the negative effects a certain refrigerant may have on the atmosphere.

Our aim for the coming years is to better manage our refrigerant usage and look more strategically at reducing those refrigerants with high GWP values.

Refrigerant Type	Global Warming Potential	Amount of Gas Added (kg)				
		2006	2007	2008	2009	2010
69L	2,730	–	–	60	–	–
NH3 (ammonia)	–	3,997	2,644	944	1,556	676
R134a	1,300	–	–	–	27	–
R22	1,700	2,238	1,425	3,299	1,205	5,744
R404A	3,260	60	40	–	1,306	584
R406A	–	50	10	27	11	23
R408A	1,944	380	217	203	125	11

TABLE 3

Refrigerant Profile

Environmental Sustainability

Greenhouse Gas Emissions

2010			2011	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
0.97 kg/kg product	1.21 kg/kg product	NO	1.19 kg/kg product	2% reduction on 2010 results

Eco-efficiency set on total production including Pacific tuna vessels but excludes Australia and China. The 2010 target was reset against these new criteria.

Key Points

- Total GHG emissions increased this year mainly due to the inclusion of:
 - Rental cars
 - Waste to landfill (New Zealand only)
- Increased refrigeration use from recommissioning of the Petersen.
- Over the next two years, we will endeavour to expand GHG emission reporting by continuing to improve data collection from an estimated 90% current capture.
- We have added Figure 6 showing a breakdown of emissions by scope to better align reporting with international best practice (GHG Protocol)¹; these are:
 - Scope 1. Direct emissions from operations over which a company has direct control such as Sanford-owned operations that use fossil fuels and refrigerants
 - Scope 2. Direct emissions from electricity consumed
 - Scope 3. Indirect emissions attributed to our business but over which we have no control such as travel and landfill management.

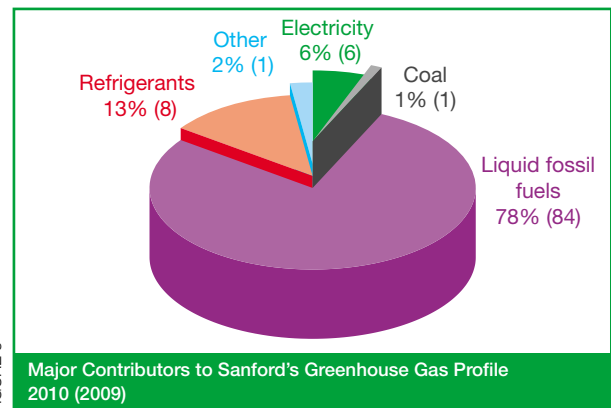


FIGURE 5

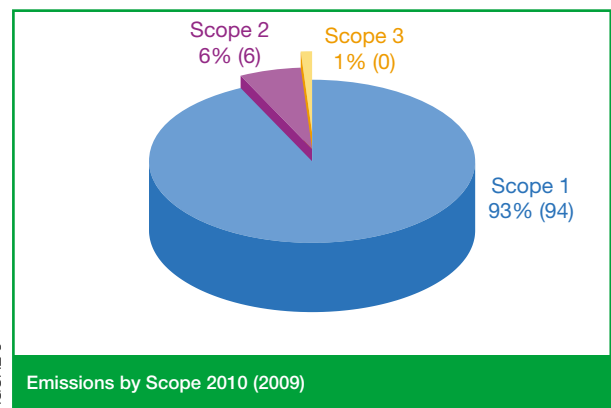


FIGURE 6

1. Greenhouse Gas Protocol – www.ghgprotocol.org

Environmental Sustainability

Environmental Compliance

There were two diesel spills in August 2010:

- The first occurred in Tauranga when approximately 15 litres of diesel spilled during refuelling of the Western Ranger. Internal investigations revealed that the transfer was not sufficiently supervised.
- The second occurred in Auckland while refuelling the Christmas Creek; approximately 100 to 200 litres of diesel was discharged into Auckland Harbour. A full investigation ensued in conjunction with the Auckland Regional Council. This resulted in Sanford and the skipper each being fined \$1,000 due to incorrect procedures being carried out by the vessel's crew.

Both of these events were very disappointing and corrective actions for both incidents have been taken; these involved a review of refuelling procedures and further training of staff and crew.

Environmental Management System

In March 2010, we underwent our annual ISO 14001 Environmental Management System (EMS) surveillance audit which highlighted a number of key issues that needed to be, and have been, addressed:

- The link between targets set at branch level and those set at corporate level (and reported here) must be better defined. We have endeavoured to improve the way targets for our resource use are set in this report by basing them more directly on the targets set at branch level.
- The policies and procedures in the Group manual, which were developed in 2002, do not make reference to senior management's role or the Sustainable Development Report (SDR) which has evolved to become an integral component of management monitoring and reporting on environmental performance, commitments and objectives. Procedures have been updated to reflect the involvement of senior management and the important part that the SDR plays in our ongoing commitment to environmental management.
- There were two minor non-conformities at our Stewart Island and Havelock sites regarding incorrect storage of chemicals. These were rectified immediately by ensuring all chemicals are situated on sufficient spill-protection banded pallets.
- Inadequate access to spill kits was noted on board two of the vessels at Stewart Island; both situations were rectified by the installation of correct equipment.

Fishing Sustainably

World fishing, fisheries and aquaculture have, over the last two decades, become hot topics. One of the advantages of this has been the raising of awareness of issues in global fisheries that must be addressed if the world's populations are to continue to feed themselves on the healthy bounty that the oceans have to offer.

Sanford has a strong vested interest in ensuring that our fisheries remain viable and productive, and are utilised sustainably. Having a profitable business is important to anyone who has or wants to have a job, a home and a future for their family. The issue of sustainable and well-managed fisheries is critically important to us.

Seafood is a significant part of the New Zealand economy as we operate in the world's fourth-largest fishing zone. As the country's fifth-largest export industry, the seafood industry employs more than 20,000 people in a wide variety of jobs from land-based scientific roles to hands-on positions at sea. Its economic and cultural value to our country should make it important to all New Zealanders. The seafood industry contributes to a significant proportion of New Zealand's foreign exchange and through taxes it helps fund health care, roads, schools and emergency services.



San Columbia

Being able to enjoy our coastal environment and to catch a fish for pleasure or to provide for our families is part of the New Zealand way of life.

Around the world, fisheries are still affected by "pirate fishing", known as illegal, unregulated and unreported (IUU) fishing. This is a significant concern for the New Zealand seafood industry and government alike. IUU fishing undermines our hard work and the commitment we have to ensuring our fisheries are sustainable.

San Nikunau – Miracle Rescue



First sighting of the boys



Sitting on their boat, on San Nikunau



Captain Joe Soares with the three rescued boys

On 24 November 2010, the San Nikunau was en route to New Zealand to unload its tuna catch. The boat had been fishing in Tuvalu waters and would normally unload in American Samoa at the completion of the trip. However, a decision had been made for the vessel to return to New Zealand hence an unusual route had been chosen. No one onboard would have guessed that this decision would save the lives of three teenagers.

The vessel was transiting through Fiji waters when an object 2-3 nautical miles away, and directly in their course, was identified as a tiny dinghy and three people could be seen emerging from a canvas shelter. "We saw a small vessel, a little speed boat on our bow, and we knew it was a little weird," First Mate Tai Fredricsen said at the time. As the vessel pulled up alongside Tai called out, "Do you need help?" and Samuel answered, "Yes, we have been adrift for two months". The boys Samu (Samual) Filipo and Junior Filo Filo, both aged 15, and Reuelu (Edward) Nasau, aged 14, were soon transferred to the San Nikunau where crew members were amazed by their incredible inner strength and that they had survived for so long with so little hope. The boys were extremely dehydrated so Tai and the crew began a conservative course of rehydration beginning with sips of an electrolyte formula. If the San Nikunau crew had not found them that day and started medical care, they possibly only had days to live.

An altered course was plotted for Fiji, over 40 hours away, and Search and Rescue New Zealand was notified of the rescue. It was confirmed that the boys had disappeared from Atafu Atoll, Tokelau, north of Samoa, on October 5. Tai called a phone number that Samuel gave him and a sad woman's voice answered. When she heard the boys had survived, "her voice came alive with an outburst of crying, laughter and lots of thank-yous".

Captain Joe Soares and Tai were aware that they were still fighting for these boys' lives as the internal damage to their bodies was undetermined, but they knew that professional help and hospital care was waiting in Suva, Fiji. Word of the rescue spread via Sanford's Fiji agent to government ministers who arranged for a small navy vessel to meet the San Nikunau near Nadi. Early on 26 November, the boys were transferred off the Sanford vessel and by 28 November, they were in Suva Hospital reportedly doing well and recovering from their 50-day ordeal.

In a coincidence, the auntie of one of the boys is a Sanford employee in Timaru. She had just returned to work after travelling to Tokelau to console her sister from what was a tragic loss when the miraculous rescue took place.



San Nikunau

Environmental Sustainability

During 2010, Maersk, the world's largest shipping company, announced part of its new sustainable seafood policy. It was initially reported that the company would discontinue shipping toothfish and orange roughy as well as shark and whale species. However, Maersk quickly clarified their intent stating that they would continue shipping all New Zealand shipments of seafood caught in accordance with local legislation and regulations. The aim of their new policy is in fact to support efforts to curb the trade of IUU seafood.

Due to Maersk's size and influence, its move to refuse to ship any seafood product caught illegally sends out the right message to fishing "pirates" and modern-day ocean-going thieves – so, the net is closing on companies and individuals engaging in illegal fishing. The New Zealand industry will gain significant economic benefit from the elimination of IUU fishing and of subsidised seafood products from world markets. It is already gaining benefits from species, such as hoki, ling, hake, southern blue whiting, toothfish and snapper that are, or are likely to, be certified as sustainable in the near future by the international body, Marine Stewardship Council.

