



ESTABLISHED 1968

---

# HEALTHY LIVING

SUSTAINABILITY  
REPORT 2020

---

[www.bakkafrost.com/sustainability](http://www.bakkafrost.com/sustainability)





# CONTENT

About Bakkafrost	4
Our Sustainability Journey	8
2020 Review with Regin Jacobsen	10
Our Healthy Living Plan	12
Bakkafrost and the UN Sustainable Development Goals	13
Bakkafrost Salmon at a Glance	14
Material Sustainability Topics	17
Creating Opportunities in a Time of Adversity	18



<b>Healthy Business</b> Performance	22
Innovation at Sea	27



<b>Healthy People</b> Performance	28
Competency Framework	39



<b>Healthy Salmon</b> Performance	40
Cleaner fish – A natural and sustainable solution	52



<b>Healthy Environment</b> Performance	54
Circular Economy	67



<b>Healthy Communities</b> Performance review	68
Trees for Employees	73

About Sustainability at Bakkafrost	75
Stakeholder Engagement	76
Memberships and Ratings	78
UN Global Compact Progress	79
Assurance Statement	80

## ABOUT THIS REPORT

This is Bakkafrost's fourth sustainability report, which provides an overview of performance against our Healthy Living Sustainability Plan for the reporting period 1 January to 31 December 2020. As the largest salmon producer in the Faroe Islands and the second largest in Scotland, we understand our responsibility and the importance of transparency regarding impacts to the local economy, society and environment. This report includes data for the whole Bakkafrost Group, inclusive of our Scottish, UK and US operations as well as our subsidiary Havsbrún and FÖRKA.

 For more information, please visit [www.bakkafrost.com/sustainability](https://www.bakkafrost.com/sustainability)

# About Bakkafrost



**BAKKAFROST:** Established in 1968.

**Location:** Faroe Islands Headquarters, Glyvrrar, Eysturoy

**Production and business-to-business sale:** salmon, packaging, biogas, fish meal, oil and feed.

**Longest integrated value chain in the industry:** Fully owned subsidiaries: Havsbrún, Fuglafjørður (production of fishmeal, -oil and -feed); The Scottish Salmon Company, Scotland (Scottish Salmon producer, processing, and sales); Bakkafrost UK, Grimsby (salmon import and sales); Bakkafrost USA, New Jersey (seafood import, processing and sales); FÖRKA, Tórshavn (biogas plant).

**Listed:** Oslo Børs with the ticker symbol BAKKA

**Employees:** 1.781 people in total. We employ 1.093 (940 full-time equivalent) in our operations in Bakkafrost Faroe Islands, USA and Havsbrún and 688 people in Scotland.

**Markets served:** Western Europe (67%), North America (18%), Asia (8%), Eastern Europe (5%), Other (2%).

## Key

## Resources

- We finance our operations through a combination of cash flow, debt and shareholder capital
- We rely on the expertise and competency of our workforce, working to our values to develop and grow the business
- We depend on natural resources to produce world class quality salmon
- We ensure that we have state of the art production facilities and service vessels to optimise efficiency
- We have built a strong reputation for high quality salmon and feed to develop our increasing market share
- We are committed to building relationships with our stakeholders to ensure transparency and full appreciation of our shared values.

## Our Value Chain



## Output

450t of fishmeal daily capacity	300t of fish oil daily capacity	700t of fish feed daily capacity	From 2023 a majority of our roe will be from our own strains	20 million 500g smolts and 11 million 250g smolts annual capacity in 2023	90-100,000t of waste conversion annual capacity	65 farming sites in operation across 29 areas	6 farming service vessels (including 4 live fish carriers) and 74 smaller boats	85,700t of salmon harvested 2020	180,000t primary and 40,000t secondary annual capacity.	70,000t of salmon, annual packaging capacity	4.651 DKK billion operating revenues Sales to 30+ countries
---------------------------------	---------------------------------	----------------------------------	--	---	---	---	---	----------------------------------	---	--	---

## The Bakkafrost Difference

High nutritional content using local marine sources, non-GMO, no ethoxyquin, own recipes and sustainable ingredients.	Increased focus on biosecurity	Natural farming environment, efficient circular solutions, no use of growth hormones	Short transportation for salmon in the value chain	Efficient processing capabilities and product development	Extensive market reach
---	--------------------------------	--	--	---	------------------------

## Value Created

- We create value for our shareholders, the Faroe Islands and Scotland through taxes and direct and indirect employment
- We meet growing global demand for protein with healthy and efficiently production of salmon
- We aim to contribute towards improved infrastructure in our areas of operation
- We collaborate with the broader aquaculture industry to promote responsible and sustainable practice (Please see our Annual Report at [www.bakkafrost.com](http://www.bakkafrost.com) for our consolidated financial statements.)







# Facilities and locations



**BAKKAFROST**  
Salmon, packaging, fishmeal, fish oil and fish feed producer

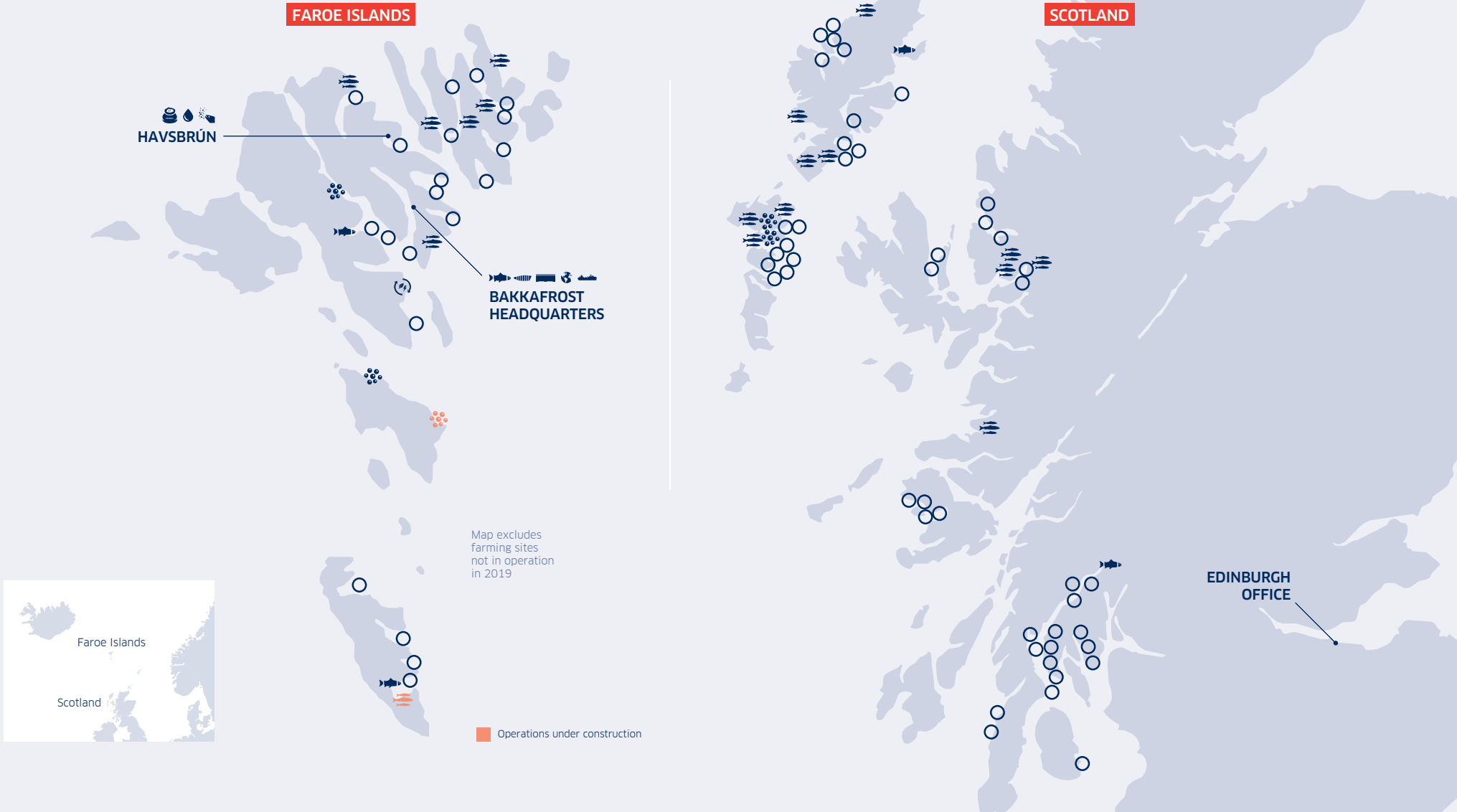
**Location:** Faroe Islands

**Headquarters:** Glyvvar, Eysturoy

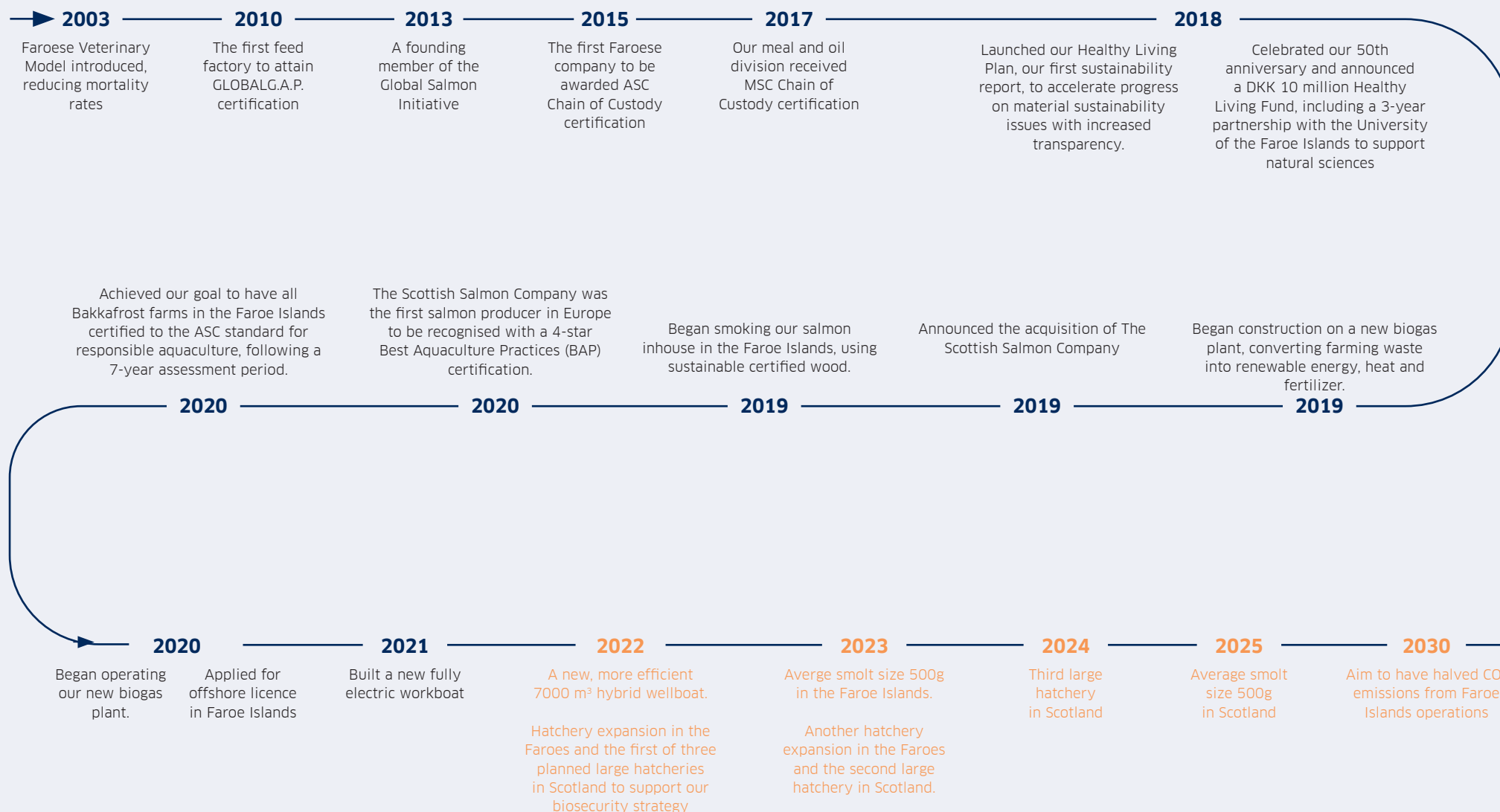
**Production and business-to-business sale:** salmon, fishmeal, fish oil and fish feed

**Longest integrated value chain in the industry**

**Listed on:** Oslo Børs with ticker code BAKKA



# Our sustainability journey



# Main Events 2020



## January

- Started production of salmon meal and salmon oil from salmon guts



## February

- Severe storm hit the Faroe Islands causing high mortality at Bakkafrost sites

## March

- Launched third sustainability report
- Contract signed for construction of a new hatchery at Norðtoftir with capacity to produce 3.5 million smolt of 500g
- New biogas plant starts receiving organic waste



## April

- Commissioned a 7,000 m<sup>3</sup> live-fish carrier with hybrid technology to reduce carbon emission. Delivery in H1 2022
- Began offering bi-weekly Covid-19 screening to employees in the Faroe Islands
- SSC became the first salmon producer in Europe to be recognised with a 4-star BAP certification

## May

- Contract signed for expansion of the hatchery at Glyvradal. Capacity 3.5 million smolt of 500g

## June

- Organised clean-up day where employees participated in the cleanup of the shores and coastline of the Faroe Islands
- Signed agreement with the Environmental Agency to develop and build new fully electric workboat

## August

- Agreement with the Faroese educational institution "Nám" to sponsor the development of educational material in Faroese about sustainable food systems for children in elementary school.
- First biogas produced at the new biogas plant
- Weather related incident in the area around Loch Striven caused high mortality

## October

- Bakkafrost scored above industry average in employee survey 2020 in the Faroe Islands

## November

- 100% ASC certified in the Faroe Islands
- Bakkafrost is one of only three companies to rank as "low risk" for investors in the 2020 Collier Fair Protein Producers index
- Bakkafrost nominated finalist in the two categories "Business Leader of the Year" and "Circular Economy Innovation of the Year" at the edie Sustainability Leaders Awards 2021



## July

- Book about Bakkafrost's history published
- Arranged an intensive course in Faroese language for employees with foreign background.

## September

- Continued funding projects to improve knowledge on biodiversity of benthic fauna in coastal areas around the Faroes.
- Signed up to the UN Sustainable Ocean Principles - a pledge to protect the health of our oceans.
- Biogas plant sold the first KWh's of renewable electricity
- SSC and project partners won the Community Initiative Award at the 2020 Aquaculture Awards for the OHLEH initiative, a multi-sector partnership focusing on the creation of a local circular energy economy

## December

- Offered free influenza vaccine in the Faroe Islands



## 2020 Review with Regin Jacobsen CEO, Bakkafrost

2020 has been a year like no other. The world has been profoundly changed by the Covid-19 pandemic, leaving no person or country unaffected. The one lesson we will all take away from 2020 is to always expect the unexpected! No one could have foreseen the challenges that we have all experienced this year. However, I think we have also seen the Covid-19 pandemic bring out the best in people with many going above and beyond for their colleagues and communities. Both the Faroes and Scotland are home to many rural communities and people are very much at the heart of the areas in which we operate.

Flexibility and adaptability have been crucial, both in dealing with external challenges but also in the changes we have implemented as we have merged the Faroese and Scottish businesses. For me it has been rewarding to see how people have embraced this change and our plans. The significance of flexible and agile operations stands out as one of the most important lessons in 2020. As the HORECA segment was severely impacted, there has been increased demand in the retail segment. Despite the challenging salmon market in 2020, we have been able to supply consistent volumes of top quality salmon for our customers by keeping operations running.



Chief Executive Officer Regin Jacobsen

Throughout 2020, we have had a clear sense of purpose with a focus on simplifying and strengthening our business to support long term growth. Simplification in the sense of bringing together two dynamic organisations, making the most of synergies and aligning our processes. Strengthening through our strategic investment plan, which includes significant investment in our freshwater operations in Scotland

and sharing best practice to ensure a consistent supply of the finest quality, market size salmon.

We experienced a weather related incident in late February, when the Faroe Islands were hit by a severe storm that lasted for several days. This is not uncommon in the Faroe Islands and Bakkafrost has equipped itself accordingly. However,

the characteristics of this storm were unusual resulting in considerable damage and loss of fish. In Scotland we also experienced weather-related incidents, such as heavy rainfall in August resulting in biological issues causing increased mortality in Loch Striven. These exceptional events prevented us from meeting our target to reduce mortality to 6%, which will be a key area of focus in 2021.

We have made significant progress in our vision to enable healthy living for millions of people through the provision of healthy and nutritious salmon. In April when The Scottish Salmon Company became the first salmon producer in Europe to be recognised with a 4-star Best Aquaculture Practices (BAP) certification. In November, following a 7-year assessment period, we achieved our goal to have all Bakkafrost farms in the Faroe Islands certified to the ASC standard for responsible aquaculture. In August, another important occasion was the start of our operations at FÖRKA, our award winning biogas plant, reinforcing our commitment to circular strategies. In December FÖRKA commenced production of green energy from bio-organic waste from Bakkafrost's hatchery Strond. This is a huge step towards our goal to utilise all waste from salmon production and is a good example of embedding circular economy in our investment and growth plans. Furthermore, we were pleased to be amongst the top three performers and one of only three companies to rank as "low risk" for investors in the 2020 Collier FAIRR Protein Producer Index, this ranks sustainability of the world's largest listed protein producers.

We made progress during 2020 in marine operations and committed to a new 7,000 m<sup>3</sup> well boat equipped with hybrid technology to reduce carbon emission. In 2021 we will take delivery of a new all-electric carbon emission free work boat, potentially this could set a standard for our future fleet of work boats. In 2020 we launched a replacement programme for all nets at our Scottish farming sites. The new nets with increased strength will prevent predators such as

seals making holes in nets, thereby reducing mortality and fish escapes.

We are pleased to see that the implementation of the large-smolt strategy in the Faroe Islands is progressing better than expected. Producing larger quality smolt will result in a shorter production time at sea and reflected in improved survival and growth rates in the fjords.

We are pleased to present this report for the first time including our Scottish operations and look forward to building on this going forward. One of our main priorities in 2021 will be to continue the integration of the businesses, sharing best practice in addressing the common challenges, this includes improving fish health and welfare and minimising environmental impact.










Operationally we will drive responsible growth across the business as we move into economic recovery across global markets. Going forward the focus on sustainability will be even sharper and as a valuebased business, sustainability will continue to be at the heart of everything we do.

We have aligned our sustainability reporting with the international Global Reporting Initiative standard for the Bakkafrost Group, we believe this improves our reporting by providing a framework for greater transparency and demonstrating progress towards our vision.

I hope you enjoy reading this Report and I welcome any comments or feedback that you may have.  
[reja@bakkafrost.com](mailto:reja@bakkafrost.com).

# Bakkafrost's Healthy Living Plan

Our mission is to produce healthy, world class salmon. We believe that by investing in the health of our business, our people, our salmon, the environment and the communities in which we operate, we will enable healthy living for millions of people globally. Our Healthy Living Plan outlines our sustainability goals in one place.

	 Healthy Business	 Healthy People	 Healthy Salmon	 Healthy Environment	 Healthy Communities
 <b>STRATEGIC PRIORITY</b>	To grow efficiently and responsibly	To be a preferred employer	To exceed leading standards	To minimise our environmental impact	To create shared value
 <b>2020 PERFORMANCE AGAINST OUR 2020 COMMITMENTS</b> ● ● ●	<ul style="list-style-type: none"> <li>Have zero cases of noncompliance ●</li> <li>Have customer net promoter score (NPS) of 9 out of 10 or above ●</li> <li>Invest in a new biogas plant ●</li> </ul> See page 22 for more details	<ul style="list-style-type: none"> <li>Renew our employee strategy ●</li> <li>Launch an employee engagement survey ●</li> <li>Have zero fatalities ●</li> </ul> See page 28 for more details	<ul style="list-style-type: none"> <li>Maintain our high omega-3 levels ●</li> <li>Maintain high customer satisfaction with product quality ●</li> <li>Reduce fish mortality to 6% ●</li> <li>Have ASC certification across all sites (end of 2020 GSI goal) ●</li> <li>Further develop and implement non-medicinal treatments with high focus on fish welfare ●</li> <li>Have zero fish escapes ●</li> </ul> See page 40 for more details	<ul style="list-style-type: none"> <li>Further optimise feed distribution ●</li> <li>Continue phasing out copper-treated nets ●</li> <li>Implement a sustainable feed policy ●</li> </ul> See page 54 for more details	<ul style="list-style-type: none"> <li>Set up a new 'Healthy Living' Fund ●</li> <li>Implement stakeholder engagement plan ●</li> <li>Implement a new community investment plan ●</li> </ul> See page 68 for more details
 <b>2023 GOALS</b>	<ul style="list-style-type: none"> <li>Have zero cases of non-compliance</li> <li>Actively engage customers in waste reduction</li> <li>Maintain high NPS and customer satisfaction with quality scores</li> <li>Update procurement policy and supplier code of conduct</li> <li>Influence the improvement of aquaculture practices</li> <li>Extend ISO9001 standard certification</li> <li>Focus on producing salmon from own unique breed</li> </ul>	<ul style="list-style-type: none"> <li>Have industry-leading employee engagement scores</li> <li>Launch internal sustainable behavior campaign</li> <li>Maintain gender diversity in senior positions</li> <li>Reduce absence rate by 10%</li> <li>Become certified against ISO45001 standard</li> <li>Reduce LTA to zero</li> <li>Have zero fatalities</li> </ul>	<ul style="list-style-type: none"> <li>Increase smolt size to 500g</li> <li>Maintain our high omega-3 levels</li> <li>Zero antibiotics use</li> <li>Maintain salmon survival rate at 94% or above</li> <li>Increase research to optimise fish welfare and product quality</li> <li>Maintain industry leading approach to animal welfare</li> <li>Maintain ASC certification, BAP certification or similar for all Bakkafrost salmon</li> </ul>	<ul style="list-style-type: none"> <li>By 2030 reduce by 50% the scope 1 &amp; 2 CO2 footprint in the Faroes</li> <li>Continue research into sustainable feed ingredients</li> <li>Investigate new sustainable marine sources for fishmeal</li> <li>Optimise feed strategy to maintain industry leading FCR</li> <li>Achieve ISO14001 environmental standard certification in the Faroe Islands, already in place in Scotland</li> <li>Zero fish escapes</li> <li>Measurably reduce environmental impact from packaging</li> <li>Explore innovative waste streams at the new biogas plant</li> <li>Over 97% water recirculation rate in hatcheries</li> </ul>	<ul style="list-style-type: none"> <li>Actively educate key stakeholders on the benefits of salmon aquaculture</li> <li>Increase collaboration with key stakeholders to achieve the Healthy Living Plan</li> <li>Increase transparency on local value creation</li> <li>Continue 10m DKK 3yr investment in Healthy Living Fund in the Faroe Islands</li> <li>Continue investment in Community Fund in Scotland</li> </ul>
 <b>SDGs</b>	<ul style="list-style-type: none"> <li>SDG 2 Zero Hunger</li> <li>SDG 7 Affordable and Clean Energy</li> <li>SDG 8 Decent Work and Economic Growth</li> <li>SDG 9 Industry, Innovation, and Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>SDG 5 Gender Equality</li> <li>SDG 8 Decent Work and Economic Growth</li> </ul>	<ul style="list-style-type: none"> <li>SDG 2 Zero Hunger</li> <li>SDG 6 Clean Water and Sanitation</li> <li>SDG 14 Life Below Water</li> <li>SDG 17 Partnerships for the Goals</li> </ul>	<ul style="list-style-type: none"> <li>SDG 6 Clean Water and Sanitation</li> <li>SDG 7 Affordable and Clean Energy</li> <li>SDG 9 Industry, Innovation, and Infrastructure</li> <li>SDG 12 Responsible Consumption and Production</li> <li>SDG 13 Climate Action</li> <li>SDG 14 Life Below Water</li> <li>SDG 15 Life on Land</li> </ul>	<ul style="list-style-type: none"> <li>SDG 8 Decent Work and Economic Growth</li> <li>SDG 17 Partnerships for the Goals</li> </ul>

# Bakkafrost and the UN SDGs



## Bakkafrost and the UN Sustainable Development Goals (SDGs)

The UN SDGs set out 17 global goals for social, environmental and economic progress between 2015 and 2030. The goals seek to address the greatest challenges and opportunities faced by society today.

