DEAR VALUED STAKEHOLDERS,

Three years ago, we announced a corporate goal that we would only purchase our seafood from sources that were “certified sustainable or responsible” according to our standards. It was an ambitious goal, and I’m incredibly proud to share with you that we have achieved most of what we had pledged to, with more than 99% of our seafood now meeting this goal. We’ve come a long way in such a short time. And yet, there remains significant work ahead to maintain this high standard into the future.

HOW DID WE GET HERE?

We’re where we are today for two reasons:

• First, we believe in doing the right thing. Responsibility is a key corporate value for High Liner Foods. We believe that we have a responsibility to take a proactive, hands-on approach to leading our industry forward, ensuring we preserve our natural resources so that our industry has a viable future.

• Second, sustainable seafood is incredibly important to our customers, including many of the largest supermarkets, retailers and foodservice companies. What’s important to our customers is important to us.

WHAT HAVE WE ACCOMPLISHED?

• Together with supporting non-governmental organizations (NGOs) that we work with, we’ve used our purchasing leverage to engage with our suppliers and other stakeholders to bring about significant improvements to important fisheries like Russian wild salmon, Russian Pollock, Newfoundland Cod, Iceland Cod, Iceland Haddock and others.

• We were principal sponsor of the 2011 Seafood Summit in Vancouver.

• We’ve submitted testimony to the U.S. Congress on multiple occasions on issues related to illegal, unreported and unregulated fishing.

• We’ve also made significant improvements to reduce our company’s use of energy, water and packaging, and have also made strides in ensuring our suppliers adhere to a socially responsible code of conduct.

• We are very proud of our waste reduction and recycling efforts. In particular our Lunenburg manufacturing facility recycles 98.5% of its waste stream.

• Our systems development team did a great job in giving us a tool to fully and accurately track all raw material purchases to their source fishery or aquaculture origin right through to finished product distribution, by lot code to customer or product code level.

This effort was led by our Corporate Director of Sustainability, Bill DiMento, and our internal Sustainability Council. It required significant effort and engagement from every part of our business, from procurement, to sales, to marketing, to information systems. In addition, this initiative occurred at a time when our business was expanding rapidly, including three acquisitions that required large-scale and successful integrations in which our primary goal was delivering seamless customer service.

Advice and guidance from our NGO partner, the Sustainable Fisheries Partnership, along with the other NGOs that we work with, including the Marine Stewardship Council, Global Aquaculture Alliance, Aquaculture Stewardship Council, and others, has been invaluable.
Advice and guidance from our NGO partner, the Sustainable Fisheries Partnership, along with the other NGOs that we work with, including the Marine Stewardship Council, Global Aquaculture Alliance, Aquaculture Stewardship Council, and others, has been invaluable.

**A MILESTONE, NOT A FINISH LINE**

We have lots to be proud of. Yet, our work is far from over.

In 2007, High Liner Foods’ annual sales were $275.3 million. Today, our annual sales exceed $1 billion. With that increased market leadership comes the responsibility to continue advancing sustainability in all parts of our business:

- **Fishery and aquaculture improvements:** We’ll continue working with our suppliers to move them towards being certified sustainable. Many of our efforts so far have been in wild caught species. Currently, 73% of our products are wild caught, and 27% are farmed. As more of the world’s seafood will need to come from farm-raised in the future, our company will make a significant effort in being a leader in sustainable aquaculture. High Liner Foods is a founding member of the Global Aquaculture Alliance (GAA). Through the development of its Best Aquaculture Practices (BAP) standards, the Global Aquaculture Alliance carries out its mission of feeding the world through responsible aquaculture every day. A division of GAA, BAP is the world’s most comprehensive third-party certification system for aquaculture facilities. The BAP standards address every key element of responsible aquaculture, including environmental responsibility, social responsibility, food safety, animal welfare and traceability. They encompass the entire aquaculture production chain, including farms, processing plants, hatcheries and feed mills. And they cover a variety of species, including shrimp, salmon, tilapia, pangasius, catfish and mussels.

- **Social responsibility:** High Liner Foods has adopted a code of conduct which promotes a healthy and safe working environment for our employees. This also extends to our supply chain. We’re putting in place a supplier code of conduct that requires our suppliers to have minimum standards for employees. We will not work with suppliers who don’t share our commitment.

- **Traceability and transparency:** We’ve made significant efforts to enhance our traceability systems to provide our customers and consumers detailed information about the origins and sustainability status of our seafood. This enhancement now provides a level of transparency not often seen in our industry.

