

SUSTAINABLE DEVELOPMENT REPORTING CASE STUDY

SANFORD LIMITED

Introduction



Sanford Limited (Sanford) is a large and long established fishing company devoted entirely to the harvesting, farming, processing, storage and marketing of quality New Zealand seafoods. Established in 1881, the company has grown and expanded by acquiring and integrating fishing businesses in other parts of New Zealand. Today, Sanford has approximately 1,500 employees nationwide and has processing plants, aquaculture operations, fishing and freezer fleets and offices all over New Zealand. Sanford is also the only actively trading Fishing/seafood Company listed on the New Zealand Stock Exchange.

In 2000-2001 Sanford reported a net profit of NZ\$30million and total assets of NZ\$404million. Sanford supports the sustainable utilisation and management of seafood and wild fisheries from New Zealand's unique marine environment and is also a founding member of the New Zealand Business Council for Sustainable Development (NZBCSD)

Sanford prepared their first SD report in 2000 and a second report in 2001. This case study provides insights into the main drivers, considerations and key challenges that Sanford confronted during the SDR process. It is divided into the process, learning, and feedback associated with the first report, and it also presents insights from the second report produced during 2001.

SDR Drivers

The commitment to SD Reporting has evolved out of key external considerations, ensuring policies and practices meet the company's obligations, and meeting emerging expectations from customers.

Sustainable Fisheries Management

One of the key driving forces for sustainability and subsequent reporting of performance for Sanford was the existence of New Zealand's Quota Management System for the harvest of marine resources. New Zealand has one of the most advanced systems in the world for managing and utilising fisheries resources, and a fisheries company needs to ensure its operations comply with all of the rules and regulations with respect to marine resources.

Supporting 'Sustainable Seafood' Logo

In order to ensure compliance, and also to generate commercial value from the company's sustainable seafood obligations, Sanford developed the "Sustainable Seafood" logo. The 1999/2000 Triple Bottom Line report explains this as "the

underlying theme for all Sanford operations". In order to deliver and live up to its stated logo, the company developed and implemented an Environmental Management System and sought ISO14001 certification. These initiatives have contributed to the development of a sustainability strategy, and Sustainable Development Reporting became a way for the company to evaluate performance and communicate results in relation to this strategy.

Meeting Customer Expectations

Customers, particularly in Europe, are beginning to question the policies and practices of their suppliers. Producing a SD Report is a useful vehicle for demonstrating commitment to important issues and being a credible player in the sustainable fisheries industry.

Sanford's First Sustainable Development Report (2000)

Sanford's first "Triple Bottom Line Report" was produced with some assistance from environmental consultants, URS. The report was prepared according to a set of policy commitments that had begun to emerge through the Sustainability Strategy process. These policy commitments were:

- Ensuring that operations are sustainable
- Maximising positive social outcomes from both the employee and general community perspectives
- Maximising the economic growth and prosperity of the company for the benefit of shareholders, staff, customers, suppliers and the general community.

A standalone report (ie not integrated with the company's Annual Report) was produced. The report began by setting the policy context for the SD Report, by outlining the company's commitment to sustainable seafood and where this had come from, and the company's draft sustainability strategy.

The report was further divided into Environmental, Social and Economic sections that provided mostly qualitative information about historical initiatives and achievements, and also some measures on Sanford's performance in these areas.

The report's initial commitments with respect to future sustainability goals and potential indicators contained in the draft sustainability strategy were intended to provide the basis for developments in subsequent reports. Potential indicators were initially developed for the following five areas - representing the important elements of sustainability from Sanford's perspective:

- Corporate Governance
- Shareholder Value
- Stakeholder Satisfaction
- Employee Orientation
- Environmental Performance.

Sanford has experienced widespread internal (boardroom through to staff

levels) and external support for their initial Sustainable Strategy, and publication of their first report. More internal ownership and participation in the strategy have been experienced since the publication of the first report. The senior managers have developed a better understanding of sustainability principles and objectives for both the strategy and the report itself. This understanding and communication should make the collection of information easier, in order to produce a comprehensive and quality report.

Sanford describes their first report “as a starting point” and sees SDR as a long-term evolutionary process. Andrew Stanley, the company’s Environmental Systems Manager, says, “we’re going to build on what we did last year”.

