

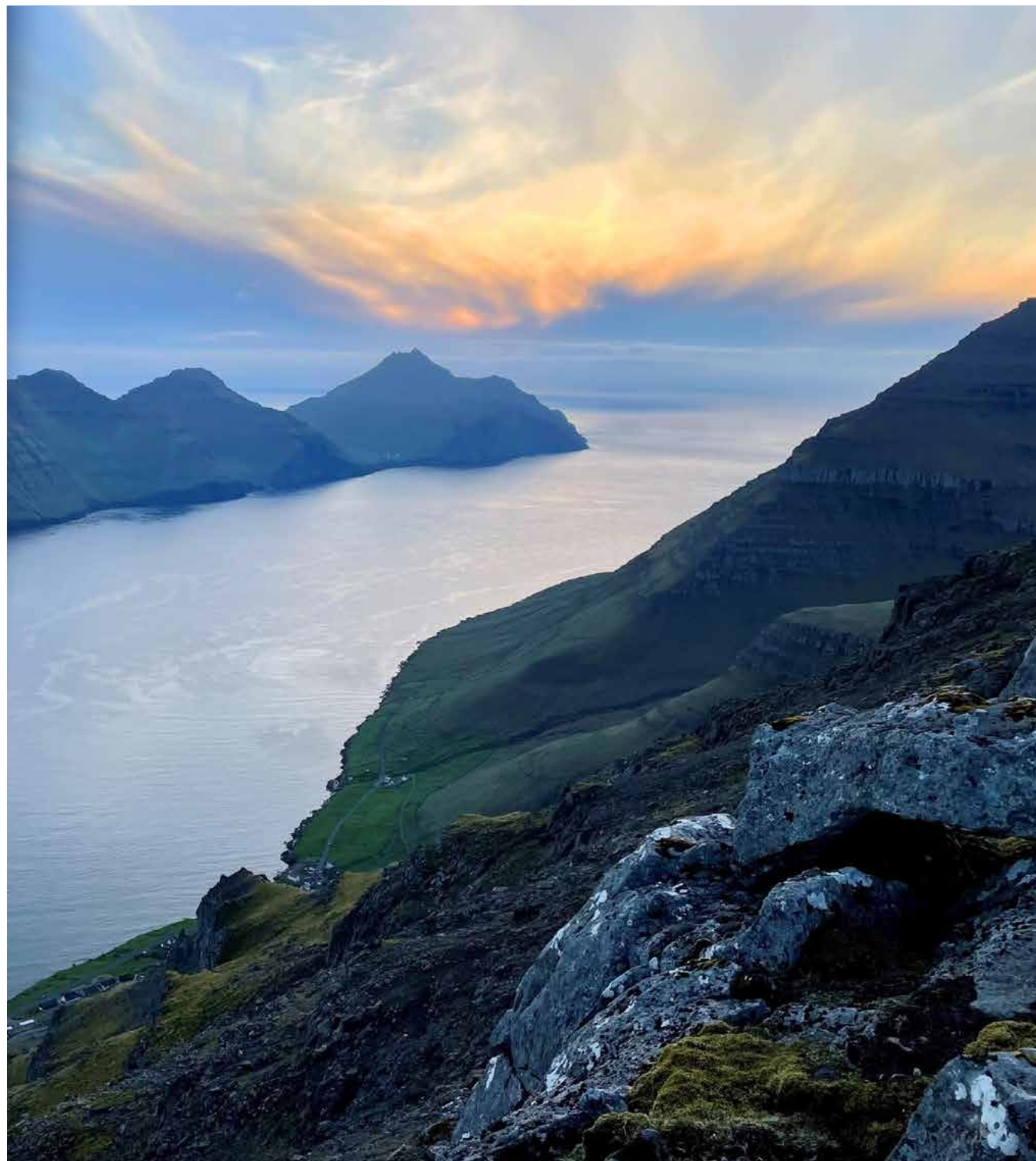


ESTABLISHED 1968

HEALTHY LIVING

SUSTAINABILITY
REPORT 2021

www.bakkafrost.com/sustainability



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ABOUT THIS REPORT

This is Bakkafrost's fifth sustainability report, which provides an overview of performance against our Healthy Living Sustainability Plan for the reporting period 1 January to 31 December 2021. As the largest salmon producer in the Faroe Islands and the third 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 Faroese, Scottish, UK and US operations as well as our subsidiary Havsbrún and FÖRKA.



For more information, please visit
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, Fugláfjørður (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: 1,653 FTEs across the group. 1,035 FTEs in Faroe Islands, USA and UK, and 618 FTEs in Scotland

Markets served: Western Europe (61%), North America (19%), Asia (11%) and Eastern Europe (9%)

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



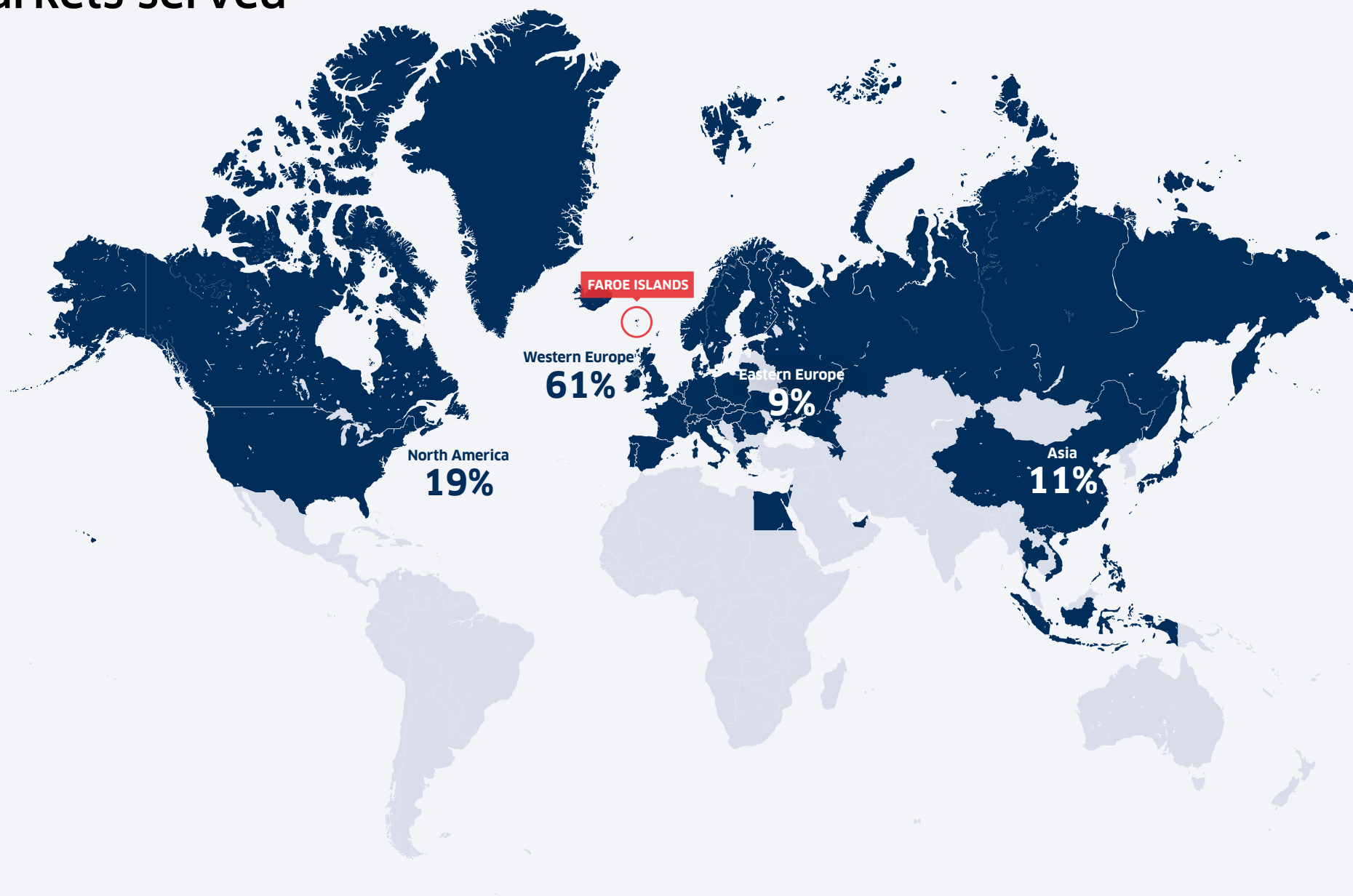
Output

The Bakkafrost Difference

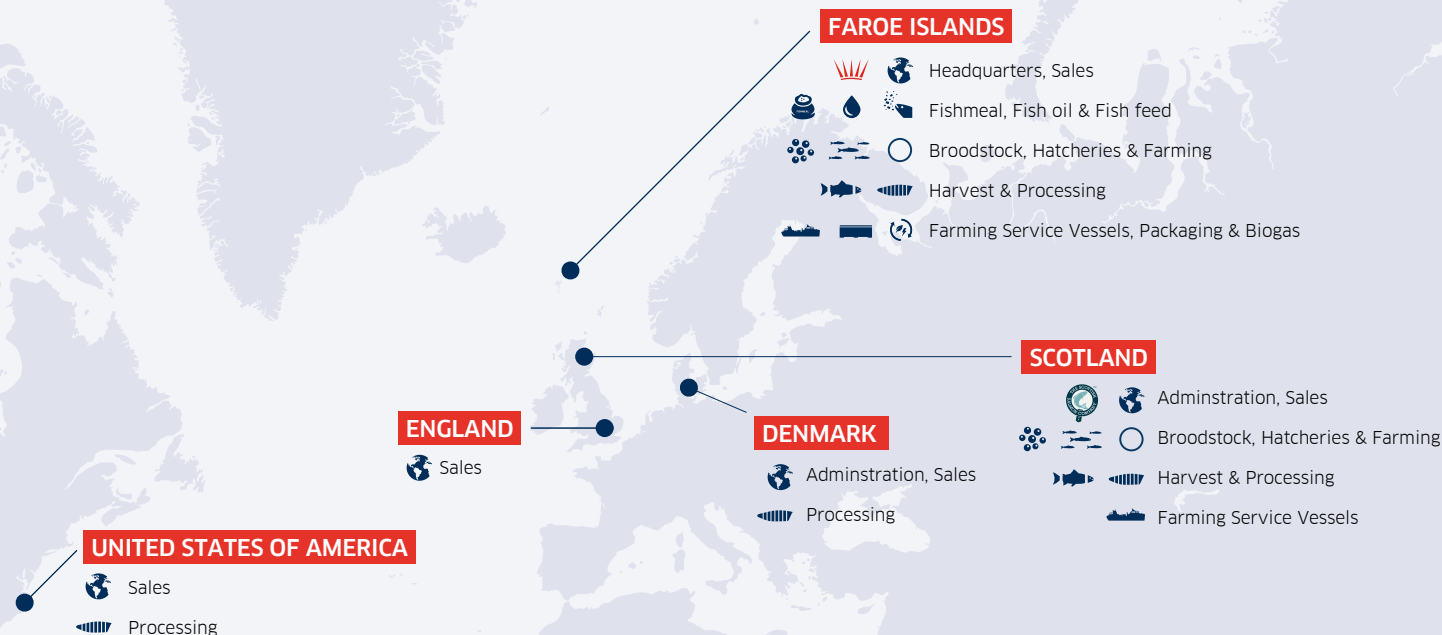
Value Created

- 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 for our consolidated financial statements.)

Markets served



Facilities and locations



LEGEND TO MAP SYMBOLS



FISHMEAL



BROODSTOCK



HARVESTING



FSV (FARMING SERVICE VESSELS)



FISH OIL



HATCHERIES



PROCESSING



PACKAGING



FISH FEED



FARMING



SALES



BIOGAS



BAKKAFROST

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

Location: Faroe Islands

Headquarters: Glyvvar, Eysturoy

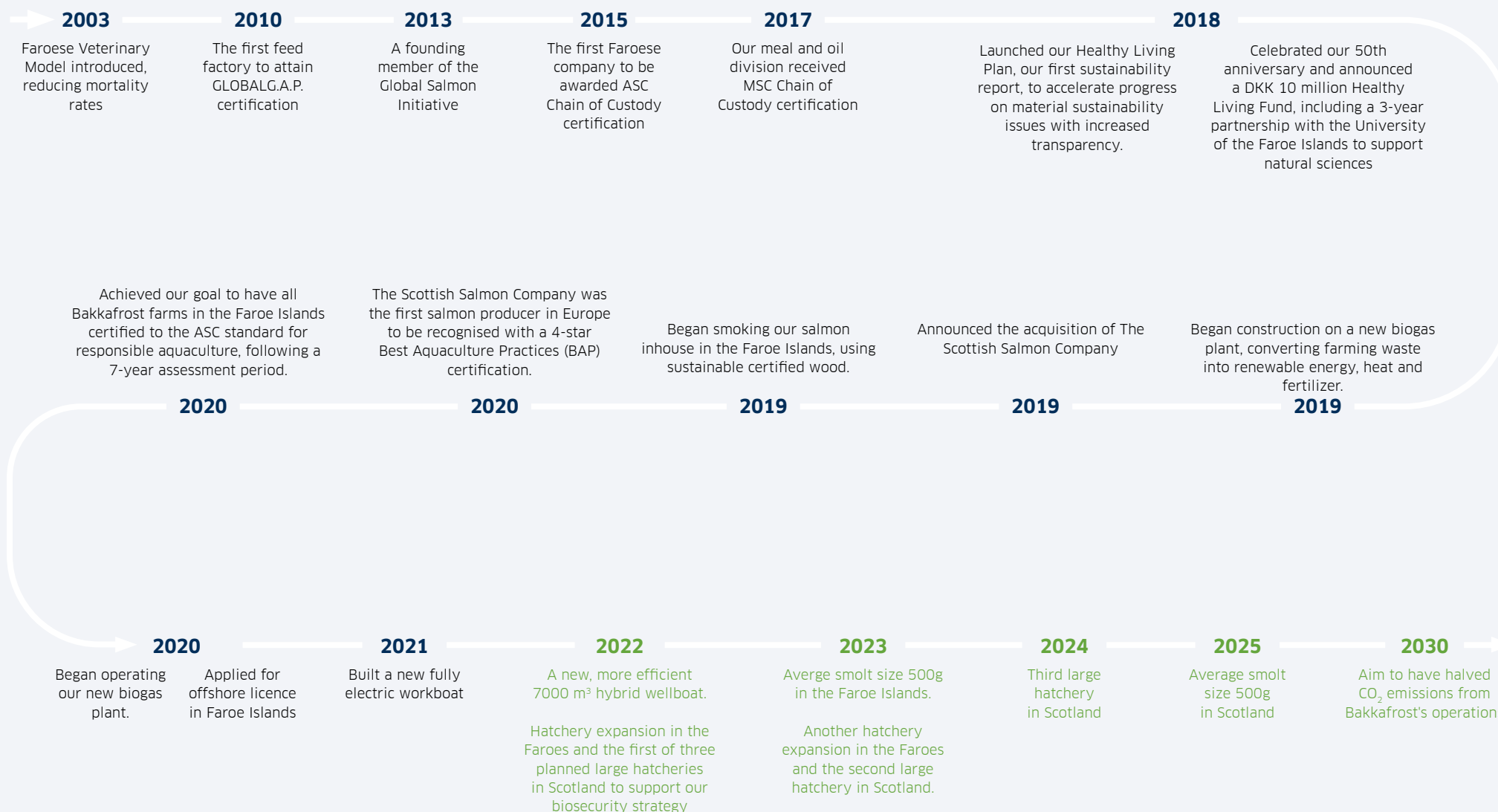
Production and business-to-business sale: salmon, fishmeal, fish oil and fish feed

Longest integrated value chain in the industry

Listed on: Oslo Børs with ticker code BAKKA



Our sustainability journey



Main Events 2021



January

- Faroese businesses unite to address sustainability in The Faroese Sustainable Business Initiative, a three-year trial project managed from Faroese House of Industry. Bakkafrøst is among the founding members of the initiative

March

- Launch of fourth sustainability report
- Continued development in powering by electricity at Bakkafrøst. Installing the longest sea cable in the Faroe Islands (5.6 km) and providing a remote farm with electrical power from land, previously run on diesel
- Sign a new three year sponsorship with the Faroese Football Association to sponsor the Faroese men's football team



June

- World Environment Day is marked at Bakkafrøst in the Faroes by handing out trees for all employees as well as organising a beach clean
- Bakkafrøst celebrates Sustainable Gastronomy Day by serving employees a healthy, sustainable meal with information on and informing the carbon footprint of different foods.



October

- Bakkafrøst Scotland's Native Hebridean Smoked Scottish Salmon wins prestigious Great British Food Awards 2021 for Best Smoked Fish & Seafood

November

- Completed site preparation of site for new state-of-the-art broodstock facility at Skálavík
- Bakkafrøst-owned biogas plant FØRKA awarded the Energy Globe Foundation's National Winner in the Faroe Islands



February



- CEO Regin Jacobsen wins the "Business Leader of the Year" award at edie Sustainability Leaders Awards. The judges said: "Regin has worked tirelessly to transform a sector that really needed changing. He has innovated and gone well beyond just improving his own company; also entering the political debate to drive long-lasting change"
- Bakkafrøst signs contract with MEST shipyard to build electric workboat
- Bakkafrøst enters agreement with MOWI on site exchange in Isle of Harris to create operational efficiency and improved health management
- Bakkafrøst Scotland enters project with marine engineer specialists Malin Marine Services to support more sustainable shipping solutions and reducing greenhouse gas emissions

May

- Bakkafrøst Feed division, Havsbrún, is recognized with BAP certification (Best Aquaculture Practice) Havsbrún is an approved feed supplier to Scotland, with 4-star BAP certification



April

- Bakkafrøst purchases farming service vessel (FSV) Bakkanes for Scottish operations to strengthen biological performance



July

- Bakkafrøst contributes to annual local Salmon Market, serving free salmon to participants



September

- Bakkafrøst announced a 5-year 6.2 bn (DKK) sustainable growth plan with an event for local stakeholders. Growth will be through optimising existing licences together with stocking with larger smolt also reducing biological risk
- The Faroese Sustainable Business Initiative launches the first phase of the plan. All members commit to 50% Scope 1 and 2 CO₂e reduction by 2030
- FSV Bakkanes started operations in Scotland

December

- Bakkafrøst is ranked "B" against the CDP Climate Change index. This was the first time Bakkafrøst disclosed against the CDP index
- Bakkafrøst Scotland-project is awarded £5 million in public sector funding. The project will create around 30 rural jobs and significantly advance salmon farming in Scotland

2021 Review with Regin Jacobsen CEO, Bakkafrost

In many ways, 2021 has been a turning point for Bakkafrost. Another year has passed, marked by the Covid-19 pandemic, being the second year with market disruption caused by the pandemic. However early signs of normalisation were seen during the first half of the year. Overall, Bakkafrost has managed well during the pandemic, employee safety has been the top priority, and Bakkafrost has adapted operations to meet this aim. A high level of productivity has been maintained and Bakkafrost has been able to navigate well through the troubled seas of new and altered market conditions. During 2021 we have steadily unwound from the pandemic, and the effect on Bakkafrost's operation has reduced.

We are now four years into our Healthy Living Plan and we were very pleased to look back and review progress over these years. The main accomplishments included initiatives from: our investment in a new biogas plant, operational in 2020; the establishment of our Healthy Living Fund aimed to build partnerships with organisations that address material issues affecting our communities; our partnership with the University of the Faroe Islands supporting natural sciences, with a focus on aquaculture; to the investment of a fully electric workboat. While we have made significant progress with the majority of our commitments, we still face challenges that need to be addressed.



Chief Executive Officer Regin Jacobsen

We had issues with sea lice in the second half of the year in the Faroe Islands. This was caused by a Covid-related delay in fitting new delousing equipment onboard M/S Martin, our main delousing service vessel. The delay hindered us from following our successful and preventive delousing strategy, which aims at ensuring low sea lice levels before the autumn.

In Scotland we experienced elevated mortalities in the fall. The underlying issue was gill health. Late in Q3 and

into Q4, there was a significant bloom of hydrozoans and microjellyfish, which further deteriorated gill health. In short, the microjellyfish bloom in addition to reduced gill health caused significant mortalities.

Our freshwater treatment capacity will be expanded with two new freshwater treatment vessels joining the fleet this summer, we will permanently have two freshwater vessels in Scotland and one vessel with freshwater treatment capacity in

the Faroe Islands. Treating the fish regularly with freshwater is an efficient way to rinse the gills restore gill health and ensure more robust healthy growth.

In the longer term, the growth cycle in the marine environment in Scotland will be halved down to 10-12 months, as we raise the average smolt size to 500g. This will be a game-changer and reduce the biological risk significantly.

Growing larger smolt comes with new challenges, and learnings, but more importantly, we have gained valuable knowledge in how to implement the large smolt strategy in our operation in Scotland. These learnings have also been implemented and tested in the Faroe Islands where we already have seen the positive effect. In 2021 the harvests in the Faroe Islands were from smolt transferred at a mean weight of 274g. The transferred smolt weight in 2021 was however 382g, we will therefore see a gradual reduction in production cycle over the next couple of years. We believe the improved biological performance that we have seen from this stock is as a result of larger and more robust smolt.

In our freshwater division, we have refined a range of parameters important for improving the robustness and biological performance of large smolt and made significant improvements.

To continue to make progress it is important to embedding sustainability into our culture. In 2021, we conducted feed trial projects to optimize feed recipes and the absorption of nutrients and minerals to improve fish health and reducing the benthic load. We have also researched biomarkers to be used in an early warning system for fish health.

We have also continued our funding of collaborative research projects to improve knowledge of biodiversity of benthic macrofauna in Faroese fjords and establish a baseline biological diversity state undisturbed by human impact.

This includes developing a classification system for benthic macrofauna analysis in Faroese fjords to assess aquaculture's potential environmental effects. We have also engaged in a project to better understand the interaction between salmon farming and the wild trout population.

We are committed to the United Nation's Global Compact principles and we are keen to continue to work collaboratively with the business community in the Faroe Islands and Scotland, and support overall contribution to the UN Sustainable Development Goals (SDGs). As one of the largest contributors to the Faroese economy, we take our responsibility seriously and take a leading role. This includes strengthening local stakeholder engagement on issues such as our approach to environmental management in the fjords.

A major focus in 2021 was collaboration and knowledge transfer between our Faroese and Scottish organisations. We have exchanged best practices in addressing everyday challenges, including improved fish health and welfare and minimising environmental impact. We continue to develop this alignment and encourage organisational simplicity through our strategic project, 'One Company'.

In 2021, Bakkafrøst participated for the second time in the company rating of CDP (formerly known as the Carbon Disclosure Project) where we achieved a "B" rating in the Climate Change Disclosure. This acknowledges that coordinating actions are in place and reflecting our efforts in sustainability. We will continue to improve and expand our practices in sustainability and contribute to mitigate the impact of climate change.

Given our location in the North-Atlantic Ocean and the enormous challenge of ensuring sufficient production of healthy and sustainable food for the world's growing population, we consider it as our responsibility to increase production of salmon. Salmon is amongst the most sustainable and resource-

efficient sources of healthy animal protein. Bakkafrøst is uniquely located in one of the best natural environments for salmon farming, with excellent and sustainable access to marine raw material for fish feed production. Over the next five years, we target to increase our production significantly, reaching 150,000 tonnes head-on gutted weight by 2026. It is therefore vital that we firmly address sustainability challenges. We take a scientific approach as we develop new targets, to meet global commitments on issues such as climate change. We have committed to reducing our scope 1 & 2 carbon emissions by 50% and our scope 3 carbon emissions by 52% by 2030. We have also committed ourselves to net-zero by 2050.






Operationally we will drive responsible growth across the business. Going forward as a value orientated business, the focus on sustainability will be even greater. 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 Bakkafrøst 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 you may have. reja@bakkafrøst.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
STRATEGIC PRIORITY	To grow efficiently and responsibly	To be a preferred employer	To exceed leading standards	To minimise our environmental impact	To create shared value
2021 PERFORMANCE AGAINST OUR 2023 COMMITMENTS	<ul style="list-style-type: none"> 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 ● 	<ul style="list-style-type: none"> Have industry-leading employee engagement scores ● Launch internal sustainable behavior campaign ● Reduce absence rate to 4.4% ● Become certified against ISO45001 standard ● Reduce LTIR to below 5 by 2026 ● Have zero fatalities ● Increase number of women in management positions (managers with direct reports) to at least 25% by 2025 ● 	<ul style="list-style-type: none"> Increase smolt size to 500 gr by 2023 in the Faroes and 2025 in Scotland ● 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 for all Bakkafrost salmon ● 	<ul style="list-style-type: none"> By 2023 reduce by 50% the scope 1 & 2 CO₂ footprint (Group) ● 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 (Faroes) ● 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> SDG 2 Zero Hunger SDG 7 Affordable and Clean Energy SDG 8 Decent Work and Economic Growth SDG 9 Industry, Innovation, and Infrastructure 	<ul style="list-style-type: none"> SDG 5 Gender Equality SDG 8 Decent Work and Economic Growth 	<ul style="list-style-type: none"> SDG 2 Zero Hunger SDG 6 Clean Water and Sanitation SDG 14 Life Below Water SDG 17 Partnerships for the Goals 	<ul style="list-style-type: none"> SDG 6 Clean Water and Sanitation SDG 7 Affordable and Clean Energy SDG 9 Industry, Innovation, and Infrastructure SDG 12 Responsible Consumption and Production SDG 13 Climate Action SDG 14 Life Below Water SDG 15 Life on Land 	<ul style="list-style-type: none"> SDG 8 Decent Work and Economic Growth SDG 17 Partnerships for the Goals

- On-track to meet the target in 2023
- Have started, unclear if target will be met.
- Did not or will not meet the target

If the target is measured on a yearly basis, like Zero fish escapes, Customer scores, Omega-3 levels, etc., we base the performance on the yearly results.

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 conducted a mapping of the SDG against our activity to understand which are most relevant for us. 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've assessed our contribution to the goals, which you can read more about throughout the report.

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

2.5g
per 100g

RDI 2.5-3g

OMEGA-3 TO 6 RATIO

1.5

VITAMIN D MEAN

11.04µg
per 100g

RDI 10µg

PROTEIN LEVELS

20.0g
per 100g

RDI 58-116g

VITAMIN B12 LEVELS MEAN

4.1µg
per 100g

RDI 2µg

VITAMIN E LEVELS MEAN

4.73mg
per 100g

RDI 9 mg

SELENIUM MEAN

0.02 mg
per 100g

RDI 0.06mg

IODINE MEAN

0.005 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 Bakkafrost in 2021

ANTIBIOTIC USE

0

Faroe Islands

0

Scotland operation

No antibiotics were used at any site managed directly under Scottish operations. For more information, see page 46

MEDICINE IN BATH

1.06g

per tonne · Faroe Islands

0.21g

per tonne · Scotland

Used by Bakkafrost to treat sea lice in 2021

FEED CONVERSION RATIO

1.06/1

Faroe Islands

1.21/1

Scotland

Bakkafrost salmon
(1.2-1.5kg GSI average)

SURVIVAL RATE

91.76%

Faroe Islands

78.29%

Scotland

ESCAPES

32,821

Faroe Islands

0

Scotland

Number of salmon

SEA LICE COUNT

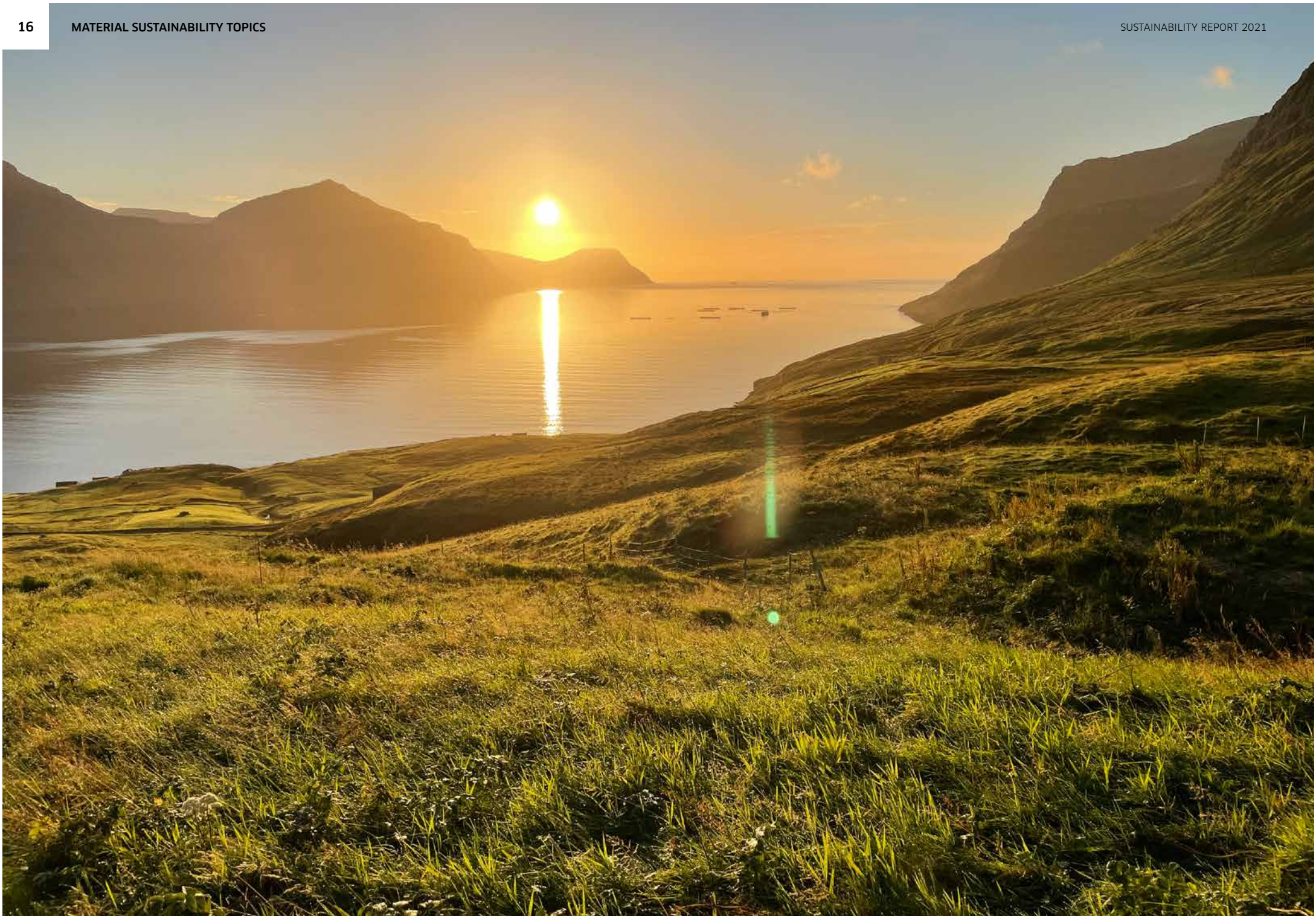
0.43

Faroe Islands

0.59

Scotland

Average over 12 months
of female adult lice
- all sites







Material sustainability topics

Our materiality analysis is based on dialogue with stakeholders representing a diverse range of groups including; investors, customers, suppliers, community representatives, national regulators, NGOs and sustainability experts. In order of importance, we found that biodiversity and fish welfare were most significant, as well as adapting to climate change. To the right is the list of the 20 main issues.

