



Sustainable Development Report **2012**

FROM SEA TO FOOD
Over 100 years of sustained growth

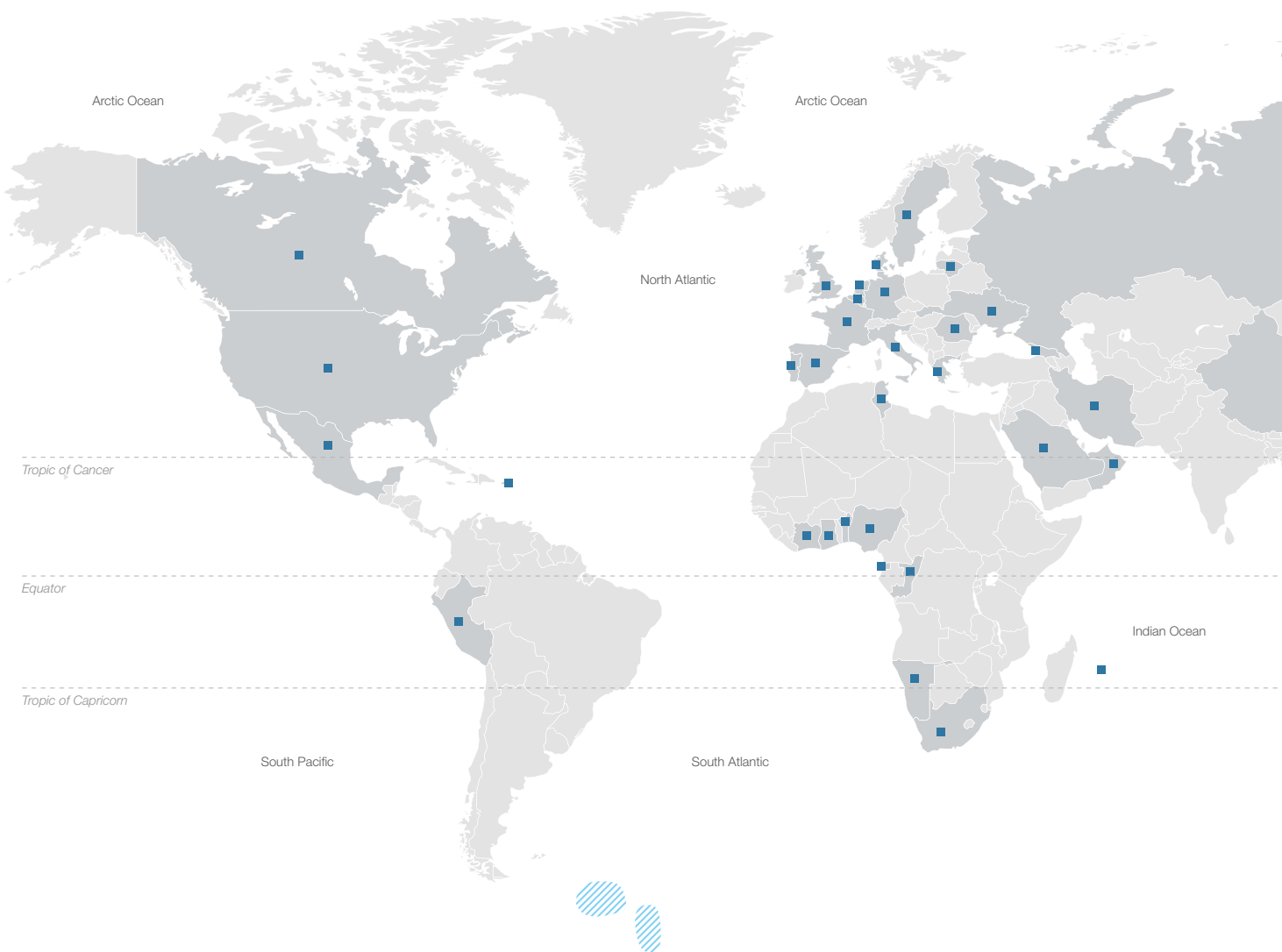


SANFORD LIMITED
SUSTAINABLE SEAFOOD



Introducing Sanford

Sanford is pleased to publish its 13th annual Sustainable Development Report, a testament to the company motto, 'Sustainable Seafood'. As a fishing company we have a total reliance on natural resources, so it is paramount to the Company that these resources are sustainably managed and maintained, in terms of both quantity and quality, now and for future generations.



Established in 1881 and listed as a public company in 1924, Sanford Limited is New Zealand's oldest continually listed company. Owing 23.4% of New Zealand's annual catch entitlement (ACE), we are also the nation's largest seafood company. We are involved in the catching, processing and exporting of high-quality fish and aquaculture products.

We have seven branches spread throughout New Zealand: Auckland, Bluff, Christchurch, Coromandel, Havelock, Tauranga and Timaru, each specialising in

a different type of processing. We also own and operate the Melbourne Fish Market (Australia) as well as their vessel. Additional to these 100% owned entities; we have a 50% share in a fish processing plant in China. Our operations are represented on this map.

Although Sanford predominately fishes in New Zealand waters, we also have vessels operating in the Pacific, the waters around South Australia and at times in the South Atlantic and Southern Oceans, as portrayed by the blue shaded areas.

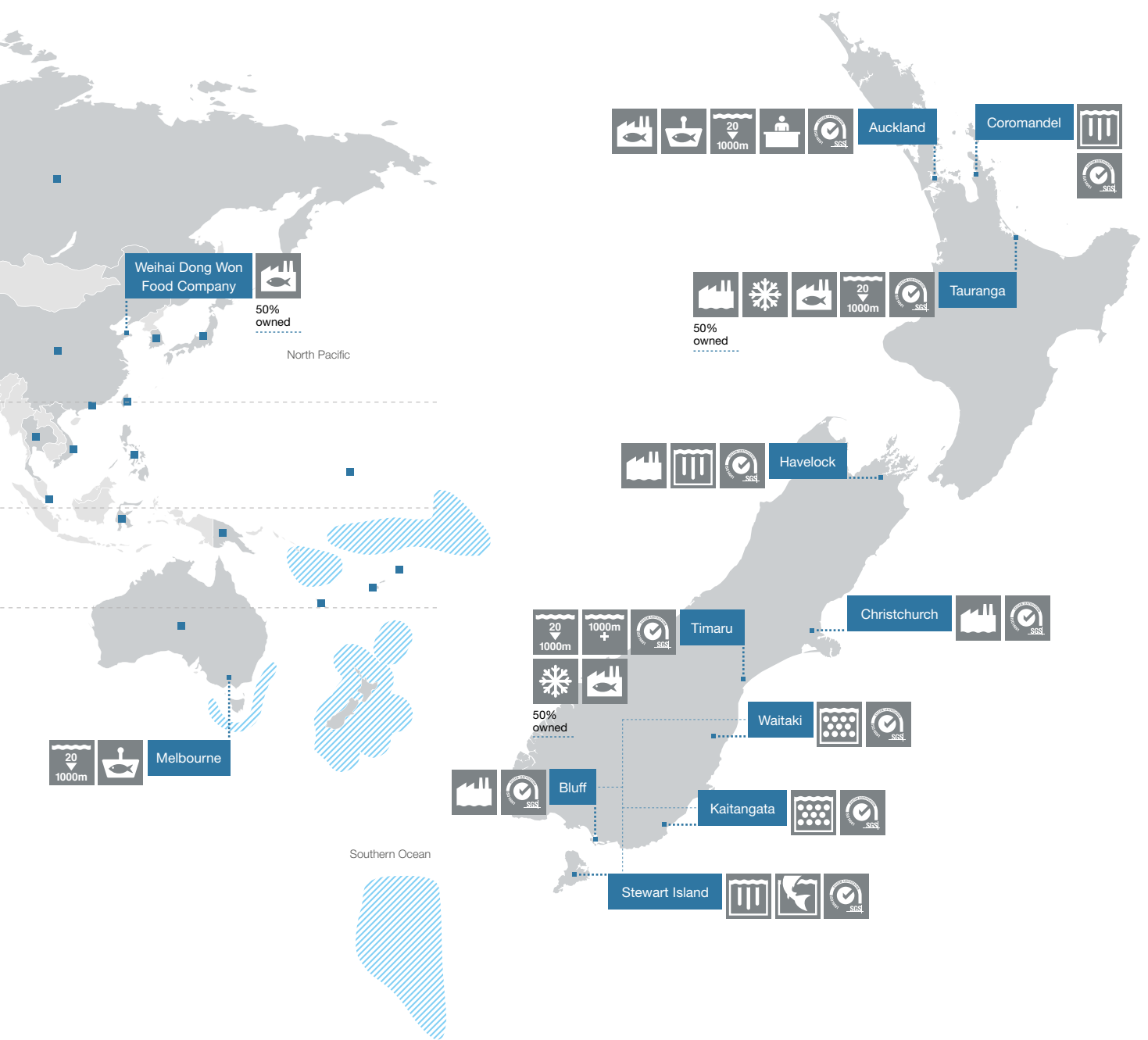
As 84% of our product is exported, we have indicated on the map the top 50 countries we export to.

We seek to act responsibly in all our operations according to national and international best practice; however, we don't always get it right. This year, we have faced a number of challenges, some of which have impacted the Company considerably. Through addressing these challenges, Sanford has grown as a company, both in terms of environmental protection practices and social responsibility awareness.



Key

- Fish Factory
- Fish Market
- Aquaculture Factory
- Mussel Farms
- Salmon Farms
- Inshore Fishing
- Deepwater Fishing
- Head Office
- Salmon Hatchery
- ISO 14001 certified
- Cold Store
- Fishing Areas
- Top 50 Export Countries



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Managing Director's Review



ERIC BARRATT
MANAGING DIRECTOR

“We believe that transparency is a fundamental component of any successful company and this is why we seek to openly report our movements, both forward and backwards, to our stakeholders.”

Sustainability plays a significant role in Sanford's values, goals and operations. For this reason, it is important to us that we acknowledge its existence and its magnitude through producing this report annually. This, our 13th Sustainable Development Report, is aimed at recognising our environmental, social and economic achievements, challenges, lessons and development over the last 12 months. At Sanford, we believe that transparency is a fundamental component of any successful company and this is why we seek to openly report our movements, both forward and backwards, to our stakeholders.

During the last 12 months, one of our key focuses has been the building and strengthening of partnerships. Our ever-strengthening relationship with the Iwi Collective Partnership (ICP) has been at the forefront of this with an equal commitment to maintaining sustainable seafood (page 42). We were honoured to be the first New Zealand company to join the World Ocean Council (WOC) (page 43), a global alliance of the multi-sectoral ocean business community working towards a healthy, productive and sustainable global ocean. Another partnership that has strengthened through the year has been that with our foreign charter vessel partners, Dong Won Fisheries Company Limited and Juahm Industries Company Limited, who both operate from our Timaru deepwater offices (page 28).

Not all our movements this year have been positive as we have been faced with many challenges, some of which relate to Sanford's core values particularly around sustainability, respect for the environment and the trust our stakeholders put in us. However, our values ensure that, even when we face difficulties, our focus is on how we can put things right, do better, learn and grow.

The key challenge has been dealing with the accusations made against one of our Pacific tuna vessels, the San Nikunau. Criminal charges were filed in January 2012, in the United States of America, alleging that Sanford was vicariously liable for the failure of certain engine-room crew members to properly maintain the vessel's Oil Record Book in connection with the management of oily wastes aboard the vessel. Though this case is still going through the United States court system, we have learnt from this experience and have taken the opportunity to strengthen our environmental systems company-wide (page 30).

Now in the new fishing and financial year, we are putting these issues behind us and looking forward with optimism, to a more focused business. We have exited the Pacific oyster business and our aquaculture activities are now clearly focused on Greenshell™ mussels and salmon. The recent settlement of the North Island Mussels Limited acquisition (page 22) means that our North Island mussel business is now a larger jointly owned business with Sealord.

While exchange rates continue to be a challenge, we are confident that we will see improvements in our business as international markets stabilise, and demand continues to grow for some of the world's finest fresh and frozen seafood responsibly farmed and harvested by Sanford.

Eric Barratt
Managing Director
7 December 2012



About this Report and Reporting Scope

This report details Sanford's environmental, social and economic sustainability performance from 1 October 2011 to 30 September 2012.

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. In principle, this report covers all Sanford-owned operations unless otherwise expressed. 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.

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 environmental management system (EMS), in conjunction with the Sustainability Policy, requires each branch to set key environmental performance indicators, measure progress and report back to operational managers.

The targets set at branch level are used to create the Company's 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 choose to follow the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines for content, namely: Materiality, Stakeholder Inclusiveness,

Completeness and Sustainability. The GRI is a comprehensive sustainability reporting framework that is recognised globally. The framework enables us to better measure and report our economic, environmental, social and governance performance against an international tool and allows for improved benchmarking across reporting companies. More information on the GRI is available from www.globalreporting.org.

We have engaged KPMG to externally verify and provide independent assurance of this report. This year, we achieved GRI Application Level B+. The assurance statement can be found on page 44. The GRI index table is available as a supplementary document to this report on our website www.sanford.co.nz. This table references our 2012 Annual Report as well as this report.

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 a range of stakeholders to assure us that we have covered the material issues.

The report is subsequently signed off by our Managing Director, Eric Barratt.

Each year, we provide a feedback form for our stakeholders to use 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.

Further information on our financial performance can be found in our 2012 Annual Report available at www.sanford.co.nz.



Auckland Seafood Festival, 2012.

This year, we have rearranged the layout of the report in order to represent a start-to-finish business model. We have done this so stakeholders are able to achieve a greater understanding of our business cycle. Through reporting on Our Resources, Our Operations, Our Impacts and Our Outputs (refer Figure 1) it has been possible to clearly show the processes and operations at Sanford.



Our Business System

Vision: Being a Sustainable Seafood Business

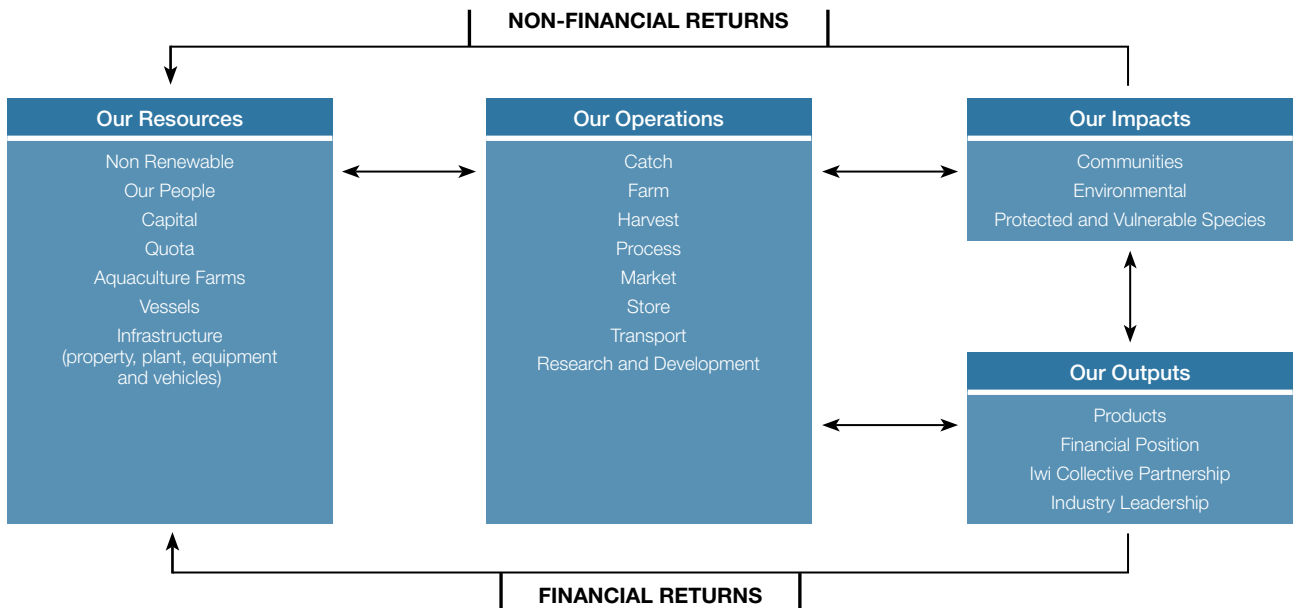


Figure 1: Business System

As depicted in Figure 1, Sanford’s business occurs in a cyclic fashion. We rely on staff to carry out operations, operations are essential to provide revenue, and revenue is required to pay staff. Though these are the fundamental processes for any successful business, we pride ourselves on not only being successful, but sustainable also; this means that Sanford’s cyclic operations are not limited just to people, operations and finances. In all areas of Sanford’s operations, sustainability plays a key role.

