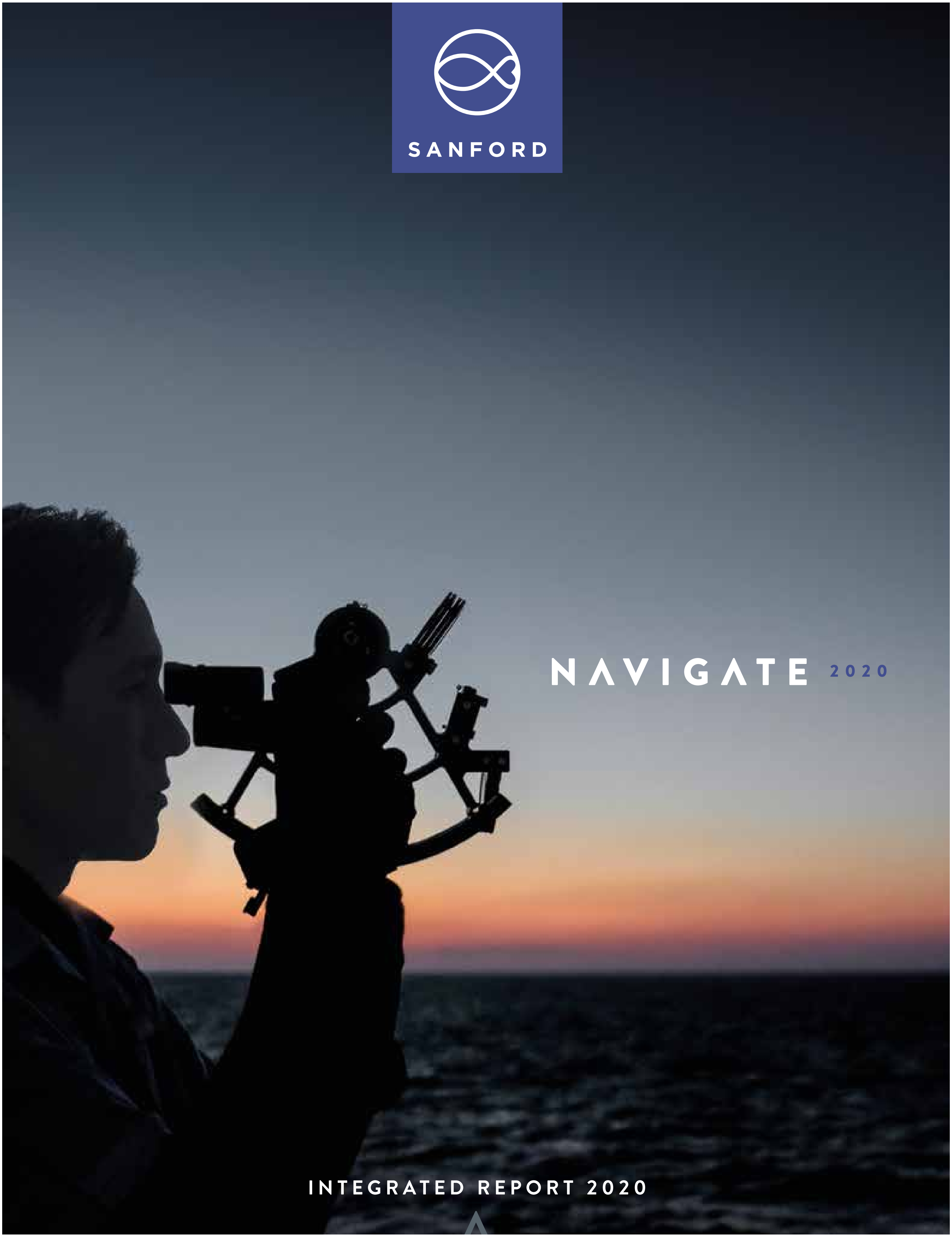


SANFORD

NAVIGATE 2020

INTEGRATED REPORT 2020

WE NAVIGATE USING OUR VALUES

CARE

At Sanford, we value caring for the wellbeing of ourselves, the team around us, our customers and consumers, key stakeholders and the communities we work in. Crucially, we care for the environment we are privileged to work in.

PASSION

We are passionate about our relationships with our people, customers, consumers, resources, country and future. Our passion extends to protecting our oceans, caring for the environment and having successful partnerships.

INTEGRITY

We strive to live our values every day in everything we do. This means having straight-up conversations, delivering on the expectations of our key stakeholders and being respectful, honest, open and transparent, as we work to always do the right thing.

ACHIEVING TOGETHER

Guided by the underlying principle of achieving together, we encourage, respect and value the contributions of all team members and utilise the talents of everyone to deliver the best outcomes across our business excellence framework. We actively build partnerships across the business and wider stakeholder community.

WARWICK 36°50'27.528"S 174°45'23.76"E

STEFAN 41°16'27.7"S 173°46'10.5"E

44°23'07.2"S 171°15'29.4"E

LESILA 36°50'27.528"S 174°45'23.76"E

ABOUT THIS REPORT

AN INTRODUCTION

NAVIGATE is the title of our 2020 integrated report.

In the early days of seafaring, when navigational aids were rudimentary, a vessel out of sight of land was in an uncertain position.

We have all experienced that uncertainty this year: borders shut, businesses stalled, schools closing, workforces sent home. Suddenly it seemed the whole world was out of sight of land, with many feeling anxious and uncertain.

We chose navigate as the theme for our seventh integrated annual report because it is an apt description of our response to the pandemic and its impacts. **NAVIGATE** speaks to planning and directing a course, but it also describes making way with particular care in difficult conditions. There were no maps or charts for making our way through a global pandemic, so we had to set our own course.

This year's report not only talks about our results, but also the voyage of discovering our ability to regroup, think quickly, act decisively, allocate resources and back our decisions. Care, passion, and integrity are core values for us. So is achieving together and the year will be memorable for all the wins that our people delivered as much as for the challenges we all faced.

It is not easy being asked to work when others can stay home safely in a lockdown bubble. It is good to be considered an essential worker, but our people are also essential to their families and communities. Putting their safety first and living up to our promise of care gave them the confidence to come to work in our fleet, on our farms, in hatcheries, in processing plants and our offices.
Our people navigated carefully through their own personal and family concerns and commitments and we are immensely grateful for their trust and their effort.

It has been an exhausting and unpredictable year and disappointing in terms of our financial results. But we found certainty in ourselves and in our strengths and we have these to build on. We have never lost sight of our big ambition; to be the best seafood company in the world. We will continue to set our course in line with that ultimate ambition and while there may be some uncertainties still ahead and our priorities reflect this reality, we will draw on what we have learned in 2020 to navigate those too.

CONTENTS

QR CODES

QR codes appear throughout this Report. Use these to access relevant video and other content by opening the camera function on your smart phone and hovering over the code. Select the web link that appears on the phone's screen. Some phones will require users to download a QR reader app to enable this function.

WATCH VIDEO

Who is Sanford?
https://youtu.be/3YquQVYjGfE

PLEASE NOTE that photos in this report were taken both before and after the arrival of the Covid-19 pandemic, so facemasks are not always worn in these images.

CHAIRMAN REVIEW

Sir Robert McLeod
CHAIRMAN

Sanford is a resilient company. Established in 1904 and listed 20 years later, we have come through a Depression, two world wars, heavy industry regulation, the Asian financial crisis and the global financial crisis. We have been battered at times, but not beaten. We have not let this year be the exception.

There is no escaping the severe disruption to our business from the global Covid-19 pandemic. Our Net Profit After Tax (NPAT) was $22.4 million, 46% lower than the prior year's $41.7 million. Adjusted Earnings before Interest and Tax (Adjusted EBIT) of $38.3 million were 41% lower than last year's $64.8 million.

These results reflect the 14% reduction in sales revenue, primarily as a result of Covid-19's impact on demand in our global markets and our Gross Margin of $82.5 million declined by 23%. Earnings Per Share came in at 24c compared to 44.6c last year. Our CFO, Katherine Turner, provides a full discussion of our results and what influenced them on pages 10 to 12.

In September, our CEO Volker Kuntzsch made the decision to retire from Sanford after seven years of service. The company entered a consulting arrangement with him to ensure he was available through the transition period to a new permanent CEO. Volker has made an outstanding contribution to Sanford during his time as CEO and continues to be a passionate supporter of the company. As we publish this report, Sanford is being led by a very capable executive team, headed up by Andre Gargiulo as Acting CEO.

STEADY ON STRATEGY

Volker's resignation has raised the question as to whether that foreshadows a significant change in strategy. The Board is clear that it does not alter the strategic direction of the company.

Our strategy is a key contribution by Volker to our business and continues to be sound in major respects. New leadership will bring some different perspectives to the execution of that strategy, and the Board will capitalise on any improvement opportunity that arises. During Volker's time, Sanford revisited its strategy each year to confirm its appropriateness to present and future conditions, and we will continue to do that.

The market volatility caused by Covid-19 remains. The economic outlook is uncertain. New Zealand might be in more sheltered waters as a nation in terms of the pandemic's toll, but our economy is still dependent on global markets in varying states of recovery. As a business, Sanford enjoys the support of our local market, but our global markets remain significant and are materially off a full recovery.

In the year ahead, the management of our cashflows will require increased vigilance around market risks. We will take a pragmatic approach which supports progress with our strategy, while managing risks and protecting our balance sheet. This is not the time to gamble with our shareholders' investment in us, or to put at risk our people's jobs and the contribution we make in the economy, especially at the local level.

SETTING THE COURSE

Our strategy emphasises a move towards higher value products. That remains the case. At the same time, Sanford has historically sold large volume commodity-based products, which still account for the substantial part of our revenues. Pursuing a value creation strategy does not mean that volume and commodity species and products are or will become insignificant.

Consumer demand has been shifting away from eating out to in-home dining and we have identified opportunities in the domestic market and our global markets to satisfy this demand. We have also used the crisis as an opportunity to accelerate a programme of product diversification, drawing on the strength of our core commodities business.

It is not a case of "either or" but "and". There will be no slowdown in the development of value-added products and channels to market, but it is important to appreciate that the revenue generated has a significant amount of ground to cover before it eclipses our commodity-based revenue. Volker gave guidance on that relativity by focusing on a target of $1 of normalised EBIT per greenweight kilogram sold.

We will continue to measure our improvement against that metric under our existing strategy; however, that will be done by positive action around value-added products rather than prejudicial action towards our profitable commodity business.

OUR STAKEHOLDERS

Our shareholders ultimately control and economically own Sanford, and the Board governs at their pleasure. The goals of Sanford and its shareholders, however, can only be achieved by Sanford having effective and successful relationships with all its stakeholders such as customers, people, suppliers and the community.

Sanford's success is dependent on attracting the best stakeholders and their goodwill to our cause. The community, which is partly represented by the regulators, gives Sanford our licence to operate. This stakeholder framework reflects how stakeholders create value for each other through Sanford.

Each group is naturally looking to us to provide a considered view of our performance and progress. As Chair I welcome these views as do our Board and our leadership team.

SHAREHOLDERS

Our priorities for the new financial year are to increase profitability, manage risk and to continue to grow the business. This does not mean chasing growth for growth's sake. Rather we will target opportunities that can make a meaningful contribution to profit and ultimately the value of our shareholders investment in us.

We will maintain a sensible balance between investing to grow our aquaculture operations and our portfolio of value-added products, and equipping our commodity business to take advantage of every opportunity to secure profitable sales. An example is allowing our operational leaders to make tactical choices, such as a switch of species catch, when their vessel has capacity. Tactics like these increase our available volumes of valued commodity species and those volumes can be sold at profitable margins.

Our balance sheet remains strong, despite the increase in borrowings as a result of Covid with our debt to equity gearing ratio at year end at 31%. We also slowed our capital spend to $48 million for FY20 in response to the market conditions and we will maintain a watching brief in the new financial year.

We will continue to support our strategy with investments, such as our Marine Extracts Centre and upgrades to our fleet, when the business case is strong. The Board will navigate a sensible course between investing for the future while protecting the balance sheet in the present. Shareholders would expect nothing less.

Because of the continuing uncertainty and the investment needs of our asset rejuvenation programme, your Board has determined that for prudency sake, that there will be no final dividend payment for the FY20 year. The total dividend paid for FY20 will be 5 cents per share. The Board is committed to re-establishing a dividend when company performance improves to a satisfactory level having regard to prior years.

CHAIRMAN REVIEW – CONTINUED

CUSTOMERS

Our strategy emphasises the need to get closer to customers, particularly when it comes to our higher value products such as salmon and scampi in foodservice. Covid-19 has enforced distancing, given the curtailment of travel and the collapse of foodservice demand has also been a factor.

We have restructured our sales function to close that distance, so we can rebuild relationships as foodservice moves slowly back to recovery. We are also appointing partners who are more focused on retail as a channel. Value-add and commodity customers are equally important to Sanford and our sales function now also reflects that.

Consumer demand has been shifting away from eating out to in-home dining and we have identified opportunities in the domestic market and our global markets to satisfy this demand. We have also used the crisis as an opportunity to accelerate a programme of product diversification, drawing on the strength of our core commodities business.

OUR PEOPLE

The Board salutes our Sanford people. Classification of our business as an essential industry provided us with a commercial advantage but it also meant we asked a lot of them. The Board sincerely thanks everyone for the special effort put in through a very challenging year.

We saw first-hand the rapid establishment of response teams set up for people and communication, fishing and farming, land-based operations, logistics and supply chain, sales and marketing and finance. We saw very capable leadership of these teams with daily assessment of priorities and targets and allocation of resources.

Health and safety is an ever-present focus for our industry, and the Board congratulates the leadership team on the thoroughness of their preparations to ensure our people could return safely to work with correct protection, social distancing and inductions into the new working requirements. Our people have every right to be proud of their response, their flexibility, their professionalism and the pride they take in their purpose.

The significant increase in our engagement scores across the year reflected that sense of achievement and loyalty.

There is no better reassurance for our other stakeholders that our business is in capable, committed and hard-working hands at every level. It has been an exhausting year and we thank everyone for their endurance and effort.

OUR SUPPLIERS

We are grateful for the support provided by our suppliers. We have extensive networks, ranging from our ACE fishers to our banks, professional advisers to those providing maintenance and engineering skills, packaging products and supply chain services. The year has challenged us all. We appreciate the levels of flexibility and co-operation we received, the wise counsel and the care.

OUR COMMUNITY

There is no doubt that the challenges wrought by Covid-19 did not end with the financial year. As a company and as a country, we will need continued resilience as we rebuild the economy. We cannot lose sight of the spirit of collaboration and co-operation we saw on so many levels this year.

Our industry can be a vital part of this economic recovery. We have already seen ambitious pre-pandemic plans laid down for aquaculture industry to deliver economic growth and jobs for the regions and to become a $3 billion industry by 2035.

New Zealand has a reputation for sustainable, healthy and high-value products from the sea and there is considerable potential in developments such as open ocean farming. Our community includes the regulator which is a very important relationship. We are committed as a company, to work within our industry to encourage policy settings which support aquaculture's sustainable growth.

Healthy competition is important in our industry, but it is also important that we collaborate in appropriate ways in areas that can advance our collective interests and leverage the full potential of our capacity and capabilities.

PHOTO: Perry Smith on board the San Aspiring learning how to use a sextant navigation device. The same navigation device can be seen on the front cover of this annual report.

REFLECTIONS

I have had the privilege of chairing Sanford from the close of the last AGM. The pandemic increased the challenges across the globe for many, including Sanford and had a material adverse impact on company performance, principally through a decline in revenues. The Sanford response has been fast and demanding. I thank all Sanford people for the extraordinary effort that they have made to mitigate this crisis.

I also thank Volker for his leadership, obviously during this crisis period, but also for the many prior years. Volker's commitment and contribution to the company throughout his seven years of service has been exemplary. Much thanks on behalf of the Board and all those Sanford people that Volker has led during his time with us. We wish him and his family the very best for a safe and successful future.

Sanford is a company that faces many choices and opportunities. The challenge for us is to make the smartest and most profitable choices. The lingering pandemic will require us to operate more conservatively than we would otherwise have done. Still, we expect it to abate in time and we will calibrate the execution of our strategy accordingly.

Sir Robert McLeod
CHAIRMAN
11 November 2020

CEO REVIEW

Andre Gargiulo
ACTING CHIEF EXECUTIVE OFFICER AND CHIEF CUSTOMER OFFICER

What a remarkable year.

In January I was sitting in a customer's restaurant in the US, hearing the front of house tell us about the story behind our Big Glory Bay salmon, this premium brand all the way from New Zealand.

Two months later, the World Health Organisation declared a global pandemic and our world changed completely. We had to make rapid and often difficult decisions about the way we lived and worked to maintain jobs, supply chains and customer connections. While the constant change required us to constantly reassess our priorities, we also learnt to be swifter in our responses and more alert to every opportunity.

As our financial year ended, I personally faced another unexpected change. Being asked to take on the role of Acting CEO after Volker's resignation was a privilege, just as it's a privilege to work beside my dedicated colleagues on the leadership team. I very much appreciate their support.

ACHIEVING TOGETHER

The impact of Covid-19, and its spread beyond China to the four corners of the world, is clear in our result which is well below the expectations we had for this financial year. It is not surprising, given the collapse of markets, tourism, and aviation, but it is still frustrating and disappointing.

With Adjusted Earnings Before Interest and Tax of $38.3m (versus $64.8m for FY19), our result is not a fair measure of the effort put in by our people in very difficult conditions. They proved themselves to be resilient, adaptable, and undaunted, a real living definition of our value of achieving together. That is remarkable given this year has been so challenging to people on all levels, personal and professional. Detailed numbers can be found in our CFO's Review on page 10 and from page 91 in the Financial Statements section of this report.

Despite the challenges, there has been some outstanding work across our fishing and farming operations. Nature was kind to us, in New Zealand waters at least, and we recorded no algal blooms in our farming areas in Marlborough or Southland. However, we did not just benefit passively from circumstances; I believe much of our operational success is as a direct result of our own efforts, from our reduced accident rate (TRIFR down 41%, see page 38) to the teams' outstanding record on managing Covid-19 risk for our people and customers.

When the pandemic hit, we got our people safely back to work with all the necessary protocols and protections in place, regardless of whether their workplace was on a deepwater vessel, a salmon or mussel farm, a processing plant or an office set up at home, and we kept them thoroughly and continuously informed. This was our real strength, and it has knitted a truly diverse team into a stronger whole.

ACKNOWLEDGING THE WEAKNESSES

A glance at any of the major news sites shows the pandemic's ability to expose vulnerabilities in people, governments, institutions, and businesses. We were not unscathed.

Our focus on foodservice had been a strength before the pandemic. We were able to deliver our premium product to discerning customers and consumers in a channel that yielded favourable margins. The pandemic hit out-of-home consumption hard in many of our key markets such as China, the US and Europe. This was a vulnerability somewhat unique to seafood, as opposed to other primary produce – more than 70% of all seafood

CEO REVIEW – CONTINUED

produced globally is consumed outside the home. Having diverse markets is something which has previously been a strength for us. In the past, if one territory experienced weakness, other markets might be strong. This time, we were seeing all of our markets impacted in waves – just as one settled down, others would shut down.

2020 has certainly given us a lot to navigate.

Previously our remoteness from our key markets has always been easily overcome by getting on an aircraft. Without that instant access this year, our distance made it more difficult to respond rapidly to changing conditions in our key strategic markets. We have since addressed this, securing partners who share our values and understand the importance of close customer relationships, but we acknowledge there was a time lag in this response and that has been a factor in our results.

We have shown we can operate with great speed and flexibility in our domestic market, growing our online sales exponentially, but we couldn't replicate this flexibility in our portfolio and in our international markets. We did not have sales access in new areas of demand, such as consumer retail. Again, we are addressing this weakness, but again, we have paid for the time lag.

Acknowledging our shortcomings and addressing them has set us up better for the new financial year as will being clear-eyed about our strategic approach.

STRATEGY – BALANCING TODAY WITH THE FUTURE

I agree with Sir Robert that our strategy is the right one and that Volker has left us with a charted course that we can confidently follow.

Getting closer to the customer and consumer, extracting more value from the precious resources we have available and doing so sustainably remain our focus. "Sustainably" is a key part of that. That has been our explicit aim for many years now and it is no less important in a world changed by Covid-19. Our customers and consumers, our investors and our own people should know it is a core part of our approach. It represents our ability to take pride in our business today and to be here to do business tomorrow. We continue our work to mitigate the impacts of climate change and to reduce our own impact on the planet, as outlined throughout the pages that follow. This work does not stop because of the global pandemic.

Covid-19 is not just a 2020 phenomenon. It is going to be part of our short-term future and we must learn to live with it in the here and now without closing the door to future opportunities. Balance is going to be key.

In the here and now, we must use the strength inherent in our integrated business, our core commodity portfolio and the flexibility and skill of our people.

We certainly have the products – our superb Big Glory Bay salmon, our Greenshell™ mussels with their incredible anti-inflammatory properties or our sustainably caught inshore or deepwater fish, with their compelling stories and provenance – all deserve a place in premium retail channels and in the kitchens of discerning consumers.

We must do the basics well, staying conscious of cost structures and growing our market access – all while maintaining a level of profitable sales that will enable us to stay stable today. Then we can look to our long-term future.

Stability might sound boring, but if you look around the world today, it's the one thing everyone craves. For us, it means not destroying value now, because if we do that, we risk our ability to grow value later.

DELIVERING FOR OUR STAKEHOLDERS

Maintaining stability is also important for all our stakeholders. Our shareholders – and that includes many of our people – do not want to see the value of their investment in us eroded. Our people want to feel confidence in our prospects and plans. Our customers want us to continue to deliver premium protein and support their own ability to make a fair living.

> Sanford is a great organisation with a proud history... that history puts our current situation into context.

Our suppliers too want to be reassured we're here for the long haul, because our business supports their business. Our communities at large want to be confident that the contribution we make to the local and national economy will be safeguarded to the best of our ability.

If we are winning, all our stakeholders win. And we are determined to win.

I want to thank our incredible people at Sanford for their unstinting dedication through this uniquely challenging year. The executive team is very proud of you and the work you did to keep yourselves and the people around you safe. Thank you to our Board for their wisdom, support and guidance. Thank you to our outgoing CEO Volker Kuntzsch, who set us on the right course and led with his values and Sanford's values always to the fore.

Sanford is a great organisation with a proud history. This company has continued to operate successfully through two World Wars and the 1918 flu pandemic. That history puts our current situation into context. We have continued to operate profitably in 2020 despite the substantial challenges and we expect better results in 2021 as we bring life to our value creation strategy.

We have an abundance of opportunities for the future. In the current climate, we will prioritise these opportunities to preserve the core, realise value and set ourselves up to be ambitious for the next 130 years. We will continue to navigate with a "steady as she goes" mantra matched with unwavering excitement about our future destinations.

Andre Gargiulo
ACTING CHIEF EXECUTIVE OFFICER
AND CHIEF CUSTOMER OFFICER
11 November 2020

SANFORD IN NUMBERS

SANFORD IS NZ'S SECOND LARGEST QUOTA HOLDER

19.7%[1]

2019: 19.4%

1,387
TOTAL WORKFORCE
2019[2]: 1,453

6
PROCESSING SITES INCLUDING JOINT OPERATIONS
2019: 7

444
INDEPENDENT SHAREFISHERS
2019: 451

15
DEEPWATER & INSHORE VESSELS
2019: 15

22
AQUACULTURE VESSELS
2019: 22

87[3]
QUOTA SPECIES
2019: 87

HOW HAVE WE PERFORMED?

SALMON
GREENWEIGHT TONNES
4,731
2019: 4,028

MUSSELS
GREENWEIGHT TONNES
33,918
2019: 29,419

WILDCATCH
GREENWEIGHT TONNES
84,373[4]
2019: 90,351

1. Quota ownership based on New Zealand Annual Catch Entitlement (ACE) equivalent
2. See note 21, Appendix A
3. Figures relate to Sanford's New Zealand quota only
4. Total wildcatch GWT comprises Sanford fleet, including contracted ACE fisher's landings

CFO REVIEW

Katherine Turner
CHIEF FINANCIAL OFFICER

Last year I reported we were optimistic about the 2020 financial year.

One year on, we are still optimistic about the future, but we are also dealing with the present.

A promising start to the year, with our aquaculture volumes and revenue increasing steadily, had slowed or stalled by the time we reported our half year results in May. By then, the impact of the foodservice downturn was evident across most of our fisheries portfolio and it was also clear that salmon and mussels would fall short of pre-Covid expectations.

KEY METRICS

We kept the market updated as we navigated shifts in demand and softening prices due to oversupply in the market. With the seasonality of our fishing operations, our fourth quarter traditionally defines our year-end result. While the fourth quarter showed some pockets of growth, overall, it was a very poor quarter and our second half EBIT result compared to last year fell by 53%, mainly due to the financial performance of our wildcatch business.

As a result, our Adjusted Earnings before Interest and Tax (EBIT) full year result of $38.3 million, was 41% lower than last year's $64.8 million and our Net Profit After Tax (NPAT) of $22.4 million was $19.3 million lower than the prior year's $41.7 million.

On a comparable basis, after adjusting last year's sales volumes to remove the pelagics business which we sold during 2019, our full year sales volumes of 106k greenweight tonne (GWT) were flat year on year, with 2k tonnes lower wildcatch sales volumes, offset by 2k higher aquaculture volumes.

Our reported sales revenue for the year was $469 million, down 14% on last year's result of $545 million (-11% on a comparable basis), reflecting both the sale of lower value product mix and lower prices in our wildcatch business. Average sales price achievement for our aquaculture business was higher overall when compared to last year, despite some compression of pricing in our salmon business in the second half of the year.

Our Gross profit of $82.5 million fell by $25 million or 23% and also fell as a percentage of sales by 2 points to 17.6%, attributable not only to the lower sales margin achieved but also incremental costs in relation to people, fuel, nets, packaging, storage and depreciation.

Discretionary spend was curtailed as the impact of Covid began to be felt on our financial performance. Operating expenses were higher than 2019, reflecting restructuring costs mainly from the closure of our Tauranga plant. Adjusting for these types of one-off costs, operating costs were lower than last year, reflecting lower marketing spend, people and travel costs but higher costs for information technology and insurance.

Our progress towards our goal of $1 of profit (EBIT) per kilogram of greenweight (GW kg) contracted 20 cents to 36 cents compared to 56 cents last year, driven by the impact of Covid-19 on our wildcatch business.

CASH FLOW

Product supply this year has been particularly good. However, with demand constrained, inventory grew to 38% higher in volume and 100% higher in value than the same time last year.

Our operating cash flow for the year was $18.8m, $29.9 million lower than the prior year's $48.7 million, impacted by lower sales receipts and the impact of increased inventory on working capital.

We have been undertaking regular scenario planning for liquidity as we work through the pandemic's impacts and cost measures are in place so we can better weather economic unpredictability.

Our investment programme was scheduled to ramp up this year to support our growth in innovation, marine farm expansions, operational improvements for our fleet and our information technology replacement project (called SanCore). Our actual expenditure, at $48 million, which was $10 million more than our spend in 2019, was slowed in part due to Covid-19 and also due to some delays in our Marine Extract Centre project in Blenheim and design and development changes in our scampi vessel replacement programme.

Our gearing ratio increased to 31% compared to the prior year's 24%, reflecting the higher debt balance with a lower free cashflow, a good portion of this expected to be addressed over time through the sales of our higher inventory levels . We secured an additional $40 million of bank facilities in May 2020 to provide resilience against any further market shocks. We closed FY20 with adequate headroom in our committed facilities.

Cash collection remained satisfactory through the year and our balance sheet remains strong.

WILDCATCH FINANCIAL OVERVIEW

The following figures are like-for-like and exclude the pelagics margin for the business sold in 2019 financial year.

% Versus Last Year	FY 2020	H1 2020	H2 2020	H2 2020 vs H1 2020
Sales volumes	-3%	-4%	-3%	+17%
Revenue	-21%	-9%	-31%	-5%
Profit contribution	-45%	-48%	-44%	+63%

Landed catch volumes at 72k GWT were overall 2% up on last year. Catch from our deep-water fleet was up 10% overall with the San Granit fully operational after being out for three months last year. Our inshore catch was down 7% like-for-like, as we sourced fewer fresh fish through the Covid lockdown periods.

Sales volumes were down -3% and overall sales revenue was down -21%, reflecting a very tough second half for wild catch from a sales perspective. Wildcatch sales revenue in the second half was 31% lower than the same period last year.

The first half of the year was challenged by a 39% lower Antarctic toothfish catch than 2019 due to the ice conditions in the Ross Sea; lower squid catch with a higher proportion of smaller squid leading to lower price achievement per kilogram; and a drop off in demand for hoki fillet. These factors were then exacerbated further by the impacts of Covid-19 on demand in the second half of 2020.

Plans to close the revenue gap left by the sale of the pelagics business by moving up the value chain were stymied. Lower demand has led to lower pricing, particularly on our higher value products like toothfish (Antarctic and Patagonian) and scampi, as foodservice markets shut down.

We took the decision to move to lower value hoki block production for which there was demand and to delay the sale of our Patagonian toothfish caught in August and September into 2021. Overall average selling prices per GW kilogram sold fell 20% in the second half, a factor of both a reduction in pricing and a change in our sales mix to lower value products.

Market wage adjustments have impacted labour costs and extra costs were incurred when we took the decision to shut operations for three days at the end of March 2020 to change our procedures to ensure that as an essential service, we could operate safely during the Covid-19 lockdown.

All of these factors and others have culminated in a poor year for the profitability of our wildcatch business. We are however seeing evidence that prices have stabilised and are beginning to rise, with the key pollock fillet market seemingly under supplied. Despite the challenges, as markets recover, we are in a good position to partially catch up on lost margins with our higher than usual frozen inventory holdings.

GREENSHELL™ MUSSELS FINANCIAL OVERVIEW

%Versus Last Year	FY 2020	H1 2020	H2 2020	H2 2020 vs H1 2020
Sales volumes	+5%	+6%	+3%	-13%
Revenue	+12%	+13%	+10%	-17%
Profit contribution	+30%	+16%	+69%	-45%

With no significant algal blooms this year, harvested volumes at 33.9k GW tonne, were 15% up on last year.

Overall sales revenue grew 12% with a continued roll-out of our strategy to realign our sales from US to Asian markets where demand is higher, driving both volume and average price improvement in our half-shell as well as strong revenue growth in mussel powder (+38%) and mussel meat (+31%).

Growth slowed considerably in the third quarter as our markets were heavily impacted by Covid outbreaks, particularly in half-shell product in the US where Quick Service restaurant demand reduced rapidly. Half-shell pricing held up well until the last quarter. We ended the financial year with inventory levels we have not carried since 2017, but we have begun to see a slow recovery with China beginning to grow although prices remain under pressure.

Operationally, both our Havelock and our joint venture NIML (North Island Mussels Limited) Tauranga plant performed well this year, benefiting from a much higher availability of mussels which increased the efficiencies of the plant.

The deployment of our diversification strategy has continued, with new pack formats being developed for retail sales of mussels and new retail customers secured. This also reduces our exposure to the half-shell mussel market, but we expect that this may take some time to develop. Our new marine extracts facility was expected to open in December 2020, however Covid and consenting delays now mean that we do not expect to commission this site until September 2021.

While certainly not the year we had planned for, in the circumstances, with a 30% increase in profitability versus last year, we are pleased with the overall performance of our mussel business in 2020.

KING SALMON FINANCIAL OVERVIEW

%Versus Last Year	FY 2020	H1 2020	H2 2020	H2 2020 vs H1 2020
Sales volumes	+3%	+2%	+4%	-17%
Revenue	+4%	+4%	+4%	-20%
Profit contribution	-9%	+86%	-79%	-85%

Harvested salmon volumes of 4.7k GW tonne, up 17% on last year, was also a new record as we experienced glorious growing conditions in Big Glory Bay, Stewart Island.

Unfortunately, our plans to expand rapidly into the US and China through Foodservice with our Big Glory Bay brand were thwarted by Covid. The strong first half was followed by a tough third quarter with a very slow recovery from July onwards. Fortunately, we were able to switch to supply domestic retail and our New Zealand salmon revenue business grew 14% in 2020.

Overall salmon sales volumes grew 3% on last year and sales revenue grew 4% driven by stronger sales prices in H1.

Conditions were favourable for a 18% increase in the biomass with the absence of biotoxins and low mortalities leading to a lift in the fair value of our salmon in water of $4 million. However, the fair value was also impacted by a reduction in the future selling prices and so this $4 million increase was less than the $5 million earnings uplift in the 2019 year, thus contributing to an overall dip in the salmon profitability in 2020.

While there were efficiencies from the higher volumes, the compressed sales margins and higher rates for wages, depreciation and freight overall led to a 9% drop in the salmon profit contribution in 2020.

Looking ahead, we are seeing a recovery as new retail demand continues to build into the US to close to pre-Covid levels. We are carrying forward some frozen inventory and to help reduce this we are launching Big Glory Bay smoked salmon into retail in November 2020.

INVESTMENT

In 2018, the Board approved an elevated capital budget of $120 million for FY19 and FY20, being an incremental $80 million over historical annual expenditure of $20 million in support of both asset rejuvenation and our value strategy. Even though delayed by this year's events, by 30 September 2020, we had deployed $87 million into a number of key integrity and growth capital projects which have continued to improve our financial performance and underpin the future sustainability of our business.

OUTLOOK

Like many businesses, we have learned a lot from the new challenges faced this year. The near term outlook remains highly uncertain and volatile and our focus in the near term is to adjust rapidly to the external conditions we are facing, focus on cash-flow and ensure our strategic choices are fit for purpose in the current environment while not losing sight of our longer term goals.

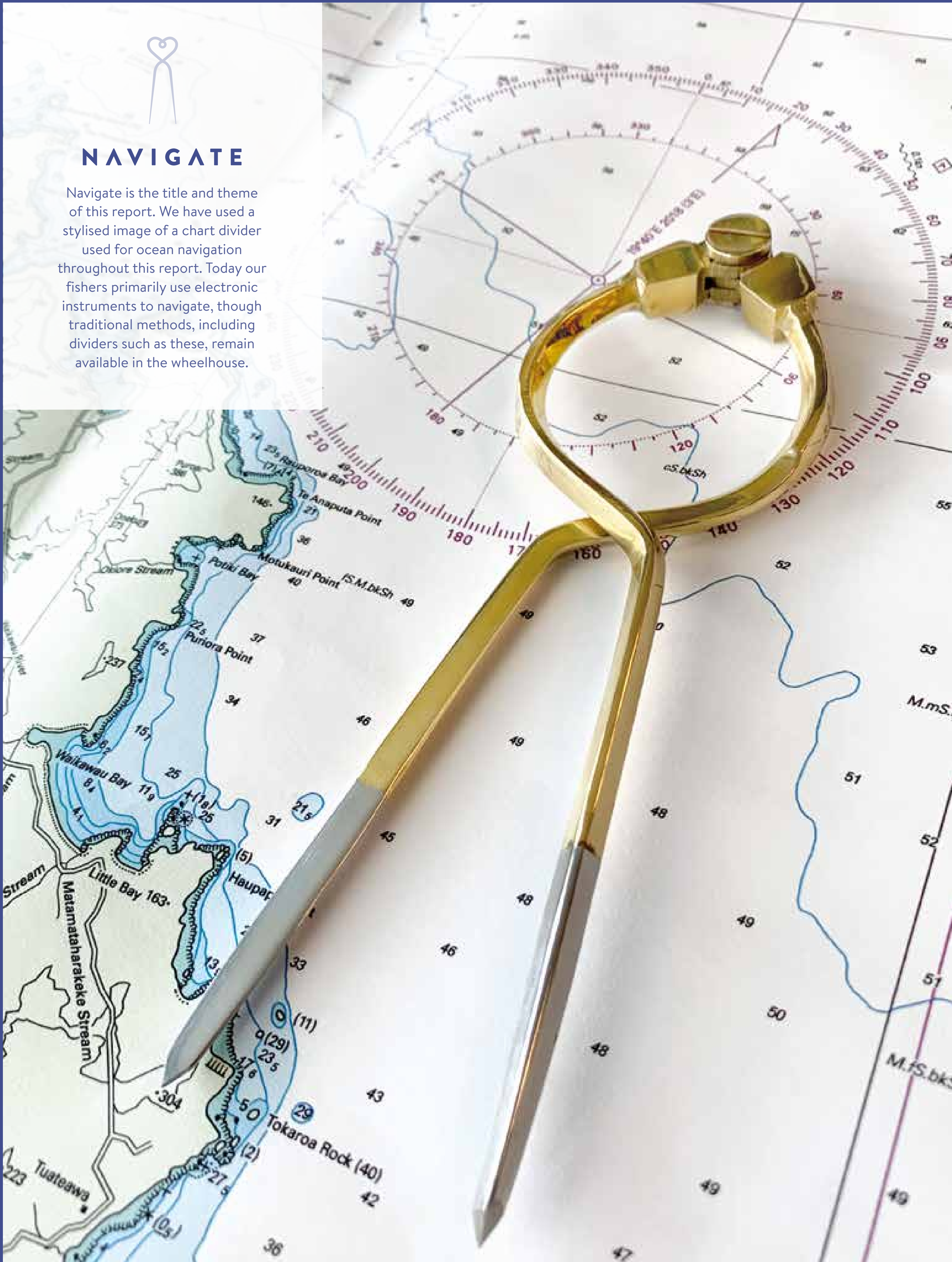
Conditions this year have challenged many businesses and we are fortunate at Sanford to have a strong balance sheet, highly engaged people and access rights to beautiful NZ seafood. This gives us the confidence that our value-focused strategy will ultimately create substantial value for our shareholders and all our stakeholders in the future.

K. Turner

Katherine Turner
CHIEF FINANCIAL OFFICER
11 November 2020

NAVIGATE

Navigate is the title and theme of this report. We have used a stylised image of a chart divider used for ocean navigation throughout this report. Today our fishers primarily use electronic instruments to navigate, though traditional methods, including dividers such as these, remain available in the wheelhouse.



REPORT STRUCTURE

Welcome to our 2020 integrated Annual Report. In keeping with prior years, we have maintained a structure which will be familiar to most of our readers. The section discusses the main headings and a snapshot of the information we have provided.

We discuss our **Global Operations** on pages 16 and 17. This year, this section shows the impact of Covid-19 on demand patterns. In a year where tourism experienced sharp declines, aviation was largely grounded, supply chains were disrupted and the foodservice sector saw demand drop dramatically, we summarise some of the key changes we have observed market by market.

How We Create Value on page 18 and 19 provides an integrated overview of our business model and maps inputs to outputs and outcomes.

Reporting What Matters on pages 22 to 26 summaries our materiality reporting, the result of detailed work with a selection of stakeholders sharing their views about what matters most to them, whether their concerns are changing and their expectations of Sanford.

Each year we devote a chapter of our report to each of the six outcomes in our **Business Excellence Framework**.

Beautiful, sustainable seafood needs healthy oceans, so we begin with our chapter on ***Enabling Healthy Oceans and Protecting and Enhancing the Environment*** on page 27. Highlights this year include our expansion at Big Glory Bay, our Southland hatchery investment which will support this growth and our open ocean farming ambitions.

Our people are integral to our performance. We are ***Creating a Safe and High Performing Workplace***, page 37, because we want to be an employer of choice. In this chapter, we discuss our teams-based Covid response, the care taken to keep our people safe in 2020 and a rescue mission to South Georgia.

Leading the Way to Healthy Food and Marine Extracts beginning page 45 shows how we are driving sustainable performance across our value chain and positioning our brand as the industry partner and supplier of choice. This year we talk about the potential of high-value, high potency mussel oil, the development of our Marine Extracts Centre in Blenheim, the drive to get more value from every fish caught and our head start with SPATNZ's mussel breeding successes.

Supporting Strong Communities and Partnerships, page 53 speaks to our intention to deliver a significant and positive contribution everywhere we work. Here we discuss the steps we took to protect the people of Stewart Island in the pandemic, our fish for foodbanks initiative and some quick thinking in our supply chain team to bring the logic back into logistics when freight capacity disappeared overnight thanks to the pandemic.

Delivering Consumers' Expectations, page 61 recognises that to be the brand and supplier of choice for New Zealand seafood, we must have a deep understanding of customers' and consumers' needs. We're accelerating our closer to consumers strategy with a push into a branded retail range and we celebrate the achievement of managing dramatic growth through our e-commerce channel during the Covid-19 lockdown.

Our sixth outcome, ***Building a Sustainable Seafood Business***, page 69 is the net result of all the other outcomes working together. It reflects our desire to deliver sustainable, profitable, and socially beneficial outcomes through our people, sector leadership and approach to innovation and risk management. This year we cover our operational approach to navigating the lockdown, along with progress with our fleet investments to raise safety levels and our long term plans to replace our scampi vessels.

Each chapter includes our 2020 targets for each outcome and our progress against those targets. Each chapter ends with our 2021 targets and 2025 vision. Note that we have streamlines our future focus targets this year. We are no less ambitious in our goals, but we wished to be more succinct in how we express them.

Our full financial statements for 2020 follow the Outcomes chapters, beginning on page 91.

UN SUSTAINABLE DEVELOPMENT GOALS

The United Nations, in 2015 adopted the 2030 agenda for sustainable development, its centre piece are 17 Sustainable Development Goals which are an urgent call for action to achieve prosperity for people and the planet, now and into the future. This year, we reviewed the 169 targets that sit beneath those global goals, and as a result refined our approach, now focussing on the six development goals where we believe we can make a difference. These goals are Decent Work and Economic Growth (Goal 8), Industry, Innovation and

Infrastructure (Goal 9), Responsible Consumption and Production (Goal 12), Climate Action (Goal 13), Life Below Water (Goal 14) and Partnerships for the Goals (Goal 17).

FURTHER INFORMATION
https://www.un.org/sustainabledevelopment

We have identified the Sustainable Development Goals (SDGs) relevant to each chapter in a dashboard above each of the main stories.

VALUE CREATION – THE SIX CAPITALS

FINANCIAL	INTELLECTUAL
HUMAN	NATURAL
MANUFACTURED	SOCIAL AND RELATIONSHIP

Value creation in any one performance outcome in our Business Excellence Framework, will typically draw on input from more than one of the six capitals. We have attempted to illustrate this with the addition of "dashboards" to each of the performance outcome chapters in this Report (which are explained below) Examples in this year's report include the progress in our plans for our Marine Extracts Centre in Blenheim, investments in our fleet, further development in our Sea to Me nutraceutical brand, and the successful completion of the SPATNZ Primary Growth Partnership research programme which has delivered important improvements in the rearing and breeding of hatchery spat for mussel farming.

We have also proven demand for online ordering and delivery of market-fresh fish in the Auckland region.

We are piloting leadership programmes for our people, and our participation in a money confidence pilot designed for Māori and Pasifika people has proved the value of this programme.

Finally, we aim to make sure that everything we achieve will contribute to the natural capital that supports our business, as well as our communities and stakeholders, over the long term.

USING THE DASHBOARDS

At the beginning of each of the chapters which follow beginning on page 27 we include a dashboard which is a guide to how the narrative content relates to our value creation model. Each dashboard features three wheels, one for inputs, indicating to what extent each of the six capitals has contributed to the developments in that area of the business; one for which outcome the chapter is focused on and one wheel for which of the six SDGs we focus on are most relevant in that section of the report. The degree of contribution on the inputs wheel has been determined using informal qualitative analysis, taking into account the highlights in this performance outcome over 2020 and the broader and more typical contribution each input makes in this area of Sanford's business performance.

