SANFORD LIMITED
SUSTAINABLE SEAFOOD

Sustainable Development Report 2011

From sea to food – over 100 years of sustained growth

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Sustainability Development Report

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San Aspiring, South Amundsen Sea. The San Aspiring on 13 February 2011 in the South Amundsen Sea at the end of her Ross Sea season. The iceberg was about 20m tall and 30m wide, the hole through the centre about 10m high by 10m wide. The vessel had been fishing for 86 days at the time and had a full load of Antarctic toothfish on board. Cape Horn was less than 2,000 nautical miles to the north-east and it took 10 days to steam back to Timaru.

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Cover image Greenshell™ mussels being packed at Sanford Christchurch for overseas retail markets.

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Sustainability Policy

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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 administrating 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's fisheries
- maintaining financial viability and maximising profitability for our Shareholders
- delivering to stakeholders through economically sustainable business ventures

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Introduction

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Sanford has continued its commitment to being a sustainable business and is pleased to publish its 12th Sustainable Development Report.

Sustainability is core to our business as we rely on a natural resource and are focused on ensuring the long-term availability of this resource not only for our business, but for all New Zealanders.

We aspire to be the best fishing company in New Zealand, not just the largest. It is our view that to be the best we have to be committed to excellence and quality in all our activities and strive to maintain the highest standards in meeting the needs of our customers, staff, suppliers, shareholders and communities in which we operate.

Sanford operates in an industry which is, at times, contentious and we are fully aware of the need to act with responsibility and sensitivity in our commercial operations and marine environment. We aim to always conduct our business in a manner which recognises the need for sound stewardship of this vital national resource, and we shall endeavour to maintain and improve New Zealand's marine heritage for the benefit of all user groups and for the protection of future generations.

We have met a number of challenges (for instance, refer page 8) across the year and, consequently, have adapted our business to reflect the need to positively change and build on our strengths (see page 6), become more aware of our weaknesses and ensure everyone within Sanford is moving in the right direction to build a stronger, more sustainable business now and in the future.

Left to right, Jamie Sinclair (KPMG, event sponsor), Alice Penfold, MP Nicky Wagner (award presenter)

"The Board was delighted with Sanford's two recent Association of Chartered Certified Accountants (ACCA) awards for the best Sustainability Report in 2010 for an NZX-listed company, and also the supreme award, against strong competition from 17 entrants: public and private sector organisations including some of New Zealand's largest enterprises. These prestigious awards reflect great credit due across all business units and, in particular, to Alice Penfold, Environmental and Sustainability Manager, for her leadership in this area."

Jeff Todd
Sanford Chairman

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Managing Director's Statement

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Eric Barratt
Managing Director

Welcome to Sanford's 2011 Sustainable Development Report. Our 12th report is aimed to provide a complete, accurate and interesting account of our environmental, social and economic performance throughout the year.

We have had a year of challenge and growth with the purchase of Pacifica Seafoods in November 2010 which included a mussel-processing plant in Christchurch along with a number of harvesting and marine farm vessels and employees based in Marlborough who have joined our Havelock branch. Merging an existing operation into a well-established company will always have its challenges; however, the tragic earthquakes that affected Canterbury throughout 2011 have added unanticipated stress and disruption to this process. We are firmly committed to supporting our Christchurch employees, and I have been immensely proud of the number of Sanford workers from all locations willing to support their co-workers and the city of Christchurch in whatever way possible.

What Sustainability means to Sanford:

- Reducing environmental impacts and increasing resource efficiency
- Maintaining and enhancing community relationships
- Encouraging customer and consumer loyalty through supply reliability, and committing to process improvements and long-term returns
- Enhancing our business without compromising product quality, personal safety, economic growth or the sustainability of the environment and the community
- Leading and inspiring the New Zealand seafood industry
- Continuing to build a business that is strong and adaptable to the risks, challenges and opportunities which result from the changing environmental and business climate

Key achievements for 2011:

- A successful integration of Pacifica Seafoods into Sanford's workforce, systems and culture (refer page 8)
- Beginning a long-term relationship with our Iwi Collective Partnership partners (refer page 7)
- The Sanford 2010 Sustainable Development Report winning the ultimate best sustainability report as well as the sector award for best report by an NZX 50-listed company at the ACCA New Zealand 2011 Awards (refer page 5)
- Being able to build our existing strategic business relationships to drive future growth (refer page 6)
- Translating the Sanford website into Māori, Japanese, Korean and Mandarin (refer page 41)

Eric Barratt
Managing Director

7 December 2011

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Key Performance Indicators

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	Unit	2007	2008	2009	2010	2011
Production						
Onshore production[1]	tonnes	35,398	48,100	48,272	49,500	61,706
Fishmeal and oil produced[2]	tonnes	860	1,080	3,768	5,192	4,437
Frozen-at-sea product[3]	tonnes	14,949	35,184	34,409	28,168	30,677
Environmental						
Electricity consumed[4]	kWhrs	23,915,880	24,491,708	25,911,076	29,365,399	31,213,114
Water used[4]	m^3	591,356	713,001	757,472	771,960	1,062,487
Solid waste produced[4]	m^3			2,143	3,747	5,224
Coal consumed	kg	418,000	502,340	560,420	553,700	492,020
Liquid fossil fuels consumed[4, 5]	litres	18,341,852	28,032,781	27,054,288	26,362,099	25,733,866
Greenhouse Gas Emissions (CO_2-e)	tonnes	60,339	83,910	82,554	91,214	83,451
Lube oil used	litres	98,373	123,187	105,307	95,874	103,643
Social						
Land-based employees (full and part-time)		1,094	1,147	1,137	1,055	1,401
Vessel crew		368	360	437	471	448
Lost-time injury frequency rate[6, 7]					17	15
Number of ACC claims accepted[6]					147	205
Average age of employees[6]	years				43.0	39.6
Average length of service[6]	years				7.1	5.1
Economic						
Revenue	$000	367,920	436,564	433,091	421,087	463,954
Profit (after tax) for the year	$000	20,135	53,344	39,075	25,004	22,286
Return on average total equity	%	4.0	10.2	7.3	4.5	4.1
New Zealand domestic purchases	$000	138,000	174,000	182,000	185,000	213,000
Dividend per share	cents	22	23	23	23	23
Earnings per share	cents	21.5	57.0	41.7	26.7	23.8
Charitable donations and community investment	$000	225.0	223.9	319.0	300.1	319.2
Business						
New Zealand quota share	%	24.29	24.80	23.58	23.53	23.44
Export sales[6]	tonnes		89,682	69,725	78,384	73,392
Local sales[6]	tonnes		12,986	15,689	20,169	23,237
Aquaculture space owned[6]	hectares				1,233	1,667
Vessels owned[6]					47	54
TEU[8] containers shipped[6]					3,784	4,959

TABLE 1 Key Performance Indicators

Notes

1. Onshore production includes New Zealand (inshore and aquaculture), Australia and China.
2. Fishmeal and oil produced at Timaru and on deepwater vessels.
3. Frozen-at-sea product includes deepwater, scampi and Pacific tuna vessels.
4. Includes China and Australia.
5. Liquid fossil fuels includes diesel and light fuel oil from 2010.
6. Prior years' data were not recorded.
7. Number of lost-time injuries per million hours worked.
8. TEU – twenty-foot equivalent units – export containers.

2011 data includes 10 months from the Pacifica Seafoods acquisition.
Further details on these indicators are included in this report.

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About this Report and Reporting Scope

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The publication of our annual Sustainable Development Report provides stakeholders with an overview of our performance and the journey on which we have been throughout the year. The environmental information used in this report comes from our ISO 14001-certified Environmental Management System (EMS) which is in place at each site (but, due to the earthquakes, we are still working on implementing the EMS in Christchurch). We aim to clearly report our sustainable progress and also recognise the importance of disclosing any targets we have not achieved and the associated causes of those outcomes.

We have used a number of systems within the business including our internal environmental databases, financial reporting system, payroll system, and sales and inventory system to source information for this report. Our target-setting methodology is best described as bottom-up with guidance from the top in the form of our Sustainability Policy. The EMS, in conjunction with the Sustainability Policy, requires each branch to set key environmental performance indicators, measure progress and report back to management. The targets set at branch level are used to create the company targets detailed in this report.

In making decisions regarding the content of this report, we receive input from each branch along with head-office staff and the executive team to ensure that the report is as much about our branches as it is about the company as a whole. We also follow the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines for content, namely: Materiality, Stakeholder Inclusiveness, Completeness and Sustainability. More information on the GRI is available from www.globalreporting.org. Tonkin & Taylor has been engaged to externally verify and provide independent assurance of this report. The assurance statement can be found on page 45.

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

Each year, we provide a feedback form for our stakeholders to provide us with comments and suggestions on our Sustainable Development Report; see page 47. We value this feedback and appreciate the time taken to complete the form.

This report covers the period from 1 October 2010 to 30 September 2011, the same as that covered by our Annual Report. Further information on our financial performance can be found in our 2011 Annual Report available at www.sanford.co.nz

Purse seiners, Tauranga

Sanford was thrilled to receive two awards recently at the Association of Chartered Certified Accountants (ACCA) New Zealand Sustainability Reporting Awards. The Sanford 2010 Sustainable Development Report won the Sector award for Best NZX 50-listed company as well as the overall Best Sustainability Report.

Our report was up against 16 other high-calibre reports of New Zealand companies, many of which have been consistent award-winners in the past.

The judges' comments were that our report:

- Showed significant improvement from the previous year's report
- Provided a wide assurance scope
- Provided indicators of economic contribution to communities
- Captured the complexity of Sanford's extensive operations and the critical challenges and issues faced
- Contained comparative data about employee numbers and diversity in the past five years
- Included qualified value-added statements and provided quota-management information
- Clearly presented the information about the Marine Stewardship Council certification status of Sanford sales
- Was well presented with comprehensive information and comparative data

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Management Changes

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During 2010, the Board of Directors reviewed the development options for the future growth of Sanford as for some time there had been concern regarding the significant outside influences that determine our performance i.e. exchange rates and fuel prices. The Board believed it was the right time to put in place management strategies that will build further on our strengths and fundamentally examine the way in which we transact our business from the ocean to our customers in a way that continues our leadership in the sourcing and supply of sustainable seafood.

One of these strategies was to approve a revised management structure that created three new General Manager positions which report directly to the Managing Director (these roles were taken on by existing staff). This new structure is detailed in Table 2 below, and highlights the three General Managers and the day-to-day operation of the areas within the company which they oversee.

TABLE 2

BOARD OF DIRECTORS						
Managing Director (Eric Barratt)						
General Manager Finance and Administration (Dean McIntosh)	**General Manager Operations (Greg Johansson)**				**General Manager Marketing and Development (Vaughan Wilkinson)**	
	New Zealand			**International**	**New Zealand**	**Australia**
	Inshore	**Deepwater**	**Aquaculture**			
• Finance and banking • Sustainability systems • Secretarial and quota administration • Accounting and IT systems • Insurance, ACC and superannuation • Executive support systems	• New Zealand quota inshore fishing • Land-based operations • Onshore processing • Seafood auction market	• New Zealand quota deepwater fishing • Frozen-at-sea product • Toothfish • Charter	• Greenshell™ mussel, Pacific oyster and salmon farming • Lobster, scallop and dredge oyster operations • Onshore processing (Bluff)	• Skipjack tuna in South Pacific • China – reprocessing of Sanford and third-party catch	• Marketing • Exporting and logistics • Food quality and safety • Product innovation and development	• Melbourne seafood auction market • Australian quota fishing
Management Structure						

Iwi Collective Partnership

In October 2010, Sanford entered a five-year partnership with the Iwi Collective Partnership (ICP). The ICP is a formally constituted body of 12 North Island iwi who have pooled their quota and, in respect to their deepwater and inshore ACE, have formally agreed to engage with Sanford over its use.

When Sanford signed up to a business relationship with the 12 North Island iwi working in a collective partnership, we agreed to do more than fish their deepwater ACE. The aim on both sides of this deal is to share our views and values for mutual benefit as well as focus on building capability and capacity for both parties.

The Sanford-ICP partnership is based on six shared values and five key result areas on which we will work together to progress our respective and joint interests. Sanford and ICP are committed to ensuring that both iwi and Sanford shareholders benefit economically and socially from this agreement.

Sanford is committed to the relationship, which has been an easy fit for us. The iwi links with whanau and connections with the natural environment sit comfortably beside Sanford's philosophy and long-term goals. Both parties are committed to sustainable seafood catching and harvesting.

The values that form the base of our agreement are:

- Whanaungatanga – mutual respect and integrity
- Kotahitanga – building lasting relationships
- Makohakoha – high level of achievement through effective and efficient management practices and performance
- Manaakitanga – hospitality, support for one another, honest and open communication
- Kaitiakitanga/Sustainability – safe and careful management of our resources
- Whakaaronui – using our collective vision, creativity and innovativeness

Iwi are significant players in the New Zealand fishing industry and Sanford signalled early on in our iwi relationships that we were prepared to support our partners to grow their knowledge to expand their influence. We hold the view that for one to prosper both must do so.

Most ACE relationships are simple financial transactions – catch rights in exchange for cash. The ICP agreement is one of the first times that Sanford has taken on a commitment which extends into fisheries management and building business capability. At this stage, we are not sure where our iwi partnership will take us, but we are confident and proud of what we have achieved so far.

Shane Walsh (left), Sanford's Inshore Manager, taking the directors of Te Arawa Fisheries on a tour of the Auckland Fish Market. From left, Clinton Hemana, Peter Reid, Ron Roberts and Shane Heremaia

Mark Ngata (Ngati Porou) with Eric Barratt (Sanford) at the signing ceremony of the ICP agreement, February 2011

Growth and Renewal

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Christchurch

In November 2010, Sanford acquired Pacifica Seafoods Greenshell™ mussel and Pacific oyster business. The assets acquired included: 75 mussel farms on 402 hectares with 800 mussel longlines including crop-growing in a wide area of the Marlborough Sounds; a range of service and harvest vessels along with shore facilities in Marlborough; mussel-farming operations around Banks Peninsula; a 40% share in an undeveloped, but approved, offshore farming space of approximately 2,700 hectares in Pegasus Bay; and a large mussel-processing facility in Riccarton, Christchurch, containing dry stores, processing plant, new technology retail packing and cold-storage facilities. We also welcomed 286 Christchurch-based staff with a further 15 joining the team at Havelock.

Company takeovers and buy-outs are traditionally stressful times for all as the decisions regarding staffing requirements, production expectations and site changes are being made. This process was made all the more difficult when, on Tuesday, 22 February 2011, a devastating earthquake struck Canterbury and shook the city of Christchurch to its core. Grant Boyd, our Christchurch Factory Manager, recounts the day itself along with the weeks that followed:

"Tuesday, 22 February 2011, at 12.51pm, Christchurch was rocked with devastating consequences for not only the people of Christchurch and New Zealand, but also many people at Sanford Christchurch. The earthquake was a magnitude 6.3, with a force of 42 kilotonnes, centred 15 kilometres from our location.

The shaking was ferocious both inside the factory and the offices, and outside in the yard areas. Doors slapped into their frames and banged. The concrete yard appeared to ripple like waves and the shell hopper, loaded with waste mussel shells, swayed around like a tree in the wind.

Damage to cool-store racking following the earthquake on 22 February

Inside the factory, conveyors and water baths vibrated and product was all shifted to the sides of the conveyors. Frozen product in the spiral slid off the belt onto the floor. Panels and tilt slabs between old areas and new areas moved and broke the seals between the slabs, but stayed intact: something for which we are very grateful! Overhead equipment swayed and moved but nothing fell down.