Through conducting and assisting with research, we are able to gain a more-comprehensive understanding of available resources, allowing us to ensure we continue to fish in a sustainable manner. Essentially, everything we do has a flow-on effect, which is why we pride ourselves on being as sustainable as possible – a necessity for the success of our business system.



Sustainability Policy

This policy, along with 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 its 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's ecosystem. The New Zealand Aquaculture Strategy, developed by the New Zealand Aquaculture Council and endorsed by the New Zealand Government, is a principal document for ensuring the sustainable management of aquaculture interests. As part of this industry, Sanford believes in promoting New Zealand's aquaculture industry and in protecting the associated ecosystems. Sanford's sustainability policy encompasses activities that are wholly owned and operated by the Company. In those operations in which Sanford has partial influence, through percentage stake or management collaboration, we aim to operate according to this policy.

Sanford aims to deliver sustainability through:

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

- considering all aspects of sustainability in our business planning and operations, including achieving a reasonable balance between conflicting demands
- endorsing and complying with relevant legislation, regulations, codes of practice and other voluntary requirements to which we subscribe, and maintaining good working relationships with administering agencies
- engaging with key stakeholders about our strategic intent and performance
- improving our performance by establishing appropriate objectives and targets, completing regular audits and reviews 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-work, positive work/life balance, and job satisfaction
- ensuring that staff members 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



Key Performance Indicators

	Unit	2008	2009	2010	2011	2012
Production						
Onshore production ¹	tonnes	48,100	48,272	49,500	61,706	66,586
Fishmeal and oil produced ²	tonnes	1,080	3,768	5,192	4,437	4,631
Frozen-at-sea product ³	tonnes	35,184	34,409	28,168	30,677	26,282
Environmental						
Electricity consumed ⁴	kWhrs	24,491,708	25,911,076	29,365,399	31,883,212*	31,506,180
Water used ⁴	m ³	713,001	757,472	771,960	1,062,487	1,136,290
Solid waste produced ⁴	m ³	3,148	2,143	3,747	7,424*	4,641
Coal consumed	kg	502,340	560,420	553,700	492,020	398,691
Liquid fossil fuels consumed ^{4, 5}	litres	28,032,781	27,054,288	26,362,099	25,733,866	25,883,957
Greenhouse Gas Emissions (CO ₂ -e)	tonnes	83,910	82,554	96,222 [^]	83,981 [^]	81,610
Lube oil used	litres	123,187	105,307	95,874	103,643	127,226
Social						
Land-based employees ⁶		1,147	1,137	1,055	1,401	1,184
Vessel crew		360	437	471	448	472
Lost-time injury frequency rate ^{7, 8}				14*	15*	8
Number of ACC claims accepted ⁷				147	205	173
Average age of employees	years	41.1	43.2	43.0	39.6	40.3
Average length of service	years	5.2	6.1	7.1	5.1	6.0
Economic						
Revenue	\$000	436,564	433,091	421,087	463,954	459,957
Profit (after tax) for the year	\$000	53,344	39,075	25,004	22,286	20,842
Return on average total equity	%	10.2	7.3	4.5	4.1	3.8
New Zealand domestic purchases	\$000	174,000	182,000	185,000	213,000	212,000
Dividend per share	cents	23	23	23	23	23
Earnings per share	cents	57.0	41.7	26.7	23.8	22.3
Charitable donations and community investment	\$000	223.9	319.0	300.1	319.2	157.7
Business						
New Zealand quota share	%	24.80	23.58	23.53	23.44	23.43
Export sales	tonnes	89,682	69,725	88,593*	83,956*	82,044
Local sales	tonnes	12,986	15,689	9,959*	12,672*	12,920
Vessels owned		46	51	47	54	52
TEU ⁹ containers shipped		3,585	3,823	3,784	4,959	5,285

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, Pacific tuna and Australia vessels.
4. Includes China and Australia.
5. Liquid fossil fuels includes diesel and light fuel oil from 2010 onwards.
6. Includes permanent, seasonal and casual employees.
7. Prior years' data were not recorded.
8. Number of lost-time injuries per million hours worked.
9. TEU – twenty-foot equivalent units – export containers.

* Was incorrectly reported and has been restated.

[^] Greenhouse Gas Emissions for 2010 and 2011 have changed due to the use of updated emission factors.

The data from Pacifica Seafoods is included from December 2010. Further details on these indicators are included in this report.



Stakeholder Engagement

Stakeholder engagement is an important way in which to gain an understanding of the material issues as well as an opportunity to strengthen relationships. Key stakeholders are identified as those on whom our business has a direct or indirect impact, and those who have an impact on us. An outline of how we engage with stakeholder groups and respond to some of their key interests can be found in the table below.

Determining the areas of key interest to our stakeholders is a tool we used to make decisions on the content of this report. Material issues are those that attract significant stakeholder interest and have the potential to impact our economic, environmental or social performance.

Stakeholder Group	How We Engage	Key Interests	How We Respond
Communities	<ul style="list-style-type: none"> – Direct engagement on key topics – Employee involvement with communities – Tours of facilities – Charitable donations and community projects 	<ul style="list-style-type: none"> ↑ Sustainability of local fish stocks and the suitability of the harbour for recreational activities ↑ By-catch mitigation ↑ Ross Sea fishing ➤ Employment rates ➤ Corporate social responsibility ➤ Sanford's contribution to the economy and sustainable development of the region 	<ul style="list-style-type: none"> – 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 – Environmental management systems – Compliance with all resource consents and the Quota Management System (QMS) – Assistance with providing training for emergency services – Sustainable Development Report
Shareholders and Investors	<ul style="list-style-type: none"> – Annual Meeting – Feedback form included in the Annual and Sustainable Development Reports – Investor presentations throughout the year 	<ul style="list-style-type: none"> ↑ Financial returns ↑ Creation of shareholder value ➤ Corporate social responsibility ➤ San Nikunau court case ➤ Future outlook and challenges 	<ul style="list-style-type: none"> – Always striving to create shareholder value – Production of Annual and Sustainable Development Reports – Continual disclosure statements – Sanford website – 'Sanford Facts'
Employees and Crew	<ul style="list-style-type: none"> – Negotiations with unions – Regular team meetings and committees, i.e. production, health and safety, environmental management – Daily working relationships 	<ul style="list-style-type: none"> ↑ Competitive pay rates ↑ Workplace health and safety ↑ Employee equity ➤ Continual training opportunities ➤ San Nikunau court case ➤ Foreign Charter Vessels ➤ Work/life balance ➤ Benefits such as superannuation, health insurances and KiwiSaver 	<ul style="list-style-type: none"> – Being an equal-opportunities employer – Offering employee benefits and flexible working options where appropriate – Increased emphasis on health and safety – Union negotiation – Sanford intranet – Staff newsletters – Notice boards – Sustainable Development Report – Sanford website – 'Sanford Facts'
Unions	<ul style="list-style-type: none"> – Annual negotiations – Involvement in health and safety and environmental committees 	<ul style="list-style-type: none"> ↑ Workplace health and safety ➤ Employment and remuneration 	<ul style="list-style-type: none"> – Being a responsible employer – Increased emphasis on workplace health and safety
Customers	<ul style="list-style-type: none"> – Direct engagement over everyday matters and key topics of interests – Attendance at seafood buyer forums, expos and conferences – Direct engagement on key topics of interest 	<ul style="list-style-type: none"> ↑ Safety of the product ↑ Quality of the product ↑ Labelling of the product ↑ Competitive pricing ↑ Foreign Charter Vessels ↑ San Nikunau court case ➤ Steady supply of product ➤ Environmental standards ➤ Corporate social responsibility 	<ul style="list-style-type: none"> – Rigorous quality programme – Catch plans – Providing Marine Stewardship Council (MSC) certified products – www.msc.org
Suppliers	<ul style="list-style-type: none"> – Through those who make procurement decisions – Direct engagement on key topics of interest 	<ul style="list-style-type: none"> ↑ Safety of the product ↑ Quality of the product ↑ Competitive pricing ↑ Steady supply ➤ Customer satisfaction ➤ Environmental standards ➤ Corporate social responsibility 	<ul style="list-style-type: none"> – Communicating our requirements with suppliers



Stakeholder Group	How We Engage	Key Interests	How We Respond
Tangata Whenua	<ul style="list-style-type: none"> – Through our relationship with the Iwi Collective Partnership (refer page 42) – Inviting local iwi to significant events such as the Blessing of the Fleet 	<ul style="list-style-type: none"> High Cultural value of kaimoana (seafood) High Recognition of traditional fishing grounds and areas of significance to Maori High Importance of kaitiakitanga (stewardship) of marine resources and involvement in coastal and marine management High San Nikunau court case High Foreign Charter Vessels Medium Employment rate 	<ul style="list-style-type: none"> – Sharing a desire to sustainably and responsibly manage marine resources and recognising the rights and customs of Maori – Being respectful of tikanga when dealing with Maori-owned organisations – Iwi Collective Partnership and Sanford Scholarship Programme
Industry	<ul style="list-style-type: none"> – Through our involvement with Seafood New Zealand, Sector Representative Entities (SREs) and Commercial Stakeholder Organisations (CSOs) – Direct engagement on key topics of interest 	<ul style="list-style-type: none"> High Sustainable fisheries management (QMS) High Foreign Charter Vessels High Ross Sea fishing High Research opportunities High By-catch mitigation 	<ul style="list-style-type: none"> – Involvement with submissions – Mitigation of by-catch including involvement with Southern Seabird Solutions – Benthic Protection Areas (BPAs) support – Implementation of a new system for management of Foreign Charter Vessel crew following investigation and social audit
Non-Government Organisations (NGOs)	<ul style="list-style-type: none"> – Meetings and working groups – Training sessions and seminars – Direct engagement on key topics of interest 	<ul style="list-style-type: none"> High By-catch mitigation High Foreign Charter Vessels High Sustainable fisheries management (QMS) High Ross Sea fishing High Ecosystem effects of fisheries Medium Environmental certification 	<ul style="list-style-type: none"> – Mitigation of by-catch including involvement in Southern Seabird Solutions – Sustainable Development Report – MSC certification of fisheries
Government (National and Local)	<ul style="list-style-type: none"> – Meetings, working groups and conferences with Ministers, Ministry Officials, Mayors and Local Government Councillors and Officials – Direct engagement on key topics of interest – Work with local government/councils for Best Practice Spill Response 	<ul style="list-style-type: none"> High Sustainable fisheries management (QMS) High Protected species management and by-catch mitigation High Environmental certification of fisheries High Ross Sea fishing High Foreign Charter Vessels High Oil/fuel spills Medium Co-operation between government, NGOs and industry Medium Ecosystem effects of fisheries Medium San Nikunau court case 	<ul style="list-style-type: none"> – Mitigation of by-catch including involvement in Southern Seabird Solutions – Regular engagement of Sanford executives with Ministry for Primary Industries and other relevant organisations – MSC certification of fisheries – Sustainable Development Report

Table 2: Stakeholder Engagement

We have ranked the key interests of our stakeholders and our Company to come up with a list of specific topics which we cover within this report.

These are:

1. Sustainable Fisheries Management (QMS) (page 20)
2. San Nikunau court case (page 26)
3. Foreign Charter Vessels (page 28)
4. Ross Sea fishing (page 29)
5. Protected and Vulnerable Species (page 36)

Key:

- High priority issue to stakeholder group
- Medium priority issue to stakeholder group
- Low priority issue to stakeholder group

Our Resources

If it weren't for our people, the quota and aquaculture farms we have available and access to natural and non renewable resources, we would not have been able to continue to successfully operate for over 100 years.

The aim for this section is to highlight a number of our key resources that enable us to operate as a successful business. These are:

- Non Renewable
- Our People
- Quota
- Aquaculture Farms



"I enjoy having unusual or uncommon fish sent to me. Having studied aquaculture at university I am able to recognise which ones are unique, and some of these I send to Te Papa, the Museum of New Zealand. The highlight of my first year would definitely be playing my part in achieving the daily, monthly and annual takings records at the auction."

BLAIR HERBERT
AUCKLAND FISH MARKET AUCTION MANAGER

472

Vessel crew



1,184

Land-based employees



25.9m Litres

Liquid fossil fuel usage



52

Vessels owned





Non Renewable

Electricity Eco-Efficiency (kWh/kg product)

2010	2011	2012			2013	
Result	Result	Result	Target	Target met	Target	Based on
0.3656	0.4318 ¹	0.3875	0.4085	YES	0.3875	Maintain 2012 result

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

¹ In the 2011 report, the electricity eco-efficiency was incorrect; this has now been corrected.

Water Eco-Efficiency (L/kg product)

2010	2011	2012			2013	
Result	Result	Result	Target	Target Met	Target	Based on
17.28	18.94	18.76	18.94	YES	18.20	3% improvement on 2012 result

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

Coal Eco-Efficiency (kg/kg product)

2010	2011	2012			2013	
Result	Result	Result	Target	Target met	Target	Based on
0.4674	0.3904	0.3912	0.4500	YES	0.4200	Likelihood of a decrease in efficiency due to a shift to smaller process runs

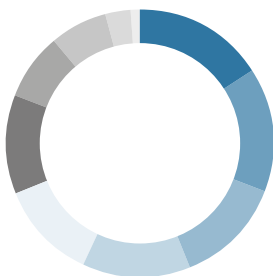
Eco-efficiency set on Timaru fishmeal plant only.

Liquid Fossil Fuels Eco-Efficiency (L/kg product)

2010	2011	2012			2013	
Result	Result	Result	Target	Target Met	Target	Based on
0.4406	0.4031	0.4209	0.4031	NO	0.4083	3% improvement on 2012 result

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

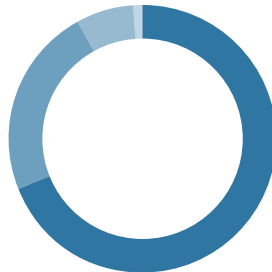
ELECTRICITY USAGE 2012 (2011)



Auckland	16%	(17)
Havelock	15%	(12)
Tauranga	13%	(12)
Christchurch	13%	(14)
Timaru	12%	(11)
Export Cold Store	12%	(12)
Bluff	8%	(10)
International	7%	(8)
San Won	3%	(3)
Coromandel	1%	(1)

Figure 2

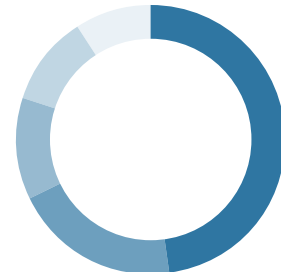
WATER USAGE 2012 (2011)



Aquaculture	69%	(64)
Inshore	23%	(27)
International	7%	(8)
Other	1%	(1)

Figure 3

LIQUID FOSSIL FUEL USAGE 2012 (2011)



Deepwater fishing	48%	(45)
International fishing	20%	(24)
Inshore fishing	12%	(13)
Scampi fishing	11%	(10)
Other vessels and vehicles	9%	(8)

Figure 4



Non Renewable

Electricity

- Through continued energy-saving initiatives, we have once again achieved our electricity eco-efficiency target.
 - Tauranga achieved the greatest improvement in individual branch eco-efficiency; its 18% improvement was achieved through better power management which saved \$37,500
 - Auckland and Bluff also had significant improvements due to a combination of factors. Better management of the blast freezer chamber and freezers being set at more-efficient levels assisted Auckland in its \$44,800 saving, whereas Bluff's reduction of 421,301 kWh was largely due to higher fresh salmon sales and the two-month breakdown of its ice-maker
- The aquaculture operation had the highest consumption of electricity at 37% of the total, while inshore branches used 36% and our cool-storage facilities used 15%. This was a similar breakdown to that seen in 2011.