At Bakkafrost we view the goals as representing broad stakeholder expectations on global issues, so we have used them as part of the materiality assessment which is the foundation for our 2023 Healthy Living Plan. During our strategic planning process, we referred to aspects of the Future-Fit Benchmark, designed to make the SDGs a reality.

We have mapped the SDGs against our activity to highlight the most relevant. We have distinguished between areas where there is potential for high positive impact, areas for limited positive impact and areas where we have a responsibility to mitigate potential negative impacts.

Below you can see how we have assessed our contribution to the goals.

## Potential for high positive impact

2  
ZERO  
HUNGER



### SDG 2 Zero Hunger:

End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

We are contributing towards target 2.4 by providing an efficient and healthy source of protein and essential fatty acids to feed the growing population.

8  
DECENT WORK AND  
ECONOMIC GROWTH



### SDG 8 Decent Work and Economic Growth:

Promote inclusive and sustainable economic growth, employment and decent work for all.

We are contributing towards target 8.1 through our substantial contribution to the Faroese economy; 8.5 by creating full and productive employment with equal opportunities in the Faroe Islands and Scotland; 8.7 through the strict standards outlined Code of Conduct and Supplier Standard; and 8.8 by applying labour standards throughout our value chain, in line with third party certification.

## Potential for limited positive impact

5  
GENDER  
EQUALITY



### SDG 5 Gender Equality:

Achieve Gender equality and empower women and girls.

We are contributing towards target 5.5 by ensuring equal opportunities for leadership at all levels of decision-making in the company.

7  
AFFORDABLE AND  
CLEAN ENERGY



### SDG 7 Affordable and Clean Energy:

Ensure affordable, reliable, sustainable and modern energy for all.

We are contributing towards target 7.2 by increasing the share of renewable energy in the Faroe Islands' energy mix from our biogas plant; and 7.3 by increasing energy efficiency in our operations.

9  
INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



### SDG 9 Industry, Innovation, and Infrastructure:

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

We are contributing towards target 9.4 by upgrading and retrofitting assets across our value chain to make them more sustainable, as well contributing towards new infrastructure in the Faroe Islands and in Scotland.

14  
LIFE BELOW  
WATER



### SDG 14 Life Below Water:

Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

We are contributing towards target 14.4 by using marine ingredients certified as sustainable; and 14.1 by managing our impacts on the fjord and loch environment.

17  
PARTNERSHIPS  
FOR THE GOALS



### SDG 17 Partnerships for the Goals:

Strengthen the means of implementation and revitalize the global partnership for sustainable development.

We are contributing towards target 17.16 through collaboration and partnership to develop and share best practice solutions for aquaculture challenges.

## Responsibility to mitigate potential negative impact

6  
CLEAN WATER  
AND SANITATION



### SDG 6 Clean Water and Sanitation:

Ensure availability and sustainable management of water and sanitation for all.

We are addressing target 6.3 by introducing measures to minimise the impact of our operations on the fjord environment; 6.4 by increasing water efficiency; and 6.6 by minimising future pollution from agriculture through liquid fertiliser to be produced at our biogas plant.

12  
RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



### SDG 12 Responsible Consumption and Production:

Ensure sustainable consumption and production patterns.

We are addressing target 12.3 by reducing food losses; target 12.2 by maximising efficiency of natural resources used in our feed; 12.5 by adopting a circular approach across different elements of our value chain; and 12.6 by increasing transparency on our sustainability performance.

13  
CLIMATE  
ACTION



### SDG 13 Climate Action:

Take urgent action to combat climate change and its impacts.

We will build the climate resilience of our company and value chain, and look to reduce emissions associated with own operations.

15  
LIFE  
ON LAND



### SDG 15 Life on Land:

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

We are addressing target 15.2 by sourcing certified sustainable paper and wood products and only procuring non-GMO, Pro-Terra certified soy protein for our animal feed; and 15.5 by implementing measures to reduce the impact from salmon aquaculture on the nearshore environment and increasing research into this area.

We will continue to look for data to enable us to benchmark and where relevant increase our contribution to the Sustainable Development Goals.



# Bakkafrost salmon at a glance

## NUTRITION

### OMEGA-3 LEVELS MEAN

**2.6g**  
per 100g

RDI 2.5-3g

### OMEGA-3 TO 6 RATIO

**1.6**

### VITAMIN D MEAN

**8.12µg**  
per 100g

RDI 10µg

### PROTEIN LEVELS

**21.0g**  
per 100g

RDI 58-116g

### VITAMIN B12 LEVELS MEAN

**3.0µg**  
per 100g

RDI 2µg

### VITAMIN E LEVELS MEAN

**3.34mg**  
per 100g

RDI 9 mg

### SELENIUM MEAN

**0.03 mg**  
per 100g

RDI 0.06mg

### IODINE MEAN

**0.004 mg**  
per 100g

RDI 0.15mg



Bakkafrost data calculated through an analysis of whole salmon variations between all Bakkafrost sales sizes from 3-4 kg up to 7+ kg.  
RDI Sources: Nordic Nutrition 2012 and EFSA



## ENVIRONMENT & HEALTH

### ASC CERTIFIED SITES

**100%**

Faroe Islands

### BAP

★★★★

Scotland

### AUDITS PASSED

**100%**

at Bakkafrøst in 2020

### SURVIVAL RATE

**89.71%**

Faroe Islands

**88.57%**

Scotland

### ESCAPES

**368,998**

Faroe Islands

**63,972**

Scotland

Number of salmon

### SEA LICE COUNT

**0.45**

Faroe Islands

**0.46**

Scotland

Average over 12 months  
of female adult lice  
– all sites

### ANTIBIOTIC USE

**0**

Faroe Islands

**0**

Scotland  
Marine operation

### MEDICINE IN BATH

**0**

Faroe Islands

**0.52**

Scotland

Used by Bakkafrøst to treat  
sea lice in 2020

### FEED CONVERSION RATIO

**1.08/1**

Faroe Islands

**1.18/1**

Scotland

Bakkafrøst salmon  
(1.2-1.5kg GSI average)

### CO<sub>2</sub>e

**0.6g**

per 40g typical serving of salmon  
GSI average



# Material sustainability topics






In 2019, we carried out our second bi-annual materiality assessment, reviewing the most significant economic, social and environmental risks and to identify opportunities for the Company and our stakeholders and build on our Healthy Living Sustainability strategy.

The analysis included various stages of desk research; a management team review of the issues with greatest operational, financial and reputational impact; and a consultation with a representative group of external stakeholders.

We carried out in-depth interviews with 19 stakeholders representing a diverse range of groups including investors, customers, suppliers, community representatives, national regulators, NGOs and sustainability experts. We approached at least two representatives from each group to participate, helping us identify and prioritise key issues through an online questionnaire and subsequent in-depth interview.

The result of this analysis was an updated list of 20 material sustainability issues which was used by our management team to develop the second phase of our Healthy Living Sustainability strategy (see page 12).

In order of importance, we found that biodiversity and fish welfare were more significant, as well as adapting to climate change. To the right is the updated list of 20 issues.

 <p>Healthy Business</p>	<ul style="list-style-type: none"> <li>• <b>Government regulation and compliance:</b> Ability to meet growing demand through regulated growth, and compliance with relevant laws, regulations and local and international standards.</li> <li>• <b>Ethical conduct:</b> Upholding and promoting standards of good business practice throughout the value chain, consistent with Bakkafrost's values and principles.</li> <li>• <b>Customer satisfaction:</b> Listening to customers and meeting changing customer needs and standards.</li> <li>• <b>Innovation:</b> Investing in innovation through research and development, to meet changing customer demands, capitalise on opportunities, and drive leading sustainability standards.</li> <li>• <b>International relations:</b> Managing impact on the brand from international relations issues.</li> </ul>
 <p>Healthy People</p>	<ul style="list-style-type: none"> <li>• <b>Human capital:</b> Ability to attract and retain diverse talent and expertise, build workforce competency, and maintain high employee engagement through job satisfaction and engagement with company values.</li> <li>• <b>Health, safety and wellbeing:</b> Maintaining a high standard of occupational health and safety and creating a healthy working culture.</li> <li>• <b>Human rights:</b> Supporting and respecting the protection of all internationally recognised human rights and ensuring that none of these is breached through complicity or negligence. Bakkafrost's business partners are also expected to comply with these principles.</li> </ul>
 <p>Healthy Salmon</p>	<ul style="list-style-type: none"> <li>• <b>Product quality and human health:</b> Maintaining high product quality, by meeting the highest standards to avoid chemical contaminants, while providing nutritious, efficient and sustainable animal protein for optimum human health.</li> <li>• <b>Fish health and welfare:</b> Upholding leading welfare standards and limiting the use of chemicals and medicines in the prevention of disease and sea lice.</li> <li>• <b>Certification and collaboration:</b> Collaborating to address systemic social, environmental and industry challenges through external standards and certification.</li> </ul>
 <p>Healthy Environment</p>	<ul style="list-style-type: none"> <li>• <b>Local pollution:</b> Minimising pollution of the local environment from each stage of the value chain (including effluent waste, marine debris, and local water, noise and air pollution), and investing in environmental initiatives.</li> <li>• <b>Biodiversity:</b> Working to avoid operations negatively impacting or contributing towards biodiversity loss at any stage of the value chain, including the spread of disease and sea lice between farmed and wild fish populations, and any potential impacts on other wildlife or ecosystems.</li> <li>• <b>Sustainable fish feed:</b> Ensuring sustainable and responsible fishmeal, oil and feed production, including sourcing of raw materials and fish stock management.</li> <li>• <b>Resource optimisation, waste, and packaging:</b> Optimising the use of resources and minimising the environmental impact of waste from product's lifecycle, (including food and packaging).</li> <li>• <b>Water:</b> Efficient use of fresh water at all stages in the value chain and investment in new technology to reduce use.</li> <li>• <b>Climate change and energy:</b> Limiting GHG emissions throughout the value chain – for example through efficient energy consumption and generation of renewable energy – and addressing climate change risks.</li> </ul>
 <p>Healthy Communities</p>	<ul style="list-style-type: none"> <li>• <b>Responsible leadership:</b> Demonstrating leadership on industry issues, and responsible corporate citizenship.</li> <li>• <b>Community engagement and transparency:</b> Engaging with the local community and promoting transparency on material issues.</li> <li>• <b>Value generation:</b> Adding value in society through tax contribution, community investment, and employment.</li> </ul>



# Creating opportunities in a time of adversity

The world has been changed significantly by the Covid-19 pandemic, leaving a lasting impact on the world's economy with changing and important learnings for businesses.

As a food producer, we play a vital role in feeding the population and as such an essential role in food production continued. At the start of the pandemic, we put extensive measures in place to ensure staff were safe. As a business, we remain focused on long-term growth plan delivering a profitable and sustainable business, we continued to progress our investment programme while adapting to the changing circumstances.

While 2020 has been challenging, there were also opportunities for change. We have focused on business resilience, maintaining a safe working environment and creating market resilience to develop a strong base, ensuring that we are well placed to take advantage of opportunities as the economy moves into recovery and we can drive the business forward profitably.

## Maintaining a safe working environment

Heini Kristiansen, Group HR Director  
Debra Nichol-Storie, HR Director, Scotland

Our priority throughout has been the health and safety of our employees. The health and wellbeing of our team is of utmost importance and we are very proud of our staff for embracing and adapting to new ways of working in these unprecedented times. We have taken steps to focus on activities which are critical to our business: ensuring the health and welfare of our fish and product quality and consistent supply for our customers.

To ensure we are operating within Scottish Government guidelines, we introduced several extensive measures across the business in Scotland, including office employees working from home, social distancing, additional PPE, enhanced hygiene routines and new shift patterns to minimise contact. We cancelled all non-essential site visits and introduced mandatory home working for all office employees. We invested in our connectivity across the business, including farm sites for remoted feeding and implementing Microsoft Teams as a meeting and collaboration platform to support remote working. The safety and wellbeing, including mental wellbeing, of our staff and their families remains of paramount importance.



Heini Kristiansen, Group HR Director



Debra Nichol-Storie, HR Director, Scotland

In the Faroe Islands we have also focused on safety measures, to prevent a potential spread of the virus on our locations. We have been fortunate and able to avoid any outbreak of the virus, so working from home has been minimized. Instead, we have introduced measures to heighten our focus on hygiene, social distancing and separation of working teams. A protocol for visitors was introduced, and only business critical visits where allowed. Internal travel between locations was kept to a minimum and meetings were held online.

All company events were cancelled this year which has been challenging for supporting teamwork. We have however managed to arrange some events in the Faroe Islands in a restricted format, like a virtual hike in smaller teams, instead of our annual hike and a celebration of the achievement of 100% ASC certification in the Faroe Islands which was celebrated with a special dinner for our staff at all locations.

As a safety measure we ran several Covid-19 testing rounds for our employees in the Faroe Islands in collaboration with the Faroese Health Authorities to ensure quick detection. In total, we carried out 6.417 test in 9 rounds, with no positive testing. We also offered a free flu vaccine to all our employees in the Faroe Islands.

**Control measures we have taken include:**

- Conducting regular risk assessments
- Covid-19 testing in the Faroes
- Less physical meetings in the Faroes
- Microsoft Teams implemented as meeting and collaboration platform
- Changed visitor protocol
- Social distancing, face coverings Hygiene signs and sanitizing stations
- Staff work in “bubbles” across departments or sites to minimise contact. Splitting Processing, Harvesting, Fresh-water and Marine teams into two shifts or staggered start times
- Break room zones to ensure bubbles for all teams
- Timely communication to ensure all our staff were safe and informed
- Key Worker letters for all front-line staff to support travel and access to childcare
- Daily KPIs to monitor absence and the impact on the business
- Contingency plans to temporarily assign employees with key skills to other areas of the business if necessary
- Implementing one-way systems, arranging additional and larger buses to transport staff to work in Scotland
- Introducing single manning of boats on some sites
- Implementing online auditing

**What have we learned and what do we take with us going forward?**

We are very impressed and proud of our staff for embracing and adapting to the new ways of working in these unprecedented times. Through focused effort and great teamwork, we managed to bring stability into our operations and continue. We have also learned the value of internal communication and replacing physical meetings with virtual meetings, which will support reducing business travel going forward.







Su Cox, Communications & Business Development Director, SSC & Simun P. Jacobsen, Group Sales Director, Bakkafrost



### Creating market resilience

Su Cox, Communications & Business Development Director, SSC & Simun P. Jacobsen, Group Sales Director, Bakkafrost

In Scotland we were quick to move our sales focus to UK and retail as demand for foodservice halted when bars, restaurants and travel closed. In recent years we have seen consumer mega trends for buying local and value chain integrity, this has accelerated during the pandemic as customers want to understand where their food has come from before reaching the supermarket shelf. For our Faroese business there has also been a shift from foodservice toward retail sales, with increased volume in our frozen products, VAP, compared to fresh.

Shoppers are looking for contactless experiences and guarantees of safety, hygiene and 'good for you', while retailers are promoting shorter supply chains and hyperlocal supply. This highlights the benefits of having control over our full value chain from smolt to sales, guaranteeing supply chain integrity, traceability and authenticity, with provenance guaranteed.

Throughout the pandemic adaptability has been crucial and our Sales Team have worked closely with our customers to



ensure we support their changing needs and in the early days providing re-assurance for continued supply. Our recent customer survey showed that most of our customers are satisfied both with the supply and the service we have been able to provide, this is testament to the Team's dedication.

Although trade shows, visits and face to face meetings were cancelled in 2020, we developed a new programme for business development with customers. We worked with Scottish Development International for virtual 'Meet the Buyer' events, arranged virtual farm visits on iPads and shared videos, images and multiple meetings on Teams with new customers to introduce our operations.

While the domestic market has been a focus in Scotland, exports are still important for business growth and demand remains strong. However, there was a reduction in flights meaning less availability and increased costs for airfreight.

Export sales are important in maintaining a balanced customer portfolio and like our UK customers, Scottish and Faroese provenance and traceability is valued more than ever.

“Since the start of the pandemic, I have been working almost exclusively from home. The Company immediately rolled out Teams to all staff with computers, which has been a fantastic way of keeping everyone in touch. I am able to do the day-to-day job just as well as physically being on site. To begin with, working from home was at points challenging, becoming accustomed to a new way of working, but the measures put in place helped avoid any feeling of isolation, as a colleague is only ever a Teams call away. Conducting videocall negotiations has been a great learning curve, although the phrase of 2020 had to be **“you’re on mute”**! The strategy of the business in addressing Covid-19 has ensured staff have the right protective equipment and procedures at the right time so we can continue to thrive at our work. Communication has also been well managed throughout; my manager and I stay in touch very successfully thanks to online meetings.”

Employee Feedback Scotland

“Everyone has been given staggered start times and been provided with face masks. We are all more aware of improved hygiene as we have regular Covid-19 updates from the company. All in all, it has been good to be able to work to maintain some level of normality during the pandemic.”

Employee Feedback Scotland





## Healthy business Performance review

### ★ STRATEGIC PRIORITY

- To grow efficiently and responsibly

### 2020 PERFORMANCE AGAINST OUR 2020 COMMITMENTS

- Have zero cases of non-compliance ●
- Have a customer net promoter score (NPS) of 9/10 or above ●
- Invest in a new biogas plant ●

### 2023 COMMITMENTS

- Have zero cases of non-compliance
- Actively engage customers in waste reduction
- Maintain high NPS and customer satisfaction with quality scores
- Update procurement policy and supplier code of conduct
- Influence the improvement of aquaculture practices
- Extend ISO9001 standard certification
- Focus on producing salmon from own unique breed

### SDGs



### WHY THIS IS IMPORTANT

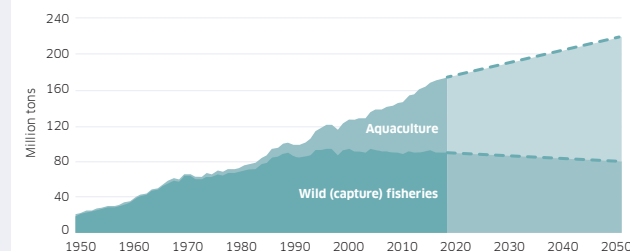
Today's food systems face extraordinary challenges, as the global population is growing, putting an enormous pressure on food resources. If we are going to feed 9 billion people by 2050, we must focus on growing sustainable food systems with minimal footprint that preserve the earth for future generations.

Aquaculture has been identified as a sustainable solution to meet the increasing demand for nutritious protein to feed the growing population. Farmed salmon is among the healthiest protein sources due to its high content of omega-3 fatty acids, vitamin D, selenium, and B vitamins. According to the World Resource Institutes, Creating a Sustainable Food Future report from 2018, aquaculture production would need to more than double between 2010 and 2050 to meet projected fish demand. However, for production to be sustainable, it must be conducted responsibly, in a way that minimises potential negative impact.

Bakkafrost has an ambitious growth strategy which has enabled us to compete in the world's fastest growing food-producing sector. Operating in a small country like the Faroe Islands can make it more challenging to ensure organic growth, as all the fjords available for salmon farming in the Faroe

Islands are already utilised. When faced with such limitations it drives creativity to find innovative solutions to enable future growth. In 2018 we revised our 5-year investment plan and set ourselves the ambitious growth target to build capacity for an annual production of 100,000 tonnes, more than double the volume harvested in 2018.

### Aquaculture production must continue to grow to meet world fish demand



Source: Historical data, 1950-2016: FAO (2017b) and FAO (2018). Projections to 2050: Calculated at WRI; assumes 10 percent reduction in wild fish catch from 2010 levels by 2050, linear growth of aquaculture production of 2 Mt per year between 2010 and 2050. (Creating a Sustainable Food Future, World Resource Institutes)



With such an ambitious growth target it is vital to achieve sustainable growth. One of the key drivers in our growth plan is to produce large 500g smolt, hence moving a part of the production on land into state-of-the-art hatcheries with cutting edge water recycling technology. This is a well known technology which we have been using for around 25 years. In addition, we have moved our farming sites to the more exposed fjords where stronger sea currents ensure better water quality, easing the pressure on the sea bed. Production cycles in the fjords are reduced from 18 months to 10-12 months, which has the additional benefit of reducing the biological risk, as well as the need for treatments for sea lice and diseases. We are also investing in our operations in Scotland with a focus on biology and RAS systems to drive sustainable growth.

We strictly adhere to all relevant legislation and go beyond compliance on important issues. Listening and responding to our customers' needs and maintaining good international relations are also paramount.

In 2020, production increased to more than 1,800,000\*meals a day, serving business customers, including importers, food producers, large supermarkets and restaurant chains, in more than 30 countries across four key markets; Western Europe (67%), North America (18%), Asia (8%) and Eastern Europe (5%). As consumers in these markets increasingly demand peace of mind about the sustainability of their food, our direct customers' demands have also increased. Recently we have found our strong sustainability record has strengthened our relationship with key customers and we anticipate this trend towards transparency in food production will continue.

We are committed to producing healthy world-class salmon, responsibly and sustainably. This includes increased transparency and a focus on third-party certification to demonstrate to stakeholders our sustainability and welfare credentials and focus on quality and supply chain integrity.

\*Meals per day calculated as 125g portions, 220 days of productions/year



This is part of our Healthy Living Plan, championed by our Board.

By producing high-quality protein for a global market responsibly and efficiently, and through our investment into innovation and sustainable infrastructure and renewable energy solutions, we are contributing towards UN Sustainable Development Goals 2, 7, 8 and 9. For more information see page 13.

More information on our corporate strategy to grow a healthy business can be found in our Annual Report.

## GOVERNMENT REGULATION AND COMPLIANCE

Continuing to meet regional and international standards is critical for sustainable growth. We strictly adhere to all relevant legislation in the areas in which we operate and are committed to going beyond compliance including driving leadership on issues at a national and international level.

Our business relies heavily on the natural capital in the areas in which we operate both in the Faroe Islands and Scotland. We work with the relevant environment agencies and comply with aquaculture legislation at each stage of the value chain. Compliance, leadership and transparency are key and we are committed to zero cases of non-compliance.

We go beyond compliance by voluntarily adhering to international standards, including ASC and Best Aquaculture Practice (BAP), to raise the bar for the industry on sustainability issues.

### In 2020, we:

- Had zero cases of non-compliance.

## ETHICAL CONDUCT

It is important to go beyond compliance to ensure that we continue to uphold and promote good business practice consistent with our core values and principles. Our values guide our approach in creating long-term value for our customers, shareholders and society. This means we act responsibly, with respect, while being determined, efficient and ambitious.