In 2021 we reviewed our materiality assessment, this involved desktop research of; media coverage, social media, international ESG frameworks and standards, public policy and public disclosures from others in the sector. We then re-assessed our material issues with some key stakeholders to understand areas where the significance has changed.

Based on the feedback, we have identified key issues that are of material importance to us and we feel should be included within the definition of other material issues. Brexit and Data security are therefore included in the Healthy Business section and more information on our broodstock programmes in the Healthy Salmon section.

We review our materiality assessment on a yearly basis and update it broader every three years. We will conduct an additional materiality assessment in 2022, reviewing the most significant economic, social and environmental risks and identifying opportunities for the Company and our stakeholders to enable us to build and develop our Healthy Living Sustainability strategy.

 <p>Healthy Business</p>	<ul style="list-style-type: none"> • Government regulation and compliance: Ability to meet growing demand through regulated growth, and compliance with relevant laws, regulations and local and international standards. • Ethical conduct: Upholding and promoting standards of good business practice throughout the value chain, consistent with Bakkafrost's values and principles. • Customer satisfaction: Listening to customers and meeting changing customer needs and standards. • Innovation: Investing in innovation through research and development, to meet changing customer demands, capitalise on opportunities, and drive leading sustainability standards. • International relations: Managing impact on the brand from international relations issues.
 <p>Healthy People</p>	<ul style="list-style-type: none"> • Human capital: 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. • Health, safety and wellbeing: Maintaining a high standard of occupational health and safety and creating a healthy working culture. • Human rights: 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.
 <p>Healthy Salmon</p>	<ul style="list-style-type: none"> • Product quality and human health: 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. • Fish health and welfare: Upholding leading welfare standards and limiting the use of chemicals and medicines in the prevention of disease and sea lice. • Certification and collaboration: Collaborating to address systemic social, environmental and industry challenges through external standards and certification.
 <p>Healthy Environment</p>	<ul style="list-style-type: none"> • Local pollution: 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. • Biodiversity: 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. • Sustainable fish feed: Ensuring sustainable and responsible fishmeal, oil and feed production, including sourcing of raw materials and fish stock management. • Resource optimisation, waste, and packaging: Optimising the use of resources and minimising the environmental impact of waste from product's lifecycle, (including food and packaging). • Water: Efficient use of fresh water at all stages in the value chain and investment in new technology to reduce use. • Climate change and energy: Limiting GHG emissions throughout the value chain – for example through efficient energy consumption and generation of renewable energy – and addressing climate change risks.
 <p>Healthy Communities</p>	<ul style="list-style-type: none"> • Responsible leadership: Demonstrating leadership on industry issues, and responsible corporate citizenship. • Community engagement and transparency: Engaging with the local community and promoting transparency on material issues. • Value generation: Adding value in society through tax contribution, community investment, and employment.



Healthy business Performance review

★ STRATEGIC PRIORITY

- To grow efficiently and responsibly

2021 PERFORMANCE AGAINST OUR 2023 COMMITMENTS

- Zero cases of non-compliance ●
- No product recalls ●
- No market bans ●
- 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. To feed nine 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 with its high content of omega-3 fatty acids, vitamin D, selenium, and B vitamins. According to the 2018 World Resource Institute's report Creating a Sustainable Food Future, aquaculture production would need to more than double between 2010 and 2050 to meet projected fish demand.

Aquaculture is a sustainable option for consumers, compared to other farmed proteins. Sustainable sourced salmon has one of the lowest carbon footprints of all animal proteins including chicken, pork, beef and lamb. It is highly resource efficient and has the highest protein retention. It also has the lowest feed conversion ratio and water footprint compared to these proteins.

Responsible and sustainable salmon production, conducted in a way that minimises potential negative impact, is the solution to providing future generations with healthy and environmentally friendly protein options.

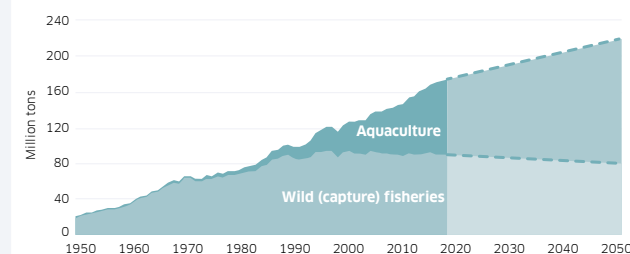
Bakkafrost has an ambitious growth strategy which enables us to compete in the world's fastest growing food producing sector. Operating in a small country like the Faroe Islands can make organic growth more challenging, as there is existing salmon farming in all the main fjords, these limitations drive creative and innovative solutions for future growth.

Investment Strategy

In 2021 Bakkafrost announced a new growth plan in which we set ourselves the ambitious growth target to increase our output of our premium salmon by more than 45% over the next five years. Our announced 5-year investment program for the period 2022-2026 will increase our total production capacity in our value chain to around 180,000 tonnes head on gutted weight and enable us to reach 150,000 tonnes for harvest in 2026.

Sustainable growth is fundamental to our ambitious growth target. Our unique value chain plays an important role to ensure that each part of the value chain is perfectly adapted

Aquaculture production must continue to grow to meet world fish demand



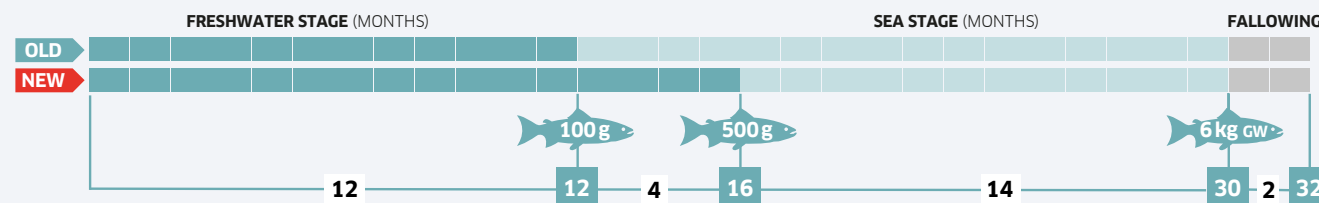
Source: Historical data, 1950-2016: FAO (2017b) and FAO (2018). Projections to 2050: Calculated at WRI; assumes 10 percent reduction in wild fish catch from 2010 levels by 2050, linear growth of aquaculture production of 2 Mt per year between 2010 and 2050. (Creating a Sustainable Food Future, World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

to the next and we can achieve optimal efficiency and maximise the utilisation of available resources. Our land based freshwater hatcheries in which we produce large smolt are a key element of our value chain to achieve growth. Our strategy to produce healthy and robust smolt of around 500g involves moving a part of the traditional production cycle on land into state-of-the-art hatcheries, with cutting edge water recycling technology (RAS). This is a well-known technology which has been used for over 25 years. By moving into a well-controlled environment in RAS, the biological risk is reduced as well as increasing the production capacity in existing farms by reducing the production cycle from 18 months (in the Faroe Islands) to 10-12 months. In the Faroes we have also been able to move our farming sites to more exposed locations. In these locations there are stronger sea currents and water quality is better for healthy growth and any impact on the seabed is further reduced.

In the Faroe Islands, we have come a long way in implementing the 500g smolt strategy and invested in increased hatchery capacity, this will drive our volume growth over the coming years. Increased production on land generates large volumes of organic waste which is now sent to our newly built biogas plant. We are now a significant producer of renewable energy and fertiliser in the Faroes. This is a good example of business growth and sustainability working hand in hand.

As announced on our 2021 Capital Markets Day, we plan to replicate our successful strategy in Scotland. When we acquired The Scottish Salmon Company, we were aware that this would be a turnaround case and that we would have to replicate the investments already made in the Faroe Islands. As we have seen in the Faroes, the cornerstone in the turnaround is to produce 500g smolt in large new state-of-the-art hatcheries with RAS-technology and we plan to build three in Scotland. In addition, investment is required in vessels and infrastructure to improve fish health and increase survivability. Investment in technology including IT, camera systems, feeding systems and

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



environmental sensors, will help safeguard our stock, improve our feed conversion ratio and improve environmental impact management. As in the Faroe Islands, the planned growth in Scotland will increase energy consumption and generate biological waste, hence sourcing renewable energy and sustainable waste handling are integral to our investment plans.

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.

In 2021, production increased to more than 2,000,000 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 (61%), North America (19%), Asia (11%) and Eastern Europe (9%). Consumers in these markets increasingly demand reassurance about the sustainability of food and our customers' requirements have also increased. Our strong sustainability record has been key in strengthening partnerships with key customers and we anticipate this trend towards transparency in food production will continue.

We are committed to responsible and sustainable production of healthy world-class salmon. This includes increased transparency and focus on third-party certification to demonstrate our sustainability and welfare credentials with a focus on quality and supply chain integrity.

The large smolt strategy is the main game changer for operation in Scotland, reducing biological risk, improving efficiency, reducing cost, and providing an opportunity for further growth. Another strategic priority is the "One Company" pillar of the strategy, whereby the Faroese and Scottish operations gradually evolve into one, building on the strengths and best practices of both.

Through responsible and efficient production of high-quality protein for the global market and our investment in innovation, 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 the areas 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 fundamental, 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 Practices (BAP), to raise the bar for the industry on sustainability issues.

In 2021, we:

Had zero cases of non-compliance:

- No product recalls
- No market bans

ETHICAL CONDUCT

It is important to go beyond compliance 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, which are aligned to third party standards,

ensure our suppliers meet ethical standards and are required to adhere to standards on occupational health, safety and wellbeing, human rights, freedom of association and collective bargaining, child-labour and environmental standards. In Scotland and Faroe Islands, 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 2022, we will:

Continue to update and align our policies across the Bakkafrost Group to promoting best practise.

SUSTAINABLY LINKED FINANCE

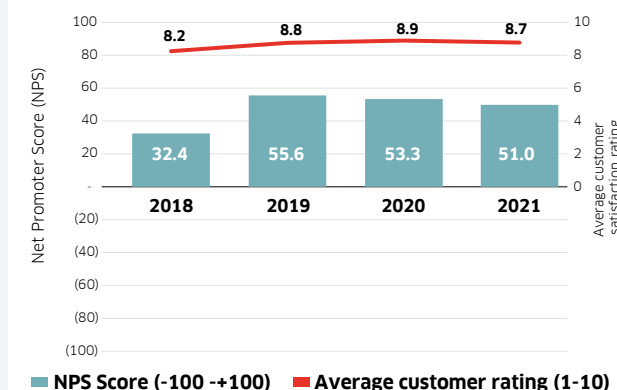
In December 2021, Bakkafrost entered into a term sheet for a sustainability-linked EUR 700 million multicurrency revolving credit facility with a tenor of five years. The purpose of the facility is to refinance Bakkafrost's existing bank facilities, and it will serve as a robust and flexible financial framework for our investment plans aimed at significant sustainable growth. Importantly, the margin payable is linked to Bakkafrost's performance against certain sustainability KPIs, consistent with our overall sustainability targets and ambitions. Through this we strengthen our commitment to make our growth ambitions sustainable by increasing the financial upside in achieving this.

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 and work with our customers to introduce new product developments and certifications. We conduct an annual customer feedback survey and hold a Customer Summit every two years where we welcome customer to visit our facilities.

98% of Bakkafrost customers in 2021 were either "satisfied" or "more than or very satisfied". For further information please see page 44

CUSTOMER NET PROMOTER SCORE (NPS) 2021



Further information on our customer strategy can be found in our Annual Report.

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



Traceability

Bakkafrost has control of the entire value chain from fish oil, meal and feed to roes at our hatcheries and all through the farming process to the final product and servings. This enables Bakkafrost to always ensure full traceability across the entire value chain. The traceability can be used effectively to improve trust and engage with customers and consumers. In cooperation with selected customers, Bakkafrost have used QR codes on their consumers products elaborating

the consumers of the origin and further information about the products. In Scotland we were involved in a Blockchain project which involves the use of DNA markers for Native Hebridean Salmon. Blockchain has been used in the food industry to ensure that supply chain is fully traceable and proves the authenticity of our product, helping combat potential food fraud, increasing transparency and providing more information, including sustainability credentials, for consumers.

In 2021, 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.

In connection with Bakkafröst's overall branding strategy, the Scottish brands have been reviewed and two new brands for the Faroe Islands origin have been established. These product brands will be implemented during 2022.

- Awarded Great British Food Awards 2021 for Native Hebridean smoked salmon
- Ran our customer survey and received an average customer rating of 8.7 and a net promoter score of 51. Please see page 44 or our customer scores on quality.

In 2022, we will:

- Launch new brands
- Native Hebridean shortlisted in Sena awards
- 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 sector, innovation is key to the development and growth of aquaculture. Investing in innovation and research and development is fundamental to meeting our customers' requirements, realising opportunities and leading on sustainably. As part of our ambitious growth plan,

we are investing heavily in new technology to mitigate risk, including non-medicinal sea lice treatment. We capitalise on opportunities for product development and growth, including circular solutions for waste management and energy.

Growing sustainably is about maximising the value from available resources. We are focussed on harnessing value from each stage in our value chain, including maximising 'nose to tail' to ensure every part of the salmon is used and converted into value.

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 70.

In 2021 we have developed an inspiring new Digital Management tool which can simulate sea lice development, used for planning sea lice treatment ahead of development.

In a collaboration with the Nordic Council of Ministers, Faroese Government and the Faroese energy company, SEV, we are building a new fully electric workboat which does not emit greenhouse gases and is electric powered from batteries charged during hours with maximum "green" power production. The project is part of a wider aim to find energy solutions that use sustainable energy production in remote areas. Ships and boats play an important role in the Faroe Islands and have the biggest potential to reduce overall Faroese GHG emissions. This project is visionary and has the potential to have an important positive impact for both the salmon farming industry and the Faroese shipping industry. The project has been delayed due to Covid-19, but we anticipate the construction of the workboat to be completed in Q2 2022.

Innovative aquaculture project at Applecross in Scotland

The post-smolt innovation project is being carried out at our Applecross site in the Northwest Highlands. The project will create around 30 rural jobs and transform salmon farming in Scotland.

The plan is to increase smolt size to 500g in an ecologically sustainable way using innovative Recirculating Aquaculture System (RAS) technology. It will include innovative husbandry, enhancing smolt testing and vaccination methods to improve fish welfare while increasing production.

Greater control of the freshwater rearing environment allows the length of time smolts spend in the freshwater phase to be increased. The marine phase will be shortened, where the fish are most at risk to environmental and biological challenges, such as predation and disease. This will reduce biological risk and increase production and quality.

The RAS facility at Applecross will be fully operational by 2024 and will be the largest of its kind in Scotland, there are plans for an additional two RAS facilities. This is fundamental to our overall sustainable growth strategy and investment programme over the next five years, which will transform the business.

In 2021, we:

- Invested in a fully electric workboat
- Continued to develop the resilience of our Faroese salmon roe as part of our unique breeding programme.
- Established the Sustainable Innovation Forum in Scotland with nominated employees from across the business charged with the aim of embedding sustainability into our culture and ensure it is at the forefront of all decision making.

In 2022, we will:

- Commence process of introducing incentives for the management of climate-related issues and achieving targets
- Continue the Sustainable Innovation Forum, prioritising key areas of action: fuel, waste, energy and packaging



BREXIT

The Brexit transition period is ongoing and for our customers in the EU our priority is that their product arrives safely and in a timely manner. There have been a number of challenges, however we continue to work collaboratively with the sector, authorities, suppliers and customers to ensure a smooth transition. The long-standing tightness in labour supply has been exacerbated by Covid and Brexit and is showing no significant signs of easing, while temporary measures have

been introduced, we continue to work closely with the sector and authorities to find an effective solution.

As new animal health regulations and import controls are introduced, we continue to monitor the situation and endeavour to ensure a smooth transition. Europe continues to be a key market, however we are a global business and continue to exploit opportunities in target markets over the longer term.

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 Faroese farming CEO's.

DATA SECURITY

Bakkafröst constantly monitors and mitigates security risks. Third party companies are conducting external penetration and remote code execution tests on a yearly basis. Also assume breach tests are executed by external providers. Risk assessments identify potential risks as a part the yearly IT audit, which is done by certified CISA, CRISC and CDSPE auditors.

The group management has an increased focus on IT security and in 2021 Bakkafröst established a new IT security function with responsibility for Group IT security.

In 2021, we:

- Had zero security incidents

2022 FOCUS

- Update and align our policies across the Bakkafröst group to promoting best practise.
- Continue strengthening customer relationships and respond to changing needs
- Further develop existing brands and launch new brands



Healthy Living Award winner

Since its launch in 2019, our employee awards in Scotland have recognised individuals, teams and groups who have worked together to go above and beyond contributing to our responsible development and showing commitment to our core values. The winner in the Healthy Business category was:

Elaine Birt, Office Coordinator for outstanding effort beyond expectations in organising the temporary transfer of employees from Cairndow to Marybank.

Elaine's organising and logistical skills really came to the fore following a three-week shutdown of Bakkafröst Scotland operations at Cairndow in October. Rather than having staff kicking their heels, Elaine organised the temporary transfer of 26 staff all the way to Marybank, on the Isle of Lewis, to help meet a staff shortage there. It resembled an almost militaristic-style operation as Elaine had to organise everything from accommodation, travel, food and even ensuring laundry was being taken care of, while also providing staff with regular communication updates.

The trip north was not without its challenges. After a six-and-a-half-hour coach trip the ferry was cancelled, leaving Elaine scrambling to find last-minute overnight accommodation in Inverness. Fortunately, her group lead colleague Rab McNaughton was on the ground to look after staff and ensure they made it on time for the ferry crossing the following morning. Once staff eventually arrived on Skye, many of the staff settled in so well to their new surroundings, that ten of them decided to stay on for a third week.

Elaine Birt said: "This was a great team effort across two of our sites and everyone involved acted as great ambassadors for Bakkafröst Scotland."





Healthy business New business

On December 23rd 2021, Bakkafrøst entered into a share purchase agreement to acquire the shares in Munkebo Seafood A/S, this was jointly made with the General Manager of Munkebo Seafood.

Munkebo Seafood A/S was founded in 1974 and has since the formation been engaged in production of canned fish. Today, the company operates a modern canning facility and offers a wide range of products, many of which are salmon based. Bakkafrøst has been one of the largest suppliers of raw material for Munkebo Seafood over the past few years, and now strengthening the Bakkafrøst's value chain.

Bakkafrøst offers a wide range of salmon products including fresh, frozen, and smoked salmon products, and in addition can now include canned fish.

Canned food has many sustainability advantages. Quality and taste are maintained in ambient conditions, without chilling and metal cans can be repeatedly recycled.

In 2022 Munkebo Seafood plans to launch a range of vegan soups with seaweed from the Faroe Islands. This will be Bakkafrøst's first step into the vegan category and first products with a new alternative protein.





Healthy people Performance review

★ STRATEGIC PRIORITY

- To be a preferred employer

2021 PERFORMANCE AGAINST OUR 2023 COMMITMENTS

- Industry-leading employee engagement scores ●
- Launch internal sustainable behaviour campaign ●
- Reduce absence rate to 4.4% ●
- Achieve ISO45001 certification ●
- Reduce LTIR to below 5 by 2026 ●
- Zero fatalities ●
- Increase number of women in management positions (managers with direct reports) to at least 25% by 2025 ●

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 live and work and respect the vital role that salmon farming plays in remote and rural areas. Our people are the heart of our business and our greatest asset and inclusivity is a fundamental principle across the business. 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 globally and become a truly international organisation, with head office, farming and operations in the Faroe Islands and Scotland, a small processing and sales operation in the USA, feed production and a biogas plant in the Faroes, as well as a canning processing plant in Denmark.

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.

Position statement

We aim to be an employer of choice, where everyone can work safely, in an inclusive environment and encourage employees to take responsibility and pride in their work. 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.

We are committed to encouraging personal and team development and evolving our structures to support responsible business growth within our culture of continuous improvement. At Bakkafrost we are committed to our employees and the sustainability of our local communities which is reflected in our values. We appreciate the important role we have in our communities by creating employment and learning and development opportunities in remote and rural areas.

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.

The total number of full-time equivalent (FTE) in 2021 was 1,653 across the Group. In the Faroe Islands, USA and UK we had 1,035 FTEs, and in the Faroe Islands we have employees from across 28 of the 29 municipalities.

In Scotland, we had 618 FTEs across 60 sites and more than 86% of our employees in Scotland live in rural areas. Headcount decreased in 2021 due to market forces and a challenging recruitment market. However, in 2021 we announced a programme of investment that in the long term will result in a 32% increase in employment by the end



of 2026, with a change in focus from operative to highly technical roles.

Unemployment rates in the Faroe Islands remain one of the lowest in the world at 0.9% (Nov. 2021). In 2021, the employment rate was high for both women (82.1%), and men (85.0%).

Due to the unprecedented low unemployment rate in the Faroe Islands, we launched a campaign on social media as well as a Friends and Family Referral scheme to attract locals to work at Bakkafrost. However, it has also been necessary to conduct international recruitment processes. To ensure a good integration process of international staff in the Faroe Islands,

we have commenced induction days covering topics such as human rights, food safety culture and health and safety. Also, lessons in the Faroese language continue to be arranged with an increasing number of participants at each lesson.

In 2022, we will continue to take responsibility for our new staff and the Faroese community by introducing further integration measures.

The unemployment rate in Scotland in 2021 was 4.1%. In 2021, the employment rate was 73% for women and 76.3% for men. Although rates changed little in 2021, the competition for labour in the food sector has been challenging.



In Scotland, we continue to support the Real Living Wage initiative, this is a voluntarily rate paid by UK businesses who believe their staff deserve a wage which meets everyday needs, this is slightly above the National Living Wage. In October we increased our base rate further by 10.4%. This impacted 61% of our employees and raised our base rate to £10.50 per hour after a probationary period. This is 10% above the National Living Wage for Ages 23+ and over 6% higher than the Real Living Wage. This was followed in November with an increase to guaranteed working hours for our Processing & Harvesting Teams from 30 to 35 hours. Our Code of Conduct outlines our approach to ensure optimal working conditions and an inclusive culture. We have a zero-tolerance approach to any form of harassment, bullying or other unacceptable behaviour at work. We continuously strive to create an attractive and open Company culture with meaningful jobs in a safe and sustainable working environment.

In 2021, we:

- Launched recruitment campaigns in the Faroe Islands and Scotland, including the development of recruitment and accommodation strategies to support long term plans in hard to recruit areas in Scotland. Ranging from family homes to rooms for shift workers and developing local relationships to support the development of affordable housing.
- Created a proactive working group to support a recruitment drive across our North Harvesting Operations in Scotland, including the introduction of a specific, enhanced relocation policy, resulting in several new recruitments.
- Supported the corporate strategy and transformation programme by simplifying structure in Scotland and embedding improved management systems.
- Continued to promote sustainable behaviour among our employees by marking World Environment Day giving out free trees for employees in the Faroe Islands and marking Sustainable Gastronomy Day by serving a meal prepared with a focus on eco-efficiency.
- Increased focus on integration of international staff in the Faroe Islands, including measures to support and improve social and cultural capital such as employee induction and lessons in Faroese language

In 2022, we will:

- Further promote internal sustainable behaviour campaign through our Company Day
- Launch a Group engagement survey
- Accelerate knowledge sharing and transfer of best practice through a job rotation programme
- Further integrate and align operations across the Group

EMPLOYEES

CALCULATED AS FULL-TIME EQUIVALENT (FTE)

FO/US/UK
1,035

SCOTLAND
618

BAKKAFROST WORKFORCE 2021

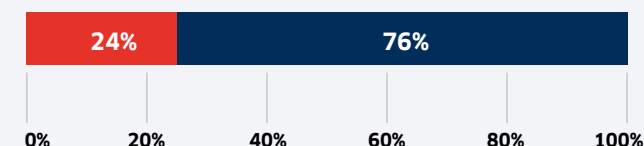
BY GENDER



WOMEN



MEN



- Align the business under the corporate brand as part of our One Company strategy
- Develop a clear employee value proposition, using technology to improve the candidate management experience
- Improve workforce planning efficiencies for managers and create more time for employee engagement, communication, development and coaching



EQUALITY

We are an equal opportunity employer and are committed to treating all employees and job applicants equally. We do not tolerate unlawful discrimination in any aspects of employment including recruitment and selection, promotion, transfer, training opportunities, pay and benefits, other terms of employment, discipline, selection for redundancy and dismissal.

We are committed to strengthening our approach to promote diversity in the workplace and continue to roll out internal initiatives, training and communication.

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. In Scotland, Equality and Dignity at Work training was reviewed and updated in 2021. This programme continues in 2022 as part of our Wellbeing Strategy, also discussed in the section Health, Safety & Wellbeing.

We are committed to promoting diversity in our workforce. In 2021, women accounted for 24% of the Group full-time equivalent (29% in the Faroe Islands and 16% in Scotland).

In 2021, 17% of our Board of Directors were female and 16% of our Senior Management Team were female.

In Scotland 19% of our broader Line Management Team were female and 16% of our broader Line Management Team in the Faroe Islands were female.

DIVERSITY COMMITMENT

Increase number of women in management positions (managers with direct reports) to at least 25% by 2025*

We aim to provide career paths for a more diverse workforce. In Scotland, investment in new technology in freshwater hatcheries has also created new roles with biology and technical expertise and we have continued to encourage a more diverse range of applicants.

Our ambition is to create an inclusive culture with a diverse representation of all groups in our staff. We strongly believe that this is the right thing to do. We also know, that diverse teams are high performing teams.

People with disabilities and reduced work ability often face challenges in the labor market. They are underrepresented in many roles. At Bakkafrøst we commit to creating

“The partnership with Bakkafrøst is exemplary, and we are thankful for their commitment to offer our clients an opportunity to be active in the labor market again“

Hallur Thomsen, Director at Almannerkið
- The Department of Social Services

opportunities for those with a reduced work capacity. We work closely together with relevant parties to find opportunities, and we are proud to have created significant opportunities for many.

We will look into, how we can further improve in this area. Areas where we can improve include: access to our facilities, tackling bias and stereotyping, amending our recruitment policy.

WiSA, Women in Scottish Aquaculture remains actively supported by the company with Matilda Lomas, Biology and Cleanerfish Coordinator as a member of the board and supported by Penny Hawdon as an active mentor. The company engaged with WiSA's women's returner programme and support of their online forum funded by Marine Scotland. The digital hub provides a virtual space for members to connect and highlight opportunities for women in the sector.

*From a 2021 base year (19% in Scotland and 16% in the Faroe Islands)



EMPLOYEE ENGAGEMENT

Employee engagement is fundamental to drive sustainable growth of the business and to further integrate across the Group.

In 2021, we experienced different Covid-19 restrictions from country to country. Thus, employees across the Group have had different opportunities for social contact, and we have strived to deliver employee engagement in line with the applicable restrictions.

Mild restrictions in the Faroe Islands allowed us to resume the tradition of annual staff excursions. In May, approximately 200 employees went on a guided hike in Viðareiði, the northernmost village in the Faroe Islands.

As the main commercial partner of the Faroese men's national football team, we were delighted to see the Faroe Islands and Scotland draw each other for the World Cup 2022 qualifiers. As part of our 'One Company' strategy, we engaged employees across the Faroe Islands and Scotland by facilitating a competition to guess the result, the prize was a Scotland and Faroe Islands national jersey.

To further advance the 'One Company' strategy, CEO Regin Jacobsen conducted a roadshow during the summer to meet employees in Scotland and in the US in the Autumn.

In Scotland the feedback from our 2020 Employee survey highlighted employees wanted a greater understanding about the business strategy. Our 'Fresh Approach' strategy aims to transform the business to become the leading and most sustainable salmon producer in Scotland. In November we held a roadshow which offered the opportunity for everyone across the business to meet Ian Laister, Managing Director together with the Senior Leadership Team. Employees could discuss face to face the five year business strategy & investment plans.

In total there were 32 sessions held over 4 weeks with around 600 staff.

Participation and feedback from employees has been invaluable, a feedback survey on the roadshow had a 20% response rate.

Over 90% of respondents felt they now have a better understanding of the strategic direction of the business and 74% found the information either extremely or very useful.

Following staff feedback, and in line with our Group sustainability pillars, we launched our Healthy Living Awards at the Roadshow. This recognises individuals, teams or groups who have gone above and beyond to contribute to the responsible and sustainable development of the business, showing commitment to the sustainability pillars in our Healthy Living Plan: healthy business, healthy people, healthy salmon, a healthy environment and healthy communities.



Our established Employee Forums are an informative and consultative sessions that provide an opportunity for dialogue and engagement. They provide an opportunity for elected members to present views from staff to be considered in the decision-making process. In 2021, we restructured the Forums to allow greater focus on Health & Safety and formed a separate Health & Safety Committee for each site and area.

During 2021 we commenced a roll-out of employee hubs at every Scottish site to provide the opportunity for all employees to access all engagement and support systems including; Workplace, Pension Planning, Employee Assistance App, Benefits & Employee Discount portal, along with direct access to the HR Systems for policies, payslips and holiday requests.

In 2021, we:

- Arranged Employee excursion in the Faroe Islands
- Gave employees in the Faroe Islands the opportunity to volunteer during working hours at our annual beach clean to maintain the pristine environment around our fjords.
- Held a roadshow providing all employees in Scotland the opportunity to learn more about the five year investment plan and strategy



TALENT ATTRACTION, RETAINMENT AND TURNOVER

Attracting and developing new talent is important. In the Faroe Islands and Scotland, 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.

We nurture a culture of continuous improvement and share best practice through the training and development of our employees. Structured training and development opportunities are offered to enable continuous improvement and career progression.

In Scotland our leading Competency Framework is aligned to Scottish Vocational Qualifications and sets out comprehensive guidelines for assessing and developing employees across all levels, providing a clear career path for progression, which is aligned with relevant training for every member of the team.

We're proud to invest in Modern Apprentices and currently offer more than four different types of apprenticeships across the business, with 44 employees currently working towards their qualifications. Our apprenticeships teach knowledge and skills that support the basis of well-paid, skilled employment in rural areas of Scotland.

In 2021 we joined our industry colleagues in a review of aquaculture qualifications and apprenticeship frameworks led by LANTRA and Skills Development Scotland. The key early objective was to identify what apprentices actually do on a day-to-day basis in the workplace and, with input from current and recent trainees, to draft a suite of relevant 'Work Situations'. We then joined the Technical Expert Group to review and refine those draft Work Situations and help steer the development of new qualifications and apprenticeship frameworks ranging from entry to supervisory to management levels. The next stage of this review will be for wider industry consultations to review the output from the Technical Expert Group. We are committed to development and investment in our employees, and this is just one example of how we have worked collaboratively with national and regional groups. We also continue to forge 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. Some other examples include:

- 'VirtRural' Careers event held by LANTRA in November
- School Event – discussing sustainability within Aquaculture
- Supported the development of an Aquaculture Careers Toolkit (LANTRA)

We have a number of employees engaged with our industry partners including two STEM Ambassadors, a Developing Young Workforce (DYW) committee member and a judge for the ALBAs (Awards for Land-based and Aquaculture Skills) facilitated by LANTRA. We also work closely with Salmon Scotland, Scotland Food & Drink, Scottish Aquaculture Innovation Centre (SAIC), North Atlantic Fisheries College (NAFC).