REPORTING FRAMEWORKS

This Report has been developed in accordance with the International Integrated Reporting Council (IIRC) Integrated Reporting Framework. This enables us to explain how we create value over time and provide transparency on every aspect of our business activity.

We remain committed to integrated reporting because it is the right thing to do and we know an increasing number of stakeholders are interested in how we create long term sustainable value.

We wish to be transparent.

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

DISCLOSURE

Unless otherwise indicated, this Report covers performance from all our operations, including North Island Mussels Ltd in which Sanford has a 50% interest.

During the year we acquired Saltwater Seafoods Pty Ltd, a Melbourne-based seafood company , the remaining 50% interest in Perna Contracting Ltd (a mussel harvesting business based in the South Island), a 50% interest in Malmac Trading Ltd (a retail seaweed business trading as Pacific Harvest) and a 50% interest in Two Islands Co NZ Ltd, which is a dietary supplements business.

All financial data is presented in New Zealand dollars, unless otherwise stated. Any changes or restatements of previously reported figures are identified throughout the Report. KPMG has provided independent assurance of this Report, and this covers both statutory financial and selected nonfinancial information. The combined independent auditors and limited assurance report begins on page 135.

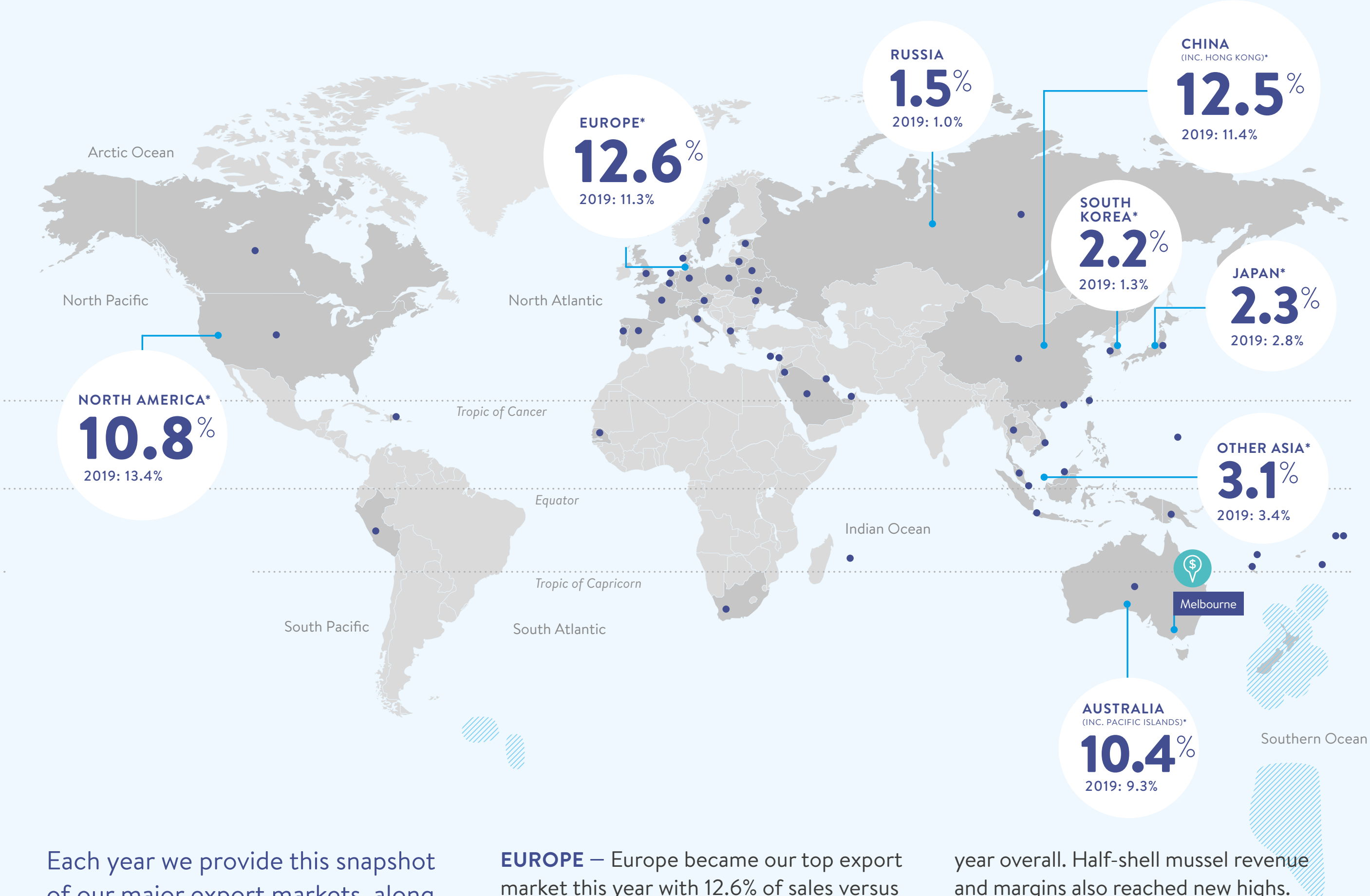
This Report, produced by Sanford's management team and reviewed by our Executive team, has been signed off by Andre Gargiulo, our Acting Chief Executive Officer and the Board as a true and accurate picture of Sanford's performance during the year. The Directors are pleased to present the Integrated Annual Report of Sanford Limited for the year ended 30 September 2020.

For and on behalf of the Board of Directors:

Sir R A McLeod
CHAIRMAN
11 November 2020

F Mackenzie
CHAIR AUDIT FINANCE AND RISK COMMITTEE
11 November 2020

OUR GLOBAL SALES FOOTPRINT



Each year we provide this snapshot of our major export markets, along with a map of our New Zealand operations and their footprint.

Despite the upheaval caused by Covid-19, particularly in foodservice demand, there is little change in the ranking of our top nine markets, with one exception. Russia enters the list at nine, replacing Africa which is a traditional commodity market, driven mainly by demand for pelagic species which we no longer harvest following the sale of the pelagic fleet in 2019. However, while the percentages have not changed drastically, our total sales volumes have, reflecting the challenges the Covid-19 pandemic has created. The different results for each of our categories was dependant on our ability to diversify our channels in each of those markets. We detail some of those markets here.

EUROPE – Europe became our top export market this year with 12.6% of sales versus 11.3% in 2019. This reflects a very stable year across our major product groups in this market (FY19 sales including Russia were 12.3%), such as hoki and squid, a strong result given the issues caused by the pandemic across the European Union.

CHINA, INCLUDING HONG KONG – China and Hong Kong represent our second largest export market in FY20. Our revenues dropped substantially in this territory because of a decline in squid revenues as a result of smaller sizes and lower prices caused by the variable nature of the squid fishery. Salmon and mussels however, started the year very well. They were impacted in the second half by the lockdowns in China and by concerns around positive Covid-19 tests from a chopping board in Beijing used by a seller of imported salmon. However, despite this, our salmon sales rose in both volume and value in the year overall. Half-shell mussel revenue and margins also reached new highs.

NORTH AMERICA – North America accounted for 10.8% of sales this year, compared to the prior year's leading export position at 13.4% of sales. The decline represents a very disappointing gap between our aspirations for pre-pandemic growth in that market and what was actually achieved under Covid-19 conditions.

Salmon showed 2% growth thanks to strong work in our first half with the Big Glory Bay brand, which built on the prior year's progress in introducing the brand to top-end restaurants in Southern Californian, Sacramento, the Napa Valley, Las Vegas, Texas and Hawaii. However, this growth was curtailed, with foodservice closures severely impacting demand in the second half. We are more positive in our outlook for 2021 as we return to our brand building in food service.

Our move to grow half-shell mussels sales showed value with greater than 10% growth in the year, despite the closure of all our major customers for a period in the second half. We believe we are well positioned to command a strong market share position in the new financial year.

We had significant decreases in our wild caught sales in North America with toothfish well down due to reduced catch numbers, the phasing of Patagonian toothfish sales and a decline in squid revenue as a result of channels being closed in the second half.

AUSTRALIA AND THE PACIFIC ISLANDS – Australia and the Pacific Islands represented 10.4% of sales compared to 9.3% in 2019, with salmon and mussels accounting for the increase. We had a change in the market this year, acquiring long-term partners Saltwater Seafood as part of our strategy to step up in the business to business channel servicing wholesalers and food service as well as retailers like fish shops and fish counters at markets.

While the acquisition is positive and creates a stronger Australian headquarters for us, we were impacted by reduced wildcatch sales. However overall revenue and prices were ahead for the year, as our volume decreases were a result of the exit from pelagic species in 2019.

RUSSIA – Russia became our ninth largest export market this year, accounting for 1.5% of sales (1.0% in 2019) thanks to positive half-shell mussel revenues.

NEW ZEALAND – Our domestic market is always our priority and New Zealand became an even greater strategic pillar of Sanford's business during the pandemic. Sales at 43.9% were on a par with the prior year's 43.9%. Our salmon and mussel categories grew during the year, while wildcatch sales declined primarily because of reduced tourism numbers and lower foodservice demand in key tourist hotspots.

Salmon sales across our key retail partners remained strong and we grew this offering versus previous years, while mussel sales were 5% up on the prior year due to significant growth in live sales for further export and mussel meat for local high-end pet producers.

— CREATING VALUE —

INPUTS

FINANCIAL CAPITAL

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

HUMAN CAPITAL

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

MANUFACTURED CAPITAL

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

INTELLECTUAL CAPITAL

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

NATURAL CAPITAL

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

SOCIAL & RELATIONSHIP CAPITAL

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

OUR BUSINESS

FISHING

37 FISHING AND AQUACULTURE VESSELS

FARMING

225 AQUACULTURE FARMS

HARVESTING

123,022 TONNES OF SEAFOOD

6 PROCESSING SITES

2 INNOVATION SITES

OUR VALUES

OUR VISION

THE BEST SEAFOOD COMPANY IN THE WORLD

OUTPUTS

OUTCOMES

BEAUTIFUL NEW ZEALAND SEAFOOD

$468.8M

REVENUE IN 2020

769

CUSTOMERS

720M

MEALS PRODUCED

Standard meals based on a 100g portion of seafood

Enabling Healthy Oceans and Protecting and Enhancing the Environment

We will lead by example in health ocean management so that future generations can enjoy and benefit from our biologically diverse, safe and healthy oceans. We will work with our people, customers and suppliers to lead the way in maximising resource utilisation, minimising our footprint and protecting the environment wherever we operate.

Creating a Safe and High Performing Workplace

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

Leading the Way to Healthy Food and Marine Extracts

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

Supporting Strong Communities and Partnerships

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

Delivering Consumers' Expectations

We will work with customers and consumers to bring them the best of our sustainably harvested seafood and marine extracts, demonstrating great care for our beautiful New Zealand products and achieving the optimal value for these precious resources.

Building a Sustainable Seafood Business

We will endeavour to deliver sustainable, profitable and socially beneficial outcomes through our people, sector leadership, approach to innovation and risk management strategies.

— HIGHS AND LOWS —

VALUE CREATION OUTCOMES	HIGHS	LOWS
ENABLING HEALTHY OCEANS AND PROTECTING AND ENHANCING THE ENVIRONMENT	**31%** of waste diverted from landfill across all operations **BEST CHOICE** rating awarded by Monterey Bay Aquarium's Seafood Watch program for our farmed King Salmon	**3** notifiable spills totalling 45L 2019 **2** **INCREASED** energy and water use per kilo processed and $ sold as a result of increased cleaning requirements, distancing and productivity effects of Covid-19 related work practices
CREATING A SAFE AND HIGH PERFORMING WORKPLACE	▼**41%** reduction in Total Recordable Incident Frequency Rate compared to FY19 **76%** employee engagement score 2019 **72%** **ROLLED OUT** new incident management software (Intelex)	▲**12%** increase in number of days off work related to ACC claims ▼**10%** reduction in total NZQA credits awarded for industry training (with training by females being affected the most, with a 55% reduction)
LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS	**SUCCESSFUL COMPLETION** of the SPATNZ Primary Growth Partnership agreement **ACQUIRED** 50% stakes in Pacific Harvest (edible seaweeds) and Two Islands (health and beauty brand, to develop marine collagen and associated synergies)	**32%** proportion of customer complaints relating to quality defects 2019 **21%**

VALUE CREATION OUTCOMES	HIGHS	LOWS

SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS

HIGHS

LAUNCHED
Southland 10c a salmon community fund for Stewart Island and Bluff

INITIATED
fish donations to community foodbank programmes. 9,054 kg donated between May 2020-30 Sept 2020

EXPANDED
our support of the Graeme Dingle Foundation beyond 2020 and added additional regions (Auckland) to our support package. Supported by Sanford's assistance the foundation assisted 21,744 students across 98 schools in the 6 regions Sanford support

LOWS

IMPACT ON STAFF IN TAURANGA
of our footprint changes, which was also disappointing for the local community. We worked collaboratively with the staff to assist them through the change

COMPLETED
and did not extend our support of Paralympics New Zealand. We wish the para-athletes, and Paralympics New Zealand the best for their future and in their leadup to their next games

DELIVERING CONSUMERS' EXPECTATIONS

HIGHS

▲695%
growth in domestic online sales channel during FY20

218
pharmacies in New Zealand stocking Sea To Me products

LOWS

BRANDED SALMON
Global sales of Big Glory Bay branded salmon short of target by 69% due to disruption in the foodservice sector

BUILDING A SUSTAINABLE SEAFOOD BUSINESS

HIGHS

RECORD HARVESTS

▲17%
SALMON
4,731 MT harvested

▲15%
MUSSELS
33,918 MT harvested

ONGOING DEPLOYMENT
of mitigation measures for algal bloom events at Big Glory Bay

LOWS

▼31%
reduction in catch (FY20 vs FY19) for high value Antarctic and Patagonian Toothfish

REVENUE
$468.8M
▼14%
2019 **$545.1M**

ADJUSTED EBIT
$38.3M
2019 **$64.8M**

— OUR APPROACH —

Each year we engage with key stakeholders to better understand what matters most to them. With support from our partner thinkstep-anz, we identify and rank the issues stakeholders regard as material for our business using a combination of interviews, workshops and surveys informed by the International Integrated Reporting Council (IIRC) Framework and the Global Reporting Initiative (GRI) Standards.

STAKEHOLDER ENGAGEMENT PROCESS

01 IDENTIFY STAKEHOLDERS

This year we engaged with 36 stakeholders (22 external and 14 internal) using one-on-one and group interviews. Since 2017, we have engaged with 139 stakeholders through the current iteration of our materiality assessment process. These stakeholders were selected and ranked using best practice criteria from the AA1000 Stakeholder Engagement Standard 2015, with selection based on criteria such as dependency, responsibility, urgency, influence, and their ability to bring a diverse perspective.

During 2020 we engaged with a diverse range of stakeholders representing the interests of our customers (both domestic and international), investors, NGOs, iwi, competitors, local government, community groups, fisheries scientists and researchers. We also canvassed internal stakeholders with representatives from across the various divisions and geography of our operations.

02 ENGAGE STAKEHOLDERS

Building on the success of our regional workshops last year, the original plan for 2020 was to run stakeholder workshops in Timaru in April and Auckland in May. The onset of Covid-19 meant that both workshops had to be cancelled. We instead engaged with stakeholders using online or phone interviews.

In addition to asking stakeholders about the issues most crucial for Sanford, we also asked how their outlooks had shifted as a result of Covid-19, and also what they would change about the seafood industry if they could wave a magic wand and change absolutely anything. In doing this, we sought to understand their visions for the future, unconstrained by today's realities.

03 IDENTIFY ISSUES

The topics raised in each interview were compared to the list of 30 material issues from 2019 to identify changes. Words such as "resilience", "agility" and "nimbleness" were much more common this year due to Covid-19. As a result, we reframed all issues involving risk to make them active rather than passive, e.g. "Impacts due to climate change" became **Climate change resilience**.

Given the strong interrelationships between issues, we also tried to reduce duplication and to shift the focus from the outcome to the driver. For example, "Profitability" has been removed as it is driven by a combination of **Maximising $/kg of our harvest, Operational excellence** and **Innovation in products and markets**. Similarly, "Social licence" has been reframed as **Community support and connection, providing social licence to operate**.

One new issue was identified for 2020: **Eliminating plastics in the ocean.** This issue was included following its introduction by stakeholders during the materiality process, and also as it is regularly raised as a key issue in consumer surveys in connection with ocean and environmental health[1].

1. Colmar Brunton Better Futures Report 2020

04 DETERMINE "STAKEHOLDER CONCERN", BASED ON STAKEHOLDERS' RANKINGS OF THE ISSUES

A shortlist of 23 issues was prepared from the interviews, and a web-based questionnaire was sent to all interviewees. They were asked to rank each of the issues that were identified by all stakeholders collectively. One key change from last year in this process was that stakeholders were asked to sort the issues in order of most to least significant for Sanford from their perspective – a technique referred to as 'forced ranking'. In past years, we asked stakeholders to score issues on a scale from 1 to 10, which resulted in most issues being scored between 7 and 10 and therefore clustered towards the top-right of the materiality matrix.

05 DETERMINE "BUSINESS IMPACT", BASED ON RANKINGS FROM OUR EXECUTIVE TEAM AND BUSINESS LEADS

A workshop was held with Sanford's Executive Team and the Business Management Team leaders to rank the material issues by their potential impact on Sanford's business using a pairwise comparison method. The criteria considered included profitability, ability to operate, reputation, and value provided to society and the environment. The outcome was an ordered list of material issues ranked by their potential business impact.

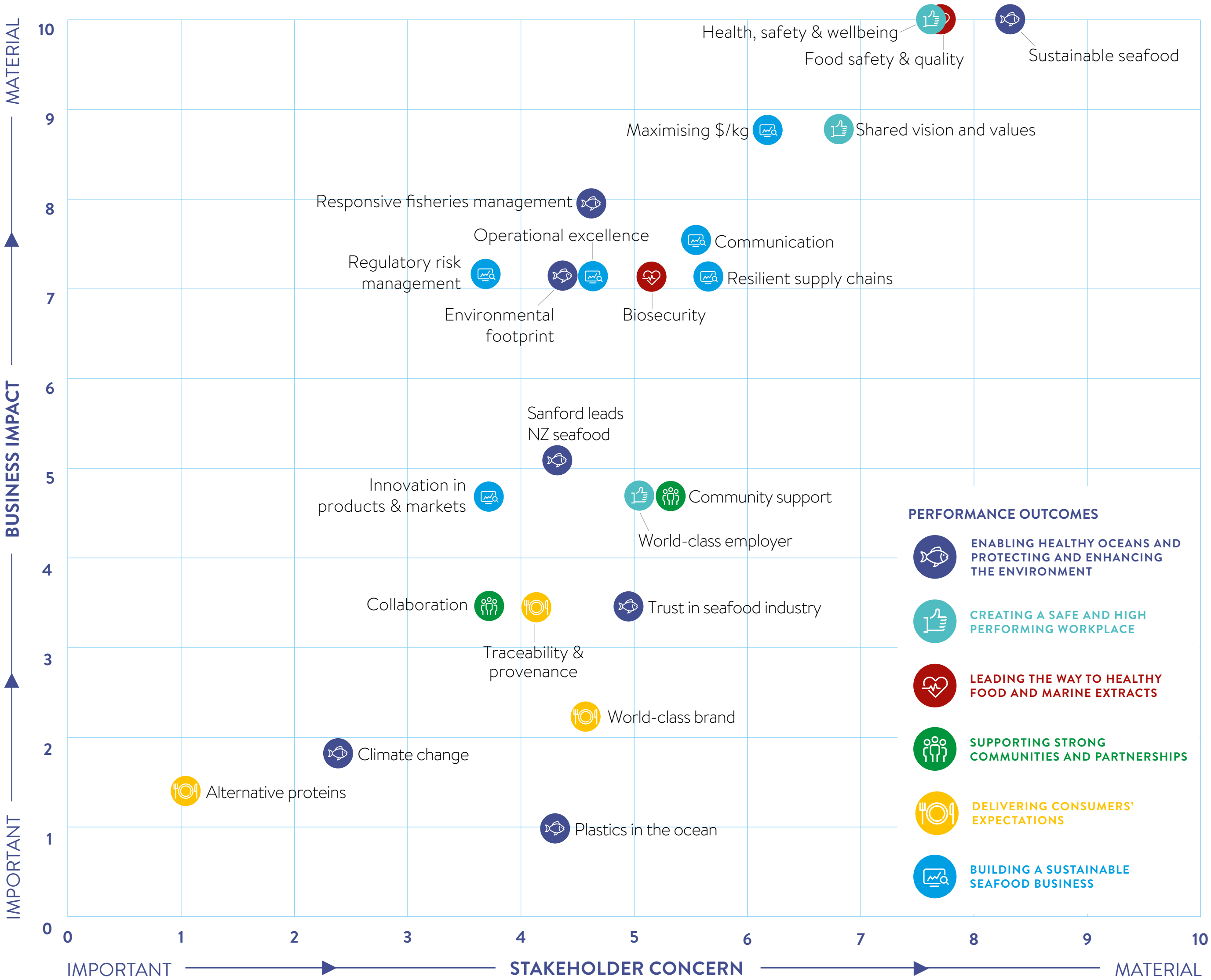
06 PRODUCE A MATERIALITY MATRIX

The results of the ranking exercise are presented on the vertical axis ("business impact") and the results of the stakeholder questionnaires (both internal and external) are presented on the horizontal axis ("stakeholder concern") of this year's materiality matrix (Figure 1). This approach is different to Sanford's past Annual Report's where both axes were based on questionnaire results, with internal stakeholders' rankings used for the vertical axis ("business impact") and external stakeholders' rankings used for the horizontal axis ("stakeholder concern"). This change has strengthened the business impact rankings through the increased inputs of key business decision makers.

07 SENSE-CHECK THROUGHOUT THE PROCESS

Sources of information to check for completeness included the UN Sustainable Development Goals (SDGs), outputs from our Audit, Finance and Risk Committee, Colmar Brunton's Better Futures report and lists of global megatrends.

FIGURE 1: Sanford materiality matrix for 2020



TOP ISSUES FOR 2020

This matrix shows the top 23 issues, grouped into the six performance outcome areas that we focus on through this Report. We also highlight issues that align with our enterprise risk process, and summarise key mitigation strategies for these in Appendix B. The focus on these issues in the Report reflects the importance that both the business and our stakeholders placed on these issues.

In 2020, our top 12 issues by their potential business impact are:

1st= Sustainable seafood
1st= Food safety and quality
1st= Health, safety and wellbeing of our people
4th= Shared vision and values
4th= Maximising $/kg of harvest, driving profitability
6th Responsive fisheries management
7th Transparent and effective communication
8th= Resilient supply chains to final markets
8th= Resilience to biosecurity risks
8th= Operational excellence
8th= Minimising Sanford's environmental footprint
8th= Regulatory risk management

Our top three issues remain the same as last year: **Sustainable seafood, Food safety and quality** and **Health, safety and wellbeing**. These issues were ranked as the top three by both stakeholders and by Sanford's Executive Team and Management Leads. These three issues highlight that we must strive towards safe, healthy food and marine extracts that are produced in a way which respects both the natural environment and our own people.

Climate change resilience was one of the lowest ranked issues by both stakeholder concern and business impact relative to the other issues. Yet, at the same time, climate change has been identified as Sanford's #1 business risk. This deviation likely comes from three key areas. First, climate change can be considered to be part of, and a contributor to, **Sustainable seafood** (ranked 1st equal). Second, many of the other actions that would be part of this issue are already identified separately elsewhere, e.g. **Resilience to biosecurity risks**. Third, 'risk' and 'business impact' have slightly different meanings: 'risk' implies a potential loss of something, whereas 'business impact' considers both the positive and negative dimensions of an issue.

Eliminating plastics in the ocean – our only new issue for this year – received a very low ranking. This is somewhat surprising given that plastics in the environment consistently ranks as one of the top sustainability issues for New Zealanders in Colmar Brunton's annual Better Futures report. However, this may be partly because this issue cannot be resolved by Sanford alone, and partly because the related issue **Sustainable seafood** is already ranked 1st equal.

INTERCONNECTIONS BETWEEN ISSUES

The most common comment from stakeholders regarding this process is that the issues are difficult to rank as they are interconnected. To help demonstrate these interconnections, a fishbone diagram has been created (Figure 2). Sanford's vision is shown to the right (the direction the fish is moving). The main contributors to this vision (the pillars of Sanford's Business Excellence Framework) are shown as the ribs/tail. Individual issues/causes are shown as feeding into the ribs. The most important issues (as determined by their potential business impact) are placed closest to the spine of the fish. The top-three issues (ranked first-equal by business impact) are shown in bold.

ENGAGING WITH STAKEHOLDERS

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

The fishbone diagram shows the interconnectedness between the material issues, arranged along a performance outcome bone structure. This illustrates how all the issues sit within the performance outcomes and feed into our vision to be the best seafood company in the world.

ADDRESSING MATERIAL ISSUES THROUGH OUR BUSINESS EXCELLENCE FRAMEWORK

Addressing the most material issues is our priority at Sanford. We achieve this through our focus on the six outcomes which are described in the performance section of this Report (on pages 27 to 78). In the diagram below, we link the material issues to the performance outcomes and identify the overall priority of each to the stakeholders we consulted through our stakeholder engagement and materiality processes over the last four years: 2017-2020 (the ranking is shown below in brackets beside each material issue).

ENSURING HEALTHY OCEANS AND PROTECTING AND ENHANCING THE ENVIRONMENT (page 27)

- Sustainable seafood (1=)
- Responsive fisheries management (6)
- Environmental footprint (8=)
- Sanford leads NZ seafood (13)
- Trust in seafood industry (17=)
- Climate change (21)
- Plastics in the ocean (23)

CREATING A SAFE AND HIGH PERFORMING WORKPLACE (page 37)

- Health, safety & wellbeing (1=)
- Shared vision and values (4=)
- World-class employer (14=)

LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS (page 45)

- Food safety & quality (1=)
- Biosecurity (8=)

SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS (page 53)

- Community support (14=)
- Collaboration (17=)

DELIVERING CONSUMERS' EXPECTATIONS (page 61)

- Traceability & provenance (17=)
- World-class brand (20)
- Alternative proteins (22)

BUILDING A SUSTAINABLE SEAFOOD BUSINESS (page 69)

- Maximising $/kg (4=)
- Communication (7)
- Operational excellence (8=)
- Regulatory risk management (8=)
- Resilient supply chains (8=)
- Innovation in products & markets (14=)

Enabling Healthy Oceans and Protecting and Enhancing the Environment

CRAIG STONYER
STEWART ISLAND
46°58'50.2"S 168°06'48.1"E

The stories in this chapter reflect our appreciation of our place in the world, in the actual sense of physical place. We are proud to be a New Zealand company offering beautiful New Zealand seafood to our country and the wider world. We can do this because of the relative health of the oceans in which we farm and from which we fish. Sustainable seafood is a first equal ranked issue amongst the stakeholders surveyed in our 2020 Materiality Assessment. Responsive fisheries management is also in the top ten.

Helping to keep our oceans and fish stocks healthy is an absolute priority for us.

Our commitment is to lead by example in the management of the marine environment, so that future generations can enjoy and benefit from our biologically diverse, safe and healthy oceans. We will work with our people, communities, customers and suppliers to lead the way in maximising resource utilisation, minimising our footprint and protecting the environment wherever we operate.

Material issues and value creation

This table summarises Sanford's material issues and associated actions relating to *enabling healthy oceans and protecting the environment*. It includes the strategic goals within our Business Excellence Framework, our targets for 2020, and our progress against these targets. At the end of this section, we define our future targets and vision through to 2025.

MATERIAL ISSUES AND STRATEGIC GOALS	2020 TARGETS	PROGRESS AGAINST TARGETS	
Sustainable fish stocks, marine farms and marine conservation Comply with all laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean and farming management.	All fishers to record and report their catch to ensure maximum transparency of the fish stock status and to comply with all fisheries and marine regulations at all times. Key target is no prosecutions.	✗	**Not achieved.** Vessel catches reported to the relevant fisheries regulator in accordance with compliance requirements. Sanford continuous live reporting to MPI identified that one of our vessels had unintentionally conducted fishing activities within a Benthic Protected Area (BPA). Electronic geo-fences around protected areas have been reviewed within our systems along with the associated early warning alarms and notifications.
	Continue engaging with New Zealand's Deepwater Group and Fisheries Inshore NZ such that the industry collaborates to ensure the health of NZ fish species under the Quota Management System (QMS). Actively engage with regulators and publish submissions on proposed legislation as the opportunity arises.	✓	**Achieved.** Sanford continues to be actively involved with both the Deepwater Group and Fisheries Inshore NZ. Through those groups, Sanford actively participated in, and submitted on, the 2020 sustainability rounds for QMS fisheries. The industry came together again in 2020 to support a voluntary reduction in hoki catch limits as a precautionary step to protect the sustainability of this important species.
	Maintain third party certifications across Sanford aquaculture farms, validating our commitment to farm efficiently and deliver sustainable seafood.	✓	**Achieved.** Farm based eco-certifications retained for Best Aquaculture Practices (across Big Glory Bay (BGB) Greenshell™ mussel farms, Salmon farms and hatcheries); Certified Organic (BGB mussels); A+ NZ Sustainable Aquaculture (mussel farms); Marine Farming Association environmental certification (Nelson/Marlborough based aquaculture vessels).
	Positively participate in all New Zealand stakeholder audits (for example QMS, environmental and Maritime NZ's Marine Operator Safety System [MOSS]), with the target of achieving clean audit findings. Where recommendations are made, put in place improved processes, controls and reporting structures to ensure all recommendations are actioned.	✓	**Achieved.** All stakeholder audits were undertaken with a constructive, improvement-based approach. No major non-conformances were identified during any of the audits, and where there were minor findings or observations, corrective and preventative actions were put in place, within the required time-frames in accordance with audit recommendations.
	Support Marine Stewardship Council (MSC) sustainability certification for deepwater species in New Zealand's Exclusive Economic Zone (EEZ).	✓	**Achieved.** Sanford's role supporting MSC certifications for deepwater species extended to fisheries within New Zealand's EEZ, and beyond. Sanford supported the Government of South Georgia and the Sandwich Islands in their MSC certification of their toothfish resources, where Sanford participated in that fishery. Further, Sanford used its industry position to support work towards additional deepwater species entering the MSC program. In 2020 45% of our total wildcatch by greenweight tonne (GWT) was MSC certified (FY19:36%), the increase being attributable to hoki making up a greater proportion of our deepwater species mix during FY20.

MATERIAL ISSUES AND STRATEGIC GOALS	2020 TARGETS		PROGRESS AGAINST TARGETS
Endangered, threatened and protected species Ensure protection of marine species, including seabirds, sea lions, dolphins and sharks through delivering best practice farming and fishing practices, implementing protection measures and participating in ongoing robust research programmes.	Continuous improvement in the protection of marine species, reducing fatal interactions.	→	**Ongoing.** We continue to focus on initiatives, research, and partnerships such as the Black Petrel Working Group, and MAUI63 collaboration to reduce our interactions with endangered, threatened, protected, and non-target species. Improved practices have resulted in reductions in marine mammal interactions with Sanford vessels over the past three years. We recognise the value of transparent reporting and use this to strive to improve our performance. We disclose our vessels interactions with marine mammals and seabirds in the table on page 34.
	Work with World Wildlife Fund (WWF) and Moana New Zealand to support more detailed work improving understanding of the financial and fisheries management issues associated with transitioning from set-netting and conventional trawling. While we believe that this should be led by MPI, we commit to engage constructively and proactively in these discussions.	✓	**Achieved.** Our partnerships with WWF and Moana progressed throughout 2020 with significant investment in, and the initiation of technological research work into trawl monitoring and aerial drone monitoring of Māui-Hector dolphin populations. Sanford recognises the Government's Māui-Hector Threat Management Plan announcement during 2020 and was pleased to see within that a transition plan for those affected fishers.
Environmental effects Focus on having no adverse impact on the environment when carrying out our business operations, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound management and mitigation.	Maintain certification to the updated ISO 14001:2015 Environmental Management System (EMS) standard across all of our operations.	✓	**Achieved.** ISO 14001:2015 surveillance audits were successfully performed across Sanford's EMS leadership and management, Havelock processing, farms, fleet, and Bluff/Stewart Island operations. Sanford maintains a culture of continual improvement and enhancement to its Environmental Management System.
	No abatement notices across the group.	✓	**Achieved.** No abatement notices received during FY20. Improvement projects are underway for key discharges, including Timaru process site thaw water which comprises physical and process controls in an effort to divert that discharge from tradewaste.
	Appropriately and sufficiently resource the environmental team to ensure a robust management process is consistently applied across the business so that legal compliance is met and all critical environmental risks are identified, monitored and mitigated.	✓	**Achieved.** Our core environmental team grew during FY20, with assigned representatives being in place across all sites. The team has undergone training in Environmental Management Systems and improvement projects are underway at all operational sites. Environmental functions are being supported by supplementary deployments of devices for environmental control, pollution mitigation, and energy monitoring. We also employed a new General Manager Sustainability, Dr Peter Longdill, during FY20 to support our efforts towards becoming the best seafood company in the world.
	Launch and successfully implement new software for capturing and reporting environmental data. This will facilitate the measurement of non-conformance of environmental KPIs and will provide clarity of actions and improvement areas for management to remedy. Additionally, the new system will provide an initial benchmark for key KPIs going forward from 2020.	✓	**Achieved.** A new environmental data software platform (Sphera) has been rolled out successfully and is in use across all Sanford sites, recording data related to energy, fuel, water, carbon emissions, and waste. All environmental advisors and managers have been successfully trained in data upload, analysis, and reporting. This environmental data management software is also supported by supplementary systems (Intelex) to monitor and respond to environmental incident management needs.

MATERIAL ISSUES AND STRATEGIC GOALS	2020 TARGETS		PROGRESS AGAINST TARGETS
Resource utilisation and efficiency Do more with less by maximising efficient use of resources and ensuring waste minimisation, re-use and recycling.	Achieve year-on-year water intensity improvements at all land-based processing sites when compared to total sales by site (Litres/Sales $).	✗	**Not Achieved.** Water intensity increased by 15% during FY20. The water intensity metric was negatively influenced by both more water intensive cleaning processes within our factories during the Covid-19 pandemic and the effect of the pandemic on sales.
	Reduce the core energy intensity at our land-based processing sites relative to 2019 (MJ/Sales $).	✗	**Not Achieved.** After substantial improvements in this metric during FY18 and FY19, energy intensity increased by 14% year-on-year during FY20, primarily attributed to Covid-19 related changes in sales $.
	Improve on the 2019 waste diversion rate across all of our operations, targeting plastic waste streams as a key priority to reduce.	✓	**Achieved.** 17% improvement on FY19 waste diversion rate achieved across Sanford operations in FY20 to reach a waste diversion rate of 31% across all operations.
Carbon reduction and offsetting Demonstrate our commitment to climate change responses by actively reducing our energy consumption and emission of greenhouse gases and seeking to introduce low carbon solutions into our value chain, where practicable.	Reduce our net carbon emission intensity year-on-year across all of our operations comparing CO_2 per kg relative to revenue (CO_2-kg/ Revenue $).	✗	**Not Achieved.** 18% increase in carbon emissions intensity relative to FY19. This metric was adversely affected by the effect of the global pandemic on sales during FY20.
	Use fewer giga watt hours of energy year-on-year across all land-based operations.	✓	**Achieved.** During FY20 a reduction of 7% in land-based energy use was realised. A program of work commenced in collaboration with EECA to identify opportunities for energy reductions across our stationary energy consuming operations.

PHOTO: The crew of Sanford's mussel barge Lady Marie on a beach clean-up in the Marlborough Sounds

3.1 PERFORMANCE OUTCOME: HEALTHY OCEANS

INPUTS

1. Financial Capital
2. Human Capital
3. Manufactured Capital
4. Intellectual Capital
5. Natural Capital
6. Social & Relationship Capital

OUTCOME

Enabling Healthy Oceans and Protecting and Enhancing the Environment

UN SDG

United Nations Sustainable Development Goals

Growing Responsibly to Secure the Future of Food from the Sea

New Zealand has one of the largest Exclusive Economic Zones (EEZ) in the world. At four million square kilometres it's considerably bigger than our 268,000 square kilometres of land mass and is an abundant source of food.

Just as agriculture needs fertile land, clean water and environmentally sustainable management, our fishing and aquaculture operations depend on the ocean's health and its ability to provide a food resource which is remarkable for its biodiversity.

In aquaculture, we respect and care for the sea, knowing that if we harm the environment, we also harm ourselves. In Stewart Island's Big Glory Bay, where we have farmed since 1994, we have amassed a wealth of environmental knowledge which constantly guides today's operations and our plans for future expansion. Our reward this year was an abundance of salmon in peak condition.

We were certainly helped by good conditions. There were no harmful algal blooms or marine heatwaves, just favourable weather in a beautiful part of the country. As General Manager of Aquaculture, Ted Culley says, "it was an outstanding season from a performance perspective" with 4,731 greenweight MT harvested, compared to 4,028 MT last year.

"Our team was extremely focused on optimising performance of the fish during the season. We followed a best practice nutritional advice model, tweaking the diet to support fish health and performance over the summer period. We were constantly monitoring fish health and growth characteristics, ensuring great end results were being consistently delivered."

He says the farm also diversified its nutritional partnerships this year, undertaking feed trials with Biomar as a supplier to complement the 25-year long standing partnership with Skretting.

"We undertook these trials to help us understand the potential benefits between different diet philosophies."

What the season has clearly established is that the refinements to how we farm and particularly how we feed, will pay sustainable dividends in terms of quality and fish performance in changing environmental conditions. That's invaluable, with our farm expansion, consented in April 2019 and planned staging for the next three to five years now underway.

We have eight new pens on the farm, which will give us the potential to increase production by a further 350 MT, with the first harvest in 2021, bearing in mind the three-year salmon growth cycle.

Our new barge became operational by early November 2020. Constructed in Hobart and towed across the Tasman by a tug, the 26 metre-long barge commissioned in Hobart is a $5.8 million replacement for our current Kiwa barge which will be decommissioned.

Ted says it is a step-up in working conditions for our divers and farm team, with an on board fish health lab and 200MT feed capacity.

“The investment not only gives us more feed silos, but also more sophisticated feed delivery options which we can vary seasonally, switching from growth focused feeding to a health package which enables the salmon to do well over warmer summer months.”

AQUACULTURE’S SUSTAINABLE POTENTIAL

Aquaculture has a relatively small environmental footprint, compared to other protein sources and we are confident in our ability to responsibly and sustainably produce both food and marine extracts. This is important, given the growth in global demand for protein from sustainable sources.

A research paper[1] published in the journal Nature in August 2020, analysed the future of food from the sea and concluded that by 2050, supply could increase by 21–44 million tonnes by 2050, a 36–74% increase compared to current global yields. This represents 12–25% of the estimated increase in all meat needed to feed 9.8 billion people by 2050.

“In addition to protein, food from the sea contains bioavailable micronutrients and essential fatty acids that are not easily found in land-based foods and is thus uniquely poised to contribute to global food and nutrition security,” the paper says.

WATCH VIDEO
San Hāmana two minute tour
https://youtu.be/33IRiKCVtow

> The best seafood company in the world is focused on longevity, it would be a tragedy if fish wasn’t part of the diet in 100 years from now.
>
> —
>
> **Paulie Hooton**
> HEAD CHEF
> SANFORD

> Finding companies that share moral ground with me is important. I want to spend my money so that I do as little harm as possible. I don’t think we can avoid harm at this point, but I do want to try to minimize harm through my spending.
>
> —
>
> **Michael Hung**
> EXECUTIVE CHEF
> FAITH & FLOWER LOS ANGELES

1. Costello, C., et al. The Future of Food from the Sea. Nature (2020)

We agree that protein from the sea has tremendous potential to make a significant contribution to the UN's Sustainable Development Goals. Our own approach to increasing its availability has close connections to the UN's goals around decent work and economic growth, industry, innovation and infrastructure, responsible production and consumption, climate action and life below water.

FUTURE INVESTMENT

Our investment in aquaculture in Southland is further expanding with the development of a new Recirculating Aquaculture System (RAS) hatchery in the Bluff area, for which an $8 million loan has been secured from the Provincial Growth Fund. Stage one of the development will enable 1.5 million smolt to be produced that could support a harvest of 6,000 MT of salmon. Smolt produced will also be made available to other salmon farmers in the region.

"Our RAS hatchery will be state-of-the-art using the best systems available to create an idea growing environment for smolt," says Ted.

We see the South as the engine room of our salmon growth strategy. We have now lodged two resource consent applications as our first step in expanding into open ocean salmon aquaculture.

Both applications are now on hold, at our request, to enable full consultation and engagement with all stakeholders and especially with tangata whenua. We are also engaging with Government and scientists on the development of a suite of national open ocean guidelines, to ensure consistency across regions on water quality, monitoring and marine mammals.

Our application to the Southland Regional Council covers five farming areas in the open ocean, 28 km from Bluff and 10 km from the nearest Island, at the south east end of Foveaux Strait.

Our second application is to the Otago Regional Council and covers two farming areas, north east of Dunedin.

We are working with leading international experts in open ocean moorings who are developing bespoke pen systems designed to New Zealand conditions. Open ocean technology includes submersible fish pens that will allow the farm to drop below the high energy wave action in severe weather, making coastal waters that have been largely inaccessible for farming now a possibility.

We are also working with ecological experts to ensure that our new farms will not adversely affect marine mammals and seabirds, and with biosecurity experts to predict and avoid the spread of any unwanted marine flora or fauna. A big job, giving us plenty of challenge to welcome and energetically navigate in the years ahead.

PHOTO: Joe Bagnall, part of the Stewart Island harvest team, spent the full Alert Levels 3 and 4 on the salmon farm

Keeping Marine Mammals Safe

PHOTO: The MAUI63 team supported by Sanford are Willy Wang, Associate Professor Rochelle Constantine and Tane van der Boon

MĀUI DRONE PROJECT

PARTNERSHIP BETWEEN MAUI63, WWF-NEW ZEALAND, MPI, SANFORD, AND MOANA – A NEW SCIENTIFIC PROGRAMME WITH UNMANNED DRONES TO MONITOR AND RESEARCH

We do everything in our power to protect Māui dolphin. As Our Chief Operating Officer Clement Chia says, "we believe that the worst thing that can happen at Sanford is the death of one of our people but the second worst would be the death of a Māui dolphin – that's how strongly we feel about this."

In 2016 we introduced our Māui Dolphin Protection Plan in partnership with fishing company Moana and with WWF-New Zealand. We sat down again with our partners in 2019, when the Government announced the four options for its Threat Management Plan (TMP) for Hector's and Māui dolphins – what would the TMP mean for the programme we already had in place? That led to the creation of Option 5, our alternative way to balance the needs of fishing communities and families with effective methods for keeping Māui and other marine mammals safe.

In June this year, we were delighted to see the government put forward a transition plan for those who may lose their fishing-dependent livelihoods because of the new measures. We also welcome the Government support for more investigation into toxoplasmosis, which we sought because we believe the science shows the disease is a more severe threat to dolphins than responsible fishing.

"The Government's transition plan for fishers is absolutely the right thing to do," says Clement. "The changes for set net fishing are extensive and fishers will need assistance as a result. There are operational impacts both for our direct operations and for those who supply fish to Sanford."