At the first hit, everyone knew it was big. We had felt so many since the first quake in September 2010 that we all knew this was different the moment the first wave came through. Staff evacuated quickly and in an orderly fashion, heading to the centre of the yard out of reach of any falling buildings. Emergency stop buttons were hit and water turned off before key staff left. A check of the building was carried out as the shaking eased, to ensure everyone was out, and, after what seemed like two minutes, the building was evacuated and everything turned off.

Cellphones were quickly out, many checking on family at other workplaces and children at school and day care. The phone lines, however, were overloaded in no time at all, so we all struggled to contact loved ones. Slowly texts came in of reassurance for some and anguish for others. Sirens started and traffic began to build outside the factory gate.

Thirteen minutes after the first shock, we heard the roar and bang again; this time everyone was outside and relatively safe, but the noise did nothing to calm the nerves: magnitude 5.7, with a force of 5 kilotonnes. (On any other day this would be a very big shake in itself.)

Christchurch

Soon after the second shake, and with reports coming in of damage to workplaces, schools and buildings, a decision was made to allow all those who needed and wanted, to leave and go home. Most did, however a small group remained to try and sort out the site.

There was approximately six tonnes of product in the processing line, including in the pre-cook area, frozen bags and boxes not yet packed, half-shell product over and under the spiral freezer and conveyors, as well as raw product waiting to be graded in the chiller.

For the next three hours, a core group of engineering and factory staff got in and managed to clear the product out. Despite continual aftershocks that still shook the building, these guys stayed on to make the factory safe and secure before leaving. The work this crew did in no small part helped us maintain our microbiological integrity over the next few days. To put that Tuesday afternoon into context with the other earthquakes we have had, of the five biggest ones since 4 September 2010, three of them occurred on Tuesday afternoon before we left the site. To those people who stayed on and helped, thank you very much.

When we finally got home that night (it was a very long drive or walk for those who ditched their cars), many discovered we had no power at home and water was running out, the news was grim and, when the pictures of the city did come in, they were terrible.

Over the following three days, a small crew cleaned the factory down. We had to use very little water as there was uncertainty over our ability to discharge water due to damage to the sewage lines. We had a cleaning crew that was inexperienced and, to be fair, had their minds elsewhere. Yet over two days we got the factory looking pretty good and it tested to be OK. Ninety-four tonnes of product was trucked back up to the Havelock factory.

Along with trying to get the factory clean, we had to ensure it was safe and that our staff members were safe and well, as well as assess the chances of being able to process at some time soon. It was very important to get the staff back to work, back to normality and earning an income. The building was checked by the structural engineer and deemed safe for use.

By the weekend, most staff had been contacted in order to check on them and their families and to see if there were any special needs they may have had. The factory had been cleaned and prepared as best we could, while Murray Stark (Engineering Manager) worked with Christchurch City Council and Environment Canterbury to get permission to discharge waste water again. This consent was received Friday afternoon (25 February) which gave a lot of good news to staff over the weekend.

Processing resumed on Tuesday 1 March, with some restrictions on discharge and about 80% staff turnout: a pretty good result considering where we were just seven days previously.

A huge thank you to those who, despite their own homes and lives being in turmoil, went to a lot of effort to get us started again.

Along with the rest of the country, we stopped work and observed the two-minute silence, seven days on, to remember the 181 people who had lost their lives due to the 22 February quake. Managing Director Eric Barratt and Aquaculture Manager Ted Culley were on site to address staff and support everyone during that time. Thank you for that.

With the support of Sanford, senior management here at Sanford Christchurch and all the support services available in Christchurch, things are returning to normal – as normal as they can be for a while."

Environmental Profile

The feedback we received from the changes we made in the 2010 Report has been positive; therefore, we have continued to use this same methodology for setting our eco-efficiency targets in 2011. We will continue to review the criteria to ensure they remain relevant and material to our business and provide clear and concise information to the reader and our stakeholders.

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.

Australia and China are excluded from our target-setting at this stage; we expect to include Australia from 2012 and China towards 2013. We do, however, include their total resources used as detailed in Table 1.

Eco-Efficiency Target-Setting Criteria	
Electricity	Eco-efficiency set on electricity used and production at New Zealand operations only, i.e. inshore and aquaculture.
Water	Eco-efficiency set on water used and production at New Zealand operations only, i.e. inshore and aquaculture.
Solid Waste	Eco-efficiency set on solid waste produced and production at New Zealand operations only, i.e. inshore, aquaculture and deepwater.
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.

Production

Key Points

- Onshore production levels have increased significantly (30%) during the year (refer Table 1). The main contributing factor has been the inclusion of Sanford Christchurch; however, there have also been significant changes at other branches as detailed:
  - Havelock decreased by 19% due to having no production during the first quarter while the factory was being upgraded
  - Inshore branches benefited from an increase in landed weight product from our inshore ice vessels and increased reprocessing of frozen product
- Pacific tuna vessels had a 30% increase in their catch compared with the disappointing results of 2010. The San Nikunau and San Nanumea spent part of the year fishing in the New Zealand exclusive economic zone (EEZ) catching skipjack tuna while the fish were at the end of their migratory journey which ends in New Zealand waters.
- Production at our Timaru fishmeal plant increased by 6% which can be attributed to a number of factors including improving plant yield and reducing the amount of product being lost through the waste stream. (See also Coal, page 14, for further discussion on improvements made.)
- Deepwater fishmeal production decreased due to a lower vessel catch.

Environmental Profile

Electricity

2011			2012	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
0.4800[1] kWh/kg product	0.4168 kWh/kg product	YES	0.4085 kWh/kg product	2% reduction on 2011 results

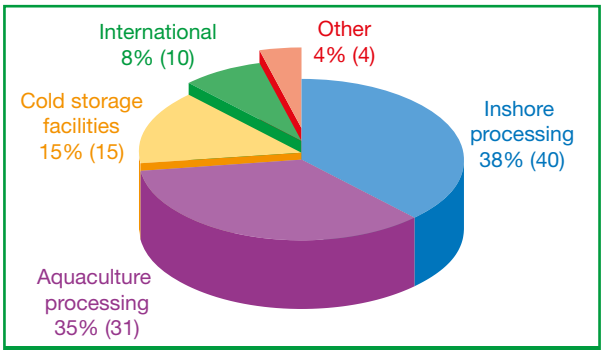
Eco-efficiency set on electricity used and production at New Zealand operations only, i.e. inshore and aquaculture.

1. In the 2010 report, the incorrect production figure was used to set the 2011 target; this has now been corrected.

Key Points

- We have continued to work hard at electricity-reduction initiatives and are pleased to see that we have again reached our electricity target.
- Although actual electricity consumption increased by 6% (Table 1) due to the inclusion of Christchurch, the majority of branches in fact had pleasing reductions in actual consumption and, subsequently, their eco-efficiencies. We will aim to continue this in the coming year.

FIGURE 1



Electricity Usage 2011 (2010)

Figure 1 shows where electricity is consumed: 73% is used in our New Zealand inshore and aquaculture branches. “Other” includes our head office, Auckland Fish Market and the Auckland Seafood School. The increase in the aquaculture portion can be attributed to the inclusion of the Christchurch branch.

Big Changes in Havelock

In October 2010, our Havelock branch shut down for approximately three months to allow for the completion of major refurbishments of the factory including installation of 23 additional automatic mussel-opening machines to complement the five existing machines.

From an environmental point of view, the main highlight of the refit has been an observable effect on the electricity, fuel and water use in the processing operations; the plant used approximately 5% less electricity in the June 2011 quarter to produce approximately 16% more product than it did in the June 2010 quarter. There was also a 10% reduction in factory diesel use along with a 15% decrease in water usage.

Some of these savings are due to the larger volume of product being processed; however, there has been a noticeable drop in water use after the refit. This reduction is due specifically to engineering changes. We will continue to monitor these trends to see how the expected increased production levels will affect them.

See also page 26 for more information on staff training and community work completed during the factory shutdown.

Environmental Profile

Water

2011			2012	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
16.93 L/kg product	18.94 L/kg product	NO	18.94 L/kg product	Maintain 2011 result

Eco-efficiency set on water used and production at New Zealand operations only, i.e. inshore and aquaculture.

Key Points

- Total water use increased (Table 1) by 37% which is due in part to the introduction of the Christchurch operation; however, if we were to discount Christchurch's water and production contribution for the year, we would have reached our target with an eco-efficiency of 13.01 L/kg.
- There have also, however, been a number of significant improvements in water eco-efficiencies. The Timaru fishmeal plant increased water efficiency from 23.00 L/kg in 2010 to 11.00 L/kg in 2011, due to less water being lost to the waste stream; Tauranga improved its water eco-efficiency from 4.40 to 3.20 L/kg of product as a result of increased product being processed through the factory.

Where do we get our water from?

- 46% fresh potable water
- 53% treated bore water
- 1% treated sea water

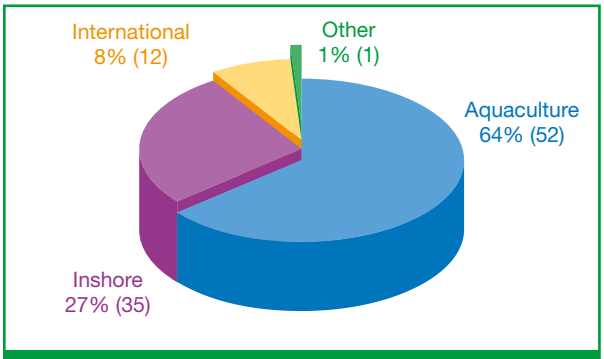


FIGURE 2

Water Usage 2011 (2010)

Figure 2 shows that 91% of water usage for 2011 was in our New Zealand inshore and aquaculture branches. "Other" includes head office, Auckland Fish Market and the Auckland Seafood School.

Fish by-products (left image) are processed in the Timaru fishmeal plant into fish oil and dried fishmeal (right image)

Environmental Profile

Solid Waste

2011			2012	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
0.0710 m^3/tonne product[1]	0.0769 m^3/tonne product	NO	0.0769 m^3/tonne product	Maintain 2011 result

Eco-efficiency set on solid waste produced and production at New Zealand operations only, i.e. inshore, aquaculture and deepwater.

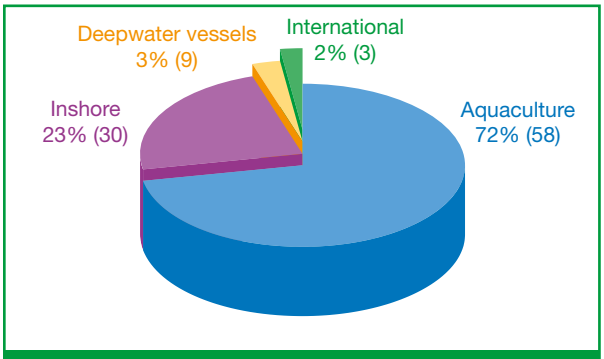
1. Eco-efficiency target was incorrectly labelled as m^3/kg in 2010 whereas it should have read m^3/tonne as above.

Key Points

- The eco-efficiency and total waste amount reported in 2010 was incorrect due to a conversion factor error; we have restated the correct amount in Table 1 and also adjusted the target set for 2011 using the correct total from 2010. The target for 2012 has been set as maintenance of the 2011 result as we recognise we need to better monitor our waste to landfill; we will look at carrying out waste audits to ensure this is achieved.
- Havelock has had an 86% decline in their waste eco-efficiency largely due to the high volume of blue mussels being sent to landfill. Investigations are ongoing to find ways to use this material; options include use as food, feed or as a fertiliser and compost additive. Blue mussels are a natural species not farmed by Sanford; however, at times they can grow in large quantities on our Greenshell™ mussel lines.
- Investigations have continued into the use of biodegradable and compostable packaging products; however, the main obstacle continues to be high costs. We will continue to review new environmentally preferable packaging and products as they become commercially available.

Sanford packed product

FIGURE 3



Solid Waste Produced 2011 (2010)

Figure 3 shows that 95% of solid waste came from our New Zealand inshore and aquaculture branches. With the inclusion of Christchurch, our aquaculture branches are now contributing 72% of total waste.

Environmental Profile

Coal

2011			2012	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
0.4674 kg/kg fishmeal	0.3904 kg/kg fishmeal	YES	0.4500 kg/kg fishmeal	We envisage using more coal in 2012 while we focus on reducing trade waste

Eco-efficiency set on the Timaru fishmeal plant only.

Key Points

- Last year's annual Timaru fishmeal boiler survey identified problems with leaking valves; this had been occurring to varying extents for some time. This caused boiling water to be lost through faulty valves as well as the boiler overflowing due to a malfunctioning level control. In December 2010, the faults were rectified, including having the valves sent away and tested prior to refitting.
- Timaru businesses have been requested by the local council to make improvements to their trade waste discharge. Our fishmeal plant will be focusing on reducing the contaminant loadings of our trade waste in order to comply with this new request. We are unsure how this will affect our coal use and have, therefore, elected to increase the 2012 target from the 2011 result. We will report more on this project in next year's report.

Liquid Fossil Fuels

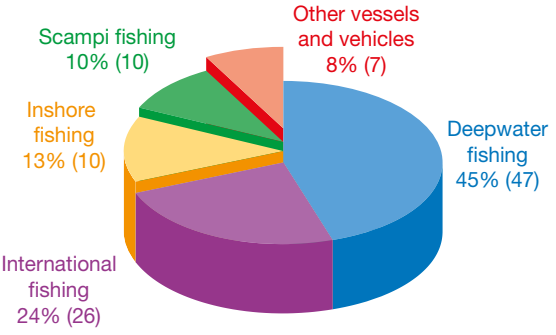
2011			2012	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
0.4317 L/kg product	0.4031 L/kg product	YES	0.4031 L/kg product	Maintain 2011 result

Eco-efficiency set on fuel used by, and landed weights from, New Zealand vessels only.

Key Points

- It is pleasing to see that we have reached our liquid fossil fuel target for 2011. The greatest increase in fuel efficiency came from our Pacific tuna vessels which had a 7% decrease in total fuel consumption along with a significant (30%) increase in catch. As discussed on page 10, these vessels spent a large portion of the year fishing in the New Zealand EEZ and we expect their 2012 results to revert to 2010 levels as they fish more in the Pacific which is more fuel intensive due to distances travelled.
- Inshore vessels have made changes to their unloading ports in an effort to reduce steaming time and therefore reduce fuel usage. Also, new trawl nets have been installed on some vessels which reduce net drag by 50%; this has resulted so far in an 8% improvement in their eco-efficiency.
- Our deepwater vessels had a 9% decrease in fuel use over the year and a 2% increase in fuel eco-efficiency. Part of this greater efficiency is due to the MoTeC data-acquisition system that has been working on board deepwater vessels over the past 14 months.

FIGURE 4



Liquid Fossil Fuel Usage 2011 (2010)

Figure 4 shows that 92% of liquid fossil fuels is used in fishing operations.

Environmental Profile

The MoTeC System

Deepwater has been using its data-acquisition system (MoTeC) installed on their vessels to gather data on the amount of fuel used when steaming in various weather and fishing conditions with the goal of identifying the ideal steaming speed for the vessels concerned.