Feedback on First Report

The NZBCSD SDR project enabled the company to receive feedback from URS. Their brief was to provide feedback on Sanford’s SDR planning, and to offer suggestions for improvement. The recommendations provided were largely geared around processes and management systems required for producing a comprehensive SD Report. Sanford’s first SDR is available from:
http://www.sanford.co.nz/mainpage_invInfo.asp?category=invInfo¤tPage=intro

The recommendations were grouped into three key areas - planning (including development of policies and performance indicators), corporate governance and stakeholder engagement.

Planning (Policy, Indicators etc.)

The initial set of sustainable development goals and possible indicators included in the first report (Sustainability Strategy) could be significantly updated and expanded upon to ensure that goals and visions are reflected in policies and measures. Changes suggested included:

- Policy statements - including an overview statement and three sub-statements on environment, social and economic performance;
- Performance objectives - both narrative and numerical objectives that are transparent and measurable. For example, a project related narrative objective such as developing an environmental procurement programme or a numerical objective such as a reduction in water usage.
- Performance indicators - providing a means of measuring and reporting on whether the performance objectives (and therefore the underlying policy commitments) are being met - on a year-to-year basis. Examples of performance indicators may include the number of suppliers that have been screened on environmental grounds, or water used/tonnage of fish processed.

A number of potential indicators for environmental, social and economic performance were also provided . A selection of environmental indicators suggested, ranging from narrative, project type indicators - through to specific numerical indicators that can be readily presented in graph format has been included in the Appendix to this case study.

Corporate Governance

Corporate Governance is critical to the success of any sustainable development strategy - it requires embedding responsibilities and procedures into the company culture to ensure that the policy statements/commitments are met. Sanford has experience in embedding systems with the successful implementation and certification of ISO 14001. Further, Sanford currently has some measures of health, safety and environmental performance to evaluate their business units.

More formal quantitative measures of selected individual and business unit performance, based on sustainable development objectives, should be developed. Sustainable Development issues should also be formally incorporated into board and management team meetings and specific responsibilities should be assigned for specific areas.

Stakeholder engagement

Sanford's first report included some internal discussion, but there was limited external stakeholder dialogue. As the SDR Guidelines suggest, a focussed, structured stakeholder engagement programme will provide Sanford with more information on what stakeholders expect to be included in a report and why. URS recommends that Sanford consider some limited stakeholder dialogue, perhaps with a few key customers and shareholders for the 2001 report. Following preparation of the 2001 report, Sanford could carry out a scoping exercise on stakeholder engagement to provide a clear analysis of the intended objectives and benefits of stakeholder engagement and also to develop a clearly targeted programme.

This table provides an overview of the methodology suggested by URS for Sanford's second SD Report.

Process recommended by URS
Refine Corporate Governance Policies and performance targets for board, management and individuals.
Agree on scope and boundaries for the report (e.g. internal only, not suppliers, contractors) based on an analysis of the sectors which Sanford has jurisdiction or other influences over.
Discuss all proposed policy statements, performance objectives and indicators with Management Team to establish collective "buy-in" and provide education on the range/types of parameters that data is required for.
Consider some discussion of the policy statements, performance objectives and indicators with other key stakeholders, in particular shareholders and overseas customers.
Edit staff questionnaire according to agreed list of parameters established from management feedback and targeted stakeholder discussions.
Circulate questionnaire and compile data.
Present data in recommended format that clearly links policy, performance objectives and actual data.
Prepare remaining sections of the report according to the general GRI format (CEO statement, Profile of Reporting Organisation, Vision and Strategy, Policies, Organisation and Management Systems, Performance)
Evaluate benefits of verification and options for completing this exercise.
Print report and circulate with an attached stakeholder feedback form
Depending on stakeholder engagement achieved during 2001 develop targeted stakeholder consultation programme for 2002.

Relationship of Methodology to GRI and AA1000

The GRI and AA1000 were considered by URS in developing the above methodology.

Global Reporting Initiative

The report content and format recommended by URS to Sanford generally complies with that recommended in the GRI Guidelines. The report would therefore include sections for the CEO statement; Sanford profile; executive summary; vision and strategy; policies, organisation and management systems; and performance.

The recommended performance indicators selected, however, relate more to a stated objective or policy statement of the Sanford rather than the distinctions used by GRI for performance indicators, including those defined as “systematic” or “cross-cutting”.

AccountAbility 1000

Sanford is already developing the overall SDR process of planning, embedding, auditing and accounting described in the AA1000 standard through the implementation of their EMS, for their environmental performance. URS recommends a more targeted programme of stakeholder dialogue as suggested by the AA1000 standard

Sanford's Second SD Report (2001)

Sanford's second Triple Bottom Line report was published on 7th November 2001 as a stand-alone report, and is also available on the company's website (www.sanford.co.nz). The report was produced entirely in-house, over a period of about 3-4 months (see following table).