- **Minimizing other environmental impacts:** We will continue driving improvements by reducing our carbon footprint to save energy & water, reduce waste and protect our environment.

Moving forward, High Liner Foods looks to build on the tremendous momentum we’ve created and will continue the journey.

We look forward to reporting further on our sustainability accomplishments in the future.

_Sincerely,_

Henry Demone, CEO
A Timeline of Our Journey

August 2009 – High Liner Foods establishes a corporate sustainability council with representatives across the company, including procurement, operations, sales, marketing and information systems; priority is to establish High Liner Foods as a leader in sustainable fisheries

August 2009 – High Liner Foods appoints Bill DiMento as corporate director of sustainability, reporting to Henry Demone. DiMento is also chair of High Liner Foods’ internal Sustainability Council

January 2010 – High Liner Foods partners with the Sustainable Fisheries Partnership to help achieve its sustainability goals

April 2010 – High Liner Foods sustainability council develops sustainability website www.highlinersustainability.com and shares its sustainability policies with the world

November 2010 – High Liner Foods announces commitment to source only from certified sustainable and responsible fisheries and aquaculture farms by the end of 2013

January 2011 – High Liner Foods is principal sponsor of the 9th Annual Seafood Summit in Vancouver

March 2012 – High Liner Foods announces that it has doubled its certified sustainable seafood purchases in under two years

May 2012 – High Liner Foods Foods’ Canadian retail division announces all wild caught seafood will bear the Marine Stewardship Council label

May 2012 – High Liner Foods receives Sodexo Canada’s “Better Tomorrow Award,” recognizing High Liner’s leadership on sustainability issues

March 2013 – High Liner Foods and the Wild Salmon Center announce launch of global wild salmon Fishery Improvement Project

December 2013 – High Liner Foods receives Refrigerated & Frozen Foods’ 2013 Processor of the Year award, partly in recognition of its sustainability leadership

February 2014 – High Liner Foods announces that it has achieved more than 99% of its sustainability goal
FISHERY IMPROVEMENT PROJECT (FIP) HIGHLIGHT: ATLANTIC COD

Latin Specie Name: *Gadus morhua*
Location: Newfoundland (3PS)
Years: 2010-2014

CHALLENGES:

- The cod stocks in this region are still recovering from the overfishing of the 1990s, which caused the collapse of the Atlantic cod fishing industry.
- The Newfoundland and Labrador fisheries are competing against Marine Stewardship Council certified fisheries that are well-managed (such as Barents Sea cod), creating more incentive to meet MSC standards.
- Not enough credible data are being collected to determine how many cod are in this region, or to measure the impact of bycatch on the larger ecosystem.

SOLUTION:

- WWF Canada and Icewater Seafood Inc. started a FIP for this region in February 2011. High Liner Foods provided critical funding support for the FIP.
- The FIP group includes High Liner Foods, WWF Canada, Icewater, the Federal Department of Fisheries and Oceans and the provincial governments of Newfoundland and Labrador, Ocean Choice International, Marks & Spencer, the Fish, Food and Allied Workers Union of Canada, the Marine Stewardship Council, among other stakeholders. The FIP is also supported by Loblaw Companies, Ltd.
- A conservation plan and rebuilding strategy was established.
- The cod tagging program for this fishery, which helps determine the rates of fishery exploitation and help assess the stock status, was significantly improved. More than 1,800 cod were tagged in 2012, which was more than double the number of the previous year.
- A bycatch analysis is being conducted. This will recommend measures that will minimize the unintentional harvesting of other fish species.

RESULTS:

- With the MSC pre-assessment completed, it’s expected that this fishery could earn MSC certification as early as 2014, if all work in the FIP plan is completed.
- According to World Wildlife Fund Canada, fish harvesters in the Newfoundland and Labrador region have increasingly become aware that MSC certification for the 3PS cod is necessary. Starting this FIP has helped solidify that awareness. Harvesters have assisted in the MSC process by actions such as agreeing to make it mandatory to submit fishing vessel logbooks documenting their catches.

TAKEAWAYS:

- This was the first fishery improvement project of this kind in Newfoundland and Labrador. With so many diverse NGO, governmental, industry and business stakeholders, this FIP was a good example of the need for continuous information sharing and commitment by all the parties involved.