Developing the Young Workforce (DYW) is the Scottish Government's strategy for youth employment, through strengthening links between businesses and education and better preparing young people for the world of work. We support the Argyll DYW by supporting local employer engagement campaigns and support the Outer Hebrides DYW with its focus on helping to retain a young workforce on the island.

We are committed to introducing and educating youth in the Faroe Islands in the aquaculture sector. In 2021 we resumed our regular student visits, including our partnership with a local school of 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. In addition, we visit local schools and give presentations about our operations to increase interest transparency.

To further support our talent attraction programme and ensure we have the right skills, we have partnered with the National Vocational Careers Service, run by the Faroese Ministry of Foreign Affairs and Culture, to develop an educational aquaculture programme to for professional development in the Faroese salmon farming industry. The educational programme in aquaculture is expected to commence in the summer of 2022.

Bakkafrost is the main sponsor of the JobMatch career fair, which was again held virtually due to Covid-19 restrictions. The fair allows students, as well as others, 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, and already in 2022, we have been recruiting staff, who connected with Bakkafrost at the 2021 career fair.

Historically, the Faroe Islands have dealt with great problems of youth moving abroad for educational purposes and not returning, resulting in a significant loss in social and economic capital. However, in recent years the country has experienced significant economic growth, and we are delighted to be able to provide the increasing number of well-educated Faroese people determined to move back home with an increasing number of highly skilled positions, contributing to the retainment of social, economic and cultural capital in the Faroe Islands.

To support staff retention, we introduced a new Group Bonus scheme which aligns objectives and culture across the Group supporting the 'One Company' strategy.

We offer market-leading benefits to permanent employees in the Faroe Islands. These include a share savings plan, taken up by 275 employees in 2021, bonus shares and various insurance options, including life, accident 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 continue benchmark to ensure our benefit packages are in line with industry standards and from recent research, we are confident that our benefits are wider than others in the market, offering as standard for all employees higher rates of Life Cover and Critical illness cover. We continue to offer a wide range of benefits, including an Employee Assistance Programme, Cycle to Work scheme, Occupational Health Monitoring, Long Service Awards, Holiday Buy and Sell and additional holidays based on length of service.

In Scotland, last year's Long Service Award celebrated 21 employees for 325 years combined service. In the Faroe Islands, we celebrated 12 employees for also 325 years combined service.

In 2021, we:

- Implemented a new share savings system, increasing availability and usability for all staff.
- Had 275 employees participate in our employee share saving programme in the Faroe Islands.
- Participated in career fairs.
- Partnered with LANTRA to revitalise Bakkafrost Scotland STEM Ambassadors
- Launched a marketing campaign to attract staff for vacant processing positions.
- Partnered with the National Vocational Careers Service, a body under the Faroese Ministry of Foreign Affairs and Culture, to develop an educational programme in aquaculture
- Carried out a partnership with a local school for 9th grade students to participate in on-the-job learning days throughout our value chain.
- Carried out comprehensive recruitment processes, including recruitment process for new FSV Bakkanes and recruitment of international staff.
- Developed recruitment and accommodation strategies to support long term plans in hard to recruit areas in Scotland, including purchasing properties for families as well as temporary accommodation



LEARNING & DEVELOPMENT

It is of the utmost importance that our employees always receive training to ensure we are compliant with all external as well as internal requirements, including safety requirements. 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. All courses are regularly reviewed. Our industry leading Competency Frameworks in Scotland is based on a combination of National Occupational Standards in Aquaculture and specific requirements to meet the needs of our business. To ensure that we remain at the forefront of industry qualification development, we continue to be actively involved in a technical expert group, shaping & influencing aquaculture competency-based qualifications.

In 2022 we will introduce our Aquaculture Management programme and develop our graduate apprenticeships.

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. Due to Covid-19 restrictions, the training was delivered by internal experts. The course covers guidance on topics ranging from leadership, diversity, communication and conflict management.

In total, over 18,000 training hours across over 1,700 courses were delivered in Scotland in 2021. We also had 44 employees undertaking Modern Apprenticeship Qualifications in 2021. In the Faroe Islands, over 4,000 training hours across over 40 courses were delivered (data includes only registered hours, thus excluding all training hours delivered to staff exempt from registering hours).

In 2021, we:

- Continued the rollout of our line manager training programme.
- Coached and developed managers to be accountable for their people and empowered to make decisions.
- Sourced an e-learning platform, including driver risk management programme to support proactive learning and reduce associated training costs.



HEALTHY LIVING AWARDS

Since its launch in 2019, our employee awards have recognised individuals, teams and groups who have worked together to go above and beyond contributing to our responsible development and showing commitment to our core values.

The Value Awards programme was re-launched in 2021 as the Healthy Living Awards to align with our sustainability plan, focused on promoting a healthy business, healthy people, healthy salmon, a healthy environment, and healthy communities. We will expand the Healthy Living Awards to the rest of the Group in 2022.

In the first round of nominations almost 10% of our workforce were nominated by their colleagues for going above and beyond in one of the categories. The winners in each category were:

- **Healthy Salmon** – a member of the Biology team for going above and beyond to overhaul the Cleanerfish Strategy for all cleanerfish inputs from 2021.
- **Healthy Business** – the office coordinator in one of our processing sites for outstanding effort beyond expectations in organising the temporary transfer of employees from Cairndow to Marybank.
- **Healthy Environment** – 2 members of our marine north team for going above and beyond expectations by supporting local wild fishery stakeholders in moving >120 salmon.
- **Healthy People** – 2 members of our freshwater mainland team for outstanding efforts in tackling an onsite fire, ensuring the health and safety of the team and the fish.
- **Healthy Community** – joint winners – one of our marine north teams for outstanding effort to support the local community by participating in a beach clean with Harris Distillery in their own time; and a member of a different marine north team for exemplary incident management with local stakeholders following a barge issue caused by severe weather conditions.

AWARD WINNERS

Health & Safety Award Winner: Emma McCallum, Senior Freshwater Operative & Greg Williams, Freshwater Operative.

The health and safety of our team is of utmost importance, and we are proud of our people for their expertise and high standards. Our Health & Safety Award is given to employees contributing to creating a positive safer working environment for colleagues as part of our Healthy Living Awards.

We run health and safety programmes and provide extensive and regular training. Employees at our Couldoran site were able to put their training into practice in November 2021.

A fire involving the electrics in the oxygen distribution box commenced. Emma was one of only three employees on site at the time. When the flames spread, melting the tarpaulin covers and fiberglass tank sides, Emma and her two colleagues jumped into action as the fire brigade were 45 minutes away.

That day, 350,000 fish had to be moved to a safe part of the site and in the afternoon, the team were able to take delivery of 1.8 million ova as planned.

Emma recalls: “We had to quickly reach for carbon dioxide extinguishers that were on hand – but they were quickly emptied, and the fire was still growing.

“We had to think on our feet and run around the site retrieving other suitable extinguishers for the task and these were very heavy to carry over long distances. Overall, 14 carbon dioxide extinguishers were used.”

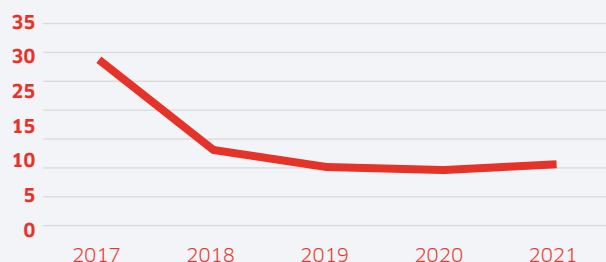


BAKKAFROST FAROE ISLANDS LOST TIME INJURY RATE

LTIR PER MILLION WORKING HOURS

10.68

2021



ABSENCE RATE

2021

4.11%

FAROE ISLANDS

4.91%

SCOTLAND

FATALITIES

0

2021

WE HAD NO FATALITIES IN 2021

THE SCOTTISH SALMON COMPANY LOST TIME INJURY RATE

LTIR PER MILLION WORKING HOURS

22.7

2021



HEALTH, SAFETY AND WELLBEING

At Bakkafrøst 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 board 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 employees. 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 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 local safety working groups, which report to our Health & Safety Board. All Marine 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.

On Capital Markets Day 2021, Regin Jacobsen CEO announced the updated health and safety target to have a Group Lost Time Injury Rate (LTIR) below 5 in 2026. And in 2021, we made good progress and reduced the LTIR in Scotland with 6% compared to 2020, and we managed to maintain a good level around 10 in the Faroe Islands, indicating the success



of the health and safety measures which we have introduced during recent years.

Covid 19 - Build on 2020 actions

In Scotland, Covid-19 measure have continued to progress in line with UK and Scottish Government guidelines. The Company has regularly communicated and adapted measures to meet these changing needs. In addition, lateral flow

tests have been provided and staff encouraged to become vaccinated. To support during any periods of isolation, isolation training packs were developed for the Marine Teams.

In the Faroe Islands, proactive measures were embedded in 2021 such as requiring vaccination or a negative test to enter the workplace as well as we partnered with the national

health authorities to facilitate both Covid-19 tests as well as 'walk-in' vaccination at our headquarters at Glyvvar.

We have continued to stress the good advice for preventing infection and upheld measures of limiting social contact between different groups of employees.

Health and safety committees

In 2020, we developed a robust framework to introduce local Health and Safety Committees, ensuring employees have a platform to discuss any area of concern or improvement. In 2021 we further developed the framework and promoted the Committees. The next step will be to establish a companywide Health & Safety Committee where employees from all levels can discuss Health & Safety with members of the Senior Leadership Team.

In Scotland, we have seen significant improvement across the health and safety metrics in 2021 compared to 2020. The overall positive outcome for 2021 across the group 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.

92 % of facilities in the Faroe Islands have a health and safety committee. A committee covering the remaining share of employees will be established in early 2022.

100 % of facilities in Scotland have a health and safety committee.

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

Wellbeing Strategy

In 2021, the team in Scotland developed a strategy to promote general wellbeing across all groups of employees. The measures introduced as part of the strategy include:

- Creation of Mental Health & Wellbeing Working Group
- Actively participating in the nationwide 'Time to Talk' initiative
- Sourcing a provider to support Mental Health First Aiders
- Wellbeing Strategy Training roll-out.
 - IOSH for Senior Management Team,

- Staff Representative,
- Mental Health Awareness and Equality & Dignity for all Managers
- New Mental Health Resources pack for Managers released in August
- HR & Health & Safety Teams undertook development training, focusing on supporting change and coaching managers
- Occupational health - review service level agreement and quality of performance

In 2021, we:

- Introduced mental health and wellbeing measures as part of rolling out our wellbeing strategy
- Achieved 100 % compliance with all crew and safety requirements in relation to FSV's.
- Partnered with Faroese health authorities on facilitating Covid 19 tests and vaccination on-site at our headquarters.
- Achieved zero LTIs in the whole of our Marine operations in the Faroe Islands
- Had zero fatalities across the Company and further reduced the lost time injury rate by 6% in our Scottish operations, while generally maintaining the good level in the Faroe Islands.
- In addition, in Scotland we reduced the number of LTIs by 17.9%, primarily driven by improvements across our Marine North and Freshwater operations.
- Achieved zero LTIs in the whole of our Freshwater operation in Scotland
- Invited an external assessment body to conduct a gap audit of Bakkafrost against the requirements of the ISO45001 safety management system. This has established a positive base from which to achieve full accreditation by Q3 2022.

- Introduced STOP sessions in Scotland chaired by the Managing Director aimed at focussing on concerning incident trends to ensure that Line Managers were taking action to correct any areas of weakness.
- Introduced an LTI review meeting with the Site Management Team, H&S Team and Managing Director to ensure that these significant incidents are given top priority and corrective actions are established that prevent a recurrence.
- Increased Good catch reporting by 142% based on the 2020 reporting period,
- Achieved a 93.4% completion rate on our "Every Site, Every Month" H&S site visit program to ensure H&S standards are being maintained across all sites.

In 2022, we will:

- Achieve ISO45001 certification across the Faroese and Scottish operation by Q3 2022.
- Establish health and safety committee covering Administration in the Faroe Islands
- Further develop our Wellbeing Strategy in Scotland.
- Implement a behavioural safety system in Scotland
- Utilise our new on-line Training System to focus and improve our safety training system

Please refer to www.bakkafrost.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 employee forums, there is no collective bargaining, and no unions have recognition agreements. 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 issues raised as well as we have published our policy on human rights in our staff handbook, addressing zero-tolerance regarding discrimination, slavery, forced labour, child labour and human trafficking, as well as employee's right to file a grievance without fear of penalty. The handbook is easily accessible for all employees through our internal communications platform. Through internal audits, the policy is reviewed annually by our HR department to ensure new potential human rights risks are included and addressed in the policy.

We are regularly audited externally against standards such as the ASC and BAP, ensuring we continuously operate according to the strictest standards regarding social topics. In addition, we have detailed procedures in place for monitoring that we do not violate any human rights in our operations. For example, to ensure we don't employ underage children, we validate employee's personal identification number both internally and externally through national tax authorities as well as banks in connection with salary payment.

In Scotland, our commitments to honest, respectful, and fair working relationships are embodied in our Modern Slavery & Ethical Trading Policy, Dignity at Work Policy and Equality, Diversity & Inclusion Policy, for all employees. During 2021 we began the process to align policies 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, managed by an independent third party.

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

In 2021, we:

- Had 95% of employees in the Faroe Islands covered by collective bargaining agreements (the remaining 5% are either highly skilled managers or specialists).
- In Scotland, we have non-unionised employee forums to aid communication and discussion to employees.
Employees in Scotland, the rest of the UK or US are not covered by collective bargaining agreements.
- 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.
- 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.
- Transitioned to new Whistleblowing Line in Scotland.
- 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. This will be followed by an independent audit in March 2022.

In 2022 we will:

- Continue to strengthen our human capital, as well as building our apprentice programme.
- 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.



2022 FOCUS

- Further improve supplier contract explicit wording.
- Diversity and inclusion programmes
- Apprenticeship and Graduate Apprenticeship programmes
- Implement social standard to strengthen human rights assessment
- Introduce various initiatives as part of our One Company strategy, including measures to support knowledge and best practice sharing to create synergies across the Group.



Healthy people Long-serving employees – A value to the business

We have several employees in the group, who have been employed for a very long time – decades even. Great dedication from our staff and good working environment means, that we can retain employees. Some even continue voluntarily well into their senior years. At Havsbrún in particular, the average seniority is very high.

Jústines Justinussen has been working at Havsbrún from 1986 until he retired late in 2021. Jústines has overseen a major development at Havsbrún, and he has served in several different roles in the company, ranging from accounting manager in the early days to QC responsible, part of the management, project manager and other key roles. With his vast experience from a long career in the industry, he has been a true “jack of all trades”.

Jústines said: **“The development at Havsbrún has truly been unbelievable. I remember when we started the feed factory, and we produced 8,000 tonnes a year. We thought that was incredible and more than enough. Today, we are producing 130,000 tonnes a year and with major expansions in pipeline.**

It has always been very exciting and meaningful to work at Havsbrún. During my time, I have experienced tough

times in the industry with major setbacks. However, there has always been this culture of development and creating opportunities, and we have always managed to get through the tough times.

I along with others have worked for many years at Havsbrún. Many continue working way beyond the normal retirement age. I think that is a very good indicator for engagement and well-being at the workplace as well as management thinking about the employees of the company.”

Another employee with vast experience at Havsbrún is Eydna Feilberg. She started her Havsbrún career at the laboratory in 1986, and later, she started in the office and took an administrative vocational education. For the last 10 years, Eydna has been working in the canteen.

Eydna, who has experienced the leadership of four different directors at Havsbrún in her time, said:

“At Havsbrún, we have a fantastic working environment. All employees are highly engaged in their job, and there is a strong sense of belonging. To have such experienced staff I would imagine is of great value to the business, as we have created a strong foundation of knowledge from our vast experience.”



Eydna Feilberg and Jústines Justinussen both started their Havsbrún career on 17. February 1986

Odd Eliassen is managing director at Havsbrún, and he strongly agrees with Eydna.

“Due to the characteristics of our operations, the company needs competent and engaged staff. Our staff is generally very experienced, which is of great value. Besides being highly experienced and competent, they are very easy to manage. They know the business and they have played a key role in creating the foundation of the culture and values of constant improvement, on which we build our operations.”

Reflecting on why Havsbrún excels in retainment of staff, Odd Eliassen said that meaningfulness, great colleagues and financial stability are key elements. Historically, the Faroe Islands have experienced major economic setbacks. However, Havsbrún, despite its remote location, has managed to create value and ensure stability through challenging times.



Healthy salmon Performance review

★ STRATEGIC PRIORITY

- To exceed leading standards

2021 PERFORMANCE AGAINST OUR 2023 COMMITMENTS

- Increase smolt size to 500 g by 2023 in the Faroes and 2025 in Scotland ●
- 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



*No antibiotics were used at any site managed directly under Scottish operations. For more information, see page 46

WHY THIS IS IMPORTANT

Unprecedented population growth and increasing demand for protein is putting more pressure on the planet as never seen before. The aquaculture sector has been identified as a way to meet this growing 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 protein 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 progress in improving survival rates and harvesting weights, decreasing the feed conversion rate and have seen improvement in productivity. However, the sector still faces challenges including 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 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 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. 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.

We aim to feed our salmon 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 2021, the Omega-3 content was on average 2.5g per 100g of salmon fillet.

Salmon is a healthy food choice, that contains several 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.

Salmon is full of healthy goodness. Here are some of the nutritional benefits of adding salmon to your regular diet:

High levels of protein:

- Packed with lean
- muscle-building protein
- salmon is the perfect “recovery food” making it a preferred element of professional athletes’ diet.

Bakkafrøst salmon contains 20 g of protein per 100g serving.

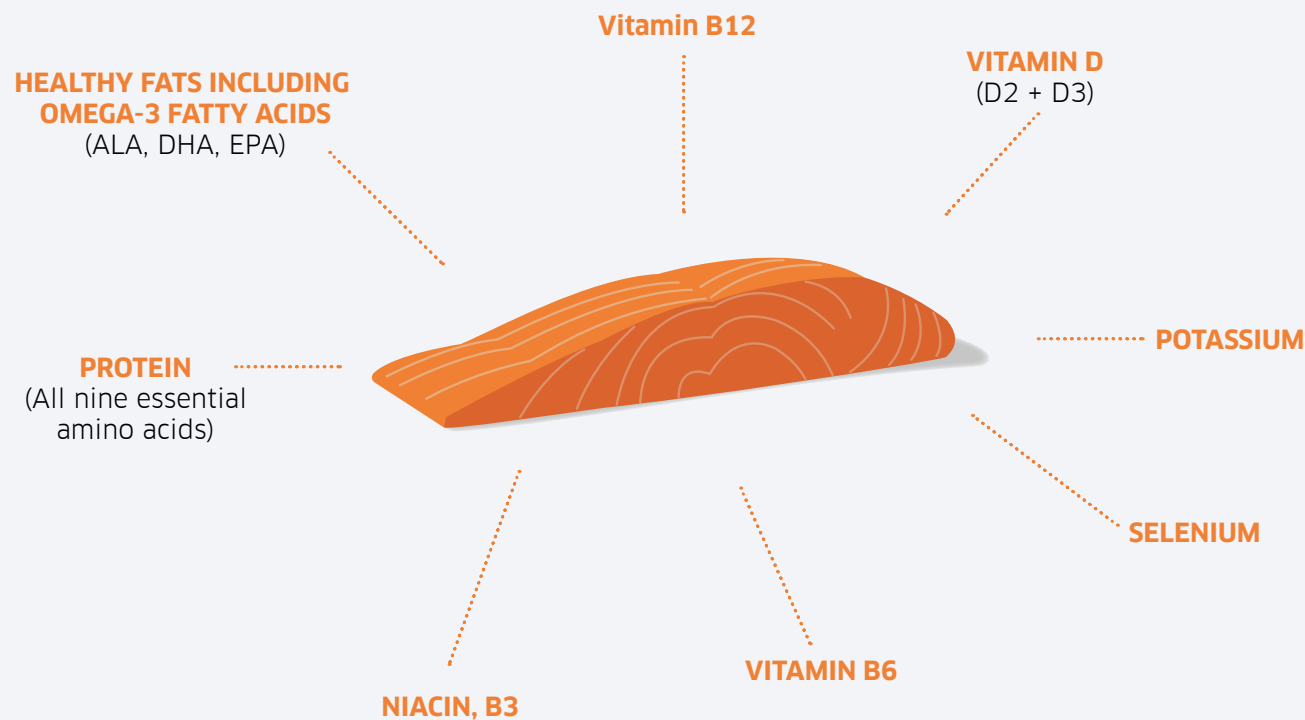
High levels of Omega-3: Due to high levels of marine content in our salmon feed, Bakkafrøst salmon is one of the leading in omega-3 levels, making it very effective in preventing cardiovascular diseases. A major study on heart disease concluded that eating one to two servings of oil-rich fish every week appears to reduce the risk of coronary heart disease by 25 per cent*.

In addition, Omega-3 reduces stiffness in joints, and many doctors prescribe fish oil for patients suffering from pain caused by joint problems.

High levels of vitamins and minerals: Farmed salmon contains a variety of essential vitamins and minerals, including vitamin D, niacin, vitamin B6 and riboflavin.

An increasing number of public dietary guidelines recognize the importance of regular consumption of fish, and particularly oily fish, due to its nutrient-rich profile.

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





Food Safety and QA standards

We are committed to operating to the highest quality levels. 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 (OCP) and frames the risk assessment against these.

We routinely send product samples to be tested by third-party laboratories to validate our food safety programmes and employees receive the appropriate training in food safety and quality.

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

To ensure aligned operations throughout the value chain and to strengthen the quality level in procedures, we continued



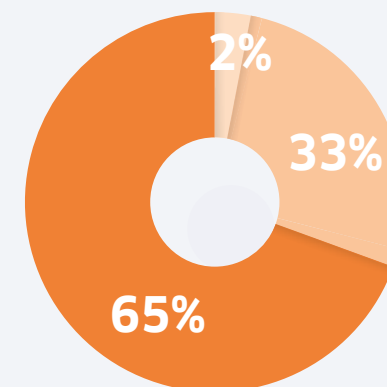
to implement a new digital quality management system, increasing the availability and usability of documents, procedures and registrational forms. In 2022, we will continue the implementation by adding our US operations to the management system.

EXAMPLES OF MEASURES:

- 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 and third-party certification bodies.
- 100% of our products and our entire value chain are covered by third-party certification, ensuring high international food safety standards. See more under Collaboration and Certification on page 56.

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, 72% in 2020, and 57% of the revenue in 2021.



2021

- 0% Not satisfied
- 2% Somewhat satisfied
- 33% Satisfied
- 65% More than or very satisfied

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

FISH HEALTH AND WELFARE

We invest heavily in meeting and exceeding leading fish health and welfare standards, and we are committed to comply with the OIE World Organisation for Animal Health definition for animal welfare.

Veterinary standards

The Faroe Islands have one of the world's strictest national veterinary standards, which Bakkafrost 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 of animal welfare principles, is also incorporated in these standards. Ongoing innovation in salmon aquaculture has enabled the industry to continue to 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 Salmon Scotland (previously 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 Fish Welfare Standard, which 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 their own standard. 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.

In the Faroe Islands we conduct specific Veterinary Health Plans for each of our sites, which are approved by ASC, Global GAP. The plans are an important part of our effort to mitigate biological risks and ensure optimal fish welfare, addressing topics such as biosecurity, monitoring and prevention of disease, fish husbandry, stock environment and finally biomass density, which is strictly regulated through Faroese legislation as follows:

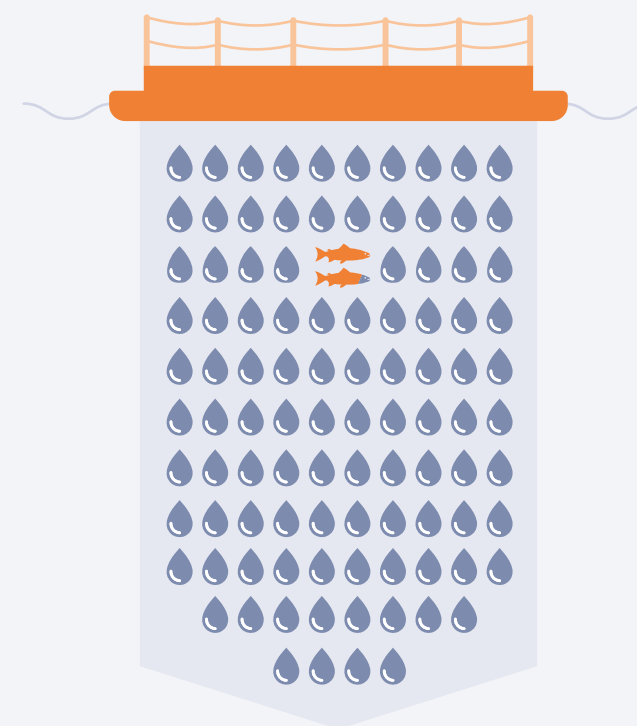
<2 kg: 15 kg/m³
2-3 kg: 20 kg/m³
>3 kg: 25 kg/m³

Throughout 2021 our Faroese operations complied with the limits.

In Scotland Veterinary Health & Welfare Plans are also in place for each of our sites, which follow guidance set by regulatory authorities Marine Scotland and SEPA (Scottish Environment Protection Agency) and satisfy the requirements of Global GAP, BAP and the Code of Good Practice. These plans ensure compliance with regulatory guidance, through considering and optimising fish welfare, biosecurity, monitoring and prevention of disease, fish husbandry, stock environment and stocking density. Stocking density is specific to each site as determined by the SEPA consent. Permitted stocking density at our Scottish sites is on average 17.8 kg/m³.

**AT LEAST 98.2%
OF THE VOLUME IS WATER
IN OUR CAGES***

1.8% **98.2%**
SALMON WATER



*Average on max biomass

“Fish health and welfare is of the utmost importance to us. We have strengthened our expertise, infrastructure and procedures to improve welfare and reduce mortality at each stage of a salmon’s lifecycle.”

Marner Nolsøe, Veterinarian

We continue to implement new measures across our operations to improve fish welfare, and our fish health team monitors and conducts regular reviews of the applied methods. To mitigate exposure of disease, we source from selective breeding programmes, which are particularly resilient, we vaccinate all our fish and continue to implement our strategic plan to increase the average size of our smolts (juveniles) to 500 grams, reducing time spent at sea, which reduces biological risk.

Every month, our fish health team inspects every site in the Faroe Islands to observe fish behaviour, document potential lesions, and to test the aquatic conditions to ensure an optimal environment as well as actions to uphold good fish welfare.

In addition, we operate according to our feeding strategy, which builds upon the principles of good fish health and welfare. In recent years we have invested significantly in underwater cameras, placed at the bottom of the nets, providing the fish farmers with an indispensable tool for monitoring and evaluating fish appetite and animal behaviour and furthermore contributing to more efficient feed utilisation and minimising environmental impact.

Bulk oxygen uptake during transport from marine sites to processing facilities is continuously reported and reviewed by the fish health team, as well as monitoring fish behaviour and density on wellboats.

In processing operations, we use mechanical stunning instead of electrical stunning, which improves quality as well as fish welfare, as it minimises stress.

To further improve fish welfare, we have relocated several marine sites in the Faroe Islands, increasing water flow and oxygen levels. In addition, the fish health team was enhanced in terms of expertise to improve the focus on fish health and welfare at our hatcheries.



Welfare Awareness Month

Welfare Awareness Month

We launched Welfare Awareness Month in June 2021 in Scotland, aimed at ensuring good fish welfare is at the forefront of everything we do.

The biology team ran a program of virtual workshops and training, from Basic Biology and Advanced Training to Freshwater Biology and Cleaner fish, as well as a Welfare Taster Session targeted at non-production Employees interested in a short introduction to welfare.

We also explored welfare through our internal communications channels, with each week of our News Splash looking at

one of evidence based Five Freedoms of Welfare, and our development and investment in the areas.

Antibiotics

Bakkafrost salmon in the Faroe Islands has been produced free from any antibiotics since 2004 and in Scotland none has been used in marine operations since 2010. 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 2021, no antibiotics were used at any freshwater site managed directly under our Scottish operations.

In 2021, Scottish operations sourced three batches of smolt (juveniles) from a third-party supplier that had been treated with antibiotics to alleviate challenges presented by enteric redmouth disease (ERM), a bacterial infection of freshwater and marine fish caused by the pathogen *Yersinia ruckeri*. In total, 37.7 kg of antibiotic (oxytetracycline hydrochloride and florfenicol) were used in the production of the 741,000 third-party smolts, which correspond to 6.8% of total smolt release in Scotland in 2021. Where antibiotics have been required to secure fish welfare during specific disease outbreaks, the supplier avoid any antibiotics listed by WHO as critically important to be preserved for human health applications, such as fluoroquinolones.

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 minimize the risk of disease through vaccination and the integration of optimal 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 circulatory function and reduces fish tolerance to stress.

QTL-CMS resistant roe are now fully implemented and all fish that are newly stocked to sea in the Faroe Islands have specific genetic resistance against this disease. We should see the full effect of this resistance in the following production cycles.

Pancreatic disease is detected on a minority of 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 all available vaccines to optimise the vaccine strategy. CMS can be challenging, particularly in larger fish and it is policy to select ova with genetic resistance. HMSI is widespread in Scottish farms but is normally a passing condition with limited impact.

The ongoing work of developing specific broodstock of Faroese origin has further progressed in 2021. The first generations of these fish have been produced in a production environment in the Faroe Islands, which has enabled us to gather data on quality parameters, including CMS resistance and survival, which is fundamental for the breeding programme. The

preliminary results show a promising outcome for production of a strong parental string of fish, with specific resistance for several important traits. The first production of roe from the Faroese strain of salmon is now incubated in one Faroese hatchery and will be the first full production circle of fish, from broodstock to harvest-ready salmon.

Bringing the production of roe into our value chain will result in mitigation of risk related to importing foreign pathogens to the Company's stocks as well as ensuring good quality roe adapted to local conditions.

Renibacterium salmoninarum (BKD) was detected at some Bakkafröst marine sites in 2021. These findings were closely monitored and did not result in actual outbreaks of the disease. Smolts have been screened throughout 2021 for BKD and all results have been negative, and all marine sites have been BKD negative in the latter part of the year.

We have increased focus on biosecurity in our hatcheries, as increasingly a greater proportion of our production takes place on land.

Although production of increasingly larger smolts can be challenging, the overall health status has been good at all hatcheries in 2021, and we continue to monitor emerging diseases as well as improving the quality of the smolts. The production of larger smolts has in 2021 significantly reduced the production period at sea.