Water

- Water is an important resource that is used in all of our operations so we continually ensure that it is being used as efficiently as possible, whether that be when making ice or cleaning, cooling compressors or cooling opened mussels.
- The water usage target was met this year due to the following initiatives:
 - Tauranga improved its efficiency by 17% as a result of less thawing for processing and concentrating more on whole seafood products
 - Auckland has seen a 12% improvement in water efficiency after adapting alternative options, such as squeegee mops for interim cleaning rather than hoses
 - Due to the 2011 earthquakes, Christchurch was forced to temporarily install smaller underground pipes. These resulted in a reduced water flow into the factory. Factory staff were so successful adjusting to the reduced water availability, which resulted in a 10% improvement in water eco-efficiency, a decision was made to physically alter the new water pipes upon installation to ensure the water intake into the factory stayed at the lower level
- Throughout the year, our New Zealand processing sites used 1,057,513m³ of water, the equivalent of the water contained by 423 Olympic-sized swimming pools.
- Water came from a variety of sources:
 - Potable (tap-water) **39.3%**
(2011: 46%)
 - Bore (well-water) **60.3%**
(2011: 53%)
 - Processed sea-water **0.4%**
(2011: 1%)

Coal

- Coal is the most cost-efficient fuel-source to run our Timaru fishmeal plant boiler; which is the only consumer of coal in our operation. The plant convincingly met its 2012 eco-efficiency target after completing a project to reduce the contaminant loading of waste water and improve product output as mentioned last year.
- The plant is now beginning to focus on rapid processing of offal to eliminate the possibility of issues around product freshness. This is likely to result in processing smaller fishmeal quantities which will have a negative impact on coal efficiency.

Liquid Fossil Fuels

- Fuels such as diesel and light fuel oil are vital resources for our Company with 91% of our total fuel usage occurring in our fishing operations, as highlighted in Figure 4.
- Although we saw a slight decrease in our overall fossil fuel usage during the year, we have not been able to meet our eco-efficiency target. The primary reason for this has been the significant reduction in Pacific tuna catch versus a smaller reduction in fuel use. Whilst two of the tuna vessels have spent considerable time not fishing they still used fuel for auxiliary services such as lighting and heating.



Non Renewable

Refrigerants

- The use of refrigeration systems such as cool stores, freezers and chilled fish holds is intrinsic to our business in ensuring that product quality is maintained. We report the type and amount of refrigerants added to our systems as this represents the volume of refrigerant gas lost through faulty seals, damaged equipment or when systems are upgraded. Table 3 shows the amount of each particular refrigerant that has been added to refrigeration systems in factories and on vessels.
- The global warming potential (GWP) refers to how much each chemical impacts global warming over a specified period of time in comparison with the same amount of carbon dioxide. We use the factors in Table 3 to calculate the amount of greenhouse gas (GHG) emissions that result from the refrigerants lost. Refrigerants account for 4% of our total GHG profile; this is detailed further on page 35.
- The Ozone Layer Protection Act 1996 sets a date for the prohibition of trading or manufacture of R22 at 1 January 2015; after that time, it is expected that existing global stocks will be depleted. As we are still using R22, we will investigate alternative options such as R438A for our refrigeration systems.

Refrigerant Type	Global Warming Potential	Ozone Depleting Potential	Amount of Gas Added (kg)				
			2008	2009	2010	2011	2012
69L	2,730	0.050	60	-	-	-	-
NH ₃ (ammonia)	-	-	944	1556	676	5,386	6,076
R134a	1,300	-	-	27	-	-	-
R22	1,700	0.050	3299	1205	5744	2,480	717
R404A	3,260	-	-	1306	584	98	463
R406A	-	0.030	27	11	23	-	272
R408A	1,944	0.016	203	125	11	11	-
R410	2000	-	-	-	-	-	45
R438A/ (M099)	1,890	-	-	-	-	522	312

Table 3: Refrigerant Usage



Mussels in cold store awaiting shipment, Christchurch.



Our People

Location	2008	2009	2010	2011	2012
Inshore					
Auckland Processing	116	121	116	114	114
Auckland Vessels	37	39	40	52	46
Auckland Fleet Services	13	16	17	14	17
Auckland Fish Market	27	37	31	38	36
Tauranga Processing	152	143	138	140	136
Tauranga Vessels	30	28	27	28	28
Timaru Processing	168*	125	139	124	114
Timaru Vessel	12*	14	14	9	8
	555*	523*	522*	519*	499
Aquaculture					
Kaeo Processing	110	91	63	66	–
Kaeo Farming	23	14	12	9	–
Coromandel Processing	3	6	7	9	2
Coromandel Farming	10	12	12	11	15
Havelock Processing	240	257	206	229	169
Havelock Farming ¹	19	20	25	61	70
Christchurch ¹				286	245
Bluff Processing	146	138	136	147	125
Bluff Farming	38	39	42	48	28
Bluff Vessel ²	–	4	4	5	10
	589	581	507	871	664
Deepwater					
Management and Administration	27	27	30	31	27
Vessels	293	280	344	295	319
	320	307	374	326	346
Australia					
Melbourne Fish Market	39	40	28	24	19
Vessel	4	4	4	4	4
	43	44	32	28	23
International Pacific Tuna Fleet	67	68	68	59	57
The Big Picture Auckland Limited²	–	11**	8**	13**	14
Head Office	43	43	45	46	53
Total	1,507	1,566	1,548	1,849	1,656
Joint Venture Businesses					
North Island Mussels Limited, New Zealand ² (50% owned)	–	–	–	–	18
Perna Contracting Limited, New Zealand ¹ (50% owned)	–	–	–	7	13
San Won Limited, New Zealand (50% owned)	7	8	7	9	10
Cicerello & Backhouse, Australia (75% owned)	1	1	1	1	1
Weihai Dong Won Food Company Limited, China (50% owned)	459	392	386	357	378

Table 4: Our People as at 30 September (including joint venture employees)

*Totals were incorrectly calculated in the 2011 report.

**50% owned joint venture, not included in year total.

1. Pacifica Seafoods, Marlborough Mussel Company and Perna Contracting purchased 30 November 2010.

2. Was not operating in prior years.

Table includes permanent, seasonal and casual employees.

Our People

Key Points

- The total staff number has dropped. This is mainly because our Aquaculture operation has had a 24% decrease in people, due to:
 - Shut-down of our Pacific oyster processing plant in Kaero, late 2011 (for more information, refer page 33)
 - A reduction of 26% in staff numbers in the Havelock processing plant due to the slow start of the processing season and the facility operating only one shift
 - Christchurch reducing staff numbers by 14%; improved training of staff resulted in the better utilisation of these people (for more information, refer page 18)
 - Staff numbers have decreased in Bluff by 19% due to less staff required for current operations.
- The Big Picture Auckland Limited, a wine bar and interactive wine experience located at the Auckland Fish Market, is now a 100% Sanford-owned entity and staff members have been included in the count of our people.
- The Auckland fleet services numbers have increased by 21% due to a number of staff being employed temporarily to assist with the San Nikunau refurbishment.
- We have added Perna Contracting Limited under Joint Venture Businesses. Perna Contracting is a contract harvesting company that was purchased at the same time as Pacifica Seafoods in 2010 but was omitted from the table in 2011.

Diversity

Diversity within the Sanford team has remained relatively stable, with only minor changes. We will look to provide greater detail about which ethnic groups make up our 'Other' category in next year's report as this group has significantly increased in number over the past two years. This increase is predominately due to the large number of Filipino staff at Christchurch's processing factory.

	Sanford 2010	Sanford 2011	Sanford 2012	Industry ¹	New Zealand Workforce ²
Ethnicity					
European	59%	51%	53%	86%	64%
Maori	24%	22%	18%	11%	11%
Pacific Island	10%	11%	12%	1%	5%
Other	7%	16%	17%	2%	20%
Gender					
Female	30%	33%	31%	34%	52%
Male	70%	67%	69%	66%	48%

Table 5: New Zealand-based Crew and Employees (excludes international operations)

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.

The average age of our people increased to 40.3 years this year; last year's average was 39.6 years. Figure 6 shows the 2012 age distribution compared to 2011, and it can be seen that there is a shift in the 2012 age distribution towards the older age groups, consistent with the increase in average length of service.

The average length of service has increased from 5.1 years in 2011 to 6.0 years in 2012. Figure 5 shows a breakdown of service length for the New Zealand-based team (including crew). The changes in length of service reflects the Christchurch-based staff who joined the Company on 30 November 2010.

LENGTH OF SERVICE 2012 (2011)

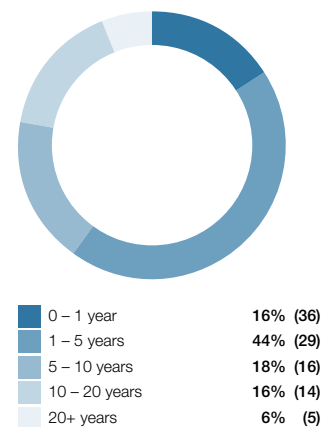


Figure 5

AGE OF NEW ZEALAND-BASED TEAM (INCLUDING CREW)

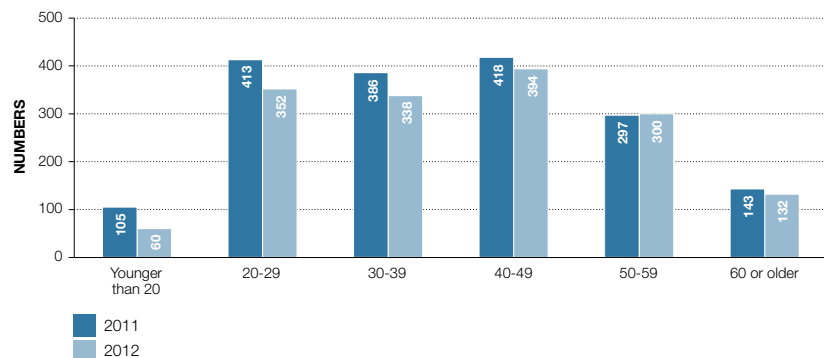


Figure 6



Our People

Experienced Hands

Having been with the Company 49 years, Auckland Factory Foreman, Lloyd Te Ngaio, is Sanford's longest-serving employee. Below he tells us of his experience with Sanford.



LLOYD TE NGAIO
AUCKLAND FACTORY FOREMAN

“Had it not been for the hard work Sanford management and staff have put in over the last 50 years, the Company would not have the facilities that we have today.”

“I commenced work at Sanford Limited in 1963. My job was in the factory ensuring the knife-hands always had fish to fillet and process. Back then there were no such things as gloves or forklifts; everything was done with our bare hands. From there I went to the flake ice department, supplying the factory as well as the vessels. Timing with the West Coast boats was crucial because of the tides.

In 1964-65 I worked at Waitemata Fisheries, one of Sanford's subsidiaries, unloading the boats as well as working in the factory. Two-three times a week I would deliver fish to the Hamilton shop also. It was during this time that Mr Frank Lindberg advised me to join the company super scheme. Thank goodness I listened to his advice.

A few years later the Company closed Waitemata Fisheries and the majority of us moved to Sanford in Auckland.

The 70's and 80's we had good rugby, soccer and netball teams who played against Nelson Fisheries. Most of the time we managed to come out on top!

Back at Sanford's Jellicoe Street, I delivered fish to our shops: Deluxe, Dilworth, Lynmall as well as takeaways, hospitals and supermarkets. I was responsible for unloading the trucks and weighing the fish.

In the mid 1990s the weighbridge and platform scales in the main chiller were computerised.

It was in 2002 that we moved into the new factory at Madden Street, and in 2006 we started to process fish for supermarkets. Now everything is computerised; the filleting and trimming lines, as well as the whole fish line and platform scales. Quality control also became more important at this time.

Had it not been for the hard work Sanford management and staff have put in over the last 50 years, the Company would not have the facilities that we have today.”

Women in Management

The New Zealand Stock Exchange (NZX) is bringing in a new Diversity Listing Rule from 31 December 2012. The new rule will require companies listed on the NZX to provide a breakdown of the gender composition of their directors and senior executives in annual reports.

The Ministry of Women's Affairs says that the majority of NZX top 100 companies have no female directors and women

account for 21% of management positions reporting directly to chief executives.

We have one female Director (Elizabeth Coutts) out of eight (12.5%) and, within our eight-person executive team, we do not currently have any females. However, within our total management team we have 12 females out of 64 employees (18.8%).



MARGRET HALL
AUCKLAND PRODUCTION MANAGER



Health and Safety

Figure 7 shows that although the number of days off due to work-related accidents increased significantly our number of accepted accidents remained constant. Our lost-time injury rate (LTIFR) has been updated, it is now correctly calculated based on fully-unfit claims only. Previously this number had included claims where staff were on restricted duties. The LTIFR indicator shows the number of lost-time accidents per million hours worked.

Partnering in Health and Safety

The Accident Compensation Corporation (ACC) Partnership Programme (ACCPP) allows us to 'stand in the shoes' of ACC and manage workplace injuries for our employees as well as provide entitlements under the Accident Compensation Act 2001 in relation to work-related personal injuries and illnesses (e.g. noise-induced hearing loss). The aims of the ACCPP are to encourage companies to take responsibility for their own workplace health and safety and the claims management of employees' work injuries and rehabilitation when required.

Not only does the programme offer significant discounts on the standard annual ACC levy, it also allows us the ability to partner with our employees in maintaining quality systems and practices and integrating good health and safety practices into our 'business as usual'. This partnership is important as it provides a structure to give all employees a representative 'voice', evidence of senior management commitment and involvement and ongoing health and safety improvements.

In August 2012, our Tauranga branch was chosen to be audited as part of our annual ACCPP renewal; the audit results were extremely positive with no critical issues identified.

Prosecutions

During the year we were issued with two Improvement Notices from Maritime New Zealand regarding failures to take all practicable steps to ensure contractor's employees were not harmed while unloading fish from the Ocean Breeze, one of our Pacific tuna vessels. The notices referred to two separate instances where employees of a contractor were injured while unloading the vessel in Tauranga. At this stage only the first notice has resulted in the Company being charged. In October the Company pled guilty to one count regarding the failure to comply with the Health and Safety in Employment Act 1982 in relation to contractor management. A sentencing date has been set for 22 January 2013.

Safety Systems

In mid-2012 we implemented a new health and safety (H&S) system called Mango (management-on-the-go), across our land-based processing plants. Mango is internet-based enabling it to be accessed from any internet-enabled device 24/7. One of the benefits of Mango has been the centralising and standardisation of our H&S manual to ensure that each location is following the same processes and procedures. A second benefit has been the ability to begin integrating our environmental management system documentation into the H&S system so as to reduce duplication of documents as there are many key elements such as emergency planning, training, auditing and review that are similar in both systems. Thirdly, Mango gives us the ability to view data, by branch or by operation, as it is entered rather than waiting for monthly reports.

The next step will be implementing Mango on our deepwater factory vessels. The first step has been to create a standardised vessel-specific documentation manual, again taking the best-practice procedures in use across the fleet and adapting them to fit all vessels. One of the challenges we are facing regarding the implementation of Mango to our vessel fleet is Maritime New Zealand's (MNZ) proposed change from the current Safe Ship Management System (SSMS) to their new Maritime Operator Safety System (MOSS). Part of this challenge has been in waiting for MNZ to clarify the regulatory requirements of MOSS so we can ensure Mango is compliant. MOSS will replace SSMS from 31 July 2013 however we are currently negotiating for a staggered entry of our fleet due to its size.

