



INTEGRATED REPORT 2021

HORIZONS

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

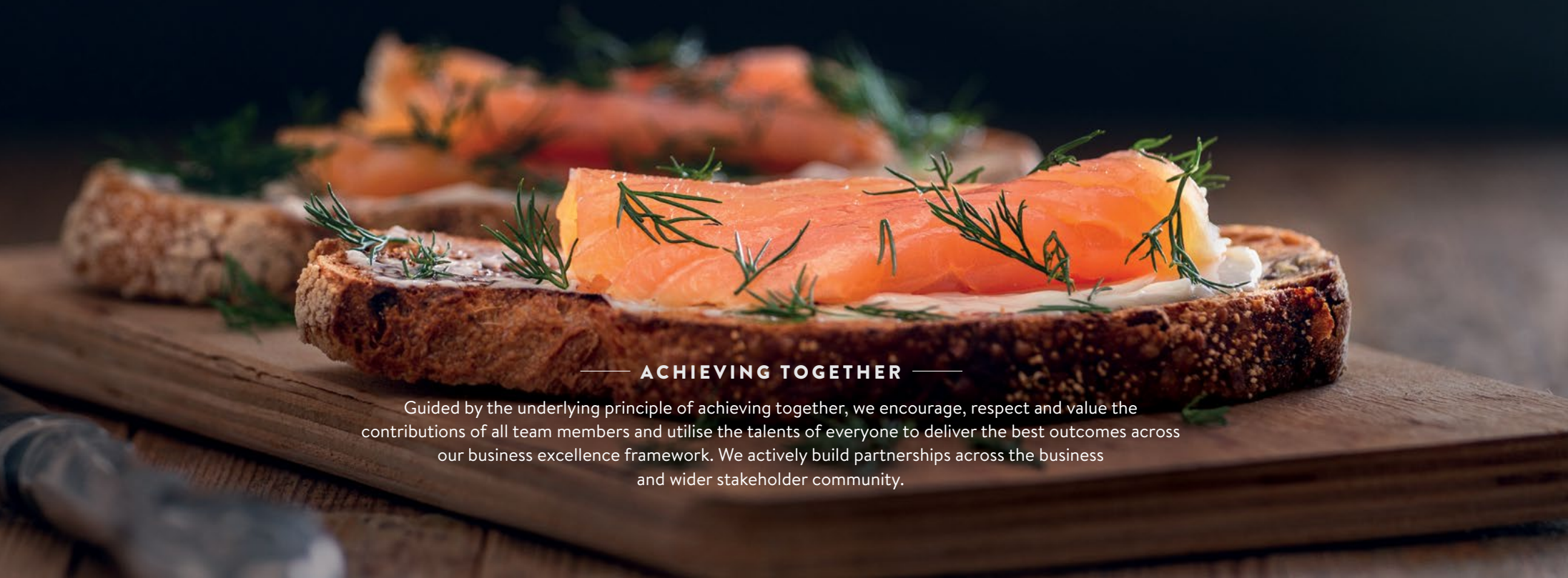
We are passionate about our relationships with our people, customers, consumers, resources, country and future. Our passion extends to protecting our oceans, caring for the environment and having successful partnerships.

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.



WELCOME to Sanford's 2021 Integrated Report, entitled **HORIZONS**.

The title is a reminder that we are not there yet. There are calmer waters ahead, we can see them. We can also see that between us and the brighter horizon remains the wake of the turbulence caused by the global Covid-19 pandemic. This report lays out the progress we have made in the last 12 months, as we continued to navigate towards those horizons.





ABOUT THIS REPORT

AN INTRODUCTION

Last year our integrated report was themed **NAVIGATE** as we began our journey through pandemic-stirred waters. This year, we applied what we learned in 2020 to stay on course and to counter obstacles, through a second year of pandemic disruption as we move toward brighter **HORIZONS**. We have faced into the ongoing impacts on food service worldwide, which hit our mussel division hard. We have faced the impact of changing migration settings, as New Zealand's borders remain closed. In the latter part of 2021, we managed through more days of lockdowns and the challenges of continuing to operate as an essential service and keep our people safe while doing so.

Working with and on the ocean breeds a certain type of resilience. The ability to keep your head up in rough seas so you can see beyond the next wave and keep the horizon in focus. This report explains our determination to make the absolute most of the year and the passage ahead.

Achieving together is a Sanford value. It is the fourth cumulative of our values of care, passion and integrity. **HORIZONS**, our 2021 integrated report shows where and how we have achieved together. It also tells some of our stories through our own people in their own words.

These stories detail our ability to create new channels to market, despite our distance from them, and our ability to deliver millions of dollars of fleet surveys and refurbishments on time and within budget. They record our progress in growing our salmon farms and the intellectual property and potential within our mussels operations. They acknowledge that in a very tough year, our people have shown their focus remains on our values and that care, passion, integrity and achieving together really matter to them.

HORIZONS do more than mark the division between sea and sky. They give us a sense of direction, of hope and of potential. They hint at what is possible and they encourage us forward, through the rough water and closer to our goals.



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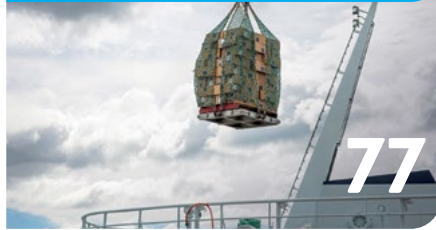
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QR CODES

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 and at different Alert Levels, so facemasks are not always worn in these images.





SANFORD IN NUMBERS

SALES REVENUE
YEAR ENDING SEPTEMBER 30, 2021

\$489.6m

(4% HIGHER THAN FY20)

ADJUSTED EBIT

\$23.3m

(39% LOWER THAN FY20)

REPORTED NPAT

\$16.2m

(16% LOWER THAN ADJUSTED
REPORTED FY20)

NET DEBT

\$178.6m

2020: \$184.3M

1,409

TOTAL WORKFORCE

2020: 1,387

421

INDEPENDENT SHAREFISHERS

2020: 444

SANFORD IS NEW ZEALAND'S
LARGEST QUOTA HOLDER

19.8%

2020: 19.7%

111,844

TONNES OF SEAFOOD HARVESTED

2020: 122,582²

1. Quota ownership based on New Zealand Annual Catch Entitlement.

2. See Note 3, Appendix A.

CHAIRMAN REVIEW



Sir Robert McLeod
CHAIRMAN

This is Sanford's second year of weak financial performance due to Covid-19. The major cause has been the reduction in worldwide demand for seafood due to Covid restrictions on the food service sector, where people consume seafood. The most significant impact this year has been to our mussels division, which depends on the half-shell format, often served in restaurant settings, for its volume-based sales.

Sanford relies on a substantial commodity market in which the company is a price taker. When prices fall, it makes no sense to delay sales and build inventory in the hope of a return to higher price points.

We were compelled to sell into a falling market in which today's price was higher than tomorrow's. While sales volume increased, aggregate revenue and gross profit declined, along with inventory levels.

In addition to Covid's major impact on revenue and gross margin, it also increased

costs. The closure of New Zealand borders tightened labour markets, reducing unemployment and employable staff, while inflating wage pressure. It disrupted supply chains in the cross-border transport modes of air and sea, increasing waiting times for both imports and exports and narrowing capacity along with substantial cost inflation.

In times like this, it is informative to benchmark Sanford's performance against our broader global sector and the foodservice sector, which is the outlet for the majority of our products. From the onset of the pandemic to June 2021, globally, the foodservice industry experienced a drop of 52% in seated diners. Post-June 2021 globally, there has been a recovery toward pre-pandemic levels (-3.8% over the period June 2021 – end Sept. 2021 relative to pre-pandemic levels)¹.

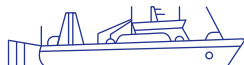
Sanford's share price has reflected our profit performance. The market cap of the company at the end of the financial year, September 30th was \$477m, which compares with a book value of equity of \$634m, both of which are well below the market value of the company's quota of approximately \$1b. Sanford is made up of diverse assets and segments as a resource owner, operator and producer and its share price is a blunt assessment of that diversity.

The multiple that the share market applies to Sanford's earnings is significantly below the valuation multiple that the industry would apply to the expected income from its quota. This has been a persistent feature of the company across many years, but it is particularly acute in present conditions. We are the largest seafood company in New Zealand with a substantial and valuable quota resource.

Ngāi Tahu increased its shareholding to 19.9% in September. We welcome this development, with Ngāi Tahu one of New Zealand's largest and most successful iwi investors, with a substantial stake in and knowledge of the seafood sector. Ngāi Tahu and Sanford share important common values and aspirations including a long-term view and a recognition of the importance of a sustainable approach. As a result of discussions with Ngāi Tahu, the Board is recommending the appointment of Craig Ellison, (Ngāi Tahu CEO elect) to the Board at this year's Annual Shareholder Meeting.

The Board and management believe that the adverse impact of Covid is temporary and not permanent. We believe that demand conditions will return to pre-Covid levels in the classical U or V formation. We do not predict the future format as a W.

1. OpenTable network, State of the Restaurant Industry, data sourced from 20,000 restaurants globally who share their reservation data on the OpenTable network <https://www.opentable.com/state-of-industry>





Our experience with revenue implies a V is more likely than a U because we are seeing revenue continuing to lift from prior levels. We have good reason to predict that market demand will return to its pre-Covid level at a faster rate than new revenue has grown in the past, although not as fast as it declined. Not only is this reflected by the steep northern slopes of the standard U and V -recoveries, but that is also the nature of market demand which has been suppressed by the pandemic and is latent.

Our divisional breakdowns at (pages 8 and 9), are consistent with our wildcatch and salmon divisions entering recovery mode. As indicated earlier, our mussel division, which is reliant on the foodservice sector, was the last hit by the impacts of Covid-19 and the last to emerge from the downturn. You will find more detail in the divisional breakdown included in the CEO Review (pages 8 to 11). The Board is positive about the signs we see in the short and medium term, although the Covid risk is still at large.

PLOTTING A COURSE FOR RECOVERY

The immediate focus for Board and management is to stabilise our performance. Peter Reidie will address his short-term strategic approach in his CEO Review.

The US market is improving and has become Sanford's largest export market, going from a 10.8% share of our sales

volume in 2020 to 17.4% in 2021. This improvement has been partly driven by circumstances, as the US emerges from lockdowns, but also by Sanford growing its in-market presence.

In China, we are broadening our customer base which has been beneficial in terms of margin for high value species such as scampi.

Europe remains slow and has dropped from being our number one export destination in 2020 to being ranked fourth. We are heavily reliant on foodservice in this region, hence the slower recovery.

In Australia, despite the domestic market being disrupted by Covid-19, the in-market team has achieved a very good result, taking Australia to our second largest export market, and growing its share of our sales from 10.4% (including Sanford's Pacific sales) in 2020 to 12.4% in the 2021 year.

SANFORD REMAINS STRONG

Sanford remains the owner of very good assets and excellent long-term prospects. We have invested \$23.7 million in necessary vessel upgrades and refurbishments in our wild catch fleet. These improvements allow us to extract the most value from our catches while making the vessels safer.

SanCore, our business systems transformation programme is progressively delivering wide-ranging improvements. New incident reporting software is now functioning, with far better reporting and mitigation of risks, particularly in health, safety and environment.

We are well advanced with our seismic strengthening programme, with most of our critical processing assets now at the required 67% New Building Standard (NBS) rating.

It is pleasing to report that we now have resource consent for our Marine Extract Centre in Blenheim. These investments mean Sanford can deliver excellent products, whether that be collagen from

frozen at sea wild caught species or specialty marine ingredients, such as mussel oil and powder, or collagen.

We have access to an abundant supply of a natural, healthy protein that will continue to be demanded domestically and globally within which we can diversify our revenue over time.

LEADERSHIP DEVELOPMENTS

It has been an eventful year for our people. Our new CEO, Peter Reidie joined us in April following a thorough executive search process. For the first six months of our 2021 year, Andre Gargiulo ably stepped up as interim CEO and I thank him for his commitment and effectiveness



ABOVE Te Hamana Maxwell, San Granit crew.



in the role. I thank the other members of the senior executive team for their commitment and contribution through these very challenging times.

Peter has immersed himself in the business and is leading our recovery and growth strategy across a three-to-five-year timeframe. We farewelled Katherine Turner at the end of the fiscal year. I would like to thank Katherine for her hard work and commitment to Sanford and wish her all the best. We have a new and highly experienced Chief Financial Officer, Paul Alston, who was appointed at the beginning of the 2022 financial year.

In January 2022, we will be saying farewell to our Chief Operating Officer Clement Chia, whom we thank for his contribution to Sanford, initially as CFO and more recently as COO, during which he has developed a strong and capable Operations team.

FORECASTS FOR REGULATORY CHANGE

This year it is increasingly clear that the Government, while acknowledging the value of the marine economy, considers reforms are needed to achieve its vision of ensuring the long-term health and resilience of our oceans. We support many of its signalled objectives and the focus on sustainable management of the oceans based on science and a collaborative approach to fisheries management.

While the populist view is that fishing is “out of sight and out of mind”, we are the only primary industry whose environmental performance and operational procedures are independently audited by government observers during harvesting and processing. Environmental performance is audited against these agreed measures by Fisheries New Zealand and the results are publicly reported.²

OUTLOOK

Covid-19 made its unwelcome arrival early in 2020 and still seriously affects our business today. Vaccinations and a reduction in lockdowns in key markets is however resulting in a resurgence of consumer demand. We are looking to improve profitability in our 2022 financial year and return to pre-covid levels in 2023.

The Board is positive about our future, despite the near-term remaining challenging. Our new CEO and his team have the necessary commitment and capacity to deliver on that expectation.

ACKNOWLEDGEMENTS

We gladly welcomed Mark Cairns to our Board as an independent director. Sanford is benefitting from Mark’s considerable experience and skills, especially in the important areas of shipping logistics and supply chains.



ABOVE Mussel barge, Lady Marie in the Marlborough Sounds.

I also acknowledge Peter Goodfellow’s significant and long service to the Board since 2006. Peter indicated at last year’s annual meeting he intended to retire from this year’s annual meeting. Peter has served on our audit finance and risk committee and he is a past Chair of our People committee. He has given unfailing commitment to Sanford as a director and an investor. We wish him and his family all the best following his retirement from Sanford.

I wish to also thank my fellow directors for their support during a year of considerable challenge and change for Sanford. Good governance is always crucial but doubly so in these challenging times. I appreciate the efforts of the Board and CEO for developing and implementing our recovery and resurgence strategy.

Last but not least, I thank our shareholders. We are disappointed not to be paying a dividend in the 2021 financial year and we intend doing so in future as soon as is feasible. Thank you for your ongoing support during these challenging times and the Board is committed to meeting your expectation of better financial returns.

Sir Robert McLeod
CHAIRMAN
17 November 2021

2. Source: Deepwater consortium report 2021



CEO REVIEW



Peter Reidie
CHIEF EXECUTIVE OFFICER

This CEO review follows my being in the role since April 2021.

Seven months is short, but it is long enough to form a wide and deep first impression of our company, our people, our strengths and our opportunities. I've carried these impressions with me as I have worked with the Board on the road back to improved profitability and investor returns.

My lasting first impression is that we have an amazing array of products that are incredibly good and desired by the world. We sell amazing New Zealand seafood caught or harvested in precious abundant waters with a quality level that is second to none. Our seafood is world-class.

Covid-19 has been tough. It shut down demand, closed markets and channels and required us to make operational changes to minimise risk. Foodservice, the most significant outlet for our high-value products, has been severely impacted.

With curtailed demand, we had inventory build to be cleared at a lower price. Supply lines have remained erratic and while demand has been slowly rebuilding, the costs to supply have eroded margins. It is not a good story. But we cannot lose sight of the fact that profits have been made, despite the demand slump. We have seen the bottom of the trough, and the test now is how quickly we can move out of it.

IMMEDIATE PRIORITIES

My focus on joining Sanford was on strengthening the Covid recovery response and getting us to the other side of its impacts. The team under Andre Gargiulo as interim-CEO had successfully begun that work. We wanted to make sure we saw the wider horizon and kept our focus on moving forward. I will speak later in this review about how that shaped our medium-term strategy, but first I want to detail our Covid-impacted results from 2021 because they give us good insight into how the recovery will play out.

OUR RESULTS

Sanford's Adjusted EBIT for 2021 was \$23.3 million, 39% lower than in 2020. Our full year sales volumes were 113.5k greenweight tonne (GWT) which was a 7% increase on 2020 (105.6k GWT). The volume increase was driven by two things. Firstly, we have taken the approach that cash is king and we focused on getting

product out the door. Naturally that impacted price, but it helped us manage inventory levels and ensured we kept sales channels flowing. Pleasingly, it also ensured we kept control of our debt levels with our year end position of \$178.6m Net Debt being slightly better than last year's \$184.3m. Secondly, in the latter part of 2021, we have seen demand return. We saw weaker revenue year-on-year in the first two quarters of 2021 and a reversal of that for the second half of the year.

Our results show signs of improvement, although the speed and pattern of recovery is different across our different divisions.

WILDCATCH FINANCIAL OVERVIEW

% Versus Last Year	FY 2021	H1 2021	H2 2021	H2 2021 vs H1 2021
Sales volumes	7.4%	20.1%	-3.5%	-6.6%
Revenue	1.6%	-5.6%	9.2%	10.0%
Profit contribution	11.0%	3.8%	15.4%	81.4%

Our sales volumes in wildcatch at 71.0k GWT (including deepwater and inshore species) was up 7% on 2020. However, that stronger sales volume has been partially negated by lower pricing. Our revenue from this division, by far Sanford's largest, was up 2% year-on-year.



**GREENSHELL™ MUSSELS FINANCIAL
OVERVIEW**

				H2 2021 vs H1 2021
%Versus Last Year	FY 2021	H1 2021	H2 2021	
Sales volumes	4.1%	-17.6%	28.7%	37.0%
Revenue	-16.4%	-38.1%	9.7%	47.7%
Profit contribution	-94.7%	-95.2%	-93.9%	-31.7%

Mussels was our weakest performing division. Our mussels are mostly sold frozen as a half shell product and the vast majority of our sales volumes go into food service in the US, Asia and Europe. The timing of our contracts and deliveries in mussels mean it was the last to be hit by Covid impacts and its recovery is also lagging. Sales volumes at 37.4k greenweight tonnes were up 4% on last year. Overall revenue from this division was down 16% and its profit contribution was significantly down 95% on prior year.

SALMON FINANCIAL OVERVIEW

				H2 2021 vs H1 2021
%Versus Last Year	FY 2021	H1 2021	H2 2021	
Sales volumes	40.6%	25.4%	58.9%	4.8%
Revenue	32.0%	11.8%	57.2%	12.6%
Profit contribution	8.5%	-22.3%	226.8%	-40.8%

Salmon is showing the way out of Covid-impacts with strong fourth quarter revenue driving overall revenue for this division up 32% on last year. Sales volumes for salmon were 5.1k GWT, up 41% on 2020, as we dealt with frozen inventory in this division. Its overall profit contribution was up 9% relative to 2020.

Our salmon division was quicker to feel the effects of Covid as it is usually sold fresh. The strong fourth quarter for this beautiful seafood is leading a recovery, as food service opens up again in markets such as Asia and the US. This was one of our product areas where we could diversify to high end retail, thanks to having our people on the ground in America. Sales of our premium branded Big Glory Bay salmon have grown to 20.8% of our salmon greenweight sales volume up from 3.2% last year. This has been a driver of improved profitability.

SUPPORTING FUTURE PERFORMANCE

The improvements we have seen in the latter part of 2021 in wildcatch and salmon have come despite ongoing Covid-related challenges. These include limited freight capacity and higher supply chain costs with global shipping schedule reliability this year hovering below 40%, after falling to 44% last year from 68%. However, we are confident that our new arrangement with supply chain collaboration group Kotahi to take

responsibility for all our frozen export capacity, will be very helpful in this area. Our confidence is increasing in our prospects for a return to higher profitability. Our leadership team and the Board are working closely together to build on our long-term strategy, which has a 2026 horizon. We will deliver the details of that strategy to stakeholders in the first half of the calendar year 2022.

My immediate focus has been the development and delivery of the FY22 business plan which guides the actions we need to take to continue to manage and emerge from Covid-19 impacts.

The priorities in this strategy are:

- (i) Rebuild mussel profitability
- (ii) Grow developing opportunities in wildcatch
- (iii) Retain salmon profitability and prepare for future growth
- (iv) Establish cross-business fundamentals such as performance culture, risk management, executional excellence and more

On the medium-term horizon, the vital signs are improving. We are in good shape operationally and one reason for that is because we did not defer necessary capital projects. Instead, we have pushed ahead, taking advantage of our strong balance sheet, and prioritised programmes which were necessary to protect our core

operational ability and set us up for future performance, including extensive vessel upgrades and maintenance.

On land, our seismic strengthening programme has brought all our key operational sites up to code. Our SanCore digital transformation project continued with a further investment of \$9.1 million. We are very pleased to have secured the resource consent for our Marine Extracts Centre which will markedly increase our production capabilities for high value specialty marine ingredients such as mussel powder and mussel oil. The Centre will also support continued research into the benefits and efficacy of various marine extracts.

Two key projects relating to our salmon hatchery have also been approved. These are brood stock tanks and a Recirculating Aquaculture System (RAS) both of which will enable us to grow production of our Big Glory Bay salmon and mitigate environmental risks to our breeding fish and our maturing smolt. Both are important investments for future growth of our premium product and will be made over 2022 and 2023. You will find more detail on page 37.

SPEED OF RECOVERY

We have been to the bottom of the trough this year. We are now coming out the other side. How quickly? The honest





answer is we do not know for certain, but as our Chair, Sir Rob McLeod has noted in his review, different divisions are moving at different speeds. Our wildcatch stock levels are good relative to last year when we had excess inventory. Markets are opening and prices are improving. Salmon has enjoyed a very strong year, thanks to our work to open the new premium retail channel in the US. It is too soon to say mussels have recovered, but we are focused on getting the right products to the right markets at the right price.

We are getting better at risk management and executional excellence and we are investing in developing our science and research work. This work will support our future growth, and this will enable us to provide better returns to our shareholders.



ABOVE Mike Jones, Tengawai crew.

THE ROUTE TO RECOVERY

When I first joined, I spent three days onboard our deepwater vessel San Granit. I saw every part of the vessel, from the bridge to the bilge, being amongst the skipper and crew as they worked their shifts and socialised over meals.

It struck me that so much of our ability to catch and to preserve the perfection of the fish comes down to them making the right choices. Where we fish, for how long, when we raise the nets, how fast we move the catch into processing, how efficiently that processing occurs to minimise waste – these are all crucial decisions. They rely on experience, teamwork, attention to detail and especially to safety. Our catches were out of the water into processing almost within minutes, with care and attention on the way, to keep the product as pristine as possible.

We need to bring the same decision-making deftness to sharpening our performance more broadly. We have a lot to think about – the species we catch and where they should go, our markets and which should take priority, the channels in those markets, the value customers generate for us and the value we can generate for them.

Historically in Sanford it appears that we have made these choices as if they have been roughly equal. The reality is different. We must prioritise the choices

which are worth more and be more selective on what takes priority.

Here's an example. Prior to Covid-19 our premium fresh salmon had been consumed in high end restaurants – and we were doing well in building that foodservice channel. When that was hit hard by Covid-19, we had a choice to wait out the slump or to find an answer. We worked to create a new channel in high-end retail. The customer base there suits our premium product offer. By investing in the Big Glory Bay brand with its quality and provenance message, we encouraged consumers to eat salmon at home and created a winning opportunity for our retail customers.

By prioritising our choices, we have found new outlets and opportunities to grow the range of products we sell into them. Foodservice will recover over time and then, because we made good choices, we will have two channels for our high-end products, not one.

What does that mean in our commodity core that represents more than half of our earnings? First, commodities must be done efficiently and effectively, with underlying costs well managed. Consistency, quality, reliability and value all give customers the reason to buy our products over a competitor's. Sanford does that very well. Just as laptop manufacturers command higher prices using Intel processors inside,

we could argue a customers' fish fingers should sell for more if they have outstanding Sanford hoki inside. There are opportunities to ensure the better quality we have is reflected in the value of what you would call a commodity.

Our sustainability, our quota, where we fish and how, the way our people deliver quality – all these are our "Intel inside". Increasing the value of our quota catch is critical. When I went to sea with our deepwater team, I watched them use one hundred percent of the fish they processed – perfect fillets are hand packed into shatter pack by graders and the balance goes into fish meal – not a waste product. We are taking the quality and value of that meal up, through new plant on vessels like San Granit. We have opportunity to do even more as we discover what value can be generated through greater utilisation of what we bring out of the water.

THE WIDER HORIZON

With our strategy in place to emerge from Covid's impacts in good shape, we are very fixed on the post-Covid point on the horizon. We cannot guarantee the passage will be smooth, but we are confident in our course and capabilities.

We provide healthy, sustainable seafood to a world which needs more of it. We are serious about protecting the marine environment; we do not survive if we have no fish to catch or waters we can no longer





ABOVE Union Beach mussel barge, Coromandel.

farm. We do not trade our long-term sustainability for short-term gains.

That's why we support the goals of what the Government wants to achieve in sustainable ocean management. We have embraced such things as putting cameras on fishing vessels and developing new technology that will help us fish and farm in ways that leave the environment in which we operate in sustainable condition. Our track record is good, and we are viewed positively. I believe we can show leadership and find areas where we have advice and help to offer and where we can work together for the good of New Zealand's environment, science, jobs and wellbeing. In return, we ask that fisheries management decisions are made based on

science. The same science we use as a guide to our decisions. We do support the goals, we are mindful of the "how". The New Zealand fishing industry leads the world in sustainable management practices. We earn export dollars for our country. We employ people and take our role in remote communities seriously. We appreciate we are in a privileged position when it comes to accessing the amazing seafood in the waters of Aotearoa. We do not take that position lightly. We ask in return that we are involved in the decisions that impact us and change the way we need to do things. We do not fish the same way today that we did 150 years ago, nor do we expect to 50 years into the future. Critical to achieving the goals is

management of the change and we have a role to play in that.

Often when you come new into a business, the priority is to fix the offer. We do not have to do that. We have an outstanding product. We have incredible experience, knowledge and 150 years of history. There is a lot to like in that history. What is not acceptable is history being a reason to avoid change. That is the challenge of this role; embracing all that is good in our legacy and ensuring we adopt changes that enrich Sanford's name and performance by harnessing the opportunities in front of us.

SAFETY IN 2021

A word or two on safety. It is pleasing to see the reporting of near misses up 49%, which certainly contributed to a drop in the Total Recordable Injury Frequency Rate by 8% in 2021. Growth in near miss reporting is an indicator of a more vigilant approach to safety risk across the company. But any harm to our people's health and safety is cause for concern and we must never stop striving for a safer workplace. The Board and Management teams remain focused on health and safety as a top priority.

THANKS

I want to thank our Sanford people. That we have achieved a profit over both Covid-impacted years is a credit to their resilience, hardwork and effort in the face

of adversity. I am impressed by the passion and knowledge of our people and I am impressed by our engagement scores.

They have faced an incredibly challenging operating environment, as well as a change of leadership and my changes in the way we do things. My special thanks to Andre for his interim stewardship and his support to me as I settled in. I wish to acknowledge and thank our departing CFO Katherine Turner for her work at Sanford and to wish her well for the future. Welcome to our new CFO Paul Alston who joined us in October. We will be saying goodbye to Chief Operating Officer Clement Chia in January and we thank him for his hard work. He leaves a strong team in place. My thanks to the entire executive team and to all at Sanford, on land and at sea. Thank you for welcoming me, thank you for your hard work and ongoing dedication. Thank you to our hardworking Board and thanks also to our dedicated investors who have shown great loyalty to Sanford. I am confident it can be rewarded.

Peter Reidie

CHIEF EXECUTIVE OFFICER
17 November 2021



REPORT STRUCTURE

Thank you for reading Sanford's 2021 Integrated Report. These pages explain the structure of this report and how we integrate the UN Sustainable Development Goals and our Business Excellence Framework within the reporting frameworks that guide us.

A summary of our *Global Sales Footprint* in 2021 can be found on pages 20 to 22. This section provides a snapshot of our major markets and includes details about how these markets continued to be impacted by Covid-19 through the year.

The *How We Create Value* section is an integrated overview of our business model. It maps our inputs to outcomes on pages 16 and 17.

In *Reporting What Matters* on pages 24 to 27, we cover the expectations of our stakeholders in our materiality review. We lay out their expectations of Sanford and how this fits within our materiality and risk matrices.

CHAPTERS – OUR BUSINESS EXCELLENCE FRAMEWORK AND PERFORMANCE OUTCOMES

Each of our chapters covers one of the five outcomes in our Business Excellence Framework. This is a change. In previous years we have used six outcomes, but we sought to streamline the Framework this year, while still covering all the relevant material issues we face. We have removed the previously used Leading the Way to Healthy Food and Marine Extracts chapter and have covered the content in other chapters. Food safety and quality is now discussed in the Delivering and Innovating for Customers and Consumers and biosecurity is covered in the chapter on Building a Sustainable Seafood Business.

Another change is the addition of narrated stories told by our own people from the frontline of our operations. Five of our staff contributed their personal accounts of the challenges they faced in 2021. We thank them very much for their stories and are proud to include them.





Our first chapter on pages 30 to 44 focuses on the outcome **Enabling Healthy Oceans and Environments**. The decision to begin here is a considered one. We cannot deliver on any other aspects of our Business Excellence Framework without healthy oceans from which to harvest or in which to farm our seafood. Protecting our natural resources is an absolute priority as readers will discern from the details provided about our efforts to minimise our environmental footprint around our salmon farm, the lifecycle assessment work underway for mussels and our waste minimisation focus.



In our second chapter we examine the outcome **Creating a Safe and High Performing Workplace** on pages 45 to 56. It should go without saying that our people make Sanford. Our workplaces should be safe places where we share our vision and our values. In this chapter we detail the significant refits undertaken to our deepwater vessels, making them better places to work. We cover our engagement scores and targets and discuss learning and development.



Our third chapter focuses on how we are **Delivering and Innovating for Customers and Consumers** across pages 57 to 67. This outcome includes food safety and quality and our innovations across products and delivery. The chapter includes a first-hand account from one of our sales team about the challenges faced in Covid-impacted markets. It also marks the consenting of our marine extracts plant planned for Blenheim.



Across pages 68 to 76 we look at the fourth outcome in our Business Excellence Framework – **Supporting Strong Communities and Partnerships**. This area covers our leadership in creating employment and skills opportunities and a key story in this chapter is told by one of our staff who came to Sanford via a key community partner working in New Zealand schools.



Chapter five demonstrates how all the threads of our Business Excellence Framework come together in the final outcome **Building a Sustainable Seafood Business**. Here we focus on our desire to deliver sustainable, profitable and socially beneficial outcomes. We do this through our people, sector leadership and risk management. The examples of these things provided in this chapter on pages 77 through 87 include a look at how we have managed supply chain challenges in 2021, an update on our open ocean farming plans and the ways we are staying on top of the seismic risks naturally faced when operating in New Zealand.

THE UN SUSTAINABLE DEVELOPMENT GOALS

The United Nation's SDG's are an urgent call for action to achieve prosperity for people and planet. The 17 goals were released in 2015 as part of the 2030 agenda for sustainable development. Beneath the goals sits 169 targets, which guide our decisions about which of the goals are most relevant to and actionable by Sanford. We focus on six of the 17 where we believe we can make a contribution and a difference.



Goal 8 is Decent Work and Economic growth which we apply in chapters two, three, four and five.



Goal 9 is Industry, Innovation and Infrastructure which we speak to in chapters three and five.



Goal 12 is Responsible Consumption and Production which is addressed in chapters one and three.



Goal 13 is Climate Action which is covered in chapter one.



Goal 14 is Life Below Water which is a focus in chapter one.



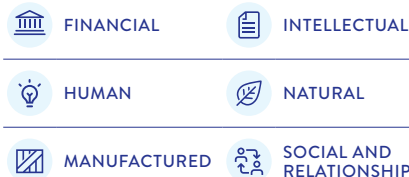
Goal 17 is Partnerships for the Goals which we speak to in chapters one, three and four.

A dashboard has been provided at the start of each chapter to provide guidance on Sanford's contributions across each Business Excellence Framework outcome toward these global goals.





VALUE CREATION – THE SIX CAPITALS



The inputs, or capitals upon which we rely to create value include financial, human, manufactured, intellectual, natural and social and relationships. Each outcome will typically draw on input from more than one of the six capitals. To represent this, we have included graphs in the dashboards at the start of each chapter which demonstrate to what degree each input factors into that outcome. These are qualitative assessments, as there is no standard approach to putting numeric values on each of these categories. In these assessments, we consider the highlights in this performance outcome over 2021 and the broader and more typical contribution each input makes in this area of Sanford's business performance.

Examples of the contributions of these capitals are demonstrated throughout our chapters. Financial capital contributes to our fleet refurbishment (chapter two), our marine extracts plant development (chapter three) and our environmental management investments (chapter one).

We draw on human capital in all our operations and there are many examples in this report including the work processing and selling our fish and shellfish (chapter three).

Manufactured capital goes to work as we add improvements to our vessels (chapter two).

Intellectual capital drives our marine extract development (chapter three) and is protected in our approach to managing seismic risk (chapter five).

Natural capital is what we fish and farm and we protect it with our sustainability efforts (chapters one and five).

Social and relationship capital is key to our ability to contribute to our communities and be welcomed in those places (chapter four). We aim to be positive contributors as shown by our partnership with the Graeme Dingle Foundation, our community salmon fund and our support for New Zealand families in greater need because of the Covid-19 pandemic.

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. This has contributed to our decision to apply 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.

DISCLOSURES

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

All financial data is presented in New Zealand dollars, unless otherwise stated. Any changes or restatements of previously reported figures are identified throughout the Report. KPMG has provided independent assurance of this Report, and this covers both statutory financial and selected nonfinancial information. The combined independent auditors and limited assurance report is on pages 166 to 172.

This Report, produced by Sanford's management team and reviewed by our Executive team, has been signed off by Peter Reidie, our CEO 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 2021.

For and on behalf of the Board of Directors:

Sir R A McLeod
CHAIRMAN
17 November 2021

F Mackenzie
CHAIR AUDIT FINANCE AND RISK
COMMITTEE
17 November 2021





— HOW WE CREATE 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

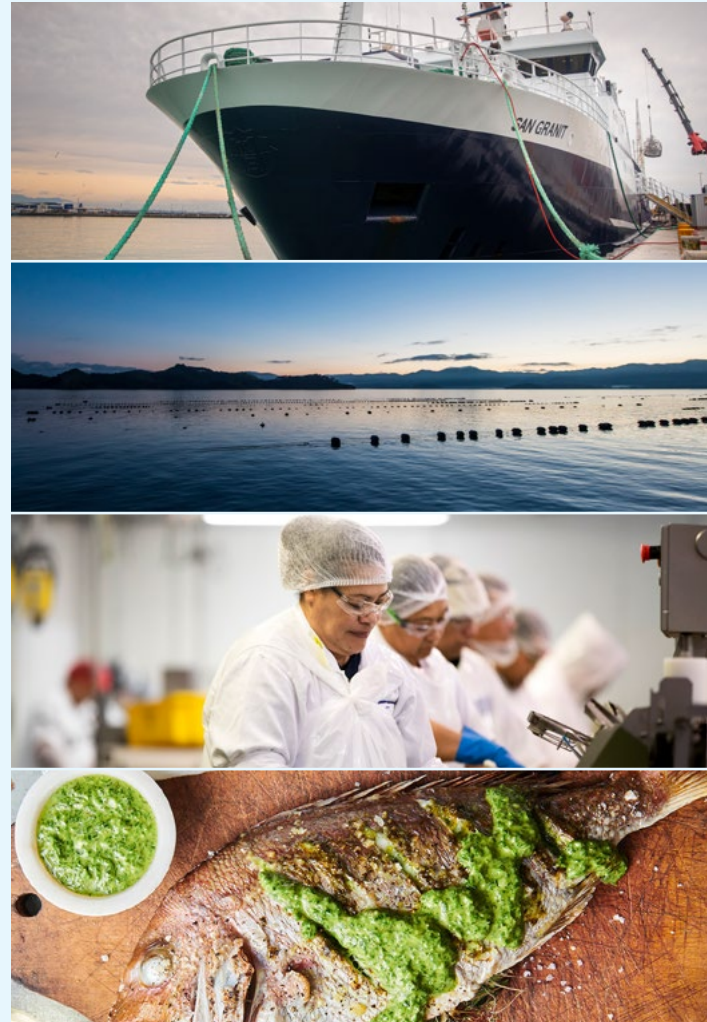
Stock of natural resources or environmental assets (water, atmosphere, land, materials, biodiversity and ecosystem health) that are fundamental to our future prosperity



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

41

FISHING AND
AQUACULTURE VESSELS

FARMING

225

AQUACULTURE
FARMS

OPERATIONS SITES

16

ACROSS NZ / AU

CUSTOMERS

766

OUTPUTS



OUTCOMES

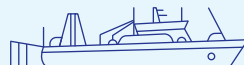
\$489.6^M

REVENUE IN 2021

BEAUTIFUL NEW ZEALAND SEAFOOD

774^M

MEALS PRODUCED

STANDARD MEALS BASED ON
A 100G PORTION OF SEAFOOD

Enabling Healthy Oceans and Environments

We will lead by example in 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.