In the Faroe Islands, all smolt production takes place in closed environments. All hatcheries use RAS systems, though some hatcheries use flowthrough systems in certain parts of the production. Water quality is tremendously

important to produce healthy and strong salmon as well as maintaining good fish welfare. It is crucial to keep water parameters at optimal levels, and hence continuous improvement in monitoring water is ongoing to keep the water quality parameters as good as possible. In RAS systems the water is cleaned with UV and several hatcheries use additional ozone. Water parameters such as O₂, CO₂, pH and temperature are monitored digitally, and alarms are on these parameters. For parameters such as Nitrite (NO₂) and TAN, these are registered daily at the sites.

Other pathogens such as ISAV (Infectious salmon anemia virus), PRV (Piscine reovirus), SGPV (Pox), SAV (Salmonid pancreas disease alphavirus), PMCV (Piscine myocarditis virus), IPNV (Infectious pancreas necrosis virus), Branchiomanas, Costia, Yersinia, Aeromonas etc. are screened for on a regular basis in the hatcheries, in addition to national monitoring of ISAV, PMCV, carried out twice a year on each site.

No serious disease outbreaks have occurred in our Faroese operations in recent years.

Challenges in the Scottish operations

2021 was a challenging year for our Scottish operations, experiencing high mortalities in Q3 and Q4, peaking in October and declining steadily into the remainder of Q4. Similar elevation of mortality occurred across the broader Scottish sector due to broad regional gill health challenges. The underlying cause that appears to have triggered generally poor gill health across most of Scotland (apart from the Northern Isles), was environmental, putatively zooplankton hydrozoan blooms. Unusually, significant phytoplankton blooms were notably absent in 2021. This reduction in functional gill surface area was a significant and sudden respiratory challenge that exacerbated the seasonal

prevalence of AGD. It became more critical to maintain optimal function in the remaining gill surface area by controlling AGD, which proved difficult due to warmer than usual temperatures in some areas which encourages AGD proliferation, and at the same time overwhelming demand for freshwater bathing treatment resource at multiple sites. We are disappointed with the development in Scotland during the latter half of 2021. We are however confident that we will see gradual improvement in biological performance as we move forward, as our investments and updated procedures start to make impact.

Short-term measures taken to mitigate biological risk in Scotland include:

- Increase of freshwater bathing resource by three times compared to availability in 2021.
- Enhanced program of surveillance for AGD and biological indicators or health and respiratory function to help mitigate challenges.

Long-term measures include:

- Large smolt strategy, which means releasing more robust salmon into the marine sites
- Reduced time at sea
- Continuous investment in R&D projects

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. Increased freshwater capacity is key to stronger biology, and in 2022, the Faroese fleet will be expanded with a new wellboat with a capacity of 7,000 cubic meters. This greatly increases our capability for treatments.

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, this 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.

In 2021, we started using simulations to predict the levels of lice infestations on a fjord. These simulations are continually improving, and we aim to implement the solution in every fjord in the Faroes during 2022. This tool enables us to take proactive, site-specific measures to mitigate challenges before increasing levels of concentration of sea lice.

During 2020 Faroese legislation reduced the permitted lice numbers from 1.5 to 1.0 adult female salmon lice per fish. Another reduction happened in 2021, reducing the number from 1.0 to 0.5 during the summer months. Furthermore, the required number of sampled fish during a lice count has increased from 10 to 20 fish for more accurate lice numbers.

Non-medical treatments are the preferred treatment choice when treatment is needed against salmon lice. In the Faroe Islands the Company's own service vessels are equipped with non-medical treatment systems that can delouse with lukewarm water (optilicer system) and a pumping system that flushes the lice of the fish (FLS system). These treatment systems have been the main control for lice. More restrictive lice legislation in the Faroes in recent years has in a transition period resulted in necessary use of medicinal bath treatments. Our goal is that our main course of action will be non-medicinal treatment, and this will increase as our treatment capacity increases to ensure more timely and effective treatment. In Scotland, treatment capacity was increased in 2021 through the purchase of our new service vessel M/S Bakkanes.

Non-medicinal treatment is our preferred treatment of choice

We have taken several measures in recent years to ensure fish health and welfare during handling and treatment, including conducting veterinarian visits to sites as well as attestation prior to any intervention to ensure only fish in good health undergo delousing treatment. In 2022, with the arrival of our new wellboat Bakkafossur, further capacity is added as well as options for more specific methods to ensure, fish is handled capacity as well as more specific selection methods to ensure, fish is handled accordingly to size and health status, strengthening our biological risk mitigation approach.

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 female salmon lice per fish. However, to remain within these parameters there has been an increased level of freshwater treatments.

Cleanerfish

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 on most sites with a focus on enhancing cleaner fish welfare. Cleaner fish are closely monitored through the production in the cage environment, which is adapted to suit the physiology of the cleaner fish. Cleaner fish are treated with probiotic solutions before stocking to marine sites to strengthen their natural immune system and prepare for the new habitat at sea. Artificial kelp and natural macroalgae are provided to mimic seaweed forests, where the cleaner fish can rest when not feeding on sea lice. Cleaner fish are only used in a limited period of the production cycle, where there is optimal condition for the cleaner fish to thrive in our production system.

We have installed computer-controlled feeding systems for lumpfish in the Faroes and have developed a tailored feed to improve the welfare of lumpfish, their health status is being screened monthly through inspections.

In Scotland, we use lumpfish or wrasse at all sites and have found that this greatly reduces the need for treatment. In order to optimise both sea lice clearance and cleaner fish health and welfare, we have entirely reworked our cleaner fish strategy in Scotland to use more ballan wrasse, increasingly available from farmed sources and to limit lumpfish deployment to winter months when they are more active than ballan wrasse. In addition, we focus on stocking our marine farms with cleaner fish as soon as possible after the arrival of smolt so that the species co-habit from an early stage and behavioural adaptation is optimised.



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 2021 we started operating with a new mechanical delousing system, FLS, in the Faroe Islands, and increased our FLS capacity in Scotland with the arrival of a new vessel, Bakkanes, with a 4-line FLS system capacity.

Bakkanes will strengthen the biological performance and improve day-to-day operations for our teams. Bakkanes was repurposed from a supply vessel and has been fitted with a delousing system, sandblasted, repainted and installed with four cranes and a hawser system. The former North Sea energy support vessel is 241 feet long.

The FLS system has 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 Scotland 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. We have found this system to work well on our farms being relatively gentle on fish with more than 90% removal of sea lice and having a high throughput to ensure that handling time for the fish is minimised.

The non-medical treatment equipment is installed onboard on the service vessels M/S Martin and M/S Róland. M/S Martin has installed a four-line Optilicer system, for luke warm water treatment and a six-line FLS flushing system, for flushing and filtering removal of lice. M/S Róland has a four-line Optilicer system for luke warm water treatment. The wellboat M/S Hans á Bakka is occasionally use for freshwater treatments.



M/S Martin – four-line Optilicer system and six-line FLS system

M/S Róland – four-line Optilicer system

M/S Bakkanes – four-line FLS system

M/S Hans á Bakka – 3,000 m3 wellboat for freshwater treatments

Addition in 2022 **M/S Bakkafossur** – 7,000 m3 wellboat for freshwater treatments and enclosed medical bath treatments.

In 2022, Bakkafrøst will further add to the treatment capacity with a 7,000 m3 wellboat in the Faroes for freshwater bath treatments and option for enclosed treatments with antiparasitic agents. This wellboat is designed for delicing operation with onboard equipment for production of fresh water. This will be a very important tool in the Company's treatment strategy, and will also be important treating gill health issues. In Scotland, we will take delivery of the Ronja Star, a wellboat with the latest technology in delousing and freshwater treatment.



MAIN CAUSES OF REDUCED SALMON SURVIVAL

2021

FAROE ISLANDS

Marine

- Treatment Handling
- Transfer Mortality
- Diseases (CMS)

Freshwater

- Technical issues
- Reduced roe quality
- Treatment Handling

SCOTLAND

Marine

- Disease (Gill Health)
- Treatment Handling
- Transfer Mortality

Freshwater

- Environment (Water Quality)
- Transfer
- Physical (Deformity)

ATLANTIC SALMON MORTALITY RATE

2021

8.24%

FAROE ISLANDS

21.71%

SCOTLAND

For historic data, visit globalsalmoninitiative.org

SEA LICE COUNT

2021

0.43

FAROE ISLANDS

0.59

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.

Biosecurity strategy

OUR BIOSECURITY STRATEGY FOCUSES ON:

- RAS facilities to increase the average smolt size to 500g and reduce 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 vaccinate all stock. Bringing the production of broodstock into our own value chain and mitigate biological risk of imported disease.
- 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.
- We continue to stock sites in optimal water conditions, further out in the fjords, reducing risk of disease. These sites are more exposed and require strong equipment and wider cages with reduced stocking density.

As previous years, in 2021, the highest cause of mortality during daily farming operations is from handling fish during treatment. Especially handling large size fish in late summer or autumn when the sea temperature is high has been challenging and has caused increased mortality. Producing a strong and robust fish for our local farming conditions is key to decreasing mortality. We expect to see a significant impact on biological security in relation to handling and treatment with our new wellboat Bakkafoosur commencing operations in the



Faroes in second half of 2022. Bakkafoosur adds significant capacity to our treatment handling as well as offering new selection methods, ensuring individual handling of each fish according to the current size and fish health status.

Through continuous optimisation of the water temperature profile as well as ensuring a stable and clean environment, biosecurity in smolt production is strengthened. Furthermore, optimal growth in hatcheries along with increased size results in more robust smolt being transferred to the cages.

In the selection process of areas for marine farming, it is important to assess the 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 conditions, combining good, exposed placement of our sites with safe placement of the cages without compromising on fish welfare.

RAS

In Scotland, we are developing RAS for the freshwater stage of the salmon lifecycle, ensuring we are at the leading edge of RAS technology. It will allow us to produce larger 500g smolt, reduce the marine production cycle and decrease biological risk in the marine environment.

We have seven hatcheries and currently produce just over half of the smolt we need, at 85g. By 2026, we will transform that by introducing 64,000 cubic meters of RAS capacity, enabling production of 18 million smolt at 500g. In the same period, we are looking to increase production to 50,000 tonnes.

Examples of initiatives in 2021 to improve fish health and welfare

- We introduced a new service vessel to our marine operations in Scotland in mid 2021. Equipped with the latest delousing technology, the FSV has increased treatment capacity in our Scottish operations. Using this vessel has proven 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. During 2022 our treatment capacity in Scotland will increase three-fold to ensure that we have excess capacity to deal with unpredictable levels of gill health challenge that are driven by environmental conditions.



- We have further increased size of smolt (juveniles) in both the Faroe Islands and Scotland, improving marine resistance against lice and disease.
- In 2021, QTL-CMS resistant roe are now fully implemented and all fish that are newly stocked to sea in the Faroe Islands have specific genetic resistance against this disease. We should see the full effect of this resistance in the following production cycles.
- Implemented lice simulation in the Faroe Islands to identify potential risks of increasing concentration of sea lice, enabling our fish health team to make early intervention. The simulations will be rolled out to all sites in the Faroes during 2022.
- In the Faroe Islands we have four specifically designed wellboats for transportation of live fish and ensure fish welfare is maintained during transportation. In 2021, new technology was installed to ensure efficient treatment.
- In 2022, the wellboat capacity will increase further with a new wellboat to the Bakkafrøst fleet, which is installed with the newest equipment to ensure careful handling of fish and new treatment options.



- To optimise welfare, all Employees have received training on handling including crowding.
- 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.
- A new cleaner fish strategy is set in motion to optimise welfare of lumpfish.
- 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.

Research & Development

We are committed to working collaboratively with industry and academic partners to find sustainable solutions for industry wide challenges, a focus on research and development is important for progress. In 2018, two of the 13 PhD students awarded in the Faroe Islands, were in our workforce.

We are engaged in a number of research projects to improve and develop knowledge of Healthy Salmon.

Broodstock

- The first trial 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 formed the basis of the Bakkafrøst broodstock selection programme which commenced in 2021.

Fish health & welfare projects

- DigiHeart - heart diseases are one of the biggest challenges in aquaculture industry. The subject of this project is to get a better understanding of the morphology of the heart and to measure and understand the optimal shape of a salmon heart.
- CMS – a disease of concern is Cardiomyopathy Syndrome (CMS), caused by Piscine myocarditis virus as this reduce fish tolerance to stress. From May 2021, all smolt put to sea in the Faroe Islands was 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.
- Gill health – gills being scored for AGD and other gill changes and gill swabbing to check for pathogens.



- Lumpfish – we carry out research to reduce mortality and improve the wellbeing of lumpfish. Havsbrún are 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, which has developed a collaborative initiative with local seaweed farmers, where specifically designed seaweed shelters are being trialled, for the lumpfish to hide, rest and sleep.

Surrounding environment and water quality projects

- eDNA sampling to check for pathogens in the ocean. One of our Faroese veterinarians has developed an inspirational new Digital Management tool, which can simulate sea lice development and now being used for planning sea lice treatment, and we plan to implement the tool in Scotland in 2022.

Environmental impact projects

- We are involved in a project together with Fiskaaling, an aquaculture research station, to gain a better understanding of the interaction between salmon farming and wild trout population.
- We are actively involved in various projects, which aim to minimise the environmental impact of 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. The new modelling tool is expected to give a much better understanding of physical, biological, environmental, dynamic properties and effects of the natural nearshore systems and the interaction with industrial undertakings such as aquaculture.
- During 2020 and continuing throughout 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.

We are also involved in many 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 have been successful in obtaining a significant Grant from HIE and from Marine Scotland to undertake ground-breaking work in advancing our ability to grow smolts to an average of 500g and we have a program of research set out to obtain this critical knowledge which builds upon the work done within our Faroese RAS systems.

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. We have been a major collaboration partner with the University of West of Scotland in developing the use of serum biomarkers to risk assess and characterise disease processes, helping to more accurately understand prognosis and measure the effects of mitigation.

In 2021, we:

- Continued implementing veterinary visits and attestation prior to mechanical delousing.
- Upheld the 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.
- Introduced new delousing treatment method FLS in the Faroe Islands in April 2021
- Continued our feed project to improve fish health and welfare.
- Continued focus on improving lumpfish welfare, including optimising feeding, transport and health checks.
- Continued collaborative initiative with local seaweed farmers, specifically designed seaweed shelters are being tested, where the lumpfish can hide, rest and sleep. In 2021, we expanded the project scope to include more sites across the country

- 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 program. IPN, CMS, HSMI & PD
- Implemented a new fully automated vaccination machine resulting in improved welfare with capacity for fully automated vaccination
- Monitoring of algae in Faroese fjords and coastal areas continued representing several farming sites in the Faroes
- Continued to install oxygen sensor at all farming frames in the Faroe Islands to optimise fish welfare and feeding.
- Lowered the temperature profile in the hatcheries in the Faroe Islands for optimal smolt quality after the start feeding period.
- Recertification of all ASC certified sites
- Passed 100% of audits across our various certification programmes.

In 2022, 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 sea lice. 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

In 2022 we will:

- Expand our treatment capacity with our new vessel Bakkafossur
- Continue our high focus on veterinary visits during delousing operations, ensuring good fish welfare.
- Continue focus on vessel biosecurity,
- Continue to roll out the new lumpfish strategy, a bigger percentage of the lumpfish will be of Faroese origin.
- Continue to roll out our new sea lice site specific treatment and prevention strategy.
- Focus on screening, by tracing the source of BKD infection and preventing outbreaks.
- Ongoing focus on vaccination and optimal use of vaccines.
- Focus on disease prevention and better understanding of health status at hatcheries, the smolt health status has crucial importance for fish performance at sea.
- Focus on gill health
- Continued focus on reducing formalin treatments at hatcheries.
- Develop disease preventive during stripping and fertilization of salmon eggs from Bakkafrost broodstock.
- Sponsored and participated in Sea Lice Conference in the Faroe Islands



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.

At COP26 in Glasgow, 'Salmon Scotland' presented a progress report on their Sustainability Charter, 'A Better Future for Us All', one year on from launch. This aims is to create a collective strategy developed by those working in the industry. We are part of numerous committees that have contributed towards the charter and actions. 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 can 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.

From April 2020 to October 2021 Havsbrún 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 GlobalG.A.P. standard, focusing throughout production on food safety, fish welfare, health and safety, and environmental management. In the Faroes, we also have added 'Ohne Gentechnik Non-GMO' to our certifications.

In 2020, our Scottish operation became the first in Europe to achieve 4 star Best Aquaculture Practices (BAP) certification. The operation in Scotland is accredited according to BAP (4-star) and BRC for the processing plants and the smokehouse. Bakkafrøst's harvesting and value-added product (VAP) production has the Aquaculture Stewardship Council (ASC) Chain of Custody certification, BRCGS and IFS food safety standards. The fishmeal, oil and feed production at Havsbrún, hold multiple certifications; The Feed division holds a Global GAP certification and got a BAP certification in 2021. The fishmeal and fish oil division is certified according to the GMP+ standards, the Marin Trust standard and the MSC Chain of Custody standard. Our salmon meal and oil also have GMP+. All units at Havsbrún are certified to ISO9001:2015. All our marine sites in the Faroes are certified by the Aquaculture Stewardship Council (ASC).

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



Global GAP

The whole company is Global GAP certified. Global GAP (good agricultural practises) is an international standard, which focuses on food safety throughout the whole production (based on HACCP), fish welfare and health, biosecurity, traceability health and safety, social responsibility and minimising the impact on the environment. All of our value chain is Global GAP certified – this includes our feed production, hatcheries, all our sea sites, our harvesting and processing plants.

Global G.A.P differentiates from ASC in some areas as greater focus on food safety and ensures strict procedures on humane slaughter and stunning practises. The ASC standard and the Global GAP standard complement each other well to ensure the best practises on these main areas, ensuring coverage by strict metrics and management systems.

FEED

BUSINESS UNIT	FEED MILL		CERTIFICATION
Havsbrún Feed Our feed raw materials are certified according to our sourcing policy.	Havsbrún P/F Faroe Islands		Global G.A.P. / VLOG, GAA BAP, ISO9001:2015, VLOG, MSC CoC, Label Rouge, GMP+; Marin Trust

FARMING - FRESHWATER

BUSINESS UNIT			CERTIFICATION
Bakkafrost Faroe Islands			Global G.A.P. / VLOG
Bakkafrost Scotland			GAA BAP, Global G.A.P., Label Rouge, COGP*, RSPCA Assured, ISO14001

FARMING - MARINE

BUSINESS UNIT			CERTIFICATION
Bakkafrost Faroe Islands			ASC (100%), Global G.A.P. / VLOG
Bakkafrost Scotland			GAA BAP, Global G.A.P., Label Rouge, PGI, COGP*, RSPCA Assured, ISO14001

PROCESSING

BUSINESS UNIT	FACTORY	PROCESSING TYPE	CERTIFICATION
Bakkafrost Faroe Islands	Glyvvar	Primary & Secondary	BRCGS, IFS, Global G.A.P. / VLOG, ASC CoC, Kosher, SEDEX
Bakkafrost Faroe Islands	Vágur	Primary	Global G.A.P. / VLOG, ASC CoC, Kosher
Bakkafrost Scotland	Cairndow	Primary & Secondary	BRCGS, GAA BAP, Global G.A.P., Label Rouge, PGI, COGP*, RSPCA Assured, Kosher, ISO14001, SEDEX
Bakkafrost Scotland	Marybank	Primary & Secondary	BRCGS, GAA BAP, Global G.A.P., Label Rouge, PGI, COGP*, RSPCA Assured, Kosher, ISO14001, SEDEX
Bakkafrost USA	New Jersey	Secondary	Global G.A.P. / VLOG, ASC CoC, Kosher

*Scottish Finfish Code of Good Practice



Best Aquaculture Practices (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 such issues as habitat conservation, water quality and effluents.
2. Animal Health & Welfare- Best practices in animal husbandry, addressing such issues as disease control.
3. Social Accountability - Ensuring producers are following 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



Aquaculture Stewardship Council (ASC)

The ASC Salmon Standard aims to address the key negative environmental and social impacts of salmon farming associated with sourcing of feed ingredients, disease, protection of wild salmon populations, biodiversity and ecosystems, controlling of escapes into the wild, use of medicine, labour standards and corporate citizenship. The certification requires third party auditing on a number of criteria, which exceeds national regulation in areas such as biodiversity, environmental monitoring and health and safety.

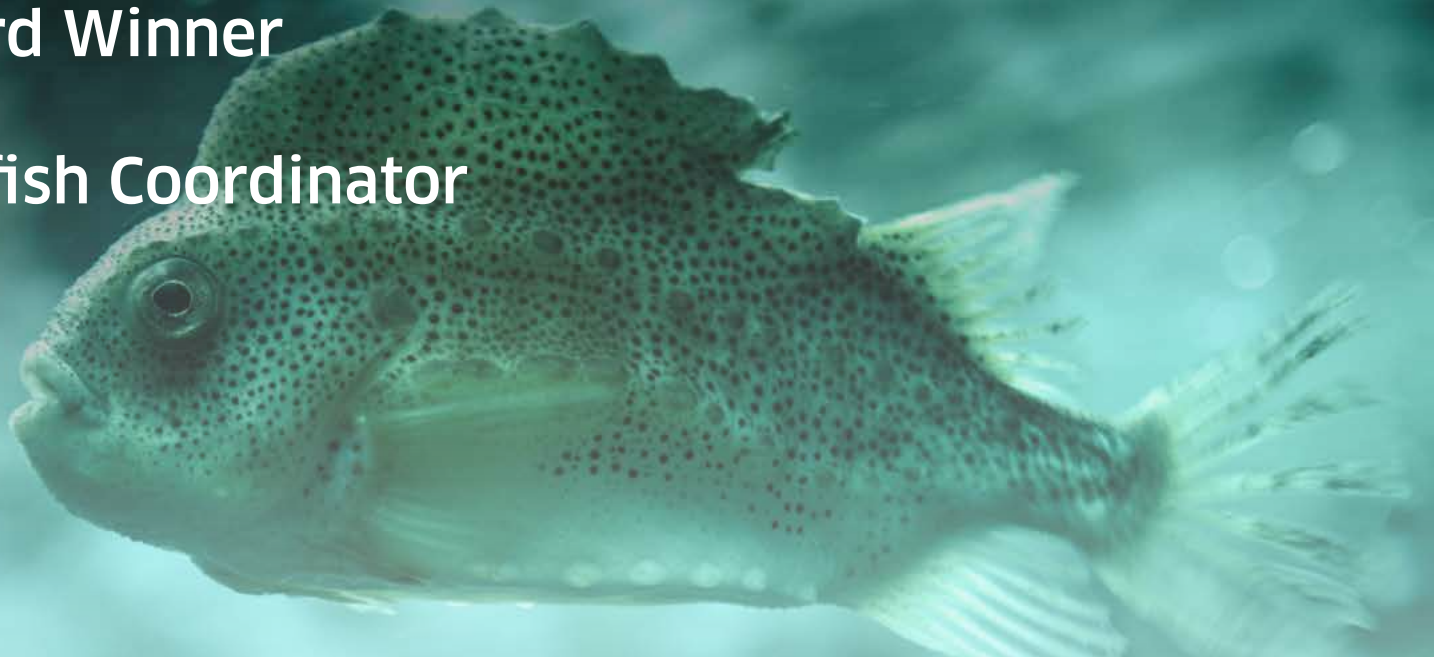
The ASC standard was developed in cooperation with the WWF (World Wildlife Fund). The standard is seen as the most stringent in the aquaculture industry and outlines over 400

individual points with a range of requirements all to ensure a more sustainable and socially responsible production. The standards focuses on protecting the natural habitat, water quality and ensure biodiversity and protection of wildlife and with strict focus on prevention of fish escapes. The standard sets criteria to manage sea lice and diseases including direct mortality reduction plans and target. Resources, including feed, shall be used in a responsible manner from proper handling and treatment on waste to energy usage assessments to sourcing policies whilst ensuring full traceability. Social responsibility is of great focus ensuring policies on discrimination and conflict resolution and whilst protecting children from child labour, also ensuring contracts, training and safe conditions for employees. Community engagement with regular meeting and informations.

The ASC standard is species specific and differentiates from all other standards by having specific indicators – i.e specific metrics and limits. ASC standards are developed according to ISEAL guidelines – multi-stakeholder, transparent, incorporating science-based performance metrics.

The standard is under further development and a total revised standard is expected to be released in 2023 with even greater focus on fish welfare – with the Fish Welfare project. Bakkafrost is via GSI a part of the TWG on the fish welfare project, which sets out to develop global indicators on fish welfare and health.

Healthy salmon Best Practice Award Winner – Matilda Lomas, Biology & Cleanerfish Coordinator



Healthy Salmon: Best Practice Award Winner - Matilda Lomas, Biology & Cleanerfish Coordinator

For staff promoting and exceeding best practice standards within any area of the business. We are committed to producing healthy world-class salmon and focused on a proactive health regime and use cleanerfish as a sustainable biological control.

Cleanerfish naturally feed on sea lice present on the surface of salmon they have proven to be highly effective in managing sealice numbers and maintaining good welfare. During 2021 we reviewed our Clearfish Strategy as part of an ongoing review of our own best practice.

Matilda developed a detailed budget and strong business case for rolling out the new strategy, which will result in improved welfare and a reduction in medicine use and mechanical interventions.

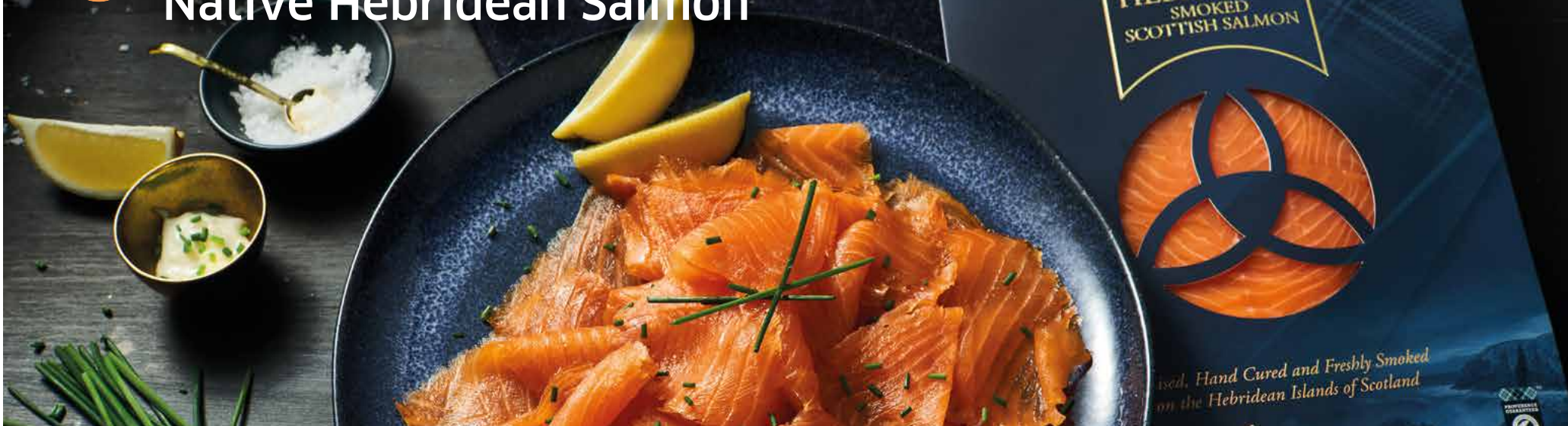
Matilda said: “The welfare of our fish is at the heart of everything we do and our new Cleanerfish Strategy should support with improving the overall health and welfare of our fish”

Historically, we have used more lumpfish than wrasse. However, at Loch Striven, all three sites were stocked with both species. As a result, there were no lice treatments required in the last cycle.

Following this success, we are introducing both wrasse and lumpfish at all sites as part of our new Cleanerfish Strategy.



Healthy salmon Native Hebridean Salmon



Our focus is to build our Native Hebridean Salmon programme.

Native Hebridean Salmon is a unique breed of Scottish salmon, descending from wild salmon from the rugged and remote Isle of North Uist in the Outer Hebrides, off the North-West coast of Scotland. A native breed, Native Hebridean Salmon is naturally robust and grows well in its natural environment as we have seen throughout the production cycle.

Award winning dietician, health writer and TV nutritionist Dr Carrie Ruxton PhD, extolled the virtues of Native Hebridean Salmon, saying that not only is the salmon rich in vitamin D and minerals which keep our brains and hearts healthy, but an independent laboratory

analysis found that it is superior to regular farmed salmon. Importantly for the long, dark winter nights, the vitamin D content of Native Hebridean Salmon is nearly two and a half times greater than regular farmed salmon and exceeds levels found in wild salmon.

An exciting new development was the launch of our ecommerce shop last year, representing a new consumer-facing focus for the business. At our Harris & Lewis Smokehouse, in Stornoway on the Isle of Lewis, we have developed an innovative curing process and will exclusively smoke Native Hebridean Salmon.

Our Native Hebridean Smoked Scottish Salmon has since received high acclaim. It won a prestigious Great British Food Award last year and was deemed 'the perfect smoked

salmon' with 'lovely texture' by renowned culinary expert Chef Jack Stein. It also won Best Overall Smoked Salmon at the Tried and Tasted Christmas Awards 2021 and was rated highly at the Good Housekeeping Institute's Taste Approved 2021.

Native Hebridean is more than just about developing a unique strain, it is about protecting Hebridean provenance and ensuring true sustainability by adding and retaining value locally, creating specialist, skilled, long-term employment in an area classified by Highlands & Islands Enterprise as fragile.



Healthy environment

Performance review

★ STRATEGIC PRIORITY

- To minimise our environmental impact

2021 PERFORMANCE AGAINST OUR 2023 COMMITMENTS

- Reduce by 50% the scope 1 & 2 CO₂ footprint by 2030
- Continue research into sustainable feed ingredients.
- Investigate new sustainable marine source for fishmeal.
- Optimise feed strategy to maintain industry leading FCR.
- Achieve ISO14001 environmental 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.
- Achieve over 97% water recirculation rate in hatcheries (Faroes)

FO SCT



SDGs



WHY THIS IS IMPORTANT

The health and welfare of our salmon and the natural environment are intrinsically linked and represent the basis of responsible salmon farming. 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 CO₂ emissions compared to other farmed animal proteins. Bakkafrøst has an industry-leading feed conversion ratio, and our priority remains to minimise environmental impact. The global threat of climate change could significantly impact our sector in the future and pose challenges for aquaculture. These include changes in weather patterns, frequent storms, warmer water temperatures and ocean acidification.

There is rich biodiversity and abundant bird and marine life in our farming locations, and it is important to minimise impact from activities and maintain the natural environment around our farming sites across fjords and lochs. This extends to respecting biodiversity beyond our immediate environment to fishing areas for feed ingredients.

Bakkafrøst leads the sector with our complete integrated value chain, providing a unique opportunity to control our impact. Managing our upstream and downstream impact is a key focus as

we continue to export to the global market and source worldwide. Conserving natural capital is fundamental for producing healthy salmon, and we continue to explore ways of managing and reducing our impact on the environment and protecting 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 13 for more information.