The MoTeC system records data, constantly logging what fuel is being burned through the main engine, at what speed and what pitch setting the vessel is using. When this is matched with how much fish is on board and where the vessel is, a profile of the vessel is able to be built which shows how the vessel performs in different conditions and with different cargo loads on board. From this information, we are then able to determine the most efficient speed at which the vessel should be operating (9.5 knots to 10.5 knots) depending on weather and the amount of fish on board the vessel.

In the graphic below, lap 302 to 303 shows the pressure on the winches is high as indicated by Net Line Strain, indicating that the vessel is fishing. The vessel then increases its speed (GPS Speed) for the steam home; from lap 303 to 310 with each lap being a six-hour period. From lap 310 to 312, the vessel is on anchor off Timaru; the vessel speed increases briefly in lap 313 as this is where the vessel transits into port and shuts down for discharge.

As to why a vessel may need to wait on anchor for so long (Lap 310 to 312): that is a question the vessel manager may ask the skipper, especially if the vessel came home from the fishing grounds at 12 knots burning maximum fuel. Essentially, by managing this we have the potential to make savings in fuel costs in one very small part of the total fishing operation.

Darren Thorp, MoTeC administrator

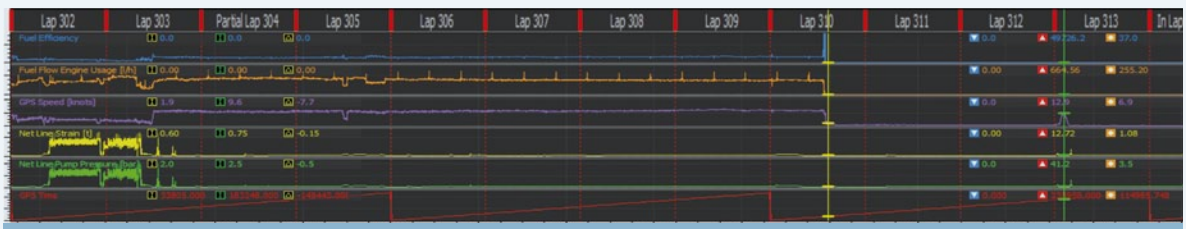
Identifying optimal steaming speeds gives the skippers and management the tools to be able to better monitor and manage vessel performance and obtain potential savings in fuel. There is also the opportunity to make savings on operational costs through benefits gained in reduced stress on engines and therefore less need for replacement parts and servicing.

Table 3 shows that a vessel changing its speed from 11 knots to 10 knots has the potential to make a 17% fuel saving per nautical mile.

Actual Speed Knots	**11**
Litre/Nautical Mile (@ 11-knots)	**34.09**
Reduced Speed Knots	10
Potential Fuel Litre/Nautical Mile	28.17
% Saving per Nautical Mile	**17%**

TABLE 3

Optimal Vessel Speed



Example of the amount of data collected from the vessel by MoTeC

Environmental Profile

Refrigerants

Key Points

- The use of ammonia increased this year due to the refit of the Havelock factory.
- Bluff has added 522 kg of R438A (Table 4) to their system after the retrofitting of two screw compressors that were originally using R22. This change results from the phasing out of R22 in accordance with the Ozone Layer Protection Act 1996. R22 and R408a are the only refrigerants used with ozone depleting potential, both factors being less than 0.06. R438A has a higher global warming potential (GWP) factor than does R22; however, overall the greenhouse gas emissions (GHG) from refrigerants have decreased (see Figure 5).

The 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. We use these factors and the data above to calculate the amount of GHG created from the escaped refrigerants.

Lube Oil

Key Point

- The amount of lube oils used increased by 8% as detailed in Table 1. Better data reporting along with the inclusion of more vessels from the purchase of the Pacifica Seafoods assets are the main reasons for this result.

Refrigerant Type	Global Warming Potential	Amount of Gas Added (kg)				
		2007	2008	2009	2010	2011
69L	2,730	–	60	–	–	–
NH_3 (ammonia)	–	2,644	944	1,556	676	5,386
R134a	1,300	–	–	27	–	–
R22	1,700	1,425	3,299	1,205	5,744	2,480
R404A	3,260	40	–	1,306	584	98
R406A	–	10	27	11	23	–
R408A	1,944	217	203	125	11	11
R438A	1,890	–	–	–	–	522

TABLE 4
Refrigerant Profile

Ocean Breeze

Environmental Profile

Greenhouse Gas Emissions (GHG)

2011			2012	
Eco-Efficiency Target	Result	Target Met	Eco-Efficiency Target	Based on
1.19 kg/kg product	0.94 kg/kg product	YES	0.94 kg/kg product	Maintain 2011 result

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 decreased this year by approximately 9% mainly due to:
  - 52% fewer GHG emissions as a result of less refrigerant use (see Figure 5)
  - 11% reduction in the contribution by coal consumed at our Timaru fishmeal plant
  - 5% reduction of GHGs from liquid fossil fuels consumed
  - In 2010, we converted our three sterkoder vessels to run on light fuel oil (LFO) from marine diesel oil. LFO produces more GHG emissions; however, the price differential is significant and allows us to look at more ways of reducing total fuel usage similar to MoTeC (see page 15)

We have continued to strengthen our recording of the resources that contribute to our total GHG footprint by improving the databases we use to collect information across the Group. A large amount of data is consolidated, analysed and used in the preparation of this report and, specifically, data regarding our GHG footprint.

The total level of GHG emissions is reported in Table 1; however, as discussed in 2010, we now set reduction targets for GHG emissions from our New Zealand operations only.

Figure 6 shows 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 taxis, travel and landfill management

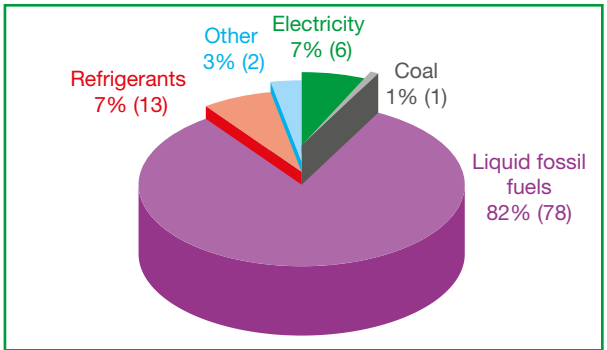


FIGURE 5 Major Contributors to Sanford's Greenhouse Gas Profile 2011 (2010)

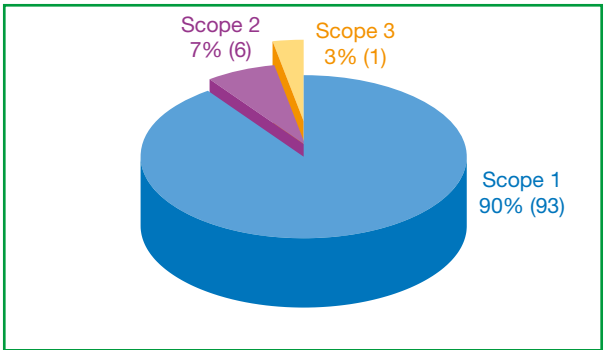


FIGURE 6 Emissions by Scope 2011 (2010)

1. Greenhouse Gas Protocol – www.ghgprotocol.org

Environmental Compliance

There were two oil spills during the year. The first occurred in Tauranga from the Western Ranger on 6 May 2011. Approximately five litres of engine oil spilt onto the wharf whilst being pumped off the vessel, with a small amount making it into the harbour. Absorbent was used on the wharf without delay while spill booms were placed in the water containing the spilt oil within the vicinity of the Sanford wharf. After consulting the Harbour Master, dispersant was applied and the booms used to soak up the oil.

Sanford treats incidents of this nature very seriously; in addition to the immediate response, marine engineering staff now treat all engine oil transfers off the vessel as they would a bunkering (refuelling) procedure, which is a two-man operation requiring one person stationed at each end of the transfer at all times.

The second spill occurred on 24 January 2011 from one of our foreign charter vessels, the Pacinui, which was bunkering in Timaru Harbour. Unfortunately, approximately 170 litres of light fuel oil was discharged into the harbour due to an operational error. Environment Canterbury and harbour authorities were advised and a spill response was instigated, involving a number of people and equipment from Sanford, the Pacinui and various other companies in the port area. The majority of the spill was contained directly with a full clean-up. A review of the incident has occurred with changes subsequently made to the vessel's equipment and operational bunkering procedures.

Environment Canterbury laid charges relating to the oil spill against Sanford, as the charterer, and the operators of the Pacinui; both parties entered an early guilty plea. Sentencing occurred on 30 November 2011, and resulted in Sanford and the Pacinui operators being fined $30,000 (plus $7,000 costs) which was apportioned 25%-75% respectively. The initial fine was reduced by the Judge, from $50,000, in light of the early guilty plea as well as the exemplary efforts by Sanford and the vessel crew in cleaning up the spill.

Grant McGregor, Deepwater Vessel Discharge Co-ordinator

Spill Response Training

One of our Timaru deepwater employees, Grant McGregor, became a trained member of the National Spill Response Team (NRT) in 2011. The NRT consists of Maritime New Zealand (MNZ) staff, contracted specialists and approximately 40 trained personnel selected from the regional response teams that are available at short notice for any Tier 3 (National Level) incident in New Zealand marine waters.

Grant's skills were put into practice in assisting MNZ with the Rena container ship disaster out of Tauranga throughout October and November 2011. He was called upon to manage marine operations and logistics of vessels and personnel in and around Tauranga's port along with assisting in the clean-up operation.

Environmental Management System

Our annual ISO 14001 Environmental Management System (EMS) surveillance audit again highlighted a number of key issues that needed to be addressed and we aim to report more in 2012 upon completion of a full system overhaul.

One of the main areas that needed to be improved was around corporate procedures and ensuring that the EMS was integrated with the process for producing this report.

Fishing Sustainably

Sustainable Seafood Certification

Work has continued on Marine Stewardship Council (MSC) certification of the southern blue whiting fishery with an announcement due shortly; however, there is still the objection process to go through should a party decide to challenge the certification decision. The ling trawl and longline, and hake trawl fisheries are still progressing through the assessment process while the snapper fishery certification investigation has been put on hold for one to two years while further assessments and issues are dealt with.

It was pleasing to note that Sanford's total sales (in tonnes) for MSC-certified product increased by 15% even though the percentage of those sales compared to our total product sale reduced from 17% to 15% as shown in Figure 7. This reduction is due to higher quantities of non-MSC-certified product being sold.

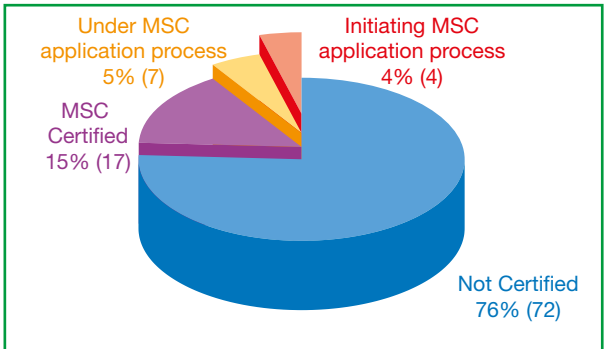


FIGURE 7

MSC Status of Sanford Sales 2011 (2010)

Fishing Sustainably

A Trip Out on the San Rakaia

Ali Undorf-Lay joined Sanford as our Industry Liaison Manager in February 2011 after working in the agriculture sector for some years. To give her an appreciation of the industry which she had joined, Ali volunteered to go on a short inshore fishing trip aboard the San Rakaia in April 2011. The following is an overview of her experience:

San Rakaia crew. Left to right: Andy Miller, Taubin Hikuwai, Bowden Coleman, Damien Prendergast

Hauling a catch

Ali Undorf-Lay, Industry Liaison Manager

San Rakaia Adventures

Ahipara 3.30am, while I sleep, the guys pull up anchor and we begin our steam north. This week, the San Rakaia is fishing for trevally with by-catches of snapper, kahawai and rig. I discover that trevally is a blue-green fish with yellow sides and silver underbelly. When the sun rises, they swim close to the sea-floor making them perfect for our trawl net.

The San Rakaia is a multi-purpose vessel built for Sanford in Spain. Currently, she is fitted out for inshore bottom trawling and has one net that opens wide at the front and forms a cod end at the back where the catch gathers. The mesh size starts at 23 centimetres and, at the cod end is 12.5 centimetres. The net is attached on either side to a metal coil and sweeps in a 150-metre arc.

Underwater there is a diverse landscape of hills, ridges and gullies. These geological features affect the currents, temperatures and fish species. The skipper learns which fish will be where. It's an experience-based job where knowledge of an area and a hunter instinct defines a good fisher. We trawl along well-travelled ocean tracks that have a long-established Sanford fishing history. Everywhere we go is recorded on the computer and stored in the company record books.

Trevally are fast, mobile fish and Mark, our skipper, has to shoot quickly when he sights a school on his sounder. He takes care not to damage the fish. A gentle roll at a steady three-knots is ideal. Premier prices are paid for fish that have all their scales in place and shine in the sunlight.

Once on board, the fish are stored on ice. The trick is to keep them as cold as possible but not freezing. Most of the catch will be exported.

There is a crew of five on board: the skipper, the engineer, the deck boss and two deckies. The four fishers are paid on contract and earn a percentage of each catch. Bo is on cook's duty tonight. He makes us roast pork, four vegetables and gravy. It's a well-stocked galley – five men doing hard manual work need to eat well.

My trip was great work experience; I went for two days and stayed seven nights. The weather was so bad we dodged storms and rode pretty high waves. Not a born fisher, I was very ill, felt like death but would I go again? Absolutely! It was a fantastic opportunity to learn about fishing from our men on the sea.

Fishing Sustainably

Quota Management

In line with our commitment to the long-term sustainability of our marine resource, we publicly expressed disappointment with the decision by the Minister of Fisheries to increase the hoki TACC in the western fishing area for the 2011/12 fishing year. Table 5 shows the hoki TACC increase of 10,000 tonnes to 130,000 tonnes from 1 October 2011.

In the period July to September 2009, industry took the permitted 25,000 tonnes from the western stock and, in addition, there have been TACC transfers from the east fishing area and two more TACC increases resulting in the take from the western stock now being 60,000 tonnes.

This means that since the last full stock assessment in 2007, 105,000 tonnes of western stock hoki have been caught in total without having the science to back the decisions of TACC increases.

It is Sanford's position that there was no reason to rush through the 2011/12 hoki TACC increase when a full stock assessment is due to be completed over the 2011/12 summer which will be able to measure the impact of the TACC increases since the increases of 2007 and allow for more informed decisions to be made.

TABLE 5

Changes to Quota Stocks for the 2011/12 Fishing Year

Fishing Year	Species of Interest to Sanford	Stock	TACC (tonnes)		Percentage Change
			2010/11	2011/12	
April – March	Rock Lobster	CRA7	84.5	75.7	(10%)
April – March	Rock Lobster	CRA8	1,019.0	962.0	(6%)
April – March	Southern Blue Whiting	SBW6B	14,700.0	6,860.0	(53%)
April – March	Southern Blue Whiting	SBW6I	23,000.0	29,400.0	28%
October – September	Blue Cod	BCO5	1,548.4	1,239.0	(20%)
October – September	Blue Cod	BCO8	74.4	34.0	(54%)
October – September	Bluenose	BNS1	786.0	571.0	(27%)
October – September	Bluenose	BNS2	902.0	629.0	(30%)
October – September	Bluenose	BNS3	505.0	248.0	(51%)
October – September	Cardinal Fish	CDL2	1,020.0	440.0	(57%)
October – September	Hoki	HOK1	120,000.0	130,000.0	8%
October – September	Kingfish	KIN8	36.0	45.0	25%
October – September	Orange Roughy	ORH2A	1,100.0	875.0	(20%)
October – September	Orange Roughy	ORH3B	4,610.0	3,600.0	(22%)
October – September	Scampi	SCI2	200.0	100.0	(50%)
October – September	Rig	SPO2	86.0	108.0	26%

Source: Fishserve **www.fishserve.co.nz**

Fishing Sustainably

From Greek Myth to Modern Science

Approximately 10% of the commercial catch in New Zealand comes from inshore fisheries. Fish like snapper, red cod, bluenose, monkfish, tarakihi and gurnard are all well-known species that live in coastal waters to depths of about 200 metres. Sanford targets these fish by trawling and bottom longlining.