Delivering and Innovating for Customers and Consumers

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.



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 that we deliver a significant and positive contribution everywhere we work.



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.

OUR VISION

LEADERSHIP IN NEW ZEALAND SEAFOOD





VALUE CREATION OUTCOMES



ENABLING HEALTHY
OCEANS AND
ENVIRONMENTS

>30 tonnes

of live Greenshell™ Mussels
donated and used for

**NATURAL
HABITAT RESTORATION**

in Kenepuru Sound and
downtown Auckland.

**OVER
8,500
tonnes**

– equivalent to 57% of all Sanford waste –

**DIVERTED AWAY
FROM LANDFILL**

FY20: 40%

LOWS

12

NOTIFIABLE SPILLS

– up from 3 in FY20 –

15% INCREASE

in aquaculture vessel fuel intensity.

**0.053 LITRES
OF VESSEL FUEL**

utilised per kg of aquaculture harvest.

FY20: 0.046 l/GWkg



CREATING A SAFE
AND HIGH PERFORMING
WORKPLACE

**HEALTH AND
SAFETY CULTURE**

49%

INCREASE IN 'NEAR-MISS' REPORTING,

combined with wider engagement
in H&S reporting

(63% of reports now being raised by
non H&S personnel)

supporting pre-emptive risk reductions.

**165%
increase**

**IN INTERNAL STAFF TRAINING
AND UPSKILLING**

FY20: 554 hours

FY21: 1,469 hours

'31%

**REDUCTION IN INDUSTRY TRAINING
CREDITS ACHIEVED BY OUR PEOPLE**

FY20: 1998 credits

FY21: 1374 credits



VALUE CREATION OUTCOMES

HIGHS

LOWS



DELIVERING AND
INNOVATING
FOR OUR CUSTOMERS
AND CONSUMERS

BRAND GROWTH OF PREMIUM BIG GLORY BAY SALMON

TO REPRESENT 22% BY WEIGHT
for common format products.
FY20: <5%

RESOURCE CONSENT GRANTED

for our
**BLLENHEIM MARINE
EXTRACTS CENTRE**

1.67

CUSTOMER FOOD QUALITY COMPLAINTS
PER MILLION KILOGRAMS

of seafood sold by Sanford.
2020: 1.43 per m kg.



SUPPORTING
STRONG
COMMUNITIES AND
PARTNERSHIPS

132,535 SEAFOOD MEALS DONATED

20,572 STUDENTS

engaged with the Graeme Dingle
Foundation's programs during
2021 with Sanford's assistance.

7

COMPLAINTS

relating to odour and noise from
our Auckland Processing Site.



BUILDING A
SUSTAINABLE SEAFOOD
BUSINESS

▲49%

TOOTHFISH HARVEST

FY21: 1,077 t
FY20: 719 t ATO+PTO

SAN HAMANA COMMISSIONED

our new state of the art feed and accommodation barge at Big Glory Bay.

▲15%

SALMON HARVEST

utilising additional pens and
reduced per pen density.

ADJUSTED EBIT

\$23.3M

2020 \$38.3M

▲ 21%

SUPPLY CHAIN COSTS

(cost/tonne basis)

combined with low
schedule reliability.

MUSSEL HARVEST

▼ 17%

as we adjust output
to match market
conditions.





OUR GLOBAL SALES FOOTPRINT

Our 2021 financial year was an incredibly challenging one with constantly changing market dynamics across the board. Whilst disappointed with the overall outcome, we did manage to reduce inventory levels, while remaining well placed for growth in 2022.

The impact of the global Covid-19 pandemic continued to play out through 2021 across all the markets we service. But as the pandemic response has evolved, we have seen some recovery and even growth. This is progressing differently in different markets, as we detail below.

NORTH AMERICA

This market is once again our biggest export destination, taking 17.4% of sales volumes, up from 10.8% in 2020. North America saw significant improvements in half shell mussel sales volumes as we worked with in-market partners to grow volumes, as other

markets weakened. Profitability continued to lag throughout the year, with signs of a late recovery heading into the 2022 financial year. Our focus was on volume and inventory reduction in the first half of 2021, followed by chasing price recovery in the second half, which will continue into 2022.

Another area of focus for us in this region has been toothfish. With our North American customers we have been able to achieve stronger toothfish sales through retail channels and offer a diversified channel mix over the year. We will look to maintain this for pricing stability into the future.

AUSTRALIA

Sales of our New Zealand product to Australia have increased, a reflection of the strong performance of Sanford Australia, despite challenging lockdown conditions this team has experienced, spending many months in lockdown since the pandemic began. This market (including the Pacific) now takes 12.4% of our total sales volume, up from 10.4% in 2020, which supports the investments we have made in this market. This does not take into account Sanford Australia's purchase and sale of non-Sanford sourced seafood in the Australian market. We look to continue to grow this business unit and the market in the coming year.

CHINA AND HONG KONG

These markets represented 11.1% of sales volumes in 2021, down from 12.5% in 2020. We maintained volumes in mussels here, but at challenged pricing with inventory built in-market due to the continuing impacts of Covid-19 lockdowns on the food service sector. Toothfish volumes were diminished due to exposure to high-end foodservice. We are seeing price improvements in scampi as we bring to life our closer to customer strategy, moving from an exclusive arrangement in market to a diversified customer portfolio.

EUROPE

The European market continued to suffer ongoing impacts from Covid-19 related shutdowns during the 2021 year. We saw this recover slower here than in comparable markets in other regions which is why it dropped from being our largest export market in 2020 to only our fourth largest in 2021, going from taking 12.6% of sales volumes to 9.1%. We sell a range of products here which largely go into food service, cruise liners and the educational sector, areas all vulnerable to Covid-related disruption. As a result, we have seen significant declines in mussels sales volumes during the year and we lack a significant retail presence in Europe to offset these declines. Fortunately, we do have strong partnerships in Europe, and the latter part of 2021 saw improvements

in demand from key markets in this region as they open up following the peak impacts of the pandemic.

OTHER REGIONS

Of note in our other sales regions, we saw a significant decline in Japan in the first half of 2021 with some recovery through frozen salmon in the second half of the year.

Growth in the Russian market remains a focus. We have secured a number of new customers in Russia this year, focused on mussels and a diversified portfolio of white fish with further opportunities identified.

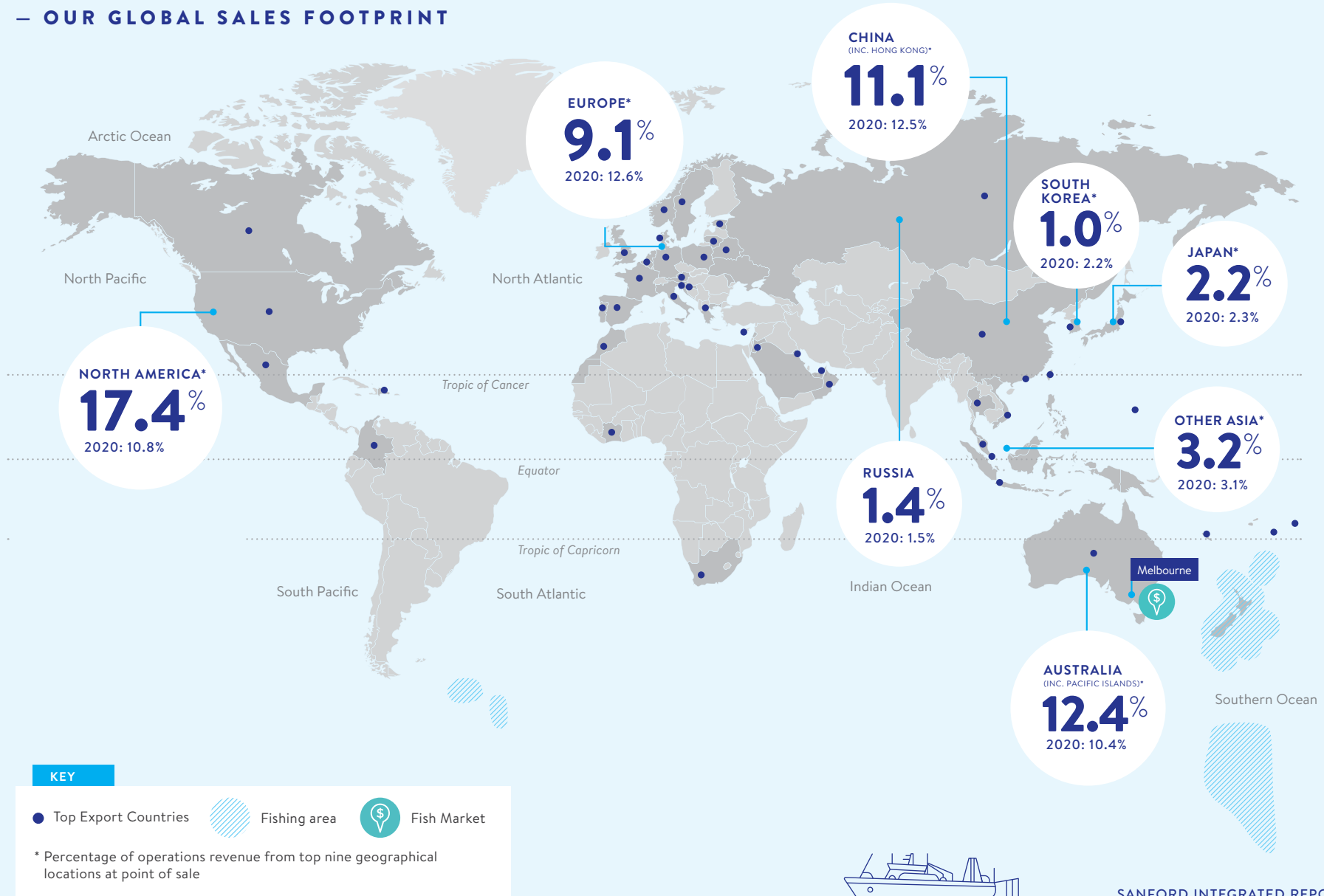
CONCLUSIONS

Supply chain challenges have impacted us and will continue to be a limitation (see pages 81 and 82). But we saw a late recovery in both demand and price in many of our global markets, which gives us grounds for optimism in 2022.

We have invested in putting people on the ground in North America and Australia and this is reflected in the growth we are seeing in these territories. These markets, as well as New Zealand, are where we will focus on growth and value opportunities in the coming year. We see opportunity for European growth too, as the recovery in food service there gathers pace.



— OUR GLOBAL SALES FOOTPRINT



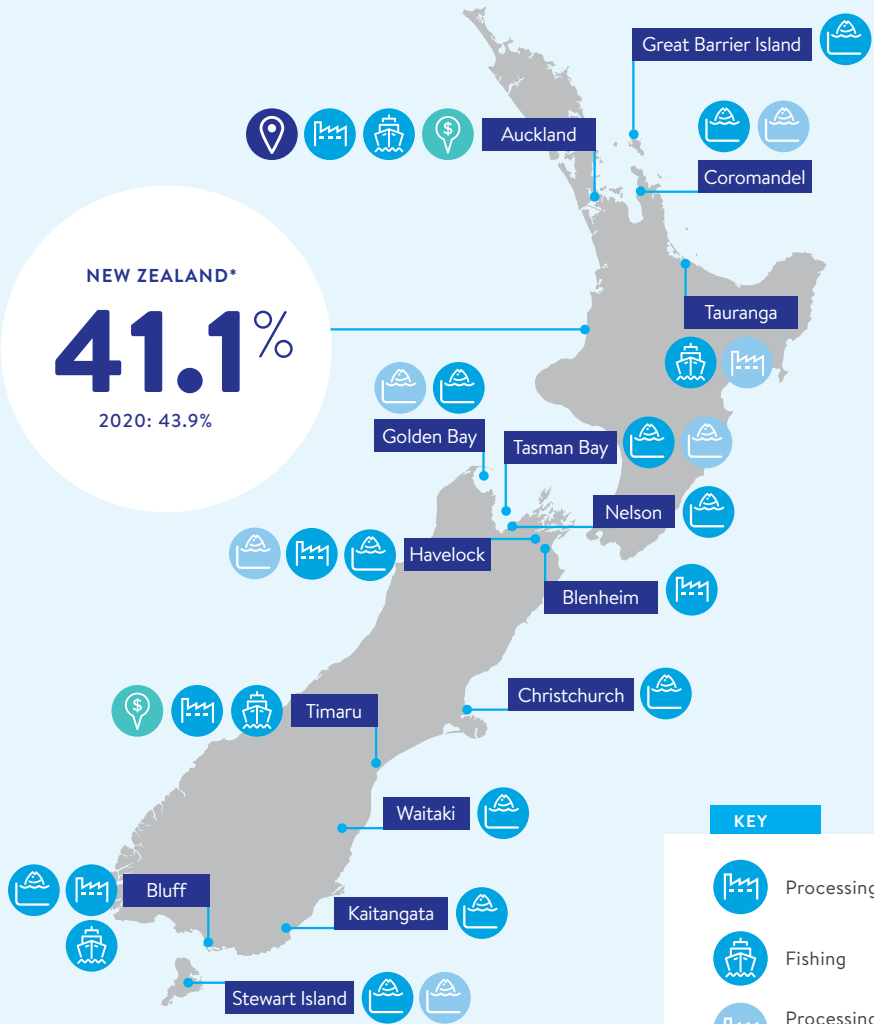


OUR NEW ZEALAND FOOTPRINT

NEW ZEALAND

Our home market continues to be hit by pandemic impacts. Despite a period of positive trading between lockdowns, it has been a hard year for foodservice overall in New Zealand. Even when the country was at Alert Level 1, major distributors were operating at around 70% of their usual level as a result of border closures. We have however, seen a strong performance from our retail partners, offsetting some of that decline. In September we signed a five-year sales processing and partnership deal with Foodstuffs which will see them taking approximately 20% of our domestic sales value.

The proportion of overall sales volumes to our domestic market has decreased year-on-year because of a combination of that foodservice decline and lower fishing partner sales.



KEY

- Processing
- Fishing
- Processing Joint Arrangements
- Head Office

- Aquaculture
- Fish Market
- Aquaculture Joint Arrangements

* Percentage of operations revenue from top nine geographical locations at point of sale



OUR APPROACH AND STAKEHOLDER ENGAGEMENT

Since 2014, when we adopted an integrated reporting framework, we have evaluated, prioritised and presented on material topics in our annual report. Prior to adopting integrated reporting, stakeholders' views, concerns and questions, along with our response, were detailed in our sustainability reports.

The materiality process, since its inception, has ranked the issues which most concern a diverse range of some 199 stakeholders representing shareholders, employees, suppliers, customers, iwi, industry, community, non-government organisations and local and central government. Their views are obtained through workshops and one-on-one interviews, with the methodology aligned with the best practice AA1000 Stakeholder Engagement Standard.

The list of topics is also ranked according to their potential ability to impact on our business by informed internal stakeholders, which has included members of the Board, Executive, and Senior Leadership Team. The criteria include profitability, ability to operate, reputation, value provided to society and to the environment. The resulting materiality matrix, comprising both the issue significance to stakeholders as well as potential impact to business is published each year, with an accompanying commentary. The matrix does far more than inform the Board and management team of our stakeholders' concerns. It ensures each of the key issues identified are prioritised within our action plans, through our Business Excellence Framework.



ABOVE San Nikau, mussel barge, Marlborough Sounds.

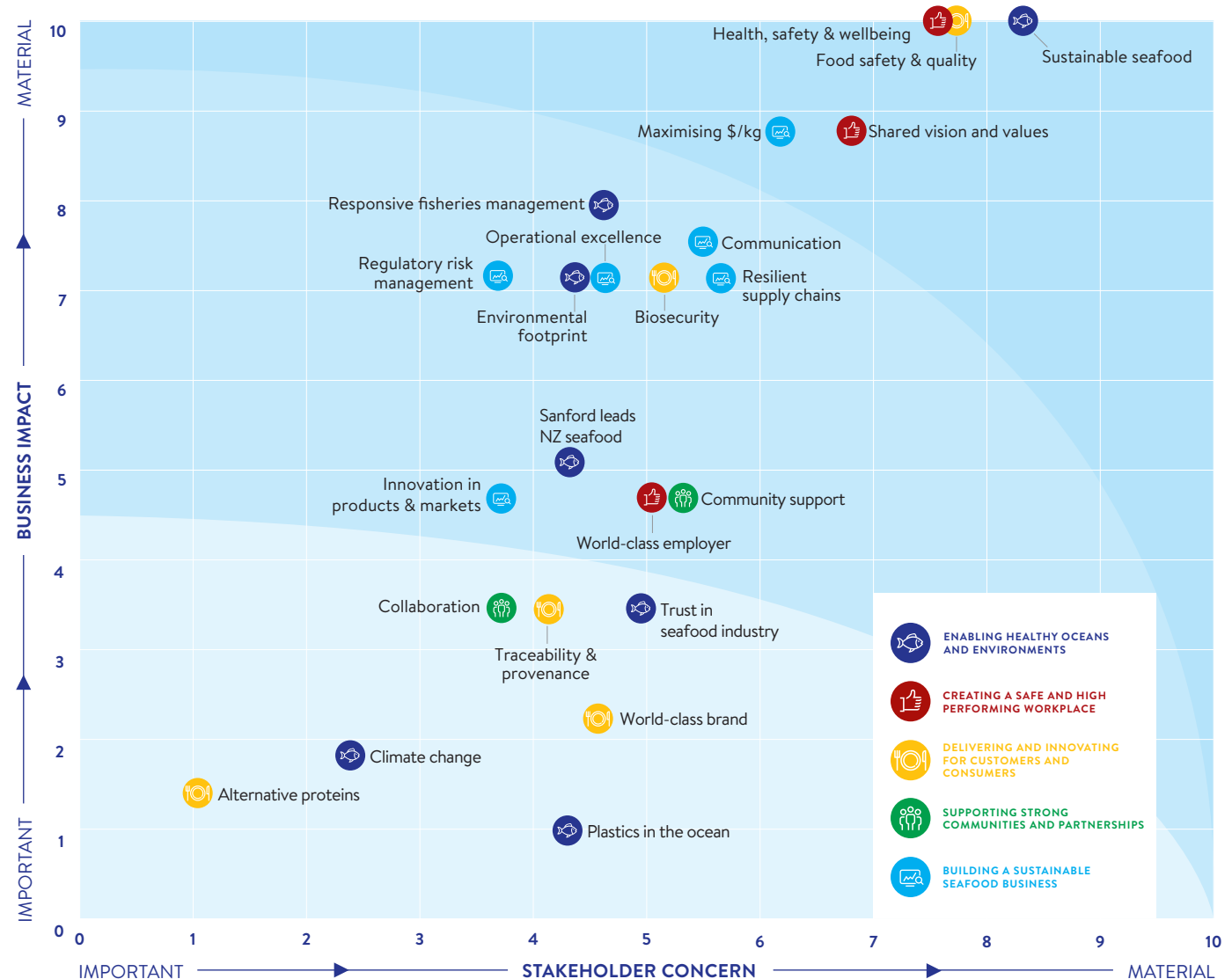


FIGURE 1: Sanford materiality matrix, showing the highest ranked material, and other material issues, using data from our 2020 process.

OUR TOP 12 ISSUES BY THEIR POTENTIAL BUSINESS IMPACT WERE:

- 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

The top three issues – the health and wellbeing of our people, food safety and quality, and sustainable seafood – remained unchanged from prior years, while our overall index has also been largely stable, with some shift in rankings.





ABOVE Steve Faithful, Sanford truck driver.

DYNAMIC MATERIALITY

We now have more than five years' experience in this formal annual engagement with our stakeholders, identifying issues, ranking them, determining the business impact and preparing a materiality index. We are confident that we can now move toward a 2-4 yearly cycle, which will continue to be guided by the International Integrated Reporting Council (IIRC)

framework for global reporting and the Global Reporting Initiative (GRI) standards. Taking this approach reflects a dynamic view of materiality which can respond to internal and external changes, whilst also remaining relevant and avoiding process repetition.

The constrictions of operating in the second year of the Covid-19 pandemic has been a factor in this decision, but it is not the prime consideration. We now

know from our formal annual cycle, along with more informal engagement prior to adopting integrated reporting, that what matters most to our stakeholders does not change markedly from year-to-year. Their main concern – and one we share – is 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.

We are also confident that the strong and trusting stakeholder relationships we have are not dependent on a formal engagement framework to function. All our stakeholders know they are free to raise concerns and questions with us at any time. Our continued determination to reflect what matters to them in our strategy and our actions has also been made clear by both the Board and Executive Team. Both have acknowledged our goals can only be achieved by Sanford having effective and successful relationships with our customers, our people, suppliers, and the wider community, including iwi and Government.

MATERIAL RISKS AND CLIMATE CHANGE MATERIALITY

Climate change as a topic in and of itself has consistently ranked, relative to other issues, in the lower grouping of material topics within our materiality assessments. At the same time, climate change is routinely identified as a high priority business risk. This apparent disconnect can be explained by considering that the topics of sustainable seafood, responsive fisheries management, resilience to biosecurity risks, and regulatory risk management all contain implicit elements relating to the effects and impacts of environmental changes, including those relating to and driven by climate. Reflecting the position of climate change within our organisational risk framework, along with its potential fundamental effect on the natural world, societies, business, and economies we continue to treat climate change as a material subject to inform strategy.



ADDRESSING MATERIAL ISSUES THROUGH OUR BUSINESS EXCELLENCE FRAMEWORK

Addressing the most material issues is our priority at Sanford. We measure our performance against material issue outcomes within the five outcomes of our Business Excellence Framework, which is described in the Performance section of this Report (pages 28 to 87). In the diagram below we link our top material issues, identified from stakeholder engagement, to the five outcomes from our performance framework and associated Sustainable Development Goal outcomes (the ranking of material issues is shown below in brackets beside each topic).



ENSURING HEALTHY OCEANS AND ENVIRONMENTS

- Sustainable seafood (1=)
- Responsive fisheries management (6)
- Environmental footprint (8=)
- Climate Change (#1 Business Risk)



CREATING A SAFE AND HIGH PERFORMING WORKPLACE

- Health, safety, and wellbeing (1=)
- Shared vision and values [with our people] (4=)
- World-class employer (14=)



DELIVERING AND INNOVATING FOR OUR CUSTOMERS AND CONSUMERS

- Food safety and quality (1=)
- Resilience to biosecurity risks (8=)
- Innovation in products and markets (14=)



SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS

- Shared vision and values [with communities] (4=)
- Community support (14=)



BUILDING A SUSTAINABLE SEAFOOD BUSINESS

- Maximising \$/kg, driving profitability (4=)
- Transparent and effective communication (7)
- Operational excellence (8=)
- Regulatory risk management (8=)
- Resilient supply chains (8=)
- Sanford leads NZ seafood (14=)



OUR PERFORMANCE OUTCOMES

In the chapters ahead you will find the details of our performance in 2021 arranged across the five outcomes in our Business Excellence Framework.

These chapters can be cross referenced with the Global Reporting Initiative (GRI) guidelines (see the index in Appendix E). Their content is selected with the International Integrated Reporting Council frameworks as our guide.

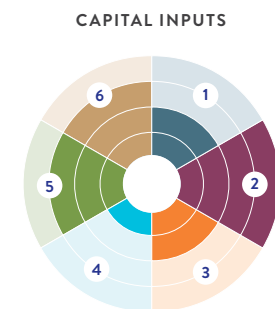
Each chapter starts with a dashboard showing capital inputs and which UN Sustainability Development Goals relate most to each performance outcome. All five of these dashboards are shown here for ease of comparison. These are the stories of our challenges and progress in 2021, told frankly and in the words of our people.

KEY — CAPITAL INPUTS

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

UN SDG

United Nations Sustainable Development Goals



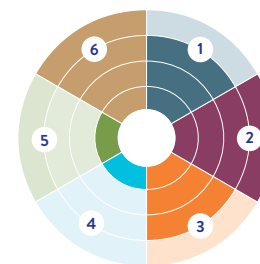
Enabling Healthy Oceans and Environments



Creating a Safe and High Performing Workplace



CAPITAL INPUTS



UN SDG





Delivering and Innovating for Customers and Consumers



CAPITAL INPUTS

UN SDG



KEY — CAPITAL INPUTS

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

UN SDG

United Nations Sustainable Development Goals



Supporting Strong Communities and Partnerships



CAPITAL INPUTS

UN SDG



CAPITAL INPUTS

UN SDG



Building a Sustainable Seafood Business



OUR FIVE PERFORMANCE OUTCOMES



Enabling Healthy Oceans and Environments

We will lead by example in 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.

CAPITAL INPUTS



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

UN SDG



United Nations Sustainable Development Goals

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, the targets we set at the commencement of year 2021, and our progress against these targets. At the end of this section, we define our future targets for 2022 and beyond as well as our vision through to 2025.

PROGRESS AGAINST TARGETS FOR FINANCIAL YEAR 2021

MATERIAL ISSUES & STRATEGIC GOALS	2021 TARGETS	PROGRESS AGAINST TARGETS (FY21)
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.	 Achieved. Sanford continues to advocate for the standardisation of specification and rollout of cameras across the commercial fleet. We also identify that regulatory settings should also be updated in reflection of camera rollout. Sanford expanded its rollout of fisheries observation cameras during FY21 to now cover six of our owned vessels.
	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.	 Achieved. Aquaculture vessel environmental code guidelines prepared and rolled out across our operational regions. Processes to measure and monitor implementation to be activated during FY22.
	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.	 Achieved. Sanford maintains an active participation in sustainable management of fish stocks through the Deepwater Group, Fisheries Inshore New Zealand, and Southern Inshore. All positions taken on stock submissions support ensuring the ongoing viability of fisheries resources. No breaches in catch reporting during FY21, meeting full catch reporting requirements.





MATERIAL ISSUES & STRATEGIC GOALS	2021 TARGETS		PROGRESS AGAINST TARGETS (FY21)
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.	✗	Not Achieved. Total fisheries interactions with seabirds was lower in FY21 (FY20:362, FY21:294), but interactions with marine mammals increased relative to prior year (FY20:36, FY21:44). The effect from participation in improvement programmes such as the Black Petrel Working Group, MAUI63, mitigation development, operational procedures, and trigger level deployment is having longer term benefits with a reduction in interactions over longer time periods (seabirds: -38% FY21:FY18, mammals: -43% FY21:FY18).
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 updated ISO 14001:2015 EMS standard across our operations.	✗	Not Achieved. North Island Mussels Ltd (NIML), a JV operation, received a notice in relation to odour from by-products at its processing site. Corrective measures have been successfully implemented. Successful re-certification during February 2021 of Sanford's Environmental Management System (EMS) in accordance with the requirements of ISO14001:2015.
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.	✓	Achieved. Improved water efficiency (6% improvement on FY20) as well as energy efficiency (6% improvement on FY20), driven by consolidation of processing volumes with last year's closure of Tauranga factory and rollout of water savings projects implemented at Auckland and Havelock sites. Waste diversion for all waste streams achieved target reaching 57% resulting from a strong focus on recycling and reuse projects including plastics, fibres, PPE and mussel shell.
	Initiate a sustainable packaging program; starting with identifying current and future circular packaging options.	→	Ongoing. Working group established. Changes made across some lines including Sanford & Sons home delivery to achieve 100% recyclability in packaging. Packaging improvement projects to continue into FY22 and beyond focussing on other lines.



MATERIAL ISSUES & STRATEGIC GOALS

2021 TARGETS

PROGRESS AGAINST TARGETS (FY21)

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 (CO₂-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.



Not Achieved. 4.8% reduction in absolute Scope 1 and 2 GHG emissions (tonnes CO₂-e) (FY21 vs FY20), however as a result of reduced mussel harvests, emissions intensity (CO₂-e kg/GWTkg) increased by 0.9% during FY21. During FY21 we also completed work on a long-term emissions reduction pathway, which will work to guide future emissions reduction planning and project implementation.



ABOVE Sunset over Sanford’s Big Glory Bay mussel farm, Stewart Island.





A PERSONAL VIEW OF 2021

From Forensics to Fish

Achira “Archie” Amadoru is a former government forensic laboratory technician who moved from Sri Lanka in 2015. He has a degree in aquaculture and marine conservation from the Nelson Marlborough Institute of Technology (NMIT). He is responsible for fish health management at Sanford’s Big Glory Bay farm on Stewart Island. Here he talks about his first-hand experience managing fish health and the environment in 2021.

Coming to Stewart Island and working for Sanford was a game changer for me. I love my work here and have applied for permanent residency in New Zealand – a long way from my former life as a Government forensic technician helping to solve crimes.

What makes a happy fish? It is not that easy to tell. On land, you have the five animal freedoms which define animal welfare – things like freedom from hunger and thirst, freedom from discomfort and freedom from pain. When it comes to fish, it is more difficult because they do not express much or give away their feelings as a cow or a cat would.

So, it is important to look for the limited signs – how they swim, how they eat, their breathing rate, things like that. You get an eye for it.

As an aquaculture technician, my role is to look after the health of the fish and to monitor the health of the water in and around our farms in Big Glory Bay. Looking after fish health on my own would be very difficult. Luckily, we have a great team of feeders and divers, and they all have good eyes and can inform me if they feel something is not right. They have good instincts.

Water quality is very important for the health of the fish. I normally sample three times a week, looking especially for algae that can harm the fish stock. Some algae

ABOVE Achira Amadoru (“Archie”), Sanford Aquaculture Technician on Stewart Island.



can be really harmful and produce toxins and damage the salmon's gills, especially during summer because in warmer weather, algae grows very quickly. Understanding if there is algae in the water, and what type of algae, enables us to take actions to mitigate the harm to the fish.

When aeration comes from the bottom of the pen it keeps the algae pushed away from the fish and they also swim through the bubbles which helps clear their gills. We pause feeding briefly because that is also stressful when algae is present and the fish consume more oxygen.

I am lucky to use very advanced systems like satellite to monitor chlorophyll levels in the ocean. All phyto planktons have chlorophyll and the satellite gives me a general idea of where algae may be in the water. In water sampling, I work at points across the bay, looking for any evidence of algal blooms or anything that is not right. We pick random sites, allow for winds and tides and we can quite reliably pick where any algae will travel. That enables us to adjust feeding patterns with the tides.

Fish welfare is one of our prime considerations. Water has an influence on that. We work hard to protect both, and I have access to technology which enables us to adhere to the best aquaculture practices.



ABOVE Achira Amadoru

Technology like satellite systems and drones enable us to cover right across the bay and we are working now to get an underwater ROV (remotely operated vehicle). They carry cameras, sensors and lighting to record good quality footage, so we can inspect the seabed and detect any feed waste. Monitoring the seabed is important for protecting and improving its health.

I love this work. We have a good management team, and everyone has given me good training. I have a lot of support and I love living on Rakiura-Stewart Island. I am involved in the Yellow-Eyed Penguin trust, helping to monitor penguin health and I am also a mammal medic for Project Jonah, so I can assist if there are dolphin or whale strandings.



Fish welfare is one of our prime considerations. Water has an influence on that. We work hard to protect both, and I have access to technology which enables us to adhere to the best aquaculture practices.

—
Archira Amadoru
SANFORD AQUACULTURE TECHNICIAN

Sri Lanka is a long way away and I have not been home in seven years. A trip last year was stopped by Covid-19 – so I miss my Mum's cooking, but I am pretty good myself and make a lot of Sri Lankan food. Tonight, it's chicken curry. ●



WATCH VIDEO
Fish Health & Water Quality Technician, Archie Amadoru
<https://youtu.be/Kyyz0uP5kDc>





MORE SPACE, BETTER ENVIRONMENT, HEALTHY FISH

Our salmon farm in Big Glory Bay was expanded from 16 pens to 24 this year, creating a better environment for our high-value salmon. While the size of the farm has grown, fish numbers have not. The lower density levels create better conditions for growth.

Sanford GM Salmon Farming, Richard Miller, says the expansion has created a better environment overall.

“By keeping fish density at a very low level you create an even better environment for relaxed salmon to swim and feed well. Unlike previous summers where marine heatwaves affected the farm, this year’s summer season was farming-friendly and was followed by a relatively mild winter. While some potentially problematic algae was detected in the bay, we had no issues.”

Richard says observations made three years ago during previous marine heatwaves have fed into salmon breeding programmes in the farm, which are steadily producing a line of faster-growing, resilient fish which efficiently convert feed and are producing more weight for less intake.

“We observed in the heatwaves that some families of fish tended to do better than others and had greater survivability. That’s a trait we want to encourage, given the continued need to manage risks from climate change. Our selective breeding programme looks for fish with quality traits, such as fat and colour, growth and maturation, and resilience. Relying on selective breeding to naturally build genetic traits means it does take time to create a resilient line, but we began this work after the marine heatwaves three years ago and we expect it to have multiple benefits in terms of commercial efficiency, overall risk and to further enhance our environmental focus.”

With the amount of salmon the farm can produce regulated by nitrogen caps, having healthy fish that grow well with less feed will, over time, show that expansion can be managed within precautionary environmental limits. An intensive regulated environmental programme reviewed through third party involvement, provides the science and



ABOVE Big Glory Bay salmon farm, Stewart Island.

confidence that farming is being managed well in the region and will be key to any adjustment in nitrogen cap in the future.

Richard says the farm year has been busy, regardless of the stop-go influences on demand caused by the pandemic.

“Our additional pens are functioning well, the new feed barge which we commissioned last year is now well bedded in and we have replaced all our nets over the past 12 months.

“As a team we are really focused on the welfare of our salmon, increasing our monitoring and surveillance to give us confidence that everything is in good shape from day to day.”

The farm can use oxygenation systems in four pens adding movement and flow to increase available oxygen in what is a naturally low-flow inshore environment. This work is being trialled in anticipation of more challenging summer conditions in



future years, an adaptation response to climate change. All of our pens now have available aeration technology to be utilised should conditions demand, which creates a bubble fence, preventing harmful algae from entering pens and improving fish welfare, further managing risk. In the coming year, oxygen systems will be expanded to another four pens for ongoing trials of the technology.

The year has provided plenty of problem-solving opportunities, with lead times for gear (such as new nets) doubling, and delivery made complex with the cost and availability of sea freight capacity. On the upside, our feed source in Tasmania, which provides two blends tailored to our King salmon, has remained largely stable.

Richard says the team is consistently focused on getting ahead, analysing potential risks and ensuring the systems are in place for mitigating those risks.

“We want a culture of ‘expect and mitigate’, rather than being forced to scramble into action. We never want to be looking in the rear vision mirror and thinking ‘we should have done’ – it’s all about looking ahead and managing potential risk as best we can.” ●

INVESTMENTS FOR SALMON GROWTH

Growth in our salmon farming operations in Big Glory Bay will be supported by two projects which will be progressively commissioned over the next three years.

Stage one of a new brood stock tank development is expected to be commissioned in the second quarter of the 2022 financial year. The new brood stock tanks will enable the majority of our breeding fish to be transferred from our current sea pen system.

GM Salmon Farming, Richard Miller says the new tanks will bring multiple benefits.

