BAKKAFROST

ESTABLISHED 1968

INTEGRATED ANNUAL REPORT

2023

www.bakkafrost.com

Content

Coverphoto by Vilhelm Jørginsson Jacobsen, winner of our Employee Photo Competition. This captivating photo was selected from over 200 entries.

Letter to our Shareholders

Regin Jacobsen, Chief Executive Officer and Rúni M. Hansen, Chairman of the Board.

In 2023, Bakkafrost encountered some challenges, yet we notably strengthened our position and biological performance throughout the year, setting the stage for a promising 2024 and beyond. Our financial performance was solid, with total revenues reaching DKK 7.1 billion and an operational EBIT of DKK 1.5 billion. We harvested 73 thousand tonnes of salmon, and Havsbrún recorded unparalleled production levels of fishmeal and oil, thanks to sourcing an unprecedented 467 thousand tonnes of marine raw materials. Our innovative sea lice prevention strategies led to the lowest sea lice levels on record, bolstered by significantly increased treatment vessel capacity. However, due to changes in the revenue tax, we had to make the difficult decision to reduce our workforce by 140 employees in the Faroe Islands' value-added processing facility as of January 1, 2024. In Scotland, we experienced a strong start to the year but faced biological challenges in the third quarter. Nonetheless, the fourth quarter showed signs of improvement in biological performance, with significantly reduced mortality rates and we decided to allow the fish additional growth time for harvest in the first quarter of 2024. Looking ahead to 2024, our prospects are bright with increased biomass and larger fish in the water in both the Faroe Islands and Scotland, indicating robust biological health.

Cost inflation has increased the production costs significantly, mainly driven by higher raw material prices for feed. Even though Bakkafrost gains from external sales of fishmeal and oil, a strict focus on cost-reduction is important for Bakkafrost going forward, including ensuring a fit-for-purpose organisation. Our strategic initiative, "One Company", aimed at integrating our Scottish and Faroese operations, continues to progress effectively. In 2023, we streamlined processes and restructured the organisation to enhance efficiency, which included a workforce reduction of 75 employees in Scotland, in addition to the earlier mentioned layoffs in the Faroe Islands due to adjustments in value-added processing in response to tax changes.

MARKET

The salmon market dynamics in 2023 were characterised by a 2% drop in global supply (including inventory movements) alongside robust demand. Salmon prices reached unprecedented highs, accompanied by significant price volatility. Post COVID-19, the Chinese market has made a strong recovery, taking higher volumes of salmon than before. Meanwhile, the US market has shown remarkable strength and sustained growth over an extended period. Biological challenges across various regions in 2023 resulted in a scarcity of large-sized and superior-quality fish. This scarcity led to a notable disparity in pricing between large and small fish sizes, with a substantial premium placed on large, superior salmon. Looking ahead to 2024, Bakkafrost stands in an advantageous position with an increased biomass comprising with a high share of large-sized fish of almost exclusively superior quality.

ESG

Bakkafrost is committed to the United Nation's Global Compact principles, and we will continue to work collaboratively with the business community in the Faroe Islands and Scotland to support the overall contribution to the UN Sustainable Development Goals (SDGs). As one of the largest contributors to the Faroese economy, we take our responsibility seriously and take a leading role. This includes increased local stakeholder engagement in specific areas, including our approach to environmental management in the fjords.

We are steadfast in our commitment to reducing our CO_2 emissions. In line with this, we have set ambitious targets to cut our Scope 1 and 2 emissions by 50%, Scope 3 emissions by 52% per sold product by the year 2030 and to become Net Zero by 2050. The Scope 1 and 2 carbon reduction

objectives received approval from the Science Based Targets initiative (SBTi) in 2023. On route with this, in the fourth quarter of 2023, we forged a partnership with EFFO, one of our energy suppliers, to embark on constructing a new wind farm/energy park. This venture is poised to supply renewable energy for the production of fish meal, oil, and feed at our Havsbrún facility, marking a significant stride towards the decarbonisation of our production activities. This project is now pending approval from the authorities.

OPERATIONAL PERFORMANCE

In 2023, we changed our segment structure to enable us to provide a clearer picture of the value creation across our value chain.

Fishmeal, oil and feed

In the fishmeal, oil, and feed segment, we achieved an unprecedented level of raw material sourcing, reaching 467 thousand tonnes. This surge was significantly influenced by an 81% increase in the blue whiting quota recommendation for 2023, set by International Council for the Exploration of the Sea (ICES). In addition, a high sourcing of oily fish culminated in record-breaking production and sales figures for fish oil. The remarkable upswing in market prices for fish oil further enhanced the value of our augmented fish oil production. The external sale of 19 thousand tonnes of fish oil in 2023 made a significant contribution to annual financial outcomes. Similarly, our external sale of 63 thousand tonnes of fish meal also made a substantial contribution to our results for the year.

Freshwater FO

Bakkafrost has dedicated significant efforts to enhancing the production of large smolt, a more complex process. Since the initial smolt batches from the Strond hatchery, there has been a considerable improvement in both the quality and performance of the large smolt. The focus now shifts towards ensuring the smolt's consistent size and high quality while simultaneously expanding production volumes. The expansions of the Norðtoftir, Glyvradal, and Viðareiði hatcheries have led to a 55% capacity increase in 2023, with both production and capacity utilisation now on an upward trajectory. In the last quarter of 2023, Bakkafrost committed to the construction of a new large hatchery in Skálavík, Faroe Islands, poised to boost production capacity by approximately 7 million smolt at 500g each.
Set to commence in the first quarter of 2024, this project aligns with the 2024-2028 investment program, forecasting that upon completion within three years, the annual smolt production capacity in the Faroe Islands will reach 24 million smolts weighing 500g each.

In 2023, we released 14.2 million smolt, averaging 396g each, marking a 15% increase in size from 2022. Our commitment remains firm on escalating the production both in numbers and size of smolt, without compromising their high quality. Additionally, our broodstock operation saw advancements across various domains in 2023, and we have initiated the scaling up of this operation towards attaining self-sufficiency in eggs from our own Faroese strain.

Farming FO

In the Faroe Islands' farming segment, 2023 commenced with notable challenges. We faced the dilemma of harvesting smaller fish and a harvest timeline that was heavily weighted towards the latter part of the year, compounded by the necessity for early harvests due to a relatively high proportion of contracts. At the end of 2023, we observed a significant improvement in biological performance, with growth rates reaching unprecedented levels.

The introduction of our new farming service vessel, Bakkafossur, has revolutionised our capacity to manage sea lice effectively and administer treatments to even larger fish with good fish welfare. As a result, we've achieved the lowest sea lice levels in our history.

Compared to year-end 2022, our biomass volume in the Faroe Islands is 24% higher with more than four times as many fish exceeding 5 kg, restoring our status as producers of large, superior-quality fish – a hallmark of Bakkafrost's reputation.

In total for 2023, our farming operations in the Faroe Islands yielded a harvest of 52,408 tonnes, with an average weight of 4.6kg HOG per fish.

Freshwater SCT

In Scotland, our smolt production marked the beginning of a transformative phase in 2023 with the Applecross hatchery starting operations at approximately 50% of its total capacity following the completion of Applecross stage 4. The focus is now on ramping up the production of large and healthy smolt at Applecross, and this strategic shift was marked by the release of the initial trial batch of 250g smolt in May 2023. These fish will all be harvested in the first half of 2024 after one summer at sea, which aligns to the goal for all fish in Scotland going forward. For 2024, it's anticipated that Applecross will provide 9.1 million smolts, weighing between 200-250g, accounting for 98% of the total planned smolt releases for the year.

With the expected completion of the Applecross stage 5 & 6 expansions by the end of 2024, Applecross will have the capacity to produce all our smolts for Scotland within the 200-300g range. Drawing from the experience in the Faroe Islands, we know that larger and healthier smolts are less susceptible to risks in marine conditions due to shorter sea production cycles, resulting in more resilient salmon. The emphasis on large and high-quality smolt is pivotal to the turnaround of our Scottish operations. Therefore, further preparations were done in 2023 for the next planned hatchery to be built in Scotland at Fairlie.

In 2023, we released 9.0 million smolt in Scotland, averaging 117g each, marking a 9% increase fom 2022.

Farming SCT

In the Scottish farming segment, 2023 continued to present challenges alike recent years, though certain aspects fared better than anticipated. The first half of the year, particularly the first quarter, was notably strong, with the harvest of large fish weighing above 5kg gutted weight, fetching high prices. The third quarter posed significant difficulties, marked by an

increase in mortality, largely attributable to jellyfish impacts. Despite these challenges, Bakkafrost Scotland's overall share of the Scottish industry's mortality saw a decline, especially noticeable in the fourth quarter, when biological performance notably improved. A key factor in this positive shift has been the enhanced freshwater treatment capacity, enabled by our two farming service vessels equipped with a unique dual-treatment system targeting gill-related issues and sea lice. This innovation led to record-low sea lice levels in 2023 and improved the overall gill health of our fish.

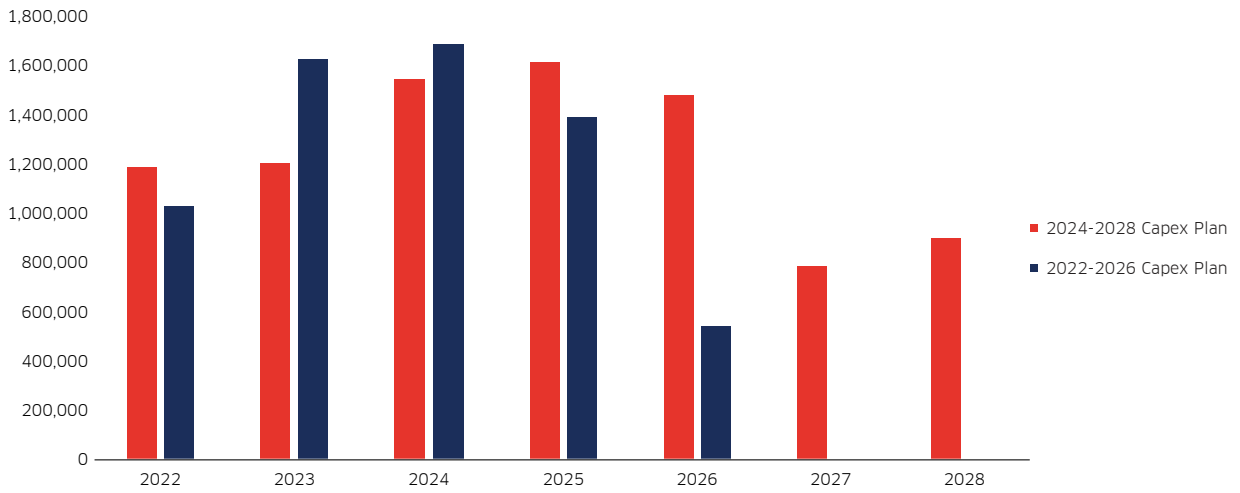
To tackle the biological challenges head-on, Bakkafrost has strategically revised its short-term plans and production approach for the Scottish operation. A thorough risk assessment of all farming sites was undertaken in 2023 to determine the viability of various strains, hatcheries, and smolt sizes for stocking and farming. As a result, Bakkafrost has decided to prioritise the use of large, high-quality smolt from the Applecross hatchery, moving away from reliance on external sources. Certain sites may not be restocked or remain in production during the third quarter until the implementation of large, high-quality smolt effectively mitigates the risks. This strategy aims to minimise the biomass at risk during Q3, leading to an estimated 70% of the 2024 harvest being completed in the first half of the year.

In 2023, our Scottish operations harvested 20,598 tonnes of salmon, with an average weight of 4.2kg HOG. Compared to year-end 2022, our biomass volume increased 28% YoY with 15% more fish exceeding 5kg.

Services

In 2023, our new services segment, encompassing, amongst others, biogas production, live fish carriers and farming service vessels, received a significant boost with the introduction of the 10,000 m^3 live fish carrier Bakkafossur for the Faroese operation. After fine-tuning its operations in the first half of the year, incorporating the same innovative dual-treatment technology found in our Scottish vessels, Bakkafossur has become an indispensable asset to our Faroese farming operations. Its ability to combat sea lice and gill related parasites on salmon without adversely affecting mortality rates has contributed to historically low sea lice levels and a biomass that boasts a greater proportion of large fish.

2024-2028 6.3BN DKK INVESTMENT PROGRAMME VS 2022-2026 6.2BN DKK INVESTMENT PROGRAMME (DKK 1,000)



Sales & Other

In the Sales & Other segment, our refreshed brand strategy, centered around the Bakkafrost main brand and its origin story, has been met with success, unlocking new avenues with our customers. Our foothold in the US market has been fortified; in Q4 2023, 20% of all our salmon was distributed to the US, compared to 11% during the same period last year. The inauguration of our new cargo plane in the first quarter of 2024 is set to further enhance our delivery capabilities directly from the Faroe Islands to the US market. By offering the best quality and freshest salmon available, we aim to minimise food waste and achieve a considerable reduction in CO_2 emissions compared to other logistic routes by flying more edible product, less ice, and a shorter distance.

The revision of the Faroese revenue tax in 2023 has elevated the risks associated with entering long-term contracts, influencing our strategy towards value-added products (VAP). Consequently, the contract share for the 2024 harvest volume has been lowered to 9%, positioning Bakkafrost to have greater flexibility and greater exposure to the spot market. Looking ahead, our sales and marketing strategies are adapting to a higher reliance on the spot market, reflecting our strategic responses to these evolving challenges and opportunities.

INVESTMENTS

At the Capital Markets Day on June 6, 2023, Bakkafrost unveiled an ambitious DKK 6.3 billion investment plan for the period 2024-2028. This investment is poised to turn around operations in Scotland and facilitate sustained growth in both the Faroe Islands and Scotland.

The strategic focus of the investment in Scotland is to emulate the successful model established by Bakkafrost in the Faroe Islands. This includes plans to construct two large, energy-efficient hatcheries in Scotland, pivotal to adopting Bakkafrost's strategy for growing large smolts, with an envisioned annual production capacity exceeding 15 million smolts at 500g. The introduction of large smolt to Scotland is expected to significantly enhance operational performance, reduce biological risks, and increase harvest volumes. In addition to hatchery expansion, Bakkafrost is set to establish a new processing plant to enhance processing capabilities and operational flexibility. Investments will also extend to additional service vessel capacity, aimed at better managing biological risks and optimizing operational costs. Further, Bakkafrost will invest in the development of marine sites.

In the Faroe Islands, the investments will increase the annual hatchery production capacity to approximately 24 million smolts at 500g, repurpose older hatcheries for broodstock operations in a cost-effective manner, expand feed production capacity, and pursue sustainable growth through the optimisation of existing sites and the integration of new technologies.

Through this comprehensive investment plan, Bakkafrost anticipates a sustainable increase in total annual harvest volumes to 165,000 tonnes by 2028. Concurrently, the total annual production capacity across Bakkafrost's value chain is projected to reach 200,000 tonnes of gutted weight over this timeframe.

FINANCIAL

The global salmon product market's long-term balance is likely to be favorable for Bakkafrost. Bakkafrost has a long value chain and a cost-efficient production of high-quality salmon products and will likely maintain financial flexibility going forward.

In March 2022, Bakkafrost secured a 700 mEUR sustainability-linked credit facility (expandable by 150 mEUR) with a 5-year term and 2-year extension options, which have been exercised. This facility, along with Bakkafrost's strong equity ratio, bolsters the Group's financial strength for organic growth and cost reduction in Scotland, while also facilitating M&A and future organic growth opportunities, and upholding an unchanged dividend policy.

Million smolt transferred	'19	'20	'21	'22	'23	'24e
FO	12.7	14.3	14.4	14.4	14.2	17.8
SCT	12.4	10.4	11.1	11.0	9.0	9.3
Avg. weight (g)						
FO	205	320	376	345	396	450
SCT	83	88	95	107	117	>200

OUTLOOK

The supply growth forecast for salmon in 2024 appears constrained. The first half of 2024 is not expected to see any growth in global supply. However, in the second half of the year, a 4% increase in global supply is anticipated compared to the latter half of 2023. Over the entirety of 2024, a global supply growth of approximately 2% is forecasted, not accounting for inventory changes.

Salmon prices are projected to remain robust, particularly in the first half of 2024. Bakkafrost is experiencing strong biological performance in the Faroe Islands, characterized by large fish sizes and a high rate of superior quality salmon. In Scotland, large fish harvests are also expected in the first half of 2024. This positions Bakkafrost advantageously in a market with limited supply, especially for large, superior quality salmon.

With long-term supply also expected to remain constrained, salmon prices are anticipated to stay elevated for an extended period.

In the fishmeal, oil, and feed segment, 2024 is forecasted to be a strong year. Production volumes of fishmeal and fish oil are contingent on the availability of raw materials. The ICES recommendation for blue whiting in 2024 is set at 1,530 thousand tonnes, marking a 12.5% increase from the previous year. Bakkafrost anticipates maintaining high production volumes of fishmeal and expects a normalization in fish oil production volumes in 2024. Havsbrún's primary markets for fish feed include the internal segments in both the Faroe Islands and Scotland.

Bakkafrost has planned a release of approximately 17.8 million large smolts in the Faroe Islands in 2024. In Scotland, the smolt release is expected to total around 9.3 million, with an average weight exceeding 200g. The quantity and average weight of released smolts are crucial for forecasting Bakkafrost's future production.

For 2024, Bakkafrost anticipates a harvest of approximately 66,000 tonnes gutted weight in the Faroe Islands and 25,000 tonnes gutted weight in Scotland, totaling around 91,000 tonnes gutted weight. Approximately 70% of Scotland's harvest is scheduled for the first half of the year, with 45% in the Faroe Islands.
Expected harvest profile as a % of total harvest pr. region:

Region	Q1	Q2	Q3	Q4
FO	20%	25%	27%	28%
SCT	25%	45%	16%	14%

It's important to note that biological, environmental, and market conditions may influence the anticipated harvest and smolt release outcomes.

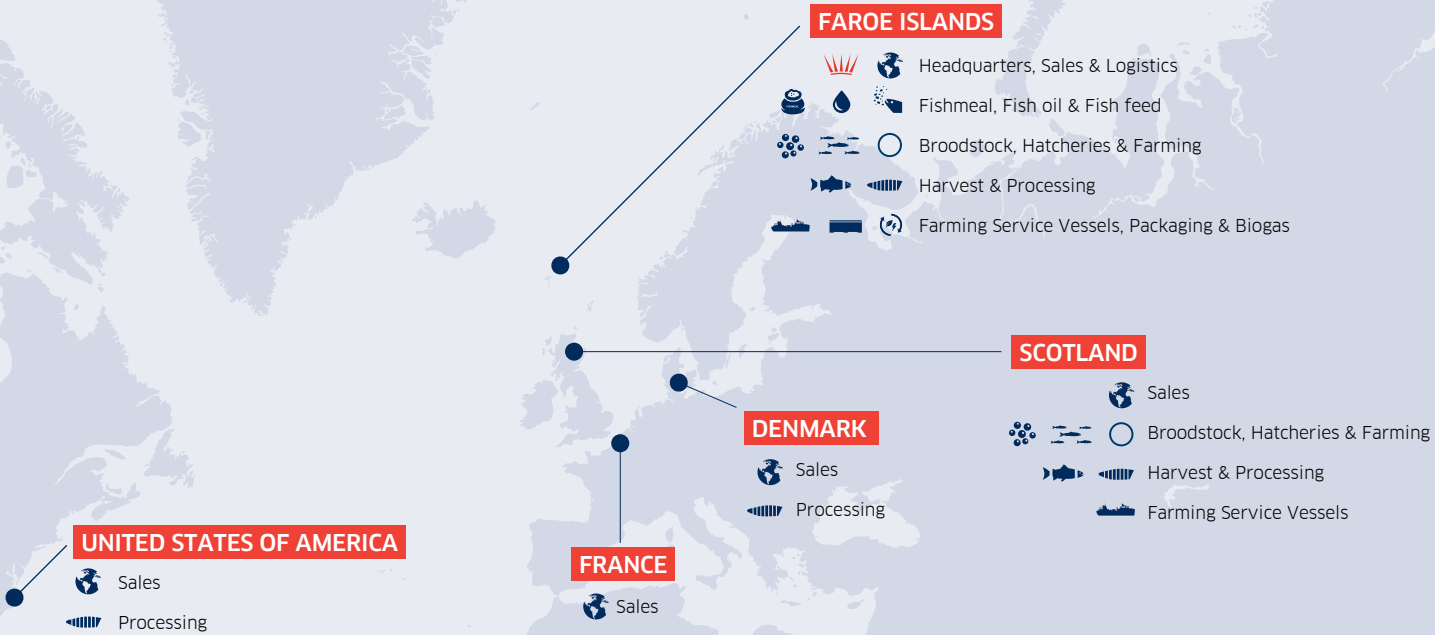
RETURN TO SHAREHOLDERS

The Board of Directors will propose a dividend of DKK 8.70 per share at the Annual General Meeting convened on 30 April 2024. This corresponds to a total dividend of mDKK 515 million.

Thank you to our employees

On behalf of the Board of Directors and Management, we thank all employees in the Bakkafrost Group for their commitment and hard work in 2023.

About Bakkafrost



BAKKAFROST
Leading Producer of Superior Quality Salmon from the Faroe Islands and Scotland

Established: 1968

Headquarters: Glyvrar, Faroe Islands

Employees: Approximately 1,700 full-time employees across the Group

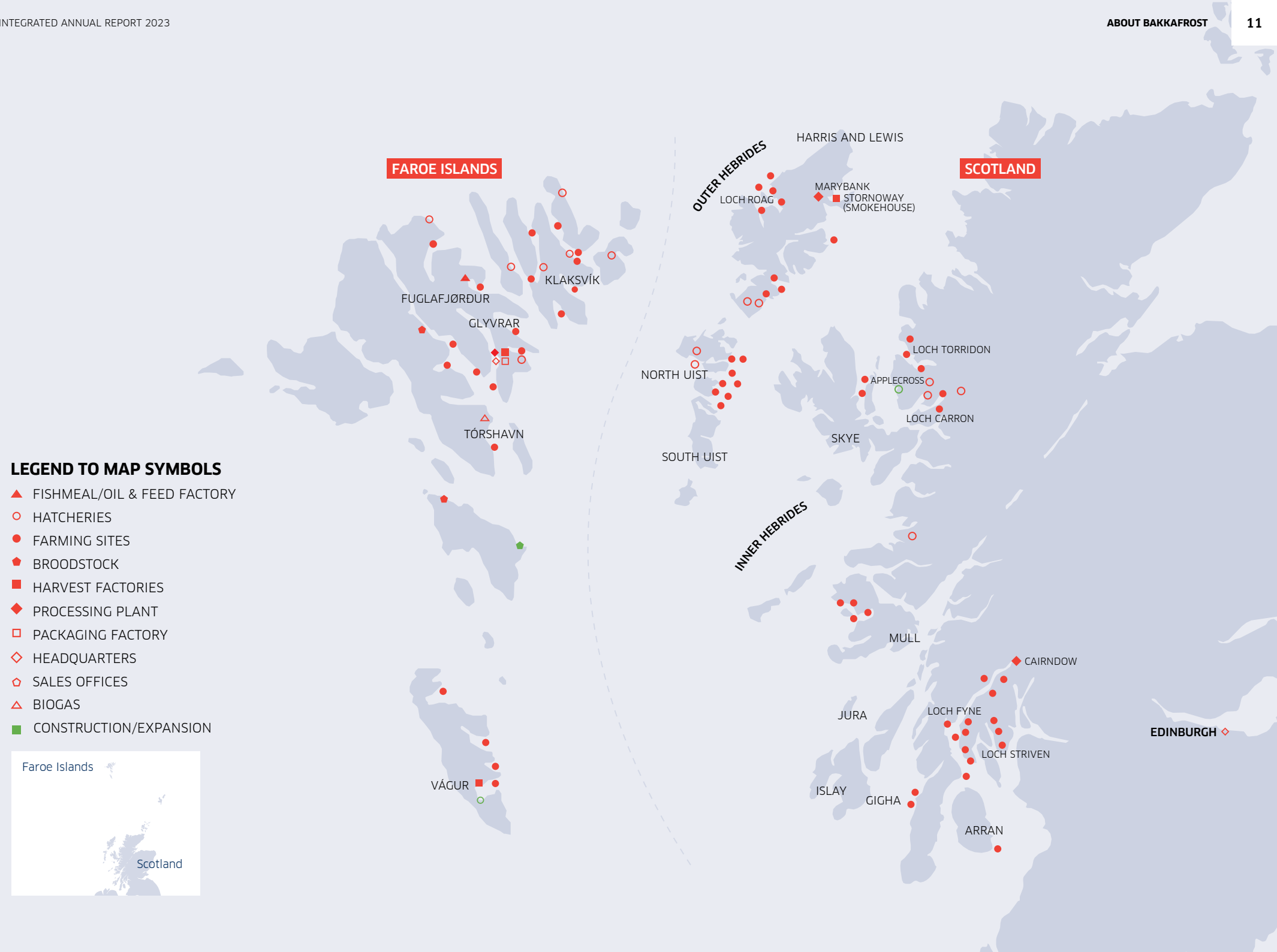
Markets Served: 40+ countries

Listed on: Oslo Børs with ticker code BAKKA

Parent company: Bakkafrost P/F, Faroese registration number 1724

LEGEND TO MAP SYMBOLS

FISHMEAL	BROODSTOCK	HARVESTING	FSV (FARMING SERVICE VESSELS)
FISH OIL	HATCHERIES	PROCESSING	PACKAGING
FISH FEED	FARMING	SALES/LOGISTICS	BIOGAS


FAROE ISLANDS
SCOTLAND
OUTER HEBRIDES
INNER HEBRIDES
HARRIS AND LEWIS
MARYBANK
STORNOWAY
(SMOKEHOUSE)
LOCH ROAG
KLAKSVÍK
FUGLAFJØRÐUR
GLYVRAR
TÓRSHAVN
VÁGUR
NORTH UIST
SOUTH UIST
LOCH TORRIDON
APPLECROSS
LOCH CARRON
SKYE
MULL
CAIRNDOW
JURA
LOCH FYNE
LOCH STRIVEN
EDINBURGH
ISLAY
GIGHA
ARRAN
LEGEND TO MAP SYMBOLS
FISHMEAL/OIL & FEED FACTORY
HATCHERIES
FARMING SITES
BROODSTOCK
HARVEST FACTORIES
PROCESSING PLANT
PACKAGING FACTORY
HEADQUARTERS
SALES OFFICES
BIOGAS
CONSTRUCTION/EXPANSION
Faroe Islands
Scotland

Key Figures

	2023	2022
Operating Revenue mDKK	**7,141**	7,130
Operational EBIT mDKK	**1,544**	1,705
Earnings per share DKK	**17.45**	19.02
Equity Ratio	**61%**	62%

Harvest Volumes

TGW

73,006

Greenhouse Gas Intensity

Group

Scope 1, 2 & 3

-14%

Per Tonne of Product Sold

-22%

Per Tonne of Product Produced

From 2020 (baseline) to 2023

Salaries

862 mDKK

Group

Employees

1,686

Group FTE: 75% Male 25% Female

Survival Rate

92.7%

Faroe Islands

79.4%

Scotland

Escapes

251,344

(1 incident)
Faroe Islands

0

Scotland

Lost Time Injury Rate

LTIR per million working hours

13.98

Group

Feed Conversion Ratio

1.096

Faroe Islands

1.18

Scotland

Antibiotica

0

Faroe Islands

0

Scotland

Business Model

Bakkafrost is the most vertically integrated salmon farming company in the world, which gives Bakkafrost full control and responsibility over all aspects of production. This enables Bakkafrost to have optimal control over the quality of its salmon and the costs of production.

Bakkafrost is the leading producer of superior-quality salmon from the Faroe Islands and Scotland, offering a wide range of healthy and nutritious salmon products from its own facilities.

The Bakkafrost Group controls the entire value chain, from its own production of fishmeal, fish oil and fish feed to the sales and marketing of finished VAP products. Control of the entire value chain is considered essential to ensure availability and traceability and to be able to control the product flow daily.

RESOURCES

Shareholder Capital

Skilled Workforce

Licences

Natural Resources

Pristine Waters

CORPORATE STRATEGY

VALUE CHAIN

- FISHMEAL
- FISH OIL
- FISH FEED
- BROODSTOCK
- HATCHERIES
- BIOGAS
- FARMING
- FSV
- HARVESTING
- PROCESSING
- PACKAGING
- SALES & LOGISTICS

ENABLERS

Growth ambition

One Company

Best practice processes

Embedded Sustainability

DIFFERENTIATORS

Provenance

Longest integrated value chain in the salmon industry

Optimal farming conditions in the Faroe Islands

High levels of Omega 3

Healthy Omega 3-6 Ratio

High quality

Sustainable fishmeal, fish oil and fish feed

Lower than average feed conversion ratio

Research & Development

BRANDING

BAKKA SALMON

HEIMLAND A TASTE OF THE FAROE ISLANDS

18 ISLANDS Finest selection from the Faroe Islands

LOCHLANDER SALMON

VALUES CREATED

Satisfied customers

Shareholders returns

Tax contributions

Community investments

Satisfied employees

RESOURCES

Key inputs into the value chain include:

Shareholder capital

Salmon farming is a capital-intensive business, and we rely on access to capital to ensure business growth and manage operational risks continuously.

We value constructive communication with banks and investors and ensure comprehensive and transparent reporting on financial and ESG topics.

Skilled workforce

We operate in a knowledge-intensive industry and rely on a skilled, motivated, and engaged workforce. By focusing on work satisfaction, inclusion and developing employees' competencies, we believe we can attract and retain employees with the right competencies and knowledge.

Licenses

We use fjords and lochs for farming salmon. We hold licenses which give exclusive rights to utilise a given area for farming fish. These licenses are granted by the Faroese and the Scottish authorities, and we are reliant on them to continue our business. We understand our duty to utilise these licenses responsibly, and we achieve this through comprehensive programmes to support sustainable farming practices.

Natural resources

Our operations rely on access to natural resources. Among the most essential materials are raw materials to produce salmon feed, e.g., marine raw materials, soy, wheat, and rapeseed oil.

The production of salmon feed is dependent on the availability of raw materials. For marine raw materials, the volumes are dependent on the ICES recommendations for the sourcing of various species in the North Atlantic, whereas the availability of agri-commodities is dependent on variables such as the weather conditions for growing the products, the political situation in the countries in which we source and the price volatility. We aim to secure inputs and minimise risk by sourcing from multiple vendors within the same commodity category. Also, we continuously develop our feed composition to enable variations, thereby securing alternatives in situations where we would potentially face reduced availability of commodities.

Freshwater is another material natural resource used in our operations.

Pristine waters

Pristine waters are essential to keep our product at a high-quality standard. We contribute to maintaining clean waters by continuously minimising our environmental impact.

VALUE CHAIN

Bakkafrost controls the entire value chain from its own production of fishmeal, fish oil and fish feed to sales and marketing of finished VAP products. Control of the entire value chain is considered essential to ensure availability, traceability, and to be able to control the product flow daily. Both customers and processing facilities depend on the daily availability of salmon and depend entirely on a steady flow of harvested fish.

The quality of the salmon is the result of the whole operation, from the production of fishmeal and fish oil to the processing of the salmon. The documentation and traceability from the finished product back to the raw material in the feed and the salmon eggs is important for the customers and, therefore crucial to Bakkafrost.

The control of the entire value chain enables Bakkafrost to make long-term delivery contracts and long-term customer relationships without being dependent on any third party to ensure the quality and predictability of the deliveries. It further enables better utilisation of the facilities throughout the value chain and prevents internal sub-optimization.

ENABLERS

Central to Bakkafrost's strategy is a strong growth ambition. The opportunities for sustainable growth are good in the Faroe Islands and Scotland. Salmon farming is highly dependent on natural resources and the license to operate, as reflected in Bakkafrost's business model, in which sustainability is deeply embedded.

Since the acquisition of the Scottish Salmon Company (now Bakkafrost Scotland) in Q4 2019, Bakkafrost has focused on merging together the two organisations to form "One Company", building upon the robust best practices processes Bakkafrost has established and proven successful.

DIFFERENTIATORS

Bakkafrost aims to produce delicious, healthy, sustainable, high-quality salmon that adds value for customers. This enables the Group to obtain a higher price that benefits the Group's outcomes. The Bakkafrost Group intends to enhance this position by investing in differentiation and the following USPs (unique selling points).

Provenance

The natural conditions and cold waters in the North Atlantic around the Faroe Islands and Scotland are perfect for raising salmon. Bakkafrost will further promote this unique provenance as producing exceptional quality salmon.

Both salmon from The Faroe Islands and Scotland are recognised globally as top quality. Still, as the Faroe Islands only produce about 3.6% (3.5%) and Scotland 5.5% (5,8%) of the world's salmon, the salmon from these two origins is in high demand. Bakkafrost salmon is sought after worldwide with accepted premium positioning and is preferred by select customers.

Longest Integrated Value Chain

Bakkafrost is one of the world's most vertically integrated salmon farming companies and uniquely produces its own fishmeal and fish oil. This ensures that Bakkafrost has complete control and responsibility over all aspects of production and gives clients unparalleled traceability.

Large Salmon Of High Quality Rich In Omega-3 Levels

The Faroe Islands aquaculture industry is recognised as producing the largest Atlantic salmon in the world. In recent years, a significant price difference has been evident between the different sizes of salmon. Due to a lack of supply, salmon over 6 kg achieved a considerable price premium. With a good supply of larger sizes, Bakkafrost was well placed to capitalise on this position. Farming large salmon requires good biology. The longer the salmon is at sea, the more it is exposed to different risks, as with any natural environment.

Bakkafrost's salmon are raised on a diet rich in marine content. This is also the most important factor for the quality of Bakkafrost Salmon, as the marine content ensures the optimum fat content, rich in healthy Omega 3 fatty acids DHA and EPA. The natural diet also ensures enjoyment of the exceptional taste of Bakkafrost Salmon, which contributes to its high quality.

Feed Rich In Marine Content

Bakkafrost has an integrated value chain that includes its own fish meal, oil and feed production. With its rich access to marine raw material from the waters surrounding the Faroe Islands, Bakkafrost is uniquely positioned to maintain a substantially higher marine inclusion in the salmon feed compared to peers in the industry. The natural diet for wild salmon is rich in marine resources. By keeping the Bakkafrost diet close to this, the Bakkafrost Group is able to have one of the industry's best Feed Conversion Ratios (FCR), which is a key indicator of fish welfare and low production costs.

Sales And Geographical Diversification

The sales and marketing department at Bakkafrost is responsible for the worldwide sales of Bakkafrost Salmon, whether farmed in the Faroe Islands or Scotland. The Group focuses on direct sales through channels where the quality attributes of Bakkafrost Salmon are recognised, and a price premium is achieved. The strategy ensures geographical sales diversification, thereby minimising the risk of market fluctuations.

Worldwide Reach

Bakkafrost uses ship transport and trucking whenever possible to transport frozen and fresh products to nearby markets. Fresh salmon delivered to long-distance markets such as the US and Asia are transported by air.

Fast, reliable logistics with global reach are vital for distributing fresh perishable produce sought after worldwide. To maintain the leading position, Bakkafrost works closely with key freight forwarders to ensure effective logistics and first-class customer service worldwide, ensuring that Bakkafrost´s salmon is always delivered as fresh as possible by freight carriers to major airports and then linking with further passenger airlines to diverse worldwide locations. Bakkafrost expects to have its own aeroplane in operation in H1 2024, primarily serving the US market. This will strengthen Bakkafrost's position as a supplier of superior-quality fresh salmon.

Research & Development

Research and development are deeply rooted in Bakkafrost's DNA. By addressing technical and operational challenges, valuable knowledge is created. Bakkafrost's research and development activities are spread around the whole value

chain, from research in broodstock and research in feed recipes, focusing on the development of fish health and welfare to food safety, product development and piloting new packaging. Knowledge drives long-term value and ensures competitive advantage, whether it is enhancing biomass production or sea lice management. Through research and development projects, Bakkafrost safeguards innovations, fostering responsible growth and environmental stewardship.

Segmentation

The Bakkafrost brand is particularly strong in the US, where demand for salmon over 6 kg is strong, predominantly in the sushi segment. The market share in China is also strong.

The strong sustainability profile of Bakkafrost Salmon is particularly important to clients in the premium sushi segment. Bakkafrost does not use any antibiotics and uses only non-GMO ingredients in feed.

Value Added Products

Bakkafrost holds a leading position in frozen salmon portions. The main markets are leading European and US retailers. Bakkafrost adds value to VAP production by producing the highest quality product and is recognised as a reliable and responsible supplier.

The diversification of the Bakkafrost product mix brings additional benefits for the Group; it ensures increased revenue stability with negotiated 6- and 12-month contracts and offers an outlet for whole fresh fish in adverse market conditions.

Sustainability

Sustainability is deeply embedded in the business strategy and drives and shapes the business and operations. Bakkafrost relies on certifications, such as the MSC, ASC and BAP certifications. 100% of Bakkafrost's sites in the Faroe Islands and 40% in Scotland are ASC-certified, and the Scottish operation is BAP-certified.

BRANDING

Over the years, Bakkafrost has prioritised strengthening the brand and widening the market reach. Today, Bakkafrost is well known for its sizeable superior quality salmon and sustainable operation. In 2022, Bakkafrost revised the brand strategy to leverage the solid Bakkafrost brand supported by several sub-brands, emphasising provenance, and targeting different customer segments.

VALUES CREATED

Key outputs from the business include:

Satisfied customers

We take great pride in producing the finest Atlantic Salmon for our customers. We focus on farming high-quality and healthy salmon rich in flavour, supple in texture, and vibrant in colour. We go above and beyond to supply our customers with fresh and nutritious salmon.

Shareholder returns

We are committed to the equal treatment of all our stakeholders, and we work hard to create a profitable business which creates value for our stakeholders and the communities in which we operate.

Tax contributions

Bakkafrost is an integral part of the communities in which we operate, and we understand our role in supporting communities through tax contributions. We are passionate about driving economic growth and the sustainability of our rural economies.

Community investments

We are committed to supporting the local communities, and to support our commitment, we have established the Healthy Living Fund, where everyone can apply for funding. We support causes that promote sports, education, social inclusion, a healthy environment, and community volunteering.

Satisfied employees

We take great pride in creating meaningful jobs in remote areas, and our strategic priority is to be an employer of choice. We pay our employees an adequate salary, aim to create a safe and inclusive work environment, and encourage them to take responsibility and pride in their work.

Memberships and ratings

Transparent about progress

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

UN Global Compact

- Bakkafrost is a participant in the UN Global Compact and a 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.

Voluntary Disclosure

Ocean Disclosure Project

- Bakkafrost has signed up for the Ocean Disclosure Project to further increase transparency and focus on sustainable sourcing of marine ingredients.
- For Bakkafrost's profile, please visit www.oceandisclosureproject. org.

2023 Awards

- Bakkafrost Native Hebridean Smoked Scottish Salmon won a two-star Great Taste Award 2023.
- Bakkafrost Native Hebridean Smoked Scottish Salmon won Silver at the Scottish Retail Food & Drinks Awards 2023.
- Bakkafrost Native Hebridean won Primary Producer award at the prestigious Highlands & Islands Food & Drink Awards.

- The Faroese Sustainable Business Initiative - Burðardygd Vinnulív - that Bakkafrost is a founding member of, won the 2023 international edie award for Partnerships and Collaboration.

- Bakkafrost Scotland won the SCDI Award for Outstanding Islands Business.
- Bakkafrost Scotland won The Benromach Award for Excellence in International Business at the SCDI Awards.

2023 Ratings

- In 2023, Bakkafrost achieved management ‚B' score from CDP for our coordinated actions on Climate Change. Bakkafrost achieved a ‚B' on Water security coordinated actions and achieved a ‚C' in CDP Forest for Soy. Bakkafrost overall CDP Supplier Engagment Rating for 2023 was ‚B'.
- Bakkafrost ranked 6th by the 2023 Coller FAIRR Protein Producer Index of the world's most sustainable protein producers.
- In 2023, Bakkafrost was rated 24.5 (on a scale of 0-40+) in the Sustainalytics ESG Risk Ratings assessment (a lower score indicates less unmanaged ESG risk).
- Bakkafrost received a rating of A (on a scale of AAA-CCC) in the MSCI ESG 2023 Ratings assessment.
- In 2023, Bakkafrost received an ESG Score of 42, in the S&P Global's Corporate Sustainability Assessment (CSA).
- Bakkafrost received a B in the Position Green ESG100 2023 report. The report ranks the ESG reporting of the 300 largest companies on the Scandinavian stock exchanges.
- Bakkafrost is listed on the OBX® ESG Index, launched by the Euronext Group in May 2022. The index identifies the 40 companies listed on the Oslo Stock exchange that demonstrate the best Environmental, Social and Governance (ESG) practices.

Memberships

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

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

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

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

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

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

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

Certifications

Our Journey

For more details on Bakkafrost's history, please visit www.bakkafrost.com/about/history

1968

The Bakkafrost business was established by the two brothers Hans and Róland Jacobsen. The first processing plant was built in the same year. The third brother, Martin Jakobsen, joined the company in 1971.

1979

Bakkafrost started fish farming activities – one of the first companies in the Faroe Islands to do so.

1995

Bakkafrost built a factory for value-adding salmon at Glyvrar. Although the investment was limited and the capacity was low, this was Bakkafrost's starting point for value-added salmon production.

2003

Faroese Veterinary Model introduced, reducing mortality rates.

2006

The Bakkafrost Group grew through mergers and acquisitions with several farming companies. Bakkafrost's farming operation increased significantly, both on land and at sea.

2010

The shareholders of Bakkafrost and Vestlax agreed to merge the companies. Vestlax Group's shareholders agreed to be remunerated in Bakkafrost shares. The Vestlax Group was a farming company with a harvest factory in Kollafjørður. The Bakkafrost Group was an integrated farming company, ranging from smolt production, fish farming, and production of packaging materials to finished VAP products and Sales.

Bakkafrost was listed on Oslo Børs and broadened its shareholder base. In addition to local Faroese investors, the company was now owned by international investors from all over Europe and the USA.

Bakkafrost was the first feed factory to attain GLOBALG.A.P. certification.

2011

Bakkafrost acquired P/F Havsbrún, a modern, internationally renowned producer of fishmeal, fish oil, and fish feed, situated in the Faroe Islands.

2013

Bakkafrost was a founding member of the Global Salmon Initiative.

2015

In July, Bakkafrost's new live fish carrier M/S Hans á Bakka was delivered.

Bakkafrost was the first company and site in the Faroe Islands to be awarded an ASC certification, and an ASC Chain of Custody certification.

2017

Bakkafrost's new harvest/VAP factory and the headquarters in Glyvrar were finished.

The fish meal and oil division received MSC Chain of Custody certification.

2018

Bakkafrost started the integration of the Faroese broodstock program. Bakkafrost's new hatchery at Strond started operation. Bakkafrost closed the acquisition of the business and assets in the US salmon importer North Landing.

Bakkafrost's first sustainability report, the Healthy Living Plan, was released to accelerate progress on material sustainability issues with increased transparency.

Celebrated the 50th anniversary and announced a DKK 10 million Healthy Living Fund, including a 3-year partnership with the University of the Faroe Islands to support natural sciences.

2019

Began construction on a new biogas plant, converting farming waste into renewable energy, heat, and fertilizer. Began smoking salmon in-house in the Faroe Islands, using sustainably certified wood.

Bakkafrost acquired The Scottish Salmon Company PLC, an integrated salmon farming business in Scotland with a focus on traceability and total supply chain integrity.

Bakkafrost issued new shares for the first time since listing on Oslo Børs to finance the acquisition.

2020

First biogas was produced at the new biogas plant and sold the first KWh of renewable electricity.

Achieved the goal to have all Bakkafrost farms in the Faroe Islands certified to the ASC standard for responsible aquaculture, following a 7-year assessment period.

The Scottish Salmon Company was the first salmon producer in Europe to be recognized with a 4-star Best Aquaculture Practices (BAP) certification.

2021

Bakkafrost and 10 other businesses in the Faroe Islands joined forces to work together on a three-year corporate sustainability initiative.

Bakkafrost was a founding member of Burðardygt Vinnulív.

2022

Hatchery expansion in the Faroes and the first of two planned large hatcheries in Scotland to support our biosecurity strategy.

The first farming service vessel with innovative dual-treatment freshwater systems for gill-health and sea lice treatments entered the fleet in Scotland.

Bakkafrost received a new fully electric workboat called Grønarók.

2023

In January, Bakkafrost's new combined hybrid live fish carrier and farming service vessel, M/S Bakkafossur, was delivered.

Hatchery expansions at Glyvradalur, Norðtoftir, and Viðareiði became operational, increasing overall freshwater capacity by 55%. Additionally, a contract for a new hatchery at Skálavík was signed.

Expansion phase 4 of the Applecross hatchery in Scotland was completed and the first batch of 250g smolt were released.

Bakkafrost's ambitious climate change targets were SBTI-approved. Bakkafrost committed to reduce Scope 1 and 2 GHG emissions 50% by 2030. And committed to reduce Scope 3 GHG emissions by 52% per tonne product sold.

Bakkafrost announced an updated five-year investment program for 2024-2028.

Main Events 2023

January

- Reception at the headquarters to welcome our new 10,000m³ hybrid live fish carrier and farming servicevessel M/S Bakkafossur.

February

- Our Native Hebridean smoked salmon was showcased at 10 Downing Street for Burns Night.

March

- Bakkafrost introduced a new brand, "Heimland", which now offers the same high-quality products as before but with a fresh name and updated packaging in the Faroe Islands.
- Annual Report and Healthy Living Report launched

April

Annual General Meeting held

May

- Native Hebridean smoked Scottish Salmon wins silver at Scottish Retail Food and Drink Awards
- First batch of 250g smolt released from the Applecross hatchery in Scotland

June

- Förka started a pilot project producing energy out of food waste from local authorities, hotels, and wholesale.
- Arranged our Capital Markets Day in Scotland, where we communicated our five-year business strategy and investment plan to over 100 stakeholders.

July

- Bakkafrost contributes to annual local Salmon Market, opening our HQ to the public and serving Salmon to participants.

August

- Bakkafrost participates in Seafarer Day and Cultural days in the Faroe Islands where free salmon meals were handed out.

September

- Bakkafrost's ambitious climate action targets SBTI approved.
- Bakkafrost Scotland won the award for Excellence in International Business at the annual SCDI awards.

October

- Native Hebridean wins silver at the Great British Taste Awards 2023.

November

- Bakkafrost signed a contract to build a new smolt hatchery in Skálavík in the Faroe Islands.
- Bakkafrost participated in the world's first 100% Sustainable Aviation Fuel (SAF) flight across the Atlantic by a commercial airline.
- Bakkafrost hosted a supplier day for Bakkafrost Scotland suppliers.
- Bakkafrost has partnered with Faroese energy provider Effo to launch the largest wind farm in the Faroe Islands to drive decarbonisation of Bakkafrost operations..

December

- Förka starts project to convert CO_2 from biogas and green hydrogen to biomethane to fuel heavy vehicles in the Faroe Islands.

Governance and Strategy

IN THIS SECTION

Strategy

VISION

To be a significant contributor in fulfilling the world's growing demand for healthy and sustainably produced protein

MISSION

To produce the best salmon in the world!

VALUES

Provenance, Passion and Respect

Bakkafrost's vision is to be a significant contributor in fulfilling the world's growing demand for healthy and sustainably produced protein. Our mission is to produce the best salmon in the world.

We are proud of our Provenance, bringing together our cultural differences to raise sustainable, nutritional salmon, with full value chain integrity.

We celebrate our Passion for our business and our people, who go above and beyond to accomplish our shared purpose, together. This is our competitive advantage.

We Respect and care for our natural environment, each other, our employees and our local communities in which we live and work – sustainability is at the heart of everything we do.

Bakkafrost's experience within the seafood industry dates back to 1968, and since then, our priority has been to run a healthy, attractive and competitive cost-conscious salmon farming group.

Our strategy is focused on sustainable value creation. This extends beyond healthy financial returns, to the strength, capability and reputation of the business, the quality of our workforce, and collective social and environmental wellbeing. We recognize that by investing in the health of our business, our people, our salmon, the environment and the communities in which we operate, we will be in a better position to achieve this.

Today, our five business objectives are:

Growth

We strive for a continuous market driven growth of harvest volumes as well as of the value of our products, while building strategic strongholds in selected markets.

One Company

We will be one united company where our employees share values, identity and culture and operate efficiently "as one" according to best practices and within simple organisational and governance structures.

Differentiation

We differentiate ourselves by increasing brand awareness, based upon the provenance, superior quality and large sized salmon, taste and nutritional profile of our salmon with full traceability, fed on our own feed with high marine content.

Scotland Turnaround

We will transform the performance of our Scottish operation through targeted investments and applied best practices, which will reduce biological risks, reduce costs, improve product quality, enable simpler processes and release synergies.

Sustainability

We embed sustainability deeply in our decision-making processes and demonstrate our commitment to sustainability through our actions and achievements, for which we aspire to be acknowledged as industry-leading.

Our core values, which support our performance and guide our behaviour, reflect our commitment to creating long-term value for our customers, shareholders and society by acting responsibly, showing respect, and being persistent, efficient and ambitious.

In 2021, we reviewed our corporate strategy and aligned our strategic objectives with our Healthy Living Plan, outlined in our sustainability statement. We have updated our strategic objectives to reflect and align with the updated sustainability-targets, set in 2024.

We have set SBTi-validated carbon reduction targets of:

- 50% reduction in absolute Scope 1 and 2 GHG emissions by 2030 from a 2020 base year
- 52% reduction per tonne of product sold in Scope 3 GHG emissions from a 2020 base year

Our carbon reduction targets guide our overall business strategy and informs our investment plan. For example, we have allocated 355 mDKK in our five-year investment plan to green transition.

Our strategy going forward is focused on decoupling carbon emissions from business growth. The growing population means an increased demand for protein. Thus, we look to grow the business in the coming years.

We have identified some key elements of our value chain, which need to be transitioned to renewable energy to decouple growth from carbon emissions, including transitioning feed production to use renewable energy as well as switching to renewable energy solutions onboard our large vessels. Green innovation within the marine sector is critical for us to be able to do energy transition in this sector.

Bakkafrost and the UN Sustainable Development Goals

THE GLOBAL GOALS

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. The UN resolution identifies specific targets for each goal and provides indicators to measure progress.

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.

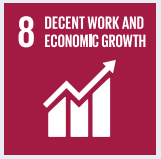
We have conducted a mapping of the SDG goals and targets against our activity to understand which are most relevant for us. We have distinguished between areas where there is potential for high positive impact, areas for limited positive impact, and areas where we have a responsibility to mitigate potential 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 sustainable production of a healthy source of protein and essential fatty acids to feed a growing global population.



SDG 8 Decent Work and Economic Growth:
Promote inclusive and sustainable economic growth, full and productive employment and decent work for all.

We are contributing towards target 8.1 through our substantial contribution to the Faroese economy and contributing to the Scottish, US and Danish economy; 8.5 by creating full and productive employment with equal opportunities in the Faroe Islands, Scotland, US and Denmark; 8.7 through the strict labour 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 all women and girls.

We are contributing towards target 5.5 by ensuring women's full and effective participation and equal opportunities for leadership at all levels of decision-making in the company

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

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

SDG 9 Industry, Innovation, and Infrastructure:
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

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

SDG 14 Life Below Water:
Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

We are contributing towards target 14.4 by using marine ingredients certified as sustainable; and 14.1 by managing our impacts on the fjord 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 substantially increasing the safe reuse of water via our Recirculating Aquaculture System (RAS) facilities, minimising 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 fertilizer 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 maximizing efficiency of natural resources used in our feed; 12.5 by adopting a circular approch across different elements of our value chain, by reducing our waste generation through prevention, reduction, recycling and reuse; and 12.6 by encourage companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle by increasing transparency on our sustainability performance.

SDG 13 Climate Action:
Take urgent action to combat climate change and its impacts.

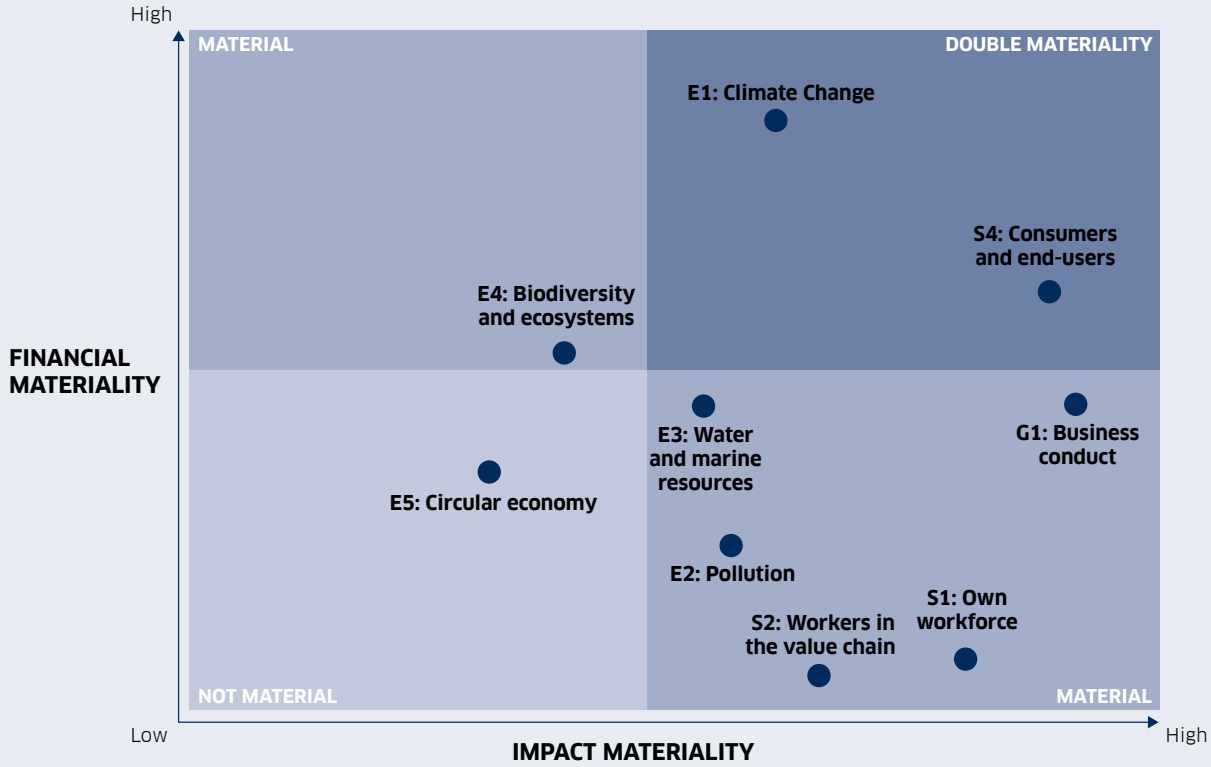
We are addressing target 13.1 by building the climate resilience of our company and value chain and look to reduce emissions associated with own operations.