WORK-RELATED ACCIDENTS

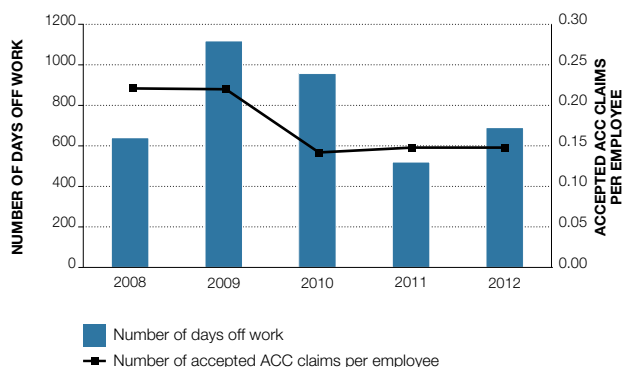


Figure 7

Team Well-Being

Superannuation and Health Insurance Schemes

After five years, the introduction of KiwiSaver has proven successful, and many employees have taken the opportunity to join the government initiative. In addition, Sanford has its own subsidised superannuation plan in place, where eligible employees can join after two years full-time continuous service.

Sanford encourages staff to save for their retirement and in 2013 intend to hold several workshops around the branches to further educate staff on the benefits of having a retirement saving plan.

Sanford also offers employees a health insurance plan which currently has 167 members.

SUPERANNUATION SCHEME MEMBERSHIPS

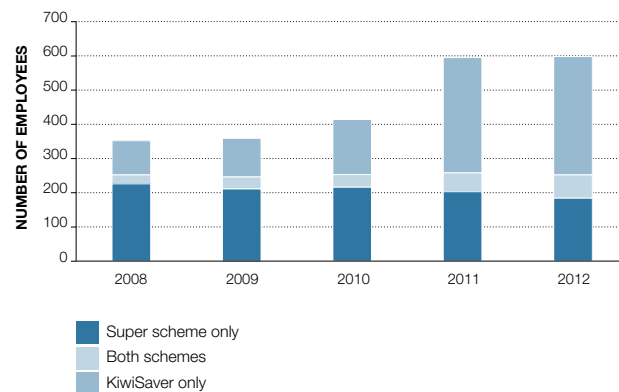


Figure 8

Training

Greater effort has been put into training across our land-based processing sites over the past 12 months. We have forged a stronger partnership with the New Zealand Industry Training Organisation (NZ ITO), previously the Seafood Industry Training Organisation, to help staff gain external New Zealand Qualifications Authority (NZQA) qualifications. The focus has been on increasing the number of employees in training schemes and this has begun to show some fantastic results.

Some of our key successes:

Christchurch

Christchurch has put in place a dedicated training supervisor, Denise Harkess, who, since starting the training/assessments in June 2012 for the National Certificate in Seafood Processing and the Limited Credit programme, has had 84 employees sign up to a training plan. Of these, 34 are striving to gain the National Certificate in Seafood Processing with a strand in Basic Processing Skills (Level 2). The remaining 50 are completing a Limited Credit Programme, which we have based around our yearly re-induction, the units of which also go towards the National Certificate if they wish to proceed at a later time. For Christchurch, one of the drivers of this increased training is to help with staff retention given the tight labour market in the city following the 2010/11 earthquakes. Another driver is to give staff greater knowledge to do their job well, which in turn can improve their confidence and productivity and therefore result in better working opportunities within Sanford.

The branch has a target to have the staff on the Limited Credit Programme signed off and accredited by the end of 2012. The long-term target is for all production staff to complete the National Certificate in Seafood Processing with a strand in Basic Processing Skills (Level 2) by 2014.

Havelock

Warwick Neame, Quality Supervisor, explains how training is managed in Havelock. "We developed a training programme called 'Growing Lines' which represents how we feel about training: it never stops (growing) and covers a range of subjects and areas for different people (lines). The programme has been going for the past five years covering subjects such as literacy, numeracy, people management, compliance subjects and operational procedures. The programme is based using standard operating procedures backed up by industry-developed resources then using

Unit Standard assessments to measure competency. This allows us to use our own material to train and then use a national measurement standard to ensure the level is on par with national standards.

We have achieved:

- 37 people on training programmes, due to be completed by mid-2013
- Majority of trainees are 70% through their training
- 78 employees have completed Seafood National Certificate Level 2

"I am enjoying the training and think it is worthwhile. I like the trainers as they make it enjoyable and are easy to talk to."

LAISA GIBBINS
GRADING CHARGE HAND, HAVELOCK

Training



1. **Caine Friend**, Stewart Island.
2. **Mary Payne** leading a training session with **Veisinia Letisi**, **Tiana Paleae** and **Semisi Tongotongo**, Auckland.
3. **Chris Smith**, **Sally Hsueh**, **Hari Krishna** and **Pradeep Chella** with their HACCP certificates, Christchurch.
4. **Laisa Gibbins**, Havelock.
5. **Moana Tongotongo** (left) discussing a cutting technique with **Naila Vaise**, Auckland.

Inshore

Over the past year our inshore branches (Auckland, Tauranga and Timaru) have standardised their training programmes to allow all staff to participate in a National Certificate in Seafood Processing, following six pathways. The six pathways are: knife-handling, packing, cleaning, quality control, cold-storage and chiller operation. The pathways are designed to have relevance to the position an employee holds. New

“I thoroughly enjoy the training and find it very beneficial as it gives me new skills to use in my everyday job.”

CAINE FRIEND
SHIFT WORKER, STEWART ISLAND

employees will enter into the programme within the first week simply by undertaking an induction which will then progress them into one of the pathways.

In July 2012 the inshore sites began a programme to introduce staff to skills and techniques required to create a Culture of Continuous Improvement (CCI). CCI is focussed on improving overall efficiency by eliminating waste activities that add no value to our customers.

When CCI was launched by Inshore Manager Shane Walsh, all staff took part in a workshop which helped to explain the concept of continuous improvement and what the change meant for them. Already we have started to see staff initiated projects that have improved efficiency and starting to change the work place and way we operate. This will be the foundation for improving performance for the coming years.

Stewart Island

Trevor Slattery our Assistant Hatchery Manager explains how Stewart Island employees have ‘got stuck into’ training: “Staff at Stewart Island are enrolled in the National Certificate in Cage Fish Farming (Level 3). The duration of this course is 12 months for the harvest crew and 15 months for the shift workers; so far we have completed just over 50% of the course. The unit standards that are studied relate to the duties the workers do on a daily basis; each unit standard has a learning resource that has been designed internally by management to suit methods used at Stewart Island and hopefully to give a deeper understanding of why things are done the way they are. The aim is that the guys go away with a better knowledge of their jobs and realise that they know a lot more than they thought they did. I know that I learn a little more every time I do an assessment.”



Quota

New Zealand's Quota Management System

New Zealand's QMS is a tool to ensure all commercial fish species within the Exclusive Economic Zone (EEZ) are managed to a sustainable level¹. Each fish species can be divided into geographically isolated and biologically distinct populations, which are managed as separate fish stocks defined by the Quota Management Areas (QMAs).

The QMS currently manages 100 species which are divided into 636 separate stocks. Each stock is managed independently to help ensure the sustainable utilisation of that fishery. Though there is concern over the future of international fisheries due to poor management, New Zealand's QMS has repeatedly been recognised as being a world leader. In 2010, *Marine Policy*² rated New Zealand as the top-performing country for managing marine resources, supporting the achievement of also being rated as having world-leading fisheries management practices by the reputable journal *Science*³.

Quota Ownership

Sanford owns 23.4% of the annual catch entitlement (ACE) which makes us the largest owner under the New Zealand QMS. Quota is a vital resource for our Company and therefore ACE is imperative to the sustainable management of our operations. Owing ACE provides greater certainty and allows us to set catch plans, better enabling us to target species at their optimal times.

A full table detailing quota quantity and stock sustainability of species in which we have an interest is available on our website www.sanford.co.nz.

Quota Stock Changes

When the Minister for Primary Industries (MPI) adopted a precautionary approach to the rebuild of bluenose stocks by significantly reducing commercial catch limits it was hard to argue against, due to the lack of science regarding this species. To counteract this lack of science we have chosen to gain a better understanding of the fishery by sampling bluenose catches in both our Tauranga and Auckland factories

with the aim to feed information back into MPI Science Working Groups.

A decision was made recently to move this research of bluenose into Trident, our industry owned research provider. More information on Trident can be found on page 43.

Southern bluefin tuna are managed by an international treaty where New Zealand is allocated a portion of the global total. Previously MPI has had a conservative approach to managing New Zealand's allocation however in 2012 a decision was made to bring the New Zealand total allowable commercial catch (TACC) more in line with our international allocation.

Although Sanford supported an increase in southern bluefin tuna TACC, we urged the Government to remain with a cautionary allocation; which they did not.

Table 7 shows the major changes of quota stocks for 2012/13, and where applicable the effect this has on Sanfords ACE of the fish stock in question.

Entity	Percentage by tonnes	
	2011	2012
Sanford Limited	23.44	23.43
Pupuri Taonga Limited (Sealord Group Limited)	19.61	19.40
Talley's Group Management Limited	12.78	12.90
Independent Fisheries Holdings Limited	6.17	6.16
KPF Investments Limited (United Fisheries Limited)	4.47	4.47
Vela Quota Number One Limited	4.15	4.15
Te Ohu Kai Moana Trustee Limited	2.69	2.13
Ngai Tahu Fisheries Limited	2.05	2.05
Aotearoa Fisheries Limited	1.54	1.53
Solander Developments Limited	1.17	1.17
All Others	21.95	22.61
Total	100.00	100.00

Table 6: Top 10 Quota Owners as at 1 October

Source: New Zealand Seafood Industry Council Limited

1 Ministry for Primary Industries, www.fish.govt.nz.

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

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

Quota

Orange Roughy

In the early years of fishing for orange roughy, catch limits were set considerably higher than what they are today due to the abundance of fish. The management strategy at the time was to “fish down” the orange roughy population to a level which would ensure that, as long as the population remained near this level, orange roughy fisheries would be healthy and sustainable in the future¹. This was difficult to achieve with accuracy and in some orange roughy fisheries there was too much fishing in the early years.

To remedy this, a range of steps have been taken to ensure that our orange roughy fisheries are no longer over-fished.

Measures included closing three orange roughy fisheries to allow the numbers of fish to increase at the maximum possible rate, and reducing the catch limits in the remaining fisheries.

Resulting from this, the Ministry for Primary Industries’ latest annual stock assessment and fishery management review has shown the quota for orange roughy could be increased in some areas for the first time in more than 10 years.

Earlier this year, specialised acoustic equipment used by Australian scientists revealed a pleasing increase in stock numbers in two of the main orange roughy fishing grounds. New technology has allowed for a more-accurate assessment of current orange roughy stock and its associated location around

New Zealand’s coasts. This new data resulted in the opportunity for the TACC of orange roughy in New Zealand’s EEZ to increase which, pleasingly, was turned down by the fishing industry. Commenting on the move, Minister for Primary Industries, Hon. David Carter said “the fishing industry deserves a pat on the back for this responsible, precautionary management decision”.²

Along with the rest of industry, we have demonstrated our commitment to sustainable seafood by rejecting the opportunity for greater financial gain in return for a long-term sustainable fishing ground. It is hoped that orange roughy will meet the international Marine Stewardship Council (MSC) sustainability standards and gain certification in the near future.

Fishing Year	Species	Stock	2012/2013 TACC (tonnes)	Percentage Change from 2011/2012	Effect on Sanford 2012/13 Catch Entitlement (tonnes)
April 2012 – March 2013	Rock lobster	CRA3*	193.3	18%	-
	Rock lobster	CRA7	63.9	-16%	-
October 2012 – September 2013	Bluenose	BNS1	400.0	-30%	-15.6
	Bluenose	BNS2	438.0	-30%	-31.6
	Bluenose	BNS3	171.0	-31%	-2.3
	Bluenose	BNS7	62.0	-30%	-5.4
	Bluenose	BNS8*	29.0	-33%	-
	Elephant fish	ELE5	170.0	21%	3.2
	Ghost shark (pale)	GSH2	89.0	35%	1.6
	Ghost shark (pale)	GSH8	34.0	55%	1.8
	Gurnard	GUR3	1,100.0	22%	18.8
	Gurnard	GUR7	785.0	10%	1.9
	John dory	JDO7	150.0	20%	2.2
	Mako shark	MAK1	200.0	-51%	-3.9
	Porae	POR2	18.0	200%	1.6
Porbeagle shark	POS1	110.0	-49%	-5.1	
Southern bluefin tuna	STN1	817.0	98%	42.2**	
Overall tonnage effect on Sanford					9.4

Table 7: Changes to Quota Stocks

Source: Fishserve, www.fishserve.co.nz

* Sanford does not own ACE for this stock.

** Includes Sanford’s share of New Zealand Japan Tuna Company Limited entitlement.

1 Ministry for Primary Industries, www.fish.govt.nz.

2 New Zealand Government, www.beehive.govt.nz.



HON. DAVID CARTER
MINISTER FOR PRIMARY INDUSTRIES
AT THE AUCKLAND FISH MARKET



Aquaculture Farms

Sanford still maintains the position of New Zealand’s number-one aquaculture producer (by weight). The national green-weight of Pacific oysters halved this year due to the devastating effect of the ostreid herpesvirus (OsHV-1). This virus affected not only Sanford, but the entire North Island oyster industry. As at July 2012 Sanford exited the Pacific oyster industry.

New Zealand Facts

- New Zealand salmon farms use feed diets especially prepared for king salmon that do not contain antibiotics, vaccines, steroids or other growth enhancers making them unique in the global salmon market
- Mussels are filter feeders, meaning they literally filter their food from the sea by pumping the water through their gills; a typical mussel filters 360 litres of water each day¹
- King salmon has the highest natural oil content of all salmon varieties, making it a rich source of healthy long-chain Omega-3s¹

North Island Mussels

On 1 October 2012, we announced that Sanford and Sealord had each taken a 50% shareholding in a new company, North Island Mussels Limited (NIML). NIML is a Tauranga-based mussel plant. Previously known as North Island Mussel Processors Limited (NIMPL), which was owned by an equal share partnership between Sanford, Sealord and Greenshell Investments Limited.

NIMPL went into receivership on 5 September after Greenshell Investments failed to make processing fee payments.



TED CULLEY
AQUACULTURE MANAGER

Marine Farming Awards

We are proud to acknowledge the achievement of our Aquaculture Manager, Ted Culley, at the 2012 Marine Farming Association (MFA) awards. Ted was recognised as MFA’s Marine Farmer of the Year, honouring his contribution to the industry. Ted has been with Sanford for 18 years; during this time, he has also served on the Aquaculture Council, Aquaculture New Zealand, the New Zealand Mussel Industry Council and the Marine Farming Association.

Key Species	2011			2012		
	Total Annual Industry Green-weight (tonnes)	Sanford Annual Green-weight (tonnes)	Sanford Share (by volume)	Total Annual Industry Green-weight (tonnes)	Sanford Annual Green-weight (tonnes)	Sanford Share (by volume)
Greenshell™ mussels	92,921	32,281	35%	90,216	34,318	38%
King salmon	12,303	3,984	32%	12,957	3,483	27%

Table 8: New Zealand Aquaculture Production Statistics
Source: Aquaculture New Zealand, year ending 30 September 2012.

¹ Ministry for Primary Industries, www.aquaculture.govt.nz.

Aquaculture Farms

Growing Salmon in Big Glory Bay

Located in the pristine waters of Big Glory Bay, Stewart Island, our two salmon farms produce some of the world's finest king salmon. Also known as Chinook salmon, the king salmon is the largest in the Pacific salmon family, growing up to 90cm long. Big Glory Bay was home to New Zealand's first-ever sea cage which was established in 1983; Sanford bought the salmon-farming operation in 1993. Since 1983, the king salmon industry in New Zealand has grown substantially with the nation now producing close to half of the global total of king salmon¹.

Life-Cycle of a Sanford Salmon

1. Approximately 400 brood stock are transported from the farm cages at Stewart Island to the Kaitangata hatchery.
2. Around 1.2 million eggs are collected and incubated in the hatchery shed.
3. The eggs begin to hatch after two months.
4. Once the fry (baby salmon) are feeding properly, they are transferred outside for on-growing. 450,000 of these are transferred to the Waitaki hatchery.
5. The fry are fed palletised feed. On reaching 10 grams, they are graded and split into groups of 150,000.
6. Once the smolt (young salmon) reach 22-25 grams they are transported in oxygen monitored tanks to Bluff. They are then transported by vessel to the sea cages in Big Glory Bay.
7. The smolt grow into salmon and live in the sea cages for approximately two years.
8. When the salmon are 4.5kg in weight, they are ready to be harvested. From the farm, 150 males and 250 females are kept for brood stock.
9. Once harvested, the salmon are transported to Bluff for processing.
10. The processed salmon are then exported all around the world, with a percentage supplying the local market.