“Our most important breeding fish will be taken away from an environment which can be exposed to issues such as algal bloom or jelly fish. The project focuses on further de-risking the business, while maximising the improvements we are achieving through genetic selection.”

A Recirculating Aquaculture System (RAS) will be part of the new hatchery project, enabling full environmental control.

“The RAS will enable us to transfer bigger salmon smolt to sea to reach harvest maturity. This will reduce the production cycle time in Big Glory Bay by 10 to 15%, through improved efficiency.

“The system also provides a fully controlled environment of temperature and oxygen for the smolt which will allow full control of timing, count and size to sea. This means we can achieve a consistent and targeted harvest size throughout the year with little variation month to month, and that’s great for market sales and predictability. Increasing our smolt capacity also supports future growth and reduces our risk through the enhanced smolt quality.”

The RAS is expected to be commissioned early to mid-2023. ●



Our most important breeding fish will be taken away from an environment which can be exposed to issues such as algal bloom or jelly fish. The project focuses on further de-risking the business, while maximising the improvements we are achieving through genetic selection

—
Richard Miller
SANFORD GM SALMON FARMING





SUPPORTING SUSTAINABLE EATING

As cautions increase on climate change, and concerns increase about the loss of biodiversity, the rise of obesity and the state of our freshwater resources, “what’s for dinner” is getting to be as much about sustainable choices as healthy ones.

Getting the best nutritional outcome with the lightest footprint is increasingly necessary for our food production systems to ensure environmental outcomes, at the same time as supplying protein and nutrition for growing global populations. Consumers are also engaged by these principles and farmed shellfish have the potential to be a sustainable and delicious answer. But it will take more than a few marketing claims to reassure them.

That’s why we’ve supported Aquaculture New Zealand and the Ministry for Primary Industries to commission a Life Cycle Assessment (LCA) of farmed New Zealand

Greenshell™ Mussels. This study follows international standards ISO 14044 and ISO 14067 and covers the full life cycle, including mussel spat collection, farming, harvesting, preparation, chilled distribution to customers and consumers, cooking, consumption, and disposal of used shells and packaging. The study follows the consumption of 100 grams of protein content of New Zealand-produced fresh mussels over their entire life cycle, enabling the aquaculture protein to be compared with other forms of nutritional protein.

GM Sustainability, Dr Peter Longdill says that the results provide a scientific basis to something we have suspected for a long time, that mussels are a superfood for people and planet.

“Increasingly people want a more a diverse diet and growing consumer segments are seeking out nutrition and protein sourced from systems with minimal or no significant environmental impact. Seafood, and in particular farmed bivalves such as mussels and oysters, are produced with minimal intervention. They do not require added feed or nutrients, they simply take what they need from the water around them. The habitat creation effect from mussel longline farms is a net positive for the local ecology, with there being 3.6 times more abundant wildlife surrounding the farms, which is also

1.1 times more biodiverse than for non-farm sites. A real restorative food system.

“Greenshell™ mussels are nutritionally rich, high in protein, readily available and easily affordable – a real superfood.”

One aspect from the Life Cycle Assessment study is that it is showing that NZ farmed Greenshell™ Mussels have among the lowest carbon footprints of all animal proteins, including red meats, poultry and eggs, and compete with the likes of tofu in terms of carbon emissions per 100g of protein.

“There is more to these findings than just a reassuring carbon footprint for consumers. It confirms to the aquaculture industry that producing farmed mussels and oysters (which were also included in the study) is both sustainable in a broad sense as well as highly efficient in terms of climate change.

“It will also identify what we can do to improve processes across the life cycle and value chain of mussels – from spat to the consumers plate - to improve our performance and that of this great food. That is reassuring to Government and regulators, for example, that aquaculture represents a sustainable source of protein both today and into the future.” ●



EVERY BIT COUNTS AS WE WORK TOWARDS A CIRCULAR ECONOMY

Efforts to reduce the volume of waste sent to landfill include Sanford sites aiming to outdo each other in finding alternative uses for everything from mussel floats to gumboots, pallets to polypropylene.

In Havelock, the thousands of large, hard plastic floats used on our mussel farms now end their useful lives ground down into raw material for producing products such as water troughs, toolboxes and drainage products. It's part of a mussel industry initiative coordinated via the Marine Farming Association to solve a problem of bulky waste with a sustainable solution.

Finding new uses for other equipment, such as salmon pens and fishing nets, has seen them back in action as bird netting at orchards and aviaries, on farms as silage pit covers, as climbing nets at water parks, and cricket nets. We are also investigating using nets as foundations for dune restoration projects or the building of stop banks in flood-prone areas.

In Bluff, eco-champions Marie McDonald and Lara Wast, says wooden pallets, which can no longer be returned, are being repurposed as firewood for the elderly, play equipment, wall planters and as a flourishing vegetable garden on site.

"Whatever waste we have, we try to find a new home for it. We set ourselves a target of a 70% reduction in waste to landfill for our processing site at Bluff, and we are close to it," says Marie.

New Zealand gumboot manufacturer and supplier Bata Industrials is trialling its gumboot recycling programme at the Bluff site where up to 60 workers typically wear out two to three pairs of boots each year. Used boots are processed through a granulating machine and turned into pellets which can be used to make more boots. There's potential to expand this initiative across all our sites.

In Havelock Rebekah Anderson is successfully repurposing mussel shells in landscaping and is working with a recycling provider to ensure waste such as soft plastics, cardboard and paper towels do not go to landfill.

"Working with them our mussel operations have achieved a 40% diversion rate this financial year, compared to a 7% diversion rate during FY20 and have identified more opportunities for improvement for FY22."

All our waste reduction efforts are captured in an environmental database, deployed two years ago to ensure complete and accurate data measurement. This year Sanford successfully diverted 8,534 tonnes of waste from landfill achieving a diversion rate of 57%. ●

ABOVE Image courtesy of Bata Industrials, www.batastore.co.nz



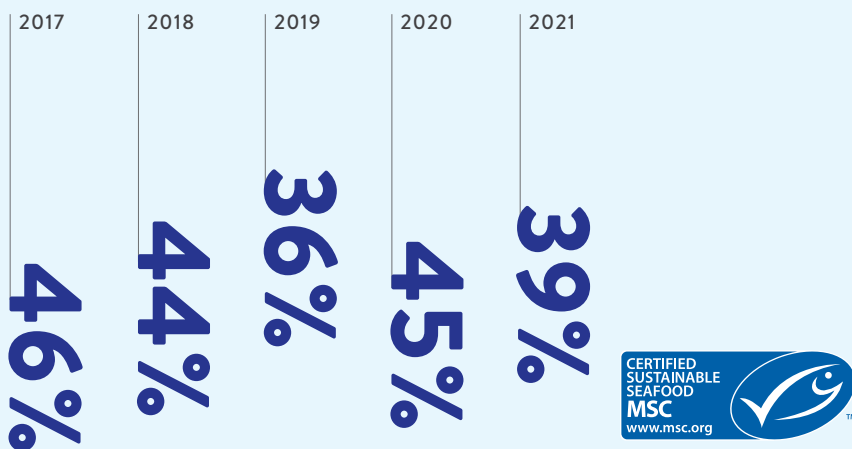


MPI SUMMARY OF SANFORD'S REPORTED INCIDENTAL CATCH DATA¹

	SEABIRDS				MARINE MAMMALS ²			
	2021	2020	2019	2018	2021	2020	2019	2018
Uninjured	98	140	83	173	0	3	5	6
Injured	5	2	3	2	0	0	0	0
Dead	191	220	164	234	44	33	46	71
Total	294	362	250	409	44	36	51	77
Mortality Rate (%)³	65%	61%	66%	57%	100%	92%	90%	92%

1. Vessels operating under Sanford fishing permit over the period July 2020 to June 2021, reflecting data availability from MPI.
2. For context, since our records began, Sanford has never harmed a Māui dolphin.
3. Mortality rate calculated as the ratio between total species caught and those caught dead.

WILD CAUGHT MSC CERTIFIED CATCH*



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

94.6% of Sanford's wildharvest is sourced from fish stocks actively managed¹ to ensure their ongoing sustainability.

Enduring fish stocks and healthy oceans are a matter of material importance for Sanford. Research has shown that on average, scientifically assessed fish populations around the world are healthy or improving. There are areas around the world where fish populations are not so well assessed, do not have strong management frameworks, and are considered over-fished. There are some who promote a narrative that the only solution to solve these challenges is to close large areas of the seas and oceans to fishing or to cease eating seafood. In fact, there are other sophisticated, and successful solutions, lead amongst them is the use of high levels of science-based assessments, management action, and enforcement capacity to drive more abundant and sustainable oceans². Fishery management works – when fisheries are managed, they are sustained, and wider benefits realised when combined with other measures such as targeted habitat protections, improvements to coastal run-off water quality, and oceans policy.

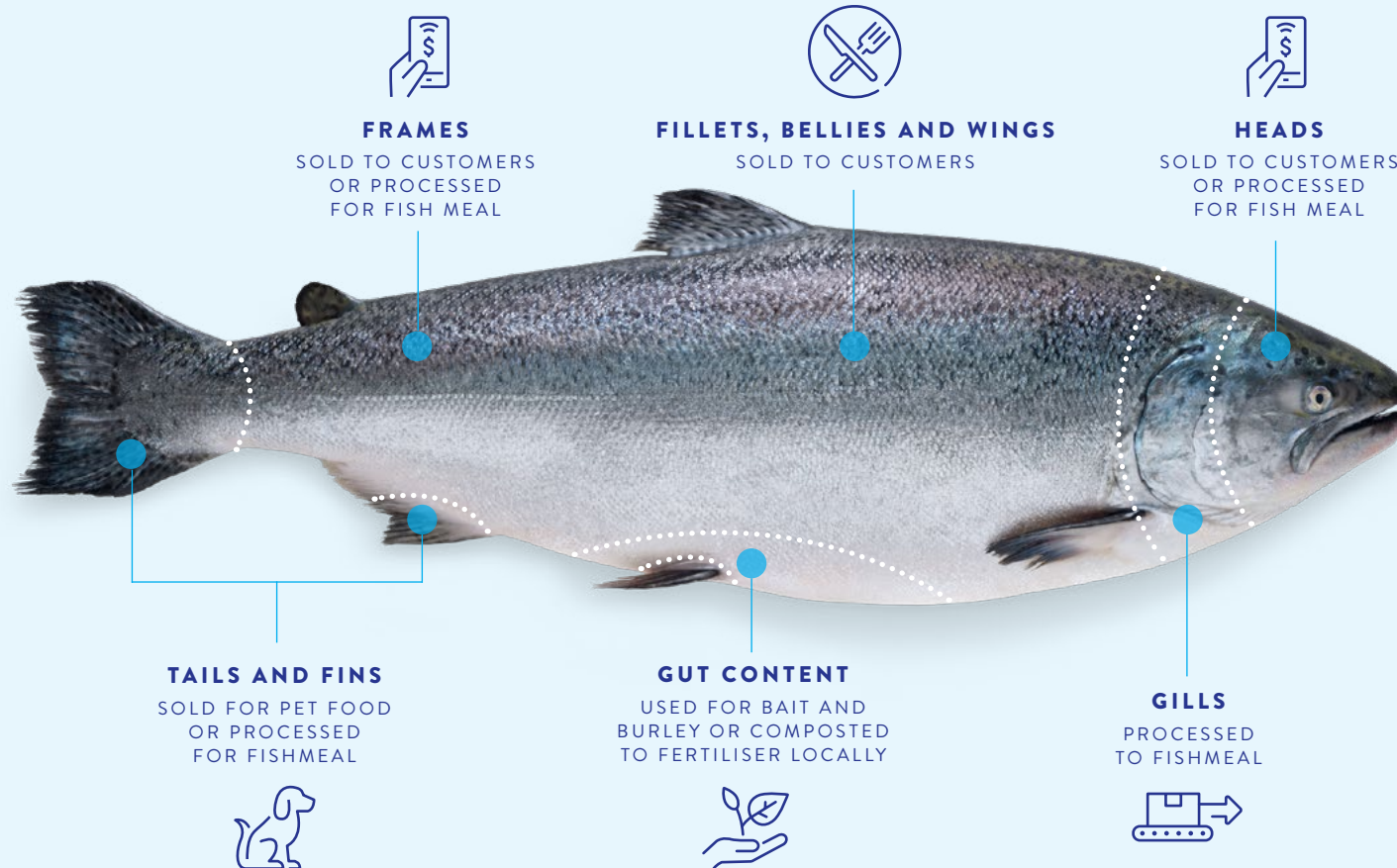
94.6% of Sanford's catch by volume is sourced from fish stocks which are actively managed¹ to ensure the stocks ongoing sustainability. That does not mean the outstanding 5.4% of catch is not-sustainable. The 5.4% represents fish that we're not targeting, and those where catch levels are such that the fisheries regulator has not deemed it necessary to implement an active framework to limit or restrict harvests. Passive and indirect measures are in place to increase precision and reduce levels of interaction with those species, and we continue with projects to improve these.

1. Defined as a system which actively assesses stocks and uses those stock assessments to instruct fishery management and harvest levels. Includes stocks where harvest levels and fishery impacts are actively controlled via NZ's QMS, CCAMLR and SPRFMO.
2. Hilborn et al. 2020. Effective fisheries management instrumental in improving fish stock status, PNAS January 28, 2020 117(4) 2218-2224.



OUR SALMON UTILISATION

HEAD TO TAIL AND ALL IN BETWEEN



A lot of time, effort and energy goes into breeding, raising, and growing the perfect salmon.

We rely on the care and attention of our highly skilled people, as well as on the pristine environment where we farm. Growing such a precious resource demands we place equal emphasis on treasuring and valuing all parts of the salmon, from head to tail and everything in between.

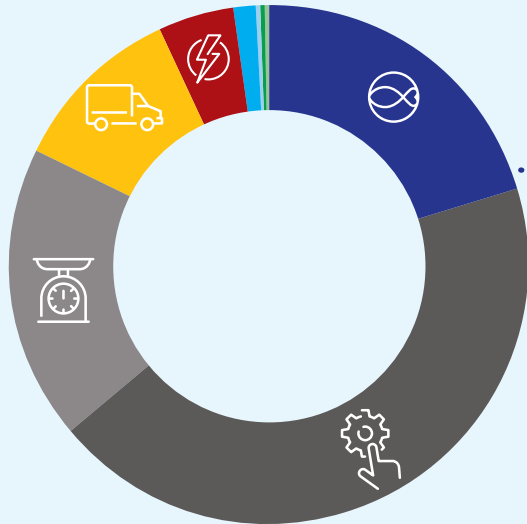
Our salmon are processed at our facility in Bluff, and can be sold to customers in either a 'gilled and gutted' format, or can be broken down into fillets or portions for packing.

For us, there is no waste here. Our aim is to respect the entire salmon, generate value, and provide beneficial outcomes for society and our business from the entire fish.



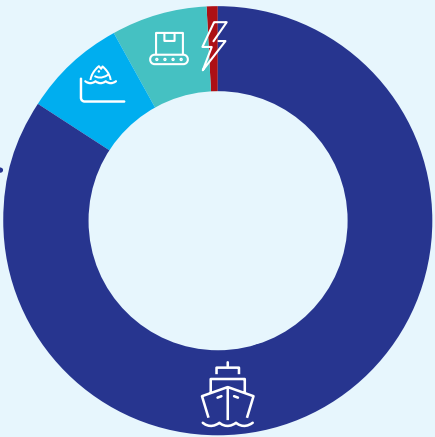


SANFORD'S WHOLE VALUE CHAIN
EMISSIONS PROFILE – 2021



● Sanford operations (inc fuel/energy use)	20.5%
● Creating and supplying our raw materials (packaging, feed, PPE, contract fishers etc.)	43.5%
● Customer and consumers' use of products (cooking, storage, waste)	18.5%
● Transport and freight	10.7%
● Energy production related (e.g. fuel production and electricity generation by others)	4.6%
● Waste	1.4%
● Business travel (incl. commuting)	0.5%
● Investments	0.3%
● Use of fishmeal / fish oil by customers (further processing)	0.1%

SANFORD'S OPERATIONAL
EMISSIONS PROFILE – 2021*



● Fishing operations and at-sea processing	84.3%
● Aquaculture operations	7.8%
● Processing and storage (incl. purchased electricity)	7.1%
● Other (head office, innovation, etc.)	0.8%

* Operational scope 1 and 2 emissions, as defined by the GHG protocol

Consumers are increasingly looking for options to satisfy their nutritional needs, while minimising environmental harm. Seafood is an incredibly carbon efficient source of protein.

For Sanford, the challenge is to produce more of this sustainable protein while bringing emissions down. We are targeting a 25% reduction in our operational carbon emissions by 2030 from a 2020 base year.

As our infographic shows, we measure emissions across the whole of our value chains, as well as in our direct operations. We have established our baseline, and had it verified independently to international standards, and it now informs our carbon reduction efforts while enabling us to measure progress.

Working with the Energy Efficiency and Conservation Authority (EECA) and energy consultants, DETA, we have identified 91 opportunities to reduce emissions, and these have been modelled in terms of both capital costs as well as operational financial effect. We can prioritise decisions on those we implement now, and those where timing is influenced by other considerations. This plan enables quick wins to be achieved and longer-term opportunities to be built into business planning.

Importantly, our reduction pathway will guide decisions from the operational level, in areas like procurement, right through to management and board-level thinking when it comes to major asset investments, such as our inshore and deepwater fleet.



Our future focus – Targets for FY22

MATERIAL ISSUES & STRATEGIC GOALS	2022 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.	Expand the application of Precision Seafood Harvesting (PSH) technology to the include the West Coast North Island fishery. During FY22 we aim to gain regulatory approval for, and deploy for use, PSH on our vessels within that fishery. Ensure full compliance to catch reporting and fisheries regulation. Support active fisheries and marine resource management to build resilience in fish stocks and ecosystems whilst allowing for their sustainable use.	 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.	Maintain multi-year reduction trends (FY18:FY22) in harmful interactions between our fisheries activities with seabirds and marine mammals through continuous improvements, trigger levels, mitigations in operations, and targeted partnerships. Complete our contribution toward the MAUI63 drone program partnership program, supporting the field surveys, and distributing outcomes to fishing vessels to further reduce the already low interaction risk with Māui dolphin.	 Sanford's operations are performed with precision and with negligible adverse impact on non-target species and wildlife.





MATERIAL ISSUES & STRATEGIC GOALS	2022 TARGETS	OUR 2025 VISION
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 Sanford managed operations. Review and further strengthen prevention and mitigation controls for environmental spills and discharges to further reduce environmental risk associated with these unplanned events.	 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.	Reduce our water use intensity by a further three percent (m ³ /GWkg) and achieve 65% waste diversion from landfill, including metals and marine. Prepare and implement internal processes to ensure the systematic consideration and evaluation of waste, water, energy, carbon efficiency in capital purchase decisions. Prepare and implement a sustainable procurement policy and procedures, using our influence with suppliers to further our values, vision, and goals.	 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.	Implement progress along our long-term emissions reduction pathway, targeting a 25% absolute reduction of Scope 1 and 2 GHG emissions by 2030 from a 2020 base year. Projects for implementation during FY22 include: • Energy efficiency and refrigerant loss prevention initiatives at processing sites, • Targeted EV/PHEV replacements for light passenger vehicle fleet, and • Establishing and embed internal processes, such as internal carbon pricing, within our business planning frameworks to promote project and asset strategy and decisions in support of a low-emissions future. Address indirect (Scope 3) emissions by working with suppliers to embed emissions reductions targets and initiatives. Target engagement and target setting with top 20% of suppliers by value during FY22.	 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

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.

CAPITAL INPUTS



- CAPITAL INPUTS
- 1. Financial
 - 2. Human
 - 3. Manufactured
 - 4. Intellectual
 - 5. Natural
 - 6. Social & Relationship

UN SDG



United Nations Sustainable Development Goals



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, the targets we set at the commencement of year 2021, and our progress against these targets. At the end of this section, we define our future targets for 2022 and beyond as well as our vision through to 2025.

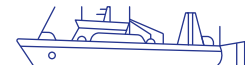
PROGRESS AGAINST TARGETS FOR FINANCIAL YEAR 2021

MATERIAL ISSUES & STRATEGIC GOALS	2021 TARGETS	PROGRESS AGAINST TARGETS (FY21)
Health, Safety and Wellbeing 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 (HS&W) information system to improve capture, reporting and insights gained from data; and - Embedding safety walks as lead behaviour and driver of improved HS&W performance.	✓ Achieved. Achieved a year-on-year 8% reduction in TRIFR during FY21, continuing a multi-year downward trend. Several projects implemented to drive HS&W improvements and reduce risks through the establishment of multidisciplinary Critical Risk Teams including machine guarding and earthquake strengthening. Phase 1 of the HS&W information system (Intelex) rolled out providing reliable and real time information about HS&W events and related actions. Safety walks established as a standard objective for all leadership personnel, implementation being monitored via annual reviews.

IMAGE (PAGE 45) Te Hamana Maxwell (right) and Andrew Pye (obscured) on board the San Granit berthed in Timaru.



MATERIAL ISSUES & STRATEGIC GOALS	2021 TARGETS	PROGRESS AGAINST TARGETS (FY21)
Developing Our People and Workplace Culture Create a high-performance culture where every one of our people is skilled, empowered, engaged in contributing to the goals of the business with pathways to support the realisation of their full potential.	Increase engagement by two percentage points to strengthen our workplace experience and alignment with business goals.	✗ Not Achieved. Workplace engagement challenged during the year as repetitive workplace restrictions along with the business and social effects of Covid-19 lockdowns took their toll. Engagement scores varied through the year, raising up 2% in February then landing on 76% at last survey (June), a one percentage point increase on last year.
	Develop and deploy new learning framework to broaden our leadership and technical capabilities.	✓ Achieved. Leadership learning framework deployed and programs underway in their delivery. 1,469 staff training hours completed within internal training programs in FY21.
	Further strengthen the application of our workforce planning process to support succession.	✓ Achieved. Company workloads and essential roles mapped internally to support workforce planning. Succession planning and identification has been undertaken.
	Continue to share insights from our pulse surveys and embed targeted action planning across the business.	✓ Achieved. Targeted action planning, when undertaken, continues to improve engagement. More focus on action planning is required to leverage the insights from each survey and deliver consistent improvement.





A PERSONAL VIEW OF 2021

The San Granit refit – delivering a better on-water workplace

Andrew Pye is a Sanford Deepwater Fleet Vessel Manager, based in Timaru. He has been in this role since May 2019. In 2021, he was the Vessel Manager for the San Granit, Sanford's largest deepwater vessel, during its five yearly survey and refit, a project delivered on time and within budget by the refit team and San Granit crew.

Here's the project's progress in Andrew's own words.

On day 91, the deadline day for the San Granit refit, at 11.55am the last contractor left the vessel. Five minutes later with all checks complete, she sailed for the fishing grounds.

On just the second post-refit voyage the vessel caught and processed a record, 32 plus tonne of frozen hoki product in a single day. This achievement came down to the crew and their efficiency, working with the new plant, streamlining product going through the factory and focusing on safety and quality.

There were days I honestly thought this project would not happen – let alone on time and within the budget. The original budget was \$14.4 million including a 20% contingency. We came in at \$11.8 million, so we used 10% of the contingency.

That's an excellent result given the curve balls from Covid-19 and the ones the vessel threw at us. San Granit, though she's regularly maintained, is 32 years old, so there was emergent work including some, like corrosion, that we could not foresee until she was out of the water. We got there with good people, good communications, problem solving and very hard work.

ABOVE Andrew Pye, Deepwater Fleet Vessel Manager



We had vessel crew from all over New Zealand and contractors from Timaru, Lyttleton, Christchurch, Auckland and Nelson on the project. Across the various crews, we worked tens of thousands of hours, seven days a week for 12 weeks straight. The vessel safety officers issued 1015 permits to work and over 2500 individual jobs were completed.

These big projects are carefully planned 12-16 months ahead. You build in for contingencies, but we had not even heard of Covid-19 then. Everything changed. Shipping times for freight tripled, the cost of products like steel doubled and we had to make quick calls. With our German fishmeal plant supplier locked down for six weeks, there were inevitable delays. We had 12 hours to decide whether to airfreight the plant, which was more expensive, or go by sea. Luckily, we chose air, because in March the Suez Canal was blocked by the Ever Given and our shipment would have been caught up in the disruption. Plan B was temporarily refitting the old plant.

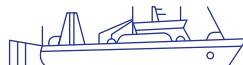
There is probably not a single part of the vessel that was untouched. The initial work focused on stripping out parts of the vessel, such as sweep and trawl winches, low pressure hydraulic pipes, communication gear, satellite domes and radar for repair or replacement. We blasted, chipped and scraped off 25 tonnes of paint and reapplied 11 tonnes.



The trawl ramp and trawl lane were repaired and upgraded. A new generator was fitted. The main engine was fully stripped and rebuilt over 40 days. An upgraded freshwater generator and an upgraded oily water separator was fitted, and the new fishmeal plant was fitted with the addition of fish oil extraction.

There was so much more. The rudder, prop and shaft were removed, checked, fixed and reinstalled, along with the chains and anchors.

Three truck and trailers of fishing gear were brought on board and new main trawl wire was wound onto the winches to prepare the vessel for a return to fishing operations.



Week 12 saw sea trials off Banks Peninsula, including a power trial of the main engine and commissioning of the upgraded 25 tonne a day freshwater maker. Tests were also completed for class certification. San Granit was good to go.

None of this would have happened without a great team. Our guys have so much pride in the vessel. They wanted the refit to be a success and they worked in rotations for three months straight with smiles on their faces. You can have the best boat in the world, but it's worth nothing without the crew to run it. I want to make a special mention to Tim Clubb (project manager), Murray Stark (head vessel safety officer), Nathen Berkahn and Jason Burns (San Granit vessel safety officers and first mates), Mark Davies (San Granit engineering coordinator) and



Phil Merson (meal plant project manager). Without their hard work and dedication, I'd have even more grey hair than I do now! And a thank you to everyone involved, our contractors; the San Granit leadership team and deepwater fleet team. Had it not been for them this hugely complex drydocking would not have come together as safely and timely as it did. ●



WATCH VIDEO

San Granit refit

<https://youtu.be/d0BxnUDFd-Q>



REMEMBERING STEFFAN STEWART



Steffan Stewart
1992 – 2018

The crew’s role in the 12-week refit was a task they approached with determination and pride in the vessel. Their work touched virtually everything on board, except a plaque commemorating the accidental death of crewmate Steffan Stewart in November 2018. He is still deeply missed.

In September 2021, Sanford was fined \$375,000 and ordered to pay \$121,860 in reparation to Steffan’s family, and \$35,000 in costs to the prosecutor. We had previously pleaded guilty to one charge under the Health and Safety at Work Act of failing to ensure as far as reasonably practicable the safety of workers on the vessel.

We accept the Court’s decision and recognise that no legal decision and no amount of money will ever make up for the shock and trauma of the loss suffered by Steffan’s whanau. He was a much-loved son, brother, grandson and friend. We know Steffan really enjoyed being at sea and it is tragic that that is where he lost his life.

We are deeply sorry about what happened, and Sanford accepts responsibility for the tragedy. We keep Steffan’s death and the pain borne by his family uppermost in our minds as we work continuously to create the safest possible working environments across Sanford.

FISHING AND REFITS – A TALE OF LOGISTICS

“Constantly adjusting”.
That’s GM Fishing Colin Williams’
two-word summary of a year in
which flexibility was key to a
significant majority of fish being
delivered on plan.

With fickle supply chain schedules, he and his team became adept at adjusting landing times to best align with freight capacity.

Delivery to plan is an achievement in any year. Delivering to plan and under budget is a case study in logistics and continuous improvement, given eight vessels were progressively held in port in a work programme covering seven five-yearly surveys and one interim survey. This included the San Granit, the San Aotea, San Tangaroa, Venture K, San Rakaia and Tengawai, which were all dry docked or



ABOVE Marlin Moka, San Granit Baader Technician.





The crews all contributed to the design of these changes, bringing their experience and observations to the table. We're working with the crews to get the ergonomics right, because even something small can make a big difference in the way they work. It is important these safety improvements are easy to use and maintain and also assist productivity...

—
Darryn Shaw

DEEPWATER FLEET MANAGER



ABOVE Colin Williams, GM Fishing.

slipped for surveys, refits and refurbishments, with safety upgrades to meet AS/NZ 4024 standards to further protect crews. The San Enterprise also docked for a boiler upgrade and San Tongariro for a winch control package upgrade. Delivering the work, worth a total of \$16.7 million, while keeping the fish flowing, was all about planning.

“Survey windows are predetermined five years out and interim surveys two to three years out. New Zealand has only two dry docks and the Navy has priority with one, so bookings must be pencilled in three years out. Some parts and

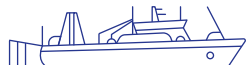
equipment, such as the new boiler, require long lead times for delivery and Covid further complicated this,” says Colin.

“Planning for this combination of vessels was a real team effort involving managers, engineering managers and in house project managers. The stand-out is all these projects have run on time and on budget. Much of the work was also undertaken during changing Covid-19 Alert Level restrictions, with vessels out of action for four to six weeks on average. There's a lot of heroes involved in getting all that work done.”

Deepwater Fleet Manager, Darryn Shaw says those heroes include crews who have also been constantly adjusting to different working environments.

Safety upgrades have involved the fitting of specialised machine guarding to filleting, head and skinning machines, factory conveyors, freezer elevator lifts and the installation of more sophisticated emergency stops and deenergising systems.

“The crews all contributed to the design of these changes, bringing their experience and observations to the table. We're working with the crews to get the ergonomics right, because even something small can make a big difference in the way they work. It is important these safety improvements are easy to use and maintain and also assist productivity. So, it is a very open, very inclusive programme of work, getting it right, looking at any near misses, constantly assessing risks and adjusting. The crew is very much part of getting this right.” ●





ACHIEVING TOGETHER AND POSITIVELY ENGAGED

Care is ingrained as a value in our culture and a second year of managing through the Covid-19 pandemic has reinforced its importance.

The management and operational systems put in place last year, so we could operate safely as an essential industry, seamlessly transitioned to our operations this year. But it was apparent that people were weary, and the arrival of the more contagious Delta variant made the going tougher, especially in Auckland with a surge in cases and an extended lockdown.

“Delta really was a fundamental change, not in the way we worked, but in the level of care we felt was important for our people. We needed to reassure them that we wanted them to isolate and stay home if they had been at a place of interest. We needed to be even more sensitive to their mental wellbeing and we needed to recognise the psychological challenges this year were tougher,” says Chief People Officer, Karen Duffy.

Led by CEO Peter Reidie and strongly supported by GM Corporate Communications, Fiona MacMillan and her team, the word (and the videos) went out to say that it’s okay to not be okay.

“We encouraged people to focus day by day and to keep connected, because reaching out to other people, even if you are feeling fine yourself, provides people with reassurance that what they are feeling makes sense, given the situation. That really helps you to focus day by day on the things that are in your control.”

Karen is proud that employee engagement scores have increased, albeit slightly from 75% to 76% across the business over the 12 months from June 2020 to June 2021.

“We have a target of 77%, so we did miss it by 1%, but we are still very happy with the result. In our deepwater fleet our engagement levels over 12 months from February 2020 to February 2021 increased from 72% to 74%. This is a positive signal from our sharefisher contractors and is contributing to improved operational results and retention.

“As markets are opening up again, people are looking forward to their efforts reaping more positive outcomes for the company. They love to be successful, and they are focused on the future and how they can be part of it.”

STAFF LEADERSHIP AND DEVELOPMENT TRAINING (INTERNAL)

	PARTICIPANTS			TRAINING HOURS DELIVERED
	FEMALE	MALE	TOTAL	
Leadership Programs	148	157	305	633
Finance and CAPEX	27	45	72	240.5
Licensed Fish Reciever Training	18	22	40	320
Excel - Computer Skills	28	22	50	100
High Performing Teams	4	9	13	23
Soft Skills (Accountability, Leading Change, Tough conversations, Safety conversations)	62	91	153	152
Totals	287	346	633	1,468.5

Learning and development remained a priority and flexed from larger classroom courses to Microsoft Teams online. Group sizes were reduced to eight and participants were paired with partners for the six weeks. Partnerships matched people from different sites and different thinking, behavioural and learning styles.

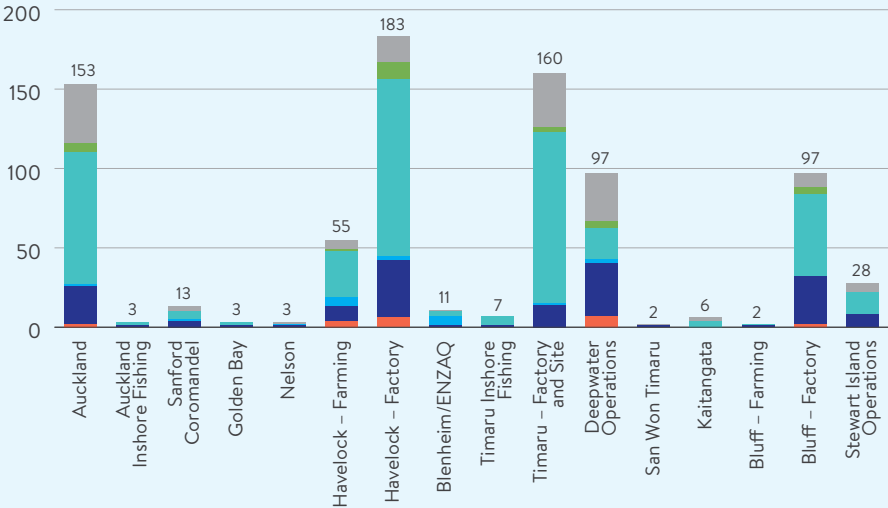
“The feedback was fantastic. People told us they liked the different delivery, they felt safe and supported in their learning and they were making connections across the business with new people in really different roles and places. This has really

taken our training delivery in a new direction, from large groups in one place, to smaller, more connected learning.”

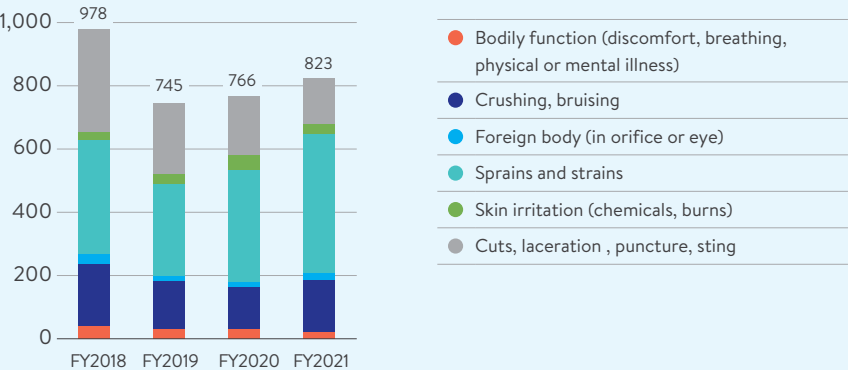
The 633 employees who enrolled for the programmes completed 1,468.5 hours of learning (see chart). ●



TYPE OF INJURY BY SITE IN 2021



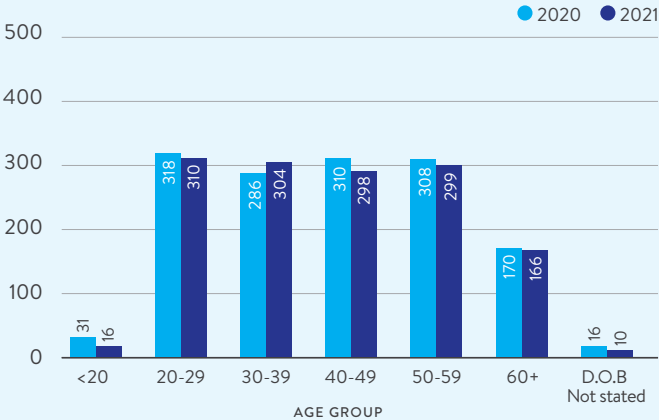
INJURIES BY TYPE 2018-2021



NEW HIRES BY AGE GROUP

AGE GROUP	NUMBER OF NEW HIRES 2021	NUMBER OF NEW HIRES 2020
Under 20	6	7
20 to 29	42	58
30 to 39	49	51
40 to 49	22	30
50 to 59	22	14
60+	4	1
Total	145	161

OUR WORKFORCE IN AGE GROUPS*

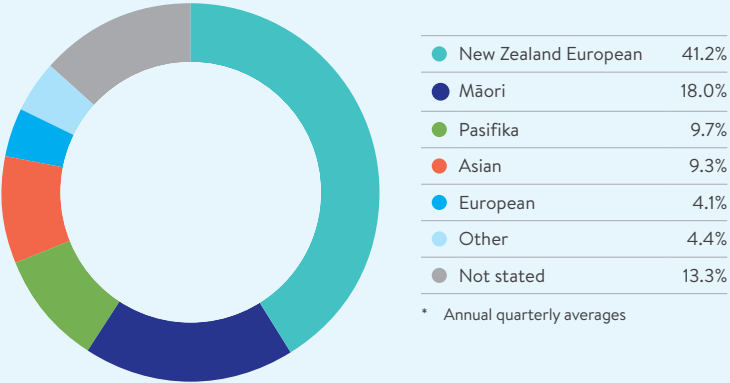


* Annual quarterly averages.