There is growing public concern about the sustainability of the world's fisheries. However, New Zealand fisheries are highly regulated, unsubsidised, carefully researched and utilised and, in fact, some of the best and most reliable in the world. This view has again been seen in a comprehensive international fisheries science assessment that rated New Zealand the world's top-performing country for managing its marine and fishery resources. The research was published in the leading ocean studies journal *Marine Policy*¹ and follows other recent research published in the respected journal *Science*², which also rated New Zealand as having world-leading fisheries-management practices.

For Sanford, "sustainable seafood" means ensuring that we farm and harvest seafood in a manner that has the least impact on the environment and guarantees the continued availability of the resource for generations to come. For 11 years, we have been committed to reporting our environmental, social and economic performance and we strive to lead sustainability within the New Zealand seafood industry.

1. Alder et al. (2010). Aggregate performance in managing marine ecosystems of 53 maritime countries. *Marine Policy*, 34(3), 468-476. doi:10.1016/j.marpol.2009.10.001

2. Worm et al. (2009). Rebuilding Global Fisheries. *Science*, 325(5940), 578-585. doi:10.1126/science.1173146

Marine Stewardship Council (MSC) Certification

Certification of the Ross Sea toothfish was notified mid-November 2010; it has been a long process subject to objection and independent adjudication processes. Toothfish caught in the Ross Sea this year will have the benefit of MSC certification. Figure 7 includes Ross Sea toothfish as an MSC certified product.

Work on the assessment for the hake trawl, ling trawl and longline fishery as well as the southern blue whiting trawl fishery is ongoing. The snapper fishery is also under investigation and we look forward to favourable outcomes from that process.

We continue to monitor progress and, although this is a long process, we strongly believe the outcome will be of economic benefit that will add value to these fisheries.

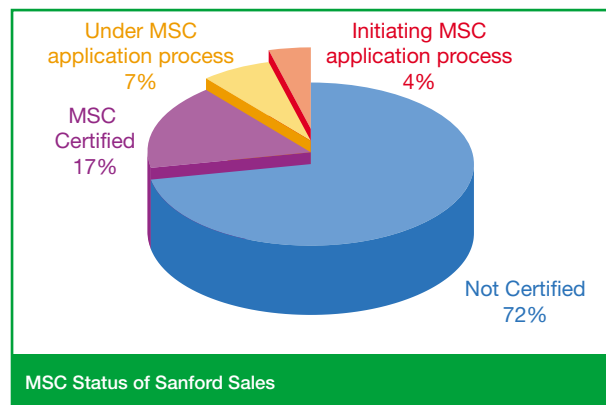
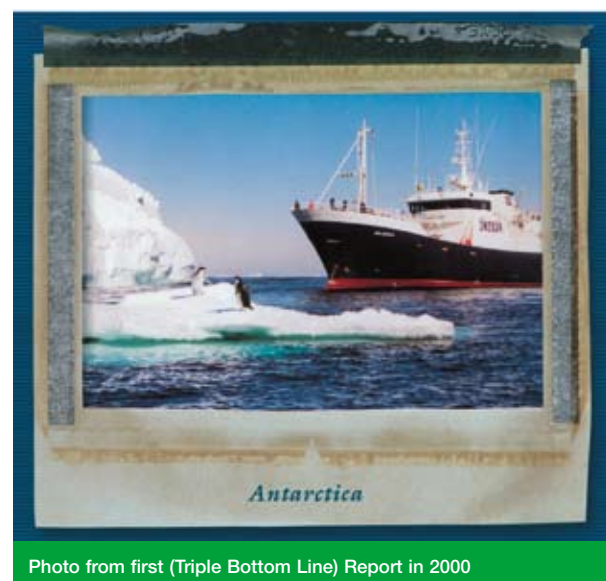


FIGURE 7



Environmental Sustainability

Quota Management

Fishing year	Species of interest to Sanford	Stock	TACC (tonnes)		Percentage change
			2009/10	2010/11	
April–March	Rock Lobster	CRA7	189	84	(56%)
April–March	Southern Blue Whiting	SBW6I	20,000	23,000	15%
October–September	Flatfish	FLA3	1,430 (1,763)	1,430	Note ¹
October–September	Black Cardinal Fish	CDL2	1,620	1,020	(37%)
October–September	Hoki	HOK1	110,000	120,000	9%
October–September	Orange Roughy	ORH3B	7,950	4,610	(42%)
October–September	Orange Roughy	ORH7A	1	500	49,900%
October–September	Patagonian Toothfish	PTO1	N/A	49	Note ²
October–September	Rubyfish	RBV4	6	18	200%
October–September	Stargazer	STA7	997	1,042	5%

TABLE 4

Changes to Quota Stocks for the 2010/11 Fishing Year

Notes

1. In-season adjustment to provide for utilisation; returned back to the 2009/10 TACC of 1,430 tonnes at end of fishing year.
2. New species introduced into the Quota Management System.

Source: Ministry of Fisheries (www.fish.govt.nz)

The major change in Table 4 has been in the orange roughy fishery. The TACC in the ORH7A, Challenger Plateau area (west of Taranaki), has been set at one tonne since October 2000. Surveys and scientific information now indicate that the fishery has rebuilt to a level where a TACC of 500 tonnes is sustainable. The 500-tonne limit on the reopened Challenger Plateau orange roughy fishery was cautious and would be monitored. The decrease in the ORH3B, Chatham Rise area (east of Christchurch) is the third in a planned three-step catch-reduction process.

Interactions with Seabirds and Mammals

We have continued our relationship with the Southern Seabird Solution Trust which manages the Mitigation Development Pathway project. The aim is to encourage fishermen to use their skills, knowledge and ingenuity to develop mitigation ideas and then provide the required support to further develop and protect their ideas including access to an International Mitigation Mentoring Programme. Further information is available at www.southernseabirds.org/ss-mitigation_pathway

A waterproof identification guide, “A fisher’s guide: New Zealand coastal seabirds”, has been compiled by the Department of Conservation and has been circulated to each of our Inshore vessels as a useful reference tool.

The Company continues to focus on minimising seabird and mammal interactions and this year it is pleasing to see further reductions of Incidental Catch as displayed in Figures 8 and 9.

This year, we were able to reconcile the Non-fish/Protected Species Catch Return (NFPSCR) data from the Ministry of Fisheries’ (MFish) database to that which is recorded in the Company database. This process has highlighted gaps in our internal data collection; we plan to resolve these issues throughout 2011. The following graphs have been created using data from the MFish’s database for Sanford Inshore, Deepwater and Scampi vessels.

A fisher’s guide: New Zealand coastal seabirds



Department of Conservation
Te Papa Ataturu

In this companion guide to A Fisher’s Guide to New Zealand Seabirds you can learn about additional seabirds that you may see in New Zealand’s EEZ. While some of these seabirds migrate great distances and may be seen far from shore, many are likely to be seen near our coasts or even inland.

From Australasian gannets to yellow-eyed penguins, this guide gives distinguishing physical characteristics, ecology, range and potential threats to each species listed. It also provides the current New Zealand conservation status of each species. We’ve included the Ministry of Fisheries Species Code and Group Code for each species to assist fishers in accurately recording species interactions.

Protection of seabirds is provided for under the Wildlife Act 1953. Most of the birds in this guide breed only in New Zealand and many face

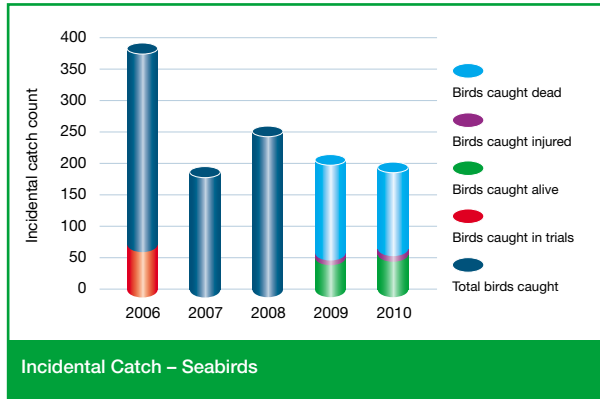
a number of threats, including being caught in New Zealand fisheries. While some of New Zealand’s fisheries have effective mitigation measures in place to reduce the number of seabirds being killed and injured, a number of others need to better address this issue if future generations are to enjoy these remarkable birds.

It’s our goal with this guide to provide you with the information you need to identify and learn more about some of the seabirds you might see around New Zealand’s coasts.

A fisher’s guide: New Zealand coastal seabirds

Environmental Sustainability

FIGURE 8

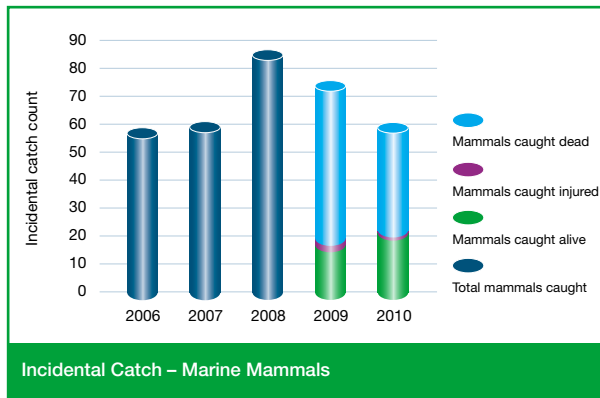


Source: MFish database.

It is very unfortunate that we report two dolphin catches this year in our Inshore fishing operations. Although these are not protected species, we still aim to minimise this incidental catch.