Source: World Wildlife Fund Canada
FISHERY IMPROVEMENT PROJECT (FIP) HIGHLIGHT: GLOBAL WILD SALMON

Latin Specie Name: Oncorhynchus gorbuscha (pink), Oncorhynchus nerka (sockeye), Oncorhynchus keta (chum), Oncorhynchus kisutch (coho), Oncorhynchus tshawytscha (Chinook)

Location: Initial efforts include Western Kamchatka, Sakhalin Island (Russia). Future efforts may include Japan and USA

Years: 2008-2014

CHALLENGES:

• Two of the most productive regional fisheries are Sakhalin Island (which includes pink), and Western Kamchatka (which includes pink, sockeye, chum, coho and Chinook). Overall, pink salmon represents more than two-thirds of the regional harvest. Illegal, unregulated and unreported (IUU) fishing is a significant problem.
• Better monitoring and observer programs were needed.
• In Western Kamchatka, Chinook salmon populations have been declining. In addition, little information about the fishery is made available and there isn’t a clear long term objective for a management system in the fishery.
• Similar problems exist in the Sakhalin Island area, where more catch and hatchery release information is needed.

SOLUTION:

• In 2013, a coalition of organizations and seafood companies led by the Wild Salmon Center and High Liner Foods announced the launch of the Global Wild Salmon Partnership, with a goal of increasing the amount of wild capture salmon that is certified sustainable to 75 percent of the world’s production.
• Other participants include seafood companies like Gorton’s Foods, The Fishin’ Co, Albion Fisheries, and Nestle/Purina, along with non-governmental organizations like SFP, World Wildlife Fund Russia, Sakhalin Environment Watch, and the Kamchatka Fish Fund.
• Each FIP requires multiple actions, such as increasing information on fishery catches and stock status, recommendations to improve enforcement, and efforts to improve traceability to prevent IUU fishing.

RESULTS:

• As of 2013, 15 percent of the Russian wild salmon fishery is certified sustainable. There have been other notable successes:
  • A satellite monitoring project was launched to find illegal commercial salmon trap nets, reducing violations by 64 percent.
  • There have been efforts to introduce fishery restrictions to reduce the catch.
  • An independent observer program was established to monitor both bycatch and catch legality in the fishery.

TAKEAWAYS:

• A key incentive for fishing companies to join this FIP was understanding how the achievement of sustainability certification could give them market advantages.
• The Global wild salmon FIP is a good example of how continuous engagement by a diverse group of stakeholders can keep a FIP on a positive track.

Sources: Wild Salmon Center, Sustainable Fisheries Partnership
FISHERY IMPROVEMENT PROJECT (FIP) HIGHLIGHT: RUSSIAN PACIFIC COD (LONGLINE)

Latin Specie Name: Gadus macrocephalus
Location: Bering Sea, Pacific waters of Kamchatka, Sea of Okhotsk
Years: 2012-2014

CHALLENGES:
• In contrast to the neighboring U.S. Pacific Cod fishery, which is considered one of the best managed in the world, the Russian Pacific Cod fishery has experienced significant challenges. Large-scale illegal, unreported and unregulated (IUU) fishing has occurred in the fishery.
• There is also a need for more transparency, including better data collection about catches, better monitoring of vessels, and more clearly defined rules for fishermen.

SOLUTION:
• The Sustainable Fisheries Partnership, Marine Stewardship Council, High Liner Foods and other stakeholders helped convene a meeting of the largest fishing companies operating in this fishery in October 2012 in Busan Korea.
• In March 2013, the Longline Fishery Association (LFA) was formed to develop a more responsible fishery. The LFA consisted of four companies: Yamsy JSC, Dalrybprom JSC, Interrybflot LLC, and Polaris LLC.
• A FIP was announced in May 2013, and the LFA members agreed to a workplan that consisted of these measures:
  • Development of a sustainability policy and code of conduct for LFA members
  • An assessment of the threats to endangered, threatened and protected (ETP) species
  • A plan to reduce bycatch of non-target species
  • Enhanced scientific data on the assessment of the stocks
  • Better rules controlling harvesting
  • An assessment on IUU fishing
  • Better public access to information about the stock status and fishery management

RESULTS:
• As of 2013, Russian Pacific cod is at a stable level, growing slowly.
• Many of the measures in the workplan are underway but in their early stages.
• The outlook of this fishery has improved significantly thanks to the establishment of the FIP and the creation of the LFA to address the concerns in the fishery.
• If the measures adopted in the workplan are successful, and fishery could enter the MSC certification process in the future.