BIODIVERSITY

We are committed to our role as custodians of our natural environment and work to ensure we minimise impact and support biodiversity. Our farming sites are located in natural fjords and lochs, which are rich in wildlife, and it is important that we take a proactive approach to managing biology, sea lice, which are endemic in the wild, and the interaction with wild fish populations. Minimising the impact from our activities and maintaining the pristine environment around our farming sites is of greatest importance. Respecting biodiversity beyond the immediate environment is also incredibly important, including the areas where we source our feed ingredients.

We practice zero-tolerance for fish escapes and have invested substantially in containment measures including early identification of risk through regular inspections.

In 2021 we, unfortunately, had an escape in the Faroes during handling of nets, avoiding escapes is an ongoing challenge. We have invested substantially in the rollout of rigid nets across all our sites, these are more resistant to damage from weather and possible predator attacks. Divers inspect the nets regularly and we have ROV inspections during net cleaning. We have revised our procedures and introduced further training to reduce fish escapes. All suspected escapes are reported immediately to the veterinary, environmental and statutory authorities.

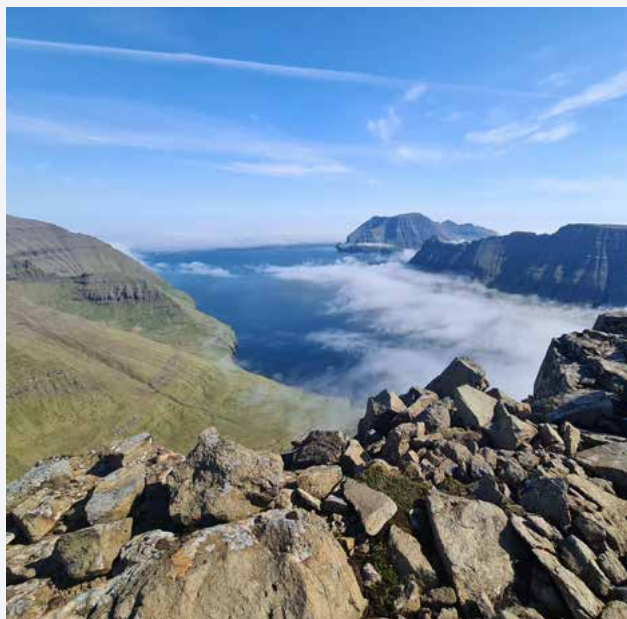
There were no escapes during 2021 in Scotland.

We have implemented measures to reduce impact on birds and marine mammals, including covering pens with high visibility nets in the Faroes to protect against birds. A ban on seal shooting came into effect in both Scotland and Faroe Islands in early 2021 and to protect our stock and minimise stress, we have invested in rigid netting on all sites in Scotland. We continue to make substantial investment in new and innovative anti-predation technologies, management and monitoring methods. Our marine farming sites in the Faroe Islands are not close to any protected areas and do not impact any of the critically endangered or endangered species in the IUCN red list.

We are committed to responsible and sustainable sourcing of raw material to improve global biodiversity. All plant protein and oils in feed are non-GMO and during 2021 we have started to source the soybeans from Europe. We prioritise sourcing of locally caught certified marine ingredients and include co-products to reduce pressure on the wild fish population. In the Faroes, we only use certified sustainable wood in our smokery and FSC paper in our own-brand products.

Benthic monitoring

Regular monitoring of benthics is carried out at peak biomass to maintain good ecological and biodiversity status in the fjords



and coastal ecosystems in which we operate. Benthic monitoring is carried out at the cage edge, near the cages and outside the expected area of impact to ensure marine farming activities remain environmentally sustainable. For more information on benthic monitoring, please see page 67.

Commitment Burðardýgt Vinnulív (the Faroese Sustainable Business Initiative)

Island life is dependent on a strong relationship with nature. While the Faroe Islands and Scotland benefit from a seemingly pristine environment we are acutely aware of degradation of natural systems around the world, and we understand our wider responsibility to address impact on our own ocean environment as well as our global value chains. Together with the other members of Burðardýgt Vinnulív, we have set ourselves a task to follow well-established guidance to understand how we can have a net-positive impact on biodiversity. Through our Biodiversity and Ocean Health workstream we have had seminars to understand

more about global threats to biodiversity. We have also conducted a top-level materiality analysis of our impact, deepening our understanding of our task to reduce and reverse any potential negative impacts on nature. In 2022, we will continue working to develop this goal, setting further targets and extending this approach. Progress will be reported annually.

BIODIVERSITY COMMITMENT

“Bakkafrøst will look to become net-positive in our impact on the marine environment from farming operations in the Faroe Islands and on the land environment from our onshore operations in the Faroe Islands by 2030”

We have started by funding research on the biodiversity of benthic fauna in fjords and coastal areas and to gain a better understanding of the interaction between salmon farming and wild trout populations. We are also processing fish and animal waste into fertilizer at our biogas plant, and regenerate land and bird habitat around our smolt facilities.

Since 2020, Bakkafrøst has been committed 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.

Please see our webpage www.bakkafrøst.com/sustainability/data and the Global Salmon Initiative website for further information regarding our impact on biodiversity.

Local impact

We are committed to minimising impact on the local environment at all stages of the value chain and are investing in several initiatives to minimise impact of: effluent, water quality, noise, odour and air pollution.

Salmon farming is heavily regulated, and all our sites comply with stringent legislation and standards for water quality and the environment. Our sites are regularly monitored and inspected by a number of government bodies, and benthic monitoring is critical to maintain and improve the environment in which we operate. We have already achieved ISO 14001 standard in Scotland and are working to implement this in the Faroe Islands on an administrative level complementing ASC site-specific certification. 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, which is particularly important in the rural areas in which we operate. We take this issue very seriously and any issue raised are thoroughly investigated and remedial action taken. We have reduced the low frequency sound emission from the wellboat Hans á Bakka and hybrid barges are being explored in Scotland, which are known to generate much less noise.

Example of measures taken to minimise impact:

Marine sites

- Continued relocation of farms to exposed areas with stronger currents where possible in the Faroes.
- An investment programme in sustainable site development in Scotland.
- Adjust location of pens where appropriate in Faroes.
- Investigate new areas with more optimal conditions.

Optimal feeding

- Investment in cameras to optimise feeding on marine sites and employ specialist feed technicians trained to optimise feeding.
- High focus on training and knowledge sharing to ensure industry low FCR.

Minimise usage of chemicals

- Discontinued use of copper-treated nets in 2018 in the Faroe Islands and in 2020 in Scotland.
- Filter effluent water from production.
- Focus on fresh water and mechanical methods of sea lice treatment rather than use of delousing chemicals.

Fallow periods

- Ensure fallow periods between production cycles to allow the seabed to regenerate (which in 2021 was in average 12.8 weeks in the Faroe Islands and 16.4 in Scotland).

Shorter time at sea

- Invest in expanding freshwater capacity to ensure shorter time at sea in line with our lice prevention strategy.

Monitoring

- Continuous monitoring of the impact on the seabed at maximum biomass to ensure sustainable utilisation of marine farm sites including sampling of benthic fauna to assess impact on biodiversity.
- Regular assessment of the impact of organic matter at cage edge. Chemical analysis of copper, zinc and organic matter at cage edge and farm site to assess the long-term impact of farming activities in the Faroe Islands
- Monitoring seawater quality e.g., in testing levels of oxygen, temperature, salinity, phosphorus and nitrogen.
- Use of environmental data buoys being trialled in Scotland.

The Environmental monitoring buoy currently on trial in Loch Striven, Scotland, collects continuous and real-time data that is vital for fish health. This buoy is equipped with sensors for environmental parameters including air; atmospheric pressure; temperature; humidity; dissolved oxygen; pH; water temperature, salinity; turbidity; chlorophyll; blue & green algae; hydrocarbons; single point current direction and speed.

We are actively involved in various projects which aim to minimise the environmental impact from our operations, including one with the University of Faroe Islands aimed at creating a robust and reliable model of currents in Faroese fjords and coastal areas. The aim of this project is to develop a simulation tool to describe and model currents and other hydrographic conditions in fjords and near coastal areas. A simulation tool has previously been developed for the tidal currents on the Faroe shelf, but this model does not simulate the complex hydrographic dynamics in nearshore environments where most aquaculture sites are located. The new modelling tool will give a much better understanding of physical, biological, environmental, and dynamic properties and effects of the natural nearshore systems and the interaction with industrial undertakings such as aquaculture. This will result in better understanding of factors influencing nearby environmental impact, fish health and welfare, biosecurity as well as give prediction of long-term effects of climate change.

We comply with national regulation regarding the discharge of effluents. Please see www.bakkafrost.com/sustainability for data on effluents.

Examples of biodiversity initiatives in 2021



R&D

- Participated in various projects to better understand the impact of salmon farming on the environment. This included a large collaborative project with farming companies in the Faroes, the Environment Agency and Aquaculture Research Station (Fiskaaling) to improve knowledge on biodiversity of benthic fauna in the coastal areas around the Faroe Islands to assess how biodiversity of indigenous benthic fauna may be affected by environmental impact of farming activities. There is also a project with Fiskaaling, to gain a better understanding of the interaction between salmon farming and the wild trout population.



Improvement projects

- Optimised the mineral content of the fish feed to significantly reduce mineral accumulation, particularly zinc beneath fish farms.
- Installed cameras at all sites to optimise feeding and improve benthics.
- Installed oxygen-sensors at all farms to monitor oxygen levels and ensure operation within environmentally sustainable boundaries.
- Optimise collection of fish faeces from effluent water at the Strond smolt facility in the Faroe Islands, this is converted to biogas and CO₂ neutral electricity at Bakkafrost's new biogas plant FÖRKA.
- Completed the investment in rigid netting across all sites in Scotland to protect stock and minimise stress.



Noise projects

- Reduce low frequent sound noise emission from our wellboat Hans á Bakka. Starting to reduce the largest sources of noise at the feed factory.



Compliance

- Zero non-compliance with environmental laws and regulation and continue to cooperate with authorities to ensure impact is minimised.
- Continue our work to embed the principles of the UN Global Compact in our value chain.

SEALPRO NETS

Seal and bird-proof nets have been fitted across all sites in Scotland to protect stock and minimise stress. This innovative strengthened rigid netting was trialled on seals in captivity and found the rough netting material abrasive, the high tension in the nets further acting as a wall. Data shows netting is standing up well to conditions at sea.

In 2022 we will:

- 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.
- We will continue our efforts to avoid fish escapes and investigate new methods to minimise the impact from our activities on local wildlife.
- Further implement ISO14001 environmental management standard for the administration.
- Continue funding the project at the University of Faroe Islands to create a robust and reliable model of currents in Faroese fjords and coastal areas.
- Further develop Applecross RAS facility and invest in two additional new RAS smolt facilities in Scotland which are more water and feed efficient.

The organic content of fertilizer spread out on Faroese agriculture is significantly reduced due to biogas production from animal manure at our Fôrka biogas plant. This lowers the risk of organic pollution of rivers and lakes and reduces the impact on trout population and sensitive aquatic species which occupy these habitats.



Benthic Monitoring and Environmental Impact Assessment

As part of our Healthy Environment strategy, we regularly conduct environmental inspections on marine sites in the Faroe Islands, including taking samples of the seabed. We have introduced several environmental measures to minimise environmental impact including moving the pens to locations with stronger currents and improved water exchange. This ensures minimal environmental impact and improved oxygen flow.

We have discontinued the use of copper-treated nets and other chemical-treated materials on marine sites. The installation of underwater cameras at all marine sites has improved feeding, ensuring optimal fish health and welfare while minimising environmental impact. We continue to investigate new technology to support further development.

Samples taken from the seabed show continuous environmental improvement following measures taken in recent years. For the past couple of years about 80-90% of the sites have been assessed to be within minimum impact by national seabed quality standard in the closest vicinity of the net pens, while near the pens all sites have been assessed to be at minimum impact.

In addition monitoring potential impact on nature, we also conduct benthic fauna inspections underneath and closely to the pens. Through testing of samples from the seabed, we monitor the biodiversity, including registering the number of different species, the number of animals of each species, and registering which of the found animals are assessed to be indicating a healthy seabed.

Since 2019, Bakkafrost has partially funded collaborative research projects to assess the potential environmental impact of aquaculture on the biodiversity of benthic macrofauna in Faroese fjords and to establish a baseline and a classification system for marine biological diversity state undisturbed by human impact.

All Bakkafrost marine sites are certified against the ASC standard, and benthic inspections are carried out at peak biomass. We feel confident that our farming activities do not cause negative impact on the fjord ecosystems based on the new established baseline for benthic macrofaunal diversity.

In 2021, the ASC marine site audits verified that all the audited Bakkafrost sites are sustainably managed.



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. We seek to maximise the efficient use of resources and minimise waste generation across our value chain. The global interest in responsible waste management continues to grow, particularly the use of plastics that can 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.

Despite its high edible yield, we also strive to utilise all the co-products from our salmon, selling backbones, offcuts, bellies, skin, viscera and heads. Where possible we recycle or repurpose old farming nets and moorings and repair and reuse cables and pipes. We continue to upgrade our pens using stronger materials to increase their lifespan. In the Faroes, we send used nets to a company which recycles them into carpets, bulk feed bags are also recycled where possible.

We continue to investigate innovative sustainable solutions for packaging. In 2021, we ran several trials of new packaging materials, and in 2022 we will introduce new recyclable finished product packaging to ensure responsible waste management for our customers and consumers.

In the Faroe Islands, the total amount of waste increased in 2021. However, the amount of recycled waste has continuously increased from 31% in 2019 to 42% in 2021. The remainder of the waste is used for energy recovery.

In Scotland, the total amount of waste also increased in 2021, mainly due to increased mortality. The overall landfill rate remained static and nearly 70% of waste was either reused, recycled or sent for energy recovery or anaerobic digestion.

We continue to put great effort in investigating sustainable packaging solutions for our finished products, and in 2021, we further increased the share of recyclable plastic material used for packaging in the Faroe Islands from 43% in 2019 to 56% in 2021.

We have also looked into various types of wrapping materials, which we use for the pallets, and in 2022 we will implement a recyclable wrapping material that is 30% thinner.

We are committed to supporting the circular economy. Our award-winning new biogas plant FÖRKA in the Faroe Islands sources waste products from our farms and other farmers to produce renewable energy and natural liquid fertilizer for local use. In 2021, FÖRKA significantly increased the amounts of sourced organic waste, both from Bakkafrost operations as well as other farmers, turning waste into renewable energy. In 2021, FÖRKA received 13,723 tonnes of biological waste from the Faroese salmon industry for production of green energy and fertilizer and in addition, 143 tonnes of other biological waste.

The total production of electricity at FÖRKA in 2021 was 7,532 MWh, equivalent to the annual usage of 1,506 households*, and 8,293 MWh of heating was produced, covering the demand of 346 households**.

* 5 MWh per household

** 24 MWh per household

In 2021, FÖRKA delivered 34.271 tonnes of high-quality fertilizer for Faroese agriculture and provided 4.2% of the total renewable electrical production in the Faroe Islands.



We ensure every part of the salmon is used and guts from the production plant at Glyvvar are used in the production of salmon meal and oil for pet food at Havsbrún. The production of salmon meal and oil is new and has increased significantly over the last two years. In 2021 we used 3,167 tonnes of guts to produce a total of 1,277 tonnes of salmon meal and oil.

As part of our commitment to food waste reduction targets in Scotland, in 2021 we submitted a record of Bakkafrost Scotland 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.

In the Faroe Islands, we have regular employee offers on salmon and we continually look for optimal packaging solutions to reduce food waste.

In Scotland, we are involved in a number of sustainable packaging projects. From piloting a returnable box scheme with Native Hebridean salmon, to reducing the thickness of our blue liners and clear vacuum pack bags. Last year we introduced eco-friendly insulated packaging, made using 100% pure sheep's wool for our ecommerce range. It's sustainable, compostable, effective and reusable.

In 2021, we:

- Ran trials of two types of returnable boxes in Scotland introduced pallet wrap containing 30% recycled plastic
- Introduced wool insulation packaging for ecommerce in Scotland
- Increased the share of recyclable plastic used for packaging to 56%.
- Increased amount of biological waste sourced by FÖRKA and amount of fertilizer delivered to Faroese agriculture farmers.
- All paper used in the Faroe Islands was FSC certified
- Continued trials of new recyclable films

Please see www.bakkafrost.com/sustainability/data for our packaging data.

In 2021, wrapping materials were replaced with recyclable materials, and in 2022 we will look further into reducing the quantities of plastic wrap for pallets. We will also continue to look at alternatives to polystyrene boxes, and to continue to reduce plastic content in view of the imminent UK Plastics Tax and Extended Producer Responsibility Regulations.

In 2022 we are looking to be part of a responsible plastics management initiative in collaboration with GSI (Global Salmon Initiative). This will include recording all types and volume of plastics used, setting benchmarks and targets with a view to continual improvement.

**IN 2021
FÖRKA PROVIDED**



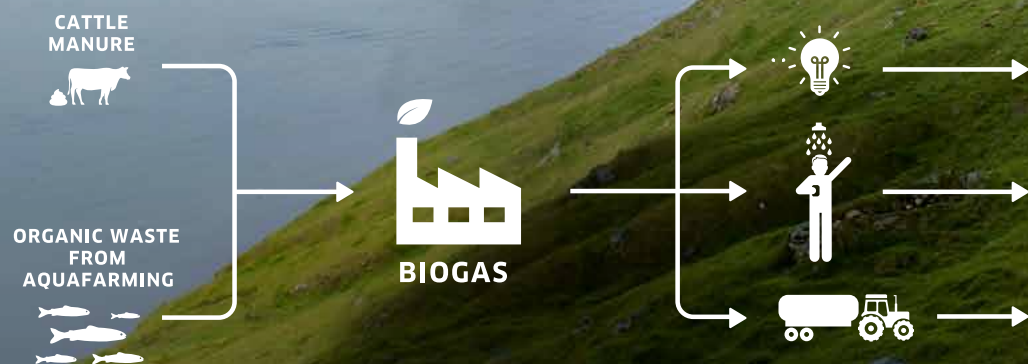
4.2%

**of the total
RENEWABLE ELECTRICAL
PRODUCTION**
(Faroe Islands)





Healthy environment FÖRKA – Biogas Plant



POWER
1,506

Homes
(à 5 MWh)

DISTRICT HEATING
346

Homes
(à 24 MWh)

LIQUID FERTILIZER
34,271

Tonnes

FÖRKA received 13.723 tonnes of biological waste from the Faroese salmon industry for production of green energy and fertilizer and in addition, 143 tonnes of other biological waste. In 2021, FÖRKA delivered 34.271 tonnes of high-quality fertilizer for Faroese agriculture and provided 4.2% of the total renewable electrical production in the Faroe Islands.

In the year 2021:

7.532 MWh Power produced.

5.413 MWh heat delivered to the district heating system.

Logistics

Transport is a big part of our daily business. Our customers expects fast and reliable deliveries. Bakkafrøst is accelerating efforts to make our business and supply chain more sustainable with the urgency of tackling climate change increasing. One of the biggest challenges is shipping of our products to worldwide customers. The second biggest item after feed ingredients for scope 3 emissions is air freight and we are committed to a more sustainable logistics. We believe that the sector will make significant steps in this decade for handling intercontinental supply chains in a more sustainable way, but we cannot wait for others to solve the issue and we want to be part of the solution.

With today's technology there are no solutions to ship fresh fish to oversea markets, without compromising quality, leading to significant food waste. According to our customers, Bakkafrøst has a superior quality salmon, which fit excellent to high-end restaurants and the fresh market. To serve our customers oversea, we are reliant on air freight. We have established a new air freight company to ensure that we are in control and able to reduce the emissions both on short term, by flying shorter distance, less ice and more fillets etc. and on the long term by e.g., be able to trial environmentally friendly fuel.

Sea freight is our main transport. We always use sea freight wherever possible and from 2019-2021 we have reduced air transportation by 39%.

Total Share of harvest volume transported by air:

2021: 20% (US: 12%, Asia: 8%)
 2020: 19% (US: 12%, Asia: 7%)
 2019: 33% (US: 17%, Asia: 16%)

Sea freight is however not the best type of transport for fresh fish due to the time it takes, New York takes 12 days from the Faroes. By bringing airfreight into our value chain and optimising each link, we can reduce CO₂ emissions by up to 40%.

Bakkafrøst will reduce transportation emissions by bringing airfreight into our value-chain and thereby:

- **Shortening the flight distance and skipping boat and trucking to Heathrow**
- **Reduce food waste by providing products with longer shelf life**
- **Reduced weight, fly less ice and less heads and bones**
- **Increased control of the cold chain**
- **Trial environmentally friendly air fuel**



Environmental Sustainability Award Winners

The Healthy Environment Award recognises employees who have made a significant contribution to the local community. The Healthy Community inaugural joint award winners were:

Healthy Environment: Environmental Sustainability Award Winners - Stuart Witts, Area Manager in Lewis and Glen Paterson, Marine Operative

Fundamental to our operations is minimising our impact on the local environment in the areas in which we operate. The actions of Stuart Witts, Area Manager in Lewis, and Glen Paterson, Marine Operative, to help move around 120 wild salmon exemplifies our commitment to protect and conserve wildlife.

After an exceptionally dry summer, water levels were low in the nearby river on the Isle of Lewis and the wild salmon were unable to migrate upstream. Stuart and Glen swiftly implemented an emergency action plan developed with local stakeholders. Using large containers and specialised oxygenation equipment they drew on their knowledge and experience to help move wild salmon to a fresh deep-water pool higher up the river.

Stuart said: “We had to physically crowd, net and transport the fish over two days upstream to freshwater pools. This was a tremendous collaborative effort between local stakeholders. It was great to see the emergency plan put into action, and it has been refined for the next time it might be needed.”



Environmental Sustainability Award Winners - Stuart Witts, Area Manager in Lewis and Glen Paterson, Marine Operative

WATER

The planet faces growing water constraints as freshwater reservoirs dry up. Although we do not operate in areas with freshwater scarcity, we still focus on freshwater efficiency, and we operate according to our freshwater use policy, which sets out guidelines for both limiting and efficient use of freshwater throughout our value chain. 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. In Scotland, we have started introducing Recirculating Aquaculture Systems (RAS) at Applecross, this is 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 to start recirculating water in hatcheries, currently in the Faroe Islands recycling up to 99.7%.

70% of water used in the world today is estimated to be for agricultural use and an efficient use of our natural water resources is required. Salmon has the lowest water footprint of the four largest sources of animal protein, this is an industry average, and our own calculation show that Bakkafrøst salmon's water footprint is even lower.

For more information, please see our Bakkafrøst Policy on Freshwater use found on our website.

In 2021, we:

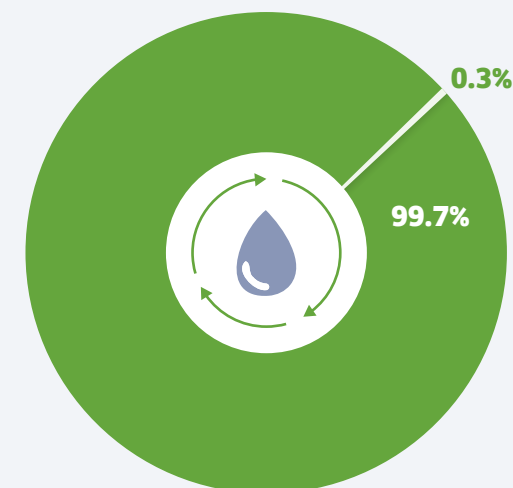
- Recycled approximately 60,000 cubic metres of water per hour in our hatcheries.
- Introduced Recirculating Aquaculture Systems at some of our locations in Scotland, already in place in the Faroe Islands, which are more water and feed efficient.
- Reduced water usage by 95% by introducing RAS at Applecross.

Please see www.bakkafrøst.com/sustainability for 2021 water data.

In 2022, we will invest in additional RAS sites in Scotland and continue to decrease water used. We will continue to improve monitoring of water use and continue work to further optimise freshwater use with an ongoing target to have 97% water recirculation rate. We will also look for new ways to reduce water use at our production facilities in the US.

WATER RECIRCULATION RATE

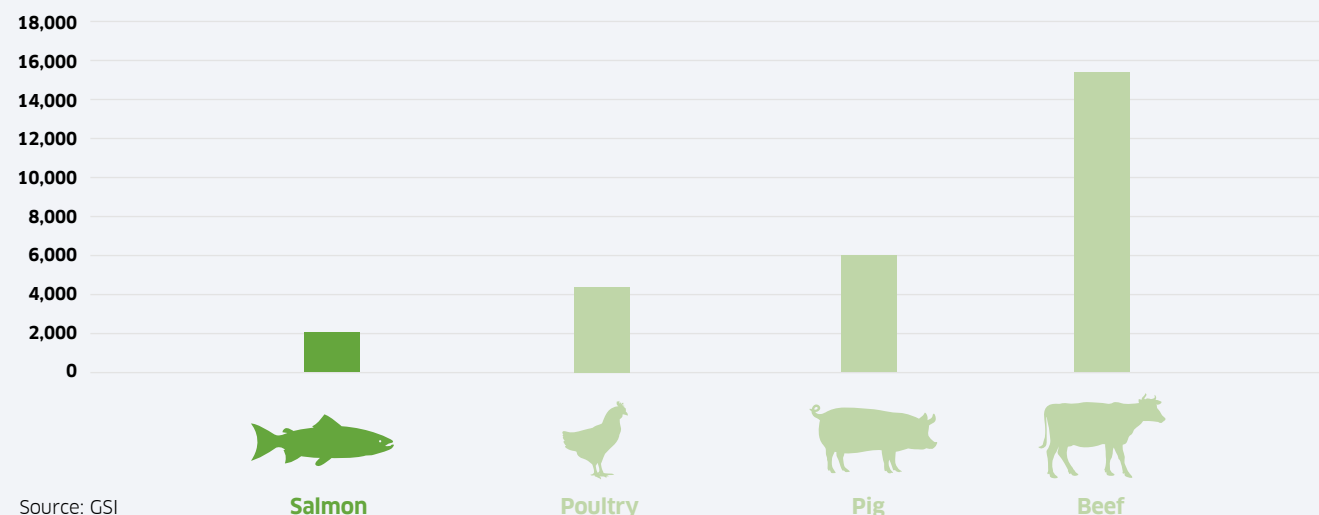
99.7%
(Faroe Islands)



WATER CONSUMPTION

(liter per kg edible meat)

liter water



Source: GSI



“You can’t manage what you can’t measure!”

Bakkafrost collaborates with DSM as a leading partner for Sustell™ in salmon, to measure & improve the environmental sustainability of salmon farming

Across the animal protein sector, it is well recognised that salmon scores highly on the sustainable animal protein ranking index (FAIRR, 2021). To further consolidate our position as a global leader in sustainable salmon production and our commitment to reduce the environmental impact of our operations, we are working together with DSM and Blonk as their front-runner partner.

The need to provide enough animal protein for a growing population, while reducing the environmental costs of farming requires smart science and innovative solutions. Sustell™ is an intelligent sustainability service, combining an advanced Blonk APS environmental footprinting tool, that uses real farm data, with expert knowledge and tailor-made, practical solutions that enhance the environmental sustainability and profitability of animal farming.

Under the collaboration, we will have access to science-based calculation and analysis of 19 different environmental categories for our operations at Bakkafrost, calculated using real data from our feed production and farming sites. This means that going forward, we will be able to first model, and then adopt interventions to reduce the environmental footprint of salmon farming. The collaboration underpins the sustainability agenda of both companies to significantly accelerate and future-proof sustainable aquaculture protein production.

Welcoming the collaboration with Bakkafrost, David Nickell, Vice President, DSM Animal Nutrition & Health, said:

“At DSM, we are committed to help improve the sustainability of our food systems. We are proud to be delivering Sustell to Bakkafrost, to help them improve the sustainability of salmon farming.”

www.sustell.com

CLIMATE CHANGE AND ENERGY

The salmon industry has relatively low CO₂ emissions compared to other industries, see figure on page 77. Despite having the lowest carbon footprint relative to the five largest sources of animal protein, we aim to maintain a low level through efficiencies in our 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.

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 achieved this in some areas including; linking feed barges to electricity from the shore, recycling energy at our hatcheries and feed and processing factories, consolidation of operations, and through training of responsible behaviour.

As one of the world's largest salmon producers our production has a significant footprint, using renewable energy to produce our salmon is one of our top priorities.

Across our entire value chain, we seek to maximise the efficient use of resources and minimise waste generation, this is not only the right thing to do, but also makes business sense.

When investing in new buildings, we ensure that they are as energy efficient as possible. In our production plant at Glyvrrar, all heating, including warm water for washing, comes from excess heat generated from the production of packaging material - there is no other heat source. The same applies for the hatchery at Strond, which is only heated by excess heat

generated from pumps and machinery. At our new Applecross hatchery, we take this to another level, see more on page 87

For many years, we have pursued energy efficiency and we continue to look for less energy-intensive processes. The biogas plant saves around 7,588 tonnes in 2021 of CO₂ emissions a year. We are producing around 2% of the total electric power produced in the Faroe Islands, over 4% of the renewable power. We will also continue to introduce more efficient technology, including at our hatcheries.

We have installed an energy monitoring system at Glyvrrar and dashboards in processing to register and optimise energy consumption.

In Scotland we created an online portal in 2020, which records 'real-time' energy, fuel and waste consumption across the business and details at an individual site level. In Scotland 100% of our electricity supplied in 2021 was from renewable sources.

We recognize the importance of continued investment into the efficiency of our operations as we continue to grow. Using renewable energy to produce our salmon is one of our top priorities.

Given the young and evolving nature of our sector, we are often faced with new challenges which in the past have impacted our carbon emissions, for example our new de-lousing strategy. As we continue to extend our value chain, we remain committed to looking for opportunities to continue this decoupling growth from emissions.

In 2021 renewable energy generation at our new biogas plant produced 7.532 MWh of CO₂ neutral electric power and 8,293 MWh of CO₂ neutral heat energy for district heating.

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 total carbon footprint in our Faroese operation went up by 1% in 2021 which means that our carbon intensity per tonne of salmon produced decreased by 38%. This is mainly due to a 27% reduction in Scope 1, caused by a significantly reduced production of fish meal at Havsbrún and a 15% reduction in fuel oil usage in our Farming division. Scope 2 increased by 5% due to increased electricity use at our smolt facilities. The increase in production of larger smolts is in line with our strategy to produce larger smolt and reduce 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.

The carbon footprint of our Scottish operations decreased by 16% compared to 2020 figures. This is mainly due to an overall reduction in Salmon produced. However, there was an increase in scope 1 emissions due to an increase in boat utilisation. The increased scope 2 emissions are associated mainly with additional power consumption at our Applecross RAS facility which underwent significant expansion in 2021. It is anticipated that >30% of power demand at the Applecross will be from on-site renewable generation once the site is fully operational.

In Scotland we are focused on using renewable sources where possible and in 2021 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. There are plans to supplement this power with both photovoltaic renewable energy and battery

storage. 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 also has the capability to calculate and report CO₂ emissions for sites and processes across the business.

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 have moved 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. Also in the Faroe Islands, we have commenced purchasing EVs for our vehicle fleet, and in 2021 we took delivery of 5 EVs. In addition, we have been looking at ways in which hybrid technology can be deployed in our workboats and barge generators. In Scotland we are also looking into direct shore supply of electricity to barges as in the Faroes.