We are also welcoming the plan to expand on board cameras to the New Zealand commercial inshore fishing fleet. We already have cameras on our vessels operating off the West Coast of the North Island.

Sanford is also excited to support a new way to monitor and understand the habits of the Māui dolphin. WWF-New Zealand and MAUI63 are leading a new scientific programme to follow these rare mammals with unmanned drones and associated Artificial Intelligence (AI). They will keep an eye on them from an appropriate distance, collecting real-time information which will ultimately help scientists, regulators and all marine users to understand the dolphins' seasonal movements and behaviours. This data will ensure that the right protections can be in place, at all times.

Sanford's General Manager of Fishing, Colin Williams says having more definitive information about where these dolphins are, will enable us to avoid them in real time and reduce or eliminate any residual risk to the dolphins from our limited fishing activity.

"It will add to the protection measures we have had in place since 2016 and enable us to do more. Ideally if we have real time information a dolphin is in a location, we will be able to respond immediately and leave the area, giving the dolphins all the space they need."

MPI Summary of Sanford's Reported Incidental Catch Data[1]

	SEABIRDS			MARINE MAMMALS[2]		
	2020	2019	2018	2020	2019	2018
Uninjured	140	83	173	3	5	6
Injured	2	3	2	0	0	0
Dead	220	164	234	33	46	71
Total	362	250	409	36	51	77
Mortality Rate (%)[3]	**61%**	**66%**	**57%**	**92%**	**90%**	**92%**

1. Data covers Sanford registered vessels over the period from July 2019 to June 2020, reflecting data availability from MPI.
2. For context, since our records began, Sanford has never harmed a Māui dolphin.
3. Mortality rate is calculated as the ratio between total species caught and dead.

SANFORD RECORDED

3 notifiable spills

IN 2020 TOTALLING 45 LITRES

COMPARED TO **2 SPILLS** IN 2019 TOTALLING 10 LITRES

Covid-19 is sharpening up our focus on the impact that humans have on our environment. I think it is a great opportunity for Sanford to take a leadership role on sustainability challenges. I think we need to go beyond market regulation.

—

Fiona Mackenzie
SANFORD DIRECTOR

Wild caught MSC certified catch*

2016	2017	2018	2019	2020
37%	46%	44%	36%	45%

* Based on Sanford's total wildcatch (by GWT) for 2020. Deviations reflect fluctuations with seasonality, annual catch entitlements, species composition and climate events such as El Niño/la Niña.

Mapping our Carbon Footprint

We know climate change affects us. That's evident in impacts such as algal blooms and marine heatwaves which have affected our aquaculture farms and extreme weather conditions for fishing. It is a risk to the business.

This year we've intensified our scrutiny of how we're affecting climate change ourselves, starting with an independent audit across all of our operations.

This audit assesses direct emissions from fishing, farming and processing activities, as well as indirect emissions throughout our supply and value chains. These include emissions from energy providers, transport operators, companies providing us with goods and services from fish meal to packaging, as well as those generated by our own international travel and investments.

General Manager of Quality and Environment, David Jones, who is leading the work, says that while we have measured emissions previously, having a verified inventory establishes a benchmark and enables a new level of discipline in decision-making.

General Manager of Sustainability Dr Peter Longdill says reducing our carbon emission intensity year-on-year is an important goal and the audit undertaken this year is a step forward, enabling a formal carbon reduction pathway to be developed and acted on.

"The carbon reduction pathway will identify the quick wins and the incremental ones. But it will also influence decision-making at the operational level for everyday procurement and extend through to management and board level thinking when it comes to major asset investments, such as our scampi fleet."

Peter says long life assets, such as vessels, have refits and scheduled services through their operational lifetimes and these can be built into the reduction pathway so incremental improvements can be achieved.

Ultimately the work will enable Sanford to make verifiable claims about the carbon footprint of our products, and will form the basis for an emissions reduction pathway that is aligned with national and global climate targets.

After increasing the scope of our emissions measurement from upstream and downstream sources during FY20, we determined that our direct and indirect activities contributed a total of 276,363 tonnes of CO_2-equivalent greenhouse gas emissions for the year. This forms the reliable baseline upon which we can use to further develop and measure our performance towards longer term emissions reductions targets.

ACHIEVED

TOITŪ ENVIROCARE ASSURANCE OF SANFORD'S FY2020 EMISSIONS INVENTORY FOR SCOPE 1, 2, AND 3 IN ACCORDANCE WITH ISO 14064-1:2006 FOR GREENHOUSE GAS EMISSIONS

Our future focus

MATERIAL ISSUES AND STRATEGIC GOALS	2021 TARGETS	OUR 2025 VISION
Sustainable fish stocks, marine farms and marine conservation Comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean and farming management.	Actively support the rollout of cameras across New Zealand's commercial fishing fleet to promote transparency in fisheries reporting and management. Roll out and implement best practice environmental codes from the Marine Farming Association (MFA) for our aquaculture vessels throughout the country, using those codes already applied in the Marlborough/Tasman region as the model. Promote and support fisheries management to ensure the sustainability and resilience of fish stocks by actively engaging with the industry on QMS submissions, supporting MSC certifications for deepwater species, and ensuring full catch reporting for our activities.	Sanford continues to play a key and influencing role within the New Zealand fishing and aquaculture industries to support the sustainable management of fish stocks and marine farms.
Endangered, threatened and protected species Ensure protection of marine species, including seabirds, sea lions, dolphins and sharks through delivering best practice farming and fishing practices, implementing protection measures and participating in ongoing robust research programmes.	Achieve year-on-year reduction in interactions with marine mammals and seabirds through continuous improvement measures, and participation in cross-sector working groups, and targeted partnerships.	Sanford's operations are performed with precision and with negligible adverse impact on non-target species and wildlife.
Environmental effects Focus on having no adverse impact on the environment when carrying out our business operations, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound management and mitigation.	Ensure no environmental abatement notices across the group and maintain certification to the ISO14001:2015 standard across our operations.	Sanford's limited impact on the environment is aligned with best practice.
Resource utilisation and efficiency Do more with less by maximising efficient use of resources and ensuring waste minimisation, re-use and recycling.	Achieve 3% resource efficiency improvements across land based processing sites for water (Litres/GWkg) and energy use (MJ/GWkg) along with a waste diversion rate which exceeds 35% diversion from land-fill across all operations. Initiate a sustainable packaging program; starting with identifying current and future circular packaging options.	Sanford is a responsible user of resources, and where practicable applies renewable solutions and circular concepts toward materials, resources and wastes.
Carbon reduction Demonstrate our commitment to climate change responses by actively reducing our energy consumption and emission of greenhouse gases and seeking to introduce low carbon solutions into our value chain, where practicable.	Reduce our carbon emission intensity (CO_2-e kg/GWkg) by 2.5% across all of our operations for emissions which are in our direct control (Scope 1 and Scope 2 emissions), and work collaboratively with suppliers and partners to reduce emissions intensities in our value chain.	Sanford maximises the use and application of energy conservation, efficiency, and renewable energy sources to provide low-carbon human nutrition and marine extracts.

Creating a Safe and High Performing Workplace

LESILA SAU
AUCKLAND FACTORY
36°50'27.528"S 174°45'23.76"E

People are everything. This year we faced a challenge which had the potential to hurt so many of our people but could also impact our suppliers, customers and consumers. With the high levels of uncertainty created by Covid-19, it was those people we most wanted to protect and also on whom we were reliant to enable us to continue to feed New Zealand and the world. It was a test of our culture and a test which so far, we are passing thanks to our people.

Keeping them safe is as important to our stakeholders as it is to us. Health, safety and wellbeing of our people is a first-equal ranked issue in our 2020 Materiality Assessment.

In our approach to creating a safe and high performing workplace, our aim is to become an employer of choice by delivering industry leading safety risk management, ensuring a culture of high performance and growth by living our values.

Material issues and value creation

This table summarises Sanford's material issues and associated actions relating to *creating a safe and high performing workplace*. It includes the strategic goals within our Business Excellence Framework, our targets for 2020, and our progress against these targets. At the end of this section, we define our future targets and vision through to 2025.

MATERIAL ISSUES AND STRATEGIC GOALS	2020 TARGETS	PROGRESS AGAINST TARGETS
Safety and Health Through the way we work and behave, and the initiatives we implement to continually enhance our work environments, we will take all practicable steps to protect our people from the risk of harm, whether it be operational or occupational injury or ill health.	Deployment of a robust safety management system whereby the pillars of safety policy and planning, risk management, assurance and engagement are successfully embedded across the organisation.	**Ongoing.** The health and safety team spent much of FY20 responding to the global pandemic and ensuring that new ways of working were developed and being practiced in order to keep our staff safe. This focus delayed the implementation of this system.
	Launch and successfully implement new software for capturing and reporting safety and health data. This will facilitate effective risk management, the measurement and recording of KPIs, together with any non-compliance, providing clarity of actions and assurance of the effectiveness of the risk and safety management plan.	**Ongoing.** New incident management software successfully implemented at land-based operations.
	Reduce our year-on-year total recordable incident frequency rate by 5% in line with the Government's 2020 safety strategy.	**Achieved.** 41% reduction in Total Recordable Injury Frequency Rate (TRIFR) compared to FY19.
Developing Our People Create a high-performance culture where every one of our people is skilled, empowered and engaged in contributing to the goals of the business and reaching their full potential.	Develop and deploy 2020 learning and development plans to build on our current leadership programmes and broaden management capability to meet our growing business needs.	**Ongoing.** A new leadership learning framework was developed and launched during FY20. The onset of the global pandemic paused the implementation of this learning. Workplace distancing requirements and restrictions on group numbers further affected the abilities of our technical training providers to safely deliver their courses during the year, resulting in a year-on-year reduction in the number of training credits earned by Sanford staff during the year, a pattern replicated across similar industries.
	Strengthen workforce planning with a focus on improving the succession plan across the business.	**Achieved.** A workforce planning framework was rolled out across the business and key talent was identified and prepared for critical roles.
Strengthening Our Workplace Culture Build a culture of high engagement and performance across our workforce to optimise people and business outcomes.	Deploy people and culture strategy and initiatives to achieve year on year improvement in engagement across the business.	**Achieved.** Employee engagement increased relative to FY19 (72% in FY19 and 76% at the end of FY20). This year, we deployed shorter and more frequent pulse surveys to the whole business to better understand the level and drivers of engagement across the business.

INPUTS

1. Financial Capital
2. Human Capital
3. Manufactured Capital
4. Intellectual Capital
5. Natural Capital
6. Social & Relationship Capital

OUTCOME

Creating a Safe and High Performing Workplace

UN SDG

United Nations Sustainable Development Goals

Managing with Care Through Covid

Care is an important value for Sanford, alongside passion, integrity and achieving together.

Chief People Officer, Karen Duffy, says with Covid-19 disruption, all four were in play but care was especially important.

“This year has been a hard one for everyone. When we were classed as an essential business in March, we felt proud and we had a sense of our responsibility to feed New Zealand and the world, but we also knew there was fear and anxiety about coming in to work.

“Keeping our people safe and secure was as important as our part in feeding people. Stopping our operations for three days to map a day in the life of our workers on their various vessels and sites, then identifying and minimising any risk of infection, was critical in alleviating their concerns. People had to feel safe and cared for. When they came to work, they were re-inducted in the new safety processes and saw all the steps and equipment to keep them safe and they were relieved and reassured.”

Response teams were set up for land-based operations; fishing and farming operations; supply chain and consumer; people and communications and finance. The leadership team met with all teams daily to assess progress, set priorities, and align our resources to those priorities.

Keeping people informed thoroughly and often was crucial to maintaining the sense of care.

“Our communications team did a brilliant job explaining what was happening and why, helping our people navigate changes in the way we work at sea and on land. Everything they did, from Facebook pages to newsletters and daily videos, kept people confident and celebrated the great way they were responding.

COVID-19 COMMUNICATIONS

DURING NEW ZEALAND’S COVID RESPONSE, WE SENT OUR PEOPLE:

41

SANFORD PRODUCED VIDEOS

64

COVID-RELATED ALL-STAFF EMAILS AND SOCIAL MEDIA POSTS

(BETWEEN 9 MARCH AND 30 SEPTEMBER, 2020)

“Our communications made it clear that it was okay to not feel okay, because we saw mental health as important and at risk. Traditionally primary industries have always been about taking a concrete pill and carrying on, but even the stoic types at Sanford were really appreciative.”

Karen says focusing on a high-care environment led to improvements. A formal working from home policy was put in place “but this is not a case of set and forget, because we also believe it is important to check in with people and see how they are doing.” People were also encouraged to call on counselling from Sanford’s employee assistance provider if they needed confidential advice or reassurance.

WATCH VIDEO

Covid Response Team Intro
https://www.youtube.com/watch?v=3H71hmAszmM

End-of-year reviews for salaried staff, formerly based around rigid performance rating scores were replaced by a more values based approach which puts the person first. “People are still accountable for results, but we wanted an approach that reflects the level of care, passion and integrity we want to achieve.”

She says Sanford’s people were “resourceful, creative and tenacious”, personifying Sanford’s value of achieving together. This gave the space to think about the future.

A cross functional team was tasked with assessing future risks and opportunities and possible tactics to manage these. That shaped an acceleration of response strategy focused on getting closer to consumers, accelerating the development of a branded consumer product portfolio and continued investment in innovation, operations, and people development.

“We want to bring the best of what we are doing now into the future, including our framework that has enabled quick and effective decision-making. We have new leadership training being rolled out and our recognition programme will reinforce the attitudes and behaviours which will enable us to thrive. This will be underpinned with a focus on wellbeing and a suite of tools and resources to support our people be their best.”

WATCH VIDEO

Tauranga Coronavirus Safety
https://www.youtube.com/watch?v=VcDB6zVCm4k

Sanford is an excellent place to work, I love working here and have done so for the past 13 years. Sanford has given me the chance to move into different roles and I feel really looked after and respected here.

—

Anneka Kuru
ADMINISTRATOR
SANFORD

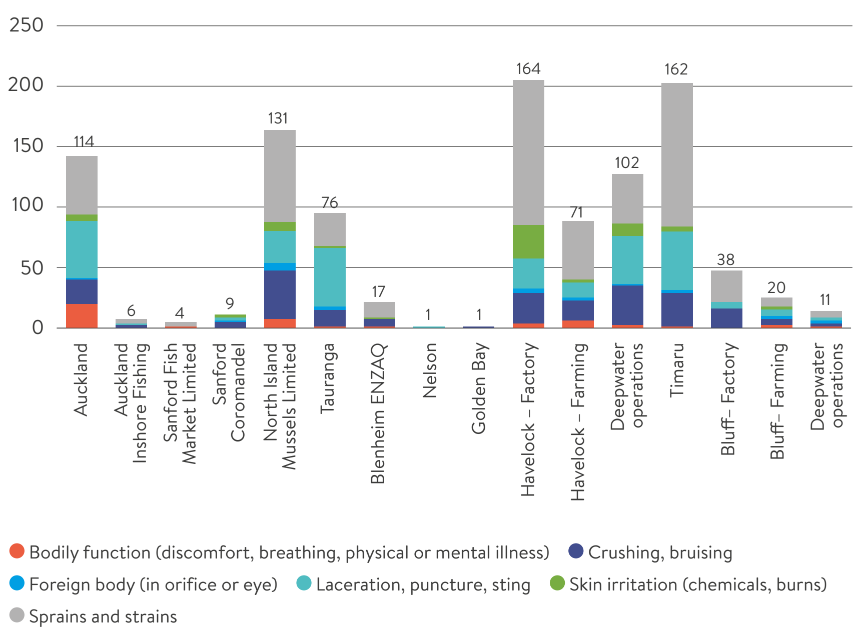
1,998

NZQA CREDITS ACHIEVED BY OUR WORKERS AS WE SUPPORT THEIR UPSKILLING

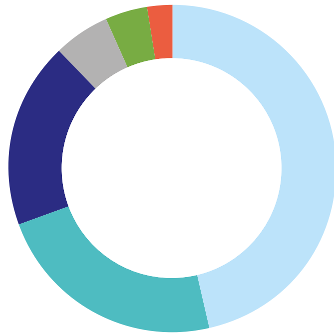
PHOTO: Alma Beswarick at work in the Timaru Factory during the Covid-19 lockdown

PHOTO: Rik Boaza, docking a vessel at Timaru wharf

Type of injury by site in 2020



Injuries by type



TYPE OF INJURY	TOTAL NUMBER OF INJURIES 2020	2019*
Sprains and strains	432	414
Laceration, puncture, sting	213	258
Crushing, bruising	171	187
Skin irritation (chemicals, burns)	51	50
Bodily function (discomfort, breathing, physical or mental illness)	39	43
Foreign body (in orifice or eye)	21	24
TOTAL	**927**	**976**

* 2019 injuries data restated following a review and re-classification of injuries previously identified as injury type slips, trips, and falls.

New hires by age group

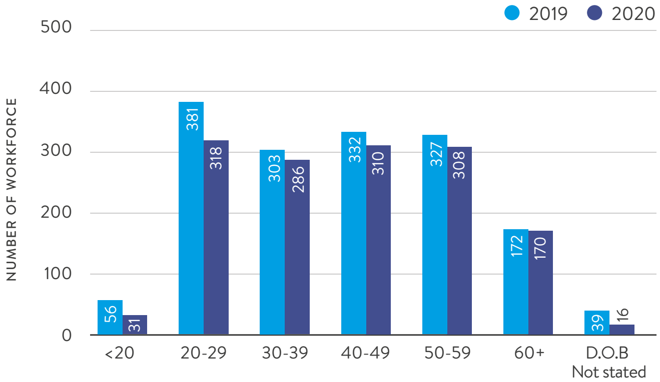
AGE GROUP	NUMBER OF NEW HIRES 2020 (2019)
Under 20	7 (7)
20 to 29	58 (53)
30 to 39	51 (19)
40 to 49	30 (29)
50 to 59	14 (16)
60+	1 (7)
Total	**161 (131)**

Even though Sanford are a large corporate they have a very family-oriented culture and values. This is important in attracting and retaining good staff.

—

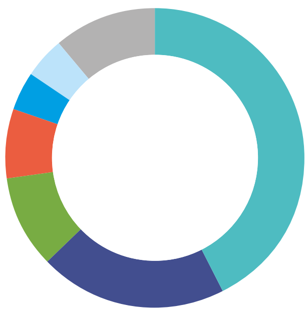
Sean Brown
GROUP LOGISTICS MANAGER, SANFORD

Our workforce in age groups*



* Based on annual quarterly averages.

Our workforce in ethnic groups



New Zealand European	42.8%
Māori	20.2%
Pasifika	10.0%
Asian	7.3%
European	4.2%
Other	4.6%
Not stated	11.0%

Based on annual quarterly averages

NZQA credits and qualifications awarded through Primary Industry Training Office (Primary ITO) by level and gender

CREDITS ACHIEVED BY GENDER AND LEVEL*	GENDER		
LEVEL (NZQF)	**FEMALE**	**MALE**	**TOTAL**
Level 2	33	33	66
Level 3	392	564	956
Level 4	0	970	970
Level 6	6	0	6
Total	**431**	**1,567**	**1,998**

* One credit is approximately 10 hours training. The different levels of credit are: Level 1: Basic awareness by all staff (Certificates); Level 2: Competent operator (Certificate); Level 3: Supervisor (Certificate); Level 4: Management (Certificate); Level 6: Diploma.

NZQA credits and qualifications awarded through Primary ITO*

	2020	2019	2018	2017
Completed Primary ITO programmes	59	109	157	273
Total credits awarded	1,998	2,221	3,849	7,484
Formal qualifications received (national certificate)	30	69	93	214
Active enrolments at end of quarter	164	40	22	72

* Data received from Primary ITO and based on end date of training for completed courses, month of credit achieved for credits, completion date for NZQA qualifications. Active enrolments includes grace period and on-hold training programmes.

PHOTO: Craig Smith – San Aotea II crew arrives home

Operation Georgia

Every company talks about getting people home safe at the end of the day. It's the right thing to do.

But what if "home safe" requires a 60-day round trip of 10,149 nautical miles across the bone-chilling Southern Ocean? It's still the right thing to do. That's why the San Aotea II left Timaru on June 6 to retrieve the 15-strong crew of the San Aspiring from Port Stanley in the Falkland Islands.

The Aspiring crew had been away from home for five months and a mercy mission was our safest option, given there were no flights from South America and using an alternative West African and UK route involved many risks and uncertainties.

To reach the Falklands, Skipper John Bennett navigated the San Aotea II across the Southern Ocean and around Cape Horn in wintry conditions. Rough waters, significant swells, and the need to tack like a yacht to avoid the worst of them, made for uncomfortable sailing. But the vessel berthed in Port Stanley on June 29.

John's outbound crew replaced all but a small number of the San Aspiring personnel. He exchanged places with San Aspiring skipper, Shane Cottle, who then navigated his team home. Shane says his crew were grateful for the rescue mission and relieved to get home when they disembarked in Timaru on August 4 after Covid-19 testing was completed onboard.

Also home, thanks to Sanford were two New Zealanders, honeymooners Feeonaa and Neville Clifton, of Auckland, both stranded in the Falklands by the impact of the pandemic. As our vessels cannot carry passengers, the couple were signed on as supernumeraries to comply with maritime safety requirements.

Regrettably, the rescue mission was marred by the behaviour of three crewmen who are now serving prison terms in the Falklands following a bar brawl in late June.

We apologised in a letter to the people of the Falklands and in person to the Islands' Governor. The incident does not reflect Sanford's values nor those of the vast majority of our people. What does reflect those values is the care we showed, going the extra 10,000 miles to keep our people safe.

WATCH VIDEO
Operation Georgia
https://youtu.be/5_-yi5Hhbs4

STAFF MOVEMENTS

Voluntary turnover during 2020 was 13% across the total workforce (FY19: 19%); Involuntary turnover was 11% (FY19: 9%); and absenteeism averaged 6% across the group (FY19: 6%).

Turnover by gender

GENDER	VOLUNTARY TURNOVER 2020 (2019)	INVOLUNTARY TURNOVER 2020 (2019)	TOTAL TURNOVER 2020 (2019)
Female	44 (75)	38 (35)	82 (110)
Male	55 (103)	52 (49)	107 (152)
Total	**99 (178)**	**90 (84)**	**189 (262)**

Turnover by age group

AGE GROUP	VOLUNTARY TURNOVER 2020 (2019)	INVOLUNTARY TURNOVER 2020 (2019)	TOTAL TURNOVER 2020 (2019)
Under 20	7 (14)	5 (3)	12 (17)
20-29	30 (69)	18 (15)	48 (84)
30 to 39	22 (22)	16 (12)	38 (34)
40 to 49	18 (26)	14 (16)	32 (42)
50 to 59	16 (34)	22 (12)	38 (46)
60+	6 (13)	15 (26)	21 (39)
Total	**99 (178)**	**90 (84)**	**189 (262)**

Contract type

CONTRACT TYPE	TOTAL 2020 (2019)	FEMALE 2020 (2019)	MALE 2020 (2019)	GENDER UNDECLARED 2020 (2019)
Permanent Full-Time	762 (865)	40% (37%)	60% (63%)	–
Permanent Part-Time	39 (22)	87% (59%)	13% (41%)	–
Fixed Term Full Time	71 (58)	54% (64%)	46% (36%)	–
Fixed Term Part Time	4 (2)	50% (100%)	50% (0%)	–
Casual and Seasonal	67 (65)	45% (46%)	55% (54%)	–
Independent Sharefishers	444 (451)	13% (12%)	84% (87%)	3% (1%)
Total Workforce	**1,387 (1,453)**	**33% (29%)**	**66% (70%)**	**1% (1%)**

Safety Goal Met with Intelex

Hooks, chains, knives, winches, heavy machinery – there's a lot of potentially risky tools in use when we catch, harvest and process fish and seafood, so we are obsessive about health, safety and wellbeing.

We promise to take all practicable steps to protect our people. When you make commitments like that, you need the best tools.

Despite a disrupted year, we met our goal to implement new software for capturing, reporting and managing safety and health data.

Intelex is a step up in our ability to manage risk, track key performance indicators and any non-compliance. It is adding another layer of safety by enabling people to help us manage risks to them, food safety or the environment.

The app, installed on phones or laptops, enables instant and simple reporting of a near miss, a hazard or a risk, property damage or injury or illness. Incidents can be captured by photo, or through filling out intuitive self-service fields. All observations go to local management, as well as the health and safety team for review.

General Manager Processing Terry Denley says the app encourages people to act and they know their report will be given the attention it deserves.

"Acting on safety is not reliant on just one person in the chain – it's everyone's business. From the risk management perspective, when you have an alert it can be addressed quickly. It is also highlighting opportunities for improvement."

Our future focus

MATERIAL ISSUES AND STRATEGIC GOALS	2021 TARGETS	OUR 2025 VISION
Safety and Health Through the way we work and behave, and the initiatives we implement to continually enhance our work environments, we will take all practicable steps to protect our people from the risk of harm, whether it be operational or occupational injury or ill health.	Strengthen our safety culture and achieve a 5% reduction in Total Recordable Incident Frequency Rate (TRIFR) by: • Aligning our Health & Safety Management System to ISO 45001 requirements and strengthen our critical risk management processes; • Extending the deployment of Health Safety and Wellbeing (HSW) information system to improve capture, reporting and insights gained from data; and • Embedding safety walks as lead behaviour and driver of improved HSW performance.	We practice consistent and effective risk management that minimises the risk of harm to our people to achieve our aim of being the safest seafood company in the world.
Developing Our People and Workplace Culture Create a high-performance culture where every one of our people is skilled, empowered and engaged in contributing to the goals of the business and reaching their full potential.	Increase engagement by 2% points to strengthen our workplace experience and alignment with business goals by: • Developing and deploying a new learning framework to broaden our leadership and technical capabilities; • Strengthening the application of our workforce planning processes to support succession; and • Sharing insights from our pulse surveys and embedding targeted action planning across the business.	Sanford people develop and achieve to their full potential through active engagement and application of learning across our learning and development framework. Our people are highly engaged and strive for high performance personally and for Sanford. Sanford is recognised in the industry as a leader and employer of choice.

PHOTO: Chris Doudle and Dean Milne in the Timaru engineering workshop

Leading the Way to Healthy Food and Marine Extracts

JUSTIN ROCHE
BLENHEIM
41°31'49.3"S 174°00'31.5"E

The sea gives us many gifts, some of which we are still learning to fully appreciate and understand. Think of the anti-inflammatory properties of New Zealand's Greenshell™ mussels, which Sanford is actively exploring. The more we know, the more opportunities we discover and the more precious our oceans appear.

Maximising our earnings per kilo of fish sold is ranked as the fourth equal issue in our materiality process and this, along with the first equal ranked sustainable seafood, speaks to the desire of our stakeholders to see us make the most of what we harvest and to treat it with care and respect.

Our intention is to lead the way in driving sustainable performance across our value chain and positioning our brand as the industry partner and supplier of choice.

Material issues and value creation

This table summarises Sanford's material issues and associated actions relating to *leading the way to healthy food and marine extracts*. It includes the strategic goals within our Business Excellence Framework, our targets for 2020, and our progress against these targets. At the end of this section, we define our future targets and vision through to 2025.

MATERIAL ISSUES AND STRATEGIC GOALS	2020 TARGETS		PROGRESS AGAINST TARGETS
Food Safety and Quality Be recognised as a global leader in providing safe, high quality marine sourced products that exceed our customers' expectations on a consistent basis.	Ensure no food safety product recalls.	✓	**Achieved.** No food safety product recalls occurred.
	Maintain all MPI certificates at maximum frequency levels for all land-based sites (step 6 level). Also maintain the FSSC 22000 certification for the Group.	✓	**Achieved.** 100% of Sanford sites maintained MPI certifications. Similarly, FSSC 22000 certification audits were successfully completed and certification maintained.
	Year-on-year improvement in the number of customer complaints received in respect of food quality.	✓	**Achieved.** 154 customer food quality complaints received, with 65% being justified. This compares to 162 complaints, 62% of which were justified during FY19.
	Launch and successfully implement new software for capturing and reporting quality data. This will facilitate the measurement of non-conformance of food safety/ quality KPIs and will provide clarity of actions and improvement areas for management to remedy.	✗	**Not Achieved.** The customer complaint capture, reporting and quality management module of the SanCore software system remains under build, having experienced pandemic related delays to its roll out. That module is anticipated for deployment early in FY21.
Supply Chain Moving products between Sanford, its suppliers and customers in order that customer requirements are consistently met or exceeded.	Improve engagement across the supply chain, so Sanford continues to advance a demand based decision-making process, optimising customer/consumer preferences and to ensure annual improvement of EBIT/kg returns for wild catch, mussels and salmon.	→	**Ongoing.** Engagement across the supply chain was evident throughout FY20. Pre-pandemic the focus was on optimising efficiencies, profitability modelling, and scenario planning. Post-pandemic there was rapid pivoting of supply chains to support re-shaped demand. Demand based decision-making resulted in inshore fishing, salmon harvest volumes, and processing capacities being 'right-sized' based on market demand and airfreight capacities.
	Develop and implement supply chain processes that support the move to online sales platforms.	✓	**Achieved.** Supported Sanford and Sons Fishmonger online channel growth, boosted by the Level-4 Covid lockdowns achieved 695% growth during FY20. Improved demand management processes through to consumer delivery using courier partners successfully extending our geographical reach to Waiheke, Tauranga, and Hamilton.
	Identify and introduce operational and procurement efficiencies within the supply chain that improve on the prior year's supply chain cost per GWT sold.	→	**Ongoing.** Storage costs tracked toward targets prior to the global pandemic, however the induced market changes created efficiency challenges as spend on warehousing and transport had to increase as inventories of some product rose. Significant work was undertaken to improve operational efficiencies of raw material transport costs to factories. A review of salmon feed inputs was performed and future requirements were contracted at lower input costs.

INPUTS

1. Financial Capital
2. Human Capital
3. Manufactured Capital
4. Intellectual Capital
5. Natural Capital
6. Social & Relationship Capital

OUTCOME

Leading the Way to Healthy Food and Marine Extracts

UN SDG

United Nations Sustainable Development Goals

Value from the Sea

Our innovation strategy aims to create additional value and a sustainable future for Sanford.

We're developing marine-based nutraceuticals, including our Sea To Me brand, undertaking in-house research, collaborating with external researchers, and investing in technologies which can extract more value from the biomass we catch and harvest. The development of our Marine Extracts Centre in Blenheim, is a significant step forward, with one of the first benefits being extraction of mussel oil.

Blenheim-based Innovation General Manager Andrew Stanley says the oil is worth as much as 600 times the value of fish oils and delivers a super concentrated form of the anti-inflammatory benefits found in mussels and mussel powder. It also contains other important lipid components that are not present in most fish oil products, and which have beneficial effects on human health, according to research undertaken by the Cawthron Institute.

"The oil will be harvested using a supercritical CO_2 extractor, one of the most technically advanced pieces of equipment Sanford has invested in. It will produce a very pure form of mussel oil, only achievable by using CO_2 in a supercritical state as the solvent. Supercritical CO_2 is produced when the temperature of the carbon dioxide gas is raised under pressure, achieving a liquid-like density.

"It allows compounds to be extracted without damage and doesn't need chemical solvents like some alternative processes," says Andrew. At peak production, the extractor will be capable of producing around 5MT of mussel oil annually.

Andrew Stanley's innovation vision expands well beyond the mighty mussel and the Centre is at the core of it.

PHOTO: Justin Roche, plant operator (Enzaq) processing mussel powder

PHOTO: Avafou Malua, plant operator (Enzaq), processing mussel powder

PHOTO: Sanford's mussel vision machine assessing mussel qualities using AI technology

"In pork, they say they use everything but the oink. The ideal for me is to reach a stage where we are getting the best and full value from every part of the fish or shellfish we bring ashore. The more we can capture and collect all those valuable subcomponents, like livers, sounds (swim bladders), skin for collagen, the more value we can create in the future – and that includes high value jobs."

The Centre will foster a 'learning first' innovation approach, where creative design processes, development labs and a pilot plant will operate alongside the commercial extraction operations. It will collaborate with research partners as well as generate R&D in-house.

"We have more than 100 species to work with and many more value creating ideas and opportunities in front of us. We already work with collagen from fish skins, special Greenshell™ mussel fractions, omega-3 oils from fish livers, special functional proteins, and several other exciting projects.

"Mussels have many different types of lipid structures. Complex lipids have a range of functions from providing energy to producing hormones and are increasingly valuable in the development of novel functional foods. We are adopting new processing methods for nutraceuticals and exploring the value that can be extracted from various components and other species. This is an incredibly exciting business to be in."

> New Zealand's place in the future should always be niche high-value. The most sustainably managed and harvested products in the world. That's where our future lies. I can't see it any other way. We are actually pretty good at primary production and we can't turn our backs on the primary sector. So we have to be the best at primary industry in the world, and we can be.
>
> —
>
> **Eric Jorgensen**
> MARLBOROUGH MARINE FUTURES

GREENSHELL™ MUSSEL OIL HAS A

Unique Omega-3 Profile

AND IS WORTH

600 times

THE VALUE OF FISH OILS

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

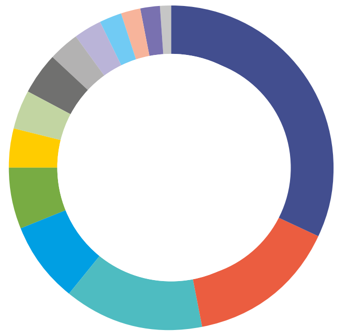
	2020	2019
Very high quality	17.9%	8.7%
High quality	67.9%	91.3%
Neither high nor low quality	14.3%	0%
Low quality	0.0%	0%
Very low quality	0.0%	0%

How would you rate the quality of your customer service experience?

	2020	2019
Very positive	60.7%	43.5%
Somewhat positive	25%	43.5%
Neutral	10.7%	4.3%
Somewhat negative	0%	8.7%
Very negative	3.6%	0.0%

Our customer survey is undertaken annually during August/September via a web survey to our main customers.

Quality complaints breakdown



	2020	2019
Quality defects	32%	21%
Labelling error	15%	10%
Foreign material	14%	27%
Product grading error	8%	3%
Packaging	6%	3%
Other	4%	7%
Date coding error	4%	4%
Temperature abuse	4%	3%
Wrong product	3%	12%
Weight control	3%	4%
Under delivered	2%	2%
Bone	2%	1%
Product missing	2%	2%
Parasites	1%	1%

Sanford had no food safety product recalls in 2020.

Growing Value from Science and the Sea

We're sharing the natural goodness of our oceans in formats our founders could never have imagined in the 1800s. Collagen from hoki skins, oil from mussels and supplements from seaweed are all part of our innovation strategy to create value through sustainable marine extracts, and the pace is picking up.

Sea To Me is one example, along with new investments in collagen and seaweed.

We can produce, on average, enough Greenshell™ mussel powder to fill one million Sea To Me capsules a day. That's a positive, because our first nutraceutical brand is now available in 218 pharmacies around New Zealand, as well as via our online sales channel. Sea To Me has also expanded its sustainable brand credentials with new fully recyclable packaging, all made from sugar cane.

The use of marine extracts in cosmeceuticals is also expanding, with the collagen harvested from hoki skins soon to be an additional consumer channel through Sanford's joint venture with Two Islands which produces and markets products such as collagen-based supplements. Sanford secured a 50% stake in Two Islands in September 2020.

This year we also acquired a 50% shareholding in Malmac Trading, the company behind edible seaweed brand Pacific Harvest, supplying to health and organic retail channels around Australasia since 2002.

"Our investment reflects our shared values with these New Zealand businesses and the growing global demand for functional foods: food and ingredients that can enhance health and wellbeing," says General Manager Business Development Adrian Grey.

"The investment plays to our respective strengths, while opening up opportunities for growth."

The End – and Also the Beginning

October 2019 saw the completion of the seven-year Primary Growth Partnership (PGP) programme between Sanford subsidiary SPATNZ and the Ministry for Primary Industries. The programme is finished, but its benefits are ongoing and significant.

SPATNZ owns the intellectual property from the research and has exclusive use of it until October 31, 2024. That's a head start of five years of reaping value from the results, described in the end of programme review as "transformational" for the mussel industry. Sanford was the only industry investor after others withdrew in 2012, contributing half of the $22.6 million in funding. SPATNZ General Manager, Rodney Roberts, who led the programme, says it removes the brake on long-term industry growth by breeding better bivalves by the billions.

"A secure supply of selectively bred mussel spat will not only lessen industry dependence on wild spat but also help the development of sustainable aquaculture. The successful selective breeding from families of high performing mussels has delivered growth rates that are up to twice as fast as wild-caught mussels, a higher crop yield per metre and more consistent sizing which makes for easier processing and more consistent eating quality. Selective breeding has also opened the door to enhance high-value characteristics, such as anti-inflammatory activity."

While the PGP programme has ended, the SPATNZ team hasn't hit pause. "We are continuing to do lots of research to constantly improve production processes and operational efficiency. There are always opportunities to keep learning. We have world-class facilities and skilled people with knowledge and technology which is transferable to other filter feeders like scallops, oysters and toheroa. This platform can be readily adapted to other aquaculture species."

Sanford Acting Chief Executive Officer and Chief Customer Officer Andre Gargiulo says the PGP programme, as well as the ongoing research, underlines Sanford's commitment to generating higher value returns through science and the sea.

"There are more opportunities for fine tuning mussels for specific characteristics and mitigation of risks such as climate change. Importantly, the results of the SPATNZ PGP programme are being retained in New Zealand, with Greenshell™ mussels unique to our aquaculture industry."

If hatchery spat are taken up across the existing New Zealand industry it has the potential to add nearly $200 million a year to GDP.[1]

WATCH VIDEO
SPATNZ Animation
https://youtu.be/gH8N9TL6al4

PHOTO: Sophie Jobe, Aquaculture Technician (SPATNZ), spawning mussels

1. Sanderson, K., Nana, G., Webster, M., Dixon, H. (2010). Scenarios of the Wider Economic Impacts In 2026 of the New Generation Shellfish Industry. BERL Economics.

Our future focus

MATERIAL ISSUES AND STRATEGIC GOALS	2021 TARGETS	OUR 2025 VISION
Food Safety and Quality Be recognised as a global leader in providing safe, high quality marine sourced products that exceed our customers' expectations on a consistent basis	Demonstrate our commitment to food safety by ensuring no food safety product recalls and maintaining our independent food safety and production related certifications including MPI certificates at maximum frequency levels, and Foundation Food Safety System Certification 22000 (FSSC 22000). Achieve 3% year-on-year reduction in the number of customer complaints received in respect of food quality.	Sanford is a global leader producing safe, high quality and sustainable New Zealand marine sourced products that consistently exceed the expectations of our customers and consumers. Our skilled team operates with a conscientious customer and consumer focused approach and achieves 'no product recalls' and year-on-year improvements in complaint target KPIs.
Value Chain Driving sustainable performance across our value chain by optimising our processes and relationships to maximise the value we extract from the natural resources we utilise.	Achieve improvements throughout the supply chain which result in year-on-year improvements in supply chain costs per GWT sold. Develop and implement supply chain processes which supports revenues sourced via direct and once removed to consumer channels.	Sanford utilises agile and customer led processes, systems and technologies to meet differing customer and consumer expectations in the delivery and traceability of exceptional quality products. Supply chain planning systems are integrated and automated with an ability to run financial scenario modelling across the value chain.

Supporting Strong Communities and Partnerships

Communities across the world have been tested in 2020. In ours, we have found support and meaning. Many of our relationships have strengthened under pressure. We have increased our support to those whose needs have increased, recognising the impact of the pandemic on those already struggling. Our relationships across industry groups and the wider business community have become more important, as we strive to find new ways to get our seafood to the world.

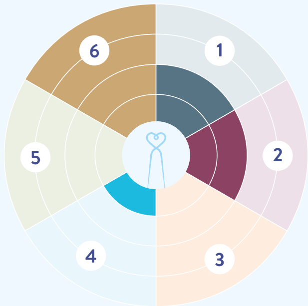
Our intention is that our leadership is creating employment and skills opportunities, coupled with our understanding of the needs of our communities and partnerships, to ensure we deliver a significant and positive contribution everywhere we work.

Material issues and value creation

This table summarises Sanford's material issues and associated actions relating to *supporting strong communities and partnerships*. It includes the strategic goals within our Business Excellence Framework, our targets for 2020, and our progress against these targets. At the end of this section, we define our future targets and vision through to 2025.

MATERIAL ISSUES AND STRATEGIC GOALS	2020 TARGETS	PROGRESS AGAINST TARGETS
Community Engagement and Strategic Partnerships Respect and support our local communities in line with our social licence to operate. Establish strategic partnerships that create value for the community, our partners and Sanford.	Refresh our strategy for Sanford's engagement with communities and strategic partnerships.	✓ **Achieved.** During FY20, we reviewed and refreshed our partnerships strategy. This resulted in a decision to extend our support of the Graeme Dingle Foundation. It also resulted in us not renewing our agreement with Paralympics New Zealand, and initiating partnerships with community organisations such as food banks.
	Retain Sanford's sponsorship of the New Zealand Paralympics team, fulfilling a three-year contracted support. Engage with the Paralympians in the build up to the Tokyo Olympics in order to show strong support and passion for the success of these wonderful athletes.	✓ **Achieved.** Our support agreement with Paralympics New Zealand was fulfilled and completed during FY20. As part of our updated strategic partnership strategy, we decided not to renew that agreement, focusing our partnership contributions and efforts in other directions. We valued our time with ParalympicsNZ and wish their athletes the best in their future goals.
	Provide financial donations to the Graeme Dingle Foundation as well as multi-site support and events, highlighting the fantastic work undertaken by this charitable foundation.	✓ **Achieved.** In FY20 we extended our partnership agreement with the Graeme Dingle Foundation to add the Auckland region and increase our support levels in other regions. With the help of Sanford's targeted donations, the Foundation has reached over 21,000 students across 6 regions.
	Continue to support local sponsorship of events and organisations.	✓ **Achieved.** Supported a range of community initiatives from coastal clean-up events, open days, sports days and charity fundraising events.
	Launch the Stewart Island 10c per salmon community support scheme, with 10c from every salmon processed used to fund wellbeing projects in Stewart Island and Bluff.	✓ **Achieved.** The salmon fund was successfully launched, and $84,000 awarded to community groups in Rakiura/Stewart Island and Bluff for wellbeing, sport, and culture.

INPUTS

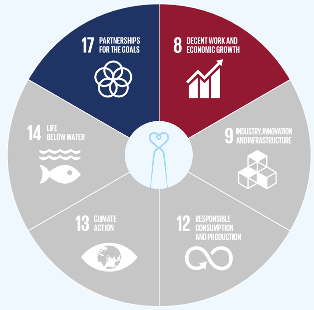


1. Financial Capital
2. Human Capital
3. Manufactured Capital
4. Intellectual Capital
5. Natural Capital
6. Social & Relationship Capital

OUTCOME

Supporting
Strong Communities
and Partnerships

UN SDG



United Nations
Sustainable Development
Goals

Care for One Another, Sharing With Our Communities

Care can't stop in a pandemic. In fact, it's doubly important that this core value of ours is applied more liberally.

That's why we took special care to look outside the day-to-day demands of managing the business through lockdowns and Alert Levels, to see what more we could do in the communities around us. As it turned out, there was quite a bit. Stewart Island is a good example.

We have a long-standing partnership with the local community and when the Sanford salmon farm management team realised that New Zealand was going into Level 4 lockdown because of the Covid response we knew that on Stewart Island we needed to do more.

