



ESTABLISHED 1968

HEALTHY LIVING

SUSTAINABILITY
REPORT 2019

www.bakkafrost.com/sustainability



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WHAT'S IN THIS REPORT

This is Bakkafrost's third sustainability report. The document provides an overview of performance against our two-year Healthy Living Sustainability Plan, for the reporting period 1 January to 31 December 2019. As the biggest salmon producer in the Faroe Islands, we understand our responsibility to be transparent about the impacts we have on the local economy, society and the environment. This report includes data from our UK and US operations and Havsbrún, but excludes data from the Scottish Salmon Company.

 For more information, please visit www.bakkafrost.com/sustainability

About Bakkafrost



BAKKAFROST established in 1968 by brothers Hans and Róland Jacobsen

Location: Faroe Islands

Headquarters: Glyvrar, Eysturoy

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

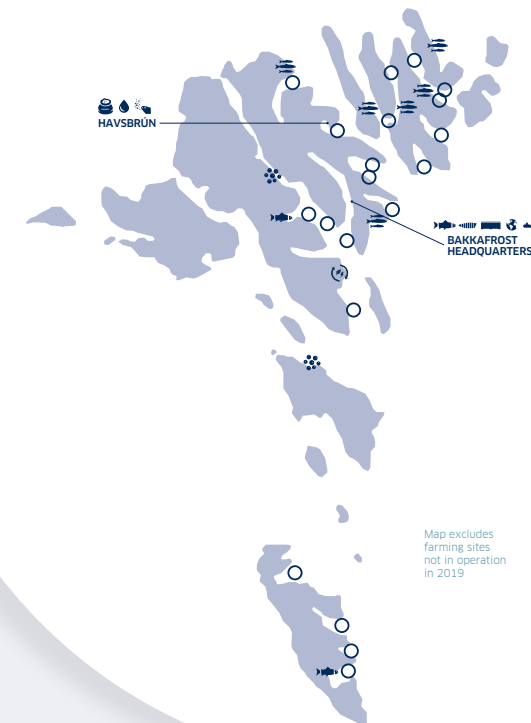
Longest integrated value chain in the industry. Fully-owned subsidiaries: Havsbrún, Fuglafjørður (meal, oil and feed); Bakkafrost UK, Grimsby (seafood importer and distributor); Bakkafrost USA, New Jersey (seafood producer, importer and distributor); Fórka, Tórshavn (biogas plant)

Listed: Oslo Børs with ticker symbol BAKKA

Employees: 1,154 (929 full time equivalent), including 88 at Havsbrún. We have a further 6 at Bakkafrost UK, and 40 at Bakkafrost USA

Markets served: USA (22%), Europe (37%), Eastern Europe (12%), Asia (29%)

In October 2019 Bakkafrost acquired The Scottish Salmon Company (SSC), a Scottish salmon producer which is not included in this report



Key

Resources

- We finance our operations through a mixture of cash flow and shareholder capital
- We rely on the expertise, competencies and values of our workforce to operate and take our business forward, as we grow and evolve
- We depend on a range of natural resources which make it possible to produce world-class quality salmon
- We rely on state-of-the-art production facilities and service vessels to operate with optimum efficiency and volume
- We benefit from a strong reputation for high-quality salmon and feed products, enabling us to grow our market share
- We depend on healthy relationships with our stakeholders for optimal conditions to create shared value

Our Value Chain



Output

450 t of fishmeal daily capacity	300 t of fish oil daily capacity	700 t of fish feed daily capacity	From 2023 all roe used will be from the Faroese strain	15 million 400g smolts annual capacity	90-100,000 t of waste conversion annual capacity Expected 2020	20 farming sites in operation across 16 fjords - new sites in Hvalba, Gøta, Nes	6 farming service vessels (including 4 live fish carriers) and 74 smaller boats	57,184 t of salmon harvested 2019	130,000 t primary and 40,000 t secondary annual capacity. New smokehouse	70,000 t of salmon, annual packaging capacity	4.074 DKK billion operating revenues Sales to 30+ countries
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The Bakkafrost Difference

High nutritional content from sustainable marine sources, non-GMO and sustainable ingredients	Improved biosecurity	Pristine farming environment, efficient circular solutions, zero antibiotics or growth hormones	Short transportation time for salmon due to short distances	Efficient processing capabilities and product development	Good market reach
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Value Created

- We create value for our shareholders by maximising returns, and for the Faroe Islands through tax revenues and through direct and indirect employment opportunities
- We meet growing global demand for protein with healthy and efficiently-produced salmon products
- We contribute towards improved infrastructure in the Faroe Islands
- We collaborate with the aquaculture industry to promote responsible and sustainable practice (Please see our [Annual Report](#) for our consolidated financial statements)

Our sustainability journey



2019



We doubled the number of ASC certified sites (from 7 to 14) which provided 80% of salmon harvested that year



We signed the first ASC-only contract with Chinese retailer Hema, promoting sustainable food consumption in Asia



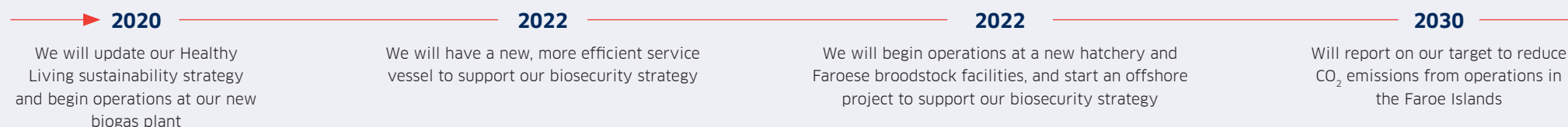
We began construction on our new biogas plant, which will convert farming waste into renewable energy, heat and fertiliser



We began smoking our salmon in-house, using wood certified as sustainable



We announced the acquisition of the Scottish Salmon Company



Interview with Regin 2019 in review

REGIN JACOBSEN, CEO OF BAKKAFROST

Q: 2019 was another important year for the salmon industry and for Bakkafrøst. Looking back, what are your main reflections on the year?

A: We have had another year of strong financial results with increased volumes and maintained profits.

We are also pleased to be making progress with our growth strategy. Our journey has been characterised by delivering industry-leading growth and profitability, combined with a focus on value-creation and sustainability.

A very important occasion for us was in September, when we announced the acquisition of the [Scottish Salmon Company](#). The company has the capacity to harvest 50,000 tonnes per year, so there is great opportunity for growth. The acquisition was also attractive for us because of the great potential for synergies and the transfer of best practices. This move has made us the fourth-largest salmon producer in Europe - with that comes greater responsibility.

The end of 2019 also marked the end of the first phase of our Healthy Living Plan – our first public commitment to address our most material sustainability issues.

Q: Can you give us some highlights of the progress Bakkafrøst made in 2019 in addressing its social and environmental responsibilities, through the plan?

A: We are happy with the progress we have made since we first launched our sustainability plan. We've made great



Chief Executive Officer Regin Jacobsen

strides certifying our farms to the best-practice [Aquaculture Stewardship Council](#) (ASC) standard. We doubled our number of certified farms in 2019, and we are positive we will meet our commitment to the [Global Salmon Initiative](#) (GSI) to have all sites in the Faroe Islands certified by the end of 2020. Working with customers to promote ASC in Asia has also been a highlight for us.

Fish health and welfare remains a top priority for us and, through large investments in biosecurity, we've managed to significantly improve salmon survival rate in 2019.

We were delighted to be recognised at the Faroese Business Awards for our biogas business Fôrka, which won [Faroese Business Initiative 2019](#).

I really value the sustainability projects and green solutions at Bakkafröst.

Anonymous, Employee Survey,
Bakkafröst Faroe Islands

The new plant, which will process waste from salmon and dairy farms into fertiliser and renewable energy, will be in operation in 2020 and have a considerable local impact.

We regularly receive positive feedback following customer visits – they are often impressed with the efficiency and sustainability of our operations. However, I think one of the most meaningful measures of success for us in 2019 was how employees responded when we asked them to rate us on our approach to sustainability, in our first company survey. They not only felt we were taking responsibility for our role in addressing the [UN Sustainable Development Goals](#), but they also felt they had a good understanding of how they could contribute in their roles. Having sustainability embedded into our culture is a must if we are to be fit for the future.

We were also delighted to be named among the Best Performers in the [Collier FAIRR Protein Producer Index](#), which ranks the world's largest listed protein producers on sustainability. We were recognised as the best-performing aquaculture company for not using antibiotics since 2004.

Q: Despite the continued strong financial results and progress with your sustainability agenda, you are still facing several significant issues in the industry. What have you done in 2019 to address these?

A: We are very much on a journey. The salmon industry has faced some difficult challenges over the years, and we are still learning in many areas, along with the rest of the industry. This has made it imperative for us to understand and take a long-term view of the risks facing our business if we are to

continue being successful. We believe that coming together to address many of these risks through national initiatives, such as our unique Faroese Veterinary Model, has given us an advantage, and we are proud to be leading the way in areas such as fish health and welfare. Our collaboration with the GSI and our commitment to various standards and certifications, such as the ASC, have also enabled us to work with other farmers to address industry sustainability issues.

As well as our continued focus on certification and investments to address industry challenges such as sea lice and disease, in 2019, we also increased our focus on systemic issues such as climate change. We began exploring how we can decouple growth from our environmental impact in this area. You can read more about this in our updated Healthy Living Plan.

Q: What characterises the updated Healthy Living Plan?

A: As before, our updated three-year Healthy Living sustainability plan was designed around a vision to enable healthy living for millions of people through the provision of healthy and nutritious salmon. We believe we have a critical role to play in the shift towards healthy and sustainable diets to meet the demands of the growing population. Although farmed salmon is one of the most efficient sources of animal protein, it is important that global production is expanded responsibly.

We have had input from experts, to develop a more ambitious plan, aligned with our most material issues. It builds and improves upon our initial plan by going further in areas such as social impact, and as mentioned, placing a greater focus on issues of growing stakeholder interest, such as climate change.

Q: What challenges do you see in the road ahead? What are your priorities for 2020?

A: One of our main priorities will of course be the integration of the Scottish Salmon Company into Bakkafröst, and we are looking forward to sharing best practice in addressing the common challenges shared by us, such as improving fish

Good work is being done to make the company even more sustainable, especially in relation to the environment.

Anonymous, Employee Survey,
Bakkafröst Faroe Islands

health and welfare and minimising environmental impacts. We will be looking at how we can best deliver this updated sustainability strategy with maximum impact.

We will also continue exploring offshore options which in the future could further reduce the impact we have on the nearshore environment.








Q: What can we look forward to in this third sustainability report for Bakkafröst? Anything you'd like to highlight?

A: We have aligned our sustainability reporting with the international Global Reporting Initiative standard again this year, which we believe improves the quality of our reporting and provides greater transparency on how we are working towards our vision. In this report we have increased transparency in areas such as fish welfare, carbon emissions and social effect.

I hope you enjoy reading it and I welcome any feedback directly to me at reja@bakkafröst.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 for the Faroe Islands 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
 2019 PERFORMANCE AGAINST OUR 2020 COMMITMENTS ● ● ●	<ul style="list-style-type: none"> Have zero cases of noncompliance ● Have customer net promoter score (NPS) of 9 out of 10 or above ● Invest in a new biogas plant ● 	<ul style="list-style-type: none"> Renew our employee strategy ● Launch an employee engagement survey ● Have zero fatalities ● 	<ul style="list-style-type: none"> Maintain our high omega-3 levels ● Maintain high customer satisfaction with product quality ● Reduce fish mortality to 6% ● Have ASC certification across all sites (end of 2020 GSI goal) ● Further develop and implement non-medicinal treatments with high focus on fish welfare ● Have zero fish escapes ● 	<ul style="list-style-type: none"> Further optimise feed distribution ● Continue phasing out copper-treated nets ● Implement a sustainable feed policy ● 	<ul style="list-style-type: none"> Set up a new 'Healthy Living' Fund ● Implement stakeholder engagement plan ● Implement a new community investment plan ●
	See page 12 for more details	See page 16 for more details	See page 22 for more details	See page 28 for more details	See page 37 for more details
⊕ 2023 GOALS	<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 Exclusively produce salmon from the unique Faroese breed 	<ul style="list-style-type: none"> Have industry-leading employee engagement scores Launch internal sustainable behavior campaign Maintain gender diversity in senior positions Reduce absence rate by 10% Become certified against ISO45001 standard Have zero fatalities 	<ul style="list-style-type: none"> Maintain our high omega-3 levels Remain antibiotic-free Maintain salmon survival rate at 94% or above Increase research to optimise fish welfare and product quality Maintain industry-leading approach to animal welfare Reach and maintain ASC certification of all Bakkafrost salmon 	<ul style="list-style-type: none"> Increase size of smolt released to 500gm Become certified against ISO14001 environmental standard Have zero fish escapes Optimise feed strategy to maintain industry-leading FCR Continue research into sustainable feed ingredients Investigate new sustainable marine sources for fishmeal Measurably reduce environmental impact from packaging Have above 97% water recirculation rate in hatcheries (where possible) Reduce scope 1 and 2 CO₂ footprint from Faroese operations by 50% by 2030 Set scope 3 CO₂ reduction target in 2020 	<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 DKK 10m 3yr investment in Healthy Living Fund
 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

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 SDGs 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



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.