The QMS relies on good-quality information; fisheries science is expensive although vital if we are to harvest these fish sustainably into the future.

Government fisheries scientists work closely with industry representatives and other stakeholders to review the population dynamics of each fishery. Research decisions are driven by science, not fishers' anecdotal experiences, and recommendations are passed on to fisheries managers and the Minister of Fisheries.

Each year, the Minister announces the TACC for each fish stock that is set at or near the Maximum Sustainable Yield – an ecological and mathematical formula that ensures each fish stock maintains a sustainable harvest population overtime.

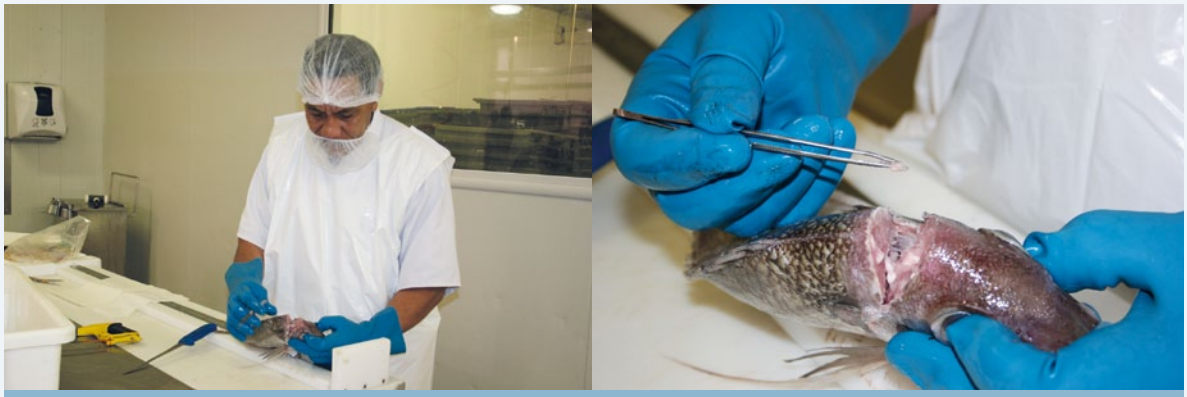
"Trident" is an industry initiative, developed by representatives of inshore finfish and deepwater finfish stocks and the Seafood Industry Council. The knowledge we gain through "Trident" will help us to be more persuasive advocates in fish-management forums.

Sanford has been proactive in developing the "Trident" project for the last three years. This started by carrying out early sampling trials in our Tauranga and Auckland processing factories and on board inshore vessels. This year, we have been working with scientists in Wellington to write the individual projects that make up "Trident".

The three prongs of the "Trident" project spear are:

1. Catch sampling (measuring, ageing and weighing) what we catch and where
2. Using the catch records that are already being gathered from fishers to map fisheries' characteristics and pick up trends that would otherwise go undetected
3. Testing, through computer simulations, alternative fisheries species-management models, for advocating yearly catch adjustments.

Sanford promotes science-based decision-making to ensure the long-term sustainability of New Zealand fish stocks. Fishing quota is the company's largest asset with a carrying value of approximately $400m. Quota value is dependent on long-term harvest assumptions and "Trident" is the fishing industry's collective opportunity to have a persuasive voice in this decision-making process.



Pouha Lotoahea from Sanford Auckland sampling tarakihi

Fishing Sustainably

Interactions with Seabirds and Mammals

Sanford continues to focus on minimising seabird and mammal interactions. We have continued to use data taken from the Non-Fish/Protected Species Catch Return (NFPSCR) forms completed for every vessel trip and sent to the Ministry of Fisheries (MFish). Given the accuracy of the data received from the MFish database, we have decided to use this for all future reporting. We will, however, look at options to review the data quarterly to ensure we are fully aware of the incident rates of seabird and mammal interactions with Sanford vessels.

Unfortunately, we have seen a significant increase in seabird interactions with vessels as can be seen in Figure 8; however, the number of mammal catches has continued to decrease, as per Figure 9.

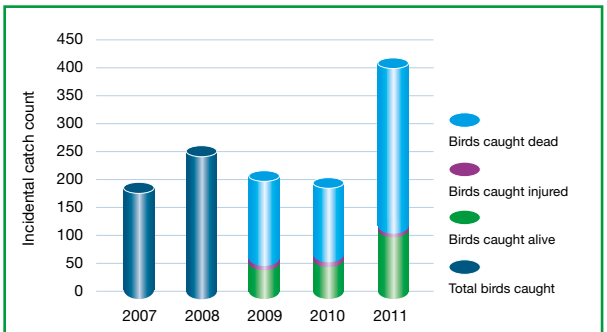
Management of our inshore fishing vessels has been working on initiatives to improve crew awareness of protected species as well as how best to use the mitigation devices installed on board each vessel. We are not legally obliged to have such equipment on board but we choose to do so. We are also looking at running awareness-training sessions for crew around positive identification of birds to strengthen the data being sent through to MFish.

The data used in the graphs opposite relate to Sanford's inshore, deepwater and scampi vessels along with our four foreign charter vessels.

Figure 10 shows the incidental catch of corals, sponges and bryozoans; in general, these organisms are returned to the ocean rather than taken to shore.

San Kaipara

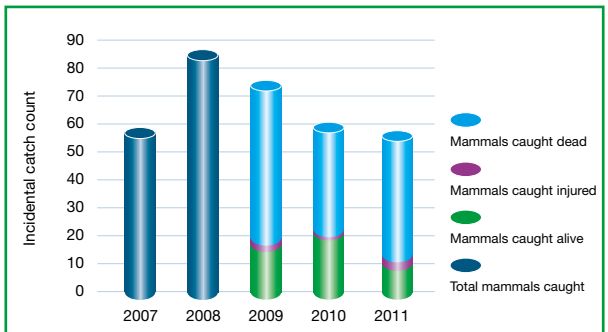
FIGURE 8



Incidental Catch – Seabirds

Source: 2010 and 2011 data, MFish database; all prior years' data, Sanford.

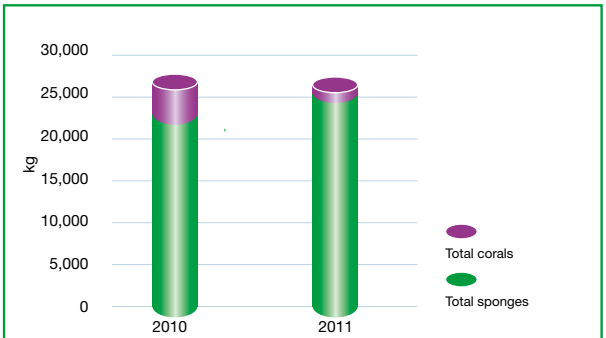
FIGURE 9



Incidental Catch – Marine Mammals

Source: 2010 and 2011 data, MFish database; all prior years' data, Sanford.

FIGURE 10



2011 Incidental Catch – Corals, Sponges and Bryozoans

Source: MFish database.

Fishing Sustainably

Foreign Charter Vessels (FCVs)

FCVs play an important role in Sanford's deepwater fishing operation. Four Korean-owned and foreign-crewed factory trawlers have been fishing for us for many years. They employ 160 crew members, operate exclusively within New Zealand waters, fish to New Zealand rules and are paid on a wage scale set down by the Department of Labour.

Sanford has a proud relationship with our FCV partners. We fish and work well together and the business partnership has allowed us both to build capacity locally and internationally.

The New Zealand fishing industry has been built on the skill base of foreign fishers. Different nationalities (Ukrainian, Russian, Japanese and Korean) have brought with them different vessels, catching methods and skills. Foreign crew work alongside our New Zealand staff and, over the years, local fishers have learnt new and sometimes better ways to fish.

FCVs provide flexibility. Sanford can quickly add or reduce catching capacity without significant capital investment. This is important in a Quota Management System (QMS) where the Minister of Fisheries can change Annual Catch Entitlements (ACE) on a yearly basis, without a great deal of notice. Charter vessels are ideal for catching low-value quota and seasonal species, which would otherwise tie up our own vessels for extended lengths of time pursuing low-profit opportunities. As a company, Sanford is dependent on FCVs to harvest part of our squid, southern blue whiting and jack mackerel quota – there is no spare New Zealand-owned vessel capacity or labour to harvest these stocks.

Since the introduction of the QMS in 1986, Sanford has made significant investment in vessel ownership and is the largest owner of maritime vessels in New Zealand. We have a fleet of 31 fishing vessels; 11 work exclusively in deepwater at depths greater than 200 metres of which three operate in international waters. All Sanford-owned vessels fishing in New Zealand's exclusive economic zone, predominately employ New Zealand crew and support staff.

Vessel ownership is not cheap. Deep-sea fishing boats suitable for New Zealand waters are hard to find; a new vessel will cost about $55m[1] and have a delivery time of at least a year. A 25-year-old, second-hand vessel will cost at least US$15m[1]. Growth in our domestic catching capacity needs to be steady and measured. In addition to locating a new vessel, we also need to be able to crew it with two shifts of skilled fishers and engineers. In our experience, there is not a surplus of motivated and skilled crew, willing to work at sea for six weeks at a stretch, with which to crew additional vessels.

FCVs have helped develop our New Zealand fishing industry and remain an integral and vital part of Sanford's current and future operations. Each year, we negotiate contracts with our Korean partners that include strict compliance with New Zealand laws and regulations. Sanford's shore-based support staff members actively participate in the daily management and operation decisions of all four charter vessels along with the Timaru-based Korean vessel managers. Together we run the business. We trust our partners and stand beside them.

Recent media and academic attention has put an exaggerated focus on what are mostly historical examples of poor labour practices or inadequate management and accountability. It is our belief that the existing legal and regulatory regime, properly resourced and enforced, combined with responsible management practices by New Zealand quota owners utilising FCVs, should ensure acceptable and equitable labour standards and safe working environments. Consistent regulation enforcement combined with proper management performance and accountability will also serve to protect New Zealand's international reputation and trade access.

Dong Won 519

Dong Won 701

Dong Won 530

1. Seafood Industry Council – **www.seafood.co.nz**

Sustainable Aquaculture

Salmon Farming Facts:

- The salmon feed we use has no added hormones or antibiotics
- From time to time, we are able to move the salmon farm cages we have in Big Glory Bay to ensure that the ecosystems under the cages are not adversely affected by salmon feed or salmon faeces that may pass through the nets
- There have been no compliance issues with regards to the harvesting of Sanford's Big Glory Bay salmon
- A total of 900,225 fish were harvested from Big Glory Bay during the year with an average weight of 4.4 kilograms

We have continued to solidify our position as New Zealand's number one aquaculture producer (by weight)[1] and have grown the amount of aquaculture space owned to 1,667 hectares.

TABLE 6

Key Species	Total Annual Green-weight (tonnes)	Sanford 2011 Green-weight (tonnes)	Sanford Share (by volume)	Sanford 2010 Green-weight (tonnes)
Greenshell™ mussels	92,921	32,281	34.74%	22,342
King salmon	12,303	3,984	32.38%	3,055
Pacific oysters	2,780	364	13.09%	685

New Zealand Aquaculture Production Statistics

Source: Aquaculture New Zealand, year ending 30 September 2011.

Coromandel Production Issues

Coromandel mussel growth was slower this year than has been experienced in previous years and again, the crop suffered barnacle settlement resulting in increased processing costs, poorer yields and lower throughputs.

During the year, equipment to remove the barnacles was tested but proved unsuccessful. However, we are now working with a group of research providers and a manufacturer to develop equipment that will clean the mussel shells prior to standard processing being undertaken.

Virus Hits Pacific Oysters

Sanford, along with the rest of the North Island oyster industry, experienced significant losses of oyster spat over the 2010/2011 summer. This loss is due to the presence of an outbreak of ostreid herpesvirus (OsHV-1) which has been blamed for killing large numbers of oysters in Europe over the past three years. OsHV-1, which cannot be transmitted to humans, has been found in Pacific oysters in most areas of the world and has been associated with summer oyster mortalities in some of those countries.

It is unclear how the virus took hold in New Zealand; however, environmental factors, such as the long, dry, hot summer of 2009/10, may have stressed the oysters and lowered their immune threshold to fight the virus.

Sanford is working with both industry and government stakeholders to look at possible preventative measures such as moving oyster spat bags to deeper, cooler water as well as selectively breeding oysters that are more tolerant of the virus. As a result, we have gained consent to trial growing oysters in medium-depth water just out of the Kerikeri Inlet to investigate whether this could be a possible alternative to the current practice of more shallow-tidal oyster-growing farms.

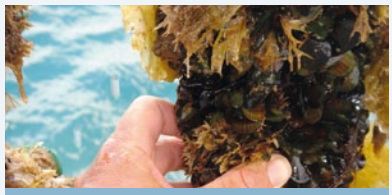
Houhora Harbour, where Sanford owns 27 hectares of marine farms, is the only growing area that remains virus-free in Northland. Sanford, in collaboration with other harbour stakeholders, intends to maintain this status and to utilise the farms in Houhora to grow oyster spat during the critical first year of the growth cycle.

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

Sustainable Aquaculture

Sanford Mussel Farming in Coromandel

Spat on 90-mile beach



Spat to seed

Juvenile mussels

Sanford has a number of Greenshell™ mussel farms in the Firth of Thames. The farming year begins when spat collectors gather wild spat from beach-cast seaweed, blown ashore on Ninety Mile Beach in Northland.

Spat collectors are experienced; they have to know what they are looking for because the tiny shellfish are microscopic in size. As many as one million spat have been counted in one kilogram of seaweed. The seaweed is chilled down and trucked to Sanford mussel farms in Coromandel where it is attached to dropper ropes using a biodegradable stocking and hung back out into the sea. Dropper ropes hang down in zigzag patterns off a thick backbone rope structure and stretch out in long horizontal rows.

Large plastic buoys are spaced along the backbone structure with each end being anchored to the sea floor. Different sizes and configurations of backbone structures are utilised and these are orientated with the tidal flow.

The spat is on-grown in relatively sheltered areas and it does not take long for the spat to attach itself to the rope. After about 10 to 12 months, these now small mussels are stripped from the rope, as the density inside the stocking is now too high, and then reseeded at a more optimum rate onto more specialised dropper ropes in the main mussel farms.

Mussels eat plankton and other micro-organisms found in seawater. It takes 10 to 14 months from reseeding to harvest. Mussels are harvested when the majority of shells on the dropper rope are 85 to 95 millimetres in length.

The mussels grown in Coromandel are trucked to North Island Mussel Processors Limited, a joint-venture processing plant in Tauranga owned by Sanford, Sealord and Greenshell New Zealand. The mussels are steamed open, one side of the shell is removed and then the remaining half-shell mussel is blast-frozen before being exported around the world.