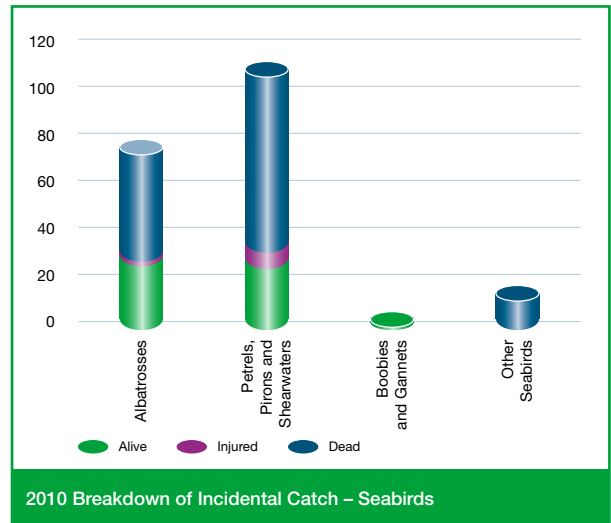
We also have a greater incidental catch of marine sponges this year compared to the 500kg caught in 2009. The majority of the sponge was caught on two of our Sterkoder vessels. The vessels were not fishing in new areas; rather, it is believed that the sponge may have spread from areas it was previously known to occupy.

FIGURE 9



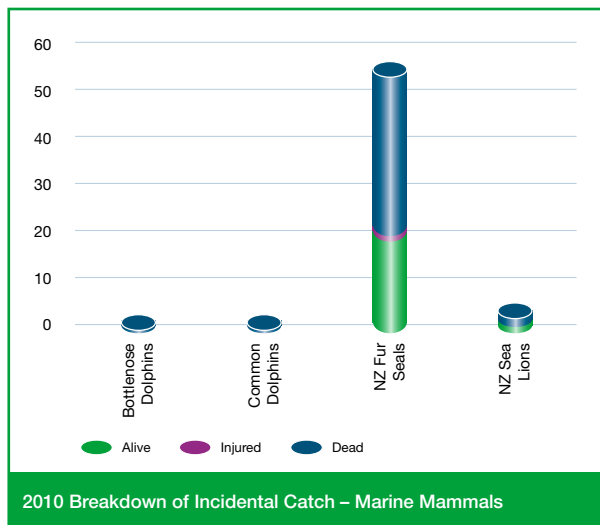
Source: MFish database.

FIGURE 11



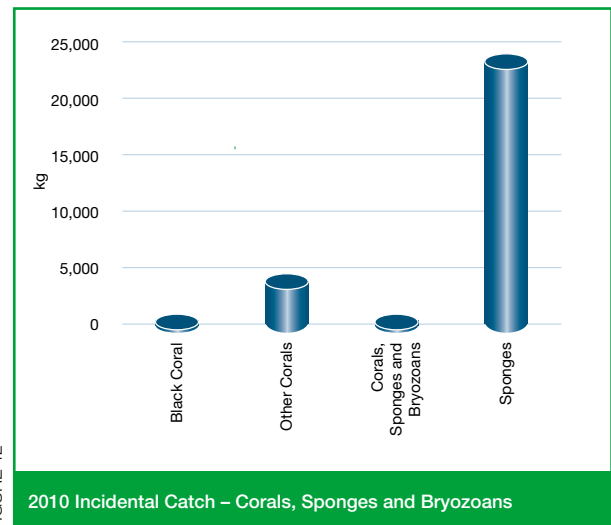
Source: MFish database.

FIGURE 10



Source: MFish database.

FIGURE 12



Source: MFish database.

Environmental Sustainability

Squid Fishing and Sea Lions

The Minister of Fisheries has approved measures to mitigate the effects that vessels operating in the squid SQU6T fishery, have on the Auckland Islands' sea lion population. These measures have been implemented through the 2009/10 SQU6T Operational Plan and include:

- A limit on the number of fishing-related sea lion mortalities (FRML) attributable to vessels operating in the SQU6T fishery, which was set at 76
- Procedures to monitor incidental sea lion captures against this limit
- A process to close the fishery if this limit is reached
- A sea lion exclusion device (SLED) discount factor of 35%, based on an expectation that SLEDs allow at least 35% of sea lions to escape and survive a trawl net encounter.

The industry as a whole made 1,159 tows in SQU6T, of which 99% qualified for the discount factor. Estimated sea lion mortality from this fishery was 44 animals (a theoretical estimate) or approximately 58% of total allowable FRML of 76.

Sustainable Aquaculture

Sanford is New Zealand's number one aquaculture producer (by weight)¹ something of which we are proud and will continue to build on. We currently own 1,233 hectares of aquaculture space, lease 222 hectares and have access to 155 further hectares through shared and contracted areas.

Aquaculture is an important part of the Company's future and an area in which we will continue to invest to ensure that we maintain our strong market position.

From October to December 2010, our Havelock branch is undergoing a major refit of its processing plant to accommodate 25 new and three existing automated mussel-opening (AMOs) machines. This will allow for an increased throughput of 15% and a reduction in energy costs. One exciting aspect of this project is that all 185 plant employees will be retained throughout the refit period. They will be enlisted in a wide range of community work and internal training programmes. An example of this can be seen in an article published in the *Marlborough Express*, 14 October 2010, "Sanford Volunteers Help Community". We will be reporting fully on this project in our 2011 report.



Mussel about to be opened in the automatic opening machine

Key Species	Total Annual Green-weight (tonnes)	Sanford Annual Green-weight (tonnes)	Sanford Share (by volume)
Greenshell™ mussels	98,181	22,342	25.6%
King salmon	13,500	3,055	22.6%
Pacific oysters	3,107	685	22.1%

New Zealand Aquaculture Production Statistics

Source: Aquaculture New Zealand, year ending 30 September 2010.

TABLE 5

1. Aquaculture New Zealand – www.aquaculture.org.nz

Environmental Sustainability

Salmon Portioning in Bluff

In February 2010, Bluff began producing salmon portions to meet new customer requirements. Over the course of two weeks, the mussel factory was refitted to accommodate new processes and equipment to allow for production of portioned product. Mussels are no longer processed in Bluff, and are transported to other Sanford locations.

Fresh whole salmon is harvested from Stewart Island's Big Glory Bay salmon farm into insulated borgoplast bins containing ice slurry which keeps the fish chilled as they are transported on the San Hauraki to the Bluff fish-processing factory. The salmon are then headed, cleaned and size-graded before being put back into ice slurry and transported next door to the portion factory. There the fish are filleted, trimmed and skinned then placed on trays and rested in the chiller overnight; this facilitates the removal of the pin bones.

The fillets are then pin-boned and inspected and a pre-portion trim is made; they are then moved through an automatic portioning machine which has parameters set to cut the fillets to customer specification. A further inspection of fresh-cut portions is made before the portions are individually shrink-wrapped, snap-frozen and packed into 10-pound boxes. Finished cartons of product are then placed in the cool store, ready for order despatch.



Harvesting salmon



Grading and cleaning



Pin boners at work



Pre-cut image on the portioning machine



Vacuum-packed portions entering the spiral freezer



Packing portions

Social Sustainability

Employees

Location	2006	2007	2008	2009	2010
Inshore – fishing and processing					
Auckland	126	154	153	160	156*
Auckland Fish Market	38	23	27	37	31
Tauranga	191	169	182	171	165*
Timaru	224	186	179	124	138*
Oamaru	5	6	1	1	1
	584	538	542	493	491
Aquaculture					
Kaero	108	140	133	105	75
Coromandel	18	14	13	18	19
Havelock	220	251	259	277	231
Bluff	137	140	184	181	182*
	483	545	589	581	507
Deepwater Fleet	312	319	320	307	344*
Australia¹				44	32*
International Pacific Tuna Fleet¹				68	68
Head Office					
Head Office (Auckland)	45	45	43	43	45
Service Division	24	15	13	16	17
	69	60	56	59	62
Total	1,448	1,462	1,507	1,552	1,504
*Includes Share Fishermen	2006	2007	2008	2009	2010
Auckland	43	38	37	39	40
Tauranga	43	29	30	28	27
Timaru ^{1,2}				14	14
Deepwater Fleet	294	301	293	280	314
Bluff ^{1,2}				4	4
Australia ^{1,2}				4	4
International Pacific Tuna Fleet ¹				68	68
	380	368	360	437	471
Sanford Employees as at 30 September					

TABLE 6

1. Prior years' data not reported.

2. These share fishermen are employees.

Staff Numbers and Diversity

Key Points

- Employee numbers remained relatively consistent across Inshore branches.
- Staff at Aquaculture branches decreased by 13%, mainly due to increased use of temporary workers in Kaero and Havelock.
- Deepwater total in 2010 includes crew of the recommissioned Petersen.

We have altered the way we report our contract fishermen this year to better reflect that some of our fishermen are employees; we will now classify them as share fishermen which is inclusive of contract and employee fishermen.

Unfortunately, due to a business unit being disbanded in our Australian operation, 12 employees were made redundant in August. This was a necessary business decision and all efforts were made to provide assistance to the affected employees throughout the transition period.

Joint Venture Businesses	2009	2010
San Won Limited, New Zealand	8	7
The Big Picture Auckland Limited, New Zealand	11	8
Weihai Dong Won Food Company Limited, China	392	386
Cicerello & Backhouse, Australia	1	1
Joint Venture Employees as at 30 September		

TABLE 7

This year we have included average age (43.0 years) and average length of service (7.1 years) to our key performance indicators, Table 1. We believe this provides further clarity on the profile of our employees.

The issue of an ageing workforce will be investigated further in the coming years, particularly due to the physical demands of many of our roles.

It is encouraging that the average length of service of our employees is more than seven years and that over 44% of our employees have been with the company for five plus years. These statistics reflect a positive, stable workforce.

We have added a further age breakdown in Figure 14, which is 20+ years of service. Data for this breakdown is not readily available for 2009, so the estimate for that has stayed as 10+ years.

