

# Climate Policy

*This policy outlines the company's approach to managing climate-related issues, including how issues are identified, assessed, and managed.*

## Policy objective

This policy's objective is to ensure a streamlined approach within Bakkafrost to managing climate-related impacts, risks, and opportunities through mitigation measures, adaptation measures, and energy efficiency. Bakkafrost acknowledges that there is still work to be done to minimise environmental impact and continues to work on mitigating the carbon footprint from operations.

The policy addresses the management of the impacts as identified in the double materiality assessment and risks and opportunities as identified in the climate scenario analysis (compliant with TCFD). As our double materiality assessment and climate scenario analysis are regularly updated to include potential new impacts, risks, and/or opportunities, the policy will be adjusted accordingly to ensure proper management of all climate-related matters.

## Scope of the Policy

This policy applies to all units over which P/F Bakkafrost has a controlling influence, either through shareholding or agreement.

The policy also addresses the management of the most material impacts within our upstream and downstream value chain as identified and assessed in our double materiality assessment and our climate scenario analysis.

## Governance of the Policy

The board of directors is ultimately responsible for managing the business's climate-related issues. The board has delegated the responsibility for everyday management of climate-related impacts, risks, and opportunities and the implementation of this policy to the CEO. However, the board must approve major decisions and investments into climate and energy transition above DKK 5 million.

## Climate-related Targets

Bakkafrost has set SBTi-validated near-term climate targets that are consistent with the reductions required to keep global warming to 1.5 degrees, which is in line with the Paris Agreement.

Bakkafrost has committed to the following targets.

- **Scope 1 & 2 GHG Emissions** – Bakkafrost's strategic target is to reduce Scope 1 & 2 GHG emissions by 50% by 2030 from a 2020 base year.
- **Scope 3 GHG Emissions** – Bakkafrost has committed to reducing Scope 3 GHG emissions by 52% per tonne of product sold by 2030 from a 2020 base year.
- **Net-Zero** – Bakkafrost is working towards setting Net-Zero targets, which will be validated by the Science Based Targets initiative.

## Climate change mitigation

Bakkafrost uses transition planning as the tool of choice to address past, present, and future efforts. The objective of our climate change mitigation efforts is to ensure that Bakkafrost's strategy and business model are compatible with a sustainable economy where global warming is limited to 1.5 C in line with the Paris Agreement and with the objective of achieving climate neutrality by 2050.

## Approach

To ensure that Bakkafrost fulfils its commitments, we intend to employ a multifaceted strategy which both addresses material impacts within our value chain as well as direct operations:

### Fish Feed

- **Low-carbon feed** - Feed production is one of Bakkafrost's key climate impacts. The company is dedicated to ongoing research and development (R&D) into feed composition to minimise its climate impact. One of the approaches being pursued is the use of locally caught marine raw material with low food value in the feed, as it is considered a low-carbon solution.

We are committed to continuous R&D into the feed composition, with the objective of constantly optimising feed to ensure a feed with as low a carbon footprint as possible. This also includes commitment to the responsible sourcing of other commodities for feed production, including agricultural commodities.

Bakkafrost's commitment to sustainability extends beyond ingredient selection. The company continually explores alternative energy sources to further mitigate its carbon footprint when producing fishmeal, fish oil, and feed.

For more information on the approach to the production of fish feed, please see Bakkafrost's feed policy: <https://www.bakkafrost.com/en/sustainability/reports-policies>

## Energy Efficiency

- **Electrification** – Bakkafrost is committed to electrifying its facilities as much as possible through investment, supplier engagement and collaboration.
- **Efficiency** – Bakkafrost is committed to being as energy efficient as possible. For several years, Bakkafrost has been working on reducing the energy demand by changing procedures in sailing speeds and utilizing excess heat. Bakkafrost will continue engaging with suppliers to discuss topics on improved primary data, CO<sub>2</sub>e emission factors and GHG reductions. Bakkafrost maintains constant oversight of energy consumption and reports annual energy consumption and energy mix in the Integrated Annual Report
- **Renewable energy**—Bakkafrost is dedicated to utilising 100% renewable energy in the Faroe Islands and Scotland. Embracing innovative developments to reduce carbon footprints is crucial for promoting sustainable development in our local communities. Bakkafrost is progressively transitioning to renewable energy through self-generation and energy supplier agreements. Additionally, a growing portion of the electricity sourced from national grids is now based on renewable sources. Resource use and the implementation of circular economy solutions are also considered material. Bakkafrost is committed to identifying and implementing circular economy solutions and using resources to generate renewable energy where deemed the most sustainable solution. We are committed to accessing business cases of pilot projects and investigating the full potential of our current operations.