"While a remote South Pacific Island is an amazing place to live it doesn't have the medical facilities and resources to deal with a pandemic. We wanted to reassure our Island neighbours that we took their health and wellbeing seriously, and we acknowledged many were anxious," says Industry Liaison Manager Ali Undorf-Lay.

PHOTO: Sanford's Stewart Island farming team. Some of the team stayed on the Island and away from family and friends for the entire autumn lockdown.

Doing more included many of our farm-based staff remaining on the Island for the entire six-week lock down rather than returning to their families on the Mainland, ensuring two metre bubbles, wearing masks when they needed to stand closer and remaining vigilant with handwashing and other enhanced hygiene measures.

"To maintain the safe distances recommended by Government we hired one local vessel to transport staff between Oban (the Stewart Island main centre) and the farm and we asked that these not be used for other hires. We wrote regular articles for the local newsletter communicating our reassurances that we were stepping up to the challenge of providing a safe work environment. When the opportunity arose, we provided some great local salmon for the Island's Lion's Club impromptu 'Meals on Wheels' for the elderly and unwell.

"Those of us who were not Island based agreed to work in the hatchery or at Bluff processing. We kept these procedures in place for 10 weeks through to Level 2 when staff were finally able to start moving between the Mainland and the Island. Even then though, we kept ourselves separated by travelling to the farm on the San Hauraki, our service boat and staying off all public transport."

Ali says Sanford is grateful to all our staff, "for their support and endurance".

"It's not easy when you sign up for a seven-day shift to suddenly be working 45 days without seeing your family. Equally if your job is feed technician or net cleaner and suddenly you are working in a wet fish factory all day, it can be just as challenging."

Care for One Another, Sharing With Our Communities
CONTINUES

PHOTO: John Spraggon and Matt Hare, part of the community fund decision makers team

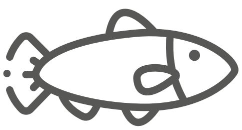
Through Covid, the committee allocating support from our 10 Cents a Salmon Fund worked hard to keep the funds flowing. The six-strong local committee, chaired by Matt Hare from our Big Glory Bay salmon farm, assessed the applications and awarded $84,000 to groups in Rakiura/Stewart Island and Bluff for wellbeing, sport and culture.

For every salmon grown on the Big Glory Bay farm that is processed through our Bluff plant, 10 cents is donated to the local community and as we grow, the fund will grow to around $100,000 annually.

Applications exceeded the money available which showed community spirit is strong in the south with many worthwhile projects.

SUPPORTING LOCAL COMMUNITIES

10 CENTS A SALMON FUND

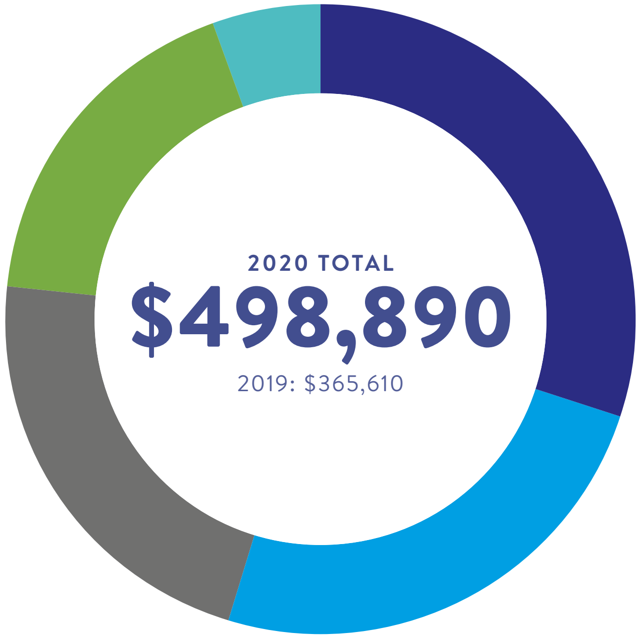


10¢

FROM EACH BIG GLORY BAY FARM SALMON PROCESSED

$84,000

AWARDED TO GROUPS IN RAKIURA/STEWART ISLAND AND BLUFF THIS YEAR FOR WELLBEING, SPORT AND CULTURE



Community Programmes (incl. Salmon Fund)	$150,500
Graeme Dingle Foundation	$123,132
Foodbank Support	$110,102
Other Charities	$ 88,599
Paralympics Spirit of Gold	$26,556

Being the best seafood company in the world means that in the communities where Sanford operates, that they are welcomed, and celebrated, and people are proud of them. The community rises on the same tide with their success.

—

Adam Hicks
COMMUNICATIONS MANAGER
AQUACULTURE NEW ZEALAND

Being an Island of 404 people, Sanford staff are an important and valued part of the Stewart Island community. Examples of this include contributing salmon to the Meals on Wheels initiative for the Island elderly during the Covid-19 lockdown and promoting and providing materials for the build of a local playground.

—

Jon Spraggon
STEWART ISLAND
COMMUNITY BOARD

PHOTO: Sanford delivers its first donation to BBM with Sophar Rach (Sanford), Dave Latele (BBM) and Isabel Kuntzsch (ex Sanford)

CARE IN THE NORTH

Further north in Auckland, Sanford saw the growing pressure on foodbanks, especially in areas like South Auckland where so many of our workers and their families live. It just made sense to get good quality fish into the food parcels being handed out to sustain the local community.

Between May and September 16, 8.074 MT of fish was supplied to two foodbanks, one operated by Papatūānuku Kōkiri Marae. Located in Mangere East, the marae is a community partnership and charitable trust which also operates an organic farm which helps feed local people and educate them about healthy eating.

The second foodbank is operated by ButtaBean Motivation founder Dave Letele as an extension of his work providing fitness coaching along with health and wellbeing support to Māori and Pasifika communities. Having seen the need and with support from the Ministry of Social Development he operated the foodbank from his gym to help the most vulnerable.

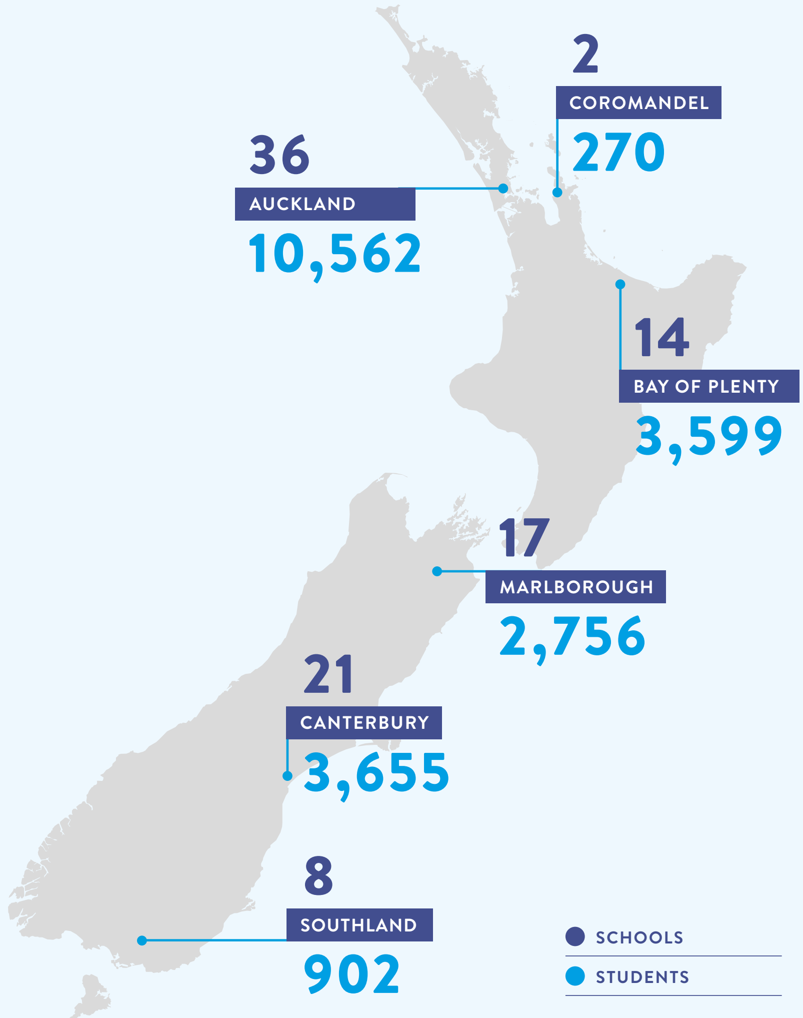
Sustainability General Manager, Dr Peter Longdill says Sanford was more than happy to partner with both foodbanks.

“So many of our processing staff come from the South Auckland community and while they remained working during lockdowns because we were classified as an essential service, we knew from them that the pressure was being felt among local families. Helping others navigate through these tough times felt like the right thing for us to do.”

WATCH VIDEO
BBM Foodbank
https://youtu.be/FutjbUtxNoY

POSITIVE IMPACT ON LOCAL COMMUNITIES

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



Our Community Focus

Helping to fund the Graeme Dingle Foundation is one way we show care for our communities. We're proud to be part of the proven programmes which nurture young and at-risk New Zealanders, help them through obstacles and give them the self-resilience to succeed – to navigate.

As well as funding, we have hands-on involvement, giving teenagers insights into career opportunities in our industry, and taking the message of marine sustainability into schools. Our volunteers from within Sanford see the foundation's work – and their results – and love being involved.

Until this year we have focused on five regions where we have operations, providing total funding of $110,024. Now we have extended our supported to the Auckland region, bringing our total to $123,132 for the 2020 financial year. Sanford's support helps GDF run programmes in 98 schools, reaching 21,744 students.

The extension follows the end of our three year support contract with Paralympics New Zealand supporting their build up to the Tokyo Paralympics.

Support for the Foundation extends well beyond our head office, with characters like our General Manager of Aquaculture, Ted Culley, willing to do daring deeds to raise funds.

WATCH VIDEO

Ted's Skydive for GDF
https://www.youtube.com/watch?v=pfQ9LjXuJUI

JUMPING RIGHT IN

In 2020, Ted committed to a 20,000 ft tandem skydive to raise money for the Graeme Dingle Foundation's Kiwi Can programme. He raised more than $30,000 (and lost 20kgs in order to make the leap).

It's not the first time he has put his body on the line for a good cause. In 2013 he abseiled off a Blenheim carpark building and did another, lower altitude skydive in 2015.

Graeme Dingle Foundation regional manager, Kelvin Watt says "it's people like Ted who make a massive difference with what we are able to do."

And it is people like Kelvin and the team at Graeme Dingle who help young New Zealanders navigate the challenges ahead. We are proud to work with them.

TED CULLEY

Tandem skydive fundraiser

$30K+

RAISED FOR GRAEME DINGLE FOUNDATION'S KIWI CAN PROGRAMME

20,000 ft

TANDEM SKYDIVE TO RAISE MONEY FOR THE GRAEME DINGLE FOUNDATION'S KIWI CAN PROGRAMME

Putting the Logic Back into Logistics

As the world responded to Covid-19, previously smooth supply chains ceased functioning as they used to. A partnership approach across industry sectors was needed to successfully overcome the quickly emerging crisis.

Group Supply Chain Optimisation Manager Tim Salwey, says in the last week of March 2020 airfreight capacity was vanishing, with the usual 600 flights a week reduced to just 90, increases in the per kilo cost to freight due to reduced supply and patchy service to some destinations.

“We desperately wanted to get product into Melbourne for our operations there, but the majority of flights terminated in Sydney leaving us to truck supplies between states. Freight costs were rising and there are limits to what you can pass on before the total product cost becomes unsustainable.”

Tim says chartering was investigated but came with its own problems, including filling capacity excess to our needs and the costs of the return journey for an empty aircraft inflating overall freight costs.

“There was also an immense amount of communications buzzing around the industry with people trying to locate flights, and space and no real visibility of what was available as a whole.”

The call was made to get some logic back into logistics.

“Sanford partnered with Pareto Toolbox and said give us an app that lets us make our spare charter capacity available to a pool of well-established freight forwarders at an agreed rate, who could then make it available to exporters or importers. They can get into the app, see what space is available and click to reserve it. Any revenue recouped on a return leg would bring our per kilo cost down.”

Tim said it was clear that engaging with NZTE (New Zealand Trade and Enterprise) would be timely, as the department was juggling enquiries and pent-up demand for freight access was rising. What began as a modest exercise to help Sanford recoup chartering costs then expanded.

“We talked to NZTE who were encouraging. We then talked to Pareto on the Friday and the following week, at very short notice, we demonstrated the app that Pareto had developed for us to

an impressed audience including some of the largest freight forwarders, Air New Zealand and NZTE. They loved it.”

The project received partial funding support from NZTE. Freight forwarders Mondiale, Mainfreight, Helmann and Freightways came on board and the app was deployed within two weeks, matching capacity with cargo through a clearly visible dashboard and booking system.

Tim says when the Government’s $330 million international airfreight capacity (IAFC) scheme and tender helped restore airfreight capacity on key routes in May, his team focused on making the most of the scheduled services available, rather than commit to charters.

“But even so, there was real value in doing this. There was appreciation for the level of industry collaboration we were able to achieve. We have developed a very good relationship with NZTE, the Ministry of Transport and the Ministry for Primary Industries and we’ve shown our commitment to New Zealand’s food exports in a time of crisis. It never hurts to have deposits in the bank of goodwill.”

Reduced airfreight capacity as the world responded to Covid-19

600

FLIGHTS PER WEEK REDUCED TO

90

FLIGHTS PER WEEK, WITH INCREASES IN THE PER KILO COST TO FREIGHT DUE TO REDUCED SUPPLY

Our future focus

MATERIAL ISSUES AND STRATEGIC GOALS	2021 TARGETS	OUR 2025 VISION
Community Engagement and Strategic Partnerships Respect and support our local communities in line with our social licence to operate. Establish strategic partnerships that create value for the community, our partners and Sanford.	Continue to provide tangible and meaningful support to regional communities close to Sanford's operations. This includes: • financial donations to the Graeme Dingle Foundation along with engagement of Sanford staff in Foundation events and programmes; • supporting our sites to continue to support local events; and • continuing the 10c per salmon community wellbeing program in Southland.	Sanford is a valued and respected partner both at a local community level and in our national strategic partners. Sanford is a positive contributor to all its stakeholder communities and is regarded as being an integral part of the local and national communities within which it participates.

PHOTO: Prime Minister Jacinda Ardern visits BBM headquarters in South Auckland

Delivering Consumers' Expectations

AFM FISH MARKET
AUCKLAND
36°50'27.5"S 174°45'23.7"E

Happy end consumers, eating healthy and beautiful New Zealand seafood and feeling more than satisfied with its taste, quality and sustainable origins – that's what motivates us. We want to deliver a product to customers that can exceed expectations, because it comes from a company that aims to be the best seafood company in the world, and from a country, Aotearoa, that is a land of water over water (our land of the long white cloud).

Quality is top of mind for our stakeholders. Sustainable seafood and food safety and quality are both first equal in the rankings in our 2020 Materiality Assessment.

We commit to working with customers and consumers to bring them the best of our sustainably harvested seafood and marine extracts, demonstrating great care for our beautiful New Zealand products and achieving the optimal value for these precious resources.

Material issues and value creation

This table summarises Sanford's material issues and associated actions relating to *delivering consumers' expectations*. It includes the strategic goals within our Business Excellence Framework, our targets for 2020, and our progress against these targets. At the end of this section, we define our future targets and vision through to 2025.

MATERIAL ISSUES AND STRATEGIC GOALS	2020 TARGETS		PROGRESS AGAINST TARGETS
Drive Value Growth through Brand Development and Awareness Unlock value generating opportunities by developing a portfolio of brands and margin enhancing product formats that meet consumers' expectations and contribute to improved returns.	Develop and launch new packaging for high-end export sales of species. This new packaging will be under the Sanford and Sons brand (previously planned to be Sanford Black).	→	**Ongoing.** Modified Atmosphere Packaging mussels were launched under the Sanford Black brand, further developments were rolled into wider brand and market channel development for FY21. New packaging designs were developed for scampi to be rolled out as existing packaging inventories are utilised.
	Improve the year-on-year returns for Sanford and Sons fishmonger that trades in Sanford's Auckland Fish market.	✕	**Not achieved.** Sanford and Sons fishmonger was both positively and negatively affected by the changed Covid market dynamics during FY20 through online and retail channels respectively. Combined channel returns for Sanford and Sons were negative in FY20.
	Increase the proportion of BGB salmon so that 10% of volume sold is branded BGB.	✕	**Not Achieved.** Less than 5% of sales under the BGB brand. Results were negatively impacted by the impact of the global pandemic and its disruption to the hospitality industry worldwide.
	Build on the launch of the nutraceutical branded products Sea to Me.	✓	**Achieved.** Channel expansion into pharmacies through appointed distributor. Currently selling in more than 200 pharmacies in New Zealand as well as online. In addition, we underwent a brand refresh, website upgrade, and launched new sugarcane based packaging.

PHOTO: Keleise (Tracy) Niulala filleting fresh fish in the Auckland factory

INPUTS

1. Financial Capital
2. Human Capital
3. Manufactured Capital
4. Intellectual Capital
5. Natural Capital
6. Social & Relationship Capital

OUTCOME

Delivering Consumers' Expectations

UN SDG

United Nations Sustainable Development Goals

Toughing it Out in a Tough Year

When General Manager Global Sales Blair Robinson describes this year as "the most challenging of recent times", he means it, but he says the business is toughing it out to target a return to growth by accelerating our "closer to consumers" strategy.

"We had a strong first quarter that was really showing our strategy in action. Early in the second quarter, the impact from Covid was minimal, but in March, it hit hard. With tourism impacted, airlines mothballing planes, restrictions in place and food-service demand evaporating across the globe, we saw impacts in every market including Australia, the US and Europe.

"Our initial response was relatively successful in keeping products moving and cash flow strong, but it has been incredibly tough as the extent of impact of the pandemic worsened, so we have to be flexible to respond to shifting opportunities.

"For example, in the US, seafood is more often eaten out of home, but there has been a dramatic shift in Covid times and major retailers have seen demand for frozen seafood grow rapidly. We are working at pace to move with that demand, which requires considerable changes in our product portfolio."

The business also adjusted operations to align to the market – for example moving from higher value hoki fillet to block production to capitalise on customer demand for that format. The sales function was restructured to align to a clear global strategy and enable the necessary change in sales focus to offset patchy recovery in foodservice. Higher inventories are being proactively managed through a robust sales and operations planning process.

"Sanford has come through a couple of world wars and plenty of tough economic times before, so while it has been hard work, we've got some strong roots and we're determined."

Toughing it Out in a Tough Year
CONTINUES

Given the volatile markets and an uncertain outlook for foodservice, Sanford's strategy of getting closer to customers – and especially consumers – has also been accelerated with a multi-disciplinary team, which Blair leads, focused on getting the business back into growth.

"New Zealand is an important market for us, and we have significant work underway on product and channel development for our home market and for export.

"Our goal is to grow significantly the proportion of our business which is direct to consumer or end customer over the next three years. As part of that we need to be directly in front of retail consumers as well as continuing our foodservice value chain push as markets recover. Where we are focused now is on sales channels, marketing, the supply chain and innovation."

He says Sanford's consumer and end-customer strategy builds on the global achievement of making Big Glory Bay branded salmon and mussels into "must haves" for the topline chefs in the US.

"Only two years ago we were we were selling salmon in bulk to customers who really didn't care where it went. We focused on getting close to those customers and before Covid hit, we were selling single fish to the top restaurants around the globe at premium prices."

It's a real challenge to navigate a market where demand is spiralling down, but the Big Glory Bay branding success helped navigate some of that challenge.

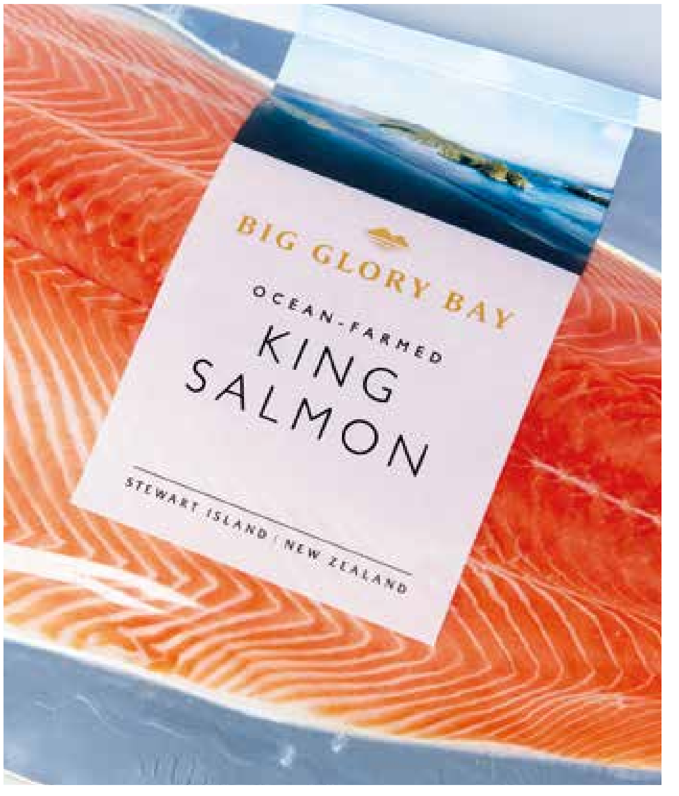
It proved the value of a brand with a strong provenance opening doors to more sales. The Big Glory Bay brand not only delivered salmon to chefs, it also generated a strong relationship, enabling Sanford to sell other higher-value species including, scampi and snapper caught sustainably.

That thinking will also be applied to get closer to consumers, especially those with a taste for something a cut above a fish finger.

"Convenience has been king during the lockdowns, but affordable luxury is going to be a big driver, with some 66% of consumers stating they intend to continue to entertain at home," says Blair.

"We are a nation of fish and seafood lovers and we are surrounded by ocean. We have a product which is sustainable, healthy and a protein source across all price points at a time when people are wanting something nutritious and delicious. We are incredibly excited about the years ahead."

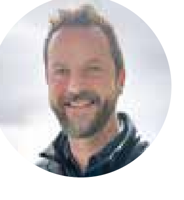
WATCH VIDEO
Sanford Direct to Consumer
https://youtu.be/UdFuOCimdJU



The big change for Sanford has been recognising the international relevance of what we produce here. The feedback is that it's the best quality product in the world, produced in some of the coldest water in the world.

—

Richard Miller
SALMON OPERATIONS MANAGER
SANFORD



We will have to think differently [because of Covid-19]. There will be fewer white-tablecloth restaurants in the US and Europe, but it's a big market out there and we sell a very small percentage into that global market.

—

Dr Jeremy Helson
CEO
SEAFOOD NZ

PHOTO: Medhi Balghi – Retail Assistant at Sanford and Sons Auckland packing fresh fish for online orders during the Covid-19 lockdown while the retail area was closed to the public.

PHOTO: Logistics Manager Julian Clarke loading Sanford's all-electric van with fish deliveries for the Auckland region

Straight to the Plate with Care

The sign on our all-electric Sanford and Sons branded van says it all – "fishermen, not middle men" – and our Covid-19 e-commerce response showed we can not only land the fish, but also bring the fillets to consumers' kitchens in peak condition.

ONLINE CHANNEL GROWTH

695%

DEMAND GROWTH DURING FY20

General Manager Marketing and Consumer, Justine Powell, says demand through our online channel grew by over 1,000% during the March 26-April 27 lockdown.

"Within two weeks we effectively turned all retail sales into online sales, and we were processing as many as 1,000 orders a day. Our retail team did an amazing job to adapt and operate in an unprecedented lockdown environment.

"We have a great partner in Urgent Couriers and consumers really appreciate their fish fresh straight from the source. We guarantee our freshness and we took immense pride in delivering to that promise."

Online capability expanded post lockdown and now covers Hamilton and Tauranga. Further development of the e-commerce channel is planned.

"One of the best things we got out of the rush to online was that consumers recognised that buying direct from the source means your seafood is exceptionally fresh and exponentially better. We have an opportunity here to keep them inspired with our variety of species and our future meal solution products." says Justine.

The Sanford and Sons branded van transports the freshest possible fish around Auckland, with the lowest possible carbon footprint. In a New Zealand first, the van combines an electric engine and a chiller independently electrically powered through eutectic technology. It can transport up to 1,000kgs of seafood at a time with no emissions at all. The van was developed with advice and some funding support from EECA (the Energy Efficiency and Conservation Authority) which also provided a public charging station at the Auckland Fish Market.

EMISSIONS FREE DELIVERY

1,000kgs

UP TO 1,000KGS OF SEAFOOD CAN BE DELIVERED AT A TIME IN OUR NEW ALL-ELECTRIC VAN

WATCH VIDEO

Electric Van
https://youtu.be/yf3mMgniMlw

Old Friends Join the Family

A long-term working relationship with Saltwater Seafood in Melbourne became a real partnership this year, with Sanford acquiring the business and welcoming Managing Director, Nick Geralis and five staff into the Sanford family.

Nick (now General Manager Sanford Australia) and his team now operate from a new facility in Footscray, which will ultimately become Sanford's Australian headquarters. That will enable us to get closer to our customers in Australia by managing relationships there, rather than from New Zealand as we did previously.

General Manager Global Sales, Blair Robinson, says Nick has done an exceptional job integrating Saltwater Seafood into Sanford, establishing new operating facilities and cementing working relationships.

"We have made a real step change in Australia and our business unit is performing very well in the business-to-business channel. We are servicing other wholesalers and foodservice, as well as traditional retailers like fish shops and the fish counters at Melbourne's many markets. We are benefiting from being able to offer customers a wider range of New Zealand and Australian fresh and frozen seafood in one place."

Our future focus

MATERIAL ISSUES AND STRATEGIC GOALS	2021 TARGETS	OUR 2025 VISION
Drive Value Growth through Brand Development and Awareness Unlock value generating opportunities by developing a portfolio of brands and margin enhancing product formats that meet customers' and consumers' expectations and contribute to improved returns.	Increase the proportion of BGB salmon sales such that 10% is branded BGB. Implement projects to support value and brand growth including: • Deployment to market of new packaging for high end sales under the Sanford and Sons brand; • Upgrade of current e-commerce platform; and • Launch to market new consumer product innovations to domestic and export retail. Expand direct-to-customer value-add retail programme across orange roughy and hoki in global markets.	Our sales via direct and once removed to consumer channels is expanded to more than 30% of total revenue (FY20: 12%) Brands deliver value growth ahead of commodities. Consumer led product development delivers incremental margin opportunities under our branded portfolio.

PHOTO: Jason Grieve at work on the San Tongariro

Building a Sustainable Seafood Business

MARTIN WESTERBY
TIMARU FACTORY
44°23'07.2"S 171°15'29.4"E

Each pillar of the Business Excellence Framework builds to support this final element – making sure our business does what is required to be here for another 120 years and beyond. This is where the efforts of our exceptional people, the treasure that is our natural capital and the importance of all our external stakeholders come together.

In 2020, Covid-19 tested all of these pillars. So far it has not shaken our foundation nor moved us off course. We continue to navigate towards our ambitious vision to be the best seafood company in the world, driving a strategy to get closer to customers and consumers and produce more high value products to complement our portfolio of simple, clean protein from the sea.

Our commitment is to endeavour to deliver sustainable, profitable and socially beneficial outcomes through our people, sector leadership, approach to innovation and risk management strategies.

Material issues and value creation

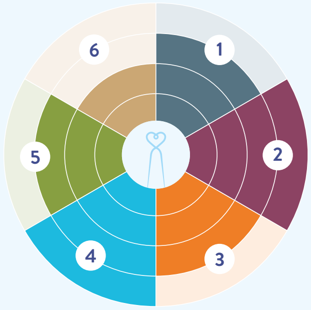
This table summarises Sanford's material issues and associated actions relating to *building a sustainable seafood business.* It includes the strategic goals within our Business Excellence Framework, our targets for 2020, and our progress against these targets. At the end of this section, we define our future targets and vision through to 2025.

MATERIAL ISSUES AND STRATEGIC GOALS	2020 TARGETS	PROGRESS AGAINST TARGETS
Shareholder Value Improve our business margins and create shareholder value in a sustainable way.	Year on year improvement towards our EBIT/kg (greenweight) goal of $1.	**Not Achieved.** EBIT of $0.36 per GWkg including catch from third party partners, down on FY19 ($0.56 per GWkg), principally as a result of Covid-19 impacts on the demand side of the business.
	Continue to incrementally improve Sanford's return on capital employed (ROCE).	**Not Achieved.** ROCE was impacted by the effect of the Covid-19 pandemic on global sales, reaching 3.7% (FY19 7.1%).
	Deliver capital plans, which will support future sustainable shareholder value growth and the drive to meet Sanford's strategic objectives.	**Ongoing.** FY20 brought challenges which slowed a number of our capital projects. Capital projects will be prioritised in 2021 in line with company performance in a Covid-19 environment.
Risk The business clearly identifies and understands the prioritisation of risks and the required mitigation actions to actively manage the risk to acceptable levels, thereby preserving the value of Sanford.	Rollout of the newly revised ERM framework and processes, such that all senior managers through to supervisors understand the key risks impacting their function and site. Continued monitoring and reporting as to the effectiveness of the mitigating controls in order that immediate action takes place when required to ensure the successful management of the risks.	**Ongoing.** The rollout of the ERM framework remains a priority as we gain greater insights and respond to risks impacting individual areas of the business.
	Ensure that our financial planning sufficiently captures climate related risks that have been identified impacting the Sanford business.	**Ongoing.** Our budget approach includes financial allowances associated with assumptions around climate related events to stock in water such as heat waves and algal blooms.
Governance Be recognised as a company which governs with clearly defined values for the greater good of all stakeholders. Clear demonstration of an ethical approach across all areas of corporate responsibility.	Consistently adopt best practice governance practices.	**Achieved.** Sanford supports and complies with the latest NZX corporate governance code.
Communication Proactively engage with key stakeholders and communicate with clarity and transparency to build and protect our social licence.	External communications – Continue to grow relationships with key stakeholders in media, policy and science, by sharing stories of Sanford's innovation, sustainability and passion for the oceans.	**Achieved.** Sanford's Communications team has shared significant news developments with external stakeholders at an average rate of a story every three weeks. Our opinion on seafood related issues is sought often by media organisations.

MATERIAL ISSUES AND STRATEGIC GOALS	2020 TARGETS	PROGRESS AGAINST TARGETS
	Internal communications – Commit to create and distribute by multimedia communications to all our people to ensure a greater understanding as to the diversity and richness of Sanford's employees, its operations and to connect our people more strongly to our purpose and vision.	**Achieved.** Sanford has developed and maintained multiple channels for internal communications which recognise the varying needs of all our people, particularly through the Covid-19 pandemic. Engagement scores and direct feedback through engagement surveys reflect employee satisfaction with our communications systems and content.
Innovation and Technology The creation of value improvements through the identification, development, testing, and application of innovation and technology.	Implement phase 1 of the SanCore business system transformation programme. Phase 1 involves a new quality, safety/health and environmental software to assist in the capturing and reporting of this critical data. Complete the analysis and configuration stage of phase 2 of SanCore, called the Anchor Project. This includes the implementation of a new finance, manufacturing and supply chain ERP.	**Ongoing.** The integrated reporting solution for Safety, Health, and Environment observations and incidents has been successfully rolled out across all New Zealand land based sites. 70% of surveyed staff believe the provided tool makes it easier than before to report incidents, and 60% consider that the solution has raised their awareness of the importance of reporting observations. The cornerstone of the SanCore transformation program for finance, supply chain and operations departments is scheduled to complete design in Q1FY21.
	Complete the successful implementation and commissioning of a new automated fish filleting machine at the Timaru processing site.	**Achieved.** New machinery was deployed and successfully commissioned at Timaru to automate a section of the fish processing line. This new technology achieved its desired outcome, and has enabled greater flexibility in working arrangements such as the deployment of permanent part time hours, aligned to gazetted school terms.
	Work alongside our development partner, Calder & Stewart, throughout 2020 to meet the target of opening Sanford's new Blenheim based marine extract facility in 2021.	**Achieved.** Design and specification work continues with our development partner, and the facility remains on track to open in 2021. Ground has been cleared ready for construction.
	Complete the design phase and have on order the first of Sanford's new scampi vessels.	**Not Achieved.** The design phase for these sophisticated vessels is progressing.
	The commercialisation of MHS (Modular Harvest System) across Sanford owned and contracted trawlers.	**Ongoing.** MHS has been deployed across a range of Sanford owned vessels, and we continue to promote its use by independent ACE fishers. The MHS system is used predominantly within the inshore North Island fisheries, and also within our Deepwater fleet, predominantly hoki deployment.
	Complete the commercial strategy of Sanford's spat hatchery (SPATNZ Ltd) to ensure this successful scientific project is optimised over the next five years and is compliant with the PGP.	**Achieved.** Project compliance with the PGP agreement has been assessed and confirmed along with its outcomes and value contributions. Sanford now moves to a phase of maximising value during the exclusivity period of the gained knowledge.
	Implement the action plan to mitigate the risk of algal blooms at Sanford's salmon farm in Big Glory Bay.	**Ongoing.** Aeration and oxygenation technologies have been mobilised during 2020 as part of our strategy to mitigate algal bloom risks in Big Glory Bay. These technologies are deployed during times when blooms present a risk to fish health and welfare. Further mitigation works are ongoing including decreasing fish densities within the pens as our additional permitted net pens are installed and commissioned.

BUILDING A SUSTAINABLE SEAFOOD BUSINESS

INPUTS



1. Financial Capital
2. Human Capital
3. Manufactured Capital
4. Intellectual Capital
5. Natural Capital
6. Social & Relationship Capital

OUTCOME

Building a Sustainable Seafood Business

UN SDG

United Nations Sustainable Development Goals

Navigating New Zealand's First Lockdown Across our Operations

In heavy weather, with high winds and seas, it's important to keep a vessel moving. Wind and waves will try to turn it, so the strategy is to maintain forward momentum, with the bow into the waves. There are no charts for a seafood company navigating a global pandemic, so in March, when the Government declared a Level 4 lockdown, we plotted our own.

To plot a course, you must first fix your position.

"When faced with uncertainty you have the choice to centralise command and control, or to totally trust people at the senior level and empower them to make decisions and report back. We made the decision at the outset to decentralise and that was 100% the right decision," says Chief Operating Officer Clement Chia.

"We also needed a mission to focus and guide us so everyone in the business understood what we were doing and why. Our mission is to **retain our ability to feed New Zealand and the world while keeping our people safe and secure**. Every meeting, every day, started with that so we were clear on our prioritisation."

One of the first critical calls made was to shut all operations for three days immediately after the Level 4 lockdown was announced, to ready the business, especially at operational levels, to operate safely. This also gave staff time to sort out their own family arrangements. Processing staff were stood down with full pay.

That time was taken to close gaps in information around social distancing in processing sites as well as the movement of essential workers. The quarantine status of crews leaving and joining vessels also had to be established for fishing operations.

PHOTO: Product unloading underway in Timaru

Processing plants on land were reorganised to enable teams to operate within strict requirements for social distancing, both on the processing line and in areas such as canteens. This included the installation of perspex shields, sanitising stations, and distancing markers across all of our sites.

Supplies of personal protection gear, additional to that needed for normal health and safety and food safety requirement were secured. Processing staff returning to work were re-inducted over their entire first day and familiarised with new ways of working, from new signing in procedures to staggered rest breaks and alternative travel arrangements.

Clement says "all the Level 4 lockdown messaging to the public was to stay safe, stay at home, stay in your bubble, save lives. But we needed to encourage 1,400 people to come to work, so it was important to get it right, so they felt safe. The feedback was that they felt very safe when they saw the amount of work we had put in and we had strong attendance across our sites, averaging 82% during that lockdown period.

He says the leadership team is proud of the response from every corner of the business.

"We had sites like Havelock producing even better than in pre-Covid times. People were taking every opportunity to get more efficiencies out of the system. Our health and safety performance was amazing, without a single incident during the lockdown and we had people go out of their way to deliver. A good example is the skippers of our mussel monitoring vessels in the Marlborough Sounds. These are small vessels, but they need to have two people on board for safety reasons, making social distancing difficult. Both skippers recruited their wives to be that second person and after health and safety training, we able to maintain a work and family bubble on each vessel. We saw a lot of that out of the box thinking to solve problems. It is a real credit to our people."

Some of that out of the box thinking came to the fore with Timaru-based Quality Assurance Manager, Alison Waller. As a former research officer in virology, she was already uneasy about the virus in early February and encouraged the deepwater team to get ready. The deepwater team has 300 people at sea for six weeks at a stretch, so careful planning is needed to ensure their self-sufficiency.

WATCH VIDEO

San Sinikka bubble Les and Annie McLung
https://youtu.be/dFkVt0yPHBg

"

The Edelman Trust Barometer shows that trust in business has risen during Covid-19, which is interesting. The concept of 'essential businesses' has come about... Staff found that their companies – their bosses – became the most important source of information for them.

—

Phil O'Reilly
MANAGING DIRECTOR
IRON DUKE PARTNERS

"

Trust will be key to success [for the seafood industry]. There is such a strong negative impression that has to be overcome. There may have been a positive impression 50-100 years ago, but there hasn't been one in my working career. The perception has been there for a long time and is becoming more polarised.

—

Alistair Dunn
DIRECTOR, OCEAN ENVIRONMENTAL

PHOTO: Darryn Shaw, Deepwater Fleet Manager, Timaru

"Ally gave us a great head start," says Darryn Shaw, Deepwater Fishing Manager. "We sourced good supplies of PPE gear, temperature monitors and sanitiser for our seagoing operations. We knew from her research that the cleaning chemicals we use in our vessels factories would kill the virus and our own newly established protocols meant we already had a solid system in place for the on board monitoring, crew distancing and cleaning. We got our boats into good practices early and were on top of what we needed in readiness. This gave our crews confidence that we had this sorted."

When the Level 4 lockdown was announced on March 23, the crews and land-based workers were able to safely swing into action as an essential industry.

The crews adapted to significant changes in how they operated both in port and at sea. Crews were temperature screened before embarking, observed social distancing and worked around restricted movements of personnel around the vessel. Mask wearing was compulsory at working distances under one metre. Sanitisation procedures and strict controls over access to the mess and accommodation were added to established cleaning routines.

New protocols were developed and communicated for embarking and disembarking crews. Those coming into port left the vessel first and followed strict travel arrangements to get them safely home. Maintenance teams would then go on board, doing essential repairs and maintenance. The embarking crew which had assembled in advance, staying in local accommodation for screening, then joined the vessel.

While the country has moved up and down alert levels during the year, the deepwater team has opted to maintain their operating protocols to the highest Level that was in place in any other part of the country for operating consistency.

For General Manager Fishing, Colin Williams, the standout achievement for the year is easy.

"We delivered. It's worth shouting. Food for the people".

EXTERNAL COMPLIANCE AUDIT	NUMBER OF AUDITS COMPLETED	
	2020*	2019
MPI Food Safety Performance Based Verification Audits (BPV)	38	39
MPI National Shellfish Sanitation Programme (NSSP)	3	4
Marine Stewardship Council (MSC) Chain of Custody	3	3
MPI European Union Listing Maintenance	0	0
FSSC 2200 Food Safety Management Systems	8	6
Customer Food Safety Audits	0	1
A+ NZ Sustainable Aquaculture Programme	1	1
Best Aquaculture Practices (BAP) Audits	4	4
Organic Certification Audits	1	1
Environmental Management Systems (EMS) ISO 14001 Audits	3	1
Greenhouse Gases (GHG) Emissions Inventory Audits ISO 14064-1	1	0
Accident Compensation Corporation (ACC)	1	1
Maritime New Zealand Marine Operator Safety System (MOSS)**	3	2
Fleet Governance and Due Diligence Audit (HSENZ)	7	1
Financial Statement Audits***	1	1
MPI Licensed Fish Receiver Audits	1	not reported
TOTAL EXTERNAL AUDITS CONDUCTED	**75**	**65**

* During 2020, as a result of Government imposed Covid-19 restrictions several audit authorities either extended the validation of prior audit certificates, or permitted self-assessments in lieu of external audits.

** Scheduled audit frequency varies based on risk profile and operator performance.

*** Financial Statement Audits included in table since 2020.

Getting 26 vessels out and the wildcatch in is a full-on job in any year, but Colin is especially proud of what his team, and our independent contracted fishers achieved, especially during the four-week Level 4 lockdown.

Colin says crews adapted quickly to fishing safely under new rules, especially those around maintaining safe distances.

Other highlights for the year included reduced notifiable harm incidents and reduced unplanned outages in vessel availability, thanks to step-ups in planned maintenance and vessel refurbishment in the past five years, and our continuous improvement focus on safety.

"The whole wildcatch and deepwater team dug deep through a difficult time. The responsiveness of the whole team was impressive."

Building a Better Fleet

Investments in upgrading and replacing our fleet are important to our ambition to the best seafood company in the world.

Key projects this year include our work to set new standards in machine guarding and planning for our scampi fleet replacement.

In the machine guarding project, covering four factory trawlers, two long liners and four scampi vessels, $4.6 million is being invested to achieve AS/NZ4204 standards. It involves upgrades to filleting, head and skinning machines, factory conveyors, freezer elevator lifts and installation of emergency stops.

Ideas and observations from our deepwater vessel crews are making an important contribution to a safety project, according to Project Manager Engineering Assets & Infrastructure Stewart Gollan.

“A machine safety focused risk assessment was undertaken with expert help across the fleet to improve our understanding of current risk areas and what is required to lift us to the next level. But we also called on crews and operators, knowing their hands-on experience could make a real difference”.

IMAGE: Render of possible design for proposed scampi vessel replacements

“They understand how design can affect throughput, cleaning and maintenance requirements and have a far greater understanding of how the machines perform at sea. Implementing good guarding design that works for the crew is essential and so important when it comes to getting their buy-in.”

The project has prioritised critical works on the larger vessels first, and will then sweep through to address less pressing refinements.

Hands-on experience is also contributing to our scampi fleet project which aims to deliver 30 metre vessels to upgrade our fleet, which contains boats which have been in service for more than three decades. Scampi skippers Dave Rutherfurd and Craig Mangino were chosen by their peers to feed into the design process.

Scampi is a high value delicacy which is caught under the Quota Management System and hand packed on board our specialist vessels.

Operations Manager, Dean Jurasovich, says plans are evolving with the aim of delivering a future-proofed fleet which is a safer operating platform for crews, processors, the environment and marine birds and mammals and designed for the heavy ocean conditions of the sub Antarctic oceans.

The vessels will employ low emission diesel/electric power, faster, more efficient winches which will reduce down time as well as maintenance costs and will deploy the most effective bird mitigation and offal management techniques to minimise seabird interaction which Dean says are “all part of us wanting to be the best seafood company in the world”.

Design work is ongoing for these vessels, and we’ll be ready to deploy the construction phase after the market situation stabilises.

North Island Footprint Changes

In order to have a sustainable seafood business, we need to align our processing capacity and capability for greatest efficiency.

We have made good progress in the South Island, but plans for Tauranga were disrupted this year, with the difficult decision made to close the fish processing plant with the loss of 67 jobs. This was not our intention a year ago when we were planning a strong future for the site after installing a second processing line.

Unfortunately, the impact of Covid-19 has meant processing volumes for our North Island sites dropped significantly. This was the trigger which determined the timing, but the main factor in our decision was a seismic engineering report which showed the site was not viable in the long term. We would have needed to rebuild or move out within the next few years.