Social Sustainability

TABLE 8

	Sanford 2009	Sanford 2010	Industry ¹	New Zealand workforce ²
Ethnicity				
European	57%	59%	86%	64%
Māori	24%	24%	11%	11%
Pacific Island	10%	10%	1%	5%
Other	9%	7%	2%	20%
Gender				
Female	31%	30%	34%	52%
Male	69%	70%	66%	48%

New Zealand-Based Employees Workplace Diversity (includes share fishermen)

1. Source: Statistics New Zealand, based on 2006 census. Note: Industry data includes agriculture, forestry and fishing.

2. Source: Statistics New Zealand, based on 2006 census.

FIGURE 13

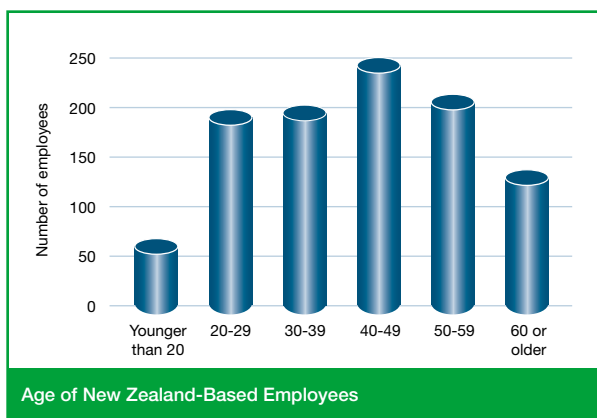
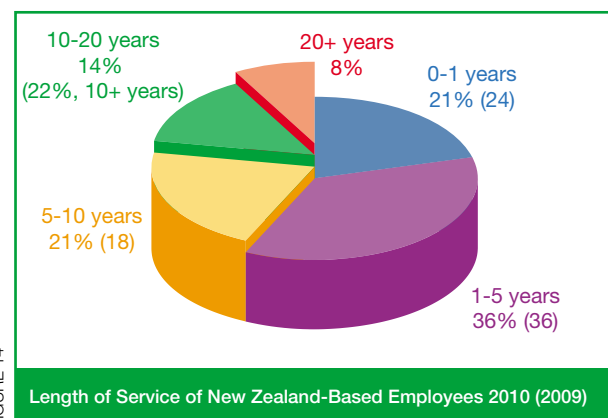


FIGURE 14



Health, Safety and Well-being

Throughout 2010, we began working with an external employee assistance programme provider for the purpose of offering support to our employees particularly in times of difficulty, and assisting with dispute resolution. The main area of use to date has been in providing counselling sessions.

One of our aims for 2011 is to better engage with our employees to ascertain how they rate our performance particularly in the areas of health and safety, sustainability and training. The first stage of this process will involve a training survey being conducted at our Inshore branches which commenced in November 2010.

In August 2010, our Timaru branch was audited as part of our annual Accident Compensation Corporation (ACC) Partnership Programme renewal. It was encouraging to note the number of times the auditor mentioned the words “excellent”, “great” and “well done” during the process.

All of our branches have dedicated health and safety committees which are made up of elected employee representatives, union representatives, health and safety co-ordinators and management. These groups are tasked with managing our health and safety systems and ensuring that we comply with relevant regulations and legislation with the aim of creating best-practice procedures and accident-free workplaces.

We are taking steps to increase the awareness of safety-related issues across our operations, with greater reporting to our Board and regular health and safety updates being delivered at monthly executive meetings. Safety is a team effort and we will continue to push towards a goal of reducing our number of lost-time injuries, and more clearly reporting on our progress. This will also include adding the number of serious-harm injuries to the 2011 report.

Social Sustainability

Drug and substance abuse is becoming a concerning issue within New Zealand workplaces and Sanford has a firm commitment to ensure that all our operations are free of any type of substance abuse. A drug and alcohol policy is in the process of being implemented across all Sanford operations with the intention to have it fully in place toward the beginning of 2011.



Figure 15 highlights that the number of days lost to work-related accidents has decreased, as has the number of accepted ACC claims.

Lost-time Injury Frequency Rate

This year we have included a new internationally based indicator for work-related accidents into the key performance indicator Table 1. Lost-time claims are those claims where a weekly benefit payment has been made, indicating the injured worker has had time off work due to the injury. Injuries involving lost time can be viewed as being more serious injuries.

The lost-time injury frequency rate (LTIFR) is measured as the number of lost-time claims per million hours worked and allows analysis of the number of such claims irrespective of the size of the workforce. The Sanford LTIFR for 2010 was 17; we will aim to reduce this over the coming year and benchmark our performance against other companies.



Drug dog Ketia undergoing a routine drug sweep on board a Deepwater vessel

Health and Safety Prosecution

- In March 2010, Sanford appeared in the Tauranga District Court in relation to the grounding of the San Cuvier in July 2008. We were sentenced on one charge under the Health and Safety in Employment Act 1992. This related to the fact that the Company did not have a check system in place to ensure the skipper kept an anchor watch.
- The Company was convicted, fined and ordered to pay reparation to the families of the two lost crewmen, Rick Josephs and Damian Wyatt, as well to each of the two survivors, Thomas Te Pania and Chasseon Manakau.
- Following the sentencing, Sanford initiated a restorative justice conference with Rick and Damian's whanau as well as Thomas and Chasseon's. This conference occurred in July 2010 and was well attended by whanau members and representatives from Sanford. It had a positive outcome and, although at times it was a very emotional afternoon, there was a resulting sense of closure for all involved.
- As a result of this tragic event, the Company has implemented the following corrective actions:
 - Skippers are now formally required to record details of the anchor watch in their daily logs and this is checked by shore-side personnel
 - We have updated the database for all crew to ensure that contact details are available for a broader range of whanau.

Social Sustainability

Superannuation Schemes

We have been encouraged by the increased uptake of the KiwiSaver superannuation scheme and sustained membership in the Sanford scheme.

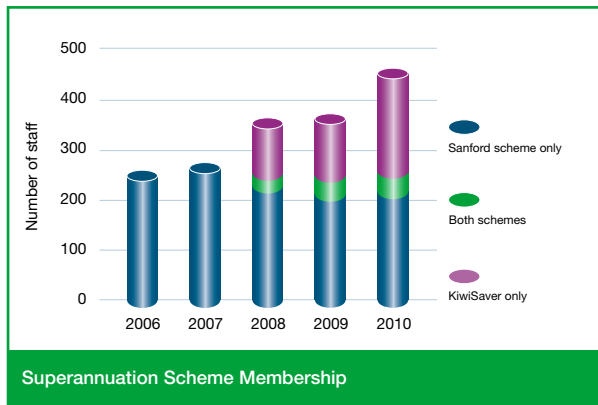


FIGURE 16

Training

We aim to implement an internal training database across the Company in the coming two years to allow for greater reporting on the number and types of training sessions completed. An initial stage of this process is an investigation taking place across the Inshore branches looking at what current training programmes are in place, what is required and how it is being conducted. We aim to report the outcomes of this investigation in 2011.



San Aspiring crew launching the Z-Boat during a man overboard drill

Communities

Donations

The communities in which we operate continue to be of great importance to us and we have continued to invest not only money through donations but also time. This is highlighted by the large amounts of community work being undertaken in Havelock during the factory refit, commencing 1 October 2010 (not included in Table 9).

Building relationships with local schools has allowed us to be a part of educating Kiwi children about the importance of both sustainable fishing and the fishing industry to New Zealand.

Some examples of these relationships are:

- School visits to deepwater vessels in Timaru
- Ongoing involvement with Kiwi Can across the country
- School visits to the Auckland factory and the Auckland Fish Market.

In December 2009, our Coromandel branch was able to provide free ice for the local Playcentre's Christmas party. The children had a wonderful day with the ice which provided a great setting for Santa and also loads of cooling-down fun later in the day while the children played with it.

We also provided free ice to a number of Playcentres throughout Auckland; this is always greatly appreciated and enthusiastically enjoyed by the children.



Sanford again contributed to the Havelock Mussel Festival, March 2010

Social Sustainability

TABLE 9

Type of donation	2006	2007	2008	2009	2010
Auckland Seafood Festival proceeds ¹	–	–	\$26,001	\$75,000	\$100,000
Charitable Donations	\$15,238	\$4,890	\$33,674	\$33,300	\$37,713
Community Investment	\$167,029	\$220,070	\$174,761	\$225,665	\$318,396
TOTAL	\$182,267	\$224,960	\$234,436	\$333,965	\$456,109

Charitable Donations and Community Investment

1. Prior years have been restated to include all proceeds distributed to charities.

My favourite part was going to the galley and getting a muffin from the cook.

The things that surprised me the most were that the ships fish can be sold anywhere in the world and the vessel can go to sea for six weeks and not run out of fuel.

The thing I found interesting was in the accommodation. I didn't know it had Sky.

Letters of thanks from pupils of Gleniti School, Timaru, following visit to San Enterprise



Coromandel Playcentre's 2009 Christmas Party



Ice provided to Blockhouse Bay Playcentre, Auckland

Social Sustainability

Auckland Seafood Festival



The 2010 Auckland Seafood Festival was a great success and something we are very proud to be associated with. Although numbers were down, it was encouraging to see that 17,400 people did attend despite the changeable weather. The 2010 festival distributed \$100,000 to charity through its ongoing relationship with Rotary Club of Auckland East Inc. The predominant charity has been Stellar Trust; however, we are excited about the addition of Kiwi Can as a beneficiary for the 2011 festival.

We again provided a low-carbon event, which involved measuring the emissions that fell under our control during the festival and offsetting these by purchasing local carbon credits. The amount offset this year was 23 tonnes.

We would like to thank Deloitte for its support and assistance in sponsoring the cost of the services of its climate change and sustainability team as Deloitte's charitable contribution to the event. This was the fourth year Deloitte has audited our Greenhouse Gas Inventory Report.

The coming year will see a change of venue for the festival as it moves to nearby Te Wero Island in the Auckland Viaduct due to the construction of the new Auckland Marine Events Centre on Halsey Wharf where the festival has been located for the past two years. This change in venue will give greater access to public transport options as it provides a clear link to the Britomart Transportation Centre.

Kiwi Can

Throughout 2010, we have continued to support and strengthen our Kiwi Can relationship with all New Zealand branches being a part of the Kiwi Can programme. We have received great feedback from our largest area of involvement, our Bluff branch.

Another avenue that will continue to strengthen our commitment is the addition of Kiwi Can as a key charity for the 2011 Auckland Seafood Festival.