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 as the largest private employer in the country; 8.7 through the strict standards outlined in our 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



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.



SDG 7 Affordable and Clean Energy:
Ensure affordable, reliable, sustainable and modern energy for all.

We will be contributing towards target 7.2 from 2020 by increasing the share of renewable energy in the Faroe Islands' energy mix from our planned biogas plant; and 7.3 by increasing energy efficiency in our operations.



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 assets across our value chain to make them more sustainable, as well as contributing towards new infrastructure in the Faroe Islands.



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 only using marine ingredients certified as sustainable; and 14.1 by managing our impacts on the fjord environment.



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 partnerships to develop and share best practice solutions that address systemic challenges in aquaculture.

Responsibility to mitigate potential negative impact



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.



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.



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.



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 SDGs, particularly in the context of the Faroe Islands.

Bakkafrost salmon at a glance

NUTRITION

BAKKAFROST 2019	RDI 2012
OMEGA-3 LEVELS MEAN 2.7g per 100g	RDI 0.25g Recommended Daily Intake
OMEGA-3 TO 6 RATIO 1.4	RDI - Recommended Daily Intake
PROTEIN LEVELS 20.0g per 100g	RDI 58g Recommended Daily Intake
VITAMIN B12 LEVELS MEAN 4.02µg per 100g	RDI 2µg Recommended Daily Intake
VITAMIN E LEVELS MEAN 3.83mg per 100g	RDI 9mg Recommended Daily Intake



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

CO₂e 0.6g per 40g typical serving of salmon GSI average	SURVIVAL RATE 95.43% Bakkafrost salmon
ASC CERTIFIED 80% of Bakkafrost salmon harvested in 2019	SEA LICE COUNT 0.43 Average over 12 months of female adult lice – all sites
AUDITS PASSED 100% at Bakkafrost in 2019	ESCAPES 141,564 Bakkafrost salmon in 2019
FEED CONVERSION RATIO 1.12/1 Bakkafrost salmon (1.2-1.5kg GSI average)	MEDICINE IN BATH 0 Used by Bakkafrost to treat sea lice in 2019
HYDROGEN PEROXIDE USE 0 by Bakkafrost in 2019	ANTIBIOTIC USE 0 by Bakkafrost in 2019

GSI data: Global Salmon Initiative

Material sustainability topics

In 2019, we carried out our second materiality assessment, reviewing the most significant economic, social and environmental risks and opportunities for the company and our stakeholders.

The analysis included various stages of desk research; a management team review of the issues with greatest operational, financial, and reputational impact; and a consultation with a representative group of external stakeholders, which the CEO and management team selected based on their level of interest in the company.

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

The result of this analysis was an updated list of 20 material sustainability issues that was used by our management team to develop the second phase of our Healthy Living Sustainability strategy (see page 8).

We found that biodiversity and fish welfare had climbed up the list of issues that we had invited stakeholders to rank in order of importance. Adapting to climate change risk also emerged as an issue of growing importance in the interviews. Here is the updated list of twenty issues.



Healthy Business

- **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 Bakkafrøst'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.



Healthy People

- **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. Bakkafrøst's business partners are also expected to comply with these principles.



Healthy Salmon

- **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.



Healthy Environment

- **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.



Healthy Communities

- **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

2019 PERFORMANCE AGAINST OUR 2020 COMMITMENTS

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

2023 COMMITMENTS

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

2020 FOCUS

- Begin work updating our supplier standard
- Continue strengthening customer relationships and responding to changing needs
- Begin operations at the new biogas plant

SDGs

- SDG 2 Zero Hunger
- SDG 7 Affordable and Clean Energy
- SDG 8 Decent Work and Economic Growth
- SDG 9 Industry, Innovation, and Infrastructure

WHY IT IS IMPORTANT

Aquaculture now accounts for 50% of the world's fish that is made for food and this is expected to grow by 37% between 2016 and 2030 (FAO: 2018).

Bakkafrost has an ambitious growth strategy which has enabled us to compete in the world's fastest growing food-producing sector. In order to grow in a small country like the Faroe Islands requires untraditional and innovative ways of thinking, so as well as ensuring efficient growth (using innovative technology), we are also growing our operations overseas to maximise output.

To grow responsibly and sustainably, we must do so within regulatory limits, while ensuring that we uphold the highest standards of conduct. We are committed to going beyond compliance on important issues.

Listening and responding to our customers' needs and maintaining good international relations are also paramount.

In 2019, production increased to an average of more than a million portions of salmon a day, serving business customers – such as importers, food producers, large supermarkets and restaurant chains – in more than 30 countries across four key markets: USA (22%), Europe (37%), Eastern Europe (12%), and Asia (29%). As consumers in these markets increasingly demand peace-of-mind about the sustainability of the food they buy, our direct customers' demands have also increased. Recently we have found our strong sustainability record has strengthened our relationship with some of our most important

customers. We expect this trend towards transparency in responsible food-production to continue, and we understand that as well as meeting our ambitious production commitments, we also have a role in providing the information shared with consumers on these topics.

Communicating this, and demonstrating our commitment to producing healthy world-class salmon, responsibly and sustainably must remain a priority for us. This includes continuing to increase transparency and third-party certification to assure the sustainability and quality of our production. This is part of our Healthy Living Plan, championed by our Board.

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

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 local and international standards is critical for sustainable growth. It is our company policy to comply with all relevant laws and governmental rules and regulations where we operate, and the responsibility of all employees to adhere to the standards and restrictions imposed by those laws, rules and regulations. We strive to meet, and preferably exceed, the requirements of all relevant legislation. This

means demonstrating leadership on issues at a national and international level.

Our business relies heavily on the Faroe Islands' natural capital, so compliance, leadership and openness on environmental issues are key. When the [Faroeese Veterinary Standard](#) was introduced in 2003, a number of new restrictions were introduced to better control the farming environment. We cooperate with the environment agency and comply with all Faroeese environmental and aquaculture legislation, which covers minimum standards for production at each stage of the value chain.

Our farming licenses are subject to environmental impact assessments which guide part of our approach to reducing our environmental impact. We go beyond compliance by voluntarily signing up to, and conforming with, international standards (such as the ASC), to raise the bar for the industry as a whole on certain sustainability issues.

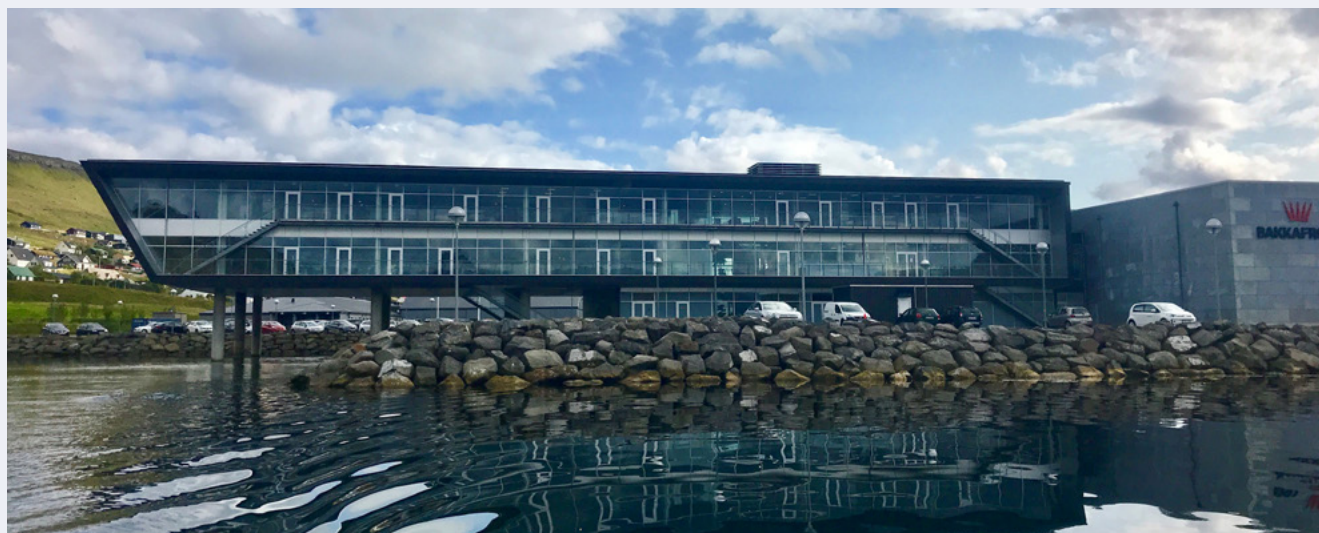
We have an ongoing commitment to have zero cases of non-compliance.

In 2019, we:

- Had zero cases of non-compliance (which we aim to meet again in 2020).
- Implemented measures to comply with the 2018 General Data Protection Regulation requirements, ahead of the new 2021 deadline for the Faroe Islands.

ETHICAL CONDUCT

It is important to go beyond compliance to ensure that we continue to uphold and promote good business practice throughout the value chain, consistent with our core values and principles. Our values guide our behaviour and approach to creating long-term value for our customers, shareholders



and society. For us this means acting responsibly, showing respect, and being persistent, efficient and ambitious.

These values are outlined in our [Code of Conduct](#), which aims to create a sound corporate culture. Our Code requires all employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. They must employ a fair and honest approach in every dealing with other employees and all external stakeholders.

Ethical conduct not only involves being a good corporate citizen, but also ensuring our suppliers meet our standards. Our suppliers are asked to adhere to our occupational health, safety and wellbeing, human rights, child-labour, and environmental standards, which are aligned with the ASC Standard.

Please see our [Code of Conduct](#) for more information on our anti-bribery and corruption, anti-money laundering and other standards of ethical conduct and how we evaluate our approach to ethical conduct through our Code.

Bakkafrost has an online mechanism through which members of the public can raise a complaint or [make a claim](#) about unethical or unlawful behaviour. Employees have the

opportunity to raise concerns through formal grievance and [whistleblower](#) programmes. This includes any concerns about ethical conduct, our failure to uphold our [Code of Conduct](#) or comply with, for example, food safety standards.

In 2019, we:

- Launched our updated [Corporate Responsibility Policy](#).
- Introduced a new whistleblower programme.

In 2020, we plan to update and strengthen our supplier standard, to reflect the increased focus on material issues of growing importance.

CUSTOMER SATISFACTION

Building long-term relationships with our customers is important if we want to maintain our position as a preferred supplier of world-class salmon in the marketplace. This means listening to them and meeting their changing needs and standards. One way we do this is through our annual customer survey, where we give all our customers an opportunity to give feedback on issues ranging from product quality and service to packaging. We have also been giving our customers

“At Lidl we have a commitment to source 100% of our seafood from sustainable fisheries or responsibly managed farms. Bakkafrøst meets the social and environmental requirements outlined in our policy, and in 2019 we were very pleased to increase our order with them.”

Martin Hesse, Purchasing Manager, LIDL

the opportunity to see our operations for themselves at our biennial Customer Summit. Over two days they visit our entire value chain and receive insight on a variety of topics including our quality and sustainability standards.

Our ongoing aim is to secure loyalty and trust from our customers by providing outstanding service through a reliable, efficient, and responsible approach. More information on our customer strategy can be found in our [Annual Report](#).

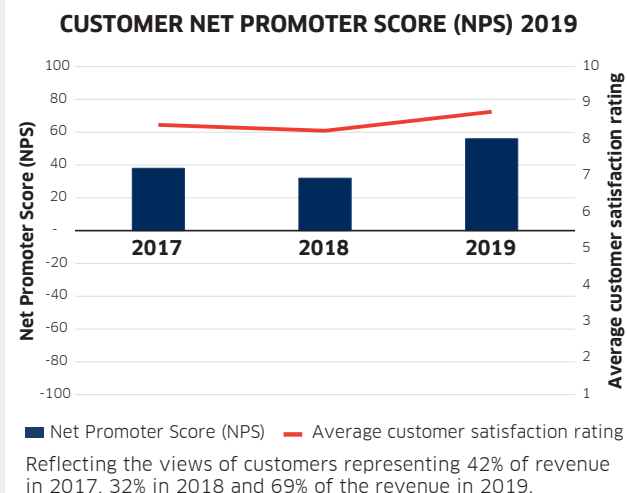
Bakkafrøst has been in a growth period for a number of years; this growth accelerated significantly since the lead-up to our listing on the Oslo Stock Exchange in 2010, and more recently with the acquisition of new companies in the US and the UK. As we grow and expand into new markets, our sales and customer numbers have increased in step with production.

While we respond well to increasing and changing customer demands - e.g. through new product development and a move towards third-party certification - we inevitably meet challenges along the way, some outside of our control. However, our commitment to maintaining long-lasting relationships has enabled us to address these, and to continue to grow our customer base, bringing our most loyal customers with us.

In 2019, we:

- Brought in new customers from the European and US markets.
- Started smoking our salmon in-house, launching our new product to the Faroese market.
- Continued to develop product lines to meet customer requests.
- Continued to build the Bakkafrøst brand, with branded sales to the US, European and Asian markets.
- Received a net promoter score of 8.76 (56). Please see page 23 for our customer scores on quality.

In 2020, as we continue product development, meeting customers' changing demands on packaging. We will also continue to build stronger relationships with our customers through closer engagement, through initiatives such as chef seminars and demonstrations in China, and our two-day Customer Summit in the Faroe Islands.