Our scope 3 emission accounts for 78% of total emission and is a major focus, the main items are:

- Feed ingredients stands for 41%, split in fishmeal and – oil ingredients (7%), while the Vegetable feed ingredients (rapeseed oil, soy & wheat) are 34% in total.
- Downstream logistics (airfreight 20%)
- Customers & consumers (refrigeration and cooking) 17%

During 2021 we have been working on setting a scope 3 carbon reduction target for the entire Group. Scope 3 emissions are indirect emissions which relate to the upstream and

downstream activities of a company. The work has resulted in a target recommendation, committing to reduce scope 3 GHG emissions by 52% per tonne of product sold by 2030 from a 2020 base year. The target has been approved by the board and we will submit the target validation form to the Science Based Target initiative (SBTi) in early 2022.

The SBTi independently assess corporate emission reduction targets in line with what climate scientists define as needed to meet the goals of the Paris Agreement. In 2019 work was done to set an ambition level for an SBTi target for Scopes 1 and 2, resulting in a target of 50% reduction in absolute emissions for Scope 1 and 2 by 2030 from 2018 levels, consistent with reductions required to keep warming to 1.5°C.

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.

In 2021, we:

- Completed 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.
- Direct energy use (scope 1) went down by 27% in 2021 in the Faroes. This is mainly due to

a significant decrease in production of fish meal at Havsbrún.

- Optimised fuel consumption for supply vessels by reducing sailing speeds for less urgent assignments.
- Created an online portal in Scotland across the business which will allow for the recording of energy, fuel and waste consumption for all sites.
- Installed LED lighting to replace conventional marine cage lighting.
- Started to explore hybrid generator options for both barges and workboats
- Bakkafrost scored B in the CDP for 2021 for our climate disclosures and “coordinated action on climate issues”
- Continued the development of Recirculating Aquaculture Systems in Scotland, already in place in the Faroe Islands, which are more water and feed efficient by up to 99%.
- Installed energy and water monitoring dashboard at the Viðareiði smolt facility.

In 2022 we will:

- Complete climate-related scenario analysis
- Trial our new fully electric workboat
- Increase production capacity at three smolt facilities to produce larger smolt based only on electrical power to potentially decarbonize all smolt production.
- Engage with our suppliers to reduce scope 3 emissions

BAKKAFROST FAROE ISLANDS: ENERGY CONSUMPTION AND EMISSIONS 2021

ENERGY CONSUMPTION AND EMISSIONS 2020	2018	2019	2020	2021	YOY Change from 2020
Energy Consumption	[kWh]	[kWh]	[kWh]	[kWh]	
Direct energy use - scope 1	242,687,948	241,112,265	254,042,693	186,349,128	-27%
Indirect energy [electricity] use - scope 2	47,778,814	58,834,939	72,945,324	76,642,269	5%
Total energy use	291,262,405	299,947,204	326,988,017	263,156,778	-20%
GHG Emissions	[TCO2e]	[TCO2e]	[TCO2e]	[TCO2e]	
Direct energy use - scope 1	64,419	63,632	66,998	49,086	-27%
Indirect energy [electricity] use - scope 2	15,719	22,444	29,304	30,225	5%
Total emissions from energy (scope 1 and 2)	80,138	86,076	96,301	79,349	-18%
Total scope 3 emissions (see boundary below)	248,366	310,477	267,213	288,225	8%
Total emissions (scope 1, 2 & 3)	328,504	396,553	363,514	367,574	1%
GHG Intensity					YOY Change from 2020
Tonnes of salmon produced	44,591 [Tonnes]	57,184 [Tonnes]	61,800 [Tonnes]	82,000 [Tonnes]	
kgCO2e emitted per tonne of salmon produced (all Bakkafrost Faroe Islands)	1,797	1,505	1,560	968	-38%
kgCO2e emitted per tonne of salmon produced (only farming operations)	593	552	643	445	-31%
Bakkafrost kgCO2e per 40g protein typical serving of salmon (only farming operations)	0.119	0.11	0.129	0.09	-31%
Average GSI Member kgCO2e per 40g protein typical serving of salmon (only farming operations) -		0.6g	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
- 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

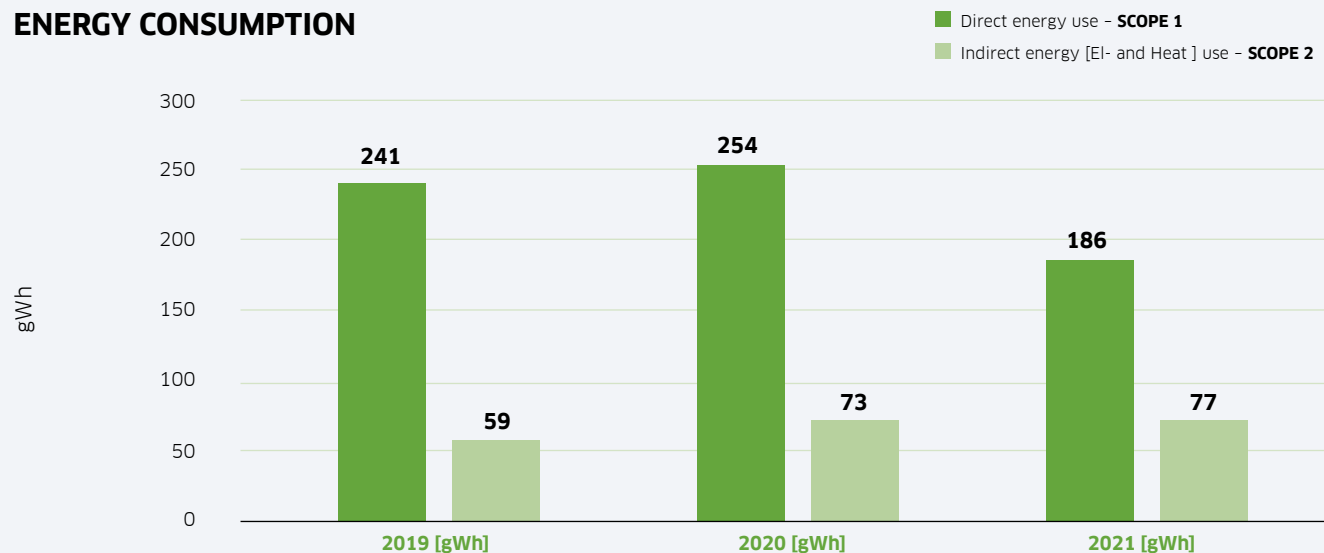
Protocol, a Corporate Accounting and Reporting Standard (Revised Edition).

- 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 Faroe Islands 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), end-of-life 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.
- Improvements to the methodology of the scope 3 calculation have resulted in a scope 3 value for 2020 that is 8% different to what was published in last year's report.
- A change has been made to the approach used to calculate tonnes of salmon produced. Previously a gutted weight had been reported, but from 2020 we are choosing to report whole fish equivalent as we believe this better represents our production volumes given our drive to use every part of the fish.
- 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] 2021'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).
- A routine internal review was completed in 2019. It highlighted a small error regarding the unit of scope 1 energy data for one Business Unit. The data equates to less than 0.5% of Bakkafrost's total carbon footprint in 2018 and therefore is not considered to materially affect the carbon footprint for that year. Bakkafrost has introduced additional controls for the 2019 reporting cycle to address this past issue.

ENERGY CONSUMPTION



There has been an overall decrease of -20% YOY in energy consumption. Broken down by scope:

- **Scope 1** -27% YOY
- **Scope 2** 5% YOY

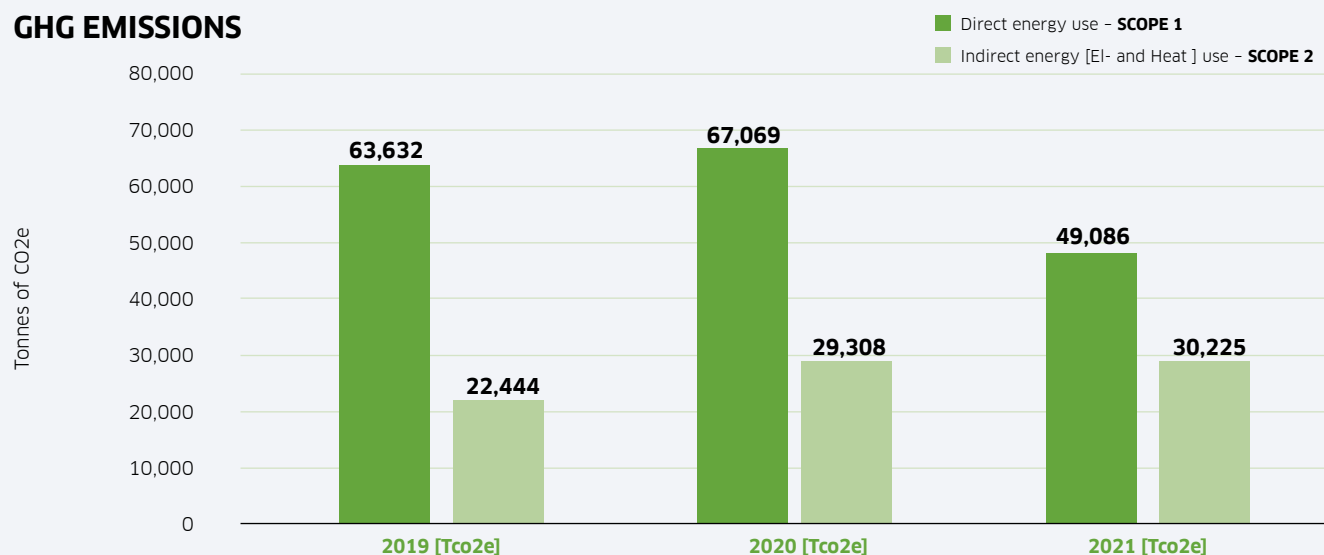
There has been an overall decrease of -18% YOY in greenhouse gas emissions. Broken down by scope:

- **Scope 1** -27% YOY
- **Scope 2** 5% YOY

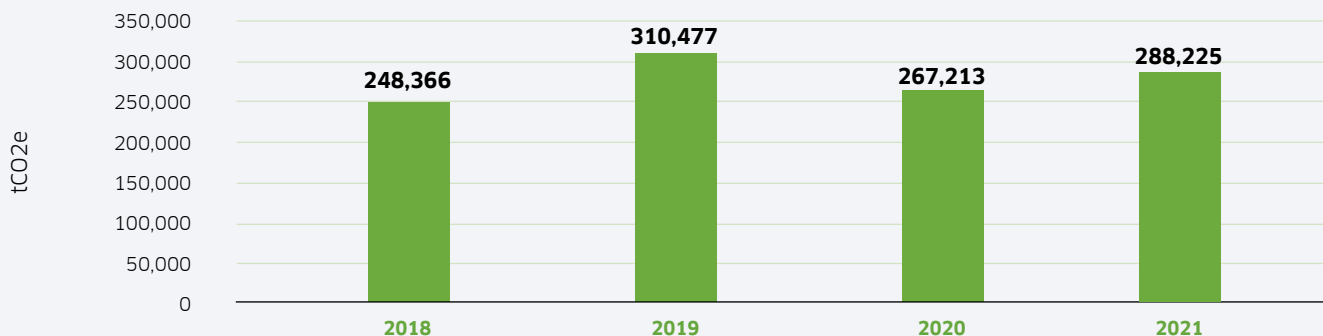
Our total carbon footprint in our Faroese operation went up by 1 % in 2021 which means that our carbon intensity per tonne of salmon produced decreased by 38%.

This is mainly due to a 27% reduction in Scope 1, caused by a significantly reduced production of fish meal at Havsbrún and a 15% reduction in fuel oil usage in our Farming division. Scope 2 increased by 5% due to increased electricity use at our smolt facilities. The increase in production of larger smolts is in line with our strategy to produce larger smolt and reduce time at sea.

GHG EMISSIONS



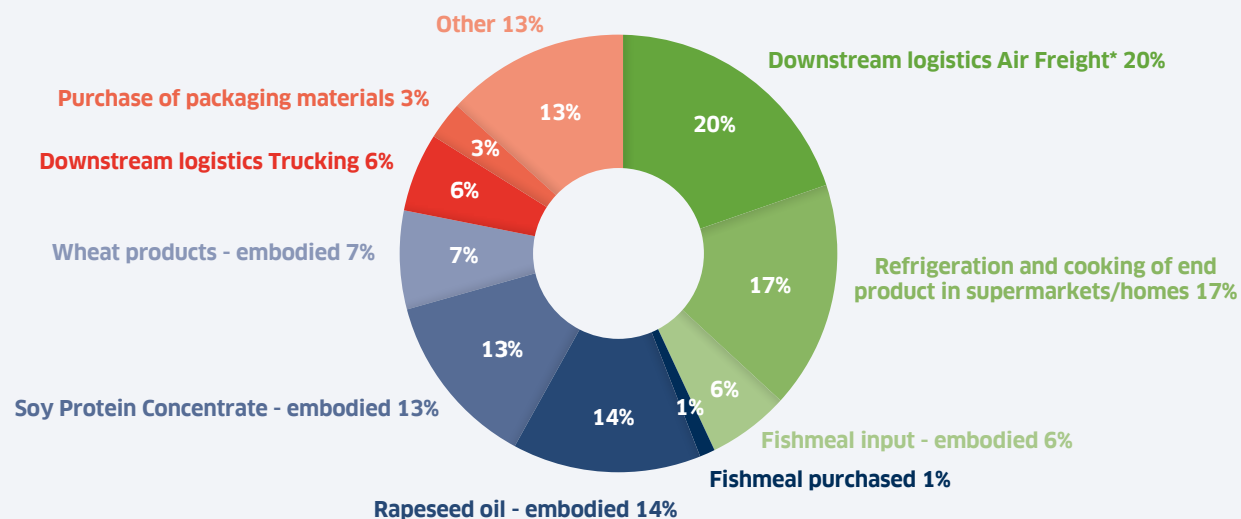
SCOPE 3 GHG EMISSIONS:



There has been an overall increase of 8% YOY in Scope 3 greenhouse gas emissions.

The increase in the emissions in 2021 reported figures is mainly due to the increase of the volume of sold product, from 45,180 tonnes in 2020 to 64,579 tonnes in 2021.

BREAKDOWN BY SOURCE - 2021 - FAROE ISLANDS



BAKKAFROST SCOTLAND: ENERGY CONSUMPTION AND EMISSIONS 2021

BAKKAFROST SCOTLAND: ENERGY CONSUMPTION AND EMISSIONS 2020	2020	2021	YOY Change from 2020
Energy Consumption	[kWh]	[kWh]	
Direct energy use - scope 1	84,207,058	100,604,334	19%
Indirect energy [electricity] use - scope 2	4,861,856	7,659,412	58%
Total energy use	89,068,914	108,263,746	22%
GHG Emissions	[TCO2e]	[TCO2e]	
Direct energy use - scope 1	21,512	25,795	20%
Indirect energy [electricity] use - scope 2	1,133	1,626	43%
Total emissions from energy (scope 1 and 2)	22,645	27,421	21%
Total scope 3 emissions (see boundary below)	191,542.65	152,281.45	-20%
Total emissions (scope 1, 2, & 3)	214,188	179,702	-16%
GHG Intensity			
Tonnes of salmon produced	42,700 [Tonnes]	36,200 [Tonnes]	
kgCO2e emitted per tonne of salmon produced (all Bakkafrøst Scotland)	530	757	43%
kgCO2e emitted per tonne of salmon produced (only farming operations)	301	352	17%
Bakkafrøst Scotland kgCO2e per 40g protein typical serving of salmon (only farming operations)	0.06	0.07	
Average GSI Member kgCO2e per 40g protein typical serving of salmon (only farming operations)	0.6g	0.6g	

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

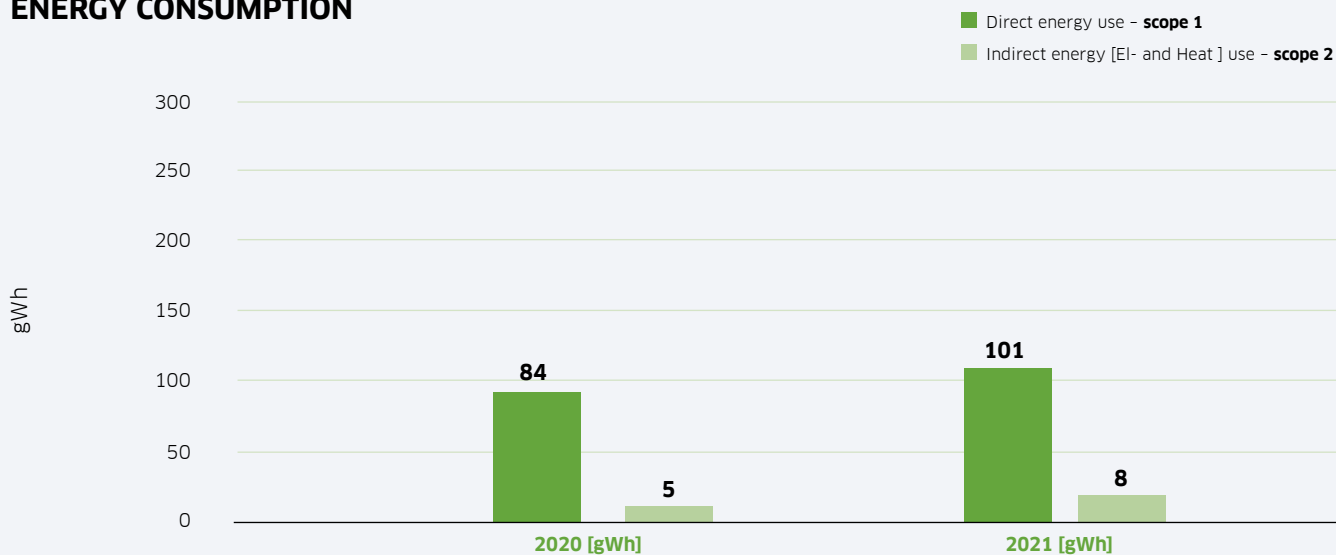
- Bakkafrøst Scotland includes all our farming, harvesting and processing operations.
- Our two-and-a-half-year production cycle means there is some variability in production. Environmental data will be impacted by this, and trends will be most meaningful over a four-year period. This should be taken 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
- 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 2021 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 Bakkafrøst Scotland 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), end-of-life treatment of sold products, upstream transportation and distribution, employee commuting, business travel, fuel and energy related activities, capital goods, processing of sold product 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.
- 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.
- All emission and conversion factors for direct emissions (Scope 1) are from DEFRA [UK] 2021'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).
- A change has been made to the approach used to calculate tonnes of salmon produced. Previously a gutted weight had been reported, but from 2020 we are choosing to report whole fish equivalent as we believe this better represents our production volumes given our drive to use every part of the fish.

ENERGY CONSUMPTION



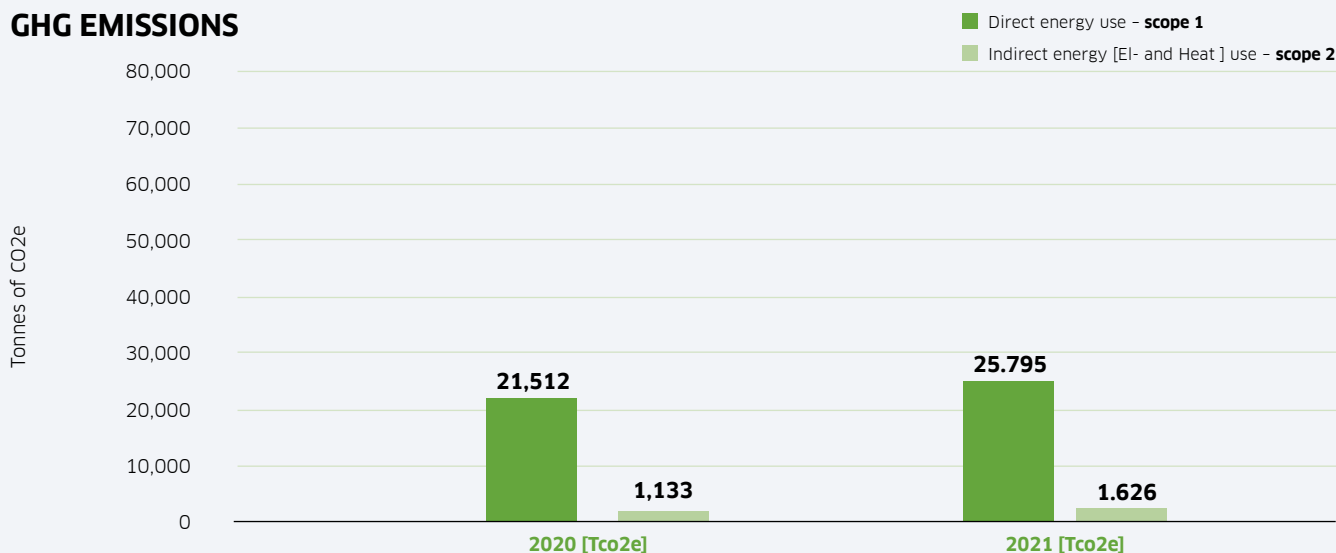
There has been an overall increase of 22% YOY in energy consumption. Broken down by scope:

- **Scope 1** 19% YOY
- **Scope 2** 58% YOY

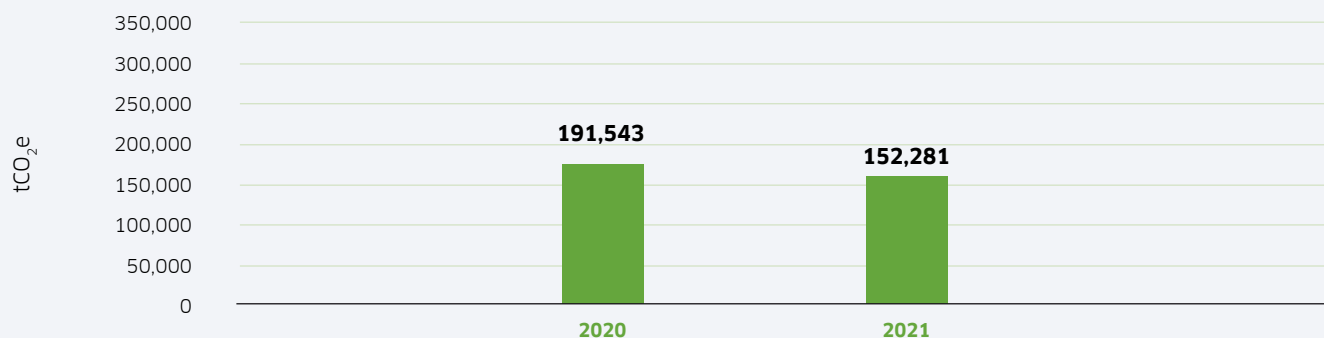
There has been an overall decrease of 21% YOY in greenhouse gas emissions. Broken down by scope:

- **Scope 1** 20% YOY
- **Scope 2** 43% YOY

GHG EMISSIONS



SCOPE 3 GHG EMISSIONS:

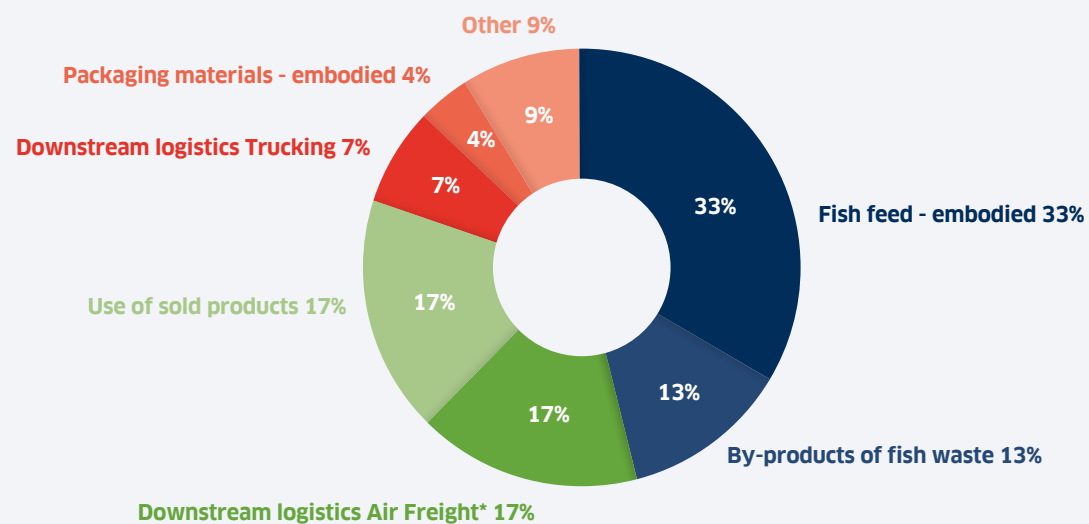


There has been an overall decrease of 20% in scope 3 GHG emissions since 2020.

- 2020 YOY Change -> -20%

The decrease in scope 3 GHG emissions in Scotland is due to a reduced amount of fish feed bought in 2021, reduced emissions from processing of gut waste as well as other smaller reductions.

BREAKDOWN BY CONTRIBUTING SOURCE - EXC. CAPITAL GOODS 2021 - SCOTLAND



Salmon's environmental footprint

Approximately 25% of greenhouse gas emissions comes from food, so we must dramatically reduce this. In northern Europe we individually create on average 3 tonnes of carbon per year, from the food and drink we consume or 8.2 kg per day. So how do we reduce this?

Carbon footprint

If we base our diet on salmon, chicken or pork, we will reduce our carbon footprint compared to beef or lamb. The salmon industry has the lowest carbon footprint relative to the five largest sources of animal protein outlined in the figure below. Switching from beef to salmon will lower your carbon footprint with up to 85%.

SALMON FARMING | CARBON FOOTPRINT

KG CO₂e PER KG PRODUCT



CO₂e is calculated by multiplying the emissions of each of the six greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs and SF₆) by its 100-year global warming potential (GWP) Source: WWF Sverige & Carboncloud

Land use

It's not only CO₂ that is the issue.

If we look at the land area needed to produce 100g of edible protein, we can see that again pork, chicken and salmon has the lowest demand on land.

LAND AREA NEEDED TO PRODUCE 100G OF EDIBLE PROTEIN



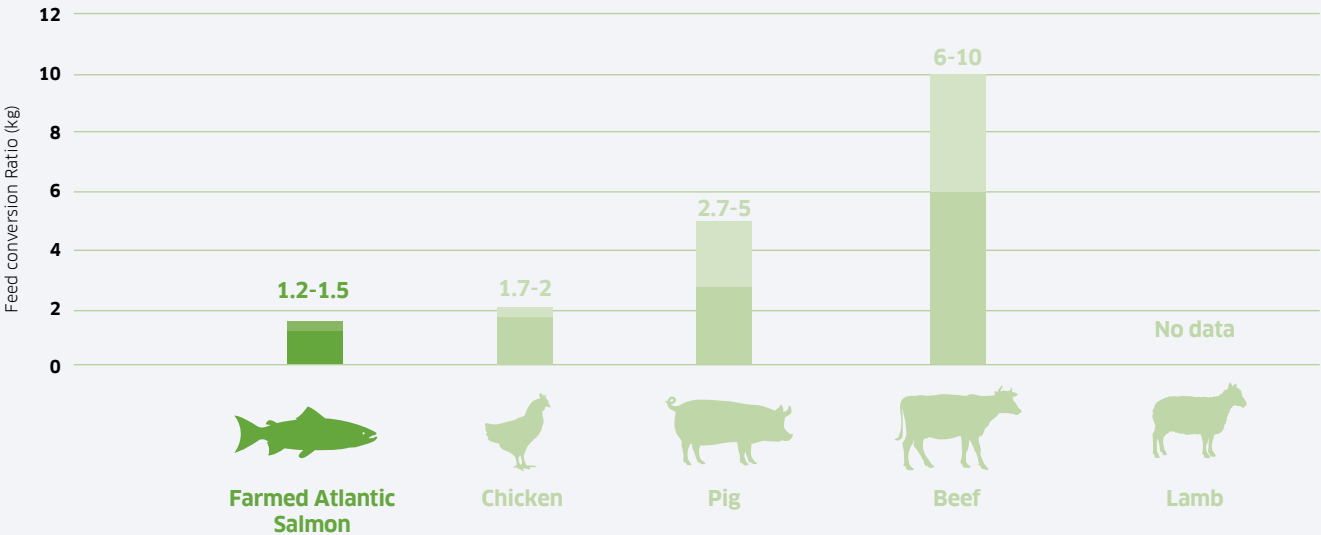
Source: GSI

Feed Conversion ratio

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 1.06 in 2021. In Scotland our biological feed factor was 1.21 in 2021, we remain focused to keep this low. Protein retention from salmon is double that of beef. As one of the most efficient forms of protein, experts are promoting responsible aquaculture as one sustainable solution to the growing global demand for protein.

The feed conversion ratio describes the efficiency in terms of how much kg feed is required to produce 1 kg of protein. Salmon has the lowest FCR of the four largest sources of animal protein. For salmon, the FCR is between 1.2-1.5 as an industry average, according to GSI. This means that to produce 1 kg of salmon, you need around 1.2 -1.5 kg of feed. Bakkafrøst FCR in the Faroes is lower than the industry average, at 1.06 in 2021. For more information on FCR, please see page 89.

FEED CONVERSION RATIO (FCR)



Note: Feed conversion ratio (FCR) measures the productivity of different protein production methods. It demonstrates the kg in feed needs to increase the animals bodyweight by 1 kg. Source: GSI

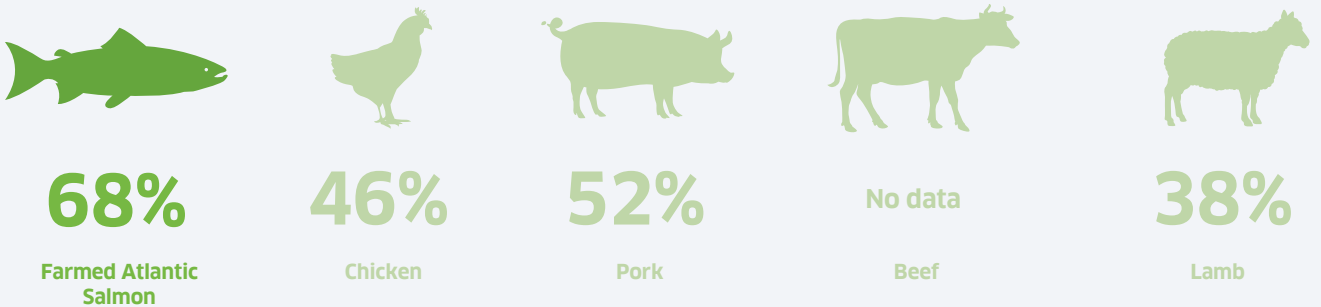
Edible meat

The most important fact is the efficiency of the animal in converting feed to meat and here salmon stands out.

This means that with 100 kg of feed you get 68 kg of salmon meat, compared to much lower volume from the other animal species shown to the right.