1. Salmon farm, Big Glory Bay, Stewart Island.
2. Salmon eggs.
3. Loading smolt into oxygenated tanks for transportation to Big Glory Bay.
4. Smolt in an oxygenated tank ready for transport.

¹ Barratt-Boyes, M (2007). New Zealand salmon reigns supreme. *NZ Aquaculture*, Issue 19, pg.6.

Our Operations

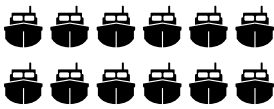
Our Operations include the catching, farming, harvesting, processing, transporting, storing and marketing of our seafood. Though not all of these aspects are covered in this report, we have identified and included the key topics of interest to our stakeholders within our operations this year.

These are:

- Fleet Management
- San Nikunau
- Foreign Charter Vessels
- Ross Sea Fishing
- Compliance
- Traceability

12

Inshore Vessels



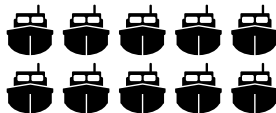
3

Inshore Branches



10

Deepwater Vessels



3

Pacific Tuna Vessels



4

Aquaculture Branches



“We take pride in having an environmental management system in place that allows us to manage our environmental risks as well as create opportunities for better resource efficiency. This sits well within our vision of being a sustainable seafood business.”

GREG JOHANSSON
GENERAL MANAGER OPERATIONS, AUCKLAND



Fleet Management

Fleet management is an important aspect of our operations as it provides us with the ability to monitor the effectiveness and efficiency of our vessels. Within our deepwater operations MoTeC, a data-acquisition system, continues to prove its worth as a method of fleet management.

The system is installed on vessels to gather data on the amount of fuel used when steaming in various weather and fishing conditions, with the goal of identifying the optimal speed for the vessels concerned. Two years on, MoTeC continues to grow both in its application and use.

The MoTeC system has developed from its original concept of a fuel-monitoring system to become an integral part in the everyday management of all 10 of our deepwater vessels. Gone are the days of 'out of sight out of mind', as we are now able to trace each vessel's movement and fuel usage onshore while they are operating as far away as the Southern Ocean.

MoTeC has rapidly progressed and is running comparisons on how the vessels operate in various conditions and configurations, such as:

- Steaming speeds against fuel use
- Different trawl door efficiencies
- Different types and sizes of mesh for the nets

With the addition of more engine systems, MoTeC is becoming a fundamental tool for engineers to assist with managing and maintaining each vessel. Allowing the engineers to analyse systems while at sea, fuel efficiency can be improved and future engine failures can be reduced through the ability to investigate past malfunctions.



San Enterprise, Timaru.



San Nikunau

The San Nikunau is one of three tuna purse seiners that Sanford operates throughout the Pacific and, on occasions, in New Zealand. The vessel targets skipjack tuna, which is often unloaded and sold into one of the two canneries based in Pago Pago, American Samoa.



The vessel has a crew of 19 comprising of a mixture of nationalities; many of the crew members have been on board since the vessel was purchased from American owners in 2001. Under Sanford ownership, the vessel has been regularly inspected by United States (US) Coast Guard and Maritime New Zealand authorities.

Court Case

Following a routine investigation in Pago Pago in July 2011, the vessel was detained for five months, which led to criminal charges being filed in January 2012 in the United States of America alleging that Sanford was vicariously liable for the failure to properly maintain the vessel's Oil Record Book, which deals with the management of oily wastes aboard the vessel, including the use of the oily water separator. The indictment also charged Sanford with vicarious liability for the alleged obstruction of the US Coast Guard's investigation by one of the vessel's crew. The vessel's former chief engineer was also charged on the basis of failing to undertake correct oily water recording and disposal procedures, as well as for the obstruction of justice.

Charges

- 1 **Conspiracy:** Conspiring to knowingly maintain an inaccurate Oil Record Book
- 2 & 4 **Violating the US Act to Prevent Pollution from Ships (APPS)** by knowingly failing to account for internal transfers of oily bilge waste, from 'machinery spaces' to other areas within the ship, in the vessel's Oil Record Book
- 3 & 5 **Submitting for the US Coastguard inspection** on 9 July 2010 and 14 July 2011, an Oil Record Book that contained false entries
- 6 **Obstruction:** Obstruction of Justice
- 7 **Violation of the US Act to Prevent Pollution** from Ships through the discharge of bilge waste into Pago Pago harbour, without using the oily water separator

Following a two-week trial, the verdict was delivered by a Federal District Court jury in Washington, DC on 16 August 2012. Sanford was found guilty on one conspiracy charge (in respect to one of the 42 alleged overt acts) (Charge 1), two charges in respect to recording errors in the

Oil Record Book relating to internal transfers (Charges 2 and 4), two charges in respect to incorrect entries regarding the operation of the oily water separator (Charges 3 and 5) and one charge of discharging into Pago Pago harbour without using the oily water separator (Charge 7).

Since the verdict delivery, there have been media reports stating that Sanford was found to have discharged oily waste directly into the ocean and into Pago Pago Harbour. This is not what the jury found. The only APPS conviction (Charge 7) in relation to discharge, related to seawater from a leaky rudder stock being discharged overboard. The jury did not find that the San Nikunau had discharged any oily waste overboard but, rather, that there had been a failure to record internal oily bilge waste transfers on board.

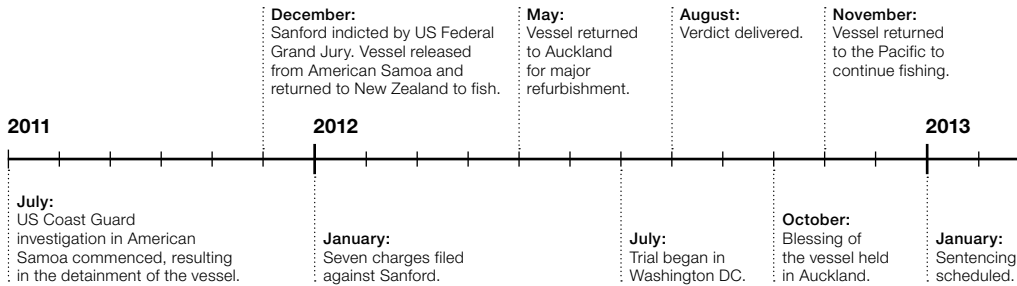
Sanford will be sentenced on 11 January 2013 along with the former chief engineer of the vessel, who was found guilty in respect to two of the Oil Record Book charges. The maximum fine that can be given in respect to all offences totals US\$3m.

Given the legal issues arising from this case, Sanford is reviewing and implementing an environmental management process for these vessels. To date, we have created and implemented a thorough environmental management system (EMS) on board the San Nikunau and the Ocean Breeze, two of the three Pacific tuna vessels.

These are set to be accredited to ISO 14001 by February 2013. ISO 14001 focuses on three key aspects: continual improvement; the prevention of pollution and the commitment to comply with all legal requirements, all three of which support our commitment of operating in a sustainable manner. Choosing to gain accreditation for our Pacific tuna operations was voluntary, and includes a rigorous and intense accreditation process. Once accredited, ISO 14001 requires renewal every three years, with annual surveillance audits undertaken in the in-between years.

San Nikunau

THE SAN NIKUNAU TIMELINE



1. Matt Maihi (centre), Ngati Whatua, at the vessel blessing.
2. The return of Te Matalele to Tokelau.
3. Olivia Malama (right) and family with Te Matalele.

Rescue and Return

The incredible survival story of three boys from Tokelau who were lost at sea for 50 days in late 2010 came full circle with the return of the boat to its owner in Tokelau in late 2012. When the San Nikunau left New Zealand in November 2012, its first stop was to return the boat to the remote island atoll.

The three boys, Samuelu Peleha (15), Filo Filo (15) and Etueni (15), went missing on 5 October 2010 from Atafu atoll. It is reported that, after a night of drinking, the boys decided to take the newest boat from the island to visit a girl on Fakaofu atoll but the boat encountered trouble and the boys disappeared.

A RNZAF Orion search was launched but, since the boys did not have an EPIRB (emergency locator beacon), it was like looking for a 'needle in a haystack'. The boys drifted 1,300 kilometres across a remote part the Pacific Ocean until they were sighted by a diligent San Nikunau watchman on 24 November 2010.

It was only pure luck that the San Nikunau was in the area as the boat had been fishing in Kiribati waters; however, market changes meant the boat was headed for

Tauranga, New Zealand, instead of for American Samoa.

The boat was no bigger than a dinghy, with only a small tarpaulin for shelter and to catch rainwater and the boys survived for 50 days on two coconuts and a seagull which they caught and ate raw. This certainly is a great maritime survival story.

When the boys were found, they had started drinking seawater; this generally means that a person doesn't have long to live. When the boys were taken on board the San Nikunau, the crew members attending to them couldn't insert drips because the veins were so small.

Sanford promised to return the boat next time one of our vessels was in the area and it's taken this long for the San Nikunau to be up that way. Although it's been a long wait for the owner to see his boat again, we believe he will be pleased when he sees how it has been fitted and, most importantly, that it has an EPIRB on board. Sanford has fitted out the boat, Te Matalele, with flares, EPIRB, GPS, a handheld VHF radio, a first-aid kit and life jackets, and the motor has been overhauled and the fuel tank and hoses replaced.

Blessing

Following a difficult year, the San Nikunau crew and management made the decision to have the vessel blessed prior to returning to the ocean to fish. The blessing was also extended to the Te Matalele prior to it being returned to Tokelau.

The blessing was held by local iwi on 13 October 2012. Attending were crew, contractors, Sanford management and Directors and representatives of the local Tokelauan community, including Olivia Malama, the aunty of Samuelu Peleha, one of the rescued Tokelau boys.

It is pure coincidence that Olivia happens to work in our Timaru factory, so we were fortunate to be able to invite her to Auckland to take part in the ceremony and meet some of the crew who had been on board when the Te Matalele was found.

The ceremony was a positive experience and also an opportunity to say thank you to all the contractors that have been an integral part in the refurbishment of the San Nikunau.

Foreign Charter Vessels

Foreign Charter Vessels (FCVs) form a crucial part of our deepwater fishing operations in New Zealand waters. We have been, and continue to be, actively and constructively involved with government, regulatory authorities and various committees, including the Ministerial Inquiry into FCVs and the subsequent review of its recommendations. Sanford understands its obligations to all foreign crew under New Zealand legislation and the Code of Practice on Foreign Fishing Crew, and has always endeavoured to comply with those obligations. As such, we are at the forefront of introducing new and better systems to ensure fair treatment of crew is achieved and maintained.

In mid 2011, a Ministerial Inquiry into the operation of all FCVs operating in New Zealand waters was initiated to investigate allegations of trafficking and mistreatment of crew, complaints of underpayment of crew and other breaches of employment rules¹. In the wake of negative international publicity and the publication of the Ministerial Inquiry results, Sanford engaged in a range of audits on its own FCV operations. This included internal Sanford audits, third-party Sanford-commissioned audits, and customer-initiated third-party audits.

During April 2012, we began drawing together a range of data and information flowing out of these audits, ten years of our industry leading program of independent observer coverage on our charter vessels and crew interviews, to form what we believed to be a comprehensive picture of the crewing arrangements on our FCV operations.

In summary we found:

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

Resulting from the investigation, we identified that the main concern was the method by which crew received their wages. We recognised that a robust, fair and transparent system was required in order to certify that crew payments were received on time, in full and in the desired form. With this in mind, we developed a system that incorporates the following:

Key Outputs:

- Transparency of documentation (available in multiple languages)
- Consultation with crew regarding how they would like to be paid
- No offshore agents for crew (except for recruitment which will be through formalised contracts with each FCV owner)
- New Zealand bank accounts for all crew members
- Sanford acting as 'paymaster' and paying crew members directly
- Onboard observers at all times (to report on crew welfare, living and working conditions and health and safety)

By developing these systems, we took a hands-on approach to ensure all crew members on our FCVs are treated fairly and in accordance with government requirements. We will continue to apply this system to all FCV operations with which Sanford is involved now or in the future, and we hope that other FCV operators will match our commitment to improving the systems and accountability of FCV operations operating in New Zealand waters.



Deepwater translator **Gresye Beens** showing Dong Won 530 cook, **Tuhgur**, how to use internet banking.

¹ Ministry for Primary Industries, www.fish.govt.nz.

Ross Sea Fishing

At Sanford, we support the sustainable and productive use of the ocean's resources, including those of the Ross Sea, Antarctica. The Ross Sea is governed by the international Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR), where its future is decided by the consensus of 25 member countries. The Ross Sea, roughly 4,000 km south of New Zealand, is the southernmost stretch of ocean on the planet. Due to its remoteness, it has, to date, been protected from widespread pollution, invasive species and overfishing, making it the most pristine marine ecosystem left on Earth. Due to this pristine reputation, it is internationally agreed that a Marine Protection Area (MPA) is required to maintain this status.

New Zealand vessels have participated in the collection of data in the Ross Sea toothfish fishery since it was initiated in 1996¹. With over 15 years of data, there is excellent science available on the Ross Sea fishery making it one of the best managed in the world. Sanford is proud to have played an active role in contributing to this science, a move made to ensure the sustainability of toothfish in the Ross Sea.

In February this year, New Zealand marine scientist and ex-Sanford crew member Jack Fenaughty boarded our deepwater vessel, San Aotea II, to take part in a New Zealand-led research trip to the Ross Sea as a contribution to the CCAMLR science programme.

The research project was designed by marine scientists at the National Institute of Water and Atmospheric Research (NIWA) as well as the Ministry for Primary Industries with the purpose of collecting benchmark data on juvenile Antarctic toothfish.

This research is highly valuable to the commercial fishing of toothfish as it allows future monitoring and management of fish stocks and assists in the prevention of future overfishing through the ability to set sustainable catchment allowances.

Earlier this year, New Zealand proposed a MPA which, at nine times the size of New Zealand, would be the world's largest². After initial disagreements with American organisations, New Zealand and America agreed on a common proposal in late October 2012. Spanning 2.27 million square kilometres, the proposed MPA would allow 'light' fishing, rather than banning it. The compromise also includes a 1.6 million square kilometre 'no take' zone where fishing would be banned. This proposal was presented at the CCAMLR annual meeting in Hobart in early November 2012, where it failed to gain a consensus. The establishment of large-scale MPAs is a complex process that involves a large amount of scientific research as well as a certain degree of international diplomacy. Although all CCAMLR member countries failed to agree to the proposals after 11 days of intense discussions, it was decided that an intercessional meeting will be held in Germany in July 2013.

Sanford supports the newly formed New Zealand and American proposal. We believe that the fishing industry has a vital role to play in maintaining the health and vitality of world oceans. Without healthy, populated oceans, the future of fishing industries, and of Sanford, would be bleak. It is therefore paramount that we support and, wherever possible, assist in preserving the long-term sustainability of all of our fishing grounds.

Facts

- CCAMLR has 25 member countries. It is not just a fisheries convention, it is an ecosystem convention.
- In the 2011/12 season, 18 vessels were permitted to fish in the Ross Sea, of which 15 did.
- Our fishing operations in the Ross Sea toothfish fisheries are certified as sustainable under the international Marine Stewardship Council scheme.
- Toothfish grow to over 2m long, and live upwards of 20 years.
- In the 2011/12 year, we caught 1,002 tonnes of toothfish.



1. San Aotea II.
2. Our scientists, Doctors **Hyun-Su Jo** and **Stu Hanchet** collecting tissue samples for later analysis in New Zealand.

1 Ministry for Primary Industries, www.fish.govt.nz.

2 New Zealand Foreign Affairs and Trade, www.mfat.govt.nz.

Compliance

Audits

The New Zealand fishing industry is highly regulated and, therefore, we undergo a large number of compliance audits throughout the year. A great deal of time is spent in audit preparation as well as in working on rectifying any non-conformances or recommendations that the auditor may identify.