These values are outlined in our Code of Conduct, which aims to create sound corporate culture. Our Code requires all employees to observe high standards of business and personal ethics and employ a fair and honest approach to working with each other and external stakeholders.

Our policies also ensure our suppliers meet ethical standards and are required to adhere to standards on occupational health, safety and wellbeing, human rights, child-labour and environmental standards, which are aligned with third party standards.

In Scotland, we have established a rigorous supply chain compliance programme using SEDEX membership and self audit to make informed business decisions and drive continuous improvement across our value chain. All suppliers are carefully assessed to make sure that they are performing to an appropriate standard, especially regarding their level of quality management, health and safety, corporate social responsibility as well as ethics and environmental care. Key supplier relationships are closely managed through quarterly business reviews to measure and review the performance.

Bakkafrost has an online mechanism where members of the public can raise a complaint and if necessary employees can raise concerns through an independent and confidential whistleblowing programme.

In 2021, we will:

Update and align our policies across the Bakkafrost group to promoting best practise.

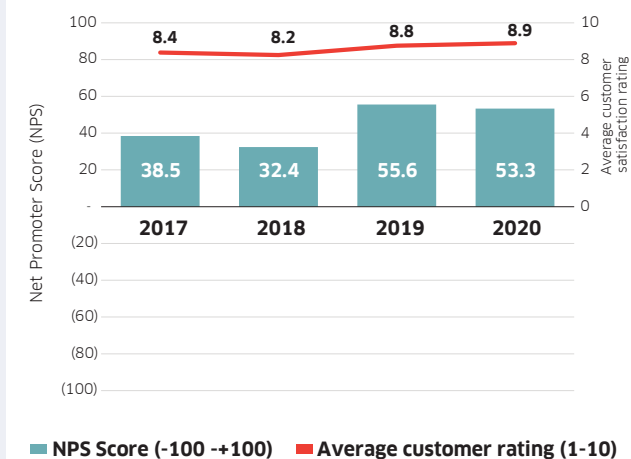
## CUSTOMER SATISFACTION

Building long term relationships with our customers is important for maintaining our position as a preferred supplier of world class salmon. We are committed to building long term partnerships and delivering outstanding customer service. We continue to work closely with our customers to meet their needs including new product development and obtaining relevant third party certification. We conduct an annual customer feedback survey and in the Faroes hold a Customer Summit every 2 years and in both Scotland and the Faroes we welcome customer visits to see our facilities first hand.

We provide outstanding customer service with a reliable, efficient, and responsible approach and in turn value loyalty and trust from our customers. More information on our customer strategy can be found in our Annual Report.

Bakkafrost has been in a growth period for a number of years which has accelerated since the listing on the Oslo Stock Exchange in 2010, and more recently with the acquisition of companies in the US and the UK. In line with production growth, we continue to expand into new markets and increase sales.

### CUSTOMER NET PROMOTER SCORE (NPS) 2020





**In 2020, we:**

- Introduced new customers in European and US markets.
- Continued to develop product lines to meet customer requests.
- Continued to build our own brands, with branded sales to the US market.
- Ran our customer survey and received an average customer rating of 8.89 and a net promoter score of 53. Please see page 41 or our customer scores on quality.

In 2021, we will continue our product development programme and address changing demands on packaging. We will also continue to build stronger relationships with our customers with initiatives such as chef seminars and demonstrations, visits and meetings and conduct our annual feedback survey.

**INNOVATION**

As a relatively new industry, innovation is key to the development and growth of aquaculture. Investing in innovation and research and development is fundamental to meeting customer demands, realising opportunities and leading on sustainably. As part of our ambitious growth plan, we invest substantially in new technology to mitigate risk, including non-medicinal sea lice treatment and to exploit opportunities for product development and growth, such as circular solutions for waste management and energy.

Growing sustainably is about maximising the value from the resources that are available. We are focussed on harnessing all potential value that can be extracted from every stage in our value chain, including maximising 'nose to tail' to ensure every part of the salmon is used and converted into value to ensure no waste.



At our biogas plant, we generate electricity and heating from our biological waste such as dead fish and faeces from our hatcheries. See more on FÖRKA on page 69.

Blockchain is an exciting new project that our Scottish business is leading in a collaborative partnership. Blockchain technology (BCT) is a cutting-edge solution to improve transparency across supply chains and act as a deterrent for food fraud. Blockchain can be used to trace a product's provenance and carry detailed attributes in each transaction. The increased transparency provided by these systems can be used effectively to improve trust and engage with customers and consumers.

Our Blockchain project involves the use of DNA markers for Native Hebridean Salmon. Blockchain means our supply chain is fully traceable and proves the authenticity of Native Hebridean Salmon, helping combat potential food fraud, increasing transparency and providing more information, including sustainability credentials, for our consumers.

An exciting new development for the business was the acquisition of the Harris & Lewis Smokehouse in Stornoway, on the Isle of Lewis. The smokehouse has extended our value chain in the Hebrides and has enabled us to produce smoked salmon in Scotland. We have developed an innovative curing process for our Native Hebridean Salmon that has been specifically designed to minimise water usage, reducing environmental impact. In early 2021, we launched our Harris & Lewis e-commerce shop to enable UK consumers to order our award-winning smoked Scottish Salmon directly.

Native Hebridean Smoked Salmon won a prestigious Great Taste Award in 2020, with judges commending its quality, finish and flavour. Recognised as a badge of excellence, the Great Taste label is awarded to outstanding products following a blind tasting by experts in the food and drink industry.

#### In 2020, we:

- Began operating our new biogas plant – our largest investment into the circular economy to date. See more on page 69.
- Tendered a new fully electric workboat.
- Continued to develop the resilience of our Faroese salmon roe as part of our unique breeding programme.

In 2021, we will continue our Blockchain project in Scotland, invest in a fully electric workboat and continue to investigate innovative project to support our sustainable growth.

#### INTERNATIONAL RELATIONS

The Faroe Islands maintain good international relations. However, there is ongoing public interest in Bakkafröst's pilot whale hunting policy. We have strict internal guidelines mandating that employees must not take part during work hours and our equipment must not be used in any way. The Faroese Fish Farmers Association, of which Bakkafröst is a member, has made a statement with our position signed by all farming CEO's in the Faroes.

#### 2021 FOCUS

- Update and align our policies across the Bakkafröst group to promoting best practise.
- Continue strengthening customer relationships and responding to changing needs
- Build a new fully electric workboat





## Healthy business Innovation at sea



Bakkafrost aims to be a forerunner in sustainable development. We set ambitious goals for environmental impact and continue to look for visionary projects that contribute to sustainable solutions with an aim to meet our goal of reducing our GHG emissions by 50% by 2030.

In 2020, Bakkafrost tendered for a new fully electric workboat which does not emit greenhouse gases and is solely based on electric power from batteries charged during hours with maximum “green” power production. Not only does this benefit the environment, the boat also makes almost no engine noise, which is an advantage for the crew, local communities and reduces salmon stress.

In a collaboration with the Nordic Council of Ministers, Faroese Government and Faroes energy company, SEV, the project is part of a wider aim to find energy solutions that utilise the production of energy in remote areas in a sustainable manner. Ships and boats play an important role in the Faroe Islands and has the biggest potential to reduce overall Faroese GHG emissions. This project is visionary and has the potential to have an important positive impact in the salmon farming industry and for Faroese shipping industry. The construction of the workboat is expected to be completed in December 2021.

In Scotland we have engaged in trials with hybrid engines on boats to reduce emissions.



# Healthy people Performance review

## ★ STRATEGIC PRIORITY

- To be a preferred employer

## ■ 2020 PERFORMANCE AGAINST OUR 2020 COMMITMENTS

- Renew our employee strategy ●
- Launch an employee engagement survey ●
- Have zero fatalities ●

## ⚙️ 2023 COMMITMENTS

- Have industry-leading employee engagement scores
- Launch internal sustainable behavior campaign
- Maintain gender diversity in senior positions
- Reduce absence rate by 10%
- Become certified against ISO45001 standard
- Reduce LTA to zero
- Have zero fatalities

## 🌐 SDGs



## WHY THIS IS IMPORTANT

We respect and care for each other, our communities, partners and consumers and work together to exceed expectations. We are part of the social and economic fabric of the communities in which we work and proudly promote the vital role that salmon farming plays in in remote and rural areas. Our people are the heart of our business and our greatest asset. We treat our employees equally and fairly and aim to deliver career progression through continuous development. The health and safety of our employees is paramount; providing a safe working environment for everyone and ensuring we adopt a culture of continuous improvement and best practice is fundamental.

Our business has now expanded internationally and become a truly international organisation with farming companies in Scotland and the Faroe Islands, with Head Office functions in the Faroe Islands and Scotland, a small processing and sales operation in the USA and a feed production and biogas plant in the Faroes.

Inclusivity is a fundamental principle across all areas throughout our value chain. We take the responsibility of our employees' safety very seriously and adopt a proactive approach to health, safety and wellbeing, engaging with industry bodies to shape our health and safety programmes across the value chain. We will never compromise the safety of our employees and deploy extensive and regular training that ensures all employees understand their working environment and to always act safely.

Our employees create and maintain our competitive advantage. We invest in them and promote a healthy working culture, built on strong values.



### Position statement

We aim to be an employer of choice, where everyone can work safely and in an inclusive environment, encouraging employees to take responsibility and pride in their achievements. Our people are the heart of our business and we treat our employees equally and fairly. We are committed to the health and safety of our employees and their personal development.

To drive our culture of continuous development we are committed to encouraging personal and team development and evolving the staffing structure to support responsible business growth. Understanding and engaging with Bakkafrost values is fundamental, appreciating that we have an important role in our communities, creating employment, learning and development opportunities in remote and rural areas which contribute to sustainable development.

Our focus on developing our employees is contributing towards UN Sustainable Development Goals 5 and 8. Please see page 13 for more information.

### HUMAN CAPITAL

Our aim is to ensure we maintain a diverse and inclusive workplace, attract and retain talent and expertise, build workforce competency and maintain high employee engagement.

In total, we employ 1,781 people, including our operation in USA. We employ 1,093 (940 full-time equivalent) people in our operations in Bakkafrost Faroe Islands, USA and Havsbrún. In the Faroe Islands, we have employees from across 24 of the 29 municipalities. In Scotland, we have 688 people across 60 sites. Roughly 85% of our employees in Scotland live in rural areas and we respect the role that salmon farming plays in the remote and rural areas in which we work. We are committed to providing quality employment and developing our employees.

In Scotland, temporary employment increased within our Processing Factory to support the introduction of an additional processing line and to facilitate new ways of working during Covid-19. In the Faroes, production in our VAP segment increased, creating more employment in this relatively labour-intensive part of our value chain.

We aim to provide career paths for a more diverse workforce. Our investment in new and extended hatcheries has also created new roles in freshwater, with biology and technical expertise and encourage an increased number of female applicants.

Our Code of Conduct outlines our approach to ensure optimal working conditions and inclusive culture. We have a zero-tolerance approach to any form of harassment, bullying or other unacceptable behaviour at work.

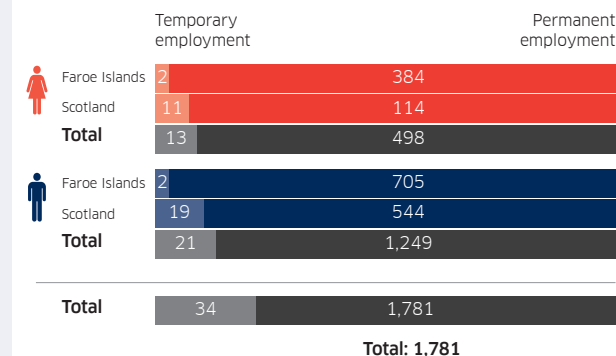
Unemployment rates in the Faroe Islands remain one of the lowest in the world at 1.7%, including during the pandemic. In 2020, the employment rate was high for both men (86.7%), and women (83.9%).

The unemployment rate in Scotland in 2020 was 4.2 %. In 2020, the employment rate was 72.6% for women and 77.1% for men.

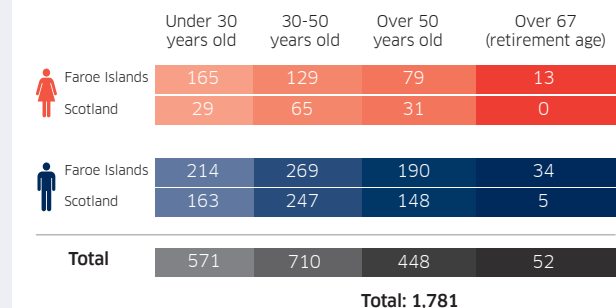
We support the Real Living Wage initiative, which is a voluntarily rate paid by UK businesses who believe their staff deserve a wage which meets everyday needs and above the National Living Wage.

We continuously strive to create an attractive and open Company culture with meaningful jobs in a safe and sustainable working environment.

## BAKKAFROST WORKFORCE 2020 BY TYPE OF EMPLOYMENT



## BY AGE



Further data on workforce composition (including diversity), turnover and training can be found at [www.bakkafrost.com/sustainability](http://www.bakkafrost.com/sustainability)

## EQUALITY

We are committed to strengthening our approach to promote diversity in the workplace, including developing a gender equality policy and continuing to roll-out internal initiatives, training and communication.

We are an equal opportunity employer and are committed to treating all employees and job applicants equally. We will avoid unlawful discrimination in all aspects of employment, including recruitment and selection, promotion, transfer, training opportunities, pay and benefits, other terms of employment, discipline, selection for redundancy and dismissal.

It is the policy of the Company to take all reasonable steps to employ and promote employees based on their abilities and qualifications without regard to:

- age,
- disability,
- gender reassignment,
- marriage and civil partnership,
- pregnancy and maternity,
- race (including colour, nationality and ethnic or national origins),
- religion or belief,
- sex and/or sexual orientation.

We will appoint, train, develop and promote based on merit and ability alone. Prior to 2020 all SSC managers in Scotland received Equality and Dignity at Work training. This is due to be refreshed and delivered to new managers in 2021.

At the end of 2020 women accounted for 29 % of our permanent employees (36 % in the Faroes Islands and 18 % in Scotland).

In Scotland we saw a 15% increase in female employees from 2019 to 2020 (109 in 2019 to 125 in 2020)



In 2020, 17% of our Board of Directors and 16% of our Management Team were female.

**“During the recent years we have increased our focus on attracting more women to Freshwater Operations and received more female applicants than usual.”**

**Heini Kristiansen**, Group HR Director

We are passionate about promoting diversity in our workforce. At the beginning of 2020, Women in Scottish Aquaculture (WISA) launched a new mentoring programme. We are proud that two of our employees, Kimberley McKinnell, a Senior Biologist at Lochgilphead and Penny Hawdon, our Site Development Manager, are mentors on the first round of the scheme. The programme has demonstrated the desire of women to progress in this industry, with a waiting list of individuals eager to be paired with a mentor.



## EMPLOYEE ENGAGEMENT

Connectivity is key to a successful business and engaged workforce and we have invested in improving connectivity in Scotland.

We have well defined remote working policies in place that support business continuity, which have been deployed in response to Covid-19. These include online meeting applications through to remote feeding at our marine farms.

Effective communication is key, as well as sharing progress across the business, it is important to ensure that all our employees are informed of relevant important developments. In 2019, we launched Workplace, a digital internal communication platform, as our main channel of internal communication in the Faroe Islands. The platform provides an opportunity for staff to engage with colleagues, feedback on company news and share best practice and updates on health and safety and sustainability. In 2020, this has been a pivotal part of our Covid-19 communications in the Faroes, ensuring we have a direct line of communication. In Scotland, we quickly implemented Teams, a business communications platform, as 15% of our workforce changed from working in an office to working at home. The focus has been on regular communication to ensure that our employees feel safe and have the most up to date advice and guidelines. In January 2021, we launched the roll out of Workplace in Scotland which will assist in accelerating integration and knowledge sharing across the business. Workplace and Teams have been important in maintaining communication and engagement through virtual events and sharing information in a year when physical meetings and corporate events have not been possible.

Staff Forums are an information and consultative session providing an opportunity for dialogue and engagements on issues of mutual concern and interest. It provides an opportunity for elected members to present views from staff to be considered in the decision making process.





### Employee survey

The results of our annual employee survey in the Faroe Islands showed great progress in several areas raised in the survey the previous year. The “Immediate Manager” focus area has improved significantly, showing results from our focus in line manager training. The improvement was significant at 6 index points, going up from 67 in 2019 to 73 in 2020, which is in line with this year’s industry benchmark.

In Scotland, the Better Business survey was completed in September 2020. The survey was Benchmarked against 160 other UK Business, across range of sectors, such as Manufacturing, Production, Retail and Professional Services. The results demonstrated that health and safety scored high with employees being ‘generally satisfied’ with working practices. There is a strong feeling of diversity and inclusion with over 90% of employees understanding that all cultures, beliefs, ethnicities are accepted and 88% of employees have a clear understanding of how to measure performance. There is room for improving the communication of the strategic direction of the business, which will be a focus going forward. To ensure the health and wellbeing of our staff we also conducted two surveys in relation to Covid-19.

Line managers have shared results with their employees and have created action plans through to department level.

#### EMPLOYEE SURVEY RESPONSE RATES



In line with industry average of mid 60s (Scotland)



## TALENT ATTRACTION AND TURNOVER

Attracting and developing new talent is important. In the Faroe Islands we recruit apprentices, interns and industrial placements across a variety of disciplines, including marketing, finance, aquaculture and marine biology, as well as two-week work experience students from local schools, students and apprentices who often fill permanent positions.

Due to Covid-19 measures, we have had to minimize our regular student visits. However, in 2020 we began a partnership with a local school focused on maritime industries. Ninth grade students were offered the opportunity of on-the-job learning for several days throughout the whole value chain and received excellent feedback from both students and teachers. We are a main sponsor of the annual Faroese Job match employment conference, which was held virtually, allowing students to connect with Bakkafrost and gain a glimpse into the world of aquaculture. This has proved to be a very effective method of attracting new talent.

We are committed to development and investment in our employees. In Scotland, we work collaboratively with national groups and regional groups, including LANTRA, Developing Young Workforce, Scottish Aquaculture Innovation Centre (SAIC), North Atlantic Fisheries College (NAFC) and the Aquaculture Curricular Advisory Group. We have forged strong links with local schools and colleges and regularly attend career fairs and visit schools to promote the diverse career opportunities available in our sector. Due to the pandemic, we have been unable to provide work experience or internships in Scotland in 2020. However, we have continued to work closely with local colleges to deliver our Modern Apprenticeship Programme. With the support from Edinburgh College, we also accessed £15,000 worth of funding from the Scottish Government to invest in developing skills in our workforce. We aim to access this funding again for the third year in a row resulting in a total £45K in funding towards training initiatives.

We deploy training courses for all levels of experience across all functions of the business. Our industry leading Competency Frameworks in Scotland is based on a combination of National Occupational Standards in Aquaculture and specific requirements and is designed to meet the needs of our business. See more on our Competency Framework on page 39.

In Scotland we have supported our stakeholders at various careers events over the years, the most memorable event is always the Royal Highland Show where, along with our colleagues in Production we have a fantastic platform to promote the progressive career opportunities available in our sector and encourage young people to engage by 'guessing the weight of the salmon' at the same time as learning about the lifecycle of Scotland's Finest Salmon. We have also drawn the crowds by organising tasting opportunities.

Data on our turnover can be found online [www.bakkafrost.com/sustainability/data](http://www.bakkafrost.com/sustainability/data)

To ensure we continue to meet the highest health, safety and welfare standards, we conduct annual training using both internal and external trainers who deliver modules on topics ranging from hygiene, first aid, workplace safety, safety at sea and safe chemical use and fish welfare. We review our courses regularly.

We have continued to ensure Line Managers receive adequate training and guidance. In Faroes, we continued the roll out of two-day line manager training courses, delivered by external experts. This includes guidance on topics ranging from leadership, diversity, communication and conflict management. In Scotland, we delivered a Management

Development Programme in conjunction with Edinburgh College to over 20 middle managers. Due to the ongoing Covid-19 restrictions this training was delivered using Teams and spread over a four month period allowing managers to immediately apply their learning from each module directly to their work.

In total, over 11,000 training hours across over 2,000 courses were delivered in Scotland in 2020. We also had 46 employees undertaking Modern Apprenticeship Qualifications and a further nine employees who will commence their qualifications in 2021.

We offer market-leading benefits to permanent employees in the Faroe Islands. These include a share savings plan, taken up by 248 employees in 2020, bonus shares and various insurance options, including offering life insurance, accident insurance and critical illness insurance. Our pension provision and parental leave are in line with national legislation. In addition, Bakkafrost extends the period of full maternity pay for permanent employees in the Faroes.

In Scotland, we benchmark to ensure our benefit packages are in line with industry standards as a minimum. We offer a variety of benefits, including an Employee Assistance Programme, Cycle to Work scheme, Occupation Health Monitoring, Long Service Awards, Holiday Buy and Sell, additional holidays based on length of service and offers and discounts on local services. A Value Awards programme has been developed to recognise achievements in line with our values and drive cultural change. Launched in 2019, the awards celebrate success, benchmark excellence within the business and inspire employees to live by our values and strive to deliver best practice. An example is our team at Torridon who were nominated for a Special Value Award in 2020 after assisting with two rescues, see more information on page 74.

**In 2020 we:**

- Partnered with a health initiative in the Faroe Islands “Rørsla fyri øll” (movement for everyone) offering our employees free participation.
- Offered free flu vaccines for all employees in the Faroe Islands with 100 employees accepting the offer.
- Had 248 employees participate in our employee share saving programme in the Faroe Islands.
- Arranged our first “Bakkafrost International Day”. A day with a focus on celebrating diversity and promoting integration and company culture.
- Launched a new horizontal and vertical employee online communication tool, as part of increased efforts to create an open culture.
- Continued the rollout of our line manager training programme.
- Continued to integrate the ten principles of the UN Global Compact to pledge our commitment to protect human rights; respect the freedom of association and the right to collective bargaining; and to have a workforce free from forced, compulsory, child labour and discrimination.
- Our annual Company Day was cancelled due to the Covid-19 restrictions and instead, we organised virtual hikes with free hiking boots and gift bags to all employees in the Faroe Islands.
- Carried out a partnership with a local school for 9th grade students to participate in on-the-job learning days throughout our value chain.
- On World Environment Day gave trees to all our employees in the Faroe Islands. We also ran an event at our head office, where we had an expert explain about the history of trees emerging in the Faroe Islands.

- Continued to work together with our suppliers to better manage social and environmental performance and improve working conditions throughout the supply chain through our membership with SEDEX.
- Gave all employees in the Faroe Islands the opportunity to volunteer at our annual beach clean to maintain the pristine environment around our fjords.
- Arranged an event in celebration of the new book about the history of Bakkafrost. All employees were given a free copy.
- Celebrated the achievement of 100% ASC certification in the Faroe Islands with a special meal delivered to all our locations on the Faroe Islands.
- Introduced rolling shift pattern at Applecross in Scotland through consultation with employees. Refined several times until the most suitable pattern for the team and the business was agreed.
- Developed a manual at Applecross in Scotland to provide training and hands-on support to the team daily as they develop their knowledge of the processes and equipment.
- Rolled out a TMS system to all employees in Scotland allowing flexibility to clock in/out from terminals or from a phone app.
- Utilised alternative employee communication methodologies, including monthly staff briefings and regular updates to share guidelines and information from both the Scottish and UK governments on Covid-19 related issues, staff surveys were also arranged.
- Introduced an automated Text System at Cairndow Processing Plant in Scotland as a more efficient way of informing employees of changing transport arrangements. Approximately 100 employees travel by bus from Dunoon, Clydebank and Dumbarton to Cairndow Processing Plant each day.