Kiwi Can Southland Feedback

"Those children who struggled with behaviour at the start have shown signs of improved behaviour" – **Teacher, Invercargill Middle School**

"Kiwi Can is a great way to reinforce teaching of social skills within the school. Often children who are quiet in class feel relaxed and comfortable and share their ideas in Kiwi Can. Kiwi Can is also a fun and positive time for the children." – **Teacher, Fernworth Primary (Invercargill)**

"I love the awesome games and GKQs. We have been learning that we don't want bullies in our school." – **Year 6 student, Fernworth Primary (Invercargill)**

"I really like playing games and talking about my community. We have been talking about the people who are special to us." – **Year 4 student, Fernworth Primary (Invercargill)**

Economic Sustainability

Financial Summary

	2010 [#]	2009 [#]	2008 [#]	2007 [#]	2006
	\$000	\$000	\$000	\$000	\$000
Revenue	421,087	433,091	436,564	367,920	390,402
EBITDA*	49,057	68,366	65,874	52,197	63,303
Depreciation, amortisation and impairment	(13,754)	(14,892)	(22,359)	(13,635)	(16,167)
EBIT	35,303	53,474	43,515	38,562	47,136
Net interest	(5,780)	(6,788)	(10,021)	(11,109)	(12,247)
Net currency exchange gains (losses)	7,836	8,387	5,505	(10,511)	4,773
Net gain (loss) on sale of investments, property, plant and equipment	409	(35)	29,749	425	322
Gain on sale of subsidiaries	–	–	–	7,528	–
Profit before income tax	37,768	55,038	68,748	24,895	39,984
Income tax (expense)	(12,743)	(15,899)	(15,328)	(4,865)	(13,393)
Profit for the year	25,025	39,139	53,420	20,030	26,591
Minority interest	(21)	(64)	(76)	105	(517)
Profit attributable to equity holders of the Group	25,004	39,075	53,344	20,135	26,074

TABLE 10

Five-Year Financial Summary

* Earnings before interest, taxation, depreciation and amortisation, impairment of investments, total currency exchange gains (losses) and profit on disposal of investments and long term assets.

Prepared in accordance with New Zealand equivalents to International Financial Reporting Standards. To comply with NZ IFRS the 2006 comparatives would require disclosure of biological assets in accordance with NZIAS 41 and intangible assets (mainly quota and marine farm licences) restated in accordance with NZIAS 38.

The financial results for the year ended 30 September 2010 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) applicable to financial statements. It is also compliant with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), which make international comparisons easier.

Sanford reported a profit after tax of \$25.0m for the year ended 30 September 2010 compared with \$39.1m for last year. Please refer to the [2010 Annual Report](#) which contains detailed data for the 2009/10 financial year. This report and previously published Annual and Sustainable Development Reports are available on our website at www.sanford.co.nz

Shareholder Returns

Share prices are generally based on estimates of future earning potential. Therefore, the performance of a company's share price is a useful indicator on how the market views the Company's sustainability.

Figure 17 shows the performance of Sanford's share price against the index of the leading companies on the New Zealand Stock Exchange (NZX) and the Total Shareholder Return (TSR) of Sanford stock. The TSR includes any dividends paid by the Company.

Sanford's share price has decreased relative to the NZX 50 index primarily due to the continued effect of the higher United States Dollar (USD) exchange rate. Dividends of 23 cents per share were paid during the year.

Economic Value Added

A method of monitoring a company's economic performance is by comparing the Economic Value Added (EVA[®]). This conveys how much value the company has created by comparing the return achieved on invested capital with the expected return to investors of comparable risk. Therefore, a company has sustainable growth if it is making a higher return on capital than the cost of capital. Table 11 shows the estimated EVA of Sanford.

	2006	2007	2008	2009	2010
Return on capital	5.2%	4.0%	10.2%	7.3%	4.5%
Cost of capital	8.8%	10.0%	8.5%	7.5%	6.2%
EVA (NZ\$m)	(18.0)	(31.0)	9.0	(2.0)	(9.0)

TABLE 11

Economic Value Added

Economic Sustainability



FIGURE 17

Sanford Share Price Performance Relative to NZX 50

Economic Environment

Sanford continues to make positive contributions to local, national and international economies. The strong inverse correlation between the movement in Sanford share price and the USD exchange rate is shown in Figure 18.

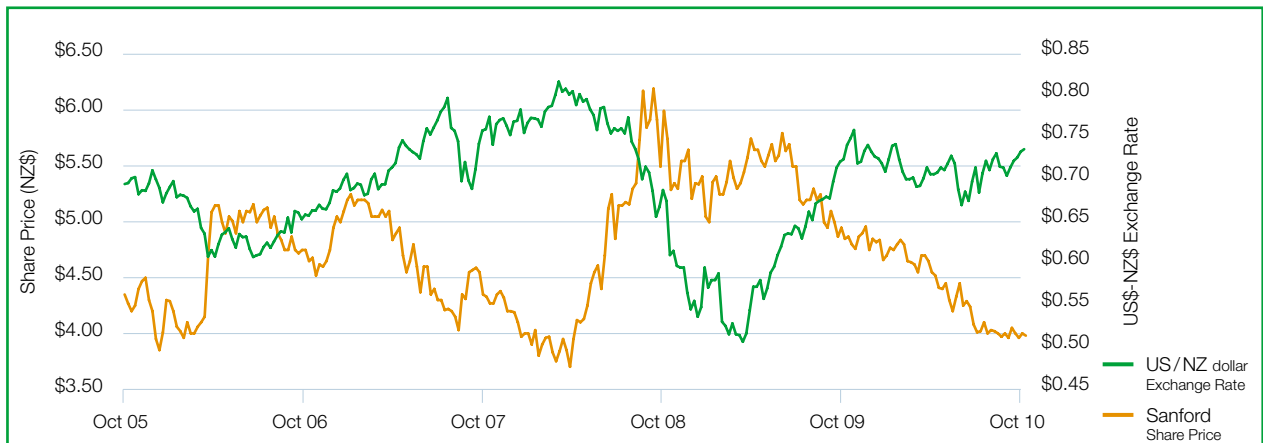


FIGURE 18

Sanford Share Price Performance Relative to US\$/NZ\$ Exchange Rate

Economic Sustainability

Increased Product Quality in Kaeo

Damage through the oyster-opening process can easily downgrade product value. One of the challenges at our Kaeo branch has been to reduce this damage to produce premium-quality oysters.

Previously, all oysters were opened on to a communal conveyor. This meant we could not identify the source of the damaged product.

Prior to the 2010 season, a new tray system was implemented. Each opener now places the opened oysters on to a tray which includes an identification marker. Quality assurance staff are then able to assess product and, if damaged product is identified, provide feedback and training to the openers as required.

The new tray system delivers improved opener performance and product quality. Results to date have shown a 14% increase in half-shell production, a 3% reduction in B-grade meat production and an 11% reduction in product waste.



Oysters being cleaned ready for opening



Opening oysters



New tray system in place



Trayed product ready for inspection



Quality staff inspecting product

Economic Sustainability

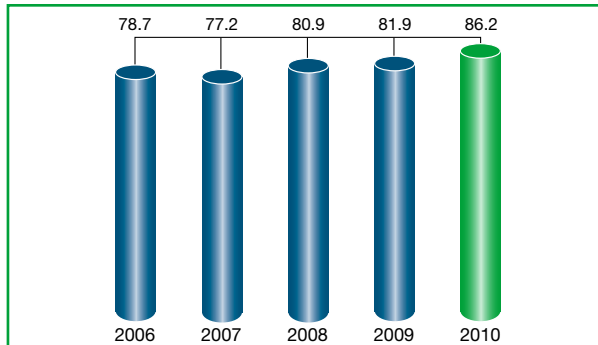


FIGURE 19

Payments to Employees and Fishermen (NZ\$m)

Often a major contribution to the local communities in which Sanford operates, is the sum of payments made to employees and fishermen. This is also a source of significant tax income for the New Zealand Government.

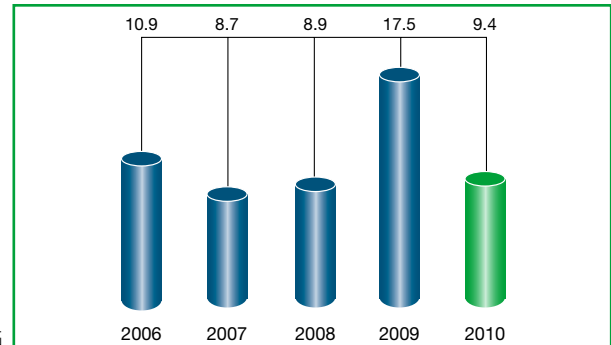


FIGURE 21

New Zealand Income Taxes Paid (NZ\$m)

The amount of the Company's profits paid in tax to the New Zealand Government, excluding tax on employees' wages and salaries, is shown in Figure 21.

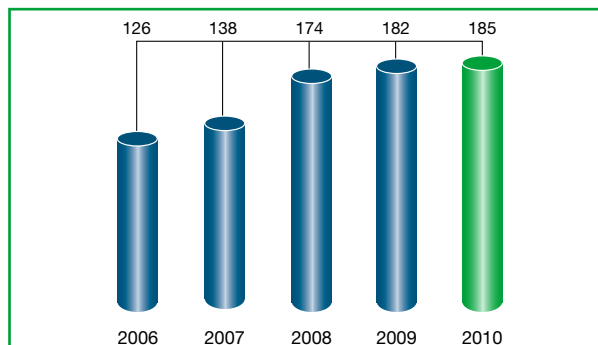


FIGURE 20

New Zealand Domestic Purchases (NZ\$m)

Purchases from New Zealand suppliers are indicative of the Company's contribution to the domestic commercial economy.