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 or similar soy protein for our animal feed; and 15.5 by implementing measures to reduce the impact from salmon aquaculture on the near-shore environment and increasing research into this area.

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

Double Materiality Assessment Outcome



Conducting a double materiality assessment (DMA) is key to understanding a company's impacts on the surroundings as well as understanding and assessing risks and opportunities that the surroundings provide to a company.

As part of our preparation for reporting according to the European Sustainability Reporting Standards (ESRS), we performed our double materiality assessment in 2023. The figure on the right shows the result of the assessment.

The outcome is aggregated per ESRS topic, and the topics are positioned based on the average materiality rating of the specific topics within each general topic; for example, the position of E1 reflects the average score of the sub-topics E1.1, E1.2 and E1.3 in terms of impact and financial materiality.

The figure does not have values on the axis because the impact materiality and the financial materiality use different scales.

The double materiality assessment revealed that almost all topics in the ESRS are relevant to report on for Bakkafrost. This is mainly because our long, integrated value chain covers everything from fishmeal, oil and feed production, including sourcing of agro- and marine commodities, to operating farming service vessels, production of biogas, salmon farming and production, packaging and airfreight. The only topic standard that was assessed not to be material was S3 (Affected Communities). However, we will be reporting on S3.5 (Security of local communities affected by Bakkafrost's operations), as this specific sub-topic was rated to be significant to our stakeholders. We recognize that the nature of our operations with such a comprehensive value chain has impacts, risks and opportunities across a range of sustainability-related topics, and we are committed to providing thorough and trustworthy reporting on these topics. The complete list of relevant topics that we will be reporting against in the future can be found in the Appendix section 'Material impacts, risks and opportunities'.

Bakkafrost's Healthy Living Plan

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

	Healthy Business	Healthy People	Healthy Salmon	Healthy Environment	Healthy Communities
STRATEGIC PRIORITY	To grow efficiently and responsibly	To be a preferred employer	To exceed leading standards	To minimise our environmental impact	To create shared value
2022 PERFORMANCE AGAINST OUR 2023 COMMITMENTS	• Have zero cases of non-compliance 🟡 • Update procurement policy and supplier code of conduct 🟢 • Maintain high net promoter and customer satisfaction with quality scores 🟡 • Actively engage customers in waste reduction 🟢 • Influence the improvement of aquaculture practices 🟢 • Extend ISO9001 standard Certification 🟢 • Focus on producing salmon from own unique breed 🟢	• Have industry leading employee engagement scores 🟡 • Launch internal sustainable behavior campaign 🟢 • Reduce absence rate to 4.4% 🟢 • Achieve ISO45001 certified 🟢 • Reduce LTIR to below 5 by 2026 🟡 • Have zero fatalities 🟢 • Increase number of women in management positions (managers with direct reports) to at least 25% by 2025 🔴	• Increase smolt size to 500 g by 2023 in Faroes and 2026 in Scotland 🔴 • Maintain our high Omega-3 levels 🟢 • Zero antibiotica use 🟢 • Maintain salmon survival rate at 94% or above (Faroes) 🟡 • Increase research to optimise fish welfare and product quality 🟢 • Maintain industry leading approach to animal welfare 🟢 • Maintain ASC certification, BAP certification or similar for all Bakkafrost salmon 🟢	• By 2030 reduce by 50% the Scope 1 & 2 CO_2 footprint (Group) 🔴 • Continue research into sustainable feed ingredients 🟢 • Investigate new sustainable marine sources for fishmeal 🟢 • Optimise feed strategy to maintain industry leading FCR 🟢 • Achieve ISO14001 environmental standard certification in the Faroe Islands, alreadyin place in Scotland 🟢 • Zero fish escapes 🔴 • Measurably reduce environmental impact from packaging 🟡 • Explore innovative waste streams at the new biogas plant 🟢 • Over 97% water recirculation rate in hatcheries (Faroes) 🟢	• Actively educate key stakeholders on the benefits of salmon aquaculture 🟢 • Increase collaboration with key stakeholders to achieve the Healthy Living Plan 🟢 • Increase transparency on local value Creation 🟢 • Continue 10m DKK 3yr investment in Healthy Living Fund in the Faroe Islands 🟢 • Continue investment in Community Fund in Scotland 🟢
2026 TARGETS	• Zero cases of non-compliance. "No product recall, No market bans, No IT security incidents". • Sustainability recommendations on all Bakkafrost-branded products • Average customer rating of >8.5 and a net promoter score above +50 • Include sustainability in CAPEX request form • Board to receive sustainability training annually • Implement use of new technology and digitalisation to contribute to operational efficiency (both regarding the salmon and environment)	• Employee engagement scores above industry benchmark (provided by Peakon) • Minimum three employee events a year with focus on sustainability engagement and awareness • Reduce group absence rate to 3.9% • Reduce LTIR to below 5 • Zero fatalities • Target on number on 10 vocational graduates a year • Increase number of women in management positions (managers with direct reports) to at least 25% • Disclose gender paygap. Percentage increase from year 0 in the company to year 5	• Annual salmon survival rate of 96% (Faroes) and 92% (Scotland) • Zero antibiotic use • Maintain industry-leading approach to animal welfare. • High omega-3 levels • High protein levels average 19g/100g • No product recall • Maintain ASC certification in the Faroes and achieve ASC certification in Scotland by 2027 • Focus on producing salmon from own unique breed	• Reduce by 50% the Scope 1 & 2 CO_2 footprint by 2030, • Reduce the Scope 3 footprint by 52% per tonnes of product by 2030. • Water recirculation rate over 97% in all hatcheries. • Measure freshwater use/tonne of fish processed by 2026 • Zero fish escapes. • Group FCR below 1.083 weighted average • Continue research and investigation of new sustainable sources for marine ingredients. • Engaging with suppliers of feed ingredients	• Minimum yearly investment of 3 m DKK in Healthy Living Fund in the Faroes and Community Fund in Scotland • Enhance stakeholder alignment and collaboration to drive sustainable outcomes • Promote community engagement and transparency through a minimum of 30 annual visits from schools, local communities and stakeholders • Annual beach clean: >90% of areas where we operate • Minimum 60% use of local suppliers
SDGs	• SDG 2 Zero Hunger • SDG 8 Decent work and economic growth • SDG 9 Industry, Innovation, and Infrastructure • SDG 7 Affordable and Clean Energy	• SDG 8 Decent work and economic growth • SDG 5 Gender Equality	• SDG 2 Zero hunger • SDG 6 Clean water and sanitation • SDG 14 Life below water • SDG 17 Partnerships for the goals	• 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	• SDG 8 Decent work and economic growth • SDG 17 Partnerships for the goals

🟢 Achieved
🟡 Partly achieved
🔴 Did not or will not meet the target

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

Corporate Governance

P/F Bakkafrost is dedicated to maintaining high standards of corporate governance. The company endeavours to be in compliance with the Norwegian corporate governance regime, as detailed in the Norwegian Code of Practice for Corporate Governance, published on 14 October 2021 by the Norwegian Corporate Governance Board (the "Code of Practice"). The recommendation may be found at www.nues.no. Beside the Corporate Governance description in our annual report, Bakkafrost publishes a more detailed report on Corporate Governance, which may be found on our website.

Bakkafrost does not comply with the following recommendations in the Norwegian Code of Practice for Corporate Governance:

Section 3 stipulates, "that mandates granted to the board should be limited in time to no later than the date of the next annual general meeting".

Bakkafrost's Articles of Association § 4A gives the Board of Directors authorization to increase the share capital until the ordinary general meeting of the company in 2025. For practical reasons, this has been implemented into the Articles of Association of P/F Bakkafrost. It is the Board's view that if shareholders find this authorization unacceptable, the Board will support a change to the Articles of Association.

Bakkafrost's Governance Model

To ensure adherence to the principles, the company has elaborated specific instructions regarding rules of procedure for the Board of Directors, instructions for the Nomination Committee, instructions for the Chief Executive Officer and other management, guidelines with regards to values and ethics, instructions for the Audit Committee, an investor relations policy, guidelines relating to takeover bids and guidelines for related-party transactions.

Shareholders and General Meeting

Shareholders exercise their rights at Bakkafrost's general meeting – such as appointing Bakkafrost's Nomination Committee, Board of Directors and auditor.

The procedures at Bakkafrost's general meeting follow the standard rules stipulated in the Faroese company law and Bakkafrost's Articles of Association.

BAKKAFROST'S GOVERNANCE MODEL

SHAREHOLDERS

GENERAL MEETING

Bakkafrost's shareholders exercise their rights at the General Meeting.

NOMINATION COMMITTEE

Consists of four members, which are elected by AGM. Recommends candidates for election to the Board of Directors and Directors' fees.

BOARD OF DIRECTORS

Consists of 3-7 members, which are elected every year. The Board of Directors is responsible for the overall management of Bakkafrost.

AUDIT COMMITTEE

Consists of three members from the Board of Directors and is chaired by the Board of Directors' Chairman.

GROUP EXECUTIVE MANAGEMENT

The Group Executive Management is responsible for the day-to-day management of Bakkafrost.

REMUNERATION COMMITEE

Consists of three members from the board of Directors.

Nomination Committee

The Nomination Committee recommends candidates for election to the Board of Directors and the Directors' fees. The deadline for submitting proposals to the Nomination Committee is 31 January.

Bakkafrost's General Meeting elects the members, hereunder its chairman, for the Nomination Committee for a period of two years, unless the General Meeting decides otherwise. The remuneration payable to the Nomination Committee's members is also determined by the General Meeting.

The regulations governing the work of the Nomination Committee are incorporated in Bakkafrost's Articles of Association.

At the end of 2023, the members of the Nomination Committee were:

- Gunnar í Liða (Chairman)
- Eyðun Rasmussen
- Rógvi Jacobsen
- Leif Eriksrød

Board of Directors

Bakkafrost's Board of Directors is responsible for the overall management of the company and appoints a management of one or several managers to manage the daily business of Bakkafrost. The Board of Directors sets out the strategy for Bakkafrost and decides major investments and divestments. The Board of Directors is also responsible for ensuring that Bakkafrost has at any time an appropriate capital base, key policies and controls and for reviewing audit matters. The Board of Directors is responsible for Bakkafrost's Risk Management and material operational decisions.

The majority of the members of the Board of Directors shall be residents in the Faroe Islands. The chairman of the Board of Directors is elected by the general meeting. The Board of Directors shall have between three and seven members. Information about the members of the Board of Directors may be found in "Directors' Profiles" in the Annual Report.

The Board of Directors has laid down detailed rules regarding its activities in a working procedure, which is reviewed regularly.

The Board of Directors held eleven meetings in 2023. Below under each Director's profile is disclosed each Director's participation in the Board meetings held during 2023.

The members of the Board of Directors receive a fixed remuneration, which is approved by the general meeting. The members of the Board of Directors are not part of Bakkafrost's share savings plan for employees or any bonus schemes.

Audit Committee

The Audit Committee is a sub-committee of the Board of Directors and assists the Board of Directors in overseeing the financial and non-financial reporting process, financial and business-related risks, internal controls, and compliance with statutory and other requirements from the public authorities.

The Audit Committee decides the framework of Bakkafrost's external auditors, evaluates the auditors' independence and qualifications.

The company's audit committee met five times during 2023 to review accounting and operational issues in detail. The committee consists of Rúni M. Hansen (Chairman), Øystein Sandvik and Teitur Samuelsen.

Remuneration Committee

The Remuneration Committee is as sub-committee of the Board of Directors and consists of three members: Øystein Sandvik (Chairman), Einar Wathne and Teitur Samuelsen.

The Remuneration Committee is responsible for setting an appropriate reward policy that motivates the Group Executive Management to achieve the long-term interests of the shareholders. Responsibilities include setting the remuneration policy for the Group Executive Management, determining individual compensation, and providing direction on salaries, bonuses and pensions and other remuneration.

Group Executive Management

The Group Executive Management leads Bakkafrost's daily business and shall adhere to any decisions made by the Board of Directors as well as to any rules and requests from the Board of Directors.

The Board of Directors has in executive instructions laid down specific rules regarding the authority and duties of the Group Executive Management. The Board of Directors also decides the employment conditions of the Group Executive Management and gives more specific rules regarding its work.

The Group Executive Management consist of CEO Regin Jacobsen, CFO Høgni Dahl Jakobsen and Managing Director of Havsbrún Odd Eliasen. Information about the Group Executive Management may be found in "Group Managements' Profiles" in the Annual Report.

Sustainability Governance Framework

This policy applies to all Bakkafrost operations and outlines the company's approach to sustainability governance, including the highest governance body's involvement in sustainability management.

Sustainability is at the heart of everything we do. Through our sustainability strategy, the Healthy Living Plan, which comprises our five Group Sustainability pillars Healthy Business, Healthy People, Healthy Salmon, Healthy Environment and Healthy Communities, we have set ambitious goals and targets to drive sustainable development in the organisation.

Through our Sustainability Governance Framework, we ensure that we have the organisational capability to implement measures necessary to achieve our sustainability goals, including integration of sustainability in business strategies and high-level decisions. In addition, the governance framework ensures that we manage sustainability-linked risks in an effective and responsible manner.

RESPONSIBILITY FOR MANAGING IMPACTS, RISKS AND OPPORTUNITIES

The Board of Directors oversees and has the overall responsibility of the management of sustainability-related impacts, risks and opportunities as well as sustainability reporting.

The Board of Directors has delegated the day-to-day responsibility for managing the organization's sustainability-related impacts, risks and opportunities to the CEO. However, major decisions and investments into climate and energy transition above DKK 5 million are to be approved by the Board of Directors.

Responsibility for legal compliance and reporting of impacts and risks is delegated to the Group Sustainability Director.

The CEO reports back to the Board of Directors on sustainability-related impacts, risks and opportunities at every board meeting.

RISK & IMPACT MANAGEMENT

Management of sustainability-related risks and impacts follows our risk management framework. Risks and impacts are identified and reported through group and department forums, and if risks/impacts are assessed to be significant, they are escalated through the reporting hierarchy, and eventually reported and discussed at board level.

The risk management framework ensures any potential negative impact is avoided or remediated.

Dialogue and transparency with stakeholders or potentially affected communities and authorities are key elements in the process in order to mitigate any impacts caused by the organisation's operations.

The Board has delegated the implementation of stakeholder engagement to the Group Executive Management. Stakeholders are regularly consulted to identify potential risks and concerns. We regularly engage with investors and customers through regular meetings and our biennial events, the Capital Markets Day and the Bakkafrost Summit. Community stakeholders are regularly consulted through our sustainability materiality assessment, and we partner with community stakeholders to support management in cases of impact.

The Board is responsible for overseeing the organisation's due diligence and the effectiveness of risk management processes. The board reviews the organization's processes in relation to due diligence on an annual basis.

COMPETENCE OF THE BOARD OF DIRECTORS

We aim to support the transition to a global sustainable food system. To ensure decisions on sustainability issues are well-informed and science-based, the Board of Directors is updated annually on both general as well as company-specific sustainability topics and trends.

The competence of the members of the Board of Directors are reviewed annually.

THE EFFECTIVENESS OF OUR SUSTAINABILITY MANAGEMENT

To ensure effective sustainability management in the organisation, including effective due diligence processes and risk management, external independent audits and performance reviews are carried out annually at several levels, including the Board of Directors and the Group Sustainability Committee.

In addition, we perform quality assurance through certifications and standards such as the Aquaculture Stewardships Council (ASC) and ISO 9001.

PROCESS FOR SETTING SUSTAINABILITY-RELATED TARGETS

We have a structured and collaborative process for setting our sustainability targets, which is overseen by the senior executives, including the CEO, and the sustainability committee.

The Sustainability department creates a draft long-list of targets based on various parameters, including ambitions to manage impacts, risks and opportunities assessed to be material via our double materiality assessment as well as ambitions to comply with internationally recognised targets such as reducing carbon emissions in line with the Paris Agreement. In the process of creating the long-list, we also investigate sustainability-related trends and demand from consumers and investors, including topics of importance to the company's most important stakeholders.

Feedback and input to the long-list is provided from the Group Management and senior executives on a strategy seminar. The final targets are then approved by our Group Management and the Board and then communicated to our employees and our stakeholders.

The Board and the Group Management oversee the progress of our sustainability targets through data collection in various systems, and progression against the targets is also discussed at our sustainability committee meetings.

EMBEDDING SUSTAINABILITY IN THE ORGANISATION

Our Healthy Living Sustainability Strategy sets out the aim, the purpose and our goals. The company policy is to produce healthy salmon, with sustainable use of resources, minimum impact on the environment, maximum respect for people, and optimum value for its stakeholders and society.

Policy commitments are embedded in the organisation through various mechanisms. Sustainability-related policies are reviewed and approved by the CEO.

Each management-level position has sustainability-related responsibilities assigned to it, and the responsibilities are delegated as follows:

Executive leadership:

Ensuring governance of the company's sustainability ambitions and that sustainability commitments are integrated into corporate strategies and policies.

Sustainability department:

Responsible for driving sustainability in the organisation, ESG reporting, compliance with regulations and sustainability standards, and support for the rest of the organisation to deliver on sustainability targets, including advisory for managers and employees on how to implement policy commitments.

Quality/Biology department:

Responsible for avoiding and/or minimising the environmental and biological impact in operations.

Finance department:

Responsible for corporate governance, business conduct and compliance with legal regulations.

Human Resources department:

Responsible for compliance with human rights, employee engagement

Health & Safety department:

Responsible for health and safety in the organisation.

Procurement department:

Responsible for ensuring a sustainable supply chain.

The Group Sustainability Committee:

Is responsible for assessing the competence needed and for providing necessary training for employees, who are responsible for implementing the policy commitments.

REVIEW AND APPROVEMENT OF REPORTED INFORMATION

The Board of Directors is responsible for reviewing and approving reported information regarding the company's impact on the economy, environment, and people. The Board of Directors receives a report on the management of sustainability topics for every board meeting, and the most material issues are discussed.

The Board of Directors is also responsible for reviewing and approving the annual sustainability report.

Governance Structure

Board of Directors

Meets around 10 times a year

Responsible for setting the strategic direction for sustainability at Bakkafrost, including overseeing and having the overall responsibility of sustainability management and reporting at Bakkafrost. Responsibility of the board in relation to sustainable development includes:

- Approving the Group climate-related targets and monitoring progress against targets.
- Approving annual sustainability report.
- Approving significant sustainability initiatives, including projects and participation in sustainability-related disclosures and initiatives.
- Overall responsibility for the management of risks and opportunities in relation to climate change and sustainability topics in a broader sense.

Chair
Rúni M. Hansen, Chairman of the Board

Group Executive Management

Weekly meetings (or more if relevant)

The Group Executive Management is responsible for the implementation of sustainability programmes, including:

- Monitoring progress against sustainability targets at an operational level.
- Approving sustainability related policies.
- Responsibility for the implementation of sustainable solutions in the value chain.
- Responsibility for reporting operational risks to the board of directors, including climate-related risks.
- Assessing material sustainability topics.

CEO
Regin Jacobsen

Group Sustainability Committee

Meets six times a year (or more if relevant)

A board committee appointed by the Group Executive Management to oversee the implementation and performance against the company's sustainability strategy.

- Development and implementation of Bakkafrost Corporate Responsibility & Sustainability Policy
- Overseeing implementation and performance against Bakkafrost's sustainability strategy commitments.

Chair
Regin Jacobsen, CEO

Key Executives

Weekly meetings

- Responsible for the everyday implementation of sustainability measures.

Stakeholder Engagement

As the biggest private employer in the Faroe Islands and among the important employers in the rural regions of Scotland, we recognise our duty to act responsibly and think long-term for the future health of our business and the areas in which we operate. We understand the significance of engaging with stakeholders, and we regularly communicate with various stakeholders on different topics. We actively create opportunities for stakeholders to share their interests and views through regular dialogues, open days, supplier events, local cultural events, employee involvement and sustainability surveys etc.

Each department within Bakkafrost is responsible for identifying relevant stakeholders and arranging for appropriate initiatives to ensure that our stakeholders regularly get the opportunity to communicate their views, concerns and expectations for us as a business. Further information on how engagement is organised can be found in the stakeholder engagement table under 'Engagement mechanisms'.

We use the input from stakeholders to guide our business strategy and sustainability efforts, and we made sure to include a wide range of external stakeholders to inform our double materiality assessment to ensure that our ESG reporting meets the needs and expectations of our stakeholders. When we analysed the input from stakeholders through the double materiality assessment, we generally found that the stakeholders consider almost all impacts relevant to report on for Bakkafrost. This was expected, as we have one of the most extensive and diverse value chains in the industry operating in different business areas, from the production of feed to salmon farming to being a vessel operator to biogas production, and in 2024 we will also be operating within the area of cargo aviation.

The CEO receives reports on the opinions and concerns of stakeholders and passes them on to the board of directors if they are considered material for the business. We also have procedures in which the board of directors are required to consider opinions of stakeholders such as through the evaluation of the employee survey.

Group	Engagement mechanisms	Notes on engagement	Outcome
Employees	Whistleblower mechanism Employee engagement Survey Digital Communication Platform Staff Forums Toolbox Talks Weekly newsletter Healthy Living Awards Appraisal Bonus scheme	Employees have access to an online whistleblower mechanism. We run regular employee engagement surveys and additional feedback surveys where required Programme of Engagement Quarterly meetings with elected staff representatives Team briefings with Health & Safety focus Business updates for all employees Team awards recognising achievement and encouraging positive behaviour Appraisal programme + Sustainability-linked employee bonus scheme	Internal policy updates. Management communication 20 Healthy Living Awards handed to Bakkafrost employees. Employees are awarded free bonus shares depending on achieved KPIs.
Employees Unions	Regular contact and ongoing meetings with Unions Regular employee working group meetings	Main topics: labour conditions, remuneration, health and safety, human capital	Internal policy updates
Customers	Sustainability double materiality assessment every 2-3 years. Biennial Customer Summit (which all customers are invited to) Annual online survey Annual engagement at seafood exhibitions including e.g.: 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 Annual Customer feedback survey Virtual Events Programme for long-term customer partnerships Customer visits at headquarters	Main topics: certification, quality, satisfaction, international relations, packaging, and product development. We have trialed some changes to our packaging, including reducing plastic on our retail tail bags due to customer feedback. To further support customer service in the US market and to reduce the amount of ice used for the transportation of salmon, resulting in carbon reduction, we have invested in a new cargo airline company. Due to some delays, we have not been able to start flying in 2023 as planned. We expect to commence flights in the first half of 2024.	Updating marketing strategies Increased transparency
Suppliers	Sustainability double materiality assessment every 2-3 years. Ongoing engagement Supplier audits Sedex Local Sourcing Policy + Supplier Summit	Main topics: certification, quality, company standards (including human rights, health and safety and environmental standards). Supply chain compliance programme, all suppliers are carefully assessed to ensure performance to an appropriate ethical standard Source locally where possible, supplier engagement sessions In 2023, we arranged a supplier summit in Scotland to further engage our suppliers on sustainability topics.	Bakkafrost engaged with suppliers through various channels such as interviews, emails, workshops, and questionnaires to identify the most material information to report according to the CSRD directive Supplier queries answered.
Government and regulatory bodies	Regular ongoing engagement Salmon Scotland Membership	Main topics: licenses and registration, fish health & welfare, pollution, biogas plant, ethical conduct, international relations, UN Sustainable Development Goals. We continue engagement with government and regulatory bodies to advance sustainable development Industry Trade body to champion the sector's interests. In 2023, we engaged with Faroese political parties concerning harvesting tax legislation.	Host visits for political parties. Alligning Business strategy. Compliance in reporting

Group	Engagement mechanisms	Notes on engagement	Outcome
Local communities	Sustainability double materiality assessment every 2-3 years. Ongoing engagement with local councils, harbour masters, and interest groups Periodic engagement at industry events with Faroese business community Annual local events such as Seaman's Day and Day at Sea Programme of community events and sponsorship Community consultation Community Charter and Fund	Main topics: new building projects, community investment, waste, water, pollution, value creation. We host visits at our Faroese headquarters and continue our partnerships with local educational institutions. Site development plans – where relevant	Participate in different annual local events where free salmon meals are handed out. Educate by hosting visits and teaching in the educational institution. Local project support. Discovering of community benefits
Investors	Quarterly investor roadshows and periodic engagements Biennial Capital Markets Day (which investors are invited to) Annual engagement on investor ESG ratings Sustainability double materiality assessment every 2-3 years. Periodic investor visits	Main topics: transparency on all material issues. Bakkafrost has increased transparency on material issues in each annual Sustainability Report; from this year, we are aligning reporting with the CSRD directive.	Investor queries get answered. ESG ratings improvement.
NGOs	Sustainability double materiality assessment every 2-3 years.	Main topics: pollution, fish health and welfare, community engagement. Represented on committees	Improvement of business strategies.
Certification bodies	Ongoing engagement with third party certification bodies, including the ASC, BAP, MSC and GLOBALG.A.P. Sustainability double materiality assessment every 2-3 years.	Main topics: certification, quality (including food safety), health and safety.	Product quality secured.
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) Sustainability double materiality assessment every 2-3 years.	Main topics: fish health and welfare, human rights, innovation, collaboration and certification, international relations, health and safety, pollution, feed ingredients, transparency.	Partnerships and collaborations
Industry experts and academics	Ongoing engagement with external vets Sustainability double materiality assessment every 2-3 years. Sustainability training with experts Partnerships	Main topics: all material issues. Extended partnership with University of Faroe Islands on various biological topics, including establishing a baseline for marine biological diversity in the Faroe Islands + Participation in research projects	Updated animal welfare policies and procedures

Government Regulation and Compliance

Deputy Prime Minister and Minister of Foreign affairs, Industry and Trade participating with other Faroese politicians in a debate about the vision for Faroese salmon industry, hosted by Bakkafrost.

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

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

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

In 2022 we were part of a working group under Vakstrarforum, a strategic think-tank established by the Faroese government. Its aim was to develop a strategy for sustainable growth for the Faroese economy. The Faroese Prime Minister initiated the project with the aim to engage local business leaders and to identify the growth opportunities of our small nation, in balance with environmental and sustainable development.

In 2023, we also engaged with political parties in the Faroe Islands to update on our operation, discuss the impacts of regulations, and discuss sustainability. We have in particular discussed the changes to the Faroese revenue tax and how this would potentially impact the industry. Bakkafrost also hosted a public debate regarding the future vision for the Faroese salmon industry, with participation from relevant ministers and politicians.

Our goal is to not have any cases of non-compliance. In 2023, we had no market bans, but for the first time ever in the company's history we have had a product recall caused by a mislabeled best-before date, in which the European and US date formats were mixed-up. Please find more information on page 116 in the Healthy Salmon section.

Regulation and licenses

In the Faroe Islands salmon farming licenses are given as rolling licenses for 12 years. The license gives an exclusive right to use a larger area, typically a whole fjord. There is no limit to the biomass allowed, however production plans must be approved by the authorities before releasing smolt into the sites and production plan approval relies on historic performance with KPI's related to fish welfare and the environment. These include, mortality, sea lice levels and impact on benthic. These KPI's are sampled and assessed by independent 3rd parties on behalf of the authorities. The licensee can only have one generation of salmon at a time in a licensed area and is required to harvest out the entire population before stocking the next generation. A fallow period of at least 2 months is required between stockings.

There is no payment or fee for the license itself, but a revenue tax is due on the harvest volume.

Licenses in Scotland are in general smaller than in the Faroe Islands and include a maximum biomass limit. License holders receive an option to renew their licenses for further 25 years at end of term. Licenses are rented from the Crown Estate Scotland.

License rent in Scotland

- In Scotland, a license rent is charged at 1% of 'revenue' calculated using a Benchmark rate. The Benchmark rate is based on actual Fishpool prices applied to harvested volume.

The Faroese revenue tax

- Applicable revenue tax rates range from 0.5% to 20%, of the Nasdaq value of fish harvested each month. The applicable tax rate depends on the difference between the average production cost for the Faroese salmon farming industry and Nasdaq price. Any price premium on top for the Nasdaq price is not subject to the revenue tax.
- Bakkafrost receives a significant price premium for its salmon.

ETHICAL CONDUCT

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

These values are outlined in our Code of Conduct, which aims to create a sound corporate culture. Our Code of Conduct requires all employees to observe high standards of business and personal ethics and employ a fair and honest approach to working with each other and external stakeholders. Our policies, which are aligned to third party standards, ensure our suppliers meet ethical standards and adhere to standards on occupational health, safety and wellbeing, human rights, freedom of association and collective bargaining, child labour and environmental standards. In Scotland and Faroe Islands, we have established a rigorous supply chain compliance programme using SEDEX membership and self-audit to make informed business decisions and drive continuous improvement across our value chain. All suppliers are carefully assessed to make sure that they are performing to an appropriate standard, especially regarding their level of quality management, health and safety, corporate social responsibility as well as ethics and environmental care. Key supplier relationships are closely managed through quarterly business reviews to measure and review the performance.

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

International relations

The Faroe Islands maintains good international relations. There is ongoing public interest in Bakkafrost's position in regard pilot whale or dolphin hunting in the Faroe Islands.

Bakkafrost has a strict and unambiguous policy banning employees to take any part in pilot whale or dolphin hunting during work at Bakkafrost. Nor is our equipment allowed to be used in any way. The Faroese Fish Farmers Association, of which Bakkafrost is a member, has made a statement marking the industry's position, signed by all Faroese farming CEO's.

Preparing for the Corporate Sustainability Reporting Directive (CSRD)

Sustainability reporting has become increasingly important in recent years for customers, investors and financial institutions as well as the general public. However, there has been a lack of standardisation when it comes to how to report on sustainability.

Therefore, we welcome the Corporate Sustainability Reporting Directive (CSRD), which will enable more consistent and transparent reporting in the future.

Even though reporting with reference to CSRD doesn't come into effect until next year, we have chosen to actively prepare for the full implementation by developing a new sustainability statement in 2023, which has been prepared with reference to the underlying reporting standards, the European Sustainability Reporting Standards (ESRS). This will ensure that our reporting processes are aligned with the new directive and that we are able to provide transparent and accurate information to our stakeholders.

As this is the first year of reporting with reference to ESRS, we are still working on developing procedures and descriptions to fully meet the requirements. We are committed to allocating the necessary resources to fully apply the new reporting standard and we see great opportunities in this.

We believe that this directive will help to improve the quality of sustainability reporting, and we are happy and proud to have taken this important step towards CSRD compliance by preparing our statement with reference to the new standards.

Risk Management

The Bakkafrost Group is exposed to several risks, which will always be a natural part of our business activities. Therefore, risk management is crucial so that the risks Bakkafrost is exposed to and the potential financial impact is reduced to an acceptable level.

Bakkafrost has a range of operational and business risks arising from normal business activities in the value chain. Bakkafrost categorize the these risks according to following structure:

- Financial, legal and regulatory risks
- Market risks
- ESG risks
- Environmental risks
- Fish health and welfare risks
- Other operational risks
- IT risks
- HR risks

RISK MANAGEMENT STRUCTURE AND PROCESS

The Board of Directors has the ultimate responsibility for the risk management of the Group. The Board of Directors determines the framework for identifying and mitigating risks. The Audit Committee supervises risk management.

The Group Management is responsible for daily compliance with the risk management framework and the Group's day-to-day risk management. This includes maintaining a risk register for the Bakkafrost Group in which identified risks are documented and assessed alongside the progress and impact of risk mitigating efforts. The Group Management regularly monitor the risk register and the continuous risk assessment is followed yearly with an extensive risk analysis for the whole Group. Around year-end, a comprehensive risk report is produced to report status of the risks to the Audit Committee for approval by both the Audit Committee and the Board of Directors.

The latest comprehensive risk analysis was reported in January 2023.

DEVELOPMENT IN RISKS IN 2023

Overall, operational risks related to biology constitute the most significant risk types for Bakkafrost.

In 2023, the following categories of risks increased:
- Financial, legal and regulatory risks
- Market risks
- ESG risks

The following risks reduced during 2023:
- HR risks

Below is an outline of the risks assessed as being critical to Bakkafrost, regarding the potential magnitude of impact the risk has on Bakkafrost's financial position – short term or long term. The impact can be either positive, constituting an opportunity, or negative being a threat.

Financial, legal and regulatory risks

Macro-economic factors

Bakkafrost operates in different countries and sells its products all over the world. Hence, Bakkafrost is subject to macro economical changes, whether they are local, regional or global. Such changes can be positive as well as negative to Bakkafrost and have a major impact on Bakkafrost. Wars and conflicts between countries, political instability, rapidly changing interest rates and economic recessions are examples of changes that affect the world economy, market and trade flows as well as the financial uncertainty.

How this risk is managed

Bakkafrost maintains a diversified market approach, spreading the risk by selling products to different geographic markets and by selling to different channels (retail vs. food service). Being present in different markets, which are not financially dependent on each other, lowers this risk. Also, Bakkafrost ensures access to good information sources on macro economical changes in areas where Bakkafrost operates or sells products.

Foreign exchange risk

Bakkafrost trades in the world market for farmed salmonids. The revenues and accounts receivable are predominantly denominated in DKK, EUR, USD and GBP, but to some small extent also in other foreign currencies. Accounts payables are primarily in DKK, USD, GBP and NOK. As a group, Bakkafrost has significant natural hedging, however with a significant trade surplus in USD. For those currencies not fully hedged, fluctuations in foreign exchange rates present a financial risk to Bakkafrost.

In 2023, the FX-market has been quite volatile. Despite large variations during the year, the USD/DKK has had an overall flat development. The NOK weakened towards the DKK in the beginning of 2023 but had a relative flat development since May. Similarly, GBP has been relatively stable towards the DKK since June, while strengthening during H1 2023.

How this risk is managed

Bakkafrost's foreign exchange risk is partly mitigated through the natural hedging within the Group. Intragroup transactions and external trade balance reduce the Group's foreign exchange rate exposure to the reporting currency. A hedging strategy for the remaining net exposure to foreign exchange rates is implemented to reduce the risk further. The performance of the hedging strategy is reviewed monthly, and the Board oversees the strategy.

The Company's multicurrency finance agreement gives Bakkafrost the possibility to request other currencies at utilisation.

Interest rate risk

Interest rates have been historically low for years, but to combat the increasing inflation, interest rates have increased significantly. It is likely, that interest rates will reduce during 2024 and 2025.

How this risk is managed

Bakkafrost monitors the forecasted development to make appropriate and informed hedging decisions.

In addition to the critical risks outlined above, following financial, legal and regulatory risks have been assessed as semi-critical:

- Insurance risk
- Tax risk
- Investment risk
- Liquidity risk
- Capital structure risk
- Legal and regulatory risk
- Reputational risk

MARKET RISKS

Salmon price

Bakkafrost's financial position and future development depend considerably on the price of farmed salmon, which has historically been subject to substantial fluctuations. Hence, it is reasonable to assume that the market price will continue to follow a cyclical pattern. The balance between the total supply and demand for farmed salmon is a crucial parameter. In short term, covering 2024-2025, salmon prices are expected to be strong – hence constituting an upside risk rather than a significant downside risk. However, the volatility itself is the main risk.

How this risk is managed

Bakkafrost's strategy is to sell around 40% of the harvested volumes on fixed price contracts, which alleviates a substantial part of the risk induced by salmon volatile prices. However, for 2024, Bakkafrost has decided to reduce the contract volume, hence being more exposed to the spot market. This is done to reduce the revenue tax risk caused by the increase in revenue tax in the Faroe Islands.

Bakkafrost regularly reviews of balance between selling on spot and on long-term contracts. Appropriate contract levels are negotiated primarily towards the end of each year.

In addition, Bakkafrost applies a diversified market approach, building on the Bakkafrost main brand underpinned by the different sub-brands and origins. This improves Bakkafrost's agility in the market on a strategic, tactical and operational level, and helps to reduce the overall market risk.

Finally, salmon contracts are hedged on FishPool on ad-hoc basis.

In addition to the critical risks outlined above, following market risks have been assessed as semi-critical:

- General inflation risk
- Sourcing raw material for feed production

ESG RISKS

Carbon price

As global economies transition to a low-carbon world, it is increasingly likely that some form of carbon pricing will be enforced across markets where Bakkafrost operates. Given Bakkafrost's growth strategy, without significant decarbonization of Bakkafrost's operation, this could pose a great threat to the business.

How this risk is managed

Bakkafrost has committed to reduce absolute Scope 1 and 2 greenhouse gas emissions by 50 % by 2030 and to reduce Scope 3 emissions by 52 % per tonne of product sold within the same timeframe. Focusing on increasing the use of renewable energy and improving energy efficiency in our facilities is important in this regard. It is also essential to continue the work we have started to build strong partnerships with other companies and energy suppliers to drive reduction in GHG emissions.

In addition to the critical risks outlined above, following EGS risks have been assessed as semi-critical:

- ESG rating and stakeholder management risk
- External dependencies risk for ESG commitments

Environmental risks

Bakkafrost has strong mitigating procedures in place for environmental risks, which reduced the assessed potential impact on these risks significantly. Consequently, taking this into account no environmental risks are assessed as being critical or semi-critical to Bakkafrost's financial position.

FISH HEALTH AND WELFARE RISKS

Gill health (Scotland)

Gill health continues to be a primary driver of mortality, particularly during Q3 in Scotland. While seasonal gill challenges occurred, recovery after the challenge generally was fast, with improvements in mortality observed earlier than previous seasons. AGD, while persistent in presence, is relatively well managed with the resources available. Seasonal insults from phyto- and zoo-plankton remain a newer issue, with innovation required to deal with blooms and resulting damage.

How this risk is managed

Investments made in dual-treatment systems using a combination of freshwater bathing and flushing combined with the strategies employed to ensure maintenance of good gill health, as well as rapid response to deteriorations in health, showed promising results in 2023.

Monitoring was rolled out for micro jellyfish in 2023, which reveal strong correlations between presence of gelatinous zooplankton species and increased mortality, as well as being a complicating factor in other diseases such as Pancreas Disease & AGD. Industry wide attention is being focused on water borne insults, which Bakkafrost Scotland is involved in, and internally, further work is planned to understand cost vs. benefit of some of the mitigations available for jellyfish blooms.

Salmon lice

Salmon lice (Lepeoptheirus salmonis) and especially treatment against salmon lice is considered a critical risk. The lice infestation itself does not cause considerable physical damage to the fish, but the extensive effort to continuously keep the lice number low, is a demanding task causing issues concerning animal welfare, as well as economic consequences.

How this risk is managed

Bakkafrost has significantly increased the capacity to combat sea lice, mainly with the farming service vessels with dual-treatment systems using a combination of freshwater bathing. In addition, proactive monitoring and treatment strategies are applied.

Treatment and handling of fish

One of the main causes for mortality, is handling of fish during delousing procedures. Delousing procedures are therefore considered a critical risk. Bakkafrost is continuously working on optimizing delousing procedures to ensure optimal fish welfare and reduce fish mortality. Increased freshwater dual-treatment capacity has to a large extend improved handling mortality and treatment efficiency. Actions to control lice infestation pressure, is however still considered one on the biggest challenges and most critical biological risks for the company.

How this risk is managed

Freshwater dual-treatments has to a large extend throughout the year become the treatment of choice, with very good effect, and low mortality. The prospect for significant improvement in reducing handling mortality is looking good in the near future. Warm water treatment (Optilice) is well implemented and is however a necessary part of the production on almost all sea sites. Bakkafrost treatment policy requires veterinary attestation before every non-medicinal treatment, which is crucial to ensure optimal treatments based on lice numbers and fish health.

In addition to the critical risks outlined above, following fish health and welfare risks have been assessed as semi-critical:

- Sea lice regulation
- Diseases (CMS, ISA, HSMI, PD, SRS and Furunculosis)
- Cage grid moorings breakage
- Governmental administration
- Seal impact
- Microalga, hydrozoa and jellyfish
- Compromised health during smolt transport and stocking
- Cooling capacity in hatcheries
- Quality of eggs
- Disinfection of intake air in hatcheries
- Water quality in RAS
- Smolt quality and robustness (Scotland)
- Sufficient supply of freshwater in hatcheries (Scotland)
- Breaches to follow best practice procedures
- Physical broodstock facilities
- Loss of genetic material in brooodstock
- 3rd party risk in broodstock

Other operational risks

Bakkafrost has strong mitigating procedures in place for other operational risks, which reduced the assessed potential impact on these risks significantly. Consequently, taking this

into account no other operational risks are assessed as being critical to Bakkafrost's financial position.

In addition to the critical risks outlined above, following other operational risks have been assessed as semi-critical:

- Fire or explosion at at the styrofoam factory in the Faroe Islands

IT RISKS

Cybersecurity

Bakkafrost is targeted by increased activity with viruses, ransomware, and encryption. The acquisition of SSC, Bakkafrost France, Munkebo, and FarCargo has increased the attack surface. A cyber-attack could result in severe consequences such as unauthorized access to confidential commercial or personal data by third parties, potential fines, loss of customer information, reputational damage, and data corruption.

Bakkafrost has not been affected by this risk so far. However, it is assumed that Bakkafrost is a viable target for future attacks. Bakkafrost's policy is to be proactive and plan for the assumption that devices will be affected in the future.

How this risk is managed

Bakkafrost has taken a range of steps to mitigate this risk. This includes ensuring daily, weekly, and monthly backups of all critical clients/servers and having live and tape backup procedures to offsite locations. Bakkafrost has several mirrored data centers and 24/7 monitoring of the IT environment by external Security Operations Center. All clients and infrastructure nodes are equipped with the latest security software and complete disaster recovery tests are executed unannounced on a regular basis.

Risk assessments are performed as part of the yearly IT audit, conducted by certified CISA, CRISC and CDSPE auditors. Bakkafrost is currently undergoing ISO 27001 certification, estimated to complete in 2024.

Issue response time at hatcheries

Due to a complicated environment with many low-level ICS (PLCs) and many vendors, the outcome of a failure will in most cases require an external provider to solve a possible issue. Reaction time is critical and failure to react in a timely manner might have severe consequences.

How this risk is managed

Proactive approach with multiple alarming systems to alert relevant personnel at hatcheries.

In addition to the critical risks outlined above, following IT risks have been assessed as semi-critical:

- Issue response times in a widespread operation
- Sufficient access to skilled IT experts
- Remote access to IT infrastructure
- Activists

HR risks

Bakkafrost has strong mitigating procedures in place for HR risks, which reduced the assessed potential impact on these risks significantly. Consequently, taking this into account no other HR risks are assessed as being critical to Bakkafrost's financial position.

Following HR risks have been assessed as semi-critical:

- Succession Planning for critical roles and technical staff
- Recruitment of Operatives
- Preserving tacit knowledge and knowledge sharing
- Managing change and organizational culture

Shareholder Information

Information to shareholders has high priority in Bakkafrost. The company aims at maintaining a regular dialogue with the Group's shareholders through the formal channel of stock exchange announcements, interim reports, annual reports, annual general meetings and presentations to investors and analysts.

AUDITORS

The consolidated accounts have been audited by P/F Januar, løggilt grannskoðanarvirki (State Authorized Public Accountants), which is also the auditor of the parent company and all its subsidiaries, registered in the Faroe Islands. Auditor for subsidiaries are:

- Bakkafrost UK Ltd is Forrester Boyd Chartered Accountants, Grimsby
- Bakkafrost Scotland Ltd is Azets, Glasgow.
- Bakkafrost USA LLC is Kotulak & Company, Clifton, New Jersey
- Munkebo A/S is Beierholm, Aarhus
- SARL Faroe France, Terninck Laurent, Saint Omer.

DIVIDEND POLICY

Bakkafrost aims to give its shareholders a competitive return on their investment, both through payment of dividends from the company and by securing an increase in the value of the equity through positive operations.

Generally, the company should pay dividends to its shareholders, but it is the responsibility of the Board of Directors to make an overall assessment to secure the company a healthy capital base, both for the daily operations and for a healthy future growth of the company.

A long-term goal for the Board of Directors is that 30–50% of adjusted EPS shall be paid out as dividends.

Bakkafrost's financial position is strong with a healthy balance sheet, a competitive operation and undrawn available credit facilities.

PARENT COMPANY'S FINANCIAL STATEMENTS AND ALLOCATION OF PROFIT FOR THE YEAR

The parent company P/F Bakkafrost had a net profit of DKK 1,531 million for 2023. The Board of Directors has decided to propose to the Annual General Meeting that DKK 8.70 (approximately NOK 13.26*) per share shall be paid out as dividends. This corresponds to DKK 515 million (NOK 785* million).

The Board thereby proposes the following allocation of funds:
Result for 2023: DKK 1,531 million
Transferred to other equity: DKK 1,016 million
Total provision for dividends: DKK 515 million

After the payment of dividends, the distributable equity totals DKK 10,148 million.

SHAREHOLDERS, CAPITAL AND VOTES

P/F Bakkafrost had on 31 December 2023, a total of 59,227,607 shares outstanding, each with a nominal value of DKK 1. Of the 59,227,607 shares outstanding, P/F Bakkafrost holds 16,045 treasury shares per 31 December 2023.

Ticker code: BAKKA

LARGEST SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company per December 2023:

- Folketrygdfondet
- Regin Jacobsen
- Oddvør Jacobsen

* The dividend per share in NOK is subject to changes, depending on the currency rate NOK/DKK. The currency rate NOK/DKK will be announced on ex-date.

Directors and Management

Directors' Profiles

RÚNI M. HANSEN

Chairman of the Board

Born 1967. Faroese citizen. He joined the Board in 2009 and has been Chairman since. The term of office expires in 2024. He is considered to be independent. Executive Chairman of the industry holding company Tjaldur. Chairman of the Board of Mintra. Mintra is a listed company on Oslo Euronext Growth.

Education:

MSc. in Economics and Business Administration, Copenhagen Business School. Postgraduate, Lancaster University.

Board meetings in 2023:

Participated in all 11 Board meetings in 2023.

Number of shares held in Bakkafrost:

Holds 10,761 shares – no change in portfolio in 2023.

Mr Hansen is a member of The UN Global Compact´s Platform for Sustainable Ocean Business. He was a member of the World Economic Forum´s Agenda Council on the Arctic from 2012 to 2016. Mr Hansen has extensive experience in the seafood industry and the international energy industry. He was among other members of Equinor´s Exploration Executive team. During his time in Equinor (former Statoil), he has been based in London, Copenhagen, Oslo and The Faroe Islands. Prior to Equinor (Statoil) he was in the seafood and shipping industry.

TEITUR SAMUELSEN

Board member

Born 1972. Faroese citizen. He joined the Board in 2016. The term of office expires in 2024. He is considered to be independent. Managing Director at P/F Eystur- og Sandoyartunlar and P/F Suðuroyartunnilin.

Education:

MSc. in Business Economics & Auditing, Copenhagen Business School.

Board meetings in 2023:

Participated in all 11 Board meetings in 2023.

Number of shares in Bakkafrost:

Holds 100 shares – no change in portfolio in 2023.

Mr Samuelsen has extensive experience in accounting and finance. He has worked at KMPG and Dong E&P in Denmark and has been CFO at Atlantic Petroleum (2005-2009) and Bakkafrost (2009-2014). Mr Samuelsen is presently a member of the Board of Directors at Betri Trygging and Grannskoðaraeftirlitið, and holds the position as Chairman of the Board of Directors at Bústaðir.

ANNIKA FREDERIKSBERG

Board member

Born 1971. Faroese citizen. She joined the Board in 2008. The term of office expires in 2024. She is not considered to be independent.

Sales Manager at Bakkafrost.

Education:

Basic Vocational Course, Commercial Line, Faroese Business School.

Board meetings in 2023:

Participated in all 11 Board meetings in 2023.

Number of shares in Bakkafrost:

Holds directly and indirectly 16,781 shares – change in portfolio in 2023: +368 shares.

Mrs Frederiksberg has extensive experience in the salmon industry and sales. She has been part of Bakkafrost's administration team and sales team for over 25 years.

ØYSTEIN SANDVIK

Board member

Born 1948. Norwegian citizen. He joined the Board in 2013. The term of office expires in 2024. He is considered to be independent.

Education:
Bank Economist.

Board meetings in 2023:
Participated in all 11 Board meetings in 2023.

Number of shares in Bakkafrost:
Holds no shares – no change in portfolio in 2023.

Mr Sandvik has extensive experience in the finance sector and seafood. He has held several positions at Nordea Bank Norge within fish farming and fishery. Mr Sandvik is presently a member of the Board of Directors of Coldwater Prawns of Norway AS.

EINAR WATHNE

Board member

Born 1961. Norwegian citizen. He joined the Board in 2019. The term of office expires in 2024. He is considered to be independent.

Education:
Master in Animal Nutrition at NMBU.
Ph.D. in Aquaculture, NMBU.
MBA, Handelshøyskolen BI

Board meetings in 2023:
Participated in all 11 Board meetings in 2023.

Number of shares in Bakkafrost:
Holds no shares – no change in portfolio in 2023.

Mr Wathne has extensive experience in the seafood business. Mr Wathne has held positions as CEO in Cargill and EWOS.

GUÐRIÐ HØJGAARD

Board member

Born 1972. Faroese citizen. Joined the board in 2022. Term of office expires in 2024. She is considered to be independent. She is currently CEO of Visit Faroe Islands and previously Marketing Director of Visit Stockholm.

Education:
MSc. in Business Administration & International Marketing, Copenhagen Business School and Stockholm University.

Board meetings in 2023:
Participated in all 11 Board meetings in 2023.

Number of shares in Bakkafrost:
Holds no shares – no change in portfolio in 2023.

Mrs. Højgaard has extensive experience from international marketing and branding. She has worked in the travel and tourism industry in Sweden, Denmark and the Faroe Islands. Mrs. Højgaard is presently a member of the Board of Directors at P/F Postverk Føroya and The Faroese Business Development Fund (Framtak).

Group Management's Profiles

REGIN JACOBSEN
Chief Executive Officer

Born 1966. Faroese citizen. Mr Jacobsen has been Chief Executive Officer of Bakkafrost since 1989.

Education:
Graduate Diploma in Business Administration and Accounting (HD-R), Aarhus School of Business.

Number of shares held in Bakkafrost:
Holds 4,640,281 shares at year-end 2023.

Changes in portfolio in 2023: +22,330 shares.

Mr Jacobsen has extensive experience in the salmon industry and finances. He was the Financial Manager of Bakkafrost before he became Chief Executive Officer of Bakkafrost.

Over the past 35 years, Mr Jacobsen has accumulated extensive experience in strategy review and change. During this time, Mr Jacobsen has been instrumental in developing Bakkafrost's extensive value chain, emphasising differentiation and competitive advantage.

HØGNI DAHL JAKOBSEN
Chief Financial Officer

Born 1972. Faroese & Swedish citizen. Mr Jakobsen has been Chief Financial Officer of Bakkafrost since 2019.

Education:
Business Design, Henley Business School.
MSc in Business Administration and Computer Science (cand. merc.dat), Copenhagen Business School.

Number of shares held in Bakkafrost:
Holds directly and indirectly 76,636 shares at year-end 2023.

Changes in portfolio in 2023: +1,612 shares.

Mr Jakobsen has extensive experience in the salmon industry, finances and the management consulting sector. Before joining Bakkafrost, he has held positions as Senior Partner in Quorum Consulting and been Management Consultant at PA Consulting Group.

ODD ELIASEN
Managing Director of Havsbrún

Born 1965. Faroese citizen. Mr Eliasen has been Managing Director of Havsbrún since 2012.

Education:
Teacher Certificate Exam, University of the Faroe Islands.

Number of shares held in Bakkafrost:
Holds 185,391 shares at year-end 2023.

Changes in portfolio in 2023: +1,321 shares.

Mr Eliasen has broad experience in the fish farming industry and has been an active player in restructuring the fish farming industry in the Faroe Islands. He has been responsible for Havsbrún's farming activities and has held various board positions in the industry. Mr Eliasen was a board member of Bakkafrost from 2006 to 2012.

Healthy Business

STRATEGIC PRIORITY

- To grow efficiently and responsibly

2023 PERFORMANCE AGAINST OUR 2023 COMMITMENTS

- Zero cases of non-compliance
  - No product recalls
  - No market bans
- Actively engage customers in waste reduction
- Maintain high NPS and customer satisfaction with quality scores
- Update procurement policy and supplier code of conduct
- Influence the improvement of aquaculture practices
- Extend ISO9001 standard certification
- Focus on producing salmon from own unique breed

2026 TARGETS

- Zero cases of non-compliance. “No product recall, No market bans, No IT security incidents”.
- Sustainability recommendations on all Bakkafrost-branded products
- Average customer rating of >8.5 and a net promoter score above +50
- Include sustainability in CAPEX request form
- Board to receive sustainability training annually
- Implement use of new technology and digitalisation to contribute to operational efficiency (both regarding the salmon and environment)

SDGS

Bakkafrost is committed to sustainable salmon production, a key solution for feeding the world's growing population. As a leader in salmon farming, we see growing our production as both an opportunity and a responsibility given the natural resources, that we are surrounded by. This benefits the world's population as well as the local communities where we operate, fostering mutual growth and prosperity.

We are dedicated to sustainable growth, ensuring our practices are in harmony with nature, compliant with regulations, and beneficial to local ecosystems. Our efforts extend beyond our operations, aiming to drive innovation and sustainability across the industry. We call this Healthy Business.

IN THIS SECTION

The Importance of Aquaculture and Salmon Farming

Today's food systems face extraordinary challenges as global population grows, in turn putting enormous pressure on food resources. To feed nine billion people by 2050, we must focus on further development of sustainable food systems, with minimal footprints that preserve the earth for future generations.

Aquaculture has been identified as a sustainable solution to meet the increasing demand for nutritious protein to feed the growing population. Farmed salmon is among the healthiest protein sources with its high content of omega-3 fatty acids, vitamin D, selenium, and B vitamins. According to the 2018 World Resource Institute's report 'Creating a Sustainable Food Future', aquaculture production would need to more than double between 2010 and 2050 to meet projected fish demand.