Mussel connoisseurs believe they can tell where a mussel has been grown. Coromandel mussels, some say, have more of a bite than others do.

Sustainable Aquaculture

Aquaculture Legislation Update

Sanford is strongly supportive of the New Zealand National Aquaculture Strategy and Action Plan to become a $1billion industry by 2025. As a company, Sanford has built up a substantial aquaculture investment portfolio which includes developing water space and onshore processing facilities.

Two recent significant government decisions arising from the strategy that will shape our future investments are the legislative streamlining of new farm applications and the way that undue adverse effects (UAE) on other water space users is going to be considered and compensated for.

The moratorium freezing marine farm development has been lifted and, as at 1 October 2011, regional councils across the country are now able to process applications for new farms.

The UAE test will balance the interests of commercial quota owners, recreational fishers and Māori with those of aquaculture developers when there is competition for water space.

Sanford took an active role in submitting to government on both of these decisions. The Company shared its early experiences of developing marine farms and offered suggestions for legislative improvement.

The compensation provisions provided by the UAE test are ones that we would like to see extended across other fisheries where property rights are diminished, i.e. when creating new marine reserves and mataitai (traditional Māori marine reserves).

Havelock Shutdown

During the factory shutdown, all Havelock staff took part in a successful training programme, highlights of which included:

- Six staff members were trained to become trainers so that examples and information relating specifically to the type of work conducted at Havelock could be used throughout the training programme
- 1,261 New Zealand Qualifications Authority (NZQA) unit standards were achieved
- 63 members of staff completed the NZQA National Certificate in Seafood Processing, Level 2
- A large number of non-unit-standard training courses were completed also, including: Environmental Awareness, Health and Safety, Food Safety and Chemical Awareness training. The branch called upon their local health nurse and team-building experts to assist as required

Also during this time more than 100 team members were, on full pay, engaged in community work from October through to December 2010. Team members were given the opportunity to have input into the choice of community projects that would be supported including those with which they already had an association; the community also made suggestions and requests. Some of the locations at which staff worked are as follows:

- St John, Nelson-Marlborough
- Picton Borough, Havelock and Canvastown Schools
- Rai Valley Hall
- Renwick Sportsground
- Havelock Museum
- Various community gardening projects
- Blenheim SPCA
- Te Hora Pa
- Pelorus Area Health Trust
- Assisting the local communities to clean up after local area flooding in December 2010

The feedback received was fantastic and a number of articles were written in local newspapers noting the generosity of Sanford Havelock in lending its workers out but, more importantly, thanking the workers for their hard work and dedication to the tasks at hand.

Sanford Havelock workers who were part of a group of volunteers to help in the big clean-up of Canvastown after flooding in December 2010. Left to right: Robert Murdoch, Che Ritchie, Denis Marfell, George Grant and Jude Osmand

Image supplied by Derek Flynn/Marlborough Express

Sustainable Aquaculture

Some of the thank you notes received from local organisations.

HAVELOCK SCHOOL
TE WHARE KURA O TE HOIERE
Akoranga ... Learning for Life
Celebrating 150 years of Sound education

February 21, 2011

Sanford Limited
Havelock Wharf
P.O. Box 13
HAVELOCK, 7100.

Attention: Simon

Dear Simon,

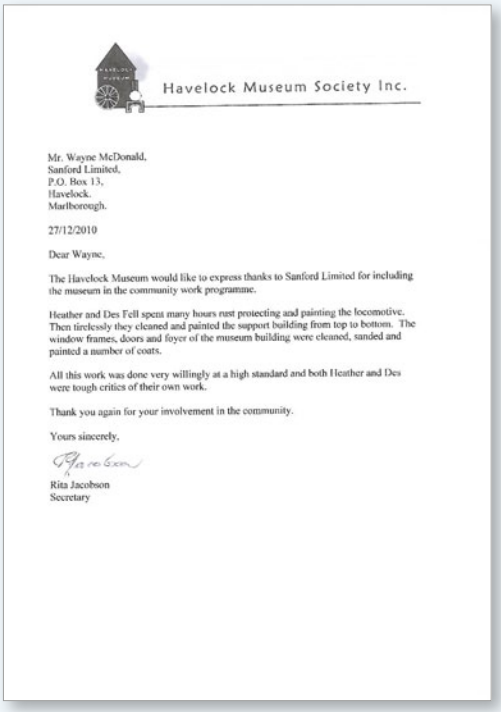
We would like to thank Sanfords for the voluntary workers provided to us over the summer period. Our grounds are looking all the better for it and Colin has done a great job of tidying the gardens and building the walls for the vegetable garden, and tidying up the area behind the pool.

Marluze was a great help in the classroom and administration areas with sorting resources and assisting with student activities.

Thank you for your continued support to the school.

Yours truly

Chris Duckworth
Acting Principal



Havelock Museum Society Inc.

Mr. Wayne McDonald,
Sanford Limited,
P.O. Box 13,
Havelock.
Marlborough.

27/12/2010

Dear Wayne,

The Havelock Museum would like to express thanks to Sanford Limited for including the museum in the community work programme.

Heather and Des Fell spent many hours rust proiecting and painting the locomotive. Then tirelessly they cleaned and painted the support building from top to bottom. The window frames, doors and foyer of the museum building were cleaned, sanded and painted a number of coats.

All this work was done very willingly at a high standard and both Heather and Des were tough critics of their own work.

Thank you again for your involvement in the community.

Yours sincerely,

Rita Jacobson
Secretary

Rai Valley Cultural and Archive Trust (CAT)

Simon Gibb
Factory Manager
Sanford's
Havelock.
Marlborough

28 December 2010

Dear Simon,

On behalf of our committee I would like to thank both you and the company for the 'loan' of your labour force. The use of your volunteer workers working on our Rai Valley project has brought our 'little old Library' into a livable space once more. Without the input from your workers we would still be struggling to get the building to a really useable state.

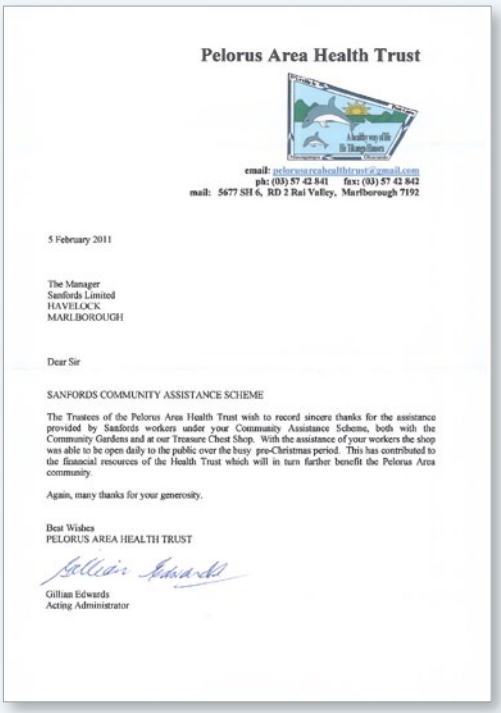
Still a lot to do, but now the future work is at an achievable level and we will be able to make good progress on the building works from here on.

A big thanks to David Vass, who managed the project, and found the workers with the particular skills for the tasks that they accomplished. The workers were always on-time, often worked through breaks when waiting for materials to set or paints to dry. They even spurned the committee's offers of morning tea.

I have made a list of all the work done on the building since the 10 November 2010. Truly amazing and very much appreciated.

Once again thank you to the Sanford management for making this happen

Peter B. Crabtree (CAT Building committee, PO Box 68 Rai Valley)



Pelorus Area Health Trust

email: pelorusareahealthtrust@gmail.com
ph: (03) 57 42 841 fax: (03) 57 42 842
mail: 5677 SH 6, RD 2 Rai Valley, Marlborough 7192

5 February 2011

The Manager
Sanfords Limited
HAVELOCK
MARLBOROUGH

Dear Sir

SANFORDS COMMUNITY ASSISTANCE SCHEME

The Trustees of the Pelorus Area Health Trust wish to record sincere thanks for the assistance provided by Sanfords workers under your Community Assistance Scheme, both with the Community Gardens and at our Treasure Chest Shop. With the assistance of your workers the shop was able to be open daily to the public over the busy pre-Christmas period. This has contributed to the financial resources of the Health Trust which will in turn farther benefit the Pelorus Area community.

Again, many thanks for your generosity.

Best Wishes
PELORUS AREA HEALTH TRUST

Gillian Edwards
Acting Administrator

Sanford Team

Location	2007	2008	2009	2010	2011
Head Office	**50**	**43**	**43**	**45**	**46**
Inshore					
Auckland Processing	116	116	121	116	114
Auckland Vessels	38	37	39	40	52
Auckland Service Division	15	13	16	17	14
Auckland Fish Market	23	27	37	31	38
Tauranga Processing	140	152	143	138	140
Tauranga Vessels	29	30	28	27	28
Timaru Processing	192	180	125	139	124
Timaru Vessel[1]			14	14	9
	538	**542**	**507**	**505**	**505**
Aquaculture					
Kaeo Processing	118	110	91	63	66
Kaeo Farming	22	23	14	12	9
Coromandel Processing	6	3	6	7	9
Coromandel Farming	8	10	12	12	11
Havelock Processing	232	240	257	206	229
Havelock Farming	19	19	20	25	61[2]
Christchurch[2]					286
Bluff Processing	101	146	138	136	147
Bluff Farming	39	38	39	42	48
Bluff Vessel[1]			4	4	5
	545	**589**	**581**	**507**	**871**
Deepwater					
Management and Administration	18	27	27	30	31
Vessels	301	293	280	344	295
	319	**320**	**307**	**374**	**326**
Australia					
Melbourne Fish Market[1]			40	28	24
Vessel[1]			4	4	4
			44	**32**	**28**
International Pacific Tuna Fleet[1]			**68**	**68**	**59**
Total	**1,443**	**1,507**	**1,552**	**1,504**	**1,849**

TABLE 7

Sanford Team as at 30 September

1. Prior years' data not reported.
2. Pacifica Seafoods and Marlborough Mussel Company purchased 30 November 2010.

Key Points

- We have changed the way we report our employees and share fishermen (Table 7) in an effort to simplify the information. Share fishermen are now detailed under the location from where they are managed.
- The Oamaru location has been removed from Table 7 and merged with Timaru as the remaining employee is directly employed by Timaru.
- The acquisition of the Pacifica Seafoods business in November 2010 has increased employee numbers by approximately 26%. Not all of the employees of Pacifica Seafoods chose to become Sanford employees.

Joint Venture Businesses	2009	2010	2011
San Won Limited, New Zealand	8	7	9
The Big Picture Auckland Limited, New Zealand	11	8	13
Weihai Dong Won Food Company Limited, China	392	386	357
Cicerello & Backhouse, Australia	1	1	1

TABLE 8

Joint Venture Employees as at 30 September

During the year, the Sanford-Iwi Collective Partnership (ICP) (refer page 7) management team held a meeting in Tauranga to allow the ICP people to better understand our business and to meet some more of the Sanford team.

Shane Heremaia of Te Arawa, with Eric Barratt (Sanford)

Tiaki Hunia of Ngati Awa

Maru Samuels of Ngai Te Rangi

Sanford Team

Diversity

There has been a shift in our ethnic breakdown which can be seen in Table 9. One of the reasons for this is the large number of Asian migrants in our Christchurch factory; 24% identified themselves as Filipino.

	Sanford 2009	Sanford 2010	Sanford 2011	Industry[1]	New Zealand Workforce[2]
Ethnicity					
European	57%	59%	51%	86%	64%
Māori	24%	24%	22%	11%	11%
Pacific Island	10%	10%	11%	1%	5%
Other	9%	7%	16%	2%	20%
Gender					
Female	31%	30%	33%	34%	52%
Male	69%	70%	67%	66%	48%

TABLE 9 New Zealand-Based Workplace Diversity

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.

Our average age dropped to 39.6 years, which can also be attributed to Sanford Christchurch that has the lowest average age of all of our branches, of 37 years. The percentage of workers aged over 50 years also dropped from 33% in 2010 to 25% in 2011 (see Figure 11).

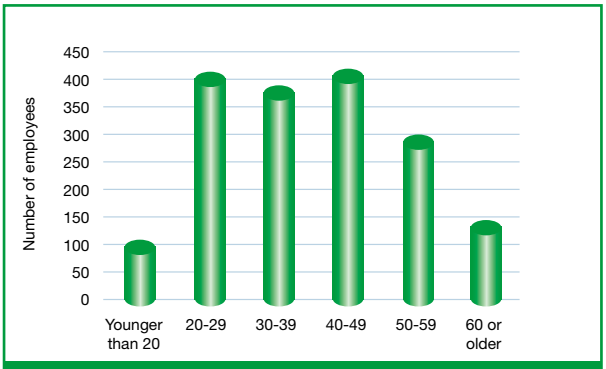


FIGURE 11 Age of New Zealand-Based Team

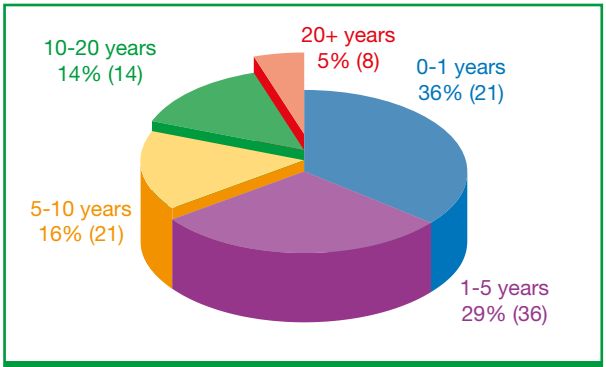


FIGURE 12 Length of Service 2011 (2010)

The average length of service dropped considerably this year to 5.1 years, mainly due to new employees in Christchurch and Havelock from the Pacifica Seafoods acquisition whose start date with Sanford became 30 November 2010, although they had been working on the site for some time. For the sake of comparison, if we were to discount these employees, the average length of service would be 6.0 years. Figure 12 shows a breakdown of service length.

Sanford Team

Even though the Christchurch staff members have been employed by Sanford only since November 2010, there are a number of long-term employees among them. Toafi Amituanai and Faasee Sitagata completed 21 years service in October 2011. The occasion was marked at a staff lunch break with a presentation of small gifts and cards signed by all.

Sanford Christchurch celebrates long-term staff (left to right): Terry Denley (Branch Manager), Toafi Amituanai, Faasee Sitagata and Grant Boyd (Factory Manager)

Some of the ladies of Sanford Auckland bringing a little bit of fishing-glam to Auckland's waterfront during New Zealand Fashion Week

San Nanumea crew (left to right): Carlos Cabansag, Leonilo Gumisad and Joel Malubay

Team Health and Safety

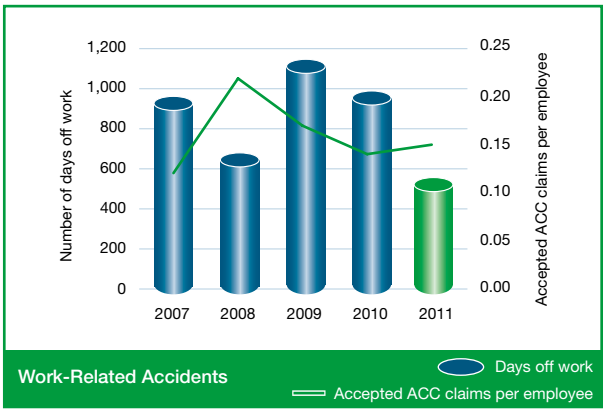


FIGURE 13

Figure 13 highlights that the number of days lost to work-related accidents has decreased, as has the number of accepted Accident Compensation Corporation (ACC) claims per employee. This downward trend can also be seen in the reduction of our lost-time injury frequency rate (LTIFR) which has reduced from 17 to 15 in 2011 (see Table 1). The LTIFR measures the number of lost-time claims per million hours worked. There has been an increased focus throughout the year on better management of high-risk claims (those which require either time off or specialist treatment) by analysing monthly claim trends and statistics and offering support to branches that experience higher incident rates or claim costs.