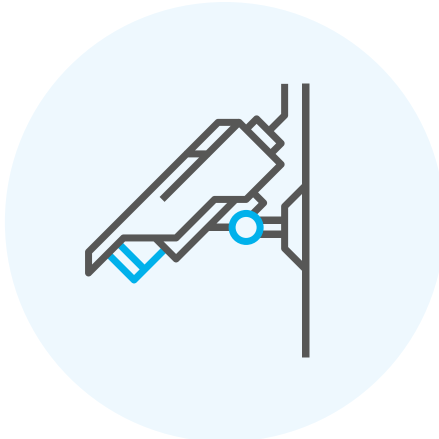
It is very unfortunate that circumstances have pushed us down this path, given our long association with Tauranga.

Our South Island sites have settled in their new routines following realignment last year into Centres of Excellence. Timaru is focused on wild catch white fish processing, Bluff on salmon and Havelock's specialisation is mussels.

Good volumes at Timaru have enabled the creation of new permanent part-time jobs in an area where it can be difficult to source staff. The contracts are for 40 weeks a year, five days a week and five hours a day which coincide with the typical school calendar, including holidays. The response has been very positive in the community.

WATCH VIDEO

Timaru School Hours
https://youtu.be/e--WHUGV-yY



CAMERAS ON VESSELS

Sanford supports a nationwide rollout of cameras on commercial fishing vessels. We have been an active participant in camera trials.

4 vessels

CURRENTLY HAVE CAMERAS

Sanford's support of cameras on boats is a big leadership stance. Their fresh, optimistic, honest approach is very refreshing. All of the Sanford people are saying the same thing – it doesn't matter who it is. They are all striving for sustainability and transparency.

–

Livia Esterhazy
CEO
WWF-NEW ZEALAND

Our future focus

MATERIAL ISSUES AND STRATEGIC GOALS	2021 TARGETS	OUR 2025 VISION
Shareholder Value Improve our business margins and create shareholder value in a sustainable way.	Year-on-year improvement towards our EBIT/kg (greenweight) goal of $1. Year on year improvement in Sanford's Return On Capital Employed (ROCE).	Sanford achieves sustainable, profitable growth such that it achieves annual returns of at least $1 EBIT/kg (greenweight) driving improved shareholder returns.
Risk The business clearly identifies and understands the prioritisation of risks and the required mitigation actions to actively manage the risk to acceptable levels, thereby preserving the value of Sanford.	Continue to roll out our ERM framework and processes to develop and enhance our risk management processes. Review current processes, perform a gap analysis, maturity assessment, and plan toward readiness for disclosures in accordance with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).	An ERM framework and process embedded such that it enables management and board to make optimal decisions that add sustainable value to the business and its stakeholders. Climate related risks are understood, disclosed in accordance with best practices (TCFD) and mitigated appropriately.
Covid-19 Retain our ability to feed New Zealand and the world by effectively managing the risks presented by Covid-19, whilst keeping our people safe and secure.	Continue to deploy risk mitigation plans that address the evolving risks presented by the virus, in both the workplace and marketplace.	Sanford is a business capable of keeping its people safe and engaged in the face of a global pandemic. Market changes are responded to with considered decision making and nimble adjustments to retain market share and seek out opportunities.
Governance Be recognised as a company which governs with clearly defined values for the greater good of all stakeholders. Clear demonstration of an ethical approach across all areas of corporate responsibility.	Full compliance with all NZX governance requirements and consistently adopt best practice governance practices.	Sanford is an exemplar of a responsible, ethical, and transparent organisation that is governed with care, passion, integrity and with an overall principle of achieving together. Governance supports the achievement of Sanford's strategic goals to meet stakeholder expectations.

Our future focus

MATERIAL ISSUES AND STRATEGIC GOALS	2021 TARGETS	OUR 2025 VISION
Communication Proactively engage with key stakeholders and communicate with clarity and transparency to build and protect our social licence.	Deliver quarterly updates for the investor community, which includes the full and half year results announcements. Increase board and investor interaction through regular scheduled meetings. Build social licence with stakeholders and communities by telling our stories in a transparent and inclusive way and demonstrating our values in action.	Sanford is a recognised corporate brand, seen within New Zealand as a Kiwi company with a long, proud history and known for its contribution to New Zealand's economy and society. Sanford is recognised as a sector leader, and model of transparency and integrity with high quality outreach to all stakeholders, investors; our people; suppliers, customers and consumers and our communities.
	Sanford's Communications team will continue to provide a suite of internal communication tools to develop and enhance the culture within the company to align behaviours to our values and to our business objectives and to build engagement and trust across the business.	
Operational Excellence Execution of business strategy, growth, and value improvements within existing operations to drive efficiency improvements and value outcomes.	Deploy the primary elements of the SanCore solution for financial, manufacturing and supply chain (Marel Innova & Microsoft D365 software suites) across three land based processing sites.	Sanford is a leader in achieving excellence in operations through efficiency improvements and the application of proven technologies and solutions.
	Achieve a year-on-year processing efficiency improvement at the Bluff Salmon processing line through the deployment of automation solutions.	
	Commission new marine extracts facility in Blenheim.	
	Mussel spat production during FY21 via SPATNZ to achieve production equivalent to deliver 20,000 GWT harvest weight.	
Innovation and Technology Identification, testing, development, application and scaling of novel research, innovation and technological solutions that can drive value outcomes and support strategy.	Develop capacity and knowledge in emerging technologies and aquaculture science through internal research such as High Value Nutrition clinical trial. Build and scale production to produce high quality new products and extracts including oil extraction and collagen manufacturing.	Sanford is a leader in identifying and developing innovations in seafood and related products which have capability to create additional value, build resilience, and drive a sustainable future.

GOVERNANCE AND FINANCIALS

Corporate Governance

GOVERNANCE AND LEADERSHIP FOR VALUE CREATION

The Board of Directors of Sanford Limited (the Board) and management are committed to building long-term value for shareholders and employees. We are honouring this commitment by maintaining the highest standards of governance, supported by best practice structures, people, practices and policies. This includes maintaining high standards of business integrity and ethics in all our activities.

This section provides an overview of Sanford's Corporate Governance Framework, introduces our Board and Executive team, and details pertinent information on remuneration, shareholdings, indemnity and insurance.

For further details on governance structure, policies and practices, please refer to the Sanford Corporate Governance Statement 2020, available at: www.sanford.co.nz/investors/governance/corporate-governance-statement.

GOVERNANCE FRAMEWORK

The Board, supported by the Audit, Finance and Risk, Safety Health and Environment, People, Sales, Marketing, Innovation & Food Safety and Board Nomination Committees, regularly reviews and benchmarks our structure and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainability.

This oversight also ensures that these principles are applied in the best interests of Sanford and our diverse range of stakeholders. As a listed company on the NZX, our governance practices and policies reflect, and are consistent with, the Listing Rules. The Company considers that the governance practices we have adopted follow these principles and policies for the year ended 30 September 2020.

The Board provides effective leadership in the best interest of Sanford and is responsible for the strategic direction and control of the Company. The Board exercises this control through a governance framework, which includes detailed reporting to the Board and its Committees, effective delegation, risk management and a system of assurances regarding financial reporting and internal controls.

Sanford's constitution, and each of the charters, codes and policies are referred to in our Corporate Governance Statement 2020 . The Board's Charter recognises the respective roles of the Board and Management and reflects the sound base the Board has developed for providing strategic guidance and oversight of management.

Our Directors and Board Composition

Left to right: Fiona Mackenzie, Peter Kean, Sir Robert McLeod, Abby Foote, Peter Goodfellow and Peter Cullinane

Sanford's Directors bring a diverse wealth of experience and passion, acting on behalf of our shareholders and other stakeholders.

Directors are chosen for their corporate leadership skills, professional backgrounds, experience and expertise. The right blend of skills and experience, combined with the diversity of Directors' perspectives, is crucial to ensuring the attainment of long-term value for Sanford's shareholders.

The Board currently comprises six Directors: Sir Robert McLeod, Peter Cullinane, Abby Foote, Peter Goodfellow, Peter Kean and Fiona Mackenzie.

In December 2019 Chairman Paul Norling retired from the position of Chairman and as a Director of the Company, following the Company's annual shareholders' meeting. Mr Norling was succeeded as Chairman by Sir Robert McLeod.

Under the NZX Listing Rules, a director must not hold office (without re-election) past the third annual meeting following that Director's appointment or 3 years, whichever is longer.

Accordingly, Peter Goodfellow is required to retire (having held office since 2017). Being eligible, Peter Goodfellow has offered himself for re-election at the Annual Meeting in December 2020 noting that Peter has advised the Company that he will remain on the Board until the 2021 Annual Meeting of Shareholders.

Further, under the NZX Listing Rules, any director appointed by the Board during the year must retire from office at the next annual meeting but is eligible for election at that meeting. Fiona Mackenzie, being a director who was appointed by the Board in February 2020, retires from office. Being eligible, Fiona Mackenzie has offered herself for election at the Annual Meeting in December 2020.

INDEPENDENCE

As at 30 September 2020, all Directors are considered by the Board to be "independent" directors, except for Peter Goodfellow. Those five Directors are considered to be independent, having regard to (amongst other things) the following factors:

- They are non-executive directors who are free of any interest, business or other relationship that could reasonably influence, or could reasonably be perceived to influence, in a material way, their capacity to bring an independent judgment to bear on issues before the Board, and to act in the best interests of the issuer and to represent the interests of the Company's financial product holders generally.
- They have not been employed or retained, within the last three years, to provide material professional services to the Company.
- Within the last 12 months they were not a partner, director, senior executive or material shareholder of a firm that provided material professional services to the Company or any of its subsidiaries.
- None of those directors:
  - Have been, within the last three years, a material supplier to the Company or have any other material contractual relationship with the Company or another group member other than as a director of the Company;
  - Receive performance-based remuneration from, or participates in, an employee share scheme of the Company;
  - Is a substantial product holder in the Company nor do they control, or are they an executive or other representative of (or otherwise associated with) an entity which controls, 5% or more of the Company's voting securities in any role that might interfere, or might reasonably be seen to interfere, with their capacity to bring an independent judgment to bear on issues before the board, and to act in the best interests of the issuer and to represent the interests of the Company's financial product holders generally.

Peter Goodfellow is not considered to be independent as he has served on the Board since 2006 and is associated with a significant shareholder of the Company (Amalgamated Dairies Limited).

For more information about each Director, please visit: http://www.sanford.co.nz/investors/governance/board-of-directors

Our Executive Team

Our strong Executive Team, all experts in their respective fields, is implementing our strategy aligned to our vision to be the best seafood company in the world.

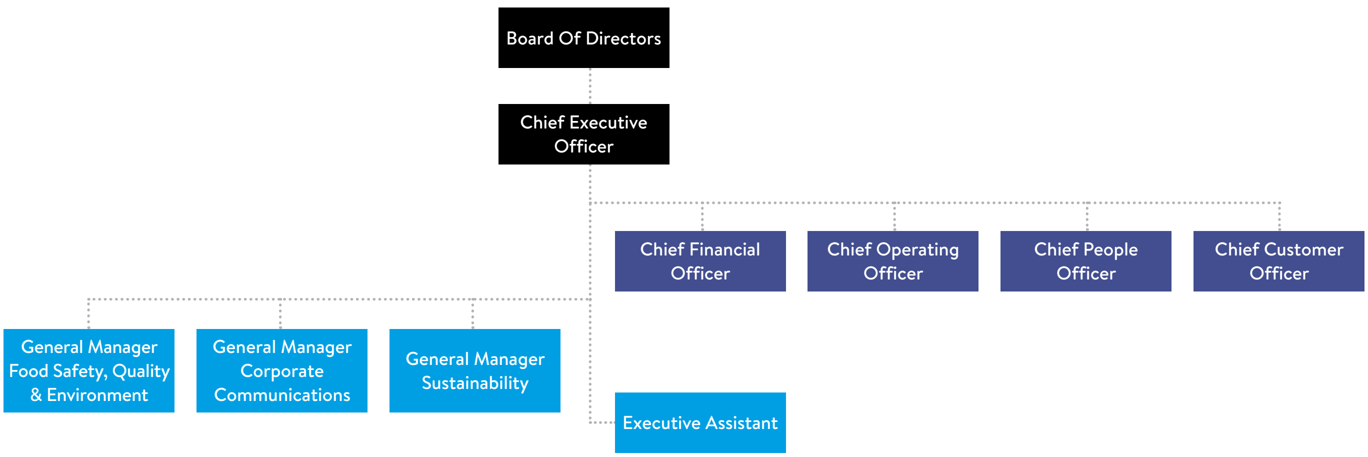
On September 10, Chairman, Sir Robert McLeod announcement the resignation of our Chief Executive Officer, Volker Kuntzsch, effective September 18 2020, after seven years with Sanford. At balance date, Chief Customer Officer, Andre Gargiulo, was Acting Chief Executive Officer while the Board undertakes a search for Mr Kuntzsch's successor.

Left to right: Clement Chia, Andre Gargiulo, Katherine Turner and Karen Duffy

The Executive Team comprises Chief Operating Officer, Clement Chia, Chief People Officer, Karen Duffy, Acting Chief Executive Officer and Chief Customer Officer, Andre Gargiulo and Chief Financial Officer, Katherine Turner.

For more information about our Executive Team, please visit http://www.sanford.co.nz/about-sanford/executive-team.

EXECUTIVE AND CEO DIRECT REPORT ORGANISATION CHART



The chart above shows the Executive CEO and Direct Report organisational structure before the departure of CEO Volker Kuntzsch on September 18. Andre Gargiulo became Acting CEO at that time as well as continuing in his role of Chief Customer Officer. All other reporting lines were unchanged on balance date 30 September.

GENDER DIVERSITY

We continue to report the gender composition of our Board and our Senior Leadership Team.

The Board comprises six members (2019: six), four of whom are male (2019: five) and two female (2019: one). The gender diversity of the Board comprises 67% male and 33% female.

The Senior Leadership Team, including the Executive Team, is comprised of 31 members, (2019:28) of which 20 are male (2019:19) and 11 are female (2019: nine).

Indemnity and Insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, Sanford has given indemnities to, and has effected insurance for, the directors and executives of the Company and its related companies. Except for some specific matters that are expressly excluded, the indemnities and insurance indemnify and insure directors and executives against monetary losses as a result of actions undertaken by them in the course of their duties.

Specifically excluded are certain matters, such as the incurring of penalties and fines, which may be imposed for breaches of law.

Remuneration

The following tables provide a breakdown of remuneration for Board fees and committee roles. No other payments were made to Directors.

DIRECTORS' REMUNERATION 2020

NAME OF DIRECTOR	BOARD FEES $	AUDIT, FINANCE & RISK COMMITTEE $	SAFETY, HEALTH AND ENVIRONMENT COMMITTEE $	PEOPLE COMMITTEE $	SALES, MARKETING, INNOVATION AND FOOD SAFETY COMMITTEE $	TOTAL REMUNERATION $
Sir Robert McLeod (Chair)[1]	159,946 (Chair)	12,011	8,000	7,500	6,391	193,848
Peter Cullinane[2]	90,000		4,615		8,000	102,615
Abigail (Abby) Foote	90,000	10,000	16,000 (Chair)			116,000
Peter Goodfellow	90,000			15,000 (Chair)		105,000
Peter Kean	90,000			7,500	16,000 (Chair)	113,500
Fiona Mackenzie[3]	60,000	13,333 (Chair)				73,333
Paul Norling (Chair)[4]	34,184	2,011	1,610		1,609	39,414
Total	**614,130**	**37,355**	**30,225**	**30,000**	**32,000**	**743,710**

1. Chair from 13 December 2019; fees do not represent a full year
2. Appointed to Safety, Health and Environment Committee from 1 March 2020; fees do not represent a full year
3. Appointed 1 February 2020; fees do not represent a full year
4. Retired 13 December 2019; fees do not represent a full year

DIRECTORS' REMUNERATION 2019

NAME OF DIRECTOR	BOARD FEES $	AUDIT, FINANCE & RISK COMMITTEE $	SAFETY, HEALTH AND ENVIRONMENT COMMITTEE[6] $	PEOPLE COMMITTEE $	SALES, MARKETING, INNOVATION AND FOOD SAFETY COMMITTEE[5] $	TOTAL REMUNERATION $
Paul Norling (Chair)	170,000	10,000	8,000	2,500	5,333	195,833
Sir Robert McLeod (Deputy Chair)[1]	117,500	20,000 (Chair)	8,000	5,000		150,500
Peter Cullinane[2]	60,000				5,333	65,333
Abigail (Abby) Foote[3]	90,000	10,000	13,334 (Chair)			113,334
Peter Goodfellow	90,000			15,000 (Chair)		105,000
W Bruce Goodfellow[4]	22,500		2,000			24,500
Peter Kean	90,000		5,333	7,500	10,667 (Chair)	113,500
Total	**640,000**	**40,000**	**36,667**	**30,000**	**21,333**	**768,000**

1. Deputy Chair from 1 November 2018; fees do not represent a full year
2. Appointed 1 February 2019; fees do not represent a full year
3. Chair from 1 February 2019; fees do not represent a full year
4. Retired 14 December 2018; fees do not represent a full year
5. New committee from 1 February 2019; fees do not represent a full year
6. Committee name change in 2019

CHIEF EXECUTIVE OFFICER (CEO) REMUNERATION

The CEO's remuneration consists of fixed remuneration, a short term incentive (STI) and a long term incentive (LTI). This is reviewed annually by the People Committee and the Board after reviewing the Company's performance, the CEO's individual performance and advice from external remuneration specialists.

The former CEO, Volker Kuntzsch, left his role with the Group on 18 September 2020. During FY20, Mr Kuntzsch was paid $2.12 million, consisting of his base salary for the period to the date of his departure (including vehicle allowance), an STI payment of $132,375 relating to the previous financial year, annual leave accrued but not used, and a further payment in connection with the cessation of his employment with the Company as a result of his resignation. No STI will be payable to the former CEO for FY20, and under the LTI plan rules all Performance Share Rights lapse upon resignation of the CEO (meaning that the 108,194 Performance Share Rights that had been issued to Mr Kuntzsch lapsed in accordance with the LTI plan rules on 18 September 2020).

The Acting CEO, Andre Gargiulo began his role on 14 September 2020, and was paid $32,506 in FY20 in respect of his role as Chief Customer Officer and Acting CEO for the period from 14 September 2020 to 30 September 2020. The Acting CEO was not eligible for remuneration under the STI or LTI for FY20 in respect of his role as Acting CEO.

The Acting CEO is not a member of the Board.

Short Term Incentive (STI)

The aim of the STI is to reward the CEO for achieving strategic objectives, which will result in strong financial returns for our shareholders. Participation in the plan is by annual invitation at the discretion of the Company at which time financial targets and key performance indicators are established. If minimum financial thresholds are not met, no incentive will be paid. The STI value is set at 30% of the CEO's base salary. The STI has two components, individual performance and financial performance. Individual performance accounts for 40% and is based on achieving certain personal performance goals. Financial performance accounts for 60% and is based on achieving budgeted EBIT.

Achievement of the financial targets result in a payment of 100% of the financial performance component. Payment outside these parameters is at the sole discretion of the Board. The STI payments are shown in the financial year that they are paid, which may not be the same year that they are earned.

Long Term Incentive (LTI)

Under the LTI plan rules all Performance Share Rights lapse upon resignation of the CEO. On 18 September 2020, 108,194 Performance Share Rights that had been issued to the former CEO lapsed in accordance with the LTI plan rules. As a result, there is currently no LTI plan in place. Sanford may establish a new LTI plan for the new CEO in the future, once the selection process for the new CEO is complete.

EMPLOYEES' REMUNERATION

The table below shows the number of employees and former employees who received remuneration and other benefits in excess of $100,000 during the year ended 30 September 2019. The table does not include amounts paid after 30 September 2020 that relate to the year ended 30 September 2020.

REMUNERATION RANGE $000	NUMBER OF EMPLOYEES	REMUNERATION RANGE $000	NUMBER OF EMPLOYEES
100 – 110	48	240 – 250	3
110 – 120	34	270 – 280	5
120 – 130	23	280 – 290	1
130 – 140	18	290 – 300	1
140 – 150	13	300 – 310	1
150 – 160	14	310 – 320	1
160 – 170	17	330 – 340	2
170 – 180	3	340 – 350	2
180 – 190	6	390 – 400	1
190 – 200	5	500 – 510	1
200 – 210	5	550 – 560	1
210 – 220	1	610 – 620	1
220 – 230	2	670 – 680	1
230 – 240	1	2,120 – 2,130	1

Shareholdings

DISCLOSURE OF DIRECTORS' INTERESTS

Interests Register

Sanford maintains an Interests Register in which relevant transaction and matters involving the Directors are recorded. Details of Directors' interests are set out in the Directors' Shareholding table below.

DIRECTORS' INTEREST IN SHARES

The Directors disclosed the following relevant interests in shares as at 30 September 2020:

	BENEFICIAL INTEREST		NON BENEFICIAL INTEREST		ASSOCIATED PERSONS	
	2020	2019	2020	2019	2020	2019
P D Cullinane	12,000	12,000	–	–	–	–
A K Foote	12,000	12,000	–	–	–	–
P J Goodfellow	277,200	127,200	–	–	–	–
P N Kean	5,000	5,000	–	–	–	–
F N Mackenzie[1]	1,000	n/a	–	n/a	–	n/a
R A McLeod	8,500	8,500	–	–	–	–
P G Norling[2]	n/a	43,500	–	–	–	–

1. Appointed 1 February 2020
2. Retired 13 December 2019

SHARE TRADING

Sanford's Constitution directs that each Director holds a minimum of 500 shares in the Company. Directors and Executives are required to seek approval in advance of share trading, and certify to the Board that they are not in possession of inside information, in accordance with the Share Trading Policy and Guidelines.

The Board has determined that share trading may only occur during two trading window periods in each year. The periods commence at the time the interim and annual reports are announced and end on 31 August, after the end of the half-year and on 28 February, after the end of the financial year.

Directors acquired shares during the year as follows:

	NUMBER OF SHARES ACQUIRED	CONSIDERATION PAID	DATE
P J Goodfellow	150,000	$1,125,000	16 December 2019
F N Mackenzie	1,000	$6,740	10 June 2020

External Auditor

KPMG were commissioned as Sanford's external auditors for the year ending 30 September 2020. The Board, after considering the recommendation of the Audit, Finance and Risk Committee, assess and review the appointment of external auditors. It is proposed that the current Auditor should continue in office, in accordance with Section 207T of the Companies Act 1993.

Statutory Information

SHAREHOLDING ANALYSIS

AS AT 16 OCTOBER 2020

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 to 999	761	25.46	342,997	0.37
1,000 to 4,999	1,433	47.94	3,031,222	3.24
5,000 to 9,999	386	12.92	2,486,494	2.66
10,000 to 49,999	310	10.37	5,651,345	6.04
50,000 to 99,999	30	1.00	2,115,912	2.26
Over 100,000	69	2.31	79,998,765	85.43
	2,989	**100.00**	**93,626,735**	**100.00**

TWENTY LARGEST SHAREHOLDERS

AS AT 16 OCTOBER 2020

SHAREHOLDER	NUMBER OF SHARES	%
Amalgamated Dairies Limited	11,221,567	11.99
Forsyth Barr Custodians Limited <1-Custody>	6,258,415	6.68
Masfen Securities Limited	5,882,654	6.28
Citibank Nominees (New Zealand) Limited – NZCSD	4,745,382	5.07
Maruha Nichiro Corporation	4,534,231	4.84
Accident Compensation Corporation – NZCSD	3,031,937	3.24
ASB Nominees Limited <173944 A/C>	3,000,000	3.20
BNP Paribas Nominees (NZ) Limited – NZCSD	2,989,261	3.19
Tasman Equity Holdings Limited	2,948,490	3.15
Tea Custodians Limited Client Property Trust Account – NZCSD	2,585,015	2.76
BNP Paribas Nominees (NZ) Limited – NZCSD	2,572,486	2.75
HSBC Nominees (New Zealand) Limited – NZCSD	2,299,366	2.46
Sterling Nominees Limited	2,159,037	2.31
Kevin Glen Douglas & Michelle Mckenney Douglas <K & M Douglas A/C>	1,761,470	1.88
JBWere (NZ) Nominees Limited <NZ Resident A/C>	1,560,323	1.67
ANZ Wholesale Australasian Share Fund – NZCSD	1,528,148	1.63
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	1,405,266	1.50
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	1,405,185	1.50
FNZ Custodians Limited	1,391,634	1.49
Arden Capital Limited	912,830	0.97

As required by the NZX Listing Rules, New Zealand Central Securities Depository Limited holdings are now included in the table and are not detailed separately.

SUBSTANTIAL PRODUCT HOLDERS

According to the Company's records and substantial product holder notices given to the Company under the Financial Markets Conduct Act 2013, as at 30 September 2020, the following were substantial product holders in the Company through having a relevant interest in the Company's ordinary shares:

SUBSTANTIAL PRODUCT HOLDER	NUMBER OF VOTING SECURITIES	% OF ORDINARY SHARES HELD AT DATE OF LAST NOTICE	DATE OF NOTICE
Amalgamated Dairies Limited	11,221,567	11.99%	26-Aug-19
Tasman Equity Holdings Limited, Arden Capital Limited and Past Limited Partnership	6,651,320	7.11%	18-Sept-20
Harbour Asset Management Limited & Jarden Securities Limited	6,365,084	6.80%	26-Jun-20
Masfen Securities Limited	5,882,654	6.28%	17-Sept-20

The total number of quoted voting products of Sanford Limited on issue as at 30 September 2020 was 93,626,735.

WAIVERS AND EXEMPTIONS FROM THE NZ STOCK EXCHANGE AND THE OVERSEAS INVESTMENT OFFICE

NZX Waiver – Overseas Ownership

In November 2016, NZX granted the Company a waiver from the previous NZX Main Board Listing Rule 11.1.6 (now NZX Listing Rule 8.1.5) which allows the Company to suspend the voting rights of any of the Company's shares which are "Affected Shares" (*Waiver*).

"Affected Shares" are those shares which the Board determines have caused the Company to be in breach of the "Overseas Ownership Threshold" (currently, a level of overseas ownership of 22.5% of the Company) and in respect of which the Board can exercise its powers to require (or effect) a sale of the "Affected Shares" to a "Non-Overseas Person".

Following the implementation of the new NZX Listing Rules dated 1 January 2019, NZX re-documented the Waiver under the new NZX Listing Rules and that waiver was released on 22 May 2019 (Re-issued Waiver). The full text of the Re-issued Waiver can be found here: https://www.nzx.com/companies/SAN/documents.

NZX also granted approval for the Company to include provisions in its Constitution which allow the Board to restrict the transfer of the Company's shares to "Overseas Persons" and which allow the Board to require certain documentation and/or information in relation to a proposed transfer or transferee of the Company's shares. The full text of NZX's approval can be found here: https://www.nzx.com/announcements/293474.

A more detailed outline and explanation of the effects of the powers that the Board has to restrict the transfer and in certain circumstances suspend voting rights of securities can be found on our website www.sanford.co.nz/investors/governance/company-constitution/, and the provisions which enable the Board to exercise those powers are set out in the Company's Constitution.

OIO Exemption – Overseas Ownership

In September 2018, the Overseas Investment Office granted the Company an exemption from the requirement under the Overseas Investment Act 2005 to obtain consent prior to acquiring "fishing quota" in certain limited circumstances.

The exemption, which is subject to conditions, means that the Company will not breach the Overseas Investment Act if it acquires "fishing quota" at a time when the Company has a level of overseas ownership of 25% or more, provided that the Company did not know (or could not reasonably have known) that its level of overseas ownership was 25% or more at the time of the acquisition. If Sanford acquires fishing quota under such circumstances, the exemption allows the Company a period of time to either (i) lower its overseas ownership to a level below 25%; or (ii) dispose of the fishing quota it acquired when the Company was 25% or more overseas owned. Sanford is obliged to undertake a quarterly analysis of its share register in order to determine its level of overseas ownership.

The Company sought this exemption to complement the provisions introduced to its constitution in 2016 which enable the Board to require (or effect) a sale of the "Affected Shares" to a "Non-Overseas Person" (as discussed above).

The exemption currently runs until 31 August 2023, and the Company must comply with certain conditions in order to have the continued benefit of the exemption.

For the avoidance of doubt, this exemption does not exempt any overseas person from any requirement to obtain consent under the Overseas Investment Act before giving effect to an acquisition of rights or interests in the Company's securities.

Current level of overseas ownership

The Company estimates Overseas Person ownership to be 15.29% based on NASDAQ most recent reporting, as at 30 August 2020 (15.50% at 30 August 2019). Sanford's level of overseas ownership may have changed since this estimate was prepared. Overseas persons intending to trade in Sanford shares should seek legal advice regarding their obligations under the Overseas Investment Act 2005.

Non-GAAP Profit Measures

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford has used non-GAAP measures when discussing financial performance in this document. The Directors and management believe that these measures provide useful information as they are used internally to evaluate divisional and total Group performance and to establish operating and capital budgets. Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand equivalents to International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be viewed in isolation or as a substitute for GAAP profit measures as reported by Sanford in accordance with NZ IFRS.

DEFINITIONS

Adjusted EBITDA: Earnings before interest, taxation, non-trading currency exchange losses, depreciation, amortisation, restructuring, adjusting items, impairment and gain (loss) on sale of investments, intangible and long-term assets.

Reported EBIT: Earnings before interest, taxation, non-trading currency exchange losses and gain (loss) on sale of investments, intangible and long-term assets.

Adjusted EBIT: Reported EBIT adjusted for impairment, restructuring and other one-off items.

GAAP to Non-GAAP Reconciliation

	Audited 12 Months ended 30 September 2020 $000	Audited 12 Months ended 30 September 2019 $000
Reported net profit for the period (GAAP)	**22,433**	**41,692**
Add back:		
Income tax expense	8,324	17,631
Net interest expense	8,995	7,866
Non-trading currency exchange losses	–	26
Net gain on sale of investments, property, plant and equipment and intangibles	(4,037)	(4,614)
Reported EBIT	**35,715**	**62,601**
Adjustments:		
Impairment of assets	1,193	635
Restructuring costs	3,452	1,609
Other one-off items	(2,082)	–
Adjusted EBIT	**38,278**	**64,845**
Add back:		
Depreciation and amortisation	28,016	20,884
Adjusted EBITDA	**66,294**	**85,729**

FIVE YEAR FINANCIAL REVIEW

	2020 $000	2019 $000	2018 $000	2017 $000	2016 $000
Revenue[(i)]	**468,849**	**545,121**	**514,976**	**477,940**	**463,472**
Adjusted EBITDA*	**66,294**	**85,729**	**84,402**	**82,547**	**78,873**
Depreciation and amortisation	(28,016)	(20,884)	(19,731)	(18,803)	(15,515)
Adjusted EBIT**	**38,278**	**64,845**	**64,671**	**63,744**	**63,358**
Restructuring costs	(3,452)	(1,609)	(377)	(418)	(228)
Havelock earthquake insurance settlement, net of repair cost	–	–	6,835	–	–
Impairment of assets	(1,193)	(635)	(3,387)	(2,130)	(5,389)
Other one-off items	2,082	–	(60)	(474)	–
Reported EBIT	**35,715**	**62,601**	**67,682**	**60,722**	**57,741**
Net interest expense	(8,995)	(7,866)	(8,065)	(8,492)	(8,193)
Non-trading currency exchange losses	–	(26)	(116)	–	–
Net gain (loss) on sale of investments, property, plant and equipment and intangible assets	4,037	4,614	463	(580)	(136)
Profit before income tax	**30,757**	**59,323**	**59,964**	**51,650**	**49,412**
Income tax expense	(8,324)	(17,631)	(17,664)	(14,172)	(14,681)
Profit for the year	**22,433**	**41,692**	**42,300**	**37,478**	**34,731**
Non controlling interest	11	4	3	8	13
Profit attributable to equity holders of the Company	**22,444**	**41,696**	**42,303**	**37,486**	**34,744**
Equity					
Paid in capital	94,690	94,690	94,690	94,690	94,958
Reserves	516,272	492,817	486,659	480,619	462,779
Non controlling interest	665	675	585	527	398
Total equity	**611,627**	**588,182**	**581,934**	**575,836**	**558,135**
Represented by:					
Current assets	193,677	164,412	155,095	150,363	141,149
Less current liabilities	120,808	114,380	99,495	123,682	90,366
Working capital	**72,869**	**50,032**	**55,600**	**26,681**	**50,783**
Property, plant and equipment	163,048	141,774	130,787	132,000	119,841
Right-of-use assets[(ii)]	40,381	–	–	–	–
Investments	4,050	1,831	1,494	10,940	11,313
Biological assets	25,806	20,074	15,077	16,448	14,978
Intangible assets	494,633	493,111	506,249	504,398	500,327
Derivative financial instruments	10,306	11	669	5,816	10,228
	811,093	**706,833**	**709,876**	**696,283**	**707,470**
Less non-current liabilities	199,466	118,651	127,942	120,447	149,335
Total net assets	**611,627**	**588,182**	**581,934**	**575,836**	**558,135**
Dividend per share (cents)	5†	23†	23†	23†	23†
Dividend cover (times)	4.8†	1.9†	2.0†	1.7†	1.6†
Return on average total equity	3.7%	7.1%	7.3%	6.6%	6.5%
Earnings per share (cents)	24.0	44.6	45.2	40.1	37.1
Net asset backing per share	$6.53	$6.28	$6.22	$6.16	$5.97

* Adjusted earnings before interest, taxation, non-trading currency exchange losses, depreciation, amortisation, restructuring, adjusting items, impairment, gain (loss) on sale of investments, intangible and long term assets.

** Adjusted EBIT: Earnings before interest, taxation, non-trading currency exchange losses and gain (loss) on sale of investments, intangible and long-term assets, impairment, restructuring and other one-off items.

† Includes the dividends proposed after balance date.

(i) The Group, on adoption of NZ IFRS 15 *Revenue from Contracts with Customers* in 2019 has adjusted the recognition of revenue from contracts with export customers. This has resulted in revenue for arranging the freight service being recognised net of the associated cost. As such, the values in 2019 and 2020 are not consistent with prior years.

(ii) The Group, on adoption of NZ IFRS 16 *Leases* in 2020 has recognised right-of-use assets and liabilities with associated changes in depreciation, interest and EBITDA. As such, values in 2020 are not consistent with prior years. Refer to Note 2(f) and 20.

The five year financial review includes both the continuing and discontinued businesses.

FINANCIAL STATEMENTS 2020

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2020.

For and on behalf of the Board of Directors:

Sir Robert A McLeod
Chairman
11 November 2020

Fiona N Mackenzie
Director
11 November 2020

CONTENTS

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 $000	2019 $000
Revenue	4	468,849	545,121
Cost of sales		(386,367)	(437,745)
Gross profit		**82,482**	**107,376**
Other income		15,191	12,663
Distribution expenses		(9,688)	(9,601)
Administrative expenses	5	(30,120)	(30,945)
Other expenses	5	(18,199)	(12,853)
Operating profit		**39,666**	**66,640**
Finance income	6	331	678
Finance expense	6	(9,315)	(8,557)
Net finance expense		**(8,984)**	**(7,879)**
Share of profit of equity accounted investees	13	75	562
Profit before income tax		**30,757**	**59,323**
Income tax expense	7	(8,324)	(17,631)
Profit for the year		**22,433**	**41,692**
Profit attributable to:			
Equity holders of the Company		22,444	41,696
Non controlling interest		(11)	(4)
		22,433	**41,692**
Earnings per share, net of tax attributable to equity holders of the Company during the year (expressed in cents per share)			
Basic and diluted earnings per share (cents)			
From profit for the year	16	**24.0**	**44.6**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 $000	2019 $000
Profit for the year (after tax)	**22,433**	**41,692**
Other comprehensive income		
Items that may be reclassified to the income statement		
Foreign currency translation differences	161	(68)
Change in fair value of cash flow hedges recognised in other comprehensive income	25,248	(18,642)
Deferred tax on cash flow hedges	(7,069)	5,220
Cost of hedging losses recognised in other comprehensive income	1,165	(752)
Deferred tax on cost of hedging	(326)	210
Items that may not be reclassified to the income statement		
Amount of treasury share cost expensed in relation to share-based payment	(401)	(1)
Other comprehensive income (loss) for the year	**18,778**	**(14,033)**
Total comprehensive income for the year	**41,211**	**27,659**
Total comprehensive income for the year is attributable to:		
Equity holders of the Company	41,221	27,665
Non controlling interest	(10)	(6)
Total comprehensive income for the year	**41,211**	**27,659**

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	Note	2020 $000	2019 $000
Current assets			
Cash on hand and at bank	8	2,957	8,322
Trade receivables	9	51,813	61,241
Derivative financial instruments	19	1,682	265
Other receivables and prepayments		11,456	8,047
Biological assets	10	28,127	29,452
Inventories	11	85,468	48,558
Assets held for sale	18	8,172	8,527
Taxation receivable		4,002	–
Total current assets		**193,677**	**164,412**
Non-current assets			
Property, plant and equipment	12	163,048	141,774
Right-of-use assets	20	40,381	–
Investments	13	4,050	1,831
Derivative financial instruments	19	10,306	11
Biological assets	10	25,806	20,074
Intangible assets	14	494,633	493,111
Total non-current assets		**738,224**	**656,801**
Total assets		**931,901**	**821,213**
Current liabilities			
Bank overdraft and borrowings (secured)	8	57,210	55,000
Derivative financial instruments	19	5,597	17,524
Trade and other payables	15	46,818	40,779
Taxation payable		–	1,077
Lease obligation	20	11,183	–
Total current liabilities		**120,808**	**114,380**
Non-current liabilities			
Bank loans (secured)	19	130,000	84,000
Contributions received in advance		2,951	3,305
Employee entitlements	15	1,410	1,232
Derivative financial instruments	19	9,396	14,720
Deferred taxation	7	26,434	15,394
Lease obligation	20	29,275	–
Total non-current liabilities		**199,466**	**118,651**
Total liabilities		**320,274**	**233,031**
Equity			
Paid in capital		94,690	94,690
Retained earnings		517,810	513,132
Other reserves		(1,538)	(20,315)
Shareholder funds		**610,962**	**587,507**
Non controlling interest		665	675
Total equity	16	**611,627**	**588,182**
Total equity and liabilities		**931,901**	**821,213**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 $000	2019 $000
Cash flows from operating activities			
Receipts from customers		494,636	555,027
Interest received		320	665
Dividends received		11	13
Payments to suppliers and employees		(456,656)	(483,581)
Income tax paid		(10,131)	(15,026)
Interest paid		(9,393)	(8,446)
Net cash flows from operating activities		**18,787**	**48,652**
Cash flows from investing activities			
Sale of property, plant and equipment		148	4,786
Sale of intangible assets		5,501	19,175
Sale of investments	13	–	8,958
Dividends received from associates	13	208	–
Purchase of property, plant and equipment and intangible assets		(43,200)	(38,348)
Purchase of shares		–	(9)
Purchase of investments		(4,454)	–
Purchase of business		(1,936)	–
Net cash flows used in investing activities		**(43,733)**	**(5,438)**
Cash flows from financing activities			
Proceeds from borrowings		66,000	48,000
Repayment of term loans		(20,000)	(64,000)
Dividends paid to Company shareholders	17	(17,766)	(21,507)
Lease payments	20	(10,940)	–
Net cash flows from (used in) financing activities		**17,294**	**(37,507)**
Net (decrease) increase in cash and cash equivalents		**(7,652)**	**5,707**
Effect of exchange rate fluctuations on cash held		77	(15)
Cash and cash equivalents at beginning of year		(46,678)	(52,370)
Cash and cash equivalents at 30 September		**(54,253)**	**(46,678)**
Represented by:			
Bank overdraft and borrowings (secured)		(57,210)	(55,000)
Cash on hand and at bank		2,957	8,322
	8	**(54,253)**	**(46,678)**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Reconciliation of Profit for the Period with Net Cash Flows from Operating Activities

	Note	2020 $000	2019 $000
Profit for the year (after tax)		**22,433**	**41,692**
Adjustments for non-cash items:			
Depreciation		28,016	20,884
Depreciation – ACE		6,888	–
Impairment of assets	12,18	1,193	635
Share-based payment expense		(401)	(1)
Change in fair value of biological assets	10	(4,172)	(6,056)
Change in fair value of forward exchange contracts and foreign currency options		(2,551)	798
Increase in deferred tax	7	3,274	5,653
Unrealised foreign exchange gains		(2,079)	(911)
Other		(561)	(562)
		29,607	**20,440**
Movement in working capital			
Decrease (increase) in trade and other receivables and prepayments		7,066	(11,089)
Increase in inventories		(36,880)	(2,697)
Increase in trade and other payables and other liabilities		6,034	8,131
Decrease in contributions received in advance		(354)	(164)
Decrease in taxation payable		(5,079)	(3,048)
		(29,213)	**(8,867)**
Items classified as investing activities			
Loss (gain) on sale of property, plant and equipment		1,348	(910)
Gain on sale of intangible asset	14	(5,388)	(3,911)
Other		–	208
		(4,040)	**(4,613)**
Net cash flows from operating activities		**18,787**	**48,652**

Reconciliation of movement of liabilities to cash flows arising from financing activities

	Note	Lease Obligation $000	Bank Loans (secured) $000	Derivative Financial Liabilities $000	Total $000
As at 1 October 2019		–	**84,000**	**31,968**	**115,968**
Lease payments	20	(10,940)	–	–	(10,940)
Proceeds from bank loans		–	66,000	–	66,000
Repayment of bank loans		–	(20,000)	–	(20,000)
Financing cash flows		(10,940)	46,000	–	**35,060**
Recognition of lease liability on adoption of NZ IFRS 16	20	45,781	–	–	45,781
New leases, net of settlements	20	5,617	–	–	5,617
Change in fair value of derivative financial instruments		–	–	(28,963)	(28,963)
As at 30 September 2020		**40,458**	**130,000**	**3,005**	**173,463**
As at 1 October 2018		–	**100,000**	**11,776**	**111,776**
Proceeds from bank loans		–	48,000	–	48,000
Repayment of bank loans		–	(64,000)	–	(64,000)
Financing cash flows		–	**(16,000)**	–	**(16,000)**
Change in fair value of derivative financial instruments		–	–	20,192	20,192
As at 30 September 2019		–	**84,000**	**31,968**	**115,968**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	Share Capital $000	Share Based Payment Reserve $000	Translation Reserve $000	Cash Flow Hedge Reserve $000	Cost of Hedging Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total Equity $000
Balance at 1 October 2019		**94,690**	**401**	**410**	**(21,122)**	**(4)**	**513,132**	**587,507**	**675**	**588,182**
Profit for the year (after tax)		–	–	–	–	–	22,444	22,444	(11)	22,433
Other comprehensive income										
Foreign currency translation differences		–	–	160	–	–	–	160	1	161
Hedging losses recognised in other comprehensive income		–	–	–	25,248	1,165	–	26,413	–	26,413
Deferred tax on change in reserves		–	–	–	(7,069)	(326)	–	(7,395)	–	(7,395)
Amount of treasury share cost expensed in relation to share-based payment		–	(401)	–	–	–	–	(401)	–	(401)
Total comprehensive income		**–**	**(401)**	**160**	**18,179**	**839**	**22,444**	**41,221**	**(10)**	**41,211**
Distributions to shareholders	17	–	–	–	–	–	(17,766)	(17,766)	–	(17,766)
Balance at 30 September 2020		**94,690**	**–**	**570**	**(2,943)**	**835**	**517,810**	**610,962**	**665**	**611,627**
Balance at 1 October 2018		**94,690**	**402**	**476**	**(7,700)**	**538**	**492,943**	**581,349**	**585**	**581,934**
Profit for the year (after tax)		–	–	–	–	–	41,696	41,696	(4)	41,692
Other comprehensive income										
Foreign currency translation differences		–	–	(66)	–	–	–	(66)	(2)	(68)
Hedging losses recognised in other comprehensive income		–	–	–	(18,642)	(752)	–	(19,394)	–	(19,394)
Deferred tax on change in reserves		–	–	–	5,220	210	–	5,430	–	5,430
Amount of treasury share cost expensed in relation to share-based payment		–	(1)	–	–	–	–	(1)	–	(1)
Total comprehensive income		**–**	**(1)**	**(66)**	**(13,422)**	**(542)**	**41,696**	**27,665**	**(6)**	**27,659**
Shares issued to non controlling shareholders in subsidiaries		–	–	–	–	–	–	–	96	96
Distributions to shareholders	17	–	–	–	–	–	(21,507)	(21,507)	–	(21,507)
Balance at 30 September 2019		**94,690**	**401**	**410**	**(21,122)**	**(4)**	**513,132**	**587,507**	**675**	**588,182**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 1 – GENERAL INFORMATION

(a) Reporting entity

Sanford Limited ('the parent' or 'the Company') is a profit-orientated company that is domiciled and incorporated in New Zealand. The Company is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an FMC entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013.