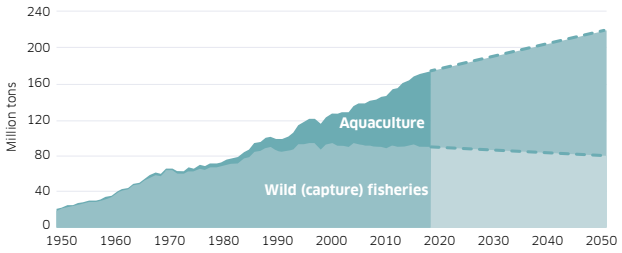
Aquaculture is a sustainable option for consumers, compared to other farmed proteins. Sustainably sourced salmon has one of the lowest carbon footprints of all animal proteins including; chicken, pork, beef, and lamb. It is highly resource efficient and compared to these proteins, has the highest protein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

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

Bakkafrost has an ambitious growth strategy which enables us to compete in the world's fastest growing food producing sector and make a significant contribution to providing healthy sustainable food for a growing population.

Through responsible and efficient production of high-quality protein for the global market and our investment in innovation, sustainable infrastructure, and renewable energy solutions, we are contributing towards UN Sustainable Development Goals 2, 7, 8 and 9. For more information see page 24.

Aquaculture production must continue to grow to meet world fish demand



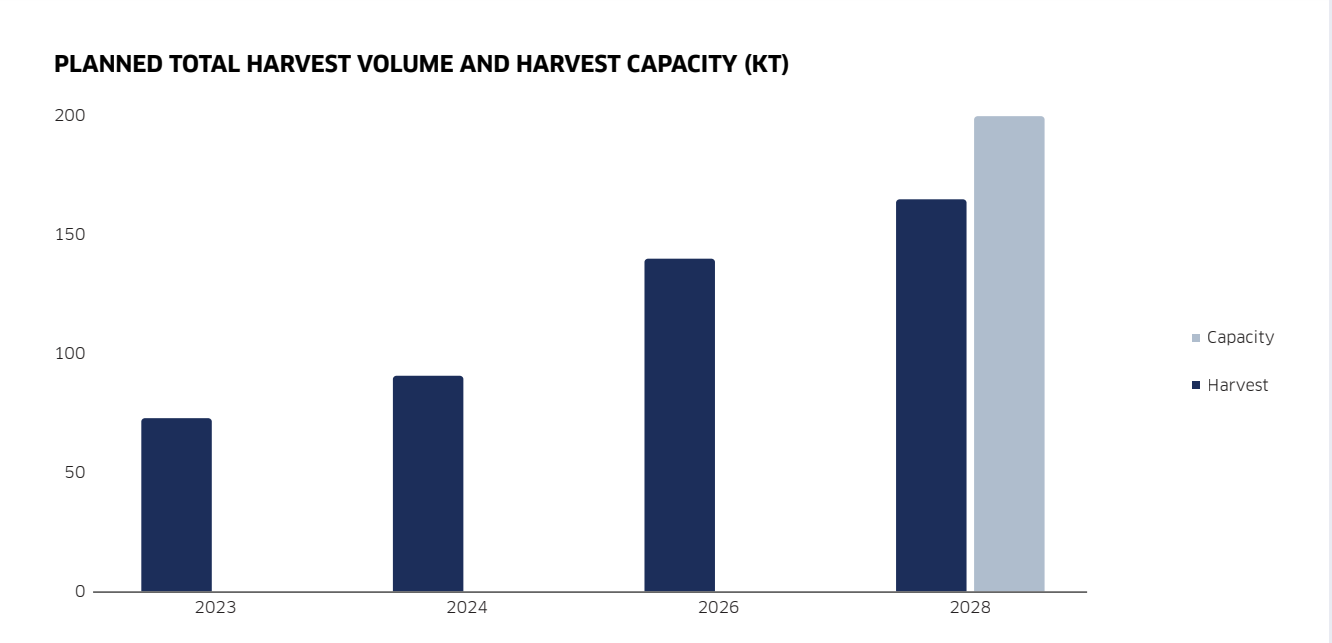
Source: Historical data, 1950-2016: FAO (2017b) and FAO (2018). Projections to 2050: Calculated at WRI; assumes 10 percent reduction in wild fish catch from 2010 levels by 2050, linear growth of aquaculture production of 2 Mt per year between 2010 and 2050. (Creating a Sustainable Food Future, World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

FARMED SALMON IS A VERY RESSOURCE EFFICIENT SOURCE OF HEALTHY PROTEINS

	Farmed Atlantic Salmon	Poultry	Pork	Cattle	Lamb
CARBON FOOTPRINT	Lowest				
LAND USE	Lowest				
FEED CONVERSION	Lowest				
WATER FOOTPRINT	Lowest				
EDIBLE YIELD	Highest				
PROTEIN	2nd Highest				
OMEGA-3	Highest				
VITAMIN D	Highest				

Source: Global Salmon Initiative

Sustainable Growth



Sustainable growth is fundamental to our ambitious growth target. In 2023, Bakkafrost announced a new 5-year investment plan where we set ourselves the ambitious growth target of increasing output of our premium salmon by more than 50% by 2028. Our stated 5-year investment programme for the period 2024-2028 will increase total production capacity to around 200,000 tonnes (head on gutted weight) and enable us to reach harvested volumes of 165,000 tonnes by 2028.

Our unique value chain plays an important role in ensuring each stage of the value chain is adapted to the next and we can achieve optimal efficiency and maximise resource utilisation. A key element to achieve this growth is expanding our land-based freshwater hatchery capacity, in which we produce large, robust high-quality smolt. Our strategy to produce smolt of around 500g involves moving a larger part of the production cycle to state-of-the-art hatcheries, with cutting-edge water recycling technology (RAS). This is a well-known technology for Bakkafrost which has been used for over 25 years. The well-controlled environment in RAS reduces biological risk while increasing the production capacity in existing farms through the reduced marine production cycle of 18 months and in the Faroe Islands about 10-12 months. In the Faroes we are also able to move farming sites to more exposed locations where there are stronger sea currents and water quality is better for healthy growth and furthermore, any impact on the seabed is further reduced.

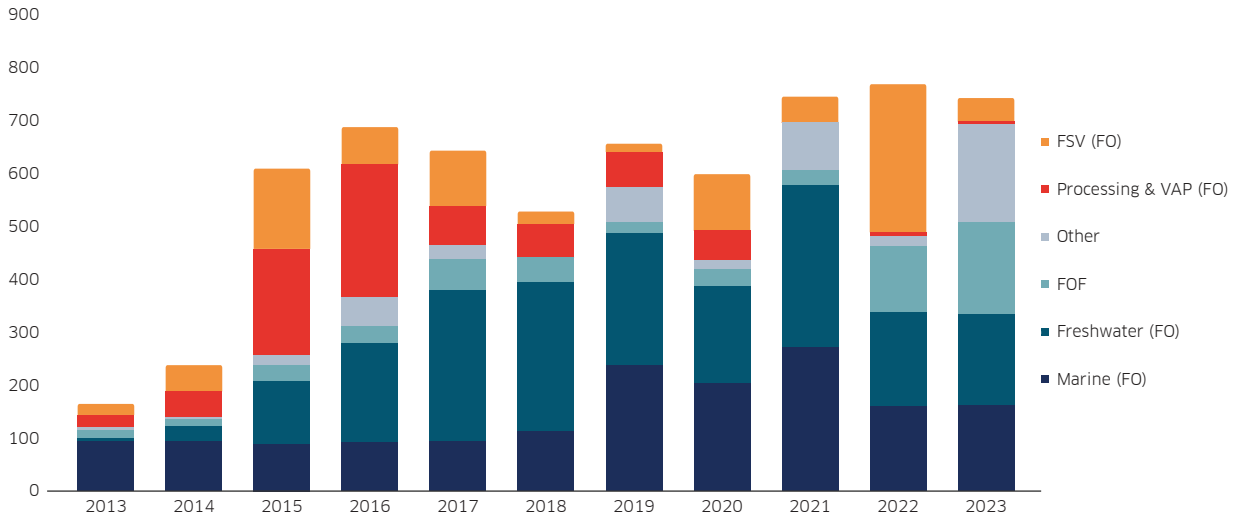
The large-smolt capacity is the most important driver for volume growth in the Faroe Islands as well as in Scotland long term. In the Faroe Islands, we have come a long way in implementing this strategy and invested in increased hatchery capacity. Increased production on land generates considerable volumes of organic waste which is sent to our biogas plant. We have therefore become a significant producer of renewable energy and fertiliser in the Faroes. This is an excellent example of a circular economy where business growth and sustainability work hand in hand.

The large smolt strategy is the game changer for farming operations in Scotland, reducing biological risk, improving efficiency, reducing cost, and providing an opportunity for further growth. Another priority to us is the “One Company” pillar of our strategy, integrating Faroese and Scottish operations, building on the strengths and best practices of both.

As previously announced, we plan to replicate this successful strategy in Scotland. When we acquired The Scottish Salmon Company (now Bakkafrost Scotland), we planned for a 5-year turnaround of the Scottish operation and that we would have to replicate the investments made in the Faroe Islands and transfer best practices. Due to delays, mainly caused by COVID-19, the turnaround period is expected to be 6-7 years. As we have seen in the Faroe Islands, the cornerstone is to produce large robust, and high-quality smolt in large new state-of-the art hatcheries with RAS technology and we plan to build two of these hatcheries in Scotland, mirroring the hatcheries in the Faroe Islands. In addition, investment is required in vessels and infrastructure to improve fish health and increase survivability. In 2022, we significantly increased the vessel capacity with a 4,000m^3 farming service vessel with dual-treatment systems to treat gill health with fresh water and remove sea lice in one combined treatment. In early 2023 we installed this system on our other farming service vessel in Scotland as well as on the new large 10,000m^3 farming service vessel, Bakkafossur in the Faroe Islands. Having this capacity reduces biological risk further and improves fish welfare.

In Scotland, we have invested heavily in technology and farming equipment to replicate the standard of our Faroese operations. This includes IT, camera systems, predation-proof

6.4BN INVESTED IN THE FAROE ISLANDS SINCE 2013



nets, aeration systems in all farming pens, advanced feeding systems, innovative treatment systems on farming service vessels, and environmental sensors which will help safeguard our fish, improve our feed conversion ratio, and improve environmental management.

As new hatcheries come into operation in both the Faroe Islands and Scotland, energy consumption and biological waste generation increase. Sourcing renewable energy and ensuring sustainable waste handling are integral to our hatchery designs and investment plans. At our Applecross hatchery, all energy will be provided from renewable sources. This includes solar panels and establishing direct private powerline to a nearby hydropower plant. The next planned hatchery in Scotland, at Fairlie, is also planned to be powered exclusively on renewable energy and the biological waste to be turned into fertilizer.

One of the expected synergy effects when acquiring the Scottish Salmon Company (Bakkafrost Scotland) was to achieve higher volumes and efficiency in our fish feed production at Havsbrún. As all our salmon in the Faroe Islands and Scotland is fed on Havsbrún feed, and the salmon grows faster in Scotland during the winter due to higher seawater temperatures, capacity utilization at Havsbrún has increased, giving a more even production during the year. This has a positive impact on production costs. Feeding the salmon in Scotland on the same high-marine diet as our Faroese salmon has also improved product quality and price achievement in the market, where we leverage the strong market positioning of our Faroese salmon using the same main Bakkafrost brand.

Business profitability

Since 2013, we have invested 6.4bn DKK in our value chain in the Faroe Islands.

Bakkafrost has the longest integrated value chain in the industry and is the only salmon producer with its own production of fish meal and -oil, used in feed production. As a result of strategic investments in building a highly efficient value chain in the Faroe Islands, Bakkafrost has realized significant increases in efficiency and profitability. This has placed Bakkafrost's Faroese operation among the highest margin earners compared to its peers and other listed companies on the Oslo stock exchange. Since 2015, investment spend in the Faroe Islands has been between DKK 10-14 per kg of harvested salmon.

In 2023, Bakkafrost produced around 2.7 million meals a day*, serving our customers, including importers, food producers, large supermarkets and restaurant chains, in more than 40 countries across four key markets: Western Europe (69%), North America (19%), Asia (9%), Eastern Europe – excluding Russia (3%) and the Rest of the World (<1%). Consumers in these markets increasingly require reassurance about the sustainability of food and in turn our customer requirements have also increased. Our strong sustainability record has been key in strengthening partnerships with key customers and we anticipate this trend in increased food transparency will continue.

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

On the second day after Russia's invasion of Ukraine in February 2022, Bakkafrost stopped all trade with Russia. To prevent Bakkafrost salmon being sold into Russia fraudulently re-labelled, we asked the authorities to remove Bakkafrost from the list of approved suppliers into Russia.

New solutions and unchartered territories

The salmon farming industry is still a relatively young industry frequently faced with new challenges. Sometimes there are no solutions, and you have to invent them or find innovative ways to reach the goal. This kind of entrepreneurship is

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

deeply rooted in our DNA and Bakkafrost's early move into RAS in the mid-90's is a good example of how an emerging risk, which at that time was insufficient access to freshwater for the growing smolt production, over the years has turned into one of Bakkafrost's strong core capabilities. Some newer examples are :

- Förka *(turning biological waste into renewable energy)*
- Eysturlund *(solving a shortage of renewable energy)*
- FarCargo *(establishing the first air cargo route from the Faroe Islands)*

Food authenticity

There has been an increased focus on food fraud in recent years. Customers want to know and trust the authenticity of food. To prevent other salmon products from being sold as Bakkafrost-branded products, we have taken the following steps:

- all products are certified
- full control of the value chain
- unique packaging and labelling with security features
- authority-approved documents with watermarks following the products
- unique serial numbers/lot numbers on every box
- reliable and trusted suppliers
- regular testing with techniques such as DNA testing.

By implementing these steps, we reduce the risk of our products being counterfeited or substituted and maintain the trust and confidence of customers.

For more information on food safety and quality, please see page 114-117.

Motivated and skilled employees

Bakkafrost needs competent and driven employees to achieve its growth goals. To inspire the employees to work in line with Bakkafrost's strategy and growth vision, Bakkafrost has established a share-based bonus scheme for all employees in the Group. Under this scheme, all employees receive free bonus shares based on performance on certain KPIs that are linked to the strategy. These include KPIs on sustainability and profitability, and Bakkafrost Group's adjusted earnings per share is required to be above a certain level. The bonus shares are given quarterly as restricted share units that are only released after the Annual General Meeting approves to pay dividends to the shareholders. Employees who remain employed for two calendar years after getting bonus shares will also get a varying number of free matching shares. This is to motivate long-term employment and avoid losing skills and expertise from the company.

The bonus scheme is monitored by the Remuneration Committee.

Sustainably linked finance

Bakkafrost has secured sufficient financing for the 5-year investment plan. In March 2022, Bakkafrost entered a new sustainability-linked EUR 700 million multicurrency revolving credit facility with a tenor of five years, which has since been extended with 2 years. The purpose of the facility was to refinance Bakkafrost's existing bank facilities, and it serves as a robust and flexible financial framework for our investment plans aimed at significant sustainable growth. Importantly, the margin payable is linked to Bakkafrost's performance against certain sustainability KPIs, consistent with our overall sustainability targets and ambitions, including own production of renewable energy. Through this we strengthen our commitment to make our growth ambitions sustainable by increasing the financial upside in achieving this.

Capital Markets Day

It is important for Bakkafrost to be transparent to investors, analysts and banks on our plans and progress against these. Therefore, Bakkafrost hosts a Capital Markets Day every second year which aims to enhance transparency, share key developments, and engage with the investment community.

The Capital Markets Day 2023 took place in June in Scotland, where the company provided insights and updates to investors, analysts, and stakeholders. During the day, Bakkafrost presented its financial strategy, growth plans, sustainability initiatives, and other relevant information. It featured discussions on various aspects of Bakkafrost's operations and prospects and included site visits in Scotland.


EXIT

Research and Development

For the last ten years, the Faroese aquaculture industry has transformed with strong growth and development. Bakkafrost is a significant contributor to the development of the industry in the Faroe Islands and has started the transformation of our Scottish business.

Our Approach

In our pursuit of sustainable salmon farming, research and development stands as a cornerstone. By addressing technical and operational challenges, we create valuable knowledge. Our work in research and development is spread around the whole value chain, from research in broodstock, research in feed recipes, focusing on the development of fish health and welfare to food safety, product development and piloting new packaging. Whether it is enhancing biomass production or sea lice management, the knowledge not only drives long-term value but also ensures our competitive advantage. Through our research and development projects, we safeguard our innovations, fostering responsible growth and environmental stewardship.

In recent years a significant effort has been made to recruit a skilled labour force of (but not limited to):

- Veterinarians
- Animal biologists
- Technical leaders
- Data scientists
- Fish health experts
- Smolt developers

Performance

The estimated Research and Development related activities were 509 million DKK in 2023 (489 million DKK).

R&D related activities

DKK 1,000	2023	2022
Total R&D activities	509,227	488,512
% Faroe Islands	58%	56%
% Scotland & other	42%	44%

The R&D related activities are recognized following the same R&D Expenditure Credit (RDEC) Claim used for tax credits for Bakkafrost Scotland. The policy is crafted by a certified external consultant firm and is approved by related parties for governmental tax credit.

Innovation

As salmon farming is a relatively new industry, innovation is key to continued development and growth. Investments in innovation and research and development are fundamental to meeting our customers' requirements, realizing opportunities and leading on sustainability. As part of our ambitious growth plan, we are investing heavily in new technology to mitigate risk, including non-medicinal sea lice treatment, environmental monitoring systems and feeding technology. We capitalize on opportunities for product development and growth, including circular solutions for waste management and energy, and continuous improvements in our feed recipes, based on continuous R&D projects that seek to improve feed efficiency, fish health and environmental impact.

Bakkafrost runs an ambitious broodstock program around our two strains: The Faroese strain and the Native Hebridean strain. Through our research, we have discovered genetic markers that are linked to specific positive properties, such as resistance to different deceases, survival, and growth rates. In the future, we even believe we will find genetic markers linked to improved resistance to sea lice. For more details, please refer to the related text on page 122 in Healthy Salmon.

Our award-winning biogas plant, FÖRKA, is an example of a large-scale research and development program that has resulted in a profitable and sustainable business model. By

applying a holistic view on two challenges; the increased volume of phosphorus-rich biological waste from our operation and the Faroese diary-farmer's issue with handling nitrogen-rich manure from their livestock, the idea emerged to combine these valuable resources in a biogas plant to produce renewable energy as well as enriched liquid fertilizer as a waste product. The latest project at FÖRKA is to combine CO_2 from the biogas with green hydrogen to form biomethane to fuel heavy vehicles in the Faroes.

Another example of a holistic and systemic approach to research and development, is the fully electric workboat, Grønarók. Developed collaboratively with the Nordic Council of Ministers, Faroese Government, and SEV (Faroese energy company), the fully electric workboat operates without emitting greenhouse gases, powered by batteries charged during excess renewable power hours. The project is part of a broader effort to find sustainable energy solutions in remote areas. Ships and boats in the Faroe Islands have significant potential to reduce overall GHG emissions. The project is expected to positively impact both the salmon farming and Faroese shipping industries.

In 2022 Bakkafrost launched its first products with an alternative protein. Bakkafrost subsidiary Munkebo Seafood sells a range of vegan soups containing sustainable vegetable seaweed. The seaweed comes from the Faroe Islands where it is natural and native to the surrounding environment. Apart from being sustainable, seaweed contains a wide range of vitamins and minerals. All soups also contain legumes, which is a good plant-based source of protein. Legumes' hearty texture and special flavor make them a good replacement for meat.

Growing sustainably is about maximizing value from available resources. We are focused on harnessing value from every stage in our value chain, including maximizing 'nose to tail' to ensure every part of the salmon is used and converted into value. Hence, significant research and development has been put into our recently established production facility to use all parts of the salmon. Guts and skin can be converted into salmon meal and oil for the pet food industry.

In Scotland, we have established a sustainable Innovation Forum, comprising nominated employees from across the business. The forum actively integrates sustainability into our culture and ensures that it is prioritized in decision-making processes.

For more examples of R&D projects see page 112 and page 113.

Bakkafossur
Pioneering Sustainable Aquaculture

On January 7th, 2023, Bakkafossur, one of the largest live-fish carrier and farming service vessel in the global aquaculture industry, arrived in the Faroe Islands. With it's 10,000m^3 capacity, the 109-meter vessel can carry up to 1,000 tonnes of live salmon for freshwater and sea lice treatment and is considered a significant upgrade for sustainable operations in the future.

Bakkafossur is equipped with reverse osmosis technology for water desalination, with a production capacity of 6,000 tonnes of freshwater per day. This adds considerable freshwater treatment capacity to Bakkafrost's operations in the Faroe Islands.

Freshwater treatment of salmon is an effective and natural method for restoring gill health and promoting robust growth. Bakkafossur is also equipped with freshwater sea lice removal system, which increases biosecurity in line with Bakkafrost's sustainability strategy. The unique combination of freshwater treatment with the sea lice removal system makes the treatment very efficient and gentle to the fish. The vessel provides options for enclosed treatments and supports specific selection methods to ensure fish are handled according to size and health status, thereby strengthening our approach to biological risk mitigation.

Why is this important

Sustainable and responsible farming is essential for success in the aquaculture industry. By the end of 2023, 97% of Bakkafrost's farming pens were classified as having very good or good benthic status. Sea lice levels were all-time low, and the overall health of the fish was strong. The introduction of Bakkafossur further enhanced Bakkafrost's capability to continue its efforts towards sustainable growth.

Since joining the fleet, Bakkafossur has treated 63,000 tonnes of salmon with freshwater, with a clearance rate for sea lice of 93%. Mortality during treatment is low, averaging 0.27%. This innovative capability of treating salmon onboard with freshwater has proven efficient and is a key factor in securing long-term health and sustainability for salmon treatment. These milestones are not only important for sustainable and healthy farming but also represent key achievements for continuous and increased farming in the Faroe Islands.

A common challenge in the aquaculture industry is the treatment of larger fish. Bakkafossur has demonstrated impressive capabilities in treating large fish for both lice and disease prevention via freshwater treatment and thus minimizing the risk for injuries and mortality. The results are higher mean weights and better quality, which are instrumental for maintaining a strong market position and ensuring a consistent and high-quality supply to Bakkafrost's customers.

Renewable energy

Bakkafossur is a state-of-the-art vessel that incorporates renewable hybrid energy technology into its operations. Equipped with five diesel-electric engines and large batteries, the vessel achieves an energy efficiency and fuel reduction. The strategic placement of the engines on the top deck allows for a swift transition to sustainable energy solutions as they become available.

Preparing for the future

Bakkafossur represents a significant advancement in salmon treatment and is preparing Bakkafrost, and the aquaculture industry as a whole, for future growth and sustainable farming.

Financial Review

INCOME STATEMENT

In 2023, the Bakkafrost Group generated gross operating revenues of DKK 7,141 million, which is a slight increase compared to DKK 7,130 million in 2022.

The Group achieved higher salmon prices on salmon and value-added products in 2023 compared to 2022, however there was a 19% decrease in harvested volumes of salmon in 2023 compared to 2022, with lower volumes in both the Faroe Islands and Scotland. The Group harvested a total of 73,006 tonnes gutted weight, compared to 90,603 tonnes in 2022. Sales of value-added products decreased by 15% in 2023. There was a significant increase in external revenue from the sale of fishmeal and fish oil in 2023 compared to 2022, with a 105% increase in external sales of fishmeal and fish oil.

The average feed price during 2023 was higher than the average feed price in 2022. The reason for the increase in the feed price is the increasing cost of the raw material for fish oil and fishmeal, which are the main ingredients in Bakkafrost's salmon feed. The fluctuations in the feed prices will be reflected in the production costs for salmon.

Operational EBIT was DKK 1,544 million in 2023, compared to DKK 1,705 million in 2022. A negative fair value adjustment of the Group's biological assets has been recognized in 2023, amounting to DKK 142 million, compared to a positive adjustment of DKK 278 million in 2022. The negative fair value adjustment mostly relates to higher cost.

In 2023, the Group's associated companies made a net result to Bakkafrost of DKK 71 million, compared to DKK 58 million in 2022.

Net interest expenses amounted to DKK -185 million, compared to DKK -65 million in 2022. Net currency effects amounted to DKK 3 million, compared to DKK -69 million in 2022.

Net taxes amounted to DKK -193 million, compared to DKK -346 million in 2022.

The consolidated net profit totalled DKK 955 million in 2023, compared to DKK 1,344 million in 2022. Earnings per share totalled DKK 16.14 in 2023, compared to DKK 22.75 in 2022.

DKK 1,000	2023	2022
Operating revenue	**7,140,849**	**7,129,967**
Purchase of goods	-2,401,063	-2,756,273
Change in inventory and biological assets (at cost)	141,200	666,550
Salary and personnel expenses	-862,670	-831,679
Other operation expenses	-1,875,239	-1,990,299
Depreciation	-637,209	-537,480
Other income	37,942	24,379
Operational EBIT	**1,543,810**	**1,705,165**
Fair value adjustments of biological assets	-141,665	278,392
Income from associates	70,652	57,597
Revenue tax	-152,836	-215,001
EBIT	**1,319,961**	**1,826,153**
EBT	**1,148,351**	**1,690,335**
Taxes	-193,135	-346,005
Profit or loss for the period	**955,216**	**1,344,330**

STATEMENT OF FINANCIAL POSITION

The Group's total assets as at end 2023 amounted to DKK 17,841 million, compared to DKK 16,882 million at the end of 2022.

The Group's intangible assets amounted to DKK 4,509 million at the end of 2023, compared to DKK 4,509 million at the end of 2022. Intangible assets comprise primarily of the acquisition of Bakkafrost Scotland Ltd., the fair value of acquired farming licenses in Scotland and the Faroe Islands.

Property, plant, and equipment amounted to DKK 6,220 million at the end of 2023, compared to DKK 5,647 million at the end of 2022. In 2023, Bakkafrost made investments in PP&E amounting to DKK 1,060 million, compared to DKK 1,236 million in 2022. The most significant investments, Bakkafrost carried out in 2023, were in hatcheries, a new feed line and a cargo airplane. Other investments relate mainly to maintenance investments.

Right of use assets amounted to DKK 413 million at the end of 2023, compared to DKK 439 million at the end of 2022.

Investments in associated companies and stocks and shares amounted to DKK 289 million at the end of 2023, compared to DKK 234 million at the end of 2022. Deferred tax assets amounted to DKK 512 million at the end of 2023, compared to DKK 336 million at the end of 2022.

The Group's carrying amount (fair value) of biological assets amounted to DKK 3,336 million at the end of 2023, compared to DKK 2,938 million at the end of 2022. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 741 million, compared to DKK 883 million at the end of 2022.

The Group's inventories amounted to DKK 1,149 million as at year-end 2023, compared to DKK 1,074 million as at year-end 2022. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed in addition to

finished VAP products, packing materials and other raw materials.

The Group's total receivables amounted to DKK 1,001 million as at year-end 2023, compared to DKK 985 million as at year-end 2022.

Cash and cash equivalents at year-end 2023 amounted to DKK 412 million, compared to DKK 720 million at year-end 2022.

The Group's equity at the end of 2023 was DKK 10,866 million, compared to DKK 10,396 million at the end of 2022. The movement in the equity is due to increase of share capital amounting to DKK 41 million, the positive result of DKK 956 million and a dividend payout of DKK 591 million.

The Group's total non-current liabilities amounted to DKK 6,228 million at the end of 2023, compared to DKK 5,563 million at the end of 2022. Deferred taxes amounted to DKK 1,953 million, compared to DKK 1,826 million at the end of 2022.

Long-term debt was DKK 3,945 million at the end of 2023, compared to DKK 3,383 million at the end of 2022.

At the end of 2023, the Group's total current liabilities were DKK 747 million, compared to DKK 923 million at the end of 2022.

Trade payable amounted to DKK 388 million, compared to DKK 479 million at the beginning of the year.

Long- and short-term leasing debt amounted to DKK 397 million at the end of 2023, compared to DKK 460 million at the end of 2022.

Bakkafrost's equity ratio was 61% at the end of 2023, compared to 62% at the end of 2022.

DKK 1,000	2023	2022
Intangible assets	4,509,334	4,508,704
Property, plant, and equipment	6,633,758	6,085,706
Financial assets	801,186	570,229
NON-CURRENT ASSETS	**11,944,278**	**11,164,639**
Inventory	4,484,358	4,012,829
Receivables	1,000,851	984,501
Cash and cash equivalents	411,674	719,603
CURRENT ASSETS	**5,896,883**	**5,716,933**
ASSETS	**17,841,161**	**16,881,572**
Equity	**10,865,854**	**10,395,813**
Deferred taxes	1,952,668	1,825,873
Long-term interest-bearing debt	3,944,498	3,383,289
Long-term leasing debt	331,115	353,355
Non-current liabilities	**6,228,281**	**5,562,517**
Trade payables	387,615	478,750
Current tax liabilities	210,367	237,780
Short-term leasing debt	65,848	106,215
Other current liabilities	83,196	100,497
Current liabilities	**747,026**	**923,242**
Total liabilities	**6,975,307**	**6,485,759**
EQUITY AND LIABILITIES	**17,841,161**	**16,881,572**

CASH FLOW

The total cash flow from operations in 2023 was DKK 1,023 million, compared to DKK 1,202 million in 2022. The cash flow from operations in 2023 is primarily due to positive results. Paid taxes and change in inventory and current debts had a negative effect on the cash flow from operations in 2023. Cash flow from investment activities amounted to DKK -1,044 million, compared to DKK -1,255 million in 2022.

For 2023, cash flow from financing amounted to DKK -287 million, compared to DKK 263 million for 2022. The change in long-term interest-bearing debt of DKK 546 million had a positive effect on the cash flow from financing in 2023. Other 2023 figures include dividend paid of DKK -591, lease payments of DKK -131 and financial expenses of DKK -187 million.

With the established credit facilities, the Group's liquidity and financial strength is considered good. Bakkafrost had undrawn credit facilities of approximately DKK 1,851 million at the end of 2023.

DKK 1,000	2023	2022
EBIT	**1,319,961**	**1,826,153**
Cash flow from operations	1,022,722	1,201,856
Cash flow from investments	-1,043,846	-1,254,597
Cash flow from financing	-286,805	263,187
Cash and cash equivalents – opening balance	**719,603**	**509,157**
Cash and cash equivalents – closing balance total	**411,674**	**719,603**

Segments and the Value Chain

7 SEGMENTS

- FOF
- FRESHWATER FO
- FRESHWATER SCT
- FARMING FO
- FARMING SCT
- SERVICES
- SALES & OTHER

VALUE CHAIN

FOF Segment

The FOF segment consists of the production and sale of fishmeal, fish oil and fish feed. The production is operated by Bakkafrost's subsidiary Havsbrún, located in Fuglafjørður. Fishmeal and oil are in part used internally to produce fish feed for the Farming and Freshwater segments. Whenever we have surplus from the production of fishmeal and fish oil, it will be sold externally.

Bakkafrost sources marine raw materials to produce high quality fishmeal and fish oil. In addition to sourcing industrial fish, unviable to produce for human consumption, we also source all fish trimmings and fish silage from the Faroese pelagic fishing industry. The demands to high quality fish-material combined with our processing technology enable us to manufacture top-quality fishmeal, fish oil and fish feed. The fish material comes mainly from Faroese vessels and fish processing factories, as well as foreign vessels operating in the North Atlantic.

As producers of our own high-quality fish feed ingredients, we are uniquely positioned to select the very best fishmeal and fish oil for our feed production. Bakkafrost has strategically chosen to maintain a substantially higher marine inclusion in the salmon feed, compared to peers in the industry. The fish species which we transform to fishmeal and fish oil constitutes a part of the natural food sources which wild salmon eats. Thus, the main ingredients in our dietary feed composition provides a foundation for healthy and efficient growth for our farmed salmon. Bakkafrost's strategy is to have a high fish oil content in the feed, results in salmon with a high content of omega 3.

VOLUMES

The FOF segment has maintained a consistent intake of raw materials for fishmeal and fish oil production over the past few years. In 2023, there was a considerable increase in the intake of raw materials, compared to 2022. The produced fishmeal and oil were partly used internally for feed production, and partly exported. In 2023, the FOF segment sourced 467,037 tonnes of raw material, compared to 297,814 tonnes in 2022, which corresponds to an increase of 57%.

The production of fishmeal in 2023 was 101,976 tonnes, compared to 65,395 tonnes in 2022, an increase of 56%. The production of fish oil in 2022 was 34,786 tonnes, compared to 23,862 tonnes in 2022, an increase of 46%. In 2024 Bakkafrost expects continued high production volumes of fishmeal and normalisation of fish oil production volumes.

The FOF segment sold 127,775 tonnes of feed in 2023, compared to 127,840 tonnes in 2022. Bakkafrost used 124,321 tonnes of sold feed in 2023 internally, corresponding to 97%. The internal use in 2022 was 123,118 tonnes, corresponding to 96%.

FINANCIAL PERFORMANCE

Total revenues for the FOF segment in 2023 amounted to DKK 3,489 million, compared to DKK 2,433 million in 2022, an increase of 43%.

The external operating revenue for the FOF segment amounted to DKK 1,576 million in 2023, compared to DKK 743 million in 2022. The increase in external revenue from 2022 to 2023 was mainly due to higher external sale of fish feed and fishmeal.

The internal revenue in 2023 amounted to DKK 1,912 million, compared to DKK 1,691 million in 2022. The internal revenue comprises the sales of feed to Bakkafrost's farming activities, both in Scotland and the Faroe Islands

DKK 1,000	2023	2022	Change
Financial			
Total revenue	3,488,735	2,433,494	43%
EBIT	862,146	468,643	84%
Operational EBIT	791,461	411,289	92%
Operational EBIT margin	23%	17%	
Volumes (tonnes)			
Total Feed sold	127,775	127,840	0%
- Feed internal sale FO	84,474	79,262	7%
- Feed internal sale SCT	39,847	43,856	-9%
- Feed external sale	3,454	4,722	-27%
Fishmeal external sale	63,063	34,667	82%
Fish oil external sale	18,924	5,285	258%
Received raw material	467,037	297,814	57%
Fishmeal production	101,976	65,395	56%
Fish oil production	34,786	23,862	46%

Operational EBIT was DKK 791 million in 2023, compared to DKK 411 million in 2022, and the operational EBIT margin was 23% in 2023, compared to 17% in 2022.

Freshwater Segments

There are two similar Freshwater segments – one in the Faroe Islands and one in Scotland. The two Freshwater segments both include broodstock and smolt production in hatcheries on land. In the broodstock operation, eggs are produced from breeding self-owned salmon strains. Eggs are sold to the hatcheries who in turn produce from egg to smolt, which are sold to the Farming operations in the Faroe Islands and Scotland. The Freshwater segments rely on feed from the FOF segment and certain services provided by the Services segment, such as smolt transportation and waste handling for biogas production.

Bakkafrost has broodstock programs in the Faroe Islands and Scotland to maximize biosecurity, breeding, and genetics. These programs enable accelerated development of more resilient eggs, reducing disease risks and protecting intellectual capital.

Bakkafrost has six hatcheries in the Faroe Islands, located in areas with abundant clean fresh water. The hatcheries use closed-water circulation systems with biofilters and are housed indoors with high biosecurity to minimize external factors.

Bakkafrost is replacing current hatcheries in Scotland with two large, modern RAS technology hatcheries. The Applecross hatchery is operational and will expand in 2024 to produce 7 million smolt at 500g. The Fairlie hatchery will produce around 8 million smolt at 500g. Bakkafrost aims to produce all smolts for release at an average weight of 500 grams by 2024 in the Faroe Islands and by 2027 in Scotland.

FAROE ISLANDS

DKK 1,000	2023	2022	Change
Financial			
Total revenue	586,388	480,060	22%
EBIT	156,730	188,242	-17%
Operational EBIT	156,730	188,242	-17%
Operational EBIT/kg (DKK)*	27.95	37.88	-26%
Operational EBIT margin	27%	39%	
Volumes			
Smolt Released - Pieces	14,172	14,417	-2%
Smolt Released - Avg Size (g)	396	345	15%

* Calculated EBIT per KG released smolt

VOLUMES

In 2023, 14.2 million smolts were released into the sea, which is slightly lower than the 14.4 million transferred in 2022.

FINANCIAL PERFORMANCE

In 2023, the operating revenue amounted to DKK 586 million, which represents a 22% increase compared to the DKK 480 million operating revenue in 2022. The operational EBIT per kg of released smolt in 2023 was DKK 27.95, showing a 26% decrease from the DKK 37.88 achieved in 2022.

SCOTLAND

DKK 1,000	2023	2022	Change
Financial			
Total revenue	141,803	123,858	14%
EBIT	9,174	-23,834	N/A
Operational EBIT	9,174	-23,834	N/A
Operational EBIT/kg (DKK)*	8.75	-20.24	N/A
Operational EBIT margin	6%	-19%	
Volumes			
Smolt Released - Pieces	8,993	11,008	-18%
Smolt Released - Avg Size	117	107	9%

* Calculated EBIT per KG released smolt

VOLUMES

In 2023, 9.0 million smolts were released into the sea, compared to 11.0 million transferred in 2022.

FINANCIAL PERFORMANCE

In 2023, the operating revenue amounted to DKK 142 million, which represents a 14% increase compared to the DKK 124 million operating revenue in 2022. The operational EBIT per kg of released smolt in 2023 was DKK 8.75, compared to -20.24 in 2022.

Farming Segments

Fish farming involves growing salmon in the marine environment from smolt to harvest-ready salmon. The Group has marine farming licenses in the Faroe Islands and Scotland, which are reported as two separate segments - Farming Faroe Islands and Farming Scotland. The Farming segments rely on feed from the FOF segment and several services provided by the Services segment. These include fish transportation, treatments, net cleaning, harvest, etc. The Farming segments also rely on sales services provided by the Sales & Other segment.

The main goal of the farming operation is to produce salmon at a low feed conversion rate and with low mortality. To reach this goal, Bakkafrost believes the environment is important and therefore does its utmost to create and maintain a healthy environment for the fish. Following national regulations, external agencies undertake environmental investigations at each farming location each year. The result of each survey becomes input data used in the tactical planning to achieve the best environmental and sustainable farming results possible.

Bakkafrost's salmon farming sites benefit from excellent water quality and circulation due to strong currents and cool, steady sea temperatures in the Faroe Islands. The operations in Scotland, are in the unique natural environment of the West Coast of Scotland and the Hebridean Islands.

The fish are kept, fed, and nurtured in large sea pens, providing the fish with abundant space to grow for 13 months on average in the Faroe Islands and for around 16-22 months in Scotland. During this period, the fish grows to a target weight of approx. 6.3 kg LW in the Faroe Islands and approx. 5.9 kg LW in Scotland.

FAROE ISLANDS

DKK 1,000	2023	2022	Change
Financial			
Total revenue	3,311,614	4,950,575	-33%
EBIT	359,977	1,468,570	-75%
Operational EBIT	550,793	1,514,705	-64%
Operational EBIT/kg (DKK)	10.51	22.71	-54%
Operational EBIT margin	17%	31%	
Volumes			
Harvested volumes (tgw)	52,408	66,686	-21%

VOLUMES

The total volumes harvested in Faroe Islands in 2023 were 52,408 tonnes gutted weight compared to 66,686 tonnes gutted weight in 2022 – a change in volume of -21%.

FINANCIAL PERFORMANCE

In 2023, the operating revenue for the Farming Faroe Islands segment was DKK 3,312 million compared to 4,951 million – a decrease of 33%. The operational EBIT/kg for 2023 was DKK 10.51 compared to DKK 22.71 – a reduction of 54%.

SCOTLAND

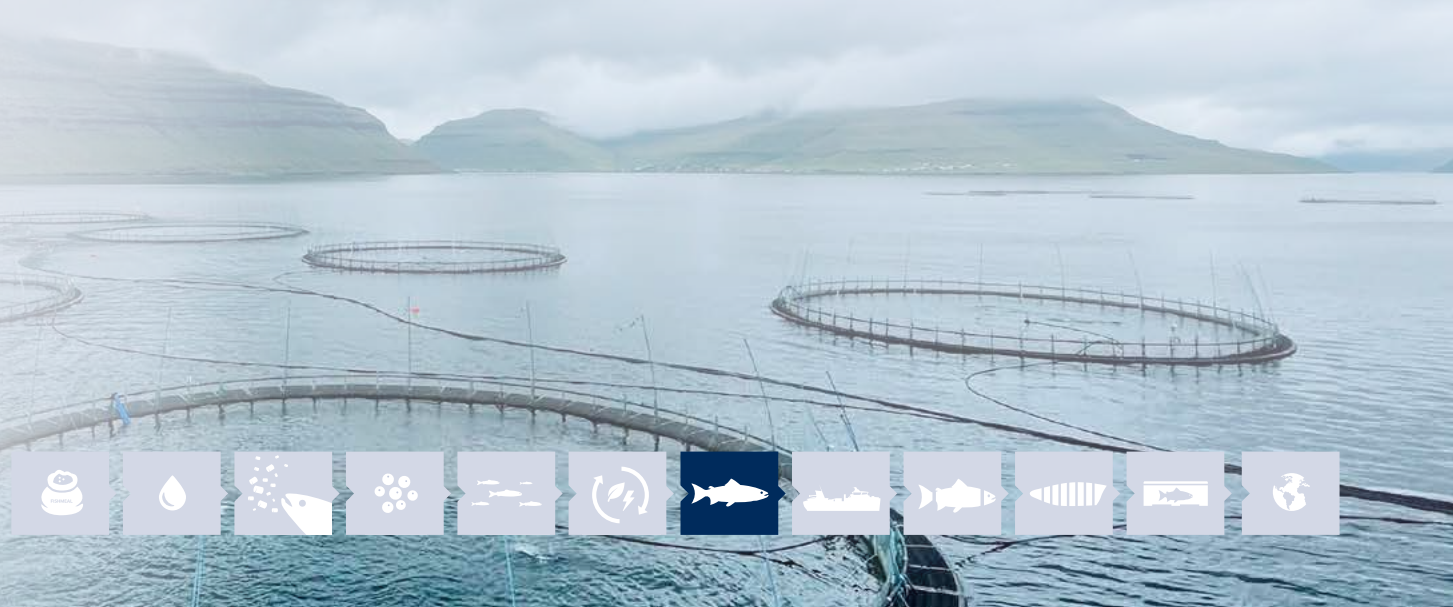
DKK 1,000	2023	2022	Change
Financial			
Total revenue	1,452,652	1,469,824	-1%
EBIT	-258,777	-116,503	-122%
Operational EBIT	-155,092	-226,190	31%
Operational EBIT/kg (DKK)	-7.53	-9.46	20%
Operational EBIT margin	-11%	-15%	
Volumes			
Harvested volumes (tgw)	20,598	23,917	-14%

VOLUMES

The total volumes harvested in Scotland 2023 were 20,598 tonnes gutted weight compared to 23,917 tonnes gutted weight in 2022 - a change in volume of -14%.

FINANCIAL PERFORMANCE

In 2023, the operating revenue for the Farming Scotland segment was DKK 1,453 million compared to 1,470 million – a decrease of 1%. The operational EBIT/kg for 2023 was DKK -7.53 compared to DKK -9.46 – an increase of 20%.



Services

The Services segment provides several services to the Group. The segment operates a fleet of large Farming Service Vessels (FSV), harvesting services, styrofoam boxes and converts organic waste into energy.

FSV consists of nine fully owned farming service vessels. These vessels are leased to the farming segments - eight are leased to the Faroe Islands and one to Scotland. In addition, Scotland has external leasing of several vessels. The services provided by the vessels include transportation, lice-treatment, net-cleaning and other operations.

Bakkafrost has four harvest factories, two in the Faroe Islands and two in Scotland.

Bakkafrost has one packaging plant, which is located and integrated into the Glyvrar processing facility, providing both packaging for internal use in the Faroe Islands and to external customers.

The biogas plant uses waste products from our farms and other fish and dairy farmers to produce renewable energy and fertilizer.

DKK 1,000	2023	2022	Change
Financial			
Total revenue	782,865	793,496	-1%
EBIT	43,550	14,712	196%
Operational EBIT	43,550	14,685	197%
Operational EBIT/kg (DKK)*	0.60	0.16	268%
Operational EBIT margin	6%	2%	
Volumes			
Total Energy produced (Mwh)	11,404	15,284	-25%

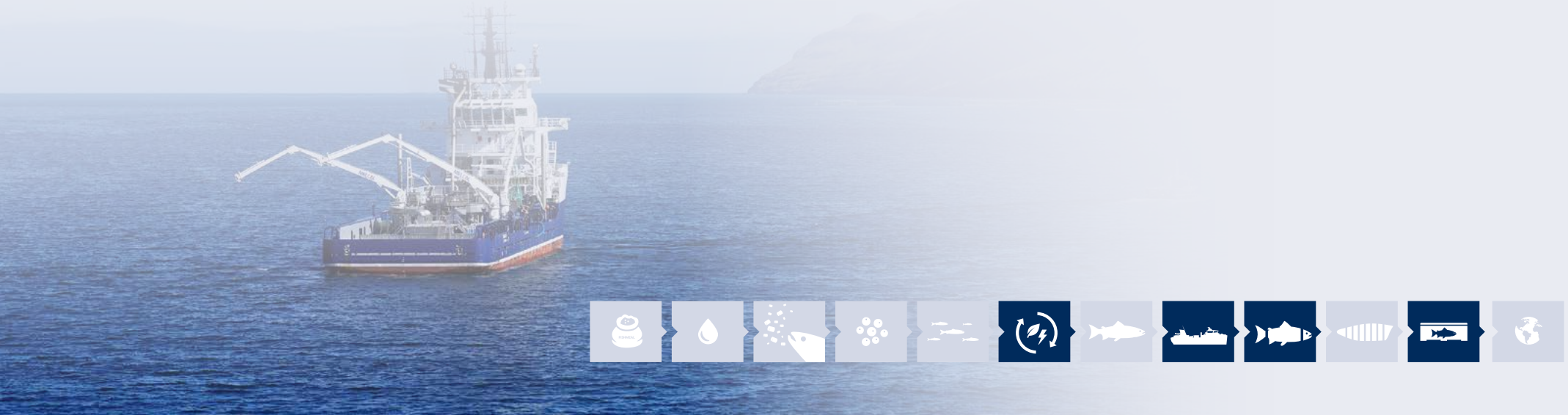
* Calculated EBIT per KG harvest for the Group

VOLUMES

The biogas plant Förka produced 11,404 Mwh of energy in 2023, compared to 15,284 Mwh in 2022 – a change in volume of -25%.

FINANCIAL PERFORMANCE

In 2023, the operating revenue for the Services segment was DKK 783 million, compared to DKK 794 million in 2022 – a decrease of 1%. The operational EBIT/kg for 2023 was DKK 0.60, compared to DKK 0.16 in 2022 – an increase of 268%.



Sales & Other

The Sales & Other segment consists of all external sales of fresh salmon and production and sales of VAP (Value-Added-Products). The segment also provides logistical services, administration, marketing, and branding for the Group. The segment mainly relies on salmon from the farming segment.

The segment is actively enhancing the overall sales performance and value optimization of salmon product portfolios. This entails coordinating production schedules, synchronizing sales projections, strategically responding to market dynamics, and ensuring products are tailored to meet customer needs.

Bakkafrost has a long-term strategy to produce and sell value-added products (VAP), representing around 40% of the Faroese harvested volumes. The sales of VAP products stabilize the Group's earnings through fixed-price contracts, which are less volatile than spot market prices. In 2024, Bakkafrost adjusted its VAP strategy due to changes in the Faroese revenue tax, reducing exposure. The signed contracts now cover 9% of the expected harvest volumes for the Faroe Islands and Scotland combined.

The most important markets are the European, US, and Chinese markets. Generally, the whole fish from the Faroe Islands is sold on the spot market. The VAP products are sold on long-term contracts.

The distribution network is based on transportation by ship, truck and/or train to Europe and by plane to the US and China. Bakkafrost can distribute both fresh and frozen fish to the various markets.

In 2024, FarCargo, a subsidiary of Bakkafrost, will utilise its aircraft to transport fresh salmon directly from the Faroe Islands to the US market within few hours.

VOLUMES

Total volumes harvested in 2023 for Bakkafrost Group were 73,006 tonnes gutted weight, compared to 90,603 tonnes gutted weight in 2022 – a change in volume of -19%. In the Faroes the split between VAP and Fresh was 43% VAP and 57% Fresh, compared to 40% VAP and 60% fresh in 2022. VAP produced 22,650 tonnes gutted weight in 2023, compared to 26,747 tonnes gutted weight in 2022 – a change in volume of -15%.

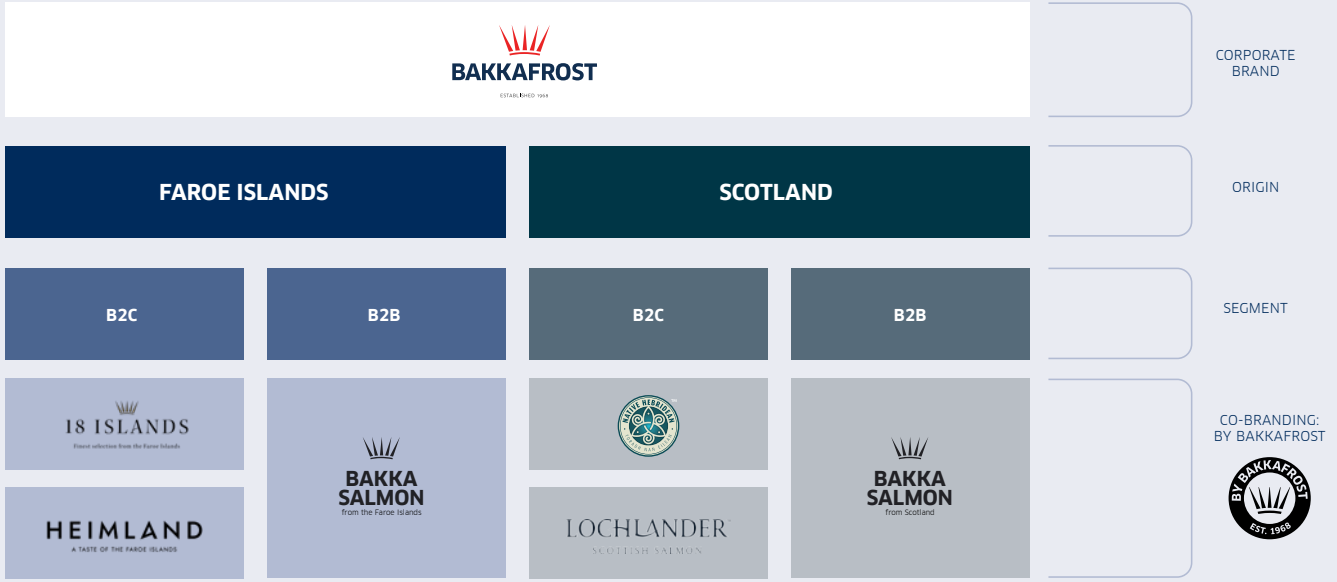
FINANCIAL PERFORMANCE

In 2023, the operating revenue for the Sales & Other segment was DKK 9,273 million, compared to DKK 10,589 million in 2022. The total revenue for the Sales & Other segment declined in 2023 compared to 2022, primarily due to reduced volumes.

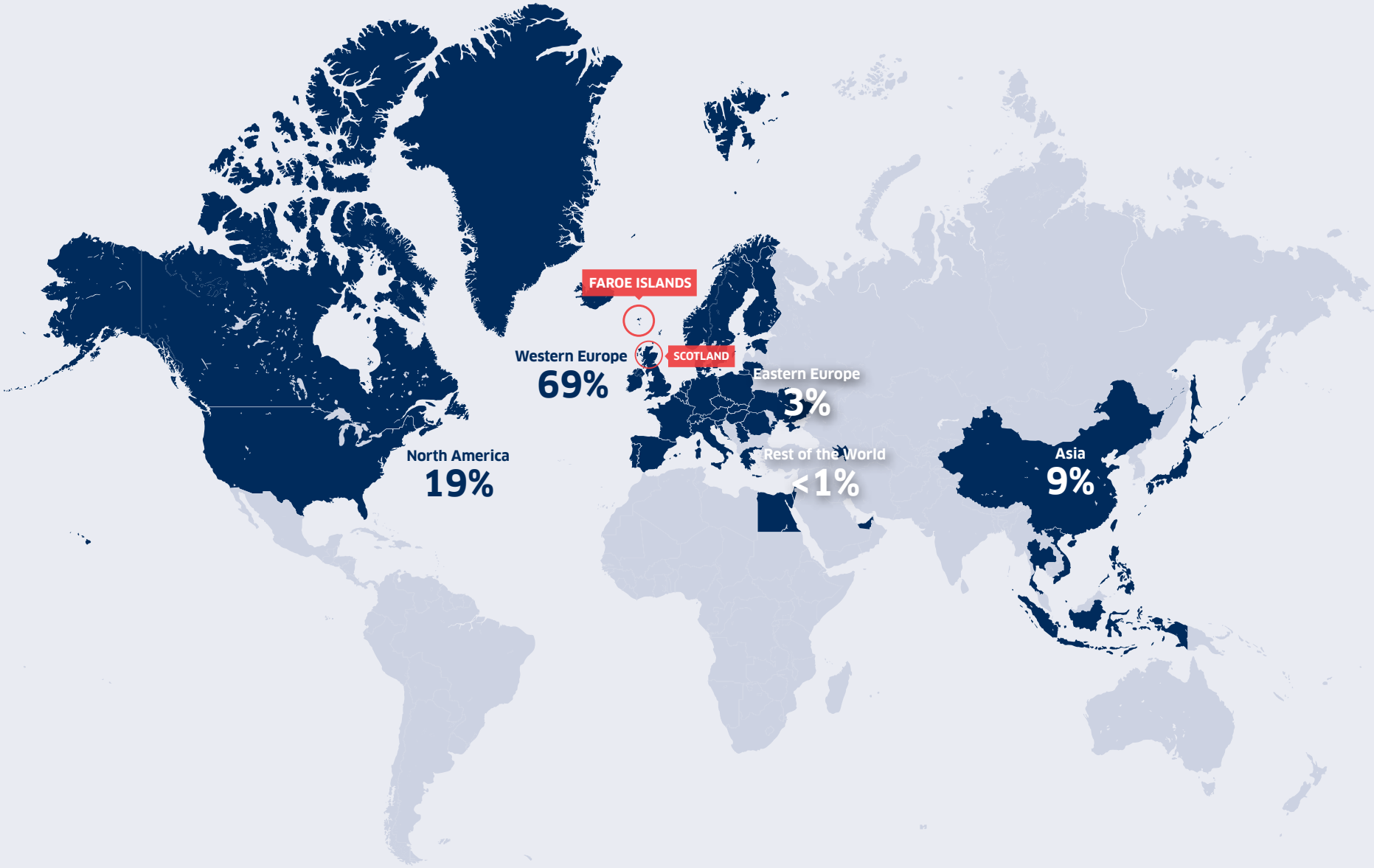
DKK 1,000	2023	2022	Change
Financial			
Total revenue	9,272,817	10,589,444	-12%
EBIT	210,359	-172,474	N/A
Operational EBIT	210,393	-172,531	N/A
Operational EBIT/kg (DKK)	2.88	-1.90	N/A
Operational EBIT margin	2%	-2%	
Volumes			
Harvested Volumes (tgw)	73,006	90,603	-19%
Farming FO transferred to VAP (tgw)	22,787	26,401	-14%
VAP produced (tgw)	22,650	26,747	-15%
Harvested volumes used in VAP production FO	43%	40%	
Harvested volumes sold fresh/frozen FO	57%	60%	

Bakkafrost Brands

All salmon from Bakkafrost is sold under the Bakkafrost main brand. Depending on the origin of the salmon, customer segment and product or quality, co-branded sub-brands are used.