EDIBLE MEAT PR KG FEED

Calculated with avg. FCR of 1.3. Bakkafrøst Faroes FCR (2021) was 1.06



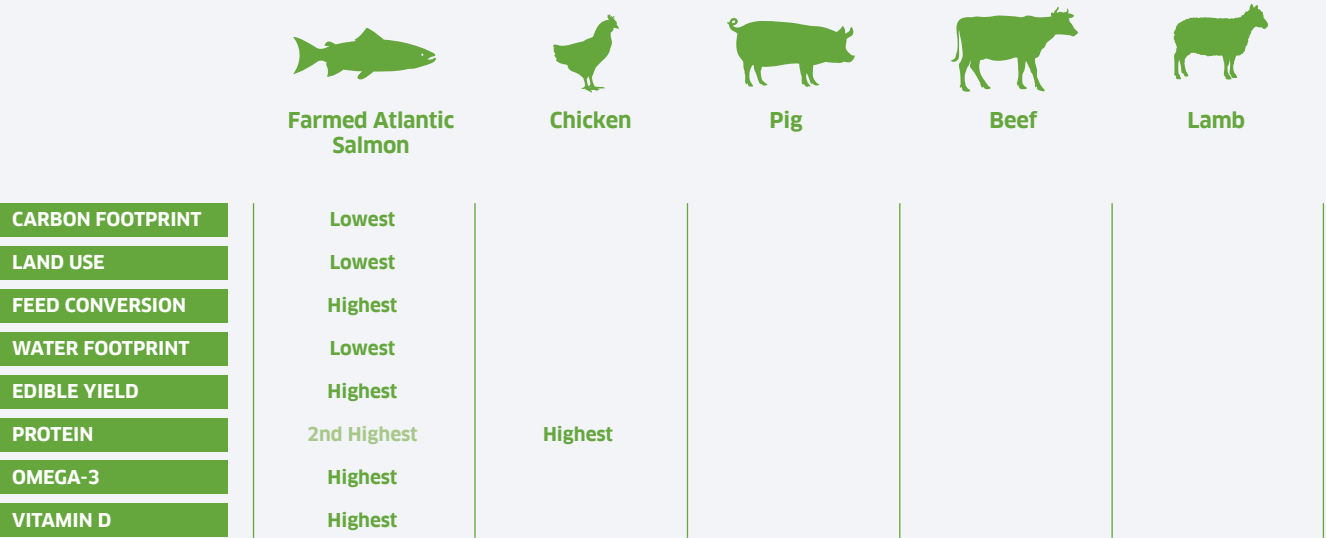
These calculations take into account differences in FCR, edible yields and the cost of progeny. Source: Global Salmon Initiative, Bakkafrøst

As well as the environmental advantages, Bakkafrøst salmon is also a healthy source of protein. An average 100g of Bakkafrøst salmon contains 2.6 g of Omega-3 and 8.12 microgram Vitamin D, this means that a 125g portion of salmon has the recommended daily intake of omega 3 and Vitamin D.

In summary, farmed salmon is one of the most eco-efficient forms of protein available.

Low carbon footprint, low demand on land, efficient feed conversion ratio, low requirement for freshwater, high yield of edible meat and rich in nutrients. On several of these parameters Bakkafrøst salmon performs better than the industry average and this means that Bakkafrøst salmon is a highly resource-efficient source for healthy and sustainable protein.

FARMED SALMON IS A VERY RESSOURCE EFFICIENT SOURCE OF HEALTHY PROTEINS



Examples of initiatives in 2021

Electrification of operations

Bakkafrost continues to look into the use of electricity across operations to reduce the amount of fossil fuel used.

In 2021 Bakkafrost completed the installation of a 5.6 km sea cable to a fish farm site in the Faroe Islands. The cable provides power from the shore to the remote fish farm and is the longest of its kind in the Faroe Islands.

This installation is part of the Bakkafrost driven transition to more sustainable power. The majority of the Bakkafrost feeding barges in the Faroe Islands are already powered by sea cables from land with the remaining ones in progress.

Designed by JT electric and their cable partner, this unique 5.6 km sea cable is fitted with fibre. Installing the fibre connection with the power supply ensures that the site has a fast and safe link. All operations are undertaken remotely from the land-based feeding central, and a consistent connection is essential.

GIVING NEW LIFE TO WORKBOATS

Workboats are crucial for open water salmon farming operations; they often operate in challenging weather conditions resulting in significant wear and tear on the boats. Bakkafrost has a long tradition of extending the lifespan of materials and workboats are regularly overhauled in local



shipyards and equipped with the latest technology, adding many years of operation to these boats.

In the Autumn of 2021, 'Stangarnes' was serviced at the local shipyard in the Faroe Islands. The work project included replacement of steel, sandblasting, painting, and installing new motors and cranes, and all hydraulics were replaced with a new electric and eco-efficient system. The benefits of repairing and recycling are significant, including resource efficiency by reducing the number of new materials needed per year of operational activity optimising energy use by using the latest technology and reduction in Scope 3 GHG emissions from upstream transportation and distribution of materials.



Stangarnes Before



Stangarnes After



Healthy environment Applecross

Bakkafrost has a substantial investment programme in Scotland over the next five years to strengthen and grow the business with sustainability at its heart, this will transform our operations.

Applecross

Our new RAS facility at Applecross will be operational by 2024. It will not only be the largest RAS facility in Scotland, but it will also be the most sustainable, with an ambition to be 100% powered by locally produced renewable energy with over 90% reduction in both waste and water consumption.

Sustainability initiatives will include solar panels to fuel 25% of the site's power need (when at max), a local hydro power scheme, power factor correction to reduce energy consumption, a saltwater heat exchanger to reduce heat pump energy usage, a wastewater treatment system, and a heat recovery system to reduce power consumption and increase efficiency. During construction concrete re-use saved 80,000 road miles.

There are plans to install a filter belt system to dewater filter sludge from the site in 2022. This will significantly reduce sludge volumes by up to 80%, which will in turn reduce transport and disposal costs and associated GHG emissions.



HYDRO

500kw/h existing 2MW additional potential



SOLAR

Annual yield 1,100 KW
25% of site needs 625 KW/h capacity



HEAT/CHILL

Salt Water Heat Exchanger
Reduces heat pump energy.
Saving 400KW/h
10% energy reduction



WASTE

Reduced to 90% dry matter
Reduce solids from 10 T/day to 0.35 T/day.
Saves 260 trucks/year
96% waste reduction



WATER

90% reduction of use vs current



HEAT RECOVERY

Salt Water Heat Exchanger
Reduces heat pump energy
Saving 400 KW/h



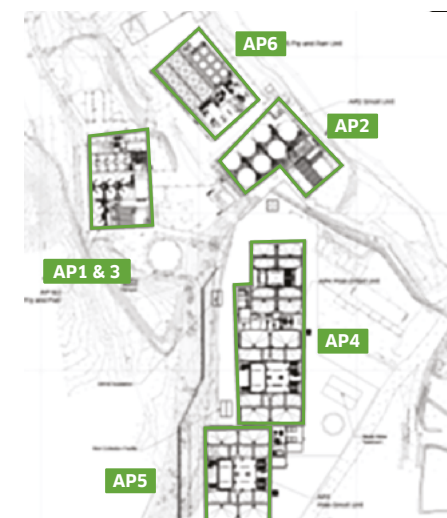
RECYCLED MATERIALS

Batching plant on site saves
260,000 km road journeys.
10,000 tonnes of rubble subbase



POWER

Upgrade substation to 33kv
Incoming power 3.4MW for supply security
Power factor correction 10% energy reduction



AP1 & 3
AP2
AP4
AP5
AP6

Built & Operational
Built & Operational
Being built now, Operational Q1 2023
Construction from Q2 2022, Operational Q1 2024
Construction from Q2 2022, Operational Q1 2024

All figures are based on figures for Construction Phase 1 (AP1 to AP4)

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 transparent, responsible and sustainable sourcing of feed ingredients. Our salmon feed has a high content of marine ingredients, and we are committed to responsible sourcing of raw material, production of fishmeal, fish oil and feed at our subsidiary Havsbrún. Our responsible sourcing practices bring positive social and environmental impacts for our communities. We have an open and transparent relationship with our marine ingredient suppliers, sourcing fish material caught in our nearby surrounding waters not only provides employment for the Faroese community, but it also reduces unnecessary carbon emissions from imported raw material. Our water and land footprint would be increased if marine ingredients were replaced with plant material. There is no production of plant protein in the Faroe Islands and we are the only manufacturer of fishmeal and fish oil.

We continually review the use of the high percentage of marine raw material in our feed, monitoring potential implications for migrating North Atlantic fish stocks. To mitigate these risks, we continue to include the use approved trimmings* and off-cuts.

* According to the ASC standard version 1.3 2019, trimmings are defined as by-products when fish are processed for human consumption or if whole fish is rejected for use of human consumption because the quality at the time of landing does not meet official regulations with regard to fish suitable for human consumption.

ASC Salmon Standard, version 1.3, July 2019



In 2021, the proportion of fishmeal in our feed that derives from fish trimmings and off-cuts remained at almost a third. We continued to use a high inclusion of fish oil deriving from co-products. These species are all responsibly and sustainably caught in well-regulated fisheries.

bFCR

Our biological feed conversion in the Faroe Islands remains lower than the industry average* at 1.06 in 2021. In Scotland, it was 1.21 in 2021 and striving to reduce this. A low feed conversion ratio depicts an efficient use of feed resources. We remain focused on keeping this figure as low as possible through our feed development strategy.

Method

The biological feed conversion ratio (bFCR) explains how efficiently the feed is converted into biomass – in other words how much feed is used to produce 1 kg of salmon biomass, regardless if the salmon is harvested, dead or otherwise lost. For a harvested site, the bFCR can be calculated as follows:

$$\text{bFCR} = \frac{\text{Feed used}}{(\text{Biomass harvested} + \text{Biomass dead} + \text{Biomass culled or lost}) - \text{Biomass released}}$$

A bFCR of 1.06 means that our salmon gained 1 kilogram of weight for every 1.06 kilogram of feed consumed. The lower the FCR, the more efficient salmon are converting feed into food.

We also measure the eFCR (the economic feed conversion ratio) where mortality is included in the measurement. The FCR can be used as a key indicator of fish welfare and low production cost.

The biological challenges Scotland during 2021 is reflected in the FCR for Scotland, which increased in 2021 to 1.21 from 1.18 in 2020, the focus moving forward is to reduce this.

HISTORIC bFCR FAROE ISLANDS



FCR improvement

Many years of research into feed strategy and dietary compositions together with improved farming management has been pivotal in improving production performance with enhanced growth and reduced feeding (reduced feed conversion ratio).

In 2016, we were the first Company to start carbon filtering. Purifying feed fish oil of environmental pollutants (dioxin and DL-PCBs) despite it being within EU safety limits. Our feed remains free from medicine, growth promoting hormones, and any salmon meal or residuals from any other farmed species. All fishmeal and fish oil used in the feed is free from ethoxyquin with only natural antioxidants used.

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

The plant proteins and oils in our feed

All suppliers of plant proteins and oils are individually and continuously assessed against our Sustainable Feed Policy, outlining that raw materials must be traced to their origin, and suppliers should act in accordance with national laws and international agreements regarding use of land.

- All non-GMO
- Soybeans (Pro-Terra, Europe Soya or similar)
- No use of palm oil

During 2021 we have changed the origin of soy from Brazil to Europe, as part of our focus to reduce our scope 3 emissions.

Marine raw materials

Whilst the feed industry has focused on replacing marine raw material with alternatives, Bakkafrøst has chosen to continue with the high inclusion of marine content as this is a more sustainable approach 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 beneficial for several reasons:

- Marine raw material for fishmeal and fish originates from fisheries in the North Atlantic, mostly within Faroese waters
- Transparent supply chain
- Low demand on freshwater and land compared to imported plant proteins
- Reduced transport by using marine ingredients instead of imported plant protein.
- Fish material with low food value and low market demand for direct human consumption
- Supporting circular economy, off cuts purchased in the Faroes Island.
- Increased use of co-products from species fished for human consumption.



- Positive economic impact for the Faroe Islands
- Increased nutritional value in the feed, high in omega 3.
- Dietary feed composition close to the natural diet of wild salmon.
- Using a high proportion of certified North Atlantic marine raw materials. In 2021 100% of our marine raw materials was compliant with our Sustainable Feed Policy.

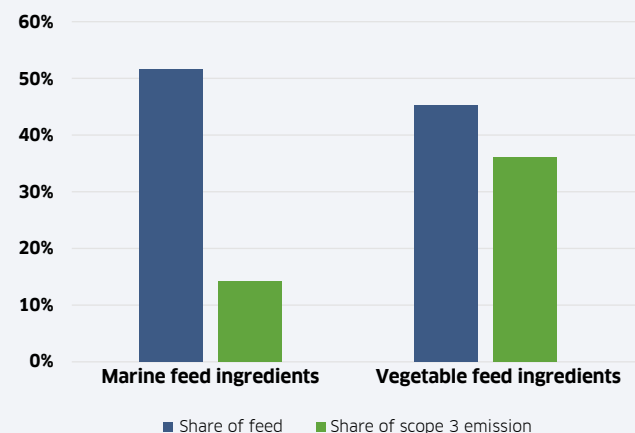
Bakkafrost marine vs plant feed ingredients share in Faroe Islands scope 3 emission (2020 figures)

Fishmeal and oil ingredients accounts for 14% of our Scope 3 emissions in the Faroe Island where we produce our feed, while the vegetable ingredients (rapeseed oil, soy & wheat) represent 36%. As seen above, our feed has a higher share of marine ingredients than plant-based ingredients. The vegetable ingredient share of the scope 3 emission is more than twice the CO₂ footprint compared to the marine ingredients. This proves that even with the high marine profile we have in feed – keeping the high inclusion of sustainable marine raw material is not only good for the fish health, but also keeps our emissions down and therefore is a more sustainable approach for Bakkafrost.

We are also looking into alternative sources for energy to run the feed production and lower emissions.

FEED INGREDIENTS

SHARE IN FEED AND OF SCOPE 3 EMISSION



R&D

In 2021 we finished a comprehensive large-scale feed trial where the goal was to investigate the effects of different dietary mineral sources. The results clearly demonstrated improved mineral retention in the salmon and associated lower mineral excretion in faeces. These effects were associated with improved salmon quality as well as reduced environmental influence. Based on this research all feed has therefore been changed to new mineral sources.

Feed development and optimisation is an ongoing process at Havsbrún. Together with our R&D activities, which facilitate as feed experiments, we spend significant amount of time with potential collaborators where we investigate new opportunities. This includes assessing opportunities in novel ingredients.

In 2022, we will start construction of a new feed mill and virtually double our current production capacity. The new mill will have significantly production flexibility with regards to feed ingredient selection. This will enable us to use more ingredients in our recipes and we can easily introduce and adapt our process to include novel ingredients.

In 2021, we:

- Passed 100% of audits across our various certification programmes.
- Demonstrated our commitment to responsible sourcing and increased transparency of marine ingredients by voluntarily reporting sourcing details to the Ocean Disclosure Project.
- 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 feed composition and how this influences feed utilisation, growth performance and quality changes in the final salmon product.
- Continued looking into alternative sustainable, high-quality marine ingredients.

In 2022, we will:

- Continue projects to develop our feed in line with our customer needs and sustainability priorities.
- We will continue to work to optimise our feed strategy to maintain industry leading feed conversion ratio and grow healthy salmon.
- We will continue to investigate how to include novel feed ingredient into our feed.

HAVSBRÚN FEED COMPOSITION IN 2021 PRODUCTION



Wheat products
23.5%
(30,020 tonnes)



Plant oil
13.9%
(17,820 tonnes)



Non-GMO SPC
7.8%
(10,022 tonnes)



Marine proteins
37.6%
(48,147 tonnes)



Fish oil
13.9%
(17,728 tonnes)



Others
3.3%
(4,157 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 Bakkafrost feed, which is around 97% of all feed produced and sold in 2021 by Havsbrún.



Healthy environment Sustainable feed

Sjógrón-project: Research into plant-based feed

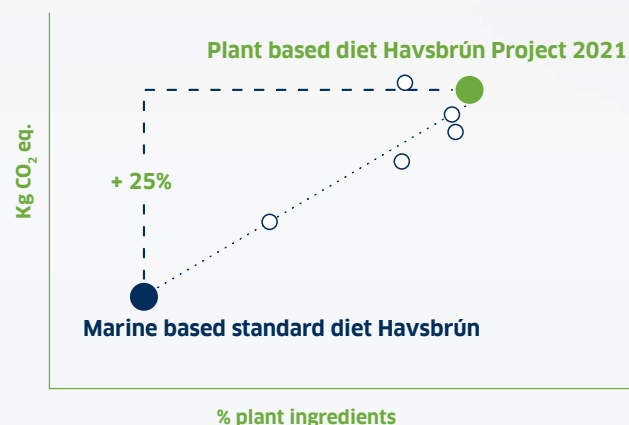
In 2021 we completed a second commercial scale feed experiment. The aim was to copy the nutritional composition of our current feed strategy but base the majority of feed ingredients on plant sources.

As depicted in numerous scientific papers and demonstrated in the industry, the results in our trial underlines the capacity and potential of Atlantic salmon to utilise nutrients deriving from plant sources.

However, the experiment stresses the challenge to manufacture an energy dense high-performance feed based on plant sources, and that the feed needs to be supplemented with nutrients that are lacking compared to fishmeal.

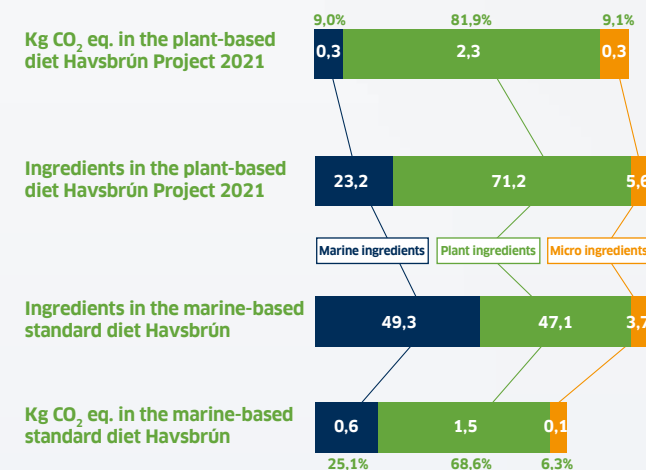
Our experiment clearly demonstrated that replacing marine ingredients with plant alternatives increases the carbon footprint of the feed.

The results depicted that the experimental plant-based feed had 25% higher carbon footprint compared to our standard diet.



The figure displays that although the marine-based diet has a higher proportion of marine ingredients, these represent a significantly lower carbon footprint compared to the plant ingredients. When the same carbon footprint calculations are made for the dietary compositions reported in scientific papers below, we can clearly depict a significant correlation between carbon footprint and feed ingredient inclusion.

References: Ytrestøyl, T., Aas, T.S., Berge, G.M., Hatlen, B., Sørensen, M., Ruyter, B., Thomassen, M., Hognes, E.S., Ziegler, F., Sund, V., Åsgård, T. (2011). Resource utilization and eco-efficiency of Norwegian salmon farming in 2010. Nofima Report 53, pp. 108.
Ytrestøyl, T., Aas, T.S., Åsgård, T. (2014). Resource utilisation of Norwegian salmon farming in 2012 and 2013. Nofima Report 36, pp. 40.
Ytrestøyl, T., Aas, T.S., Åsgård, T. (2015). Utilization of feed resources in production of Atlantic salmon farming (Salmo salar) in Norway. Aquaculture 448, 365-374.
Aas, T.S., Ytrestøyl, T., Åsgård, T. (2019). Utilization of feed resources in the production of Atlantic salmon (Salmo salar) in Norway: An update for 2016. Aquaculture Reports 15, 100216.
Winther, U., Hognes, E.S., Jafarzadeh, S., Ziegler, F. (2020). Greenhouse gas emissions of Norwegian seafood products in 2017. SINTEF Ocean Report, pp 114.
GLFI database





Healthy communities

Performance review

★ STRATEGIC PRIORITY

- To create shared value

2021 PERFORMANCE AGAINST OUR 2023 COMMITMENTS

- Educate key stakeholders on the benefits of salmon aquaculture ●
- Increase collaboration with key stakeholders to achieve the Healthy Living Plan ●
- Increase transparency of 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 is committed to our local communities and proud of our heritage. We farm in some of the most remote coastal locations in the Faroes and Scotland and we respect the integral role we play in the local communities in which we live and work. We are focussed on driving multinational growth and global market share and recognise that our futures are intrinsically linked with our communities.

As a responsible business we are passionate about driving economic growth and the sustainability of our rural economy through; employment, investment, taxes and sourcing locally as well as supporting sport, arts and culture. We are committed to taking care of the environment and working closely and transparently with our local communities. We seek to ensure open and transparent communication with stakeholder groups and communities, including for development projects through arranging a programme of community engagement.

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

Our commitment to 'Healthy Communities' is built on four pillars: Responsible Leadership, Value Generation, Community Engagement and Transparency.

RESPONSIBLE LEADERSHIP

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

Bakkafrost is also one of the founding members of the Faroese Sustainable Business Initiative, which aims to encourage collaboration to advance sustainable business practice and contribute towards UN Sustainable Development Goals, including Climate Action.

In 2021, we:

- Continued engagement with the Faroese Government on the UN Sustainable Development Goals
- Continued to drive the corporate sustainability agenda by participating in the Faroese Sustainable Business Initiative
- Shortlisted for two awards at the 2021 edie Sustainability Leaders Awards for our approach to circular economy and Regin Jacobsen, CEO 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
- Participated in COP26 event in Glasgow as part of sector wide engagement. Participated in Salmon Scotland's NET ZERO COP26 event to provide an update on the sector's sustainability charter, 'A Better Future For Us All' a year after its launch,
- Continued to engage with employees on sustainability topics

VALUE GENERATION

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

Faroe Islands

In 2021, we supported a range of local and national initiatives in the Faroe Islands that align to our most material issues at a local level. We focus our investment on education, research and sponsorship of national sporting organisations as well as Faroese arts and culture.

One of the key initiatives in the Faroe Islands in 2021 was the development of speech-to-text software in the Faroese language. Most smartphones have built-in speech-to-text



Photo: Olena Goffe

functionality which has helped many people worldwide with dyslexia and dysgraphia and currently this is still not available in the Faroese language.

The project, which launched in 2019 and is expected to be completed in 2022, has been partially funded through the Healthy Living Fund. The initiative aligns with our goal to support causes for inclusion of the elderly and/or the disabled, as well as contributing to general technological development in the Faroe Islands.

In 2021, Bakkafrøst supported the Hugla project, which aims to support creative recycling of waste materials. Hugla collects domestic and business waste to create new products at the project's recycling centre. The purpose of the project is to

promote sustainable living by facilitating events for children and adults focusing on conscious consumerism to reduce the amount of waste generated through shopping.

Bakkafrøst is a proud sponsor of the Summer Cup, an annual football event held in the capital Tórshavn, where children from across the Faroe Islands gather in the spirit of sportsmanship to compete and have fun together. This inclusive event facilitates social interaction among children. Everyone can participate, regardless of skill level, and the tournament is organized in a manner that ensures that everyone plays as many matches and minutes as possible.

Creating Shared Value

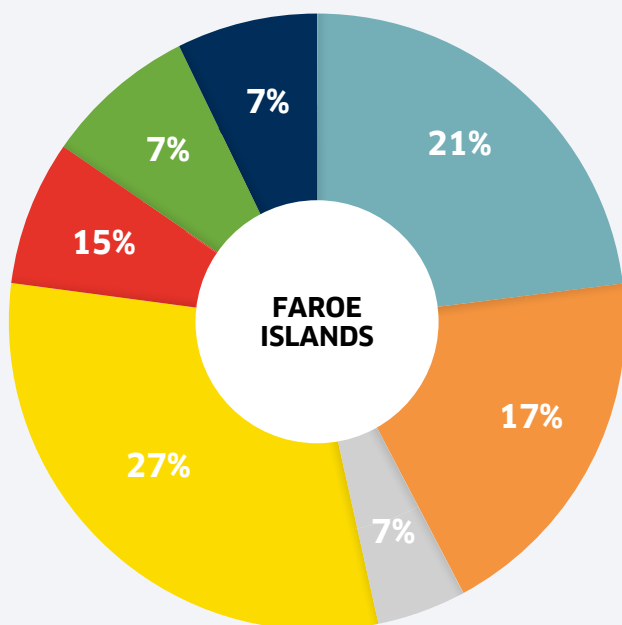
– Contribution to local economies

“JT electric has been undergoing significant growth in recent years, from being a local business to expanding internationally with departments and staff in Poland, Scotland and Denmark.

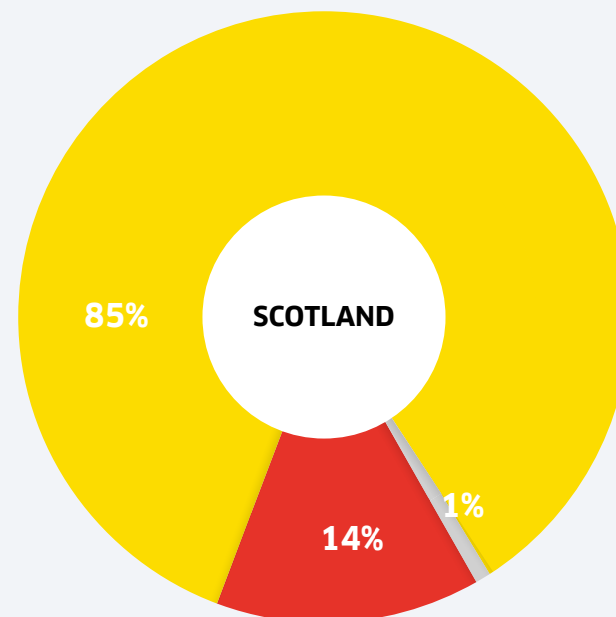
Bakkafrost has played an important role in our journey. We have partnered with Bakkafrost in the development of several innovative and sustainable solutions for the aquaculture industry, e.g. technical feed solutions, which ensure operations have minimal impact on the environment, including the seabed. The solutions are now being implemented throughout the aquaculture industry, advancing sustainable business practices across the sector.”

Suni Justinussen, CEO JT electric

INITIATIVES SUPPORTED



- National sports teams 21%
- Local football clubs 17%
- Arts and culture 5%
- Environment and biodiversity 27%
- Local sports clubs 15%
- Social inclusion of the elderly or the disabled 7%
- Other local giving 7%



- Local football clubs 0%
- Arts and culture 0%
- Environment and biodiversity 85%
- Local sports clubs 14%
- Social inclusion of the elderly or the disabled 0%
- Other local giving, includes Community Fund, social inclusion and arts & culture 1%



Scotland

Our Community Charter in Scotland pledges our commitment to our: people, suppliers, and communities. Scottish salmon farming is an important sector, particularly in rural areas, but also for the wider supply chain, with businesses and companies working in the salmon sector in every part of Scotland. Over 2,500 people are directly employed in the sector with 10,000 direct and indirectly employed across all regions of Scotland.

We are committed to creating and retaining value and long-term employment in the remote and rural communities in which we live and work across the West Coast and Hebrides. We employ over 600 people across 60 sites and are the largest private employer in the Outer Hebrides, offering long term career opportunities across all stages of our value chain. We are proud of our Modern Apprenticeship and development and training programme. Further details are available in Healthy People section.

We are investing in housing to support recruitment opportunities in local areas where housing options are limited. We currently own or lease 20 properties and are planning a further four in the West Highlands with several properties in the Strathcarron area, including three new lodges, a house on site and property renovations and a café in the local village.

Our Community Fund encourages staff to nominate local groups, causes and charities in their local community, which promote health and wellbeing or stewardship of the natural environment. Our Community Fund supported a wide variety of local projects including a new picnic bench at Newmarket Play Park, Stornoway in the Western Isles nominated by a local employee who used the park with her family.

CONTRIBUTION TO LOCAL ECONOMIES

We are committed to create shared value for society, and we make a substantial contribution to local economies by sourcing locally where possible.

- In 2021, we sourced 59% of products and services locally in the Faroe Islands, and 61% in Scotland, which made up 35% of our total spend in Scotland.
- In addition, our tax contribution is the largest in the Faroe Islands.

In February 2022, we extended our Community Fund to external applications, supporting local causes and projects that not only improve health and wellbeing, but also help promote stewardship of the natural environment or economic development, resulting in a stronger community.

In 2021, we:

- Paid DKK 486 million in salaries and employee taxes in the Faroe Islands from DKK 456 in 2020
- Paid £ 24.2 million in salaries and employee taxes in Scotland
- Paid more than DKK 195 million in corporate and revenue taxes.
- Contributed DKK 3.0 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 97.
- 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 97.
- Supported the project to develop a speech-to-text software in Faroese language, which will help people with dyslexia and dysgraphia as well as contribute to technological development in the Faroe Islands.
- Supported Faroese recycling initiative Hugla
- Supported annual children's football event Summar Cup
- Continued our three-year partnership with the University of the Faroe Islands, supporting natural science

COMMUNITY ENGAGEMENT

We are committed to being a good neighbour and integral part of the communities in which our employees live and work. We aim to encourage engagement in our communities and support local initiatives.

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 Faroese and English to support knowledge and understanding of sustainability issues in education.

Community events in the Faroe Islands

To mark World Environment Day on 5 June, Bakkafrøst handed out free trees and bushes, providing all employees in the Faroe Islands with the opportunity to contribute to a greener future. The type of tree had to be carefully selected to survive the extreme weather in the Faroes.

On Sustainable Gastronomy Day on 18 June, the canteen at the headquarters at Glyvrrar served a special sustainable dish. Also, employees were educated in the carbon footprint of various everyday products.

At the local "Salmon Market" at Glyvrrar, Bakkafrøst contributes to the community culture by offering free salmon for all participants.

Another community event is the annual clean-up week, where Bakkafrøst employees during working hours go to locations across the Faroes to clean the shores. Once again, this year, Bakkafrøst employees cleared up several tonnes of waste.

In 2021, we:

- Sourced 59% 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 61% of products and services locally in Scotland and continued our indirect contribution to the local economy with around 542 local suppliers made up 35% of our total spend



Examples of initiatives in Faroe Islands in 2021



Since 2012, the Bakkafrøst logo has been on the kits of the Faroe men's national football team, and this will also be the case for the next four years. In March we signed a new contract valid until 2024.

At Bakkafrøst, we are happy that the partnership between the Faroe Islands Football Association and Bakkafrøst continues. The Faroe national team is very important to the Faroe people, and their performance reminds us that even though we are small, with diligence and skill we can accomplish great things.



At the local "Salmon Market" at Glyvur, Bakkafrøst contributes to the community culture by offering free salmon for all participants.



We regularly offer guided tours to our headquarters for community stakeholders. In 2021, as the intensity of the pandemic in the Faroe Islands decreased, we were delighted to welcome a group of elderly community members for a guided tour.



In June in the annual clean-up week, Bakkafrøst finance employees went to Skopun on the Island Sandoy to clean the lake and shore.