OUR WORKFORCE IN ETHNIC GROUPS*



ABOVE Sanford mussel barge loading bags in the Marlborough Sounds.

NZQA CREDITS AND QUALIFICATIONS AWARDED THROUGH
PRIMARY INDUSTRY TRAINING OFFICE BY LEVEL AND GENDER – 2021

LEVEL (NZ QUALIFICATIONS FRAMEWORK)	GENDER		TOTAL
	FEMALE	MALE	
Level 2 (Primary Industry Skills - Seafood)	13	242	255
Level 3 (Seafood Processing / Receiving Commercial Fish)	74	90	164
Level 4 (Commercial Fishing / Marine Cranes)	25	790	815
Level 6 (Seafood Vessel Operations)	140	0	140
Total	252	1,122	1,374

* One credit is approximately 10 hours training

NZQA CREDITS AND QUALIFICATIONS AWARDED THROUGH
PRIMARY ITO*

	2021	2020
Completed Primary ITO programmes	47	59
Total credits awarded	1,374	1,998
Formal qualifications received (national certificate)	47	30
Active enrolments at end of quarter	13	164

* 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.



STAFF MOVEMENTS

Voluntary turnover during 2021 was 19% across the total workforce (FY20:13%, FY19:19%); Involuntary turnover was 5% (FY20:11%, FY19:9%); and absenteeism reached 5.4% (FY20:6%, FY19:6%).

TURNOVER BY GENDER

GENDER	2021			2020		
	VOLUNTARY TURNOVER	INVOLUNTARY TURNOVER	TOTAL TURNOVER	VOLUNTARY TURNOVER	INVOLUNTARY TURNOVER	TOTAL TURNOVER
Female	48	24	72	44	38	82
Male	34	29	63	55	52	107
Total	82	53	135	99	90	189

TURNOVER BY AGE GROUP

AGE GROUP	2021			2020		
	VOLUNTARY	INVOLUNTARY	TOTAL TURNOVER	VOLUNTARY	INVOLUNTARY	TOTAL TURNOVER
Under 20	1	7	8	7	5	12
20-29	27	16	43	30	18	48
30 to 39	18	6	24	22	16	38
40 to 49	18	14	32	18	14	32
50 to 59	14	4	18	16	22	38
60+	4	6	10	6	15	21
Total	82	53	135	99	90	189

CONTRACT TYPE

CONTRACT TYPE	TOTAL 2021 (2020)	FEMALE 2021 (2020)	MALE 2021 (2020)	GENDER UNDECLARED 2021 (2020)
Permanent Full Time	849 (762)	36% (40%)	64% (60%)	–
Permanent Part Time	41 (39)	88% (87%)	12% (13%)	–
Fixed Term Full Time	41 (71)	54% (54%)	44% (46%)	2% (0%)
Fixed Term Part Time	4 (4)	50% (50%)	50% (50%)	–
Casual and Seasonal	53 (67)	47% (45%)	53% (55%)	–
Independent Sharefishers	421 (444)	14% (13%)	84% (84%)	2% (3%)
Total Workforce	1,409 (1,387)	32% (33%)	67% (66%)	1% (1%)





Our future focus – Targets for FY22

MATERIAL ISSUES & STRATEGIC GOALS	2022 TARGETS	OUR 2025 VISION
Health and Safety 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.	Further reduce our Total Recordable Injury Frequency Rate (TRIFR) by 10%. Further reduce Health and Safety risk profiles by deploying critical risk teams across the business, deployment of audit plan, and close out 100% of high priority actions related to serious events and critical risks within target date. Achieve green status successful audits of control effectiveness across all 12 critical risks for health and safety.	 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 Wellbeing and Culture Create a high-performance culture where every one of our people is skilled, empowered, engaged in contributing to the goals of the business with pathways to support the realisation of full potential for people and business.	Ensure alignment of our people’s contributions and delivery of business results through 100% completion of core people processes (incl. objective and KPI setting, development planning, and performance reviews) Achieve a 3% improvement in the goal setting and management support categories (contributors to overall staff engagement) of our staff survey (June 2021 scores:8.4 & 7.9). Design and deploy a targeted learning program to develop the skills, technical capabilities and knowledge required for our people to excel in their roles. Target to achieve a 3% improvement in the personal growth category (contributor to overall staff engagement) of our staff survey (June 2021 score:7.2). Develop and deploy a pilot organisational excellence training program across Auckland operations and deliver improved operational targets.	 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.





Delivering and Innovating for Customers and Consumers

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.

CAPITAL INPUTS



- CAPITAL INPUTS
- 1. Financial
 - 2. Human
 - 3. Manufactured
 - 4. Intellectual
 - 5. Natural
 - 6. Social & Relationship

UN SDG



United Nations Sustainable Development Goals



Material issues and value creation

This table summarises Sanford’s material issues and associated actions relating to **Delivering and Innovating for Customers and Consumers**. It includes the strategic goals within our Business Excellence Framework, the targets we set at the commencement of year 2021, and our progress against these targets. At the end of this section, we define our future targets for 2022 and beyond as well as our vision through to 2025.

PROGRESS AGAINST TARGETS FOR FINANCIAL YEAR 2021

MATERIAL ISSUES & STRATEGIC GOALS	2021 TARGETS	PROGRESS AGAINST TARGETS (FY21)
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 customer’s and consumers’ expectations and contribute to improved returns.	Increase the proportion of BGB salmon sales such that 10% is branded BGB.	✓ Achieved. Branded BGB represented 22% of product weight and 33% of margin for product formats which are included within BGB lines (gilled and gutted, and fillet product).
	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. Launch new consumer product innovations to domestic and export retail.	✓ Achieved. Sanford and Sons smoked salmon range launched in New Zealand market with retailers across the North Island with further market expansion planned. A pipeline of product development is in play. Initial e-commerce platform user experience improvements implemented, with further plans for upgrades.
	Expand direct-to-customer value-add retail programme across orange roughy and hoki in global markets.	✓ Achieved. Successfully worked with partners to produce and ship to market branded retail packs, providing an improved customer experience compared to the packaging for retail occurring at destination markets by third parties.



MATERIAL ISSUES & STRATEGIC GOALS	2021 TARGETS	PROGRESS AGAINST TARGETS (FY21)	
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).	✗	Not Achieved. No food safety recalls associated with products under Sanford's custody. One precautionary recall did occur during FY21, however, subsequent investigations identified that the underlying cause occurred after the product had been taken possession of by the purchaser. All regular food safety certifications achieved. Some audits yielding no NCs (non-compliances) which reflects a level of maturity of quality management system.
	Achieve 3% year-on-year reduction in the number of customer complaints received in respect of food quality.	✗	Not Achieved. FY21 experienced an increase in the number of justified complaints (Complaints per million GWkg sold, FY20: 1.43 vs FY21: 1.67) The increase being attributed to changes in domestic food service processing lines and corresponding increases in the number of customers served from factory processing. Improvement measures were implemented mid-year and reflected through reductions in monthly complaints towards year-end.
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.	✓	Achieved. Existing multi-year programmes of work remain on-track. Clinical trials for high value nutrition program supported, underway and on-schedule. Completion of existing work streams is being prioritised over initiating new areas of research.
	Build and scale production to produce high quality new products and extracts including oil extraction and collagen manufacturing.	✓ →	Collagen – Achieved. Production of collagen has been established with capacity matching current demand for specialty electrospun collagen. Further capacity expansion will occur when extract activities are consolidated at the new marine extracts facility. Oil Extraction – Ongoing. Ability to scale and diversify product ranges has been limited by a reliance on third party sites. Further development will be supported by the completion of the marine extracts facility.





A PERSONAL VIEW OF 2021

Capturing consumers though new USA retail channel

Karyn Murray is our Market Manager for North America, based in Auckland. Her patch spans Canada, the US and some resorts in Central America. She knows the US well, having lived there for five years, and from her time spent as New Zealand Trade Commissioner in LA. Here's Karyn's account of the challenges 2021 brought for her area of Sanford's sales team.

For a company whose biggest market was the foodservice sector, the Covid pandemic has been a very dark cloud. It has been an extremely difficult 18 months, but there is a silver lining to the cloud. In the US, there's been a big change in the retail sector with more consumers preparing seafood at home.

Typically, seafood has been an out of home meal, as it had an unfair reputation as being hard to prepare. While they happily consume shrimp and salmon, many home cooks didn't really know where to start with white fish and

preferred to eat it in a restaurant. That began to change as chefs, whose restaurants were closed, started doing cooking demonstrations online, at a time when locked-down consumers were becoming more adventurous in the kitchen. This also coincided with a shortage of beef, pork and chicken because of plant closures and staffing challenges caused by the pandemic.

As a result, supermarkets have seen 10-12% month-on-month growth in seafood sales, and that continues, even though food service and restaurant dining

ABOVE Karyn Murray, Sanford's Market Manager for North America.



is opening up again. Home cooks have discovered seafood is easy to prepare, delicious and good for you – and they are staying with it.

Of course, we are not the only company who saw the opportunity in retail. Supermarket buyers have had companies from all over the world knocking on their door, and with huge global oversupply, pricing naturally has fallen.

Our partners have been able to reassure their customers that Sanford is committed to the market, we're here for the long haul and can promise consistent supply.

In the first half of the year, we worked hard with our distributors to keep product moving. We spent endless hours on video meetings negotiating orders, payment terms and delivery schedules so we could deliver to market at the best returns.

Over time, by working with these partners we have managed to open new retail channels, and products like toothfish and scampi (which used to go only to high end restaurants) are now available in premium supermarkets, alongside wildcatch like orange roughy. Greenshell™ mussels are a similar story, with new and sustained demand in retail markets thanks to the efforts of our importers.

We've also collaborated with another New Zealand company to supply shelf-ready packs of orange roughy fillets to a major US retail chain. All of this moves us a little closer to the end consumer, and building these relationships is having a positive effect on our returns.

The development of a sustainable retail business is a key factor in reducing the risks associated with any future Covid outbreaks or similar shocks – whether or not restaurants are open, people still need to feed their families.

In foodservice, which is slowly beginning to recover, having a Sanford representative on the ground in Los Angeles has been key to us to getting fresh wildcatch and salmon back into restaurants as they reopened. The high-end foodservice sector in major cities is now bustling, with many top restaurants booked out weeks ahead.

With the turmoil that has hit global shipping lanes, maintaining the supply chain has been a constant challenge. It is almost a daily occurrence to have confirmed bookings deferred or cancelled. At one stage we had 20 container bookings cancelled at once because the shipping line had a huge backlog they needed to clear, and it took over three months before the last of those containers was finally shipped.



It is no mean feat explaining to customers why their orders are delayed multiple times and often arrives several months late. That requires a lot of relationship management.

Keep calm and carry on has become almost a mantra for our team. With demand now picking up globally, getting orders has become a little easier – it's getting those orders to the customer that takes the time. Failure of containers isn't uncommon. We've had product arrive at a

customer's warehouse literally seeping out the door of the container because the refrigeration unit has failed in transit, and we've had to react quickly to airfreight replacement stock to keep them in supply.

Under normal circumstances, I would have two or three touchpoints with a customer to close a transaction. In the last 18 months it is more like three times that, because of the need for constant communication over a much longer delivery period.

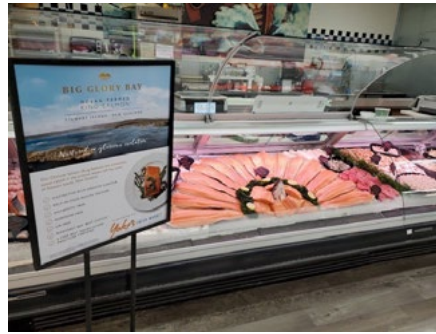




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—
Karyn Murray
MARKET MANAGER – NORTH AMERICA

Zoom calls are no substitute for meeting face to face with your customers and their customers. Chefs, for example, just don't do Zoom calls, and nothing really beats getting in the same room and talking about, and showing what we can offer. But we are ensuring customers are looked after – regular calls with their management teams mean that the lines of communication are well and truly open, and they know that if something goes wrong, we will move heaven and earth to make it right.



ABOVE Big Glory Bay in Yokes supermarket, Washington USA.

Looking ahead, seafreight will continue to be challenging. It is not quite the minefield that it was, but it is still extremely constrained and volatile, as the consumer boom in the US absorbs freight capacity and bottlenecks at many ports cause delays in processing and delivery.

After a tough year we have kept the Sanford name in the market, we have continued to build on our good relationships, and our customers value the quality of our product. The foundations we laid before Covid have definitely helped in rebuilding the market and in establishing and growing our position in retail. ●



WATCH VIDEO
BGB farm tour
https://www.youtube.com/watch?v=xVc6fQPD_Nw



ABOVE Sanford Export Documents and Sales team members in Auckland.



IMPROVING EACH QUARTER – DESPITE THE ODDS

New Zealand supplies of sustainable seafood have been consistent this year, thanks to generally good catches and weather. Demand, while patchy in parts, is showing gradual signs of recovery.

In between, the supply chain that connects us to our customers, has remained a drag on performance with reduced capacity and higher costs eroding margins as product pricing improves (see chapter 5 for more detail on supply chain impacts).

Sanford's Chief Customer Officer, Andre Gargiulo and GM Global Sales, Blair Robinson, agree there are encouraging signs of a market recovery as markets free up, borders reopen, and signs of life return to the foodservice sector. Supply chain costs remain a concern, given the market's sensitivity to price increases to offset those high freight costs.

But despite another tough year, Sanford's strategy of getting closer to customers has been proving its worth and the horizon next year looks more optimistic.

"We are maintaining a strategy of reducing our level of reliance on foodservice and this is a good choice, given there is still nervousness about the coming northern winter and what that could look like for foodservice," says Andre.

Blair says the Australian in-market team turned in a remarkable performance under real adversity.

"Our Melbourne team had a very long and demanding year of lockdowns, business disruptions, safety concerns and a general sense of fear as Covid-19 took hold of Victoria and then New South Wales.

"Despite this, they have recorded a very good year by sheer tenacity and seeking out every opportunity. A great example from the entire Melbourne team was the stunning work at Easter where all records were broken, the team sold over 140 tonnes of product through the site in four days including over 30 tonnes of fresh fish in one day. If this is what they can do in a pandemic, I look forward to seeing their results in a more normal year."

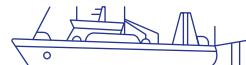


ABOVE Blair Robinson, General Manager Global Sales.

In the relatively sheltered domestic market, last year's fast forward to bed in home deliveries and e-commerce paid off again this year. Andre says Sanford and Sons saw demand and deliveries spike during lockdowns, but what's encouraging is that subscriptions for regular deliveries are holding. The domestic markets accounted for 41.4% of total sales in 2021, so it's as important to get closer to consumers at home as it is in global markets.

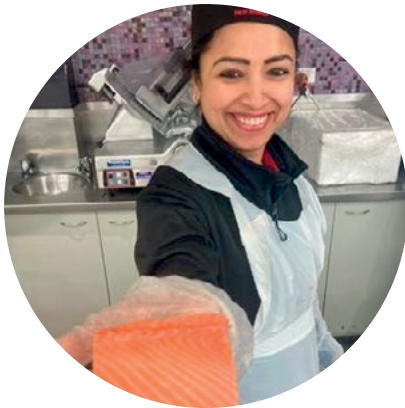
"We've done well getting necessities to people and we've managed the spikes well. We were also better equipped to handle shifts when levels came down and we've had a real focus on presenting more products for delivery over a wider area, so we make our consumer experience sensational and earn more subscriptions."

Sanford entered a single contract arrangement with Foodstuffs, replacing three separate agreements based on the supply of white fish, toll processing fish bought by Foodstuffs from other companies and the supply of salmon.





Andre says “what we have done now is one joint contract, including full supply for white fish and salmon, alongside the toll processing. This has enabled us to partner in new product trials, such as portioned and smoked salmon. We will also do other exclusive product development with them. This means we will also have an excellent testing ground for consumer products we are developing for international retail customers.”



ABOVE Sanford salmon at Foodstuffs / New World Supermarkets.

In global markets, China, which recovered quickly in the initial stages of the pandemic has been variable, although there have been good wins, according to Blair.

“In China we have gone from an importer model to selling directly to a business with 250 restaurants as an example. The supply chain is difficult with Chinese ports operating more cautiously because of Covid. While next year looks more reliable, there are still constraints.

“We have sold record scampi through China and mussel pricing is recovering slowly in Southeast Asia. Investing in a New Zealand-based team member who is focused on our Asian markets, and having extra resource on the ground is bearing fruit. We have had quite a lot of success in getting into the retail sector with scampi and salmon, as well as in selling more directly to customers.”

Andre says Sanford is mindful of the benefits of a diversified customer base globally and reducing reliance on single markets.

“We are seeing Europe slowly recover and we are also seeing growth potential in the Middle East and Russia where the level of interest has grown. But we will need to be on the ground to cultivate those markets. That is why it is so important that we get our own borders open, or at least have a clear future pathway that we can plan around so we can move forward.”

Getting closer to customers through innovative nutraceutical and cosmeceutical products will continue as a strategy, leveraging off Sanford’s expertise in mussel powders, fish oil and collagen from hoki skins.

With the new Marine Extracts Centre in Blenheim now consented for construction, the innovation pace can pick up in the coming two years. Collagen capacity was expanded this year to meet demand ahead of the Centre’s development and commissioning.

Andre says Sanford’s 50% share in the collagen and nutritional company Two Islands, has seen the move of the SeaToMe mussel powder extracts brand to their portfolio for future development, allowing Sanford to focus more strategically on extracting specialty marine ingredients. ●



ABOVE Sanford’s mussel powder SeaToMe product.



GIANT STEP FOR INNOVATION WITH MARINE EXTRACTS CENTRE

It will be a small footprint on the Blenheim landscape but a giant step forward for innovation when construction of our new Marine Extracts Centre gets underway in the new financial year.

With resource consent secured, the \$20 million project, is scheduled for completion in the latter part of 2022. It will include the Supercritical CO₂ extractor, one of the most technically advanced pieces of equipment Sanford has invested in.

This will enable the extraction of mussel oil, worth as much as 600 times the value of fish oils, which delivers a super-concentrated form of the anti-inflammatory benefits found in mussels and mussel powder. At peak production the extractor will be capable of producing around 5MT of mussel oil annually.

Innovation General Manager, Andrew Stanley, says the Centre will enable the expansion of mussel drying, with four dryers available immediately and capacity for a further four. Sanford's collagen extraction operations, currently outsourced, will be brought in-house, along with blending processes, also currently outsourced.

Collagen is a high-value ingredient, extracted from hoki skins and used in anti-ageing products by the cosmetics industry. Andrew says the team achieved small scale production this year, with all product readily sold.

"The collagen we extract is a high value product and the centre represents a significant opportunity to increase our efficiency and volumes which will flow through to higher margins. In South Korea, beauty face masks which use our collagen regularly sell out. The value of a gram of collagen in this high-end beauty product exceeds the price of a gram of gold. Growing our volumes can capitalise on that. Demand is also increasing for collagen as an edible supplement.

"Establishing production facilities with Solander and Tekapo Fisheries in Richmond has enabled us to profitably ramp up production and the Centre will allow this to be expanded further."



ABOVE Architectural render of the new Marine Extracts Centre.

We are working with Plant and Food Research in a \$45,000 programme to further explore New Zealand marine collagen's potential and benefits. Research is also continuing into the benefits of mussels, both in powder and oil form.

Sanford and the Cawthron Institute have received renewed funding from the High Value Nutrition National Science Challenge and clinical trials are underway at Massey University and Plant & Food Research to research the effects of

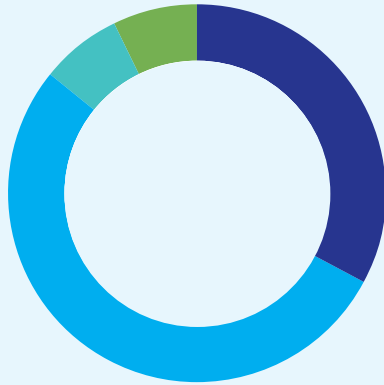
Greenshell™ Mussel (GSM) intake on early signs and symptoms of osteoarthritis and other health outcomes such as exercise-induced joint and muscle pain and inflammation. The project also includes building understanding of mātauranga Māori (Māori knowledge) relating to the consumption of GSM products.

Sanford received \$193,000 in Government funding via Callahan Innovation in partial support of our research on innovative mussel extracts.





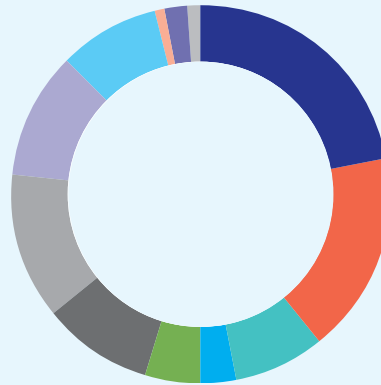
HOW WOULD YOU RATE THE QUALITY OF SANFORD'S PRODUCTS?



	2021	2020
● Very high quality	33%	17.9%
● High quality	53%	67.9%
● Neither high nor low quality	7%	14.3%
● Low quality	7%	0.0%
● Very low quality	0.0%	0.0%

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

QUALITY COMPLAINTS BREAKDOWN



	2021	2020
● Quality defects	23%	32%
● Labelling error	18%	15%
● Foreign material	8%	14%
● Product grading error	3%	8%
● Packaging	5%	6%
● Other	0%	4%
● Date coding error	0%	4%
● Temperature abuse	10%	4%
● Wrong product	13%	3%
● Weight control	5%	3%
● Under delivered	11%	2%
● Bone	1%	2%
● Product missing	2%	2%
● Parasites	1%	1%



1.67

CUSTOMER FOOD QUALITY COMPLAINTS PER MILLION KILOGRAMS

of seafood sold by Sanford
(up from 1.43 during 2020)



Our future focus – Targets for FY22

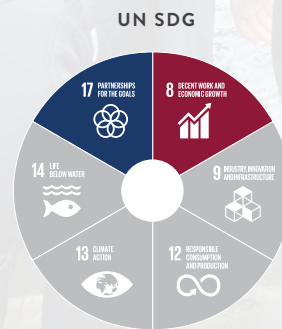
MATERIAL ISSUES & STRATEGIC GOALS	2022 TARGETS	OUR 2025 VISION
Drive Value Growth through Brand Development and Awareness Unlock value generating opportunities by developing a portfolio of brands and margin enhancing product formats that meet customer's and consumers' expectations and contribute to improved returns.	Increase the proportion of BGB salmon sales such that 45% of Salmon division margin for common format product is derived from BGB branded product (FY21: 33%) Successfully implement new product development lines to market to achieve a successful launch of four branded SKU's (Stock Keeping Unit) in the NZ market and ≥2 in the USA market to diversify and build consumer ready product portfolio. Support and grow key customer partnerships by preparing and implementing joint business plans with eight key customers to deliver growth in volume, revenue, and margin aligned with our product portfolio.	 Our sales via direct and once removed to consumer channels is expanded to >30% of total revenue (FY20: 15%) Brands deliver value growth ahead of commodities. Consumer led product development delivers incremental margin opportunities under our branded portfolio.
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. Maintain independent food safety related certifications including MPI certificates at maximum frequency levels, and Food Safety System Certification 22000 (FSSC 22000). Reduce the number of justified food quality related product complaints by 3% (total number of complaints, and number of complaints per million GWkg sold).	 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 focussed approach and achieve 'no product recalls' and year-on-year improvements in complaint target KPIs.
Innovation and Technology Identification, testing, development, application and scaling of novel research, innovation and technological solutions that can drive value outcomes and support strategy.	Use the upcoming completion of the marine extracts facility to scale and move in-house production of high value 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.





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 that we deliver a significant and positive contribution everywhere we work.



United Nations Sustainable Development Goals



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, the targets we set at the commencement of year 2021, and our progress against these targets. At the end of this section, we define our future targets for 2022 and beyond as well as our vision through to 2025.

PROGRESS AGAINST TARGETS FOR FINANCIAL YEAR 2021

MATERIAL ISSUES & STRATEGIC GOALS	2021 TARGETS	PROGRESS AGAINST TARGETS (FY21)
Community Engagement and Strategic Partnerships Respect and support our local communities, leveraging our strengths and 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.	✓ Achieved. Partnership with Graeme Dingle Foundation remains active with regular engagements across all Sanford operational regions. Local event support maintained where long-term partnerships exist. Salmon fund successfully awarded its second funding round after community led decision making. Community support via product donations to foodbanks expanded during FY21 to include fish heads and frames for direct consumption, FY21 total = 132,535 meal equivalents donated.

IMAGE (PAGE 68) A donation from Sanford’s 10c per Salmon Community Fund has enabled the toy library on Rakiura-Stewart Island to offer wet suits for local kids.





A PERSONAL VIEW OF 2021

Caleb's story

Eighteen year old **Caleb Murray** came to Sanford through the Graeme Dingle Foundation Career Navigator Programme. He is a deckhand on the Lady Marie, working in the Marlborough Sounds in Sanford's mussel farming operations, where he started after finishing school in late 2020. This is Caleb's account of how he came to work at Sanford.

I always knew that when I left school, I would go into work rather than study. I got NCEA level three, but I was never that academic. I liked accounting and was good with numbers, but I wanted to earn and learn as I go.

I had a pretty solid idea I wanted to do something in mussels. To begin with it was the money because a friend told me the pay was pretty mean,¹ but the more I looked into it, the more interesting it got.

The best thing about Career Navigator [provided by the Graeme Dingle Foundation] is you can see what different jobs are like and get to know people who help you. I went out on one of the Sanford boats and saw what a normal day of work was like.

That's really when I knew for sure. I am not worried about hard work – so long as I get paid. I signed on as a deckhand on the mussel farm maintenance vessel Lady Marie. My boss is skipper Ben Armstrong and his second skipper Tyler Materoa has just finished five years of training with Ben and is a great role model.

I am coming up to a year with Sanford now. I mainly work on the mussel farm maintenance boat. We put floats on the lines when they get heavy and take them off when the harvest is over. If any ropes get frayed, we replace them. You need to be fit and work hard. There is heaps of rope splicing, and it took me about a month to get the main technique down quickly.

ABOVE Caleb Murray, Sanford deck hand.

1. For readers outside of New Zealand this colloquialism means 'excellent'.





We do four days on and four off and when we're not working in Covid conditions we're away onboard for the four. In lockdown we come back each day. It's not ideal because you lose working time coming back each night.

The work varies depending on where we are in the Marlborough Sounds, but the view is always pretty good. Some days there's heaps of steaming between farms, other days we stay put.

We usually start at 6am but with Covid it's been more like 5am. That's okay though because once we're out of port you can bunk down for a bit.

There's only the three of us and it's good being in a small crew. They help motivate me and I've made good friends. Tyler has done it all before, so he's a pretty good teacher.

My skipper Ben is keen to see us succeed so he is really good with the mentoring, training and support. It makes a big difference to have your boss backing you like that. If our boat is in for maintenance, we get put on a seeder or a harvester vessel, so you learn all the time from other crews. Guys like Jhaquinn Materoa on the other maintenance boat and Jamie Armstrong on our boat have also helped heaps with learning.

I like being with Sanford. Everything is set up. There's always someone to ask. Pretty much all the boys on the boats look out for you. If somebody asked me about this job, I'd say give it a go.

I am definitely one of those people who learn best on the job. I reckon I will go for my skipper's ticket. There will be book work, but I will also have practical experience and I've got good mates motivating me. I am the first one in my family to get involved in the industry. They are happy that I have found a solid job. Me too.



WATCH VIDEO

Sanford Deckhand, Caleb Murray
https://youtu.be/Qg4OijjVE_8



ABOVE Caleb Murray with the crew of the Lady Marie in Marlborough.





ACHIEVING TOGETHER WITH GRAEME DINGLE FOUNDATION

Achieving together is a core value at Sanford. That includes a long-running partnership with New Zealand's Graeme Dingle Foundation (GDF) whose school and community programmes develop confident, capable and resilient young people, who believe in themselves and their futures.

Sanford's Marlborough-based Grant Boyd, Manager, Floating & Farm Development is also a mentor with GDF Career Navigator. Caleb Murray is one of his mentees. The programme works with around 20 Year 13 students in Marlborough each year, giving them insights into local work and companies and the career choices open to them.

Grant is full of praise for the programme. He says it fits with his personal values, so mentoring gives him a lot of satisfaction. He is also full of praise for Caleb.

"Caleb has the right support and opportunity and most importantly, he has taken advantage of it and blossomed because of it. He's a great young man."

Sanford strives for sustainable outcomes throughout its business – and this includes social and economic outcomes as well as environmental ones. It's just as important to protect current and future people resources, as it is to safeguard the natural resources we rely upon every day.

Those future people include young people in the 5-19 age group, who number 1,283,100, according to Stats New Zealand. Many will thrive and some, often through no fault of their own, will lose their way and their opportunities.

By partnering with the Graeme Dingle Foundation, we want to tip the odds in favour of the young, because they are our future – as employees, consumers, suppliers, shareholders and stakeholders. This year, with Sanford's support the programs were delivered to 20,572 children across 104 schools in the regions Sanford operates in and supports. We assist with donations, mentors and volunteers in schools, and fund raising.

It's a proven investment. A report prepared by Infometrics showed that every dollar invested in GDF programmes is expected to result in a long-term benefit to New Zealand of \$7.80.



ABOVE Grant Boyd, Sanford Floating and Farm Development Manager.

For us, it means our donations this year of \$130,500 will generate long term gains for New Zealand of around \$1m.

Our investment of money and time helps the Foundation ensure the potential of our young people does not go to waste. ●



WATCH VIDEO

Sanford Works with the
Graeme Dingle Foundation
<https://youtu.be/l45NnGwjdc>

DONATIONS THIS YEAR

\$130,500

WILL GENERATE
LONG TERM GAINS FOR
NEW ZEALAND OF AROUND

\$1,000,000



MUSSELS ADD MUSCLE

Mussels are the muscle behind environmental restoration programmes across New Zealand - in the Havelock community, Marlborough's Kenepuru Sounds, and in Auckland's CBD, just a stone's growth from our Viaduct headquarters.



ABOVE Mussel rafts, complete with Sanford mussels, hang beneath the wharf at downtown Auckland.

APPROXIMATELY
100,000
LIVE GREENSHELL™ MUSSELS
IN DOWNTOWN AUCKLAND

In Havelock, a trial this year to reuse waste mussel shells has not only seen an average reduction of 68% in monthly marine waste to landfill, but also savings of \$300,000 in landfill and transport costs.

The shells, which are a by-product of processing, were repurposed as a gravel alternative on farm races and cattle tracks by Rangiora Landscape and Garden Supplies, with 3,017 tonne consumed from March 2021 to end September 2021.

Sanford Environmental Advisor, Havelock, Rebekah Anderson says, “the reuse concept aligns with our environmental and sustainability goals to divert waste from landfill and obviously the cost savings involved is an added bonus.”

Also in Marlborough, 30 tonnes of live Greenshell™ mussels were carefully deposited by the crew of mussel maintenance vessel, Lady Marie, in the Kenepuru Sound as part of efforts to help restore and regenerate previously lost natural mussel reefs in the area.

GM Sustainability, Dr Peter Longdill, says natural mussel reefs in the sounds and elsewhere around New Zealand have been impacted severely since the early 1900s from sediment runoff due to land use changes as well as dredging and overharvesting.

“Restoring these once-lost natural mussel beds has potential to bring a great range of benefits to the marine environment, including habitat provision, as well as biodiversity and species abundance gains. These natural reefs create complexity on the seabed and are used by other species for both protection and food. This is all in addition to the water quality improvements from the mussel filtering activity.”

Initially started up by mussel farmers in Pelorus Sound, the research to find the best way to successfully restore these reefs is now a collaborative effort between the Marine Farming Association, NIWA, the University of Auckland and industry groups.

The aim of this experiment, in Kenepuru Sound, is to test the benefits of restoring reefs with adult mussels (90-100 mm in length) versus subadult mussels (50-60 mm). Sub-adult, or juvenile, mussels are thought to be more adaptable and resilient to the restoration process and new environments than adults.

In August, the first 18-month monitoring of four locations showed high survival rates (81-99%), while a fifth had been all but destroyed by starfish. It's a good start.

Further North, in the heart of Auckland's downtown, 38 seeded mussel lines holding nearly 100,000 live Greenshell™ mussels from our Coromandel farms are on environmental duty along the underside of Te Wānanga, a public space near to the city's ferry terminals.

In May, mussel barge skipper Steven Mogridge and crew members Michael Downes and James Wiki ferried the mussels from Coromandel to Auckland's downtown ferry basin where they were blessed by mana whenua, Ngāti Whātua Ōrākei. After a treatment with freshwater to remove any unwanted invasive species that may have been attached along with the mussels, the lines were positioned by the crew, working alongside project members from Auckland Council, Auckland Transport, divers and mana whenua.

The thousands of mussels are quietly improving water quality around that part of the Waitemata Harbour, with each mature mussel capable of filtering 150 to 200 litres of sea water a day, removing pollutants such as sediment and bacteria. The project is not only designed to benefit the water column, but improves biodiversity, brings life to the downtown marine environment, connects the cityscape to the living marine environment at its doorstep and highlights the importance of people caring for the harbour. ●





ODDS AND ENDS MAKE A VALUABLE WHOLE

In the fabric trade they're known as remnants, in carpentry they're offcuts, in butchery they're trimmings – whatever you call them, small quantities of something useful still add up to something valuable.

In 2021, New Zealand food banks, marae and community organisations have been overwhelmed with demand from families hit financially and nutritionally by Covid-19 lockdowns. Sanford has reacted by raiding our freezers and filleting lines for those nutritious odds and ends which this year added up to 132,535 meal equivalents¹.

Fish donations include frozen product, primarily the smaller quantities of mixed species inventory which remain after large orders have been filled. When you sell and fill orders by the tonne, those small holdings are harder to sell, but still great to eat. Fish heads and frames are always easy to process into fish meal and fish oil, but when we weighed up the returns versus the community need, the community won hands down.

GM Sustainability, Dr Peter Longdill has been co-ordinating our charitable efforts.

“We’ve supported Buttabeen Motivation’s food bank run by Dave Letele, which has delivered thousands of parcels and food and essentials to the South Auckland community. When Dave said to us people who had previously just keeping their heads above water were now drowning, we wanted to help.”

Peter says working with the Mangere-based Papatūānuku Kōkiri Marae is a lesson in nose to tail eating practices. Through the Kai Ika Project, initially set up by recreational fishers to prevent food waste, fish heads and frames are provided to the community as a valued food resource. But with lockdowns preventing recreational fishing, Sanford met the need by increasing our donations, providing 6,760 kg of heads and frames from snapper, kingfish, bluenose and hapuku which were used to make nutritious meals and fish stock.

“Fish donations to the marae are redistributed to families and community groups in need all around Auckland, including with those directly impacted by the 2021 Covid outbreak.”

After consumption, the marae also composts frames and fish guts for its gardens which raise funds through produce sales.



ABOVE Dave Letele of Buttabeen Motivation foodbank proudly displaying some frozen hoki donated by Sanford.