Markets Served



Customer Satisfaction

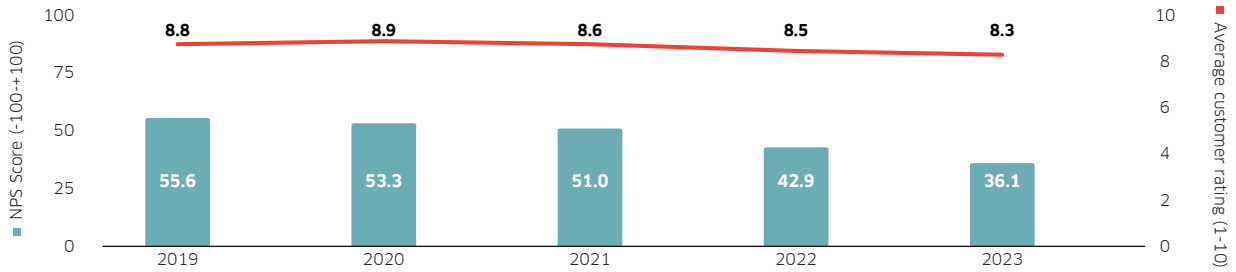
Building long term relationships with our customers is important for maintaining our position as a preferred supplier of world class salmon. We are committed to building long term partnerships and delivering outstanding customer service and work with our customers to introduce new product developments and certifications. We conduct an annual customer feedback survey and hold a Customer Summit every two years where we welcome customers to visit our facilities.

95% of Bakkafrost customers in 2023 were either "satisfied", "more than satisfied", or "very satisfied".

Our customer survey showed an average customer rating of 8.3 and a net promoter score of 36. Even though our NPS score is still on a high level, we have seen a drop in 2022 and 2023, which seems to reflect the salmon prices remaining substantially higher than the previous five-year average. Our analysis indicates a negative association between the level of customer satisfaction and the degree of price tolerance exhibited by our customers.

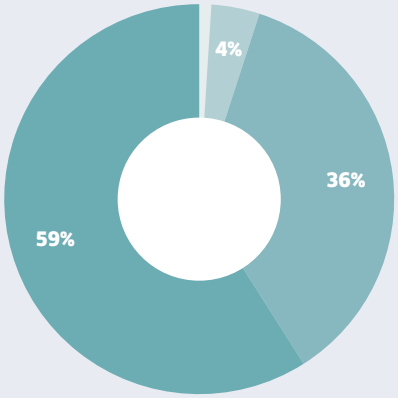
Bakkafrost has been growing for a number of years and this has accelerated since the listing on the Oslo Stock Exchange in 2010, and more recently with the acquisition of companies in the US, UK, Denmark and France. In line with production growth, we continue to expand into new markets and increase sales.

CUSTOMER NET PROMOTER SCORE



CUSTOMER SCORE OF BAKKAFROST SALMON'S QUALITY

Reflecting the views of customers representing 57% in 2021, 47% in 2022 and 55% of the revenue in 2023.



2023:
- 1% Not Satisfied
- 4% Somewhat satisfied
- 36% Satisfied
- 59% More than or very satisfied

2022
0% Not satisfied
8% Somewhat satisfied
31% Satisfied
62% More than or very satisfied

2021
0% Not satisfied
2% Somewhat satisfied
33% Satisfied
65% More than or very satisfied

2020
0% Not satisfied
4% Somewhat satisfied
25% Satisfied
71% More than or very satisfied

Strenghtening our Customer Value Proposition

The Bakkafrost subsidiary FarCargo has purchased a Boeing 757-200 cargo aircraft, a 47-meter airplane with a flight range of 7,000 kilometres, able to carry some 35 tonnes of cargo.

The maiden trip was 5 March 2024 and the plane will fly regularly between Vágar, the Faroe Islands and New York, delivering fresh high-quality salmon directly to the USA.

Compared to the current transportation routes through various airfields in Europe, the new route will ensure prolonged shelf-life due to shortened transportation, an unbroken cooling chain and significant reduction in GHG emissions.

FarCargo will offer both Faroese and international businesses options to buy cargo space. Bakkafrost expects that the Faroese market will benefit from this new direct route, and that it will provide new opportunities in the Faroe Islands.

In 2023, 69% of Bakkafrost's salmon was exported to the Western European market, and particularly Bakkafrost Scotland exports a significant part of its harvest to the European continent.

2023 also saw the company's world-class Native Hebridean salmon continue to claim several industry accolades with further success at the Great Taste awards, the Great British Food Awards, a Primary Producer Award at the prestigious Highlands & Islands Food and Drink Awards and further recognition at the Scottish Retail Food & Drinks Awards.

Market Review

SEAFOOD CONSUMPTION

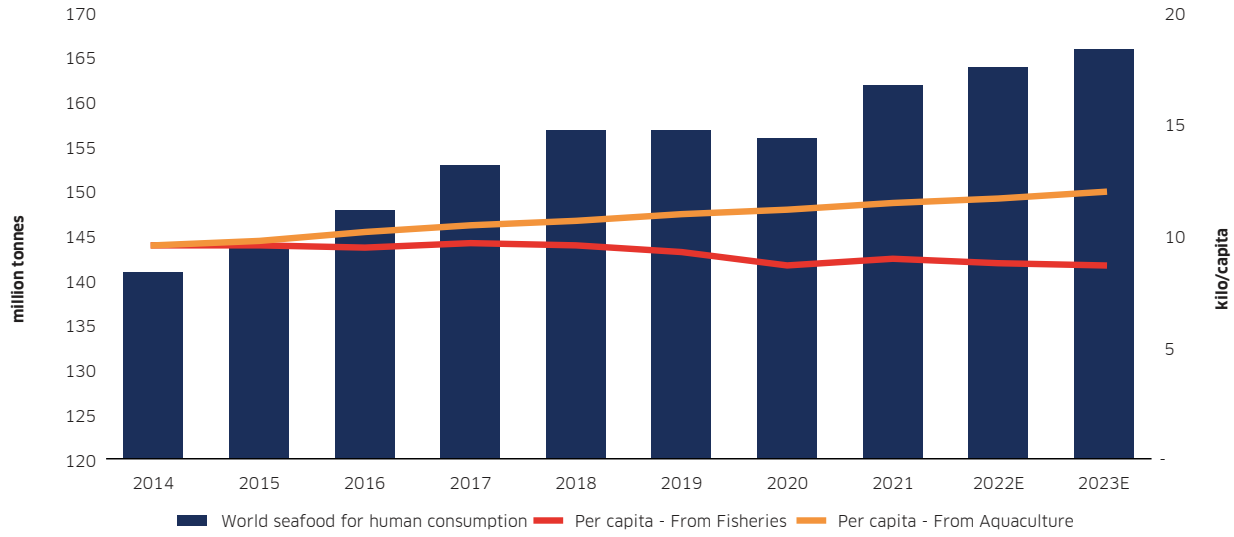
In 2023, the global salmon sector experienced a slight overall decline of -0.5% year-on-year, contrasting with projections for the shrimp sector's global farming to conclude with a closer to 4.5% increase.

Looking back to 2022, the global farming of all shrimp species saw a notable growth of 6%, while the production of all farmed salmonids, including small/portion trout, remained stagnant with 0% growth in volume.

Reflecting on the seafood market in 2021, the combined production of capture fisheries and aquaculture amounted to approximately 182 million tonnes. Around 162 million tonnes were utilized for food consumption, resulting in an average per capita seafood consumption of about 20 kg (live weight equivalent). The decline in wild catch volumes, limited production growth, and consumption during this period can be directly attributed to the reduced demand stemming from the COVID-19 pandemic.

Backtracking further to 2013, salmon and trout emerged as the most significant internationally traded seafood commodities in value, contributing to about 17 per cent of the total value of globally traded seafood products in 2022. Their combined export value nearly reached 21 billion EUR. Shrimps and prawns secured the second position with a value of just above 20 billion EUR, followed by groundfish (such as hake, cod, haddock, and Alaska pollock) and tuna.

WORLD SEAFOOD PRODUCTION (FOR HUMAN CONSUMPTION) AND CONSUMPTION PER CAPITA



Source: Kontali, FAO

MAIN MARKETS AND PRICE TRENDS 2023

Worldwide market supply of farmed Atlantic salmon fell by another 2% in 2023 (from 2.83 million tonnes WFE in 2021, and a two-step decline in 2022 and 2023: – both by –2%, to 2.77 million tonnes WFE in 2023). The main reason for this trend is a combined supply shortage and a lack of available harvest volumes of the species. This has affected both the first-half and second-half trends, with a slightly stronger decline in the first half (–2.9%) than in the second half (–1.8%). Like in 2021, warfare and regional economic conflicts have impacted both salmon trade logistics and trade relations, but major differences in market supply to the regional market blocks are primarily impacted by the strength of demand and consumption drivers.

In addition to a slight normalization of the supply of Atlantic salmon to Russia, resulting in an 18% increase over 2022 (but still 30% below 2021), the major markets that did show volume growth in 2023 were China/Hong Kong (+39%), and Brazil (+7%).

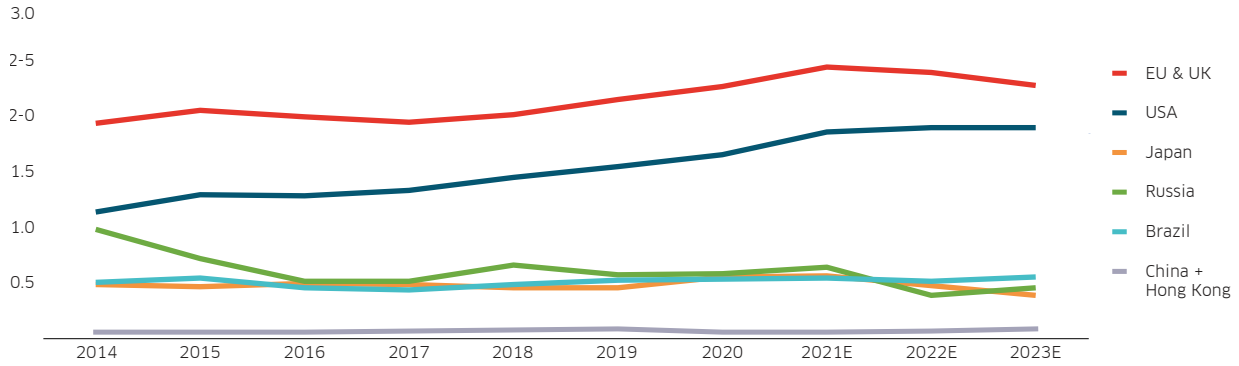
Growth in China/Hong Kong primarily results from a later and steeper normalization to a post-COVID situation with a strong underlying demand. The growth in Brazil was lower, and the 8,500 tonnes WFE increase is a return to the level seen in 2021, while the rest is growth to a new and unprecedented consumption level of around 116,500 tonnes WFE, which is the highest ever seen for Brazil, both in absolute volume and per capita.

Markets within EU+UK continued their decline in 2023, as also seen in 2022, and over the two-year period, the per capita consumption has thus declined from 2.5 to 2.3 kilo WFE (–7%).

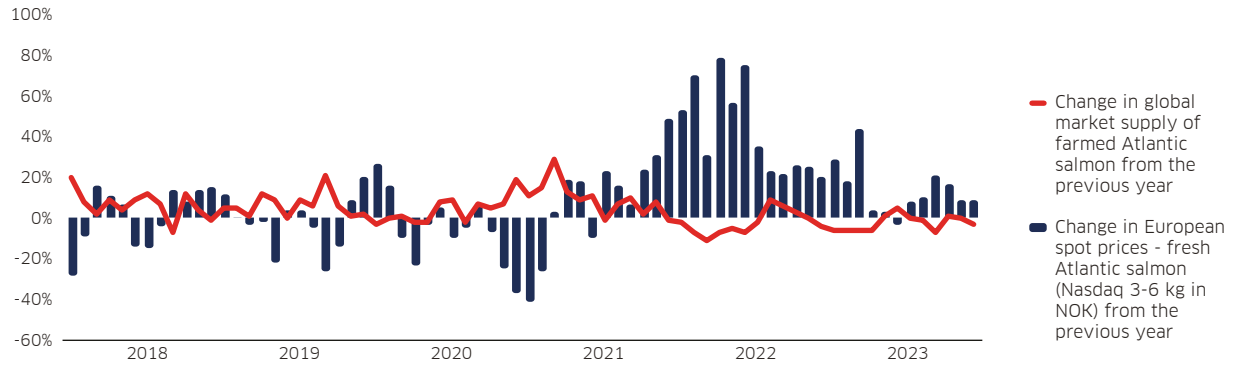
The U.S. market did end with a slight increase (+0.5%), following a long and continuous growth trend. The lack of growth has primarily been driven by a decline of more than –15% in the supply from North American harvests and an additional decline in supply from Chile, while the continued increase in shipments from Europe by 10% still allowed for this marginal growth.

European spot prices (Nasdaq 3-6 kg) for Atlantic salmon in 2023 ended at 8.1 EUR per kg, the same level as in 2022. In real terms, considering that 2023 has brought along notable inflation in most markets and specifically in the EUR area, this implies a lower market price during 2023 versus 2022.

PER CAPITA CONSUMPTION OF FARMED ATLANTIC SALMON FOR SELECTED MARKETS



RELATIVE CHANGE IN GLOBAL SUPPLY OF ATLANTIC SALMON AND EUROPEAN SPOT PRICES



Source: Kontali, FAO

US MARKET

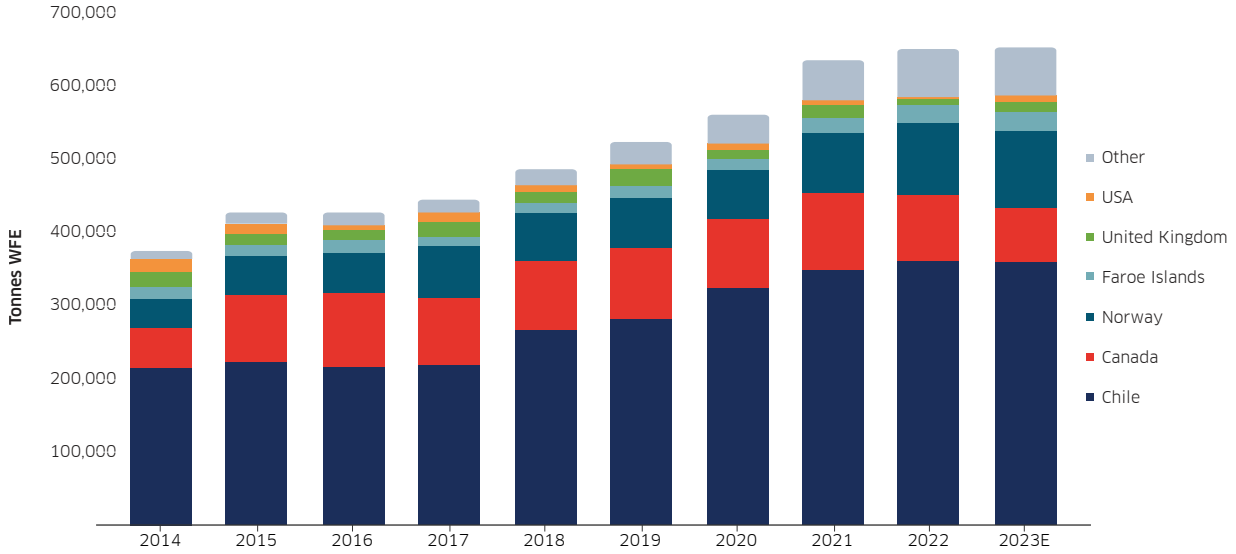
In 2023, the U.S. market, following a prolonged and consistent growth trend, experienced a slight increase of 0.5%. The limited growth was primarily influenced by a more than 15% decline in supply from North American harvests and an additional decrease in supply from Chile. However, a continued 10% increase in European shipments facilitated this marginal growth. This development underscores the resilience and demand for the Atlantic salmon market in the face of a "global shortage", reaffirming its popularity and increasing significance in the United States.

With a population of 335 million, the consumption of Atlantic salmon in 2023 reached 654,000 tonnes WFE. This translates to a per capita consumption of approximately 2.0 kg WFE, signifying an average of 6-7 meals per capita yearly. Salmon solidified its position as the second-most consumed seafood species among US consumers, with shrimp maintaining its dominance as the top choice.

SUPPLY OF ATLANTIC SALMON TO THE US MARKET

Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E
Chile	214,700	224,100	217,300	220,400	267,200	284,300	325,100	349,600	362,000	359,100
Canada	55,000	92,900	100,900	92,100	93,800	94,300	92,900	104,300	88,800	76,200
Norway	39,900	51,200	55,700	68,400	67,300	68,300	69,100	82,900	99,300	103,500
Faroe Islands	17,100	14,700	16,900	14,800	12,800	18,500	14,400	20,800	23,300	26,000
United Kingdom	20,400	16,300	12,700	18,000	16,100	20,300	11,500	17,100	9,200	14,300
USA	16,200	13,800	7,700	13,100	7,300	8,100	8,800	6,200	3,500	7,900
Other	10,800	14,600	16,100	19,200	22,300	29,400	40,100	53,900	64,800	67,100
Total	**374,100**	**427,600**	**427,300**	**446,000**	**486,800**	**523,200**	**561,900**	**634,800**	**650,900**	**654,100**

SUPPLY OF ATLANTIC SALMON TO THE US MARKET



Source: Kontali, FAO

EUROPEAN MARKET

In 2023, the European Union market, including the United Kingdom, experienced a 5% decline in farmed Atlantic salmon, equivalent to 60,000 tonnes WFE, resulting in a total supply of 1.2 million tonnes WFE. Over the two-year period, per capita consumption decreased from 2.5 to 2.3 kilos WFE, representing a 7% decline or 80,000 tonnes WFE. This trend must be considered in the context of limited production growth and an increasing demand from other salmon markets.

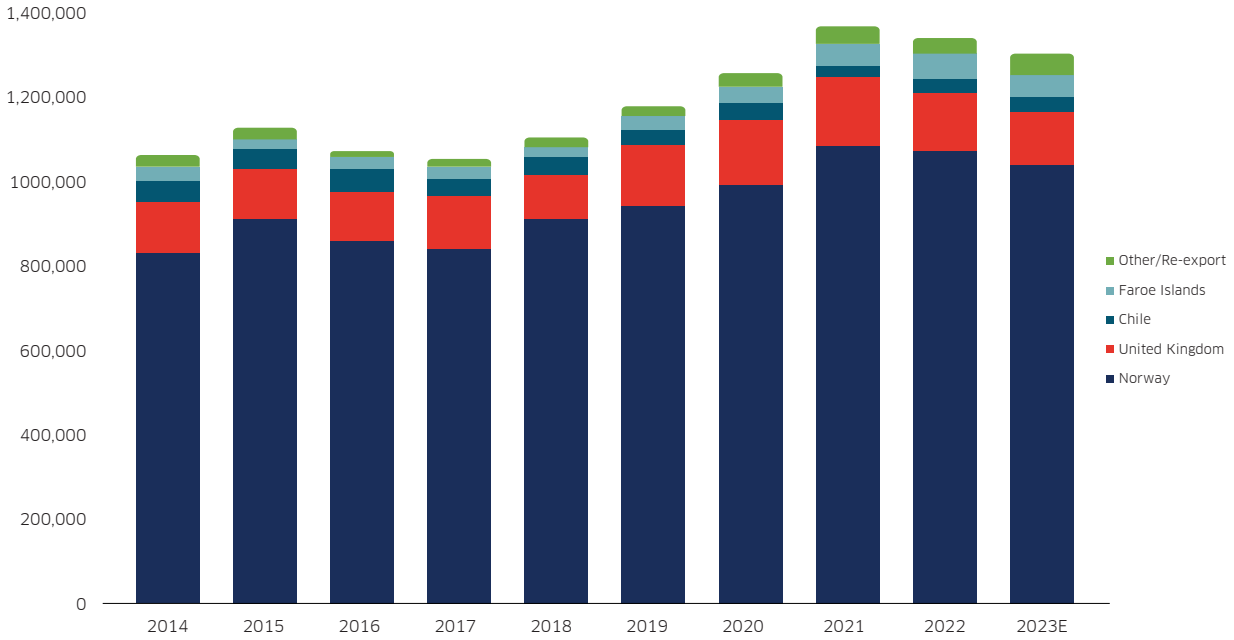
Germany, France, and the United Kingdom, collectively accounting for approximately 50% of the total consumption, emerged as the largest salmon market in Europe. The trade flow is also characterized by significant salmon processing hubs, such as Poland, Denmark, and the Netherlands. Noteworthy supply growth was observed in Italy and Spain (Southern Europe) over the past decade.

While inflation and the rising cost of living have impacted demand and market dynamics for salmon, sales to both retail or foodservice-segments have demonstrated resilience and remain robust. Within the EU+UK market, the current situation can accurately be described as having "insufficient availability." Industry participants are compelled to swiftly adapt to this challenging scenario to maintain profitable.

SUPPLY OF ATLANTIC SALMON TO EUROPEAN (EU+UK) MARKET

Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E
Norway	834,600	912,200	860,200	841,400	910,800	944,500	995,600	1,085,500	1,071,200	1,038,800
United Kingdom	117,800	121,100	115,400	124,900	108,100	142,300	152,500	162,800	139,600	128,300
Chile	50,500	44,900	53,900	42,500	40,700	36,200	40,900	28,400	32,800	35,500
Faroe Islands	32,300	20,400	28,400	27,800	20,600	30,800	34,400	50,600	59,000	51,700
Other/Re-export	30,100	27,700	16,900	17,100	25,700	23,200	31,500	40,500	38,900	51,200
Total	**1,005,100**	**1,070,900**	**1,041,000**	**1,019,500**	**1,054,500**	**1,130,600**	**1,191,900**	**1,286,800**	**1,263,700**	**1,203,100**

SUPPLY OF ATLANTIC SALMON TO EUROPEAN (EU+UK) MARKET



Source: Kontali, FAO

CHINA AND HONG KONG

The growth in China and Hong Kong can be attributed primarily to a delayed and more pronounced normalization following the post-Covid situation, driven by robust underlying demand. The significant 39% increase, amounting to 36,000 tonnes WFE in 2023, needs to be understood in the context of the Chinese government's unveiling of a comprehensive relaxation of its stringent "Zero Covid" policy in December 2022.

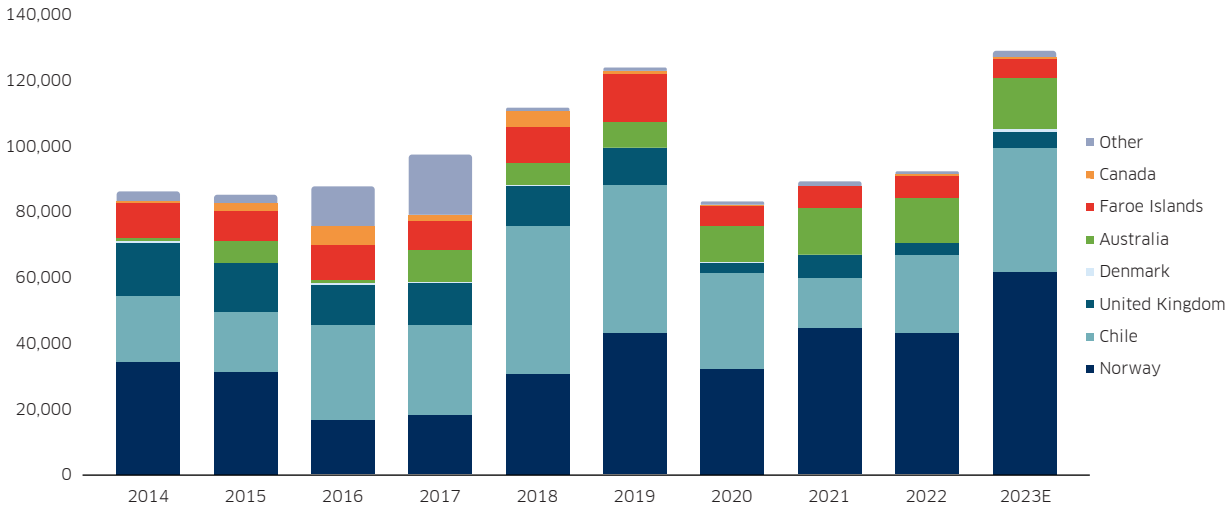
In terms of the value of the trade to China/Hong Kong (exports), the progress has been even more remarkable, surpassing 1.2 billion U.S. dollars in 2023. Traditionally, the supply to China has consisted mainly of fresh whole salmon and larger sizes (6+ kg), with the foodservice segment accounting for a substantial share of consumption. However, due to the limited availability of large-sized salmon, there has been a greater acceptance of receiving 5+ kg salmon in both China/Hong Kong and other Asian markets.

Land-based RAS plants and offshore salmon projects are currently under construction or in large-scale testing phases. Although there is limited domestic production of Atlantic salmon in China, there is a growing trend in trout farming, which is being sold and labelled as salmon in accordance with the regulations set by The China Fisheries Association.

SUPPLY OF ATLANTIC SALMON TO CHINA AND HONG KONG

Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E
Norway	34,140	31,110	16,480	17,860	30,920	42,990	32,550	44,770	42,990	61,880
Chile	19,960	18,270	29,280	27,790	44,770	45,540	28,580	15,110	23,920	37,640
United Kingdom	16,430	14,920	12,250	12,660	12,370	10,900	3,300	7,100	3,720	4,800
Denmark	350	130	80	340	330	320	230	60	30	790
Australia	940	6,420	1,360	9,630	6,770	7,590	10,700	13,990	13,750	16,030
Faroe Islands	11,050	9,520	10,410	8,730	10,620	14,690	6,200	6,580	6,340	5,270
Canada	280	2,430	5,790	2,120	5,090	1,110	640	320	480	690
Others	3,240	2,570	12,220	18,590	800	970	880	1,390	1,310	1,970
Total	**86,390**	**85,370**	**87,870**	**97,720**	**111,670**	**124,110**	**83,080**	**89,320**	**92,540**	**129,070**

SUPPLY OF ATLANTIC SALMON TO CHINA AND HONG KONG



Source: Kontali, FAO

SUPPLY OF FARMED ATLANTIC SALMON FROM THE FAROE ISLANDS

Over the past decade, the Faroese salmon industry has demonstrated unparalleled biological performance, with the lowest loss rates and consistently high average harvest weights compared to other producing regions. This success has resulted in the industry achieving the highest smolt yield in the global salmon sector. The substantial growth in production on the Faroe Islands can be attributed to significant investments in smolt facilities and the implementation of a large smolt strategy – that enables increased stocking and turnover of biomass in the sea.

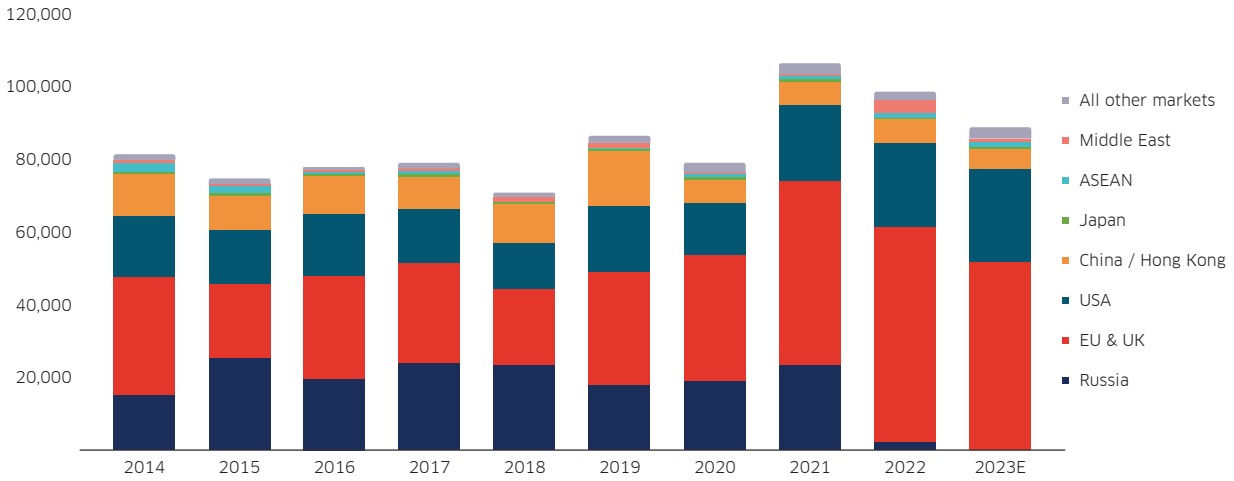
However, the Faroese industry has encountered biological challenges, including fish health issues such as gill disease, stricter regulations, elevated levels of sea lice, and occasional production disruptions due to adverse weather conditions. Despite achieving a record year in 2021, with Atlantic salmon export volume surpassing 105,000 tonnes WFE, sales have declined to below 90,000 tonnes WFE in 2023.

Faroese exports witnessed a substantial shift in trade flow in 2022, which was attributed to Russia's invasion of Ukraine. With sales suspended in Russia, the European and U.S. markets collectively accounted for over 80% of the total supply volume, reaching market shares not seen since 2011. Notably, in 2023, the U.S. market experienced a 3,000-tonne WFE increase, while sales to the EU and UK declined by close to 7,000 tonnes WFE.

SUPPLY OF ATLANTIC SALMON FROM THE FAROE ISLANDS TO TOP 5 MARKETS

Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E
Russia	15,465	25,660	19,798	24,096	23,812	18,276	19,465	23,665	2,468	-
EU+UK	32,255	20,372	28,384	27,793	20,629	30,773	34,354	50,576	58,967	51,700
USA	17,105	14,671	16,908	14,820	12,829	18,469	14,392	20,812	23,305	26,000
China / Hong Kong	11,055	9,522	10,401	8,722	10,625	14,690	6,204	6,584	6,346	5,400
Japan	750	830	452	690	582	870	658	525	501	500
ASEAN	2,351	1,946	942	834	279	343	799	702	1,247	1,600
Middle East	908	458	315	784	1,198	1,352	735	349	3,713	700
All other markets	1,472	1,302	881	1,572	837	1,673	2,709	3,210	2,060	2,900
Total	**81,361**	**74,761**	**78,081**	**79,312**	**70,790**	**86,445**	**79,315**	**106,423**	**98,607**	**88,800**

SUPPLY OF ATLANTIC SALMON FROM THE FAROE ISLANDS TO TOP 5 MARKETS



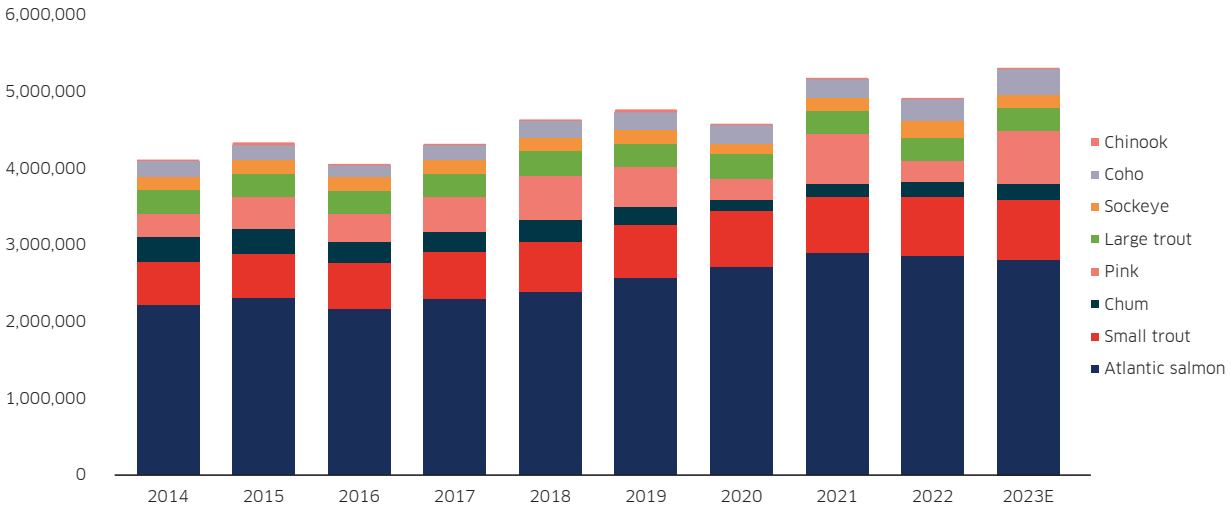
Source: Kontali, FAO

GLOBAL SUPPLY OF ALL SALMONIDS

GLOBAL SUPPLY OF ALL FARMED AND WILD SALMONIDS

Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E
Atlantic salmon	2,230,000	2,318,500	2,161,400	2,293,500	2,395,650	2,577,250	2,712,900	2,893,800	2,863,600	2,796,700
Small trout	550,600	565,600	610,600	626,500	660,400	685,100	718,400	741,800	765,000	789,200
Chum	321,900	338,100	280,900	261,100	268,600	229,000	164,800	167,200	208,500	208,500
Pink	307,100	398,300	353,200	447,900	591,400	525,100	279,400	648,000	258,300	695,700
Large trout	303,100	303,100	303,100	303,100	303,100	303,100	303,100	303,100	303,100	303,100
Sockeye	173,700	190,300	183,000	173,700	171,600	178,500	138,900	154,200	214,100	167,300
Coho	199,800	192,900	154,100	201,500	219,900	240,500	237,800	246,300	277,700	329,000
Chinook	18,800	20,900	19,200	19,900	19,800	20,300	21,500	21,600	19,800	20,400
Total	**4,105,000**	**4,327,700**	**4,065,500**	**4,327,200**	**4,630,450**	**4,758,850**	**4,576,800**	**5,176,000**	**4,910,100**	**5,309,900**

GLOBAL SUPPLY OF ALL FARMED AND WILD SALMONIDS



Source: Kontali, FAO

GLOBAL HARVEST OF FARMED ATLANTIC SALMON

Norway is the world's largest producer of Atlantic salmon, contributing to 53% of the global production in 2023. In recent years, the new MAB (Maximum Allowable Biomass) capacity, facilitated by the traffic-light system and new development licenses, has enabled increased stocking and growth. However, stringent sea lice regulations and high treatment frequency have impacted productivity and the smolt yield potential. Currently, the MAB peak utilization is lower than seen for the last decade, with production experiencing a significant decline of nearly 40,000 tonnes WFE in 2023.

As the second-largest Atlantic salmon producer, Chile contributed 27% to global production in 2023. Having rebounded from the ISA crisis in 2008-2009 and overcoming challenges like the Algae bloom crisis in 2016, the Chilean industry has consistently improved its key production parameters. After reaching an all-time high harvest volume in 2020, production in 2021 and 2022 remained stable above 720,000 tonnes WFE. The harvest of 766,000 tonnes of WFE in the past year fell slightly short of the 2020 production record. No new farming sites are expected to be granted (i.e. Region 12).

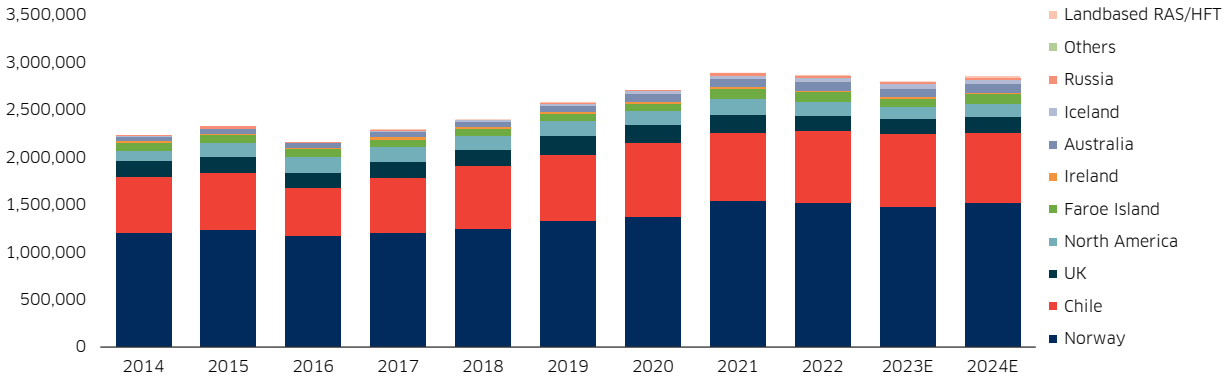
In Europe, growth prospects were hampered by fish health and treatments in the United Kingdom, Faroe Islands, and Iceland, resulting in a combined decline in harvest volume of just over 20,000 tonnes WFE in 2023. North America experienced a decline in production output of approximately 24,000 tonnes due to stricter regulations and the revocation of farming sites on the west coast. There were no significant increases from other regions or new production technologies such as offshore or land-based.

Kontali's best estimate for FY 2024 indicates a limited global growth rate of 2 – 3%. This estimate considers substantial losses in Norway in Q4 2023, stemming from issues with jellyfish and other various biological challenges related to production in the sea.

THE GLOBAL HARVEST QUANTITY OF ATLANTIC SALMON

Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E
Norway	1,199,000	1,234,200	1,171,100	1,207,800	1,253,400	1,333,400	1,370,000	1,533,400	1,517,100	1,479,300	1,525,100
Chile	582,900	598,200	504,400	564,200	660,100	690,300	778,500	718,300	753,300	766,000	731,200
UK	170,500	166,300	157,400	177,200	152,100	190,500	178,300	199,200	160,800	153,700	167,600
North America	119,000	155,400	168,500	158,700	157,600	157,500	157,200	158,500	152,700	128,600	133,500
Faroe Island	82,700	75,600	77,300	80,300	71,700	86,600	80,600	105,500	99,600	89,400	103,000
Ireland	12,300	15,700	15,800	17,000	14,300	15,500	15,800	15,900	16,400	14,500	16,500
Australia	42,000	53,600	49,600	63,100	62,300	60,900	82,800	87,800	88,500	90,000	91,200
Iceland	4,400	3,600	8,100	11,600	13,600	24,500	31,200	41,500	42,900	38,700	47,600
Russia	14,500	13,600	5,000	8,600	5,400	11,400	10,500	23,000	22,000	23,600	22,500
Others	300	300	300	300	350	350	400	500	300	300	700
Landbased RAS/HFT	2,500	2,000	3,800	4,600	4,800	6,300	7,600	10,100	10,100	12,500	21,600
***Total**	**2,229,100**	**2,317,900**	**2,161,000**	**2,293,000**	**2,402,650**	**2,577,850**	**2,712,500**	**2,896,500**	**2,863,700**	**2,796,600**	**2,860,500**

THE GLOBAL HARVEST QUANTITY OF ATLANTIC SALMON



Source: Kontali, FAO

TOP 15 – FARMING COMPANIES (SALMONIDS)

In 2022, the world's largest 15 salmon farming companies harvested approximately 2,3 million tonnes WFE of salmonids (Atlantic Salmon, Coho Salmon, Chinook, Large Trout), representing 66% of the total harvest quantity. In Norway, these companies comprised 65% of the total harvest and 72 % in Chile.

TOP 15 SALMON FARMING COMPANIES IN 2022 (HARVEST VOLUME, ALL FARMED SALMONID SPECIES)

Group	Head off.	Total	Norway	UK	Chile	North Am.	Faroe Isl.	Australia	Other
MOWI*	NO	525,000	326,000	54,000	73,000	46,000	9,000		17,000
SALMAR**	NO	292,000	254,000	20,000					18,000
AQUACHILE	CL	230,000			230,000				
LERØY SEAFOOD GROUP ***	NO	214,000	194,000	20,000					
CERMAQ GROUP	NO	211,000	87,000		106,000	18,000			
COOKE AAQUACULTURE****	CA	162,000		31,000	20,000	67,000		44,000	
BAKKAFROST	**FO**	**101,000**		**27,000**			**74,000**		
AUSTRALIS MAR SEAFOOD	CL	95,000			95,000				
GRIEG SEAFOOD	NO	91,000	68,000			23,000			
MULTI X	CL	87,000			87,000				
NORDLAKS	NO	64,000	64,000						
SALMONES BLUMAR	CL	56,000			56,000				
SALMONES CAMANCHACA	CL	54,000			54,000				
NOVA SEA	NO	49,000	49,000						
SALMONES AUSTRAL	CL	45,000			45,000				
Sum Top 15		2,276,000	1,042,000	152,000	766,000	154,000	83,000	44,000	35,000
Global harvest - Farmed Salmonids		3,446,605	1,592,500	164,800	1,061,750	162,200	99,600	94,500	271,255
Share		66%	65%	92%	72%	95%	83%	47%	13%

*MOWI: Including Western Ross Fisheries (UK), acquired in 2022 and Arctic Fish (IS) 51,28% acquired in 2022. MOWI has 48% ownership in Nova Sea, which is not included.
**Salmar: Including NTS and NRS acquired in 2022 and 50% of harvest volumes from Scottish Seafarms. Volume from part ownership in Refsnes not included.
***Lerøy: Including 50% of harvest volumes from Scottish Seafarms Owned 50/50 by Lerøy Seafood and Salmar through Norskott Havbruk.
****Cooke: Including Tassal (AU), acquired by Cooke Aquaculture in 2022

All farmed salmonids (Atlantic salmon, Large Trout, Coho and Chinook). Figures rounded to nearest 100 tonnes WFE (round bled weight)

Source: Kontali

BUSINESS REVIEW – FISH FEED

The total feed consumption of ocean-farmed salmonids was just below 4.7 million tonnes in 2023. Furthermore, this is marginally higher than in both 2021 and 2022.

Norway and Chile account for approximately 75% of the total fish feed consumption. Limited granting of new license capacity or rights to produce is the main barrier for further growth in salmonid fish feed demand, where also other developed farming regions such as Australia and North America have high utilization of existing capacity.

The share of marine ingredients in feed for farmed salmonids has, over the last decade, shown a decreasing trend. However, fishmeal and fish oil prices still impact the feed price delivered to farmers.

In 2023, the Peruvian fishmeal industry experienced one of its most difficult years of the century after two fishing seasons, with catches far below normal. The consequences of the cancelled first season and a second season with a quota below normal is that fishmeal production was reduced by around 30% compared to 2022, and fish oil production was reduced by 81%. Oil yield also remained low during the last season, and Peruvian export prices of fish oil remain steady and extremely high at USD 7,800/ton, while fishmeal prices have decreased to around USD 1,600/ton after producing around 280,000 tons of fishmeal during the past months.

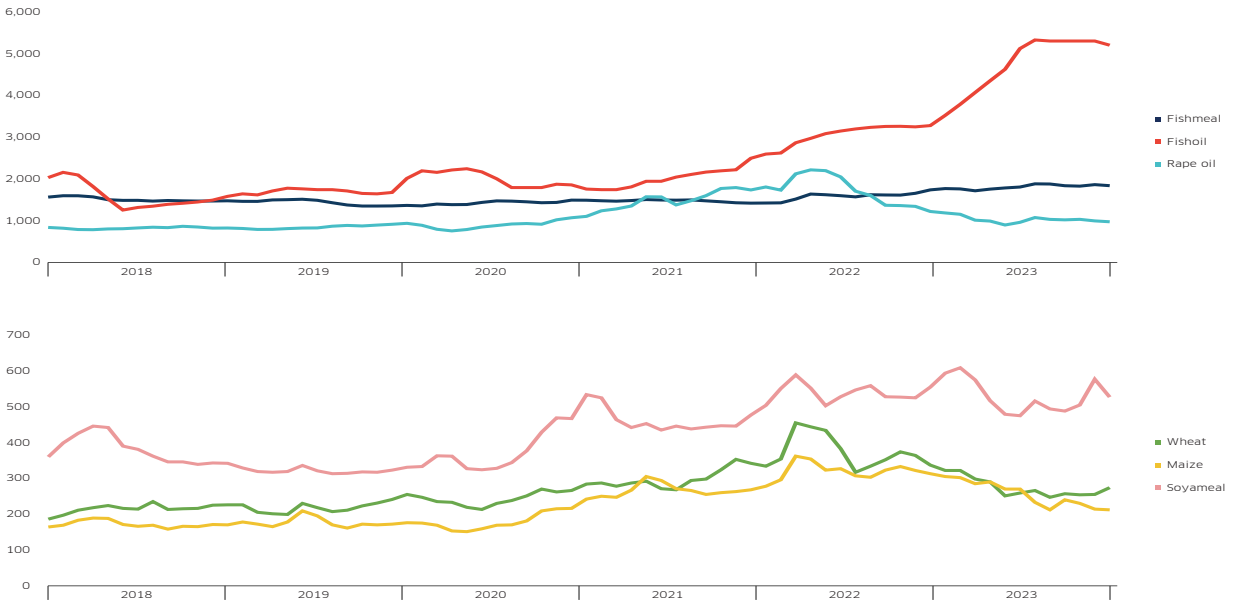
In Europe, fishmeal prices increased by 14% on average to USD 1,817/ ton, and fish oil prices increased by 55% to USD 4,767/ton during 2023. A 70% increase in the landings of blue whiting to nearly 1.4 million tons boosted fishmeal production in the North Atlantic in 2023.

Due to a 47% decrease in imports from Peru, total fishmeal imports to China decreased by 11% in 2023 to above 1.62 million tons.

ESTIMATED FEED CONSUMPTION/SALE TO SALMONIDS

Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E
Norway	1,738	1,743	1,704	1,822	1,837	1,965	2,120	2,180	2,163	2,191
Chile	1,263	1,239	1,036	1,191	1,269	1,406	1,375	1,320	1,362	1,403
UK	234	244	246	241	248	275	291	266	254	244
North America	235	255	264	282	289	296	263	267	252	220
Faroe Islands	97	103	107	101	102	109	116	129	119	127
Others	312	327	322	373	375	389	435	489	481	485
Total	**3,880**	**3,910**	**3,680**	**4,010**	**4,120**	**4,440**	**4,600**	**4,650**	**4,630**	**4,670**

DEVELOPMENT IN FISH FEED (RAW MATERIAL PRICES LAST 5 YEARS. USD/TONNE)



Healthy People

STRATEGIC PRIORITY

- To be a preferred employer

2023 PERFORMANCE AGAINST OUR 2023 COMMITMENTS

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

2026 TARGETS

- Employee engagement scores above industry benchmark (provided by Peakon)
- Minimum three employee events a year with a focus on sustainability engagement and awareness
- Reduce group absence rate to 3.9%
- Reduce LTIR to below 5 by 2026
- Zero fatalities
- Target on number on 10 vocational graduates a year
- Increase number of women in management positions (managers with direct reports) to at least 25%
- Disclose gender paygap. Percentage increase from year 0 in the company to year 5

SDGS

At Bakkafrost, we take great pride in creating meaningful jobs in remote rural areas. We aim to be an employer of choice, where everyone can work safely in an inclusive environment and encourage employees to take responsibility and pride in their work. We are committed to the health and safety of our employees and their personal development, and we strive to create an environment of engagement and responsible business conduct.

In this section, we describe our principles, ambition and progress against targets within the Healthy People sustainability pillar, including topics regarding our workforce, health and safety, diversity and inclusion, employee engagement and competence development and the assessment of human rights across our value chain.

IN THIS SECTION

Our Workforce

Our people are our most important resource and the key to our long-term success. We are committed to investing in our people, fostering a diverse and inclusive culture, and ensuring the well-being and development of our employees.

Our approach

As a leading salmon producer, we operate in a highly competitive and dynamic industry that requires a skilled, motivated and engaged workforce. We believe that by attracting, retaining and developing the best talent, we can enhance our operational excellence, innovation and sustainability performance. By promoting a culture of diversity and inclusion, we can leverage the different perspectives, experiences and backgrounds of our employees to create value for our stakeholders and society.

Our employee policy sets the standards for our role as an employer, where we pledge to ensure a safe and healthy work environment, where employees thrive and a respectful atmosphere is maintained. We strive to match job tasks with each staff member's skills, and we work together with the staff to reach goals and to build a constructive and learning-focused work culture where respect is the key value of both the Bakkafrost Group and each employee.

We are committed to paying our employees a fair and decent wage that reflects living costs in their respective locations. All our employees are paid an adequate wage in line with benchmarks which ensures that employees are paid a wage that provides for the satisfaction of the needs of the employee and his/her family in the light of national economic and social conditions. For example, we are a supporter of the Real Living Wage initiative in the UK.

We offer competitive compensation and benefits to our employees, including health insurance, bonus schemes, which are partially built on sustainability-linked key performance indicators, and discounts on salmon products. We also provide various learning and development opportunities, such as on-the-job training, courses, seminars, etc.

We are committed to engaging with our employees and giving them a voice to express their views on the actual or potential impacts of our role as an employer. To ensure that we receive their perspectives, and to measure the satisfaction, engagement and motivation of our employees, we conduct regular employee surveys.

Operating in highly regulated areas, all our employees are covered by statutory protection against loss of income, mainly through government programs and partially through benefits offered by the company. This covers covers loss of income due to sickness, employment injury and/or acquired disability, parental leave and retirement.

We continuously assess and review the social protection of employees and are committed to implementing benefits in areas where deemed appropriate.

Targets

Targets related to our workforce include a target to have industry-leading employee engagement scores (using industry benchmarks) as well as to launch an internal sustainable behaviour campaign.

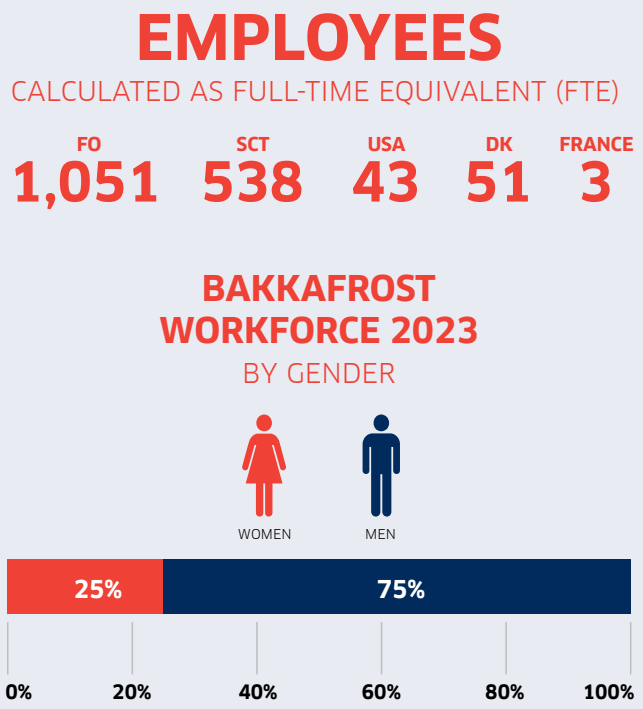
Workforce update

We had a total of 1,686 employees in 2023 (FTE), a decrease of 5% from 2022. The majority of our employees are based in the Faroe Islands (1,051), followed by Scotland (538), Denmark (51), USA (43), and France (3).

In 2023, 22% of the workforce was younger than 30 years old, 48% was between 30 and 50 years old, and 30% was above 50 years old.

The gender balance was 75% male and 25% female.

Our employee turnover rate was 27% in 2023. Due to the characteristics of our operations, we tend to have a high turnover in some parts of our value chain, especially in our processing operations.



In November 2023, Bakkafrost announced that it would lay off 140 employees in the VAP-related areas in the Faroe Islands, effective from 1. January 2024. The decision was made after the Faroese revenue tax was changed, creating much greater uncertainty and increasing the price of VAP products.

As a result, in November, Bakkafrost had only secured contracts for 2024 covering 9% of the expected harvest volumes in the Faroe Islands and Scotland combined, compared to 22% at the same time in 2022. Therefore, the

company adjusted its strategy for contracted VAP products to reduce its exposure for 2024.

The company communicated the possible effects of the revenue tax changes to the employees in May 2023, and in November they were brought together where the announcement was made that 140 jobs would be made redundant.

Throughout the process, we have aimed to keep the employees updated and offer them the required assistance. For instance, the employees had access to psychologists and union representatives during the process.

Sadly, we have also lost some staff in Scotland. We reduced around 15% of the staff in Scotland because of lower activity from reduced harvest volumes and as a consequence of initiatives aiming at making the organisation more efficient. During the process, we made all efforts to provide our employees with the support that they needed to assist them in transitioning smoothly and maintaining their well-being.

Adequate wages

In 2023, we faced significantly increased inflation in the countries in which we operate. In Scotland, we carried out a salary review and awarded a 6% base salary increase to all employees, and adjusted the base salary as a result of the review. We continue to do salary reviews across the Group to ensure employees are paid a salary that at least meets everyday needs.

Employee engagement

To determine employee satisfaction, engagement, and motivation, we regularly conduct employee surveys. We conducted our first group-wide engagement survey in 2022. Bakkafrost's overall benchmark was 7.5 out of 10. This score is considered good when benchmarked against other similar companies. The results were reviewed and discussed at the senior executive level, and the CEO ensures that the results and comments from the survey inform the process of deciding the company strategy.