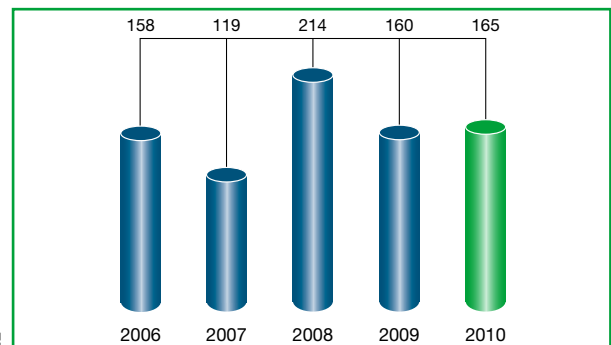


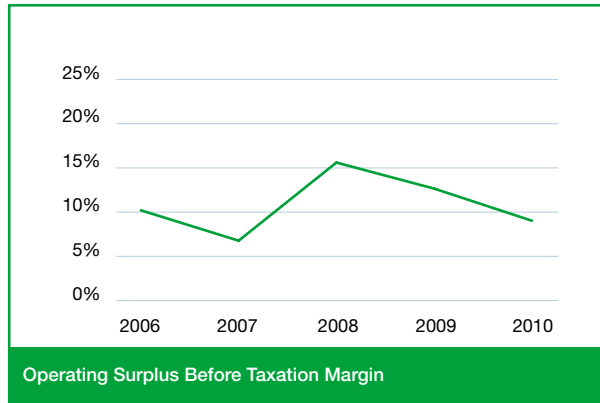
FIGURE 22

Balance of Export Earnings Over Imported Supplies (NZ\$m)

The balance of export earnings over imported supplies illustrates Sanford's net aggregate contribution to the New Zealand economy, showing that the Company is a major contributor to New Zealand's trade balance.

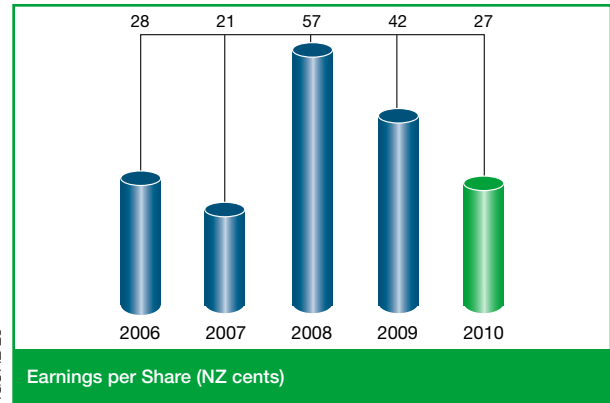
Economic Sustainability

FIGURE 23



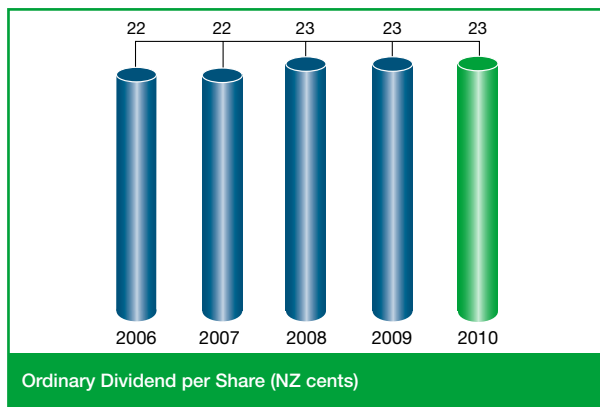
An indication of how a company is making a profit within the current sales revenue is shown by the profit before taxation margin.

FIGURE 25



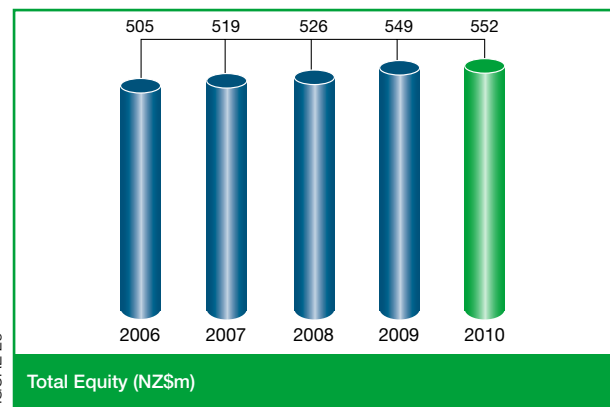
The 2008 value includes a one-off gain of 28 cents per share due to the sale of Fishery Products International Limited shares.

FIGURE 24



Sustained profitability has allowed a steady dividend pay-out over the last five years.

FIGURE 26



The dividend payments made to Shareholders, shown in Figure 24, as well as the earnings per share shown in Figure 25, demonstrates the health of the Company and its overall financial performance. The ability of a company to maintain sustainable growth and the strength of its balance sheet are illustrated by the total equity (Figure 26). The 2010 data shows that Sanford continues to have strength in all three indicators, forecasting economic sustainability.

Economic Sustainability

Entity	Percentage by tonnes	
	2010	2009
Sanford Limited	23.53%	23.58%
Pupuri Taonga Limited (Sealord Group Limited)	19.44%	19.47%
Talley's Group Management Limited	12.65%	12.57%
Independent Fisheries Holdings Limited	5.96%	5.94%
KPF Investments Limited (United Fisheries Limited)	4.31%	4.32%
Vela Quota Number One Limited	3.93%	3.94%
Te Ohu Kai Moana Trustee Limited	2.83%	3.71%
Ngai Tahu Fisheries Settlement Limited	2.03%	1.97%
Aotearoa Fisheries Limited	1.59%	1.60%
New Zealand Government	1.22%	0.92%
All Others	22.51%	21.98%
Total	100.00%	100.00%

Top 10 Quota Owners as at 1 October

TABLE 12

Note: Includes April fishing year stocks.

Source: New Zealand Seafood Industry Council Limited.

Sanford is the largest Annual Catch Entitlement (ACE) owner. ACE is a measure of the amount of fish that can be harvested from each stock. It is not a perpetual property right as are quota shares. Annually, changes in ACE occur due to quota share movements and TACC changes. Also, ACE can be traded within the season.

New Zealand Emissions Trading Scheme

The energy sector entered the Emissions Trading Scheme (ETS) on 1 July 2010 which resulted in additional costs associated with fuel and electricity. As legislated in November 2009, fishing quota owners were to receive a one-off free allocation of New Zealand units (NZUs) as compensation for this rise in costs.

Sanford received its allocation of 170,850 units in September 2010. The Company is presently co-ordinating a process to collate its units along with those of other quota owners with an aim to tender the units into the local carbon market. Analysis of the market price of units is being carried out along with investigations to ascertain potential purchases of the collected units. The main intent of this initiative is to enable both large and small quota owners to benefit from the marketing of a single larger parcel of units.

For accounting purposes, we have valued our units at \$20 each and included this as a one-off capital profit in the current year. We anticipate completing a sale of the collective's units early in 2011 and will report on the results of this process in the 2011 report.

Economic Sustainability

Update from the Auckland Seafood School

The Auckland Seafood School opened in June 2004 to encourage consumers to incorporate fish into everyday meals and to make use of the variety of species available in New Zealand waters and local fish markets. Located on the first floor of the Auckland Fish Market (AFM), the cooking classes showcase New Zealand's array of local seafood in a fun social environment.

Classes begin with guests seated in the purpose-built 66-seat auditorium to watch one of the Seafood School's highly entertaining and knowledgeable chefs demonstrate a selection of seafood dishes. Following this, aprons are donned and guests move into a fully equipped state-of-the-art kitchen area to recreate the dishes in small groups, with guidance from the chef and assistants. Each group then sits down to enjoy their sensational seafood feast with a glass of New Zealand wine.

In September 2010, the school was registered as a Private Training Establishment with the New Zealand Qualification Authority (NZQA). Training courses for Seafood Retailing and Processing will commence early in 2011, thereby establishing the Auckland Seafood School as a top-class training facility in both commercial and recreational seafood courses.



The School also caters for corporate team-building and special functions, tours, luncheons, product launches, training and much more. It is anticipated that numbers of events will increase as word spreads of its top-class venue.

2010 Highlight

Internationally renowned chef, Rick Stein, visited New Zealand as part of his Food Odyssey world tour. Being a lover of all things seafood Rick likes to check out local fish markets while travelling; so, while in Auckland, he visited our Auckland Fish Market as well as the Auckland Seafood School. All the seafood for Rick's live shows in Auckland was kindly donated by Sanford.

One of Rick's most well-known quotes is "Nothing is more exhilarating than fresh fish simply cooked". We couldn't agree with you more, Rick!



Rick Stein with Sanford staff (from left: Yvonne Carpenter, Jo Webster, Kaye Smith, Alene Helliwell, Jo Cooper and Vicky Hunt)

Economic Sustainability

Renewal and Growth

In November 2010, the Company announced that it had entered into an agreement with Pacifica Seafoods to acquire its Greenshell™ mussel and Pacific oyster businesses for \$85.0m.

The Pacifica Seafoods businesses and assets to be acquired include:

- Ownership of more than 70 marine farms, 400 hectares of water space and 800 mussel longlines together with lease, share and contract farming operations which include a further 130 hectares of space and 300 mussel longlines
- 40% interest in an approved 2,695-hectare mussel farm development opportunity in Pegasus Bay near Christchurch
- A large and modern mussel and salmon-processing facility in Christchurch
- Ten marine farm servicing and harvesting vessels
- Various properties near the Marlborough Sounds and in Christchurch
- Pacifica's interest in a co-operative marketing company which markets mussels in China under the "Pure New Zealand Greenshell™ Mussels" brand (Sanford already has a 35% interest)
- Approximately 295 employees (during peak season)

We would hope to expand the existing 17,000 tonnes of annual production and will look at the installation of automated-opening-machine technology in 2012.

The acquisition of the Pacifica Seafoods business is highly complementary with our existing Aquaculture business and it follows on from our acquisition of marine mussel farms from Sealord in 2009. It is totally consistent with our Aquaculture strategy that we outlined in May this year and is available at www.sanford.co.nz

This will combine New Zealand's two largest Greenshell™ mussel businesses and will consolidate Sanford's position as New Zealand's number one aquaculture producer¹. The acquisition also offers significant potential synergy benefits for Sanford, particularly in terms of export marketing and further processing automation. The acquisition was completed on 30 November 2010.