The financial statements presented are for Sanford Limited ('Sanford' or 'the Group') as at, and for the year ended 30 September 2020. The Group comprises the Company, its subsidiaries, and its investments in joint arrangements and associates.

In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent disclosures are not required.

The Group is a large and long-established fishing and aquaculture farming business devoted entirely to the farming, harvesting, processing, storage and marketing of quality seafood products and investments in related activities.

NOTE 2 – BASIS OF PREPARATION

(a) Statement of compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are measured on the bases set out below:

- Derivative financial instruments: interest rate and fuel swaps, forward exchange contracts and foreign currency options are measured at fair value
- Biological assets: in water salmon and mussel assets are measured at fair value less costs to sell
- Assets held for sale are measured at fair value less costs to sell

(c) Foreign currency

Functional and presentation currency

These financial statements are presented in New Zealand dollars (NZD), the Company's functional currency. All financial information presented in NZD has been rounded to the nearest thousand dollars (unless described as millions within the notes to these financial statements).

Foreign currency transactions

Foreign currency transactions are translated to NZD at the exchange rates ruling at the dates of the transactions. At balance date foreign currency monetary assets and liabilities are translated at the closing rate. The exchange variations arising from these translations are recognised in the income statement.

Foreign operations

Foreign operations are entities within the Group, the activities of which are based in a country other than New Zealand, or are conducted in a currency other than NZD. The assets and liabilities of foreign operations are translated into NZD at the closing rate, while revenues and expenses are translated at rates approximating the exchange rate ruling at the date of the transaction. Exchange variations are taken directly to the foreign currency translation reserve.

(d) Use of estimates and judgements

The preparation of financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts in the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Accounting policies, and information about judgements, estimates and assumptions that have had a significant impact on the amounts recognised in the financial statements are disclosed in the relevant notes as follows:

- Valuation of deferred tax assets and liabilities (refer note 7)
- Valuation of biological assets (refer note 10)
- Valuation of inventories (refer note 11)
- Impairment testing of property, plant and equipment (refer note 12) and assets classified as held for sale (refer note 18)
- Impairment testing of intangible assets (refer note 14)
- Valuation of financial instruments (refer note 19)
- Determination of lease term and incremental borrowing rates (refer note 20)

Estimates are designated by a E symbol in the notes to the financial statements.

(e) Significant accounting policies

Accounting policies are disclosed within each of the applicable notes to the financial statements and are designated with a P symbol.

The Group's accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as detailed below.

To ensure consistency with the current period, comparative figures have been amended to conform with current period presentation where appropriate.

NOTE 2 – BASIS OF PREPARATION (continued)

(f) New and amended accounting standards and interpretations adopted

NZ IFRS 16 *Leases*

The Group adopted NZ IFRS 16 *Leases*, effective from 1 October 2019. The Group applied NZ IFRS 16 using the modified retrospective transition approach. Comparative information and opening equity are therefore not restated and continue to be reported under NZ IAS 17 *Leases*. Refer to note 20.

On transition, the Group applied the following practical expedients available under NZ IFRS 16:

- To not recognise right-of-use assets and lease liabilities for short-term leases with lease terms ending within 12 months from the date of transition. The costs related to these leases are recognised in profit or loss;
- To exclude initial direct costs from the measurement of the right-of-use asset on initial application; and
- To not reassess whether an arrangement is, or contains a lease, at the date of transition if such arrangement was previously identified as a lease applying NZ IAS 17 and IFRIC 4 *Determining whether an arrangement contains a lease*.

The adoption of NZ IFRS 16 results in those leases previously classified as operating leases being recorded on the statement of financial position subject to certain exemptions for short term and low value leases. All other arrangements will be considered under NZ IFRS 16 when the contract is amended or renewed.

Financial impact on transition to NZ IFRS 16

As a result of applying NZ IFRS 16, the Group recognised $46.1m of new right-of-use lease assets upon transition, which included $0.3m of prepayments. New liabilities of $45.8m were also recognised. On transition to NZ IFRS 16 the opening balances were measured using a weighted average incremental borrowing rate of 3.49%. In the income statement, application of NZ IFRS 16 for the 12 month period ended 30 September 2020, decreased Group operating expenses by $5.4m, increased finance costs by $1.2m and increased depreciation expense by $4.9m. The depreciation of leased assets of annual catch entitlement (ACE) is recognised as part of operating expenses, and not within the depreciation line. These changes meant a net increase in operating profit of $0.5m, but a net $0.7m decrease in profit before income tax.

Reconciliation of operating lease commitments disclosed under NZ IAS 17

The following table provides a reconciliation of the operating lease commitments disclosed as at 30 September 2019 to the total lease liabilities recognised on the statement of financial position in accordance with NZ IFRS 16 at 1 October 2019:

	Note	As at 1 October 2019 $000
Operating lease commitments as at 30 September 2019		**53,148**
Effect of discounting	(a)	(8,673)
New leases identified	(b)	1,529
Modifications to transitional values		(223)
Total lease liabilities on adoption of NZ IFRS 16		**45,781**

(a) The amount of the lease liability recognised under NZ IFRS 16 is on a discounted basis whereas operating lease commitments under NZ IAS 17 were on an undiscounted basis. The discount rates used on transition were appropriate for each lease.

(b) A number of leases have been identified and formalised as part of the Group's transition to NZ IFRS 16. The transitional values of these additional leases have included in the value recognised on transition under NZ IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 2 – BASIS OF PREPARATION (continued)

(g) Assessment of the impact of Covid-19

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of Covid-19. Following this, New Zealand and many countries to whom Sanford exports, entered a series of lockdowns and enforced trade restrictions, impacting on the Group's ability to trade with its customers. Sanford was deemed an essential service and therefore was able to continue operating throughout all alert levels, with the exception of our retail business, seafood school and powder production facility, which closed during the initial lockdown period in New Zealand.

As many countries continue to combat the effects of Covid-19, it is acknowledged that there is uncertainty in how the global pandemic will impact the New Zealand and global economies in the future.

An assessment of the impact of Covid-19 on the Group's 30 September 2020 statement of financial position is set out below:

BALANCE SHEET ITEM	COVID-19 ASSESSMENT	NOTE
Trade and other receivables	Due to the negative impact on the global foodservice channel due to numerous lockdowns across much of our international and domestic customer base, sales have been constrained for the second half of the year. This in turn has led to a lowering of trade receivables, but with minimal concerns regarding credit risk, as highlighted in note 19(a).	Note 9 and 19(a)
Derivative financial instruments	The movement from last year's net liability position to a net asset position for 2020 is largely a result of the improvement in the hedged NZD/USD FX rates, as new hedging was added during the year as the NZD weakened due to the Covid-19 pandemic. The strengthening of the NZD around balance date led to positive mark to market movements.	Note 19
Biological assets	Salmon and mussel farming have been impacted by Covid-19 through lower selling prices relative to prices evident in recent times. In order to maintain the health of both species they are harvested upon maturity, which has resulted in increased frozen inventory as sales have lagged the timing of harvest.	Note 10
Inventories	The impact of the pandemic in respect of lower sales, as noted above, has led to increasing inventories relative to last year. The majority of the year-on-year increase is due to increased volumes of stock being stored for mussels, salmon and hoki. Management note that a provision for $2 million has been recognised to ensure that inventory is appropriately valued relative to expected selling prices. The company does not have ageing issues in respect of its inventory.	Note 11
Property, plant and equipment	No impact on the carrying value of property, plant and equipment.	Note 12
Intangible assets	No impact on the carrying value of intangible assets.	Note 14
Borrowings	The fall in sales has led to lower cash receipts which in turn has led to a greater use of the borrowing facilities made available to the Group. The Group has complied with all covenants requirements and is forecast to comply in 2021.	Note 19

NOTE 3 – SEGMENT REPORTING

Executive management of the Group monitors the operating results of the wildcatch and aquaculture (mussels and salmon) divisions. Divisional performance is evaluated based on operating profit or loss. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

The Group's key operating divisions are:

- wildcatch – responsible for catching and processing inshore and deepwater fish species; and
- aquaculture – responsible for farming, harvesting and processing mussels and salmon.

The Group has determined that the divisions above should be aggregated to form one reportable segment to reflect the farming, harvesting, processing and selling of seafood products, due to the aggregated manner in which performance is monitored.

The criteria as set out in paragraph 12 of NZ IFRS8 *Operating Segments* was considered in determining the aggregation of the operating divisions. In aggregating these operating divisions into one reportable segment, the Group identified similarities in the following:

Similar economic characteristics

The Group considered and identified similarities in economic characteristics in the wildcatch and aquaculture divisions. The Group concluded, having considered several factors, that the operating segments exhibited similar long term economic characteristics because the impact of these factors is expected to be similar across all operating divisions. This is supported by the following observations:

Foreign exchange

A large proportion of the Group's sales are derived from exporting seafood products. Movements in foreign exchange rates have a significant influence on the degree of profitability of the Group.

Competitive and operating risks

The operating risks are similar for all of the seafood products in which the Group trades, due to the vagaries of nature and its impact in respect of weather patterns, nutrients in the oceans, parasites and disease.

The global growth in seafood product demand and rising commodity prices has led to a heightened competitive environment in which the Group trades, this applies in a similar manner across all of the operating divisions.

Economic and political risk

Economic prosperity and political stability for countries in which Sanford's customers are based, have a direct impact across the Group in its ability to derive increasing positive returns to shareholders.

Other variables impacting profit

There are many other variables that directly or indirectly impact the profitability of the operating divisions such as international trade rules and tariffs and climate change. The Group has assessed that the operating divisions are similarly impacted by these variables.

Nature of the products

All of the seafood products have similar nutritional factors, principally they are a good source of protein and relatively low in fat.

Similar nature of production processes

The Group has determined that all of the seafood products produced for its customers are harvested from the sea. Additionally, certain fish species and mussels have hand opening or machine opening processes involved in the final completion of the production chain.

The type or class of customer for the product

The Group sells products derived from all of its operating divisions to seven (2019: six) of its top ten customers. The Group's customers are largely of a wholesale nature.

The methods used to distribute the product

The Group's sales team is structured geographically and not by product type or by operating division.

The nature of the regulatory environment

Both aquaculture and fish products are governed by regulations set by the Ministry for Primary Industries in New Zealand and those countries to which the Group exports. In respect of vessels these must meet Maritime New Zealand regulations; this requirement is similar for all operating divisions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 3 – SEGMENT REPORTING (continued)

(a) Income and expenditure

Segmental information is presented in respect of the Group's industry and geographical segments.

	NEW ZEALAND		AUSTRALIA		ELIMINATIONS		TOTAL	
	2020 $000	2019 $000	**2020 $000**	2019 $000	**2020 $000**	2019 $000	**2020 $000**	2019 $000
Total external revenue	442,187	524,147	26,662	20,974	–	–	468,849	545,121
Inter-segment revenue	9,359	3,166	–	–	(9,359)	(3,166)	–	–
Segment revenue	**451,546**	**527,313**	**26,662**	**20,974**	**(9,359)**	**(3,166)**	**468,849**	**545,121**
Segment profit (loss) for the year	**16,234**	**41,645**	**6,124**	**(515)**	**–**	**–**	**22,358**	**41,130**
Share of profit of equity accounted investees							75	562
Reported profit for the year							**22,433**	**41,692**

Inter-segment transactions

Inter-segment revenue is eliminated upon consolidation and is reflected in the eliminations column.

(b) Revenue by geographical location of customers

	2020 $000	2019 $000
New Zealand	205,725	239,073
Europe	65,957	67,045
China	54,815	56,813
North America	50,845	73,002
Australia	47,456	48,624
Other Asia	14,704	18,590
Japan	10,676	15,158
South Korea	10,081	7,041
Hong Kong	3,587	5,518
Middle East	2,594	3,910
Pacific	1,072	1,859
Africa	930	3,802
Central and South America	407	4,686
Revenue	**468,849**	**545,121**

The revenue information above is based on the delivery destination of sales.

The group has no customers accounting for more than 10% of total sales for the year (no customers for the 2019 year accounted for more than 10% of total sales).

(c) Assets and liabilities

		NEW ZEALAND		AUSTRALIA		TOTAL	
	Note	**2020 $000**	2019 $000	**2020 $000**	2019 $000	**2020 $000**	2019 $000
Segment assets		918,698	814,735	9,250	4,744	927,948	819,479
Investment in equity accounted investees	13	3,953	1,734		–	3,953	1,734
Total assets		**922,651**	**816,469**	**9,250**	**4,744**	**931,901**	**821,213**
Segment liabilities		301,882	212,852	18,392	20,179	320,274	233,031
Total liabilities		**301,882**	**212,852**	**18,392**	**20,179**	**320,274**	**233,031**
Capital expenditure	12, 14	44,796	38,308	3,415	40	48,211	38,348
Depreciation and amortisation		27,850	20,741	166	143	28,016	20,884

NOTE 4 – REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, the performance obligations are satisfied and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable.

Domestic sales
The performance obligation for domestic sales is satisfied upon delivery of the products to the customer or collection of the goods by the customer. Payment terms generally range between seven days and 20th of the month following invoice date.

Export Sales
The performance obligation is satisfied upon transfer of legal title in line with the relevant Incoterms. The Group typically acts as agent in arranging transport and insurance under such arrangements. Revenue is recognised net of the associated costs of these arrangements. Payment terms vary between customers and export destinations.

NOTE 5 – EXPENSES

	Note	**2020 $000**	2019 $000
(a) Administrative and other expenses includes			
Audit fees – KPMG		260	225
Audit fees – other auditors (for audit of Group companies)		91	85
KPMG fees for other services†		59	67
Impairment of property, plant and equipment	12	818	512
Impairment of investments and advances		29	123
Impairment of assets held for sale	18	375	–
Gain on sale of property, plant and equipment, intangibles and investments		(4,037)	(4,614)
Restructuring costs		3,452	1,609
Research and development		1,354	3,117
(b) Personnel expenses included in cost of sales, administrative and distribution expenses			
Wages and salaries (including short-term employee benefits)		124,976	120,043

† KPMG fees for other services are in respect of a limited assurance engagement in relation to selected sustainability information included in the Sanford annual report ($52,552) and scrutineering results of the annual meeting ($6,000). 2019 fees for other services related to a limited assurance engagement in relation to selected sustainability information included in the Sanford annual report ($55,859), supplier pricing review ($5,250) and scrutineering results of the annual meeting ($6,265).

NOTE 6 – FINANCE INCOME AND EXPENSE

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, leases and impairment losses recognised on financial assets (except for trade receivables), as well as non-trading currency exchange losses.

	2020 $000	2019 $000
Finance income		
Interest income	320	665
Dividends received	11	13
	331	**678**
Finance expense		
Interest expense on bank loans and bank overdraft	7,935	8,531
Interest expense on leases	1,380	–
Non-trading currency exchange losses	–	26
	9,315	**8,557**
Net finance expense	**8,984**	**7,879**

4 GOVERNANCE & FINANCIALS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 7 - TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income (OCI) in which case it is recognised in OCI.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is:

- Recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
- Not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.
- Measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at reporting date.

7.1 Income tax expense

	2020 $000	2019 $000
Current period	5,113	11,939
Adjustments for prior periods	(63)	39
	5,050	**11,978**
Deferred tax expense		
Origination and reversal of temporary differences	1,934	5,658
Adjustments for prior periods	1,340	(5)
	3,274	**5,653**
Income tax expense	**8,324**	**17,631**
Reconciliation of effective tax rate		
Profit for the year	22,433	41,692
Income tax expense	8,324	17,631
Profit before income tax	**30,757**	**59,323**
Tax at current rate of 28%	**8,612**	**16,610**
Non-deductible expenses	225	338
Capitalised asset timing differences	(65)	(1,071)
Non-taxable income	(311)	–
Unutilised and unrecognised tax losses	(1,818)	1,059
Adjustments for prior periods	1,277	34
Different foreign tax rate	123	1
Other	281	660
	(288)	**1,021**
Income tax expense	**8,324**	**17,631**
Imputation credit account		
Imputation credits available for use in subsequent reporting periods	80,943	79,581

The Group imputation credits are available to be attached to dividends paid by Sanford Limited.

NOTE 7 - TAXATION (CONTINUED)

7.2 – Deferred Tax

	2020				
	Balance 30 September 2019 $000	Recognised in Income Statement $000	Recognised in Other Comprehensive Income $000	Recognised on Acquisition $000	Balance 30 September 2020 $000
Movement in temporary differences during the year					
Property, plant and equipment	(4,061)	(1,364)	–	(371)	(5,796)
Intangible assets	(15,756)	(1,614)	–	–	(17,370)
Trade receivables	29	(1)	–	–	28
Derivative financial instruments	8,215	–	(7,395)	–	820
Biological assets	(5,850)	(249)	–	–	(6,099)
Other liabilities	2,029	(46)	–	–	1,983
Net deferred tax liability	**(15,394)**	**(3,274)**	**(7,395)**	**(371)**	**(26,434)**

	2019			
	Balance 30 September 2018 $000	Recognised in Income Statement $000	Recognised in Other Comprehensive Income $000	Balance 30 September 2019 $000
Movement in temporary differences during the year				
Property, plant and equipment	(2,694)	(1,367)	–	(4,061)
Intangible assets	(14,171)	(1,585)	–	(15,756)
Trade receivables	84	(55)	–	29
Derivative financial instruments	2,785	–	5,430	8,215
Biological assets	(2,938)	(2,912)	–	(5,850)
Other liabilities	1,763	266	–	2,029
Net deferred tax liability	**(15,171)**	**(5,653)**	**5,430**	**(15,394)**

Deferred tax recognised in OCI relates to tax on the effective portion of the change in fair value of cash flow hedges, and on cost of hedging gains or losses.

E

A deferred tax asset has not been recognised in respect of the following item because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. There is no expiry time for the use of these tax losses.

	2020 $000	2019 $000
Unrecognised deferred tax asset		
Net tax losses - Australia	3,894	3,720
Net tax losses - New Zealand	6,905	5,833
	10,799	**9,553**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 8 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes deposits that are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are classified and measured at amortised cost in the statement of financial position. These financial instruments are short term in nature and the carrying amount is considered to be a reasonable approximation of fair value.

Bank overdraft and borrowings are classified and measured at amortised cost. These financial instruments are short term in nature and the carrying amount is considered to be a reasonable approximation of fair value.

	2020 $000	2019 $000
Cash on hand and at bank	2,957	8,322
Bank overdraft and borrowings (secured)	(57,210)	(55,000)
	(54,253)	**(46,678)**

Borrowings are all denominated in NZD and expire in April 2021 (2019: April 2020). Refer to note 19(b).

NOTE 9 – TRADE RECEIVABLES

Trade and other receivables are financial assets classified and measured at amortised cost less allowance for doubtful debts. Short term trade receivables are not discounted. These financial instruments are short term in nature and the carrying amounts are considered to be a reasonable approximation of fair values.

	2020 $000	2019 $000
Gross trade receivables	52,030	61,436
Less: Allowance for doubtful debts (refer to note 19(a))	(217)	(195)
	51,813	**61,241**

NOTE 10 – BIOLOGICAL ASSETS

Biological assets include pre-harvest salmon and mussel stocks, and are measured at fair value less costs to sell, with any change therein recognised in the income statement. This method of valuation falls into Level 3 on the fair value hierarchy (refer to note 19). Biological assets are transferred to inventories at the date of harvest.

	2020		
	Mussels $000	**Salmon $000**	**Total $000**
Balance at beginning of year	24,328	25,198	49,526
Acquired in business combination	235	–	235
Changes due to biological transformation and movement in fair value less estimated costs to sell	25,948	9,004	34,952
Harvested produce transferred to inventories	(25,476)	(5,304)	(30,780)
Balance at 30 September 2020	**25,035**	**28,898**	**53,933**
Current	11,028	17,099	28,127
Non-current	14,007	11,799	25,806
	25,035	**28,898**	**53,933**

	2019		
	Mussels $000	Salmon $000	Total $000
Balance at beginning of year	23,350	20,120	43,470
Changes due to biological transformation and movement in fair value less estimated costs to sell	31,847	9,647	41,494
Harvested produce transferred to inventories	(30,869)	(4,569)	(35,438)
Balance at 30 September 2019	**24,328**	**25,198**	**49,526**
Current	12,752	16,700	29,452
Non-current	11,576	8,498	20,074
	24,328	**25,198**	**49,526**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 10 – BIOLOGICAL ASSETS (continued)

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Risk factors

The Group is exposed to a number of risks relating to its growing of salmon and mussel stocks. These include storms, marine predators, biosecurity incursions and other contamination of the water space. The Group has extensive processes in place to monitor and mitigate these risks including insurance of salmon and mussels, regular inspection of the growing areas and contingency plans in the event of an adverse climatic event.

Fair value risk and sensitivity

The Group is exposed to financial risks relating to the production of biological assets (salmon and mussels) arising from climate change volatility, climatic events, disease and contamination of water space.

The estimation of the fair value of in-water mussels and salmon is based on several assumptions. Changes in these assumptions will impact the fair value calculation. The profit which is achieved on the sale of inventory will differ from the calculations of fair value of biological assets because of changes in key factors such as the final sales destinations of inventory sold, changes in selling prices, foreign exchange rates, harvest weight, growth rates, mortality, input costs and costs to sell, and differences in quality of harvested salmon and mussels.

With all other variables remaining constant, a 10% increase/decrease in average future sales prices would increase/ decrease the fair value of biological assets and profit before tax by $3.3m (2019: 10% increase/decrease $5.1m). A 10% increase/decrease in biomass (future harvest volumes) would increase/decrease the fair value of biological assets on hand and profit before tax by $5.2m (2019: 10% increase/decrease $4.9m).

Determining fair value

Salmon

The pre-harvest salmon stock has been valued with reference to their stage of development, the length of the growth cycle, number in the water, assumptions in respect of biomass and feed conversion rates, and the fair value per kg at the point of harvest. The fair value per kg at the point of harvest is determined with reference to expected market prices for the first half of the next financial year, net of estimated cost up to the date of harvest. The fair value measurement commences at the date of transfer to sea water as this is considered the point at which the fish commence their grow out cycle.

Mussels

The pre-harvest mussel stock has been valued with reference to their stage of development, the length of the growth cycle for the mussels in the regions being farmed, the fair value per kg at point of harvest, and the physical quantity in the water at reporting date. The fair value per kg at the point of harvest is determined with reference to expected market prices for the first half of the next financial year, net of estimated cost up to the date of harvest. The fair value measurement commences at the date of seeding as this is considered the point at which the mussel commence their growth cycle.

NOTE 11 – INVENTORIES

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Inventories are measured at the lower of cost and net realisable value. The estimated costs of marketing, selling and distribution are deducted in calculating net realisable value.

Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventory and bringing it to its existing condition and location. In the case of processed inventories and work in progress, cost includes an appropriate share of overheads. Fixed overheads are allocated on the basis of normal operating capacity. The cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

	2020 $000	2019 $000
Seafood – at cost	76,933	39,790
Net realisable value provision	(2,112)	(2,186)
	74,821	37,604
Packaging, fishing gear, fuel and stores – at cost	10,647	10,954
	85,468	**48,558**

The cost of inventories recognised as an expense for the year ended 30 September 2020 is $292.5m (2019: $304.3m).

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

P

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Cost may include:

- the consideration paid on acquisition of the asset;
- the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use;
- the costs of dismantling and removing the items and restoring the site on which they are located; and
- borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The capitalisation of expenditure ceases when the asset is ready for use, at which point depreciation commences. Capital work in progress of $30.8m is included within the relevant category of property, plant and equipment in the table below (2019: $14.2m).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure that increases the economic benefits derived from an asset is capitalised.

Depreciation of property, plant and equipment, other than land, is calculated using straight-line basis and is expensed over the useful life of the asset.

Depreciation methods, useful lives and residual values are reassessed at least annually. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Estimated useful lives (years) are as follows:

	2020	2019
Buildings (freehold and leasehold)	20–25	20–25
Fishing vessels:		
Hulls	20–30	20–30
Engines	12–15	12–15
Electronic equipment	3–4	3–4
Machinery and plant	7–10	7–10
Motor vehicles	5	5
Office fixtures and fittings	3–7	3–7
Marine farm assets	5–15	5–15

		2020					
	Note	**Land $000**	**Freehold Buildings $000**	**Leasehold Buildings $000**	**Fishing Vessels $000**	**Plant and Equipment $000**	**Total $000**
Cost							
Balance at beginning of year		2,572	22,516	50,632	191,317	139,545	406,582
Additions – other		–	32	5,891	19,924	17,106	42,953
Additions – business combination	13	–	–	–	2,900	108	3,008
Disposals		–	–	(1,097)	(1,832)	(2,051)	(4,980)
Effect of movements in exchange rates		–	–	–	–	17	17
Balance at end of year		2,572	22,548	55,426	212,309	154,725	447,580
Accumulated depreciation and impairment							
Balance at beginning of year		–	(9,584)	(31,282)	(117,594)	(106,348)	(264,808)
Depreciation		–	(397)	(2,167)	(13,440)	(6,401)	(22,405)
Impairment		–	–	(570)	–	(248)	(818)
Disposals		–	–	–	1,746	1,753	3,499
Balance at end of year		–	**(9,981)**	**(34,019)**	**(129,288)**	**(111,244)**	**(284,532)**
Net book value at 30 September 2020		**2,572**	**12,567**	**21,407**	**83,021**	**43,481**	**163,048**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)

	2019					
	Land $000	Freehold Buildings $000	Leasehold Buildings $000	Fishing Vessels $000	Plant and Equipment $000	Total $000
Cost						
Balance at beginning of year	2,572	22,158	47,790	185,878	135,201	393,599
Additions - other	–	359	2,842	24,997	8,022	36,220
Disposals	–	(1)	–	(19,558)	(3,643)	(23,202)
Effect of movements in exchange rates	–	–	–	–	(35)	(35)
Balance at end of year	2,572	22,516	50,632	191,317	139,545	406,582
Accumulated depreciation and impairment						
Balance at beginning of year	–	(9,018)	(29,447)	(121,953)	(102,394)	(262,812)
Depreciation	–	(567)	(1,835)	(11,862)	(6,620)	(20,884)
Impairment	–	–	–	–	(512)	(512)
Disposals	–	1	–	16,221	3,178	19,400
Balance at end of year	–	(9,584)	(31,282)	(117,594)	(106,348)	(264,808)
Net book value at 30 September 2019	**2,572**	**12,932**	**19,350**	**73,723**	**33,197**	**141,774**

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Impairment

The Group continues to pursue legal remedy in respect of a small inshore vessel acquired in 2017 which was subsequently deemed unsuitable for fishing and fully impaired. No recoveries have been recorded at reporting date due to the uncertain outcome of this process (2019: Nil). A provision of $0.4m has been raised in respect of the anticipated disposal costs of this vessel (2019: $0.4m).

With the announcement of the closure of the Tauranga Processing site in August 2020, an impairment has been recognised in respect of the plant and equipment of $0.8m, representing the carrying value of the equipment, net of anticipated disposal proceeds.

E

Commitments

The estimated capital expenditure for property, plant and equipment contracted for at reporting date but not provided is $20.8m for the Group (2019: $6.9m).

NOTE 13 – INVESTMENTS

The Group's interest in equity accounted investees comprises interests in those associates and joint ventures disclosed in note 22.

Associates are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than the rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

The Group's other investments comprise shareholdings in other companies which do not constitute controlling interests, nor does the Group have significant influence over the investees. As these are not held for trading, the Group has elected these equity instruments to be classified and measured at fair value through OCI.

	2020 $000	2019 $000
Equity Accounted Investees		
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:		
Current assets	3,165	3,099
Non-current assets	6,055	6,866
Total assets	**9,220**	**9,965**
Current liabilities	1,067	1,243
Non-current liabilities	1,943	675
Total liabilities	**3,010**	**1,918**
Revenue	4,136	18,343
Expenses	(3,827)	(17,551)
Profit	**309**	**792**
(b) Movements in carrying value of equity accounted investees:		
Balance at beginning of year	1,734	1,405
Additions	3,111	–
Share of profit	75	562
Derecognition of investment due to step acquisition	(967)	–
Dividends received from associates	–	(208)
Impairment of investment	–	(25)
Balance at 30 September	**3,953**	**1,734**
Other Investments		–
Shares in other companies	97	97
	4,050	**1,831**

Movement in investments

In May 2020, the Group purchased 50% of Malmac Trading Limited, which is a retail seaweed business based in New Zealand. In September 2020, the Group purchased 50% of Two Islands Co NZ Limited, a dietary supplements business. Additionally, the Group purchased the remaining 50% of the equity in Perna Contracting Limited, a mussel harvesting business based in the South Island of New Zealand. A gain of $0.5m was recognised in the income statement on this acquisition.

In November 2018, the Group completed the sale of its 50% equity accounted investment in Weihai Dong Won Food Company Limited for $9.0m. This investment was classified as held for sale at 30 September 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 14 - INTANGIBLE ASSETS

Purchased fishing quota is carried at cost less impairment losses. Quota and licences which are initially recognised on the basis of previous permits, catch history or when purchased through business combinations are initially valued at fair value on allocation. Fair value is determined by reference to Crown tender prices and market prices available close to the time of the acquisition. This became the deemed cost upon the adoption of NZ IFRS.

Marine farm licences are recorded at cost, or when purchased through business combinations are initially measured at fair value.

Marine farm licences and fishing quota have indefinite useful lives are not amortised but are tested annually for impairment at reporting date. Fishing quota has no expiry date and is therefore deemed to have an indefinite useful life. Marine farm licences are deemed by the Directors to have indefinite useful lives as it is highly probable that they are renewed and the costs of renewal are expected to be minimal.

Expenditure on research on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is expensed as incurred. Expenditure on development activities, whereby research findings are applied to a plan or a design for the production of new or substantially improved products or processed, is capitalised if the product of process is commercially and technically feasible and the Group has sufficient resources to complete development. Other development expenditure is expensed as incurred.

	2020				
	Fishing Quota $000	**Marine Farm Licences $000**	**Goodwill $000**	**Intellectual Property $000**	**Total $000**
Cost					
Balance at beginning of year	397,717	102,438	2,324	3,525	506,004
Additions – other	–	116	–	135	251
Additions – business combinations	–	–	1,999	–	1,999
Disposals	(2,433)	–	–	–	(2,433)
Effect of movements in exchange rates	–	–	60	–	60
Balance at end of year	395,284	102,554	4,383	3,660	505,881
Accumulated amortisation and impairment					
Balance at beginning of year	(11,649)	(1,244)	–	–	(12,893)
Amortisation	–	–	–	(671)	(671)
Disposals	2,316	–	–	–	2,316
Balance at end of year	(9,333)	(1,244)	–	(671)	(11,248)
Carrying amount at 30 September 2020	**385,951**	**101,310**	**4,383**	**2,989**	**494,633**

	2019				
	Fishing Quota $000	Marine Farm Licences $000	Goodwill $000	Intellectual Property $000	Total $000
Cost					
Balance at beginning of year	412,721	101,839	2,324	2,258	519,142
Additions – other	–	861	–	1,267	2,128
Disposals	(15,000)	(262)	–	–	(15,262)
Effect of movements in exchange rates	(4)	–	–	–	(4)
Balance at end of year	397,717	102,438	2,324	3,525	506,004
Accumulated impairment					
Balance at beginning and end of year	(11,649)	(1,244)	–	–	(12,893)
Carrying amount at 30 September 2019	**386,068**	**101,194**	**2,324**	**3,525**	**493,111**

NOTE 14 - INTANGIBLE ASSETS (continued)

Sale of Australian Quota

On 20 March 2020, the Group disposed of certain of its statutory fishing rights granted under the Australian Fisheries Management Act 1991 for a total consideration of $5.5m. This included rights to fish blue grenadier and orange roughy. The gain of $5.4m on this disposal has been recognised within other income.

Goodwill

During the 2020 financial year the Group acquired the assets and business of Saltwater Seafoods Pty Ltd, a Melbourne based seafood company which resulted in the recognition of $1.9m of goodwill. The balance of the goodwill relates to the acquisition of the remaining 50% equity interest in Perna Contracting Limited.

Sale of Tauranga based pelagic business assets

On 19 November 2018, the Group agreed to sell its Tauranga based pelagic business to Pelco NZ Limited for $24.3m. The sale included quota of various pelagic species, three fishing vessels and associated processing equipment. The quota sale was completed on 29 March 2019 with the remaining assets including the fishing vessels and processing equipment being transferred on 23 April 2019. A gain of $5.1m was recognised within other income in 2019.

Impairment testing

The carrying amounts of the Group's non-financial assets other than inventories, biological assets and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount, which is the greater of its value in use and its fair value less costs to sell. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement. For goodwill and intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date.

Cash Generating Units

The table below outlines the allocations of intangible assets with indefinite useful lives to CGUs:

	2020				
	Fishing Quota $000	**Marine Farm Licences $000**	**Goodwill $000**	**Intellectual Property $000**	**Total $000**
New Zealand Seafood	385,759	101,310	2,432	2,989	492,490
Australia Seafood	192	–	1,951	–	2,143
	385,951	**101,310**	**4,383**	**2,989**	**494,633**

	2019				
	Fishing Quota $000	Marine Farm Licences $000	Goodwill $000	Intellectual Property $000	Total $000
New Zealand Seafood	385,759	101,194	2,324	3,525	492,802
Australia Seafood	309	–	–	–	309
	386,068	**101,194**	**2,324**	**3,525**	**493,111**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 14 - INTANGIBLE ASSETS (continued)

14.1 Fishing Quota and Marine Farm Licences

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Impairment testing and assumptions

Based on impairment testing undertaken in September 2020, no impairment is required for New Zealand fishing quota or marine farm licences and none for the remaining Australian fishing quota or licences, given the recoverable amount of all CGUs exceed the carrying value of the net assets at 30 September 2020.

Impairment testing was performed on the applicable CGUs to determine whether fishing quota and marine farm licences were impaired using a discounted cash flow model based on value-in-use. Post-tax discount rates of between 6.0% and 7.0% (2019: 6.9% and 8.1%) were applied. Future cash flows were projected for 5 years and a terminal growth rate of 2% (2019: 3%) was applied. Key assumptions on EBITDA and capital expenditure were based on actual results and business plans which consider the impact of Covid-19 on future cash flows. The forecasts for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cash flows in the terminal year.

14.2 Goodwill

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Goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets of the acquired business. Goodwill is carried at cost less accumulated impairment losses.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

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No impairment was identified in respect of any goodwill held by the Group (2019: Nil).

NOTE 15 – TRADE AND OTHER PAYABLES

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Trade and other payables

Trade and other payables are financial liabilities, classified and measured at amortised cost. As these are short term in nature the carrying amount is considered to be a reasonable approximation of fair value.

Employee entitlements

(i) Long service leave

The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using an actuarial technique. Changes in long service leave provision are recognised in the income statement.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

	2020 $000	2019 $000
Trade payables	12,787	11,851
Other payables and accruals	25,361	20,089
Employee entitlements	10,080	10,071
	48,228	42,011
Less: employee entitlements classified as non-current	(1,410)	(1,232)
	46,818	**40,779**

NOTE 16 – CAPITAL/RESERVES AND EARNINGS PER SHARE

(a) Translation reserve

This reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

(b) Share-based payments reserve

This reserve comprises the fair value of equity instruments granted under the long-term incentive plan.

(c) Cash flow hedge and cost of hedging reserves

The cash flow hedge reserve comprises the effective portion of changes in the fair value of derivative contracts for highly probably forecast transactions.

The cost of hedging reserve contains the cumulative net change in fair value on foreign currency options which are excluded from the hedge designations of foreign currency risk.

(d) Share capital and earnings per share

	Ordinary Shares	
	2020 No. of Shares	2019 No. of Shares
On issue at beginning and end of year	93,626,735	93,626,735

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to Sanford's residual assets. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

The calculation of basic earnings per share at 30 September 2020 was based on the profit attributable to ordinary shareholders of $22.4m (2019: $41.7m) and a weighted average number of ordinary shares outstanding of 93,506,137 (2019: 93,506,137).

(e) Treasury shares

In 2014, Sanford established a long-term incentive plan (the LTI plan) for the former CEO. The LTI plan was designed to improve the performance of the Group by incentivising and motivating the former CEO. This involved the Group purchasing treasury shares pursuant to the terms of the LTI plan. The Group has not acquired any Sanford Limited shares in 2020 for the purposes of the LTI plan (2019: no shares acquired). Total treasury shares held at 30 September 2020 was 120,598 shares (2019: 120,598 shares).

NOTE 17 – DIVIDENDS

	2020 $000	2019 $000
The following dividends were declared and paid by the Company for the year ended 30 September:		
– Final dividend in respect of the 2019 year of $0.14 per share (2019: $0.14)	13,091	13,091
– Interim dividend in respect of the 2020 year of $0.05 per share (2019: $0.09)	4,675	8,416
	17,766	**21,507**

On 11 November 2020 the Directors determined that no final dividend will be paid in respect of year ended 30 September 2020 (2019: 14 cents per share).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 18 – ASSETS CLASSIFIED AS HELD FOR SALE

P

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment is not depreciated once classified as held for sale.

	2020 $000	2019 $000
Property, plant and equipment at fair value less costs to sell	8,172	8,527
Total assets held for sale	**8,172**	**8,527**

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Christchurch Mussel Processing Facility

Property, plant and equipment classified as held for sale reflects the Christchurch mussel processing facility, which was closed during the 2015 financial year and subsequently marketed for sale. The property was unconditionally sold in October 2020, with settlement due in February 2021. The property is measured at its fair value less costs to sell.

NOTE 19 – FINANCIAL INSTRUMENTS

Classification and measurement

P

Classification and measurement of financial assets

Financial assets are classified into three categories depending on their contractual cash flow characteristics and the Group's business model for managing the financial assets. These categories are:

- Amortised cost;
- Fair value through profit or loss; and
- Fair value through OCI.

A financial asset which is a debt instrument is measured at amortised cost only if both the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For investments in equity instruments that are not held for trading nor managed on a fair value basis, the Group has elected to measure these at fair value through OCI.

Derivative financial instruments which are not designated in an effective hedge relationship are classified as fair value through profit or loss.

Classification and measurement of financial liabilities

Financial liabilities are classified as either amortised cost or fair value through profit or loss. The Group may choose at initial recognition to designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. All financial liabilities of the Group are measured at amortised cost except for derivative financial instruments which are measured at fair value. Changes in the fair value of derivative financial liabilities are recognised in profit or loss except when the derivative instrument is designated in an effective hedge relationship.

Specific accounting policies for the Group's financial assets and liabilities are described below.

Exposure to credit, interest rate, foreign currency, fuel price and liquidity risks arise in the normal course of the Group's business. Derivatives may be used as a means of reducing exposure to fluctuations in foreign exchange rates, interest rates and fuel prices. While these instruments are subject to the risk of subsequent changes to market rates, such changes would generally be offset by opposite effects on the items being hedged.

The Group is not exposed to substantial other market price risk arising from financial instruments.

Fair value measurement

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The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates. The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates. The fair value of foreign currency options is estimated using option valuation methods with reference to current spot rates and market volatility. The fair value of fuel swaps is estimated using forward fuel prices at reporting date.

Fair value hierarchy

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When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(a) Credit risk

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Credit risk, the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, arises principally from the Group's receivables from customers.

The Group does not generally require collateral in respect of trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions (defined as having a minimum credit rating of A-) are used for investing and cash handling purposes.

Maximum exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

The Group's maximum exposure to credit risk for trade and other receivables by geographic regions is as follows:

	2020 $000	2019 $000
New Zealand	29,452	27,565
North America	10,895	13,835
Europe	9,996	12,791
Australia	4,515	5,927
Japan	973	1,106
Other	1,944	4,682
Trade and other receivables	**57,775**	**65,906**

Concentration of credit risk

The Group has credit insurance in respect of one (2019: two) of its largest customers for USD 5.0m (2019: USD 13.0m). At reporting date the Group's exposure in respect of this debt is USD 5.6m (2019: USD 6.9m) which comprised 16% (2019: 18%) of trade receivables. Since reporting date and in accordance with agreed credit terms this customer has subsequently paid 27% (2019: 27%) of the outstanding balance. There are no concerns with the collectability of this debt.

The status of trade receivables at the reporting date is as follows:

	Gross Receivables 2020 $000	**Allowance for Doubtful Debts 2020 $000**	Gross Receivables 2019 $000	Allowance for Doubtful Debts 2019 $000
Not past due	45,675	–	55,403	–
Past due 1 – 30 days	4,721	–	4,674	–
Past due 31 – 120 days	1,087	–	633	–
Past due 121 – 365 days	427	(163)	409	(91)
Past due 365+ days	120	(54)	317	(104)
	52,030	**(217)**	**61,436**	**(195)**

Impairment assessment – expected credit losses

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The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision on trade receivables that are individually significant are determined by an evaluation of the exposures on a line by line basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on number of days overdue, and taking into account the historical loss experience in portfolios with a similar number of days overdue. The expected credit losses incorporate forward looking information and relevant macroeconomic factors.

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on a daily basis. The Group has secured bank loans which contain debt covenants. A breach of covenant may require accelerated repayment of the loans earlier than indicated in the loan contract.