Although we did not conduct a survey in 2023, we have enhanced the process based on employee feedback. In 2024, we will launch a less comprehensive quarterly employee survey, which will allow for more timely insights and actionable results.

We also monitor and address the feedback and suggestions from our employees through various channels such as our internal communications platform, and via our anonymous whistle-blower programme, we enable employees to report incidents and practices which are not in line with our code of conduct.

In 2023, we continued our efforts to encourage sustainable behaviour and progress among our employees through the Healthy Living Awards, celebrating employees who have gone above and beyond in advancing responsible and sustainable practices within the company. The winners are awarded a monetary prize.

In relation to our work to report accordingly to the EU sustainability reporting standard (CSRD), we initiated a double materiality assessment to determine which topics to include in future reporting. Employee representatives participated by ranking impact-related topics, including those related to the company's impact on its workforce. The input provided has been taken into consideration in the process of selecting the final reporting topics.

Additionally, we have other mechanisms in place for employees to express their opinions, such as local health and safety committees.

Health & Safety

The health and safety of our people remains the top priority for Bakkafrost. We are committed to creating the best and safest working environment for our employees as well as our sub-contractors working at our sites by preventing work-related injuries and through external audits and certifications.

At Bakkafrost, health and safety is paramount, and we are committed to continually improving the standards of occupational health and safety by creating a healthy working culture.

Our approach

All employees at Bakkafrost are covered by our health and safety management system, which is structured around industry-leading health and safety certifications and accreditations such as ISO 45001.

The Board of Directors has overall responsibility for the area along with the CEO, and health and safety is included on the agenda of all board meetings. The responsibility for managing impacts, ensuring compliance with legislation and regulation as well as standards and reporting lies with the Quality, Environment, Health and Safety department.

Our Group-wide policy for Health, Safety and Environment defines the responsibility for applying the health and safety protocols for each segment, which are designed to deal with and reduce specific health and safety-related risks in each operation area.

We have local health and safety committees covering 100% of our employees in the Faroe Islands and Scotland. These committees are a vital part of enabling the employees to have their say and raise health and safety-related concerns or make suggestions for improvements. We plan to establish health and safety committees for the remaining operational units in the near future.

Targets

Health and safety is a top priority in our business strategy. This is reflected in our targets, where we have set several ambitious targets that motivate our work in the area.

First and foremost, we have set a continuous target of having zero work-related fatalities.

We have set a target to lower our Lost Time Injury Rate (LTIR) to below 5 by 2026, and we work towards reducing the absence rate to below 4.4%.

We also have a target of achieving ISO 45001 certification in the Faroe Islands and in Scotland.

Performance

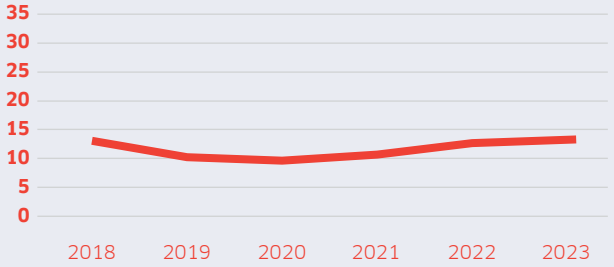
In 2023, we further increased the focus on creating a working culture which promotes the health and safety of the employees as a key priority. This has been done through various and continuous awareness campaigns as well as through site visits and internal and external audits and certifications such as ASC (covering farming operations in the Faroe Islands and partially in Scotland) and GLOBAL G.A.P (covering all facilities). Our large service vessels are audited against the International Safety Management Code.

BAKKAFROST FAROE ISLANDS LOST TIME INJURY RATE

LTIR PER MILLION WORKING

12.4

2023



ABSENCE RATE

2023

3.95% FAROE ISLANDS

4.47% SCOTLAND

FATALITIES

0

2023

BAKKAFROST SCOTLAND LOST TIME INJURY RATE

LTIR PER MILLION WORKING HOURS

17.9

2023

In 2023, Bakkafrost Faroe Islands completed the accreditation process for ISO 45001 on an administrative level. The entire operation in Bakkafrost Scotland already received its accreditation for ISO 45001 in 2022.

ISO 45001 is the world's international standard for occupational health and safety, issued to protect employees and visitors from work-related accidents and diseases. Our health and safety management system is structured around the ISO 45001 certification, ensuring equal health and safety standards and practices are upheld throughout the organisation.

During 2023, we had no fatalities due to work-related injuries and/or work-related ill health.

The total Lost Time Injury Rate (LTIR), which reflects the average number of work-related injuries per million hours worked, decreased by 6% in 2023, from 14.88 in 2022 to 13.98 in 2023. This shows our ongoing commitment to emphasize the safety of our employees and the need to report any observed risks or near-misses.

We have seen especially improvements in Scotland in the last few years, dropping from 24.19 in 2020 to 17.9 in 2023.

The Lost Days Rate, which is the average number of days that workers miss due to work-related injuries, was 26.55 days for each accident in 2023 compared to 56.8 in 2022.

Overall, we continue to advance in the field of health and safety, and the 2023 performance reflected the constant work that is done to emphasize the need to adhere to safety protocols and report hazards and near-misses.

Other health and safety initiatives in 2023 included hosting a 3-day internal safety course for around 40 safety representatives and managers in the company. The aim of the course was to educate representatives and managers in how to implement and uphold safety procedures in operations.

Additionally, we invested in a new, large farming service vessel for our operations in the Faroe Islands which is specially designed for heavy load tasks.

An important part of improving health and safety in the workplace is to have comprehensive reporting procedures in place to ensure that we learn from actual and potential incidents and implement appropriate measures in a timely manner. As part of this effort, our Operational Directors have begun to include more detailed information on health and safety-related topics in their reports to the Board of Directors.

We are continuously looking to introduce new initiatives to enhance our health and safety performance and culture. We are strengthening our focus in the coming years working towards our target of getting below 5 LTIR. For example, we plan to facilitate health and safety workshops in both the Faroe Islands and Scotland. Also, we are raising awareness on the topic through intensive awareness campaigns, and in 2023, we began sending health and safety reports to all employees through our internal communications platform, as well as stressing the importance of reporting near-misses.

Human Rights

We respect and support the human rights of our employees, customers, suppliers, communities and other stakeholders. Our commitment extends to implementing thorough due diligence processes to address and mitigate any actual or potential human rights impacts.

As a global company with a long and diverse value chain, Bakkafrost is exposed to human rights risks and impacts across our business. We are committed to ethical business conduct both in our direct operations as well as in our upstream and downstream value chains.

Our approach

We respect all internationally recognised human rights and are guided by the United Nations Guiding Principles on Business and Human Rights (UNGPs) and are committed to conducting business in a manner that is consistent with the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work which also is reflected in our anti-discrimination policy.

In addition, Bakkafrost has signed up to the ten principles of the UN Global Compact, including a pledge to protect human rights, respect the freedom of association and the right to collective bargaining, and have a workforce free from forced-compulsory-child labour and discrimination.

We are committed to providing sufficient remedial support in cases where Bakkafrost's operations, directly or indirectly, may cause or contribute to adverse human rights impacts on individuals, workers and communities, and we continuously work on improving our due diligence processes enabling us to identify potential or actual violations.

The executive management level is responsible for ensuring that we live up to our Human Rights commitments in our daily operations, including allocating the necessary resources to ensure effective human rights procedures. Each key executive manager is responsible for ensuring respect for human rights within their respective area of our direct operations, and they are obligated to elevate severe cases to board level.

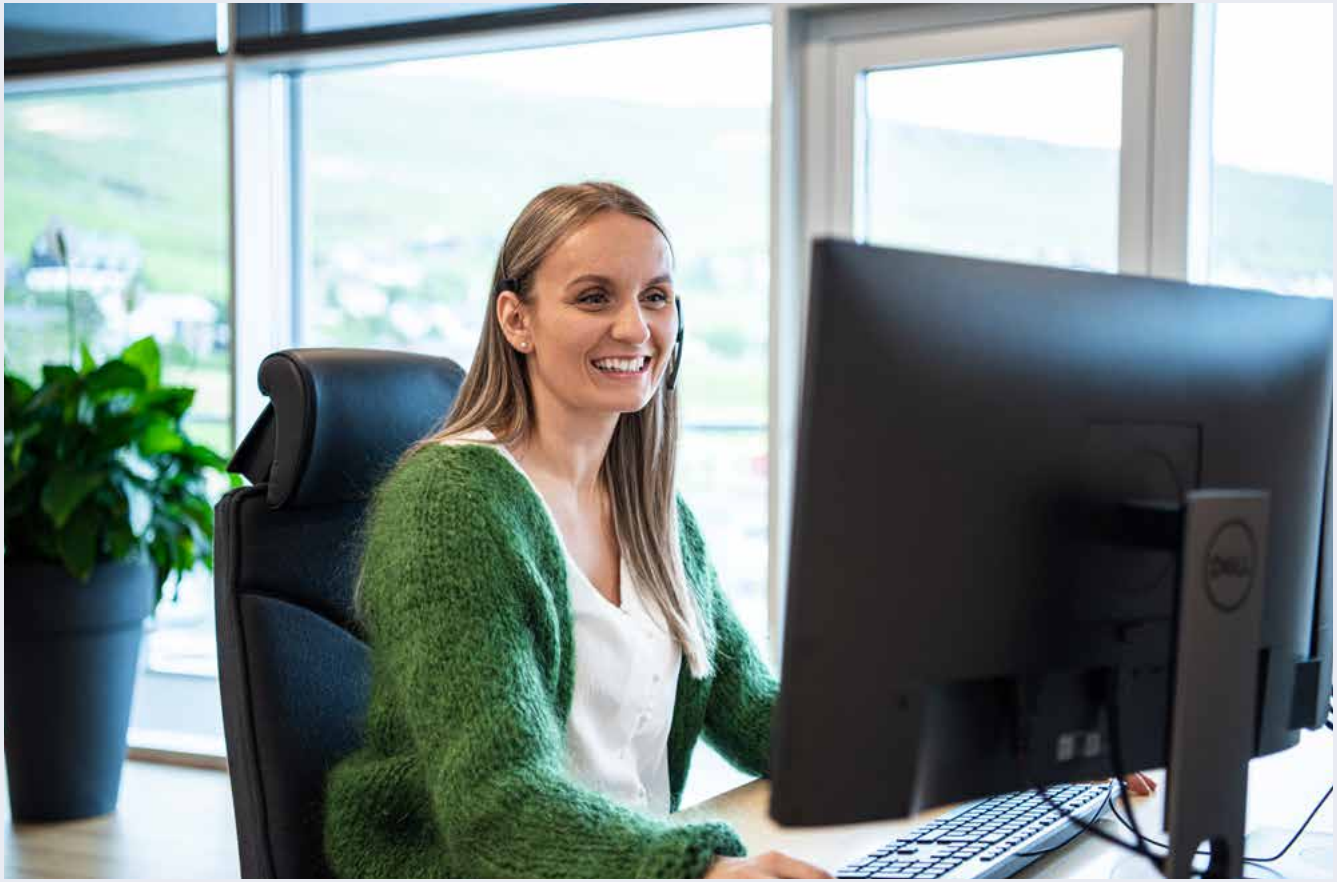
The responsibility for ensuring respect for human rights in our upstream and downstream value chain is delegated to the Procurement department. Responsibilities include identifying, assessing, and acting on human rights risk and impacts.

Human Rights in our own workforce

Ensuring human rights within our workforce is a top priority, and we have various due diligence mechanisms in place to ensure that all employees are treated fairly and that incidents are prevented.

Discrimination in the workplace is not tolerated and we are committed to provide for or cooperate in the remediation of any negative impacts relating to human rights and have a system in place to manage issues raised.

We are committed to take all reasonable steps to employ and promote employees based on their abilities and qualifications



without regard to, age, disability, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality and ethnic or national origins), religion or belief and sex and/or sexual orientation.

We have published our policy on human rights in our staff handbook, addressing zero-tolerance regarding discrimination, slavery, forced labour, child labour and human trafficking, as well as the employee's right to file a grievance without fear of penalty through our whistle-blower programme is described. The handbook is easily accessible to all employees through our internal communications platform.

Through internal audits, the policy is reviewed annually by our HR department to ensure new potential human rights risks are covered by the policy.

We continuously monitor and review human rights compliance in our operations, e.g. through internal procedures such as validation of personal identification numbers of our employees against information held by the tax authorities, we ensure that human rights, such as preventing child labour and keeping within the maximum working hours. And through certifications such as ASC, BAP, and GLOBAL G.A.P., our processes for due diligence and the monitoring of human rights are regularly audited by third parties.

We actively engage in implementing the next steps of action based on the results of the monitoring procedures as well as the external certification audits.

In 2023, the total number of incidents of discrimination within the organisation, including harassment, was 0, and the number of grievances filed through our internal whistle-blower programme was 1. The grievance incident does not fall under the category of a severe human rights incident, i.e. incidents related to forced labour, human trafficking, or child labour.

We respect the freedom of association and the right to collective bargaining. In the Faroe Islands we are a member of the Faroese Employers' Association, which negotiates collective agreements for the highly unionised Faroese private labour market. Employee rights are protected by the unions and union representatives, including ensuring employees earn a fair living wage by collective agreements.

We meet with unions and associations regularly and strive to have a good and constructive relationship. Employee representatives are given time off from work to fulfil their union duties, including training courses.

In 2023, 63% of the workforce was covered by collective bargaining agreements.

In the areas where we operate where the degree of unionisation is low, we have mechanisms in place to ensure that employees are paid a fair and decent wage that reflects the cost of living, for example through our support of the Real Living Wage initiative in the UK.

For employees not covered by collective bargaining agreements, we apply national and educational-specific salary benchmarks to ensure adequate wages. This includes our employees based in Denmark, USA and France.

Human Rights in our supply chain and our communities

The main exposure to human rights risk exists within our upstream supply chain. We use tools such as SEDEX for auditing suppliers, and we ensure our suppliers are committed to respecting human rights by sending out questionnaires as well as having suppliers sign off to our guidelines for suppliers every three years, which includes confirming to respect internationally recognised human rights. We do not conduct business with suppliers who do not conform to our human rights-related requirements.

We generally aim to source raw materials and products from countries, which are assessed to be within low risk in terms of risk of not respecting human rights. Our analysis of supplier-related human rights risks is based on various tools made available by internationally recognised NGOs.

We also aim to source from suppliers who are certified against standards, which incorporate human rights-related requirements. For example, we source soy from suppliers, who are certified against Proterra; a standard which includes requirements on the absence of forced and child labour, weekly working hours and overtime, equal treatment and opportunities for workers, the protection of the health and safety of workers as well as the freedom for workers to organise, join and form associations*.

In November 2023, we arranged a supplier day for our main suppliers and partners for our Scottish operations, repeating the success of our supplier day in the Faroe Islands arranged in 2022. The aim was to engage with suppliers on sustainability topics, including human rights, and we presented our updated procurement guidelines, which emphasizes the importance of conducting business concerning human rights.

Going forward we will further integrate human rights metrics and requirements into our procurement processes.

Our operations are intrinsically linked to the surrounding environment and the communities in which we operate. We respect the role that we play in society, and we are committed to ensuring inclusive processes in which stakeholders are consulted to better understand potential impacts and risks. We operate in highly regulated areas, and thus many of these consultation processes are already required through legislation. However, in relation to bigger projects, we often arrange public consultations to provide local people with the opportunity to have their say in the matter.

* https://www.proterrafoundation.org/wp-content/uploads/2020/10/ProTerra-Standard-V4.1_EN-2.pdf

Healthy Living Awards **Winners 2023**

The Bakkafrost Healthy Living Awards are designed to highlight how colleagues across the business go above and beyond in their everyday roles.
It's important to the business to hear about how staff have contributed to the responsible and sustainable development of our operations and sites.
We have five categories which come under our business pillars – Healthy Environment, Salmon, Communities, People, and Business.

In 2023, we held two rounds of Healthy Living Awards, and the 2023 winners include:

Healthy Business winners:

- Warren Tracey (SCT), for his outstanding work in developing Power BI reports.
- Maritha Danielsen (FO), her terrific and remarkable contribution as canteen manager.
- Susanne Lillesø (DK), for the exceptional quality of her work
- Hjalgrím Svøðstein (FO), for his role in attracting and retaining the younger generation.

Healthy People winners:

- Cameron Gibb (SCT), for his superb attitude and approach to health and safety on his sites.
- Ali Guy (SCT), for implementing positive changes and ensuring health and safety protocols.
- Jákup Súni Jacobsen (FO), for setting a good example for good health and encouraging others to do the same.
- Christian Susoi and David Blair (SCT), design efforts for new barge on site last year.

Healthy Environment winners:

- Bjarki Johannessen (FO), for his role in providing the sustainability department with emissions data.
- Sonni Johannesen (FO), for his role in the significant reduction in energy and oil consumption.

Healthy Salmon winners:

- Kenneth Prentice (SCT), for going above and beyond by offering his time and experience to ensure the highest standards of fish health and welfare are delivered.
- Kimberley McKinnell (SCT), for being the driving force behind our Welfare Awareness Campaign.

Healthy Communities winners:

- Jamie Sillars, Simon Sloan, John Estlick, John Devoy, Kenny Ross and Donald Park, from the Arran Marine Team (SCT), on Beach Cleaning activities.
- Tom Lawrence, Ross Brennan and Sam Lloyd, from the Mull Marine Team (SCT), on Beach Cleaning support.
- Craig Johnstone, Bryce Harvey & Kyle Durnin (SCT), for assisting the Isle of Gigha Ranger Service with their beach clean and collecting marine waste from an inaccessible area of the island.
- Archie Galbraith and David Blair (SCT), for their response to a coastguard call from a boat in distress.














Diversity, Equity, & Inclusion

At Bakkafrost, we firmly believe that all individuals have equal value and should be treated equally. We are committed to creating a diverse, equitable, and inclusive workplace where everyone feels valued and respected.

Our goal is to be a preferred employer and to set a positive standard in the communities in which we operate. We are a company driven by values, and we value each person and their potential. We work to foster a diverse and supportive work culture where everyone has the chance to build a healthy and fulfilling life for themselves, regardless of any personal characteristics.

Our approach

As an equal opportunity employer, we are committed to equal treatment of all employees and job applicants regardless of gender, age, ethnic background, race, religion, disability, sexual orientation, or social background.

To support our ambition to foster an inclusive workplace built on respect for every individual, we have established various policies which seek to guide the management of impacts within this topic, including an antidiscrimination policy, a policy addressing sexual harassment and a life transition policy.

The policies stipulate that we do not tolerate discrimination in any aspects of employment, including recruitment and selection, promotion, transfer, training opportunities, pay and benefits, other terms of employment, discipline, selection for redundancy and dismissal. Also the policies promote a work environment which is based on inclusion and a culture which seeks to take individual's work-related motivation and desires into account and fit these with an appropriate solution.

People with disabilities and reduced ability to work can face challenges in the labour market and are underrepresented in many roles. We are committed to creating opportunities for people with disabilities and working closely with relevant parties.

Targets

We believe that creating equal opportunities for all is both the right thing to do and it also contributes to the success of the company.
To encourage and support a culture of equality and inclusion throughout the organisation, we have started by setting a target addressing equality within the management level of the company.

We have set a target of having at least 25% women in management positions (managers with direct reports) by 2025.

Performance

In 2023, 19.3% of managers with direct reports in the group were women.

We continue to focus on supporting women in taking on management positions, and in recent years we have worked strategically to mitigate gender bias and promote opportunities for women in our operations. During this initial phase of strategic work, we mostly focused on reducing gender bias in hiring processes, as the area of recruitment is regarded as a vital part of improving the gender balance across all levels in the organisation.

This year we further built on and strengthened our understanding of the impact of diversity and inclusion on our operations, and we are now developing a strategic action plan to integrate these aspects into our business strategy, which we hope eventually will lead to a more balanced gender distribution among the managers.

In 2023, 33.3% of our Board of Directors were female, and women accounted for 25% of the Group full-time equivalent in 2023.

In 2023, the gender pay gap (defined as the difference in average pay levels between female and male employees was 18% in the Faroe Islands (in favour of men) and 4% in Scotland (in favour of women).*

During 2023, we created several job opportunities for people with disabilities and reduced ability to work across our operations, and we will continue to investigate opportunities to further support the inclusion of persons with disabilities in our workforce.**

Following several years of facing recruitment challenges, especially for our processing operations, the share of international staff has increased. To ensure a good integration process of international staff, we arrange induction days covering topics such as human rights, food safety culture and health and safety. This initiative has been further expanded in 2023 to also cover new staff in our offices.

Also, in the Faroe Islands, lessons in the Faroese language continue to be arranged.

* The gender pay gap reflects the pay gap between men and women without adjusting for other factors impacting pay levels (e.g. career level and work experience)

** Due to legal restrictions, we cannot disclose the percentage of our employees with disabilities as well as figures on race/ethnicity and nationality

Training & Development

Salmon farming is among the most knowledge intense industries globally, and we are continuously focused on educating and developing our people to enable them to navigate and solve complex daily-tasks safely and intelligently.

Our approach

It is of the utmost importance that our employees always receive proper training to ensure we are compliant with all external and internal requirements, including safety requirements. To ensure we continue to meet the highest health, safety, and animal welfare standards, we conduct annual training using both internal and external trainers who deliver modules on topics ranging from hygiene, first aid, workplace safety, safety at sea, and safe chemical use and fish welfare. All courses are regularly reviewed and updated.

PERFORMANCE

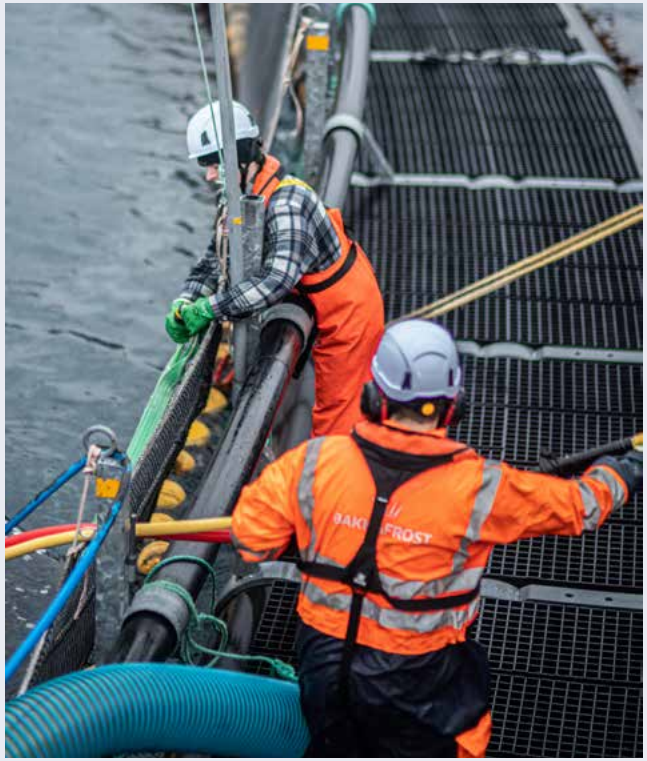
In 2023, 23.72 hours of training were delivered in average per employee. On average, women received 10.8 hours of training, and men received 27.9 hours of training.

Since not all employees are mandated to log their working hours not all training hours are recorded.

We have not practiced regular and structured performance and career development reviews across the whole group. However, we provide this to those of our employees who request it.

Safety training

Handling highly advanced technical equipment is a natural part of the workday for many Bakkafrost employees. It is of the utmost importance that the employees are trained adequately to operate the equipment properly and safely.



In 2023, we arranged several training courses including handling cranes, fork trucks, and general health and safety at work, and we continued to arrange line manager training courses focusing on planning and staff management. In addition, with the introduction of a new e-learning module and through our internal communications platform, we have increased the cadence of delivering safety awareness messages to our employees.

Sharing of best practices

To facilitate and advance the sharing of best practices, we have established centers of excellence within several areas. This includes freshwater operations, where the focus is on animal welfare, biology, focussing on disease mitigation, and general animal welfare in our marine operations, and environment, focusing on responsible environmental management.

In addition, in 2023 we restructured the business and appointed Group-directors across business areas. This fosters greater cooperation across departments and locations.

Since expanding our farming operations to also include operations in Scotland, a major focus has been on transferring knowledge and know-how between the locations, and group workstreams were established with participants from a wide range of departments. We have also used secondments to facilitate knowledge sharing, and this tool proved handy in relation to the commencement of operations at our newly expanded freshwater site in Scotland, Applecross.

Apprenticeships

We are committed to providing life-long career opportunities within the aquaculture industry and to providing resources and opportunities for learning and development.
In 2022, the national Faroese aquaculture apprenticeship programme commenced. Bakkafrost partnered with the national educational authorities to establish the programme, and we contribute to the programme by providing internal experts to teach subjects such as fish health and welfare as well as sustainable aquaculture.

Sustainability awareness

Our employees are at the heart of our operations, and they play a vital role in implementing sustainable practices throughout our value chain.

In 2023, we built further on our sustainability awareness campaign hosting a series of five live sustainability awareness sessions which will also be hosted on our internal e-learning platform. The series was well received, and as sustainability awareness has been integrated into our business targets, we will continue to build further on our progress within the area, aiming at creating sustainability ambassadors in our workforce.

WHAT'S NEXT?

- Further develop our engagement survey, going from annual surveys to quarterly surveys, resulting in less comprehensive surveys and allowing for more timely insights
- Continued focus on staff retainment, especially in the Processing stage of the value chain.
- Arrange health and safety workshops in the Faroe Islands and Scotland
- Continue to work towards the goal of achieving an LTIR below 5 by 2030 through the continuous focus on increasing health and safety awareness among employees and implementing advanced reporting mechanisms
- Expand our health and safety targets and initiatives to also cover sub-contractors working at Bakkafrost sites
- Publish a revised and more comprehensive Human Rights Policy which reflects our stronger commitment and increased effort within the area
- Establish processes for reviewing the effectiveness of due diligence processes, including the effectiveness of our whistle-blower programme
- Introducing new technologies to further enable risk assessment of suppliers
- Implement updated procurement guidance to support sustainability decisions, including human rights risk assessments
- Focus on increasing employee retainment
- Arrange at least three sustainability awareness sessions a year
- Launch internal management training programme

Healthy People
Consolidating the ‘One Company’ Strategy

In 2023, we built further on the ‘One Company’ strategy, integrating operations in the Faroe Islands and Scotland to leverage the strengths and best practices of both. We have mainly focused on sharing knowledge, and in 2023, we took the next step and aligned the organisational structure with the strategy by creating group roles at the highest executive level

When Bakkafrost acquired the Scottish Salmon Company (SSC) in 2019, it was regarded as a turnaround case requiring significant investments as well as time to make the transition. Since the acquisition, Bakkafrost has invested heavily in increasing freshwater capacity and marine farming operations, and in Bakkafrost’s five-year investment plan, significant funds have been allocated for investments in our Scottish operations.

We have not only invested in farming equipment and facilities. We have also focused on training our staff and sharing knowledge between operational sites. This is part of our ‘One Company’ strategy, which seeks to integrate the businesses and create synergies.

In 2023, we took the next step by aligning the organisational structure to reflect the purpose of the ‘One Company’ strategy. Group roles have been created across the value chain, including in Harvest, Value Added Products (VAP), Quality, Environment, Safety and Health (QESH), Human Resources, IT, Sales, Farming Service Vessels and Sustainability.

After the organisational consolidation, we launched several projects, such as creating new lean reporting lines, aligning policies and operational procedures, and organising joint arrangements.

We expect that the organisational change will support efficiency, enhance the quality of our performance, and make our organisational projects more impactful through the Group-wide view. Clear roles benefit both the staff and the efficiency, and with the new organisation structure, we are optimistic that we have established the best circumstances for both the recovery in Scotland and the further growth of operations in the Faroe Islands.


TRIPLEX
SWL 25T
MAX 1500 KG

Healthy Salmon

STRATEGY PRIORITY

- To exceed leading standards

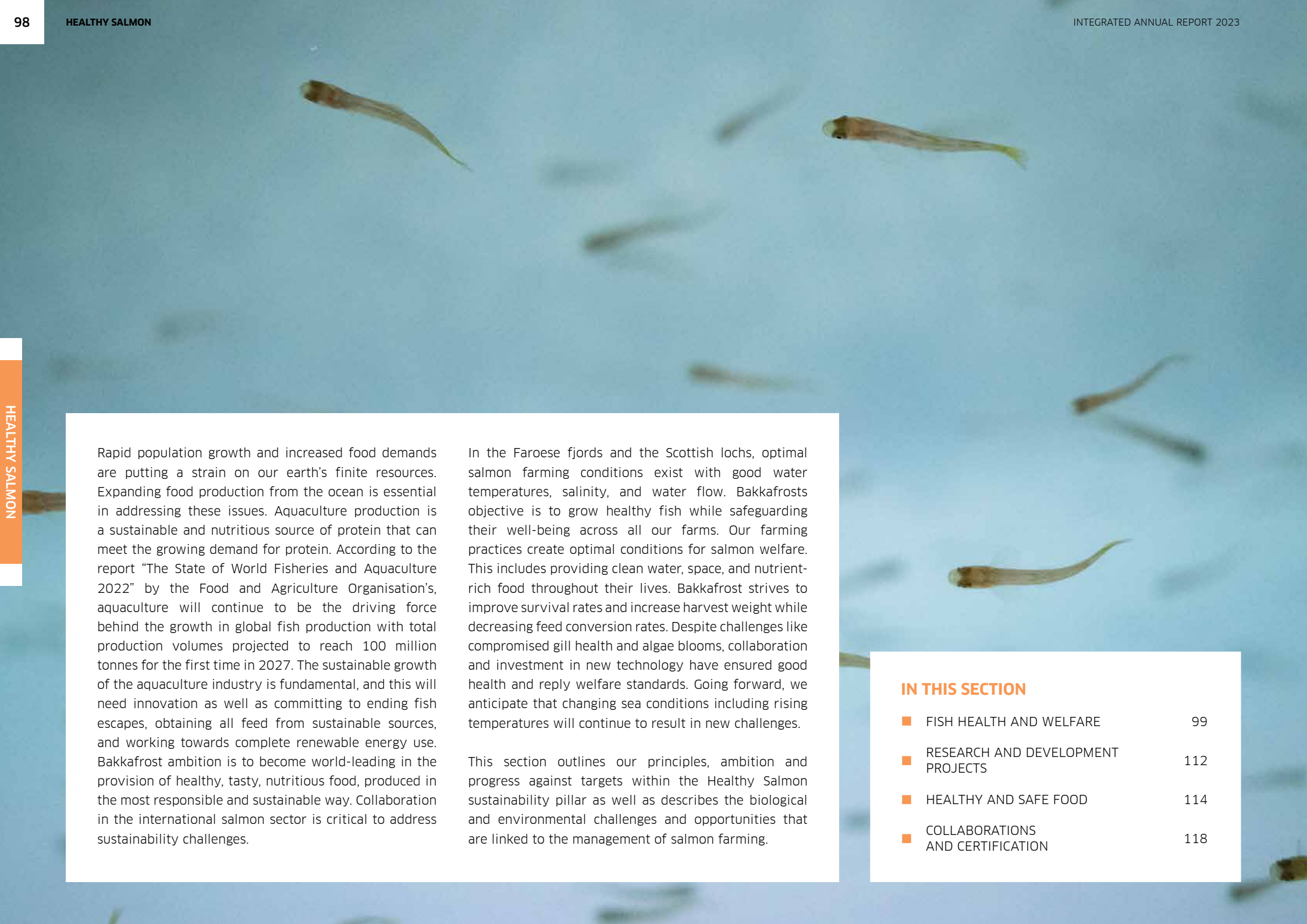
2023 PERFORMANCE AGAINST OUR 2023 COMMITMENTS

- Increase smolt size to 500 g by 2023 in the Faroes and 2026 in Scotland
- Maintain our high omega-3 levels
- Zero antibiotic use
- Maintain salmon survival rate at 94% or above (Faroes)
- Increase research to optimise fish welfare and product quality
- Maintain industry-leading approach to animal welfare
- Maintain ASC certification, BAP certification or similar of all Bakkafrost salmon

2026 TARGETS

- Annual salmon survival rate of 96% (Faroes) and 92% (Scotland)
- Zero antibiotic use
- Maintain industry-leading approach to animal welfare.
- High omega-3 levels
- High protein levels average 19g/100g
- No product recall
- Maintain ASC certification in the Faroes and achieve ASC certification in Scotland by 2027
- Focus on producing salmon from own unique breed

SDGS



Rapid population growth and increased food demands are putting a strain on our earth's finite resources. Expanding food production from the ocean is essential in addressing these issues. Aquaculture production is a sustainable and nutritious source of protein that can meet the growing demand for protein. According to the report "The State of World Fisheries and Aquaculture 2022" by the Food and Agriculture Organisation's, aquaculture will continue to be the driving force behind the growth in global fish production with total production volumes projected to reach 100 million tonnes for the first time in 2027. The sustainable growth of the aquaculture industry is fundamental, and this will need innovation as well as committing to ending fish escapes, obtaining all feed from sustainable sources, and working towards complete renewable energy use. Bakkafrost ambition is to become world-leading in the provision of healthy, tasty, nutritious food, produced in the most responsible and sustainable way. Collaboration in the international salmon sector is critical to address sustainability challenges.

In the Faroese fjords and the Scottish lochs, optimal salmon farming conditions exist with good water temperatures, salinity, and water flow. Bakkafrosts objective is to grow healthy fish while safeguarding their well-being across all our farms. Our farming practices create optimal conditions for salmon welfare. This includes providing clean water, space, and nutrient-rich food throughout their lives. Bakkafrost strives to improve survival rates and increase harvest weight while decreasing feed conversion rates. Despite challenges like compromised gill health and algae blooms, collaboration and investment in new technology have ensured good health and reply welfare standards. Going forward, we anticipate that changing sea conditions including rising temperatures will continue to result in new challenges.

This section outlines our principles, ambition and progress against targets within the Healthy Salmon sustainability pillar as well as describes the biological and environmental challenges and opportunities that are linked to the management of salmon farming.

IN THIS SECTION

Fish Health and Welfare

We invest heavily in meeting and exceeding leading fish health and welfare standards, and we are committed to complying with the WOAH World Organisation for Animal Health's definition for animal welfare. Sustainable salmon farming relies on maintaining healthy fish populations. As salmon farmers, we have a responsibility to our livestock. Optimal fish welfare is part of ethical and responsible farming practices. When fish are well cared for, they grow efficiently, require fewer resources, and produce less waste. By adhering and exceeding to high welfare standards, we contribute to the responsible development of the salmon farming industry. Our commitment to fish welfare drives sustainable practices and ensures healthy, thriving fish.

OUR APPROACH

Fish Health Management

Our commitment to responsible farming practices includes stringent health management for our stock. We focus on proactive health care to minimize disease risk through non-medical preventive measures and medical programs.

Good survival rates are crucial to achieving our mission to secure the highest levels of fish health and sustainable operations. Significant resource goes into the growth of salmon, including significant amounts of feed and energy, a high survival rate is the single most effective measure that can be implemented.

Fish welfare is embedded in our culture. Further, we have an experienced team of specialized veterinarians and biologists dedicated to animal health and welfare, as well as training our on-site teams and we are always looking for new ways to improve welfare. Our focus is on pro-active health management, through health and welfare surveillance and increased treatment resource and farming expertise.

Veterinary standards

Bakkafrost upholds the Faroe Islands' strict national veterinary standards. These encompass disease treatment and prevention, sea lice control, and transportation. The Faroese Animal Welfare Act, incorporating the Five Freedoms of animal welfare principles, guides our practices.

Salmon farming is one of the most transparent and highly regulated farming sectors in the UK and our sites in Scotland are governed and regularly audited by a range of bodies, including Marine Directorate, the Scottish Environment Protection Agency (SEPA), the Fish Health Inspectorate and Naturescot. We are committed to operating transparently and sharing data on both a compulsory and voluntary basis through a variety of channels including Salmon Scotland and Marine Directorate. To ensure our salmon are raised to the highest welfare standards, we adhere to independent third-party accreditations, including RSPCA Assured, the leading ethical farm assurance scheme.

In the Faroe Islands specific Veterinary Health Plans are implemented for each site. These plans are reviewed by ASC and Global GAP. They focus on mitigating biological risks and ensuring optimal fish welfare. Topics covered include biosecurity, disease prevention, fish husbandry, and stocking density. Stocking density is regulated through Faroese legislation as follows:

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

In Scotland, Veterinary Health & Welfare Plans are also in place for each site. These plans align with guidance from regulatory authorities such as Marine Directorate and SEPA. Compliance is ensured through optimization of fish welfare, biosecurity, disease prevention, and environmental considerations. Stocking density is site-specific and determined by SEPA consent.

Broodstock

Bakkafrost runs an ambitious broodstock program around our two strains: The Faroese strain and the Native Hebridean strain. We continue to invest in the development of our broodstock programs and the first generations of Faroese origin have been produced in a production environment, allowing us to collect valuable data on quality parameters. These parameters include resistance to Cardiomyopathy Syndrome (CMS) and overall survival–critical information for our breeding program. We anticipate the creation of a robust parental strain with targeted resistance to several essential traits.

To further improve our fish welfare standard, we will implement distinct monitoring of group and individual based fish welfare indicators, that are based on well-known scientific studies of optimum fish welfare parameters. This monitoring will be implemented through the whole production chain and will be a key tool to further improve our welfare standard.

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

Smolt

In addition to the selective breeding program, which aims to avoid disease exposure through genetic selection, the large and high-quality smolt strategy is a crucial part of our biosecurity strategy. By increasing the smolt size to 500 g, we minimize disease risk and sea lice exposure, enhance production capacity, and improve supply consistency. We focus on fish health and quality of the highest standards.

Marine operation

We conduct thorough assessments of our marine farms. These assessments help determine the appropriate cage size and mooring system. Third-party analysis of current and weather data, along with an evaluation of the mooring system's strength, guides us in placing the cages optimally. Our goal is to create a balance between exposed site location and safe pen positioning, all while prioritizing fish welfare. Our fish health team conducts biosecurity audits at every site at least once a month to observe fish behaviour, document physical health observations and test aquatic conditions to ensure an optimal environment and good fish welfare.

Freshwater treatment is vital for good gill health of the salmon. To maintain salmon gill health, we've significantly increased treatment capacity, including the addition of Farming Service Vessel M/S Bakkafossur in the Faroe Islands and a 4,000m³ farming service vessel in Scotland during autumn 2022. We'll continue implementing preventive biological measures.

Strict hygiene practices, including thorough cleaning and disinfection procedures, are in place. In 2023, additional measures were implemented to prevent outbreaks of Bacterial Kidney Disease (BKD). We actively exchange and enhance best practices in biosecurity between our Faroese and Scottish operations.

Our vessel crews closely monitor bulk oxygen uptake during fish intake, transport, and offloading. The vessel's computer logs data, including oxygen saturation percentages upon water intake and output from each well.

In the Faroe Islands, we set oxygen saturation limits at 70% when the water temperature is 12 degrees Celsius (RMR). This high limit accounts for the generally lower sea temperatures in the Faroes. Lower temperatures result in reduced fish oxygen consumption and higher seawater oxygen solubility. Oxygen saturation below the RMR inhibits growth, and an alarm sounds if levels fall below 86% saturation. The crew has a buffer to adjust and maintain saturation above 70%.

To ensure optimal fish welfare during transport, we closely monitor CO_2 levels. Additionally, we measure indicators such as Total Ammoniacal Nitrogen (TAN) and other parameters in the ship laboratory.

Our feed strategy prioritizes fish health and welfare. Recent investments in underwater cameras allow farmers to monitor fish appetite and behaviour, leading to efficient feed utilization and reduced environmental impact.

Fish handling and gutting

Strict routines are in place for handling and transporting live fish. Fish transport occurs via live fish carrier or bulk vehicles, ensuring compliance with optimal welfare standards. Water quality parameters are continuously monitored during transport, and equipment is used to maintain optimal oxygen conditions. Qualified employees manage logistics and undergo training. All farming sites have access to large harvesting capacity, harvest sites are strategically located related to farming sites. Minimizing stress during transportation and harvesting is crucial for fish welfare and product quality. Harvest sites are equipped with stunning and bleeding equipment following animal welfare principles. The fish swim into channels where they are percussively stunned and then bled. Our internal veterinarians train harvesting teams.

Medicine use

Medical treatment is important for fish health and welfare, and the cornerstone of our medicinal strategy is 100% vaccination programme. By administering vaccines in the early stages of the salmon's life, we avoid later compromising of fish welfare and prevent and mitigate impact from diseases such as Furunculosis, Vibriosis, ILA (ISA), IPN, Moritella (winter ulcer), and Pancreas Disease (PD).

We are engaged in benchmarking available vaccines to optimise the vaccine strategy. We have implemented fully automated vaccination machines on all hatcheries improving welfare and capacity. In addition to the vaccines, we use in feed medicine for the treatment of sea lice. Our strategy is to limit medicine use to only absolute necessity.

Antibiotics

Our policy is not to use any antibiotics.

All Bakkafrost salmon in the Faroe Islands has been produced free from any antibiotics since 2004 and in Scotland, there has been none used in marine operations since 2010.

Sea Lice

Our sea lice management strategy combines proactive and reactive measures. We've increased our non-medicinal treatment capacity using new technologies and reviewed our cleaner fish program. Rigorous health monitoring by our in-house biologists and vets ensures early detection and swift action. Collaborating with academic and industry partners, we seek sustainable solutions. The lice simulation tool, implemented in the Faroe Islands in 2022, identifies risks and aids early intervention. The tool has proved highly effective and is a significant part of the explanation for our low lice numbers.

Non-medical treatments are preferred, including using lukewarm water to remove lice and pumping systems on our service vessels that flushes the lice off the fish. Freshwater is now integral to our preventive sea lice strategy.

In 2020, Faroese legislation reduced permitted lice numbers from 1.5 to 1.0 adult female lice per fish. A further reduction was made in 2021, reducing the number from 1.0 to 0.5 during the summer months. The number of sampled fish during a lice count was increased from 10 to 20 fish for more accurate lice numbers and in addition, as an extra control, lice counts are performed by a third party. We comply fully with our statutory obligations in Faroes and Scotland with regard to lice management.

We are determent to adhere to our policy not to use medicinal treatment, increasing our capacity and ensuring more timely and effective treatment, using a unique combination of freshwater treatment and a gentle mechanical treatment. However, in regard to bath treatments, it can at times be necessary to ensure fish welfare.

Recent measures have focused on fish health and welfare during handling and treatment. Our in-house veterinarians conduct site visits and review protocols before intervention, ensuring that only healthy fish undergo treatment. The newly operational Farming Service Vessel Bakkafossur also added substantial sea lice treatment capacity and strengthened our biological risk mitigation strategy. It enabled more precise selection based on fish size and health status. As a result, mortality rates because of sea lice treatment have significantly decreased.

In Scotland, we have adopted a strategic approach to sea lice management by utilizing a combination of cleaner fish and non-medicinal interventions at all our sites. This practice has significantly reduced the need for medicinal treatments and has seen a significant improvement in sea lice control.

Disease

To mitigate exposure to disease, we source from selective salmon breeds, which are particularly resilient. Integrating salmon egg production into our value chain reduces the risk of importing pathogens and ensures quality eggs adapted to local conditions. We closely monitor diseases like Cardiomyopathy Syndrome (CMS) and Heart and Skeletal Muscle Inflammation (HSMI). Implementing QTL-CMS resistant egg has improved survivability.

Biosecurity is a priority in our hatcheries, where smolt production occurs in closed environments. Water quality, monitored digitally, plays a crucial role. UV treatment and ozone are used for water cleaning. We rigorously screen for various pathogens in our hatcheries, including ISAV, PRV, SGPV, SAV, PMCV, IPNV, and others.

We have a team of dedicated fish health specialists who monitor the performance and wellbeing of the salmon, with regular screening of pathogens, bacteria or parasites that freshwater fish are susceptible to. Once the salmon have reached the point of transfer to seawater, extensive testing is carried out to evaluate readiness, including visual observations and genetic analysis to ascertain the gill function's ability to process sea water. Once these results are successfully returned, the salmon is carefully removed from its freshwater environment and begins its seawater leg of the journey.

Biosecurity strategy

OUR BIOSECURITY STRATEGY FOCUSES ON:

Breeding programmes and vaccination
Selective breeding programmes are ongoing to improve fish resilience and vaccinate all stock. By bringing the production of broodstock into our own value chain we mitigate biological risk of imported disease.

Robust smolts and shorter time at sea
Large robust smolt of high quality: RAS facilities to increase the average smolt size to 500 g in sustainable growth rates, and thereby reduce time at sea. This strategy will increase production capacity, improve consistency of supply and reduce biological risk.

Optimal placing
We continue to stock sites in optimal water conditions, the largest fish further out in the fjords, reducing risk of disease. These sites are more exposed and require strong equipment and wider cages with reduced stocking density.

VHP and internal control
We have specific veterinary health plans (VHP) for each site with strict intern controls on transport between sites, controls and plans on dead fish handling, parasites and predators all to optimize fish welfare and reduce mortality.

Screening programmes
Continuous screening of all fish throughout the productions chain, ensures healthy stocks, and early warning system for preventive intervention. Our fish health team and veterinarians regularly inspect and test all farms and hatcheries. There is regulatory testing as well as taking part in Group-wide biosecurity auditing.

Training and awareness program
Regular training of all employes in biosecurity procedures and plans is an essential part of the strategy

Healthy Salmon
Farming Service Vessels – The Cornerstone of Our Fish Health and Welfare Strategy

In recent years we have invested heavily in farming service vessels. This is part of our biosecurity strategy which aims at preventing welfare compromising incidents, sufficient treatment capacity is also key to strong biological performance.

We have accelerated increased treatment capacity in Scotland to improve biological performance in the Scottish operations. In 2021, we received the FSV Bakkanes, and in January 2023 we added further to the sea lice treatment capacity with the fitting of a delousing system onboard our 2,500 m^3 vessel using flushing technology, which complimented the arrival of a 4,000 m^3 FSV in Scotland in 2022. Both vessels are equipped with state-of-the-art RO technology, to enable combination FW and sea lice flushing to optimize every handling event, maximise sea lice clearance and maintain good gill health.

In the Faroe Islands FSV Bakkafossur, one of the largest well boats in the global aquaculture industry was added to our fleet in 2023. Bakkafossur can carry up to 1,000 tonnes of live salmon and is regarded as a huge upgrade to secure sustainable operations in the future. Equipped with reverse osmosis technology for de-salination of water with a production capacity of 6,000 tonnes of freshwater a day, Bakkafossur adds significant freshwater treatment capacity to Bakkafrost's operations in the Faroe Islands. Treating salmon with freshwater is an efficient way to rinse the gills, restore gill health and ensure more robust and healthy growth. In addition, Bakkafossur is equipped with a flushing sea-lice removal system, reducing lice numbers in line with our sustainability strategy.

The vessel also provides options for enclosed treatments for a more controlled treatment environment as well as supporting specific selection methods to ensure fish is handled according to size and health status, thereby strengthening our biological risk mitigation approach. In line with our harvesting operations, the grading mechanism fitted onboard Bakkafossur also provides the opportunity to transfer 'small sized' salmon back to the cages for continuous growth, securing a more premium-quality salmon being harvested.

Dual Fresh Water treatments

The delousing system has a mechanical flushing and filtration action to remove sea lice. We have found this system to work well on our farms being relatively gentle on fish with effective removal of sea lice and having a high throughput to ensure that handling time for the fish is minimised. This has resulted in significantly reduced mortality during handling.

In a strategic effort to further reduce the mortality during handling, we have implemented integrated delousing and freshwater treatment systems onboard our newest vessels, including our 4,000 m^3 vessel in Scotland and FSV Bakkafossur, enabling gills and lice to be treated in a single handling event.

Freshwater Treatments

Freshwater treatment has proved highly effective and particularly important in maintaining the lowest possible levels of amoebic gill disease (AGD) and reducing the effect of other gill challenges like plankton blooms and improves the resilience of salmon to stress.

Scottish operations have been particularly challenged by reduced gill health in recent years due to the extended growth period in the marine environment exposing the fish to hazards that impair their gills during this period, such as blooms of hydrozoans. Treating the fish regularly with freshwater is an efficient way to rinse the gills of the fish and restore gill health.

Thermal treatment

The system is a thermal, non-medical treatment system, which utilizes luke-warm water for the removal of sea lice. The salmon is pumped from the cages for the thermal system using a gentle pumping system. The fish is counted and then bathed in temperature-controlled water. The treatment is time adjustable, and the system uses high-frequency underwater circulation, ensuring a continuous supply of fresh water. After the treatment, the salmon flow back to the cages in a continuous flow of fresh seawater.

Enclosed Medical Bath Treatment

Although non-medical treatment is our preferred treatment choice, health and welfare compromising issues might occur where medicinal interventions are required. Enclosed medicinal bath treatments enable us to treat the fish with antiparasitic agents in a much more efficient manner, ensuring optimal fish welfare during treatment.

Years of persistent efforts to combat disease outbreaks and sea lice have given significant results. In 2022, sea lice levels reached an all-time low in both the Faroese and Scottish operations—an important achievement. And the positive trend continued in 2023, with yet another year of all-time low sea lice levels. This dedication to maintaining healthy sea environments is crucial for sustainable aquaculture.

Targets

- Increase smolt size to 500 g by 2023 in the Faroes and 2026 in Scotland
- Zero antibiotic use
- Maintain salmon survival rate at 94% or above (Faroes)
- Increase research to optimise fish welfare and product quality
- Maintain industry-leading approach to animal welfare

Performance

We provide optimal conditions, including clean water, plenty of space, and proper nutrition. Our fish are stocked at densities that enhance performance and allow them to express natural behaviour. Throughout 2023 our Faroese operations complied with regulation, the average stocking density at our stocked sites in 2023 was 7.59 kg/m^3.

The average stocking density at our stocked Scottish sites in 2023 was on average 8.14 kg/m^3.

Survival - Faroe Islands

The strong biological performance in the Faroese farming operation seen in recent years continued throughout the year, resulting in very high survival rates in 2023. We have seen a significant positive impact with our new well boat Bakkafossur commencing operations in 2023. Survivability has mostly improved due to optimizing treatment operations, including the handling of the fish, and accurate strategic planning of sea lice control, with specific consideration to fish health.

The effect of our smolt strategy began to materialize, with a focus on optimal growth rates in hatcheries to improve heart health and increase smolt size upon transfer to the marine environment. We have also observed successful signs of the QTL-CMS resistance of the smolt being transferred.

We have relocated several marine sites in the Faroe Islands to increase water flow and oxygen which improves fish welfare.

ANNUAL SURVIVAL RATE
2023

92.7%
FAROE ISLANDS

79.4%
SCOTLAND

MONTHLY SURVIVAL RATE
2023

99.39%
FAROE ISLANDS

98.29%
SCOTLAND

***Global Salmon Initiative (GSI) methodology:**

$$\text{12 months rolling mortality} = \frac{\text{total \# of mortalities in sea last 12 months}^{**}}{\text{(closing \# of fish in sea the last month + total \# of mortalities the last 12 months + total \# harvested fish the last 12 months + total \# of culled fish in sea (due to illness or similar and not included in the harvest number))}} \times 100$$

** not including cullings

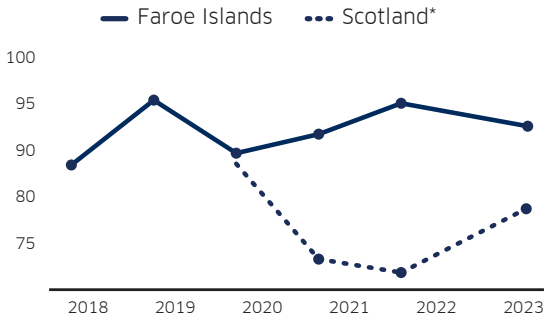
For the Faroese operations the trend is positive. The survival rate in Scotland is however trending lower than in the Faroes.

Survival - Scotland

In 2023, the entire Scottish salmon aquaculture sector faced elevated environmental challenges. These challenges included seasonal blooms of harmful plankton and jellyfish, resulting in gill health issues and significantly reduced survival rates in the most affected areas.

Bakkafrost's Scotland operation experienced an earlier challenge in 2023, as a result of high water temperatures arriving earlier than previous years. Mortality peaked one month early, in August, however the FW treatment strategy showed promise assisting in regaining control of AGD, improving gill health following hydrozoan and plankton blooms, and maintaining low lice. From September through to end of Q4 2023, survival rates improved which was a significant improvement in 2022.

ANNUAL SURVIVAL RATE



*Scottish numbers have been incorporated subsequent to the acquisition of the company.

AGD, a driver of mortality in 2022, was brought under control in 2023 with appropriate access to FW treatment. The increasing incidence of bacterial diseases such as furunculosis and Piscirikketsia led to some reduced survival in compromised fish. Maintaining good general health by keeping on top of AGD and other gill complaints worked well in limiting these infections to some degree, and antibiotic treatments have not been required to be fed to any stock in 2023.

Some significant improvements have been seen in survivability in 2023, and the FW treatment strategy has been demonstrated to be successful in improving general health while keeping control of parasite infections. Further improvements are expected in 2024 as optimization continues, and derisking ahead of high-risk periods is undertaken.

Measures taken to mitigate biological risk include:

- Increase of both mechanical and freshwater treatment capacity, latest with the introduction of a 4,000m³ FSV in Scotland and 10.000m³ FSV Bakkafossur in the Faroe Islands
- Reduced time in the marine environment
- Robust high quality smolt strategy, releasing larger and more robust salmon into the marine environment
- Broodstock optimization, including the implementation of CMS-resistant egg in the production cycle
- Enhanced program of surveillance for AGD and biological indicators or health and respiratory function to help mitigate challenges
- Continuous investment in R&D projects
- Treatment resources in Scotland more than doubled since 2021, resulting in improved gill health and consequently improved survival rates toward year end.

MAIN CAUSES OF REDUCED SALMON SURVIVAL

2023

FAROE ISLANDS

Marine
- Handling mortality, treatments
- Seals
- Disease (CMS, HSMI, Gill health)

Freshwater
- Technical issues/accidents
- Low egg quality
- Start feeding mortality

SCOTLAND

Marine
- Disease (Gill Health)
- Transfer Mortality
- Environment (Water quality/blooms)

Freshwater
- Technical Incidents
- Physical (Deformity)
- Transfer

Broodstock

We continued to invest in the development of our broodstock programs and made further progress in 2023. We have expanded the production of salmon eggs from the Faroese strain with incubation at additional hatcheries. For more information about broodstock please see page 122.