Sanford has funded the acquisition using a new three-year term debt facility provided by its existing banks. The acquisition is expected to be earnings accretive for Sanford in the 2011 financial year.

1. Aquaculture New Zealand – www.aquaculture.org.nz

Sanford Supply Chain

When purchasing goods or services, consideration should go towards a supplier's ability to act in a manner that shows a commitment to environmental awareness, safety and quality. It is recognised that, in some cases, the selection of environmentally preferable products and materials may initially appear to be less cost competitive but may represent the best value for money when environmental impact, operational costs and the life of a product are taken into consideration.

Suppliers

A Sustainable Procurement Policy is being drafted which will look at ways in which to implement this over the coming two years and report on progress in 2011. The purpose of the policy is to support the purchase of products that minimise the environmental impacts relating to our business. Consistent with the requirements of the Waste Minimisation Act 2008, and the economics of effectively managing costs for solid waste disposal, the policy encourages the:

- Generation of less waste by review of how supplies, materials and equipment are manufactured, purchased, packaged, delivered, used and disposed of
- Practices of waste prevention, recycling, market development and use of recycled/recyclable materials through contractual relationships and purchasing practices with vendors, contractors and other businesses
- Procurement of recycled/recyclable and environmentally preferable products, whenever they perform satisfactorily and are available at a reasonably competitive price.

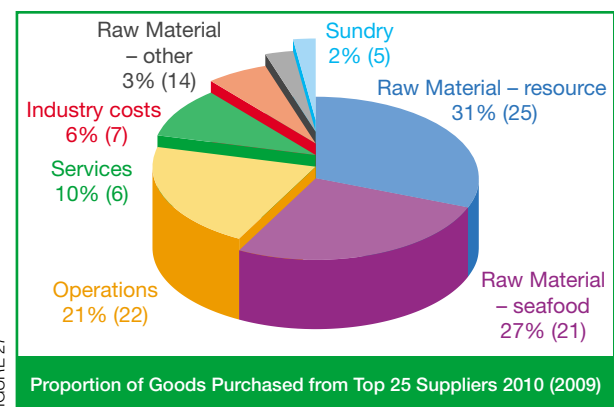


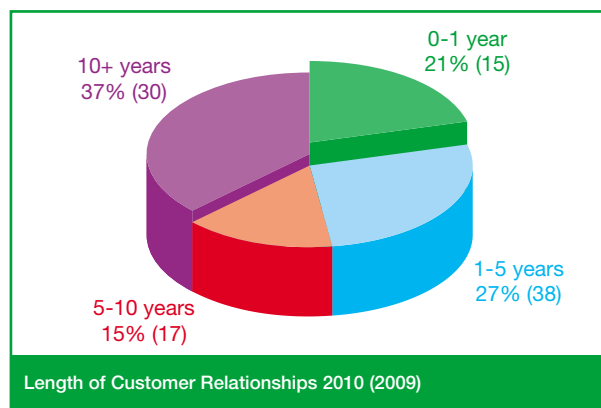
FIGURE 27

Economic Sustainability

Support of New Zealand-owned-and-operated companies remains strong with 23 of our top 25 suppliers being New Zealand owned and operated or having New Zealand-based operations. Liquid fossil fuel and electricity continue to account for the largest proportion of money spent with suppliers. The next-largest spend is seafood raw materials, which includes ACE purchases. "Services" increased by 4% and account for 10% of the spend; these services include contract engineering and ship repair work as well as temporary casual staff at our branches. Industry costs have remained stable and are an indication of the significant contribution Sanford makes to management of and research into sustainable fishing in New Zealand.

Customers

Offering customers a consistently high standard of product and service is something that we strive for along with maintaining strong customer relationships. The breakdown of the length of relationships with our top 200 customers (Figure 28) shows a similar distribution to that given last year. What is pleasing to note is that over 30% of our customers have been purchasing from Sanford for over ten years.



Stakeholders

Engaging with stakeholders is an important way in which to gain an understanding of pertinent interests and to strengthen relationships. Key stakeholders are identified as those on whom our business has an impact, and those who have an influence on us. An outline of how we engage with stakeholder groups and respond to some of their key issues can be found on our website at www.sanford.co.nz

Some of our key stakeholders are:

- Communities in which we operate
- Shareholders and investors
- Employees and share fishermen
- Customers
- Suppliers



Christmas at sea

Economic Sustainability

Lifting Food Safety¹

The now much broader and more adventurous modern-day palate of seafood consumers creates a new challenge for the industry in its food safety procedures. There can no longer be a reliance on consumers cooking their seafood thoroughly. If they want to eat their seafood raw or partially cooked, extra effort is required by industry to make that consumer choice a safe one.

A recent study² suggests that less than 20% of consumers trust food companies to develop and sell food products that they consider safe and healthy to eat. A similar study³ revealed that that most consumers rate food safety as their primary concern when purchasing seafood.

Sanford has met the challenge head-on with an initiative aimed at making its processing plants nationwide more safe and risk-aware. This initiative is an attempt to raise the food safety bar to a higher level industry-wide.

Sanford recognises that we can't put the whole onus of safety on the consumer; the balance has shifted back to the processor and supplier, and we are taking some of that public responsibility.

What it means in practical terms for Sanford is a revision of all its factory premises' layouts. A "red line" defines the crossover from a non-production to production area. There are already distinct processing areas within the factories, but we are now taking greater steps to ensure that the controls in these areas are even tighter than those required by regulatory standards.

The aim of the new layouts is to reduce the risk of contamination from any forms of bacteria, either from the movement of product between factory work areas, or from the factory workers themselves passing between those areas.

The "red-line" idea doesn't apply only to how the seafood is handled and moved about the factory. Factory staff will also need to acknowledge a red line denoting where appropriate factory clothing must be worn. Staff members change into their white overalls and boots on one side of the red line, stepping over it in full factory protective clothing. When they take their breaks outside the hygiene critical areas, they will be required to change out of their protective clothing, and change back into it before re-entering.

There are corporate culture issues surrounding the changes, with staff needing to be trained to grasp the mindset of moving towards stricter procedures to ensure the safety of the product.

In the mussel and oyster plants, there has been an excellent culture of acceptance by the staff of the need for the enhanced "red-line" controls. There is little need to press home to them the dangers to the aquaculture industry of a food safety outbreak event. The management and staff in our wet-fish plants also increasingly appreciate the importance of introducing heightened measures to ensure best-practice food safety standards are achieved.

A change in culture, through increased awareness and further training, driven from senior management, encourages a greater awareness of food safety throughout Sanford. This in turn will increase the confidence within Sanford to produce safe food for the consumer. Sanford acknowledges there is a cost to the industry in developing these types of measures, but it is a cost to which the industry must step up to.



1. This contains extracts from an article published in Seafood New Zealand magazine (June 2008), Sanford Limited: Stepping up to the "red line". D. Sturm, contributors K. Thompson, V. Wilkinson
2. IBM US adult grocery shoppers survey (2009), <http://www-03.ibm.com/press/us/en/pressrelease/27817.wss#feeds>
3. Lutz, Steve (2010): Consumers and Sustainability: What consumers really know and think about sustainable seafood, www.perishablesgroup.com

Assurance Statement



Tonkin & Taylor Ltd (T&T) was engaged to provide stakeholders with a reasonable level of independent assurance of the 2010 Sustainable Development Report (SDR) written by Sanford Limited. Our assurance covers the full SDR except for the financial results reported. The SDR is prepared and published in parallel with Sanford's 2010 Annual Report.

Our method

We assessed the SDR content against the relevant Global Reporting Initiative (GRI G3) principles of materiality, stakeholder inclusiveness, sustainability context and completeness. The quality of information in the SDR was assessed against the GRI principles of balance, comparability, accuracy, timeliness, clarity and reliability. We completed our assurance assignment following principles and processes set out in relevant international auditing standards including ISO 19011, AS/NZS 5911(Int):2005 and ISAE (NZ) 3000.

We explored the decision making process on content with senior managers of Sanford and reviewed stakeholder feedback on the 2009 SDR. We prepared an interim report and provided some recommendations on the SDR content. We reviewed a full draft and revised versions of the SDR, interviewed key Sanford staff, sought documentary evidence to support a significant sample of SDR items, and confirmed most of the calculations. We made recommendations on draft versions of the SDR. We reviewed, but did not verify or validate, information in the Annual Report regarding the company operations and governance. We compared the SDR content to the GRI G3 Indicators and additional indicators in the GRI Food Processing Sector Supplement. We have prepared a detailed assessment report for Sanford which expands on this assurance statement.

Our observations

Sanford's review of how it sets targets should lead to more relevant and accurate analysis of real trends. Recalculating historical data using the new target setting methods has ensured comparability with previous years data. The Key Performance Indicator table has been simplified to highlight

the main trends. Updates on items reported in previous years, and case studies, are timely and engaging.

Explanations of the environmental impacts of aquaculture and deep sea fishing, discussions of the New Zealand Emissions Trading Scheme, examples of active stakeholder engagement such as sustainable procurement and improving food safety in Sanford's factories usefully place Sanford's performance in a wider sustainability context.

For the future

Presentation of performance data by division and/or branches could improve external stakeholder understanding of the nature and impacts of the different operations and increase the usefulness of the SDR internally. As signalled in the SDR, we look forward to reading in future reports about implementation of energy audit recommendations in Timaru and Havelock, efforts to source biodegradable or compostable packaging, the outcome of the investigation into training needs, more on the growth of Sanford's aquaculture business and recent aquaculture acquisitions, and wider use of the GRI Food Processing Sector Supplement.