In August 2011, our Bluff branch was audited as part of our annual ACC Partnership Programme (ACCPP) renewal. Being a part of the ACCPP allows for better management of injured employees and more flexibility in offering restricted hours or duties as well as a significant discount of our standard ACC levy of 95%.

Team Health and Safety

Bluff's Health and Safety System in Action

Part of the requirements of being an ACCPP-accredited employer is setting injury-reduction targets each year and implementing initiatives to help us reach the targets. During the year, Bluff has been working hard to reduce strain injuries as they are the major proportion of injuries in the salmon and fish-processing plants. The following are some of the ways in which factory staff and management instigated change to help reduce strains:

- Factory reconfiguration changes have been made to reduce twisting and bending activities
- Change from 10-hour shifts over four days to eight-hour shifts over five days to help reduce repetitive strain injuries caused by the longer hours of filleting, trimming and pin-boning
- Cut-proof and chain-mesh gloves have been made compulsory in work areas where knives and the air-operated trimmer are used as well as occumit (compression) gloves for pin-boners to assist with wrist support (image 1)
- Whole salmon freezer racks have been put on an ongoing wheel-replacement programme. These racks are heavy when full and are wheeled into freezers manually. Damaged wheels make it more difficult to push and there is more potential for jam and strain injuries (image 2)
- A crane lift platform has been put in place in the storage chiller to lift stacks of product from one level to another, reducing manual handling and minimising strain from lifting
- Job rotation has been increased to minimise repetitive strain injuries
- As new team members were added to the pin-boning table, they were closely monitored and, with the first sign of pain and discomfort, were removed from the table, given other duties and slowly reintroduced as they built up strength (image 3)
- Investment was made in specialty pin-bone pliers instead of standard tweezers which use only index finger and thumb (image 4)
- A knife-sharpening tutor and knife-sharpness checks have been introduced to improve the skills of filleters and trimmers and create a situation where they can use minimum pressure when cutting, as a result of being equipped with sharp knives (image 5)
- On-off high-pressure spray nozzles have been fitted to hoses instead of staff having to use their wrists to twist the hose-end manually
- Back braces have been made compulsory for jobs where lifting and dragging bins is required
- Staff meetings have been used to raise employee awareness around workplace safety


1


2


3


4


5

Team Well-being

Superannuation Schemes

There has been a large increase in the number of employees who are members of KiwiSaver (Figure 14); much of this can be attributed to the additional employees as a result of the Pacifica Seafoods acquisition.

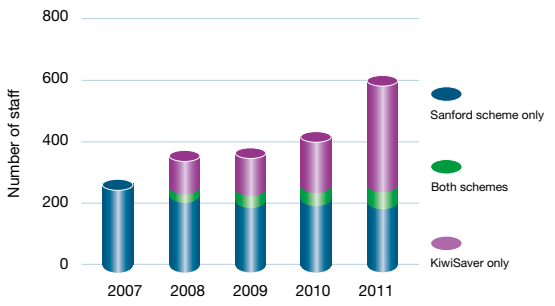


FIGURE 14

Superannuation Scheme Membership

Training

Inshore completed a Training Needs Analysis using an external consultant funded by the Seafood Industry Training Organisation. The analysis included comprehensive interviewing of a cross-section of staff at Auckland, Tauranga and Timaru branches. It helped to identify opportunities to improve the current induction and training programmes. Management will be adapting the recommendations over the next 12 months.

Havelock underwent an extensive training programme at the end of 2010 which is discussed fully on page 26.

An Inspirational Visitor

At the 2011 Seafood Conference, our Managing Director Eric Barratt heard Marcus Akuhata-Brown speak and was so impressed by his message that he invited Marcus to visit all of Sanford's New Zealand branches and share his experiences with our staff. Eric's intent was for all Sanford staff to have the opportunity to hear Marcus' inspirational address and gain benefit at a personal level rather than for Sanford.

Marcus grew up on the East Coast of the North Island of New Zealand. His father is from Te Whanau o Tuwhakairiora of Te Araroa on the East Cape, also the tribes of Ngai Tahu and Kahungunu. His mother is a fifth-generation New Zealander with European ancestry. In New Zealand, his work has focused on addressing the learning and developmental needs of youth at risk and young offenders. From 1996 to 2004, Marcus travelled all over the world as a diplomat, international representative and delegate to multilateral meetings.

Marcus inspires people to see themselves and the world in new ways – to realise the potential of each person to do small things with great care and humanity. He also issues a challenge for people to lift the lid of low expectation which often holds people back from fulfilling their roles in life.

Some of the main points from Marcus' visits, as detailed in the Christchurch branch newsletter, were:

- Be the change you want to see
- Inspire people to see themselves and the world in new ways
- Don't let other people's low expectations determine the rest of your life

We are hoping to continue our relationship with Marcus over the coming months and allow members of staff to have additional time to meet with him and, hopefully, take away tools and skills for their own personal development.

Marcus with members of the Christchurch team (from left to right): John Douglas, Moeroa Taramai, Marcus Akuhata-Brown, Robert Jansen and Grant Boyd)

Social Sustainability

HOME

The Long Way Around by John Bennett, skipper on board the San Aspiring

San Aspiring

We'll be gone seven months, it's a bloody long haul,
Mid-winter, South Georgia, the birthplace of storms.
We be needing good crew, leave all the rest,
Don't want no slackers, just pick the best.

The mate's on the case, he's contacted the lads,
Everyone's ready and packing kitbags.
We'll be there tomorrow, ready to work,
We all need the money, finances hurt.

The stores have been ordered and assembled to load,
They have to be checked and made ready to stow.
The chief ordered parts, gaskets and seals,
Spare liners and pistons are part of the deal.
The lists are impressive, nothing's left off,
If we break down at sea, the ship could be lost.

All hands have turned too, the old boson's in charge,
A good willing crew is all I can ask.
The mate deals with customs and clearance to leave,
The gangway is hoisted, we're out through the leads.
With watchers all set and musters rehearsed
We batten down hatches, prepare for the worst.

Make a course for Cape Horn, 66 degrees west,
On that great circle track, passing close to the pack.
We steam 24 days and run storm after storm,
Through the dark southern ocean on course past
the Horn.

The weather is changing as we reach further south,
2nd mate spots an iceberg, expect growlers about.
We double up watchers and turn on ice lights
There are too many dangers lurking out in the night

The Antarctic convergence is a tormented zone
With icebergs and growlers, blizzards and snow.
The huge ocean swells are an awesome great force
That will never lay down, so don't wander off course.

The pressure is dropping, the breeze starts to back,
The ocean is mustering a ferocious attack.
Huge swells keep rising, then waves start to break,
With a white boiling cauldron alive in their wake.

The rigging is howling with winds at storm force,
The watchmen are focused on holding safe course.
Somebody jokes: "What am I doing here,
I should be home with mates, drinking beer"

The Antarctic Peninsula bearing close, Southeast,
Where icebergs are hidden amongst thick snow
and sleet.
The sea temp is dropping, it's now minus two,
With rails and decks and lines frozen through.

The Falklands, a waypoint for storm-battered ships,
Crew looking for shelter, recover their wits.
Passing old wrecks scattering the shores,
Some locals report 200 or more.

We can only imagine the desperate states
Of the crew and their captains battling that Cape.
They knew, if they weakened before a good storm,
They could all join the ranks, of the ghosts of Cape Horn.

We swing on our anchor in Stanley at last,
Dismissing that voyage as a thing of the past.
A chance to relax and ready the ship,
We take on stores and bunkers, to continue the trip.

South Georgia is rugged with towering peaks,
And vast ocean canyons two thousand fathoms deep.
Huge restless glaciers slide down to the sea,
Through long hidden valleys never been seen.

The island is granite, many thousand years old
And it stands defiant to the shuddering cold.
Katabatic winds charge through the sounds,
Dragging ships at their anchors until they're aground.

The madness of massive whaling ship fleets,
To the legendry Kraken that lurks in the deep.
The place has a history of hopeless despair
For men on a mission, dealing with fear.

Shackelton's crew to name but a few
Have suffered more misery than most men do.
We now sail in comfort in this modern age,
But somehow, complicating the process to justify the day.

But we should never forget the journey they made,
In that little wee boat they called the James Caird.
So when weather gets rough and we're tossed from our bunks,
It's hard to complain over steak n' eggs for lunch.

Mid-winter is cold at 59 south,
Daylight too short and nights drawn out.
Freezing conditions, an everyday scene,
Keeping ice off the rigging, is regular routine.
The crew muscle up, they never complain,
When they're ordered on deck to shovel ice off again.

Twenty-four seven, the shift work won't stop,
For months the crew toil, till we caught our lot.
The hold slowly fills as the last day draws near,
It isn't long now, we'll be home bound from here.

Then, all of a sudden the quota is caught.
Our licence requires we return to base port.
We haul up our lines and prepare to head in,
So official inspection can finally begin.

We call into Stanley for bunkers and stores,
The check by officials, we complied with the laws.
With documents approved and signed by us all,
We can export our product from last port of call.

Doubling the Horn is a common old phrase,
If you've pulled it off once you can do it again.
Fourteen times we've transited from east then west,
Each time we get stronger at handling the test.
But never complacent, our standards can't slip,
If we take it for granted, could be our last trip.

Still 5,000 mile we punch to the west
Against prevailing conditions, the rum line is best.
Great circle is shorter but tracks too far down
Amongst freezing conditions in the mid-winter South.

The last leg of our journey, after many months away,
Timaru….. the home port….. Caroline Bay.
Our friends and our families have waited so long,
For our return to the other world, where our lives can go on.

Fishing is a ritual of pleasure and pain,
Difficult to explain to those not in the game.
When men venture out, to spend long days at sea,
They never really know what the outcome will be.
But one thing's for sure, you just can't do the stretch,
Without knowing that loved ones wait on the beach.

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.

TABLE 10 Charitable Donations and Community Investment

Type of Donation	2007	2008	2009	2010[1]	2011
Auckland Seafood Festival Proceeds	–	$26,001	$75,000	$100,000	$80,000
Charitable Donations	$4,890	$33,674	$33,300	$27,713	$72,051
Community Investment	$220,070	$174,761	$225,665	$172,405	$167,168
TOTAL	**$224,960**	**$234,436**	**$333,965**	**$300,118**	**$319,218**

1. We have restated the 2010 data which had included a number of double entries due to a calculation error.

In order to show support to our newest branch, Sanford workers put in a huge effort after the 22 February 2011 earthquake by donating and fund-raising for the Sanford Christchurch Earthquake Appeal. Sanford kicked off the appeal with a donation of $50,000 and, after five months of donations, raffles and Red & Black days, the Sanford Team, along with contributions from marine farmers, raised a total of $18,415 which was then matched dollar for dollar by the Company. This plus Sanford's initial $50,000 donation took the total contributed to the Christchurch disaster relief fund to $86,830. Table 10 includes the Sanford-only contribution of $68,415, under Charitable Donations.

Supporting Kiwi Can

In 2000, Sanford formed an education enhancement partnership with Kaeo Primary School based on the Kiwi Can programme. Now, 11 years on, we are proud to sponsor 40 schools spread from Invercargill at the bottom of the South Island up to Whangaroa in Northland.

Sanford sponsors Kiwi Can schools that are located close to its processing plants, where our staff members send their children or grandchildren. Potentially these children will be Sanford employees of the future, blessed with Kiwi Can attitudes and values.

Our staff and management have benefited from being involved with the Trust and participating in classes run by Kiwi Can.

Sanford has been inspired by stories from parents and the community of the positive effect the Kiwi Can programmes are having on their children's attitudes. The programme promotes a can-do attitude and encourages children to take responsibility for their actions.

More recently, Sanford has been able to increase donations to Kiwi Can through the annual Auckland Seafood Festival, which Sanford runs along with Rotary East Auckland; all profits go to charity. Kiwi Can was a recipient of the proceeds of the 2011 Festival and will continue to be so for the coming festival, held over Auckland Anniversary Weekend 2012.

(From left to right): Judge Charles Blackie (Rotary East Auckland) and Paul La Franchie (Rotary East Auckland) receiving a cheque for $80,000 from Rebecca Zhang (Inshore Accountant) and Shane Walsh (Inshore Manager) from Sanford. The amount was raised from the 2011 Auckland Seafood Festival and is split between Kiwi Can and Project K, the two main recipients of the 2011 Festival

Communities

Sanford team in action helping out at The Great Coromandel Beach Clean-Up as part of our continued sponsorship of Sustainable Coastlines.

The team hard at work

Getting all the rubbish onboard

Supporting the Sustainable Coastlines team

Just enough time for a fish over the mussel lines

Tauranga Business House Clay Bird Shooting Competition: the team made it through to the finals where Keith, Mike and Andrew ensured success by taking out the shoot-off.

The Sanford Sharks – from left: Keith Bayliss, Mike Mercer, Steve Keeves, Andrew Neeves and Paul Davis

Overview and Highlights

Financial Summary

	2011	2010	2009	2008	2007
	$000	$000	$000	$000	$000
Revenue	**463,954**	**421,087**	**433,091**	**436,564**	**367,920**
EBITDA*	**49,244**	**49,057**	**68,366**	**65,874**	**52,197**
Depreciation, amortisation and impairment	(16,255)	(13,754)	(14,892)	(22,359)	(13,635)
EBIT	**32,989**	**35,303**	**53,474**	**43,515**	**38,562**
Net interest	(10,607)	(5,780)	(6,788)	(10,021)	(11,109)
Net currency exchange gains (losses)	10,196	7,836	8,387	5,505	(10,511)
Net gain (loss) on sale of investments, property, plant and equipment	52	409	(35)	29,749	425
Gain on sale of subsidiaries	–	–	–	–	7,528
Profit before income tax	**32,630**	**37,768**	**55,038**	**68,748**	**24,895**
Income tax (expense)	(10,320)	(12,743)	(15,899)	(15,328)	(4,865)
Profit for the year	**22,310**	**25,025**	**39,139**	**53,420**	**20,030**
Non controlling interest	(24)	(21)	(64)	(76)	105
Profit attributable to equity holders of the Group	**22,286**	**25,004**	**39,075**	**53,344**	**20,135**

TABLE 11 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.

Profit for the year totalled $22.3m, down from $25.0m last year. While EBITDA was at a similar level to the previous year, increased depreciation ($2.5m) and interest costs ($4.8m) relating to the Pacifica Seafoods purchase were partially offset by increased foreign exchange gains ($2.4m).

Taking into account the one-off gain of $3.4m included last year for the sale of Emission Trading Scheme units, the result for the current year is similar to last year.