## Transport

- Transportation accounts for a significant share of Bakkafrost's climate impact, both in the company's direct Scope 1 GHG emissions as well as in indirect Scope 3 GHG emissions. Bakkafrost will continue to explore new opportunities for eco-friendly transportation modes. This is achieved by exploring new electrical solutions and environmentally friendly fuels for all our types of transportation, as technology and market conditions permit. We are committed to working closely with our logistics providers to further promote the shift to low-carbon transportation methods.

## Climate change adaptation

Bakkafrost has identified and assessed physical and transition risks through a TCFD-aligned climate scenario analysis. For more information about these risks, please see the Bakkafrost TCFD report in the Integrated Annual Report.

We developed our climate change adaptation strategy based on the risks identified as the risks that could have a substantive financial impact on the business. The alternative/adaptive actions aim to mitigate the exposure to these climate-related risks.

### Adaptation to physical risks

- **Strengthening farming equipment** - Bakkafrost is committed to preventing potential impacts from the increasing likelihood of extreme weather incidents by continuously finding new ways to strengthen or update equipment on marine sites.
- **Quality of seawater**—Bakkafrost is actively seeking ways to address the growing impact of rising ocean temperatures, which contribute to a higher risk of climate-related events such as harmful algal blooms and micro jellyfish blooms. These occurrences can negatively affect the gill health of the salmon. One recent example of the measures taken to adapt to these challenges is the significant investment in farming service vessels equipped for freshwater treatment which maintains/restores the salmon's gill health.

- **Maintaining feed output levels** - Bakkafrost feed includes wild-caught fish from the surrounding waters. There is a risk that Bakkafrost will not be able to maintain the required output levels should these fisheries be impacted by climate change in the form of ocean acidification. Bakkafrost commits to keep doing R&D projects on refining feed formulations to enhance fish health, overall quality, and welfare. By optimising recipes, we ensure that our salmon receive the best possible nutrition while optimising well-being.
- **Higher labour costs** – Bakkafrost operates in geographies with high exposure to extreme weather compared to other industries. Increased storm activity is understood to increase with a warming climate, as is the expectation that as Bakkafrost's operations grow, this will necessarily mean expanding into even more exposed locations. To continue to attract the skilled labour necessary to continue operating, labour costs may be expected to rise at a faster rate under a high physical risk scenario. Bakkafrost is committed to securing optimal working conditions for the employees and offers competitive compensation and benefits to the employees, including health insurance, bonus schemes and discounts. Bakkafrost is also committed to providing learning and development opportunities for the employees.

### Adaptation to transition risks

- **Alternative feed ingredients** — Bakkafrost's feed division procures substantial quantities of agricultural commodities that have been identified as subject to risk from potential climate-related regulations. These regulations could limit the availability of the commodities or significantly increase costs. Bakkafrost commits to continuing R&D projects on refining feed formulations to enhance fish health, overall quality, and welfare. By optimizing recipes, we ensure that our salmon receive the best possible nutrition while optimising well-being. This includes investigating alternative ingredients.
- **Increased electricity costs** - Bakkafrost is always looking for new ways to optimise and be prepared for unexpected situations. By continually forecasting potential electricity price fluctuations, Bakkafrost can make informed decisions regarding energy management.
- **Carbon pricing**—Bakkafrost is exposed to a financial impact from carbon taxes due to its energy-intensive operations. Bakkafrost has set a target of becoming net zero by 2050. Through the transition planning, Bakkafrost will set specific actions and targets to reach its goal. Implementing these transition actions will help mitigate the risk of carbon pricing.

### Availability and implementation of the Policy

This policy has been reviewed and approved by the CEO. The policy shall always be accessible to all employees on the company's internal communications platform (employee handbook) and to external stakeholders on Bakkafrost's website.

The policy will be communicated directly and continuously to stakeholders who are responsible for implementing the policy actions (e.g. in leadership meetings).

### Monitoring/Reporting

Bakkafrost is committed to establishing internal monitoring mechanisms to ensure continuous oversight of the implementation of the policy.

The company is committed to reporting on the consolidated climate-change-related impacts, risks, and opportunities as mandated in the Corporate Sustainability Reporting Directive (CSRD) in the Integrated Annual Report. Additionally, GHG emissions are reported as part of the quarterly financial reporting.

Bakkafrost accounts for GHG emissions using the Greenhouse Gas Protocol.



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