INNOVATION

As a relatively new industry, innovation is key to the development and growth of aquaculture. Investing in innovation and research and development is key if we are to meet changing customer demands, capitalise on opportunities, and sustainably forge ahead. As part of our ambitious growth plan, we have invested heavily in new technologies that have both helped us to manage risk (e.g. the non-medicinal sea lice treatment now carried by our service vessels - a technology we continue to optimise) and to exploit opportunities for growth and product development (e.g. circular solutions for waste management and for energy).

In 2019, we:

- Began building a new biogas plant - our largest investment into the circular economy to date - which will start receiving waste from our farms and Strond hatchery in the summer. See more on page 32.
- Continued transferring innovative technology, such as improved water recirculation at our hatcheries.
- Continued to develop the resilience of our Faroese salmon roe as part of our unique breeding programme.
- Continued our research into optimising feed quality and sustainability.

In 2020, we will begin operations at the new biogas plant.

INTERNATIONAL RELATIONS

The Faroe Islands maintain good international relations. However, there is ongoing public interest in Bakkafrøst'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 Aquaculture Association](#), of which Bakkafrøst is a member, has made a statement with our position signed by all farming CEOs.



Healthy business Building blocks for a sustainable business



Bakkafrost has the longest integrated value chain in the industry. In 2019, we continued to expand by opening our own smokehouse in the Faroe Islands and investing in a lumpfish company, which will provide cleaner fish for use in our sea farms.

As well as improving traceability in our value chain, bringing things in-house has strengthened our ability to control the quality of our end-product, and to ensure our social and environmental sustainability standards are met across production.

For example, our new smokehouse, which began operations in September 2019, will only use wood from certified sustainable sources and will reduce emissions from transportation. It has also increased employment opportunities for people from the local community. The new operation will produce around 250 tonnes of smoked ASC salmon each year.

Our investment into the Faroese lumpfish company will also enable us to optimise quality and fish welfare through closer cooperation with producers and researchers. We have already started stocking our pens with the locally-bred fish and anticipate the new company will be at full capacity by 2021.

These investments build on our announcement in 2018 to invest DKK 100 million to build a new biogas plant in the Faroe Islands, contributing renewable energy to the electricity mix which aims to be 100% green by 2030.

“Growing our value chain is a great way for us to reduce risk and capitalise on opportunities. We plan to use our latest investments as a way to further embed our Healthy Living responsible business principles.”

Høgni Dahl Jakobsen, CFO, Bakkafrost



Healthy people Performance review

STRATEGIC PRIORITY

- To be a preferred employer

2019 PERFORMANCE AGAINST OUR 2020 COMMITMENTS

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

2023 COMMITMENTS

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

2020 FOCUS

- Develop our apprenticeship programme
- Develop our company health offering
- Develop policy for gender equality and continue roll out of internal initiatives
- Strengthen human rights assessment

SDGs

- SDG 5 Gender Equality
- SDG 8 Decent Work and Economic Growth

WHY IT IS IMPORTANT

A healthy, capable and engaged workforce is fundamental for a healthy business. Our employees create and maintain our competitive advantage. This means we must invest in them and promote a healthy working culture that is built on strong values. We continuously strive to create an attractive and open company culture with meaningful jobs in a safe and sustainable working environment.

Our business initially comprised a number of Faroese salmon-farming companies and a local meal, oil and feed producer strategically consolidated over a number of years. In recent times, the business has expanded internationally to include a sales office in the UK, a small operation in the USA and, at the end of 2019, a sizable farming company in Scotland.

In this context, integration and adaptation have become a priority if we are to maintain consistent world-class standards. This means promoting an environment where people are able to learn new ways of doing things, and to understand and live by Bakkafrost's values. This will not only ensure we are able to continue growing the business, but are also able to evolve to meet the changing demands from our external environment.

Our culturally diverse workforce means that the company benefits from diversity of thought and a corporate culture of inclusivity. The aquaculture industry often involves physically demanding work, so ensuring the health, safety and wellbeing of our employees is also at the top of our list of priorities. We expect the same standards for everyone in our value chain.

By providing meaningful and safe employment opportunities we are contributing, whether to a larger or lesser degree, towards UN Sustainable Development Goals 5 and 8. Please see page 9 for more information.

HUMAN CAPITAL

We employ 1,108 (883 full-time equivalent) people across 25

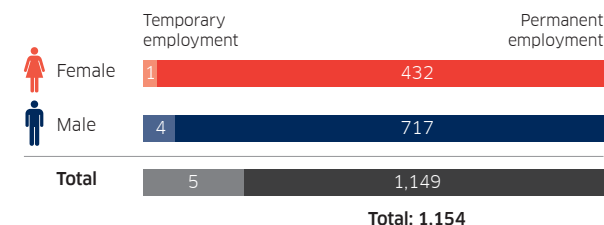
municipalities in the Faroe Islands; and a further 46 in our US and UK operations.

Our ability to have a diverse and inclusive workplace, to attract and retain talent and expertise, to build workforce competency, and to maintain high employee engagement, is the starting block for our human resources team.

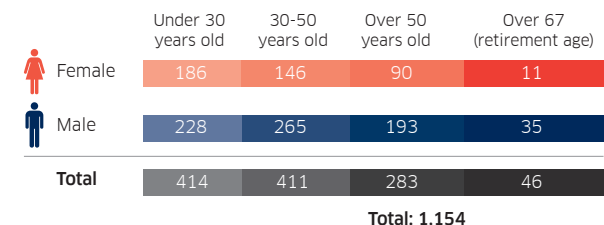
Our Code of Conduct outlines our approach to creating optimal working conditions and culture, including our commitment to create a professional and positive work environment which is inclusive and free from discrimination.

Unemployment rates in the Faroe Islands are among the lowest in the world at 1.7%. In 2019, the employment rate was high for both men - 87%, and women - 84% (source: [Hagstova Føroya](#)).

BAKKAFROST WORKFORCE 2019 BY TYPE OF EMPLOYMENT



BY AGE



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

In 2019, 12% of our Management Team (up from 7% in 2018) and 17% of our Board of Directors were female. According to a report, the average female representation on Faroese Boards was 27% in 2019 (Tróndarson, 2019).

We are increasing our focus on supporting gender equality in the workplace, which, in 2019 we accomplished specifically through training and communications.

Our HR policies reflect our commitment to value the expertise and contribution from all employee groups. This includes making provisions for individuals over the retirement age who wish to continue their duties. Attracting young talent is also a critical part of our employment strategy. We take on

“Ensuring equal opportunities at all levels of decision-making should be a priority for all organisations. Gender equality in the workplace makes clear business sense, and we have seen positive results here at Bakkafrost.”

Anna Johansen, Group Quality Manager, Bakkafrost Management Team

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 regularly go on to take up permanent jobs with us, and all apprentices are offered employment.

We also regularly host student visits to our headquarters and processing facilities. Every year, we are a main sponsor of the Faroese Jobmatch employment event. The networking conference gives students a window into the world of



aquaculture and has proved a great way to attract new talent and support student study, leading to the recruitment of highly-skilled candidates.

Employment rates in the Faroe Islands are the highest in Europe which, together with Bakkafrost's strong reputation, has led to good retention over the years. However, the low unemployment rates makes it more challenging to find lower-skilled labour and often leads to employment of seasonal workers such as students.

Because of this, we continue to have a high turnover in our production facility, where young people often work for a short period before moving on to further studies. This is very common in the Faroe Islands across the fisheries and



Suðuroy (Hvannhagi), Employee Hiking Day 2019

aquaculture industry. Nevertheless, finding new ways to reduce turnover will continue to be an area of focus for our employee strategy going forward. Data on our turnover can be found [online](#).

Giving our employees a voice is a key element of our people strategy. In 2019, we launched a new online corporate social media platform that very successfully replaced our intranet as a preferred communication tool. This gives every employee an opportunity to feedback and engage with colleagues at every level on anything from company news and social events, to current affairs. It has also proved to be an invaluable tool to share best practice on important topics such as health and safety, and sustainability.

We have also launched a new feedback mechanism in the form of an annual employee survey. See more on page 21.

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



Suðuroy (Hvannhagi), Employee Hiking Day 2019

We have also recently developed and begun the rollout of two-day line-manager training courses, delivered by external experts. These include guidance on topics such as leadership, diversity, communication and conflict management. Employees will also participate in external training and education when relevant, and we offer relevant development opportunities to our management team.

In line with our strategic priority of being a preferred employer and in recognition that a happy workforce is a stable and sustainable workforce, we have designed a market-leading benefits package for employees: all employees are eligible for bonus shares and, in 2019, 188 enrolled in a share saving plan. All permanent employees receive life, accident and critical illness insurance after three months' employment, and Bakkafrost not only meets national legislation on pension

provision and parental leave, it even extends the period of full parental pay for permanent employees. Employees are also offered free access to a gym and sport facilities.

We pride ourselves on our efforts to bring together employees from all parts of the business at various company-wide events throughout the year. These are not only opportunities for employees to get to know each other, but also a way to reward their contribution to our success with things that matter to them. At our annual Company Day, all employees from the Faroes come together to hear about our business priorities through presentations, to receive training, and to enjoy an evening of entertainment. During organised company hikes employees get the chance to meet each other and visit our operations; and at an annual Christmas celebration, employees and their families are invited to celebrate in the company's success with gifts and entertainment (in 2019 we held one in Glyvvar attended by more than 1000 people, and one in Suðuroy attended by over 200).

Following the success in previous years, in 2019, we organised two company hikes. Around 200 employees of all ages and abilities joined the CEO and knowledgeable guides for a hike in areas of outstanding natural beauty and their ears were fed with stories of the local culture and traditions while they fed their stomachs at a communal meal.

In 2019, we:

- Increased high-skilled hires across the business, with three new biologists at our hatcheries, two technicians at our biogas plant, and an experienced health and safety manager.
- Took in two long-term interns and three apprentices.
- Launched a new employee engagement survey, with 76% participation. See more on page 21.
- Continued our worker integration initiative, offering regular Faroese language classes to foreign workers.

- Launched a new employee online communication tool, taken up by 77% of the workforce, as part of increased efforts to create an open culture.
- Delivered new training modules to our farmers (including sustainability training).
- Begun the rollout of line-manager training to employees, starting with the foremen in our hatcheries.
- Increased guidance for our management team on diversity, inclusion and discrimination, with a training session from external experts. We also delivered diversity training to all employees on Company Day and made it an integral part of line-manager training. This is part of our increased efforts to promote an open and inclusive working environment.
- Ran an event at head office on World Environment Day where the CEO communicated our updated Sustainability and Corporate Responsibility Policy. This was also communicated to employees on Company Day.
- Continued work 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. See page 45 for more.

In 2020, we will continue to strengthen our human capital. As well as building our apprentice programme, we will bring in another biologist to work on fish welfare and quality in our hatcheries. We will continue to roll-out line-manager training across the business and strengthen our approach to promote diversity and gender equality in the workplace, through a new policy.

We will also launch an internal sustainable behaviour campaign, to support our environmental commitments.



Gjógv, Employee Hiking Day 2019

HEALTH, SAFETY AND WELLBEING

At Bakkafröst we are committed to continually improving the standards of occupational health and safety and to creating a healthy working culture. The Board of Directors has overall responsibility for this topic and it is a standing agenda point at all meetings.

In our Code of Conduct, we outline our commitment to our employees to create a good and sound working environment and to systematically seek to attain an injury and accident-free workplace. In order to do this, we have adopted a set of 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 emergency preparedness procedures in place for all relevant sites – for example for fires, personal injury or illness, man overboard etc. – and we carry out risk assessments at all our sites which includes hazard identification.

We conduct internal audits annually across our entire value chain – meal, oil and feed production, hatcheries, farming

sites, and our harvest and processing plant, which are also externally audited and certified to the [GLOBAL G.A.P. standard](#). This includes strict minimum worker health safety and welfare requirements, including regular employee training and safety maintenance. Our large service vessels are audited against the [International Safety Management code](#).

Our 14 ASC-certified farming sites have had additional audits, to ensure international standards on health and safety in the work environment are met. Recommendations from audits at specific sites are typically rolled out across all our farms. This has been the case with fire safety, where we have now implemented protocols which go above and beyond national regulations, and with the introduction of more frequent emergency preparedness training at farming sites. We also have [ASC Chain of Custody](#) covering Processing and Harvest.

We promote employee health and safety through a number of protective measures (e.g. protective clothing), and preventative measures (e.g. our various local safety working groups which report to our Health & Safety Board). All sea farmers and seafarers are required to have health checks every two years (at the company's expense) to ensure they are fit for work.

Employee wellbeing is promoted through our internal policies. Ergonomic design is central to all new building projects (and is evident in our state-of-the-art production plant, head office and new Strond hatchery). We are dedicated to ensuring reasonable working hours and to providing extra-curricular activities like access to gyms, running races, company hikes and volunteering opportunities.

In 2019, we:

- Had zero fatalities and further reduced our lost time injury rate.
- Continued to focus on health and safety, increasing

resource and capability by hiring a dedicated expert onto our management team.