All of our New Zealand sites have regular food safety audits by the Ministry for Primary Industries.

In the last 12 months, we undertook a total of 105 external audits, in a range of different areas as depicted in Table 9.

We are committed to being a responsible employer and have conducted social and ethical audits of some areas of our operations through the year. Where issues have been identified we have taken immediate corrective actions (refer page 28).

Type of Audit	Number of Audits
Environmental Management System	1
Financial	2
Food Safety and Quality	69
Safe Ship Management	9
Social and Ethical	12
Sustainable Development Report Assurance	1
Other	11
Total	105*

Table 9: List of Audits

*As this is the first time we have collected this data it is possible that there are discrepancies within our figures. Over the coming 12 months we aim to improve our data collection system.



Mike Wallace, skipper of the Pelorus Trader discussing health and safety with auditor **David Wutzler**.

Environmental Management System

Our commitment to the environment is shown by the renewal of our ISO 14001 Environmental Management System (EMS) certification that covers our New Zealand sites and New Zealand-based vessels. The work that goes into this system is a demonstration of our commitment to continuous and sustainable management practices. We are proud to have had the EMS for over 10 years and have realised over the past year that there is room for improvement; this is a target to achieve by the end of 2013.

In the past six months we have put considerable effort into implementing and developing an EMS for our Pacific tuna operations as a way to ensure compliance with all legal and regulatory standards in which these vessels operate.

One of the drivers for this has been the San Nikunau court case; however, it has also highlighted the importance of the EMS and so we will be aiming to ensure that all of our 100%-owned entities are certified by the end of the 2013. Following the accreditation of these vessels, we will use our learnings from this implementation to enhance and build on the current EMS throughout the Company to create a robust company-wide EMS. We will also work with our joint venture partners to investigate the options of putting in place an EMS for those operations.

It is our belief that a meaningful EMS is not only about reinforcing our corporate compliance procedures and policies but also allows a better way to manage our environmental risks.

Operation	Status	Expected date to become ISO 14001 accredited
New Zealand land based	Fully implemented	–
New Zealand vessels	Fully implemented	–
Pacific tuna vessels	In process	February 2013
Sanford Australia	To be commenced	September 2013
Joint venture fish processing operation, China	To be commenced	September 2014
Foreign charter vessels	To be commenced	September 2014

Table 10: ISO 14001 Accreditation

Traceability

Traceability is the ability to identify, at any stage of the food chain, where a particular product came from, and what processing it underwent. With the growing global awareness surrounding product quality and sustainability, traceability is increasingly becoming an important factor for consumers when selecting a product. The ability to trace our seafood back to its source aids in providing assurance about our products. An efficient traceability system relies on integrated scientific techniques with sound record keeping. At Sanford we have achieved this through the combination of WiseFish and WisePeripherals.

WisePeripherals

WisePeripherals is an end-to-end inventory management application that runs in conjunction with our existing inventory system, WiseFish, and interfaces with the scales, scanners and barcode label printers in our production-floor environment. The system is currently being progressively rolled out to all branches and replaces an older inventory management system that we have had running in our factories and on the deepwater vessels. The last branch will 'go live' in December with the project concluding once the freezer vessels are implemented during the beginning of 2013. Training and testing for the WisePeripherals system was held at our Head Office during the last two weeks of January 2012. Users from each branch attended two streams of training and testing in the following areas:

Production – receiving raw material, usage and creating finished goods

Logistics – palletising, transfers, sales, E-certs, export eligibility and quality control hold.

The testing went well with the users making the most of their time to work through the new system and bounce ideas off each other and the Canadian development team.

One of the main reasons for implementing the new system was to reduce duplication of data and processes and to have one software system controlling the flow of data from catching, to processing, to invoicing.

With new technology upgrades, it is not uncommon to come across some challenges in the implementation phase. One such challenge occurred when our Timaru branch went live in September. Part of the new system was the installation of touch-screens

into the factory which is predominantly a wet environment. The screens were set above the workers along the packing stations so workers had to push the screen to generate a bar-code label. The issue was that the screens became wet and this affected each screen's ability to register a 'touch'. Factory staff spent much of the first day trying to keep the screens dry. One of the team, however, used a little Kiwi ingenuity and came up with an alternative option: to press the screen with a 'plastic pencil' that acted like a finger but was dry. The team is still working on fine-tuning their version of the world's best artificial finger – that is always dry!

WisePeripherals and WiseFish enable the Company to gather and record all the data necessary to comply with the Marine Stewardship Council's Chain of Custody standard for traceability.

Marine Stewardship Council

To assure seafood traceability, one method that the Marine Stewardship Council (MSC) use is their Chain of Custody Standard. MSC is an international organisation working with fisheries, seafood companies, scientists, conservation groups and the public to promote the best environmental choice in seafood. Through fishery certification programmes and seafood eco-labels, MSC allows the recognition of sustainable fisheries management.

Once a fishery has been certified, all companies in the supply chain - from boat to plate – who wish to sell a product as MSC certified must have MSC Chain of Custody certification. Through this initiative consumers and buyers can have confidence that the fish they are buying can be traced back to a fishery that meets the MSC environmental standard for sustainable fishing¹.

To obtain Chain of Custody certification, businesses must be audited to show they have effective traceability, storage and record-keeping systems which prove that

only seafood from a certified fishery carries the MSC eco-label, and that this fish is kept separate from non-certified fish.

MSC Fishery Certification

As we strive at Sanford to be a sustainable seafood company, it is in our best interests to be MSC registered. Sustainable seafood is a promise we must deliver on for our stakeholders.

Our commitment to continue to push for third party sustainability certification of our fisheries to the highest possible standards has continued with the New Zealand southern blue whiting fisheries recently certified, and the hoki fishery again being re-certified with what we understand to be amongst the highest scores for any fishery assessed by the MSC. Along with these two fisheries, the South Georgia toothfish fishery and the Ross Sea toothfish fishery are also MSC-certified. As depicted in Figure 9, only 15% of our sales are MSC certified, this is low due to there being only four fisheries that we fish currently MSC certified.

MSC STATUS OF SALES
2012 (2011)

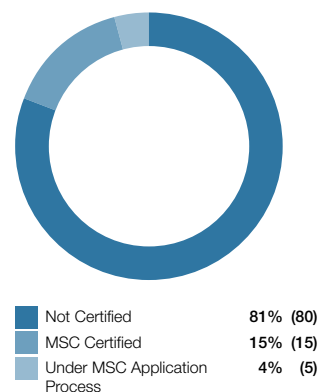


Figure 9

1 Marine Stewardship Council, www.msc.org.

Our Impacts

Through the resources we utilise, the operations we undertake and the outputs we produce, we create an impact. Positive and negative, this section details the impacts we have on:

- Communities
- The Environment
- Protected and Vulnerable Species



"I joined Sanford 37 years ago as a maintenance engineer. Since then, the fishing industry and Sanford Tauranga have both progressed substantially. One highlight that comes to mind was my involvement in the change to quota management, and the related increase in the quality of our fisheries."

DES ANDERSON
EXPORT COLD STORAGE MANAGER, TAURANGA

\$158,000

Community donations



2,783m³

Less waste to landfill



Communities

Contributions

The communities in which we operate are always of great importance to us and we have continued to invest not only money through donations but also time. The following table outlines the value of all Sanford's charitable donations and investments into our communities.

Contributions are down on last year's total. This is due to several factors; the main being that no proceeds were made from the Auckland Seafood Festival. Another contributing factor was the shutdown of the Kaeo plant (refer below) and, therefore, the absence of its community investment.

The Auckland Seafood Festival was established by Sanford in conjunction with Rotary Club of Auckland East, seven years ago to celebrate New Zealand seafood. The event has always been a community project with all proceeds going to charity.

Throughout the life span of the Festival, over \$350,000 has been donated. Though no profit was made this year, Sanford contributed approximately \$211,500 through the operational costs of running the annual festival.

The three-day event is an extravaganza of New Zealand's best seafood, musical acts, live demonstrations and competitions set right in the heart of Auckland's fishing industry.

In 2012, the Golden Knife filleting competition was as popular as ever with four Sanford employees entering. And again, it was great to see Ant Palmer from Sanford Tauranga take out the competition for the second consecutive year.



Type of Contribution	2008 (\$000)	2009 (\$000)	2010 (\$000)	2011 (\$000)	2012 (\$000)
Auckland Seafood Festival proceeds	26	75	100	80	-
Charitable donations	33	33	28	72	51
Investment in Kiwi Can	175	226	172	167	107
TOTAL	234	334	300	319	158

Table 11: Charitable Donations and Community Investment

- 1. Ant Palmer.
- 2. Auckland Seafood Festival, 2012.

Kiwi Can

Sanford has now been a principal sponsor of Kiwi Can for 12 years. Kiwi Can is a Foundation for Youth Development's (FYD) primary school programme that teaches essential life skills and values to youth in schools around the country. We are proud to sponsor schools spread throughout the country, based close to our processing plants. Kiwi Can involves students attending a Kiwi Can lesson once a week, every school week of the year. Through these lessons, students are taught valuable life skills in a fun, interactive manner. Sanford supports this important initiative with hope that, in the future, some of these children will join the Sanford team with their Kiwi Can values and attitudes.

Kaeo Closure

On 5 December 2011, Sanford announced the closure its Kaeo oyster-processing plant. Following the devastating effect of the OsHV-1 virus, we decided to exit the oyster industry and focus on the farming and processing of Greenshell™ mussels. Regrettably, the closure resulted in the loss of 15 permanent and 51 seasonal employment positions. We initiated a job search programme for staff to help minimise unemployment caused by the closure and its impact on the community.

Following the plant closure in July 2012, the Company concluded a sale and purchase agreement with Aotearoa Fisheries Limited (AFL). We are hopeful that, in the future, AFL will rebuild the Pacific oyster business in the Northland area.

Environmental

Solid Waste to Landfill

Solid Waste Eco-Efficiency (m³/tonne product)

2010	2011	2012			2013	
Result	Result	Result	Target	Target met	Target	Based on
0.0563	0.1145 ¹	0.0648	0.0769	YES	0.0616	5% improvement on 2012 result

Eco-efficiency set on waste data and production figures from New Zealand operations only, i.e. inshore, aquaculture and deepwater.

¹ In the 2011 report, the solid waste eco-efficiency was incorrect; this has now been corrected.

Key Points

- We have achieved an overall reduction in waste to landfill of 2,783m³ compared to last year.
 - Havelock increased its waste eco-efficiency by 51%, largely due to blue mussels being recycled rather than being sent to land-fill. Havelock now sends blue mussels to Yealands winery in Marlborough where it is mulched and spread under the vines
 - Christchurch produced equivalent to 8,160 wheelie bins less waste than it did last year. This was the result of serious recycling efforts by the team, including the recycling of pallet wrap, paper and mussel waste. Mussel waste is now composted rather than land-filled, not only reducing Christchurch's total waste significantly but also benefiting land in the form of nutritious compost

Blue Mussels

A large part of the improvement in our waste eco-efficiency has been some innovative ideas around diverting blue mussel and organic marine waste from landfill.

When mussel lines are stripped for harvest, it is quite common to also strip off blue mussels, as well as seaweed and kelp that have grown amongst the Greenshell™ mussels. A portion of this unsellable waste material is separated on the harvesting vessel and returned back to the water whereas the rest is taken to the Havelock factory and separated.

During 2011, Havelock's Project Co-ordinator Tomas Johnsson investigated options to divert the blue mussel waste from being sent to landfill as this was undesirable from both an environmental and an economic point of view. Almost all of the alternative options Tomas looked at had issues involving storage, transport, processing and/or required consents.

Fortunately, in December 2011, Tomas was approached by Yealands Estate Wines in Marlborough, which wanted Havelock's blue mussels. The advantage of this proposition was that, due to the size of Yealands' operation (1,500ha), it could take all of the blue mussels, as well as any organic waste such as seaweed.

Previously, Yealands had sourced mussels from another operator as it found that the mussels enhanced the grape mulch, but that operator had closed down.

Not only does the agreement between Sanford and Yealands fit in well with the sustainability programmes of both companies, it also means that 90-95% of waste material produced by the Havelock factory operation is being either recycled or used elsewhere.

In Christchurch, a similar initiative has begun. Christchurch is now sending its blue mussel and marine waste to a company who transform it into compost and sell it to local farmers. Approximately four – five tonnes is sent each week, and up to 10 tonnes when the factory is receiving large volumes of raw material. Further investigations are also occurring with a second company to see if all marine waste from the branch can be composted.

Christchurch also sends crushed shell waste to a local landscaping firm where it is distributed to dairy farms and equestrian arenas to be used for track management.

WASTE TO LANDFILL 2012 (2011)

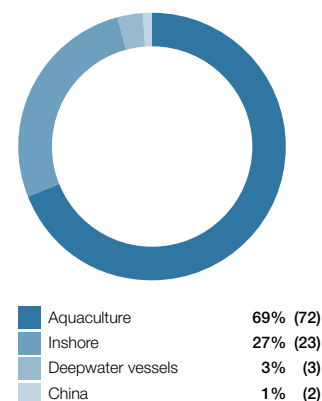


Figure 10



1. Christchurch – Mixing mussel waste (dark brown) in with organic waste.
2. Havelock – Dropping off blue mussel waste to Yealands in Blenheim.



Environmental

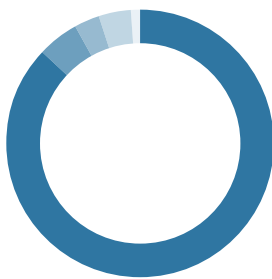
Greenhouse Gas Emissions

Emissions Eco-Efficiency (kg/kg product)

2010	2011	2012		
Result	Result	Result	Target	Target met
0.94	0.73	0.68	0.73	YES

Eco-efficiency set on total production including Pacific tuna vessels but excludes Australia and China.

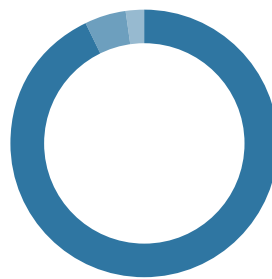
EMISSIONS BY SOURCE 2012 (2011)



Liquid fossil fuels	87% (82)
Electricity	5% (7)
Other	3% (3)
Refrigerants	4% (7)
Coal	1% (1)

Figure 11

EMISSIONS BY SCOPE 2012 (2011)



Scope 1	93% (92)
Scope 2	5% (5)
Scope 3	2% (3)

Figure 12

The 2010 and 2011 eco-efficiencies, and consequently the 2012 target, have all decreased due to the use of updated emission factors.

Figure 11 shows that the majority (83%) of our greenhouse gas emissions (GHG) are attributable to the amount of fossil fuel used. We have decided that given there is an efficiency target set on fossil fuel use we do not need an additional target set for GHG emissions. We will however, continue to report on total GHG emissions (Table 1) as well our GHG eco-efficiency.

Figure 12 details our emissions by scope as per international best practice. A brief description of what we include in these scopes is as follows:

- **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

Spills

As a new disclosure for 2012, we have now included a table detailing any fuel spills that have unintentionally occurred during the year. While we aim to never have a spill, at times, systems do fail. When a system failure does occur, we ensure that every possible step is taken to minimise the impact, remedy the spill and then undertake a full investigation to identify the cause of the failure and implement corrective actions to ensure it does not happen again.

As detailed in Table 12, we regrettably had five spills this year, totalling 5,256.5L. This was substantially higher than last year's total of 175.0L due to the spills from the Ocean Breeze and the San Enterprise.

The unfortunate mechanical failure on the San Enterprise on Wednesday, 2 May 2012 was, in Sanford's view, unforeseeable, but deeply regrettable. Due to the rapid response by Sanford staff, crew and contractors, the spread of the spill in Timaru Harbour was quickly contained and the impact minimised.