In 2021, we will continue to strengthen our human capital, as well as building our apprentice programme. We will look to pursue a stand-alone social standard certification to strengthen our human rights assessment. We will strengthen our approach to promote diversity in the workplace and develop a policy for gender equality, already in place in Scotland and continue to roll-out internal initiatives.

In Scotland, we have a comprehensive suite of policies. However, we believe that women and minority groups are under-represented in the industry. Therefore, we will continue to develop our support of initiatives such as WiSA (Women in Scottish Aquaculture) and other networks, in addition to expanding our flexible approach to working arrangements.





## BAKKAFROST FAROE ISLANDS LOST TIME INJURY RATE

LTIR PER MILLION WORKING HOURS

10.23 9.63  
2019 2020

## ABSENCE RATE

2020

3.9% 6.4%  
FAROE ISLANDS SCOTLAND

## THE SCOTTISH SALMON COMPANY LOST TIME INJURY RATE

LTIR PER MILLION WORKING HOURS

30.92 24.19  
2019 2020

## FATALITIES

0

2020

WE HAD NO FATALITIES IN 2020

### HEALTH, SAFETY AND WELLBEING

At Bakkafröst we are committed to continually improving the standards of occupational health and safety by creating a healthy working culture. The Board of Directors has overall responsibility for this area and health and safety is included on the agenda of all meetings.

Health and safety are a priority, providing a safe working environment for everyone and ensuring we adopt a culture of continuous improvement and best practice is fundamental to our business.

We are committed to providing a safe working environment as outlined in our Code of Conduct. We have implemented a set of best practice guidelines based on the highest health and safety standards on land and at sea. We have internal safety procedures and guidelines for each division, this includes health and safety committees, emergency procedures for all relevant sites, such as for fires, personal injury or illness and man overboard, and risk assessments, including hazard identification.

We conduct annual internal audits throughout the value chain, including feed production, hatcheries, farming, harvesting and processing as well as external audits and facilities are GLOBAL G.A.P certified. This includes strict health, safety and welfare requirements. Our large service vessels are audited against the International Safety Management code.

We work proactively with industry bodies such as the Health & Safety Executive and the Maritime and Coastguard Agency. We work systematically to mitigate risk and respond to incidents and actively encourage open and honest reporting of all accidents – no matter how minor. We monitor and measure our progress related to safety using leading and lagging key industry indicators to ensure continuous improvement and health and safety of our staff. This includes audits and inspections, employee feedback forums, near-miss incidents, accidents and RIDDOR.

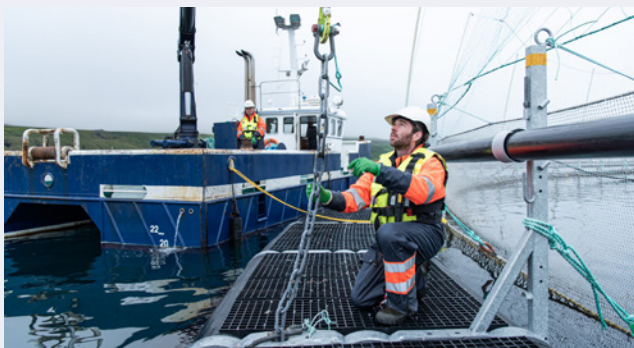
We have robust health and safety procedures and all employees are provided with training and guidance to

Our targeted focus on safety during the recent years has resulted in fewer incidents and lower absence rates.

ensure that they are familiar with relevant procedures. Comprehensive risk assessments are carried out regularly and the Company has reviewed and developed an extensive incident management and business.

We promote employee health and safety through, such as local safety working groups, which report to our Health & Safety Board. All sea farmers and seafarers have health checks every two years, as legally required. Employee wellbeing is promoted through our internal policies, which include working conditions, reasonable working hours and employee events such as annual volunteering opportunities.

The health and safety target is to reduce LTAs to zero by 2023. In Scotland, we have already made good progress and reduced the number of LTAs by approx. 35%.



The main challenge to the business this year has been the threat caused by Covid-19 and the health and safety of our employees. Ensuring that we maintain a safe working environment has been our number one priority. We are very proud of our employees for embracing and adapting to new ways of working in these unprecedented times. We have taken steps to focus on activities which are critical to our business: ensuring the health and safety of our employees, maintaining the health and welfare of our fish while ensuring product quality and consistent supply for our customers.

We put several extensive measures in place, including social distancing, additional Personal Protective Equipment, enhanced hygiene routines, temperature monitoring equipment and new shift patterns to minimise contact. We conducted full risk assessments across our sites and production facilities to protect both our people and our products. In the Faroe Islands we offered a free Covid-19 test programme for all employees in collaboration with the Faroese health authorities. This was well received and we completed nine rounds of testing during the year. A total number of 6,417 tests were conducted in the programme with no positive results.

For more information on how Bakkafrøst has managed the Covid-19 pandemic see page 18-21.

We have seen significant improvement across the health and safety metrics in 2020 compared to 2019, the key highlights are listed on page ADD. The overall positive outcome for 2020 demonstrates that the proactive tools are working including initiatives such as 'Good catches' and 'Monthly 100' in Scotland and robust health and safety audits throughout the business.

Please see our sustainability pages online for more health and safety indicators, and our basis for reporting.

#### In 2020:

- Had zero fatalities and further reduced our lost time injury rate by 6% in the Faroe Islands.
- Conducted 6,417 Covid-19 tests in 9 rounds of a test program for all employees in the Faroe Islands.
- Reduced LTIs by 17.6% in Scotland, driven by a reduction primarily in the Marine and Processing areas of the business.
- Reduced the Lost Time Incident rate (LTIR) by 21.8% in Scotland, this is mainly due to a 45.5% reduction in Processing who are really leading the way.
- Launched a new safety and Quality Management System in the Faroe Islands, which will make it easier to report accidents, near-accidents, and non-conformities. The system will be integrated to our intranet and therefore accessible for relevant employees.
- Completed the ASC certification on all sea farming sites in the Faroe Islands. The ASC standard sets high requirements regarding social responsibility including Health and Safety of our employees.
- Developed a safety hook together with the owner of the vessel that transport feed to our farming sites in the Faroe Islands which will improve the safety of our sea farmers.

- Continued to improve our safety culture at all our sites, with focus on risk assessments, investigate incidents, assisting local management on how to ensure a safer workplace and share safety information on a regular basis.

In 2021, we will:

- Continue to improve the company's safety performance with an increased focus on risk management. Key areas include reporting near-misses, sharing best-practice and knowledge and increasing safety briefings on sites. Robust health and safety KPIs will be implemented.
- Aim to further reduce the number of personal accidents through robust prevention measures.
- Implement a new Safety Management System.
- Prepare the business for the ISO45001 certification.
- Implement our Wellbeing Strategy in Scotland.

Please refer to [www.bakkafrøst.com/sustainability/data](http://www.bakkafrøst.com/sustainability/data) where we disclose further health, safety and wellbeing data.



## HUMAN RIGHTS

We respect all international recognised human rights. We respect freedom of association and the right to collective bargaining and do not engage in any trafficked, forced, compulsory or child labour and ensure we are not complicit in human rights abuses.

In the Faroe Islands we are a member of the Faroese Employers' Association, which negotiates collective agreements for the highly unionised Faroese private labour market. Employee rights are protected by the unions and union representatives, including ensuring employees earn a fair living wage in accordance with collective agreements. We meet with unions regularly and strive to have a good and constructive relationship. Employee representatives are given time off from work to fulfil their union duties, including training courses.

In Scotland, employee representatives are nominated and elected by their fellow employees to represent in regional staff forums, there are no collective bargaining or unions. Elected representatives attend meetings on behalf of their colleagues regarding important issues in the workplace within the terms of reference, improving communication, consulting and building positive relationships with management based on trust and co-operation. Representatives canvas the views and concerns of their colleagues prior to the meetings and provide feedback. Formal meetings are held every quarter and representatives are required to attend all scheduled meetings.

Bakkafrost has a grievance procedure in place and a whistle-blower programme accessible to all employees. Our discrimination policy is in accordance with the ILO conventions. Discrimination in the workplace is not tolerated and we have a system in place to manage complaints.

In Scotland, our commitments to honest, respectful, and fair working relationships are embodied in our Ethical Trading Policy, Modern Slavery Policy and Equal Opportunities Policy, for both permanent and temporary employees. During 2021 policies will be aligned across the Bakkafrost group, promoting best practise.

We offer two confidential routes to make a disclosure to our HR team or through our confidential whistle blowing reporting line that is managed by an independent third party.

We are a member of SEDEX and we conform to the Ethical Trade Initiative. Social audits enable the business to assess our suppliers, monitor health and safety, and signal zero tolerance of human rights abuses such as child and forced labour.

The wellbeing of all people is important to us and we expect the same standards from our business partners. They are contractually obliged to meet our Supplier Standards which among other requirements ask them to ensure all labour is carried out in a safe work environment, free from discrimination and the exploitation of children. We expect suppliers to pay fair wages to their workers in accordance with local laws and regulations.

We have a zero-tolerance approach to any form of harassment, bullying, victimisation or other unacceptable behaviour at work.

### In 2020, we:

- Zero whistle-blower reports, relating to human rights, discrimination, or forced/child labour.
- We updated all our SEDEX Self-Assessment Questionnaires and published for our suppliers and customers.

### 2021 FOCUS

- Diversity and inclusion programmes
- Apprentice programme
- Social standard to strengthen human rights assessment
- Integrate the organisation on one intranet platform



## Healthy people Competency Framework



We strive for continuous development and career progression for our employees.

Our industry leading Competency Frameworks in Scotland is based upon a blend of National Occupational Standards in aquaculture and is underpinned by requirements, values and desired behaviours specific to operations in Scotland.

The frameworks for both our marine and freshwater employees set out comprehensive guidelines for assessing and developing competencies across all levels and provides a clear path for progression. Employees are assessed annually against the relevant framework using a structured scorecard which identifies their current competency level and allows their line manager to outline clear development plans for the coming year, ensuring a consistent forward-looking focus for continual development.

Since launching the frameworks in Scotland in 2015, we have seen average competency levels across our marine and freshwater operations increase by 14%.



# Healthy salmon Performance review

## ★ STRATEGIC PRIORITY

- To exceed leading standards

## 📊 2020 PERFORMANCE AGAINST OUR 2020 COMMITMENTS

- Maintain our high omega 3 levels ●
- Maintain high customer satisfaction with product quality ●
- Reduce fish mortality to 6% ●
- Have ASC certification across all sites ●
- Further develop and implement non-medicinal treatments with high focus on fish welfare ●
- Have zero fish escapes ●

## 🎯 2023 COMMITMENTS

- Increase smolt size to 500g
- Maintain our high omega-3 levels
- Zero antibiotic use
- Maintain salmon survival rate at 94% or above
- Increase research to optimise fish welfare and product quality
- Maintain industry-leading approach to animal welfare
- Maintain ASC certification, BAP certification or similar of all Bakkafrøst salmon

## 🌐 SDGs



## WHY THIS IS IMPORTANT

Unprecedented population growth and increasing demand for protein is putting a pressure on the planet never seen before. The aquaculture industry has been identified as one way to meet this demand, providing a sustainable and nutritious source of protein. According to FAO's 2020 report "The State of World Fisheries and Aquaculture 2020" fish consumption in 2017 accounted for 17 percent of the world population's intake of animal proteins and 7 percent of all proteins consumed. According to the report, aquaculture will continue to be the driving force behind the growth in global fish production, with an increase of 32% from 2018 to 2030.

Both the Faroese fjords and Scottish lochs provide optimal salmon farming conditions due to water temperature, salinity and water flow. We have made great progress in improving survival rates and harvesting weights, decreasing the feed conversion rate and have seen improvement in productivity. However, the industry still faces challenges such as sea lice, disease and compromised gill health. Addressing these risks to ensure the quality and good growth of our salmon, while maintaining the highest health and welfare standards, has also called for a high degree of collaboration between companies and large investment in new technology for continuous improvement. Going forward, we anticipate changing sea

conditions such as rising temperatures will also give rise to new challenges.

Through our focus on a responsible approach to aquaculture, we are contributing towards UN Sustainable Development Goals 2, 6, 14 and 17. Please see page 13 for more information.

## WHAT WE DO

To encourage production of more sustainable food with high nutritional quality remains our top priority. Our salmon provides a nutritious, efficient and sustainable source of animal protein, high in omega 3. The quality is dependent on our natural environmental conditions, commitment to the highest health and welfare standards and ensuring our fish are fed sustainably sourced top-quality feed. We are engaged in all stages of the value chain, ensuring full traceability and strive for continual improvement at every stage.



### Salmon feed

We aim to feed our salmon with a diet close to the natural diet of wild salmon. We believe this provides benefits, including a healthier nutritional value. The vertical integration of our fishmeal, oil, feed and salmon production ensures we source the highest quality marine ingredients from well-managed local fisheries. This ensures we use a high percentage of sustainable marine content giving our salmon a high Omega-3 fatty acid content. In 2020, the Omega-3 content was on average 2,6g per 100g of salmon fillet. Please see page 58 for more information on sustainable feed.

Salmon is a healthy food choice, it contains a number of necessary nutrients for humans, including Omega-3 fatty acids and Vitamin D. The most important Omega-3 fatty acids are EPA and DHA. Both are known to be effective in the prevention of cardiovascular diseases. Our salmon is fed with premium feed, high in marine content and has a high Omega-3 content.

### Free from pollutants

Our feed remains free from growth promoting hormones and salmon offal or waste from other farmed species and well below EU directive limits for any undesirable substances, including dioxins and dioxin-like PCB's, and we continue to look for new ways to reduce these levels. We only include natural antioxidants to protect from oxidation and maintain nutritional quality, our fishmeal and fish oil are free from ethoxyquin.

### Safety and Quality Assurance standards

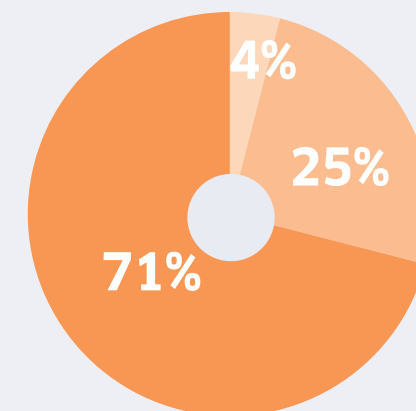
We are committed to operating to the highest levels of quality. We focus on HACCP (Hazard Analysis and Critical Control Point), risk management and traceability for each site. HACCP identifies any Critical Control Points (CCP) and Operational Control Points (ORP) and we risk assess against these. We routinely send product samples to be tested by third-party laboratories to validate our food safety programmes and employees receive appropriate training in food safety and quality.

- We have well established business continuity and incident management procedures, including product recall with regular recall exercises.
- We adhere to standards and certification programmes and our comprehensive internal control system is regularly reviewed by authorities.
- 100% of our products and our entire value chain is covered by third-party certification, ensuring high international food safety standards. See more under Collaboration and Certification on page 48–49.
- Bakkafrost USA moved into a new 35,000 sq ft processing facility at the end of 2020. The US operation is registered with the FDA and has a supplier verification procedure in place to ensure all domestic and foreign suppliers meet our leading standards in product safety and quality.

Our strategic priority is to meet, and where possible, exceed leading standards to ensure industry leading food safety. We have robust food safety and quality risk assessments, systems and controls throughout the value chain. Quality assurance and control is integrated at every stage of production involving daily testing and monitoring prior to issuing health certificates to ensure compliance with international health and food safety regulations.

### CUSTOMER SCORE OF BAKKAFROST SALMON'S QUALITY

Reflecting the views of customers representing 61% of revenue in 2016, 42% in 2017, 32% in 2018, 69% in 2019 and 72% of the revenue in 2020.



#### 2020

- 0% Not satisfied
- 4% Somewhat satisfied
- 25% Satisfied
- 71% More than or very satisfied

#### 2019

- 0% Not satisfied
- 2% Somewhat satisfied
- 38% Satisfied
- 60% More than or very satisfied

#### 2018

- 0% Not satisfied
- 3% Somewhat satisfied
- 38% Satisfied
- 59% More than or very satisfied

#### 2017

- 0% Not satisfied
- 4% Somewhat satisfied
- 19% Satisfied
- 77% More than or very satisfied

## FISH HEALTH AND WELFARE

We invest heavily in meeting and exceeding leading fish health and welfare standards.

### Veterinary standards

The Faroe Islands have one of the world's strictest national veterinary standards, which Bakkafrøst is committed to upholding. This includes a wide range of requirements including disease treatment and prevention, sea lice control and transportation. The Faroese Animal Welfare act, which includes the Five Freedoms animal welfare principles, is also incorporated in these standards. Ongoing innovation in salmon aquaculture has enabled the industry to continually improve welfare.

Salmon farming is one of the most transparent and highly regulated farming sectors in the UK and our sites are regularly audited by a range of bodies, including Marine Scotland, Scottish Environmental Protection Agency (SEPA), Fish Health Inspectorate and Naturescot. We are committed to operating transparently and share data on both a compulsory and voluntary basis through a variety of channels including the Scottish Salmon Producers' Organisation (SSPO) and Marine Scotland.

We are fully committed to ensuring the highest standards of welfare across our value chain and to driving continuous improvement. In Scotland we have introduced our own dynamic and integrated SSC Fish Welfare Standard, which is third-party audited and focuses on driving continuous improvements at each stage of the value chain to ensure best practice underpins everything we do.

It is a unique approach – we are the only salmon producer with our own standard that is third party accredited. To ensure our salmon are raised to the highest welfare standards, we also adhere to independent third-party accreditations, including RSPCA Assured, the leading ethical farm assurance and food labelling scheme.



We have an experienced team of specialised veterinarians and biologists dedicated to animal health and welfare, as well as training our on-site teams. We are always looking for new ways to optimise welfare while also respecting the natural environment.

Our focus is on pro-active health management and sea lice control, through health and welfare surveillance and access to a high level of treatment resource and farming expertise.

### Antibiotics

Bakkafrost salmon in the Faroe Islands has been produced free from any antibiotics since 2004 and since 2010 in marine operations in Scotland. Freshwater sites in Scotland are predominantly based on older non-RAS technology and the focus of the investment plan in Scotland is on new state of the art hatcheries, like those in the Faroe Islands. In 2020 two freshwater sites in Scotland were treated with antibiotics. We expect that this would be unnecessary in the new modern hatcheries with RAS technology.

### Diseases

We are fully committed to responsible farming practices and the stringent health management of our stock. Our fish health strategy is focused on pro-active health care to minimise the risk of disease through vaccination and the integration of optimised fish welfare.

In the Faroe Islands diseases of concern are mostly Cardiomyopathy Syndrome (CMS), caused by Piscine myocarditis virus and Heart and Skeletal Muscle Inflammation, (HSMI), caused by Piscine orthoreovirus as these reduce fish tolerance to stress. From May 2021, all smolt put to sea in the Faroes Islands will be CMS resistant.

The first generation of Faroese bred salmon was harvested in 2020 which enabled us to initiate gathering data on quality parameters, including CMS resistance and survival which is fundamental for the breeding programme.

During 2020 *Benibacterium Salmoninarum* (BKD)) was detected at some Bakkafrost marine sites and preventative disease measurements were implemented. Smolt were screened for BKD prior to sea transfer and all results have been negative. In 2021, the focus will be on preventive measures including surveillance.

From May 2021 all smolt put to sea in the Faroe Islands will be CMS resistant.

The overall health status has been good at all hatcheries in 2020 and in freshwater sites we continue to monitor emerging diseases. Biosecurity has heightened focus as our hatcheries increase in size with a greater volume of biomass.

The more significant disease challenges in our Scottish operations include Amoebic Gill Disease (AGD), Pancreas Disease (PD) caused by Salmonid Alphavirus as well as CMS and HSMI.

AGD is caused by the parasite *Neoparamoeba perurans*, which is present in many regions of salmon farming globally and thrive in warmer summer conditions with full oceanic salinity. The parasite can be a primary cause of gill disease or can act as a secondary complicator of other gill challenges like plankton or jellyfish. If untreated, compromised gill function causes reduced feeding and growth, susceptibility to stress and mortality. Treatment with freshwater bathing is highly successful in removing these parasites and in Scotland has invested in a fully dedicated well boat bathing resource with Reverse Osmosis (RO) freshwater generation capacity.

PD is commonly detected on Scottish farms and the impact is mitigated by our 100% vaccination programme and monitoring of biomarkers of muscle damage to assess the severity of the pathology. Outbreaks therefore usually result in temporary appetite reduction rather than mortality. We are engaged in benchmarking of all available vaccines to optimize the vaccine strategy.

CMS can be challenging, particularly in larger fish and it is policy to select ova with genetic resistance. HSMI is widespread in Scottish farms but is normally a passing condition with limited impact.

No Notifiable Diseases were observed in our Scottish farms in 2020.



## Sea Lice

We invest heavily in sea lice management through both proactive and reactive measures, including increasing our non-medicinal sea lice treatment capacity by using new treatment technologies and expanding our cleaner fish programme. We take a proactive and holistic approach to sea lice management and rigorous health monitoring by our in-house team of biologists and specialist vets ensures early detection and rapid action should any challenges arise.

We continue to work closely with academic and industry partners to find sustainable, long term solutions to tackle industry-wide health challenges.

We did not stain any in-bath medical treatments in the Faroe Islands in 2020 and continually monitor sea lice levels which are reported to the authorities.

Non-medicinal treatment is our preferred treatment of choice against salmon lice.

During 2020 Faroes's legislation reduced the permitted lice numbers from 1.5 to 1.0 adult female salmon lice per fish. The reduced lice limit has led to an increased number of non-medicinal treatments.

During 2020 we had an increased focus on fish welfare in particular the areas of handling and treatment. An increased number of veterinary visits to sea sites, as well as a veterinary attestation before treatment ensures that only fish with a good health status undergo delousing treatments.

On average across all Scottish farms, sea lice levels remained among the lowest levels seen over the past 5 years with regulations requiring that levels should be below 2.0 adult

females lice per fish. However, to remain within these parameters there has been an increased level of treatment, mostly non-medicinal.

## Cleaner fish

We use cleaner fish as a natural sustainable method for managing sea lice, which are endemic in the wild. Cleaner fish naturally feed on sea lice without causing harm and have proven highly effective in controlling sea lice numbers on marine sites.

In the Faroe Islands, we use lumpfish to prevent lice infestation when stocking sea pens on all sites except two, where conditions are not suitable. In Scotland, we use lumpfish or wrasse at all sites and have found that this greatly reduces the need for other treatments. The use of cleaner fish in salmon farming is still relatively new and ensuring their welfare was a priority for us in 2020 and continues to be a focus for us in 2021. Please see page 52 for more on Cleaner fish.

## Non-medical methods

Increased knowledge and experience in the different types of non-medicinal treatment has enabled us to make more informed decisions for the most appropriate treatment.

In 2020 we invested in a new mechanical delousing system, FLS, already in place in Scotland and will be operational from May 2021 in the Faroe Islands. The FLS system has certain similarities to the SFI system with a mechanical flushing and filtration action to remove sea lice. Bakkafrøst has installed these systems on the Company's own service vessels in the Faroe Islands and has therefore immediate access to our treatment options.