- Continued health and safety training, including at our annual Company Day (attended by around 80% of employees).
- Further improved health and safety reporting.
- Continued to upgrade our land sites with physical wellbeing in mind.
- Increased safety measures in hatcheries with a new alarm system.
- Continued to give employees the opportunity to provide feedback through local working groups.
- Carried out an employee engagement survey, which ranked us above average for employee working conditions (see more on page 21).
- Included employee health, safety and wellbeing as a critical element of our updated employee strategy.
- Offered employees the opportunity to participate in the Klaksvík Royal Run, in which around 170 employees participated.
- Organised two company employee hiking events (in Gjógv and Suðuroy) to promote health and wellbeing and personal connections within the business, with around 200 participants.
- Gave employees the opportunity to volunteer at our annual beach clean-up, to maintain the pristine environment around our fjords.

In 2020, we will continue to improve the company's safety culture through an increased focus on risk management, for example reporting near-misses, sharing best-practice and knowledge on our new employee communication platform (accessible to all employees), and increasing management safety briefings at site visits. We will also aim to further reduce the number of personal accidents through stronger

BAKKAFROST FAROE ISLANDS LOST TIME INJURY RATE

LTIR PER MILLION WORKING HOURS

28.74 **13.07** **10.23**
2017 2018 2019
(including UK and US)

Please see our [sustainability pages online](#) for our farming division LTI data reported in the 2018 report, more health and safety indicators, and our basis for reporting. UK numbers do not include SSC.

prevention measures, by the implementation of a new Safety Management System, and will begin preparing the business for the ISO45001 certification.

Please refer [to these pages](#) where we disclose further health, safety and wellbeing data.

HUMAN RIGHTS

We respect the protection of all internationally recognised human rights and make sure that we are not complicit in human rights abuses.

We respect freedom of association and right to collective bargaining and do not engage in any trafficked, forced or compulsory labour, including the exploitation of children as a labour force. 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 the union representatives, for example to ensure our employees earn fair living wage in accordance to collective agreement.

We meet with unions regularly and strive to have a good and constructive relationship with them. Employee representatives are given time off from work to fulfil their duties (including three-day training courses).



Bakkafrost has a grievance procedure in place and we have also introduced a whistleblower program that is promoted and accessible to our employees.

Our discrimination policy is in accordance with the [ILO conventions](#). Discrimination in the workplace is not tolerated, and we have policies and procedures in place to deal with complaints of discrimination.

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

In 2019, we:

- Had 90% of Bakkafrost employees covered by collective bargaining agreements (the remaining 10% are either highly-skilled managers or specialists).
- Did not receive any internal or external whistle-blower reports, relating to human rights, discrimination, or forced/child labour.

In 2020, we plan to develop our supplier auditing programme, including strengthening our assessment of supplier compliance with our standards on human rights.



Healthy people Listening to our employees

In 2019, for the first time, all Bakkafrøst employees were given the opportunity to make their voice heard through an online employee engagement survey.

76% of employees provided feedback, which we believe will help us strengthen our human capital.

We invited our workforce to feed back across a range of parameters, including: working conditions, remuneration, learning and development, management and reputation.

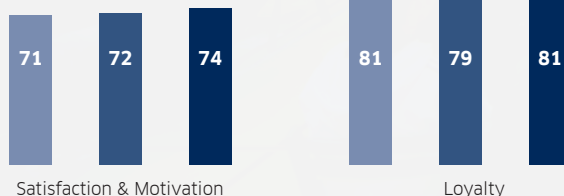
These all contribute towards employee satisfaction and motivation and employee loyalty, as overall indicators of employee engagement. Bakkafrøst scores were very slightly below average for the sector for satisfaction & motivation and slightly above average for loyalty.

Bakkafrøst performed above average both for the beverage and food sector in the Nordic region on scores relating to senior management, which were considerably higher than the benchmark. We also scored above average on working conditions.

Through initiatives such as team action plans, we are making a commitment to improve areas on which we didn't score so well.

Bakkafrøst added an additional parameter for sustainability, which along with scores on senior management, was the area with the highest scores.

"Overall, we were very pleased with the results from the survey, and have made a commitment to employees to follow up with them on the areas we could be doing better. Already we have made a commitment to improving line-manager training on topics such as leadership, diversity, conflict management and communications." Heini Kristiansen, HR Group Manager. See more commitments made to our employees under Healthy people on page 16.



■ Bakkafrøst
■ GELx Food & Beverage Manufacturing - Nordic countries
■ GELx Denmark

My company takes responsibility for its role in the achievement of the UN Sustainable Development Goals

80

I'm aware of my company's sustainability (environmental, social and economic) objectives

82

I understand how I can contribute towards achieving my company's sustainability (environmental, social and economic) objectives in my role

77



Healthy salmon Performance review

★ STRATEGIC PRIORITY

- To exceed leading standards

📊 2019 PERFORMANCE AGAINST OUR 2020 COMMITMENTS

- Maintain our high omega-3 levels ●
- Maintain high customer satisfaction with product quality ●
- Reduce fish mortality to 6% ●
- Have ASC certification across all sites (by end of 2020) ●
- Further develop and implement non-medicinal treatments with high focus on fish welfare ●
- Have zero fish escapes ●

🎯 2023 COMMITMENTS

- Maintain our high omega 3 levels
- Remain antibiotic-free
- Maintain salmon survival rate at 94% or above
- Increase research to optimise fish welfare and product quality
- Maintain industry-leading approach to animal welfare
- Reach and maintain ASC certification of all Bakkafröst salmon

🔍 2020 FOCUS

- Continue strengthening our responsible approach to delousing
- Begin exclusively sourcing roe with improved tolerance for PMCV
- Hire another biologist for our freshwater sites
- Audit all remaining farming sites in the Faroe Islands to ASC standard
- Certify US operation with the BRC standard
- Implement a new internal control management system

🌐 SDGs

- SDG 2 Zero Hunger
- SDG 6 Clean Water and Sanitation
- SDG 14 Life Below Water
- SDG 17 Partnerships for the Goals

WHY IT IS IMPORTANT

Aquaculture has been identified as one potential sustainable solution to meet the increasing demand for nutritious protein to feed the growing population. Farmed salmon is among the healthiest proteins due to its high long-chained omega-3 fatty acids, vitamin D, selenium, and B vitamins content. However, for production to be sustainable, it must be conducted responsibly, in a way that minimises potential negative consequences.

The Faroese fjords provide optimal salmon farming conditions due to the location, size and organisation of the industry. The consolidation of the Faroese salmon industry – from 63 farming companies in 1989 to three in 2017 – has made it easier to coordinate biological improvement, ensure effective cooperation with the authorities, and share knowledge to address risks such as sea lice and disease.

The unique [Faroese Veterinary Model](#), introduced in 2003, brought with it strict regulation, tightened controls, and promoted voluntary segregation of farming sites and operations. This had a revolutionary impact on fish health and welfare standards across the Faroes which combined with additional company efforts, not only increased survival rates from 18% to 6% between 1993 and 2010, also increased the harvesting weight of Faroese salmon by 20%. Over the same period there was a decrease in the feed conversion rate of 2%, and an improvement in productivity of over 40% (source: www.industry.fo).

The industry still faces challenges, however. Tackling sea lice and diseases such as pathogenic ISA and gill health, remains

a priority for salmon farmers, both in the Faroe Islands and further afield. Addressing these risks to ensure the quality and safety of our salmon while striving to maintain the highest health and welfare standards, has also called for a high degree of voluntary coordination between companies and large investments in new technology for continuous improvement. We expect that changing farming conditions will also give rise to new challenges which will come into greater focus over the coming years.

Producing high-quality, safe, nutritious and healthy salmon is also important for human health, to meet nutritional needs without inadvertent impacts.

Through our focus on a responsible approach to aquaculture, we are contributing, whether to a larger or lesser degree, towards UN Sustainable Development Goals 2, 6, 14 and 17. Please see page 9 for more information.

PRODUCT QUALITY AND HUMAN HEALTH

Maintaining world-class quality remains our top priority. Our salmon provides a nutritious, efficient and sustainable source of animal protein, high in long-chained omega-3s. Every step of our production is focused on maintaining the highest standards to avoid contaminants, while providing high nutritional value for human health. With forty years of salmon farming experience, we understand that the quality of our product relies not only on perfect environmental conditions, the highest health and welfare standards, but also on top-quality feed.

We aim to provide our salmon with a diet as close to the

natural diet of wild salmon as possible. We believe this provides measurable benefits, including the healthier nutritional value of our end-product. The vertical integration of our fishmeal, oil, feed and salmon production gives us an advantage of sourcing the highest quality marine ingredients from well-managed North Atlantic fisheries for our feed. This enables us to use a high percentage of sustainable marine content which gives our salmon a high content of long-chained omega-3 fatty acids, known to be effective in the prevention of cardiovascular diseases. In 2019, we had a mean omega-3 of 2.7g per 100g of salmon fillet. We conduct ongoing research through small and large-scale trials to continue to develop optimum feed products, for optimum quality and health.

We have a good track record when it comes to minimising pollutants. In 2015, we were the first company to start filtering environmental pollutants (dioxin and dioxin-like PCBs) from the fish oil we produce for our feed, despite it being already well within EU safety limits. Our feed remains free from medicine, growth-promoting hormones, and any salmon meal offal or waste from any other farmed species. We remain far below all the limits in the EU directive on undesirable substances in animal feed. Our dioxin and dioxin-like PCBs remain well within EU limits but we continue to look for new ways to further reduce these undesirable substances in our salmon.

We only add natural antioxidants into our fishmeal and fish oil products to protect them from oxydation and maintaining their nutritional quality. It is free from ethoxyquin.

Our strategic priority is to meet and where possible exceed leading standards, which includes food safety standards. We have robust food safety and quality risk assessments, systems and controls implemented throughout the value chain. Quality assurance and control is integrated in every step of production. This involves daily testing and monitoring



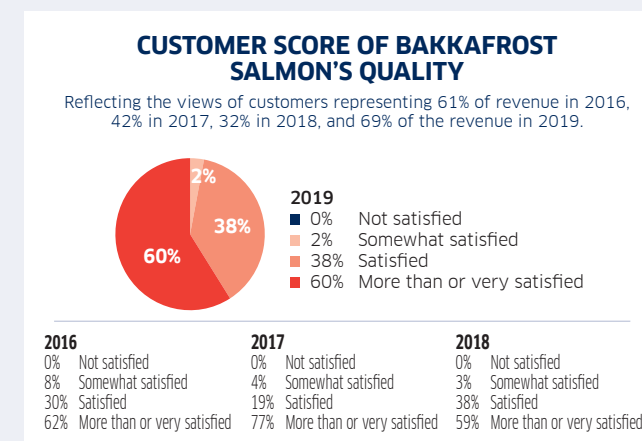
of our product, to ensure it complies with Faroese and international health and food safety regulations.

We focus on [HACCP](#) (Hazard Analysis and Critical Control Point), with risk management, traceability and monitoring of undesirable substances in all operations. We routinely send product samples to be tested by third-party laboratories to validate the effectiveness of our food safety programs. We also ensure employees receive appropriate training in food safety and quality.

Our small processing operation in the US is registered with the FDA and has a supplier verification procedure in place to ensure all domestic and foreign suppliers meet our leading standards in product safety and quality.

We adhere to various standards and certification programmes and our comprehensive internal control system is regularly inspected by the authorities. 100% of our products and our

entire value chain are covered by third-party certification, which includes high international food safety standards. See more under Collaboration and Certification on page 26.



In 2019, we:

- Maintained high omega-3 levels: mean of 2.7g per 100g.
- Increased customer satisfaction with product quality.
- Conducted HACCP food safety and quality training for employees.
- Further reduced dioxin levels.
- Did not use formalin in our hatcheries, relying instead on good husbandry and the use of natural saltwater treatments when necessary.
- Further improved the quality of our feed, enhancing nutritional value to improve growth performance and health.
- Please see [our pages online](#) for more data on dioxin and dioxin like PCB levels.
- Please page 10 for more information on nutritional values of our salmon.

In 2020, we will remain committed to maintaining our high omega-3 levels and our high customer satisfaction with product quality. We also remain antibiotic-free.

FISH HEALTH AND WELFARE

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

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

investments in this area, the results of which we see in the quality of our final product.

We have a growing team of specialised veterinarians, biologists, and assistants all dedicated to animal health and welfare. We are always looking for new ways to optimise welfare, while also respecting the natural environment and maintaining a focus on human health. This is considered in the prevention and treatment of diseases and sea lice. Our plan is to continue to increase highly-skilled farming resources.

We have produced our salmon free from any antibiotics since 2004, and no longer use in-bath medical treatments.

We now use cleaner fish (lumpfish) to prevent louse infestation when stocking sea pens at all but one of our sites, where the conditions are not currently suitable for the lumpfish. We have found this has minimised the need for other treatments over the course of the salmon's life. The use of lumpfish in salmon farming is still relatively new, so ensuring their welfare is of utmost importance to us.

As part of our investment plan, we have invested heavily in other non-medicinal methods such as freshwater, thermal

and jet delousing. We are committed to developing and implementing non-medicinal treatments of sea lice with does not negatively impact fish welfare. Through a number of measures, such as improved monitoring and minimising stress during handling, in 2019, we reduced our sea lice count and substantially increased survival rates from the year before. We continually monitor sea lice levels which we report publicly to the authorities every two weeks.

Our biosecurity strategy has also led to substantial investments to upgrade existing and build new freshwater sites on land (such as our largest site at Strond), giving us the possibility to increase the average size of our smolts to 500 grams (which we aim to do by 2022) before putting them out at sea. Reducing time spent at sea will increase production capacity and reduce biological risk.