Following the oil spill, the associated pipes within the San Enterprise were immediately replaced with new ones, and an inspection of our two other Sterkoder class vessels was carried out. Also, we informed other New Zealand fishing companies that operate Sterkoder class vessels of the failure the San Enterprise experienced, and of the potential for this to occur within their

vessels. We believe that once the cause of the spill was identified, we did all that we could to maintain and rectify the situation as soon as possible. We have learnt from this failure and are doing our best to ensure that any potential future spills are avoided.

In November 2012, we were notified by Environment Canterbury that following their investigation into the oil spill from the San Enterprise, Sanford would be prosecuted under 338(1B) and 15B of the Resource Management Act 1991. A hearing date is yet to be set.

Date	Vessel	Cause	Type	Location	Amount (L)
October 2011	Ocean Breeze	Crack developing between a sea-water tank and a fuel tank	Diesel	Pago Pago Harbour, American Samoa	1,700.0
January 2012	San Discovery	Fuel spilt during internal transfer	Light Fuel Oil	Timaru Harbour	1.0
January 2012	San Nikunau	Fuel spilt while transferring fluids	Hydraulic Oil	Whangarei Harbour	3.0
April 2012	San Aotea II	Loose fitting	Hydraulic Oil	Timaru Harbour	0.5
May 2012	San Enterprise	Onboard mechanical failure involving pipework	Light Fuel Oil	Timaru Harbour	3,552.0
Total					5,256.5

Table 12: List of spills

Protected and Vulnerable Species

More species of seabirds breed in New Zealand than in any other country; these include most of the world's albatross, petrel, shag and penguin species. Many of these species are considered threatened; for some, one of the key threats is injury or death in fishing operations¹. Seabirds have learnt to forage for food at the back of fishing vessels, which places them at risk of being caught on baited hooks or tangled in fishing gear. For this reason it is crucial that all possible steps are taken to ensure this risk is reduced, or where possible, removed.

INCIDENTAL CATCH
SEABIRDS

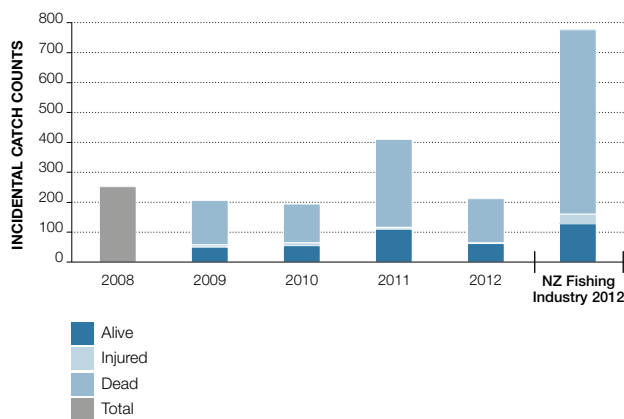


Figure 13
Source: MPI database; 2008 and 2009 data, Sanford.

INCIDENTAL CATCH
MARINE MAMMALS

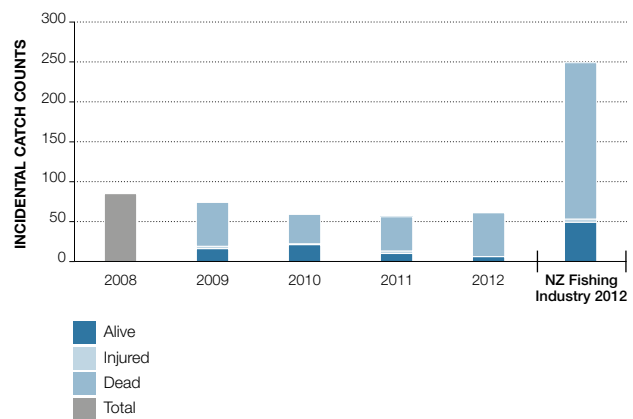


Figure 14
Source: MPI database; 2008 and 2009 data, Sanford.

In order to add perspective, this year, we have compared our performance regarding seabird and marine mammal mitigation with that of the New Zealand fishing industry (see figures 13 and 14). At Sanford, we are highly conscious and proactive about reducing our seabird by-catch rate and it is pleasing to note that our vessels achieved a 50% reduction in the total number of seabird deaths.

Seabird SMART fishing is a commitment to:

- S** - Safeguard seabirds
- M** - Mitigate risks
- A** - Avoid attracting seabirds
- R** - Report seabird captures
- T** - Treat and release with care

Seabird Mitigation Workshops

Earlier this year, we sent a variety of Auckland and Tauranga crew to participate in Seabird SMART Workshops run by Southern Seabird Solutions. The workshops are designed to educate crew on mitigation techniques in order to ensure any harm to

birds is minimised. Through an interactive programme, crew members were able to share previous experiences with seabirds, along with detailing and discussing fishing practices and mitigation methods.

As well as sending people to these workshops, we also sent four deepwater scampi staff including three skippers to a specialised Scampi Seabird Mitigation workshop in March. The objectives of the workshop included identifying factors that increase the risk of seabird catch, and possible solutions to these risks, along with discussion of potential mitigation methods.

The education and awareness experienced through these workshops has been a contributing factor in the decrease in this year's total number of protected seabirds caught.

Aligning with these workshops are the annual Seabird SMART Awards, which are managed by the Southern Seabird Solutions Trust. Zak Olsen, a young relief skipper on the San Kaipara, one of our longline vessels, won an award which

was presented to him in mid-November 2012 at a ceremony attended by Prince Charles, the patron of the Southern Seabird Solutions Trust. The award recognised Zak's commitment to smart fishing methods and best practice seabird mitigation. Zak's methods include using a bird-scaring tori line that has been adapted so it can be actively moved across the back of the boat to keep seabirds away from sinking baits during line-setting, extra weights to ensure the baited lines sink quickly, and ensuring no offal or old baits go over the side of the vessel when risks are high for seabirds.

¹ Southern Seabird Solutions, www.southernseabirds.org

Protected and Vulnerable Species

Sharks

New Zealand has a rich variety of over 60 shark species including rays and skates that are distributed throughout our seas. While many shark species stay in the shallower warm waters close to shore some, like porbeagle and mako, are highly migratory oceanic and pelagic swimmers.

Sanford holds quota for a range of shark species, which are managed by the New Zealand Government Quota Management System, and by international treaty. Some sharks like the 'great white' are protected from fishing altogether and if caught every effort is made to return them back to the sea alive.

We have a number of commercially important shark species: in our inshore fishery, rig, school shark, spiny dogfish, skate and elephant fish, while the deepwater species are deepwater dogfish, shovelnose spiny dogfish and ghost shark.

Depending on the shark species, area where it was caught and the fishing method used, most parts of the shark are useable. In all cases our fishers are catching to best practice and striving for 100% compliance with New Zealand regulation.

In every situation Sanford skippers are required to record all of their catch by species and estimated weight. This includes sharks that may be unintended by-catch. Once landed, the skippers' estimated catch record is verified against processed or landed product weights.

New Zealand animal welfare legislation regulates against inhuman treatment of sharks and the fining of live sharks is illegal in New Zealand. In no circumstance does Sanford permit its fishers to remove shark fins on live animals or to land fins only.

A National Plan of Action for Sharks is being developed by the Ministry for Primary Industries and Sanford is fully supportive of this positive project.

Maui Dolphins

In early 2012 the Department of Conservation published a new estimate of the Maui dolphin population at 55, whereas previous reports using other formulas had suggested 110. Although these reports are estimates based on the information available, the numbers are not comforting and it is clear that New Zealand needs a more active management approach. Restrictions on fishing is not enough. The conservation challenge is how to manage a species that lives in the wild, is susceptible to disease and has a slow reproduction cycle.

Sanford has long argued for a balanced approach to the management of Maui dolphins. We are opposed to extending no-fishing areas into waters where Maui dolphins have never been sighted as we believe this serves no benefit and carries a cost in lost opportunity. Good dolphin management requires collaboration between people on the water, scientists, community groups and government agencies.

One of the best ways that fishers can successfully avoid protected species is by recognising that we share the water space and by staying vigilant. It is well documented that fishing and conservation practices can co-exist.



2012 Seabird SMART award winner, **Zak Olsen**.

Photo courtesy of Lance Lawson.

Our Outputs

Outputs are as fundamentally important to Sanford as the other three components that complete our business; resources, operations and impacts. Without the sales of our high quality products, both now and in the future, we would no longer be able to survive as the successful company that we are today. Development of strong relationships is also an important aspect of our business, the Iwi Collective Partnership is a positive example of this. The knowledge we gain from research and development assists us in striving to be a leader in the New Zealand seafood industry regarding best-practice initiatives.

Our Outputs include:

- Products
- Financial Position
- Iwi Collective Partnership
- Industry Leadership



“Sanford takes leadership and the responsibilities on fisheries management issues seriously and is willing to invest resources into finding solutions. This doesn’t always make us popular in the commercial industry but I believe it makes us a good citizen, a conscientious fisher, a company that shareholders can feel proud to own and it maintains our licence to fish.”

ALI UNDORF-LAY
INDUSTRY LIAISON MANAGER

\$20.9_m

Profit for the year

\$460_m

Revenue

97,275_t

Total production

Products

Sanford focuses on product quality through a continuous process of improvement and a rigorous compliance regime. In processing seafood, staff training (refer page 18), hygiene and food safety considerations are of prime importance. Product quality is identified through our quality control programmes which are continually reviewed. Feedback from customers is also sought to ensure we meet their expectations.

A necessary component of our approach to product quality and responsibility is our compliance regime which involves a number of food safety audits (refer page 30).

Key Points

- Overall production was up by 13% in our aquaculture branches with Havelock achieving the largest increase with 31%, mainly due to having a full year's production after the 2010/11 refit of their factory.
- Deepwater frozen-at-sea product increased 7% overall whereas fishmeal production increased by 11% and fish oil production had a 43% increase due to changes in fishmeal plants onboard vessels.
- Inshore vessels had a 7% increase in landed fish while the inshore branches had a 11% increase in production as they also process product from the deepwater fleet.



1. Greenshell™ mussels.
2. Big Glory Bay king salmon.
3. Frozen scampi.



Financial Position

Summary

Revenue is approximately 1% behind last year with the continuing high level of the New Zealand dollar impacting across all of our export species. Markets for pelagic species such as jack and blue mackerel and skipjack tuna have been strong but salmon pricing has been significantly weaker, impacted by increased volumes out of Chile and Norway. Prices for other species have been relatively stable.

Profit for the year totalled \$20.9m, down from \$22.3m last year. EBITDA increased by 4% from \$49.2m to \$51.2m this year in spite of the high value of the New Zealand dollar and the particular challenges we faced. Although depreciation was slightly lower than 2011, the current year result includes impairment write-downs of \$2.6m in respect to the Australian segment and the closure of our Kaeo oyster business. While interest costs were similar this year to those of the previous year, net currency exchange gains declined from \$10.2m to \$7.4m.

Pacific tuna operations were adversely affected by the San Nikunau capital upgrade, the impact of the US legal costs and expected fine and the Ocean Breeze fire and repairs. The lost-fishing-time effect of these events at a time of record high prices for skipjack tuna is estimated at between \$7.0m to \$9.0m for the year and the effect of legal fees and provision for fines is approximately \$5.0m.

Please refer to the 2012 Annual Report which contains detailed data for the 2011/12 financial year. This report and previously published Annual and Sustainable Development Reports are available on our website at www.sanford.co.nz.

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. The Company was removed from the New Zealand Stock Exchange top 50 index (NZX50) on 19 December 2011. This index is made up of the 50 largest companies on the New Zealand Stock Exchange (NZX) and has a requirement that companies within the NZX50 have certain share trading volumes in order to remain in the index. As Sanford has a stable base of shareholders the volume of trading did not meet the NZX50 requirements.

Financial Summary	2008 \$000	2009 \$000	2010 \$000	2011 \$000	2012 \$000
Revenue	436,564	433,091	421,087	463,954	459,957
EBITDA*	65,874	68,366	49,057	49,244	51,239
Depreciation, amortisation and impairment	(22,359)	(14,892)	(13,754)	(16,255)	(18,320)
EBIT	43,515	53,474	35,303	32,989	32,919
Net Interest	(10,021)	(6,788)	(5,780)	(10,607)	(10,196)
Net currency exchange gains	5,505	8,387	7,836	10,196	7,385
Net (loss) gain on sale of investments, property, plant and equipment and intangible assets	29,749	(35)	409	52	(150)
Profit before income tax	68,748	55,038	37,768	32,630	29,958
Income tax (expense)	(15,328)	(15,899)	(12,743)	(10,320)	(9,074)
Profit for the year	53,420	39,139	25,025	22,310	20,884
Non controlling interest	(76)	(64)	(21)	(24)	(42)
Profit attributable to equity holders of the Group	53,344	39,075	25,004	22,286	20,842

Table 13: 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.

\$99.2 million
paid to employees
and vessel crew

These payments are often a major contribution to the local communities in which we operate.

\$7.1 million
New Zealand income
taxes paid

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

\$556 million
total equity

The slight increase in total equity this year, shown in Figure 20, is attributable to an increase in our cash flow hedge reserves.

\$212 million
on domestic
purchases

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

3.8%
return on average
total equity

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

\$197 million
balance of export earnings
over imported supplies

Slightly down on last year, as shown in Figure 18.

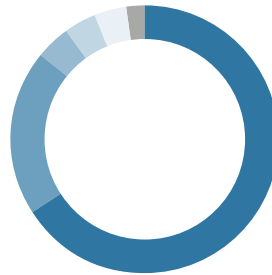
Financial Position

The effect of being removed from the NZX50 was that certain institutional and indexed funds, which are required to invest only in the NZX50 companies, had to sell their Sanford shares. This resulted in selling pressure and the Sanford share price dropping to \$3.80. The share price has since recovered and has been steadily increasing over the last quarter.

Figure 16 shows the performance of Sanford's share price against the NZX 50 and the Total Shareholder Return (TSR) of Sanford stock. The TSR includes any dividends paid by the Company which have remained at 23 cents per share for 2012.

The high USD exchange rate continues to be a significant challenge to the Company's earnings. The higher exchange rate results in lower NZ dollar receipts, resulting in a negative effect on earnings and the share price. Figure 17 shows that the Sanford share price generally moves in the opposite direction to the USD exchange rate.

CASHFLOW PAYMENTS 2012 (2011)



Suppliers	66%	(53)
Wages and crew payments	20%	(16)
Dividend payments	4%	(4)
Loan repayments	4%	(6)
Interest & income tax	4%	(4)
Purchasing assets	2%	(17)

Figure 15

66% of our income is spent on paying for supplies such as fuel, maintenance, seafood purchases and transporting of products.

BALANCE OF EXPORT EARNINGS OVER IMPORTED SUPPLIES (NZ\$M)

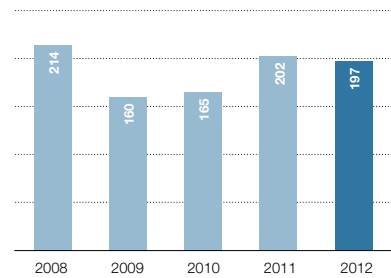


Figure 18

The balance of export earnings over imported supplies.