Community events in Scotland

Matthew Wildman, Senior Marine Operative, Isle of Skye

At the end of November Scotland was hit by Storm Arwen which brought parts of country to a standstill. A feed barge on the Isle of Skye became submerged in the early hours of a Saturday morning. There was nobody on board and no other damage to the farm.

Matthew took the lead, communicating the ongoing situation and plans to key stakeholders including the coastguard. He ensured the correct information was available at the right time to safely manage the incident with one stakeholder praising Matthew's efforts and actions as exemplary.

Engagement with our people and communities has been particularly important during recent months and we have developed a more creative approach as the pandemic changed social interaction and caused many community events to be postponed or adapted. We involve employees in several initiatives that encourage engagement and interaction in our local communities. These are arranged through our weekly internal newsletter, 'News Splash' and on our internal engagement platform Workplace. Our inaugural 'Step into Spring and Summer' initiative encouraged employees to take part in outside exercise in their natural environment, such as walking, swimming, cycling, and log their miles. This was especially important for physical and mental wellbeing during lockdown. We ran a competition for children of employees to design our official 2021 Christmas card in Scotland. We also received record entries from employees' children for a pumpkin carving competition for Halloween!



We are delighted to be a long-term sponsor of the SSC Isle of Skye Half Marathon, set amidst some of the most stunning scenery in the UK, only a short distance from our Portree site. The event is regarded as one of the major highlights in the UK running calendar.

In 2021 we tasked pupils from Portree High School's S5 graphic communication class to design sustainable wooden medals for the event in September, as an alternative to plastic. Angelo Arwen's design of a runner in front of Skye's two Cuillin mountain ranges took first place and the S4 practical woodwork class fabricated and assembled 900 medals using a laser cutter. The ribbon was made from yarn dyed on the island using locally picked Tansy.

"The Scottish Salmon Company's medal competition has been a really valuable experience for pupils to develop their skills in a real-life context." Tony Breen, Head Teacher at Portree High School



Photo Credit: Mike Donald, Isle of Harris Distillery'

Scadabay Site Team

We are committed to working collaboratively with local businesses to care for our local environment. On the Isle of Harris, the Scadabay marine site team supported the Isle of Harris Distillery with their beach clean, providing boats and several pairs of hands on the day, as well as taking the waste to a recycling facility.

The use of Bakkafrøst Scotland boats made the exercise much easier and safer for everyone involved, allowing the waste to be removed by sea rather than carrying it along the rocky shore. We are proud of our teams for working closely with our neighbours to look after their local areas.

In 2021, we:

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

Transparency

In the Autumn of 2021, Bakkafröst announced a new five-year sustainable growth plan to increase output of the company's premium salmon by more than 40%. The plan was presented at the bi-annual Capital Markets Day.

Operating mostly in rural areas, Bakkafröst is aware of the impact that the company has on the economy in local communities. An open event was arranged in the Faroe Islands where locals as well as politicians and other stakeholders attended a presentation on the five-year plan, including a Q&A session with the Group Management.

Bakkafröst plays an important role in a small community like the Faroe Islands, and we aim to engage and educate our community about the business. We regularly host groups of visitors to our headquarters, production plant, Havsbrún and farming operations in the Faroe Islands, including local schools, customers, investors, industry groups, politicians and diplomats.

We seek to ensure open and transparent communication with industry, stakeholder groups and our community.

In the Autumn, Bakkafröst's new FSV 'Bakkanes' commenced operations. Before departing for Scotland, an open reception was held at Bakkafröst's headquarters at Glyvrrar, and all guests were invited aboard to see the new vessel.

We regularly host groups of visitors to our headquarters, production plant, Havsbrún and farming operations in the Faroe Islands, including local schools, customers, investors, industry groups, politicians and diplomats. We proactively contact key stakeholders around our farming sites with information about our approach to sustainability and means through which to raise concerns.



A key part of our Group alignment programme has been to communicate the five-year business strategy and investment plan. In Scotland engagement was with internal and external key stakeholders. Ian Laister, Managing Director, joined by members of the Senior Leadership Team embarked on a Roadshow covering 32 sessions across our sites over four weeks in November with around 600 employees. Meetings and site visits were held with key community stakeholders.

As members of Salmon Scotland (formally Scottish Salmon Producers' Organisation SSPO), the salmon sector organisation in Scotland, we report key information in line with regulation.

We recognise our broader responsibility to engage, support and work collaboratively with stakeholders in our wider

environment in key geographical areas of operation. We are involved in various local projects focusing on wild fish interests, including research and habitat.

In 2021, we:

- Arranged Capital Markets Day for investors and analysts, including visits to sites in the Faroe Islands.
- Engaged with local stakeholders on new sustainable growth strategy covering investments and actions over the next five years.
- Hosted visits to our headquarters at Glyvrrar for local stakeholders, including students and elderly.
- Continued the work according to programme of employee engagement.



2022 FOCUS

- Promoting professionalism throughout the Faroese farming industry by supporting and contributing to development of new farming education.
- Continue to develop projects which have meaningful impact on our communities.
- Improve sustainability communications with customers and stakeholders focusing on transparent communication and addressing the most material issues.
- Further develop local stakeholder engagement programme.



Healthy communities “Meaningful jobs in remote rural locations”

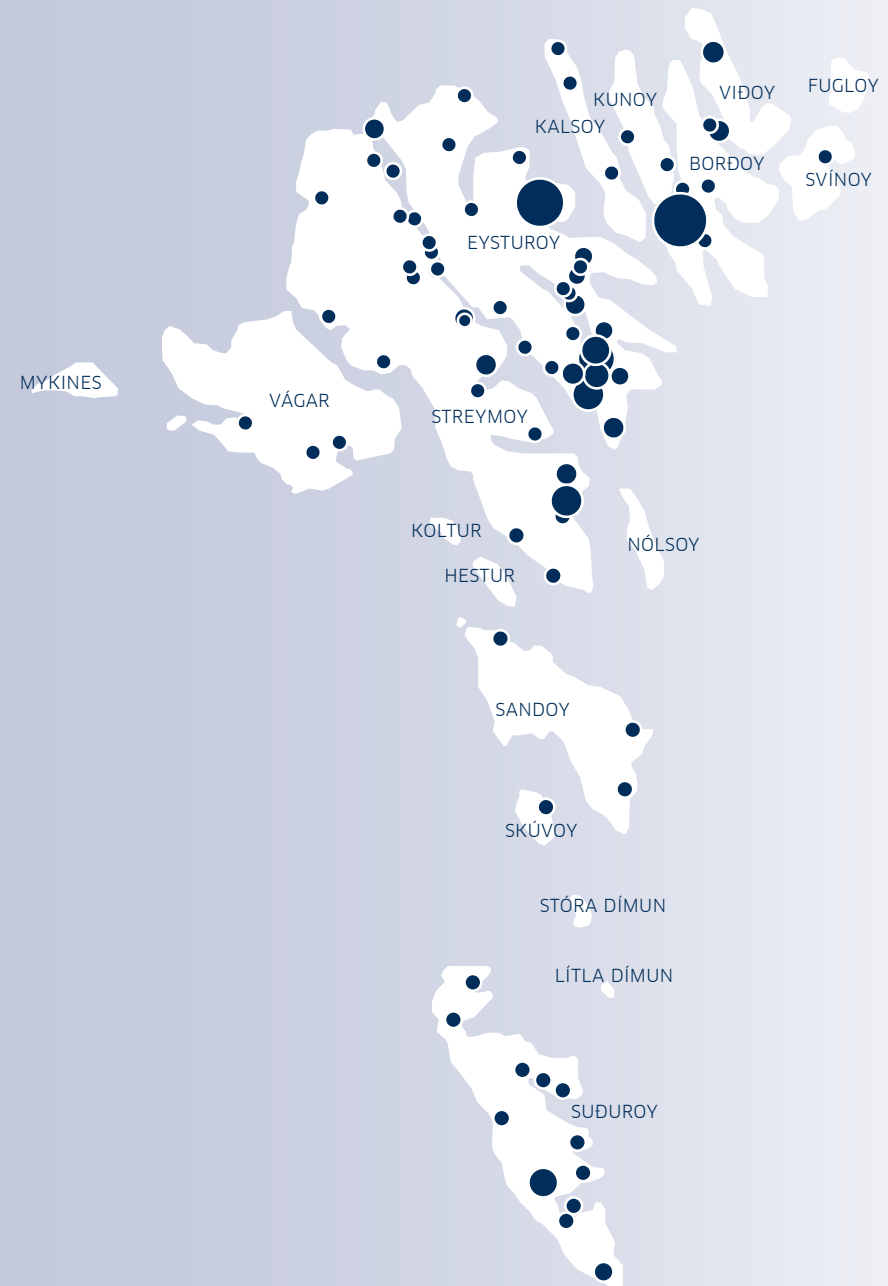
We rear salmon in its natural habitat and our operations are spread across remote and rural areas, creating jobs and economic development.

Bakkafrost is the largest private employer in the Faroe Islands, employing approximately 3% of the Faroese workforce, generating considerable value through salaries, employment taxes, and corporate tax. With over 30 sites across the Faroe Islands, employment and value generation is spread across almost every municipality in the Faroe Islands.

Our vertically integrated value chain means we have full ownership of each stage of production, from feed and roe to finished product. This provides unique and varying career opportunities within the company in all aspects of production, including highly specialised jobs, which often results in the retainment of employees in rural communities.

In Scotland, we employ over 600 staff across 60 sites on the West Coast and Hebridean Islands.

In 2021, the RAS development at Applecross in the Highlands, which will create around 30 new jobs in this rural area, was awarded £5 million in public sector funding, as the project supports rural development and innovation.



Map showing residence town of employees in the Faroe Islands



Ben Preston

As a key employer in many of Scotland's remote and rural areas, we provide a unique career path for young people. Ben Preston, 23, is a shining example of someone who has forged a successful career within the business, having started as a trainee in July 2017. He follows in the footsteps of his father, Olof Preston, and has rapidly moved up the career ladder to become an Advanced Freshwater Operative. Ben is now playing a key role in the development of the new RAS site at Applecross in the North West Highlands of Scotland, which has given him an opportunity to get involved in the science behind the leading technology.

Ben, who lives in nearby Lochcarron, said: **"Many people of my age living in the area work with the Company. Without the opportunities being offered by the business, many would have had to leave for the city or elsewhere to find a quality career like this. I have learned so much on everything from fish husbandry to the chemistry involved in water testing, with the added bonus of being surrounded by some of the most breathtaking scenery in the world."**



Stephen McKinney

The strength of our training programme in Scotland means that someone with no experience in the aquaculture industry can quickly become a key member of the team within just a few weeks. Since leaving school, Stephen McKinney, worked in various roles as a mechanical engineer in urban Ayrshire in south-west Scotland, but was keen for his family to experience rural life. Since making the move to work at the Company in September 2021, his family have embraced their new life in Lochcarron in the Highlands of Scotland.

Stephen, a father-of-four, said: **"As a family we have always embraced the outdoors and dreamed of living in the countryside. So, when the opportunity came up to apply for a job at Applecross, I decided to take a gamble and apply for the role as Freshwater Operative. I have learned something new each day and the support and quality of training available has been first class, making the transition much easier than I anticipated."**

(See more in Healthy Business Section on the Applecross development)



Fróði Mortensen

For the last decade, the Faroe Islands have been undergoing significant industry development and economic growth. Highly skilled industry positions have been created, attracting Faroese people working abroad to return to the small islands located in the middle of the Atlantic, resulting in unprecedented population growth. Among the highly skilled workers to return to the Faroe Islands is Fróði Mortensen, Head of Biogas Operations at Bakkafrost-owned biogas plant FÖRKA. Holding a master's in advanced marine engineering and with experience from the biogas industry in Denmark, Fróði Mortensen was put in lead to establish a completely new industry in the Faroe Islands.

Fróði said: **"Working in the biogas industry in Denmark, I was not expecting the opportunity to use my experience and skills in the Faroes. When Bakkafrost committed to supporting the circular economy by building a new state-of-the-art biogas plant, I saw great potential in the position and decided to apply. With great support from the Bakkafrost management, we have managed to establish a fully functional plant, which delivers about 2-3% of the total Faroese electrical production. I enjoy using my professional skills to solve the often varying and challenging tasks at FÖRKA, and I am very excited to be a part of the sustainability journey at Bakkafrost."**

About sustainability at Bakkafrost

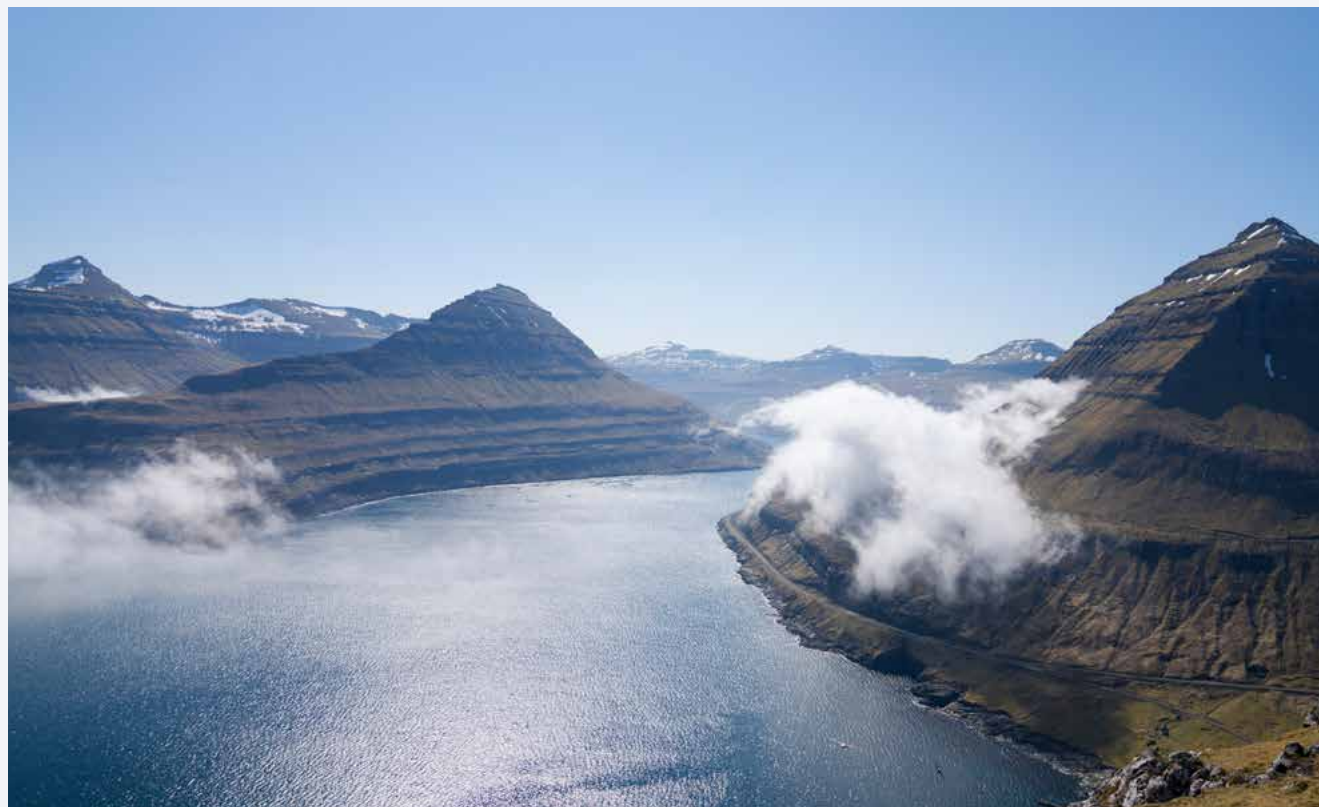
SUSTAINABILITY MANAGEMENT AND GOVERNANCE

The Bakkafrost Board of Directors oversees and has the overall responsibility of the Sustainability management and reporting. The Board of Directors consists of 3-7 members, which are elected every year. The Board members have expertise in various sustainability topics. The Chairman of the Board is a member of The UN Global Compact's platform for Sustainable Ocean Business and has insight into the energy sector. Other members have expertise in areas such as feed, food safety and product development and innovation.

The Board is responsible for reviewing and approving commitments to mitigate climate change, e. g. through CO2 reduction targets and plans to become a Task Force on Climate Related Financial Disclosures (TCFD) supporter. Through the review of regularly conducted internal and external materiality assessments, the Board is also responsible for the management of risks and opportunities in relation to climate change and sustainability topics in a broader sense.

Among decisions on sustainability-related issues made by the Board in 2021 are:

- Review and approval of the 2020 Sustainability Report
- Approval of purchasing a full electric workboat
- Approval of budget for funding through the Healthy Living Fund
- Approval of 5-year investment plan which includes several investments which improves Bakkafrost's environmental footprint.
- Commitment to NetZero in 2050



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

Together with the Group Executive Management, the Sustainability Committee is responsible for assessing and approving sustainability goals (except setting CO2 reduction targets).

In 2021, the committee:

- Reviewed and approved Bakkafrost Feed Policy
- Approved collaborative project with DSM for SustellTM, see more on page 74
- Approved commitment regarding biodiversity, see page 63
- Reviewed progress on sustainability projects, e.g., Scope 3 target setting, Climate scenario analysis, assessment of participations in sustainability ratings etc.

Sustainability is embedded in Bakkafrost's organisation through the management team, who report on a regular basis to our CEO. Sustainability topics are discussed in all bi-weekly

management meetings and the progress against the Healthy Living Plan is evaluated quarterly through a scorecard.

RISKS AND OPPORTUNITIES

Climate risks

Bakkafrost's core values specify an intent to act responsibly; this includes thinking long-term on economic, social, and environmental issues. To ensure a safe and sustainable operation with reduced risk exposure and proactive implementation of sustainability measures, we have a process in place for identifying, assessing, and responding to climate-related risks and opportunities. We also conduct an annual overall risk assessment, included in our Annual Report.

The Board of Directors is responsible for the risk management of the Group, and the Audit Committee supervises the risk management. The Group Executive Management is responsible for the daily compliance with the risk management framework and the Group's daily risk management. The Group Executive Management assesses the Group's main risks on an ongoing basis, based on weekly or monthly reporting from the organisation on business activities, market development, technology etc. The ongoing risk assessment is followed up yearly with an extensive risk analysis for the whole Group.

The risk management process operates with short-, medium- and long-term horizons. The risk management process defines short-term from zero up to three years. One examples of a short-term risk with potential to have a significant impact on the business identified in 2021 was the sourcing of soy for feed production from Brazil. In 2021, we responded to the risk by starting to source soy from Europe.

The risk management process considers medium-term time horizon 3 to 10 years. Among medium-term risks identified in 2021 is limited access to capital due to damage of reputation

through e.g. inability to keep up with peers in relation to ESG ratings and failing to meet climate targets and TCFD requirements, resulting in loss of interest from investors. In late 2021, the sustainability team was strengthened to secure future compliance and progress on ESG ratings as well as general advancement on sustainability projects.

The risk management process considers long-term time horizon between 10 to 30 years. Climate change resulting in change in farming conditions is identified as a long-term risk and is continuously assessed at Bakkafrost. In 2020, Bakkafrost signed up to become a TCFD supporter, and in 2021, we commenced the climate-related scenario analysis, which is expected to be completed in 2022.

Climate opportunities

With global population growth and limited agricultural resources, current global food systems face unprecedented challenges, and at the same time offer opportunities to drive widescale health, social and environmental progress. Aquaculture in general and responsibly farmed salmon, in particular, is highlighted to play a key role in solving these challenges. With the need for change in the world's food systems becoming even clearer and with rising demand for nutritious protein sources, we have a unique opportunity of promoting and introducing a sustainable and healthy source of protein to an increasing number of people.

Bakkafrost continues to work towards more sustainable operations, focusing on e.g., optimization of energy use, feed composition and feed conversion ratio, ensuring we produce as eco-efficient food as possible.

With green technology innovation evolving faster than ever before, we are continuously looking for opportunities to implement eco-friendly solutions throughout our value chain. In 2021, we ramped up production of smolt using RAS technology, which ensures a significant reduction in water use and will increase fish welfare and survivability. Our

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.bakkafrost.com/sustainability/data.

The report has been third-party audited by Januar. The assurance statement can be found on 113.

RAS facility at Applecross will be the largest RAS facility in Scotland as well as being the most sustainable, powered 100% by a combination of own solar power and locally produced renewable energy, and with a 90% reduction in both waste and water consumption.

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

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 2022.



Group	Engagement mechanisms	Notes on engagement
Employees	<p>Whistleblower mechanism</p> <p>Employee engagement Survey Digital Communication Platform Staff Forums Toolbox Talks Weekly newsletter Healthy Living 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</p> <p>Quarterly meetings with elected staff representatives</p> <p>Team briefings with Health & Safety focus</p> <p>Business updates for all employees</p> <p>Team awards recognising achievement and encouraging positive behaviour</p> <p>Appraisal programme</p>
Employees Unions	<p>Regular contact and ongoing meetings with Unions</p> <p>Regular employee working group meetings</p>	<p>Main topics: labour conditions, remuneration, health and safety, human capital.</p>
Customers	<p>Biennial sustainability materiality assessment</p> <p>Biennial Customer Summit (which all customers are invited to)</p> <p>Annual online survey</p> <p>Annual engagement at seafood exhibitions including: Seafood Expo North America (Boston), Seafood Global (Brussels), China Fisheries & Seafood Expo (Qingdao), World Food Shanghai Exhibition, Ocean Group Seafood Show (San Diego), Wabel Frozen Summit (Paris)</p> <p>Annual engagement at client summits</p> <p>Annual Customer feedback survey</p> <p>Virtual Events</p> <p>Programme for long-term customer partnerships</p> <p>Customer visits at headquarters</p>	<p>Main topics: certification, quality, satisfaction, international relations, packaging, product development.</p> <p>We have trialed some changes to our packaging including reducing plastic on our retail tail bags a result of customer feedback.</p> <p>Due to covid-19 restrictions many expositions in 2021 were cancelled or arranged virtually</p> <p>In 2021 we continued customer engagement to explore new markets, and with covid-19 restrictions ending, we will increase customer engagement in 2022.</p> <p>To further support customer service in the US market and to reduce the amount of ice used for transportation of salmon, resulting in carbon reduction, we have invested into a new cargo airline company and expect to commence flight in 2022.</p>
Suppliers	<p>Biennial sustainability materiality assessment</p> <p>Ongoing engagement</p> <p>Supplier audits</p> <p>Sedex</p> <p>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> <p>In 2022, we will arrange a supplier summit to further engage our suppliers on sustainability topics.</p>
Government and regulatory bodies	<p>Regular ongoing engagement</p> <p>Salmon Scotland Membership</p>	<p>Main topics: licenses and registration, fish health & welfare, pollution, biogas plant, ethical conduct, international relations, UN Sustainable Development Goals.</p> <p>We continue engagement with government and regulatory bodies to advance sustainable development</p> <p>Industry Trade body to champion the sector's interests</p>

Group	Engagement mechanisms	Notes on engagement
Local communities	Biennial sustainability materiality assessment Ongoing engagement with local councils, harbour masters, and interest groups Periodic engagement at industry events with Faroese business community Annual local events such as Seaman's Day and Day at Sea Programme of community events and sponsorship Community consultation Community Charter and Fund	Main topics: new building projects, community investment, waste, water, pollution, value creation. In 2021, we arranged an event to present our 2026 investment program to the public, including members of parliament, local councils and interest groups. We resumed to host visits at our Faroese headquarters and continued our partnerships with local educational institutions. Site development plans – where relevant
Investors	Quarterly investor roadshows and periodic engagements Biennial Capital Markets Day (which all investors are invited to) Annual engagement on investor ESG ratings Biennial sustainability materiality assessment Periodic investor visits	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.
NGOs	Biennial sustainability materiality assessment	Main topics: pollution, fish health and welfare, community engagement. Represented on committees
Certification bodies	Ongoing engagement with third party certification bodies, including the ASC, BAP, MSC and GLOBALG.A.P. Biennial sustainability materiality assessment	Main topics: certification, quality (including food safety), health and safety.
Industry groups	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	Main topics: fish health and welfare, human rights, innovation, collaboration and certification, international relations, health and safety, pollution, feed ingredients, transparency.
Industry experts and academics	Ongoing engagement with external vets Biennial sustainability materiality assessment Sustainability training with experts Partnerships	Main topics: all material issues. Partnered with University of Faroe Islands on various biological topics, including establishing a baseline for marine biological diversity in the Faroe Islands

Certifications



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 112.

VOLUNTARY DISCLOSURE



Ocean Disclosure Project

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 for Bakkafrost's profile.

2021 RATINGS



In 2021, Bakkafrost achieved Management 'B' score by the CDP for our coordinated actions on climate issues.



Bakkafrost ranked 13th by the 2021 Coller FAIRR Protein Producer Index of the world's most sustainable protein producers.



In 2021, Bakkafrost was rated 26.4 (on a scale of 0-40+) in the Sustainalytics ESG Risk Ratings assessment (a lower score indicates less unmanaged ESG risk)



Bakkafrost received a rating of BBB (on a scale of AAA-CCC) in the MSCI ESG 2021 Ratings assessment.

2021 AWARDS



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



In 2021, Bakkafrost Scotland won a 3-star Great Taste Award from the Guild of Fine Food for our Harris and Lewis Smoked Scottish Salmon and Best Smoked Fish & Seafood at the Great British Food Awards 2021 for Native Hebridean Salmon, which also won Best Overall Smoked Salmon at Women&Home magazine's Tried & Tasted Christmas Awards.



In November 2021 Bakkafrost biogas plant FÖRKA won the Energy Globe Foundation's National award in the Faroe Islands

MEMBERSHIPS



Global Salmon Initiative (GSI)

Global Salmon Initiative (GSI) Bakkafrost is a founding member of the initiative, which is focused on promoting sustainable aquaculture leadership through collaboration.



EU Fishmeal

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 is 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

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

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

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. These will be shared with the Bakkafrost Sustainability Committee.

Business Leader of the Year

The judges said: “Regin has worked tirelessly to transform a sector that really needed changing. He has innovated and gone well beyond just improving his own company; also entering the political debate to drive long-lasting change through a number of wide-ranging activities”

On the 3 February 2021 the UK's largest sustainability awards, the edie Sustainability Leaders Awards took place, recognising excellence across the spectrum of green business.

This year, Bakkafrøst was nominated for two awards. The biogas plant FØRKA was nominated in the category “Circular Economy Innovation of the Year”, and CEO Regin Jacobsen was nominated in the category “Business Leader of the Year”. At the awards, Regin Jacobsen was announced winner of “Business Leader of the Year 2021”. The judges said:

“Regin has worked tirelessly to transform a sector that really needed changing. He has innovated and gone well beyond just improving his own company; also entering the political debate to drive long-lasting change through a number of wide-ranging activities”.

Regin Jacobsen is happy and very humble about the award and stresses that this is an acknowledgment of the achievements of the employees and the managers at Bakkafrøst.

“All credit goes to the employees at Bakkafrøst, who go above and beyond to make a difference, and that I, as CEO of Bakkafrøst, am recognized for with this award. With great perseverance, the employees have implemented effective measures towards an even more sustainable production and product. Teamwork is required to achieve the ambitious goals that we have set. Nobody achieves anything on his own. A company with our size requires talented and skilled employees to achieve goals as these”.

Although Bakkafrøst has implemented various measures in recent years, Regin Jacobsen states that there is still a lot of potential within sustainability.

“We have the potential to implement various effective measures. We have already implemented some; however, we have even more in pipeline which we work on continuously. We are very fortunate to have employees, who are capable and willing to adapt to change, which is a prerequisite in order to implement measures regarding sustainability. Also, we are very fortunate to work with a healthy product that the world needs. Thus, we have a unique opportunity to take our share of responsibility to grow sustainable food systems by producing sustainable and superior quality salmon”.



UN Global Compact progress report

PRINCIPLE	RULE/ ACTION	OUTCOMES
Human Rights 1 and 2 Support for human rights and prevention of human rights violations	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 39-40 for more information
Labour 3 to 6 Freedom of association, abolition of forced and child labour, elimination of discrimination	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 Increase number of women in management positions (managers with direct reports) to at least 25%	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 2021. In Scotland 19% of our broader Line Management Team were female and 16% of our broader Line Management Team in the Faroe Islands were female. 17% of our Board of Directors female 24% of workforce female (down from 29% in 2021) See page 29 for more information
Environment 7 A precautionary approach to environmental challenges	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 2021 BAP four-star certification in Scotland See pages 56 for more information
8 Promotion of greater environmental responsibility	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 70 for more information Collaboration on impact on local community e.g. reducing noise and smell pollution
9 Development and diffusion of environmentally friendly technologies	DKK 100 million investment into Faroe Islands first biogas plant Tendered new fully electric workboat	Reduction of up to 11,000 tonnes of CO2 emissions p.a. Processing of up to tens of thousands tonnes annually of all waste from farms p.a. See page 68 for more information
10 Anti-corruption	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 20 for more information

Independent assurance report

To the stakeholders of P/F Bakkafrost

P/F Bakkafrost has engaged us to provide limited assurance on the data and information provided by the Sustainability Report of Bakkafrost for the period 1 January - 31 December 2021.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing came to our attention that causes us not to believe, that the performance data in the 2021 Bakkafrost Sustainability Report are free of material misstatements and prepared, in all material respects, in accordance with the performance data accounting policies as stated on <https://www.bakkafrost.com/en/about-us/sustainability/reports>. This conclusion is to be read in the context of what is stated in the remainder of our report.

What we are assuring

The scope of our work was limited to assurance over Performance data in the 2021 Sustainability Report Bakkafrost.

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" and in respect of the greenhouse gas emissions, in accordance with the International Standard on Assurance Engagements 3410 "Assurance engagements on greenhouse gas statements". The quantification of greenhouse gas emissions is subject

to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses. 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 independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior and ethical requirements applicable in Faroe Islands. Januar 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.bakkafrost.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 2021 Bakkafrost 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 2021 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 2021 sustainability report is supported by sufficient evidence
- Read other information included in the 2021 Bakkafrost 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 Bakkafrost 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 2021.

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 2021 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, 31 March 2022

Januar

Løggilt Grannskoðanarvirki

Heini Thomsen

State Authorised Public
Accountant

John Michal Petersen

State Authorised Public
Accountant



Statement of the Board of Directors and the executive Board

The Board of Directors and the Executive Board have today discussed and approved the Sustainability Report of Bakkafrøst Group for 2021.

The Performance data in the Sustainability Report for 2021 has been prepared in accordance with the stated Performance data accounting policies.

In our opinion, the Sustainability Report for 2021 gives a fair presentation of Bakkafrøst group's sustainability activities and results in the reporting period as well as a balanced presentation of Bakkafrøst group's environmental, social and governance performance in accordance with the stated Performance data accounting policies.

Glyvrrar, 31 March 2022

Executive Board

Regin Jacobsen
CEO

The Board of Directors of P/F Bakkafrøst

Rúni M. Hansen
Chairman of the Board

Jóhannes Jensen
Deputy Chairman of the Board

Øystein Sandvik
Board Member

Annika Frederiksberg
Board Member

Teitur Samuelsen
Board Member

Einer Wathne
Board Member