It is important to maintain several different non-medicinal treatment options to control sea lice and to maintain good fish welfare.

## MAIN CAUSES OF REDUCED SALMON SURVIVAL

2020

### FAROE ISLANDS

- Accidents due to harsh weather 29.02 2020
- Stocking of fish and adaption to sea
- Diseases (CMS)
- Treatment Handling

### SCOTLAND

- Disease (Gill Health)
- Environmental (water quality/plankton)
- Treatment Handling

## ATLANTIC SALMON MORTALITY RATE 2020

**10.29%**  
FAROE ISLANDS

**11.43%**  
SCOTLAND

For historic data, visit [globalsalmoninitiative.org](https://globalsalmoninitiative.org)

## SEA LICE COUNT 2020

**0.45**  
FAROE ISLANDS

**0.46**  
SCOTLAND

Average over 12 months of female adult lice across all sites. For more information on fallow time and medicine use, please visit [www.bakkafrøst.com/sustainability/data](https://www.bakkafrøst.com/sustainability/data).



Examples of our work to improve fish health and welfare:

- We introduced a new well boat to our marine operations in Scotland in early 2020. The well boat has increased carrying capacity and includes reverse osmosis (RO) technology, enabling generation of freshwater from surrounding seawater. Using this vessel for freshwater baths is highly effective in treating sea lice and removing amoeba (AGD) from gills. It is particularly important to maintain the lowest possible levels of AGD to reduce the effect of other gill challenges like plankton bloom and to improve the resilience of salmon to stress. A second multi-functional well boat will be introduced in Scotland in 2021.
- In the Faroe Islands we have four specifically designed well boats for transportation of live fish and ensure fish welfare is maintained during transportation.
- To optimise welfare, all staff have received training on crowding.
- Feed is withheld for several days before transportation to reduce the metabolic rate and ensures good water quality.
- For mechanical treatments there is detailed data registration, including delta temperature and soak time, lice counts and calculated treatment effect and mortality. This information is used to evaluate the treatment and to identify the optimal treatment factors, including temperature, treatment time, duration of crowding and fish size.
- We are optimising use of cleaner fish by early stocking and synchronising areas.
- The lice filtration project involves a filtration device designed to remove planktonic lice stages and reduce lice settlement. We have conducted Phase 1 with one device and are commencing Phase 2 with multiple devices.

### Biosecurity strategy

Our biosecurity strategy focusses on:

- Land freshwater production to increase the average smolt size to 500 grammes and reducing time at sea. This strategy will increase production capacity, improve consistency of supply and reduce biological risk.
- Selective breeding programmes are ongoing to improve fish resilience and we vaccinate all stock.
- Our fish health team and veterinarians regularly inspect and test all farms and hatcheries, there is regulatory testing as well as taking part in Group wide biosecurity auditing.
- In the Faroes we can decrease stocking densities through deployment of larger nets on new sites as outlined below.
- We have veterinary health plans for each site with targets to reduce mortality and optimise fish welfare.

The mortality rate in the Faroe Islands has been higher in 2020 than previous years. The main cause of mortality in 2020 was heavy easterly winds and harsh weather lasting several days in February-March, a new phenomenon of this scale in the Faroe Islands. Severe storms are frequent in the Faroe Islands and sites are equipped appropriately however, the unusual characteristics of this storm caused damage and loss of 26% of the total mortality for the year. Our contingency procedure was actioned with a focus on biosecurity to ensure control and good operational practice with equipment strength being regularly reviewed on all sites.

Bakkafrost is planning to stock sites in optimal water conditions, further out in the fjords. These sites are more exposed and require strong equipment and wider cages with reduced stocking density.



It is important to assess potential areas carefully to determine the appropriate cage size and mooring system. This involves third party analysis of current and weather data, strength of the mooring system and proposing best placement of cages. The aim is to find optimal farming condition, combining good, exposed placement of our sites with safe placement of the cages without compromising on fish welfare.

As previous years in 2020, the highest cause of mortality during daily farming operations is from handling fish during treatment.

In Scotland the following categories were the largest causes of mortality; disease, gill health; environmental, water

quality and plankton and treatment handling. AGD can cause mortality as a primary cause but is a common exacerbator all three mortality categories. General gill health issues were particularly challenging during the warmer months of Q3 and into early Q4, when there was also an increased requirement for sea lice treatment and to ensure optimal gill health is particularly important over this period. The arrival of the new well boat with reverse osmosis (RO) system in July helped to reduce AGD in the worst affected farms. In 2021 AGD levels will be minimised during Q1/Q2 to ensure the fish will have a lower amoeba burden as they enter the higher risk period.

Apart from underlying gill disease, environmental events like plankton blooms can cause further damage and decreased

gill function. Recovery from these events is slower and less certain if AGD is also present. Treatment handling mortality was high due to frequency of treatments required to remain in control of sea lice numbers in 2020, but individual treatment events at times resulted in higher mortality when gills were compromised. High efficiency oxygen delivery systems are used during sea lice treatment, grading and harvesting to minimise risk when crowding fish.

### Research & Development

During 2020 and continuing into 2021 we ran a collaborative project with Fiskaaling and other industry partners to monitor level of algae in Faroese Fjords. The project will determine a baseline of algae in different locations and investigate the possibilities of implementing a warning system for algae blooms.

The first generation of salmon from Bakkafrøst broodstock was harvested in 2020 and detailed quality data was gathered on growth, survival and disease resistance. At the same time families from the Bakkafrøst broodstock were tested in Norwegian laboratory facilities and analysed for genomic traits in disease resistance. This data will form the basis of the Bakkafrøst broodstock selection programme which will commence in 2021.

In Scotland we are committed to working collaboratively with industry and academic partners to find sustainable solutions for industry wide challenges. We are engaged in a number of research projects with Scottish Universities to improve understanding and develop indicators for multifactorial disease challenges like Complex Gill Disease (CGD) and non-infectious anaemia, as well as projects to improve smolt quality. We continue to investigate innovative ways to improve fish welfare, improving our ability to manage risk through preventative measures and early intervention, this work is ongoing to increasing data to optimise fish wellbeing and improve screening to identify and reduce potential pathogens in our stock.



**In 2020, we:**

- Implemented veterinary visits and attestation prior to mechanical delousing.
- Increased focus on biosecurity onboard ships, with risk-based hygiene inspections to ensure biosecurity.
- Had no outbreaks of ISA, PD or Furunculosis in the Faroes.
- Reported the following notifiable diseases to the Faroese authorities: Bacterial Kidney Disease (BKD) and Infectious Pancreatic Necrosis (IPN).
- Continued focus on fish welfare during delousing procedures, including veterinary surveillance and improvements of delousing systems.
- Continued our feed project to improve fish health and welfare.
- Continued focus on improving lumpfish welfare, including optimising feeding, transport and health checks.
- Gathered information on quality parameters, survival, and disease resistance from the first harvested generation of the Faroese broodstock.
- Conducted controlled disease resistance tests on the Faroese broodstock to form the basis of the broodstock selection programme.
- Implemented a new fully automated vaccination machine resulting in improved welfare with capacity for fully automated vaccination for 60 % of the Faroese smolt output in 2021.
- Maintained low mortality with transportation of smolt to sea, although slightly higher than the historic low mortality rate in 2019.
- Monitoring of algae in Faroese fjords and coastal areas continued representing several farming sites in the Faroes
- Installed oxygen sensors at all farming frames in the Faroe Islands to optimise fish welfare and feeding.



In 2021, health and welfare of our stock remains a priority for the business and we take a holistic approach to improving biological performance, focusing on reducing the use of medicinal treatments. We will remain committed to ensuring the highest standards of health and welfare of our salmon and maintain our high levels of Omega-3, customer satisfaction and product quality. We will not use antibiotics in marine and focus on improved biosecurity and disease prevention.

In 2021 we will:

- Implement a new delousing system, a useful tool in optimising fish welfare and controlling lice levels.
- Increased veterinary visits during delousing operations, ensuring good fish welfare.
- Continue focus on ship biosecurity,
- Optimising our lumpfish strategy, in 2021, a bigger percentage of the lumpfish will be of Faroese origin.
- We will continue working to improve our lice prevention strategy.
- Focus on tracing the source of BKD infection and preventing outbreaks.
- Ongoing focus on vaccination and optimal use of vaccines. Results from the vaccination project to be finalized in 2021 to support of the increased protection at Bakkafrøst production sites.
- Focus on disease prevention and better understanding of health status at hatcheries, the smolt health status has crucial importance for fish performance at sea.
- Continued focus on reducing formalin treatments at hatcheries.
- Develop disease preventive during stripping and fertilization of salmon eggs from Bakkafrøst brood stock.
- Produce the first generation of eggs from Bakkafrøst brood-stock with improved resistance for selected diseases.



## COLLABORATION AND CERTIFICATION

Collaboration in the international salmon sector is critical to address sustainability challenges.

We were instrumental in the formation of the Faroe Fish Farmer's Association, established to promote collaboration of a joint approach on management of sea lice and disease. In 2013, we became a founding member of the Global Salmon Initiative (GSI), an international leadership initiative established to improve sustainability in salmon farming. Since July 2020 Regin Jacobsen, Bakkafrøst CEO, has co-chaired GSI. As part of the GSI collaboration, we will ensure that all our sites in the Faroes were certified by the Aquaculture Stewardship Council (ASC) in 2020, which we achieved in November 2020.

The Scottish Salmon Producers Organisation (SSPO) has launched its new Sustainability Charter, 'A Better Future for Us All'. This aims to create a vision for the future of Scotland's farmed salmon sector and is a collective strategy developed by those working in the industry. We are part of numerous committees that have contributed towards the charter. The sustainable growth of the aquaculture industry is fundamental and the charter will encourage innovation



and problem solving, as well as committing to ending fish escapes, obtaining all feed from sustainable sources and working towards complete renewable energy use. The sector's ambition is to become world-leading in the provision of healthy, tasty, nutritious food, produced in the most responsible and sustainable way. The Scottish Salmon sector has the opportunity to be a key contributor to Scotland's target of net-zero greenhouse gas emissions by 2045 – and aid the country's post-Covid recovery and renewal.

Since April 2020 Havsbrún has participated in a focus group that has been working on the next version of the GLOBAL G.A.P. Compound Feed Manufacturing Standard.

We have a comprehensive suite of national and international accreditations and certifications across our value chain in recognition of our exacting standards. The entire value chain in the Faroe Islands; feed production, broodstock, hatcheries, farming sites and harvesting and processing is certified according to the international GLOBAL G.A.P. standard, focusing throughout production on food safety fish welfare, health and safety, and environmental management. In the Faroes we also have add on 'Ohne Gentechnik Non-GMO'.

In 2020 our Scottish operation became the first in Europe to achieve 4 star Best Aquaculture Practice (BAP) certification. The operation in Scotland is accredited according to BAP (4-star) and BRC for the processing plants and the smokehouse. Bakkafróst's harvesting and value-added product (VAP) production has the Aquaculture Stewardship Council (ASC) Chain of Custody certification, and VAP production is certified by BRC and IFS food safety standards. The fishmeal, oil and feed production at Havsbrún, hold multiple certifications; all units are certified to ISO9001:2015, and the fishmeal and fish oil division is certified according to the GMP+ standards, the IFFO RS certification and the MSC Chain of Custody standard. Our salmon meal and oil also have GMP+. All our sites in the Faroes are certified by the Aquaculture Stewardship Council (ASC).

Our accreditations are under constant review. So, our diligent and consistent approach to meeting our customer requirements and applying the highest standards across our value chain underpins everything we do.

#### In 2020, we:

- Achieved 100 % ASC certification for all Bakkafróst farms in the Faroe Islands
- Achieved four star BAP certification in Scotland.
- Passed 100% of audits across our various certification programmes.
- Certified our Bakkafróst USA processing operation to the ASC and MSC chain of custody standard.
- Began preparation for ISO 9001, 14001, 45001.

In 2021, we aim to maintain our farming sites in the Faroe Islands to the ASC standard, maintain our four-star BAP certification in Scotland and preparation for the BRC standard in the US. Continued preparations to certify the Faroese business against ISO 9001, 14001, 45001.

## Certifications





### Best Aquaculture Practice (BAP)

In 2020, The Scottish Salmon Company became Europe's first salmon producer to gain four star BAP certification for our freshwater, marine and processing sites, as well as sourcing feed from BAP certified suppliers. BAP is the only aquaculture certification to cover the entire value chain and is recognised by both the Global Food Safety Initiative and the Global Sustainable Seafood Initiative. BAP's standards are built on the four pillars of sustainability with traceability as the foundation:

1. Environmental Responsibility- Compliance with standards that address habitat conservation, water quality and effluents.
2. Animal Health & Welfare- Best practices in animal husbandry, and disease control.
3. Social Accountability - Ensuring we follow best practices in human rights, labour laws, and employee health and safety.
4. Food Safety- Assurance that no banned antibiotics or other chemicals are used.

The four pillars incorporate all areas of production – the business and its local communities, the salmon and the environments in which it is farmed, and the consumers who enjoy the final product.







ESTABLISHED 1968



# 100%

## ASC Certified



## Healthy salmon Cleaner fish - A natural and sustainable solution

One of the biggest challenges faced by the salmon farming industry globally, is the parasitic sea lice. We use cleaner fish as a natural sustainable method for managing sea lice, which are endemic in the wild. Cleaner fish naturally feed on sea lice present on the surface of salmon without causing harm and have proven highly effective in controlling sea lice numbers on our marine sites.

We continue to invest and expand our cleaner fish programme. Lumpfish (*Cyclopterus lumpus*), a cleaner-fish native to the cold waters of the North Atlantic region, has proved to be highly effective in controlling sea-lice and has been deployed at 18 out of 20 sites in the Faroes. The use of lumpfish at the remaining two sites is not suitable due to environmental conditions. In Scotland, cleaner fish are stocked alongside our salmon on all marine sites.

Lumpfish has proven to be very efficient to reduce the level of lice when level are low and are proved to sustain low numbers.

The health and welfare of lumpfish is still of great importance and we are continuing our work with optimising procedures to improve the health and welfare. The mortalities among lumpfish are still too high due to reasons such as bacterial or viral infections, environmental challenges and transportation related stress. To reduce mortality and improve the wellbeing of lumpfish we made a series of improvements in 2020.

- In Q2 the first Faroese lumpfish were deployed from a new local hatchery significantly reducing transportation to sites. This accounted for 23% of stock. This has decreased the transportation related stress and our first year indicates a decrease in deployment related mortality.

- The installation of computer-controlled feeding systems for lumpfish continues and is now operational on 12 sites in the Faroes.
- Havsbrun is involved in a two year research project to improve the welfare of lumpfish through nutrition. The tailored feed now being used on site and monthly health monitoring is being carried out by Fiskaaling, an aquaculture research station.
- Lumpfish are included in the monthly inspection routines on the Faroes Fiskaaling, also performs monthly screening for the health status.
- Developed a collaborative initiative with local seaweed farmers, specifically designed seaweed shelters are being trialled, where the lumpfish can hide, rest and sleep.
- In Scotland cleaner fish are deployed on all marine sites, more than 90% are farmed, the remainder are sustainably sourced from approved local suppliers.







# Healthy environment

## Performance review

### ★ STRATEGIC PRIORITY

- To minimise our environmental impact

### 📊 2020 PERFORMANCE AGAINST OUR 2020 COMMITMENTS

- Further optimise feed distribution ●
- Implement a sustainable feed policy ●
- Continue phasing out copper treated nets ●

### 🎯 2023 COMMITMENTS

- By 2030 reduce by 50% the scope 1 & 2 CO<sub>2</sub> footprint in the Faroes
- Continue research into sustainable feed ingredients.
- Investigate new sustainable marine sources for fishmeal.
- Optimise feed strategy to maintain industry leading FCR.
- Achieve ISO14001 environmental standard certification in the Faroe Islands, already in place in Scotland.
- Zero fish escapes
- Measurably reduce environmental impact from packaging
- Explore innovative waste streams at the new biogas plant.
- Over 97% water recirculation rate in hatcheries

### 🌐 SDGs



### WHY THIS IS IMPORTANT

The welfare and health of fish and the natural environment are intrinsically linked and represent the basis of responsible salmon farming, development will never be at the expense of our values. We maintain individual and collective responsibility as custodians of our environment, placing considerable emphasis on minimising the potential impact our activities could have on local ecosystems, biodiversity and wildlife.

Salmon aquaculture has comparatively low CO<sub>2</sub> emissions to other farmed animal protein groups. Bakkafrøst has an industry-leading feed conversion ratio and we remain committed to minimising environmental impact as a priority.

There is rich biodiversity and abundant bird and marine life in both the Faroe Islands and Scotland. We place great importance on minimising the impact from our activities and maintaining the natural environment around our farming sites across fjords and lochs. Also important is respecting biodiversity beyond our immediate environment, including fishing areas for feed ingredients.

It is well understood that the CO<sub>2</sub> footprint is relatively low for the sector, however the global threat of climate change could significantly impact our sector in the future. Changes in weather patterns, more frequent storms, warmer water temperatures and ocean acidification all pose challenges.

Bakkafrøst leads the sector with the most complete integrated value chain, which provides us a unique opportunity to control our impact. Managing our upstream and downstream impact is

a key focus as we continue to export in the global market and source worldwide specialist materials.

Conserving the natural capital, on which we rely to produce healthy salmon, is fundamental and we continue to explore ways of managing and reducing our impact on the environment and protecting the wildlife. We continue to work on the issues being addressed by UN Sustainable Development Goals 6, 7, 9, 12, 13, 14 and 15. Please see page 54 for more information.

### LOCAL IMPACT

We are committed to minimising the impact of the local environment at each stage of the value chain, including effluent, local water quality, noise and air pollution, and are investing in a number of initiatives to minimise impact.

Salmon farming is heavily regulated and all our sites must comply with stringent legislation and standards in relation to water quality and the environment. Our sites are regularly monitored and inspected by a number of government bodies and benthic monitoring is a critical part of our strategy to maintain and improve the environment in which we operate. We have already achieved ISO 14001 standard in Scotland and are working on implementing this standard on the Faroe Islands. ISO 14001 is an internationally recognised standard for environmental management and provides assurance that the environmental impact is being continually measured, monitored and improved.

We have engaged in initiatives to minimise noise from operations, particularly important in the rural areas in

which we operate. We take very seriously any issue raised regarding noise from farming operations and investigate these thoroughly, ensuring remedial action is taken. In 2020, for example, we reduced the low frequency sound emission from the well boat Hans á Bakka.

#### Example of measures taken to minimise impact.

- Relocation of farms to exposed areas with stronger currents where possible.
- Adjust location of pens where appropriate
- Discontinued use of copper-treated nets in 2018 in the Faroe Island.
- Focus on fresh water and mechanical methods of sea lice treatment.
- Filter effluent from production
- Ensure fallow periods between production cycles to allow the seabed to regenerate (which in 2020 was in average 20.6 weeks in the Faroe Islands and 13.7 in Scotland).
- Investment in cameras to optimise feeding on sea sites.
- Continuous monitoring of the impact on the seabed at maximum biomass to ensure sustainable utilisation of farm sites including sampling of benthic fauna to assess impact on biodiversity.
- Regular assessment of the impact of organic matter at cage edge in the Faroe Island. Chemical analysis of copper, zinc and organic matter at cage edge and farm site assessing the long term impact of farming activities
- Monitoring seawater quality e.g., in testing levels of phosphorus and nitrogen.
- Focus on fresh water and mechanical methods of sea lice treatments rather than use of diflubenzuron, hydrogen peroxide and other delousing chemicals.

We are actively involved in various projects which aim to minimise the environmental impact from our operations, such as our project with the University of Faroe Islands, aimed at creating a robust and reliable model of currents in Faroese fjords and coastal areas.



During 2020, Bakkafrost signed up to the UN Sustainable Ocean Principles - a pledge to protect the health of our oceans. As part of this, we are committing to take action to prevent pollution affecting the ocean, reduce greenhouse gas emissions in our operations to prevent ocean warming and acidification, and work towards a circular economy, all in line with the commitments already stated in our Healthy Living Plan.

We comply with national regulation regarding the discharge of effluents. Please see [www.bakkafrost.com/sustainability](http://www.bakkafrost.com/sustainability) for data on effluents.



**In 2020, we**

- Applied for offshore licence in Faroe Islands
- Introduced Recirculating Aquaculture Systems in Scotland, already in place in the Faroe Islands, which are more water and feed efficient.
- Began collection of fish faeces from effluent water at the Strond smolt facility in the Faroe Islands, this is converted to biogas and CO<sub>2</sub> neutral electricity at Bakkafröst new biogas plant FÖRKA.
- Installed cameras at all sites and cages to optimise feeding and improve benthics.
- Installed oxygen-sensors at all frames to monitor oxygen levels to make sure that we operate within environmentally sustainable boundaries.
- Reduced noise emission from our well boat Hans á Bakka to reduce low frequent sound.
- Started to reduce the largest sources of noise in Fuglafjørður, where the feed factory is located.
- Zero non-compliance with environmental laws and regulation and continue to cooperate with authorities to ensure we minimise the impact.
- Continue our work to embed the principles of the UN Global Compact into our value chain.
- Began implementing environmental standard ISO14001 across our value chain in the Faroe Islands.

**In 2021 - 2023**

- Further implement ISO14001 environmental management standard throughout the value chain.
- Continue funding the project at the University of Faroe Islands that started in 2019 and focusses on creating a robust and reliable model of currents in Faroese fjords and coastal areas.
- Develop three RAS smolt facilities in Scotland which are more water and feed efficient.





## BIODIVERSITY

We are committed to our role as custodians of our natural environment and must work to ensure we minimise impact and support biodiversity. All our farming sites are located in natural fjords and lochs, which are rich in marine and bird life. Taking a proactive approach to managing biology and sea lice, which are endemic in the wild, and the interaction between the wild fish population is very important.

We practice a zero-tolerance policy for fish escapes and have invested substantially in containment measures including early identification of risks through regular inspections. We have invested substantially in the rollout of rigid nets across all of our sites which are more resistant to weather and damage from predator attacks. Avoiding fish escapes is an ongoing challenge. Situated in the north Atlantic our farms are very exposed and severe Atlantic storms can cause damage resulting in escapes. In 2020 we unfortunately had fish escapes as a result of extreme weather conditions.

We report all suspected escapes to the veterinary, environmental and statutory authorities immediately.

We have implemented measures to reduce impact on birds and marine mammals, including covering pens with high visibility nets to protect against birds. A ban on seal shooting came into effect in both Scotland and Faroe Islands in early 2021. We continue to make substantial investments in new anti-predation technologies and management methods and monitor innovative approaches. Our farming sites in the Faroe Islands are not close to any protected areas and does not impact any of the critically endangered or endangered species in the IUCN red list.

Please see our webpages [www.bakkafrost.com/sustainability/](http://www.bakkafrost.com/sustainability/) data and the Global Salmon Initiative website for further information regarding our impacts on biodiversity.

To improve global biodiversity, we are committed to responsible and sustainable sourcing of raw materials. All plant proteins and oils in our feed are non-GMO and the soybeans are Pro-Terra certified. We prioritise sourcing of locally caught certified marine ingredients, including co-product to reduce pressure on the wild fish population. We only use wood certified sustainable in our smokery in the Faroes and FSC paper in our own-brand products.