SANFORD SHARE PRICE PERFORMANCE RELATIVE TO NZX50

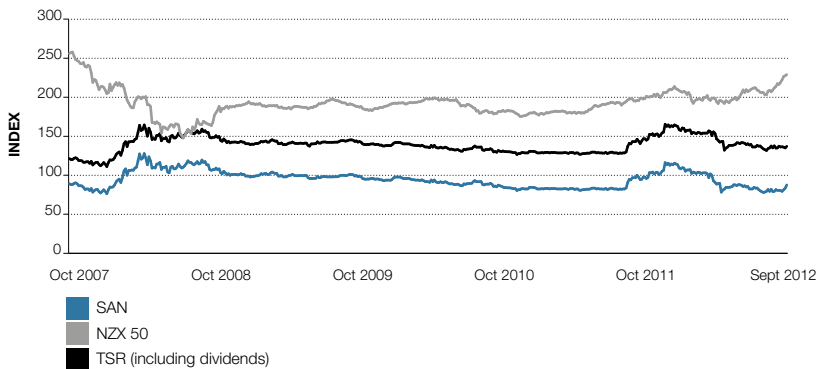


Figure 16

SANFORD SHARE PRICE PERFORMANCE RELATIVE TO US\$/NZ\$ EXCHANGE RATE

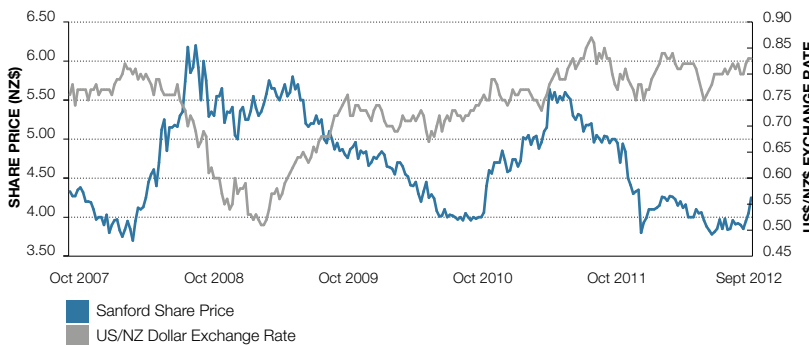


Figure 17

EARNINGS PER SHARE (NZ CENTS)

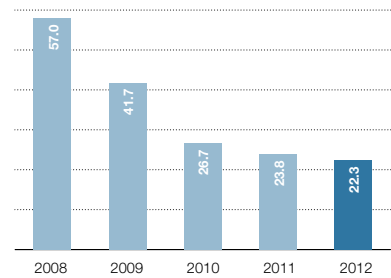


Figure 19

The 2008 and 2010 values included one-off gains.

TOTAL EQUITY (NZ\$M)

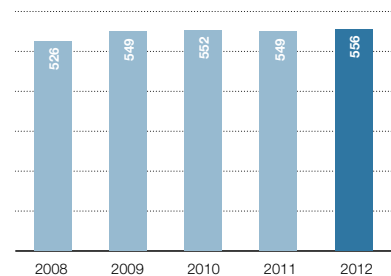


Figure 20

The ability of a company to maintain sustainable growth and the strength of its balance sheet are illustrated by the total equity.



Iwi Collective Partnership

Stretching ourselves

“Sanford’s relationship with the Iwi Collective Partnership (ICP) is now in its third year and growing stronger every time we meet.

Our ICP relationship is very important, not only does it give Sanford access to significant deepwater annual catch entitlements but is also a positive catalyst for growing the Company’s cultural awareness.

The opportunities the relationship brings allow the Company to learn how to become more responsive to Maori views and to widen our perspectives on fisheries management so as to include an appreciation of indigenous values.

The May quarterly ICP/Sanford management meeting was held at Rangiwaea Marae on Rangiwaea Island (in the Tauranga harbour) and was a great learning experience for the Sanford managers.

We travelled by ferry to the island and along the way heard some of the history and aspirations of local iwi Ngai Te Rangi. At the marae the hapu (family unit) told us of the challenges they have faced as a seafaring people who use Tauranga harbour as their food basket. All of us shared stories that celebrated our love of seafood and appreciation for sustainable harvesting.”

– Ali Undorf-Lay, Sanford Industry Liaison Manager



A Partnership of Legacy

“The 12 ICP iwi descend from the original Maori seafarers who first fished the pristine waters of Aotearoa one thousand years ago. For the past two years the ICP has combined this legacy in partnership with Sanford, the oldest fishing company in New Zealand.

The development of seafood career opportunities for Maori has been a key focus for our partnership this year. Building the capability and capacity of Maori is something the ICP has had its sights on for some time and we were glad to find alignment with Sanford’s recognised expertise and capability as an industry leader.

In September, we launched an industry scholarship programme in partnership with Sanford aimed at giving a handful of Maori, a taste of what the seafood industry has to offer. We look forward to extending the scholarship programme next year and to giving many more Maori new opportunities.

Not that 2012 hasn’t been without challenge. News of the San Nikunau prosecution against Sanford initially came as a shock to our board and shareholders. Was this a one-off event or symptomatic of a much larger problem? As we worked through the issues with Eric and his team we made our own assessment that it was a one-off event. We are confident that Sanford’s strength of response to the San Nikunau again demonstrates their continued commitment to sustainability.

We wish Eric and his Sanford team greater success in the new financial year. No reira, ka nui te mihi ki a koe Eric mo te tautoko ki te ICP, ara, nga iwi tekau ma rua, i tera tau. Ma te Atua e whakatinana o koutou moemoea mo te tau hou.”

– Maru Samuels, ICP Manager

The Iwi Collective Partnership and Sanford 2012 Scholarship Programme

This year the ICP and Sanford launched their inaugural scholarship programme aimed at supporting iwi members into a career in the seafood industry. The scholarships have been offered to provide hands-on learning experiences in harvesting, aquaculture, processing and iwi fisheries management. Three scholarships were offered under the themes ‘Step Up and Go Fishing’ or ‘Work over Summer’.

Our 2012 ‘Work over Summer’ scholarship recipient, Vincent Stewart (Ngati Awa), started with us in November. After being fitted out with wet weather gear he joined the crew aboard the San Rakaia to assist with catch sampling of snapper and tarakihi as part of our Trident commitments (refer page 43 for further details on Trident).



1. The May quarterly ICP/Sanford management meeting at Rangiwaea Marae.
2. Vincent Stewart.



Industry Leadership

World Ocean Council

We were very honoured to become the first New Zealand company to join the World Ocean Council (WOC), a global alliance of leadership companies working towards sustainable development and conservation of the world's oceans. Our membership not only involves New Zealand in the WOC, it significantly increases the fishing industry's participation in the alliance. Sanford believes that the fishing industry has a vital role to play in achieving the WOC's ultimate goal of 'a healthy and productive global ocean and its sustainable use, development and stewardship by a responsible ocean business community'.

With our fleet gathering a range of ocean, weather and climate data whilst operating around New Zealand and the Pacific, we're excited by the potential to share this data as a part of WOC's efforts to expand the gathering and sharing of information by ocean users. This data is an important global business and scientific resource.

WOC Executive Director, Paul Holthus believes that Sanford's membership brings a leading Pacific and Southern Hemisphere company and fleet to WOC that creates new and critical opportunities for business led action on ocean sustainability challenges. In confirming Sanford's WOC membership, Paul Holthus said fisheries companies have unique ocean stewardship concerns and responsibilities.

"One of the key areas that we believe Sanford can engage on in the near future is in bringing fisheries industry involvement and leadership to WOC's 'Smart Ocean/ Smart Industries' initiative. This programme is working to scale up data gathering by all kinds of ocean industries and achieve economies of scale and business benefits for industry and the broader ocean science community in doing so. There is a particular need and opportunity to expand and improve the role of fishing vessels in collecting information which can lead to more efficient and better managed fisheries, as well as improved safety at sea."

– Paul Holthus, WOC Executive Director

Electronic Monitoring

There has long been a requirement to have independent observers on board commercial vessels across New Zealand's fisheries. The observers are in place to verify and document at-sea information including by-catch, catch composition and gear configuration. Traditionally, government has used human observers but with the development of digital cameras and the use of smart software, electronic monitoring (EM) has very real potential to reduce our reliance on using human observers in the future.

Sanford is leading the industry with developing EM capacity on our vessels. Over the last three years Sanford has successfully trialled cameras on several of our inshore vessels. While every vessel needs its own configuration of cameras we are convinced that EM is effective, the technology is reliable and it is cost effective; we are now working on ways to better manage the data once it comes ashore. The reaction from our fishers has generally been positive. We want our fishers to be proud of their contribution to our company and New Zealand's economy. One of the best ways we can do this is by better telling our story of how we take pride in our harvesting methods and care for our product.

Industry Contribution to Fisheries Science

With the launching of Trident Systems, an industry owned science company, in early 2012, it is now a reality for Sanford crew to gather data used in fisheries science. Sanford is proud to be one of the industry leaders investing in its own science capability.

The Ministry for Primary Industries (MPI) is undertaking biological sampling of commercial catches of snapper and trevally in the 2012/13 fishing year. The results of this work will provide key data which will be used to assess the sustainability of these fish stocks for the top half of the east and west coasts of the North Island.

Sanford inshore vessels and the Auckland and Tauranga factories are supporting this science by working under the supervision of Trident to sample these catches.

In general the sampling programme for snapper and trevally is based on sampling fish when it is landed ashore. However, in the case of trevally taken off the west coast of the North Island, the science requirements have required vessel crews to implement at-sea-sampling so that the fish can be correctly attributed to a specific area.

When the vessel lands the fish back at the wharf, the bins of sampled fish are transported to either the Auckland or Tauranga factory. Once they arrive, a fish sampler measures, weighs and removes the ear bones (otoliths) from the fish. These otoliths have rings, like the rings in a tree, which enables the age of the fish to be determined. This data is then collected and sent to MPI along with the details of how the fish were caught, which links back to the catch effort records kept by the vessel.

Good science relies on precise data therefore it is important to have trained samplers. At Sanford our samplers are randomly audited, to ensure information is accurately recorded.

Sanford invests in research because it helps us to better understand and manage the fish stocks that we own quota for. We think it makes sense to involve our vessel crew and factory staff in this process as it builds up the company's knowledge and expertise and we can do the work easier and cheaper than contractors.





Assurance Statement



Independent Limited Assurance Report to the Directors of Sanford Limited

We were engaged by the Board of Directors of Sanford Limited (“Sanford”) to perform a limited assurance engagement on the Sanford Sustainable Development Report (the “Report”) for the year ended 30 September 2012.

Our assurance engagement involves providing a limited assurance conclusion on the preparation of the Report in accordance with the Global Reporting Initiative (“GRI”) G3.1 reporting principles and guidelines; and the self-declared GRI application level assertion, presented in accordance with the relevant GRI requirements.

Our assurance covers the collation and presentation of the significant indicators and claims made in the Report as outlined below:

- The GRI assertion made on page 4 of the Report;
- The GRI index table referenced on page 4 of the Report and included as a separate document on the Sanford Limited website (www.sanford.co.nz);
- The key performance indicators included on page 7 of the Report;
- Stakeholder engagement details included on pages 8–9 of the Report;
- Metrics and claims included in the core sections of the Report (“Our Resources”, “Our Operations”, “Our Impacts, “Our Outputs”) on pages 10 to 43.

Management responsibility

Management is responsible for the preparation and presentation of the Report in accordance with the criteria set out in the GRI G3.1 guidelines and the principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Management is also responsible for determining Sanford’s objectives in respect of sustainability reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Our responsibility

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the External Reporting Board of New Zealand (“XRB”). That standard requires that we comply with the requirements of Professional and Ethical Standards issued by the XRB, and that we implement quality control procedures that are applicable to the engagement.

Assurance approach

We planned and performed our work to obtain all the evidence, information and explanations we considered necessary in relation to the above scope. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate. Our procedures included:

- Enquiries of management to understand the process for determining the material issues for Sanford’s key stakeholder groups;
- Interviews with relevant Sanford staff responsible for providing or collating the information included in the Report;
- Analytical review and other testing to assess the reasonableness of the information in the Report;
- Comparing the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all relevant information contained in such underlying sources has been included in the Report;
- Comparing the self-declared GRI index table, referenced in the Report, to the requirements of the GRI G3.1 guidelines; and
- Overall sense check of the Report against our findings and understanding of Sanford.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.



Use of our report

Our assurance report is made solely to the Directors of Sanford in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Sanford those matters we have been engaged to state in this assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than the Directors of Sanford for our work, for this assurance report, or for the conclusions we have reached.

Independence

KPMG also provides financial audit services to Sanford. The Partners and employees of our firm may also deal with Sanford on normal terms within the ordinary course of trading activities. This has not impaired our independence in respect of this engagement. The firm has no other relationship with, or interests in, Sanford.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that:

- The Sanford Sustainable Development Report for the year ended 30 September 2012 has not been prepared in accordance with the Global Reporting Initiative ("GRI") G3.1 reporting principles and guidelines; and
- The self-declared GRI application level assertion of B+ is not fairly presented in accordance with the relevant GRI application level requirements.

Our assurance engagement was completed as at 7 December 2012 and our conclusion is expressed as at that date.

KPMG
Auckland



Glossary of Terms

Annual Catch Entitlement (ACE)

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

Benthic Protection Areas (BPAs)

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

Coalition of Legal Toothfish Operators (COLTO)

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

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

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

Deemed Values

Failure to accumulate sufficient ACE to cover catch by the end of the fishing year results in a deemed value liability – a monetary penalty. The deemed value rate for many fish stocks 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.

Environmental Management System (EMS)

EMS is a framework that helps a company achieve its environmental goals through consistent control of its operations. Each EMS is tailored to the company's specific business and goals.

Fishery Management Areas (FMAs)/ Fish Stocks

There are 10 FMAs within the EEZ. For some species different FMAs are amalgamated. The fish stock is the combination of the species and area. For example, snapper in FMA 1 is fish stock 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.

Global Reporting Initiative (GRI)

GRI is a comprehensive sustainability reporting framework that enables all organisations to measure and report their economic, environmental, social and governance performance – the four key areas of sustainability.

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 tradable in New Zealand, can be secured by registered mortgage and are issued in perpetuity.

ISO 14001

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

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 for Primary Industries (MPI)

A new Ministry formed from the merger of the Ministry of Agriculture and Forestry, the Ministry of Fisheries and the New Zealand Food Safety Authority. Some of its key functions include: being the Government's principal adviser on fisheries and aquaculture management, providing or purchased services to maintain the effective management of New Zealand's fisheries, protecting consumers of New Zealand food (whether here or overseas) and providing effective food regulation for food produced or consumed in New Zealand, including imported and exported food products.

Quota Management System (QMS)

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

Seafood New Zealand (SNZ)

Seafood New Zealand provides a range of services that add value to the New Zealand seafood industry, with one voice on whole-of-industry matters. Seafood New Zealand's core services support these industry sectors by: retaining and advancing cost-effective access to our international and domestic seafood markets, protecting and promoting the New Zealand seafood industry and its reputation and protecting and promoting the opportunity and right to produce seafood.

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 fish stock, determined before taking into account interests in the fisheries.

Total Allowable Commercial Catch (TACC)

TACC is the annual catch limit for each fish stock, 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 8 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 welcomes your comments on our 2012 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.

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

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

2) Which section appealed to you most and why?

3) 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.

Annual Report	<input type="checkbox"/> Printed	<input type="checkbox"/> Website	<input type="checkbox"/> Not at all
Sustainable Development Report	<input type="checkbox"/> Printed	<input type="checkbox"/> Website	<input type="checkbox"/> Not at all

If you wish us to action this request, please complete 8) below.

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

7) What stakeholder group do you belong to?

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<input type="checkbox"/> Contractor/supplier	<input type="checkbox"/> Community member	<input type="checkbox"/> Other (please specify)

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

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Board and Management Directory

Board of Directors

J G Todd, CBE, Chairman
 E F Barratt, Managing Director
 D G Anderson
 E M Coutts
 M G Cowsill
 P J Goodfellow
 W B Goodfellow
 P G Norling

Management Team

E F Barratt Managing Director
 V M Hunt Executive Assistant

Finance and Administration

D C McIntosh General 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 Europe
 P B Cox Market Manager Americas
 H I Kwon Market Manager Asia
 K J Griffin Market Manager Fresh Chilled & Oceania
 M J M Morgan Market Manager Pacific & Middle East
 D K Cawdron Logistics Manager
 D A Stewart Shipping Coordinator

Australia Seafood Segment

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

Aquaculture

E J Culley Manager
 B W Champion Accountant

Havelock

W R MacDonald Manager
 S J Gibb Factory Manager
 S S Dyer Plant Engineer

Havelock Farming

Z Charman Farming Operations Manager
 D A Condon Spat Catching & Development Manager
 P Hawke Harvesting Coordinator
 D Herbert Seed & Spat Manager
 J Higgins Farm Support Services Manager
 R Roberts SPATnz Manager

Christchurch

T J Denley Manager
 G D Boyd Factory Manager
 M K Stark Engineering 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
 R Parry Mussel Farm Manager
 P M Buxton Hatchery Manager

Pacific Tuna

M C de Beer Pacific Tuna Manager



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