Sanford has also supported Tauranga’s Good Neighbour Trust, and the New Zealand Food Network’s South Island hub in Christchurch. Both groups connect with local food banks to distribute offerings.

Our freezer raids have also helped some furry friends. Hamilton Zoo’s three fishing cats, an endangered species from Southeast Asia, are natural fish predators in their native environment. In the zoo they generally eat more familiar feline rations because of costs. However, donations of lower grade fish, are now being enjoyed, with Sanford donating a pallet of fish tagged “not for humans” to supplement their diet. Reports are the cats are loving it. And that’s not the only interesting destination for some of the lower grade fish, crocodiles at Butterfly Creek in Auckland enjoyed 500kg of smooth oreo dory during 2021 as well. ●



As COVID takes its toll on people’s financial, physical, and mental state, demand for Kai Ika starts to rise. With our recreational kaimoana supply cut off due to Level 4 restrictions, we rely on commercial fishing companies to help us feed our communities. Thank you to Sanford Limited for jumping onboard and significantly increasing your supply of quality fish heads and frames. Today we recovered over 600kg of fish parts from Sanford.

—
The Kai Ika Project

1. Meal equivalent based on 100g standard protein portion for fillets, 300g for heads/frames



COMMUNITY COMMITMENT



2021

● Community Programmes (incl. Salmon Fund)	\$79,240
● Graeme Dingle Foundation	\$130,500
● Other Charities	\$24,169
● Industry Sponsorship	\$120,000

* Exclusive of foodbank donations product costs. The number of meal equivalents donated being reported elsewhere.

COMMUNITY FOODBANK SUPPORT

During FY21 Sanford continued its support of community foodbanks through both fillet products as well as diversion of fish heads and frames (6,760 kg) of select species for direct human consumption.

	2021	2020
No. of meals* donated to foodbanks	132,535	76,173

* 100g portion for fillet donations, 300g portion for head/frame donations.

SUPPORTING LOCAL COMMUNITIES

10 CENTS A SALMON FUND



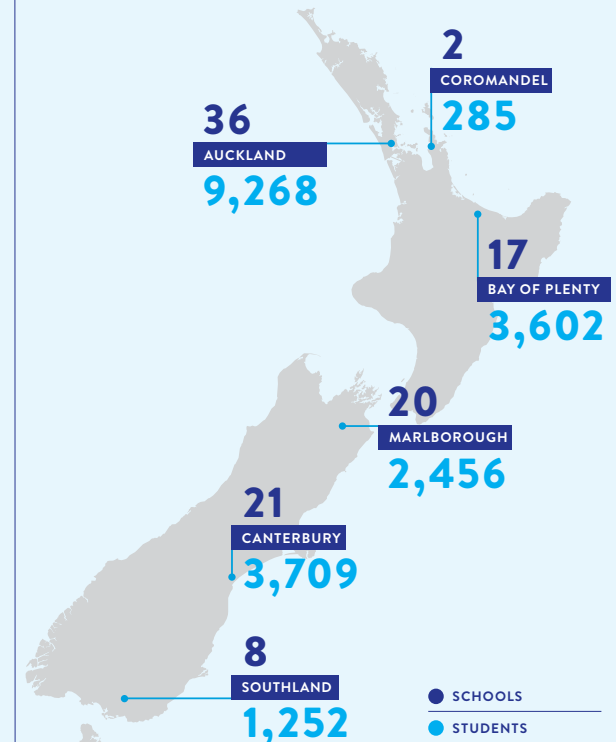
FROM EACH BIG GLORY BAY FARM
SALMON PROCESSED

\$78,909

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

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 future focus – Targets for FY22

MATERIAL ISSUES & STRATEGIC GOALS	2022 TARGETS	OUR 2025 VISION
Community Engagement and Strategic Partnerships Respect and support our local communities, leveraging our strengths and in line with our social licence to operate. Establish strategic partnerships that create value for the community, our partners and Sanford.	Maintain tangible and meaningful support of regional communities close to Sanford’s operations, including the Graeme Dingle Foundation, local events, and the 10c per Salmon community wellbeing program in Bluff and Stewart Island. Support communities and build a ‘whole of fish’ consumption approach by increasing provision of fresh production fish heads and frames to community programs by >50% (FY21: 6,760 kg), whilst continuing to explore further value creation opportunities for these resources. Create, and further strengthen, relationships with willing Non-Governmental Organisations (NGOs) and community groups, finding common ground, focus where there is alignment of values and outcomes.	 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.





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.

CAPITAL INPUTS



- CAPITAL INPUTS
- 1. Financial
 - 2. Human
 - 3. Manufactured
 - 4. Intellectual
 - 5. Natural
 - 6. Social & Relationship

UN SDG



United Nations Sustainable Development Goals





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, the targets we set at the commencement of year 2021, and our progress against these targets. At the end of this section, we define our future targets for 2022 and beyond as well as our vision through to 2025.

PROGRESS AGAINST TARGETS FOR FINANCIAL YEAR 2021

MATERIAL ISSUES & STRATEGIC GOALS	2021 TARGETS	PROGRESS AGAINST TARGETS (FY21)
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. Movement in EBIT/kg is -15 cents (FY21: 21c/kg), driven by market pricing impacts in mussel division and associated volume reductions. Strong wild catch sales partially negated by lower pricing. Internal costs were successfully controlled, whilst cost increases and disruption were experienced throughout supply chains.
	Year on year improvement in Sanford's Return On Capital Employed (ROCE).	 Not Achieved. Return On Capital Employed to end FY21 was 2.6% (FY20: 3.2%), driven by the profit result for the year (FY21 NPAT: \$16.2 million which was down 16%).
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.	 Not Achieved. Achieved Marel Innova deployment at one site (Havelock) within FY21. Remaining land-based sites and deep water factory vessels now scheduled for deployment within FY22. Build phase of the D365 implementation is progressing for deployment in late FY22. Overall timeline and scope of SanCore program remains on track.
	Achieve a year-on-year processing efficiency improvement at the Bluff salmon processing line through the deployment of automation solutions.	 Not Achieved. Shipping delays and Covid-19 related effects delayed the install and commissioning of a new primary processing line at Bluff site. Trials of automation solutions have been deployed and are currently being assessed for permanent adoption. Our people performed admirably across the Bluff line, during a year which had both Covid-19 challenges occurring in parallel with volume lifts and production format changes.



MATERIAL ISSUES & STRATEGIC GOALS	2021 TARGETS		PROGRESS AGAINST TARGETS (FY21)
Operational Excellence - Cont Execution of business strategy, growth, and value improvements within existing operations to drive efficiency improvements and value outcomes.	Commission new marine extracts facility in Blenheim.	✗	Not Achieved. Resource consenting processes slowed this project during FY21, though these have since been resolved. Construction activity is scheduled to commence in October/November 2021. To mitigate effect of the delays, equipment for collagen production has been commissioned and operates at a leased site, supplementing third party processing to develop and supply demand.
	Mussel spat production during FY21 via SPAT _{NZ} to achieve production equivalent to deliver 20,000 GWT harvest weight.	✗	Not Achieved. During FY21 spat production faced a challenge that impacted overall production. The team have developed a solution to be deployed in FY22 to overcome this.
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.	✗	Not Achieved. Supply chain costs increased 21% on a cost/tonne basis relative to FY20, driven by pandemic induced disruption to the freight sector resulting in a full year of high airfreight costs including on carriage to US customers, sea freight to the US, shipping surcharges in the last quarter as well as third party inventory costs during the first half.
	Develop and implement supply chain processes which supports revenues sourced via direct and once removed to consumer channels.	✓	Achieved. Significant sales growth in segments where Sanford has moved up the value chain to the end distributor in the US and where relationships are held with retailers and premium food service groups, through the development of the Big Glory Bay brand. Growth has been supported by supply chain partnerships as this time sensitive product travels through LA and onward via US domestic airfreight. Toll processing and physical logistics processes have been established with three other seafood processors to broaden Sanford's product portfolio of products into both NZ and international retailers (ie smoked salmon, orange roughy fillets).
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).	→	Ongoing. Engaged EY to perform a top-down review of enterprise risks involving the Board and Executive. The process remains a work in progress and will lead to an updated ERM matrix. Additionally, a bottom-up process of risk identification and mitigation at a site and functional level has progressed, which will be linked to the updated ERM matrix once finalised. Our aim is to embed a culture of awareness of enterprise risks and associated mitigations. Disclosed to the CDP Climate Change survey, achieving a "B" score ("Management" band, and above benchmarks). Engagement with regulators, and internal planning for, continues in anticipation of, and in advance of, the forthcoming TCFD aligned disclosure legislation.





MATERIAL ISSUES & STRATEGIC GOALS	2021 TARGETS		PROGRESS AGAINST TARGETS (FY21)
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.	➔	Ongoing. Active management and nimble solutions coupled with essential service designation enabled operations to continue through Covid-19 lockdown periods. Market specific challenges were experienced for some export destinations and widespread impacts on supply chains and export freight networks. Solutions to date include shifts in processing locations for key markets and developing logistics partnerships.
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.	✓	Achieved. Sanford supports and complies with the latest NZX corporate governance codes.
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.	✓	Achieved. Quarterly investor updates provided throughout FY21.
	Increase board and investor interaction through regular scheduled meetings.	✗	Not Achieved. Regular meeting schedule was not put in place. However, ad hoc meetings have taken place during the year between the Board Chair, AFRC Chair and investors.
	Build social licence with stakeholders and communities by telling our stories in a transparent and inclusive way and demonstrating our values in action.	✓	Achieved. Spoken to media for a total of 78 separate news stories in the 2020/21 year. We have continued to build relationships with key stakeholders and communities. Examples include our work in Southland via the Salmon Fund, our work with WWF and MAUI63 supporting the Māui dolphin drone programme and our support for food banks and other charities across the country.
	Sanford's Communications team will continue 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.	✓	Achieved. Continued to share stories and build engagement internally using a variety of channels to maximise reach. This has included the creation and dissemination of 63 staff videos, including 45 within our Toolbox Toolkit programme, 25 town hall meetings and 25 newsletters published fortnightly and reaching all staff either in print or electronically.



A PERSONAL VIEW OF 2021

A Relay with Hurdles – Meeting Demand Through Fragile Supply Chains

Louise Wood is Sanford's General Manager Supply Chain. She joined us in 2015. She has a Bachelor of Science in Transport and Distribution from the University of Huddersfield. She and her team have faced significant challenges in 2021 because of the impact of the Covid-19 pandemic on global supply chains. Here's her perspective on the year.

The supply chain is like a relay. You rely on people right through the network to smoothly pass the baton. This year, like last, the pandemic has made the relay more like a marathon with hurdles added.

Global shipping schedule reliability, for example, fell from 68% to 44% in 2020.¹ This year it has hovered under 40%. We

have also seen demand come back from global customers and we want to meet it.

In the US, for example we've enjoyed significant sales growth. This coincided with the US becoming one of the most difficult sea freight routes to service. In February the Long Beach port became logjammed with vessels waiting up to two weeks to be unloaded. The port continues

1. <https://sea-intelligence.com/press-room/79-schedule-reliability-continues-to-be-low-in-may-2021>.



ABOVE Louise Wood, Sanford General Manager, Supply Chain.





to face pressure and has been impacted by labour shortages with stevedores, truck drivers and warehouse logistics people self-isolating.

Collectively as a team we have learned how to quickly understand problems like these in front of us and to find a solution. We have been given lots of practice!

At the beginning of the financial year, for example, a priority was to reduce wildcatch inventories. By the second quarter they were down by 5.7 greenweight tonne (GWT) to more normal levels of 9 GWT.

Getting there required intensive planning to ensure full visibility of inventory levels and how we could best match supply and demand. With shipping disrupted and schedules unreliable, container shortages and storage under pressure we needed to do a lot more intervention than normal. It was very pressured for two or three months. Luckily, we have great, resilient people and we got there.

That's because we have a culture which allows people to think laterally. When you are solving problems on a daily and weekly basis you must make decisions quickly. The management team agrees the priorities, and these are clearly communicated. Then we trust people to make the right decisions and they do.



ABOVE Sanford operations in Bluff.

We are especially good at solving problems you cannot always foresee – such as the impact of extreme weather washing out bridges and roads in the lower South Island. Our sites are often remote, so we're good at reacting quickly and calling on relationships to keep orders moving – including salmon from Big Glory Bay, ordered by a customer in Utah, 11,794 kilometres away.

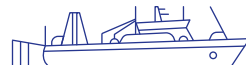
The *Harmon Neighbourhood Grocer* chain of 20 stores had an Independence Day (July 4) promotion planned. With extreme weather forecast in the south, our local

team expected the worst and acted decisively. They secured freight space on an Air New Zealand flight from Queenstown to fast track the consignment to Auckland where it could be airfreighted to the US. The transport driver put in an extraordinary effort to get the shipment from Bluff to Queenstown, adapting the route to allow for road closures and taking additional care in the difficult conditions to ensure his load arrived safely. The order made it in time for the holiday promotion and the customer thanked us for an “heroic effort”.

Relationships have been important within New Zealand also. For example, we have been working with the supply chain collaboration group Kotahi for two years, and when the pressure came on with our exports of frozen mussels from our Havelock processing plant, Kotahi were able to secure additional capacity. They enabled us to move significant volumes into the US market at a time when shipping space was really constrained.

Based on this foundation, Sanford believed that it was in our long-term interest to build and grow on the partnership. That meant having Kotahi take responsibility for all our frozen export capacity. This contract, which kicks in on 1st October 2021, will operate for a minimum of two years. It's enabled Sanford to be more confident around access to shipping capacity and equipment and focus on delivering our frozen seafood to our customers in all regions.

All our people take the responsibility of servicing customers really seriously and I've seen so many people work extremely hard this year to keep our seafood flowing to the people who need it. I feel very privileged to work among them. ●



STAYING ON TOP OF SEISMIC RISK

Each year, around 20,000 earthquakes occur in and around New Zealand. Most are small, but around 250 are big enough to be felt. Some pack a real punch and being on the receiving end turned the spotlight on minimising seismic risk across the business.



Peter Young
GROUP MANAGER ENGINEERING
AND INFRASTRUCTURE

In 2016, the 7.8 magnitude earthquake, just 10km deep near Kaikoura, lifted the seabed, led to localised tsunami and caused massive damage to roads and property, including our Havelock mussel processing facility. It took five weeks of work in 2018 with contractors, processing and engineering staff and truck loads of reinforcing steel to undertake remedial work and bring the site back into full production.

That work, offset by insurance, followed on from asbestos removal and seismic strengthening of the 100-year-old Sanford headquarters building in Auckland in 2016.

Peter Young, Group Manager Engineering and Infrastructure, says both the Auckland work and the Kaikoura event identified the value of a seismic assessment across all of Sanford's land-based assets – which range in size from simple storage sheds and modest jetties to large scale processing plants, workshops and offices.

“We carried out an initial seismic assessment across every structure. Seismic performance is measured as a percentage of the new building standard. Havelock processing plant now has a 67% New Building Standard (NBS) rating. If the initial seismic assessment shows your asset is above 67% you are in good position. Between 34% and 67% is deemed an earthquake risk and below 34% is called earthquake prone and is yellow stickered by the local authority for remedial work.”



ABOVE Sanford's mussel processing facility in Havelock.

Peter says the Board took a long-term view on risk management, deciding that assets below 67% of code should undergo a detailed seismic assessment, including a geotechnical assessment of the ground under and around the site.

“We used a very effective Resilient Organisations Ltd decision-making support tool which looks at the results of a detailed assessment, the criticality of the building, and the number of people at potential risk and enables good decisions to be made around remediation work or rebuilding. That has been invaluable in setting our priorities and now all the big decisions are done. Timaru is our last big processing

building to be raised above 67% of the New Building Standard. There are plans for a new salmon processing site to facilitate the long-term seismic solution for Bluff.

We are now looking at outbuildings like storage sheds, cold stores and the like and in the new financial year we will be preparing the costings for repairs or replacement. It is a lot of work, but we are well ahead of central and local government in assessing and then remediating our seismic risks in our infrastructure assets.” ●





SANCore TRANSFORMATION ON TRACK AND ON BUDGET

SanCore is our business systems transformation programme which is progressively delivering wide-ranging improvements in the way we work and the efficiency with which we can capture data and make it work better for us.

Phase 1, for example, has involved new quality, safety, health and environmental software which includes a simple reporting solution for observations and incidents, which are used to mitigate risks to our people at work. When we asked staff if it has made reporting easier, 70% agreed and 60% considered the solution has raised their awareness of how important it is to report observations.

In train, are the cornerstone finance, supply chain and operations transformations which will also ensure we are capturing better, more timely data which is easily recoverable and can be used to make faster and better-informed decisions day-to-day. This involves the implementation of Microsoft's D365 product for finance and supply chain, and Marel's Innova for processing.

Project champion, Chief Customer Officer, Andre Gargiulo, says the implementation team is "going hard out" to see all platforms delivered by the end of the financial year 2022. It remains on time and on budget despite some hurdles and frustrations with bringing in needed talent from off-shore, due to Covid border restrictions.

"Our mussel processing centre of excellence in Havelock went live in August, as our first Innova site. Havelock receives raw mussels, holds them before and after



ABOVE Hape Williams, Change Manager, SanCore.

grading and puts them into cooking lines ahead of packing them ready for sale. The Quality team uses Innova tablets, like iPads, for more than 40 different quality inspections that used to be recorded on paper forms.

"We are now starting to get some great information in a real time environment which enables them to make better decisions around planning, yields and efficiency and we have a better view of demand and costs. Our Timaru site is the next cab off the rank.

"SanCore will give us quicker real time information on terms of catch and yield which will better inform our sales and operational planning. The D365 financial model will provide for the capture and integrating of richer levels of information to support better decision making. Under the current system we spend a lot of time extracting data and it can be cumbersome. This will give us more robust information and timelier reporting." ●



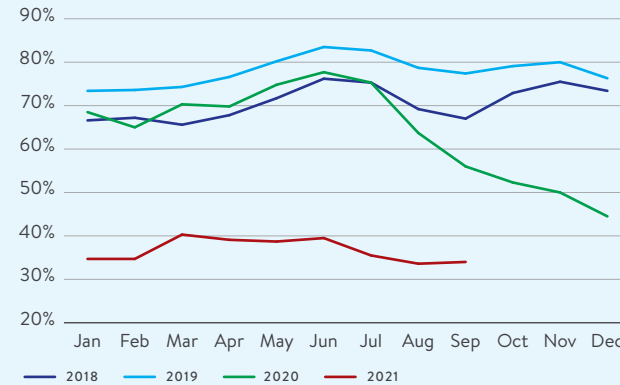
EXTERNAL COMPLIANCE AUDIT	NUMBER OF AUDITS COMPLETED	
	2021*	2020
MPI Food Safety Performance Based Verification Audits (PBV)	42	38
MPI National Shellfish Sanitation Programme (NSSP)	4	3
Marine Stewardship Council (MSC) Chain of Custody	1	3
FSSC 22000 Food Safety Management Systems	5	8
A+ NZ Sustainable Aquaculture Programme	0***	1
Best Aquaculture Practices (BAP) Audits	4	4
Organic Certification Audits	1	1
Environmental Management Systems (EMS) ISO 14001 Audits	1	3
Accident Compensation Corporation, Accredited Employer (ACC AEP)	1	1
Maritime New Zealand Marine Operator Safety System (MOSS)**	4	3
Fleet Governance and Due Diligence Audit (HSE NZ)	4	7
Financial Statement Audits	1	1
MPI Licensed Fish Receiver Audits	0***	1
TOTAL EXTERNAL AUDITS CONDUCTED	68	72

* Due to COVID-19 restrictions several audit authorities either extended validations, or permitted self-assessment in lieu of external audits.

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

*** Audits conducted on annual calendar year basis – scheduled audit did not fall within financial year.

SHIPPING LINE SCHEDULE RELIABILITY



Source: Sea-Intelligence, GLP report issue 121

OUR ACTIVITIES
SUPPORT
THE LOCAL AND
REGIONAL ECONOMIES
IN NEW ZEALAND

\$398m

in payments made by Sanford
to domestic suppliers during 2021 and
\$1.44 billion over the past four years.

SEISMIC ASSESSMENT OF NZ LAND BASED STRUCTURES OWNED OR OPERATED BY SANFORD:

Initial seismic assessment evaluation completed for

**ALL BUILDINGS AND
STRUCTURES.**

After which:

100% COMPLETION

of detailed and intrusive seismic assessments for those
deemed to hold seismic risks.

PRACTICAL COMPLETION ACHIEVED

for remedial seismic strengthening works at three high occupancy sites

(TIMARU PROCESSING AND OFFICE, HAVELOCK PROCESSING AND OFFICE,
AUCKLAND FISH MARKET AND OFFICE)





Our future focus – Targets for FY22

MATERIAL ISSUES & STRATEGIC GOALS	2022 TARGETS	OUR 2025 VISION
Shareholder Value Improve our business margins and create shareholder value in a sustainable way.	Conditions occurring during the past two financial years (FY20, FY21), primarily market related impacts from Covid-19, have had a detrimental impact on our business margins. Positive signals are emerging, particularly from the last quarter of FY21, however, there remains in-market uncertainty. Our financial targets for FY22 are to achieve year-on-year improvements in profitability, revenue, and EBIT as we track a return to pre-Covid financial performance over a realistic 2-3 year time frame.	 Sanford has rebounded from the market effect from Covid. Key growth initiatives prioritised over that period are gaining traction, delivering returns in excess of historical expectations. Sanford achieves sustainable, profitable growth driving improved shareholder returns.
Operational Excellence Execution of business strategy, growth, and value improvements within existing operations to drive efficiency improvements and value outcomes.	FY22 Business Priorities: 1. Rebuild mussel profitability, increasing profit contributions by >100%. 2. Deliver on developing opportunities in wildcatch, resulting in improved profit contributions. 3. Retain salmon profitability whilst preparing for future growth by investing in farming infrastructure. Review and refine our business strategy to define pathway for excellence and growth in a post-Covid context. Successfully complete the SanCore Anchor project rollout for processing, supply chain, and financial systems before the end of FY22. Complete construction of, install equipment within, and commission the new marine extracts facility in Blenheim. Mussel spat production during FY22 via SPATnz to achieve production equivalent to deliver, at harvest, >40% of FY22 GWT plan.	 Sanford is a leader in achieving excellence in operations through efficiency improvements and the application of proven technologies and solutions.
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.	Implement practices and collaboration arrangements throughout the supply chain limit supply chain costs (\$/GWkg) to budgeted levels or below as well as improve service reliability. Harness sales and operational planning (S&OP) process optimisation and partnerships with freight providers to improve our 'Dispatched and Shipped On Schedule' score (per shipment) by greater than 10 percentage points, improving customer satisfaction.	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.



MATERIAL ISSUES & STRATEGIC GOALS	2022 TARGETS	OUR 2025 VISION
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.	Complete ongoing ERM process, implement framework, communicate understanding and awareness of key risks and mitigations internally, and regularly assess and report on risks to the Board. During FY22, 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) by 2023.	 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 and mitigated appropriately.
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.
Communication Proactively engage with key stakeholders and communicate with clarity and transparency to ensure stakeholder support and to build and protect our social licence.	Deliver quarterly updates for the investor community, inclusive of full and half-year result announcements. Promote open and transparent communications with stakeholders and communities to build relationships and share factual fisheries information. Provide meaningful responses to media enquires in a timely manner, promoting transparency as far as commercial considerations allow.	 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.





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 2021, available at: www.sanford.co.nz/investors/governance/corporate-governance-statement.

GOVERNANCE FRAMEWORK

The Board, supported by the Audit, Finance, Risk and People, Health and Safety and Nominations 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 2021.

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 2021. The Board's Charter recognises the respective roles of the Board and management and the sound base the Board has developed for providing strategic guidance and management oversight.

CORPORATE GOVERNANCE

CREATING VALUE THROUGH SOUND CORPORATE GOVERNANCE



OUR DIRECTORS AND BOARD COMPOSITION



Sir Robert McLeod



Mark Cairns



Peter Cullinane



Abby Foote



Peter Goodfellow



Peter Kean



Fiona Mackenzie

Sanford’s Directors bring a diverse wealth of experience, 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 seven Directors: Sir Robert McLeod, Mark Cairns, Peter Cullinane, Abigail (Abby) Foote, Peter Goodfellow, Peter Kean and Fiona McKenzie.

Mr Cairns was appointed in 2021 as an independent non-executive director. He is the former Chief Executive of the Port of Tauranga, now retired. Mr Goodfellow, who was appointed to the Board in 2006, has previously indicated his intention to retire at the 2021 annual meeting.

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, Abby Foote and Robert McLeod are required to retire (having held office since 2018 as independent directors of the Company). Being eligible, both Abby Foote and Robert McLeod have offered themselves for re-election at the Annual Meeting in December 2021.

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.

Mark Cairns, being a director who was appointed by the Board in July 2021, retires from office. Being eligible, Mark Cairns has offered himself for election at the Annual Meeting in December 2021.

TENURE OF DIRECTORS

>10 years	1
5-10 years	1
3-5 years	2
Less than 3 years	3





THANK YOU

The Chairman, Board and Senior Management wish to thank Peter Goodfellow for his commitment to Sanford, both as a Director and a shareholder. He most recently served on our Audit, Finance and Risk Committee and our Nominations Committee.

Peter joined the Board in 2006 and is associated with a significant shareholder of the Company (Amalgamated Dairies Limited). With degrees in Commerce and Law from the University of Auckland, as well as an MBA from the University of California, he brought a wealth of knowledge to the Board table, along with many years of practical experience in law and governance. He has been an asset to us during his lengthy service.

Peter will continue to serve the business and charitable communities, as Chair of Lock Finance Ltd and Director of a number of private investment companies. He is also a trustee of the Auckland Medical Research Foundation and St Andrew's Village in Glendowie.

He has brought great energy and intellect to Sanford and the wider business community, and we wish him a fulfilling retirement.

WELCOME

The Board welcomes Mark Cairns, who joined as a Director in May. Mark has a very successful track record through his role as CEO at the Port of Tauranga and brings considerable knowledge in important areas such as supply chains and global freight logistics. It is said engineers bring unique skills to business, given their ability in problem solving. Mark is no exception, with a First Class Honours degree in Civil Engineering, along with a degree in Business Studies and a Master of Management. He is a Fellow of Engineering New Zealand and a Member of the Institute of Directors.

Mark describes himself as passionate about sustainability, maintaining and enabling healthy oceans – all qualities which are closely related to Sanford's values.

He has joined People, Health & Safety Committee and Nominations Committee. Mark is also currently a director of Meridian Energy Limited and Freightways Limited.

INDEPENDENCE

As at the 30 September 2021, all Directors are considered by the Board to be "independent" directors, except for Peter Goodfellow. Those six 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 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>



ADOPTION OF A SKILLS MATRIX

The Sanford Board takes a structured approach toward performance evaluation and reviewing the effectiveness of its processes. The last full review, supported by external consultants, was completed in November 2020, and was supplemented by surveys, self-evaluation, and Board discussion.

The timing of the evaluation enabled the capturing of the challenges that the Covid-19 pandemic has placed on the business and supported the Board's focus toward ensuring that an appropriate strategy is in place to navigate that period and beyond.

The review noted that the Sanford Board had excellent foundations with opportunities to add further value through the improvement of Board-management engagement, culture, and interaction. The 2020 process also included a review of the skills, expertise, and capabilities present within the Board, along with recommendations for expert skills groupings to promote balance and diversity within the skill sets present within the Board. Key focus areas for capability development and/or future appointments were identified.

The table on page 92 highlights those skills and capabilities that the review process identified to enable balanced governance. These capabilities are aligned with Sanford's business excellence framework pillars and strategy to create long-term value for our shareholders and stakeholders.



ABOVE Sanford mussel farm, Coromandel.





SANFORD STRATEGIC CONTEXT ALIGNED TO DIRECTOR CAPABILITY AND SKILL ATTRIBUTE

		NUMBER OF DIRECTORS WITH STRONG AND MODERATE CAPABILITY	BALANCED	FOCUS AREA FOR DEVELOPMENT AND/ OR APPOINTMENT(S)
Enabling Healthy Oceans and Environments	Seafood Industry Depth of senior experience in the seafood industry – long term governance or C-suite large-scale experience across fishing and aquaculture.	●○		✓
	Sustainability Experience embedding economic, social, and environmental sustainability into business strategy and operations. Experience in monitoring/measuring ecosystems and sustainability performance.	○○○○		✓
Creating a Safe and High Performing Workplace	Health and Safety Experience in the design and implementation of leading HSE practices and culture development at a governance and / or senior executive level.	●●○○○	✓	
	People and Culture Experience leading cultural transformation. Understanding of C-suite performance management and remuneration.	○○○○○○		✓
Delivering and Innovating for Customers and Consumers	Supply chain and infrastructure Depth of experience in shipping and logistics, supply networks, distribution, and inventory management – extensive governance background or C-suite experience in these fields.	●●○○○	✓	
	Go-to-market and consumers Experience in international export market development and development of sales channels. Understanding of building insight into key customer groups, brand development and marketing programmes.	●●○	✓	
Supporting Strong Communities and Partnerships	Stakeholder engagement and connection Stakeholder consultation, advocacy and empathy (especially tangata whenua perspective). Government connection and standing. Managing regulation including legal experience.	●●○○○○○	✓	
Building a Sustainable Seafood Business	Financial expertise Deep understanding of financial risk. Prior CFO / Chartered accountant.	●●●●○	✓	
	Commercial Depth of governance and / or executive experience with business operations at scale.	●●●●●○○	✓	
	Technology and digital innovation Experience in data analytics, disruptive technologies, automation, application of digital platforms.	○○○○		✓
	Governance NZX / ASX governance experience. Background of multiple governance roles in similarly-sized organisations.	●●●●●○	✓	
	Investment, markets, and corporate finance Broad corporate finance and markets expertise, national and international including significant M&A.	●●○○○	✓	

Key: ● Strong capability/expert ○ Moderate capability



OUR EXECUTIVE TEAM



Peter Reidie



Clement Chia



Karen Duffy



Andre Gargiulo



Katherine Turner

Peter Reidie

The Board and Executive Team welcome Peter Reidie who joined Sanford as CEO in April 2021.

A proud Southlander, he comes to us after an extensive career across functions, companies, countries and sectors. He joins Sanford with a passion to build on what he sees as Sanford's amazing fishing and aquaculture heritage, working with an outstanding team taking our natural seafood products to the world.

After leaving school Peter spent a year as a truck driver, a decision he believes gave him a fantastic experience in working in "real" circumstances. He emulated the experience on joining Sanford, signing on for three days on our deepwater vessel, San Granit, to familiarise himself with the core of our business and the people and processes which contribute to a successful harvest.

After studying economics at the University of Otago, Peter moved to Wellington, where he found work with the New Zealand government as an economist.

From here, Peter moved into the private sector, where he spent more than two decades working in New Zealand, Australia and the United States.

In 2015 Peter joined Farmlands Co-operative as CEO after seven years with Goodman Fielder, where he held a variety of roles, including Managing Director Australia/New Zealand.

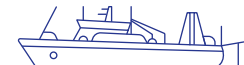
Peter is the proud Dad of three children and, when not at work, he likes to spend as much active time with them as possible which often includes biking or tramping, often with other members of his large extended family that is spread predominantly throughout the South Island.

Our strong Executive Team, all experts in their respective fields, is implementing our strategy aligned to our vision of leadership in New Zealand seafood.

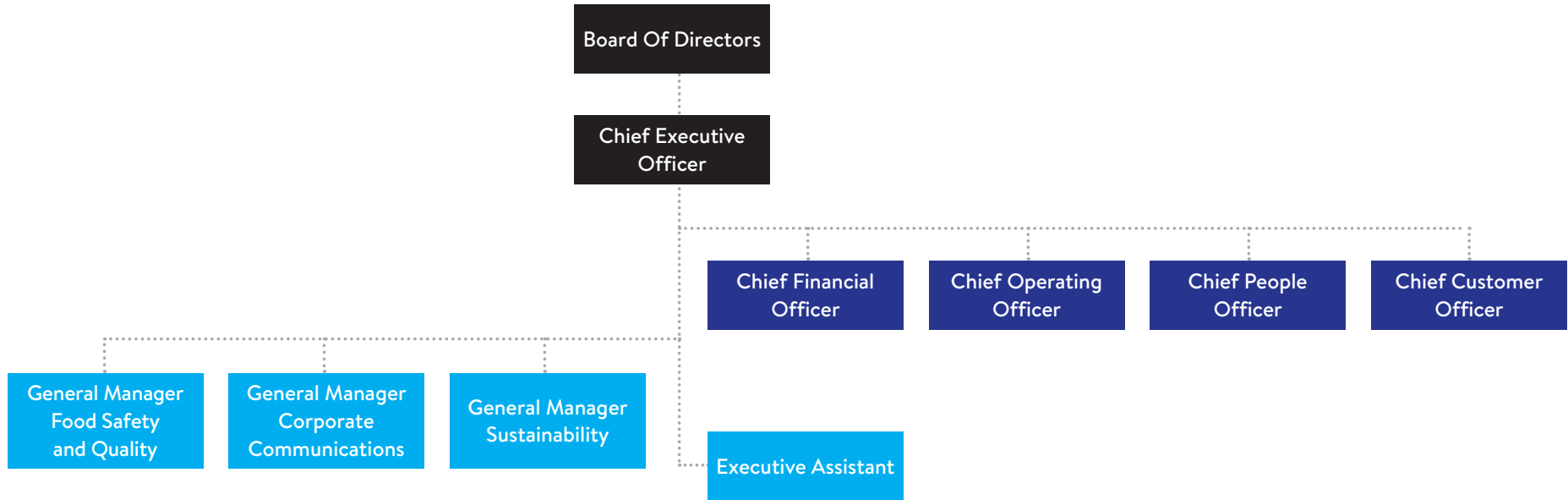
In January 2021, Chairman Sir Robert McLeod announced the appointment of Peter Reidie as Chief Executive Officer. Mr Reidie began his tenure in April 2021. Following the departure of former CEO, Volker Kuntzsch, effective September 16 2020, Chief Customer Office, Andre Gargiulo, was acting as interim Chief Executive until Mr Reidie's commencement.

For FY2020/21 the Executive Team comprised Chief Operating Officer, Clement Chia, Chief People Officer, Karen Duffy, Chief Financial Officer, Katherine Turner. In June 2021 Ms Turner resigned, effective at the close of the financial year in September 2021. The Board appointed Mr Paul Alston, former CEO of Cavalier Corporation, as CFO in September 2021 and his tenure began in October 2021.

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 CFO Katherine Turner. From October 2021 she is succeeded by Mr Paul Alston. 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 currently comprises seven members (2020: six), five of whom are male and two female (2020: two). At balance date The gender diversity of the Board comprises 71% male and 29% female.

The Senior Leadership Team, including the Executive Team, is comprised of 30 members, (2020:31) of which 20 are male (2020:20) and 10 are female (2020: 11).





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 2021

NAME OF DIRECTOR	BOARD FEES	AUDIT, FINANCE & RISK COMMITTEE	SAFETY, HEALTH AND ENVIRONMENT COMMITTEE ¹	PEOPLE, HEALTH AND SAFETY COMMITTEE ¹	SALES, MARKETING, INNOVATION AND FOOD SAFETY COMMITTEE ²	TOTAL REMUNERATION
Sir Robert McLeod (Chair)	170,000 (Chair)	10,000	4,000	7,750	4,000	195,750
Mark Cairns ³	22,500			2,000		24,500
Peter Cullinane	90,000		4,000	4,000	4,000	102,000
Abigail (Abby) Foote ⁴	90,000	10,000	8,000 (Chair)	8,000 (Chair)		116,000
Peter Goodfellow ⁵	90,000	5,000		7,500 (Chair)		102,500
Peter Kean	90,000			7,750	8,000 (Chair)	105,750
Fiona Mackenzie	90,000	20,000 (Chair)				110,000
Total	642,500	45,000	16,000	37,000	16,000	756,500

1. People Committee and Safety Health and Environment Committees were combined on 1 April 2021 into the People, Health and Safety Committee

2. Sales, Marketing, Innovation and Food Safety Committee was disestablished on 31 March 2021. Agenda items moved to Board meetings

3. Appointed 1 July 2021; fees do not represent a full year

4. People, Health and Safety Committee Chair from 1 April 2021

5. People, Health and Safety Committee Chair until 31 March 2021





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 & 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

Under NZX Listing Rule 2.11.3, if the total number of Directors increases from the number when the Directors' aggregate remuneration last received shareholder approval by ordinary resolution, the Board may increase the aggregate Director remuneration without further shareholder approval up to the amount necessary to enable the Company to pay the additional Director(s) the average amount then being paid to the existing Directors (other than the Chair).