We source from selective breeding programmes to improve fish resilience, we vaccinate all our fish, and take part in systematic group-wide biosecurity auditing. Our fish health team and veterinarians regularly inspect and test all farms and hatcheries, and the authorities conduct regular sample testing.

Through our adherence to the 2003 Faroese Veterinary Model regulation, we commit to various salmon welfare measures, such as meeting limits on fish stock density (outlined over the page), which we are decreasing at our new site through larger nets. We have veterinary health plans for every site that receives ongoing biosecurity training, which includes welfare guidelines on crowding and loading.

ATLANTIC SALMON MORTALITY RATE 2019

4.57%

2018: 11.56%
2017: 8.96%

For historic data, visit
globalsalmoninitiative.org

SEA LICE COUNT 2019

0.43

2018: 0.47
2017: 0.7
2016: 0.8

Average over 12 months of female adult lice across all sites. For more information on fallow time and medicine use, please visit [our pages online](#) Carried out by an independent third party.

MAIN CAUSES OF REDUCED SALMON SURVIVAL

2019

- Unpreventable technical accident at a hatchery.
- Farming accidents at sea farm.
- CMS (Cardiomyopathy syndrome).

FAROESE LEGAL DENSITY LIMITS

< 1 kg	10 kg/m ³
1 - 2 kg	15 kg/m ³
2-3 kg	20 kg/m ³
3 kg <	25 kg/m ³

While we always observe legal density limits, we make decisions relating to optimal density within this limit based on other factors such as water quality and flow.

“Fish health and welfare is of the utmost importance to us. In 2019 we have strengthened our human capital, infrastructure and procedures to reduce mortality rates at each stage of a salmon’s life with us. This has had very positive results – we more than halved mortality from 11.56% in 2018 to 4.57% in 2019.”

Jón Purkhús, Farming Manager

Our very short distance (average of 22 nautical miles) from farm to harvest reduces potential stress encountered during transportation, and our employees are trained to minimise the stress experienced during transportation, with measures including dietary preparations three days before transportation, and careful loading. When the fish reaches our harvest plant they are automatically stunned before immediate slaughter.

Nevertheless, we continue to look for new ways to improve fish welfare. As well as increasing data to optimise fish wellbeing, in line with new legislation, we have also increased the frequency of veterinary site visits and continued to improve screening to identify and reduce potential pathogens in our stock. This is improving our ability to manage risk through preventative measures and early interventions.

We have and will continue investing in highly-skilled people focused on improving fish welfare.

In 2019, we:

- Reduced mortality rates by more than 50%, with mortalities from transport of smolt to sea at a five-year low.
- Further reduced the number in mature lice through preventive measures and improved non-medicinal delousing methods, with a greater emphasis on fish health and welfare.
- Put the first generation of our exclusive Faroese breed offspring out to sea at commercial sites.
- Hired three biologists to work on fish welfare and quality at hatcheries.
- Further strengthened smolt vaccination system in hatcheries.
- Started operations at a new farming site with reduced density pens.
- Reported the following notifiable diseases to the

authorities: BKD and Furunculosis, where we performed early interventions.

- Detected no ISA or PD pathogens.
- Detected PMCV.
- Rolled out lumpfish to all possible sites with broadly successful delousing results.
- Increased efforts to improve lumpfish welfare with new vaccinations, new feeding systems, through participation in a three-year research project to optimise feed, and by starting to stock locally-bred lumpfish to reduce stress from transportation.
- Began project monitoring salmon stress levels when entering processing facilities.
- Continued our focus on optimum oxygen levels.
- Relocated sea farming sites to more exposed areas, increasing water flow and oxygen levels.
- Maintained low levels of SLICE lice treatment.
- Introduced a new harvest method in our factory in Vágur.

In 2020, we will continue strengthening our responsible approach to delousing, we will begin sourcing all roe with exclusive improved tolerance for PMCV, and hire another biologist for our freshwater sites. We will continue to strengthen our approach, to maintain an industry-leading approach to animal welfare.

Please see Healthy Environment for more on biosecurity in the context of biodiversity.

COLLABORATION AND CERTIFICATION

We recognise that collaboration with the salmon industry is critical if we are to address the systemic sustainability challenges we face. We were instrumental in the formation of the [Faroeese Aquaculture Association](#), specifically set up to promote a joint approach to the 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.

As part of this collaboration, we have committed to having all our sites certified by the [Aquaculture Stewardship Council](#) (ASC) by the end of 2020. Sites with certification at the end of 2019 were: A-25 Gøtuvík • A-06 Gulin • A-71 Funningsfjørður • A-57 Fuglafjørður • A-12 Kunoyarnes • A-04 Lambavík • A-13 Borðoyavík • A-21 Hvannasund Suður • A-73 Hvannasund Norður • A-18 Hov • A-05 Undir Síðu • A-81 Kolbeinagjógv • A-19 Vágur • A-85 Nes.



As well as this, we conduct internal audits at all sites, and also subscribe to a number of other external standards and certification programmes to ensure product sustainability, quality and safety and employee health and safety (see below).

In 2019, we:

- Doubled our number of ASC certified sites from seven to 14, which provided 80% of salmon harvested that year.
- Passed 100% of audits across our various certification programmes.
- Certified our Bakkafrost USA processing operation to the [ASC Chain of Custody standard](#).

In 2020, we aim to audit all remaining farming sites in the Faroe Islands to ASC standard to meet our GSI commitment and certify our US operation with the BRC standard. We will also begin preparations to certify the business against ISO14001.



Our fishmeal, oil and feed production at Havsbrún, also hold multiple certifications. All units are certified to ISO9001:2015, and the meal and oil division is certified according to the GMP+ standards, the IFFO RS certification and the MSC Chain of Custody standard. Our salmon meal and oil production also has GMP+.



Our harvesting and value-added product (VAP) production has the ASC Chain of Custody certification and our VAP production is certified according to the BRC and IFS food safety standards.



Our feed production, broodstock, hatcheries, farming sites, and harvesting and processing plant, are certified according to the international GLOBALG.A.P. standard which focuses on food safety throughout production, fish welfare, health and safety, and environmental management. Our value chain also has the Ohne Gentechnik Non-GMO add-on.



FISHMEAL



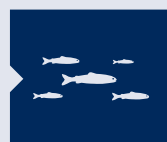
FISH OIL



FISH FEED



BROODSTOCK



HATCHERIES



FARMING



FSV



HARVESTING



PROCESSING



PACKAGING



SALES/MARKETING



Healthy salmon Promoting sustainability in Asia



“We will guide Chinese consumers to think more about responsible seafood choices that help protect the marine environment, workers, and communities.”

Huang Lin, Hema's Purchasing Director.

In May 2019, in an industry first, Bakkafrøst signed a contract with Chinese retailer Hema Fresh to work towards only selling [ASC certified](#) Atlantic salmon. Bakkafrøst's Sales Director Símun Jacobsen worked with Hema on a deal to distribute Bakkafrøst ASC salmon across Hema's distribution network of over 150 stores and online channels.

The move aims to raise awareness of sustainable food production and influence consumer behaviour.

“ASC certification requires farms to be transparent, to minimise their environmental impacts and to promote positive outcomes for workers and communities. Thanks to Bakkafrøst's contract with Hema, now even more consumers in China will have access to responsibly produced salmon.” Songlin Wang, ASC China.

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.

In 2019, we doubled the number of ASC certified sites from seven to 14, which provided 80% of salmon harvested that year. We have made a commitment to reach ASC certification of all Bakkafrøst salmon by the end of 2020.



Healthy environment Performance review

★ STRATEGIC PRIORITY

- To minimise our environmental impact

📊 2019 PERFORMANCE AGAINST OUR 2020 COMMITMENTS

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

🎯 2023 COMMITMENTS

- Increase size of smolt released to 500gm
- Become certified against ISO14001 environmental standard
- Have zero fish escapes
- Optimise feed strategy to maintain industry-leading FCR
- Continue research into sustainable feed ingredients
- Investigate new sustainable marine sources for fishmeal
- Measurably reduce environmental impact from packaging
- Have above 97% water recirculation rate in hatcheries
- Reduce scope 1 & 2 CO₂ footprint from Faroese operations by 50% by 2030
- Set scope 3 CO₂ reduction target in 2020

🔍 2020 FOCUS

- Begin implementing environmental standard ISO14001
- Investigate new methods to minimise negative impacts on biodiversity
- Continue to develop our feed in line with our customer needs and sustainability priorities
- Strengthen our approach to waste management
- Reduce water use at our production facilities in the US
- Commence work to achieve our CO₂ reduction commitment

🌐 SDGs

- 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

WHY IT IS IMPORTANT

The Faroe Islands provide exceptional conditions for salmon farming; with excellent water quality and circulation due to strong currents and cool steady sea temperatures, we are able to produce world-class salmon.

Although salmon aquaculture has comparatively low CO₂ emissions compared to other animal protein groups, and while Bakkafrøst has an industry-leading feed-to-food conversion ratio, farming has an impact on the environment. Minimising this impact remains a priority for us.

The islands boast rich biodiversity, with particularly abundant bird and marine life. The nation relies heavily on income from fishing and, increasingly, tourism. Minimising the impact from our activities and maintaining the pristine environment around our 20 farming sites across 16 of the islands' fjords, is of paramount importance. Respecting biodiversity beyond the immediate environment is also incredibly important, including the areas we source our feed ingredients from.

Bakkafrøst has operations in many communities throughout the 18 islands where, typically, industry and island inhabitants have grown up, side-by-side. This unusual setup means that communities are unavoidably impacted by us, whether by the noise and smell of operations (particularly from fishmeal, oil and feed production), competition for water (where we have freshwater hatcheries), or by-pollution from production, traffic and effluent water.

As well as our operational emissions, we also produce our own packaging and rely on various production equipment, so it is also important for us to consider how our operations contribute to the world's waste problem.

While our CO₂ footprint is relatively low as an industry, we know the growing threat from climate change could significantly impact our industry in the future. Changes in weather patterns (with more frequent storms), ocean acidification and increasing water temperatures all pose a risk to the industry.

Bakkafrøst has the longest fully integrated value chain in the industry. This gives us a unique level of control over our impacts. Our processing plant is only 17km away from our fish feed production, the closest farming site is only 5km away, and the majority of our other farming sites are within a 25km radius.

All of our marine ingredients are sustainably sourced and come from the Faroe Islands, Iceland, Denmark or Norway. This considerably minimises the carbon emissions in our value chain and gives us unique traceability.

However, we also rely on some feed ingredients to be imported across continents, and we export to markets globally, so managing our upstream and downstream impacts is an increasing area of focus for us.

Whether to a larger or lesser degree, we are working towards the issues being addressed in UN Sustainable Development



Goals 6, 7, 9, 12, 13, 14 and 15. Please see page 9 for more information.

LOCAL POLLUTION

We are committed to 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. We are investing in a number of environmental initiatives to reduce these impacts.

Conserving the natural capital we rely upon to produce healthy salmon is vital, so we continue to look for new ways to manage our impact and reduce local pollution. We regularly send information and are inspected by third parties such as the veterinary authority or the environment agency to ensure we stay within limits and continue to minimise pollution. For example, we take samples of the seabed (when

the biomass is at a maximum) to be analysed for zinc content, and other measures of pollution. These limits can be found online at the [Faroe Environment Agency website](#).

On the occasions that our pens exceed limits, we take immediate measures based on recommendations from the authorities, including relocation of pens. We always follow improvement plans for pens which show indications of being close to the limit to avoid overloading the seabed.

As well as complying with strict local environmental regulation, we go beyond this by adhering to minimum voluntary requirements as part of the [international ASC standard](#). We remain focused on addressing our impact on the fjords and will continue engaging stakeholders in this area.

Example measures taken to minimise impact on fjords

- Observe, and where necessary exceed the 8-week national requirement for fallow periods between production cycles to allow the seabed to regenerate (we had an average 17 week fallow period in 2019 to allow for recovery).
- Relocation of pens, on rare occasions when tests indicate a high level of seabed loading.
- Filter effluent water from production at our processing plant.
- No in-bath chemical treatment of sea lice in favour of preventative and mechanical methods.
- No use of diflubenzuron in delousing treatments.
- Minimised use of medicine in feed.
- Relocation of farms to more exposed areas with stronger currents.
- Discontinued all use of copper-treated nets in 2018.
- Investment in cameras to monitor feed intake.
- Monthly testing of seawater quality to monitor levels of phosphorus and nitrogen.

No hydrogen peroxide was used by us in the Faroe Islands in 2019.

Our fishmeal, oil and feed production in Fuglafjørður has grown up in close proximity to local residents. We are engaged in ongoing efforts to minimise smell and noise pollution from the plant. From time to time we also receive complaints from residents regarding the noise from our farming operations. We always investigate these and take actions to remediate. Notably, in 2019, we updated equipment on our feed barges to minimise noise at one of our sites, and implemented reduction measures on biofilters on the fans at our new hatchery in Strond.