### In 2020, we:

- Began a collaborative project with farming companies in the Faroes, the Environment Agency and Aquaculture Research Station to improve knowledge on biodiversity of benthic fauna in the coastal areas around the Faroe Islands.
- Expanded the scope of the project to improve knowledge on biodiversity of benthic fauna to include assessment of how biodiversity of indigenous benthic fauna might be affected by possible environmental impacts from farming activities.
- Trained seal deterrents at a site in the Faroe Islands.
- Launched a replacement programme for all nets at our Scottish farming site with increased strength to prevent predators making holes in nets, thereby reducing mortality and fish escapes.
- Began dispersion modelling of organic matter at all farming sites to assess probable impact on benthic fauna in the Faroes.
- Continued work with the national Aquaculture Research Station of the Faroes, Fiskaaling, on a project to build knowledge on interactions between salmon farming and wild trout population.

### In 2021-2023 we will:

- Continue to implement measures to reduce the risk of bird entanglement and impact on local wildlife.
- Continue funding and supporting projects to improve knowledge on biodiversity of benthic fauna in coastal areas around the Faroes, the scope of the project is expected to be expanded to include eDNA analysis of biodiversity.
- Continue to work with the national Aquaculture Research Station of the Faroes, Fiskaaling, on the project to gain a better understanding of the interaction between salmon farming and wild trout population.
- We will continue our efforts to avoid fish escapes and investigate new methods to minimise the impact from our activities on local wildlife.



## SUSTAINABLE FISH FEED

A secure supply of high-quality feed is crucial to ensuring healthy, nutritious, world-class salmon and the long-term sustainable growth of our business. We are committed to responsible and sustainable sourcing of feed ingredients and transparency. Our salmon feed has a high content of marine ingredients and we are committed to the sustainable and responsible production of fishmeal, oil and feed at our subsidiary Havsbrún, including sourcing of raw materials.

Through responsible sourcing practices, we can have a positive social and environmental impact in our communities. We have a transparent relationship with the suppliers of our marine ingredients. It would increase our water and land footprint to replace the marine ingredients in our feed with plant ingredients. There is no production of plant protein in the Faroe Islands and we are the only manufacturer of fishmeal and fish oil. Sourcing fish material caught in our nearby surrounding waters not only provides employment to the Faroese community, it also reduces unnecessary carbon emissions from the fishing boats as they can avoid sailing longer distances to other countries.

We continually monitor the risk of using a high proportion of marine raw materials in our feed, observing potential implications of migrating North Atlantic fish stocks. To mitigate these risks, we continue to use approved co-products.

In 2020, the proportion of the fishmeal in our feed that derives from fish trimmings and off-cuts remained at almost a third. We increased the use of co-products in fish oil to two thirds. These species are all responsibly and sustainably caught in well-regulated fisheries.

Our biological feed conversion in the Faroe Islands remains much lower than the industry average\*, at 1.08 in 2020. In



Scotland, our biological feed conversion rate was 1.18 in 2020 and we are striving to reduce this towards Faroese level. A lower feed conversion ratio exemplifies a more efficient use of feed resources. We remain focused on keeping this figure as low as possible through our feed development strategy.

In 2016, we were the first Company to start purifying all the fish oil we produce for our feed of environmental pollutants (dioxin and DL-PCBs) despite it already being well within EU safety limits. Our feed remains free from medicine, growth-promoting hormones, and any salmon meal offal or waste from any other farmed species. All fishmeal and fish oil used in the feed is free from ethoxyquin, which has been replaced with natural antioxidants.

### The plant proteins and oils in our feed

- All non-GMO
- All soybeans are Pro-Terra certified
- No use of palm oil

## Marine raw materials

Whilst the feed industry has focused on replacing marine raw materials with alternatives, Bakkafróst has chosen to continue a high inclusion of marine content in our feed, as this is a more sustainable approach for our operations given our location. The local availability of marine raw material means that marine ingredients are sourced with relatively low carbon footprint.

### High inclusion of marine content is acceptable for the following reasons:

- Marine raw material for fishmeal and fish originates from fisheries in the North Atlantic, primarily within Faroese waters
- Transparent supply chain
- Low demand on freshwater and land compared to imported plant proteins
- Reduced transportation by using marine ingredients instead of imported plant protein.
- Low-food-value ingredients with low-market demand for direct human consumption
- Supporting circular economy, all off cuts purchased in the Faroes Island.
- Increasing use of co-products from species fished for human consumption.
- Positive economic impact for the Faroese community.
- Increased nutritional value in the feed, high in omega 3.
- Fishmeal with a diet closer to the natural diet of wild salmon.
- Using a high proportion of certified North Atlantic marine raw materials. In 2020 100% of our marine raw materials was MSC certified

\*Industry in general have a range from 1.2-1.5 according to GSI



**In 2020, we:**

- Increased the proportion of marine raw materials in our feed from co-products of fish destined for direct human consumption, meal by 5 % and oil by 22%.
- Demonstrated our commitment to responsible sourcing of marine ingredients by voluntarily reporting sourcing details to the Ocean Disclosure Project to further increase transparency.
- Continued our participation in a Horizon 2020 project in collaboration with EU Fishmeal to further explore alternative sources (such as mesopelagic fish) to minimise risk in the food chain.
- Conducted research into optimal feed composition and how this influences feed utilisation, growth performance and quality changes in the final salmon product.
- Continued looking into other sustainable, high-quality marine ingredients.

In 2021, we will continue projects to develop our feed in line with our customer needs and sustainability priorities. We will implement a sustainable feed policy and continue to work to optimise our feed strategy to maintain industry-leading feed conversion ratio and grow healthy salmon.

**HAVSBRÚN FEED COMPOSITION IN 2020 PRODUCTION**

**Wheat products**  
**21.8%**  
(24,703 tonnes)



**Plant oil**  
**14.0%**  
(15,911 tonnes)



**Non-GMO SPC**  
**9.5%**  
(10,755 tonnes)



**Marine proteins**  
**37.4%**  
(42,488 tonnes)



**Fish oil**  
**14.1%**  
(16,028 tonnes)



**Others**  
**3.1%**  
(3,571 tonnes)

Please see our sustainability webpages for more information on the source of marine products in our feed. Please note, there is a very small variation in content for Bakkafróst feed, which is around 82% of all feed produced and sold in 2020 by Havsbrún.

## WASTE AND PACKAGING

Reducing and minimising the environmental impact of waste from a product's lifecycle is an important and growing issue for all businesses. Across our entire value chain, we seek to maximise the efficient use of resources and minimise waste generation as it is not only the right thing to do but makes business sense. The global interest in responsible waste management continues to grow, particularly the use plastics that impact the natural environment and human health. Although salmon has the highest edible yield of the five largest groups of animal protein, we must continue to investigate how we can reduce, reuse and recycle materials from the moment the eggs enter the hatchery, until the salmon leaves our factory, including the materials we use to produce and package our salmon.

Despite its high edible yield, we also strive to utilise all the co-products from our salmon, selling backbones, offcuts, bellies, skin and heads. We also have 100% utilisation of marine raw materials at our fishmeal and oil factory. We recycle or repurpose old farming nets and chains where possible and we repair and reuse cables and pipes from old nets when we build new pens. We continue to upgrade our pens using stronger materials to increase their lifespan – old structures are reused in the building of new pens or reused in other parts of the business and we send old nets to a company which recycles them into carpets. We collect and where possible recycle the feed bags we use.

We are committed to supporting the circular economy. Our award-winning new biogas plant FÖRKA in the Faroe Islands takes waste products from our farms and other farmers to produce renewable energy and fertilizer. The plant has the capacity to convert up to 90-100,000 tonnes annually of all organic waste from farms, providing the local community with renewable heat and electricity and natural liquid fertilizer, potentially decreasing runoff from farming activities into fjords. See page 69 for more about FÖRKA.

In Scotland, the Outer Hebrides Local Energy Hub (OHLEH) winner of the Community Initiative Award at the 2020 Aquaculture Awards and Partnership Scotland Award at the 2019 SEPA Vibes Awards, is a project to encourage collaborative solutions to waste management and energy challenges. The project focuses on the creation of a local circular energy economy and involves the transfer of fish waste from SSC's processing plant on the Isle of Lewis, which is integrated with another local household and garden waste in an anaerobic digester and broken down to produce biogas.

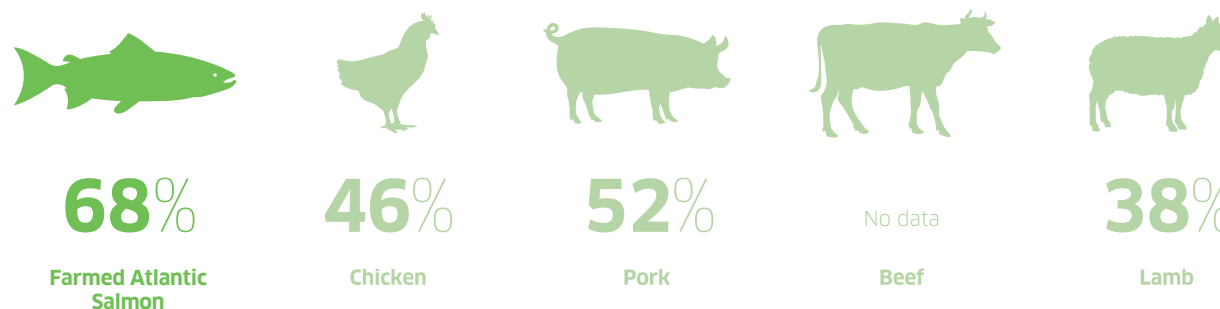
The biogas fuels a Combined Heat and Power Plant and some of the electricity generated will be used to drive an electrolyser supplied by Pure Energy Centre, which in turn will produce green hydrogen and green oxygen for use at SSC's hatchery in Lewis, as well as providing fuel for the local Council, Comhairle nan Eilean Siar's, hydrogen-powered bin lorry.

We encourage all company run facilities to separate waste to ensure that the anaerobic digester is supported. In doing this, SSC has reduced the volume of organic waste going to landfill.

Entrenching our commitment to food waste reduction targets in Scotland, in 2020 we submitted a record of SSC's generated food waste to the WRAP Food waste Reduction Roadmap – which has laid out food waste reduction milestones for the retail and food producing industries in the UK for the next 10 years.

## SALMON FARMING | EDIBLE YIELD

Edible yield is calculated by dividing edible meat by total body weight.



These calculations take into account differences in FCR, differences in edible yields, and the cost of progeny.  
Source: Global Salmon Initiative

**In 2020, we:**

- Made further progress with waste monitoring and reporting. With greater co-operation with our waste management company, we were able to report waste generated in the Faroe Islands. 98% of waste is either reused, recycled or converted to heat energy and more than 99% of hazardous waste recycled.
- Entrenched our commitment to food waste reduction targets in Scotland. Submitted a record of SSC's generated food waste to the WRAP Food waste Reduction Roadmap.
- Sold more than 7,000 tonnes of salmon co-products.
- Trialled the production of a new recyclable film.
- Changed tail bags packaging using 25% less plastic.
- Started receiving organic waste from our farms and Strond hatchery and converted into biogas and fertilizer at our new biogas plant FÖRKA.
- Created an online portal in Scotland which will allow a 'real-time' record of energy, fuel and waste consumption, allowing for site comparisons to be made and metrics to be derived.

Please see [www.bakkafrost.com/sustainability/data](http://www.bakkafrost.com/sustainability/data) for our packaging data.

In 2021, we will continue to look for innovative ways to reduce, reuse, and recycle waste. All waste is recorded per site in our Energy (ECO3) portal in Scotland and will allow us to record all types on waste on a site-by-site basis. With improved data and monitoring we are confident we will be able to further reduce the environmental impact from our operations. We will also continue to research suitable packaging material to minimise the impact on the environment across its lifecycle and to further reduce pollution from plastic packaging.



This will take into consideration market factors such as infrastructure and consumer behaviour. Additionally, we will begin to explore innovative waste streams at our new biogas plant.

**ALL DISCARDED NETS ARE BEING RECYCLED**

(Faroe Islands)



## WATER

With the climate in both Scotland and the Faroe Islands there is plenty of water, however both countries can suffer from water shortages during dry periods. Our hatcheries have the highest demand for water, and we have invested in improved technology to recycle water at all hatchery sites in the Faroe Islands. We have also started introducing Recirculating Aquaculture Systems (RAS) in some of our locations in Scotland which are much more water and feed efficient. Our freshwater hatcheries and processing sites in Scotland operate under strict water abstraction and discharge licences. We were one of the first salmon farmers in the world to start recirculating water in our hatcheries, currently in the Faroe Islands recycling up to 99.7% of the water harvested to reduce pressure on the demand for water.

### In 2020, we:

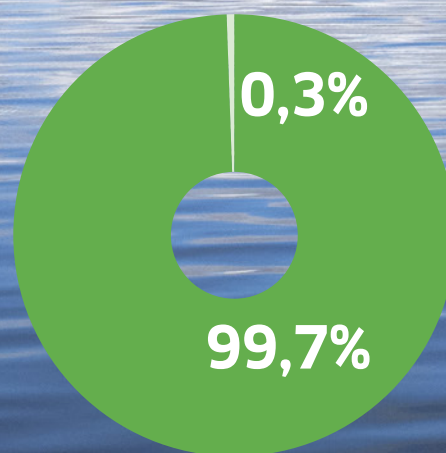
- Recycled approximately 60,000 cubic metres of water per hour in our hatcheries.
- Introduced Recirculating Aquaculture Systems in some of our locations in Scotland (already in place in the Faroe Islands) which are more water and feed efficient.
- Reduced water usage by 95% at our site Applecross by introducing RAS.

Please see [www.bakkafrost.com/sustainability](http://www.bakkafrost.com/sustainability) for 2020 water data.

In 2021, we plan to invest further into RAS at other sites in Scotland to continue to decrease our water use. We will continue to improve water use monitoring and reporting and continue work at our hatcheries to further optimise freshwater use, with an ongoing target to have 99% water recirculation rate. We will also look for new ways to reduce water use at our production facilities in the US.

## WATER RECIRCULATION RATE 99,7%

(Faroe Islands)



## CLIMATE CHANGE AND ENERGY

The salmon industry has relatively low CO<sub>2</sub> emissions compared to other industries, less than 3% of the footprint associated with beef production. Despite having the lowest carbon footprint relative to the five largest sources animal protein outlined in the diagram, we aim to maintain a low level through efficiencies from a vertically integrated value chain. We have an opportunity to directly control our own local feed production using a high proportion of certified and mostly local marine content, as well as our own farming service vessels, processing facilities, packaging production and circular waste management solution.

Farmed salmon also has one of the lowest feed conversion ratios: between 1.2-1.5 kg of feed for every 1 kg increase in body weight, compared to between 6-9 kg to every 1 kg for cattle (GSI). Our biological feed factor remains low in the Faroe Islands at 1.08 in 2020. In Scotland our biological feed factor was 1.18 in 2020. We remain focused to keep this

low and getting the biological feed factor in Scotland as low as possible. Protein retention from salmon is double that of beef. As one of the most efficient forms of protein, experts are promoting aquaculture as one sustainable solution to the growing global demand for protein, providing it is carried out responsibly.

We recognise the importance of continued investment into the efficiency of our operations as we continue to grow. Our aim is to decouple carbon emissions from our production, and we have managed to achieve this in some parts of the value chain – through electrification in areas such as feed barges, recycling of energy (at our hatcheries and feed and processing factories), consolidation of operations, and through promoting responsible behavior.

Nevertheless, given the young and evolving nature of our industry, we are often faced with new challenges which in the past have impacted our carbon emissions, for example our

new delousing strategy. As we continue to grow and increase the size of our value chain, we remain committed to looking for opportunities to continue this decoupling of growth from emissions. In 2020 renewable energy generation at our new biogas plant began and produced 1.357 MWh of CO<sub>2</sub> neutral electric power and 1.057 MWh of CO<sub>2</sub> neutral heat energy for district heating. When the biogas plant is fully operational in 2021 it is expected to save 11,000 tonnes of CO<sub>2</sub> emissions a year which represent about 2 % of the total electric power produced in the Faroe Islands in 2020. We also will continue to introduce more efficient technology including at our hatcheries.

We anticipate our emissions from electricity use to reduce in the Faroe Islands as the national electricity provider SEV decarbonises the grid. They are working towards a 100% renewable energy target by 2030.

Our absolute carbon footprint in our Faroese operation went up by 12%, in 2020 and our carbon intensity per tonne of salmon increased as well. This is mainly due to a significant growth in production of larger smolts at our new smolt facility at Strond, which increased electricity (scope 2) consumption significantly. The increase in production of larger smolts is according to our strategic goal of producing larger smolt to shorten production time at sea. The increased electricity consumption is however, expected to be temporary due to the Faroese commitment to have a 100% sustainable electricity production by 2030.

In Scotland we are focused on using renewable sources where possible and in 2020 100% of our energy supplied was from renewable sources. We are involved in a number of innovative projects, including investing in Electric Vehicle infrastructure on the Isle of Lewis. We introduced new RAS units at Applecross, our Centre of Excellence in freshwater production, which is supplied by renewable energy from a hydro scheme. The hydro turbine design and operation are

## SALMON FARMING | CARBON FOOTPRINT

A carbon footprint measures the total greenhouse gas emission caused directly and indirectly by the production of a product. A carbon footprint is measured in kilograms (kg) of carbon dioxide equivalent (kgCO<sub>2</sub>e) per typical serving (40g) of edible protein of the product. Data are median values.



CO<sub>2</sub>e is calculated by multiplying the emissions of each of the six greenhouse gases (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs and SF<sub>6</sub>) by its 100-year global warming potential (GWP) Source: Global Salmon Initiative

being fine-tuned to; improve the intake pipe connections at the dam to reduce head loss, optimise the site inlet water control automation and increase the reservoir drawdown level to maximise water usage in line with the abstraction license. These works have the potential to increase power production by circa 10%. There are plans to supplement this power with both photovoltaic renewable energy and battery storage. In 2019, we installed a hydrogen powered fuel cell into one of our hatcheries, which has the potential to use hydrogen fuel for hatchery lighting.

In Scotland we created an online portal in 2020, which records energy, fuel and waste consumption across the business and details at an individual site level. This portal will allow for a 'real-time' record of energy, fuel and waste consumption, enabling comparisons and metrics to be derived. The portal will also calculate and report CO<sub>2</sub> emissions for sites and processes across the business, which will be used as part of the Streamlined Energy and Carbon Reporting (SECR) report which is due for completion later this year.

We continue to investigate innovative ways to reduce energy and resource use. In Scotland, the major focus of our investment programme is the development of Recirculating Aquaculture (RAS) Systems which are more water and feed efficient. We are moving away from conventional marine cage lighting to more energy efficient LED lights. We are exploring the option of having electric vehicles (EV) in our fleet and have installed our first on-site EV charger and taken delivery of our first EV. EVs have zero emissions and are more cost effective to run and maintain. In addition, we have been looking at ways in which hybrid technology can be deployed in our workboats and generators.

We include climate change adaptation measures in our long-term plans for the business. We have strengthened our Corporate Responsibility Policy outlining our approach to environmental management, including energy use, pollution,

waste and water management. This can be found at [www.bakkafrost.com/sustainability](http://www.bakkafrost.com/sustainability).

#### In 2020, we:

- Started our work to set a scope 3 carbon reduction targets for our operations in the Faroe Islands and Scotland.
- Met with the Ministry of Environment, Industry and Trade to present our 2030 strategy and discussed how our commitment depends on the successful decarbonisation of the national grid, regulatory changes outlined in the latest Faroese Coalition Agreement and the affordability of renewable electricity provision.
- In the Faroes, sourced electricity from a mix with 38% of renewable sources.
- Our carbon footprint went up by 12%, in 2020. This is mainly due to a significant increase in production of larger smolts at our new smolt facility at Strond which increased electricity (scope 2) consumption.
- Our carbon intensity per tonne of salmon increased. This is mainly due to an increase in electrical consumption (scope 2) primarily at smolt stations to reach our strategic goal of producing larger smolt to shorten production time at sea. However, this increase is expected to be temporary due to the Faroese commitment to have a 100% sustainable electricity production by 2030.
- The average smolt size to sea increased about 50% in 2020 compared to 2019 and due to this the average production time at sea is expected to be about one month shorter in 2021 compared to 2019.
- Commenced production of biogas at our new biogas plant FÖRKA.
- Optimised fuel consumption for supply vessels by reducing sailing speeds for less urgent assignments.

- Installed energy monitoring system and dashboards in Processing and VAP to register and optimise energy consumption.
- Tendered an agreement to build a new fully electric workboat.
- Created an online portal in Scotland across the business which will allow for the recording of energy, fuel and waste consumption for all sites.
- Have been working on a project in Scotland to explore the electric hybrid potential of our workboats.
- Installed LED lighting to replace conventional marine cage lighting.
- Started to explore hybrid generator options.

#### 100% OF OUR ENERGY<sup>1</sup> SUPPLIED FROM RENEWABLE SOURCES IN SCOTLAND 2020\*



In 2021–2023 we will

- Invest in a new fully electric workboat
- Increase production capacity at three smolt facilities to produce larger smolts based only on electrical power to potentially decarbonize all smolt production.
- Engage with our suppliers in a reduction of our scope 3 emissions

<sup>1</sup> Electricity

\* 100% of electricity is secured from renewable sources (wind and hydro) to support zero emissions reporting in line with the Greenhouse Gas Protocol market-based methodology.