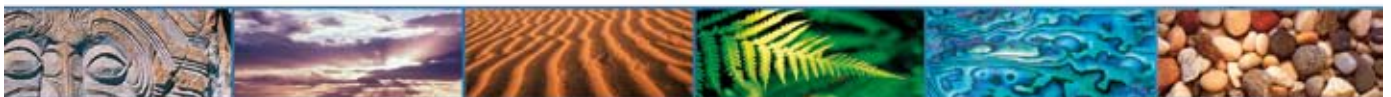
Our conclusions

On the basis of our work, we conclude that Sanford's 2010 SDR is balanced, relevant to stakeholders and covers key material issues accurately and reliably. The SDR meets the GRI G3 requirements for a C+ level of reporting.

T&T has completed a limited number of engineering and environmental consulting engagements for Sanford in the past; these do not present a barrier to T&T conducting an independent and impartial assurance of this SDR.

Marje Russ

Tonkin & Taylor Ltd
6 December 2010



Glossary of Terms

Annual Catch Entitlement (ACE)

A catching right for fish – from the first day of each fishing year ITQ generates an annual catch entitlement (ACE) for which catch is measured against. ACE is traded separately to ITQ, and expires at the end of the fishing year.

Aquaculture Management Areas (AMAs)

AMAs are areas zoned specifically to allow for marine farms. No new aquaculture is allowed unless it is inside an AMA. A resource consent is required for every marine farm in an AMA.

Benthic Protection Areas (BPAs)

BPAs are areas within the New Zealand EEZ that are closed to bottom trawl fishing methods, including dredging, in perpetuity.

Coalition of Legal Toothfish Operators (COLTO)

COLTO represents international legal toothfish operators who have a direct commercial interest in the well-being of the Antarctic and Patagonian toothfish resources and the ecosystems that support them. It supports legal and sustainable toothfish fishing.

Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR)

CCAMLR has 25 member countries that have established a commission that manages the marine living resources in waters surrounding Antarctica.

Deemed Values

Failure to accumulate sufficient ACE to cover catch by the end of the fishing year results in a deemed value liability – a monetary penalty. The deemed value rate for many fishstocks is ratcheted, i.e. the rate increases in line with the per cent of over-fishing for each fisher.

Department of Conservation (DOC)

DOC is the central government organisation charged with conserving the natural and historical heritage of New Zealand.

Emissions Trading Scheme (ETS)

Refer to New Zealand Emissions Trading Scheme.

Exclusive Economic Zone (EEZ)

The EEZ comprises of the area which extends for a distance of 200 nautical miles from the nearest point of land from New Zealand, of which New Zealand has had control since the declaration of the EEZ in 1978.

Fishery Management Areas (FMAs)/Fishstocks

There are 10 FMAs within the EEZ. For some species different FMAs are amalgamated. The fishstock is the combination of the species and area. For example, snapper in FMA 1 is fishstock SNA 1; HOK 1 covers all 10 FMAs.

Fishing Permit

An appropriate fishing permit is necessary before a person can go commercial fishing. For most species, fishermen are not required to hold ACE prior to fishing.

Fishing Year

The fishing year for the majority of species is 1 October to 30 September. Species managed from 1 April to 31 March include southern blue whiting, scallops and crayfish.

FishServe

FishServe is the commercial name of Commercial Fisheries Services Limited that provides administrative services to the New Zealand Commercial Fishing Industry including quota balancing, fishing permit issue, vessel registrations, registration of ACE transfers and processing of fishing returns.

Individual Transferable Quota (ITQ)

ITQ is the fundamental proportional property in any commercial fishery in the Quota Management System. This generates an Annual Catching Entitlement (ACE) each year. ITQ rights are maintained in a public register, are tradable in New Zealand, can be secured by registered mortgage and are issued in perpetuity.

ISO 14001

ISO is the world's leading developer of International Standards. ISO 14001 consists of standards relating to environmental management systems and others which are specific tools for realising environmental policy and achieving objectives and targets.

Marine Protected Areas (MPAs)

MPAs are protected areas within the New Zealand EEZ that are representative of New Zealand's marine habitats and ecosystems.

Marine Stewardship Council (MSC)

MSC is an independent non-profit organisation that promotes responsible fishing practices by certifying sustainable fisheries.

Ministry of Fisheries (MFish)

MFish is a government ministry whose primary purpose is to ensure that fisheries are sustainably used through an open and co-operative consultation with all user groups.

New Zealand Biodiversity Strategy (NZBS)

NZBS is a government strategy to protect and enhance an overview of New Zealand's biodiversity.

New Zealand Business Council for Sustainable Development (NZBCSD)

NZBCSD provides business leadership as a catalyst for change toward sustainable development. It aims to demonstrate business progress in environmental and resource management and corporate social responsibility and to share leading-edge practices among members.

New Zealand Emissions Trading Scheme (NZ ETS)

The NZ ETS is designed to support efforts to reduce greenhouse gas emissions in New Zealand and was announced by the Government in September 2007. The NZ ETS design elements include the issuance of NZUs and the operation of an electronic register for recording and trading the NZUs.

New Zealand Food Safety Authority (NZFSA)

NZFSA provides the Government, consumers and the food industry with information, analysis and advice on food safety issues for both domestic and export markets.

New Zealand Seafood Industry Council (SeaFIC)

SeaFIC represents and promotes the interests of all sectors of the fishing industry. It provides economic information and advice, co-ordination of industry resources, and enhancement of the industry's profile in the community.

New Zealand Unit (NZU)

A unit of emission in the New Zealand Emission Trading Scheme; in principle comparable to and backed by a Kyoto Unit.

Quota Management System (QMS)

The QMS is the framework for the management of the main commercial fisheries in the New Zealand EEZ.

Southern Seabird Solutions

A charitable trust formed in July 2002 to promote the adoption of fishing practices to avoid mortality of southern hemisphere seabirds.

Total Allowable Catch (TAC)

TAC is the annual catch limit for each fishstock, determined before taking into account interests in the fisheries.

Total Allowable Commercial Catch (TACC)

TACC is the annual catch limit for each fishstock, determined after taking into account recreational and non-commercial interests in the fisheries.

Sanford welcomes your comments on our 2010 Annual and Sustainable Development reports

This year the Sustainable Development Report is published online only. We would greatly appreciate your feedback on both our Annual and Sustainable Development reports to help us develop even better publications next year. For your convenience we have prepaid the postage (place completed form in an envelope and send to FreePost 173356, Sanford Limited, PO Box 443, Shortland Street, Auckland 1140) or you can fax to +64 9 309 1190.

1) How do you rate our Annual and Sustainable Development reports?

	Annual Report			Sustainable Development Report		
Presentation	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Comprehensiveness	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Clarity of information	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Clarity of figures/tables	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Credibility	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor

Comments:

2) Which section appealed to you most and why?

3) Did you receive the Annual Report in hard copy this year? Yes No

4) Did you access the Sustainable Development Report on our website? Yes No

5) Please indicate how you would like to receive future annual reports.

Review (Directors' statements, management reports and summary financial statements)	<input type="checkbox"/> Website	<input type="checkbox"/> Printed	<input type="checkbox"/> Not at all
Audited Financial Statements	<input type="checkbox"/> Website	<input type="checkbox"/> Printed	<input type="checkbox"/> Not at all
Sustainable Development Report	<input type="checkbox"/> Website	<input type="checkbox"/> Printed	<input type="checkbox"/> Not at all

6) Do you have any additional comments or questions (e.g. information you would like to see included)?

7) What stakeholder group do you belong to?

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

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

FreePost Authority Number 173356



FreePost 173356
Sanford Limited
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Auckland 1140

Sustainability Policy

This policy, and supporting quality, environmental, social and economic systems, aims to promote sustainable fishery practices, and related development initiatives, which will be productive indefinitely. Sanford is committed to operating in a sustainable manner in all aspects of the business.

New Zealand's Quota Management System (QMS) is one of the most advanced systems in the world for ensuring the sustainable utilisation and management of wild fisheries. As part of this system, Sanford believes in promoting New Zealand's commercial fishing industry and in protecting the ocean ecosystem.

The New Zealand Aquaculture Strategy, developed by the New Zealand Aquaculture Council and endorsed by the New Zealand Government, is the principal document for ensuring the sustainable management of aquaculture interests. As part of this industry, Sanford believes in promoting New Zealand's aquaculture industry and in protecting the associated ecosystems.

Sanford's sustainability policy encompasses activities that are wholly owned and operated by the Company. In those operations in which Sanford has partial influence, through percentage stake or management collaboration, we aim to operate according to this policy.

Sanford aims to deliver sustainability through:

1. Promotion of all aspects of sustainability in our governance, by:

- considering all aspects of sustainability in our business planning and operations, including achieving a reasonable balance between conflicting demands;
- endorsing and complying with relevant legislation, regulations, codes of practice and other voluntary requirements to which we subscribe, and maintaining good working relationships with administering agencies;
- engaging with key stakeholders about our strategic intent and performance;
- improving our performance by establishing appropriate objectives and targets, completing regular audit and review of our policies, activities and practices, and acting on complaints;
- reporting on key, readily measurable aspects of our performance and strategic intent.

2. Respect for the environment through our activities and influence, by:

- supporting sustainable use of marine resources;
- minimising any adverse impacts of our activities on the environment (including biotechnologies, resource efficiency and waste production);
- reducing the likelihood of accidental discharges of pollutants and having contingency plans in place to deal with these should they occur;
- working proactively with our suppliers to increase supplier participation and commitment to sustainable development principles.

3. Respect for our stakeholders through our activities and influence, by:

- providing a safe and healthy working environment that supports individual development, team-working, positive work/life balance, and job satisfaction;
- ensuring that staff are part of ongoing dialogue about our sustainability;
- strengthening relationships and providing confidence to regulators, banks, insurers and financial markets;
- maintaining and enhancing relations with the communities in which we operate;
- being honest and transparent in our communications, both internally and with external stakeholders.

4. Generation of economic benefit for New Zealand, our Shareholders and Sanford, by:

- creating meaningful employment, and making an appropriate rate of return on equity;
- supporting the sustainable development of New Zealand fisheries;
- maintaining financial viability and maximising profitability for our Shareholders;
- delivering to stakeholders through economically sustainable business ventures.

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