The second report follows the same easy to follow structure as the first report but contains considerably more information. The content and focus of the second report is similar to the first - providing information from the company to internal and external stakeholders. The 2001 report also contains a feedback questionnaire that allows feedback from stakeholders on format, content, expectations and reactions to the report as well as any other comments.

Essentially, the report outlines where the company stands, what they do, and information on how they have performed with some targets for the future.

The following table provides the methodology actually used by Sanford in preparing for their second report.

Process used by Sanford	Approx Date
Draft format for report developed, based on previous years format of TBL	Jan - Feb 2001
Format and content topics presented to company managers at group meeting	Feb 2001
Internal feedback received on previous TBL report and on proposed format for second report	Feb 2001
Data collection mechanism developed with input from the managers responsible for providing the data for the report. The mechanism was developed to ensure accuracy and consistency in the information being provided.	Feb - Jul 2001
Data collection mechanism trialled at end of third quarter (1 st Sept 00 to 31 st May 01)	Jul 2001
Draft content developed using previous year as base. Consideration made to suggestions from consultant, managers and staff. Reporting guidelines (eg GRI) and examples of other company reports also used. Proposed and draft content had to be consistent with available resources and expectations of target audience.	Jul - Aug 2001
Arrange photography for report	July - Oct 2001
Data collection mechanism applied for full year. Approximately one month required for full data collection.	Sep 2001
Management consultation and decision on content as well as group targets to be published	Sep 2001
Compile data and text in easy to read, concise format, providing targets, performance and background information where necessary. Report size kept under control, with the focus on expectations of target audience.	Sep - Oct 2001
Evaluate benefits of verification and options available	Sep - Oct 2001
Create stakeholder feedback form as mechanism for stakeholders to comment on content, format, reactions or any other comments.	Oct 2001
Publish report as standalone at same time as Annual Report	Nov 2001
Evaluate feedback received in order to 1) establish whether or not the report is effectively communicating commitment, 2) determine expectations and preferences of target audience, 3)investigate areas of improvement	Nov - Feb 2002
Further develop data collection mechanism - streamline and automate as much as possible	Mar - Apr 2002

Feedback on Second Report

Feedback from stakeholders, while relatively limited, has been “99% positive” – but some shareholders have questioned the reasons for producing the report. Next year’s report will address, more specifically, the business case for SD Reporting.

Key learning of the SD Reporting Process

Key Benefits

Overall, the main benefits of the reporting process to Sanford revolve around communication. The report has become one of the primary ways in which the group communicates with managers and staff regarding sustainability issues, and this has facilitated increased awareness of sustainability around the organisation.

Undertaking the SDR process has also helped in the various communities in which Sanford operates. Realising that there are some tough issues, and being up front about those also has the potential to affect the industry as a whole.

Reporting of some issues, such as the gasses used in refrigeration, has also focused thinking around alternatives.

Challenges and unresolved issues

The biggest challenge facing Sanford in preparing a SD report is the collection of the data. The need for specific pieces of information has necessitated thinking about an information system that enables data to be collected automatically from the various branches.

Sanford also have unresolved issues surrounding the format and content of the SD report. For example

- What is the most desirable medium for producing a report? Should it be published as a document or just be available on the website?
- Should the SD report be integrated with the annual report, or still be produced as a stand-alone document?
- What should the SD report contain, where should the line be drawn in terms of content and size? The company’s SD reports to date have focused primarily on sharing information about the company’s objectives, programmes and strategies. The next report may contain more information about how the company has performed against these visions, objectives and strategies.
- What standards should apply to verifiers of reports and who is considered adequately qualified

Sanford’s SD Reporting experience reflects an incremental process to the development of a SD Report. SDR involves a process of continuous improvement – not only of the sustainable development performance, but also producing the report. This means that smaller companies may find the process daunting when

just beginning if they look to larger companies that have been reporting for a couple of years.

Appendix

Sustainable Harvest:

- Research Programmes to determine total allowable catches
- Number of NZ MSC Certifications
- Percentage of fish product that is lost/converted to fishmeal/sold

Resource Use (Energy, Water)

- Diesel Fuel consumed/production volume
- Staff training on energy efficiency

Environmental Effects:

- Reduction in oyster loss to sea;
- Solid Waste emissions