SMOLT

Faroes

In 2023, we made further progress, in Scotland the smolt size increased from an average of 106 g in 2022 to 117 g in 2023 and in the Faroes the smolt size increased to 396g.

Bakkafrost aims to produce all smolts for release at an average weight of 500 grams by 2024 in the Faroe Islands and by 2027 in Scotland.

In Scotland we have four hatcheries and currently produce just over 60% of the smolt we need. In 2024 nearly all smolt will be sourced internally - size will gradually increase next years to over 200g. The next RAS site is expected to be in operation in 2027, enabling total yearly capacity of 18 million smolt á 500g

Increased smolt size significantly improves salmon resilience in the marine environment. We continue to expand our RAS capacity in the freshwater stages of the salmon lifecycle with Applecross under construction in Scotland and with the expansion of Glyvradalur and Norðtoftir commencing operations in 2023.

Increasing the smolt size is transformational to our operations. With high focus on all processes to optimize quality and fish health and robustness of the fish. Measures include lowering the water temperature and close monitoring of water quality. The resulting growth rates is slightly slower than originally projected, however we are committed to operating to the highest standards for fish health and welfare therefore the focus is on quality rather than quantity.

Medicine use

In the Faroes we have reduced the quantities of in-feed medicine from 5.11 g per tonne produced to 0.47 g per tonne produced. In Scotland, this has remained stable in recent years with 0.43 g per tonne in 2023.

Antibiotics

In 2023, all Bakkafrost salmon was produced free from any antibiotics.

Sea Lice

Overall, sea lice levels in both the Faroese and Scottish operations remained at historically low levels throughout 2023.

In the Faroe Islands, 2023 was another record-breaking year with generally low levels of sea lice with an average of 0.28 female adult lice per fish.

On average across all Scottish farms, sea lice levels remained among the lowest levels seen over the past 5 years. The increased use of freshwater bathing, has ensured we have remained within these parameters, while minimising the need for further mechanical and medicinal treatments.

SEA LICE COUNT

2023

0.28	0.22
FAROE ISLANDS	SCOTLAND

Average over 12 months
of female adult lice per fish across all sites.
For more information on fallow time and medicine use, please visit
www.bakkafrost.com/sustainability/data

Disease - Faroe Islands

In the Faroe Islands, the overall health of the salmon has been good in recent years.

Renibacterium salmoninarum (BKD) was detected at some marine sites in the Faroe Islands in 2023, these findings were closely monitored. All the diseased sites are harvested, and currently all sites are disease free. Smolts have continously been screened for BKD throughout 2023 as a biosecurity measure, and all results have been negative.

Although production of increasingly larger smolts can be challenging, the overall health status has been good at all hatcheries in 2023, and we continue to monitor emerging diseases as well as improving the quality of the smolts.

Disease – Scotland

In the Scottish operations Q1 & Q2 saw excellent health & growth, due to control of AGD and lice. In the early part of Q3 some losses were experienced in farms that saw high levels of jellyfish and plankton. Sites with concurrent disease presence had worse outcomes, for example a strong link was found between Pancreas Disease presence and jellyfish exposure. These experiences have led to investment in better vaccine coverage.

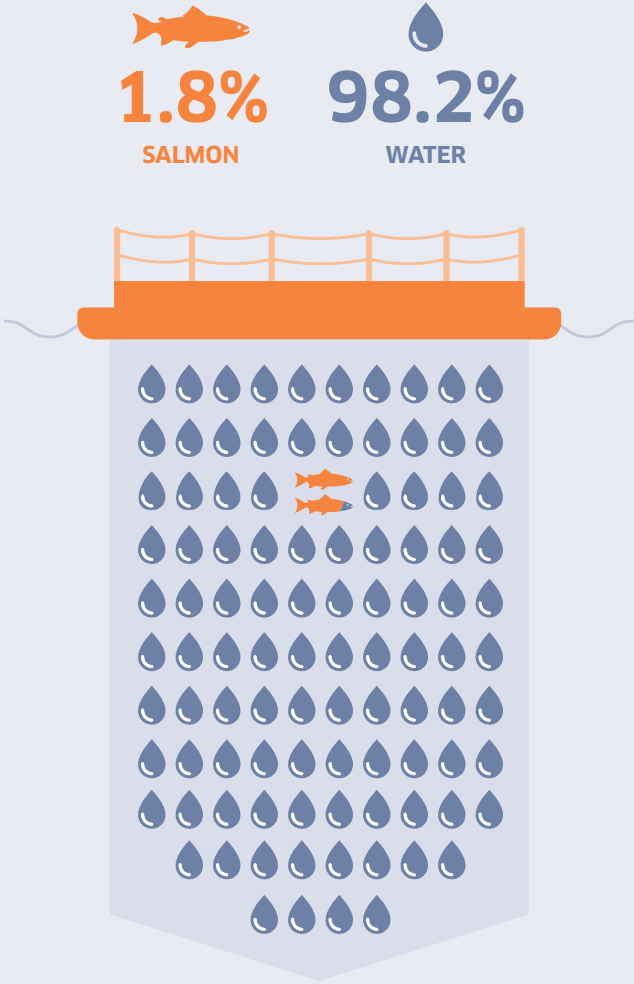
Bacterial diseases have increased in the last years, with furunculosis, Piscirikketsia and Yersinia having some impact on survivability in 2023, however these are mostly limited to outliers of populations and outbreaks generally controlled by managing general health.

CMS continues to be a late cycle disease causing some losses, and harvest is the main mitigation against mortality.

"As stewards of the marine environment, we recognize that fish health and welfare are paramount. Our unwavering commitment extends beyond the water's surface. Through continuous learning, robust infrastructure, and strategic protocols, we enhance welfare and minimize mortality at every stage of a salmon's life cycle. From selective breeding initiatives to nurturing larger smolt and expanding treatment capabilities, we support responsible practices that resonate through the currents of sustainability"

Anna Johansen, Group Quality, Environment, Safety & Health Director

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



*Average on max biomass

ASC CERTIFIED SITES

100%

FAROE ISLANDS

40%

SCOTLAND

STOCKING DENSITY

7.59 kg/m³

FAROE ISLANDS

8.14 kg/m³

SCOTLAND

MEDICINE IN BATH

3.27 g

per tonne

FAROE ISLANDS

0.03 g

per tonne

SCOTLAND

Used by Bakkafrost to treat sea lice in 2023

AUDITS PASSED

100%

AT BAKKAFROST IN 2023

ANNUAL SURVIVAL RATE

92.7%

FAROE ISLANDS

79.38%

SCOTLAND

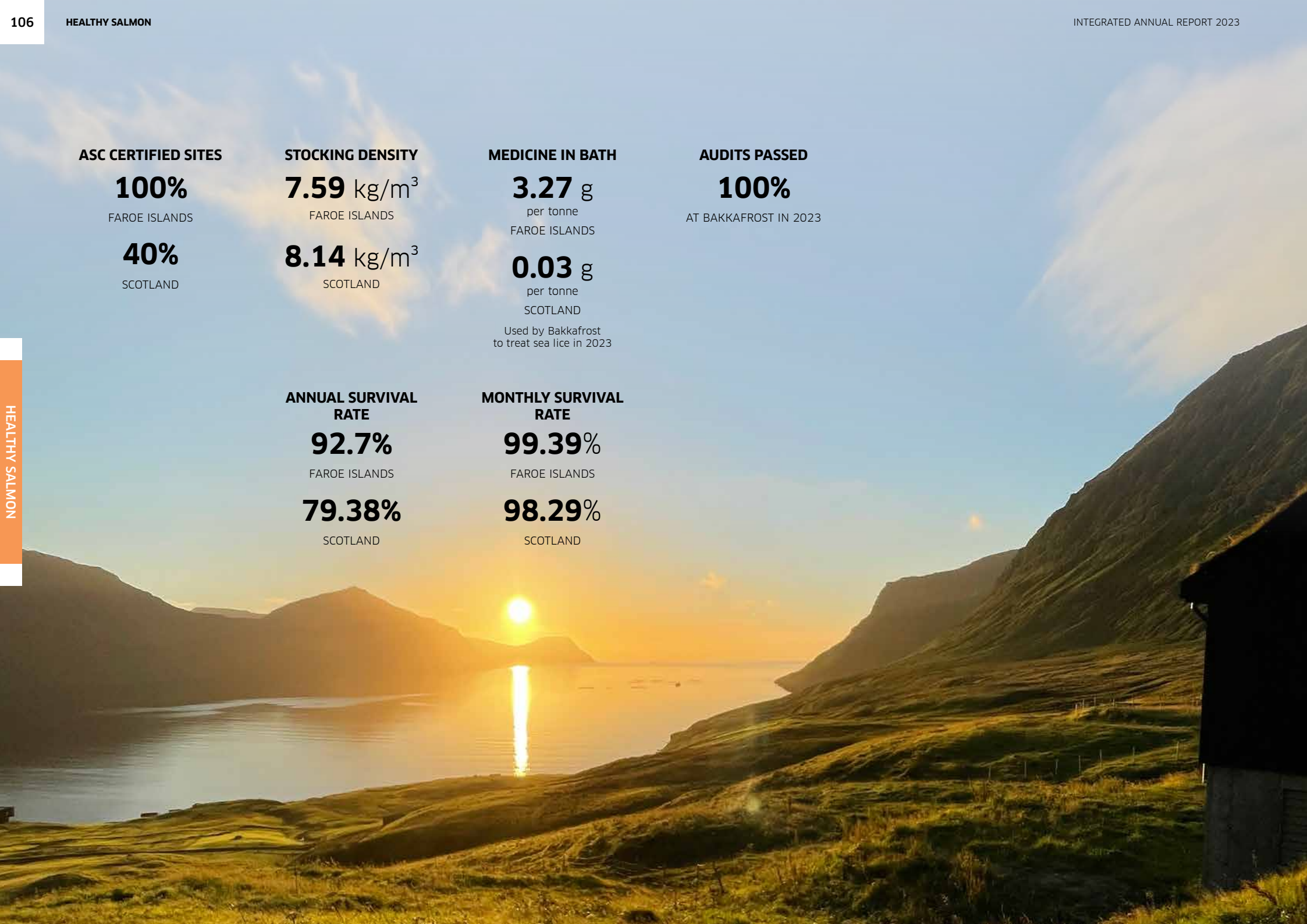
MONTHLY SURVIVAL RATE

99.39%

FAROE ISLANDS

98.29%

SCOTLAND



How We Reduced Sea Lice Levels

Reducing time at sea

- Increasing average weight of smolt

Increase the preventative period (for infection)

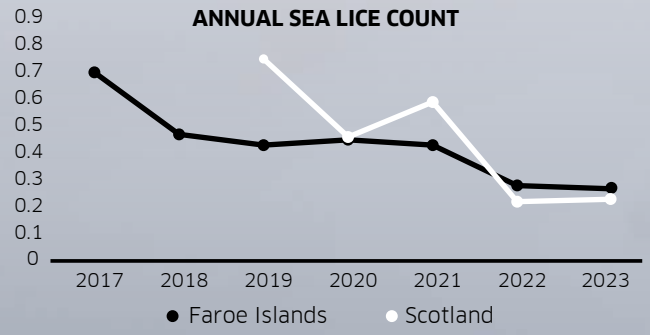
- Skirts
- Preventive in feed treatments
- Location of sites – from sheltered to exposed sites
- Coordination of stocking of sites
- Higher stocking density during the first months

SEA LICE COUNT

2023

0.28 FAROE ISLANDS

0.22 SCOTLAND



Reduce overall lice pressure

- Effective and timely treatments
- Low threshold treatments limits
- Site specific lice strategies

Modelling

- Site specific lice strategies relating to lice pressure, lice biology and in combination with exact planning of available treatment resources

Examples of Initiatives to Improve Fish Health and Welfare

- Our treatment capacity in scotland has doubled to ensure that we have flexibility to deal with unpredictable levels of gill health challenges driven by environmental conditions. In 2023, we achieved more than 20% increase in both the number of fish and biomass treated with freshwater compared to 2022.
- We have further increased the size of smolt (juveniles) in scotland, improving marine resistance against lice and disease.
- Since 2022, QTL-CMS resistant egg are fully implemented in the Faroe Islands and all fish that are stocked to sea have specific genetic resistance against this disease. We should see the full effect of this resistance in the future production cycles. Our own production of eggs from local faroese broodstock is also producing specific QTL strains that are resistant to CMS and X, Y, Z. Production egg are now included in faroese hatchery production.
- Fully rolled out lice simulations in the faroe islands to identify potential risk of increased concentration of sea lice, resulting in very low lice levels in 2022 and 2023.
- Increased Farming Service Vessel capacity in the Faroe Islands with the arrival of 10.000 m^3 Bakkafossur, fitted with the newest equipment to ensure careful handling of fish and new treatment options. A significant contribution to increased sea lice control and improving gill health.
- To optimise welfare, all employees have received handling training, including crowding.
- The scottish operations are involved in many R&D projects aimed at improving welfare, both internally and engaging with external academic groups. A big driver in 2023 was understanding the risk to our farms from micro jellyfish but implementing a monitoring programme. This has led to new vaccinations, as well as opened the door for academic projects aiming to improve mitigation or tolerance to such blooms.
- For mechanical treatments detailed data is registered, including delta temperature and soak time, lice counts and calculated treatment effect and mortality. This information is used to evaluate the treatment and to identify the optimal treatment factors, including temperature, treatment time, duration of crowding and fish size.
- Increased the capacity at two hatcheries with 55% in total and implemented new technologies to improve water quality, including protein skimmers to remove small particles from the recirculated water.
- Continued to improve systems in hatcheries with newest available technology to improve water flow and installing new degassers.
- Installed new systems in hatcheries to implement the slow growth smolt strategy.
- The utilization of cleanerfish has demonstrated a positive preventive effect against salmon lice, particularly when lice numbers are low. Over the years, substantial efforts have been dedicated to enhancing the well-being and care of these cleanerfish. Examples of initiatives: cleanerfish are provided with specialized feed that meets their specific nutrient requirements. Methods of cleanerfish transportation have been refined to ensure their welfare during transit. Ongoing research aims to develop effective vaccines for cleanerfish, at sea farms. Thorough attention is given to the daily care of cleanerfish. Bakkafrost has invested in new cleanerfish shelters and essential equipment. These facilities play a vital role in enabling cleanerfish to thrive within our cage systems. Projects involving natural algae within the cage environment and prebiotic bath treatments before stocking to sea have been explored.

  Despite these determined efforts, concerns persist regarding the health and welfare of Lumpfish in our production systems. Unfortunately, the mortality rate remains unacceptably high. As a result, Lumpfish will not be included in Bakkafrost's sealice strategy moving forward.

> "We are dedicated to securing the welfare of the salmon in all phases of their lifecycle. Through the Global Salmon Initiative, we collaborate with other companies in the industry to advance animal welfare in operations, and we are currently in the process of creating a common animal welfare standard which addresses the most important salmon welfare parameters. We are excited about this project, which we think will establish a solid basis for the continuous improvement of animal welfare throughout the industry."
>
> **Marner Nolsøe,** Veterinarian, Bakkafrost Faroe Islands

Welfare awareness

We launched welfare awareness month in June 2021 in Scotland. We have further developed it in 2023 and will expand to the whole group in 2024. The campaign is aimed

at ensuring good fish welfare is at the forefront of everything we do and everyday best practice.
Welfare awareness includes a programme of in person and virtual workshops delivering key information on company wide areas of focus for improvement. In 2023 this was centred around managing gill health by utilizing and optimizing our Farming Service Vessels, and implement our jellyfish monitoring regime. Training was also delivered by the biology team, covering basic biology and advanced training to freshwater biology and cleaner fish, as well as a welfare taster session targeted at non-production employees interested in a short introduction to welfare. In 2023, there were 117 attendees to an in-person wam session, which were held over 10 weeks, and then a further 546 people attended a training course over the year.

Once a year we gather all staff for company day which comprises a strong focus on fish health and welfare. Through workshops and classes, all staff in direct contact with the salmon are educated in signs of fish welfare and in taking action when needed.

Healthy Salmon 2023 highlights

- Significantly increased treatment capacity as we have taken delivery of Farming Service Vessel Bakkafossur in the Faroe Islands.
- Historically low levels of sea lice both in the Faroe Islands and in Scotland
- Continued implementing veterinary visits and attestation prior to mechanical delousing.
- Upheld the increased focus on biosecurity onboard vessels, with risk-based hygiene inspections to ensure biosecurity. In 2023, a comprehensive effort was made to ensure the hygiene and safety of our Farming Service Vessels. Veterinarians and biologists have conducted regular hygiene inspections as well as inspections based on biological risk management. The results revealed significant improvements in hygiene procedures across these vessels.
- Had no outbreaks of ISA in our operations.
- Reported the following notifiable diseases to the Faroese authorities: Bacterial Kidney Disease (BKD) and IPN.
- Continued focus on fish welfare during delousing procedures, including veterinary surveillance and improvements of delousing systems.
- Continued our feed project to improve fish health and welfare.
- Reached a milestone as all smolt transferred to the marine environment was QTL-CMS resistant
- Expanded the production of egg from the Faroese strain with incubations at additional hatcheries.
- Conducted tests of the Faroese broodstock in the marine environment, including testing against parameters such as lice resistance, growth, quality, fertility and survivability
- Monitoring of algae in Faroese fjords and coastal areas continued representing several farming sites in the Faroes
- Recertification of all ASC certified sites
- Passed 100% of audits across our various certification programmes.
- Increased focus on optimizing biological risk management. Risk management was updated in 2023
- As members of the Global Salmon Initiative, we participate in developing an industry standard for fish health and welfare, although this work is still in early stages.
- Bakkafrost Scotland submitted a Planning Application Notice with North Ayrshire Council to construct a further RAS facility at Fairlie on the Ayrshire coast

WHAT'S NEXT?

- The RAS facility at Applecross is set to be completed in early 2025, and planning to construct a further RAS facility at Fairlie on the Ayrshire coast, awaiting approval.
- Increase biosecurity focus in freshwater operation in Scotland, for example ensure full desinfection of all intake water, all ingoing trafic, and all incoming live stock.
- Continue our high focus on veterinary visits during delousing operations, ensuring good fish welfare.
- Continue focus on vessel biosecurity.
- Continue developing the Faroese strain and Native Hebridean strain.
- Continue to roll out our new sea lice site specific treatment and prevention strategy.
- Continued the increased focus focus on preventive screening of ISAV at hatchery level
- Ongoing focus on vaccination and optimal use of vaccines.
- Focus on disease prevention and better understanding of health status at hatcheries. The smolt health status has crucial importance for the performance when transferred to the marine environment.
- Focus on gill health and freshwater treatments
- Continued focus on reducing formalin treatments at hatcheries.

Healthy Salmon
Ensuring Excellence in Animal Health: Our Veterinarians and Biologists

We frequently encounter the question: "Do you have veterinarians working with you, and what role do they play in fish farming?" The answer is a resounding yes. As stewards of living animals, we must create the most favourable conditions for our fish to thrive.

Bakkafrost's dedicated team of veterinarians and biologists plays a key role in achieving this goal. They visit and carefully inspect each site at least once a month, establishing comprehensive Veterinary health plans tailored to the unique needs of every location.

Their expertise extends beyond routine check-ups:

Breeding Programs: Our veterinarians and biologists actively contribute to the development of breeding programs, ensuring healthy and resilient fish populations.

Feed Composition: They collaborate on optimizing feed formulations, promoting growth and well-being.

Site Planning: From stocking decisions to habitat design, they guide us in creating optimal conditions for fish production.

Biosecurity Measures: Disease prevention is paramount. Our experts implement rigorous biosecurity protocols to safeguard our aquatic environment.

Currently, our team boasts 28 highly educated professionals–biologists, veterinarians, and similar experts–united by their unwavering commitment to animal health and welfare and fundamental to our mission of responsible and sustainable fish farming.

This underscores our dedication to quality, innovation, and the well-being of our fish.

> "Maintaining strict controls and adhering to high standards is essential for optimal farming operations. We utilize a data-driven approach, which includes continuous monitoring and ongoing analysis of the effects and outcomes of our operations"

Rósa Waag, Veterinarian, Bakkafrost Faroe Islands

Research & Development Projects

Our approach

Research and development is embedded in our operations and extends into collaboration with industry and academic partners to find sustainable solutions for industry-wide challenges. In our commitment to sustainable salmon farming, research and development (R&D) plays a key role. By tackling technical and operational challenges, we generate valuable insights related to fish well-being.

Performance

A focus on research and development is important for progress. In 2023 we had 28 highly educated professionals – biologists, veterinarians, and similar experts working fulltime at Bakkafrost.

Here are some examples of our ongoing research projects aimed at enhancing and deepening our understanding of healthy salmon:

Broodstock

- In 2023, we intensified our investment in developing broodstock of Faroese origin. Notably, the first generations were successfully produced in a controlled production environment within the Faroe Islands. This milestone allowed us to meticulously collect data on critical quality parameters, including CMS (Cardiomyopathy syndrome) resistance and overall survival–essential for our breeding program. Further ongoing breeding work is in progress, preliminary results are promising for the production of a strong parental strain, with specific resistance for several important traits.

Fish health & welfare projects

- Bakkafrost is a partner in the FHF sponsored LiceDetached, where local (Firum) scientists are studying the reattachment rate, and ability to reinfest other farms after falling of the fish during a handling.

- To support development within fish health and welfare in the salmon industry, we participate in the work to develop an industry standard for health and welfare, facilitated through the Global Salmon Initiative.

- DigiHeart - heart diseases are one of the biggest challenges in aquaculture industry. The subject of this project is to get a better understanding of the morphology of the heart and to measure and understand the optimal shape of a salmon heart.

- A disease of concern is Cardiomyopathy Syndrome (CMS), caused by Piscine myocarditis virus as this reduces fish tolerance to stress. All smolt put to sea in the Faroes Islands are now CMS resistant. The first generation of Faroese bred salmon was harvested in 2020 which enabled us to initiate gathering data on quality parameters, including CMS resistance and survival which is fundamental for the breeding programme.

- Members of our fish health team in Scotland participate in a project team together with representatives from University of the West of Scotland (UWS), WellFish Diagnostics, Bakkafrost Scotland, Vertebrate Antibodies Limited (VAL), and the University of Aberdeen's Scottish Fish Immunology Research Centre to develop antibodies to probe key markers in fish blood that indicate an immune system response to four of the most common health challenges.

- In Scotland, during 2023, we have trialled Live Plankton Analysis Systems (LPAS) at a number of sites, to support the development of autonomous plankton monitoring systems to help us understand more about environmental threats in the environment.

"Fish Welfare and Survivability is of paramount importance for the sustainability of our business in the broadest sense. For this reason, we collaborate with universities and other agencies, investing significant time and financial resource on research and innovation. We secure the future of our business by ensuring that our investments and production strategies remain well targeted to address the dynamic challenges of the environment in which we farm."

Dave Cockerill, Biology Director, Bakkafrost Scotland

- Jellyfish – In recognition that jellyfish pose one of the major environmental threats to gill health, our Scottish operation commenced a jellyfish monitoring programme at all marine sites, to support decision making with regard to health and husbandry and mitigate impacts from jellyfish blooms. Data from this endeavour allowed investment to be agreed in vaccination programmes, and further research

will be undertaken going forward to better understand species specific risks and mitigations.

- Gill health – gills being scored for AGD and other gill changes and gill swabbing to check for pathogens.

- Increased pathogen monitoring and screening through eDNA analysis of filtrated sedation water during sea lice counting

- We are involved in many research projects with Scottish Universities to improve understanding and develop indicators for multifactorial disease challenges like Complex Gill Disease (CGD) and non-infectious anaemia, as well as projects to improve smolt quality. We have been successful in obtaining a significant grant from HIE and from Marine Directorate to undertake ground-breaking work in advancing our ability to grow smolts to an average of 500 g and we have a program of research set out to obtain this critical knowledge which builds upon the work done within our Faroese RAS systems.

Environmental impact projects

- We are committed to responsible stewardship of the environment in which we work and live. To better understand and prevent any harmful impact from farming activities on the environment, we participate in various environmental projects.

- We are involved in a project together with Firum, an aquaculture research station, to gain a better understanding of the interaction between salmon farming and wild trout population.
- We are actively involved in various projects, which aim to minimise the environmental impact of our operations, such as our project with the University of Faroe Islands, aimed at creating a robust and reliable model of currents in Faroese fjords and coastal areas. The new modelling tool is expected to give a much better understanding of physical, biological, environmental, dynamic properties and effects of the natural nearshore systems and the interaction with industrial undertakings such as aquaculture.

- We have run a collaborative project with Firum and other industry partners in the last couple of years to monitor level of algae in Faroese Fjords. The project will determine a baseline of algae in different locations and investigate the possibilities of implementing a warning system for algae blooms. The project is part of the work to prepare for potential future climate changes.

- We have completed a pilot project that involves a collaboration with Firum to monitor and analyze hydrozoa in the Faroese fjords. The upcoming full survey planned for 2024 will focus on two specific sites, providing valuable insights into the behaviour of hydrozoas. By enhancing our understanding of hydrozoa, this project aims to contribute to the overall health and sustainability of Faroese fjords.

- We are actively involved in developing an inspirational new Digital Management tool, which can simulate sea lice development, identify risks, and aid early intervention and is now being used for planning sea lice treatment. The tool has proved highly effective and is a significant part of the explanation for our low lice numbers.

Healthy and Safe Food

Production of more sustainable food with high nutritional quality remains our top priority. Our salmon offers several health benefits compared to other animal proteins. Salmon is a healthy food choice and it contains several nutrients necessary for our health and well-being, including Omega-3 fatty acids and Vitamin D. Our salmon are fed with a top-quality feed, high in marine and Omega-3 content. Due to the high levels of marine content in our salmon feed, Bakkafrost salmon is an excellent source of the long-chain omega 3 fatty acids EPA and DHA, making it very effective in preventing cardiovascular disease.

HUMAN HEALTH

Our approach

We feed our salmon a diet close to the natural diet of wild salmon. We believe this is beneficial to salmon health and well-being and also results in a higher nutritional value. The vertical integration of our fishmeal, oil, feed, and salmon production ensures we source the highest quality marine ingredients from well-managed, sustainable local Faroes fisheries with the marine content resulting in a high Omega-3 fatty acid content of our salmon

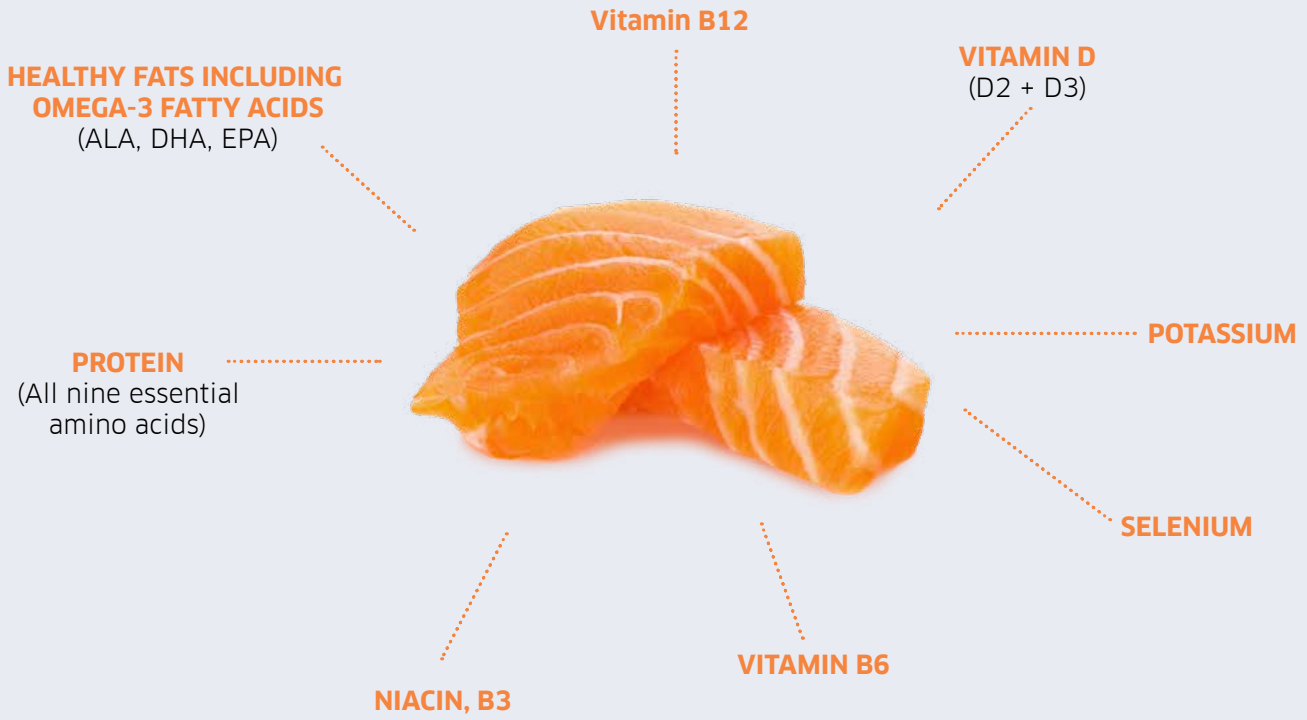
Targets

- Maintain our high omega-3 levels

Performance

In 2023, the Omega-3 content of Bakkafrost salmon was on average 2.36 g per 100 g of salmon fillet

In 2023, the protein content of Bakkafrost salmon was on average 20.2 g per 100 g of salmon fillet.



Salmon a nutrient-rich choice for a sustainable diet

Salmon offers a wealth of health benefits. As awareness grows about sustainable food choices, salmon stands out as an excellent reason to include salmon in your regular diet:

Rich in Omega-3 fatty acids:

- Salmon is a centre of omega-3 fatty acids, which play a crucial role in heart health, brain function, and reducing inflammation.

High-quality Protein:

- Salmon provides high-quality protein, essential for muscle-building, muscle repair, immune function, and overall well-being.

High levels of vitamins and minerals:

- Bakkafrost salmon contains a variety of essential vitamins and minerals, including vitamin D, niacin, vitamin B6 and riboflavin, selenium and potassium. These nutrients support bone health, immune function, energy metabolism, and overall well-being.

In summary, salmon stands out due to its combination of protein, healthy fats, and essential vitamins and minerals. Including at least two servings of salmon per week can help people meet their nutrient needs and reduce the risk of several diseases.

Nutrition

OMEGA-3 LEVELS
MEAN
2.42 g
per 100g
RDI 10 µg

OMEGA-3 TO 6
RATIO
1.40
per 100g

VITAMIN D
MEAN
9.6 µg
per 100g
RDI 10 µg

PROTEIN LEVELS
20.37 g
per 100g

VITAMIN B12 LEVELS
MEAN
4.23 µg
per 100g
RDI 2 µg

VITAMIN E LEVELS
MEAN
5.1 mg
per 100g
RDI 9 mg

SELENIUM
MEAN
0.2 mg
per 100g
RDI 0.06 mg

IODINE
MEAN
0.08 mg
per 100g
RDI 0.15 mg

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

FOOD SAFETY

Our approach

Our products are designed for human consumption and adhere to rigorous food safety regulations. We thoroughly oversee every step, throughout the value chain, ensuring a high standard of protection for human health. We actively address biological, chemical, and physical hazards that could jeopardize our products. Additionally, we are alert against external threats such as food fraud and food defence. Customers and consumers can place their trust in our products, our commitment to food safety, and our robust management systems.

We focus on HACCP (Hazard Analysis and Critical Control Point), risk management and traceability for each site. HACCP identifies any Critical Control Points (CCP) and Operational Control Points (OCP) and frames the risk assessment against these.

We routinely send product samples to third-party laboratories for food safety testing, and employees receive food safety and quality training.

Our strategic priority is industry-leading food safety. We have robust food safety and quality risk assessment systems and controls throughout the value chain. Quality assurance and control are integral to all stages of production involving daily testing and monitoring before issuing health certificates, ensuring compliance with international health and food safety regulations.

To ensure operations are aligned throughout the value chain and to strengthen procedures, we have implemented a new digital quality management system, increasing the availability and usability of documents, procedures and registrational forms.

Performance

Bakkafrost did have one product recall in 2023 because of mislabelling.

In August 2023, we initiated a recall of a batch of 100g smoked salmon sold in the Faroe Islands. The issue arose due to a mislabelled best-before date: it was erroneously printed as 08.12.2023 when it should have read 12.08.2023. Importantly, the actual product remained safe for consumption until the corrected best-before date. The root cause of this mislabelling was a mix-up between the European and US date formats.

Our commitment to transparency and quality assurance led us to promptly address this oversight.

We promptly addressed the oversight and implemented revised procedures to prevent such incidents from occurring in the future.

Except for this minor mistake, we have not had any product recalls ever.

We have not experienced any significant incidents related to food safety non-conformities concerning regulatory requirements or voluntary standards.

Our products remain unrestricted in all markets.

The percentage of production volume originating from sites certified by internationally recognized food safety standards is a fundamental metric for ensuring the safety and quality of food products.

Food defence

Bakkafrost has a series of proactive measures to protect our products and company. The range of measures include advanced electronic access control systems, surveillance systems and strictly segregated food production areas. This ensures that only designated people have access and to relevant areas as well as ensuring that all employees are accounted for in case of fire or other emergencies. Keeping the products safe as well as our employees is of vital importance.

Traceability

Bakkafrost has control of the entire value chain from fish oil, meal and feed to egg and genetics at our hatcheries, throughout the farming process to the final product. This enables Bakkafrost to ensure full traceability throughout the value chain. Traceability can be used effectively to improve trust and engage with customers and consumers. In cooperation with selected customers, Bakkafrost use QR codes on the products, enabling the end consumer to access information about origin and further information about the product. Ensuring that our supply chain is fully traceable helps us to document the authenticity of our products and combat potential food fraud, this further supports sustainability credentials.

Free from

Our feed remains free from growth-promoting hormones and salmon offal or waste from other farmed species. We include only natural antioxidants to maintain nutritional quality, and our fishmeal and fish oil are ethoxyquin-free. Our products are well below EU directive limits for undesirable substances, including dioxins and dioxin-like PCB's and we continue to look for ways to further reduce these levels. Further, the levels of perfluoroalkyl substances (PFAS) including PFOS, PFOAS, PFNA, PFHxS in our salmon are either under the limit of quantification when tested or well below and in line with the EU regulatory limits as also monitored by our Food and Veterinary authorities.

Examples of measures:

- We have well-established Business Continuity and Incident Management procedures, including product recall with regular recall exercises.
- We adhere to standards and certification programmes and our comprehensive internal control system is regularly reviewed by authorities and third-party certification bodies.
- All our processing facilities hold certifications recognized by the GFSI (Global Food Safety Initiative)
- 100% of our products and our entire value chain are covered by third-party certification, ensuring high international food safety standards. See more under Collaboration and Certification on page 120.

Traceability

Every salmon in our production has a comprehensive log that provides essential information about its origin and growth. Here are the key details included in each salmon's log:

Feed: As the only salmon farmer that also has own production of fishmeal and oil in the industry, we have full traceability of the feed provided during the salmon growth, back to which species are used, where and when it was fished, and who has fished the marine ingredients. The same applies to other feed ingredients. We also have full details of the quality of the feed provided during its growth.

Broodstock: We have our own ambitious broodstock program and therefore information about the parent fish and family tree used for breeding, back 17 generations.

Egg: Insights into the salmon's early life stage.

Fish Group: We specify the relevant fish group to which the salmon belongs.

Farm and Pen: Details about the specific farm and pen where the salmon was raised.

Certifications: Any relevant certifications obtained during the salmon's lifecycle.

Vaccinations: Details about vaccinations administered to ensure health.

Medical Treatments: We carefully monitor medical treatments, ensuring that no residues of medicines remain in our products.

Traceable LOT Number: Each fish box is assigned a unique LOT number, allowing for easy traceability.

Supplier and Raw Materials Control: Our operation maintains meticulous records of suppliers, raw materials, ingredients, equipment, and services that could impact food safety in our products.

Collaboration and Certification

We are committed to responsible farming practices and aim to exceed leading standards. We are committed to operating to the highest quality levels. Our third-party food safety certification assures customers that our products are safe, legal, and of the highest quality. We are certified to standards that are accepted worldwide, and endorsed by top retailers, restaurants, and manufacturers. We evolve with each edition, incorporating food safety culture and addressing food fraud.

Our approach

All our operations are required to adhere to a minimum set of third-party verified certification schemes that cover various aspects, including food safety, environmental responsibility, social responsibility, and fish welfare. Specifically, we must achieve Chain of Custody certifications, as mandated by GLOBAL G.A.P., RSPCA, BAP, ASC, and MSC. These certifications ensure that our practices meet thorough standards and contribute to sustainable and responsible operations.

Collaboration in the international salmon sector is critical to address sustainability challenges. We were influential in the formation of the Faroe Fish Farmer's Association, established to promote collaboration of 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 the GSI collaboration, in 2013, we prioritized having all our sites in the Faroes certified by the Aquaculture Stewardship Council (ASC), the world's leading certification scheme for responsible farmed seafood, in 2020, which we achieved in November 2020. In Scotland, we have set a goal to have all sites ASC certified by 2027 with over 40% of the sites already certified.

We have a comprehensive suite of national and international accreditations and certifications across our value chain in recognition of our exacting standards. All of our primary and secondary processing plants are certified according to a food safety standard such as BRCGS, IFS, GlobalGAP and BAP, all are recognised by the Global Food Safety Initiative (GFSI).

GFSI recognition demonstrates that the scheme meets the highest standards globally leading to international food industry acceptance. The Global Food Safety Initiative is a business-driven initiative for the continuous improvement of food safety management systems with the ambition to ensure confidence in the delivery of safe food to consumers worldwide. GFSI's work in benchmarking and harmonisation aims to foster mutual acceptance of GFSI recognized certification programmes across the industry with the ambition to enable a "once certified, accepted everywhere" approach.

Bakkafrost entire value chain; feed production, brood stock, hatcheries, farming sites, harvesting and processing are certified according to the international Global GAP (good agricultural practices) standard. Global GAP is an international standard, which focuses on food safety throughout the whole production (based on HACCP), fish welfare and health, biosecurity, traceability health and safety, social responsibility, and minimising the impact on the environment.

Global G.A.P differentiates from ASC in some areas as greater focus on food safety and ensures strict procedures on humane slaughter and stunning practices. The ASC standard and the Global GAP standard complement each other well to ensure the best practices in these main areas, ensuring coverage by strict metrics and management systems. In the Faroes, we also have added 'Ohne Gentechnik Non-GMO' to our certifications.

Bakkafrost's harvesting and value-added product (VAP) production has the Aquaculture Stewardship Council (ASC) Chain of Custody certification, BRCGS, and IFS food safety standards. Both standards are a renowned benchmark for food safety, integrity, and legality. They provide a comprehensive framework to manage product safety throughout our manufacturing, processing, and packing processes. The fishmeal, oil and feed production at Havsbrún, hold multiple certifications. The Feed division holds a Global GAP certification as well as a BAP certification. The fishmeal and fish oil division are certified according to the GMP+ standards, the Marin Trust standard and the MSC Chain of Custody standard. Our salmon meal and oil also have GMP+. All units at Havsbrún are certified to ISO9001:2015.

With BAP accreditation already secured on all Bakkafrost Scotland facilities, we are now working with ASC to further add to the business' accreditation credentials. Bakkafrost Scotland standards and certifications also include: RSPCA, GlobalGAP and the Code of Good Practice to maintain the best standards across each of its sites across the country.

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

IFS

Our processing subsidiary, Munkebo Seafood, based in Denmark, is certified against the International Food Standard, IFS, which focuses on the processing and handling of food packages in bulk. The processing plant is regularly audited, and production processes are continuously reviewed to ensure the production meets the highest standards for food safety.

Target

• Maintain ASC certification, BAP certification or similar for all Bakkafrost salmon

Performance

Passed 100% of audits across our various certification programs.

As part of the GSI collaboration, in 2013, we sat a goal having all Faroese sites certified by ASC by 2020. This was accomplished in November 2020.

This is a major achievement for the sites and teams across the business as the ASC develops and manages the strictest standards in the industry including hundreds of requirements covering potential aquaculture impacts – such as water quality, responsible sourcing of feed, disease prevention, animal welfare, the fair treatment and pay of workers and maintaining positive relationships with neighbouring communities.

We started the process to have all sites in Scotland ASC certified in 2022 and by the end of 2023, 40% of all sites in Scotland were ASC certified.

Bakkafrost Scotland was the first producer in Europe to achieve 4-star Best Aquaculture Practice (BAP) certification, which is a testament to the commitment that goes into responsible farming throughout the value chain.

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

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

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

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

ADMINISTRATION			
BUSINESS UNIT			**CERTIFICATION**
Faroe Islands			ISO 9001, ISO 14001, ISO 45001
Scotland, Whole Company			ISO 14001, ISO 45001

100% ASC Certified in the Faroe Islands and 40% in Scotland

All our sites in the Faroe Islands are ASC accredited and we have started the journey in Scotland with 40% of the sites now ASC certified. The ASC Salmon Standard aims to address the key negative environmental and social impacts of salmon farming associated with sourcing of feed ingredients, disease, protection of wild salmon populations, biodiversity and ecosystems, controlling of escapes into the wild, use of medicine, labour standards and corporate citizenship. The certification requires third party auditing on a number of criteria, which exceeds national regulation in areas such as biodiversity, environmental monitoring and health and safety.

The ASC standard was developed in cooperation with the WWF (World Wide Fund for Nature). The standard is seen as the most stringent in the aquaculture industry and outlines over 400 individual points with a range of requirements all to ensure a more sustainable and socially responsible production. The standard focuses on protecting the natural habitat, water quality and ensure biodiversity and protection of wildlife and with strict focus on prevention of fish escapes. The standard sets criteria to manage sea lice and diseases including direct mortality reduction plans and target. Resources, including feed, shall be used in a responsible manner from proper handling and treatment on waste to energy usage assessments to sourcing policies whilst ensuring full traceability. Social responsibility is of great focus ensuring policies on discrimination and conflict resolution and whilst protecting children from child labour, also ensuring contracts, training and safe conditions for employees. Community engagement with regular meetings and information.

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

The standard is under further development and a total revised standard is expected to be released in 2024 with even greater focus on fish welfare. Bakkafrost is via GSI a part of the Technical Working Group on the fish welfare project, which sets out to develop global indicators on fish welfare and health. Bakkafrost is also part of an ASC working group which is established to include lumpfish welfare in the standard.

Healthy Salmon
Broodstock Programs

Bakkafrost runs an ambitious broodstock program around our two strains: The Faroese strain and the Native Hebridean strain. The first trial generation of the Faroese strain was harvested in 2020 and detailed quality data was gathered on growth, survival rate, and disease resistance. In recent years, the technological development within the field of genetic research has been strong. Leveraged by this and more than 40 years of data on the heritage of the Faroese strain, Bakkafrost has made significant progress in the broodstock program.

We now have 2 locations in Scotland dedicated to our Native Hebridean Strain broodstock program. Our Native Hebridean strain is a unique breed of Scottish salmon, descending from wild salmon from the remote Isle of North Uist.

In the Faroe Islands, we have around 400 families of fish in our bio-secure land-based broodstock facility, and the heritage and genome are fully documented for each fish. Through our research, we have identified genetic markers that are linked to specific positive properties, such as resistance to different deceases, survival and growth rates. In the future, we even believe we will find genetic markers linked to improved resistance to sea lice. This knowledge is then used to carefully select the males and females for rearing the next generation, thereby improving each generation. No genetic modification is done, only natural selection is facilitated by data and technology.

In our breeding program we focus on maintaining genetic diversity as well as minimizing inbreeding. We perform selection for core traits like robustness, growth, and disease resistance. The salmon is selected to be resistant to viral diseases such as Cardiomyopathy syndrome (CMS), Pancreatic disease (PD) and infectious pancreatic necrosis (IPN). The disease resistance traits are measured and validated on the siblings of the breeding candidates through challenge tests and field measurements. Monitoring and optimizing the disease resistance traits reduces loss of fish in disease outbreaks. The growth in fresh water and seawater is also measured on the siblings of the breeding candidates through field measurements and harvest tests.

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

We use genomic selection (GS) to increase the selection intensity for the key traits. This is a continuous process where the 20 thousand gene markers are used to select the best broodstock fish and the results improve over time. Selection at an individual level for the performance traits of the candidate is also performed. The breeding program consists of 1200 families. The broodstock nucleus is kept in addition to the elite broodstock. The eggs are produced from the very best elite broodstock fish in our land-based broodstock sites where disease resistance, robustness, and shorter production time are our key focus.

We continue to develop the Faroese and Scottish broodstock programs and made further progress in 2023.

The first generations have been produced in a production environment in the Faroe Islands, which has enabled us to gather data on quality parameters, including CMS resistance and survival, fundamental for the breeding programme. Further ongoing breeding work is in progress, preliminary results are promising for the production of a strong parental strain, with specific resistance for several important traits.

We have expanded the production of salmon eggs from the Faroese strain with incubation at additional hatcheries.

Spawning usually occurs from October to November, but these off-season eggs were produced on the 6th of June 2023. This is the first time we have managed to produce salmon eggs this early.

Healthy Environment

STRATEGIC PRIORITY

- To minimise our environmental impact

2023 PERFORMANCE AGAINST OUR 2023 COMMITMENTS

- Reduce the Scope 1 & 2 CO2 footprint by 50% by 2030 🔴
- Continue research into sustainable feed ingredients 🟢
- Investigate new sustainable marine source for fish raw ingredients 🟢
- Optimise feed strategy to maintain industry leading FCR 🟢
- Achieve ISO 14001 environmental certification in the Faroe Islands, already in place in Scotland 🟢
- Zero fish escapes 🔴
- Measurably reduce environmental impact from packaging 🟡
- Explore innovative waste streams at the new biogas plant 🟢
- Achieve over 97% water recirculation rate in hatcheries (Faroes) 🟢

2026 TARGETS

- Reduce by 50% the Scope 1 & 2 CO2 footprint by 2030,
- Reduce the Scope 3 footprint by 52% per tonnes of product by 2030.
- Water recirculation rate over 97% in all hatcheries.
- Measure freshwater use/tonne of fish processed by 2026
- Zero fish escapes.
- Group FCR below 1.083 weighted average
- Continue research and investigation of new sustainable sources for fish raw ingredients.
- Engaging with suppliers of feed ingredients

SDGS

Our vision is to be a significant contributor in fulfilling the world's growing demand for healthy and sustainably produced protein. We are committed to environmental innovation, and we are constantly improving our processes to reduce our carbon footprint, optimise resource use and have a positive impact on biodiversity.

This section outlines our ambition and progress towards a positive environmental impact, as well as describing the financial risks and opportunities that are linked to the management of environmental issues.

IN THIS SECTION

Climate Action

Global food systems contribute about one-third of the total global carbon emissions. There is a need to shift to more eco-friendly food systems, and at Bakkafrost we are committed to providing the protein of the future. We have set ourselves ambitious near and long-term climate targets and work every day to decouple carbon emissions from our production

Despite farmed salmon having the lowest carbon footprint relative to the five largest sources of animal protein, we aim to maintain a low level of carbon emissions through efficiencies in our vertically integrated value chain.

Our approach

Decoupling carbon emissions from our production is among our top priorities as a company. The board of directors is responsible for the management of climate-related issues. The board has delegated the responsibility for everyday management of climate-related impacts, risks and opportunities to the CEO.

Resources have been specifically allocated for investigating and implementing low-carbon solutions across our value chain. Our strategy is to prioritize operational units that contribute the most to carbon emissions and then move down through the organisation based on the level of impact.

Our operations are guided by our environmental policy, which addresses the issue of climate change and states that we seek to minimise emissions by using resources efficiently and responsibly, and setting targets to drive improvement across our operations. We are committed to developing and maintaining management systems and procedures to improve our environmental performance, and we monitor, evaluate, and report the environmental impact and performance of our operations.

We are continuously exploring options that can help us execute our policies and reach our goals. Financial incentives have proven effective as a driver of action, and we acknowledge the effects of factoring in climate-related performance into the remuneration policies for the board and the management. We are currently investigating options for integrating climate-related KPI's into the policies.

We have set ambitious climate targets, and we are currently in the process of developing a detailed transition plan for climate change mitigation, which we expect to complete no later than 2025.

Targets

Our strategic target is to reduce our Scope 1 & 2 GHG emissions by 50% by 2030 and to reduce our Scope 3 GHG emissions by 52% per tonne of product sold within the same timeframe.

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

Bakkafrost has committed to reducing absolute Scope 1 and 2 GHG emissions by 50% by 2030 from a 2020 base year. The target covers 100% of emissions from sites over which Bakkafrost has operational control.

We have also committed to reducing Scope 3 GHG emissions by 52% per tonne of product sold within the same timeframe from purchased goods and services, fuel and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, downstream transportation and distribution and end-of-life treatment of sold products.

Performance

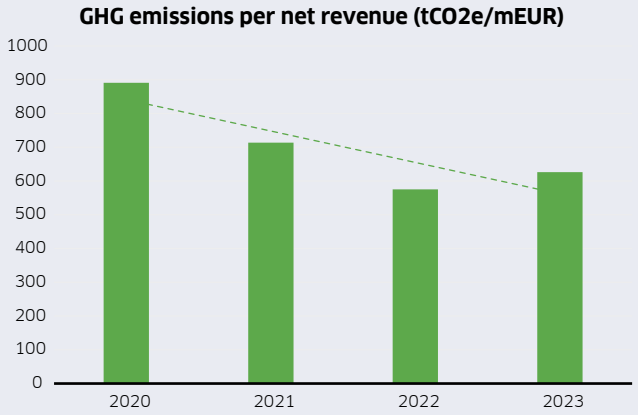
In 2023, Bakkafrost's absolute Scope 1 and Scope 2 GHG emissions amounted to 162,155 tCO_2e, which is a 36% increase compared to our baseline year 2020. In 2023 our production of fishmeal increased significantly, therefore our tonnes of sold products have increased 26% compared to 2020, so the overall Scope 1 and 2 GHG intensity increased 8%, compared to 2020. The increase in direct emissions is primarily due to all-time high activity at our fishmeal and oil division Havsbrún, which saw an 57% increase in raw material intake from 2022. Emissions primarily derive from the energy-intensive process of converting marine raw material into dry material using steam. Another major factor behind the rise in total Scope 1 and 2 emissions is the inclusion of the live fish carrier with dual treatment capabilities Bakkafossur, which was added to the fleet in January 2023 and is one of the largest farming service vessels in the industry. Also the addition of extra capacity at our Norðtoftir and Glyvradalur hatcheries in the Faroe Islands resulted in an increase in electricity consumption.

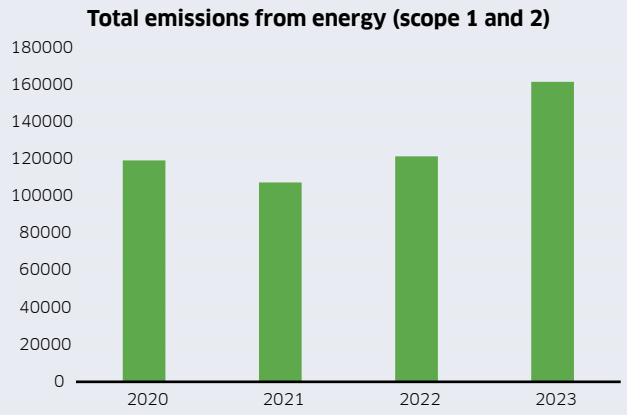
Total indirect carbon emissions Scope 3 amounted to 437,884 tCO_2e. This corresponds to 2.8 tCO_2e per tonne of product sold, which is a decrease of 20% from our base year 2020. Thus, we are making good progress towards our SBTi target of reducing Scope 3 GHG emissions by 52% per tonne of product sold by 2030.

When including all quantities of product produced in 2023 regardless of being sold within the year or going to inventory, the tCO_2e emmitted per tonne of product produced in the Scope 3 category decreased with 27% compared with 2020.

Direct carbon emissions from our production (Scope 1 & 2) account for 27% of our total emissions. 73% of our emissions originate from our value chain (Scope 3), specifically linked to feed raw materials and downstream transportation.

As shown in the table on page 132 our total emission (Scope 1, 2 and 3) decreased with 14% per tonne of products sold and decreased 22% per tonne of product produced.





The GHG intensity per net revenue amounted to 626 tCO_2e per million EUR net revenue from 576 tCO_2e per million EUR net revenue in 2022, and from 891 tCO_2e from 2020.

No significant changes in Scope 3 emissions were reported during 2023. Purchased goods and services continue to account for nearly half of all Scope 3 emissions with raw materials for the production of feed production being the main source of emissions.

We keep improving how we collect data related to Scope 3, and this was true for 2023 data as well, where we improved our reporting of substance use. Also, for the first time we have collected data on consumption of fluorinated gases, also called F-gases.

In 2023, total usage of fluorinated gases was 265 kg. The greenhouse gas emissions deriving from F-gases have been included in the reported Scope 1 GHG emissions.

Carbon reduction initiatives

We are currently in the process of developing a formal roadmap to achieve our near- and long-term climate targets. The aim of the work is to identify decarbonisation levers that will help us direct our focus.

Meanwhile, we have started to explore and apply solutions that aim to lower our carbon footprint.

The fishmeal, oil and feed production at Havsbrún, is highly energy demanding. Therefore, our main goal has been to switch the energy source of this process from fuel oil to a renewable energy source.