The following table sets out the contractual and expected cash flows for all financial liabilities and derivatives:

	2020						
	Statement of Financial Position $000	**Contractual Cash Out (In) Flows $000**	**6 Months or Less $000**	**6-12 Months $000**	**1-2 Years $000**	**2-5 Years $000**	**More than 5 Years $000**
Bank loans	130,000	134,566	818	822	1,558	131,368	–
Trade payables	12,787	12,787	12,787	–	–	–	–
Other payables	25,361	25,361	25,361	–	–	–	–
Bank overdraft and borrowings	57,210	57,547	2,484	55,063	–	–	–
Total non-derivative liabilities	**225,358**	**230,261**	**41,450**	**55,885**	**1,558**	**131,368**	**–**
Foreign currency options	(2,611)	(1,937)	–	–	(1,937)	–	–
Forward exchange contracts	(7,661)	(7,739)	354	(480)	(3,214)	(4,399)	–
Interest rate swaps	12,389	12,878	1,813	1,671	3,212	5,525	657
Fuel swaps	888	890	724	152	14	–	–
Total derivative liabilities (assets)	**3,005**	**4,092**	**2,891**	**1,343**	**(1,925)**	**1,126**	**657**

	2019						
	Statement of Financial Position $000	Contractual Cash Out (In) Flows $000	6 Months or Less $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	More than 5 Years $000
Bank loans	84,000	90,768	918	918	1,831	87,101	–
Trade payables	11,851	11,851	11,851	–	–	–	–
Other payables	20,089	20,089	20,089	–	–	–	–
Bank overdraft and borrowings	55,000	55,574	493	55,081	–	–	–
Total non-derivative liabilities	**170,940**	**178,282**	**33,351**	**55,999**	**1,831**	**87,101**	**–**
Foreign currency options	1,590	1,217	214	648	355	–	–
Forward exchange contracts	17,876	18,424	7,822	5,508	4,742	352	–
Interest rate swaps	11,926	12,600	1,572	1,588	2,753	5,569	1,118
Fuel swaps	576	580	486	94	–	–	–
Total derivative liabilities	**31,968**	**32,821**	**10,094**	**7,838**	**7,850**	**5,921**	**1,118**

Facilities

The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. At year end the Group had available approximately $83m of headroom funding to meet any unforeseen liability obligations (2019: $91m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

Loans and borrowings

P Bank loans and borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition bank loans are measured at amortised cost, applying the effective interest method.

Facilities, interest rate ranges, expiry dates and balances of bank loans for the Group are as follows:

	2020		
	Facility $000	**Expiry Date**	**Balance $000**
Current liabilities			
Borrowings (secured)	75,000	April 2021	57,210
Non-current liabilities			
Bank loans (secured)			
2 year facility	20,000	April 2022	–
4 year facility	35,000	April 2022	15,000
4.5 year facility	40,000	October 2022	40,000
5 year facility	35,000	April 2023	35,000
5 year facilities	65,000	October 2024	40,000
	270,000		**187,210**

	2019		
	Facility $000	Expiry Date	Balance $000
Current liabilities			
Borrowings (secured)	55,000	April 2020	55,000
Non-current liabilities			
Bank loans (secured)			
4 year facility	35,000	April 2022	15,000
4.5 year facility	40,000	October 2022	39,000
5 year facility	35,000	April 2023	–
5 year facilities	65,000	October 2024	30,000
	230,000		**139,000**

Interest rates

Interest rates on the above loans ranged from 0.95% - 1.43% (2019: 1.73% – 2.25%).

Security and covenants

Bank loans are secured by a general security interest over all property and a mortgage over quota shares. All borrowings are subject to borrowing covenant arrangements. The Group has complied with all covenants during the year (September 2019: all covenants were complied with).

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk

Financial risk management and hedge accounting

Market risk is the risk that arises from changes in foreign exchange rates, interest rates and commodity (specifically fuel) prices. Such changes will affect the Group's earnings and/ or the value of its holdings of financial instruments. These risks arise due to the Group having financial instruments that would be impacted by changes in these market factors.

The Group enters into derivative contracts, being forward exchange contracts, foreign currency options and interest rate swaps to manage exposure to foreign currency and interest rate risks. The Group also enters into commodity swaps to manage fuel price risk. Senior management are involved in the operation and oversight of risk management and derivative activities. Regular reporting of activities is provided to the Board of Directors which provides the policy for the use of derivative instruments. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as held for trading and classified at fair value through profit or loss.

The Group initially recognises derivatives at fair value when the Group becomes a party to the contractual provisions of the instrument, and subsequently re-measures these at fair value at each reporting date. All derivatives are classified as level 2 on the fair value hierarchy explained below. The resulting fair value gain or loss on re-measurement is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in profit or loss depends on the nature of the designated hedge relationship.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. For cash flow hedges of financial items, (for example forecast sales), the changes in fair value deferred in other comprehensive income are transferred to the profit or loss when the hedged item affects the profit or loss.

The Group designates only the intrinsic value of options into hedging relationships. The time value of the options is treated as a cost of hedging. Changes in fair value of the time value component of the option contract are deferred in other comprehensive income over the term of the hedge. For transaction related hedged items the cumulative change in fair value deferred in OCI is recognised in profit or loss at the same time as the hedged item. If the hedged item first gives rise to the recognition of a non-financial asset or a non-financial liability, the amount in equity is removed and recorded as part of the initial carrying amount of the hedged item. If the hedged item gives rise to the recognition of a financial asset or liability, then the amount in equity is recognised in profit or loss at the same time as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs, or is immediately recognised in profit or loss if the transaction is no longer expected to occur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Interest rate risk

The Group is exposed to interest rate risk through its cash balances, short term and long term borrowings. The Group adopts a risk management strategy of managing the exposure to interest rate risk through a proportion of fixed and floating rate borrowings. In order to meet this strategy the Group uses interest rate swaps to fix between 25% and 75% of the floating rate exposure on long term borrowings in line with its Treasury Policy. In the current period, the Group designated the highly probable forecast transactions and the interest rate swap contracts into cash flow hedge relationships.

Interest rate swap contracts are recognised within Derivative Financial Instruments on the statement of financial position as at reporting date. The fair value gains and losses on these derivatives were recognised in other comprehensive income and transferred to profit or loss when the underlying transactions affected the profit or loss within finance expenses in the income statement. The amounts designated as the hedged item in qualifying cash flow hedges mirror the amounts designated as hedging instruments as set out below, therefore the Group has established a 1:1 hedge ratio.

Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. The source of any ineffectiveness would be largely due to credit valuation adjustments and timing of cash flows. No ineffectiveness arose on cash flow hedges of interest rate risk during the year (2019: None).

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest-bearing variable rate instruments and related derivatives reprice as follows:

	2020					
	Total $000	**6 Months or Less $000**	**6–12 Months $000**	**1–3 Years $000**	**3–5 Years $000**	**More than 5 Years $000**
Cash and cash equivalents	2,957	2,957	–	–	–	–
Bank overdraft and borrowings	(57,210)	(57,210)	–	–	–	–
Bank loans	(130,000)	(130,000)	–	–	–	–
Interest rate swaps						
Notional cash inflows	132,000	132,000	–	–	–	–
Notional cash outflows	(132,000)	(10,000)	(8,000)	(48,000)	(30,000)	(36,000)
Total variable rate	**(184,253)**	**(62,253)**	**(8,000)**	**(48,000)**	**(30,000)**	**(36,000)**

	2019					
	Total $000	6 Months or Less $000	6–12 Months $000	1–3 Years $000	3–5 Years $000	More than 5 Years $000
Cash and cash equivalents	8,322	8,322	–	–	–	–
Bank overdraft and borrowings	(55,000)	(55,000)	–	–	–	–
Bank loans	(84,000)	(84,000)	–	–	–	–
Interest rate swaps						
Notional cash inflows	137,000	137,000	–	–	–	–
Notional cash outflows	(137,000)	–	(15,000)	(41,000)	(45,000)	(36,000)
Total variable rate	**(130,678)**	**6,322**	**(15,000)**	**(41,000)**	**(45,000)**	**(36,000)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Effects of hedge accounting on financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships.

	2020					
			Carrying Amounts			
Cash flow hedges	**Nominal $000**	**Weighted Average Rate**	**Assets $000**	**Liabilities $000**	**Change in Fair Value Used to Measure Ineffectiveness $000**	**Cash Flow Hedge Reserve $000**
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(187,210)	1.19%	n/a	n/a	12,532	n/a
Hedging instrument: Interest rate swaps†	(132,000)	3.32%	–	(12,389)	(12,389)	12,389

	2019					
			Carrying Amounts			
Cash flow hedges	Nominal $000	Weighted Average Rate	Assets $000	Liabilities $000	Change in Fair Value Used to Measure Ineffectiveness $000	Cash Flow Hedge Reserve $000
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(139,000)	2.02%	n/a	n/a	12,080	n/a
Hedging instrument: Interest rate swaps†	(137,000)	3.61%	–	(11,926)	(11,926)	11,926

† The interest rate swaps include $20.0 million of forward starting swaps (2019: $15.0 million).

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Foreign currency risk

The Group is exposed to foreign currency risk as a result of sales and investments denominated in foreign currencies, as well as the foreign currency exposure arising from USD denominated fuel purchases. The Group has entered into forward exchange contracts and foreign currency options (hedging instruments) to hedge the variability in cash flows arising from foreign exchange rate movements in relation to foreign currency sales (hedged item) up to two years forward. Minimum and maximum hedging levels for the next two years expected sales volumes are stipulated by its Treasury Policy. In the current period, the Group designated the highly probable forecast transactions and the forward exchange contracts and options into cash flow hedge relationships.

Forward exchange contracts and foreign currency options are recognised within the Derivative Financial Instruments on the statement of financial position as at reporting date. The fair value gains and losses on these derivatives were recognised in other comprehensive income and transferred to profit or loss when the underlying transactions affected the profit or loss within revenue and cost of sales in the income statement. The amounts designated as the hedged item in qualifying cash flow hedges mirror the amounts designated as hedging instruments as set out below, therefore the Group has established a 1:1 hedge ratio.

Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. The source of any ineffectiveness would be largely due to credit risk adjustments on the derivatives and timing of cash flows. No ineffectiveness arose on cash flow hedges of foreign currency transactions during the year (2019: None).

As at 30 September 2020, the Group's exposure to foreign currency risk for the next 12 months can be summarised as follows:

	2020				
(figures are NZD)	**USD $000**	**AUD $000**	**JPY $000**	**EUR $000**	**GBP $000**
Cash (overdraft)	(1,576)	71	170	–	–
Trade receivables	19,723	1,381	359	–	72
Trade payables	(2,040)	(213)	–	(21)	–
Net statement of financial position exposure before hedging activity	16,107	1,239	529	(21)	72
Forecast net receipts	156,250	10,638	10,236	–	–
Net cash flow exposure before hedging activity	172,357	11,877	10,765	(21)	72
Forward exchange contracts and options	(153,375)	(9,920)	(10,169)	–	–
Net un-hedged exposure	18,982	1,957	596	**(21)**	**72**

	2019				
(figures are NZD)	USD $000	AUD $000	JPY $000	EUR $000	GBP $000
Cash (overdraft)	599	(73)	(396)	–	–
Trade receivables	31,445	3,585	1,106	–	304
Trade payables	(3,209)	(621)	–	–	(95)
Net statement of financial position exposure before hedging activity	28,835	2,891	710	–	209
Forecast net receipts	160,930	7,389	15,894	3,353	1,249
Net cash flow exposure before hedging activity	189,765	10,280	16,604	3,353	1,458
Forward exchange contracts and options	(179,673)	(9,697)	(14,989)	–	–
Net un-hedged exposure	**10,092**	**583**	**1,615**	**3,353**	**1,458**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Foreign currency risk (continued)

Effects of hedge accounting on the financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships.

	2020				
Cash flow hedges*	**Nominal $000**	**Carrying Amounts Assets $000**	**Carrying Amounts Liabilities $000**	**Change in Fair Value Used to Measure Ineffectiveness $000**	**Cash Flow Hedge Reserve $000**
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	296,667	n/a	n/a	(9,218)	n/a
Hedging instruments: Forward exchange contracts	(228,340)	8,890	(1,142)	7,748	(7,748)
Hedging instruments: Foreign currency options	(68,327)	1,541	(103)	1,438	(1,438)

	2019				
Cash flow hedges*	Nominal $000	Carrying Amounts Assets $000	Carrying Amounts Liabilities $000	Change in Fair Value Used to Measure Ineffectiveness $000	Cash Flow Hedge Reserve $000
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	321,247	n/a	n/a	16,873	n/a
Hedging instruments: Forward exchange contracts	(271,782)	96	(15,318)	(15,223)	15,223
Hedging instruments: Foreign currency options	(49,465)	72	(1,691)	(1,619)	1,619

* Includes all hedges of forecast future transactions.

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Fuel price risk

P

The Group exposed to fuel price risk through its purchases of fuel for its fishing fleet.

Fuel price risk is the risk of loss to the Group due to adverse fluctuations in fuel prices in USD terms. The currency exposure arising from USD fuel costs is managed separately (see foreign currency risk management). The Group's fuel price risk has the following contractually specified components: gas oil and light fuel oil prices, and shipping costs.

The Group enters into gas oil and light fuel oil commodity swaps to reduce the variability in those components of fuel costs, which historically have comprised approximately 80% (2019: 80%) of total fuel cost. Minimum and maximum hedging levels for the next two years expected purchase volumes are stipulated by its Board approved Treasury Policy. A 1:1 hedge ratio is used, reflecting the match of the hedging instruments and the component exposures in the fuel costs.

Fuel swaps are recognised within the Derivative Financial Instruments on the statement of financial position as at balance date and were designated as the hedging instruments in qualifying cash flow hedges. The fair value gains and losses on these derivatives were recognised in other comprehensive income and transferred from other comprehensive income and included in the initial carrying amount of inventory. When the fuel is consumed it is expensed to the profit or loss within cost of sales in the income statement.

Hedge ineffectiveness is only expected to result from credit valuation adjustments and any shortfalls in the amounts of the expected exposures. Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. Any ineffectiveness is recognised within cost of sales in the income statement.

All fuel derivative contracts mature within 15 months of reporting date (2019: 12 months).

Reconciliation of changes in hedge reserves

The movement in the fair value of hedging instruments which are deferred to the cash flow hedge reserve during the year are set out below, together with changes in the cost of hedging reserve, and the tax thereon:

	2020			
	Hedging Instruments used to Hedge			
Recognised in statement of changes in equity hedge reserves	**Interest Rate Risk $000**	**Currency Risk $000**	**Fuel Price Risk $000**	**Total $000**
Balance at the beginning of the year	**(8,587)**	**(12,124)**	**(415)**	**(21,126)**
Changes in cash flow hedge reserve	(463)	26,023	(312)	25,248
Changes in cost of hedging reserve	–	1,165	–	1,165
Taxation on reserve movements	130	(7,612)	87	(7,395)
Balance at the end of the year	**(8,920)**	**7,452**	**(640)**	**(2,108)**

	2019			
	Hedging Instruments used to Hedge			
Recognised in statement of changes in equity hedge reserves	Interest Rate Risk $000	Currency Risk $000	Fuel Price Risk $000	Total $000
Balance at the beginning of the year	**(4,706)**	**(4,207)**	**1,751**	**(7,162)**
Changes in cash flow hedge reserve	(5,390)	(10,244)	(3,008)	(18,642)
Changes in cost of hedging reserve	–	(752)	–	(752)
Taxation on reserve movements	1,509	3,079	842	5,430
Balance at the end of the year	**(8,587)**	**(12,124)**	**(415)**	**(21,126)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Sensitivity to changes in market prices or rates

All derivatives are measured at fair value and changes in market inputs used to determine these fair values would have an impact on Sanford's financial statements. For each type of market risk that the Group is exposed to at the end of the reporting period, the below sensitivity analysis shows the impacts of reasonably plausible changes in the relevant market variables on the profit or loss and other comprehensive income for the period. The effects of a variation in a particular assumption is calculated independently of any changes in another assumption. As this sensitivity analysis is only on financial instruments (derivative and non-derivative), these ignore the offsetting impacts of future forecast transactions designated as hedged items to the derivatives held.

	2020		2019	
	$000 Increase	$000 Decrease	$000 Increase	$000 Decrease
Impact on other comprehensive income (net of tax):				
Sensitivity to changes in interest rates				
100 bp change in interest rates	2,839	(3,030)	3,226	(3,415)
Sensitivity to changes in foreign exchange rates				
10% change in foreign exchange rates	18,846	(22,666)	20,002	(24,602)
Sensitivity to changes in fuel prices				
10% change in fuel prices	950	(953)	815	(823)
Impact on profit after tax:				
Sensitivity to changes in interest rates				
100 bp change in interest rates	(45)	93	(17)	17
Sensitivity to changes in foreign exchange rates				
10% change in foreign exchange rates	859	(1,009)	523	(666)

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of capital structure on shareholders' return is also recognised and the Group acknowledges the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(e) Master netting arrangements

Sanford enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts. Under the ISDA agreements the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. The potential net impact of this offsetting is shown below. Sanford does not hold and is not required to post collateral against its derivative positions.

Net derivatives after applying rights of offset under ISDA agreements

	2020 $000	2019 $000
Derivative assets	11,988	276
Derivative liabilities	(14,993)	(32,244)
Net amount	**(3,005)**	**(31,968)**

NOTE 20 – RIGHT OF USE ASSETS AND LEASE LIABILITIES

(a) Right of use assets

P

Right of use assets are initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received and an estimate of costs to dismantle and remove the underlying asset. The right of use asset is subsequently carried at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. These assets are depreciated over the expected lease term. The expected lease term may include the taking-up of lease extension options, if the Group is reasonably certain of exercising such options. The depreciation of leased assets of annual catch entitlement (ACE) is recognised as part of operating expenses, and not within the depreciation line in the income statement. This is because the Group considers this to be part of its cost of fishing.

	2020				
	Land and Buildings $000	Plant and Equipment $000	Annual Catch Entitlement (ACE) $000	Marine Farm Licences $000	Total $000
Cost					
Recognised on adoption of NZ IFRS 16	23,738	2,514	14,377	5,475	46,104
Additions	1,479	2,614	–	2,406	6,499
Disposals	(417)	(42)	–	(180)	(639)
Effect of movement in exchange rates	12	–	–	–	12
Balance at end of year	**24,812**	**5,086**	**14,377**	**7,701**	**51,976**
Accumulated depreciation and impairment					
Depreciation	(1,949)	(1,453)	–	(1,538)	(4,940)
Depreciation - ACE	–	–	(6,888)	–	(6,888)
Disposals	29	26	–	180	235
Effect of movement in exchange rates	(2)	–	–	–	(2)
Balance at end of year	**(1,922)**	**(1,427)**	**(6,888)**	**(1,358)**	**(11,595)**
Net book value at 30 September 2020	**22,890**	**3,659**	**7,489**	**6,343**	**40,381**

E

Impairment testing

All right of use assets were assessed for impairment within the relevant cash generating unit. The discounted cash flow model confirmed that there was no impairment of the right of use assets included within the cash generating units.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 20 – RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

(b) Lease liabilities

The Group has applied NZ IFRS 16 *Leases* effective from 1 October 2019 using the modified retrospective approach and therefore comparative information has not been restated and is presented in accordance with the requirements of NZ IAS 17 *Leases*.

Policy applicable from 1 October 2019

At inception of the lease contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Control is conveyed where the Group has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from the use of the asset throughout the term. The Group recognises a right of use asset and a lease liability at the lease commencement date.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rates as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. The liability is remeasured when there is a change in future lease payments arising from a change in an index or a rate and if the Group revises its assessment as to whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in the income statement if the carrying amount of the right of use asset has been reduced to zero.

Leases are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after the balance date.

Short-term leases

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases. The Group recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

Variable lease payments not included in the measurement of the lease liability

Variable lease payments which do not depend on an index or a rate are excluded from the measurement of the lease liability and recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Policy applicable prior to 1 October 2019

Payments made under operating leases, where the lessors effectively retain the risks and benefits of ownership, were recognised as an expense in the income statement on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Leasing activities

The Group leases mainly land and buildings, plant and equipment, Annual Catch Entitlement (ACE) and marine farm licences. Land and buildings and plant and equipment leases are typically for periods of between 1 and 20 years with a number of extension options. Rent is either fixed or reset periodically based on an index or rate. The lease of ACE for use on the Company's fishing vessels is for periods of between 3 and 5 years, and is renegotiated periodically based on commercial rates. Marine farm licence leases are for periods of between 1 and 16 years and are typically linked to the period of the licence or consent. Rent may be adjusted on the basis of annual fixed percentage increases, CPI movements, rent negotiations or market reviews.

NOTE 20 – RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

(b) Lease liabilities (continued)

E

Determination of lease term

The lease term is the non-cancellable period of a lease, together with periods covered by an option (available to the lessee only) to extend or terminate the lease if the lessee is reasonably certain to exercise/not to exercise that option. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise/not exercise an option. This may include the existence of large penalties for early termination, the incurrence of significant maintenance costs in meeting early return obligations, the uniqueness of the underlying asset being leased or consideration as to whether leasehold improvements still carry significant value. Such assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and is within the control of the Group. Certain property leases, for which there is no readily identifiable alternative property available, include an additional renewal period where one is available under the lease contract or where the Group considers the exercise of renewal options highly likely.

Determination of incremental borrowing rate

The Group determines the incremental borrowing rate by obtaining the rates from various external financing sources and makes certain adjustments to reflect the term and currency of the lease and the type of asset being leased.

Amounts recognised as lease liabilities on application of NZ IFRS 16 together with movements during the year are presented below.

	2020				
	Land and Buildings $000	Plant and Equipment $000	Annual Catch Entitlement (ACE) $000	Marine Farm Licences $000	Total $000
Recognised on adoption of NZ IFRS 16	23,738	2,514	14,377	5,152	45,781
Additions	1,479	2,233	–	2,307	6,019
Interest cost	928	81	156	215	1,380
Repayments of principal and interest	(2,416)	(1,355)	(6,967)	(1,582)	(12,320)
Terminations	(396)	(16)	–	–	(412)
Effect of movement in exchange rates	10	–	–	–	10
Balance at end of year	**23,343**	**3,457**	**7,566**	**6,092**	**40,458**
Represented by:					
Current	1,620	1,347	6,952	1,264	11,183
Non-current	21,723	2,110	614	4,828	29,275
	23,343	**3,457**	**7,566**	**6,092**	**40,458**

Present value of future rentals payable

	2020		
	Principal $000	Interest $000	Gross $000
Less than one year	11,183	1,144	12,327
Between one and five years	12,294	3,397	15,691
More than five years	16,981	3,757	20,738
	40,458	**8,298**	**48,756**

Lease expenses included in profit or loss

	2020 $000
Short-term leases	3,839
Short-term leases of annual catch entitlement (ACE)	5,391
	9,230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 21 – CONTINGENT LIABILITIES

	2020 $000	2019 $000
Guarantees	772	970

The Group has guarantees with its commercial banking partners. In this respect the Group treats the guarantee contracts as contingent liabilities until such times as it becomes probable that the Group will be required to make payments under the guarantees.

The company has entered a guilty plea to three representative charges of the San Waitaki vessel found to be bottom trawling in a benthic protection area. Sentencing is now expected in 2021. Aside from the fine, which is covered by insurance, the offence also carries potential forfeiture of the vessel and the related catch. The company believes there is a strong argument in support of “special reasons” justifying non-forfeiture of the vessel and catch, which is a matter for the Court to determine. The Directors have concluded, based on legal advice, that there is no requirement to recognise a liability for the forfeiture of the vessel and catch at reporting date.

NOTE 22 - GROUP ENTITIES

Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value (excluding transaction costs), as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expense arising from intra group transactions, are eliminated on consolidation.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. The Group classifies its joint arrangements as either joint operations or joint ventures depending on the legal, contractual or other rights and obligations. Where the interest in the joint arrangement is in the net residual of the business, the arrangement is a joint venture. Joint ventures are accounted for using the equity method; which is detailed in note 13. Where the Group has rights to the assets, and obligations for liabilities of the joint arrangement, this is a joint operation. The Group recognises its share of assets, liabilities, revenues and expenses of each joint operation.

NOTE 22 – GROUP ENTITIES (continued)

Basis of consolidation (continued)

The Group comprises the Company and the following principal entities:

Name	2020 Interest Held (%)	2019 Interest Held (%)	Balance Date	Principal Activity
Subsidiaries:				
New Zealand				
Auckland Fish Market Limited	100	100	30 September	Auction
Sanford Fish Market Limited	100	100	30 September	Retail
Sanford Investments Limited	100	100	30 September	Investment company
Sanford LTI Limited	100	100	30 September	Holding company
Shellfish Production & Technology NZ Limited	100	100	30 September	Research company
BreedCo Limited	80	80	30 September	Research company
Auckland Fishing Port Limited	67	67	31 March	Wharf company
Perna Contracting Limited	100	50	31 March	Mussel harvesting
Australia				
Sanford Australia Pty Limited	100	100	30 September	Auction
Sanford Seafoods (Australia) Pty Limited	100	100	30 September	Holding company
Primestone Nominees Pty Limited	75	75	30 September	Seafood wholesaler
Joint Operation:				
New Zealand				
North Island Mussels Limited	50	50	30 September	Mussel farming and seafood processing
Joint Ventures and Associates:				
New Zealand				
San Won Limited	50	50	30 September	Cold storage
New Zealand Japan Tuna Company Limited	46.74	46.74	30 September	Fish catching and processing
Live Lobster Southland (1995) Limited	–	50	31 March	Seafood processing
Trident Systems General Partner Limited	42.35	42.35	30 September	Research company
Precision Seafood Harvesting General Partner Limited	33.33	33.33	30 September	Research company
Malmac Trading Limited	50	–	31 March	Retail Seaweed
Two Islands Co NZ Limited	50	–	31 March	Dietary Supplements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTE 23 – RELATED PARTY TRANSACTIONS

(a) Basis of transactions

Related parties of the Group include the joint ventures, associates and joint operation disclosed in note 22.

Transactions with related parties have been entered into in the ordinary course of business and undertaken on normal commercial terms.

(b) Material transactions and balances with related parties

	Transaction Value Related Parties associated with Directors of the Group		Transaction Value Joint Ventures and Associates		Transaction Value Joint Operation	
	2020 $000	2019 $000	**2020 $000**	2019 $000	**2020 $000**	2019 $000
Income (Expenses)						
Management fees	–	–	222	220	–	–
Sales	–	–	198	171	2,945	2,120
Interest received	–	–	2	10	495	726
Dividends received	–	–	150	208	–	–
Processing, storage and harvesting services	–	–	(1,898)	(1,891)	–	–
Purchases	(24,512)	(28,488)	–	–	(26,443)	(21,793)
	(24,512)	**(28,488)**	**(1,326)**	**(1,282)**	**(23,003)**	**(18,947)**

	Amounts Owing from Related Parties	
	2020 $000	2019 $000
Associates	378	232
Joint Operation	20,819	19,819
	21,197	**20,051**

Transactions with related parties associated with directors of the Group are with Z Energy Limited and Ports of Tauranga Limited. These transactions arise in the normal operations of the Group.

In respect of the joint operation the transaction values and amounts owing are eliminated on consolidation and are therefore for information purposes.

Interest is charged on balances between New Zealand related parties at rates linked to the market. All related party balances are repayable on demand. The parties have agreed not to call upon the loans within 12 months from reporting date.

NOTE 24 – KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation comprised:

	2020 $000	2019 $000
Salary and short-term employee benefits	9,708	9,162
Directors' fees	744	768
	10,452	**9,930**

Key management personnel is defined as the executive and their direct reports.

NOTE 25 – SUBSEQUENT EVENTS

The Christchurch mussel processing facility has been sold in October 2020. Refer to note 18.

Combined Independent Auditor's and Limited Assurance Report

General

Our assurance procedures consisted of the audit of the Consolidated Financial Statements of Sanford Limited and limited assurance procedures on Selected Non-Financial Information in Sanford Limited's Annual Report.

Our scope can be summarised as follows:

Sanford Limited's Financial Report

Audit Scope

Reasonable assurance

Selected Non-Financial Information

Assurance Scope

Limited assurance

i. Reporting what matters" (pages 22-26)

ii. "The six performance outcomes" (pages 27 – 78)

iii. "Key performance indicators table" (pages 144 - 146)

Other Information in Sanford Limited's Annual Report

Consider consistency with Financial Report

No assurance

Independent Auditor's Report

To the shareholders of Sanford Limited.

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Sanford Limited (the ' company') and its subsidiaries (the 'group') on pages 92 to 134:

i. present fairly in all material respects the Group's financial position as at 30 September 2020 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 September 2020;
- the consolidated income statement, statement of other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to assurance over Selected Non- Financial Information and scrutineering the results of the annual meeting. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2 million determined with reference to a benchmark of group profit before tax from continuing operations. We chose the benchmark because, in our view, this is the key measure of the group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

Key changes in the assessment of audit risks COVID-19

The COVID-19 pandemic has created additional risks across a number of areas of the business. All forward-looking assumptions are inherently more uncertain during these unprecedented times. 'Seafood inventory net realisable provision' is a key audit matter in the current year, as the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather. Further information about the impact of COVID-19 on the business can be found in Note 2(g).

The key audit matter	How the matter was addressed in our audit
Valuation of quota and Marine Farm Licenses	
Refer to Note 14 to the Financial Report. The Group holds quota and Marine Farm Licenses in New Zealand and Australia, recognised as indefinite life intangible assets, across three cash generating units of $487.3m (2019: $487.3m). The accounting standards require those assets with an indefinite useful life to be tested for impairment annually. Impairment of these assets is considered to be a key audit matter due to the uncertainty inherent in the growth and discount rates used in the cash flow forecasts that support the carrying value, taking into account COVID-19. In relation to the Marine Farm Licenses we also note the uncertainty surrounding whether these licenses will be renewed upon expiry in 2024. This required us to assess the continual recognition of the licenses as indefinite life assets.	Our audit procedures to assess the carrying value of the intangible assets included understanding and challenging the key assumptions and estimates used to determine the carrying value, specifically those relating to discount rates, growth assumptions of cash flows, and terminal growth rates, wherever possible referencing to external data. We compared the cash flow forecasts to business plans, assessed management's accuracy in budgeting, and compared previous forecasts to actual results achieved. We used our own valuation specialists to assist us with the consideration of terminal growth and discount rates. Additionally, we also applied stress-testing to the Group's assumptions used in the cash flow forecasts taking into consideration COVID-19, by analysing the impact on results from using reduced growth rates, discount rates and cash flow forecasts. In relation to the 2024 expiration of the Marine Farm Licenses, we performed our own independent research into the status of the Marine Farm License renewal process, including the likelihood of renewal and costs expected to be incurred upon renewal.

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The key audit matter	How the matter was addressed in our audit
Seafood inventory net realisable value provision	
Refer to Note 11 to the Financial Report. The Group holds inventory in the form of finished products of Seafood as at year end of $74.8m (2019: $37.6m) net of a net realizable value provision of $2.1m (2019: $2.2m). This is a key audit matter because of the significant increase in the volume of seafood inventory particularly as a result of the impact that COVID-19 has had on international food service customers, who buy and sell much of the Group's product. The decline in sales and management's expectations around the timeframes on which markets will recover means there is a great level of judgement involved in management's assessment of the net realizable value provision.	In obtaining sufficient appropriate audit evidence we: - obtained an understanding of management's inventory provisioning process; - compared the net realisable value of aged inventory items and high-volume inventory items to subsequent selling values and the 2021 forecast plan. In doing so, we considered the greater price uncertainty as a result of the Covid-19 pandemic; - tested the mathematical accuracy of the provision calculation; and - considered the appropriateness and sufficiency of inventory disclosures included in the Group financial statements.

Other Information

The Directors, on behalf of the group, are responsible for the Other Information included in the entity's Annual Report (specifically the areas entitled About this report (page 2), Chairman review (pages 4-6), CEO review (pages 7-8), Sanford in numbers (page 9), CFO Review (pages 10 – 12), Report Structure (pages 14 - 15) Our global sales footprint (pages 16 - 17), Creating value (pages 18 – 19), Highs and lows (page 20 - 21), Corporate Governance and indemnity and insurance (pages 80-86), Statutory Information (pages 87-88), and Appendices (pages 147-151) titled Appendix B: Aligning Material Issues with Business Risks, Appendix C: Industry Memberships and Stakeholders and Appendix D: Key Initiatives Contributing to the UN Sustainable Development Goals 2020). Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent audit report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

KPMG

Limited assurance report on Selected Non-financial Information included in the Annual Report

To the Directors of Sanford Limited

Conclusion

Our limited assurance conclusion has been formed on the basis of the matters outlined in this report.

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, nothing has come to our attention that would lead us to believe that the Selected Non-Financial Information has not been prepared, in all material respects, in accordance with the GRI Standards.

The Selected Non-Financial Information on which we have concluded comprises:

- Reporting what matters (pages 22-26)
- The six performance outcomes (pages 27-78):
  - Enabling Healthy Oceans and Protecting and Enhancing the Environment
  - Creating a Safe and High Performing Workplace
  - Leading the Way to Healthy Food and Marine Extracts
  - Supporting Strong Communities and Partnerships
  - Delivering Consumers' Expectations
  - Building a Sustainable Seafood Business
- Key performance indicators table (pages 144 -146)

Basis for conclusion

We have performed an engagement to provide limited assurance in relation to whether anything has come to our attention to indicate the Selected Non-Financial Information has not been prepared in all material respects in accordance with the GRI Standards.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* ('ISAE (NZ) 3000 (Revised)') and Standard on Assurance Engagements 3100 (Revised) *Assurance Engagements on Compliance* ('SAE 3100 (Revised)'). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards we have:

— used our professional judgement to plan and perform the engagement to obtain limited assurance that the Selected Non-Financial Information is free from material misstatement, whether due to fraud or error;

— considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and

— ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Our procedures included:

- Enquiries of Sanford personnel to understand the process for deriving the Selected Non-Financial Information;
- Analytical review and other testing to assess the reasonableness of the information presented;
- Checking whether the appropriate indicators have been reported in accordance with the GRI Standards in accordance with the core level; and,
- Overall sense check of the Report against our findings and understanding of Sanford.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with New Zealand Auditing and Assurance Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance or audit opinion.

Because of the inherent limitations of an assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the year and the procedures are undertaken on a test and specific procedures basis, our assurance engagement cannot be relied on to detect all instances where Sanford may not have complied with the GRI Standards. The conclusion expressed in this report has been formed on the above basis.

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

Use of this limited assurance report

Our report should not be regarded as suitable to be used or relied on by any party's other than Sanford Limited for any purpose or in any context. Any party other than Sanford Limited who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Directors of Sanford for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to Sanford Limited on the basis that it shall not be copied, referred to or disclosed, in whole (save for Sanford Limited's own internal purposes) or in part, without our prior written consent.

Responsibilities of management for the Selected Non-Financial Information

Management, on behalf of the company, are responsible for:

- for the preparation and presentation of the Selected Non-Financial Information in accordance with the criteria set out in the GRI Standards, for each of the principles of materiality, stakeholder inclusiveness, sustainability context and completeness; and
- for determining Sanford's objectives in respect of sustainability reporting and for establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

KPMG

These responsibilities includes such internal control as the directors determine is necessary to enable the preparation of the Selected Non-Financial Information that is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the assurance of the Selected Non-Financial Information

Our responsibility is to express a conclusion to the directors on whether anything has come to our attention that the Selected Non-Financial Information has not been prepared in all material respects in accordance with the GRI Standards.

Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

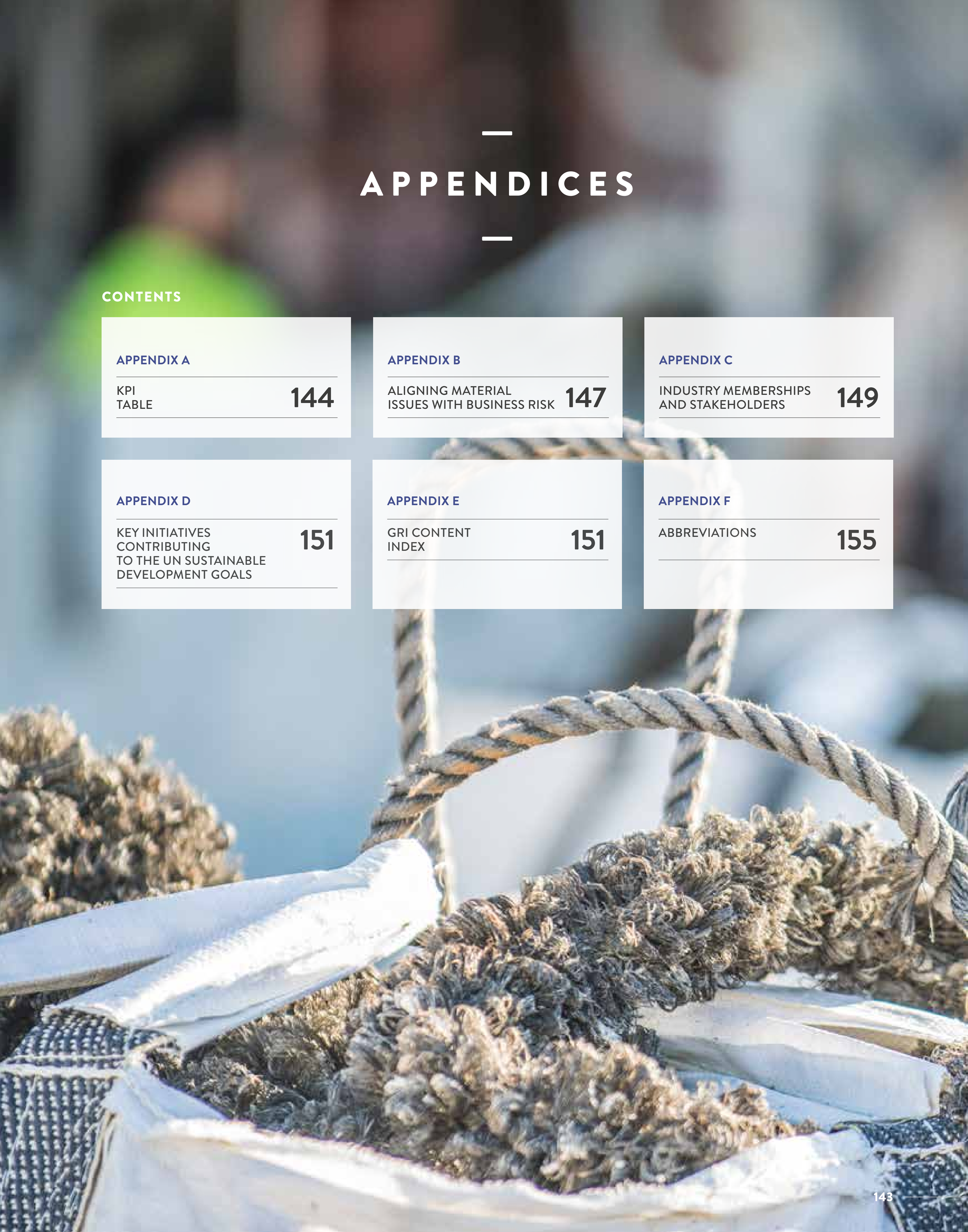
Our firm has also provided other services to the group in relation to statutory audit and scrutineering results of the annual meeting. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

The partner on the engagement resulting in this Combined Independent Auditor's and Assurance Report is Ian Proudfoot.