TAKEAWAYS:
• This was a good example of the power of “peer pressure” in fisheries within the same region pursuing MSC certification. Once one fishery in the Russian Pacific region entered the MSC process, there was significant incentive for others to do the same.
• Some of the fisheries within this region were operating sustainably and welcomed the opportunity to demonstrate it via the MSC process.

Sources: Sustainable Fisheries Partnership
FISHERY IMPROVEMENT PROJECT (FIP) HIGHLIGHT: RUSSIAN POLLOCK

Latin Specie Name: Theragra chalcogramma (Pollock)
Location: Sea of Okhotsk, West Bering Sea
Years: 2006-2014

CHALLENGES:
- The Russian Pollock’s numbers were steadily declining from overfishing.
- There was also significant underreporting of catches and discard activity.

SOLUTION:
- The Sustainable Fisheries Partnership hosted the first Russian Far East Pollock Roundtable in 2006 to discuss the challenges facing the fishery.
- Soon after, the Pollock Catchers Association (PCA), which is the largest public union in the Russian fishing industry, was formed.
- A FIP was set up in 2008.
- In 2011, the FIP was restructured as the Russian Pollock Sustainability Alliance, which included the PCA, Iglo Foods Group, High Liner Foods, Delmar, FrOsta, Gorton’s, Pickenpack, Royal Greenland, and Young’s Group.
- The FIP included these measures:
  - An agreement by members to voluntarily reduce catches over quota and reduce discards of fish
  - The fishery was split in two seasonally, to reduce overfishing
  - An enhanced monitoring and observer program to improve information on catches

RESULTS:
- While there are still improvements to be made—including strengthening the monitoring and observer program further – the Russian Pollock fishery is considered to be a responsibly managed fishery.
- The Sea of Okhotsk area of the fishery achieved sustainability certification from the Marine Stewardship Council (MSC) in September 2013.
- The West Bering Sea and Navarinsky areas of the fishery are still under MSC assessment.
- The Russian government amended its regulations to crack down on bycatch and discards, required vessels to be equipped with vessel monitoring systems, and increased enforcement.

TAKEAWAYS:
- This was a good example of how supply chain pressure generated by the FIP combined with calls for greater transparency and traceability by stakeholders can drive a government to take action.
- It was also a good example of how a diverse group of stakeholders involved in an MSC certification process can introduce checks and balances, and bring about a stronger outcome.

Sources: Sustainable Fisheries Partnership, Marine Stewardship Council, National Oceanic and Atmospheric Administration FishWatch, World Wildlife Federation.
The Next Horizon – Expanding Our Focus

Our efforts to be a leader in sustainability go far beyond purchasing seafood from sustainable and responsible sources. We’re building momentum in other areas of our business.

PACKAGING

• We’re working towards more efficient packaging configurations and, where possible, redesigning packaging to use less material while increasing performance.
• We have reduced packaging sizes and are using low volatile organic compound inks and more recycled content.
• In 2011, we converted the master carton used to ship FPI brand products within the United States and internationally from “bleached” white paper to Kraft paper. The new Kraft paper cartons are made with a high recycled fiber content and free of contaminants and metals.

ENERGY EFFICIENCY

• At our processing facility in Lunenburg, Nova Scotia, our goal is to reduce our energy consumption by 550,000 kWh annually through retrofitting the lighting. By changing the interior lighting and the lights in the parking lot, we have already reduced annual energy consumption by 200,000 kWh.
• Revamping the plant’s compressed air system has the potential to reduce energy consumption by an additional 240,000 kWh annually.
• Our US manufacturing sites will continue to focus on use of more modern and efficient electric motors, lighting systems, boilers and processing equipment.

RECYCLING

• At some of our plants, used cooking oil has been recycled to be used to generate electricity through a partnership with a renewable energy company.
• About 90 percent of the cardboard material that we used to send to landfills is now recycled.
• High Liner Foods employs extensive recycling practices in all of our manufacturing locations. All corrugated, paper, plastic, metals and food waste are recycled.

SOCIAL RESPONSIBILITY

• High Liner Foods is working with SEDEX (Social Ethical Data Exchange), which offers a system for analyzing ethical and responsible business practices throughout the supply chain.
• In 2014, we will be launching a pilot supplier code of conduct program, which is based on existing international standards.

(Please note that this update on our sustainability status does not include the business of American Pride Seafoods, which High Liner Foods acquired in October 2013 and will be integrated into its operations in 2014).