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

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

In 2019, we:

- Hired a new manager into our quality and technical team to progress our approach to environmental management, with a focus on minimising pollution from our operations.
- Continued optimising feed distribution, completing the roll out of cameras at all our sites (last one in January 2020), to reduce the build-up of waste under the pens, which can cause zinc build-up. We also began installing new detectors to further improve feeding efficiency and reduce build-up.
- Had more than 90% of our frames assessed as having a low or medium impact on the seabed, according to the B-survey in the national assessment guidelines.
- Continued to avoid all use of medicinal in-bath treatment on our salmon.
- Conducted noise impact analysis in Fuglafjørður, introduced a new waste-water treatment system and reduced odour coming from Havsbrún.
- Had no cases of non-compliance with environmental laws and regulation. We continue to cooperate with the authorities to ensure we minimise the impact from our activities on the benthic productivity in the fjords.

In 2020, we will continue our work to embed the principles of the UN Global Compact into our value chain. We plan to begin implementing environmental standard ISO14001

across our operations in the Faroe Islands. We will also begin implementing solutions to reduce some of the largest sources of noise in Fuglafjørður. Continuing to explore offshore option which, in the future, could further reduce our nearshore environmental impact also remains a priority.

BIODIVERSITY

We must work to ensure our operations do not negatively impact or contribute 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.

All our farming sites are located in the Faroese fjords, which are rich in marine and bird life. Taking precautions to avoid spread of potential disease outbreaks and sea lice to and between farmed and wild fish populations is incredibly important for us, not only to ensure the health of our salmon, but also that of wild fish populations (despite the low threat of salmonid diseases on other fish families).

Avoiding fish escapes is an ongoing challenge for us. The Faroe Islands are at the mercy of fierce Atlantic storms, that have been known to damage our nets, causing escapes. We report all suspected escapes to the veterinary and environmental authorities immediately. As well as improving equipment, incorporating practices to reduce the risk of introducing infectious diseases across production, we are also reducing the time salmon spend at sea – through our large smolt strategy – and holding regular third-party inspections to ensure compliance with Faroese legislation.

We also implement measures to reduce our impact on birds and marine mammals (impacts that we report publicly), such as covering the pens with high visibility nets to avoid bird incidences and introducing monitoring and controls to reduce seal mortality.

Aquaculture in the Faroe Islands does not negatively affect any of the critically endangered or endangered species in the Faroe Islands listed in the [IUCN red list](#).

Please see our [webpages](#) and the [Global Salmon Initiative](#) website for further information regarding our impacts on biodiversity.

We ensure that the plant proteins and oils in our feed are all non-GMO, and the soybeans are [Pro-Terra certified](#), which is our way of ensuring it is sourced responsibly and sustainably. We also prioritise the sourcing of North Atlantic certified marine ingredients (much of which is a co-product), to avoid pressure on wild fish populations. We will continue to review risks relating to the sourcing of our feed ingredients.

We only use wood certified sustainable in our smokery and FSC paper in our own-brand products.

In 2019, we:

- Had an incident where 141,564 fish escaped as a result of extreme weather.
- Continued re-evaluating our procedures for checking our nets to further minimise the risk of escapes. A new camera system (linked to new mechanical cleaning of our nets) was introduced as an additional measure, and we have continued updating our netting with one of the most durable products on the market.
- Worked with national the Aquaculture Research Station of the [Faroes Fiskaaling](#), on a project to build knowledge on interactions between farmed salmon and the wild trout population.

In 2020, we will continue our efforts to avoid fish escapes and investigate new methods to minimise the impact from our activities on local seal and bird populations.

SUSTAINABLE FISH FEED

Raising healthy, nutritious, world-class salmon relies on high-quality feed. Our salmon feed has a higher marine content than many of our competitors, this makes the sustainable and responsible production of fishmeal, oil and feed, at our subsidiary Havsbrún, all the more important. This includes how we source all raw materials. The fishmeal and fish oil that goes into our feed comes from sustainably sourced fish with low-food-value and a low-market demand for direct human consumption and increasingly co-products from species fished for human consumption caught by Faroese, Icelandic, Danish or Norwegian boats.

Whilst the feed industry has been focusing on the reduction of marine raw material ingredients, Havsbrún (our meal, oil and feed subsidiary) has chosen to continue a high inclusion of marine raw materials in feed, as we believe this not only increases its nutritional value, but is also a more sustainable approach given our unique geographic circumstances. Using certified, North Atlantic marine raw materials provides us with good transparency in the supply chain. We believe having a high inclusion of these ingredients is also more environmentally sustainable – with comparatively low demand on freshwater and land for production than plant proteins, as well as reduced transportation. It also has a meaningful socio-economic impact for the Faroese community.

We conduct research into optimal feed composition and how this influences feed utilisation, growth performance and quality changes in the final salmon product. Our biological feed factor remains even lower than the industry average, at 1.12 in 2019 (the [Global Salmon Initiative](#) members have a range from 1.2-1.5kg). We remain focused on keeping this figure as low as possible through our feed development and distribution strategy.

In 2019, we increased the proportion of the fishmeal in our feed that derives from fish trimmings and off-cuts to almost a third, up from a quarter. We roughly maintained the use of co-products in fish oil at more than half. These species are all caught in well-regulated legal fisheries. We continually monitor the risk of using a high proportion of marine raw materials in our feed, observing potential implications of migrating North Atlantic fish stocks. To mitigate these risks, we continue to use approved co-products and look for new co-product-based marine proteins. Our close relationship with the suppliers of our marine ingredients increases our opportunities to further develop and introduce new products to improve the quality and sustainability of our fishmeal.

The plant proteins and oils in our feed are all non-GMO, and the soybeans are [Pro-Terra certified](#), which is our way of ensuring it is sourced responsibly and sustainably. Our

suppliers are actively involved in sustainability programmes aimed at protecting areas of rich biodiversity. All our rapeseed oil (originating from the EU and Eastern Europe) is certified sustainable and we do not use palm oil in our feed. Please see our [sustainability webpages](#) for more information on the source of marine products going into our feed. Please note, there is a very small variation in content for Bakkafröst feed, which made up around 80% of all feed produced and sold in 2019 by Havsbrún.

In 2019, we:

- Increased the proportion of marine raw-materials in our feed coming from co-products of fish destined for direct human consumption by almost 6%.
- Voluntarily signed up to the [Ocean Disclosure Project](#) to further increase transparency and focus on sustainable sourcing of marine ingredients.
- Began participation in a Horizon 2020 project in collaboration with EU Fishmeal to continue exploring alternative sources (such as mesopelagic fish) to minimise risk in the food chain.
- Introduced a new raw material which has further improved the nutritional quality of our feed. This has also reduced water and energy use in production.

HAVSBRÚN FEED COMPOSITION IN 2019 PRODUCTION



Wheat products
18.5%
(18,034 tonnes)



Rapeseed oil
14.8%
(14,412 tonnes)



Non-GMO SPC
14.8%
(14,373 tonnes)



Marine proteins
32.6%
(31,770 tonnes)



Fish oil
15.0%
(14,590 tonnes)



Others
4.4%
(4,246 tonnes)

Please note, marine proteins reported are for inclusion in feed. Havsbrún also sells fishmeal separately to customers.

- Continued looking into other sustainable, high-quality marine ingredients.
- Engaged key stakeholders on a Bakkafrøst sustainable feed policy statement.

In 2020, we will continue projects to develop our feed in line with our customer needs and sustainability priorities. This will include further research into the sustainable feed ingredients and investigation into new sustainable marine sources for fishmeal. We will continue to work to optimise feed strategy to maintain industry-leading feed conversion ratio.

RESOURCE OPTIMISATION, 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. The global interest in responsible waste management continues to grow, particularly the use plastics that end up impacting the natural environment and human health.

Although salmon has the highest edible yield of the five largest groups of animal protein, we must continue thinking about how we reduce, re-use and recycle materials from the moment the eggs enter the hatchery, right up until the salmon leaves our factory, whether from our salmon or the materials we use to produce and package it.

Despite its high edible yield, we also strive to utilise all of the co-products from our salmon, selling backbones, offcuts, bellies, skin, and heads. We have recently built a factory to convert salmon co-products into salmon meal and oil, which will increase the amount we re-use ourselves. We also have 100% utilisation of marine raw materials at our fishmeal and oil factory. We recycle or repurpose old farming nets and chains and we repair and re-use cables and pipes from old nets when

we build new ones. We continue to upgrade our pens, using stronger materials to increase their lifespan, however, old structures are re-used in the building of new ones or re-used in other parts of the business, and we send old nets to a company that recycles them into carpets. We collect and, where possible, recycle the feed bags we use in the Faroe Islands.

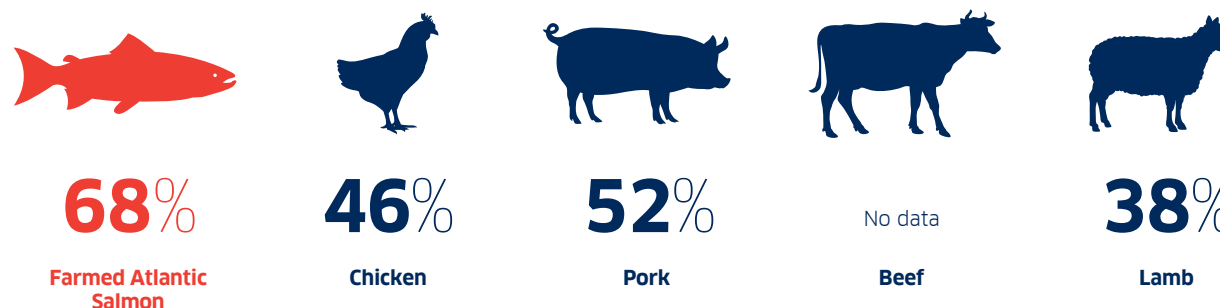
We are committed to supporting the circular economy. Our new biogas plant in the Faroe Islands also will take waste products from our farms (and other fish and dairy farmers) to produce renewable energy and fertiliser. When in operation, the plant has the technical capacity to convert up to 90-100,000 tonnes annually of all waste from farms, providing the local community with renewable heat and electricity and natural liquid fertiliser (potentially decreasing runoff from farming activities into fjords).

In 2019, we:

- Made significant progress with waste monitoring and reporting. Through greater co-operation with our waste management company we were able to report waste generated in the Faroe Islands for the first time. 96% of waste is either re-used, recycled or converted to heat energy and 82% of hazardous waste is recycled.
- Sold almost 6000, tonnes of salmon co-products (including backbones, offcuts, bellies, skin, and heads).
- Completed a packaging review to help us plan for future changes to reduce the impact from our packaging on the environment.
- Began implementing changes to certain packaging lines to meet one of our largest supermarket customer's sustainability policy.
- Commenced the new biogas plant build, which will start receiving organic waste from our farms and Strønd hatchery in summer, to be converted into biogas and fertiliser.

SALMON FARMING | EDIBLE YIELD

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



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

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

In 2020, we will continue looking for innovative ways to reduce, re-use, and recycle waste. For example, we plan to re-use tubing from farming cages as wastewater pipes at two of our hatcheries. We will also work with contractors working on new build projects at those sites to ensure they prioritise responsible waste management solutions. With improved data and monitoring we are confident we will be able to further reduce the environmental impact from our operations. We will also start working on a plan to measurably reduce the environmental impact from our packaging.

WATER

While we enjoy a high and regular rainfall in the Faroe Islands, the lack of infrastructure to harvest water means it is important to use fresh water efficiently in order for communities to have enough during rare dry periods. Our hatcheries have the highest demand for water, so we have invested in improved technology to harvest water at all of our hatchery sites. We were one of the first salmon farmers in the world to start recirculating water in our hatcheries, some currently recycling up to 99.7% of the water harvested to reduce pressure on local water use.

In 2019, we:

- Recycled approximately 34,000 cubic metres of water per hour in our hatcheries.
- Improved production efficiency at our feed plant, reducing water demands by more than 20%.
- Saved water at our processing facilities through optimised cleaning.
- Please see www.bakkafrost.com/sustainability for 2019 water data.



In 2020, we will continue to improve water use monitoring and reporting and will continue work at our hatcheries to further optimise freshwater use through transfer of technology, with a target to have 97% water recirculation rate at all possible hatcheries. We will also look for new ways to reduce water use at our production facilities in the US.

CLIMATE CHANGE AND ENERGY

According to the Global Salmon Initiative, the salmon industry has relatively low CO₂ emissions compared to other

industries (less than 3% of the footprint associated with beef production). Despite having the lowest carbon footprint relative to the five largest sources of animal protein (outlined in the diagram over the page), we aim to keep ours low through efficiencies from a vertically integrated value chain. We have an opportunity to directly control our own local feed production (using a high proportion of certified North Atlantic marine content), our own farming service vessels, processing facilities, packaging production and a circular waste management solution.

Farmed salmon also has one of the lowest feed conversion ratios: between 1.2-1.5 kg of feed for every 1 kg of salmon increase in body weight, compared to beef which uses between 6-10kg to every 1 kg of meat (GSI). Our biological feed conversion was even lower than the industry average in 2019, at 1.12. We remain focused to keep this low. Protein retention from salmon is also double that of beef. As one of the most efficient forms of protein, experts are promoting aquaculture as a sustainable solution to the growing demand for protein, providing it is carried out responsibly.

Even so, we recognise that we must continue to invest heavily in the efficiency of our operations as we continue to grow. Our aim is to decouple carbon emissions from our production, and we have managed to do this in some parts of the value chain – through electrification in areas such as feed barges, recycling of energy (at our hatcheries and feed and processing factories), consolidation of operations, and through promoting responsible behaviour.