## BAKKAFROST FAROE ISLANDS: ENERGY CONSUMPTION AND EMISSIONS 2020

ENERGY CONSUMPTION AND EMISSIONS 2020	2017	2018	2019	2020	YOY Change from 2019
Energy Consumption	[kWh]	[kWh]	[kWh]	[kWh]	
Direct energy use - scope 1	264,671,752	242,687,948	241,112,265	254,042,693	5%
Indirect energy [electricity] use - scope 2	48,377,189	47,778,814	58,834,939	72,945,324	24%
Total energy use	313,048,941	291,262,405	299,947,204	326,988,017	9%
<b>GHG Emissions</b>	<b>[TCO2e]</b>	<b>[TCO2e]</b>	<b>[TCO2e]</b>	<b>[TCO2e]</b>	
Direct energy use - scope 1	69,826	64,419	63,632	66,998	5%
Indirect energy [electricity] use - scope 2	15,723	15,719	22,444	29,304	31%
Total emissions from energy (scope 1 and 2)	85,549	80,138	86,076	96,301	12%
Total scope 3 emissions (see boundary below)	-	248,366	310,477	248,374	-20%
<b>GHG Intensity</b>					<b>YOY Change from 2019</b>
Tonnes of salmon produced	54,615 [Tonnes]	44,591 [Tonnes]	57,184 [Tonnes]	59,039 [Tonnes]	
kgCO2e emitted per tonne of salmon produced (all Bakkafrost Faroe Islands incl. Havsbrún)	1,566	1,797	1,505	1,631	8%
kgCO2e emitted per tonne of salmon produced (only farming operations)		593	552	672	22%
Bakkafrost kgCO2e per 40g typical serving of salmon (only farming operations)		0.119	0.11	0.134	22%
Average GSI Member kgCO2e per 40g typical serving of salmon (only farming operations)	-	-	0.6g	0.6g	-

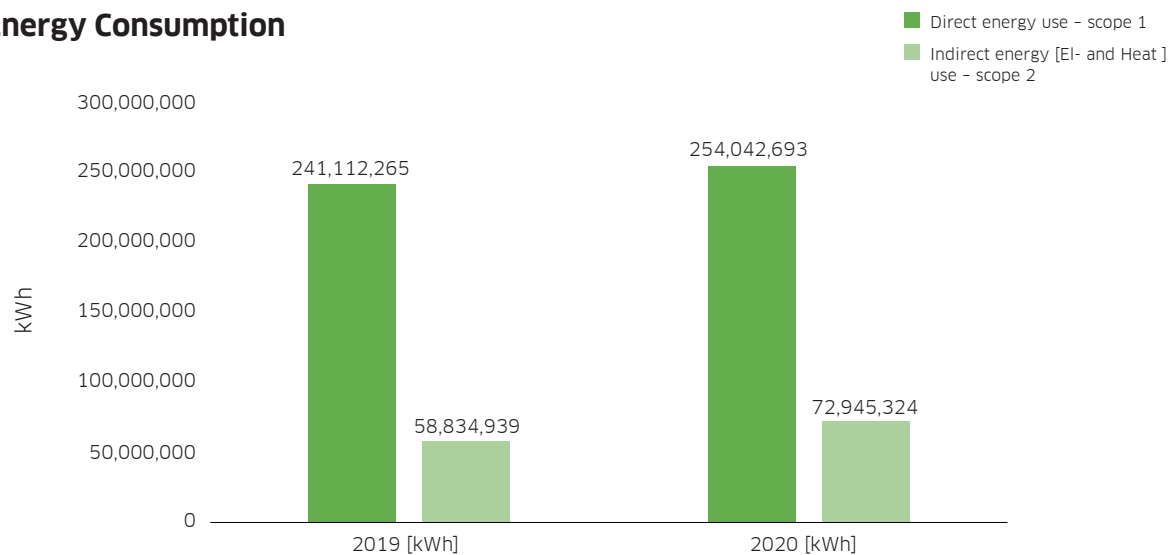
The table above outlines the energy consumption for scope 1, 2 and 3. Please note:

- Bakkafrost Faroe Islands includes our biogas, broodstock, hatcheries, farming, harvesting, processing (including smoking), packaging, and fishmeal, oil and feed production. This includes our US operations and the fishmeal, oil and feed, and packaging which we produce and sell to other fish farmers, service vessels used for other farms, and biogas production to be sold to the national grid. This excludes the Bakkafrost Scotland which has been calculated on the following page and a small, rented office space in Grimsby, UK.
- Our two-and-a-half-year production cycle means there is some variability in production. Environmental data will be impacted by this and trends will be most meaningful over a four-year period. This should be taken into account when comparing data.
- Average GSI Member CO2e per 40g typical serving of salmon basis of reporting can be found here: [www.globalsalmoninitiative.org/en/sustainability-report/protein-production-facts/#carbon-footprint](http://www.globalsalmoninitiative.org/en/sustainability-report/protein-production-facts/#carbon-footprint)
- Electricity consumption (Scope 2) gives rise to indirect emissions, i.e. via combustion of fossil fuels by the power company to generate energy. Direct emissions (Scope 1) result from the combustion of fossil fuels, i.e. solid, liquid or gas for heating, creating propulsion in vessels etc.

- The methodology used for the carbon accounting is The Greenhouse Gas Protocol, a Corporate Accounting and Reporting Standard (Revised Edition).
- In 2019 we quantified our indirect Scope 3 emissions for the first time. We reviewed the 15 Scope 3 categories of the GHG Protocol and identified 9 that were material to Bakkafrost and for which there was good primary evidence available to estimate associated emissions. Using industry carbon benchmark data we estimated the emissions associated with each category. This included downstream transportation and distribution of products, purchased goods or services, use of sold products (refrigeration and cooking), treatment of sold products, upstream transportation and distribution, employee commuting, business travel, fuel and energy related activities and waste generated in operations. While we endeavor to report this figure on an annual basis, we are aware that, in future, further categories may be included within the scope of our Scope 3 calculation.
- Due to a publication error, in last years report the scope 3 value was published under 2019, when it was the Scope 3 emissions associated with 2018. This has been corrected this year.
- Improvements to the methodology of the scope 3 calculation have resulted in a scope 3 value for 2018 that is 3% different to what was published in last years report.

- The chosen consolidation approach for emissions was operational control. All figures are direct consumption reported for each Business Unit, multiplied by an energy conversion factor (as appropriate) and carbon emission factor per unit consumed.
- No estimates have been made for missing or incomplete data from across the operations of Bakkafrost Faroe Islands.
- All emission and conversion factors for direct emissions (Scope 1) are from DEFRA [UK] 2020's dataset, while emission factors for electricity use are based on the most recent statistical data available obtained direct from SEV, the Faroe Islands energy generation company.
- Tonnes of Carbon Dioxide equivalent (TCO2e) has been calculated and stated here - this then takes account of the global warming potential attributed to the other two key greenhouse gases associated with combustion of fossil fuels, in addition to carbon-dioxide (CO2), i.e. methane (CH4) and nitrous oxide (N2O).

## Energy Consumption



There has been an overall increase of 9% YOY in energy consumption. Broken down by scope:

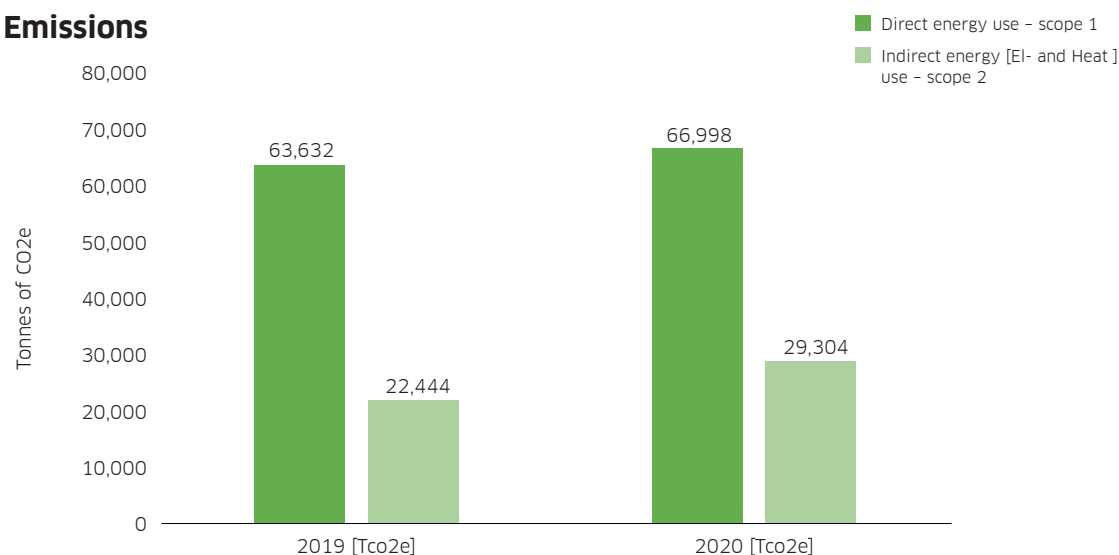
- Scope 1 - 5% YOY
- Scope 2 - 24% YOY

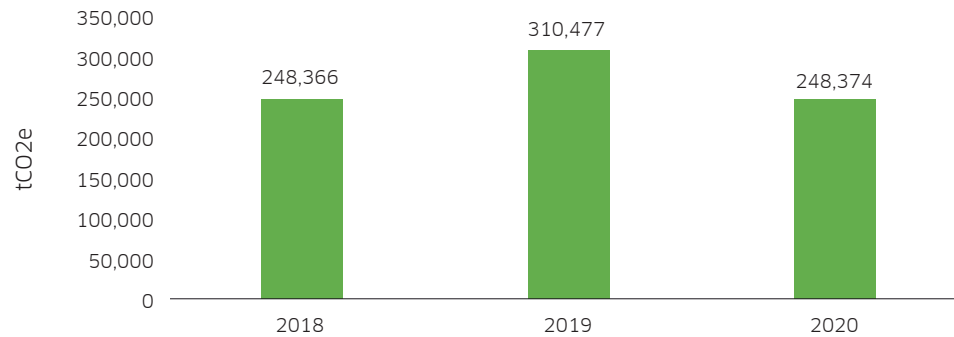
There has been an overall increase of 12% YOY in greenhouse gas emissions. Broken down by scope:

- Scope 1 - 5% YOY
- Scope 2 - 31% YOY

This is mainly due to a significant increase in production of larger smolts, to shorten production time at sea, at our new smolt facility at Strond which increased electrical consumption (scope 2). The increase is however expected to be temporary, due to the Faroese commitment to have a 100% sustainable electricity production by 2030. FÖRKA was not fully operational in 2019.

## GHG Emissions



**Scope 3 GHG emissions:**

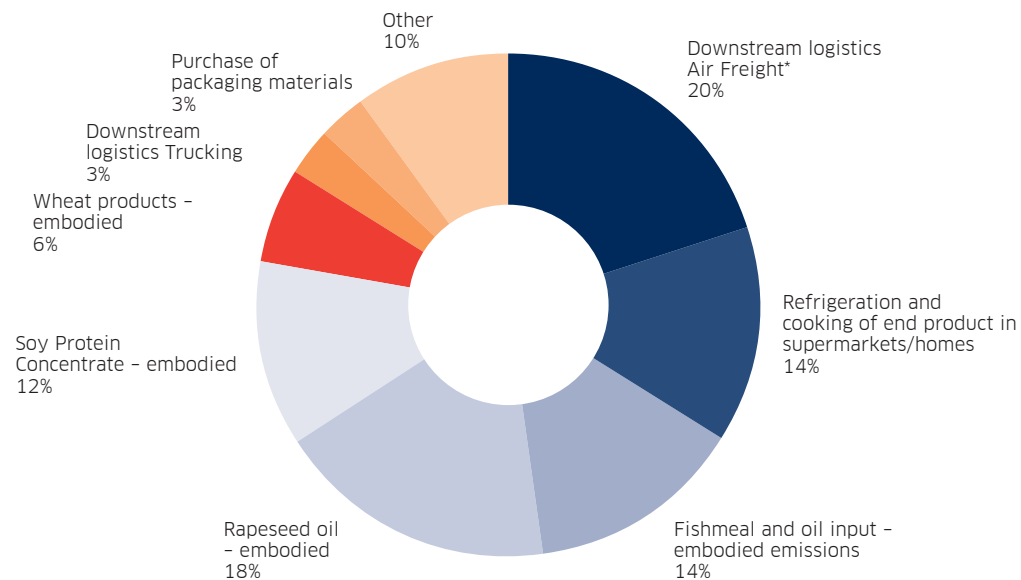
There has been an overall decrease of 2% in scope 3 GHG emissions since 2018.

- 2019 YOY Change -> +25%
- 2020 YOY Change -> -20%

The spike in 2019 was driven by the increased sold product volume which impacts on downstream transportation and distribution, use of sold product, certain purchased goods and services and salmon consumer waste most specifically.

**Breakdown by source - 2020**

2020 Emissions (tCO2e)





## BAKKAFROST SCOTLAND: ENERGY CONSUMPTION AND EMISSIONS 2020

ENERGY CONSUMPTION AND EMISSIONS 2020	2020
Energy Consumption	[kWh]
Direct energy use - scope 1	84,116,996
Indirect energy [electricity] use - scope 2	4,861,986
Total energy use	89,978,981
<b>GHG Emissions</b>	<b>[TCO2e]</b>
Direct energy use - scope 1	21,626
Indirect energy [electricity] use - scope 2	1,134
Total emissions from energy (scope 1 and 2)	22,759
Total scope 3 emissions (see boundary below)	-
<b>GHG Intensity</b>	
Tonnes of salmon produced	41,947 [Tonnes]
kgCO2e emitted per tonne of salmon produced (all Bakkafrøst Scotland)	540
kgCO2e emitted per tonne of salmon produced (only farming operations)	302
Bakkafrøst Scotland kgCO2e per 40g typical serving of salmon (only farming operations)	0.06
Average GSI Member kgCO2e per 40g typical serving of salmon (only farming operations)	0.6g

The table above outlines the energy consumption for scope 1, 2. Please note:

- All Bakkafrøst Scotland includes our farming, harvesting, processing operations.
- Our two-and-a-half-year production cycle means there is some variability in production. Environmental data will be impacted by this and trends will be most meaningful over a four-year period. This should be taken into account when comparing data.
- Average GSI Member CO2e per 40g typical serving of salmon basis of reporting can be found here: [www.globalsalmoninitiative.org/en/sustainability-report/protein-production-facts/#carbon-footprint](http://www.globalsalmoninitiative.org/en/sustainability-report/protein-production-facts/#carbon-footprint)
- Electricity consumption (Scope 2) gives rise to indirect emissions, i.e. via combustion of fossil fuels by the power company to generate energy. Direct emissions (Scope 1) result from the combustion of fossil fuels, i.e. solid, liquid or gas for heating, creating propulsion in vessels etc.
- The methodology used for the carbon accounting is The Greenhouse Gas Protocol, a Corporate Accounting and Reporting Standard (Revised Edition).
- The chosen consolidation approach for emissions was operational control. All figures are direct consumption reported for each Business Unit, multiplied by

an energy conversion factor (as appropriate) and carbon emission factor per unit consumed.

- Estimates have been made for incomplete data available for electricity consumption in some areas of our Bakkafrøst Scotland operations, accounting for around 2% of Bakkafrøst Scotland's electricity consumption.
- All emission and conversion factors for direct emissions (Scope 1) are from DEFRA [UK] 2020's dataset. All emission and conversion factors for direct emissions (Scope 1) are from DEFRA [UK] 2020's dataset. We used UK Government GHG Conversion Factors for Company Reporting 2020.
- Tonnes of Carbon Dioxide equivalent (TCO2e) has been calculated and stated here - this then takes account of the global warming potential attributed to the other two key greenhouse gases associated with combustion of fossil fuels, in addition to carbon-dioxide (CO2), i.e. methane (CH4) and nitrous oxide (N2O).



## Healthy environment

# Circular economy

■ We expect that around 10,000 m<sup>3</sup> of biological waste will be transported from the hatchery at Strond to FÖRKA a year. The total annual production of renewable energy from biological waste from Strond alone is expected to be 1,120 MWh of electricity, equivalent to the annual electricity use of 225 households.

**Fróði Mortensen.** Operation Manager FÖRKA

Bakkafrost biogas plant FÖRKA is up and running and has started the production of renewable energy from bio-organic waste from Bakkafrost hatcheries. In December 2020, FÖRKA's specially equipped truck arrived at the Strond hatchery to pick up bio-organic residual waste from the production. The biological waste was transported to FÖRKA, where it will be used for production of renewable energy.

At FÖRKA, a truck that is specially equipped is used for transporting biological waste. We have developed a disinfection system to disinfect the truck for biosecurity when the truck transports the bio-organic manure to the farmers. When renewable energy is produced from the biological waste, the leftovers are used for natural liquid fertilizer/bio-organic manure, which contains valuable nutrients used for manuring in different parts of the country. For agriculture this means reduced consumption of imported fertilizers.

As well as producing energy from the biological waste of the farming operations of Bakkafrost, FÖRKA produces energy from cow manure from farmers throughout the country.

When the biogas plant is fully operational in 2021 it is expected to save 11,000 tonnes of CO<sub>2</sub> emissions a year which represent about 2 % of the total electric power produced in the Faroe Islands in 2020.

In 2020, FÖRKA produced 1357 MWh electric power, equivalent to the monthly use of 3,264 households and 1,075 MWh heat energy for district heating, equivalent to 3% of the annual heating production.



# Healthy communities

## Performance review

### ★ STRATEGIC PRIORITY

- To create shared value

### 📊 2020 PERFORMANCE AGAINST OUR 2020 COMMITMENTS

- Set up a new 'Healthy Living' Fund ●
- Implement stakeholder engagement plan ●
- Implement a new community investment plan ●

### 🎯 2023 COMMITMENTS

- Actively educate key stakeholders on the benefits of salmon aquaculture
- Increase collaboration with key stakeholders to achieve the Healthy Living Plan
- Increase transparency on local value creation
- Continue 10m DKK 3yr investment in Healthy Living Fund in the Faroe Islands
- Continue investment in Community Fund in Scotland

### 🌐 SDGs



### WHY THIS IS IMPORTANT

Bakkafrost plays an important part in the communities in which we operate. We acknowledge our responsibility in taking care of the environment and the positive influence that we have on our communities, our future success is intrinsically linked. Bakkafrost has been, and remains, integral to the survival of many communities in the Faroes, where we create considerable prosperity through; employment, paying local taxes, sourcing products and services locally as well as investment in sport, arts and culture. Diligent review and management of our risks and opportunities is key to maintaining a healthy business operating in healthy communities.

We are committed to our local communities where we live and work, regardless of our multinational growth and our global market share, we are still very much a local company, both in the Faroe Islands and in Scotland. As a responsible business, we are passionate about driving the economic growth and sustainability of the rural economy. We seek to ensure open and transparent communication including development projects. We follow the local protocol regarding community consultation and arrange regular engagement with community representatives, open days and consultation events.

Through the value we create for the local communities and our collaborative approach to business, we are contributing, towards UN Sustainable Development Goals 8 and 17. Please see page 13 for more information.

### What we do

During 2020 we formalise our commitment to 'Healthy Communities' which is built on four complementary elements: Responsible Leadership, Value Generation, Community Engagement and Transparency.

### RESPONSIBLE LEADERSHIP

We are committed to demonstrating responsible leadership on industry issues and sustainability, both at an international level through our contribution to initiatives such as the Global Salmon Initiative (GSI), and at a local level through the Faroese Fish Farmer's Association, the Scottish Salmon Producers Organisation, Scotland Food & Drink and other industry groups.

Bakkafrost is one of the founding members of a newly established Faroese Corporate Sustainability Initiative, this is chaired by Regin Jacobsen, CEO Bakkafrost. The project aims to advance sustainable business practice and contribute towards UN Sustainable Development Goals such as Climate Action.



**In 2020, we:**

- Formalised our Healthy Communities commitments into a programme of four elements
- Launched our updated Corporate Responsibility Policy at Companywide events
- Continued engagement with the Faroese Government on the UN Sustainable Development Goals
- Driving the corporate sustainability agenda, by co-founding and chairing the recently formed Faroese Corporate Sustainability Initiative
- Were shortlisted for two awards at the 2021 edie Sustainability Leaders Awards for our approach to circular economy and Regin Jacobsen, CEO, was shortlisted as Business Leader of the Year
- Regin Jacobsen, CEO won Business Leader of the Year at the 2021 edie Sustainability Awards on 3rd of February 2021
- The Scottish Salmon Producers Organisation's launched the industry Sustainability Charter, 'A better future for us all'. This aims to create a vision for the future of Scotland's farmed salmon sector and is a collective strategy developed by those working in the industry, including SSC

**VALUE GENERATION**

We remain committed to creating and retaining value in the rural economy, we farm in some of the most remote and fragile coastal regions. We respect the major role that salmon farming plays in these rural areas and are committed to being an active and integral part of our communities.

In 2020, we have also supported a range of causes in the Faroe Islands, including initiatives aligned to our most material issues at a local level. We focus our investments into education, research, sponsorship of national sporting

**"The funding from Bakkafrøst makes the foundation for the University in developing scientific capacity and simulation tools for modelling of the fjord system and improve knowledge for the farming sector"**

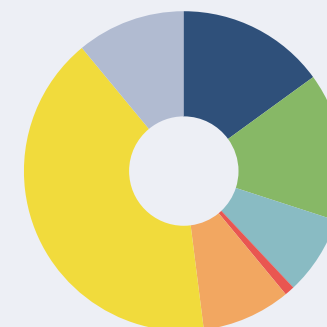
**Hans Pauli Joensen,**  
Dean, University of the Faroe Islands

organisations, and Faroese arts and culture. Many local community groups and initiatives have also benefited from sponsorship.

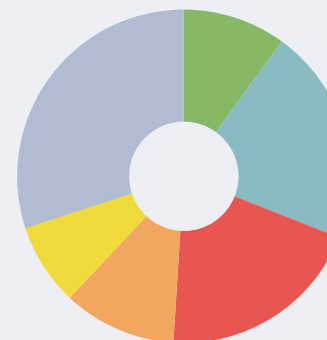
One of key investments was into the University of the Faroe Islands (Fróðskaparsetur Føroya). The University has a 3 year research project to better understand the impact of salmon farming on the environment and the potential impact climate change will have on Faroese aquaculture. The aim is to develop a model of the fjord system and improve knowledge for the sector. We also anticipate this will encourage students at the University to consider a career in the salmon farming industry.

In partnership with the Faroese Educational Institution "Nám", Bakkafrøst sponsored the development of educational material in Faroese about sustainable food systems for elementary school children. The aim is to increase the awareness and understanding of healthy and sustainable food systems and the important role of fish farming and the fishing industry in the Faroe Islands.

Our Community Charter in Scotland pledges our commitment to our people, suppliers, and communities. As part of this we introduced a Community Fund a few years ago to encourage staff to nominate local groups, causes and charities in their

**CAUSES SUPPORTED IN THE FAROE ISLANDS**

- National sports teams 15%
- Local football clubs 15%
- Local sports clubs 8%
- Arts and culture 1%
- Social inclusion of the elderly or the disabled 9%
- Environment and biodiversity 41%
- Other local giving 11%

**CAUSES SUPPORTED IN SCOTLAND**

- Local football clubs 12%
- Local sports clubs 18%
- Arts and culture 18%
- Social inclusion of the elderly or the disabled 12%
- Environment and biodiversity 12%
- Other local giving 29%

local community which promote health and wellbeing or stewardship of the natural environment to receive funding. Since its launch, over 100 staff nominated community groups have been awarded support through our Community Fund, including community food banks and local schools who needed funding to purchase equipment to take part in outside learning. The Community Fund has also supported several local sports teams, as well groups who organise beach cleans, including Clean Coast Outer Hebrides.

In Scotland as part of our Community Fund, Uig Primary School in the Hebrides received a donation to purchase a set of waterproofs for each of the twenty pupils. Uig Primary School is very active in the local community, planting trees, organising litter picks and growing plants. This was nominated by a member of staff whose son attends the local school.

Our internal Team Value Awards programme aims to encourage staff to live by our core values of Pride, Passion and Provenance, inspiring them to go above and beyond to support their local communities.

Our Training Team demonstrated their passion for our business by working together to improve the internal training system and went over and above what was expected of them. They created a bespoke training database which is easy to use, encourages active engagement from employees and gives managers greater ownership of training records.

Over the summer the Lamlash Site Team in Scotland demonstrated their commitment to their local environment. They have supported the area surrounding the site in several ways, from helping walkers on the Arran coastal trail, to creating signage to alert locals to a pair of nesting swans and installing animal feeders near the shore base. Driving local sustainability, the team have encouraged each other to cycle to work and are hoping to trial the use of e-bikes. They have also taken it upon themselves to organise beach



cleans, ensuring that rubbish left by tourists is removed quickly, preserving the area for other visitors. The Lamlash team are proud to be located within a flourishing rural area and continue to work hard to maintain the local natural environment.

Our tax contribution is the largest in the Faroe Islands. We also make a substantial contribution through the services and products we procure from local suppliers to run the business. In 2020, 68% of our suppliers in the Faroe Islands were local and 62% in Scotland. In 2020, around 638 Scottish suppliers made up 65% of our total spend.