The aggregate remuneration for Directors approved by shareholders in 2018 was \$790,000. In September 2021 the Board approved an increase in the aggregate remuneration payable to Directors in accordance with Listing Rule 2.11.3, following the increase in Board size from six to seven Directors in July 2021. The amount of the increase was \$104,400, bringing the current aggregate Director remuneration pool to \$894,400.

In conjunction with this approval and as part of Sanford's periodic review of its corporate governance policies, the Board approved an update to the Director and Executive Remuneration Policy to make express reference to NZX Listing Rule 2.11.3.





CHIEF EXECUTIVE OFFICER (CEO) REMUNERATION

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

The current CEO, Peter Reidie commenced his role on 6 April 2021.

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 total fixed remuneration. The STI has two components, individual performance and financial performance. Individual performance accounts for 30% and is based on achieving health and safety performance goals and certain personal performance goals. Financial performance accounts for 70% and is based on achieving budgeted NEBIT.

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)

In September 2021 the Company announced a new LTI plan as part of its retention and incentive arrangements for the CEO. The LTI plan also has flexibility to be extended to other employees in the future, to align the interests of employees with the interests of Sanford's shareholders and to encourage share ownership. The Board retains absolute discretion as to whether any future offers will be made and to review the terms.

The benefits provided to the CEO under the plan are capped at 30% of the CEO's total fixed remuneration. This is then translated to the equivalent number of rights to acquire Sanford ordinary shares (Share Rights) based on the weighted average share price over the 10 trading days up to and including the commencement date for the grant. For 2021, the number of Share Rights granted was prorated for the number of days the CEO was employed to 30 September 2021.

The Share Rights in a grant are issued in a single tranche with the same performance hurdle, commencement date, and vesting date.

In September 2021, the CEO was granted Share Rights as follows:

- 31,825 Share Rights with a commencement date of 6 April 2021 and a vesting date of 30 September 2023

A Share Right represents a conditional right to, upon vesting, acquire one Sanford Limited ordinary share at a nil exercise price. If the CEO departs the Company's employment for any reason prior to vesting (other than in certain exceptional circumstances), all Share Rights will lapse.

The Share Rights are subject to a performance hurdle. Share Rights will vest where Sanford's total shareholder return (TSR) from the commencement date to the vesting date is at least a positive amount and greater than the 50th percentile of a comparative group of NZX50 companies (excluding banking groups). The percentage of Share Rights that vests will increase on a straight line basis from 50% where TSR is equal to the 50th percentile of the NZX50 group to 100% where the TSR is equal to the 75th percentile of the NZX50 group. Income from Share Rights is recorded in the financial year that vesting occurs.

The CEO is not a member of the Board.

YEAR	BASE SALARY \$	VEHICLE ALLOWANCE \$	FIXED REMUNERATION \$	PAY FOR PERFORMANCE \$		TOTAL REMUNERATION \$
				STI	LTI	
FY21*	609,749	24,487	634,236	-	-	634,236

* Commenced 6 April 2021 – base salary includes one-off payments of an aggregate of \$143,923, paid to the CEO as part of a joining package in the nature of reimbursements in connection with the CEO's assumption of the role.

Arrangements for Acting CEO

The Chief Customer Officer, Andre Gargiulo, held the role of Acting CEO from 14 September 2020 until Peter Reidie commenced the role of CEO on 6 April 2021. During the period from 1 October 2020 to 30 September 2021 Mr Gargiulo received an aggregate acting up allowance of \$156,000 for performing the role of Acting CEO (in addition to his usual salary). The Acting CEO was not eligible for remuneration under the STI or LTI in respect of his role as Acting CEO.



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 2021. The table does not include amounts paid after 30 September 2021 that relate to the year ended 30 September 2021.

REMUNERATION RANGE \$000	NUMBER OF EMPLOYEES	REMUNERATION RANGE \$000	NUMBER OF EMPLOYEES
100 – 110	36	250 – 260	2
110 – 120	36	260 – 270	1
120 – 130	31	270 – 280	2
130 – 140	16	280 – 290	1
140 – 150	17	290 – 300	1
150 – 160	15	300 – 310	1
160 – 170	11	310 – 320	2
170 – 180	8	320 – 330	2
180 – 190	4	330 – 340	1
190 – 200	4	360 – 370	1
200 – 210	2	450 – 460	1
210 – 220	2	510 – 520	1
220 – 230	2	630 – 640	1
230 – 240	2	710 – 720	1
240 – 250	1	750 – 760	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 2021:

	BENEFICIAL INTEREST		NON BENEFICIAL INTEREST		ASSOCIATED PERSONS	
	2021	2020	2021	2020	2021	2020
M C Cairns ¹	20,000	n/a	-	n/a	-	n/a
P D Cullinane	12,000	12,000	-	-	-	-
A K Foote	12,000	12,000	-	-	-	-
P J Goodfellow	277,200	277,200	-	-	-	-
P N Kean	25,000	5,000	-	-	-	-
F N Mackenzie	1,000	1,000	-	-	-	-
R A McLeod	28,500	8,500	-	-	-	-

1. Appointed 1 July 2021



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 N Kean	20,000	\$103,000	17 November 2020
R A McLeod	20,000	\$103,000	18 November 2020

EXTERNAL AUDITOR

KPMG were commissioned as Sanford's external auditors for the year ending 30 September 2021. 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 15 OCTOBER 2021

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 to 999	753	24.64	334,131	0.36
1,000 to 4,999	1,489	48.72	3,144,000	3.36
5,000 to 9,999	382	12.50	2,435,892	2.60
10,000 to 49,999	342	11.19	6,081,820	6.50
50,000 to 99,999	33	1.08	2,233,508	2.38
Over 100,000	57	1.87	79,397,384	84.80
	3,056	100.00	93,626,735	100.00





TWENTY LARGEST SHAREHOLDERS

AS AT 15 OCTOBER 2021

	NUMBER OF SHARES	%
Ngai Tahu Investments Limited	18,557,721	19.82
Masfen Securities Limited	6,562,903	7.01
Amalgamated Dairies Limited	5,621,567	6.00
Maruha Nichiro Corporation	4,534,231	4.84
Forsyth Barr Custodians Limited <1-Custody>	4,429,291	4.73
Tasman Equity Holdings Limited	4,100,419	4.38
ASB Nominees Limited <173944 A/C>	3,750,000	4.01
Citibank Nominees (New Zealand) Limited – NZCSD <CNOM90>	3,579,483	3.82
Sterling Nominees Limited <18 A/C>	2,169,037	2.32
BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	2,147,064	2.29
Custodial Services Limited <A/C 4>	2,030,903	2.17
HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	1,654,284	1.77
ANZ Wholesale Australasian Share Fund - NZCSD <PNAS90>	1,652,007	1.76
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	1,617,740	1.73
Arden Capital Limited	1,366,805	1.46
JBWere (NZ) Nominees Limited <NZ Resident A/C>	1,344,025	1.44
Accident Compensation Corporation - NZCSD <ACCI40>	1,273,063	1.36
Rural Equities Limited	1,257,575	1.34
MMZ Trustee Company Limited <M & M A/C>	848,864	0.91
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD <SUPR40>	833,610	0.89

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 2021, 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*	DATE OF LAST SUBSTANTIAL PRODUCT HOLDER NOTICE
Ngai Tahu Holdings Corporation Limited and Ngai Tahu Investments Limited	18,607,721	19.90%	1-Sept-21
Tasman Equity Holdings Limited, Arden Capital Limited and Past Limited Partnership	8,426,320	9.01%	9-Nov-20
Masfen Securities Limited	6,562,903	7.01%	17-Sept-20
Amalgamated Dairies Limited	5,621,567	6.01%	1-Sept-21

*As at 30 September 2021 (according to the Company's records and substantial product holder notices given to the Company under the Financial Markets Conduct Act 2013).

The total number of quoted voting products of Sanford Limited on issue as at 30 September 2021 was 93,506,137 (which excludes treasury stock of 120,598 shares).



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 set at 90% of the maximum aggregate percentage of the Company's shares that can be owned or controlled by overseas persons without the Company itself being an overseas person) 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 13.20% based on NASDAQ most recent reporting, as at 3 September 2021 (15.29% at 30 August 2020). 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.





GAAP TO NON-GAAP RECONCILIATION

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

DEFINITIONS

Adjusted EBITDA: Earnings before interest, taxation, depreciation, amortisation, restructuring, one-off adjusting items, impairment and net gain on sale of investments, intangible and long-term assets.

Reported EBIT: Earnings before interest, taxation, net gain 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 2021 \$000	Audited 12 Months ended 30 September 2020* \$000
Reported net profit for the period (GAAP)	16,235	19,419
<i>Add back:</i>		
Income tax expense	3,800	7,151
Net interest expense	9,011	8,995
Net gain on sale of investments, property, plant and equipment and intangibles	(12,935)	(4,037)
Reported EBIT	16,111	31,528
<i>Adjustments:</i>		
Impairment of assets	-	1,193
Restructuring costs	288	3,452
Software as a Service (SaaS) expenditure	6,183	4,187
Other one-off items	711	(2,082)
Adjusted EBIT	23,293	38,278
<i>Add back:</i>		
Depreciation and amortisation	29,310	28,016
Adjusted EBITDA	52,603	66,294

* Refer to note 14 for details on 2020 restatement



FIVE YEAR FINANCIAL REVIEW

	2021 \$000	Restated 2020 (iii) \$000	2019 \$000	2018 \$000	2017 \$000
Revenue ⁽ⁱ⁾	489,625	468,849	545,121	514,976	477,940
Adjusted EBITDA*	52,603	66,294	85,729	84,402	82,547
Depreciation and amortisation	(29,310)	(28,016)	(20,884)	(19,731)	(18,803)
Adjusted EBIT **	23,293	38,278	64,845	64,671	63,744
Restructuring costs	(288)	(3,452)	(1,609)	(377)	(418)
Havelock earthquake insurance settlement, net of repair cost	–	–	–	6,835	–
Impairment of assets	–	(1,193)	(635)	(3,387)	(2,130)
Software as a service (SaaS) expenditure ⁽ⁱⁱⁱ⁾	(6,183)	(4,187)	–	–	–
Other one-off items	(711)	2,082	–	(60)	(474)
Reported EBIT	16,111	31,528	62,601	67,682	60,723
Net interest expense	(9,011)	(8,995)	(7,866)	(8,065)	(8,492)
Non-trading currency exchange losses	–	–	(26)	(116)	–
Net gain (loss) on sale of investments, property, plant and equipment and intangible assets	12,935	4,037	4,614	463	(580)
Profit before income tax	20,035	26,570	59,323	59,964	51,650
Income tax expense	(3,800)	(7,151)	(17,631)	(17,664)	(14,172)
Profit for the year	16,235	19,419	41,692	42,300	37,478
Non controlling interest	28	11	4	3	8
Profit attributable to equity holders of the Company	16,263	19,430	41,696	42,303	37,486
Equity					
Paid in capital	94,690	94,690	94,690	94,690	94,690
Reserves	538,702	512,266	492,817	486,659	480,619
Non controlling interest	702	665	675	585	527
Total equity	634,094	607,621	588,182	581,934	575,836





	2021 \$000	Restated 2020 (iii) \$000	2019 \$000	2018 \$000	2017 \$000
Represented by:					
Current assets	208,477	193,677	164,412	155,095	150,363
Less current liabilities	118,549	120,808	114,380	99,495	123,682
Working capital	89,928	72,869	50,032	55,600	26,681
Property, plant and equipment	167,660	157,143	141,774	130,787	132,000
Right-of-use assets ⁽ⁱⁱ⁾	35,655	40,381	–	–	–
Investments	4,096	4,050	1,831	1,494	10,940
Biological assets	18,286	25,806	20,074	15,077	16,448
Intangible assets	497,132	494,973	493,111	506,249	504,398
Derivative financial instruments	9,051	10,306	11	669	5,816
	821,808	805,528	706,833	709,876	696,283
Less non-current liabilities	187,714	197,907	118,651	127,942	120,447
Total net assets	634,094	607,621	588,182	581,934	575,836
Dividend per share (cents)	–	5 [†]	23 [†]	23 [†]	23 [†]
Dividend cover (times)	–	1.0 [†]	1.9 [†]	2.0 [†]	1.7 [†]
Return on equity	2.6%	3.2%	7.1%	7.3%	6.6%
Earnings per share (cents)	17.4	20.8	44.6	45.2	40.1
Net asset backing per share	\$6.77	\$6.49	\$6.28	\$6.22	\$6.16

* Adjusted EBITDA: Earnings before interest, taxation, depreciation, amortisation, restructuring, one-off adjusting items, impairment and net gain (loss) on sale of investments, intangible and long-term assets.

** Adjusted EBIT: Reported EBIT adjusted for 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 from 2019 onwards 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 and 2021 are not consistent with prior years.

(iii) The Group has adopted a new interpretation issued in April 2021 by the IFRS Interpretations Committee (IFRIC) on the International Accounting Standard IAS 38 *Intangible Assets*. The interpretation has resulted in the recognition of Software-as-a-Service (SaaS) expenditure as an expense in the income statement rather than a capitalised asset and a restatement has occurred through retained earnings in the 2020 financial year. Refer to note 14 for more details.

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



FINANCIAL STATEMENTS 2021

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2021.

For and on behalf of the Board of Directors:



Sir Robert A McLeod
Chairman

17 November 2021



Fiona Mackenzie
Director

17 November 2021

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**INCOME STATEMENT**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021	Restated 2020*
	Note	\$000	\$000
Revenue	4	489,625	468,849
Cost of sales		(420,846)	(386,367)
Gross profit		68,779	82,482
Other income		18,092	15,191
Distribution expenses		(10,464)	(9,688)
Administrative expenses	5	(28,635)	(30,120)
Other expenses	5	(18,787)	(22,386)
Operating profit		28,985	35,479
Finance income	6	266	331
Finance expense	6	(9,224)	(9,315)
Net finance expense		(8,958)	(8,984)
Share of profit of equity accounted investees	13	8	75
Profit before income tax		20,035	26,570
Income tax expense	7	(3,800)	(7,151)
Profit for the year		16,235	19,419

		2021	Restated 2020*
	Note	\$000	\$000
Profit attributable to:			
Equity holders of the Company		16,263	19,430
Non controlling interest		(28)	(11)
		16,235	19,419
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	17.4	20.8

* Refer to note 14 for details on 2020 restatement

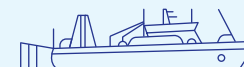


STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 \$000	Restated 2020* \$000
Profit for the year (after tax)	16,235	19,419
Other comprehensive income		
<i>Items that may be reclassified to the income statement</i>		
Foreign currency translation differences	(240)	161
Change in fair value of cash flow hedges recognised in other comprehensive income	15,302	25,248
Deferred tax on cash flow hedges	(4,284)	(7,069)
Cost of hedging losses recognised in other comprehensive income	(882)	1,165
Deferred tax on cost of hedging	247	(326)
<i>Items that may not be reclassified to the income statement</i>		
Amount of treasury share cost expensed in relation to share-based payment	22	(401)
Other comprehensive income for the year	10,165	18,778
Total comprehensive income for the year	26,400	38,197
Total comprehensive income for the year is attributable to:		
Equity holders of the Company	26,436	38,207
Non controlling interest	(36)	(10)
Total comprehensive income for the year	26,400	38,197

* Refer to note 14 for details on 2020 restatement





STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	Note	2021 \$000	Restated* 2020 \$000
Current assets			
Cash on hand and at bank	8	3,926	2,957
Trade receivables	9	70,551	51,813
Derivative financial instruments	19	10,234	1,682
Other receivables and prepayments		7,529	11,456
Biological assets	10	40,240	28,127
Inventories	11	75,499	85,468
Assets held for sale	18	-	8,172
Taxation receivable		498	4,002
Total current assets		208,477	193,677
Non-current assets			
Property, plant and equipment	12	167,660	157,143
Right-of-use assets	20	35,655	40,381
Investments	13	4,096	4,050
Derivative financial instruments	19	9,051	10,306
Biological assets	10	18,286	25,806
Intangible assets	14	497,132	494,973
Total non-current assets		731,880	732,659
Total assets		940,357	926,336

	Note	2021 \$000	Restated* 2020 \$000
Current liabilities			
Bank overdraft and borrowings (secured)	8	55,000	57,210
Derivative financial instruments	19	3,321	5,597
Trade and other payables	15	49,108	46,818
Lease obligation	20	11,120	11,183
Total current liabilities		118,549	120,808
Non-current liabilities			
Bank loans (secured)	19	127,500	130,000
Contributions received in advance		2,576	2,951
Employee entitlements	15	1,149	1,410
Derivative financial instruments	19	3,181	9,396
Deferred taxation	7	28,019	24,875
Lease obligation	20	25,289	29,275
Total non-current liabilities		187,714	197,907
Total liabilities		306,263	318,715
Equity			
Paid in capital		94,690	94,690
Retained earnings		530,067	513,804
Other reserves		8,635	(1,538)
Shareholder funds		633,392	606,956
Non controlling interest		702	665
Total equity	16	634,094	607,621
Total equity and liabilities		940,357	926,336

* Refer to note 14 for details on 2020 restatement



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 \$000	Restated* 2020 \$000
Cash flows from operating activities			
Receipts from customers		493,500	494,636
Interest received		213	320
Dividends received		7	11
Payments to suppliers and employees		(451,165)	(460,844)
Income tax paid		(1,191)	(10,131)
Interest paid		(9,131)	(9,393)
Net cash flows from operating activities		32,233	14,599
Cash flows from investing activities			
Sale of property, plant and equipment	12	23,419	148
Sale of intangible assets		–	5,501
Dividends received from associates and other investments	13	177	208
Purchase of property, plant and equipment and intangible assets	12, 14	(39,079)	(39,012)
Purchase of investments	13	–	(4,454)
Purchase of business	14	–	(1,936)
Net cash flows (used in) investing activities		(15,483)	(39,545)

	Note	2021 \$000	Restated* 2020 \$000
Cash flows from financing activities			
Proceeds from borrowings		50,000	66,000
Repayment of term loans		(52,500)	(20,000)
Dividends paid to Company shareholders	17	–	(17,766)
Lease payments		(11,017)	(10,940)
Net cash flows (used in)/from financing activities		(13,517)	17,294
Net (decrease) increase in cash and cash equivalents		3,233	(7,652)
Effect of exchange rate fluctuations on cash held		(54)	77
Cash and cash equivalents at beginning of year		(54,253)	(46,678)
Cash and cash equivalents at 30 September		(51,074)	(54,253)
Represented by:			
Bank overdraft and borrowings (secured)		(55,000)	(57,210)
Cash on hand and at bank		3,926	2,957
	8	(51,074)	(54,253)

* Refer to note 14 for details on 2020 restatement





STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

	Note	2021 \$000	Restated* 2020 \$000
Profit for the year (after tax)		16,235	19,419
Adjustments for non-cash items:			
Depreciation and amortisation		29,310	28,016
Depreciation - ACE	20	6,805	6,888
Impairment of assets	12	–	1,193
Share-based payment expense		22	(401)
Change in fair value of biological assets	10	(4,593)	(4,172)
Change in fair value of forward exchange contracts and foreign currency options		(1,367)	(2,551)
(Decrease) increase in deferred taxation	7	(893)	2,101
Unrealised foreign exchange loss/(gains)		1,468	(2,079)
Decrease in contributions received in advance		(375)	(354)
Other		(5)	(562)
		30,372	28,079

	Note	2021 \$000	Restated* 2020 \$000
Movement in working capital			
(Increase) decrease in trade and other receivables and prepayments		(16,779)	7,066
Decrease (increase) in inventories		10,159	(36,880)
Increase in trade and other payables and other liabilities		1,670	6,034
Decrease (increase) in taxation receivable		3,504	(5,079)
		(1,446)	(28,859)
Items classified as investing activities			
(Gain) loss on sale of property, plant and equipment	12	(12,928)	1,348
Gain on sale of intangible asset	14	–	(5,388)
		(12,928)	(4,040)
Net cash flows from operating activities		32,233	14,599

* Refer to note 14 for details on 2020 restatement



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

		Lease Obligation \$000	Bank Loans (secured) \$000	Derivative Financial Liabilities \$000	Total \$000
As at 1 October 2020		40,458	130,000	3,005	173,463
Lease payments	20	(11,017)	–	–	(11,017)
Proceeds from bank loans		–	50,000	–	50,000
Repayment of bank loans		–	(52,500)	–	(52,500)
Financing cash flows		(11,017)	(2,500)	–	(13,517)
New leases, net of settlements	20	6,968	–	–	6,968
Change in fair value of derivative financial instruments		–	–	(15,788)	(15,788)
As at 30 September 2021		36,409	127,500	(12,783)	151,126
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





STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	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
Restated Balance at 1 October 2020*		94,690	–	570	(2,943)	835	513,804	606,956	665	607,621
Profit for the year (after tax)		–	–	–	–	–	16,263	16,263	(28)	16,235
Other comprehensive income										
Foreign currency translation differences		–	–	(232)	–	–	–	(232)	(8)	(240)
Hedging (gains)/losses recognised in other comprehensive income		–	–	–	15,302	(882)	–	14,420	–	14,420
Deferred tax on change in reserves		–	–	–	(4,284)	247	–	(4,037)	–	(4,037)
Amount of treasury share cost expensed in relation to share-based payment		–	22	–	–	–	–	22	–	22
Total comprehensive income		–	22	(232)	11,018	(635)	16,263	26,436	(36)	26,400
Shares issued to non controlling shareholders in subsidiaries		–	–	–	–	–	–	–	100	100
Distributions to shareholders	17	–	–	–	–	–	–	–	(27)	(27)
Balance at 30 September 2021		94,690	22	338	8,075	200	530,067	633,392	702	634,094
Balance at 1 October 2019		94,690	401	410	(21,122)	(4)	513,132	587,507	675	588,182
Committee decision for Software-as-a-Service in opening retained earnings in relation to 2019*		–	–	–	–	–	(992)	(992)	–	(992)
Restated balance at 1 October 2019		94,690	401	410	(21,122)	(4)	512,140	586,515	675	587,190
Opening balance adjustment on application of IFRS Interpretation Committee decision for Software-as-a-Service in 2020 profit *	14	–	–	–	–	–	(3,014)	(3,014)	–	(3,014)
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 (gains)/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	19,430	38,207	(10)	38,197
Distributions to shareholders	17	–	–	–	–	–	(17,766)	(17,766)	–	(17,766)
Restated balance at 30 September 2020*		94,690	–	570	(2,943)	835	513,804	606,956	665	607,621

* Refer to note 14 for details on 2020 restatement



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 2021. The Group comprises the Company, its subsidiaries, and its investments in joint arrangements and associates.

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 the lower of carrying value or 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.

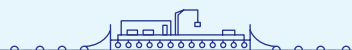
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to

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)
- Impairment testing of property, plant and equipment (refer note 12)
- Accounting for Software-as-a-Service Arrangements (SaaS) (refer note 14)
- Impairment testing of intangible assets (refer note 14)
- Valuation of inventories (refer note 11)
- Valuation of biological assets (refer note 10)
- Valuation of financial instruments (refer note 19)
- Determination of lease term and incremental borrowing rates (refer note 20)

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





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 2 - BASIS OF PREPARATION (continued)

(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.

(f) New and amended accounting standards and interpretations adopted *IAS 38 Intangible Assets interpretation*

The IFRS Interpretations Committee (IFRIC) has issued final agenda decisions which impact Software-as-a-Service (SaaS) cloud computing arrangements. In March 2019 agenda decision, IFRIC considers whether an entity should recognise an intangible asset in a cloud computing arrangement if the contract does not contain a lease of the underlying software or if the entity has no control of the underlying software. The assessment is done at the commencement of the contract. The April 2021 IFRIC agenda decision considers how an entity accounts for configuration or customisation costs in a SaaS cloud computing arrangement.

The Group's accounting policy has historically been to capitalise costs related to the configuration and customisation of SaaS arrangements as assets in the statement of financial position. The adoption of the new interpretation has resulted in an expense in the income statement in the current year of \$4.5m net of tax, and derecognition of previously capitalised costs as an opening balance adjustment in 2020 of \$3.0m net of tax and in 2019 of \$1.0m net of tax. It also resulted in a corresponding adjustments to the basic and dilutive earnings per share in the prior period. The adjustment in 2019 has been shown as an adjustment to opening retained earnings in note 14.

The new accounting policy and impact of adoption is presented in Note 14.

(g) Assessment of the impact of Covid-19 entire note to be updated with year end balances

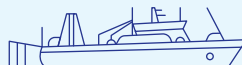
On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of Covid-19.

Sanford was deemed an essential service, therefore the Group was able to continue trading throughout all alert levels over the 2020 and 2021 financial years.

It is acknowledged that there is significant uncertainty in how Covid-19 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 2021 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, sales prices have been constrained in 2021 relative to 2020. However sales volumes have increased by 7% year on year with stronger and improving sales in the second half of the year across white fish, salmon and mussels. This in turn has led to an increase of trade receivables since September 2020, but with no noted issues in respect of credit risk at this time.	Note 9 and 19(a)
Inventories	Seafood inventory levels have fallen by \$15.9m (21.3%) relative to September 2020, net of provisions. These falls have been across white fish, mussels and salmon with the greatest fall in value of inventory held being evidenced in mussels as demand in the latter part of 2021 has led to increasing prices and sales albeit still not at pre-Covid levels. The inventory balance reflects the inclusion of a \$1.8m	Note 11
Borrowings	The Group has continued to focus on initiatives to preserve cash, with the net debt of \$179m being \$5.7m improved over that at September 2020. This position was aided by the sale of a storage facility in Mount Maunganui as well as the Christchurch site for a total of \$24.3m.	Note 19



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 (2020: seven) of its top ten customers. The Group's customers are largely of a wholesale nature.

The methods used to distribute the product

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

The nature of the regulatory environment

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



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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	
	2021	Restated* 2020	2021	2020	2021	2020	2021	Restated* 2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total external revenue	445,238	442,187	44,387	26,662	–	–	489,625	468,849
Inter-segment revenue	21,093	9,359		–	(21,093)	(9,359)	–	–
Segment revenue	466,331	451,546	44,387	26,662	(21,093)	(9,359)	489,625	468,849
Segment profit (loss) for the year	13,783	13,220	2,444	6,124	–	–	16,227	19,344
Share of profit of equity accounted investees							8	75
Reported profit for the year							16,235	19,419

* Refer to note 14 for details on 2020 restatement

Inter-segment transactions

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 3 – SEGMENT REPORTING (continued)

(b) Revenue by geographical location of customers

	2021	2020
	\$000	\$000
New Zealand	201,415	205,725
North America	85,293	50,845
Australia	60,265	47,456
Europe	51,653	65,957
China	49,777	54,815
Other Asia	15,628	14,704
Japan	11,004	10,676
South Korea	4,730	10,081
Hong Kong	4,569	3,587
Middle East	3,757	2,594
Africa	693	930
Pacific	505	1,072
Central and South America	336	407
Revenue	489,625	468,849

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

The group has one customer accounting for more than 10% of total sales for the year across both wildcatch and aquaculture (no customers for the 2020 year accounted for more than 10% of total sales).

(c) Assets and liabilities

		New Zealand		Australia		Total	
		2021	Restated* 2020	2021	2020	2021	Restated* 2020
	Note	\$000	\$000	\$000	\$000	\$000	\$000
Segment assets		927,794	913,133	8,564	9,250	936,358	922,383
Investment in equity accounted investees	13	3,999	3,953	–	–	3,999	3,953
Total assets		931,793	917,086	8,564	9,250	940,357	926,336
Segment liabilities		305,263	317,934	1,000	781	306,263	318,715
Total liabilities		305,263	317,934	1,000	781	306,263	318,715
Capital expenditure	12, 14	39,074	40,608	5	3,415	39,079	44,023
Depreciation and amortisation		29,048	27,850	262	166	29,310	28,016

* Refer to note 14 for details on 2020 restatement





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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.

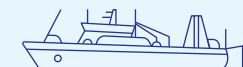
Export Sales

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

		2021	2020
	Note	\$000	\$000
(a) Administrative and other expenses includes			
Audit fees – KPMG		318	260
Audit fees – other auditors (for audit of Group companies)		89	91
KPMG fees for other services [†]		54	59
Impairment of property, plant and equipment	12	–	818
Impairment of investments and advances		–	29
Impairment of assets held for sale		–	375
Restructuring costs		288	3,452
Research and development		1,191	1,354
(b) Personnel expenses included in cost of sales, administrative and distribution expenses			
Wages and salaries (including short-term employee benefits)		124,834	124,976

[†] 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 (\$53,602). 2020 fees for other services related to 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).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 6 – FINANCE INCOME AND EXPENSE

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

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

	2021 \$000	2020 \$000
Finance income		
Interest income	213	320
Dividends received	53	11
	266	331
Finance expense		
Interest expense on bank loans and bank overdraft	7,943	7,935
Interest expense on leases	1,281	1,380
	9,224	9,315
Net finance expense	8,958	8,984

NOTE 7 – TAXATION

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

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

Deferred tax is:

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



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 7 – TAXATION (continued)**7.1 Income tax expense**

	2021 \$000	Restated* 2020 \$000
Current period	3,486	5,113
Adjustments for prior periods	1,207	(63)
	4,693	5,050
Deferred tax expense		
Origination and reversal of temporary differences	(681)	761
Adjustments for prior periods	(212)	1,340
	(893)	2,101
Income tax expense	3,800	7,151
Reconciliation of effective tax rate		
Profit for the year	16,235	19,419
Income tax expense	3,800	7,151
Profit before income tax	20,035	26,570
Tax at current rate of 28%	5,610	7,440
Non-deductible expenses	435	225
Capitalised asset timing differences	(2,999)	(65)
Non-taxable income	19	(311)
Unutilised and unrecognised tax losses	(724)	(1,818)
Adjustments for prior periods	995	1,277
Different foreign tax rate	50	123
Other	414	280
	(1,810)	(289)
Income tax expense	3,800	7,151

* Refer to note 14 for details on 2020 restatement

7.1 Income tax expense (continued)

	2021 \$000	Restated* 2020 \$000
Imputation credit account		
Imputation credits available for use in subsequent reporting periods	53,345	80,943

Due to a change in the share ownership profile in 2021, the imputation credit account has decreased.

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 7 – TAXATION (continued)**7.2 – Deferred Tax**

	2021		
	Restated Balance 30 September 2020*	Recognised in Income Statement	Recognised in Other Comprehensive Income
	\$000	\$000	\$000
Movement in temporary differences during the year			
Property, plant and equipment	(5,796)	220	–
Intangible assets	(15,811)	272	–
Trade receivables	28	109	–
Derivative financial instruments	820	–	(4,037)
Biological assets	(6,099)	(76)	–
Other liabilities	1,983	368	–
Net deferred tax liability	(24,875)	893	(4,037)



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 7 – TAXATION (continued)**7.2 – Deferred Tax (continued)**

	2020						
	Balance 30 September 2019	Adjustment on application of IFRS Interpretation Committee decision in retained earnings on 1 October 2019	Adjustment on application of IFRS Interpretation Committee decision*	Recognised in Income Statement	Recognised in Other Comprehensive Income	Recognised on Acquisition	Restated Balance 30 September 2020*
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Movement in temporary differences during the year							
Property, plant and equipment	(4,061)	–	–	(1,364)	–	(371)	(5,796)
Intangible assets	(15,756)	386	1,173	(1,614)	–	–	(15,811)
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)	386	1,173	(3,274)	(7,395)	(371)	(24,875)

* Refer to note 14 for details on 2020 restatement

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

 A deferred tax asset has not been recognised in respect of the following 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.

	2021 \$000	2020 \$000
Unrecognised deferred tax asset		
Net tax losses – Australia	1,642	3,894
Net tax losses – New Zealand	9,004	6,905
	10,646	10,799



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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.

Cash on hand and at bank
Bank overdraft and borrowings (secured)

2021	2020
\$000	\$000
3,926	2,957
(55,000)	(57,210)
(51,074)	(54,253)

Borrowings are all denominated in NZD and expire in April 2022 (2020: April 2021).

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.

	2021	2020
	\$000	\$000
Gross trade receivables	71,083	52,030
Less: Allowance for doubtful debts (refer to note 19(a))	(532)	(217)
	70,551	51,813





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 10 – BIOLOGICAL ASSETS

P 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.

	2021		
	Mussels \$000	Salmon \$000	Total \$000
Balance at beginning of year	25,035	28,898	53,933
Changes due to biological transformation and movement in fair value less estimated costs to sell	17,746	9,964	27,710
Harvested produce transferred to inventories	(17,052)	(6,065)	(23,117)
Balance at 30 September 2021	25,729	32,797	58,526
Current	13,673	26,567	40,240
Non-current	12,056	6,230	18,286
	25,729	32,797	58,526

	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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 10 – BIOLOGICAL ASSETS (continued)**Risk factors**

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

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 \$5.5m (2020: 10% increase/decrease \$3.3m). 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 \$5.5m (2020: 10% increase/ decrease \$5.2m).

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 balance 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.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 11 – INVENTORIES



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

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

	2021	2020
	\$000	\$000
Seafood – at cost	60,692	76,933
Net realisable value provision	(1,809)	(2,112)
	58,883	74,821
Packaging, fishing gear, fuel and stores – at cost	16,616	10,647
	75,499	85,468

The cost of inventories recognised as an expense for the year ended 30 September 2021 is \$325.0m (2020: \$292.5m).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

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

Cost may include:

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

The capitalisation of expenditure ceases when the asset is ready for use, at which point depreciation commences. Capital work in progress of \$33.5m is included within the relevant category of property, plant and equipment below (2020: \$30.8m).

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:

	2021	2020
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	1-10	1-10
Motor vehicles	5	5
Office fixtures and fittings	3-7	3-7
Marine farm assets	5-15	5-15



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)

	Note	2021					
		Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
		\$000	\$000	\$000	\$000	\$000	\$000
Cost							
Balance at beginning of year – restated*		2,572	22,548	55,426	212,309	148,820	441,675
Additions		–	3,238	122	25,195	7,567	36,122
Disposals		(320)	(3,945)	(4,538)	(2,031)	(18,787)	(29,621)
Effect of movements in exchange rates		–	–	–	–	(43)	(43)
Balance at end of year		2,252	21,841	51,010	235,473	137,557	448,133
Accumulated depreciation and impairment							
Balance at beginning of year		–	(9,981)	(34,019)	(129,288)	(111,244)	(284,532)
Depreciation		–	(290)	(2,170)	(15,431)	(5,736)	(23,627)
Disposals		–	3,213	4,758	1,761	17,954	27,686
Balance at end of year		–	(7,058)	(31,431)	(142,958)	(99,026)	(280,473)
Net book value at 30 September 2021		2,252	14,783	19,579	92,515	38,531	167,660

* Refer to note 14 for details on 2020 restatement



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)

		2020					
		Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Restated* Total
	Note	\$000	\$000	\$000	\$000	\$000	\$000
Cost							
Restated balance at beginning of year*		2,572	22,516	50,632	191,317	138,167	405,204
Additions – other		–	32	5,891	19,924	17,106	42,953
Additions – business combination	13	–	–	–	2,900	108	3,008
Transfer work in progress computer software	14					(4,528)	(4,528)
Disposals		–	–	(1,097)	(1,832)	(2,051)	(4,980)
Effect of movements in exchange rates		–	–	–	–	18	18
Balance at end of year		2,572	22,548	55,426	212,309	148,820	441,675
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)
Restated net book value at 30 September 2020*		2,572	12,567	21,407	83,021	37,576	157,143

* Refer to note 14 for details on 2020 restatement





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)

**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 (2020: Nil). A provision of \$0.4m has been raised in respect of the anticipated disposal costs of this vessel (2020: \$0.4m).