Nevertheless, given the young and evolving nature of our industry, we are often faced with new challenges which impact our carbon emissions, such as the delousing of our salmon. As we continue to grow and increase the size of our value chain, we remain committed to looking for opportunities to continue this decoupling of growth from emissions. In 2020, we will begin generating renewable energy at our new biogas plant, which is expected to save 11,000 tonnes of CO₂ emissions a year. Starting with our hatcheries, we also will continue to introduce more efficient technology.

We also expect our emissions from electricity use to reduce as the national electricity provider [SEV](#) decarbonises the grid. They are working towards a 100% renewable energy target by 2030.

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 2019, we:

- Carried out work to set a scope 1 and 2 carbon reduction target of 50% by 2030 for our operations in the Faroe Islands. Our commitment depends on the successful decarbonisation of the national grid, regulatory changes outlined in the latest [Faroeese Coalition Agreement](#), and the affordability of renewable electricity provision.
- Sourced electricity from the national grid with 40% renewable mix (unfortunately 8% lower than 2018).
- Continued connecting feeding-station barges to mainstream electricity, reducing oil consumption from our farming operations.

- Improved production efficiency at our feed plant, reducing oil consumption from feed production by more than 20%.
- Our absolute carbon footprint went up by 4%, in 2019.
- Our carbon intensity per tonne of salmon decreased by 19%.

In 2020, we will commence work to achieve our carbon reduction commitment through new investments in our farming operations, feasibility studies into electrification and development of efficiency measures in our operations. We will also begin work to engage our suppliers in the reduction of our scope 3 emissions.

SALMON FARMING | CARBON FOOTPRINT

A carbon footprint measures the total greenhouse gas emission caused directly and indirectly by the production of a product. A carbon footprint is measured in grams (g) of carbon dioxide equivalent (gCO₂eq) per typical serving (40g) of edible protein of the product. Data are median values.



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: Global Salmon Initiative

ENERGY CONSUMPTION AND CO₂ EMISSIONS 2019

	2017	2018	2019	YOY Change from 2018
ENERGY CONSUMPTION AND EMISSIONS 2019				
Energy Consumption	[kWh]	[kWh]	2019 [kWh]	
Direct energy use - scope 1	264,671,752	242,687,948	241,112,265	-1 %
Indirect energy [electricity] use - scope 2	48,377,189	47,778,814	58,834,939	23 %
Total energy use	313,048,941	291,262,405	299,947,204	3 %
GHG Emissions				
	[TCO2e]	[TCO2e]	[TCO2e]	
Direct energy use - scope 1	69,826	64,419	63,632	-1 %
Indirect energy [electricity] use - scope 2	15,723	15,719	22,444	43 %
Total emissions from energy (scope 1 and 2)	85,549	80,138	86,076	7 %
Total scope 3 emissions (see boundary below)	-	-	255,538	-
GHG Intensity				
				YOY Change from 2018
Tonnes of salmon produced	54,615 [Tonnes]	44,591 [Tonnes]	57,184 [Tonnes]	
kgCO2e emitted per tonne of salmon produced (all Bakkafrost group)	1,566	1,797	1,505	-16 %
kgCO2e emitted per tonne of salmon produced (only farming operations)		593	552	-7 %

The table above outlines the energy consumption associated with Scope 1 and 2 emissions, and an estimate for Bakkafrost's Scope 3 emissions in 2019. Please note:

- All Bakkafrost group 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 SSC 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.
- Electricity consumption (Scope 2) gives rise to indirect emissions, i.e. via combustion of fossil fuels by the power company to generate energy. Direct emissions (Scope 1) result from the combustion of fossil fuels, i.e. solid, liquid or gas for heating, creating propulsion in vessels etc.

- The methodology used for the carbon accounting is The Greenhouse Gas Protocol, a Corporate Accounting and Reporting Standard (Revised Edition).
- In 2019 we quantified our indirect Scope 3 emissions for the first time. We reviewed the 15 Scope 3 categories of the GHG Protocol and identified 9 that were material to Bakkafrost and for which there was good primary evidence available to estimate associated emissions. Using industry carbon benchmark data we estimated the emissions associated with each category. This included downstream transportation and distribution of products, purchased goods or services, use of sold products (refrigeration and cooking), 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.
- 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.
- All emission and conversion factors for direct emissions (Scope 1) are from DEFRA [UK] 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 and led to a correction regarding energy data for Scope 1 emissions for one Business Unit. The correction 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 issue.



Healthy environment Salmon aquaculture and climate change

“We are highly positive that collaborating with Bakkafrost on this project will not only create shared benefit for research institutions in the Faroe Islands, but also for the Faroese aquaculture industry as a whole. Working together on research projects with shared outcomes clearly demonstrates our mission in collaboratively serving the social, economic and environmental needs of the Faroe Islands.”

Professor Chik Collins, Rector, Fróðskaparsetur Føroya

Continued unprecedented population growth – from 7.5 billion in 2017, to an estimated 9.7 billion in 2050 (UN), will result in a demand for 70% more protein than is available, by 2050 (FAO). This will require the agriculture and fishery sectors to considerably increase production.

Food production is already the single largest driver of environmental degradation and crossing of planetary boundaries, including climate change (EAT-Lancet 2019).

With limited availability of arable land and fresh water, and heavily exploited wild fisheries, aquaculture is stepping up to meet some of this demand. Since 2014, aquaculture has provided more fish for human consumption than capture fisheries, and by 2030 it is expected to provide 60% of the fish available for human consumption (FAO).

Salmon aquaculture has one of the most efficient feed-to-food conversion ratios, low CO₂ emissions, and low use of fresh water, compared to other sectors, and is the world's fastest growing food production system (CSI). See page 34 for data on this.

Despite our comparatively low environmental low footprint in those areas, we recognise we have huge responsibility to neutralise our impact as much and as quickly as possible. There is a growing risk that climate change could significantly impact our industry in the future, through changes in weather patterns, ocean acidification and increasing water temperatures.

In 2019, we have worked to set an ambitious scope 1 and 2 carbon reduction target of 50% by 2030, in line with climate science recommendation. This is dependant on a series of changes in our external environment, such as the provision of affordable renewable energy.

We have also begun financing research into the impact from climate change on the Faroese fjord environment, which may impact our operations in the future. Understanding this risk has become a priority for us, so we can not only increase mitigation of risks within our control, but can also adapt to factors outside our control.

A new researcher at the [University of the Faroe Islands](#) has begun modelling the Faroese near-shore fjord system to collect data across a number of areas.



Healthy communities

Performance review

★ STRATEGIC PRIORITY

- To create shared value

📊 2019 PERFORMANCE AGAINST OUR 2020 COMMITMENTS

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

🎯 2023 COMMITMENTS

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

🔍 2020 FOCUS

- Continue to scope projects which will have a meaningful impact in our local communities
- Increase communications with our customers on the sustainability of our products
- Increase stakeholder engagement at a farm level

🌐 SDGs

- SDG 8 Decent Work and Economic Growth
- SDG 17 Partnerships for the Goals

WHY IT IS IMPORTANT

The Faroese economy is ranked amongst the highest in the world based on GDP per capita, which more than doubled between 1998 and 2015. In 2019, Faroese fisheries and aquaculture represented 94% of merchandise exports. Farmed Atlantic salmon represented 45% of all seafood exports, and Bakkafrøst salmon represented 34% of all exports.

The employment rate in the Faroe Islands is the highest Europe: 85% in 2019. Bakkafrøst remains the largest private employer on the islands, employing 4% of all employees (November 2019), generating considerable value through salaries, employment taxes, and corporate tax payments.

Since our 2010 listing on the Oslo Stock Exchange, we have increased our share value by more than two thousand percent, generating more than DKK 1.9 million in (corporate, revenue and deferred) taxes (including Q4 for SSC).

Despite our relatively small size, Bakkafrøst has a big impact on the Faroese economy and generates considerable value for the Faroe Islands and beyond, through employment, taxes, returns, and community investment. We acknowledge we have a big responsibility to everyone with a vested interest in our company; shareholders, employees and local communities alike. Despite our listed status, our multinational growth and our global market share, we are still very much a local company. In the Faroe Islands, many see us as part

“Bakkafrøst is a founding member of the Faroese Aquaculture Association. Through the group, we look to collaborate on industry risks and opportunities. Collaboration has been key to the responsible growth of the sector in the Faroe Islands, and we are pleased that Bakkafrøst continues to engage openly through this platform.”

Niels Winther, Faroese Aquaculture Association

of the fabric of our local communities, so we must behave as responsible leaders and look after their interests. This includes making strategic community investments and supporting local causes.

Through the value we create for the Faroese community and our collaborative approach to business, we are contributing, whether to a larger or lesser degree, towards UN Sustainable Development Goals 8 and 17. Please see page 9 for more information.

RESPONSIBLE LEADERSHIP

We are committed to demonstrating leadership on industry issues, and acting as responsible corporate citizens. We see this as going beyond mere compliance and optimising our net impact on society. Since we have started closer engagement with the local communities, (through our materiality process and regular engagements), we see that responsible leadership, particularly in the Faroe Islands, is an area in which our stakeholders expect us to excel. It is our goal to demonstrate visible leadership on industry issues and sustainability, both at an international level - through our contribution to initiatives such as the [Global Salmon Initiative](#) (GSI) and at a local level - through the [Faroe Aquaculture Association](#) and other industry groups.

In 2019, we:

- Updated our [Corporate Responsibility Policy](#), communicating this at various company-wide internal events.
- Continued engagement with the Government of the Faroe Islands on the UN Sustainable Development Goals.
- Contributed to the corporate sustainability conversation, speaking at numerous events in the Faroe Islands and internationally.

In 2020, we will continue to embed the Ten Principles of the [UN Global Compact](#), covering human rights, labour, environment, and anti-corruption into our business practices. We will also continue engagement with the Government of the Faroe Islands on the [UN Sustainable Development Goals](#) and our active contribution on local and international platforms on sustainability issues related to aquaculture.

COMMUNITY ENGAGEMENT AND TRANSPARENCY

Engaging with the local community and providing transparency on our most material sustainability issues is a



Bakkafrost Glyvvar Open Day 2019

priority for us. Our powerful presence in the Faroe Islands makes it all the more important for the community to feel that we are listening and responding to their concerns on issues of greatest importance to them. The local communities throughout the islands have first-hand experience our growth, whether in infrastructure projects, such as the building of a new hatchery or biogas plant, or through of other forms of development. While this has been mostly positive - e.g. the creation of new jobs and improved infrastructure - the impact of our growth can also be experienced as negative.

While we always follow local protocol regarding community consultation and have regular dialogue with community representatives, our 2017 materiality analysis highlighted that our local engagement could be better. We have responded with closer consultation on specific projects and greater openness about our approach to sustainability and our community investments. This was recognised when we revisited many stakeholders as part of our 2019 materiality review. We also continue to increase dialogue and transparency with the investment community on sustainability issues, in particular, through closer communication with responsible investor service providers.

In 2019, we:

- Increased transparency on material sustainability issues in our second sustainability report.
- Were shortlisted for the [Edie.net 2019 Sustainability Leaders Awards](#) for our 2018 Healthy Living Sustainability Report.
- Carried out extensive stakeholder engagement as part of our 2019 materiality review (see more on page 11).
- Continued more systematic stakeholder engagement and openness at a local level, opening the doors of our offices and production plant in the Faroe Islands to the community. We received more than 2,000 visitors, who were given an insight into our corporate and sustainability strategy and had the opportunity to ask our CEO questions.
- Regularly hosted 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.
- Proactively contacted key stakeholders around our farming sites with information about our approach to sustainability and means through which to raise concerns.
- Increased opportunities for employees to interact with us (see more on page 43).
- Carried out a public consultation for our new biogas plant.

In 2020, we will continue increasing stakeholder engagement on sustainability issues. For example, through communications with our customers on the sustainability of our products, and through greater engagement at a farm level. We will also continue the open approach with which

we relate to local residents with another community open day in the Faroe Islands.

See more on our approach to stakeholder engagement on page 42.

VALUE GENERATION

As well as the efficient production of world-class protein products, we generate value in society through tax contribution, employment and community investment.

Bakkafrost has been, and remains, integral to the survival of many Faroese communities throughout the islands, where we create considerable prosperity. Since the instrumental decision by the authorities to allow the consolidation of the farming industry, good management of our risks and opportunities has been key to maintaining a healthy business operating in healthy communities. Since becoming listed, it has become increasingly important for us to balance our shareholder returns with the local value generation.

In 2019, we continued the implementation of our updated community investment policy, which now supports an extended range of causes, including initiatives aligned to our most material issues at a local level. We now have a dual approach to investments based on updated principles: meeting local needs by responding to online funding requests, and making proactive investments into education, research, sponsorship of national sporting organisations, and Faroese arts and culture.

One of our investments has been into the University of the Faroe Islands ([Fróðskaparsetur Føroya](#)). Through a three-year partnership to advance research in natural sciences, the environment and the aquaculture sector in the Faroe Islands, we will benefit from a better understanding of the impact salmon farming has on the environment, and the potential impact climate change will have on Faroese

aquaculture. A new researcher was hired in 2019 to develop a model of the fjord system, improving knowledge for the industry.