**In 2020, we:**

- Paid more than DKK 608 million in salaries and employee taxes in the Faroe Islands
- Paid more than £ 24 million in salaries and employee taxes in Scotland
- Paid DKK 67 million in corporate and revenue taxes.
- Sourced 68% of products and services locally in the Faroe Islands and continued our indirect contribution to the local economy, contracting at least 50 local workers for hatchery building projects alone
- Sourced 62% of products and services locally in Scotland and continued our indirect contribution to the local economy with around 638 local suppliers made up 65% of our total spend
- Contributed DKK 3.6 million in the Faroe Islands through our Healthy Living Fund to local causes including sport, arts and culture, education, environment and social inclusion. We also increased investments into projects focused on addressing our material issues through longer-term partnerships. See the breakdown in the tables on page 71.
- Continue to develop our Community Fund in Scotland to support to local causes including sport, education, environment, and social inclusion. We increased our support of community food banks due to the Covid-19 pandemic. See the breakdown in the tables on page 71.
- Continued our three-year partnership with the University of the Faroe Islands, supporting natural science
- Sponsored the Faroese educational institution "Nám" in the development of educational material in Faroese about sustainable food systems for children in elementary school

**COMMUNITY ENGAGEMENT**

We are committed to being a good neighbour and integral part of the communities in which we operate. We aim to encourage a culture of community engagement and support for local initiatives.

See examples of initiatives in 2020 on page 74.

We are proud of our Faroes heritage and culture and a large part of this is our language which is spoken by only 80,000 people worldwide. We will continue to report in both Faroes and English to support knowledge and understanding of sustainability issues in education.

**In 2020, we:**

- Continued to increase our in-kind support: organising a series of initiatives including fjord and beach clean-ups.
- Offering the use of our service vessels for national clean-up initiatives.
- We supported several local community initiatives that promote health and wellbeing and environmental stewardship through our community fund in Scotland.

**Transparency**

We seek to ensure open and transparent communication with industry, stakeholder groups and our Community. We aim to create an interesting and stimulating environment at our workplace, respecting each other and enabling discussion to be able to come to the best solutions. Over the recent years we have develop more regular and open engagement at a local level, unfortunately due to Covid-19 restriction this year we were not able to invite people to our offices and production facilities in The Faroes Islands. However, we were able to hold a smaller event in July to launch a new book celebrating Bakkafrost's 50th anniversary.

Under the SSPO's planned Open Farm initiative, the Scottish salmon sector had planned to open 16 farms across the Highlands and Islands providing a total of 64 tours over one month to show local people, media and politicians exactly how Scottish salmon is grown and looked after. In line with other events in 2020 this was postponed due to Covid-19.

**In 2020, we:**

- Engaged with local key stakeholders on key development and our approach to sustainability.
- Introduced a programme of employee engagement.
- Carried out a public consultation for our expansion of our fishmeal, oil and feed factory in Fuglafjørð.

**2021 FOCUS**

- Continue to develop projects which have meaningful impact on our communities.
- Improve sustainability communications with customers.
- Develop local stakeholder engagement.



# Examples of initiatives in 2020

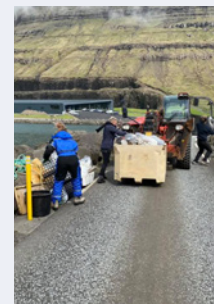
## Before



## After



For many years people have been frustrated over the lack of resources to clean the remains of an old unused hatchery in Víkarbyrgi. In 2020 Bakkafröst decided that although we had nothing to do with the remains, funds from the Healthy Living Fund were provided and enabled Sumba Municipality to clear the remains of the old hatchery, not belonging to Bakkafröst.



In the summer of 2020, Bakkafröst organised our yearly clean-up day where employees participated in the cleanup of the shores and coastline of the Faroe Islands. Employees volunteered during work hours. In total, about 30 tons of rubbish was collected and appropriately disposed.



In 2020 we won the Community Initiative Award at the 2020 Aquaculture Awards. The Outer Hebrides Local Energy Hub (OHLEH) is a multisector partnership delivered by SSC in partnership with Pure Energy Centre (PEC), Community Energy Scotland (CES) and local Council, Comhairle nan Eilean Siar (CnES) and funded by the Scottish Government Local Energy Challenge Fund.

The first of its kind in Scotland, the project focuses on the creation of a local circular energy economy and encourages collaborative solutions to waste management and energy challenges. This follows on from the previous year when OHLEH was awarded the Partnership Scotland Award at VIBES - Scottish Environment Business Awards



A special Award was given to the marine site team at Torridon who were involved in two sea rescues on Loch Torridon, in the North West of Scotland, rescuing three kayakers who had got into trouble in poor weather conditions and just weeks later towed a boat to safety who had lost power. They went above and beyond the call of duty showing excellent teamwork, H&S practices and were praised by the Coastguard for their quick reaction.



As the biggest private employer in the Faroe Islands, we are aware of our responsibility and motivated by our impact on local communities. We are very proud of our talented and diverse workforce, which consists of employees with different skills and different backgrounds.

For three weeks in the summer of 2020, an intensive course in Faroese language was arranged for employees to attend for a couple of hours before going to work. It was a huge success with a high number of participants who all gave positive feedback, stating that the intensive course had given them new tools for both speaking and writing Faroese.





## Healthy communities

# Trees for employees

To mark World Environment Day on 5. June 2020, Bakkafrost handed out free trees and bushes, providing all employees in the Faroe Islands with the opportunity to contribute to the local community, benefit climate and biodiversity.

With no natural growth of trees due to the low temperatures in the Faroe Islands throughout the year, the trees were carefully selected based on the criteria for growth in hardy conditions. To ensure growth for as many of the trees and bushes as possible, the employees also received instructions for planting the trees and bushes.

A “Plant a tree-contest” was launched. Employees were to take a picture of themselves planting the trees and bushes. By uploading the picture to our internal communications platform, the employees participated in the contest to win a prize.

The initiative will be repeated in 2021.









# About sustainability at Bakkafrøst

## SUSTAINABILITY MANAGEMENT AND GOVERNANCE

Sustainability management and reporting is a matter for the Bakkafrøst Board, which in 2019 was added to the agenda at every board meeting, covering topics such as our Healthy Living Fund and sustainability reporting, as well as including at the Annual General Meeting. The Board contributed to and approved the 2019 materiality process, the updated 2023 Healthy Living Plan and the 2020 sustainability report. This included the review and approval of commitments to mitigate climate change through CO<sub>2</sub> reduction targets and plans to become a Task Force on Climate Related Financial Disclosures (TCFD) supporter.

In addition to Board's oversight of sustainability, including climate change issues, Bakkafrøst has a Sustainability Committee, chaired by our CEO, which meets six times a year to oversee the implementation and performance of the Company against the Healthy Living Plan and the Bakkafrøst Corporate Responsibility & Sustainability Policy.

Sustainability is the responsibility of Bakkafrøst's management team, who report on a regular basis to our CEO. The management team discusses sustainability at monthly meetings and reviews progress against the Healthy Living Plan quarterly through a scorecard. In 2019, as part of strategic business planning, they evaluated Bakkafrøst's material sustainability issues (and the management approach to these issues), found on page 17 of this report.

Bakkafrøst's core values specify an intent to act responsibly, this includes thinking long-term on economic, social, and environmental issues. We follow a precautionary approach to the management of sustainability risk through an annual risk assessment process which is reported in the Annual Report and materiality analysis reported in our sustainability reporting, from 2018 onwards. The process allocates responsibility for the mitigation of significant operational risks.

Risks covering all Bakkafrøst operations are monitored throughout the value chain and reported against internally on a regular basis. Specific sustainability risks are reported through annual external reporting.

Our Code of Conduct also outlines our intention to "[...] strive to be market leading in environmental protection. All employees will be required to bear in mind the environmental effects work-related activities have on nature and the environment and apply environmentally friendly solutions to the extent reasonably possible."

Further information on Bakkafrøst's approach to governance and values, principles, standards, and norms of behaviour can be found online under our Corporate Governance Principles.

## NOTES ON THE REPORT

This report has been prepared in accordance with the GRI Standards: Core option. The index table can be found online.

We have mapped the material issues identified by our stakeholders against the GRI Standards, and the information in this report has been developed to cover the GRI Standard topics on an issue-by-issue basis.

The basis for reporting on our data can be found online at [www.bakkafrøst.com/sustainability/data](http://www.bakkafrøst.com/sustainability/data).

The report has been third-party audited by Januar. The assurance statement can be found on 84.

# Stakeholder engagement

We engage regularly with a diverse group of stakeholders on a range of topics. Our engagement plan has provided a more structured approach to engage with key stakeholders on material issues.

Our senior executives and management team identify stakeholders to engage with on a routine and planned basis. These are identified as significantly affected by our activities or have the ability to influence our successful running of the business, including how we achieve our strategy.

Opposite is a list of all our key stakeholder groups. We will continue implementing our engagement plan in 2021.



Group	Engagement mechanisms	Notes on engagement
<b>Employees</b>	<p>Whistleblower mechanism</p> <p>Employee engagement Survey Digital Communication Platform Staff Forums Toolbox Talks Weekly newsletter Value Awards Appraisal</p>	<p>Employees have access to an online whistleblower mechanism.</p> <p>We run annual employee engagement surveys and additional feedback surveys where required (eg. Covid)</p> <p>Programme of Engagement Quarterly meetings with elected staff representatives Team briefings with Health &amp; Safety focus Business updates for all employees Team awards recognising achievement and encouraging positive behaviour Appraisal programme</p>
<b>Employees Unions</b>	<p>Regular contact and ongoing meetings with Unions Regular employee working group meetings</p>	<p>Main topics: labour conditions, remuneration, health and safety, human capital.</p>
<b>Customers</b>	<p>Biennial sustainability materiality assessment Biennial Customer Summit (which all customers are invited to) Annual online survey Annual engagement at seafood exhibitions including: Seafood Expo North America (Boston), Seafood Global (Brussels), China Fisheries &amp; Seafood Expo (Qingdao), World Food Shanghai Exhibition, Ocean Group Seafood Show (San Diego), Wabel Frozen Summit (Paris) Annual engagement at client summits Annual Customer feedback survey Virtual Events Programme for long-term customer partnerships</p>	<p>Main topics: certification, quality, satisfaction, international relations, packaging, product development.</p> <p>In 2020, we have further refined and developed new smoked products in collaboration with our customers. We have also trialed some changes to our packaging including reducing plastic on our retail tail bags a result of customer feedback.</p> <p>Due to the covid-19 pandemic many expositions have been cancelled or arranged virtually.</p> <p>3 elements of Customer service: product quality, service and order fulfillment</p> <p>Although trade shows, visits and face to face meetings were cancelled in 2020, we developed a new programme for business development with customers. We worked with Scottish Development International for virtual 'Meet the Buyer' events with cookery demonstrations and arranged virtual farm visits.</p> <p>Programme of engagement including progress meetings and regular customer newsletter.</p>
<b>Suppliers</b>	<p>Biennial sustainability materiality assessment Ongoing engagement Supplier audits Sedex Local Sourcing Policy</p>	<p>Main topics: certification, quality, company standards (including human rights, health and safety and environmental standards).</p> <p>Supply chain compliance programme, all suppliers are carefully assessed to ensure performance to an appropriate ethical standard</p> <p>Source locally where possible, supplier engagement sessions</p>
<b>Government and regulatory bodies</b>	<p>Regular ongoing engagement Scottish Salmon Producers Organisation (SSPO) Membership</p>	<p>Main topics: licenses and registration, fish health &amp; welfare, pollution, biogas plant, ethical conduct, international relations, UN Sustainable Development Goals.</p> <p>We met with government representatives from the Ministry of Environment, Industry and Trade to present our 2030 strategy and discussed how our commitment depends on the successful decarbonisation of the national grid, regulatory changes outlined in the latest Faroese Coalition Agreement and the affordability of renewable electricity provision. In 2021 we will continue engagement.</p> <p>Industry Trade body to champion the sector's interests</p>



Group	Engagement mechanisms	Notes on engagement
<b>Local communities</b>	<p>Biennial sustainability materiality assessment</p> <p>Ongoing engagement with local councils, harbour masters, and interest groups</p> <p>Periodic engagement at industry events with Faroese business community</p> <p>Open house day at Faroe Islands headquarters, where the local community has the opportunity to meet our CEO and ask questions</p> <p>Annual local events such as Seaman's Day and Day at Sea</p> <p>Programme of community events and sponsorship</p> <p>Community consultation</p> <p>Community Charter and Fund</p>	<p>Main topics: new building projects, community investment, waste, water, pollution, value creation.</p> <p>We met with community representatives and carried out a public consultation for our expansion of our fishmeal, oil and feed factory in Fuglafjørð.</p> <p>Unfortunately, due to Covid-19 restriction we were not able to invite people to our offices and production facilities in 2020 and all events were cancelled. However, we were able to hold a smaller event in July in the Faroe Islands to launch a new book celebrating Bakkafrost's 50th anniversary.</p> <p>Due to Covid a number were cancelled or postponed or held virtually</p> <p>Site development plans – where relevant</p> <p>Staff nomination for funding of local causes in the community</p>
<b>Investors</b>	<p>Quarterly investor roadshows and periodic engagements</p> <p>Biennial Capital Markets Day (which all investors are invited to) Annual engagement on investor ESG ratings</p> <p>Biennial sustainability materiality assessment</p> <p>Periodic investor visits</p>	<p>Main topics: transparency on all material issues. Bakkafrost has increased transparency on material issues in each annual Sustainability Report, aligning reporting with the GRI Standard.</p>
<b>NGOs</b>	<p>Biennial sustainability materiality assessment</p>	<p>Main topics: pollution, fish health and welfare, community engagement.</p> <p>Represented on committees</p>
<b>Certification bodies</b>	<p>Ongoing engagement with third party certification bodies, including the ASC, MSC and GLOBALG.A.P.</p> <p>Biennial sustainability materiality assessment</p>	<p>Main topics: certification, quality (including food safety), health and safety.</p>
<b>Industry groups</b>	<p>Ongoing engagement with groups including the Faroese Working Environment Service, and Faroese Maritime Authorities, Faroese Employers Association and Faroese Aquaculture Association, Global Salmon Initiative (GSI) Biennial sustainability materiality assessment</p>	<p>Main topics: fish health and welfare, human rights, innovation, collaboration and certification, international relations, health and safety, pollution, feed ingredients, transparency.</p>
<b>Industry experts and academics</b>	<p>Ongoing engagement with external vets</p> <p>Biennial sustainability materiality assessment</p> <p>Sustainability training with experts</p>	<p>Main topics: all material issues.</p>

# Memberships and ratings

## TRANSPARENT ABOUT OUR PROGRESS

We aim to have a transparent approach to sustainability. We recognise our broader responsibility to engage, support and work collaboratively with stakeholders in our wider environment. We aim to be open and transparent; this includes reporting the progress we make in addressing our most material issues.



### UN Global Compact

Bakkafrost is a participant in the UN Global Compact and member of the Business Action Platform for the Ocean.

Through the action platform, we aim to contribute to the health of the ocean, through a focus on growth, innovation and sustainability.

Please see our Communication on Progress on page 45.

## VOLUNTARY DISCLOSURE



### Ocean Disclosure Project

Bakkafrost has signed up to the Ocean Disclosure Project to further increase transparency and focus on sustainable sourcing of marine ingredients. Please visit [www.oceandisclosureproject.org](http://www.oceandisclosureproject.org) for Bakkafrost's profile.

## 2020 RATINGS



In 2020, Bakkafrost was named among the Best Performers and the third top producer in sustainable protein in the 2020 Collier FAIRR Protein Producer Index, which ranks sustainability of the world's largest listed protein producers. We were ranked as one of two companies as Best Practice for Antibiotics. Bakkafrost was recognised for not using antibiotics in the Faroe Islands since 2004.



In September 2020, Bakkafrost was rated 25.7 (on a scale of 0-40+) in the Sustainalytics ESG Risk Ratings assessment (a lower score indicates less unmanaged ESG risk). The 2019 rating was 0.5 lower. Prior to 2020 the company's risk score decreased significantly, and its risk category has improved.



In 2020, Bakkafrost received a rating of BBB (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

## 2020 AWARDS



In 2020, Bakkafrost was announced as a finalist at edie's Sustainability Leaders Awards 2021 in two categories. Regin Jacobsen, CEO, is nominated in the category Business Leader of the Year and our biogas plant FØRKA is nominated in the category Circular Economy Innovation of the Year.



In 2020, SSC won the Community Initiative Award at the 2020 Aquaculture Awards. The Outer Hebrides Local Energy Hub (OHLEH) is a multisector partnership. The project focuses on the creation of a local circular energy economy and encourages collaborative solutions to waste management and energy challenges.

## MEMBERSHIPS



### Global Salmon Initiative (GSI)

Bakkafrost is a founding member of the initiative, which is focused on promoting sustainable aquaculture leadership through collaboration.



### EU Fishmeal

Havsbrún is a member of the EU Fishmeal initiative, which is a European nongovernmental organisation representing European fishmeal and fish oil producers.



### IFFO The Marine Ingredients Association

Havsbrún is a member of the IFFO an international trade organisation that represents and promotes the marine ingredients industry, such as fishmeal, fish oil and other related industries.



### Faroese Employers Association and Faroese Aquaculture Association

Bakkafrost was instrumental in the formation of the Faroese Aquaculture Association which promotes a joint approach to the management of material sustainability issues faced by the aquaculture industry in the Faroe Islands.



### Lantra

The Sector Skills Council for Aquaculture and Land-based industries. Lantra is a key organisation in a collaborative network across Scotland supporting the development of the skills agenda across Aquaculture.



### SEDEX

Bakkafrost is members of Sedex, a membership organisation that provides one of the world's leading online platforms for companies to manage and improve working conditions in global supply chains.

Please see our webpages for a comprehensive list of memberships and associations.

Feedback on this report, or on other material economic, environmental and social issues concerning Bakkafrost should be sent to [bakkafrost@bakkafrost.com](mailto:bakkafrost@bakkafrost.com). These will be shared with the Bakkafrost Sustainability Committee.

# UN Global Compact progress report

PRINCIPLE	RULE/ ACTION	OUTCOMES
<b>Human Rights</b>  <b>1 and 2 Support for human rights and prevention of human rights violations</b>	Bakkafrøst Code of Conduct Bakkafrøst Sustainability Policy External grievance mechanism (actively promoted to local stakeholders)  Internal whistleblower system Whistleblower reports  Bakkafrøst pledges to uphold all internationally proclaimed human rights as specified in the UN Guiding Principles on Business and Human Rights. Updated Bakkafrøst Sustainability Policy	No reports received through mechanism (relating to human rights violations)  No reports received through employee whistleblower mechanism (relating to human rights violations)  See page 38 for more information
<b>Labour</b>  <b>3 to 6 Freedom of association, abolition of forced and child labour, elimination of discrimination</b>	Bakkafrøst suppliers contractually obliged to meet Supplier Standard outlining labour standards including safe work environment, free from discrimination and the exploitation of children  Bakkafrøst Code of Conduct Bakkafrøst Sustainability Policy  Internal discrimination policy is in accordance to the ILO conventions  Goal to maintain women in leadership positions	No reports to external grievances or internal whistle-blowers relating to freedom of the association, forced or child labour, or discrimination.  No need for corrective actions in 2020.  16% Management Team female in 2020 (up from 12% in 2019) 17% of our Board of Directors female 29% of workforce female (down from 38% in 2019)  See page 30 for more information
<b>Environment</b>  <b>7 A precautionary approach to environmental challenges</b>	Biennial Materiality Analysis Bakkafrøst Sustainability Policy Goal to have all farming sites certified to the ASC standard by end of 2020	Updated sustainability strategy aligned with most material issues  100% of sites certified in Faroe Islands in 2020 BAP four-star certification in Scotland  See pages 48–51 for more information
<b>8 Promotion of greater environmental responsibility</b>	Promotion of ASC to customers  Engagement with key stakeholders on material issues  Engagement with local stakeholder in our expansion of our fishmeal, oil and feed factory.	Collaboration with local dairy farmers and local authorities on waste management, see page 69 for more information  Collaboration on impact on local community e.g. reducing noise and smell pollution
<b>9 Development and diffusion of environmentally friendly technologies</b>	DKK 100 million investment into Faroe Islands first biogas plant  Tendered new fully electric workboat	Reduction of up to 11,000 tonnes of CO <sub>2</sub> emissions p.a. Processing of up to tens of thousands tonnes annually of all waste from farms p.a.  See page 27 and 69 for more information
<b>10 Anti-corruption</b>	Bakkafrøst Code of Conduct (Included in handbook given to all employees)	No reports to external grievance mechanism or internal whistle-blowing system relating to corruption  See page 24 for more information



# Independent assurance report

## To the stakeholders of P/F Bakkafröst

P/F Bakkafröst has engaged us to provide limited assurance on the data and information described below and set out in the Sustainability Report of Bakkafröst for the period 1 January–31 December 2020.

## Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us not to believe, that data and information in the P/F Bakkafröst Sustainability Report for the year ended 31 December 2020 are without any material misstatements, and have been prepared in all material respects in accordance with the accounting principles as stated on <https://www.bakkafröst.com/en/about-us/sustainability/reports>. This conclusion is to be read in the context of what is stated in the remainder of this assurance report.

## What we are assuring

The scope of our work was limited to assurance over data and information in the Bakkafröst Sustainability Report for the period 1 January - 31 December 2020.

## Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with international standard on assurance engagements 3000 (revised) "assurance Engagements other than Audits and reviews of Historical Financial Information". A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of

internal control, and the procedures performed in response to the assessed risks, consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

## Our independence and quality control

We have complied with the code of ethics for Professional Accountants issued by the international Ethics Standards Board for Accountants which includes independence and other ethical requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies international Standards on Quality Control 1 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 work was carried out by an independent team with experience in sustainability reporting an assurance.

## Understanding reporting and measurement methodologies

Data and information need to be read and understood together with the accounting principles <https://www.bakkafröst.com/en/about-us/sustainability/reports/> which management are solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable measurement techniques and can affect comparability between entities and over time.

## Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the data and information, in doing so, and based on our professional judgement, we:

- Conducted interviews with management at Group level responsible for the sustainability strategy management and reporting.
- Performed an assessment of materiality and the selection of topics for the 2020 Bakkafröst Sustainability Report and comparison to the results of a media search;
- Read and evaluated reporting guidelines and internal control procedures at Group level in regard to the data to be consolidated in the 2020 sustainability report
- Conducted analytical review of the selected data in scope for our assurance engagement submitted by all production sites for consolidation at group level
- Evaluated internal and external documentation to determine whether information in the 2020 sustainability report is supported by sufficient evidence
- Read other information included in the 2020 Bakkafröst Sustainability Report in order to identify any material inconsistencies with the selected data in scope for our assurance engagement and our limited assurance report thereon.

## Management responsibilities

Management of Bakkafröst is responsible for:

- Designing, implementing and maintaining internal control over information relevant to the preparation of data and information in the Sustainability Report that are free from material misstatement, whether due to fraud or error;

- Establishing objective accounting principles for preparing data and information;
- Measuring and reporting data and information in the sustainability Report based on the accounting principles; and
- The content of Sustainability Report for the period January 1–December 31 2020.

### Our Responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether data and information for the period 1 January – 31 December 2020 Bakkafrost Sustainability Report are free from material misstatement, in all material respects, in accordance with the preparation principles;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained, and
- Reporting our conclusion to the stakeholders of P/F Bakkafrost

Tórshavn, 9th April 2021  
Januar  
Løggilt Grannskoðanarvirki

### Heini Thomsen

State Authorised Public  
Accountant

### Fróði Sivertsen

State Authorised Public  
Accountant