Please refer to the 2011 Annual Report which contains detailed data for the 2010/11 financial year. This report and previously published Annual and Sustainable Development Reports are available on our website at **www.sanford.co.nz**

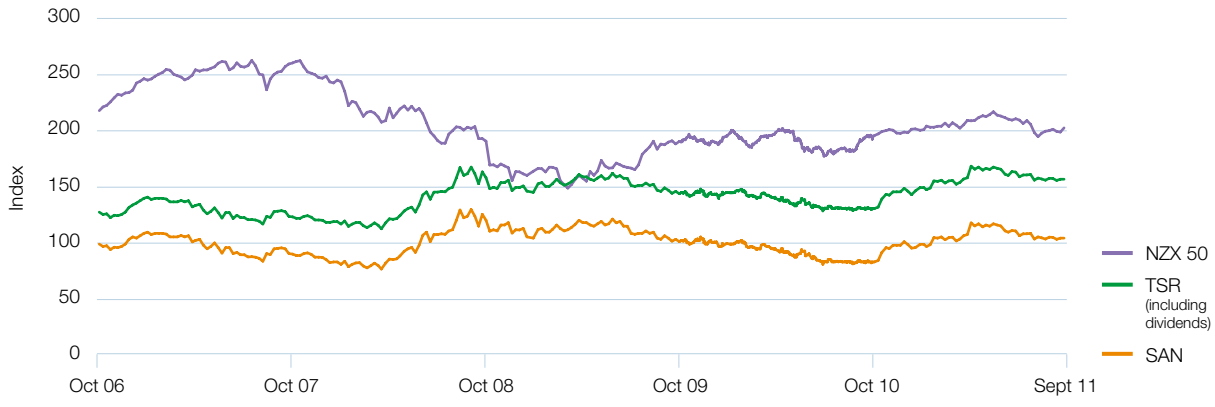


FIGURE 15 Sanford Share Price Performance Relative to NZX 50

Financial Indicators

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 15 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. Dividends of 23 cents per share were paid during the year.

Sanford's share price this year has increased slightly relative to the NZX 50 index even though the continued higher United States dollar (US$) exchange rate has been detrimental to earnings. The effect of the New Zealand dollar averaging the equivalent of US$0.82 for the second six months and US$0.76 for the first six months is approximately $11.0m of lost EBITDA. In comparison with the second six months of last year, when we had an average exchange rate of US$0.71, the difference is even greater at $14.0m of EBITDA.

Figure 16 shows that the Sanford share price generally moves in the opposite direction to the US$ exchange rate. The higher exchange rate results in lower NZ dollar receipts, resulting in a negative effect on earnings and the share price.

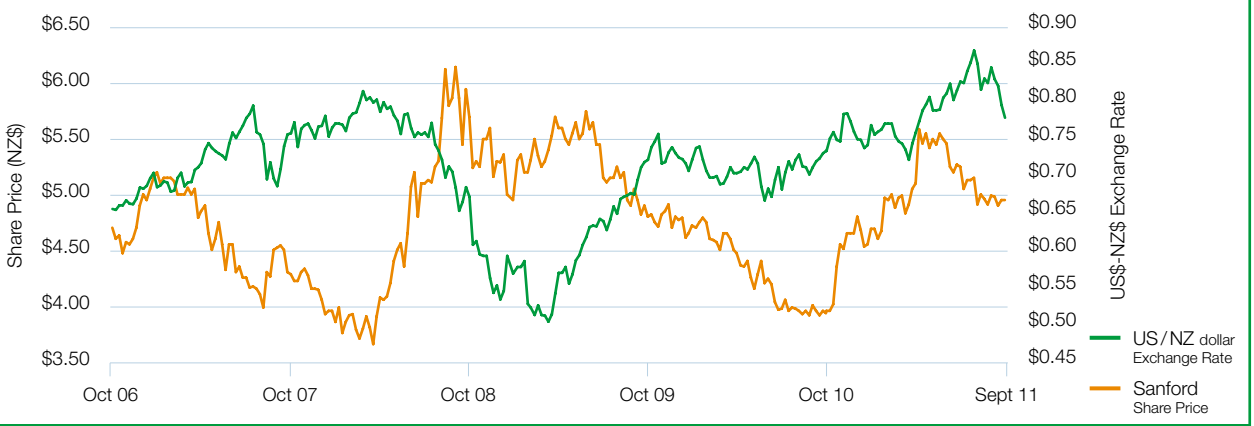


FIGURE 16

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

Tram in the newly developed Wynyard Quarter passing Auckland Fish Market

Economic Sustainability

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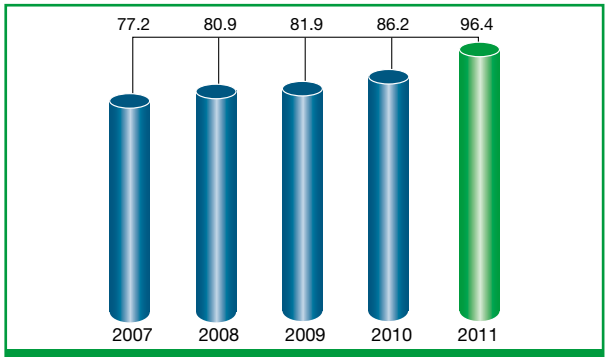
Financial Indicators

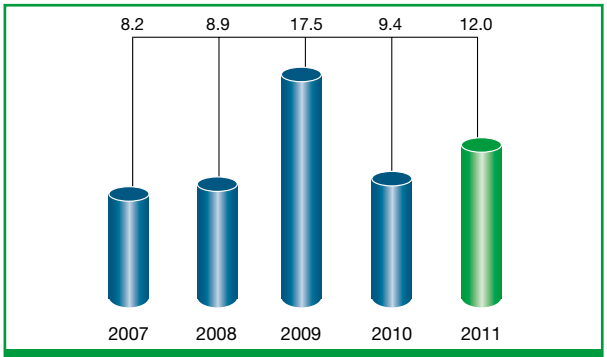
FIGURE 17



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.

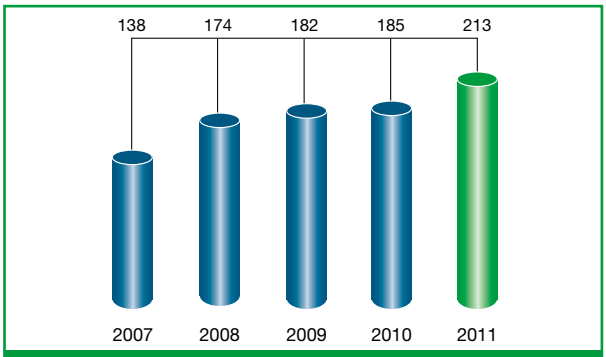
FIGURE 19



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 19.

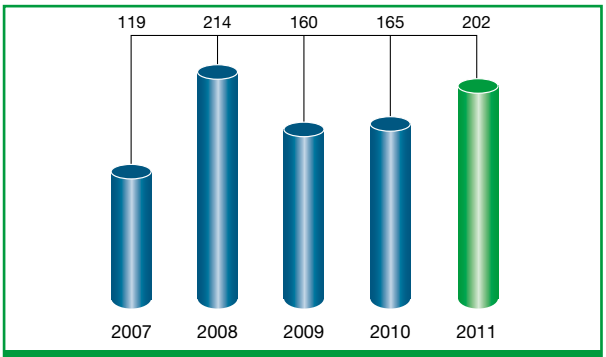
FIGURE 18



New Zealand Domestic Purchases (NZ$m)

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

FIGURE 20



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.

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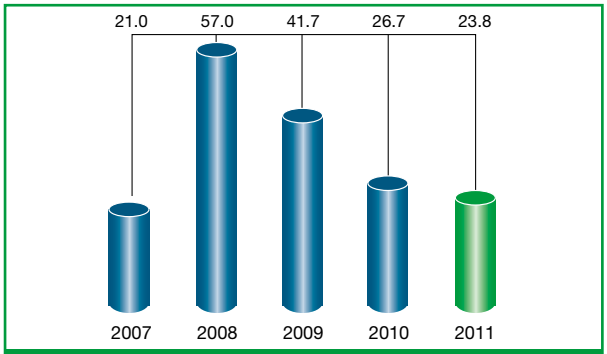
Financial Indicators

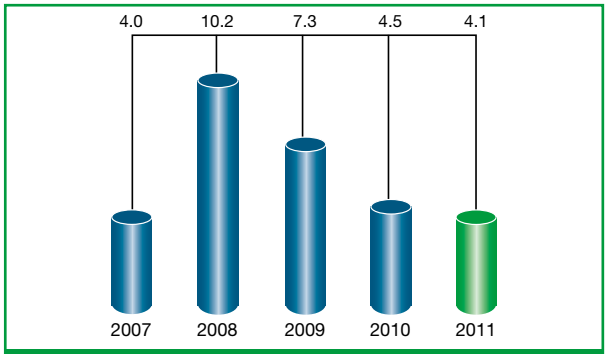
FIGURE 21



Earnings per Share (NZ cents)

The 2008 value includes a one-off gain of 28 cents per share due to the sale of Fishery Products International Limited shares. The 2010 result includes a one-off gain of $3.4m from the sale of Emissions Trading Scheme units. If this is removed then earnings this year would be similar to last year.

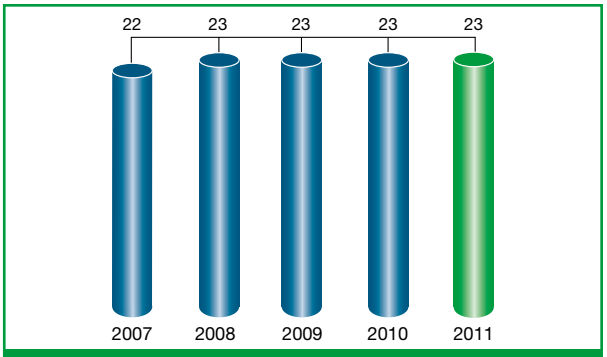
FIGURE 23



Return on Average Total Equity (%)

Lower earnings this year has resulted in a lower return on average total equity.

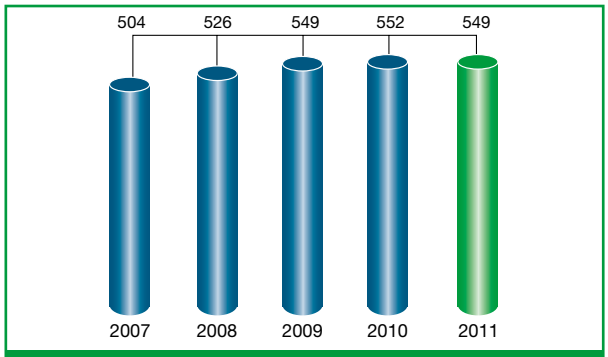
FIGURE 22



Dividend per Share (NZ cents)

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

FIGURE 24



Total Equity (NZ$m)

The dividend payments made to Shareholders, shown in Figure 22, as well as the earnings per share shown in Figure 21, 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 24). The slight decrease in total equity this year is attributable to movements in the foreign currency translation and cash flow hedge reserves.

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Quota Ownership

Entity	Percentage by tonnes 2010	2011
Sanford Limited	23.53	23.44
Pupuri Taonga Limited (Sealord Group Limited)	19.44	19.61
Talley's Group Management Limited	12.65	12.78
Independent Fisheries Holdings Limited	5.96	6.17
KPF Investments Limited (United Fisheries Limited)	4.31	4.47
Vela Quota Number One Limited	3.93	4.15
Te Ohu Kai Moana Trustee Limited	2.83	2.69
Ngai Tahu Fisheries Settlement Limited	2.03	2.05
Aotearoa Fisheries Limited	1.59	1.54
Solander Developments Limited[1]		1.17
New Zealand Government[1]	1.22	
All Others	22.51	21.95
Total	**100.00**	**100.00**

TABLE 12

Top 10 Quota Owners as at 1 October

Source: New Zealand Seafood Industry Council Limited.

1. Comparative figure not shown as not in Top 10.

Sanford again was the largest Annual Catch Entitlement (ACE) owner in 2011. 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. ACE can also be traded within the season.

New Zealand Emissions Trading Scheme

Fishing quota owners received a one-off free allocation of New Zealand units (NZUs) as compensation for rising costs due to the energy sector entering the Emissions Trading Scheme (ETS) on 1 July 2010. As discussed in last years report, Sanford co-ordinated a process to collate our units along with those of other quota owners and tendered these units into the local carbon market.

We were able to collate 62% of the total NZUs allocated to the fishing industry and broker a successful sale by tender. Initially the units were valued at $20.00 each; therefore it was very pleasing to finalise a sale at $20.15.

Supply Chain

Suppliers

We have not been able to continue progress on our Sustainable Procurement Policy due to resources required to assist with the integration of our new Christchurch branch. It is something that we do value and we hope to make forward movement over the coming months. To recap, 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 following:

- Generation of less waste by review of how supplies, materials and equipment are manufactured, purchased, packaged, delivered, used and disposed of

Supply Chain

Suppliers (continued)

- 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 reasonably competitive prices

Support of New Zealand-owned-and-operated companies remains strong with 84% of our top 25 suppliers being New Zealand owned and operated. The purchase of liquid fossil fuel and electricity continues to account for the largest proportion of money spent with suppliers so it was very pleasing to achieve a 2% reduction in liquid fossil fuel usage (Table 1).

The next-largest spend is on seafood raw materials, includes ACE purchases accounting for 24% of spend. The spend on "services" decreased by 7%; these services include contract engineering and ship repair work as well as construction work completed at Havelock during the refit. Industry costs have increased by 17% and are an indication of the significant contribution Sanford makes to management of, and research, into sustainable fishing in New Zealand.

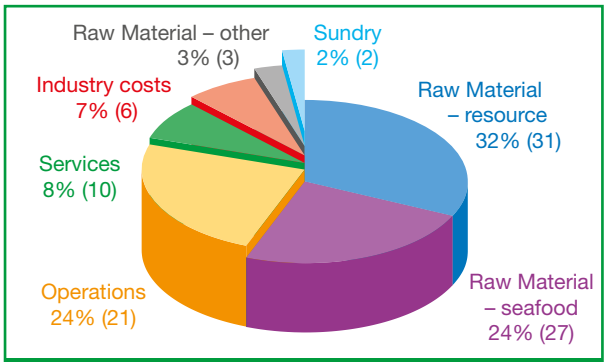
Customers

The loyalty of our long-term customers has continued with a third of our top 200 customers having been with us for over ten years. 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 25) shows an increase in the number of customers in the zero-to-one-year bracket; this is predominantly due to the new customers we acquired with the purchase of the Pacifica Seafoods operations.

In August 2011, our website was upgraded to make it available in four languages other than English; Māori, Japanese, Mandarin and Korean. With the China-New Zealand Free Trade Agreement moving tariffs to zero from 1 January 2012, a decision was made to increase our ability to work with potential Chinese as well as Japanese and Korean customers by making our website and seafood offerings more user-friendly. The inclusion of a Māori translation was to acknowledge our important new relationship with the Iwi Collective Partnership.

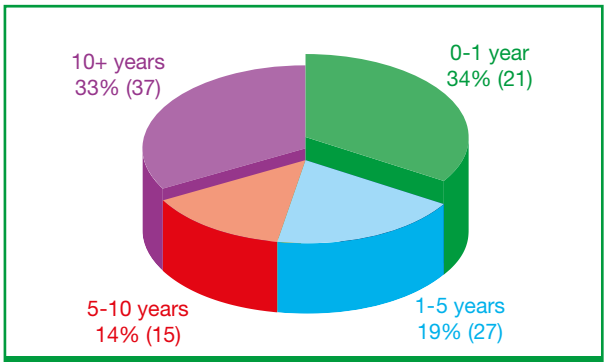
Over the past few years, we have increased our in-house ability to deal with enquiries in these languages, but we expect that the new website will facilitate increased awareness of the best New Zealand seafood available from Sanford.