KPMG

For and on behalf of
KPMG
Auckland

11 November 2020



APPENDICES

CONTENTS

GRI STANDARD REF	KPI METRIC	UNITS	2020	2019	2018	2017
	OUTCOME 1 – ENABLING HEALTHY OCEANS AND PROTECTING AND ENHANCING THE ENVIRONMENT					
304-2	NZ Quota Owned Based on ACE Equivalent	%	19.7	19.4	22	23
304-3	Wildcatch Sourced from MSC Designated Fisheries	%	45	36	44	46
102-7	Total Wildcatch (GWT) [(1)(2)]	tonnes	84,373	90,351	92,612	96,225
102-7	Greenweight Wild Caught Harvested - Deepwater Fleet	tonnes	73,335	69,377	66,649	67,784
102-7	Greenweight Wild Caught Harvested - Inshore Fleet	tonnes	11,037	20,974	25,963	28,441
102-7	Greenweight King Salmon Harvested [(2)]	tonnes	4,731	4,028	3,498	3,657
102-7	Greenweight Mussels Harvested [(2)]	tonnes	33,918	29,419	26,976	31,631
304-3	Marine Stewardship Council Deepwater Species Certified in New Zealand [(3)]	#	5	6	6	6
304-2	Seabird Mortality Rate [(4)(5)]	%	61	66	57	81
304-2	Total Number of Seabirds Caught Dead [(5)]	#	220	164	234	481
304-2	Marine Mammal Mortality Rate [(4)(5)]	%	92	90	92	91
304-2	Total Number of Marine Mammals Caught Dead [(5)]	#	33	46	71	93
	PROTECTING AND ENHANCING THE ENVIRONMENT					
306-3	Number of Notifiable Spills [(6)]	#	3	2	4	2
306-3	Total Volume of Notifiable Spills	litres	45	10	49	152
302-1	Total Liquid Fossil Fuel Consumed [(7)]	litres	22,971,935	21,953,479	23,766,305	23,531,386
302-1	Total Vessel Liquid Fossil Fuel Consumed [(7,8)]	litres	21,935,659	20,910,356	22,911,805	22,591,618
302-3	Wildcatch Vessel Fuel Efficiency [(7,9)]	L/GWkg	0.455	0.377	0.385	0.359
302-3	Aquaculture Vessel Fuel Efficiency [(10,11)]	L/GWkg	0.046	0.044	0.063	0.050
302-1	Electricity Consumed [(12)]	kWh	23,085,662	24,780,103	25,158,664	26,237,144
302-3	Electricity Efficiency by Production [(12,13)]	kWh/GWkg	0.384	0.355	0.332	0.292
302-3	Electricity Efficiency by Total Sales, Land Based Processing Sites [(14)]	kWh/$	0.091	0.082	0.087	0.091
302-1	Coal Consumed [(15)]	kg	2,100	3,650	234,300	381,100
302-1	Wood Chip Consumed [(15)]	kg	500,690	576,712	332,832	19,200
302-1	Lube Oil Consumed [(16)]	litres	134,260	129,828	162,924	158,760
302-1	Biodegradable Lube Oil Consumed [(16)]	litres	5,036	6,646	8,180	12,508
302-1	Natural Gas Consumed	kWh	2,881,317	2,348,994	2,302,383	2,868,330
N/A	Total Greenhouse Gas Emissions (CO_2-e) [(7,17,18,19)]	tonnes	276,363	74,153	80,458	77,935
305-1	Direct Emissions (CO_2-e) – Scope 1 [(7,17,18,19)]	tonnes	65,069	63,480	71,059	66,882
305-2	Purchased Electricity (CO_2-e) – Scope 2 [(7,12)]	tonnes	2,352	2,247	2,804	3,122
305-3	Indirect Emissions (CO_2-e) – Scope 3 [(7,17,18,19,20)]	tonnes	208,942	8,426	6,595	5,931
	OUTCOME 2 – CREATING A SAFE AND HIGH PERFORMING WORKPLACE					
102-7	Total Workforce (as at 30 Sept 2020) [(21)]	#	1,387	1,453		
102-8	Independent Sharefishers (as at 30 Sept 2020) [(21)]	#	444	451		
102-41	Employees Covered by Collective Agreements/ Union Membership	%	20	20	19	19
404-1	Training Credits Achieved by Females [(22)]	#	431	948	647	2,246
404-1	Training Credits Achieved by Males [(22)]	#	1,567	1,273	3,202	5,238
401-1	Average Length of Service (Permanent Staff)	years	7.74	7.95	7.48	8.00
401-1	Average Length of Service (Sharefishers)	years	5.90	5.68	5.74	6.44
401-1	Involuntary Turnover of Permanent Employees	%	11	9	5	7
401-1	Voluntary Turnover of Permanent Employees	%	13	19	21	16
	AGE OF WORKFORCE					
405-1	<20 (annual quarterly average)	#	31	56	74	64
405-1	20 to 29 (annual quarterly average)	#	318	381	412	361
405-1	30 to 39 (annual quarterly average)	#	286	303	309	274
405-1	40 to 49 (annual quarterly average)	#	310	332	344	353
405-1	50 to 59 (annual quarterly average)	#	308	327	348	328
405-1	60+ (annual quarterly average)	#	170	172	160	147
N/A	DOB Not Stated (annual quarterly average)	#	16	39	53	51

GRI STANDARD REF	KPI METRIC	UNITS	2020	2019	2018	2017
405-1	Average Age of Employees on Land	years	43	44	42	43
405-1	Average Age of Employees at Sea	years	36	36	33	34
	AGE OF NEW HIRES (PERMANENT, LAND BASED STAFF ONLY)					
401-1	<20 (annual quarterly average)	%	4	6	16	13
401-1	20 to 29 (annual quarterly average)	%	36	40	30	36
401-1	30 to 39 (annual quarterly average)	%	32	16	16	12
401-1	40 to 49 (annual quarterly average)	%	19	23	20	22
401-1	50 to 59 (annual quarterly average)	%	9	11	17	13
401-1	60+ (annual quarterly average)	%	1	4	2	4
	WOMEN IN THE WORKFORCE					
405-1	Directors	%	33	17	17	17
405-1	Executive (annual quarterly average)	%	43	40	22	13
405-1	Senior Leadership Team (annual quarterly average)	%	35	37	27	26
	ETHNICITY OF WORKFORCE [23]					
405-1	New Zealand European (annual quarterly average)	%	42.8	44	46	47
405-1	Māori (annual quarterly average)	%	20.2	23	22	24
405-1	Pasifika (annual quarterly average)	%	10.0	10	11	13
405-1	Asian (annual quarterly average)	%	7.3	4	4	3
405-1	European (annual quarterly average)	%	4.2	3	3	2
405-1	Other (annual quarterly average)	%	4.6	4	4	5
405-1	Not stated (annual quarterly average)	%	11.0	12	10	10
	EMPLOYEE BENEFITS					
401-2	Health Insurance Plan	members	151	157	179	178
401-2	Health Insurance Plan Membership	%	16	16	16	16
201-3	Employees in Super Scheme Only	members	89	98	112	115
201-3	Super Scheme Membership (excludes Sharefishers)	%	24	24	10	10
201-3	Employees in Kiwi Saver Only	members	651	645	660	586
201-3	Kiwi Saver Membership (excludes Sharefishers)	%	84	78	60	53
201-3	Employees in Both Schemes	members	137	150	155	144
	HEALTH AND SAFETY					
403-9	Absenteeism Rate [24]	%	6	6	4	5
403-9	Number of Near Misses Reported	#	684	515	376	324
403-2	Number of Reported Injuries [25]	#	927	976	970	1,032
N/A	Number of Notifiable Events [26]	#	10	17	5	10
403-2	Number of Lost Time Injuries [27]	#	51	64	52	55
403-2	Lost Time Injury Frequency Rate (LTIFR) [27]	#/mhrs	14.34	17.75	13.89	14.67
403-2	Total Recordable Injury Frequency Rate (TRIFR) [28]	#/mhrs	30.75	51.79		not reported
NZ/ACC	Number of Accepted ACC Claims [29]	#	114	96	118	134
NZ/ACC	Number of Accepted ACC Claims per Employee [29]	#	0.11	0.09	0.11	0.12
NZ/ACC	Average Cost per Claim (including outstanding estimates)	$	2,077	2,685	1,157	1,525
403-9	Total Number of Days Off Work [30]	#	774	693	230	386
419-1	Safety-related Prosecutions [31]	#	0	0	1	0
	OUTCOME 3 – LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS					
416-1	Number of Food Safety Recalls	#	0	0	0	0
416-1	Total Number of Food Quality Complaints Received	#	154	162	133	101
416-1	Total % of Food Quality Complaints Received That are Justified	%	65	62	56	60
	OUTCOME 4 – SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS					
201-1	Total Community and Charitable Investments - Sponsorships and Donations [32]	$000s	499	365	245	218

GRI STANDARD REF	KPI METRIC	UNITS	2020	2019	2018	2017
OUTCOME 5 – DELIVERING CONSUMERS' EXPECTATIONS						
N/A	Social Media Followers Across Sanford Brands [33]	#	51,197	41,091	not reported	
N/A	Average daily AFM visitors [34]	#	586	669	not reported	
N/A	Number of customers	Account	769	750+	700+	700+
OUTCOME 6 – BUILDING A SUSTAINABLE SEAFOOD BUSINESS						
	ECONOMIC PERFORMANCE					
201-1	Revenue	$m	468.8	545.1	515.0	477.9
201-1	Profit Attributable to Shareholders	$m	22.4	41.7	42.3	37.5
102-7	Total Assets	$m	931.9	821.2	809.4	820.0
102-7	Total Equity	$m	611.60	588.2	581.9	575.8
201-1	Return on Average Equity	%	3.7	7.1	7.3	6.6
201-1	Dividend per Share	cents	5.0	23.0	23.0	23.0
201-1	Earnings per Share	cents	24.0	44.6	45.2	40.1
201-1	Wages and Salaries [35]	$m	125	120	115	114
201-1	Payments to New Zealand Income Tax	$m	10.1	14.2	9.0	13.4
204-1	Payments to Domestic Suppliers	$m	359.8	370.0	314.1	283.0
	OPERATIONAL CAPABILITY AND CAPACITY					
102-7	Number of Vessels [36]	#	37	37	43	49
102-7	Number of Aquaculture Farms [37]	#	225	219	219	211
N/A	Number of External Compliance Audits [38]	#	75	65	92	85
	GLOBAL PRESENCE					
102-7	Total Sales Domestic	%	43.9	43.9	42.9	35.4
102-7	Total Sales Export	%	56.1	56.1	57.1	64.6
N/A	USD Exchange Rate Comparison	NZD/USD	0.66	0.66	0.70	0.71

1 Total Wildcatch reflects Sanford harvested volume and third party fleets landing to Sanford facilities. Includes Deepwater, Inshore, and fishing partner vessel wildcatch.

2 GWT – Greenweight, weight of seafood before processing, measured in tonnes.

3 NZ registered MSC certifications reported.

4 Mortality Rate is the ratio between total species caught and species caught dead.

5 Raw data supplied by MPI for vessels fishing under Sanford's Permit. Data relates to period from July–June of each year due to data available at the time of report production.

6 Notifiable spills (significant as defined by GRI) are discharges into the environment that, if uncontained, are notifiable to a regulatory authority. Includes any discharge of fuel or oil regardless of the amount.

7 FY17-19 data re-stated to include for vessel fuel taken on at Stanely, Falkland Islands.

8 Fuel used on all Sanford owned and operated vessels, NIML vessels at 50% equity share.

9 Fuel used/GWkg landed by the vessel. Calculation relates to wildcatch vessel fuel consumption.

10 Fuel used on mussel and salmon farming vessels per greenweight kg at harvest.

11 FY17-19 data restated to account for additional fuel use and whole fish greenweight (not gilled and gutted weight).

12 FY17-19 data restated to account for ENZAQ, Stewart Island electrical, powershop, South Island industrial fund.

13 Land based processing sites only. Greenweight (kg) includes processed, re-processed, fish meal, and fish oil.

14 Land based processing sites only per total sales by site.

15 In 2018 Timaru fishmeal plant boiler transitioned from coal to wood chip. FY19 coal data updated to include coal used to heat Stewart Island rental homes, inadvertently missed in FY19.

16 FY19 data subject to minor adjustment due to updated conversion factors (kg vs litres).

17 Scope for emissions data defined based on ISO14064-1 operational control basis determination, FY17-19 data restated to ensure like-for like comparison.

18 All six Kyoto gases included in the calculation as appropriate.

19 Emissions factor updates applied based on MfE guidelines for light fuel oil, sea freight, waste emissions resulting in update to FY17-19 data.

20 Scope 3 emissions reporting increased significantly during FY20 to include for all Scope 3 categories 1-15, as defined by the GHG protocol.

21 FY19 data restated to reflect improvements in the contract Sharefisher dataset based on analysis of actual engagement. FY17-18 datasets could not be re-analysed on the same basis.

22 Technical training is provided by Primary ITO. Report training credits as a proxy for hours – one credit equates to approximately 10 hours of learning.

23 FY17-19 ethnicity percentages not updated based upon Note 21, as the change was deemed immaterial with no changes in the ordering of ethnic groups making up our workforce.

24 Excludes NIML and contractors.

25 Injury data for FY19 reclassified and re-stated for methodological consistency.

26 Number of notifiable events (formally serious harm injuries) includes near misses, injuries, illnesses, and incidents (defined under Health and Safety at Work Act 2015).

27 Lost time injuries and frequency rate relates to all workforce injuries resulting in lost time per 1,000,000 hours worked. Excludes NIML and contractors.

28 Total recordable injury frequency rate relates to recorded incidents per 1,000,000 number of hours worked. FY19 data restated for total recordable injuries metric in place of total reportable injuries.

29 ACC claims relates to Sanford employees only (excludes sharefishers, NIML and contractors). ACC claims are continuously updated throughout the year.

30 Figures relate to ACC cases (excludes sharefishers, NIML and contractors).

31 Safety related prosecution in 2018 relates to NIML, a business which Sanford has a 50% joint venture interest.

32 Includes monetary sponsorships, donations and stock at cost value for food donations.

33 Sanford brands include: Auckland Fish Market, Sea to Me, Big Glory Bay, Sanford and Sons, Sanford.

34 This KPI has been tracked from December 2018.

35 Wages and Salaries (including Super) data includes all subsidiaries at 100% (companies we own more than 50% shareholding in), 50% of NIML, excludes associates (SanWon) which are not 100% consolidated into our Group accounts.

36 MTOP certified vessels and negotiable non-operational registered vessels, excludes powered and non-powered barges.

37 Aquaculture farm is defined as having a resource consent regardless of the size of the farmed area for that consent or # and length of lines.

38 Financial statement audit added to 2019 data point.

As part of Sanford's ongoing strategy development and implementation business risks had been identified with input from external experts, and reported to the appropriate Board committee.

The risk identification process, and in particular the top ten identified business risks are used to inform Sanford's materiality process, yet it is important to also acknowledge differences within those processes. Whereas these two processes deal with similar topics, their treatment of topics and issues differs in that business risks are identified based upon potential event driven likelihoods and consequences assessed by those close to, and most familiar with Sanford's operations and business. Within the materiality process stakeholders are canvassed and rank issues based not on risk, but on impact – which captures both opportunities and challenges associated with the various topics. Further, there are interconnections between material issues, as shown by the fish-bone diagram on page 25. We've mapped those interlinked material issues to each organisational risk to identify connections between those two processes.

RISK PRIORITY	ORGANISATIONAL RISK	RISK STATEMENT	MATERIAL ISSUE CONNECTION (AND MATERIALITY RANKING)	KEY MITIGATION STRATEGIES
1	Climate change	Climate change effects negatively impact ocean conditions and seafood stocks	Sustainable seafood (1=) Responsive fisheries management (6) Climate change resilience (21)	• Innovation pipeline • Diversity of geography and species mix • Monitoring of environmental conditions and changes to become aware of factors which have potential to impact harvest/catch performances and take mitigating actions • Implement active mitigation strategies at specific sites (e.g. BGB)
2	Regulatory risk	Legal, regulatory and environmental obligations are not met resulting in fines or loss of operational capability	Sustainable seafood (1=) Transparent and effective communication (7) Regulatory risk management (8=) Building trust in the seafood industry (17)	• Reporting and reconciliation of catch • Observer and camera deployments on vessels • Governance procedures to communicate known breaches
3	Health and safety	Health and safety incident causing serious injury and/or fatality	Health, safety, and wellbeing of our people (1=) Shared vision and values (4=) Regulatory risk management (8=)	• Health and Safety (H&S) policy, incident reporting policy, H&S manuals and procedures, hazard register and work permit systems • Deploy and maintain software solutions to facilitate and encourage incident reporting. • SHEC board committee, H&S committees, GM H&S, H&S audits, performance reporting, annual reviews of policy and procedures • H&S plan in place and approved by the Board (achievement incentives in place, and includes guidelines on incident and near miss reporting) • Staff training lead by experienced site dedicated safety managers
4	Technology	Operational ability and/or efficiency compromised by lack of uptake of operational technology	Operational excellence (8=) Resilient supply chains (8=) Traceability and provenance (17)	• Review, maintain, and when appropriate upgrade IT and software solutions (e.g. SanCore) • Maintain disaster recovery planning (IT) • Cybersecurity policy and monitoring mechanisms
5	Key person retention	Inability to retain or implement succession planning for the departure of key employees	Shared vision and values (4=) Making Sanford a world class employer (14=)	• Succession planning • Talent mapping • Role mapping and identification of back ups • Position Sanford as an industry leader and responsible employer
6	Fleet management	Fleet operations compromised by deficiency in maintenance, management, and upgrades	Operational excellence (8=) Sanford leads the NZ Seafood industry (13)	• Investment in inshore fleet upgrades • Investment in deepwater fleet upgrades • Vessel management and maintenance plans

RISK PRIORITY	ORGANISATIONAL RISK	RISK STATEMENT	MATERIAL ISSUE CONNECTION (AND MATERIALITY RANKING)	KEY MITIGATION STRATEGIES
7	Workforce and people	Inability to attract, retain and train staff to support a labour force that will drive innovation and support growth	Shared vision and values (4=) Making Sanford a world class employer (14=)	• Review address labour conditions, incl. wages for fishing and processing staff • HR forums for all factories • Engagement surveys to monitor progress • Provision of training opportunities
8	Biosecurity issues	A biosecurity event negatively impacts harvests and/or stock levels	Resilience to biosecurity risks (8=)	• Geographic diversity in Greenshell™ mussel production • Monitor water conditions and harvests to enable early trend identification and support informed mitigation deployments • MPI has a rigorous system in place to monitor and respond to biosecurity events. Sanford work within that framework and alongside MPI to ensure compliance
9	Strategy execution	Inability to execute against strategy	Maximising $/kg of harvest, driving profitability (4)	• Measure and report progress against strategic metrics • Board reporting • Maintain internal accountabilities
10	SanCore	The SanCore system does not deliver a positive change in the way Sanford works – underpinned by lack of execution capability.	Operational excellence (8=)	• Work with and communicate to the Board to ensure a common vision of what SanCore is and is not • Phased implementation of the business case and project plan in line with the wider business environment

INDUSTRY MEMBERSHIPS

We actively monitor legislative and regulatory change directly and via key industry and sustainability bodies of which we are a member. Our principal memberships and the key roles that Sanford representatives contribute to are set out below:

ORGANISATION	FUNCTION	OUR ROLE
Aquaculture New Zealand **www.aquaculture.org.nz**	Industry body for aquaculture sector, focused on representing the current industry, while enhancing profitability and providing leadership to facilitate transformational growth	• Board member • Active industry member • Industry stakeholder group
Deepwater Group **www.deepwatergroup.org**	Industry body focused on the management of deepwater fisheries resources, within a long-term sustainable framework	• Directors • Active industry member • Industry stakeholder group
Fisheries Inshore New Zealand **www.inshore.co.nz**	Commercial fisheries stakeholder organisation that represents collective interests as an inshore quota owner, Annual Catch Entitlement (ACE) holder and commercial fisher	• Directors • Active industry member • Industry stakeholder group
Global Seafood Communicators Group	International industry body bringing together communications leaders from peak bodies and some individual seafood companies around the globe	• Member
Groundfish Forum **www.groundfishforum.com**	Meeting place for leading members of the global groundfish industry to increase understanding about global supply and consumption trends and developments for groundfish products	• Executive committee member • Forum members
International Coalition of Legal Toothfish Operators (COLTO) **www.colto.org**	Industry group formed to eliminate Illegal, Unregulated and Unreported (IUU) fishing of toothfish, and to ensure the long-term sustainability of toothfish resources, and the rich and critical biodiversity of the southern oceans	• Founding member
Marine Farming Association **www.marinefarming.co.nz**	Subscription based organisation, representing the marine farmers in the top of the South Island of New Zealand, set up with the objective to promote, foster, advance, encourage, aid and develop the rights and interests of its members and the marine farming industry in general	• Member
New Zealand Fishing Health and Safety Forum	Industry body aiming to share knowledge and information to help all participants improve safety and wellbeing in their organisations and across the sector	• Founding member
New Zealand Salmon Farmers Association **www.salmon.org.nz**	An industry group representing the commercial salmon farming industry including growers, suppliers of equipment and science providers	• Board member
Seafood New Zealand **www.seafoodnewzealand.org.nz**	Industry peak body for the New Zealand seafood sector, with a strategy to support the Government's growth objective to double seafood export revenue by 2025	• Directors • Active industry member
Southern Seabird Solutions Trust **www.southernseabirds.org**	Group focused on the protection of seabirds, with initiatives across 24 target species (from black petrel to yellow-eyed penguins)	• Trustee • Management board member
Sustainable Business Council (SBC) **www.sbc.org.nz**	Executive-led advocacy body for sustainable business in New Zealand	• Advisory board member • Active member
Sustainable Seas **www.sustainableseaschallenge.co.nz**	Ecosystem-based management group set up to enhance and protect our marine resources	• Board member
Trident Systems **www.tridentsystems.co.nz**	Organisation undertaking fisheries science, monitoring and catch sampling	• Directors • Shareholder
World Ocean Council **www.oceancouncil.org**	Industry leadership alliance on 'Corporate Ocean Responsibility'	• Member

STAKEHOLDER GROUPS AND THEIR ROLES

OUR STAKEHOLDERS	ROLE
Our People	Our 1,387 employees, including 444 sharefishers, are the foundation of our business and our most valuable asset. Through their commitment to living our values of care, passion and integrity, our people ensure that we continue to produce, deliver and succeed.
Shareholders and Investors	As at 30 September 2020, 2,946 shareholders provide the financial capital and stability required to sustain, grow and diversify our business.
Government and Regulators	These stakeholders provide our formal licence to operate, including policy and regulatory frameworks which define what, how, where and when we can perform our activities.
Industry and Business Associations	As a company committed to its own vision as well as a vision for a sustainable future for New Zealand and the world, we are members of a number of organisations (refer to page 149). They help us leverage our impact and, in partnership, collectively find ways of achieving a more sustainable future.
Suppliers	Share valued expertise, support and deliver products and services that strengthen our business and facilitate development and growth.
Customers and Consumers	Sustain our business, provide the basis for continued growth, product development and innovation.
Communities, Scientific Partners, NGOs	External partners help us to gain a deeper understanding of social and environmental issues. They also can unlock new opportunities, understand industry best practice, scientific research and development and alert us to potential challenges which may need to be addressed.
Civil Society Including Recreational Fishers	The views and needs of civil society and recreational fishers assist us to stay in-step with society, and hence ensure our social licence to operate. We share some fishing space with recreational fishers and it is important to us that we collaborate with other users of the ocean.
Iwi	Partnership with Iwi represents a critical relationship for us. As guardians of the land and ocean that we operate on/in, we are pleased to work together to ensure good outcomes for all. For example, we work closely with Ngāpuhi and Ngāi Tahu.

This table lays out some of the projects and initiatives underway at Sanford in 2020 which contributed to the six key Sustainable Development Goals (SDGs) which Sanford can contribute most towards. As a company committed to value creation for all stakeholders, we use the international SDG Global Goal framework, inclusive of the several targets which sit beneath the top line goals to guide and influence us in our strategy, goals, and initiatives.

CASE STUDY	PAGE REF	SANFORD PERFORMANCE OUTCOME	SUSTAINABLE DEVELOPMENT GOAL: 8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	17 PARTNERSHIPS FOR THE GOALS
Growing Responsibly to Secure the Future of Food from the Sea	31				✓		✓	
Keeping Marine Mammals Safe	34						✓	✓
Mapping our Carbon Footprint	35			✓		✓		
Managing with Care Through Covid	39		✓					
Operation Georgia	42		✓					
Safety Goal Met with Intelex	43		✓					
Value from the Sea	47			✓	✓		✓	✓
Growing Value from Science and the Sea	50		✓	✓	✓			
The End - and Also the Beginning	51			✓	✓	✓	✓	✓
Care for One Another, Sharing With Our Communities	55		✓					✓
Our Community Focus	58				✓			✓
Putting the Logic Back into Logistics	59		✓					
Toughing it Out in a Tough Year	63		✓					
Straight to the Plate with Care	66		✓	✓		✓		
Old Friends Join the Family	67		✓					
Navigating New Zealand's First Lockdown Across our Operations	72		✓	✓				
Building a Better Fleet	75		✓	✓		✓		
North Island Footprint Changes	76		✓	✓				

This Report has been developed in accordance with the International Integrated Reporting Council (IIRC) Integrated Report <IR> Framework. The Report has been prepared in accordance with the GRI Sustainability Reporting Standards (GRI) 2016, and were applied to a core level of compliance. Further references to GRI indicators are provided in Appendix A (Key Performance Indicators).

DISCLOSURES	DESCRIPTION	SECTION DESCRIPTION AND PAGE NUMBER
GRI 102: GENERAL DISCLOSURES 2016		
STRATEGY AND ANALYSIS		
102-14	Chairman, CEO statement	Navigate, pages 04–08
ORGANISATIONAL PROFILE		
102-1	Name	Sanford Limited
102-2	Operations	Aquaculture, fishing, fish processing, nutraceuticals, retail; refer Sanford and Our Operations, pages 9, 16-19
102-3	Head office	22 Jellicoe Street, Auckland, New Zealand
102-4	Locations	Sanford and Our Operations, pages 16-17
102-5	Legal form	NZX listed New Zealand limited liability company
102-6	Markets and customers	Sanford and Our Operations, pages 16-19; Delivering Consumers' Expectations pages 61-68
102-7	Scale of organisation	Sanford and Our Operations, pages 9, 16-21; Financial Statements, pages 91-134; Key Performance Indicators, pages 144-146
102-8	Workforce	Sanford and Our Operations, page 9; Creating a Safe and High Performing Workplace, pages 37-44; Key Performance Indicators, pages 144-146
102-9	Supply chain	Sanford and Our Operations, pages 16-17; Healthy Food and Marine Extracts (supply chain), pages 45-52; Delivering Consumers' Expectations, pages 61-68
102-10	Business changes	CFO Review, pages 10-12; Report Structure, pages 14-15; Growing Value from Science and the Sea, page 50; Financial statements, pages 91-134
102-11	Precautionary principle	Corporate governance, page 80; Enabling Healthy Oceans and Protecting the Environment, pages 27-36
102-12	External initiatives & charters	Enabling Healthy Oceans and Protecting the Environment, pages 27-36; Supporting Strong Communities and Partnerships, pages 53-60
102-13	Memberships	Appendix C – Industry memberships, page 149
102-41	Collective agreements	Key Performance Indicators, pages 144-146
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
102-45	Organisation & entities	Report Structure, pages 14-15; Financial Statements – Group Entities, pages 132-133
102-46	Report content	Report Structure, pages 14-15; Reporting what Matters, pages 22-26
102-47	Material issues	Reporting what matters, pages 22-26
103-1	Scope – Boundary inside	Material issues cover all Sanford entities unless otherwise stated, page 15
103-1	Scope – Boundary outside	Report Structure, pages 14-15; Sanford and our Operations – How we create value, pages 18-19
102-48	Restatements	Financial statements, pages 91-134; Key Performance Indicators, pages 144-146
102-49	Changes	Report Structure, pages 14-15; Reporting what matters, pages 22-26
STAKEHOLDER ENGAGEMENT		
102-40	Stakeholders – Groups	Reporting what matters, pages 22-26; Appendix C, page 150
102-42	Stakeholders – Basis	Reporting what matters – Stakeholder Engagement Process, page 22-26; Appendix C, page 150
102-43	Stakeholders – Approach	Reporting what matters – Stakeholder Engagement Process, page 22
102-44	Stakeholders – Key Topics	Reporting what matters – Stakeholder Engagement Process, pages 22-26
REPORT PROFILE		
102-50	Report period	1 October 2019 to 30 September 2020
102-51	Last report	Together, Sanford Annual Report 2019
102-52	Reporting cycle	Annual
102-53	Contact	Contact info@sanford.co.nz for queries, or to provide feedback
102-54	GRI compliance	This report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI content index	Heading in this Index
102-56	Assurance	Combined (financial and non-financial), pages 135-142

GOVERNANCE		
102-18	Governance	Corporate governance, pages 80-86; Corporate governance statement 2020: www.sanford.co.nz/investors/governance
ETHICS AND INTEGRITY		
102-16	Ethics and values	We Navigate Using Our Values, inside front cover; Sanford and Our Operations – Creating value, pages 18-19; Corporate governance, pages 80-86; Corporate governance statement 2020: www.sanford.co.nz/investors/governance

MATERIAL TOPICS AND RELATED INDICATORS

Including GRI 100, 200, 300, 400

REFERENCE AND INDEX	DESCRIPTION	REPORT SECTION TITLE	SECTION DESCRIPTION AND PAGE NUMBER
CATEGORY: ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE (SHAREHOLDER VALUE AND RISK)			
103-1,2	Boundary and approach	Building a Sustainable Seafood Business Enabling Healthy Oceans and Protecting the Environment Supporting Strong Communities and Partnerships	Chairman Review, pages 4-6; CEO Review, pages 7-8; CFO Review, pages 10-12; Sanford and our Operations, pages 16-17; Corporate governance, pages 80-86; Growing Responsibly to Secure the Future Food from the Sea, pages 31-33; Value from the Sea, pages 47-48; Growing Value from Science and the Sea, page 50; The End and also the Beginning, page 51; North Island Footprint Changes, page 76; Our Future Focus, Shareholder Value and Risk, page 77
201-1	Economic value		CFO Review, pages 10-12; Supporting Strong Communities and Partnerships, page 56; Financial statements, pages 91-134
201-2	Adaptation to climate change		CEO Review, pages 7-8; Reporting what Matters, pages 22-26; Mapping our Carbon Footprint, page 35; The End – and Also the Beginning, page 51; Building a Sustainable Seafood Business – Our Future Focus, page 77
201-4	Government assistance		Growing Responsibly to secure the Future of Food from the Sea, pages 31-33; The End – and Also the Beginning, page 51; Putting the Logic Back into Logistics, page 59
CATEGORY: ENVIRONMENTAL			
ASPECT: ENERGY (RESOURCE UTILISATION AND EFFICIENCY)			
103-1,2	Boundary and approach	Enabling Healthy Oceans and Protecting the Environment Sanford and Our Operations	Sanford and Our Operations - Creating Value, pages 18-19; Highs and Lows, pages 20-21; Growing Responsibly to Secure the Future of Food from the Sea, pages 31-33; Our Future Focus, Resource Utilisation and Efficiency, page 36
302-1,2,3	Energy		Appendix A - KPIs pages 144-146
302-4	Reduction of energy		Enabling Healthy Oceans and Protecting and Enhancing the Environment – 2020 Targets, pages 28-29; Our Future Focus, Resource Utilisation and Efficiency, page 36
ASPECT: BIODIVERSITY (SUSTAINABLE FISH STOCKS AND MARINE FARMS)			
103-1,2	Boundary and approach	Enabling Healthy Oceans and Protecting the Environment Building a Sustainable Seafood Business	Our Future Focus, page 36; Growing Responsibly to Secure the Future of Food from the Sea, pages 31-33; Keeping Marine Mammals Safe, page 34; The End – and Also the Beginning, page 51; Cameras on Vessels, page 76
304-2	Impact		Keeping Marine Mammals Safe, page 34; Appendix A - KPIs, pages 144-146
ASPECT: EMISSIONS (CARBON REDUCTION)			
103-1,2	Boundary and approach	Sanford and Our Operations Enabling Healthy Oceans and Protecting and Enhancing the Environment	Creating Value, pages 18-19; Our Future Focus, Carbon Reduction page 36
305-1,2,3	GHG (Scope 1,2,3)		Appendix A - KPIs, pages 144-146
ASPECT: EFFLUENTS AND WASTE			
103-1	Boundary and approach	Sanford and Our Operations Enabling Healthy Oceans and Protecting the Environment	Creating Value, pages 18-19; Our Future Focus, Resource utilisation and Efficiency, page 36
306-3	Waste and spills	Sanford and Our Operations Enabling Healthy Oceans and Protecting the Environment	Highs and Lows, pages 20-21; Resource Utilisation and Efficiency page 30; Appendix A - KPIs, page 144-146

REFERENCE AND INDEX	DESCRIPTION	REPORT SECTION TITLE	SECTION DESCRIPTION AND PAGE NUMBER
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT (DEVELOPING OUR PEOPLE)			
103-1,2	Boundary and approach	Sanford and Our Operations Creating a Safe and High Performing Workplace	Creating Value, pages 18-19; Our Future Focus, page 44
401-1	Hires and turnover		Creating a Safe and High Performing Workplace – Material Issues and Value Creation, page 38; Staff Movements, page 43; North Island Footprint Changes, page 76; Appendix A - KPI's, pages 144-146
ASPECT: OCCUPATIONAL HEALTH AND SAFETY (SAFETY, HEALTH AND WELLBEING)			
103-1,2	Boundary and approach	Sanford and Our Operations Creating a Safe and High Performing Workplace	CEO Review, pages 7-8; Creating Value, pages 18-19; Our Future Focus, Safety and Health page 44
403-9	Injury statistics		Creating a Safe and High Performing Workplace – Material Issues and Value Creation, page 38; Injury statistics, page 41; Safety Goal Met with Intelex, page 43; Appendix A – KPI's pages 144-146
ASPECT: TRAINING AND EDUCATION (DEVELOPING OUR PEOPLE)			
103-1,2	Boundary and approach	Sanford and Our Operations Creating a Safe and High Performing Workplace	Creating Value, pages 18-19; Our Future Focus, Developing Our People, page 44; Managing with Care Through Covid, pages 39-40
404-1	Training		Managing with Care Through Covid, pages 39-40; Training Statistics, page 42; Appendix A – KPI's pages 144-146
SUB-CATEGORY: SOCIETY			
ASPECT: LOCAL COMMUNITIES (ENGAGEMENT AND EMPLOYMENT)			
103-1,2	Boundary and approach	Sanford and Our Operations Reporting What Matters Supporting Strong Communities and Partnerships	Creating Value, pages 18-19; Reporting What Matters, pages 22-26; Our Future Focus, Community Engagement and Strategic Partnerships, page 60; North Island Footprint Changes, page 76
413-1	Programmes		Keeping Marine Mammals Safe, page 34; Operation Georgia, page 42; Material Issues and Strategic Goals, page 54; Care for One Another, Sharing With Our Communities, page 55-56, Care in the North, page 57; Positive Impact on Local Communities, page 57; Our Community focus, page 58; Appendix A – KPI's page 144-146
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY (FOOD SAFETY AND QUALITY)			
103-1,2	Boundary and approach	Sanford and Our Operations Leading the Way to Healthy Food and Marine Extracts	Creating Value, pages 18-19; Our Future Focus, Food Safety and Quality, page 52; Food Quality Survey, page 49
416-2	Non-compliance		Material Issues and Value Creation, Food Safety and Quality, page 46; Appendix A, KPI's pages 144-146
G4-FP5[1]	Third party certification	Leading the Way to Healthy Food and Marine Extracts	Material Issues and Value Creation, Food Safety and Quality, page 46; Audits, page 74; Accreditations, page 156; Appendix A – KPI's, pages 144-146
G4-FP13[1]	Non-compliance	Building a Sustainable Seafood Business	Material Issues and Value Creation, Food Safety and Quality, page 46; Quality Complaints Breakdown, page 49; Appendix A, KPI's pages 144-146
ASPECT: PRODUCT AND SERVICE LABELLING (CUSTOMER RELATIONSHIPS AND TRACEABILITY)			
103-1,2	Boundary and approach	Sanford and Our Operations Healthy food and marine extracts Delivering Consumers' Expectations	Creating Value, pages 18-19; Our Future Focus, Food Safety and Quality, page 52; Our Future Focus, Drive Value Growth through Brand Development and Awareness, page 68
417-1, 304-3	Product and service information	Enabling Healthy Oceans and Protecting the Environment Delivering Consumers' Expectations	Material Issues and Value Creation, pages 28-30; MSC Certified Catch, page 35; Quality Complaints Breakdown: Labelling error, page 49; Drive Value Growth through Brand Development and Awareness, page 62; Toughing it out in a Tough Year, pages 63-64; Awards and Accreditations, page 156; Appendix A KPI's, pages 144-146
G4-PR5	Customer satisfaction		Customer survey feedback, page 49; Delivering Consumers' Expectations, pages 61-68

1. Aspects and indicators sourced from *GRI Disclosure for Food Processing*, 2014

ABBREVIATION	DESCRIPTION
ACC	Accident Compensation Corporation
ACE	Annual Catch Entitlement
AFM	Auckland Fish Market
AI	Artificial Intelligence
ARA	Australasian Reporting Awards
AU	Australia
BAP	Best Aquaculture Practices
BGB	Big Glory Bay
BPAs	Benthic Protection Areas
CCAMLR	Convention for the Conservation of Antarctic Marine Living Resources
CCO	Chief Customer Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO_2	Carbon dioxide
COLTO	Coalition of Legal Toothfish Operators
COO	Chief Operating Officer
CPO	Chief People Officer
DIFOT	Delivery in Full on Time
DOB	Date of birth
DOC	Department of Conservation
DWG	Deepwater Group
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EECA	Energy Efficiency and Conservation Authority
EEZ	Exclusive Economic Zone
EMS	Environmental Management System
ER	Electronic Reporting
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance Indicators
FMA	Fisheries Management Area
FNZ	Fisheries New Zealand
FSQ	Food Safety and Quality
FSSC	Food Safety System Certification 22000
FY	Financial Year
GDF	Graeme Dingle Foundation
GDP	Gross Domestic Product
GHG	Greenhouse gases
GM	General Manager
GRI	Global Reporting Initiative
GSM	Greenshell™ Mussel Powder
GW hours	Gigawatt hours
GWKg	Greenweight Kilogram
GWT	Greenweight Tonne
HVN	High Value Nutrition
HSE NZ	Health Safety Environment New Zealand
HSW	Health, Safety and Wellbeing
IAFC	International Airfreight Capacity
IIRC	International Integrated Reporting Council
ISO	International Organisation for Standardisation
IT	Information Technology

ABBREVIATION	DESCRIPTION
Kg	Kilogram
KPI	Key Performance Indicator
LTIFR	Lost Time Injury Frequency Rate
LTIs	Lost Time Injuries
MARPOL	The International Convention for the Prevention of Pollution from Ships
MFA	Marine Farming Association
MFAT	Ministry of Foreign Affairs and Trade
MHS	Modular Harvesting System
MJ	Mega Joule
MOSS	Maritime Operator Safety System
MPAs	Marine Protected Areas
MPI	Ministry for Primary Industries
MSC	Marine Stewardship Council
MT	Metric Tonne
MTOP	Maritime Transport Operator Plan
NEBIT	Normalised Earnings Before Interest and Tax
NGOs	Non-Governmental Organisations
NIML	North Island Mussels Limited
NPAT	Net Profit After Tax
NPOA	National Plan of Action
NSSP	National Shellfish Sanitation Programme
NZHSE	New Zealand Health and Safety in Employment
NZQA	New Zealand Qualifications Authority
NZTE	New Zealand Trade and Enterprise
NZX	NZ Stock Exchange
P&L	Profit and Loss
PBV	Performance Based Verification
PGP	Primary Growth Partnership
PITO	Primary Industry Training Organisation
PNZ	Paralympics New Zealand
PPE	Personal Protective Equipment
PSH	Precision Seafood Harvesting
QMS	Quota Management System
RAS	Recirculating Aquaculture System
RMP	Risk Management Programme
ROCE	Return on Capital Employed
SANCORE	Project name for Sanford's information system replacement and related process change project
S&OP	Sales and Operational Planning
SDGs	Sustainable Development Goals
SINs	System Improvement Notices
SLM	Sanford Logistics Mt Maunganui
SMS	Safety Management System
SPATNZ	Shellfish Production and Technology New Zealand Ltd.
TAC	Total Allowable Catch
TACC	Total Allowable Commercial Catch
TCFD	Taskforce on Climate Related Financial Disclosures
TMP	Threat Management Plan
TRIFR	Total Recordable Injury Frequency Rate
UN	United Nations
USA	United States of America
WWF	World Wildlife Fund / World Wide Fund for Nature

ACCREDITATIONS

Certified: 45% of Sanford's wildcatch by greenweight during FY20 was Marine Stewardship Council Certified.

Retained: Sanwell Gold Accreditation at Timaru site and Bronze at Bluff site for workplace wellbeing.

Assured: Sanford's 2020 carbon emissions inventory in accordance with the ISO 14064 international standard for greenhouse gases by Toitū Envirocare.

Maintained: ISO14001:2015 Environmental Management System certification.

Maintained: Licensed fish receiver status by the Ministry for Primary Industries (MPI).

Maintained: Best Aquaculture Practices (BAP) certification for Sanford King Salmon operations including the hatchery at Kaitangata, farms at Big Glory Bay, and processing facility at Bluff. BAP certification also maintained for Big Glory Bay Greenshell™ mussels.

Maintained: Certified Organic Big Glory Bay Greenshell™ mussels.

Maintained: FSSC 22000 Food Safety Management System certification across 100% of land based processing sites.

Maintained: Acceptable outcomes and compliance with the requirements of Ministry for Primary Industries within their Performance Based Verification inspections of Sanford vessels.

Maintained: Certification to Marine Stewardship Council chain of custody requirements across all relevant processing sites.

Maintained: Maritime Transport Operator's Certification through the successful completion of Maritime New Zealand's Marine Operator Safety System (MOSS) audits.

Achieved/Maintained: Tertiary status in ACC partnership programme.

Maintained: Certification in accordance with Aquaculture New Zealand's A+ Sustainable Aquaculture Programme.

AWARDS

Best Choice: Rating awarded by Monterey Bay Aquarium's Seafood Watch program for King Salmon farmed in Marine net pens within New Zealand, including our Big Glory Bay farm. All of our farmed mussels are also rated as Best Choice in this highly regarded seafood sustainability.

Finance Team Culture and Talent Management Award Winner, 2020 New Zealand CFO Awards.

Seafood Stars Award – 2020 Young Achiever Award for Sanford's Logan Nutsford for his work in developing Artificial Intelligence technology for mussel sampling and sourcing.

Sanford Annual Report 2019, **Winner in the Communication-Private Sector category, Gold Award for Sustainability Reporting, Finalist in the ARA Report of the Year category**, Finalist in the Integrated Report category, at the 2020 Australasian Reporting Awards.

Winner of the 2019 (November) Rabobank Leadership Award for then CEO, Volker Kuntzsch, for outstanding leadership in the food and agribusiness industry.

Finalist in the Chief Executive of the Year category for then CEO Volker Kuntzsch, in the 2019 Deloitte Top 200 Awards.

Winner CPA Australia Integrated Report Awards 2020 in the 'For-Profit' category.

Silver Medal EcoVadis 2020, in the top 20th percentile of companies assessed by EcoVadis Sustainability Rating, which provides a comprehensive assessment across Corporate Social Responsibility (CSR) factors.

Sea To Me Joint Mobility Support product is a finalist in the sport product of the year for the NutraIngredients-Asia Awards 2020.

Modified Atmosphere Packaging (MAP) mussel packaging, Flexible Packaging category award winner in the Pride in Print Awards 2020.

BOARD OF DIRECTORS

Robert McLeod, Chairman
Peter Cullinane
Abigail (Abby) Foote
Peter Goodfellow
Peter Kean
Fiona Mackenzie

EXECUTIVE TEAM

Andre Gargiulo, Acting CEO and Chief Customer Officer
Clement Chia, Chief Operating Officer
Katherine Turner, Chief Financial Officer
Karen Duffy, Chief People Officer

REGISTERED OFFICE

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PRINCIPAL BANKERS

ANZ Bank New Zealand Limited
Bank of New Zealand
Rabobank New Zealand Limited

SOLICITORS

Chapman Tripp
Russell McVeagh

GROUP AUDITORS

KPMG, Auckland

STOCK EXCHANGE

The Company's shares trade on the New Zealand Stock Exchange (NZX).

NZX Trading Code: SAN

The minimum marketable parcel on the Exchange is 100 shares (price $2 to $5 per share) or 50 shares ($5 to $10 per share)

SHARE REGISTRAR

Computershare Investor Services Limited
Private Bag 92 119
Auckland 1142
New Zealand

159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

MANAGING YOUR SHAREHOLDING ONLINE

To change your address, update your payment instructions and to view your investment portfolio including transactions please visit:

www.investorcentre.com/nz

GENERAL ENQUIRIES

General enquiries can be directed to:
enquiry@computershare.co.nz
Private Bag 92 119
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New Zealand

Telephone +64 9 488 8777

Please assist our registrar by quoting your CSN or shareholder number.

Other queries should be directed to the General Manager Corporate Affairs at the Registered Office.

Photo credit: Thank you to photographers Steve Hussey, Chris Stanley, Brett Phibbs, Craig Stonyer, Damian Christie, Ben Brewer and Finn Johansson who were commissioned by Sanford to produce many of the images that appear in this report. Thank you also to our own people who gave us their photos or agreed to be photographed for these pages.

ANNUAL MEETING

Wednesday 16th December 2020

2:00pm

GridAKL
The Workshop Room
Level 1
12 Madden Street
Wynyard Quarter
Auckland 1010

GridAKL is located midway down Madden Street, Wynyard Quarter https://gridakl.com/how-to-get-here/.

Wynyard Quarter operates on a 70/30 split due to spatial restrictions, with 70% of people expected to arrive using the available public transport alternatives. With the Ferry Building, Britomart and the CBD less than 2km away, we encourage you to do the same. “Innerlink” Citylink buses are available to connect between trains and buses to the CBD or Britomart, alternatively the Wynyard Bridge may be utilised to reach Madden Street.

If required, car parking is available at the following locations:

- Jellicoe Street Carpark
- Cnr Pakenham St W and Daldy Street
- Cnr Gaunt and Daldy Streets
- 36 Gaunt Street
- Victory Church Carpark, cnr Fanshawe and Beaumont Streets

Salmon with Silky Pea Purée and Herb Salad

DISH MAGAZINE
SERVES 4

INGREDIENTS

4 salmon fillets, skin on (approx. 180g each)
Sea salt
Olive oil for cooking

PEA PURÉE

2 tablespoons butter
2 cloves garlic, crushed
500g frozen baby peas
⅓ cup water
2 teaspoons sea salt
2 tablespoons crème fraîche or mascarpone

DRESSING

¼ cup olive oil
2 tablespoons fresh orange juice
1 tablespoon sherry vinegar
2 teaspoons whole grain mustard
1 clove garlic, crushed
1 teaspoon sea salt

TO SERVE

2 cups loosely packed soft herb leaves (any combination of dill, chervil, mint, chives, basil and parsley)

METHOD

Dressing: Place all the ingredients in a jar and shake to emulsify.

Pea purée: Put the butter and garlic in a medium saucepan and let sizzle for a couple of minutes. Add the peas, water and salt, cover and cook until the peas are just tender and bright green.

Tip everything into a blender and add the crème fraîche. Start the blender on low, occasionally scraping down the sides, then increasing the speed until the peas are silky smooth (you can use a hand-held blender). Cover to keep warm.

Season the salmon with salt. Heat a little oil in a large sauté pan and place the salmon flesh side down. Cook for 2-3 minutes each side, or until done to your liking.

To serve: Spoon the pea purée onto plates and top with the salmon. Spoon over some of the dressing then top with the fresh herbs.

SANFORD

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