Our tax contribution is the largest in the Faroe Islands. We also make a substantial contribution through the services and products we procure to run the business. In 2019, 68% of our suppliers were local, with the remaining 32% coming mainly from Denmark, Norway, Iceland and other European countries. This includes suppliers of ingredients for our feed, our service vessels, technology used for production at our farms, hatcheries and processing plants, construction, and oil and energy used for our operations. In 2019, around 20 suppliers made up 49% of our total spend.

In 2019, we:

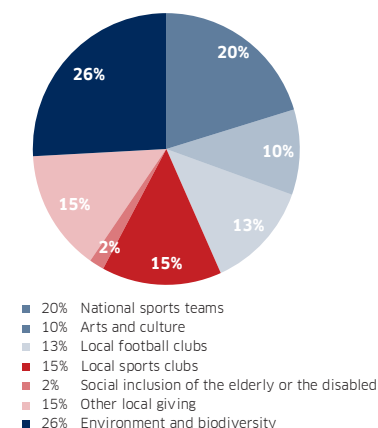
- Paid more than DKK 456 million in salaries and employee costs.
- Paid DKK 251 million in corporate and revenue taxes.
- Sourced 68% of products and services locally and continued our indirect contribution to the local economy, contracting at least 50 local workers for hatchery building projects alone.
- Contributed almost DKK 3 million 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 graphic opposite.
- Commenced our three-year partnership with the University of the Faroe Islands, supporting natural sciences.
- Continued to increase our in-kind support:

organising a series of initiatives including fjord and beach clean-ups – where employees volunteered during work hours; contributing to community events – such as the annual Seaman's Day, Day at Sea, and Salmon Market where we handed out free salmon and invited people to board our ships; and offering the use of our service vessels for other national clean-up initiatives.

- Increased transparency on our community spend, to demonstrate how we are implementing our updated policy.

In 2020, we will continue to scope projects with meaningful impact in our local communities.

Causes supported





Healthy communities Leaving a lasting footprint

Over the years, Bakkafrost has invested millions to promote participation in sports in the Faroe Islands.

In the last two years alone, we have supported around 45 sporting organisations spanning a range of sports, from grassroots to national level. Bakkafrost has particularly funded local football clubs in areas where we have farming operations.

We have provided support to clubs and organisations in 16 municipalities through annual investments but also with in-kind support such as catering contributions.

We carried out a survey with these organisations in 2019 to understand the impact our investments had made. 34 organisations responded to say that more than two thousand people had benefited from our support.

Around three quarters of respondents said the funding had helped reach people that would not have otherwise been reached, and 41% said they had been able to leverage our support to raise further funds for their organisation. Most of the organisations reported a big

“Bakkafrost’s support of ROYN has gone towards the club’s youth work. It has helped create a sociable, healthy and safe sports environment for young people in the village, which has really benefited our small community.”

Eyðstein Jacobsen, Bóltfelagið Royn Hvalba

impact from the funding, giving them the possibility to finance their operations, maintain their equipment and improve opportunities for participation. Moreover, many organisations reported not only a positive impact on the individuals participating in the sports – through improved health, skills and experiences – but also a lasting benefit to the community as a whole.

In 2019, Bakkafrost began supporting the football team in Hvalba, where we have a new farming site.

About sustainability at Bakkafrost

SUSTAINABILITY MANAGEMENT AND GOVERNANCE

Sustainability management and reporting is a matter for the Bakkafrost Board of Directors, which in 2019 was added to the agenda at every board meeting (covering topics such as our Healthy Living Fund and sustainability reporting), as well as at the Annual General Meeting. The Board contributed to and approved the 2019 materiality process, the updated 2023 Healthy Living Plan and the 2019 sustainability report. This included the review and approval of commitments to mitigate climate change through CO₂ reduction targets and plans to become a [TCFD](#) (Task Force on Climate Related Financial Disclosures) supporter.

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

The delivery of the sustainability strategy is the responsibility of Bakkafrost's management team, which reports on a regular basis to our CEO and the Sustainability Committee. The management team discusses sustainability at monthly meetings and reviews quarterly progress against the Healthy Living Plan. In 2020, this will include progress against CO₂ reduction targets for each area of the business. In 2019, as part of strategic business planning, they evaluated Bakkafrost's material sustainability issues (and the

management approach to these issues), found on page 11 of this report.

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

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

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

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

NOTES ON THE REPORT

Unless otherwise stated in the 'additional information' of our [GRI Index](#), our reporting boundary is all Bakkafrost operations in the Faroe Islands and the new subsidiary in the US acquired in 2018.

The small sales office in the UK and the Scottish Salmon Company acquired in late 2019 are not included, unless otherwise stated.

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 LTI health and safety data has been restated. Please see and explanation for this and the basis for reporting [online](#).

Some content in the report has been third-party audited by Januar. The assurance statement can be found on 46.

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 talk to our stakeholders about the issues of greatest importance to them.

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

In 2019, our most significant structured stakeholder engagement was our materiality review. We carry out these assessments every two years to help us review the most significant sustainability issues for the company (see more on page 11), upon which we subsequently build our Healthy Living Sustainability strategy.

Opposite is a list of all our key stakeholder groups through which we aim to respond to stakeholders needs and interests. We will continue implementing our engagement plan in 2020.



Group	Engagement mechanisms	Notes on engagement
Employees	Whistleblower mechanism Employee engagement survey	Employees have access to an online whistleblower mechanism. In 2019, we launched our first employee engagement survey.
Employees Unions	Regular contact and ongoing meetings with Unions Regular employee working group meetings	Main topics: labour conditions, remuneration, health and safety, human capital. In 2019, Bakkafrost engaged with workers unions Klaksvíkar Arbeiðsmannafelag and Klaksvíkar Arbeiðskvinnufelag to agree working conditions at a local hatchery.
Customers	Biennial sustainability materiality assessment Biennial Customer Summit (which all customers are invited to) Annual online survey Annual engagement at seafood exhibitions including: Seafood Expo North America (Boston), Seafood Global (Brussels), China Fisheries & Seafood Expo (Qingdao), World Food Shanghai Exhibition, Ocean Group Seafood Show (San Diego), Wabel Frozen Summit (Paris) Annual engagement at client summits	Main topics: certification, quality, satisfaction, international relations, packaging, product development. In 2019, we brought our smoking operation in-house to be able to meet customer demand for smoked products. We also made some changes to our packaging including moving away from carbon black packaging for a number of our customers as a result of customer feedback.
Suppliers	Biennial sustainability materiality assessment Ongoing engagement Supplier audits	Main topics: certification, quality, company standards (including human rights, health and safety and environmental standards).
Government and regulatory bodies	Regular ongoing engagement	Main topics: licenses and registration, fish health & welfare, pollution, biogas plant, ethical conduct, international relations, UN Sustainable Development Goals.
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 Open house day at Faroe Islands headquarters, where the local community has the opportunity to meet our CEO and ask questions Annual local events such as Seaman's Day and Day at Sea	Main topics: new building projects, community investment, waste, water, pollution, value-creation. In 2019, we carried out a survey with all sporting organisations to which we have donated to establish our impact. We have increased transparency on waste management and carbon emissions. We also met with community representatives about our new biogas plant, and in 2020 we will continue this engagement. We held our first community open house day, attended by around 2,000 people.
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. In 2019, Bakkafrost increased engagement with investors on ESG issues, for example hosting the Sustainability Engagement team for a deeper ESG analysis.
NGOs	Biennial sustainability materiality assessment	Main topics: pollution, fish health and welfare, community engagement.
Certification bodies	Ongoing engagement with third party certification bodies, including the ASC, 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	Main topics: all material issues.

Memberships and ratings

TRANSPARENT ABOUT OUR PROGRESS

We aim to have a transparent approach to sustainability. This includes reporting the progress we make in addressing our most material issues. Through ongoing stakeholder engagement, and memberships and associations, we work collaboratively to drive the agenda forward, honestly and openly.



UN Global Compact

Bakkafrost is a participant in the [UN Global Compact](#) and member of the Business Action Platform for the Ocean.

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

Please see our Communication on Progress on page 45.

VOLUNTARY DISCLOSURE



Ocean Disclosure Project

In 2019, Bakkafrost voluntarily 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.

MEMBERSHIPS



Global Salmon Initiative (GSI)

Bakkafrost is a founding member of [the initiative](#), which is focused on promoting sustainable aquaculture leadership through collaboration.



EU Fishmeal

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



IFFO The Marine Ingredients Association

Havsbrún is a member of the [IFFO](#) 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

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.

2019 RATINGS



In 2019, Bakkafrost was named among the Best Performers in the [Coller FAIRR Protein Producer Index](#), which ranks the world's largest listed producers on sustainability. We were recognised as the best-performing aquaculture company for not using antibiotics since 2004.



In December 2019, Bakkafrost was rated 25.2 (on a scale of 0-40+) in the [Sustainalytics ESG Risk Ratings](#) assessment (a lower score indicates less unmanaged ESG risk). The company's risk score has decreased significantly in the past year, and its risk category has improved.



In 2019, Bakkafrost received a rating of BBB (on a scale of AAA-CCC) in the [MSCI ESG Ratings assessment](#).

2019 AWARDS



In 2019, Bakkafrost was announced as a finalist at [edie's Sustainability Leaders Awards 2020](#) in the Sustainability Reporting & Communications category, for the 2018 Healthy Living Sustainability Report. The awards recognise and reward changemakers within business.



Our biogas business FÖRKA won [Faroese Business Initiative 2019](#). The new plant will process waste from salmon and dairy farms into fertiliser and renewable energy.

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.

UN Global Compact progress report

PRINCIPLE	RULE/ ACTION	OUTCOMES
Human Rights 1 and 2 Support for human rights and prevention of human rights violations	<p>Bakkafrost Code of Conduct Bakkafrost Sustainability Policy External grievance mechanism (actively promoted to local stakeholders)</p> <p>Internal whistleblower system Whistleblower reports</p> <p>Bakkafrost pledges to uphold all internationally proclaimed human rights as specified in the UN Guiding Principles on Business and Human Rights. Updated Bakkafrost Sustainability Policy</p>	<p>No reports received through mechanism (relating to human rights violations)</p> <p>No reports received through employee whistleblower mechanism (relating to human rights violations)</p> <p>See page 20 for more information</p>
Labour 3 to 6 Freedom of association, abolition of forced and child labour, elimination of discrimination	<p>Bakkafrost suppliers contractually obliged to meet Supplier Standard outlining labour standards including safe work environment, free from discrimination and the exploitation of children</p> <p>Bakkafrost Code of Conduct Bakkafrost Sustainability Policy</p> <p>Internal discrimination policy is in accordance to the ILO conventions</p> <p>Goal to maintain women in leadership positions</p>	<p>No reports to external grievance mechanism or internal whistle-blowing system relating to freedom of the association, forced or child labour, or discrimination</p> <p>No need for corrective actions in 2019</p> <p>12% Management Team female in 2019 (up from 7% in 2018) 17% of our Board of Directors female (down from 20% with one male member) 38% of workforce female (up from 37% in 2018)</p> <p>See page 17 for more information</p>
Environment 7 A precautionary approach to environmental challenges	<p>Biennial Materiality Analysis Bakkafrost Sustainability Policy Goal to have all farming sites certified to the ASC standard by end of 2020</p>	<p>Updated sustainability strategy aligned with most material issues</p> <p>14 sites certified in 2019 (7 in 2018)</p> <p>See page 26 for more information</p>
8 Promotion of greater environmental responsibility	<p>Promotion of ASC to customers</p> <p>Engagement with key stakeholders on material issues</p> <p>Engagement with local stakeholder in new biogas plant</p>	<p>First exclusively ASC certified salmon contract in Asia</p> <p>New feed policy</p> <p>Collaboration with local dairy farmers and local authorities on waste management</p> <p>See page 32 for more information</p>
9 Development and diffusion of environmentally friendly technologies	<p>DKK 100 million investment into Faroe Islands first biogas plant</p>	<p>Future reduction of up to 11,000 tonnes of CO2 emissions p.a. Future processing of up to tens of thousands tonnes annually of all waste from farms p.a.</p> <p>See page 32 for more information</p>
10 Anti-corruption	<p>Bakkafrost Code of Conduct (Included in handbook given to all employees)</p>	<p>No reports to external grievance mechanism or internal whistle-blowing system relating to corruption</p> <p>See page 13 for more information</p>

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 described below and set out in the Sustainability Report of Bakkafrost for the period 1 January - 31 December 2019.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us not to believe, that data and information in the P/F Bakkafrost Sustainability Report for the year ended 31 December 2019 are without any material misstatements, and have been prepared in all material respects in accordance with the accounting principles 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 this assurance report.

What we are assuring

The scope of our work was limited to assurance over data and information in the Bakkafrost Sustainability Report for the period 1 January - 31 December 2019.

Professional standards applied and level of assurance

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

assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the code of ethics for Professional Accountants issued by the international Ethics Standards Board for Accountants which includes independence and other ethical requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies international Standards on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements, our work was carried out by an independent team with experience in sustainability reporting an assurance.

Understanding reporting and measurement methodologies

Data and information need to be read and understood together with the accounting principles <https://www.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 2019 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 2019 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 2019 sustainability report is supported by sufficient evidence;
- Read other information included in the 2019 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 2019.

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 2019 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, 10th March 2020

Januar

Løggilt Grannskoðanarvirki

Heini Thomsen

State Authorised Public
Accountant

Fróði Sivertsen

State Authorised Public
Accountant