FIGURE 25



Proportion of Goods Purchased from Top 25 Suppliers 2011 (2010)

FIGURE 26



Length of Customer Relationships 2011 (2010)

Economic Sustainability

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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 in Table 13.

We regularly engage with these groups to build on common goals and understandings and to enable us to improve our business.

Stakeholder Group	How We Engage	Key Issues	How We Respond
Communities (refer page 34)	» Interviews with community representatives » Employee involvement with communities » Tours of facilities » Charitable donations and community projects » Direct engagement on key topics	» Sustainability of local fish stocks » Health of the harbour and its suitability for recreational activities including fishing » Employment rates » Sanford's contribution to the economy and sustainable development of the region	» Being a responsible employer and corporate citizen » Charitable donations and community investment such as Kiwi Can and Take a Kid Fishing » Community activities such as the Auckland Seafood Festival » Involvement with Rotary (Auckland East) » Environmental Management Systems » Compliance with all resource consents and the Quota Management System » Assistance with providing training for emergency services
Shareholders and Investors	» Annual Meeting » Feedback form included in the Annual and Sustainable Development Reports (refer page 47) » Investor presentations throughout the year	» Financial returns » Creation of shareholder value » Overall sustainability of the business » Future outlook and challenges	» Always striving to create shareholder value » Production of Annual and Sustainable Development Reports
Employees and Share-fishermen (refer page 28)	» Sanford intranet » Staff newsletters » Noticeboards » Negotiations with unions » Regular team meetings and committees, i.e. production, health and safety, environmental systems management » Daily working relationships	» Competitive pay rates » Working conditions and work/life balance » Employee equity » Benefits such as superannuation and KiwiSaver » Continual training opportunities	» Being an equal opportunities employer » Offering employee benefits and flexible working options where appropriate » Increased emphasis on health and safety » Union negotiation
Unions	» Annual negotiations » Involvement in health and safety and environmental committees	» Employment and remuneration » Health and safety of employees (refer page 30)	» Being a responsible employer » Increased emphasis on staff health and safety
Customers (refer page 41)	» Everyday engagement through liaison with our marketing team » Attendance at seafood buyer forums and expos » Direct engagement on key topics of interest	» Quality of the product » Labelling of product » Competitive pricing » Steady supply » Environmental standards	» Rigorous quality programme » Planning of harvests pre-season in line with the TACC » Providing MSC-certified products – www.msc.org

TABLE 13 Stakeholder Engagement

Stakeholders

Stakeholder Group	How We Engage	Key Issues	How We Respond
Suppliers (refer page 40)	» Through those who make procurement decisions » Direct engagement on key topics of interest	» Environmental footprint, in particular waste management and packaging » Customer satisfaction » Logistics and fuel efficiency	» Communicating our requirements with suppliers
Tangata Whenua	» Through our relationship with the Iwi Collective Partnership (refer page 7) » Share-farming arrangements with Māori in our Northern aquaculture operations » Inviting local iwi to significant events such as the Blessing of the Fleet	» Cultural value of kaimoana » Recognition of traditional fishing grounds and areas of significance to Māori » Importance of Māori stewardship of marine resources and involvement in coastal and marine management	» Sharing a desire to sustainably and responsibly manage marine resources and recognising the rights and customs of Māori » Being respectful of tikanga when dealing with Māori-owned organisations
Industry (refer page 21)	» Through our involvement with SeaFic and Commercial Stakeholder Organisations (CSO) » Staff members in their everyday interactions as well as informal and formal meetings and attendance at conferences » Seafood Industry Training Organisation (SITO)	» Sustainable fisheries management » Property protection » Access protection » Shared fisheries » Resource management, particularly fuel efficiency » Aquaculture Management Areas (AMAs)	» Involvement with submissions » Mitigation of by-catch including involvement with Southern Seabird Solutions » Monitoring fuel use and maximising efficiency of voyages » Benthic Protection Areas (BPAs) support
Non-Government Organisations (NGOs)	» Meetings and working groups » Training sessions and seminars » Direct engagement on key topics of interest	» Ecosystem effects of fisheries » Impacts of bottom trawling » By-catch of birds and mammals » Fuel efficiency » Environmental certification	» Mitigation of by-catch including involvement in Southern Seabird Solutions » Monitoring and management of fuel consumption » MSC certification of fisheries
Government	» Meetings, working groups and conferences » Direct engagement on key topics of interest	» Sustainable fisheries management » Property protection and access » Aquaculture Management Areas (AMAs) » Co-operation between government, NGOs and industry » Protected species management and by-catch mitigation » Ecosystem effects of fisheries » Impacts of bottom trawling » Fuel efficiency » Environmental certification of fisheries » Proposed plan change to the Western Reclamation (Auckland)	» Mitigation of by-catch including involvement in Southern Seabird Solutions » Regular engagement of Sanford executives with Ministry of Fisheries and other relevant organisations » Monitoring fuel use and maximising efficiency of voyages » MSC certification of fisheries » Regular engagement with local government on planning issues, e.g. the Auckland Waterfront Development

TABLE 13

Stakeholder Engagement

Auckland Seafood School

The Auckland Seafood School has continued to grow and is increasingly being utilised as an excellent venue to hire. The School has had product and cookbook launches, product demonstrations, cooking competitions, drinks during New Zealand Fashion Week and heaps more!

The Seafood School was used for an event by the New Zealand Pork Board to highlight the humble pig and the various cuts of pork available.

Seafood Retailing and Processing training has had a slow start in 2011 while industry funding providers have been going through a restructuring process, we are looking forward to many exciting options being pursued for 2012.

The School has completed some training throughout the year which has been incredibly successful (due to our high standard of trainers). This has introduced training and qualifications to some industry staff who never had the confidence to study, let alone reach for a qualification. It is these people especially that makes the training such a pleasure.

We have had some great "guest" chefs taking classes throughout the year alongside our fabulous core group of chefs. We will continue working with these great chefs plus look at introducing more restaurant executive chefs to our mix.

Some of the guest chefs included:

- Tetsuya Wakuda, Sydney-based International chef
- Annabel Langbein, the Free Range Cook
- Ray McVinnie, MasterChef New Zealand Judge
- Peta Mathias, New Zealand chef, author and broadcaster
- Mark Harman, Head chef at Dine by Peter Gordon
- Annabel White, Celebrity chef
- Geoff Scott, Vinnies, Auckland
- Marco Edwardes, Te Whau vineyard, Waiheke

The School will of course continue to encourage everyone to incorporate seafood into their weekly menu planning via our Pick of NZ and Catch of the Day classes, plus trying unfamiliar species. The School also spreads the word about how the New Zealand Quota Management System is rated one of the best in the world.

Follow the Auckland Seafood School on Facebook or check out updates at www.afm.co.nz

David Porter of Harmony preparing to show cuts of pork

Simple grilled leatherjacket, a recipe from the New Zealand Seafood cookbook

Sydney chef, Tetsuya Wakuda in action

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Assurance Statement

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Tonkin & Taylor

Tonkin & Taylor Ltd (T&T) was engaged to provide stakeholders with a reasonable level of independent assurance of the 2011 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 2011 Annual Report.

Our method

We assessed the SDR content against the relevant Global Reporting Initiative (GRI G3.1) 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 discussed stakeholder feedback on the 2010 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 G3.1 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

The fishing industry continues to present environmental challenges, some of which are contentious, including managing marine resources, protecting the marine environment, and responding to the influences of nature. These environmental challenges also have social and economic implications and this is reflected in Sanford's reporting. Sanford's new management structure provides three central points of contact and should help to coordinate responses to these challenges and strengthen the sustainability context message across the company.

Sanford has made significant efforts in 2011 to reduce costs and GHG emissions by improving fossil fuel and electricity use and has met more of its eco-efficiency targets this year compared to last year. Sanford has also started to reference information in the SDR which is relevant to more than one section, as a timely step towards more integrated reporting.

Information presented in the SDR about Pacifica Seafoods and the Iwi Collective Partnership shows Sanford's commitment to growing a sustainable business while considering the social and community impacts of its operations.

For the future

Increasing cross references between report sections and impacts will lead to a more informative SDR and highlight the scale and relevance of issues for stakeholders. As signalled in the SDR, we look forward to reading in future reports about targets for the Australian operations, improving quality of trade waste from Timaru, the outcome of sentencing for the oil spill in Timaru Harbour, MSC certifications, an update on the Human Rights Commission decision for the Kaeo branch, and implementation of the Sustainable Procurement Policy. Sanford plans to continue its focus on improved engagement with stakeholders in 2012, particularly internal stakeholders.

Our conclusions

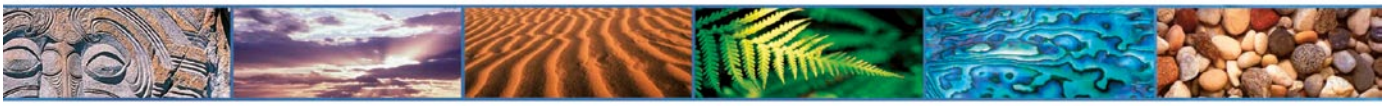
On the basis of our work, we conclude that Sanford's 2011 SDR is balanced, reliable, complete, relevant to stakeholders, clear, and covers key material issues accurately. The SDR meets the GRI G3.1 requirements for a C+ level of reporting.

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.

Sandra O'Brien-Kelly
Assessor

Marje Russ
Director

7 December 2011



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SANFORD LIMITED
SUSTAINABLE SEAFOOD

Glossary of Terms

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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.

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 eco-systems 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 percentage 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.

EBIT
Earnings before interest and taxation.

EBITDA
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.

Exclusive Economic Zone (EEZ)
The EEZ comprises 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.

Greenhouse Gas Emission (GHG)
A greenhouse gas (sometimes abbreviated to GHG) is a gas in an atmosphere that absorbs and emits radiation within the thermal infrared range. This process is the fundamental cause of what is known as the greenhouse effect.

Individual Transferable Quota (ITQ)
ITQ is the fundamental proportional property in any commercial fishery in the QMS and generates ACE each year. ITQ rights are maintained in a public register, are tradeable 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.

Iwi Collective Partnership (ICP)
The ICP is a formally constituted body of 12 North Island iwi who have pooled their quota and in respect to their deepwater ACE, have formally agreed to engage with Sanford over its use.

Lost-time injury frequency rate (LTIFR)
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.

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)/Ministry of Agriculture and Forestry (MAF)
MFish/MAF 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. This organisation was formerly MFish (and this abbreviation is still used) and was merged with the Ministry of Agriculture and Forestry in July 2011.

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

New Zealand Emissions Trading Scheme (NZ ETS)
The NZ ETS is designed to support efforts to reduce GHG emissions in New Zealand and was announced by the Government in September 2007. The NZ ETS design elements include the issuance of New Zealand units and the operation of an electronic register for recording and trading the New Zealand units.

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.

Quota Management System (QMS)
The QMS is the framework for the management of the main commercial fisheries in the NZ EEZ.

Southern Seabird Solutions Trust
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.

Western and Central Pacific Fisheries Commission (WCPFC)
The WCPFC comprises 25 members along with 7 participating territories that have established a commission for the conservation and management of highly migratory fish stocks in the Western and Central Pacific Ocean.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Sanford welcomes your comments on our 2011 Annual and Sustainable Development reports

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 or you can fax to +64 9 309 1190, or email to **info@sanford.co.nz**.

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	Annual Report			Sustainable Development Report		
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Clarity of information	☐ Excellent	☐ Good	☐ Poor	☐ Excellent	☐ Good	☐ Poor
Clarity of figures/tables	☐ Excellent	☐ Good	☐ Poor	☐ Excellent	☐ Good	☐ Poor
Credibility	☐ Excellent	☐ Good	☐ Poor	☐ Excellent	☐ Good	☐ Poor

Comments:

2) Which section appealed to you most and why?

3) How did you access the Annual Report? ☐ Printed ☐ Website

4) How did you access the Sustainable Development Report? ☐ Printed ☐ Website

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

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Management Directory

E F Barratt	*Managing Director*
V M Hunt	*Executive Assistant*

Finance and Administration

D C McIntosh	*General Manager*
G L McNamara	*Company Secretary/Quota Manager*
D J Evans	*Accounting & Systems Manager*
A M Penfold	*Environmental & Sustainability Manager*

Marketing and Development

V H Wilkinson	*General Manager*
A C Stanley	*Product Development Manager*
K M Thompson	*Quality Manager*

Marketing

V B Anderson	*Market Manager Australia*
G J Burke	*Market Manager Europe*
P B Cox	*Market Manager Americas*
M J Comber	*Market Manager Asia*
S Kirschberg	*Market Manager Fresh Chilled & Oceania*
D K Cawdron	*Logistics Manager*
D A Stewart	*Shipping Co-ordinator*

Australia Seafood Segment

T B Birdsall	*International Fishing Manager*
A E Nicholls	*Australia, General Manager*

New Zealand Seafood Segment

G L Johansson	*General Manager Operations*
A E Undorf-Lay	*Industry Liaison Manager*

Inshore Fishing and Processing

S L Walsh	*Manager*
R S Zhang	*Accountant*

Auckland

M J Sprague	*Auckland Fish Market Manager*
J M Cooper	*Auckland Seafood School Manager*
J H Fitzgerald	*Vessel Manager*
M E Hall	*Production Manager*
B D Stubbs	*Services Manager*

Tauranga

S D Keeves	*Manager*
D C Cowdrey	*Fleet Supervisor*
D N Anderson	*ECS Coldstores Manager*

Timaru

B J Keelty	*Manager*
J W Routhan	*Processing Manager*
S Brown	*San Won Limited Manager*

Deepwater Fishing

D J Shaw	*Manager*
J P Martyn	*Accountant*
S C Coles	*Charter Manager*
A D Adamson	*Quota Manager*
S Collier	*Freezer Vessel Manager*
S J Gibb	*Freezer Vessel Manager*
L A Cowan	*Freezer Vessel Manager*
M T Harvey	*Freezer Vessel Manager*
D V Jurasovich	*Freezer Vessel Manager*
D M Craig	*Engineering Manager*

New Zealand Operations

Aquaculture

E J Culley	*Manager*
B W Champion	*Accountant*

Havelock

W R MacDonald	*Manager*
S J Gibb	*Factory Manager*
P McCaffrey	*Branch Engineer*
S S Dyer	*Plant Engineer*

Havelock Farming

Z Charman	*Farming Operations Manager*
G J Bateman	*Harvesting Manager*
D Herbert	*Seed & Spat Manager*
D A Condon	*Contracting & Farm Support Manager*

Christchurch

T J Denley	*Manager*
G D Boyd	*Factory Manager*
M K Stark	*Engineering Manager*

Coromandel

J C Barr	*Marine Farm Manager*

Bluff

T M Foggo	*Manager*
W J Crighton	*Assistant Manager*
S Ramsay	*Fish Factory Manager*
R Goodman	*Operations Manager*
N W Smith	*Salmon Portioning Factory Manager*
A R MacDonald	*Salmon Farm Manager*
P M Buxton	*Hatchery Manager*

Kaeo

P J Harris	*Manager*
E F Malpott	*Farm Manager*

International Purse Seiners

M C de Beer	*Pacific Tuna Manager*

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