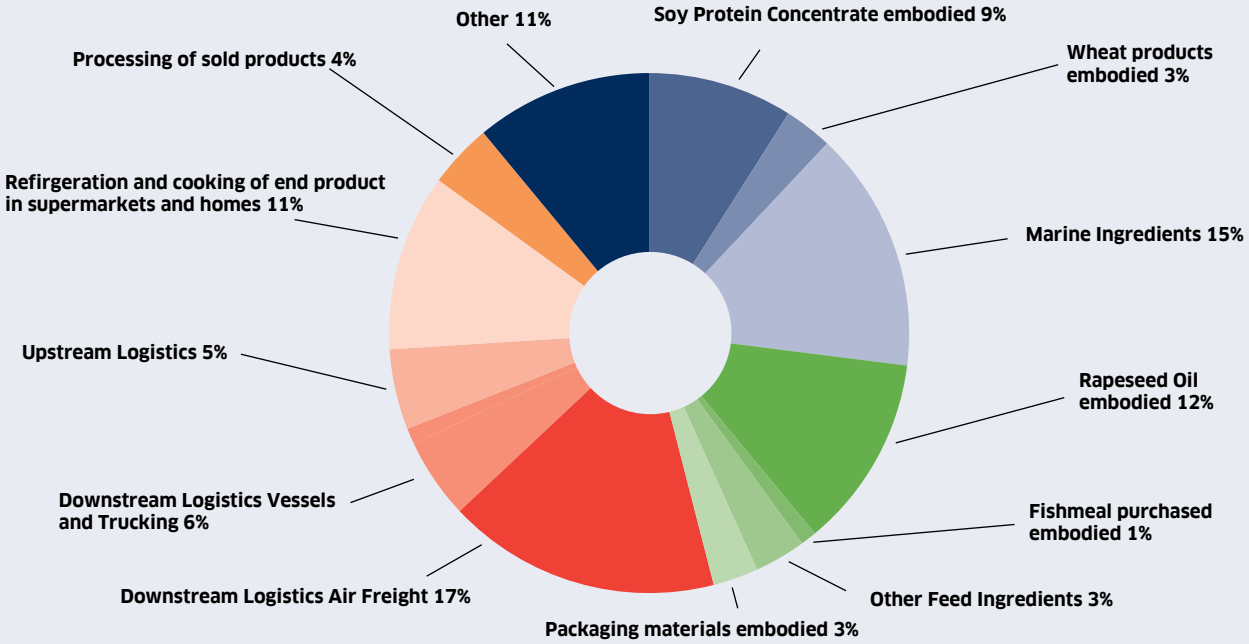
In 2023, we partnered up with Faroese energy provider Effo to launch an advanced project aimed at significantly boosting renewable energy production. The project involves establishing the largest wind farm in the Faroe Islands, capable of generating power equivalent to 10% of the collective oil consumption across the islands - both on land and at sea. Initially, the project will supply renewable energy to Bakkafrost's feed department, Havsbrún, in Fuglafjørður. The project is expected to be complete in 2026, pending necessary approvals. Should all necessary authorisations be given, the windfarm will significantly reduce Bakkafrost's greenhouse gas emissions.

At Bakkafrost we recognize the critical role that energy efficiency plays in achieving our sustainability targets. We have recently initiated a project to optimise energy usage during fishmeal production. The new procedure involves "pre-cooking" raw marine material using surplus steam generated within the factory. This pre-heating step significantly reduces the energy required during the subsequent cooking process, resulting in anticipated energy savings of 15-20%. This reduction directly contributes to Havsbrún's and Bakkafrost's overall goals to reduce greenhouse gas emissions.

Among the big events in 2023 was when Bakkafrost participated in the world's first 100% Sustainable Aviation Fuel (SAF) flight across the Atlantic by a commercial airline by having a shipment of our salmon onboard. In collaboration with Virgin Atlantic and Kuehne+Nagel, the milestone flight is set to be a significant talking point in aviation history and marks a pivotal moment in the global pursuit of eco-friendly aviation solutions.

We will continue to explore new opportunities for eco-friendly transport, and with FarCargo, we have brought air freight into our value chain, which increases control and provides us with the opportunity to change from fossil fuel to green fuel. FarCargo will commence operations in 2024, and the aeroplane will use a 1% share of SAF as a start in its operation. This means that FarCargo will participate in developing the SAF fuel, to mitigate the environmental impacts from the aviation industry. The goal is to increase the share of SAF in the fuel as much as the technology and market conditions allow for.

SCOPE 3 BREAKDOWN BY SOURCE



In 2023, we significantly expanded the production capacity at two of our freshwater facilities in the Faroe Islands. We also expanded operations at our new 29,000 m^3 freshwater facility, Applecross, in Scotland. This facility is supplied with renewable energy from a hydro scheme and supplemented with both photovoltaic renewable energy and battery storage with PV cells on a number of the buildings on site.

We have worked on energy efficiency for several years, for example onboard our farming service vessels, where we have reduced the energy demand by reducing sailing speeds for less urgent assignments. Also, our headquarters in the Faroe Islands utilises the excess heating from our packaging production.

To achieve our Scope 3 reduction target, we engage with our most significant suppliers on carbon reduction. This includes feed raw material suppliers with whom we have engaged, discussing topics such as improved primary data, more specific CO_2e emission factors, and GHG reductions.

We are in the process of implementing our updated sustainable procurement guidelines in which we address climate-related topics in both our upstream and downstream value chain to ensure that our suppliers are working actively on reducing their carbon footprint.

In 2022, we arranged our first supplier day in the Faroe Islands, and in 2023, we held a supplier day in Scotland. We focus on greenhouse gas reporting and Scope 1, 2, and 3 emissions with emphasis on our supply chain, and focus on areas were suppliers need to deliver change as collaboration is required to achieve our ambitious emissions targets.

We have received a lot of positive feedback following the events, and several of our suppliers have reported back that they have allocated further resources for advancing sustainability in their operations following the events.

Climate-related scenario analysis (TCFD)

Climate-related risks are incorporated in our assessment of operational risks. Climate-related risks are divided into transition risks, covering the financial resilience of the company's business model and various decarbonisation scenarios, and physical climate risks, which cover the vulnerability of Bakkafrost's assets to climate-related threats in different warming scenarios.

We followed the TCFD reporting guidelines to conduct our climate-related risk assessment. We used three different warming scenarios and three different timeframes for the climate scenario analysis, which was completed in 2022. Bakkafrost faces the biggest transition-related risks in a scenario of "late transition", and to the biggest physical-related risks in a "hot house" scenario.

The analysis suggests that Bakkafrost is most exposed to the risk of a carbon tax on direct emissions, given the ambitious growth strategy and the carbon-intensive operations in some parts of the value chain, as well as a carbon tax on energy sourcing.

Since the completion of the analysis, the Faroese government has increased taxation on fuel oil, mainly impacting our fishmeal and oil segment. The impact is managed through the planned energy transition at Havsbrún from fuel oil to electricity, which is further explained in the case story following this section.

Aside from carbon pricing, in the time period from now to 2050, Bakkafrost primarily faces risk through the fishmeal and oil segment supply chain. Key inputs into the salmon feed production process include soy protein concentrate, rapeseed oil, wheat products, and marine caught fish and off-cuts from the Faroese pelagic fishing industry (various pelagic species, processed to create both fishmeal and fish oil). Given the dependency on fishery in the surrounding waters by Faroese fishing vessels, there is a risk that Bakkafrost will not be able to maintain required feed output levels should

Scenarios and timeframes

Scenario	Short description	Referance data
Early transition	Gradual and deliberate shift towards a low carbon economy with the outcome of successfully limiting global average temperature within 2°C by 2100.	SSP1 (UNFCCC) RCP1.9 (IPCC)
Late transition	Sudden shift towards a low carbon economy with governments making dramatic policy interventions to make up for a late start. Global average temperature increase to be kept within 2°C by 2100 with possible overshoot.	SSP1-2 (UNFCCC) RCP2.6 (I PCC)
Hot house	Continuation of current projection of carbon emissions without any significant abatement or mitigation. Likely to result in temperature increases in excess of 4°C by 2100.	SSP2-5 (UNFCCC) RCP8.5 (I PCC)

The potential impacts on Bakkafrost under each scenario have been considered for two time horizons, 2050 and 2070. These time horizons were chosen to reflect a sufficiently long-term timeframe in order to adequately capture physical risk exposure (2070), while also allowing cross comparison with transition risks (2050).

Priority risks at 2050

Value chain stage	Risk description	Early transition	Late transition	Hot house
Upstream	Sourcing feed inputs for Havsbrún (soy and marine proteins)	🟨	🟥	🟥
	Electricity supply	🟨	🟨	🟨
Direct operations	Carbon pricing	🟥	🟥	🟨
	Harmful algal blooms	🟩	🟩	🟨
	Extreme weather events	🟩	🟩	🟨
Downstream	Use of air transportation	🟨	🟨	🟩

Key: High= 🟥 Medium= 🟨 Low= 🟩

Beyond 2050, it is possible that harmful algal blooms may lead to significant losses in yield through mortality events. Similarly, increases in extreme weather events may also lead to increased operating costs through challenges associated in marine farming security and attracting skilled labour. However, it should also be noted that these are evolving areas of understanding with a high degree of uncertainty.

In terms of the climate-related opportunities most likely to be realised over the chosen scenarios, expansion of biogas production in the Faroe Islands and exploration of future renewables generation are both potentially significant opportunities for the business. Of the chosen scenarios, "Hot house" demonstrated the lowest potential for capitalising on climate-related opportunity.

climate change impact these fisheries. The risk of wild fishery collapse is difficult to model as it may be due to a number of climate- and non-climate-related factors. Ocean acidification are known to be increasing globally, but the direct impact on fishery in Faroese waters are unceartain. However, the vertical integration of fishmeal, oil, and feed, and farming enables us to mobilise a swift transition to other available commodities for feed production.

Bakkafrost also purchases a large quantity of products essential to business operations, e.g., soy, wheat, and rapeseed oil. The purchased quantities are likely to increase due to our future production growth plans and could pose a risk to the business. In potential future scenarios, the growing impact of rising temperatures is likely to constrain agriproduct growth. Consequently, regulations governing the sourcing of these products may be introduced, leading to higher commodity prices and increased operating costs for businesses, dependant on agricultural products. This not only includes salmon farming, but also other farmed animal production such as poultry, pork, and beef.

Increasing ocean temperatures also pose a risk to our own operations as the warmer environment creates circumstances for algae blooms, sea lice, and other harmful organisms such as jellyfish. To mitgate the risk of increased biological challenges from this, we have expanded our treatment capacity in the Faroe Islands and Scotland significantly, and especially freshwater treatments have proven their effectiveness in maintaining good gill health of the salmon.

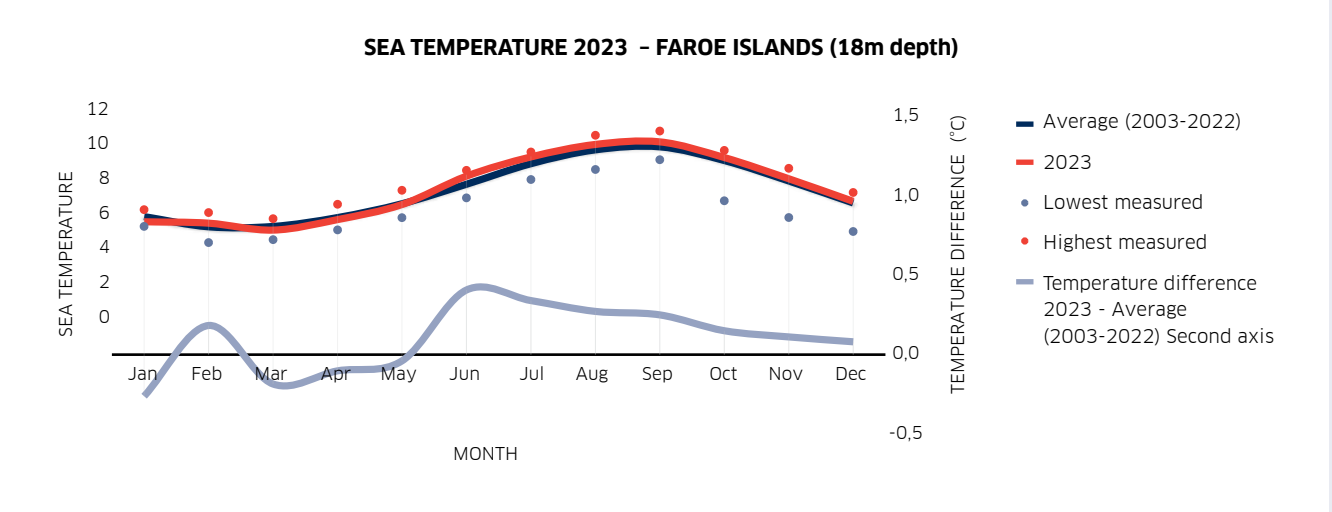
We have also shifted to farm more on land, reducing risks imposed during the seawater grow-out stage for a longer period of its life cycle.

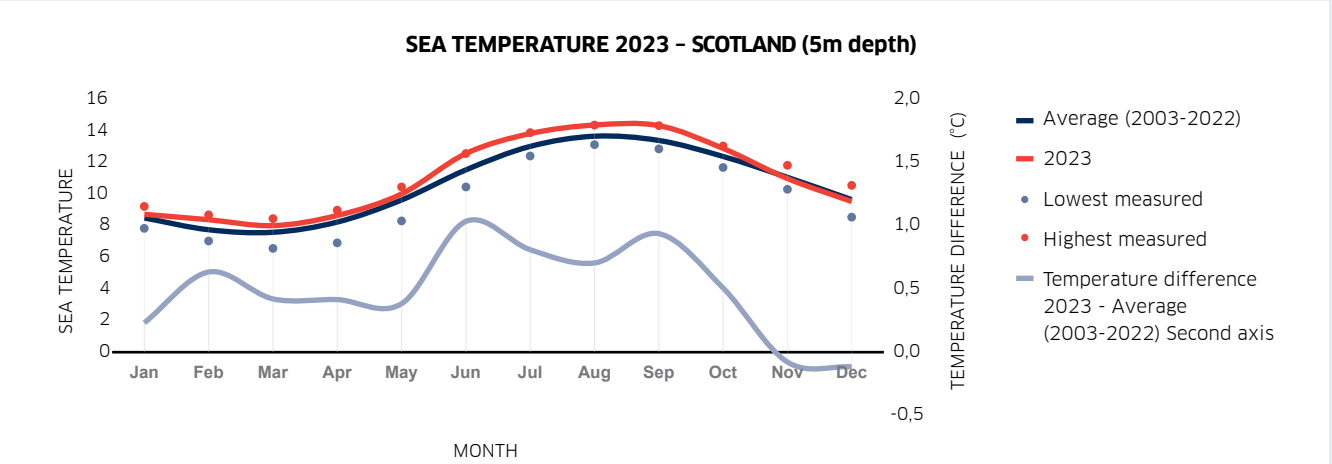
To better understand the risk of increasing temperatures, we have financed a 3-year research project with DKK 2.1M. The aim of the research project is to describe the impact of climate change on the Faroese fjord environment, which may impact our operations in the future. Understanding this risk has 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.

Finally, significant climate-related opportunities exist for Bakkafrost, like further revenue streams in biogas production and energy independence through renewables have shown to be significant under transition scenarios.

Other actual and potential risks and opportunities were considered in our climate scenario risk assessment as well as other climate-related risks are included in our general operational risk assessment, which is continuously reviewed and updated.

Further information on our climate-related scenario analysis can be found in our TCFD report, which has been included in this report.





LOGISTICS

Transport is an integral part of our daily business at Bakkafrost. Our customers have high expectations for fast and reliable deliveries.

One of our most significant challenges lies in shipping our products to worldwide customers. Sea freight serves as our primary mode of transport for frozen products and wherever possible, while air freight comes into play for transporting our fresh salmon to overseas markets. However, we recognize that air freight, which constitutes a substantial portion of our Scope 3 emissions, needs a more sustainable approach.

In this decade, the entire sector will take significant steps toward handling intercontinental supply chains more sustainably. But we don't want to wait for others to solve the issue; we aim to be part of the solution. Despite today's technological advancements, there are still no sufficient solutions for transporting fresh fish to overseas markets by sea without compromising quality, which can lead to significant food waste.

According to EPA 2021 report, „The Environmental Impacts of U.S. Food Waste" 43% of seafood in the US ends up as food waste.

Our customers recognize Bakkafrost's superior-quality salmon, ideal for high-end restaurants and the fresh market.

To serve our customers overseas, we rely on airfreight. In response, we've established a new airfreight company to maintain control and reduce emissions. Our strategy includes both short-term measures (such as flying shorter distances, minimizing or quitting the use of ice, and maximizing fillets) and long-term initiatives (such as exploring environmentally friendly fuel options).

While sea freight remains our primary choice (accounting for 77% of our salmon transport in 2023), it's not the best option for fresh fish due to the time it takes. For instance, shipping from the Faroe Islands to New York takes around 12 days. By optimizing each link and integrating airfreight strategically, we will reduce our CO_2 emissions.

TRANSPORT BY AIR VS. SEA/LAND

EXAMPLE:

Energy Consumption and GHG Emissions Table

BAKKAFROST: ENERGY CONSUMPTION AND EMISSIONS 2022 Energy Consumption	2020 [kWh]	2021 [kWh]	2022 [kWh]	2023 [kWh]	% Change – 2023 from 2020 (baseline)
Direct energy use - Scope 1	337,070,454	287,118,843	358,094,311	489,241,073	45%
Indirect energy [electricity] use - Scope 2	77,807,180	84,301,681	89,775,154	102,596,482	32%
Total energy use	**414,877.633**	**371,420,524**	**447,869.466**	**591,837.554**	**43%**
GHG Emissions	**[TCO2e]**	**[TCO2e]**	**[TCO2e]**	**[TCO2e]**	
Direct energy use - Scope 1	89,168	75,869	94,547	129,294	45%
Indirect energy [electricity] use - Scope 2	30,467	31,876	27,294	32,860	8%
Total emissions from energy (Scope 1 and 2)	119,635	107,745	121,841	162,155	36%
Total Scope 3 emissions (see boundary below)	436,317	425,421	429,565	437,884	0%
Total GHG emissions:	555,952	533,166	551,406	600,039	8%
GHG Intensity (product sold)*					
Tonnes of product sold (see products below)	124,579	121,469	135,810	156,646	26%
tCO2e emitted per tonne of product sold – Scope 1, 2	0.96	0.89	0.90	1.04	8%
tCO2e emitted per tonne of product sold – Scope 3	3.50	3.50	3.16	2.80	-20%
tCO2e emitted per tonne of product sold - Scope 1, 2 and 3	**4.46**	**4.39**	**4.06**	**3.83**	**-14%**
GHG Intensity (product produced)**					
Tonnes of product produced (incl. liquid fertiliser) (tonnes)	268,277	302,735	338,045	369,041	38%
tCO2e emitted per tonne of product produced - Scope 1, 2	0.45	0.36	0.36	0.44	-1%
tCO2e emmitted per tonne of product produced - Scope 3	1.63	1.41	1.27	1.19	-27%
tCO2e emitted per tonne of product produced (total Scope 1, 2 and 3)	**2.07**	**1.76**	**1.63**	**1.63**	**-22%**
GHG emissions per net revenue (tCO2e/mEUR)	891	714	576	626	

* Excluding produced quantities going to inventory
** Including all quantities of product produced regardless of being sold within the year or going to inventory Volumes of products produced include Fishmeal, fish oil, feed, salmon harvested and liquid fertilizer

Context

The Energy Consumption and Ghg Emissions Table outlines the annual energy consumption and GHG emissions for Scope 1, 2 and 3 from our base year (2020) to the latest reporting year (2023). Note, our two-and-a-half-year salmon production cycle and growing variability in other products sold (oils, feed, and fish meal) means there is some variability in tonnes of product sold. Environmental data will be impacted by this, and trends will be most meaningful over a four-year period. This should be considered when comparing data.

Organisational Boundary
The selected organisational boundary for the reported Bakkafrost energy consumption and GHG emissions calculations are any business units under Bakkafrost's operational control. As of 2023, the reported energy consumption and GHG emissions are from Bakkafrost business units within the Faroe Islands, US, Scotland, Denmark, and France. We have previously reported energy consumption and GHG emissions for Bakkafrost UK site between 2019 and 2022. This site is no longer operational from 2023 but is still included within the above energy consumption and emissions table.

GHG Protocol Emissions Scopes and their relevance to Bakkafrost
The methodologies used for the carbon accounting are The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) and The GHG Protocol Corporate Value Chain (Scope 3) Standard. The below defines the GHG Protocol Emissions Scopes relevant to Bakkafrost's operations:

Scope 1 - Direct emissions result from the stationary and mobile combustion of fossil fuels (e.g. solid, liquid, or gas for heating, or creating propulsion in vessels) and refrigerant use.

Scope 2 - Electricity consumption gives rise to indirect emissions (e.g. via combustion of fossil fuels by the power company to generate energy).
- For Scope 1 and 2, the energy consumption and GHG emissions reported include full coverage of Bakkafrost operations:
- Bakkafrost Faroe Islands - broodstock, biogas production, hatcheries, farming, farming service vessels, harvesting, processing (including smokery), freshwater, and offices.
- Bakkafrost US - Processing
- Bakkafrost Scotland - all farming, harvesting, and processing operations.
- Munkebo Denmark site.
- Bakkafrost France site.
- Bakkafrost UK site (until 2022).

Scope 3 – Emissions upstream and downstream within the Bakkafrost value chain. We first quantified our indirect Scope 3 emissions for Bakkafrost Faroe Islands in 2019, and Bakkafrost Scotland in 2021. We annually review the applicability of the 15 Scope 3 categories of the GHG Protocol Corporate Standard and have included the following within our emissions calculations from 2019 to 2023:
- 3.1. Purchased Goods and Services - purchase of raw materials, feed, packaging, chemicals and services.
- 3.3. Fuel and energy-related activities – fuels well-to-tank (WTT) emissions and electricity transmission and distribution (T&D), WTT and T&D WTT emissions.
- 3.4. Upstream transportation and distribution of raw materials, feed, and packaging.
- 3.5. Waste generated in operations.
- 3.6. Business Travel.
- 3.7. Employee Commuting.
- 3.9. Downstream Transportation and Distribution of sold products. and supermarket refrigeration.
- 3.10. Processing of sold products - for sold oil and waste products as well as product going to food service and for smoking.
- 3.11. Use of sold products – customer refrigeration and food preparation.
- 3.12. End-of-life treatment of sold products.
- 3.13. Downstream leased assets – leased well-boat fuel use.

We have also re-confirmed the materiality of emissions from 3.2. Capital Goods for Bakkafrost Faroe Islands and Bakkafrost Scotland in the 2023 Scope 3 footprint, in order to be able to continue to justify its exclusion. Capital Goods emissions are not included within the reported Scope 3 figures from 2020 to 2023.

GHG reporting improvements
In 2023, we consolidated the Scope 1, 2, and 3 footprints for all Bakkafrost entities given improvements in data collection and quality of data available. This has led to a restatement of our Scope 1, 2, and 3 figures from 2020 to 2023.

From the consolidation, we now include coverage of the following emission sources within our Scope 1, 2 and 3 footprint:
- Scope 1 - Refrigerant use in operations.
- Scope 3 – Additional chemical purchases.
- Scope 3 – Fuels Well-to-tank (WTT) and electricity WTT, Transmission and Distribution (T&D) and T&D WTT throughout our value chain.
- Scope 3 – Purchased fish in Bakkafrost France.

From the GHG reporting improvements, we have seen a very small change in the reported base year, 2021 and 2022 Scope 1 and 2 emissions. In the base year Scope 1 and 2 emissions have increased by 0.58% compared with last year's report. 2021 has increased by 0.95% and 2022 has increased by 0.71%. This is primarily driven by the revision to use USA eGrid emission factors and the inclusion of emissions from refrigerant use.
We have seen a slightly bigger increase in the reported Scope 3 emissions primarily driven by the inclusion of additional emission sources, as mentioned above.

GHG Intensity KPI
From 2022, the GHG Intensity KPI now benchmarks annual Scope 1, 2, and 3 emissions against tonnes of sold product rather than salmon produced. This KPI is more representative of Bakkafrost's operations and takes account of all salmon, fish feed, fish meal, and oils sold.

Year on year changes
Based on the re-stated figures, our Scope 1 and 2 emissions have increased by 33% compared to 2022. This is driven by an increase in ship marine gas oil use within our Faroe Islands and Scotland operations, as well as fuel oil and electricity use within the Faroe Islands. More tonnes of product were sold in 2023, as such the Scope 1 and 2 GHG intensity ($kgCO_2e/kg$ of tonnes of sold product) has only increased by 15% compared to 2022.

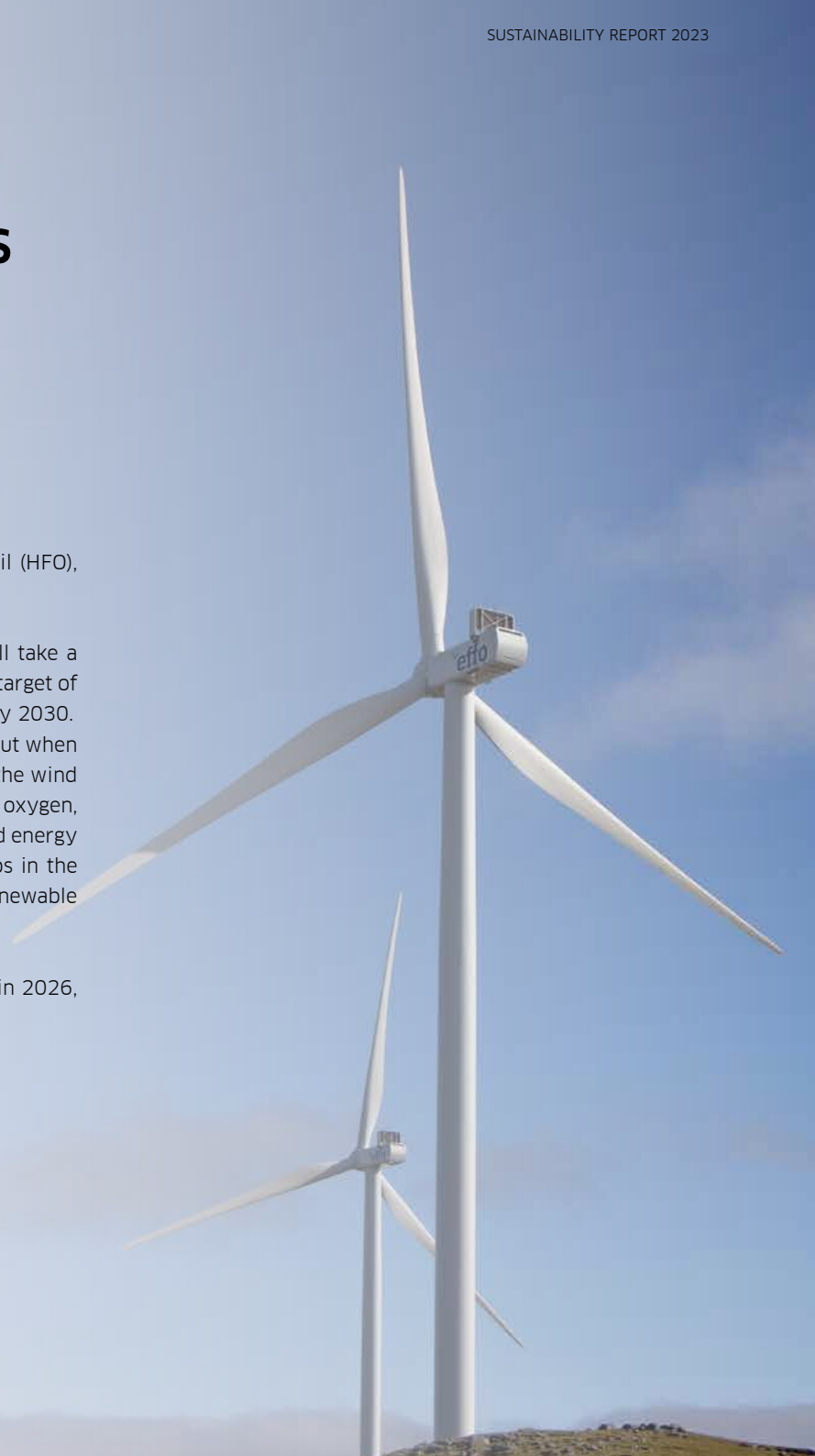
Scope 3 emissions have slightly increased in 2023 compared to 2022. This is primarily driven by an increase in fuel and energy related activities (relating to an increase in fuel and electricity use at sites and within vessels). As more tonnes of product were sold in 2023, the Scope 3 intensity compared to 2022 has reduced by 12%.

Supporting Information on emissions calculations
All figures are direct consumption reported for each business unit, multiplied by an energy conversion factor (as appropriate) and carbon emission factor per unit consumed.

All emission and conversion factors for direct emissions (Scope 1) are from BEIS GHG Conversion Factors (UK) 2023's dataset, while emission factors for electricity use (Scope 2) are based on the most recent statistical data available obtained from IEA, BEIS, eGrid, or direct from Umhvørvisstovan, the Faroe Islands Environment Agency. Scope 3 emission factors are obtained from sources including BEIS GHG Conversion Factors, EcoInvent, and relevant journal articles.

Tonnes of Carbon Dioxide equivalent (tCO_2e) 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 (CO_2), i.e. methane (CH4) and nitrous oxide (N2O).

Healthy Environment
Eysturlund – A Crucial Move Towards Reducing Our Carbon Footprint



In 2023, Bakkafrost partnered up with the Faroese energy provider Effo to launch a project involving establishing the biggest wind farm in the Faroe Islands, named 'Eysturlund'. By the end of 2026, 24 wind turbines with a capacity of 4.2 MW each will provide green energy to our feed facility Havsbrún

Bakkafrost has set ambitious near- and long-term climate targets. In 2023, the Science Based Targets initiative (SBTi) approved our near-term climate targets. This assessment validated the targets as science-based and consistent with the reductions required to keep global warming to 1.5 °C - in line with the Paris Agreement.

We acknowledge that it will be challenging to achieve the targets, but we are committed to doing our best to minimise our carbon footprint, and in 2023 an important step was taken to achieve this goal. The Faroese energy company Effo, in partnership with Bakkafrost, announced that they will launch a project to build a 100MW wind farm, which will be by far the largest wind farm in the Faroe Islands. The farm will provide 350 GWh of renewable energy annually, and it will be connected directly to our fishmeal, oil and feed facility Havsbrún.

Havsbrún is by far the most energy-intensive part of Bakkafrost's operations, and currently, the vast majority of the energy required is produced from Heavy Fuel Oil (HFO), resulting in a large carbon footprint.

With the introduction of the new wind farm, we will take a significant and vital step towards achieving our SBTi target of reducing absolute Scope 1 and 2 emissions by 50% by 2030. The project's primary goal is to generate electricity. But when there is more supply than demand, such as at night, the wind farm will also have the capacity to create hydrogen, oxygen, and heat. This allows the option of using the generated energy for other resources, such as Bakkafrost's bigger ships in the Faroe Islands, which can be adapted to use 100% renewable energy.

The Eysturlund project is expected to be completed in 2026, pending necessary approvals.

Pollution

We are committed to minimising impact on the local environment at all stages of our operations, and we invest in preventing actual and potential pollution.

At Bakkafrost, we prioritize responsible management of substances, potentially harmful to the environment, and take our responsibility seriously. Through preventive measures and ongoing monitoring, we strive to prevent pollution-related impacts.

Our approach

Our work procedures align with our environmental policy to prevent incidents and minimize air, water, and soil pollution, transitioning to more eco-friendly products where suitable. Our commitment extends to minimizing visual, noise, and odour-related pollution, and we actively seek solutions for further reductions.

Salmon farming is heavily regulated by national legislation, and all our sites comply with strict legislation and environmental standards. We are certified against ISO 14001 both in Scotland and the Faroe Islands, and the entire value chain holds the Global G.A.P certification ensuring streamlining of the risk assessment methodology applied in regard to environmental impact. These standards, including those set by ASC, guide our environmental business conduct.

We continuously perform due diligence to ensure we identify pollution-related risks and opportunities, and we are committed to mitigate any actual impacts we may have. Impacts and risks are identified through the regular screening of sites as well as during the regular update of our operational risk assessment, which covers impacts and risks on land, water, and soil.

Our sites are regularly monitored and inspected by several government and third-party certification bodies.

We are in the process of implementing our updated sustainable procurement guidelines, in which we address pollution-related topics in both our upstream and downstream value chains to ensure that our suppliers operate in a responsible manner. As part of our commitment, we purchase certified raw materials, e.g. ProTerra-certified soy, which ensures responsible handling of waste and minimising pollution. This approach supports our goal of promoting sustainability throughout our supply chain.

Performance

In 2023, we complied with all national regulations regarding the discharge of effluents to air, water and soil.

Emissions to air

We are phasing out all F-gases (fluorinated gases), and in 2023, we recorded the total usage of F-gases across the Group for the first time. In total, we purchased 265 kilograms of F-gases in 2023.

Our total emissions to air in 2023 are stated in the table below.

Emissions to air

Substance (tonnes)	2023	2022
Carbon monoxide (CO)	9.98	1.60
Nitrous oxide (N_2O)	0.35	0.77
Ammonia	0.14	0.03
Nitrogen oxides (NO_x/NO_2)	307	126

Emissions to Water

Our resolute focus remains on minimising the environmental impact of our marine operations, particularly the impact on the seabed. We monitor the impact on the seabed continuously, and in 2023, 97% of the farming frames in the Faroe Islands were scored as low/medium impact*, where no measures are needed, and in Scotland, 100% of the farming frames were scored as low/medium impact** with no requirement for actions to be taken.

All emissions to water reported in the table below relate to substances found in the salmon feed, and all substances are emitted to the ocean (no emissions to freshwater). We strive to place pens in locations with strong currents, ensuring responsible emission of substances.

We have also introduced several technological solutions in recent years to prevent or reduce impacts on the seabed, including installing automated feeding and underwater cameras at all sites, and ensuring optimal feeding monitoring. This means that feeding stops as soon as the systems records that the salmon has had the amounts of feed that it needs, significantly reducing any excessive feed delivery.

The all-time good results from the benthic monitoring prove the efficiency of our feeding strategy.

Emissions to water (of substances listed in E-PRTR)***

Substance (tonnes)	2023	2022
Total nitrogen	381	354
Total phosphorus	1,525	1,417
Copper and compounds (Cu)	0.20	0.18
Zinc and compounds (as Zn)	4.6	4.3
Chlorides (as total Cl)	37.5	39.6

*** The European Pollutant Release and Transfer Register. Emissions are reported as a calculated estimate of the substances which are emitted as faeces from the salmon after consumption of the feed.

In 2023, Bakkafrost complied with all relevant legislation and regulations.

No emissions of microplastics to the marine environment or elsewhere were reported in 2023.

Emissions to Soil
In 2023, Bakkafrost did not emit any of the pollutants listed in Annex II in E-PRTR to the soil.

Visual, noise, and smell-related pollution

Bakkafrost has been working on a project for the last few years to decrease the odour from the production at our fishmeal and oil facility Havsbrún, which continued in 2023. We expect the project to be completed in 2024. This project will significantly reduce the smell-related impact on the local environment.

We continue to optimise our operations in line with our environmental policy, which includes working towards reducing visual, noise, and odour impacts. One example is our efforts to reducing engine speed onboard our farming service vessels, which we have done for the last many years, as well as implementing electric and hybrid feed barges at our marine sites which reduces noise pollution significantly.

Examples of strategic measures taken in recent years to prevent pollution-related impacts:

Marine sites

- Continued relocation of farms in the Faroe Islands to reduce impacts on the seabed. In 2023, 97% of the farming frames in the Faroe Islands were scored as low/medium impact, where no measures are needed, and in Scotland, 100% of the farming frames were scored as low/medium impact.
- Site development programme in Scotland.
- Continued to explore new areas with optimal farming conditions.
- Continual investment in the electrification/hybridisation of barges minimising noise pollution.

Minimise usage of chemicals

- Discontinued use of copper-treated nets in 2018 in the Faroe Islands and in 2020 in Scotland. The continuous benthic monitoring has shown that the copper levels have since decreased at all sites where the level is now categorised as low impact.
- Focus on using alternatives to medicinal lice treatments, e.g. freshwater treatment and using flushing techniques. In 2022 and 2023, we significantly increased non-medicinal treatment capacity.

Fallow periods

- We continue to ensure fallow periods between production cycles to allow the seabed to regenerate. In 2023, the average fallow time between production cycles was 20 weeks in the Faroe Islands, and 17.9 weeks on average in Scotland, which is much more than what is required by national legislation.

Shorter time at sea

- We invest in expanding freshwater capacity to grow the smolts larger on land and hence ensure shorter time for growing at sea. This both reduces the biological risks as well as reducing environmental impact on the marine environment.

Monitoring

- Monitoring of the impacts on the seabed at around peak biomass to ensure sustainable utilisation of marine farm sites including sampling of benthic fauna to assess biodiversity-related impacts.
- Regular impact assessment of the organic load, copper, and zinc at cage edge and the surrounding area near the site in the Faroes.
- Monitoring of seawater quality e.g., in testing levels of oxygen, temperature and salinity.

*Using MOM-B scoring system, measured within one month of 75% of peak biomass
** Using SEPA benthic monitoring scoring system, measured within one month of 75% of peak biomass

Benthic Monitoring and Environmental Impact Assessment

We recognize biodiversity's critical role in ecosystem health. Our focus lies on areas where our operations directly impacts biodiversity. Benthic fauna plays a vital role in maintaining good ecological and biodiversity status in these areas. We comply with ASC for credible biodiversity monitoring.

As part of our Biodiversity Strategy, we perform Environmental Impact Assessments (EIA) for every new site. These are updated annually and are verified by third party audit bodies in relation to the certifications that we hold.

In the Faroes, we've implemented measures to minimize environmental impact, including relocating pens for stronger currents and better water exchange. By ensuring a healthy marine ecosystem, we promote sustainability and preserve diverse marine life. Additionally, we have stopped using copper-treated nets on our marine sites. Continuous benthic monitoring revealed reduced copper levels in the Faroe Islands, now categorized as low impact

Our focus on optimal feed composition, feeding procedures, and training, along with underwater cameras at marine sites, has improved fish health and minimized environmental impact, including benthic effects. We continue to explore new technology to support further development.

Regular environmental inspections and seabed sampling ensure sustainable practices. We employ a multi-faceted monitoring approach which provides us with a comprehensive understanding of the impact from marine farming activities on the benthic ecosystem and helps to ensure that these activities remain environmentally sustainable. Samples taken from the seabed show continuous environmental improvement following measures taken in recent years.

In the Faroe Islands, 97% of the sites are assessed as having minimal impact in the closest surrounding area of the net pens, while next to the pens all sites have been assessed to have minimum impact.

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

All Bakkafrost marine sites in the Faroes are certified against the ASC standard, and benthic inspections are carried out at peak biomass.

In 2023, the ASC marine fauna site audits verified that all the audited Bakkafrost sites in the Faroe Islands are sustainably managed.

In Scotland, we closely monitor benthic conditions when a site's biomass reaches 75% of its peak biomass during a production cycle. This practice ensures ecological and biodiversity health in our coastal ecosystems.

Our benthic monitoring follows two regulatory approaches:

- Regime Stations: These are monitored at the pen edge and allowable zone of effects (AZE) stations (including AZE-10m, AZE, and AZE+10m).
- Area-Based Approach: We use a minimum of 4 transects extending from each side of the site. Along each transect, we monitor at least 7 stations to assess "Good" ecological status. The total impact area is calculated based on transect distances.

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

Water

Our operations are intrinsically linked to water as a natural resource, and although we do not operate in areas with water stress, we take our responsibility of freshwater stewardship very seriously and actively work toward reducing our freshwater usage.

The planet faces growing water constraints as climate change causes fluctuations in supply resulting from both global drought and flooding events. Although we do not operate in areas with freshwater scarcity, no location is immune to water scarcity effects. Thus, we continue to focus on freshwater efficiency and stewardship, and we operate according to our freshwater use policy, which sets out guidelines for both limiting and efficient use of freshwater throughout our value chain.

Our approach

Freshwater is considered an important resource for Bakkafrost operations. We directly use freshwater in land-based operations in producing eggs and smolt, at fishmeal, oil, feed, and processing plants for hygiene purposes.

We indirectly use freshwater via the use of non-marine ingredients to produce fish feed. Agricultural feed raw materials are sourced from certified suppliers with full traceability, ensuring the raw materials are sourced in areas with low risk of water scarcity.

Bakkafrost feed has a high inclusion of marine raw material and a lower inclusion of non-marine ingredients compared to peers, reducing our indirect freshwater demand.

Our daily operational procedures are guided by our freshwater use policy, which outlines our commitment to treat freshwater as a valuable and limited resource. This is reflected in our investing strategy, which includes extensive investments into Recirculating Aquaculture Systems (RAS) as well as reverse osmosis equipment onboard our farming service vessels.

Reverse Osmosis (RO) equipment onboard our farming service vessels serves a crucial purpose in water purification. RO technology removes salts and impurities from seawater, creating freshwater on a daily basis.

We continuously assess the exposure of our operations to water-related risks, and we rely on the WRI Aqueduct Water Risk Atlas as a tool for our risk analysis of water-related risk exposure in both our direct operations as well as in our upstream value chain.

All our current farming regions are located in low or low-medium-risk areas.

Data capture and monitoring are essential to understand water-related risks and performance, and we are currently working to enable live reporting of freshwater use. Reports on freshwater use will be reviewed at sustainability committee meetings going forward. The CEO chairs the committee.

Targets

We have set a target to achieve over 97% water recirculation rate in hatcheries in the Faroe Islands.

The freshwater facilities are the most water-demanding in our entire operation. Thus, our focus is on minimising water withdrawals as much as possible in this part of our operations. We have identified significant benefits in implementing recirculating aquaculture systems (RAS) at our freshwater facilities in terms of minimising water demand.

The system has been implemented at all larger freshwater sites in the Faroe Islands and at our newly expanded

freshwater facility Applecross in Scotland, reducing water demand significantly compared to previous demand.

Performance

Water recirculation rate in hatcheries in the Faroe Islands was 99,1% in 2023.

In Scotland at our Applecross RAS site it is 94%.
In 2023, Bakkafrost's total freshwater withdrawals amounted to 14,581,655 m^3 from 15,030,154 in 2022.
Freshwater consumption (understood as water withdrawn, which is not discharged again to the environment) amounted to 184,343 m^3.

Total water consumption in areas at water risk, including areas of high-water stress, was 0 m^3, as we only operate in areas assessed to be exposed to a low or low-medium overall water risk according to the WRI Aqueduct tool.

99.1% of all water used by hatcheries in the Faroe Islands was recycled, from 98.7% in 2022.

At Applecross, the recirculation rate was 94% in 2023 which was the same in 2022.

In 2023, water-related CAPEX amounted to 51.5 mDKK from 26.9 mDKK in 2022. This included, e.g. expansions of sites, new pipes and the purchase of equipment for freshwater treatment.

Water-related OPEX amounted to 1.25 mDKK in 2023 from 2.2 mDKK in 2022. This covers, expenses for rentals of land for water-related activities (such as freshwater facilities) and replacement of drains and pipes.

Our feed facility at Havsbrún uses various agri-commodities to produce feed, and in 2023, 90% of purchased commodities for feed production (excluding marine resources) were sourced from areas categorised either as low or low-medium in terms of overall water stress (based on country-level data)*.

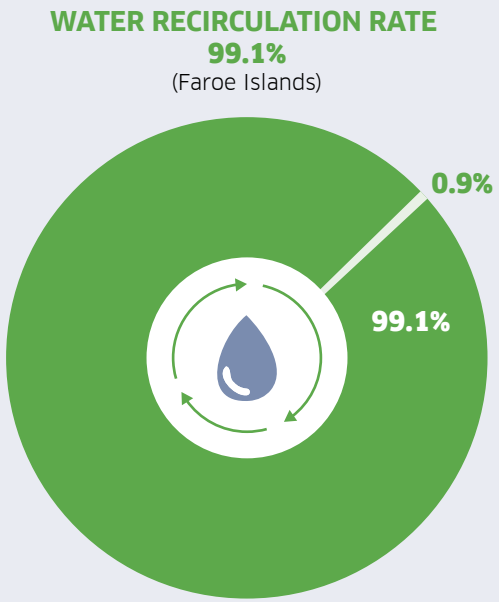
Water reduction initiatives

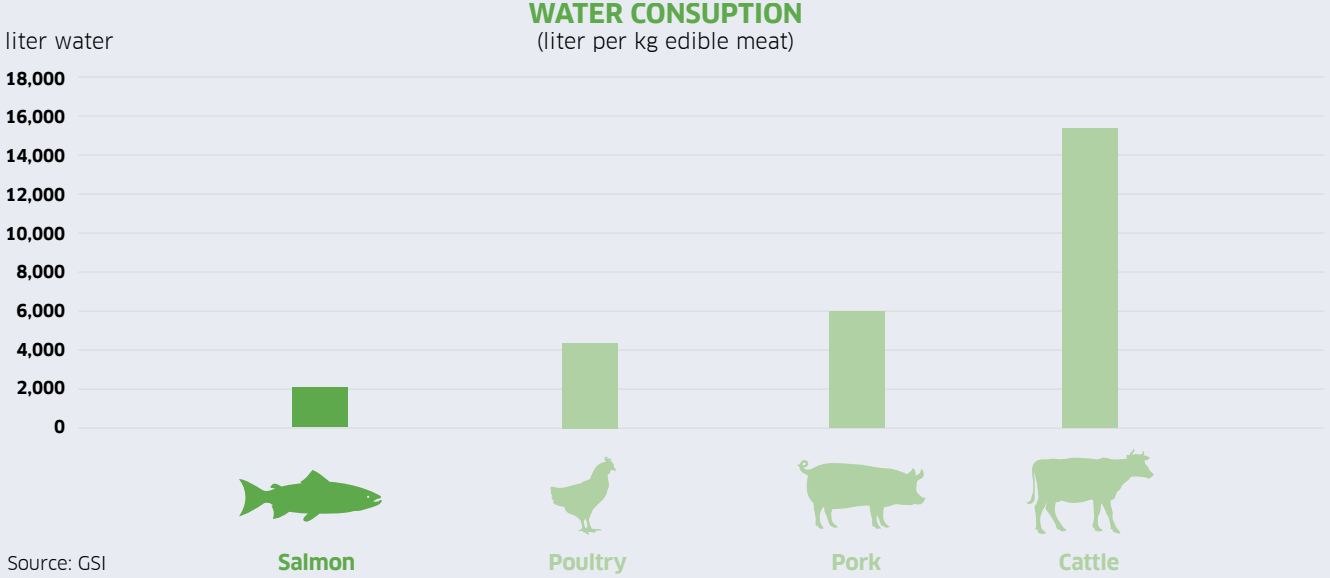
Installing recirculating aquaculture systems (RAS) at our freshwater facilities is a fundamental part of our strategy and our investment plans, and this has already significantly reduced our demand for freshwater.

In terms of water accounting, we further built on the progress made in 2022, and for the first time, we submitted a full disclosure for CDP Water in 2023 and were given a score of B. While preparing the CDP Water disclosure, we streamlined and did quality checks of water-related data capture, and we expect to have live data on water withdrawals, consumption, discharge, and other parameters in 2024. This will be a vital step in achieving water reductions as we believe that you cannot manage what you do not measure.

In 2023, we continued to engage with our suppliers on sustainability topics through meetings and on our supplier day. The topics addressed include water. We especially focus on engaging with suppliers of water-intensive commodities such as soy protein concentrate for feed production. Our feed

* Previous year's figure is restated due to improved data capture





policy actively considers water use and scarcity, ensuring responsible practices across our supply chain.
We are also working on establishing more robust water reporting processes covering our sourcing of raw materials, and we plan to advance the use of data-driven procurement processes going forward.

Management of water-related risks

In 2023, we carried out an extended assessment to identify risks within our own operations and our supply chain with the potential to have a substantial financial impact on our business.

We identified that our feed facility at Havsbrún is the only site within our own operations exposed to water risk that may have a significant financial impact on the business due to the production of feed, which consists of a significant portion of water-intense agri-commodities such as soy, wheat, and rapeseed. A shortage in the supply of these products would significantly impact the business and our feed strategy, eventually pushing for alternative compositions.

In 2023, we responded to this risk through a project of trialling alternative compositions. For example, we trialled algae oil and insect meal.

In general, commodities for feed production are the elements within our business which are the most exposed to water-related risks, including water scarcity. In future climate scenarios, regulation on the sourcing of agri-commodities may be introduced as well as other potential supply-side challenges from increased physical risk (e.g. water stress, ocean acidification). This could increase the price of these commodities and affect the business's operating costs.

Biodiversity

We recognise the importance of all species and our responsibility to be custodians of the natural environment in which we operate, including ensuring future biodiversity. We work to minimise our impact and have set ambitious targets to have net-positive impact on our surroundings

There is rich biodiversity and abundant bird and marine life in our farming locations, and it is important to maintain the natural environment around our farming sites across fjords and lochs. This extends to respecting biodiversity beyond our immediate environment.

Through our long vertically integrated value chain, we have a unique opportunity to control the impact of salmon farming, from fishmeal production and farming to processing and transportation.

Our approach

In our pursuit of becoming a leader in sustainability, it is of the utmost importance that we live up to our commitments. We have adopted the approach of acting proactively.

Biodiversity is a vital issue as we face a fast decline in the number of animals and plants, and we are committed to avoiding possible harmful effects that our activities could cause to the nearby environment. Our goal is to help create healthy ecosystems in the regions where we work.

We are committed to the long-term goals for 2050 set by the Kumming-Montreal Global Biodiversity Framework, as well as the 23 action oriented global targets for urgent action over the decade to 2030.

Our board has the overall responsibility for managing biodiversity-related impacts, risks, and opportunities. The responsibility of identifying, assessing and managing material biodiversity-related issues is delegated to the Department for Quality, Environment, Safety, and Health (QESH).

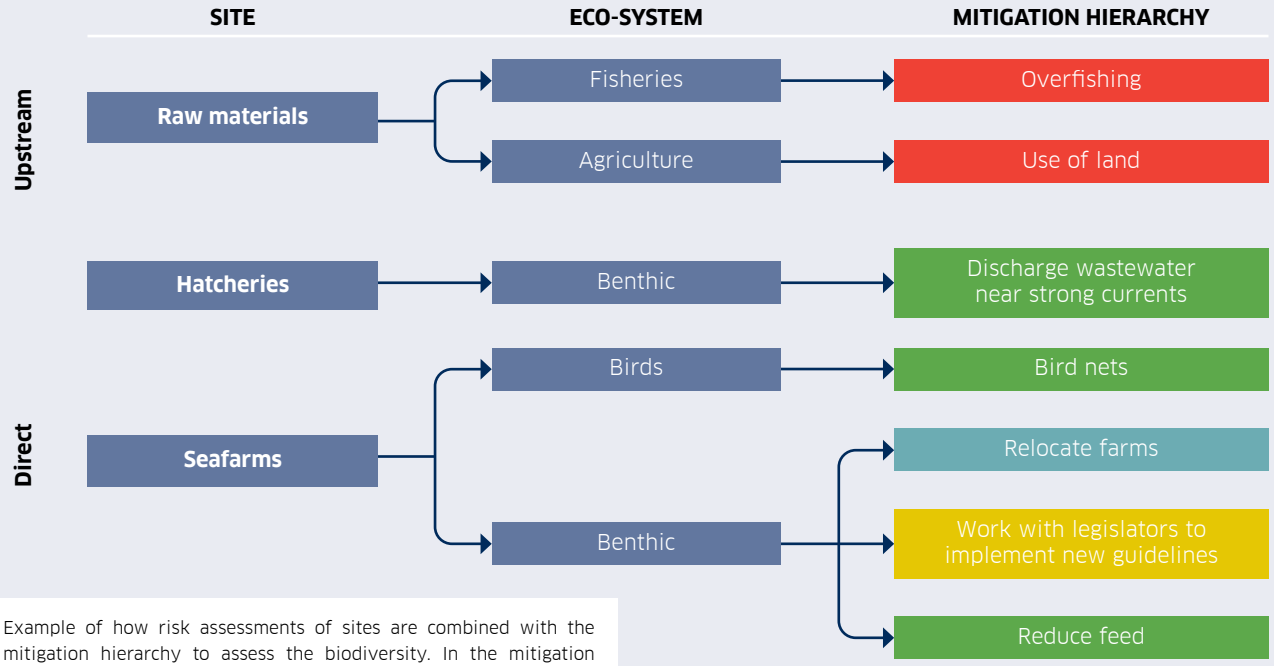
We acknowledge the potential impact and risks of our operations on biodiversity. These include the raw materials we use, which may be influenced by stricter regulations and land use. Our hatchery activity affects water release, while marine operations can interact with both marine and land-based wildlife, as well as impacting the seabed beneath our farming pens.

Due diligence and monitoring processes are in place to ensure that impacts and risks are identified, properly, and managed in a timely manner. This includes regularly monitoring and assessing the benthic environment and marine wildlife beneath the farming pens by taking samples of the seabed, monitoring the quality of discharged effluent water from the hatcheries, and sourcing raw materials from certified suppliers.

We have adopted the approach of applying the guidelines set by SBTN and TFND. This includes using the LEAP and 5-step assessment using the mitigation hierarchy principle in our decision-making process regarding biodiversity-related topics. This framework allows us to prioritise actions that avoid harm to the environment, reduce our ecological impact, restore degraded sites, and collaborate with partners to transform new areas into healthy ecosystems.

Below you can find descriptions of the approach we have adopted for each area of impact that has been identified.

EXAMPLE OF OUR BIODIVERSITY METHODOLOGY BASED ON THE MITIGATION HIERARCHY



Example of how risk assessments of sites are combined with the mitigation hierarchy to assess the biodiversity. In the mitigation hierarchy the red colour is avoid, green is reduce, blue is restore, and yellow is transform.

Benthic biodiversity

At Bakkafrost, we understand the critical role that biodiversity plays in maintaining the overall health and resilience of ecosystems. While we acknowledge the importance of preserving biodiversity across all ecosystems, we prioritize areas where our operations can directly impact this delicate balance.

Benthic fauna plays an important role in preserving healthy ecological and biodiversity conditions in these regions. To ensure credible biodiversity monitoring, we fully comply with the Aquaculture Stewardship Council (ASC). This commitment ensures that we monitor our areas diligently, especially during peak biomass periods, to gather the most accurate and comprehensive data.

Our approach to monitoring is multifaceted, allowing us to gain a comprehensive understanding of how our marine farming activities impact the benthic ecosystem. By doing so, we strive to maintain an environmentally sustainable balance while safeguarding the delicate web of life beneath the waves.

Wildlife

We have committed to minimising the impact on the biodiversity in our local environment at all stages of the value chain. Our aim is to create a sustainable seafood industry that operates in harmony with the ocean and its inhabitants. Bakkafrost is committed to preserving biodiversity in the marine ecosystem and understand the importance of protecting the delicate balance of species in the ocean. This is why we have a strict zero-tolerance policy for fish escapes, and have invested substantially in containment measures to minimise the risk of any potential escape.