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

Sale of Mt Maunganui cold store

On 17 December 2020, the Group disposed of its Mt Maunganui cold store for a total consideration of \$16.1m. The gain of \$13.3m on this disposal has been recognised within other income. Recognised within other income is a loss on sale of property, plant and equipment of \$0.4m, resulting in a net gain or loss on sale of property, plant and equipment of \$12.9m.

Commitments

The estimated capital expenditure for property, plant and equipment contracted for at reporting date but not provided is \$12.5m for the Group (2020: \$20.8m).

NOTE 13 – INVESTMENTS



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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 13 – INVESTMENTS (continued)

	Note	2021 \$000	2020 \$000
Equity Accounted Investees			
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:			
Current assets		3,563	3,165
Non-current assets		5,738	6,055
Total assets		9,301	9,220
Current liabilities		823	1,067
Non-current liabilities		2,084	1,943
Total liabilities		2,907	3,010
Revenue		6,533	4,136
Expenses		(6,548)	(3,827)
(Loss)/Profit		(15)	309
(b) Movements in carrying value of equity accounted investees:			
Balance at beginning of year		3,953	1,734
Investments acquired		–	3,111
Share of profit		8	75
Derecognition of investment due to step acquisition		–	(967)
Dividends received from associates		(130)	–
Conversion of advance to equity		168	–
Balance at 30 September		3,999	3,953
Other Investments			
Shares in other companies		97	97
		4,096	4,050

Movement in investments

In September 2020, the Group purchased 50% of Two Islands Co NZ Limited, a dietary supplements business. Additionally, in 2020 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 in 2020 on this acquisition.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 14 – INTANGIBLE ASSETS



Purchased fishing quota and quota granted by the government 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 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 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 processes, 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.



Amendment to accounting policy

Software-as-a-service (SaaS) arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. For SaaS arrangements, the Group assesses if the contract will provide a resource that it can 'control' to determine whether an intangible asset is present. If the Group cannot determine control of the software, the arrangement is deemed a service contract and any implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when incurred.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. If distinct, such costs are expensed as incurred when the services is provided. If not distinct, such costs are expensed over the SaaS contract term.

In implementing SaaS arrangements, the Group has incurred customisation costs which creates additional functionality to a cloud based software. Management has determined that it has rights to the intellectual property and has owned the developed software which meets the definition and recognition criteria for an intangible assets.

Cost incurred for the development of software that enhances or modifies, or creates additional functionality to an on-premise software that meets the definition and recognition criteria of intangible assets are recognised as intangible assets. When these costs are recognised as intangible software assets they are amortised over the useful life of the software on a straight line basis.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 14 – INTANGIBLE ASSETS (continued)

	Note	2021					
		Fishing Quota	Marine Farm Licences	Goodwill	Intellectual Property	Computer Software	Total
		\$000	\$000	\$000	\$000	\$000	\$000
Cost							
Balance at beginning of year		395,284	102,554	4,383	3,660	340	506,221
Additions		86	–	–	–	2,871	2,957
Effect of movements in exchange rates		(6)	–	(60)	–	–	(66)
Balance at end of year		395,364	102,554	4,323	3,660	3,211	509,112
Accumulated amortisation and impairment							
Balance at beginning of year		(9,333)	(1,244)	–	(671)	–	(11,248)
Amortisation		–	–	–	(732)	–	(732)
Balance at end of year		(9,333)	(1,244)	–	(1,403)	–	(11,980)
Carrying amount at 30 September 2021		386,031	101,310	4,323	2,257	3,211	497,132



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 14 – INTANGIBLE ASSETS (continued)

		2020					
		Fishing Quota	Marine Farm Licences	Goodwill	Intellectual Property	Computer Software	Restated Total ⁽ⁱ⁾
	Note	\$000	\$000	\$000	\$000	\$000	\$000
Cost							
Balance at beginning of year		397,717	102,438	2,324	3,525	–	506,004
Transfer work in progress computer software	12	–	–	–	–	4,528	4,528
Adjustment on application of IFRS Interpretation Committee Decision ⁽ⁱ⁾		–	–	–	–	(4,188)	(4,188)
Adjusted balance at beginning of year		397,717	102,438	2,324	3,525	340	506,344
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	340	506,221
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	340	494,973

(i) Restated to reflect the Group's change in accounting policy for costs related to configuration and customisation of Software-as-a-Service (SaaS) arrangements.

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 addition in 2020 relates to the acquisition of the remaining 50% equity interest in Perna Contracting Limited.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 14 - INTANGIBLE ASSETS (continued)**14.1 Software-as-a-Service (SaaS) arrangement**

During the year, the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The Group's accounting policy has historically been to capitalise costs related to the configuration and customisation of SaaS arrangements as intangible assets in the statement of financial position. Following the adoption of the above IFRIC agenda decision, current SaaS arrangements were identified and assessed to determine if the Group has control of the software. For those arrangements where control does not exist, the Group derecognised the intangible previously capitalised.

The adoption of the above agenda decisions has resulted in recognition of costs to configure SaaS arrangements as an expense of \$6.2m (\$4.5m post-tax) in the income statement in the current year and in 2020 \$3.0m (post-tax) to the prior year. An adjustment of \$1.0m (post-tax) occurred to retained earnings on 1 October 2019.

The impact of this change has flowed through to the closing balances for the year ended 30 September 2020. The following table presents the impact of the restatement on the comparative information presented in the prior year Annual Report:

Statement of Financial Position	Note	Previously Reported	Adjustment	Restated
Balances as at 1 October 2019:		\$000	\$000	\$000
Intangible assets	14	493,111	–	493,111
Deferred taxation	7	(15,394)	386	(15,008)
Property, plant and equipment	12	141,774	(1,378)	140,396
Other assets/ (liabilities)		(31,309)	–	(31,309)
Net assets		588,182	(992)	587,190
Retained earnings		513,132	(992)	512,140
Other equity balances		75,050	–	75,050
Total equity		588,182	(992)	587,190

Income Statement	Note	Previously Reported	Adjustment	Restated
Balances as at 30 September 2020:		\$000	\$000	\$000
Other expenses		(18,199)	(4,187)	(22,386)
Profit before income tax		30,757	(4,187)	26,570
Income tax expense	7	(8,324)	1,173	(7,151)
Profit after tax		22,433	(3,014)	19,419



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 14 - INTANGIBLE ASSETS (continued)

Statement of Financial Position	Note	Previously Reported	Opening Adjustment for 2019	Adjustment	Restated
Balances as at 30 September 2020:		\$000	\$000	\$000	\$000
Intangible assets	14	494,633	–	340	494,973
Deferred taxation	7	(26,434)	386	1,173	(24,875)
Property, plant and equipment	12	163,048	(1,378)	(4,527)	157,143
Other assets/ (liabilities)		(19,620)	–	–	(19,620)
Net assets		611,627	(992)	(3,014)	607,621
Retained earnings		517,810	(992)	(3,014)	513,804
Other equity balances		93,817	–	–	93,817
Total equity		611,627	(992)	(3,014)	607,621

Statement of Cash Flows	Previously Reported	Adjustment	Restated
Balances as at 30 September 2020:	\$000	\$000	\$000
Payments to suppliers and employees	(456,656)	(4,187)	(460,844)
Net cash flows from operating activities	18,787	(4,187)	14,599
Purchase of property, plant and equipment and intangible assets	(43,200)	4,187	(39,012)
Net cash flows used in investing activities	(43,733)	4,187	(39,545)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 14 - INTANGIBLE ASSETS (continued)**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:

	2021			
	Fishing Quota	Marine Farm Licences	Goodwill	Total
	\$000	\$000	\$000	\$000
New Zealand Seafood*	385,844	101,310	2,432	489,586
Australia Seafood	187	–	1,891	2,078
	386,031	101,310	4,323	491,664
	2020			
	Fishing Quota	Marine Farm Licences	Goodwill	Total
	\$000	\$000	\$000	\$000
New Zealand Seafood*	385,759	101,310	2,432	489,501
Australia Seafood	192	–	1,951	2,143
	385,951	101,310	4,383	491,644

* New Zealand Seafood includes New Zealand Fishing Quota and aquaculture Marine Farm Licences.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 14 - INTANGIBLE ASSETS (continued)

14.2 Fishing Quota and Marine Farm Licences



Impairment testing and assumptions

Based on impairment testing undertaken in September 2021 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 2021.

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 5.7% and 6.6% (2020: 6.0% and 7.0%) were applied. Future cash flows were projected for 5 years and a terminal growth rate of 2% (2020: 2%) 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 projected operating earnings and cash flows in the terminal year.

14.3 Goodwill



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

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



No impairment was identified in respect of any goodwill held by the Group (2020: Nil).

NOTE 15 – TRADE AND OTHER PAYABLES



Trade and other payables

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

Employee entitlements

(i) Long service leave

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

	2021 \$000	2020 \$000
Trade payables	10,554	12,787
Other payables and accruals	30,221	25,361
Employee entitlements	9,482	10,080
	50,257	48,228
Less: employee entitlements classified as non-current	(1,149)	(1,410)
	49,108	46,818



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 reserve

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	
	2021	2020
	No. of Shares	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 2021 was based on the profit attributable to ordinary shareholders of \$16.3m (2020: \$19.4m) and a weighted average number of ordinary shares outstanding of 93,506,137 (2020: 93,506,137).

(e) Treasury shares

In 2014, Sanford established a long-term incentive plan (the LTI plan) for the CEO. The LTI plan is designed to improve the performance of the Group by incentivising and motivating the CEO. The LTI was awarded to the new CEO in April 2021.

The Group has not acquired any Sanford Limited shares in 2021 for the purposes of the LTI plan (2020: no shares acquired).

Total treasury shares held at 30 September 2021 was 120,598 shares (2020: 120,598 shares).



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 17 – DIVIDENDS

	2021 \$000	2020 \$000
The following dividends were declared and paid by the Company for the year ended 30 September:		
– Final dividend in respect of the 2020 year was nil (2020: \$0.14 per share)	–	13,091
– Interim dividend in respect of the 2021 half year was nil (2020: \$0.05 per share)	–	4,675
	–	17,766

On 17 November 2021 the Directors determined that no final dividend is paid (2020: nil).

NOTE 18 – ASSETS CLASSIFIED AS HELD FOR SALE

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

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

	2021 \$000	2020 \$000
Property, plant and equipment at fair value less costs to sell	–	8,172
Total assets held for sale	–	8,172

**Christchurch Mussel Processing Facility**

Property, plant and equipment classified as held for sale in 2020 reflected the Christchurch mussel processing facility, which was closed during the 2015 financial year and was sold in October 2020 for \$8.2m. As the property was measured at its fair value less cost to sell, per Level 3 of the fair value hierarchy, there was no gain nor loss on sale recorded.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS**Classification and measurement****Classification and measurement of financial assets**

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

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

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

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

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

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

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

Classification and measurement of financial liabilities

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

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

Exposure to credit, interest rate, foreign currency, fuel price and liquidity risks 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.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

Fair value measurement



The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates. The fair value of forward foreign exchange 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



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.

(a) Credit risk



Policies

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:

	2021 \$000	2020 \$000
New Zealand	29,404	29,452
North America	18,565	10,895
Europe	11,578	9,996
Australia	4,991	4,515
Japan	913	973
Other	8,445	1,944
Trade and other receivables	73,896	57,775



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(a) Credit risk (continued)****Concentration of credit risk**

The Group has credit insurance in respect of one (2020: one) of its largest customers for USD 10.0m (2020: USD5.0m). At reporting date the Group's exposure in respect of these debts is USD 11.4m (2020: USD 5.6m) which comprised 23% (2020: 16%) of trade receivables. Since reporting date and in accordance with agreed credit terms these customers have subsequently paid 71% (2020: 27%) of the outstanding balance. There are no concerns with the collectability of these debts.

The status of trade receivables at the reporting date is as follows:

	Gross Receivables	Allowance for doubtful debts	Gross Receivables	Allowance for doubtful debts
	2021	2021	2020	2020
	\$000	\$000	\$000	\$000
Not past due	61,975	(3)	45,675	–
Past due 0 – 30 days	7,332	(15)	4,721	–
Past due 31 – 120 days	1,028	(48)	1,087	–
Past due 121 – 365 days	551	(303)	427	(163)
Past due more than 1 year	197	(163)	120	(54)
	71,083	(532)	52,030	(217)

Impairment assessment – Expected credit losses**Policies**

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.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(b) Liquidity risk****Policies**

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.

	2021						
	Statement of Financial Position	Contractual Cash Out/(In) Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Bank loans	127,500	132,628	932	937	26,703	104,056	–
Trade payables	10,554	10,554	10,554	–	–	–	–
Other payables	30,221	30,221	30,221	–	–	–	–
Bank overdraft and borrowings	55,000	56,293	306	55,987	–	–	–
Total non-derivative liabilities	223,275	229,696	42,013	56,924	26,703	104,056	–
Foreign currency options	(3,588)	(3,349)	(688)	(931)	(1,589)	(141)	–
Forward exchange contracts	(11,554)	(12,110)	(2,865)	(2,977)	(4,143)	(2,125)	–
Interest rate swaps	4,136	4,335	1,315	1,000	1,000	1,137	(117)
Fuel swaps	(1,777)	(1,715)	(1,579)	(136)	–	–	–
Total derivative liabilities (assets)	(12,783)	(12,839)	(3,817)	(3,044)	(4,732)	(1,129)	(117)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(b) Liquidity risk (continued)**

	2020						
	Statement of Financial Position	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$000	\$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

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 \$88m of headroom funding to meet any unforeseen liability obligations (2020: \$83m).





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

Bank loans and borrowings



Policies

Bank loans and borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition bank loans and borrowings 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:

	2021		
	Facility \$000	Expiry Date	Balance \$000
Current liabilities			
Borrowings (secured)	130,000	Apr-22	55,000
Non-current liabilities			
Bank loans (secured)			
5 year facility	35,000	April 2023	25,000
5 year facility	65,000	October 2024	65,000
5 year facilities	40,000	November 2024	37,500
	270,000		182,500

	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

Interest rates

Interest rates on the above loans ranged from 0.98% - 1.72% (2020: 0.95% - 1.43%).

Security and covenants

Bank loans are secured by a general security interest over property and a mortgage over quota shares. All borrowings are subject to borrowing covenant arrangements. The Group has complied with all covenants during the period (September 2020: all covenants were complied with).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(c) Market risk****Financial risk management and hedge accounting**

Market risk is the risk that arises from changes in foreign exchange rates, interest rates and commodity (specifically fuel) prices. Such changes will affect the Group's earnings and/ or the value of its holdings of financial instruments. These risks arise due to the Group having financial instruments that would be impacted by changes in these market factors.

The Group enters into derivative contracts, being forward exchange contracts, foreign currency options and interest rate swaps to manage exposure to foreign currency and interest rate risks. The Group also enters into commodity swaps to manage fuel price risk. Senior management are involved in the operation and oversight of risk management and derivative activities. Regular reporting of activities is provided to the Board of Directors which provides the policy for the use of derivative instruments. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as held for trading and classified at fair value through profit or loss.

The Group initially recognises derivatives at fair value when the Group becomes a party to the contractual provisions of the instrument, and subsequently re-measures these at fair value at each balance date. All derivatives are classified as level 2 on the fair value hierarchy 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 other comprehensive income 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 is recognised in profit or loss.

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 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(c) Market risk (continued)****Fair value measurement**

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates. The fair value of forward foreign exchange rate contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates. The fair value of foreign currency options is estimated using option valuation methods with reference to current spot rates and market volatility. The fair value of fuel contracts is estimated using forward fuel prices at reporting date.

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 (2020: None).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(c) Market risk (continued)**

Interest-bearing variable rate instruments and related derivatives reprise as follows:

	2021					
	Total	6 months or less	6-12 months	1-3 years	3-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	3,926	3,926	–	–	–	–
Bank overdraft and borrowings	(55,000)	(55,000)	–	–	–	–
Bank loans	(127,500)	(127,500)	–	–	–	–
Interest rate swaps						
Notional cash inflows	114,000	114,000	–	–	–	–
Notional cash outflows	(114,000)	(3,000)	(20,000)	(45,000)	(26,000)	(20,000)
Total variable rate	(178,574)	(67,574)	(20,000)	(45,000)	(26,000)	(20,000)
	2020					
	Total	6 months or less	6-12 months	1-3 years	3-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$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)



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(c) Market 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.

	2021					
	Nominal	Weighted Average Rate	Carrying Amounts		Change in Fair Value Used to Measure Ineffectiveness	Cash Flow Hedge Reserve
			Assets	Liabilities		
Cash flow hedges	\$000		\$000	\$000	\$000	\$000
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(182,500)	1.36%	n/a	n/a	4,155	n/a
Hedging instrument: Interest rate swaps	(114,000)	3.25%	470	(4,606)	(4,136)	4,136
	2020					
	Nominal	Weighted Average Rate	Carrying Amounts		Change in Fair Value Used to Measure Ineffectiveness	Cash Flow Hedge Reserve
			Assets	Liabilities		
Cash flow hedges	\$000		\$000	\$000	\$000	\$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)	3.24%	-	(12,389)	(12,389)	12,389

The interest rate swaps include \$20.0m of forward starting swaps (2020: \$20.0m).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 (2020: None).





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

As at 30 September 2021, the Group's exposure to foreign currency risk for the next 12 months can be summarised as follows:

	2021				
	USD	AUD	JPY	EUR	GBP
(figures are NZD)	\$000	\$000	\$000	\$000	\$000
Cash (overdraft)	1,049	74	42	14	1
Trade receivables	34,186	1,520	366	540	–
Trade payables	(2,441)	(98)	–	(53)	(56)
Net statement of financial position exposure before hedging activity	32,794	1,496	408	501	(55)
Forecast net receipts	146,199	7,092	11,561	–	–
Net cash flow exposure before hedging activity	178,993	8,588	11,969	501	(55)
Forward exchange contracts and options	(140,155)	(7,549)	(11,366)	–	–
Net un-hedged exposure	38,838	1,039	603	501	(55)

	2020				
	USD	AUD	JPY	EUR	GBP
(figures are NZD)	\$000	\$000	\$000	\$000	\$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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(c) Market 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.

	2021				
	Nominal \$000	Carrying Amounts Assets \$000	Carrying Amounts Liabilities \$000	Change in Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
Cash flow hedges*					
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	239,327	n/a	n/a	(8,873)	n/a
Hedging instruments: Forward exchange contracts	(195,735)	12,033	(1,718)	10,316	(10,316)
Hedging instruments: Foreign currency options	(43,592)	3,292	(276)	3,016	(3,016)
	2020				
	Nominal \$000	Carrying Amounts Assets \$000	Carrying Amounts Liabilities \$000	Change in Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
Cash flow hedges*					
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)

* Includes all hedges of forecast future transactions





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Fuel price risk



The Group is exposed to fuel price risk through its purchases of fuel for its fishing fleet.

Fuel price risk is the risk of loss to the Group due to adverse fluctuations in fuel prices in USD terms. The currency exposure arising from USD fuel costs is managed separately (see foreign currency risk management). The Group's fuel price risk has the following contractually specified components: gas oil and light fuel oil prices, and shipping costs.

The Group enters into gas oil and light fuel oil commodity swaps to reduce the variability in those components of fuel costs, which historically have comprised approximately 80% (2020: 80%) of total fuel cost. Minimum and maximum hedging levels for the next two years expected purchase volumes are stipulated by its 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 reporting 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 12 months of reporting date (2020: 15 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:

	2021			
	Hedging Instruments Used to Hedge			
	Interest Rate Risk	Currency Risk	Fuel Price Risk	Total
Recognised in statement of changes in equity hedge reserves	\$000	\$000	\$000	\$000
Balance at the beginning of the year	(8,920)	7,452	(640)	(2,108)
Changes in cash flow hedge reserve	8,253	4,384	2,665	15,302
Changes in cost of hedging reserve	–	(882)	–	(882)
Taxation on reserve movements	(2,311)	(980)	(746)	(4,037)
Balance at the end of the year	(2,978)	9,974	1,279	8,275

	2020			
	Hedging Instruments Used to Hedge			
	Interest Rate Risk	Currency Risk	Fuel Price Risk	Total
Recognised in statement of changes in equity hedge reserves	\$000	\$000	\$000	\$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)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 entity 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.

	2021		2020	
	\$000	\$000	\$000	\$000
Impact on other comprehensive income (net of tax):	Increase	Decrease	Increase	Decrease
Sensitivity to changes in interest rates				
100 bp change in interest rates	1,954	(2,075)	2,839	(3,030)
Sensitivity to changes in foreign exchange rates				
10% change in foreign exchange rates	15,010	(20,743)	18,846	(22,666)
Sensitivity to changes in fuel prices				
10% change in fuel prices	543	(542)	950	(953)
Impact on profit after tax:				
Sensitivity to changes in interest rates				
100 bp change in interest rates	(53)	86	(45)	93
Sensitivity to changes in foreign exchange rates				
10% change in foreign exchange rates	(646)	730	859	(1,009)

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of capital structure on shareholders' return is also recognised and the Group acknowledges the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

(e) Master netting arrangements

Sanford enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts. Under the ISDA agreements the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. The potential net impact of this offsetting is shown below. Sanford does not hold and is not required to post collateral against its derivative positions.

Net derivatives after applying rights of offset under ISDA agreements

	2021	2020
	\$000	\$000
Derivative assets	19,285	11,988
Derivative liabilities	(6,502)	(14,993)
Net amount	12,783	(3,005)





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 20 – RIGHT OF USE ASSETS AND LEASE LIABILITIES

(a) Right of use assets



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.

	2021				
	Land and Buildings	Plant and Equipment	Annual Catch Entitlement (ACE)	Marine Farm Licences	Total
	\$000	\$000	\$000	\$000	\$000
Cost					
Balance at beginning of year	24,812	5,086	14,377	7,701	51,976
Additions	80	520	6,424	75	7,099
Disposals	(48)	(367)	–	(64)	(479)
Effect of movement in exchange rates	(11)	–	–	–	(11)
Balance at end of year	24,833	5,239	20,801	7,712	58,585
Accumulated depreciation and impairment					
Balance at beginning of year	(1,922)	(1,427)	(6,888)	(1,358)	(11,595)
Depreciation	(1,978)	(1,621)	–	(1,352)	(4,951)
Depreciation - ACE	–	–	(6,805)	–	(6,805)
Disposals	48	313	–	64	425
Effect of movement in exchange rates	(4)	–	–	–	(4)
Balance at end of year	(3,856)	(2,735)	(13,693)	(2,646)	(22,930)
Net book value at 30 September 2021	20,977	2,504	7,108	5,066	35,655



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 20 – RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)**(a) Right of use assets (continued)**

	2020				Total \$000
	Land and Buildings \$000	Plant and Equipment \$000	Annual Catch Entitlement (ACE) \$000	Marine Farm Licences \$000	
Cost					
Recognised on adoption of NZ IFRS16	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

**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 (2020: none).





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 20 – RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)

(b) Lease liabilities



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 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. The Group's incremental borrowing rate upon inception on adoption of IFRS 16 in 2020 was 3.43%.

- 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.

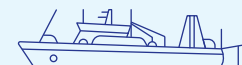
Leases are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after the balance date.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 20 – RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)**(b) Lease liabilities (continued)****Leasing activities**

The Group leases mainly land and buildings, plant and equipment, annual catch entitlement (ACE) and marine farm licences. Land and building 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 one 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.

**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.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 20 – RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)**(b) Lease liabilities (continued)**

Amounts recognised as lease liabilities are presented below.

	2021				
	Land and Buildings	Plant and Equipment	Annual Catch Entitlement (ACE)	Marine Farm Licences	Total
	\$000	\$000	\$000	\$000	\$000
Balance at beginning of year	23,343	3,457	7,566	6,092	40,458
Additions	50	521	6,424	(16)	6,979
Interest cost	884	74	149	174	1,281
Repayments or principal and interest	(2,521)	(1,542)	(6,862)	(1,373)	(12,298)
Terminations	–	–	–	–	–
Effect of movement in exchange rates	(11)	–	–	–	(11)
Balance at end of year	21,745	2,510	7,277	4,877	36,409
Represented by:					
Current	1,653	1,201	6,963	1,303	11,120
Non-current	20,092	1,309	314	3,574	25,289
	21,745	2,510	7,277	4,877	36,409

	2020				
	Land and Buildings	Plant and Equipment	Annual Catch Entitlement (ACE)	Marine Farm Licences	Total
	\$000	\$000	\$000	\$000	\$000
Recognised on adoption of NZ IFRS16	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 or 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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 20 – RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)**(b) Lease liabilities (continued)****Present value of future rentals payable**

	2021			2020		
	Principal \$000	Interest \$000	Gross \$000	Principal \$000	Interest \$000	Gross \$000
Less than one year	11,120	1,020	12,140	11,183	1,144	12,327
Between one and five years	9,965	3,084	13,049	12,294	3,397	15,691
More than five years	15,324	3,071	18,395	16,981	3,757	20,738
Total	36,409	7,175	43,584	40,458	8,298	48,756

Lease expenses included in profit or loss

	2021 \$000	2020 \$000
Short-term leases	3,309	3,839
Short- term leases of annual catch entitlement (ACE)	5,178	5,391
	8,487	9,230



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 21 – CONTINGENT LIABILITIES

	2021	2020
	\$000	\$000
Guarantees	797	772

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.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 22 – GROUP ENTITIES (continued)**Basis of consolidation (continued)**

The Group comprises the Company and the following principal entities:

Name	2021	2020	Balance Date	Principal Activity
	Interest Held (%)	Interest Held (%)		
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	100	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

Name	2021	2020	Balance Date	Principal Activity
	Interest Held (%)	Interest Held (%)		
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
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	50	31 March	Retail Seaweed
Two Islands Co NZ Limited	50	50	31 March	Dietary Supplements



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 23 – RELATED PARTY TRANSACTION**(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	
	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000
Income (Expenses)						
Management fees	–	–	216	222	–	–
Sales	–	–	21	198	2,513	2,945
Interest received	–	–	1	2	500	495
Dividends received	–	–	130	150	–	–
Processing, storage and harvesting services	–	–	(1,762)	(1,898)	–	–
Purchases	(26,390)	(24,512)	(170)	–	(19,624)	(26,443)
	(26,390)	(24,512)	(1,564)	(1,326)	(16,611)	(23,003)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NOTE 23 – RELATED PARTY TRANSACTION (continued)**(b) Material transactions and balances with related parties**

	Amounts Owing from Related Parties	
	2021	2020
	\$000	\$000
Associates	457	378
Joint Operation	22,069	20,819
	22,526	21,197

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:

	2021	2020
	\$000	\$000
Salary and short-term employee benefits	9,782	9,708
Directors' fees	756	744
	10,538	10,452

Key management personnel is defined as the executive and their direct reports.

NOTE 25 – SUBSEQUENT EVENTS

There are no subsequent events.





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 Statements Audit Scope Reasonable assurance	Selected Non-Financial Information Assurance Scope Limited assurance i. “Reporting what matters” (pages 24 – 27) ii. “The five performance outcomes” (pages 28 – 87) iii. “Key performance indicators table” (pages 174 – 179)
Other Information in Sanford Limited’s Annual Report Consider consistency with Financial Statements 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 106 to 165: i. present fairly in all material respects the group’s financial position as at 30 September 2021 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 2021; - the consolidated income statement, statement of 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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COMBINED INDEPENDENT AUDITOR'S AND LIMITED ASSURANCE REPORT (Continued)

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. 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.





COMBINED INDEPENDENT AUDITOR'S AND LIMITED ASSURANCE REPORT (Continued)

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 Statements. 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 (2020: \$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 support 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. Finally, we assessed the reasonableness of the carrying value to external valuation indicators such as market capitalisation, analysing the relativity between the various valuations. 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.
Seafood inventory net realisable value provision Refer to Note 11 to the Financial Statements. The Group holds inventory in the form of finished products of Seafood as at year end of \$58.9m (2020: \$74.8m) net of a net realisable value provision of \$1.8m (2020: \$2.1m). This is a key audit matter because of the volume of seafood inventory held by the group. COVID-19 has impacted international food service customers, who buy and sell much of the group's product. Management's expectations around the timeframes on which markets will recover means there is a heightened level of judgement involved in management's assessment of the net realisable 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 2022 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's consolidated financial statements.

COMBINED INDEPENDENT AUDITOR'S AND LIMITED ASSURANCE REPORT (Continued)

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), Sanford in numbers (page 4), Chairman review (pages 5-7), CEO review (pages 8-11), Report Structure (pages 12-14), How we create value (pages 16-17), Highs and lows (pages 18-19), Our global operations (pages 20-22), Corporate Governance (pages 88-101), and Appendices (pages 180-186) 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). 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.

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.





COMBINED INDEPENDENT AUDITOR’S AND LIMITED ASSURANCE REPORT
(Continued)

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 24 - 27)
- The five performance outcomes (pages 28 - 87):
 - Enabling Healthy Oceans and Environments
 - Creating a Safe and High Performing Workplace
 - Delivering and Innovating for Customers and Consumers
 - Supporting Strong Communities and Partnerships
 - Building a Sustainable Seafood Business
- Key performance indicators table (pages 174 - 179)

COMBINED INDEPENDENT AUDITOR'S AND LIMITED ASSURANCE REPORT (Continued)

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. We acknowledge a copy of our limited assurance report will be included in Sanford's Annual Report for information purposes only.

RESPONSIBILITIES OF MANAGEMENT FOR THE SELECTED NON-FINANCIAL INFORMATION

Management, on behalf of the company, are responsible 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
- 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.



COMBINED INDEPENDENT AUDITOR'S AND LIMITED ASSURANCE REPORT (Continued)

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. 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 Limited Assurance Report is Jason Doherty.

For and on behalf of
KPMG
Auckland

17 November 2021

APPENDICES

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APPENDIX A – SANFORD KEY PERFORMANCE INDICATORS

YEAR ENDING 30 SEPTEMBER 2021

GRI STANDARD REF	KPI METRIC	UNITS	2021	2020	2019	2018
OUTCOME 1 – ENABLING HEALTHY OCEANS AND ENVIRONMENTS						
304-2	NZ Quota Owned Based on ACE Equivalent	%	19.8	19.7	19.4	22
304-3	Wildcatch Sourced from MSC Designated Fisheries	%	39	45	36	44
102-7	Total Wildcatch (GWT) ^{1,2}	tonnes	78,700	84,373	90,351	92,612
102-7	Greenweight Wild Caught Harvested - Deepwater Fleet	tonnes	68,341	73,335	69,377	66,649
102-7	Greenweight Wild Caught Harvested - Inshore Fleet	tonnes	10,359	11,037	20,974	25,963
102-7	Greenweight King Salmon Harvested ^{2,3}	tonnes	4,935	4,292	4,028	3,498
102-7	Greenweight Mussels Harvested ²	tonnes	28,209	33,918	29,419	26,976
304-3	Marine Stewardship Council Deepwater Species (NZ certifications)	#	5	5	6	6
304-2	Fishing - Seabird Mortality Rate	%	65	61	66	57
304-2	Fishing - Total Number of Seabirds Caught Dead ⁴	#	191	220	164	234
304-2	Fishing - Marine Mammal Mortality Rate ⁴	%	100	92	90	92
304-2	Fishing Total Number of Marine Mammals Caught Dead ⁴	#	44	33	46	71
304-2	Fishing – Coral by-catch (returned to sea) ⁴	tonnes	0.76	0.47	0.98	not reported
304-2	Salmon Aquaculture – Fish in: Fish out ratio (BAP std. formulation) ⁵	ratio	0.87			
N/A	Salmon Aquaculture – Antibiotic use (active pharmaceutical ingredients (API) ⁵	gAPI/GWT tonne	0			
304-2	Salmon Aquaculture – Finfish escapes (net, post recapture efforts) ⁵	#	0			
304-2	Salmon Aquaculture – Mortality rate (total mortality/count of fish at end Sept, adjusted for harvest/culling) ⁵	%	5.4			
	PROTECTING AND ENHANCING THE ENVIRONMENT					
306-3	Number of Notifiable Spills ⁶	#	12	3	2	4
306-3	Total Volume of Notifiable Spills	litres	146	45	10	49

APPENDIX A – SANFORD KEY PERFORMANCE INDICATORS (continued)

YEAR ENDING 30 SEPTEMBER 2021

GRI STANDARD REF	KPI METRIC	UNITS	2021	2020	2019	2018
302-1	Total Liquid Fossil Fuel Consumed ⁷	litres	22,131,479	22,971,935	21,953,479	23,766,305
302-1	Total Vessel Liquid Fossil Fuel Consumed ⁷	litres	20,928,463	21,935,659	20,910,356	22,911,805
302-3	Wildcatch Vessel Fuel Efficiency ⁸	L/GWkg	0.449	0.455	0.377	0.385
302-3	Aquaculture Vessel Fuel Efficiency ⁸	L/GWkg	0.0531	0.046	0.044	0.063
302-1	Electricity Consumed ⁷	kWh	21,807,314	23,085,662	24,780,103	25,158,664
302-3	Electricity Efficiency by Production (Land Based Processing Sites ⁹) ⁷	kWh/GWkg	0.295	0.322	0.355	0.332
302-3	Electricity Efficiency by Total Sales (Land Based Processing Sites ⁹) ⁷	kWh/\$	0.077	0.091	0.082	0.087
302-1	Coal Consumed ⁷	kg	2,000	2,100	3,650	234,300
302-1	Wood Chip Consumed ⁷	kg	514,396	500,690	576,712	332,832
302-1	Natural Gas Consumed ⁷	kWh	2,838,145	2,881,317	2,348,994	2,302,383
N/A	Total Greenhouse Gas Emissions (CO ₂ -e) ¹⁰	tonnes	311,715	276,363	74,153	80,458
305-1	Direct Emissions (CO ₂ -e) – Scope 1 ¹⁰	tonnes	62,130	65,069	63,480	71,059
305-2	Purchased Electricity (CO ₂ -e) – Scope 2 ¹⁰	tonnes	2,153	2,423	2,247	2,804
305-3	Indirect Emissions (CO ₂ -e) – Scope 3 ¹⁰	tonnes	249,433	208,942	8,426	6,595
306-5	Waste Directed to Landfill ¹¹	tonnes	6,357	9,627		
306-4	Waste Diverted from Landfill ¹¹	tonnes	8,534	6,446		
306-4	Waste Diversion Rate Across Operations ¹¹	%	57	40		
 OUTCOME 2 – CREATING A SAFE AND HIGH PERFORMING WORKPLACE						
102-7	Total Workforce (as at 30 Sept) ¹¹	#	1,409	1,387	1,453	
102-8	Independent Sharefishers (as at 30 Sept) ¹¹	#	421	444	451	
102-41	Employees Covered by Collective Agreements/Union Membership ¹¹	%	20	20	20	19
404-1	Training Credits Achieved by Females ^{11,12}	#	252	431	948	647
404-1	Training Credits Achieved by Males ^{11,12}	#	1,122	1,567	1,273	3,202
404-1	Internal Staff Training and Upskilling ^{11,13}	Hours	1,469	554		





APPENDIX A – SANFORD KEY PERFORMANCE INDICATORS (continued)

YEAR ENDING 30 SEPTEMBER 2021

GRI STANDARD REF	KPI METRIC	UNITS	2021	2020	2019	2018
401-1	Average Length of Service (Permanent Staff) ¹¹	years	7.18	7.74	7.95	7.48
401-1	Average Length of Service (Sharefishers) ¹¹	years	5.81	5.90	5.68	5.74
401-1	Involuntary Turnover of Permanent Employees ¹¹	%	5	11	9	5
401-1	Voluntary Turnover of Permanent Employees ¹¹	%	19	13	19	21
AGE OF WORKFORCE ¹¹						
405-1	<20 (annual quarterly average)	#	16	31	56	74
405-1	20 to 29 (annual quarterly average)	#	310	318	381	412
405-1	30 to 39 (annual quarterly average)	#	304	286	303	309
405-1	40 to 49 (annual quarterly average)	#	289	310	332	344
405-1	50 to 59 (annual quarterly average)	#	299	308	327	348
405-1	60+ (annual quarterly average)	#	166	170	172	160
N/A	DOB Not Stated (annual quarterly average)	#	10	16	39	53
405-1	Average Age of Employees on Land	years	44	43	44	42
405-1	Average Age of Employees at Sea	years	37	36	36	33
WOMEN IN THE WORKFORCE ¹¹						
405-1	Directors	%	29	33	17	17
405-1	Executive (at 30 Sept) ¹⁴	%	40	50	40	22
405-1	Senior Leadership Team (at 30 Sept) ¹⁴	%	33	35	37	27
405-2	Average base remuneration women:men (at 30 Sept)	Ratio	0.87:1	not reported		
ETHNICITY OF WORKFORCE ¹¹						
405-1	New Zealand European (annual quarterly average)	%	41.6	42.8	44	46
405-1	Māori (annual quarterly average)	%	18.0	20.2	23	22
405-1	Pasifika (annual quarterly average)	%	9.7	10.0	10	11
405-1	Asian (annual quarterly average)	%	9.3	7.3	4	4

APPENDIX A – SANFORD KEY PERFORMANCE INDICATORS (continued)

YEAR ENDING 30 SEPTEMBER 2021

GRI STANDARD REF	KPI METRIC	UNITS	2021	2020	2019	2018
405-1	European (annual quarterly average)	%	4.1	4.2	3	3
405-1	Other (annual quarterly average)	%	4.4	4.6	4	4
405-1	Not stated (annual quarterly average)	%	13.3	11.0	12	10
EMPLOYEE BENEFITS ¹¹						
401-2	Health Insurance Plan	members	134	151	157	179
401-2	Health Insurance Plan Membership	%	14	16	16	16
201-3	Employees in Super Scheme Only	members	75	89	98	112
201-3	Super Scheme Membership (excludes Sharefishers)	%	21	24	24	10
201-3	Employees in Kiwi Saver Only	members	634	651	645	660
201-3	Kiwi Saver Membership (excludes Sharefishers)	%	77	84	78	60
201-3	Employees in Both Schemes	members	126	137	150	155
HEALTH AND SAFETY						
403-9	Absenteeism Rate ¹⁷	%	5	6	6	4
403-9	Number of Near Misses Reported ¹⁵	#	833	559	433	440
403-9	Number of Reported Injuries ¹⁵	#	823	766	745	978
N/A	Number of Notifiable Events ^{15, 16}	#	10	10	17	5
403-9	Number of Lost Time Injuries ¹⁷	#	62	51	64	52
403-9	Lost Time Injury Frequency Rate (LTIFR) ¹⁷	#/mil.hrs	34.36	24.12	32.92	27.41
403-9	Total Recordable Injury Frequency Rate (TRIFR) ¹⁵	#/mil.hrs	32.74	35.69	41.42	not reported
NZ/ACC	Number of Accepted ACC Claims ¹⁷	#	121	114	96	118
NZ/ACC	Number of Accepted ACC Claims per Employee ¹⁷	#	0.120	0.11	0.09	0.11
NZ/ACC	Average Cost per Claim (including outstanding estimates) ¹⁷	\$	3,298	2,077	2,685	1,157
403-9	Total Number of Days Off Work ¹⁷	#	1,430	774	693	230
419-1	Safety-related Prosecutions ¹⁷	#	1	0	0	0





APPENDIX A – SANFORD KEY PERFORMANCE INDICATORS (continued)

YEAR ENDING 30 SEPTEMBER 2021

GRI STANDARD REF	KPI METRIC	UNITS	2021	2020	2019	2018
 OUTCOME 3 – DELIVERING AND INNOVATING FOR OUR CUSTOMERS AND CONSUMERS						
416-2	Number of Food Safety Recalls	#	1	0	0	0
416-2	Total Number of Food Quality Complaints Received	#	209	154	162	133
416-2	Total % of Food Quality Complaints Received That are Justified	%	57	65	62	56
416-2	Total justified food quality complaints per million kg sold	#/mil.kg sold	1.67	1.43	not reported	
N/A	Social Media Followers Across Sanford Brands ¹⁸	#	53,743	51,197	41,091	not reported
N/A	Social Media Reach (views of posts via Facebook and Instagram)	#	1,191,435	not reported		
N/A	Average daily AFM visitors	#	316	586	669	not reported
N/A	Number of customers	Account	766	769	750+	700+
 OUTCOME 4 - SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS						
201-1	Total Community and Charitable Investments - Sponsorships and Donations ¹⁹	\$000s	354	389	365	245
413-1	Meal equivalents donated to charities and communities ²⁰	#	132,535	76,173	not reported	
 OUTCOME 5 – BUILDING A SUSTAINABLE SEAFOOD BUSINESS						
ECONOMIC PERFORMANCE						
201-1	Revenue	\$m	489.6	468.8	545.1	515.0
201-1	Profit Attributable to Shareholders ²¹	\$m	16.2	19.4	41.7	42.3
102-7	Total Assets ²¹	\$m	940.4	926.3	821.2	809.4
102-7	Total Equity ²¹	\$m	634.1	607.6	588.2	581.9
201-1	Return on Average Equity ²¹	%	2.6	3.2	7.1	7.3
201-1	Dividend per Share	cents	0.0	5.0	23.0	23.0

APPENDIX A – SANFORD KEY PERFORMANCE INDICATORS (continued)

YEAR ENDING 30 SEPTEMBER 2021

GRI STANDARD REF	KPI METRIC	UNITS	2021	2020	2019	2018
201-1	Earnings per Share ²¹	cents	17.4	20.8	44.6	45.2
201-1	Wages and Salaries ²²	\$m	125	125	120	115
201-1	Payments to New Zealand Income Tax	\$m	1.2	10.1	14.2	9.0
204-1	Payments to Domestic Suppliers	\$m	397.7	359.8	370.0	314.1
OPERATIONAL CAPABILITY AND CAPACITY						
102-7	Number of Vessels ²³	#	41	37	37	43
102-7	Number of Aquaculture Farms ²⁴	#	225	225	219	219
GLOBAL PRESENCE						
102-7	Total Sales Domestic	%	41.4	43.9	43.9	42.9
102-7	Total Sales Export	%	58.6	56.1	56.1	57.1

1. Total wildcatch reflects total catch including Sanford, 3rd party fleets landing to Sanford facilities, deepwater, inshore, & fishing partners

2. GWT – Greenweight, weight of seafood before processing, measured in tonnes

3. FY20 Salmon GWT recalculated and restated following application of an updated GWT back-calculation process and factor (previously calculated from gilled/gutted weights, and now calculated from whole factory incoming weight).

4. Raw data supplied by MPI for vessels fishing under Sanford's Permit. Data period from July– June of each year due to data available at the time of report production. Mortality Rate is the ratio between total species caught and species caught dead.

5. Formulation in accordance with Best Aquaculture Practices (BAP) Salmon farm standard version 2.3 (<https://www.bapcertification.org/Standards>).

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. Sanford operational control boundary scope.

7. Scope boundary includes Sanford, 50% equity share for JV NIML, excludes tenants, contract harvesters.

8. Scope boundary is Sanford owned/operated vessels, excludes 3rd party/contract fishers, fishing partners. JV NIML included in aquaculture at 50% equity share.

9. Land Based Processing Sites include processing factories at Timaru incl meal plant, Auckland incl. DFS, Bluff, Havelock, and JV NIML at 50% equity share. Tauranga factory included as a processing site for FY20 and earlier.

10. 1Scope boundary is ISO 14064 operational control basis, includes all GHG categories. Scope 1 includes all Sanford & 50% equity share for JV NIML. Tennants and contract harvesters included as Scope 3. Restatement (minor changes) in prior year emissions associated with updated MfE emissions factors and in accordance with ISO14064 guidance. Scope 3 measurement boundary increased in 2020.

11. Scope boundary is Sanford direct operations.

12. Technical training provided by Primary ITO. Report training credits as a proxy for hours – one credit equates to approximately 10 hours of learning.

13. Dedicated internal training, excludes inductions

14. From FY20 data point, scope definition transitioned from annual quarterly average percentage, to percentage at 30 Sept

15. Scope boundary includes Sanford and Sanford sharefishers, excludes NIML and contractors, FY20/19/18 data re-stated to ensure like-for-like scope boundary.

16. Includes near misses, injuries, illnesses and incidents as defined under the Health and Safety at Work Act 2015.

17. Scope boundary includes Sanford, excludes sharefishers, NIML, contractors.

18. Sanford brands include: Auckland Fish Market, Sea to Me, Big Glory Bay, Sanford and Sons, Sanford.

19. Includes sponsorships and donations, excludes stock costs of donated seafood. FY20 value restated to exclude value of donated stock.

20. Meal equivalent basis: 100g of fillet, 300g for heads/frames.

21. FY20 data restatement, refer to Note 14 of Financial Statements

22. Scope boundary 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.

23. MTOP certified vessels and negotiable non-operational registered vessels, excludes powered and non-powered barges

24. 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.



APPENDIX B – ALIGNING MATERIAL ISSUES WITH BUSINESS RISK

Key business risks along with response plans are reported to the Board via the appropriate sub-committee on an ongoing basis. The top ten risks informed the materiality process to ensure that Sanford's material issue consideration reflects both stakeholder concern as well as operational and business risks (refer also to pages 24 to 26 – materiality section).

As part of Sanford's strategy development and implementation business risks have been identified with input from external experts. During FY21, Sanford commenced the process for a further review and identification of enterprise level risks along with their mitigation. Risks are being approached through both a bottom-up process at site and functional levels

as well as a top-down review of enterprise level risks, and the embedding of risk management policies and approaches, engaging the Board and executive with the assistance and expertise of risk management specialists. Initial workshops in support of that process have commenced during FY21, and we look to complete work through the launching of risk assessment processes, inductions, trainings, reporting, aligning, and embedding during FY22.

The Table below highlights the current top 10 business risks, material issue alignment, and key mitigation strategies in response to the risks.

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)	• 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=)	• 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

APPENDIX B – ALIGNING MATERIAL ISSUES WITH BUSINESS RISK (continued)

RISK PRIORITY	ORGANISATIONAL RISK	RISK STATEMENT	MATERIAL ISSUE CONNECTION (AND MATERIALITY RANKING)	KEY MITIGATION STRATEGIES
4	Technology	Operational ability and/or efficiency compromised by lack of uptake of operational technology	Operational excellence (8=) Resilient supply chains (8=)	- 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
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





APPENDIX C – INDUSTRY MEMBERSHIP AND STAKEHOLDERS

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
The Aotearoa Circle www.theaotearoacircle.nz	A partnership of public and private sector leaders committed to the pursuit of sustainable prosperity and reversing the decline of New Zealand's natural resources.	Member partner
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
Business Leaders Health & Safety Forum www.forum.org.nz	Coalition of business and government leaders committed to improving the performance of workplace health and safety in New Zealand. Forum members are CEOs, Managing Directors or Country Heads of New Zealand organisations.	Forum Member
Business New Zealand www.businessnz.org.nz	Representative organisation for New Zealand businesses. Incorporating the Sustainable Business Council, Major Companies Group and others.	Member
Coromandel Marine Farming Association www.coromfa.co.nz	Representative organisation for mussel and oyster farmers of the Hauraki Gulf.	Member
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

APPENDIX C – INDUSTRY MEMBERSHIP AND STAKEHOLDERS (continued)

ORGANISATION	FUNCTION	OUR ROLE
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
NZFS (New Zealand Food Safety) National Advisory Panel www.mpi.govt.nz/food-business	New Zealand Food Safety is part of the Ministry for Primary Industries and supports primary producers, exporters, importers, and consumers by implementing the full range of MPI's legislative and regulatory frameworks.	Member of National Advisory Panel
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
New Zealand Seafood Standards Council www.nzssc.co.nz	Industry council of experts that liaise with government on behalf of industry to align fisheries requirements.	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 Inshore Fisheries Management Company Ltd (Southern Inshore) www.inshore.co.nz/fisheries/southern-inshore	Commercial Stakeholder Organisation that has the mandate to represent a range of stocks that occur primarily in the South Island.	Board 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
Trust Alliance www.trustalliance.co.nz	A primary industry consortium supporting the development of technology for NZ producers, growers, exporters, retailers and consumers to share trusted data along the value chain.	Board member





APPENDIX C – INDUSTRY MEMBERSHIP AND STAKEHOLDERS (continued)

STAKEHOLDER GROUPS AND THEIR ROLES

OUR STAKEHOLDERS	ROLE
 Our People	Our 1409 employees, including 421 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 2021, 3,056 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 above). 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.

OUR STAKEHOLDERS	ROLE
 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 represent a critical relationship for us. As guardians of the land and ocean that we operate on/in, we are pleased to work together to ensure good outcomes for all. For example, we work closely with Ngāpuhi and Ngāi Tahu. Ngāi Tahu is a 19.9% shareholder in Sanford.

APPENDIX D – KEY INITIATIVES CONTRIBUTING TO THE UNITED NATIONAL SUSTAINABLE DEVELOPMENT GOALS

This table lays out some of the projects and initiatives underway at Sanford in 2021 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 
Our Global Sales Footprint	20	ALL	✓	✓				
From Forensics to Fish	34				✓		✓	
More Space, Better Environment, Healthy Fish	36						✓	
Investments for Salmon Growth	37				✓	✓	✓	
Supporting Sustainable Eating	38					✓	✓	
Every Bit Counts As We Work Towards a Circular Economy	39				✓			✓
Head to Tail and All in Between	41				✓			
Carbon Footprint	42					✓		
The San Granit refit – delivering a better on-water workplace	48		✓	✓			✓	
Fishing and Refits – A Tale of Logistics	50		✓					
Achieving Together and Positively Engaged	52		✓					





APPENDIX D – KEY INITIATIVES CONTRIBUTING TO THE UNITED NATIONAL SUSTAINABLE DEVELOPMENT GOALS (continued)

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
Capturing Consumers Through New USA Retail Channel	60		✓		✓			✓
Improving Each Quarter – Despite the Odds	63		✓					✓
Giant Step for Innovation with Marine Extracts Centre	65		✓	✓				✓
Caleb's Story	70		✓					✓
Achieving Together with Graeme Dingle Foundation	72		✓					✓
Mussels Add Muscle	73				✓		✓	✓
Odds and Ends Make a Valuable Whole	74				✓			✓
A Relay with Hurdles – Meeting Demand Through Fragile Supply Chains	81		✓					✓
Staying On Top of Seismic Risk	83		✓					
SanCore Transformation on Track and on Budget	84		✓	✓				

APPENDIX E: GRI INDEX

This Report has been developed in accordance with the International Integrated Reporting Council (IIRC) Integrated Report <IR> Framework. The Report has been prepared in accordance with the GRI Sustainability Reporting Standards (GRI) 2016, and were applied to a core level of compliance. Further references to GRI indicators are provided in Appendix A (Key Performance Indicators).

DISCLOSURES	DESCRIPTION	SECTION DESCRIPTION AND PAGE NUMBER
GRI 102: GENERAL DISCLOSURES 2016		
STRATEGY AND ANALYSIS		
102-14	Chairman, CEO statement	Horizons, pages 5-11
ORGANISATIONAL PROFILE		
102-1	Name	Sanford Limited
102-2	Operations	Aquaculture, fishing, fish processing, marine extracts, retail; refer Sanford and Our Operations, pages 8-11, 16-17, 22
102-3	Head office	22 Jellicoe Street, Auckland, New Zealand
102-4	Locations	Sanford and Our Operations, pages 21-22
102-5	Legal form	NZX listed New Zealand limited liability company
102-6	Markets and customers	Sanford and Our Operations, pages 21-22; Delivering and Innovating for Customers and Consumers pages 57-67
102-7	Scale of organisation	Sanford and Our Operations, page 16; Financial Statements, pages 105-165; Key Performance Indicators (Appendix A)
102-8	Workforce	Creating a Safe and High Performing Workplace, pages 45-56; Key Performance Indicators (Appendix A)
102-9	Supply chain	Delivering and Innovating for Customers and Consumers, pages 57-67, Building a Sustainable Seafood Business pages 77-87
102-10	Business changes	Chair's Review, pages 5-7; Financial statements, pages 105-165
102-11	Precautionary principle	Corporate governance, pages 88-95; Enabling Healthy Oceans and Environments, pages 30-44
102-12	External initiatives & charters	Report Structure, Sustainable Development Goals, page 13; Enabling Healthy Oceans and Environments, pages 30-44; Supporting Strong Communities and Partnerships, pages 68-76; Industry Memberships (Appendix C)
102-13	Memberships	Industry memberships (Appendix C)
102-15	Risks	Aligning Material Issues and Business Risks (Appendix B)
102-41	Collective agreements	Key Performance Indicators (Appendix A)





APPENDIX E: GRI INDEX (continued)

DISCLOSURES	DESCRIPTION	SECTION DESCRIPTION AND PAGE NUMBER
GRI 102: GENERAL DISCLOSURES 2016		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
102-45	Organisation & entities	Report Structure, pages 12-14; Financial Statements – Group Entities, pages 162-163
102-46	Report content	Report Structure, pages 12-14; Reporting what Matters, pages 24-29
102-47	Material issues	Reporting what matters, pages 24-27
103-1	Scope – Boundary inside and outside	Material issues cover all Sanford entities unless otherwise stated, pages 24-27; Our Five Performance Outcomes pages 30-87; Key Performance Indicators (Appendix A).
102-48	Restatements	Note 14, Financial statements, pages 135-138; Key Performance Indicators (Appendix A)
102-49	Changes	Reporting what matters, pages 24-27
STAKEHOLDER ENGAGEMENT		
102-40	Stakeholders – Groups	Reporting what matters, pages 24-27; Appendix C
102-42, 43, 44	Stakeholders – Basis, Approach, Key Topics	Reporting what matters – Stakeholder Engagement Process, pages 24-27; Appendix C
REPORT PROFILE		
102-50	Report period	1 October 2020 to 30 September 2021
102-51	Last report	Navigate, Sanford Annual Report 2020
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 166-172
GOVERNANCE		
102-18	Governance	Corporate governance, pages 88-95; Corporate governance statement 2021: www.sanford.co.nz/investors/governance
ETHICS AND INTEGRITY		
102-16	Ethics and values	We Navigate Using Our Values, inside front cover; Corporate governance statement 2021: www.sanford.co.nz/investors/governance

APPENDIX E: GRI INDEX (continued)**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	Sanford and Our Operations Building a Sustainable Seafood Business Enabling Healthy Oceans and Environments	Chairman Review, pages 5-7; CEO Review, pages 8-11; Sanford and our Operations, pages 16-17; Building a Sustainable Seafood Business, Our Future Focus pages 86-87; Corporate governance, pages 88-95.
201-1	Economic value	Supporting Strong Communities and Partnerships	Chairman Review, pages 5-7; CEO Review, pages 8-11; Supporting Strong Communities and Partnerships, page 72; Financial statements, pages 105-165.
201-2	Adaptation to climate change		Reporting what Matters, pages 24-27; More space, better environment, healthy fish, pages 36-37; Supporting sustainable eating, page 38; Building a Sustainable Seafood Business – Our Future Focus, page 79; Sanford's 2021 CDP 'Climate' disclosure available at www.cdp.net/en
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, pages 16-17; Enabling Healthy Oceans and Environments, Our future focus, pages 43-44; Our Carbon Footprint, page 42;
302-1,3	Energy	Sanford and Our Operations	Key Performance Indicators (Appendix A)
302-4	Reduction of energy		Enabling Healthy Oceans and Protecting and Enhancing the Environment – 2021 Targets, page 32; Our Carbon Footprint, page 42; Our Future Focus, Resource Utilisation and Efficiency, page 44
ASPECT: ENERGY (RESOURCE UTILISATION AND EFFICIENCY)			
103-1,2	Boundary and approach	Enabling Healthy Oceans and Protecting the Environment	Sanford and our Operations, pages 16-17; Highs and Lows, pages 18-19; Enabling Healthy Oceans and Environments, Our future focus, pages 43-44; Supporting sustainable eating, pages 38-39; Mussels add Muscle, page 73;
304-2	Impact	Supporting strong communities and partnerships	Incidental Catch Data, page 40; Key Performance Indicators (Appendix A)
304-3	Habitat restoration		Mussels add Muscle, page 73





APPENDIX E: GRI INDEX (continued)

ASPECT: EMISSIONS (CARBON REDUCTION)			
103-1,2	Boundary and approach	Sanford and Our Operations Enabling Healthy Oceans and Environments	Sanford and our Operations, pages 16-17; Our Carbon Footprint, page 42; Our Future Focus, Carbon Reduction page 44
305-1,2,3	GHG (Scope 1,2,3)		Key Performance Indicators (Appendix A)
ASPECT: EFFLUENTS AND WASTE (GRI 2020 BASIS FOR WASTE, 306)			
103-1	Boundary and approach	Sanford and Our Operations Enabling Healthy Oceans and Environments	Sanford and our Operations, pages 16-17; Highs and Lows, pages 18-19; Our Future Focus, Resource utilisation and Efficiency, page 44
306-3 (GRI 2020)	Waste and spills	Sanford and Our Operations Enabling Healthy Oceans Environments Supporting strong communities and partnerships	Highs and Lows, pages 18-19; Resource Utilisation and Efficiency pages 32 & 44; Every bit counts as we work towards a circular economy, page 39; Our Salmon Utilisation, page 41; Mussels add Muscle, page 73; Odds and Ends Make a Valuable Whole, page 74; Key Performance Indicators (Appendix A)
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT (DEVELOPING OUR PEOPLE)			
103-1,2	Boundary and approach	Sanford and Our Operations	Sanford and our Operations, pages 16-17; Our Future Focus, page 56
401-1	Hires and turnover	Creating a Safe and High Performing Workplace	Creating a Safe and High Performing Workplace – Material Issues and Value Creation, page 56; Staff Movements, page 55; Key Performance Indicators (Appendix A)
405-1	Diversity		Corporate Governance, page 94; Key Performance Indicators (Appendix A); Corporate governance statement 2021: www.sanford.co.nz/investors/governance
405-2	Gender pay ratio		Key Performance Indicators (Appendix A)
ASPECT: OCCUPATIONAL HEALTH AND SAFETY (SAFETY, HEALTH AND WELLBEING) (GRI 2018 BASIS)			
103-1,2	Boundary and approach	Sanford and Our Operations Creating a Safe and High Performing Workplace	CEO Review, pages 8-11; Sanford and our Operations, pages 16-17; Our Future Focus, page 56
403-7	Risk mitigation		Fishing and refits, pages 50-51; Staying on Top of Seismic Risk, page 83; Sancore Transformation, page 84; Aligning Material Issues and Business Risks (Appendix B)
403-9	Injury statistics		Creating a Safe and High Performing Workplace – Material Issues and Value Creation, pages 46 & 56; Injury statistics, page 53; Key Performance Indicators (Appendix A)

APPENDIX E: GRI INDEX (continued)

ASPECT: TRAINING AND EDUCATION (DEVELOPING OUR PEOPLE)			
103-1,2	Boundary and approach	Sanford and Our Operations	Sanford and our Operations, pages 16-17; Our Future Focus, page 56;
404-1	Training	Creating a Safe and High Performing Workplace	Achieving Together and Positively Engaged, page 52; Development Training, page 52; Training Statistics, page 54; Key Performance Indicators (Appendix A)
SUB-CATEGORY: SOCIETY			
ASPECT: LOCAL COMMUNITIES (ENGAGEMENT AND EMPLOYMENT)			
103-1,2	Boundary and approach	Sanford and Our Operations	Sanford and our Operations, pages 16-17; Our Future Focus, Community Engagement and Strategic Partnerships, page 76.
413-1	Programmes	Supporting Strong Communities and Partnerships	Caleb's Story, pages 70-71; Achieving Together with Graeme Dingle Foundation, page 72, Mussels add Muscle, page 73; Odds and Ends Make a Valuable Whole page 74; Community Commitment page 75; Key Performance Indicators (Appendix A)
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY (FOOD SAFETY AND QUALITY)			
103-1,2	Boundary and approach	Sanford and Our Operations	Sanford and our Operations, pages 16-17; Our Future Focus, Food Safety and Quality, page 67;
416-2	Non-compliance (products)	Delivering and Innovating for Our Customers and Consumers	Food Safety and Quality, Progress Against Targets page 59; Food Quality Survey, page 66; Quality Complaints Breakdown, page 66 Key Performance Indicators (Appendix A)
ASPECT: PRODUCT AND SERVICE LABELLING (CUSTOMER RELATIONSHIPS AND TRACEABILITY)			
103-1,2	Boundary and approach	Sanford and Our Operations	CEO Review pages 8-11; Sanford and our Operations, pages 16-17; Our Future Focus page 67; Our Future Focus, page 86.
417-1	Product and service information	Enabling Healthy Oceans and Protecting the Environment Delivering and Innovating for Our Customers and Consumers	MSC Certified Catch, page 40; Wildharvest actively managed for sustainability, page 40; Quality Complaints Breakdown: Labelling error, page 66; Product certifications listed in Awards and Accreditations, page 194; Key Performance Indicators (Appendix A)





APPENDIX F – ABBREVIATIONS

ABBREVIATION	DESCRIPTION
ACC	Accident Compensation Corporation
ACE	Annual Catch Entitlement
AFM	Auckland Fish Market
AFRC	Audit Finance and Risk Committee
ARA	Australasian Reporting Awards
AU	Australia
BAP	Best Aquaculture Practices
BGB	Big Glory Bay
BPA's	Benthic Protection Areas
CBD	Central Business District
CCAMLR	Convention for the Conservation of Antarctic Marine Living Resources
CCO	Chief Customer Officer
CDP	Carbon Disclosure Project
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

ABBREVIATION	DESCRIPTION
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
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
IP	Intellectual property
ISO	International Organisation for Standardisation
IT	Information Technology
Kg	Kilogram
KPI	Key Performance Indicator
LA	Los Angeles

APPENDIX F – ABBREVIATIONS (continued)

ABBREVIATION	DESCRIPTION
LCA	Life Cycle Assessment
LTIFR	Lost Time Injury Frequency Rate
LTIs	Lost Time Injuries
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
NMIT	Nelson Marlborough Institute of Technology
NPAT	Net Profit After Tax
NPOA	National Plan of Action
NZHSE	New Zealand Health and Safety in Employment
NZQA	New Zealand Qualifications Authority
NZQF	New Zealand Qualifications Framework
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
PPE	Personal Protective Equipment

ABBREVIATION	DESCRIPTION
PSH	Precision Seafood Harvesting
QMS	Quota Management System
R&D	Research and Development
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
SKU	Stock-keeping Unit
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





AWARDS AND ACCREDITATIONS



AWARDS

Best Choice 'Buy First': Rating by Monterey Bay Aquarium's highly regarded Seafood Watch program for our Big Glory Bay produced King Salmon farmed in marine net pens.

Best Choice 'Buy First': Rating by Monterey Bay Aquarium's highly regarded Seafood Watch program for all of our farmed mussels.

Gold Level Environmental Performance award for Sanford within the Marine Farming Association environmental program driving industry environmental initiatives throughout the mussel farming industry at the top of the South Island.

Sanford Annual Report 2020, **Gold Award in the Australasian Reporting Awards (ARA) General Category, Finalist in the ARA Special award for Integrated Reporting, Finalist in the ARA Special Award for Communication, Finalist in the Special Award for Best Cover Design**, at the 2020 Australasian Reporting Awards.

Sanford Annual Report, **Silver Award at the 2021 MerComm Annual Report Competition (ARC) Awards (Specialised Annual Reports/Integrated Reports, Traditional Format). Category winner at the inaugural CPA Australia New Zealand integrated Reporting Awards (October 2020).**

No. 1 Best in the World, Navigate: Sanford Annual Report 2020, Hallbars Sustainability Reports Awards 2021, category "Fishery".

Carbon Disclosure 2020. Management level rating score 'B'. Sanford disclosed its climate change impact through the Climate Disclosure Project, CDP, the world's leading environmental disclosure platform. A Management level score of B indicates that Sanford is taking coordinated action on climate issues, and is higher than both the Oceania regional average of C, and higher than the food and beverage processing sector average of D.

Winner, Cawthron Marlborough Environmental Awards, marine category for the Marine Farming Associations mussel reef restoration project, a project strongly supported and assisted by Sanford through marine logistics, live mussels, and expertise for the restoration efforts.

Modular Harvesting System, a development and implementation program for precision seafood harvesting heavily backed and supported by Sanford, winner at the Primary Industries Innovation and collaboration awards for 2020.



ACCREDITATIONS

Certified: 39% of Sanford's wildcatch by greenweight during FY21 was Marine Stewardship Council Certified.

Marine Stewardship Council Chain of Custody Certification: Accredited Melbourne site in FY2020 and maintained certification across all other relevant sites to requirements.

Maintained: Licensed fish receiver status by the Ministry for Primary Industries (MPI).

A+ Sustainable Aquaculture Program: maintained compliance and accreditation.

Best Aquaculture Practices (BAP) certification maintained 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.

Certified Organic accreditation maintained for Big Glory Bay Greenshell™ mussels.

Maintained: FSSC 22000 Food Safety Management System certification across 100% of land based processing sites.

Maintained: Best rating available under Ministry for Primary Industries' Performance Based Verification (PBV) regulatory audit program for relevant Sanford sites and vessels.

Re-Certified: ISO14001:2015 Environmental Management System certification.

Assured: Sanford's carbon emissions inventory for FY2020 in accordance with ISO14064 standard for greenhouse gas emissions, setting a verified baseline on which to track future emissions reductions.

Retained: Sanwell Gold Accreditation at Timaru site.

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 program.

DIRECTORY

AS AT 17 NOVEMBER 2021

BOARD OF DIRECTORS

Robert McLeod, Chairman
Mark Cairns
Peter Cullinane
Abigail (Abby) Foote
Peter Goodfellow
Peter Kean
Fiona Mackenzie

EXECUTIVE TEAM

Peter Reidie, Chief Executive Officer
Andre Gargiulo, Chief Customer Officer
Clement Chia, Chief Operating Officer
Paul Alston, Chief Financial Officer
Karen Duffy, Chief People Officer

REGISTERED OFFICE

22 Jellicoe Street
Freemans Bay
Auckland 1010
New Zealand
PO Box 443
Shortland Street
Auckland 1140
New Zealand
Telephone +64 9 379 4720
Email info@sanford.co.nz
Website www.sanford.co.nz

PRINCIPAL BANKERS

ANZ Bank New Zealand Limited
Bank of New Zealand
Rabobank New Zealand Limited

SOLICITORS

Chapman Tripp
Russell McVeagh

GROUP AUDITORS

KPMG, Auckland

STOCK EXCHANGE

The Company's shares trade on the New Zealand Stock Exchange (NZX).

NZX Trading Code: SAN

The minimum marketable parcel on the Exchange is 100 shares (price \$2 to \$5 per share) or 50 shares (\$5 to \$10 per share)

SHARE REGISTRAR

Computershare Investor Services Limited
Private Bag 92 119
Victoria Street West
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
Victoria Street West
Auckland 1142
New Zealand

Telephone +64 9 488 8777

Please assist our registrar by quoting your CSN or shareholder number.

Other queries should be directed to the General Manager Corporate Affairs at the Registered Office.



Photo credit: thank you to photographers Ann Orman, Steve Hussey and Chris Stanley for their imagery which appears in this report. A special thank you to all the Sanford staff and sharefishers who shared images taken by them in their workplaces on land or at sea. Thank you also to all those who agreed to be photographed for these pages.





ANNUAL MEETING



**MONDAY 20TH
DECEMBER 2021**

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2.00 PM

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VIRTUAL ON-LINE MEETING

For information on how to attend, refer to Notice of Annual Meeting of Shareholders, available on our website:

www.sanford.co.nz/investors/announcements/2021/

**COVID-19 IMPLICATIONS –
VIRTUAL MEETING ONLY**

As the safety of our team and shareholders is our number one priority, Sanford has made the decision that holding the Annual Meeting virtually provides the safest option as a consequence of the Covid-19 pandemic. The in-person option for the Annual Meeting at Eden Park has been cancelled. Shareholders will only be able to attend the meeting on-line using smartphone, tablet or computer where you will be able to view a live webcast of the meeting, ask questions and submit votes in real time. For information on how to attend and participate in the Annual Meeting online, please refer to the Notice of Annual Meeting of Shareholders on our website.

SRI LANKAN BLUE CODFISH CURRY

SERVES FOUR

INGREDIENTS

About 400g of diced blue codfish

3 cloves of Goraka or tamarind paste

½ cup Coconut milk

1 onion, medium

1 tomato, medium

4 green chillies

1 inch size piece of ginger, crushed

7 cloves garlic, crushed

12 curry leaves

4 x 2inch pandan leaves (optional)

1 tsp chilli powder

1.50 tsp coriander powder

1 tsp cumin powder

1 tsp fennel seeds

1 tsp fenugreek seeds

2 tsp black mustard seeds

1 tsp black pepper powder

½ tsp turmeric powder

1 cup water

salt as per taste

METHOD

Marinate the fish with salt, 2 bottle caps of vinegar, and turmeric for 30 minutes.

Heat the oil in a pan. Add in 2 tsp of black mustard, 1 tsp fennel seeds, and 1 tsp fenugreek seeds.

Add in the crushed ginger and garlic, mix well and sauté for 10 secs. To this, add in onions and sauté until it turns golden brown.

Add in the tomatoes, green chilies, curry leaves and cook this for 2 minutes. After 2 minutes add in the Gorka. You can substitute it with tamarind and sauté it for one minute.

Add in all the spice powders and cook it well with the tomatoes and onions until the raw smell disappears. After two minutes, add in 1 cup of water, let the flavours boil, and get infused. Cover the curry and cook it for 5 mins.

After 5 mins, add ½ cup of coconut milk and salt. Stir to mix well until it starts to boil.

Add in the marinated fish and allow it to cook well in the curry. Cook the fish on a medium flame until the fish is cooked.

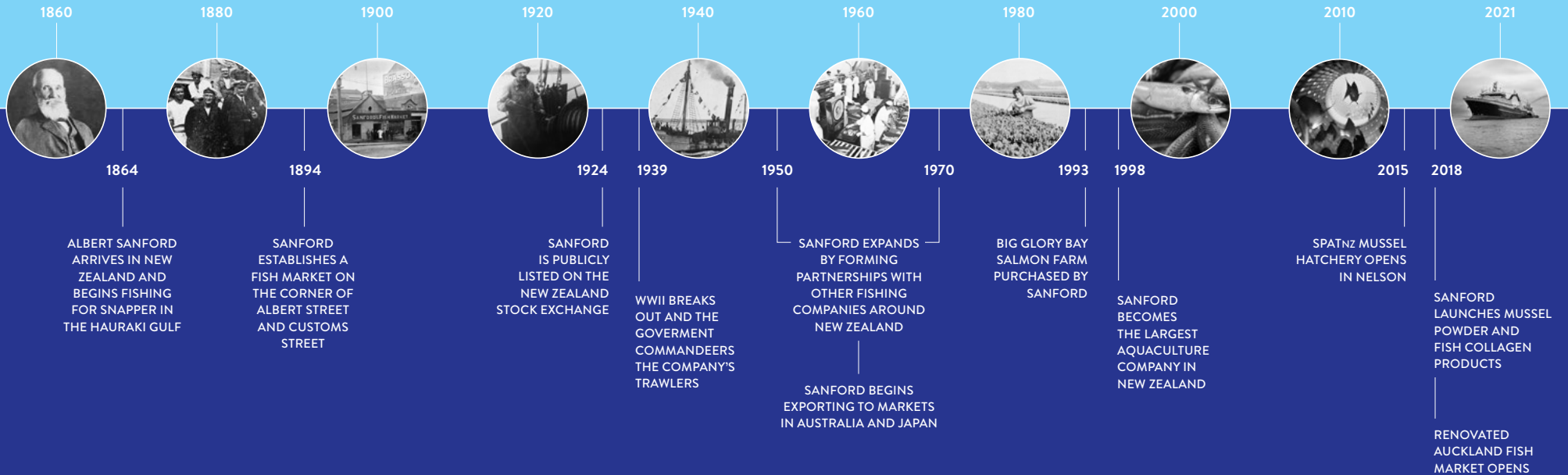
Once done, it goes well with some hot steaming rice.



ABOVE Blue cod curry from Archie Amadoru, Aquaculture Technician on Sanford's Big Glory Bay farm in Stewart Island.



SANFORD: OUR STORY



SANFORD.CO.NZ