Our commitment to preservation goes beyond mere compliance, as we believe that proactive measures are necessary to ensure the long-term health of the marine environment. We conduct regular inspections and employ cutting-edge technology to detect and identify any potential threats early on.

Elements that inform our biodiversity approach

Our biodiversity approach is informed by several commitments, standards, and targets. Below is a description of the different elements that inform our strategy within the area of biodiversity.

UN: We have pledged to protect the health of our oceans as part of the UN Sustainable Ocean Principles. We are committing to take actions to prevent pollution affecting the ocean, reduce greenhouse gas emissions in our operations, to prevent ocean warming and acidification, and work towards a circular economy.

SDG 14: We aim to work towards the attainment of Sustainable Development Goal 14 (Life Below Water), which is dedicated to preserving and responsibly utilizing oceans, seas, and marine resources to support sustainable development and safeguard these vital ecosystems.

SDG 15: Our goal is to contribute to the attainment of Sustainable Development Goal 15 (Life on Land), which seeks to safeguard, rehabilitate, and promote the sustainable utilization of terrestrial ecosystems, effectively manage forests, combat desertification, prevent land degradation, and cease and reverse biodiversity depletion.

Proactive: Our commitment to preservation goes beyond mere compliance, as we believe that proactive measures are necessary to ensure the long-term health of the marine and terrestrial environment

ASC: Sustainable farming is a critical component in maintaining good ecological and biodiversity status in our areas. Therefore, we adhere to the standards set by fully comply with the Aquaculture Stewardship Council to ensure credible biodiversity monitoring in our areas.

Compliance: Zero non-compliance with environmental laws and regulations and continue to cooperate with authorities to ensure our environmental impact is minimised.

Partnering with interest groups: We are collaborating with partners and industry experts to obtain cutting-edge technology and biodiversity-related knowledge. We currently have multiple ongoing projects, while other initiatives are still in the early stages of development.

New farming areas: We are always looking into opportunities of moving farms to more exposed areas, supporting our goal to reduce the environmental impact. The water exchange is often better in areas with strong currents which reduces the risk of impact on the seabed. We are also committed to avoiding operating in eco-sensitive and protected areas.

eDNA: We are committed to improving knowledge on biodiversity, and we continue to work with eDNA analysis of biodiversity to gain a better understanding of the ecosystems.

In addition, we recognize the vital role that birds play inmaintaining healthy ecosystems, and we are dedicated to preserving their populations and habitats by ensuring zero bird fatalities from our farms.

Freshwater

Our environment faces growing water constrains as freshwater reservoirs dry up. Although we do not operate in areas that are currently experiencing freshwater scarcity, we recognise the importance of preserving and protecting the ecosystems that exist in our surroundings. For this purpose, our Freshwater Use Policy provides clear guidance on how to minimise and use freshwater effectively across our value chain, so as to lower the effect that our operations have on the environment and its inhabitants. To ensure that our operations are sustainable, we take a holistic approach to freshwater management, including identifying ways to reduce our overall water usage and seeking out alternative sources of water where possible.

Sustainable fish feed

We believe it is imperative that companies take steps to protect and preserve biodiversity in all their operations, including the sourcing of marine and plant materials. By ensuring all our suppliers are individually and continuously assessed against the company's Sustainable Feed Policy, we are taking a proactive approach to ensuring that the raw materials used in production of fish feed are sourced in a responsible and sustainable manner.

Targets

Our goal for biodiversity is to achieve a positive environmental impact in the places we work. However, we are still working on setting a baseline that includes internationally recognised ecological thresholds.

We hope to get our goals approved as science-based goals through the Science Based Targets initiative for Nature (SBTN). As we work on setting science-based targets for biodiversity, we also plan to create a reliable baseline, which we will use to track and report our progress.

Creating a baseline is also crucial to set more specific biodiversity-related targets in areas where we have a material impact.

In addition to our biodiversity goal, we have a zero-tolerance policy regarding fish escapes, marine mammal fatalities and bird fatalities, and we are committed to ensuring that our sites are fully compliant with benthic fauna requirements set by national legislation and/or third-party certifications such as ASC.

Performance

To achieve a net-positive impact, we need to first identify our starting point. In 2023, we further worked on establishing a benchmark for our biodiversity-related impact.

Bakkafrost invests substantially in upgrading the nets across all our sites. These new nets are more resistant to damage from weather and possible predator attacks. In addition, divers and ROVs inspect the nets regularly.

In 2023, we had an unfortunate incident of extreme weather that damaged a fish farm located in the southernmost island in the Faroe Islands, leading to 251,344 fish escaping their cages.

Bakkafrost has cooperated fully with veterinary, environmental, and statutory authorities regarding this incident and has further improved the structural equipment at the site for the future.

All of our ASC certified sites were 100% in compliance with ASC benthic biodiversity during 2023. In addition, our sites fully comply with national benthic legislation. Our fallow period in the Faroes was 20.08 weeks, while in Scotland it was 17.9 weeks. Longer fallow periods ensure the recovery of the benthic biodiversity between farming cycles.

In 2023, the weighted average of accidental bird mortalities across all our sites amounted to 0.4 in the Faroe Islands, and in Scotland the weighted average was 0.28.

We had zero intentional bird fatalities in 2023.

We had zero mammal mortalities across all our sites in 2023.

With our biogas plant FÖRKA producing biogas from animal manure, we continue to reduce the amounts of organic content of fertilizer which is spread out on Faroese farmland. This lowers the risk of organic pollution of rivers and lakes and reduces the impact on the trout population and sensitive aquatic species which occupy these habitats.

Resource Use & Circular Economy

Humanity currently uses more resources from nature than what the Earth can provide. Therefore, using resources wisely is very important.

As a producer of salmon and fishmeal, we are committed to resource efficiency. Our holistic approach includes reducing virgin materials, promoting reusability, and implementing circular solutions. Ultimately, we aim for a net-positive impact on resource use.

Our approach

Resource use and circular economy is assessed to be a material topic for the business, and we are committed to resource-related action, allocating resources to the implementation of these initiatives as well as providing transparent reporting on our resource management performance.

Our Corporate Responsibility and Sustainability Policy outlines our overall approach to sustainability, including our commitment to employ a sustainable approach to the use and management of natural resources.

We apply the mitigation hierarchy as our approach to resource use. In our context, this means that we seek to avoid resource use where we can, and we strive to minimise the usage of materials in our industrial processes, including reducing packaging and implementing the use of non-virgin material.

Bakkafrost's material inflows based on volumes are primarily marine- and agri-commodities used for feed production. Other material resource inflow categories, as identified in our risk framework, include salmon (eggs and smolt), substances, water, and energy.

Material outflows of the business include products (including packaging), discharges to water, waste, emissions to air, and visual, noise, and smell.

We are committed to measuring our resource inflows and outflows, and our reporting currently covers our most material raw material use as well as packaging and waste impacts. We will continue to focus on resource-related data capture going forward.

Targets

Resource efficiency is a topic which we have been working on for quite some time. We have set a target for and worked on reducing the environmental impact of packaging for the last few years. For example, we have employed a strategy to optimise our plastic consumption by using thinner wrapping for products, and we have been exploring novel solutions for more eco-friendly packaging.

We have also set a target to investigate innovative waste streams for our biogas plant and have made substantial progress, introducing new types of waste to be used for the generation of electricity and district heating.

We use large quantities of agri-commodities for the production of feed, and we take our role as stewards of these natural resources very seriously. First and foremost, we target this through responsible procurement, but also by reducing the demand for feed as much as possible in our own operations, which is reflected in our target to optimise our feed strategy to maintain industry-leading feed conversion ratio (FCR).

PERFORMANCE

Resource inflow

In 2023, 17% of resource inflows for packaging consisted of reused or recycled material. To reduce the demand for virgin materials, we continuously increase the proportion of reused or recycled material in our resource inflow.

We have experimented with different kinds of monoplastic packaging in the past few years to allow our customers to recycle all our packaging. However, finding packaging that can handle the high amount of moisture/water in salmon without affecting the packaging quality has been difficult. We will, however, continue to explore and trial solutions to enable our customers to recycle all our packaging.

Our fishmeal and oil facility Havsbrún, which is the most resource-demanding part of our value chain, saw an all-time high sourcing of marine raw material in 2023, amounting to 467,100 tonnes. This resulted in a significant increase in the amount of fishmeal produced, from 65,395 tonnes in 2022 to 101,976 tonnes in 2023, and also an increase in fishmeal sold externally, from 34,667 tonnes in 2022 to 63,063 tonnes, as the volumes sourced exceeded the demand in our own operations by far.

A vital part of the ingredients for feed production is marine trimmings and offcuts, and our strategy is to source as much of the available quantities as possible in the Faroe Islands.

In 2023, 51% of the fishmeal and 81% of the fish oil included in our feed were derived from fish trimmings. The species used are all responsibly caught in well-regulated fisheries.

Other feed ingredients sourced, including soy protein concentrate, wheat and rapeseed oil, amounted to 82,192 tonnes from 97,365 in 2022.

We are committed to researching novel ingredients, and in 2023 for the first time, Havsbrún used algae oil and insect meal as an alternative ingredient.

To minimise the demand for raw materials, we work to lower the feed conversion ratio (FCR) as much as possible, defined as the quantity of feed required to produce 1 kg of salmon. In the Faroe Islands, the biological FCR for 2023 was 1.096 and in Scotland, it was 1.18.

.

We work according to our feeding strategy, and we have fitted all sites with underwater cameras to assist with feeding strategy and optimise feeding. Alarms are sounded if pellets start to fall too far, alerting the feed technician to stop feeding. The installation at the last marine site was completed in November 2023. This both reduces the demand for raw materials as well as it minimises the impact on the seabed.

Resource outflow

For resource outflow, we saw a decrease of 25% in the total packaging weight, primarily due to reduced production activity in 2023 compared to previous years.

84% of the materials in our resource outflow consisted of recyclable content.

Waste

We are committed to reducing the amount of waste generated in our operations and ensuring that as much of the waste as possible is reused or recycled.

In 2023, the total amount of waste generated was 25,002 tonnes, which is a decrease of 1% from 2022.

17,913 tonnes were diverted from disposal, corresponding to 72% of our total waste.

The total amount of waste directed to disposal in 2023 amounted to 7,089.

The total amount of hazardous waste generated in 2023 was 230 tonnes, a decrease by 10% from 2022.

Biogas

Our award-winning biogas facility in the Faroe Islands, FÖRKA, sources waste products from our farms and other salmon farmers as well as from cattle manure from dairy farmers to produce renewable energy. In 2023, FÖRKA delivered 4,036 MWh of electricity to the Faroese grid from 6,113 MWh in 2022 and 2,948 MWh of district heating in 2023 from 3,893 MWh in 2022. Total production in 2023 was 11,404 MWh of energy compared to 15,284 MWh in 2022

FÖRKA faced difficulties during 2023 with low operations from March to November due to technical challenges

Circular economy initiatives

2023 marked the year when our biogas facility, FÖRKA, started to receive food waste from the Faroese National Hospital in Tórshavn as well as from other major stakeholders such as hotels and wholesales. The project results from a cooperation between Tórshavn municipality, the National Hospital of the Faroe Islands, Hotel Hilton, Hotel Brandan, Poul Michelsen, and FK retail and wholesale. You can read more about the project in the case story.

In 2023, FÖRKA was granted financial support from the Nordic Energy Research to explore the potential of producing liquified biomethane from the CO_2 that is present in the biogas by adding hydrogen to liquify the methane. Biomethane is increasingly used as an alternative fuel for heavy transport, including semi-trucks, and due to its very low carbon emissions, biomethane is seen as an important step towards significantly reducing carbon emissions within the transportation sector. The solution also supports a circular economy.

2023 saw further progress at our Applecross freshwater facility as the development approaches completion on schedule. Several circular solutions are integrated into the site.

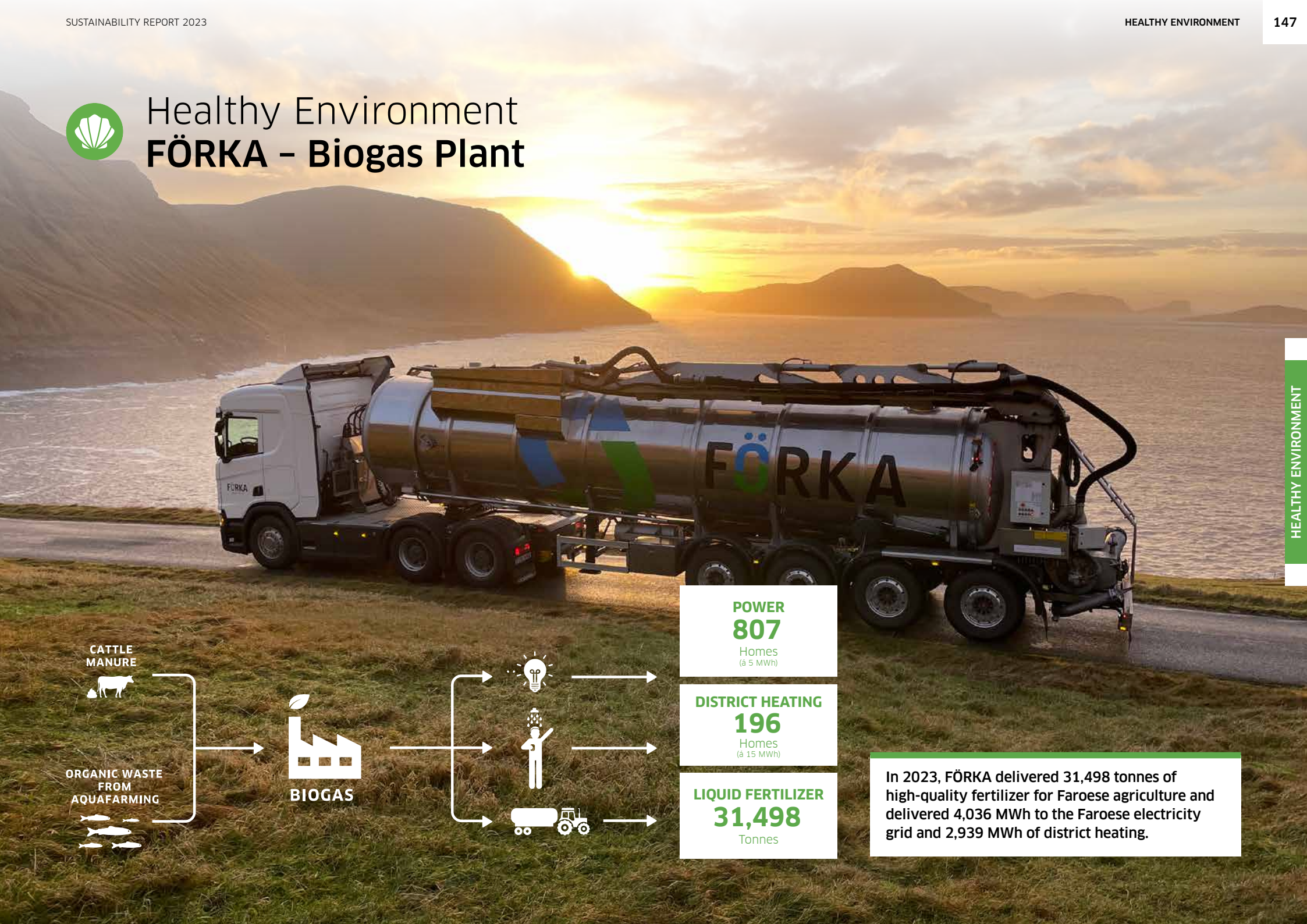
Bakkafrost Scotland has continued to be part of the WRAP & IGD Food Waste Reduction Roadmap as part of our commitment to food waste reduction in Scotland. In 2023, we reported the 2022 food waste figures as 5.48% of tonnes of salmon produced from 8.15% in 2021. Food waste associated with salmon production includes material that has come in contact with the floor, filtrate material from water treatment, mortalities and unsold spoilt stock.

We aim to optimise resource use across our value chain. For example, we use leftovers from the production at our processing plants to produce salmon meal and oil for use in the pet food industry. In 2023, we produced 276 tonnes of salmon meal, and 462 tonnes of salmon oil.

We continuously look for opportunities to reuse and recycle material and assets in our operations. For example, we continuously refurbish catamaran workboats as well as feed barges, prolonging the lifespan of the material.

Another example of the employment of circular solutions is that we are diverting used nets from disposal to preparation for reuse. The material is then used to produce various new products, for example carpets.

Healthy Environment
FÖRKA – Biogas Plant



POWER
807
Homes
(á 5 MWh)

DISTRICT HEATING
196
Homes
(á 15 MWh)

LIQUID FERTILIZER
31,498
Tonnes

In 2023, FÖRKA delivered 31,498 tonnes of high-quality fertilizer for Faroese agriculture and delivered 4,036 MWh to the Faroese electricity grid and 2,939 MWh of district heating.

Healthy Environment
Recycling Food Waste for the Production of Renewable Energy

In 2023, FÖRKA started receiving food waste from major food producers and distributors in Tórshavn municipality, contributing significantly to a transition towards a circular economy

As noted elsewhere in the report, a new groundbreaking cooperation between Bakkafrost's biogas plant FÖRKA, local authorities, hotels, wholesale companies and the National Hospital ensures that food waste is transformed into energy production.

The kitchen at the National Hospital is among the major food producers in the Faroe Islands.

The kitchen prepares around 300 meals every day for patients, staff, and others who drop by to buy meals. Additionally, about 100 people get their meals from the salad bar at the hospital every day.

In a recent development, the National Hospital has collaborated with the Tórshavn Municipality to transfer food production to the FÖRKA biogas plant owned by Bakkafrost. The plant has facilities to receive food, convert it into electricity, heat, and compost.

At the National Hospital, new workflows have been implemented and waste separation has been initiated. The kitchen has acquired a special grinder for the purpose - grinding food waste before it is collected in bins. The Tórshavn Municipality empties the bins at regular intervals and transports the food waste to FÖRKA.

> „This initiative is excellent and we are proud of setting a precedent for others. Before FÖRKA became a reality, we at the hospital pushed for a circular solution for our food waste, but unfortunately, the infrastructure was not in place. Now, all the right collaborators have joined forces and everything is in line for this project to flourish and create excellent circular solutions for the Faroese society“

Gudna á Rógvi Johansen, kitchen chef at the National Hospital.

Can salmon waste be used to grow potatoes?

Scan the QR code and find the answer:

Salmon – One of the Most Eco-efficient Proteins

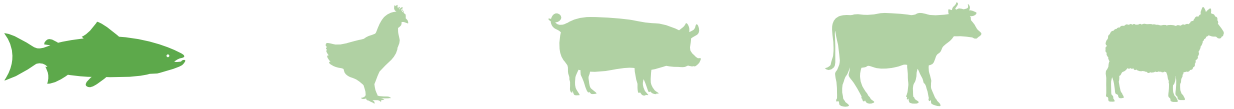
Approximately 25% of greenhouse gas emissions originate from our food choices, making it crucial to take action. In northern Europe, each of us individually contributes an average of 3 tonnes of carbon per year through the food and beverages we consume equivalent to 8.2 kg per day. So, how can we reduce this impact?

Choosing our diet wisely plays a significant role. Opting for salmon, chicken, or pork over beef or lamb can significantly lower our carbon footprint. Let's explore why the salmon industry stands out.

Among the five major sources of animal protein, the salmon industry boasts the lowest carbon footprint. By switching from beef to salmon, you can reduce your carbon footprint related to animal protein consumption by up to 85%.

EDIBLE MEAT PR KG FEED

Calculated with avg. FCR of 1.3. Bakkafrost Faroes FCR (2023) was 1.096



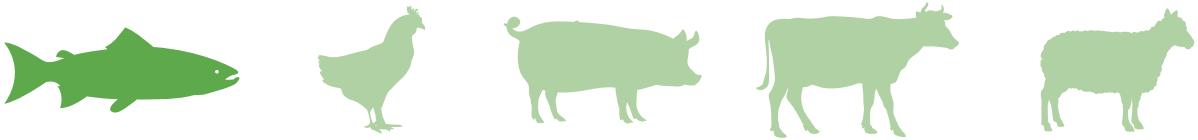
68%	46%	52%	No data	38%
Farmed Atlantic Salmon	Poultry	Pork	Cattle	Lamb

These calculations take into account differences in FCR, edible yields and the cost of progeny.

Source: Global Salmon Initative, Bakkafrost

SALMON FARMING | CARBON FOOTPRINT

KG CO_2e PER KG PRODUCT



3.24	3.52	3.44	23.92	21.00
Farmed Atlantic Salmon	Poultry	Pork	Cattle	Lamb

CO_2e is calculated by multiplying the emissions of each of the six greenhouse gases (CO_2, CH_4, N_2O, HFCs, PFCs and SF_6) by its 100-year global warming potential (GWP) Source: WWF Sverige & Carboncloud

When we consider the land area needed to produce 100g of edible protein, pork, chicken, and salmon have the lowest demand on land. However, salmon stands out due to its remarkable efficiency in converting feed to edible meat. With 100 kg of feed, you get 68 kg of salmon meat, far more than other animal species.

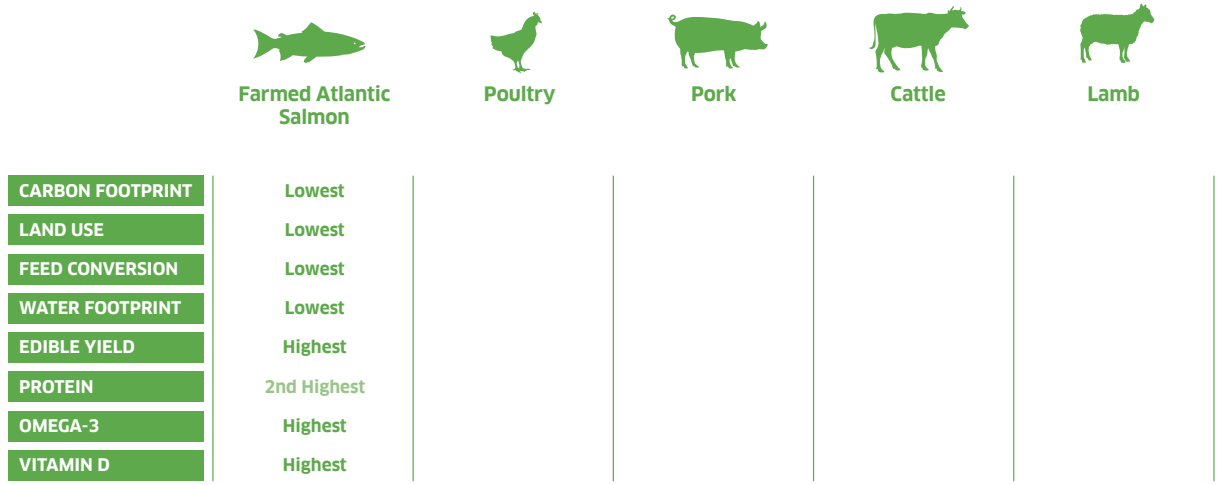
Beyond its low carbon footprint, Bakkafrost salmon is a healthy protein source. A 125g portion of salmon meets the recommended daily intake of Omega-3 and Vitamin D.

On several of these parameters, Bakkafrost salmon performs better than the industry average. In summary, Bakkafrost salmon is a highly resource-efficient and sustainable protein source that benefits both our health and the environment

LAND AREA NEEDED TO PRODUCE 100G OF EDIBLE PROTEIN

Source: GSI

FARMED SALMON IS A VERY RESSOURCE EFFICIENT SOURCE OF HEALTHY PROTEINS



WHAT'S NEXT?

Climate action

- Improve logistics with our new cargo plane, which lowers transportation distances. Operations are expected to start in early 2024.
- Change Havsbrún's power source to green energy from new wind farm
- Investigate opportunities for energy efficiency through the implementation of artificial intelligence
- Electrify 100% of feed barges in the Faroes, and ensure that 100% of feed barges in Scotland are either powered by electricity or hybrid technology

Water

- Further shift smolt production in Scotland from water-demanding 'flow-through' facilities to RAS facilities, reducing the demand for water.
- Advance water reporting, including optimising data capture as well as strengthening the quality of the reported data
- Continue and increase focus on supplier engagement on water-related topics such as water intensity

Biodiversity

- We will examine the hydrozoan population at our farming sites in 2024. There is currently very limited information on the kinds of species that inhabit the Faroese fjords.
- We are working on implementing the guidelines set by TNFD. We will embed the guidelines in our decision-making processes as well as providing a heat map of our value chain.
- Establish a baseline for biodiversity to become net-positive.
- Achieve 100% ASC certification across all sites in Scotland.
- As part of our expansion of the production facility at Havsbrún, a new system will be in place which will reduce the local noise pollution. Furthermore, we intend to supply our feed barges with electric power from land. This is an ongoing project

Resource use & circular economy

- Implement action plans to achieve updated and strengthened targets
- Initiative to improve waste management at our processing site at Glyvrar
- Run trials of alternatives to EPS boxes along with FarCargo commencing operations
- Ongoing trials to introduce monoplastic for packaging

Sustainable Fish Feed – Havsbrún

A secure supply of high-quality feed is crucial to ensuring healthy, nutritious, world-class salmon, and the long-term sustainable growth of our business. We are committed to transparent, responsible, and sustainable sourcing of feed ingredients.

Our approach

Our salmon feed has a high content of marine ingredients, and we are committed to responsible sourcing of raw materials, production of fishmeal, fish oil, and feed at our FOF segment (Fishmeal, oil and feed) Havsbrún.

Our responsible sourcing practices bring positive social and environmental impacts to our communities. We have an open and transparent relationship with our marine ingredient suppliers. Fish caught in our nearby water not only employs the Faroese community, but it also reduces unnecessary carbon emissions from imported raw materials. Our water and land footprint would be increased if marine ingredients were replaced with plant material as there is no production of plant protein in the Faroe Islands.

We continually review the high inclusion of marine raw material in our feed, monitoring potential implications for migrating North Atlantic fish stocks. To mitigate these risks, we continue to include the use of trimmings*. We source off-cuts from pelagic fish factories in the Faroe Islands and we source as many trimmings as possible. Trimmings which are used for the production of fish meals derive solely from responsibly caught marine raw material. In recent years, processing plants for pelagic species have been built in the Faroe Islands, increasing access to trimmings from this production.

Fish byproducts, which are utilised equal to 51% of the fishmeal and 81% of the fish oil ingredients used in our feeds

*According to the ASC standard version, trimmings are defined as by-products when fish are processed for human consumption or if whole fish is rejected for use of human consumption because the quality at the time of landing does not meet official regulations with regard to fish suitable for human consumption.
ASC Salmon Standard, Version 1.4, February 2023

Trimming Strategy for Sustainable Feed Production

At Bakkafrost, our trimmings strategy is rooted in sustainability and local sourcing. We buy and procure all available trimmings from pelagic factory's within the Faroe Islands, aligning with our commitment to responsible practices.

Sourcing and Dependence on Fisheries

The availability of trimmings hinges on the thriving fisheries around the islands and nearby waters. As these fisheries flourish, we can access high-quality marine raw materials for our feed production. The variation in the percentage of inclusion of trimmings from year to year is directly linked to the fluctuating availability of trimmings, which, in turn, depends on the state of local fisheries/quotas.

Responsible Utilization

Havsbrún exclusively utilizes trimmings derived from responsibly caught marine resources. These trimmings are the byproduct of fish production for human consumption.

In summary, our trimmings strategy ensures sustainable sourcing, responsible utilization, and a positive impact on both our environment and the local fishing industry.

Feed conversion

We remain focused on keeping this figure as low as possible through our feed development strategy. A low feed conversion ratio depicts an efficient use of feed resources.

Method

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

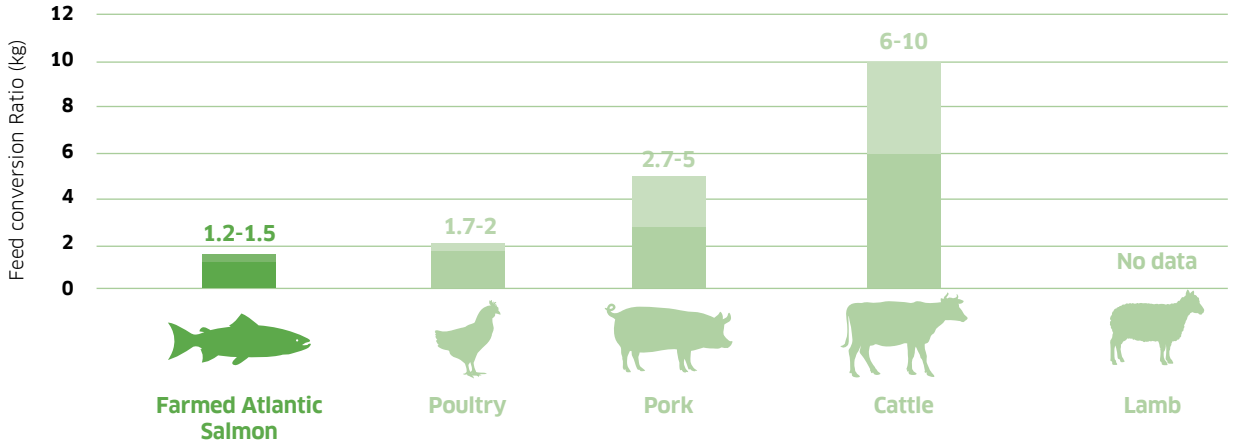
A bFCR of 1.096 means that our salmon gained 1 kilogram of weight for every 1.096 kilogram of feed consumed. The lower the FCR, the more efficient salmon are in converting feed into food.

We also measure the eFCR (the economic feed conversion ratio) where mortality is included in the measurement, the focus moving forward is to reduce this.

FCR improvement

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

FEED CONVERSION RATIO (FCR)



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

HISTORIC bFCR FAROE ISLANDS AND SCOTLAND

Year	FO	SCT
2019	1.11	-
2020	1.08	1.18
2021	1.06	1.21
2022	1.06	1.26
2023	1.096	1.18

Healthy feed

Medicine and hormone-Free Feed
Our feed is thoroughly crafted to be free from any medications and growth-promoting hormones.

Salmon Meal and Residuals.
Our feed contains no salmon meal or residuals from other farmed species. We maintain strict quality control to ensure purity.

Ethoxyquin-Free.
All fishmeal and fish oil used in our feed is ethoxyquin-free.

Environmental Purity.
To safeguard against environmental pollutants, we employ carbon filtering. This process effectively removes dioxins and DL-PCBs from fish oil, even though it already falls within the EU safety limits.

At every step, we strive for optimal performance while upholding the highest standards of safety and sustainability.

Targets

- Continue research into sustainable feed ingredients.
- Investigate new sustainable marine source for fishmeal.
- Optimise feed strategy to maintain industry leading FCR.

Performance

In 2023, 51% of the fishmeal and 81% of the fish oil included in our feed was derived from fish trimmings. The species used are all responsibly caught in well-regulated fisheries.

HISTORIC USE OF TRIMMINGS

Year	% in Fishmeal	% in Fish oil
2023	51%	81%
2022	48%	72%
2021	32%	73%
2020	32%	66%
2019	31%	55%

Free from

Our feed remains free from medicine, growth-promoting hormones, and any salmon meal or residuals from any other farmed species. All fishmeal and fish oil used in the feed is free from ethoxyquin.

We use carbon filtering to decontaminate environmental pollutants like dioxins and DL-PCBs from fish oil despite it being within EU safety limits

Feed conversion

Our biological feed conversion (bFCR) in the Faroe Islands remains low at 1.096 in 2023. In Scotland, it was 1.18 in 2023 and we are striving to reduce this.

In 2023, the eFCR in the Faroe Islands was low at 1.20. The biological challenges in Scotland during 2023 are reflected in the eFCR for Scotland, which increased in 2023 to 1.41 from 1.26 in 2022.

Sustainable Sourcing

In 2023, 100% of our plant proteins and oil and all marine raw materials complied with our Sustainable Feed Policy.

In 2023 all plant proteins and oils:

- Non-GMO
- Soybeans (Certified Pro-Terra, Europe Soya or similar)
- No use of palm oil
- Not produced in areas threatened by deforestation

Capacity

In 2023, the construction of a new state-of-the-art feed mill facility started. The key focus areas are: Noise reduction, fire prevention and odour purification via scrubbers. Notably, this expansion grants us the flexibility to incorporate new alternative raw materials into our recipes. By doubling our current feed production capacity, Bakkafrost is prepared for growth. The new mill's production flexibility allows us to swiftly adapt and introduce novel ingredients.

The new feed mill will be in operation for the peak season in Q1 2026.

Certifications

Havsbrún passed 100% of audits across our various certifications. For a full list of certifications, see more on page 120.

Transparency

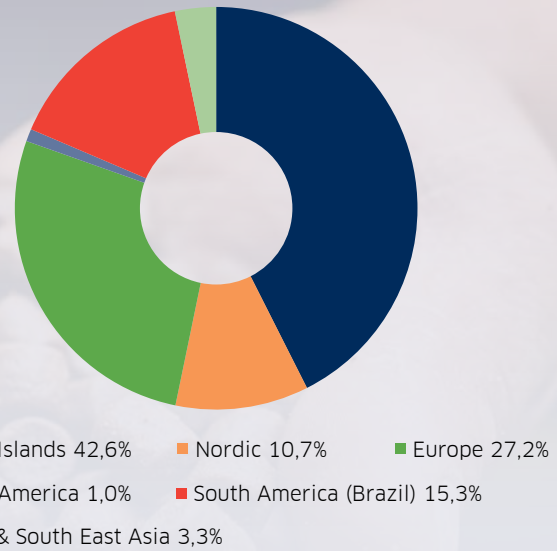
We demonstrate our commitment to responsible sourcing and increased transparency of marine ingredients by voluntarily reporting sourcing details to the Ocean Disclosure Project.

WHAT'S NEXT?

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

Havsbrún Feed Composition in 2023 Production

Origin of ingredients used in Havsbrún feed



80% of Havsbrún feed ingredients originates from Faroe Islands, Nordic and Europe.

HAVSBRÚN FEED COMPOSITION IN 2023 PRODUCTION

Wheat Products
17.6%
(23,129 tonnes)

Plant oil
13.5%
(17,701 tonnes)

Non-GMO SPC
15.2%
(19,979 tonnes)

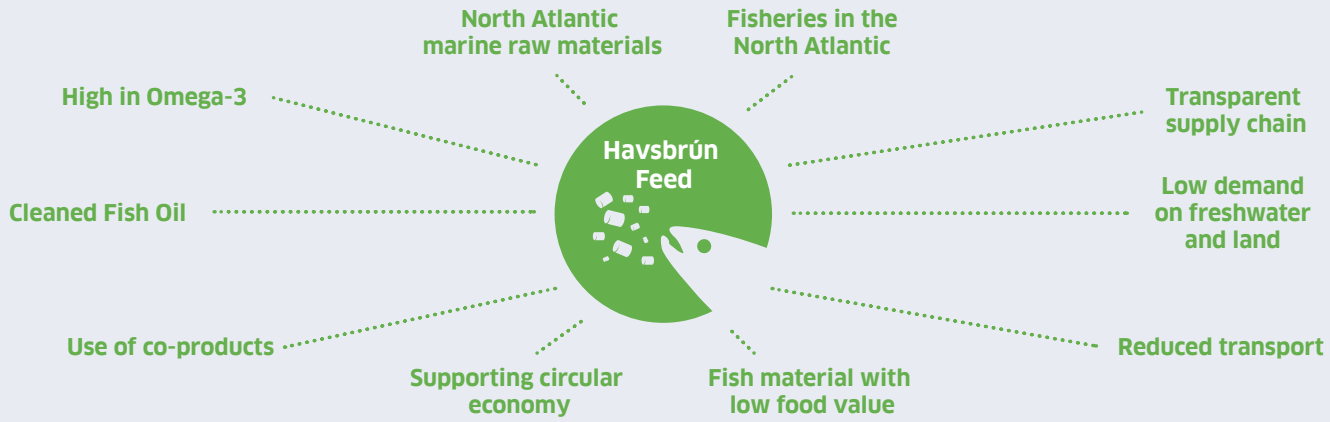
Marine proteins
37.3%
(49,008 tonnes)

Fish oil
13.4%
(17,602 tonnes)

Others (including Algae oil)
3.2%
(4,141 tonnes)

Please see our sustainability webpages for more information on the source of marine products in our feed.
Please note, there is a very small variation in content for Bakkafrost feed, which is around 97% of all feed produced and sold in 2023 by Havsbrún.

Sustainable Sourcing



At Bakkafrost, we uphold a thorough Sustainable Feed Policy that ensures responsible sourcing of feed raw materials. Our commitment extends to every supplier, as we continuously assess their practices against our stringent criteria.

Sustainable Sourcing of Plant Proteins and Oils

Key Principles:

Traceability: Raw materials must be fully traceable to their origin. We prioritize transparency in our supply chain, ensuring accountability at every step.

Compliance: Our suppliers are expected to adhere to both national laws and international agreements related to land use. This ensures that their operations align with sustainable practices.

Environmental Stewardship: We recognize that a sustainable production pattern is essential for safeguarding the livelihoods of current and future generations. Our ingredients cannot come at the expense of the environment.

Supplier Expectations:

Certification: All feed suppliers are required to meet best-practice international standards. Additionally, plant oils and proteins that are not considered low-risk must be certified as sustainable and non-genetically modified.

Deforestation-Free: We are committed to protecting vulnerable ecosystems. Therefore, our suppliers must ensure that their products are not produced in areas threatened by deforestation.

Proactive Engagement:

We have initiated active dialogues with our plant protein and oil suppliers. Through collaborative partnerships, we aim to reduce the overall environmental footprint of our products.

Sustainable Sourcing of Marine Raw Materials

In an industry where the trend is to replace marine raw materials with alternatives, Bakkafrost has taken a different path. We continue to prioritize a relatively high inclusion of marine content in our feed production. Why? Because our unique location allows us to adopt a more sustainable approach.

High inclusion of marine content is beneficial for several reasons:

- **Fishmeal and Fish Oil:** Our marine raw material primarily comes from fisheries in the North Atlantic, predominantly within Faroese waters.
- **Transparent Supply Chain**: We maintain transparency throughout our supply chain.
- **Resource Efficiency**: Marine ingredients have a low demand on freshwater and land, unlike imported plant proteins.
- **Reduced Transport**: Opting for marine ingredients over imported plant protein reduces the need for long-distance transportation.
- **Circular Economy**: We actively purchase trimmings from the Faroe Islands, supporting a circular economy.
- **Nutritional Value**: Our feed contains a high level of omega-3, contributing to increased nutritional value.
- **Salmon Diet**: Feed composition close to the natural diet of wild salmon.
- **Certified Materials**: We use a significant proportion of certified North Atlantic marine raw materials.
- **Essential Nutrients:** Marine ingredients provide a comprehensive and natural source of essential nutrients, reducing our reliance on additional dietary supplements and additives.

By maintaining this commitment to sustainable marine sourcing, we not only benefit our business but also contribute to the well-being of our environment and local communities.

Species	Location	Fishery countries	Production Methods	Certifications/ Improvement project
Atlantic herring, Clupea harengus	NE Atlantic	Faroe Island, UK, Norway, Greenland, EU, Iceland,	Midwater trawl, Purse seine	Marin Trust (Trimmings)
Atlantic mackerel Scomber scombrus	NE Atlantic	Faroe Island, UK, Norway, Greenland, EU, Iceland,	Midwater trawl, Purse seine	Marin Trust (Trimmings)
Blue whiting, Micromesistius poutassou	NE Atlantic	Faroe Island, UK, Norway, Greenland, EU, Iceland,	Midwater trawl, Purse seine	Marin Trust IP
Greater Argentine, Argentina silus	NE Atlantic	Faroe Islands	Midwater trawl	MSC, Marin Trust
Capelin, Mallotus villosus	NE Atlantic	Faroe Island, UK, Norway, Greenland, EU, Iceland,	Midwater trawl, Purse seine	MSC, Marin Trust

Balancing Sustainability: Marine vs. Plant-Based Feed Ingredients

The composition of feed ingredients plays a crucial role in determining Bakkafrost environmental impact. Despite Bakkafrost feed having a higher proportion of marine raw materials compared to plant-based ones, it is essential to recognize the environmental impact associated with each type. Below is the breakdown of Scope 3 emissions related to our feed production.

Fish-Based Ingredients: These components contribute significantly to our feed. However, their carbon footprint is relatively lower.

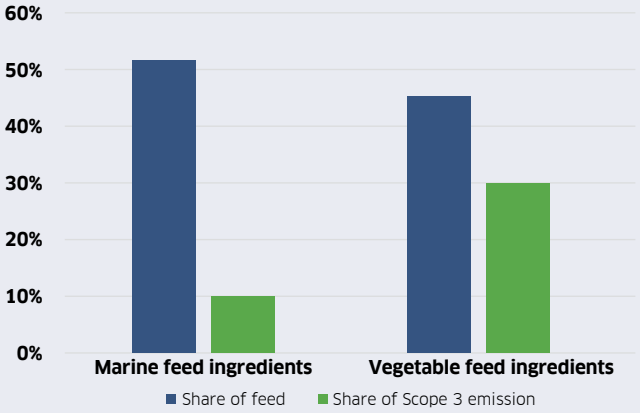
Vegetable-Based Ingredients (Rapeseed Oil, Soy & Wheat): Surprisingly, these plant-derived ingredients account for three times the CO_2 emissions compared to their marine counterparts.

While prioritizing fish-based ingredients benefits fish health, it also plays a crucial role in limiting our emissions. Our commitment to sustainability extends beyond ingredient selection. We are actively exploring alternative energy sources to further reduce our carbon footprint during feed production.

In summary, maintaining a balance between marine and plant-based ingredients not only supports our aquatic ecosystem but also aligns with our long-term sustainability goals at Bakkafrost.

FEED INGREDIENTS

SHARE IN FEED AND OF SCOPE 3 EMISSIONS



Research and Development

At Havsbrún, our commitment to continuous improvement drives our Research and Development (R&D) activities. We allocate substantial resources to five key areas, each contributing to our mission of sustainable feed development:

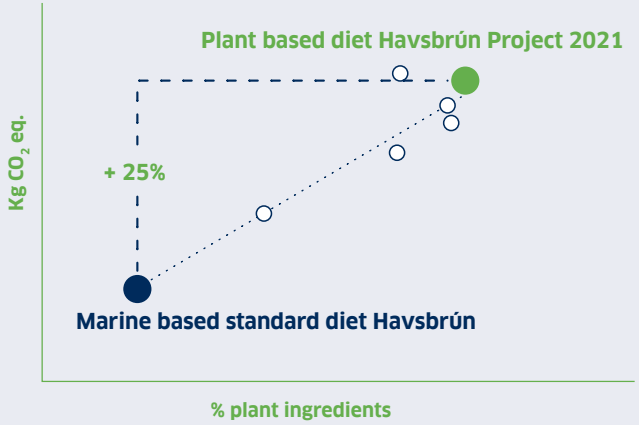
1. Recipe Enhancement for Fish Health and Welfare:
   Our R&D team focuses on refining feed formulations to enhance fish health, overall quality, and welfare. By optimizing recipes, we ensure that our salmon receive the best possible nutrition while optimising well-being.
2. Reducing Environmental Footprint through Recipe Innovation:
   We recognize the environmental impact of feed production. Our R&D efforts are dedicated to formulating feeds with a reduced carbon footprint. By prioritizing sustainable ingredients, we aim to minimize our ecological impact.
3. Exploring New Collaborations and Opportunities:
   We actively engage with potential collaborators to explore novel approaches. By fostering partnerships, we uncover innovative solutions that align with our sustainability goals.
4. Novel Ingredients and Resource Efficiency:
   Our R&D team evaluates alternative ingredients. Striving for resource optimization, we seek ingredients that balance ecological responsibility with performance.
5. Energy efficiency:
   Fishmeal and oil production consumes a significant amount of energy. It involves several energy-intensive steps, including cooking, drying, and pressing. Energy losses are often accepted as unavoidable, but R&D can identify opportunities for improvement. By optimizing processes and reducing energy consumption, we can enhance our economic and emission performance. Integration of energy-saving technologies and practices becomes crucial.

Example of research projects:

- We conducted a comprehensive large-scale feed trial. The objective was to investigate the effects of new dietary mineral sources. The results demonstrated improved mineral retention in salmon and reduced mineral excretion in faeces. These effects were associated with enhanced salmon quality and reduced environmental influence. Result: All our feeds have been transitioned to these new mineral sources."

- In our ongoing pursuit of sustainable feed solutions, we recently completed a significant commercial-scale experiment. The primary objective was to replicate the nutritional composition of our existing feed strategy, with a notable shift toward plant-based ingredients. Here are the key findings:

  Scientific literature and industry observations consistently highlight the remarkable ability of Atlantic salmon to utilize nutrients from plant sources. Our trial reaffirmed this capacity, emphasizing that salmon can thrive on diets rich in plant-derived nutrients. While the experiment showcased the promise of plant-based ingredients, it also underscored the challenges. Creating an energy-dense, high-performance feed solely from plant sources is complex. Nutrient gaps exist when compared to traditional fishmeal-based feeds. As we replaced marine ingredients with plant alternatives, we observed a significant impact on the feed's carbon footprint. The experimental plant-based feed exhibited a 25% higher carbon footprint compared to our standard diet."



The figure shows that marine-based diets, despite having a greater proportion of marine ingredients, yield a much lower carbon footprint compared to plant-based ingredients. This correlation is evident when analyzing carbon footprint calculations for dietary compositions reported in scientific papers.

- Investigating Mesopelagic Organisms for Salmon Feed.
  Bakkafrost is committed to advancing salmon aquaculture by identifying alternative proteins for feed. In a new project, started in 2023, we are collaborating with three other partners to investigate the opportunity to catch and use mesopelagic organisms as a sustainable source of fishmeal. If the project has a successful outcome, the aim is to reduce reliance on traditional fishmeal by harnessing mesopelagic organisms.

  In 2023, the total cost of the project amounted to 4.5 million DKK. Bakkafrost accounted for 1.5 million DKK of this expenditure.

  This project exemplifies our dedication to exploring new frontiers in aquaculture while safeguarding our environment.

- Enhancing Energy Efficiency:
  At Bakkafrost we recognize the critical role energy efficiency plays in achieving our sustainability targets. As part of our commitment to reducing emissions, we have initiated a project aimed at optimizing energy usage during the energy-consuming fishmeal production process. When raw marine material arrives at our factory, it is 2 degrees Celsius. Traditionally, this material is directly pumped into the cooking process, consuming significant energy to raise its temperature. Our new project involves “pre-cooking” the raw material before it enters the main cooker. We utilize surplus energy in the form of steam generated within the factory. The raw material will be pre-heated to 55 degrees Celsius using the available steam. This pre-heating step significantly reduces the energy required during the subsequent cooking process. By implementing this pre-cooking approach, we anticipate energy savings of 15-20%.

  This reduction directly contributes to Havsbrún’s and Bakkafrost overall goals to reduce our greenhouse gas emissions.

- Algae oil.
  Algae oil is increasingly being recognized as a sustainable and beneficial ingredient in salmon feed. Algae oil is derived directly from algae which is rich in omega-3 fatty acids, specifically docosahexaenoic acid (DHA). In 2023 Bakkafrost has used an inclusion of algae oil in our feed.

Healthy Environment
Black Soldier Fly Larvae: a Sustainable Solution for Aquaculture Feed?

Insect meal is gaining traction as a sustainable alternative in salmon feed for several compelling reasons and Havsbrún has just started a project with added insects to its feed. The first trials to test the new feed will take place in the Faroe Islands in early 2024.

So what are the benefits of adding insects to the feed? Insects are very resource-efficient. Insects are cold-blooded and highly efficient at converting feed biomass into their own biomass. On average, one kilogram of insect biomass can be produced from just two kilograms of feed biomass.

Traditionally, fish meal for salmon feed is sourced from wild-caught fish. By using insect-based feed, the need to catch fish specifically for salmon feed can be reduced. Insects are very nutrient-rich. Insects, particularly the black soldier fly larvae, store a significant amount of protein during their larvae stage. Salmon, being discerning eaters, often prefer this insect-based food over other alternatives. Insect meal production also has a low carbon footprint.

In summary, incorporating insect meal into salmon feed aligns with our commitment to innovation, resource conservation, and a healthy environment.

Healthy Communities

STRATEGIC PRIORITY

- To create shared value

2023 PERFORMANCE AGAINST OUR 2023 COMMITMENTS

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

2026 TARGETS

- Minimum yearly investment of 3 m DKK in Healthy Living Fund in the Faroes and Community Fund in Scotland
- Enhance stakeholder alignment and collaboration to drive sustainable outcomes
- Promote community engagement and transparency through a minimum of 30 annual visits from schools, local communities and stakeholders
- Annual beach clean: >90% of areas where we operate
- Minimum 60% use of local suppliers

SDGS

Bakkafrost is committed to our local communities and proud of our heritage. We farm in some of the most remote coastal locations in the Faroes and in Scotland. We respect the integral role we play in the local communities in which we live and work. We are focused on driving multinational growth and global market share and recognise the importance of our communities in which we live and work.

As a responsible business, we are passionate about both driving economic growth and sustainability of our rural economies through; employment, investment, taxes, sourcing locally and supporting sport, art and culture. We are committed to environmental stewardship and working closely and openly with our local communities. We seek to ensure open and transparent communication, including for development projects, with stakeholder groups and communities. Our collaborative approach to business and value created in our local communities contributes towards UN Sustainable Development Goals 8 and 17. Please see page 24 for more information.

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

IN THIS SECTION

Responsible Leadership

We are committed to demonstrating responsible leadership on sustainability and sector issues. We contribute at an international level through initiatives such as the Global Salmon Initiative (GSI), and regionally through the Faroese Fish Farmer's Association, Salmon Scotland, and other relevant sector groups.

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

In 2023, the initiative promoted the first voluntary Faroese ESG Reporting Guide - developed by the network - to encourage transparent ESG reporting in the Faroe Islands. Also, a free-to-use GHG calculator for Faroese companies was launched, which the initiative funded and developed in collaboration with the Faroese Environment Agency. This involved establishing some new national emissions factors for the first time.

The Faroese Sustainable Business Initiative claimed the 2023 international edie award for Partnership and Collaboration at the awards event in London on March 30th. The edie awards are known as the UK's largest and most prestigious sustainability awards, recognizing excellence across the spectrum of sustainable business, including both large and small initiatives and projects.

We aim to inspire and share best practices to encourage positive change and participate in many events and initiatives involving key stakeholders. In 2023, this included different forums where stakeholders meet to discuss the future of aquaculture, including sustainability.

We are committed to engaging with the local communities where we operate and giving them a voice to express their views on the actual or potential impacts of our role as neighbors. To ensure that we receive their perspectives, and to measure the satisfaction, engagement, and motivation of our employees, we conduct regular employee surveys.

We are committed to reducing our greenhouse gas emissions recognizing that we cannot achieve this goal alone. To successfully reduce emissions, we must collaborate closely with our suppliers. In November 2023, we hosted the second of our Supplier Days - this time in Scotland - with 41 attendees. Presentations were given by our Sustainability and Procurement teams, followed by our keynote speaker Verco. We focused on greenhouse gas reporting and Scope 1, 2, and 3 emissions with emphasis on our supply chain, we also focus on areas were suppliers need to deliver change to help us acheive our goals as collaboration is required to achieve our ambitious emissions targets. We will host more of these events going forward.

Connecting with Our Community

We are committed to engaging and creating meaningful connections with the local communities where we operate. We recognize the importance of giving community members a platform to express their views on the real and potential impacts of our presence as neighbors. Their perspectives matter, and we actively create opportunities for them to share their insights.

Here's how we engage with our community:

Regular Dialogues: We actively engage with municipalities where we operate, including mayors and municipal representatives, in regular meetings held as a minimum yearly. These sessions allow us to listen attentively to their concerns, understand their needs, and align our efforts accordingly.

Open Days: Transparency is at the core of our approach. During open days, community members visit our facilities, observe our processes firsthand, and taste our products. It's an opportunity for them to connect with our team, have discoussions, and provide valuable feedback.

Local Cultural Events: We actively participate in local cultural events. Our senior management team engages with attendees, offering free product samples. Beyond showcasing our work, these events foster relationships and deepen our understanding of the community's pulse.

Employee Involvement: Our employees play a crucial role. They interact with visitors during open days and events, sharing insights about our work and actively listening to community perspectives.

Sustainability Surveys: Every 2-3 years, we conduct surveys to gauge community priorities related to sustainability. What matters most to our communities? Is it environmental impact, social responsibility, or economic development? These insights guide our future initiatives.

Additionally, when we submit planning applications for new developments, we proactively consult with the involved communities and neighbors. Many of our projects are of significant scale, requiring robust community engagement. We regularly meet with community councils and other local groups, responding to correspondence from individuals.
Such engagement allows for the concern to be heard e.g. regarding possible noise or light issues etc., and allows us the opportunity to present mitigation measures and to present the wider opportunities of such developments to the local community including local investment and jobs.

We remain committed to building a shared future that reflects the collective voice of our community.

edie sustainability leaders awards

In March 2023 The Faroese Sustainable Business Initiative won the 'Partnership and Collaboration of the Year' at edie Sustainability Awards 2023.

The judges said: "This collaboration has achieved significant, impressive progress in its first year. it has brought together diverse set of partners to take the initiative and fill a void where regulations were not present; working together for ambitious goals. We were impressed by the highly systemic and participative approach taken by such a small community, making this initiative a worthy winner of a very popular category."

Value Generation

We operate in some of the most remote and fragile regions in the countries and remain committed to creating and retaining value in the rural economy. We respect the major role that salmon farming plays in these regions and are committed to being an active and integral part of our communities. As the largest private employer in the Faroe Islands and the largest private employer in the Outer Hebrides in Scotland, we create long-term career opportunities across all stages of our value chain.

As part of our commitment to preserving value and employment in the rural communities of Scotland, we have recently developed a housing programme aimed at enhancing recruitment opportunities in local areas where housing options are limited, this included three new accommodation lodges in West Strome in 2022.

We are committed to creating shared value in our local economies by sourcing locally where possible. 70% of procurement was spent locally in 2023. For the last decade, Bakkafrost has been the salmon farming company with the highest investment rate per kilo of salmon produced compared to Norwegian peers. We continue to progress our 2028 sustainable growth investment plan, focusing on farming healthy, quality salmon. As part of the plan to reduce biological risk, we have invested significantly in developing hatcheries in the Faroe Islands and Scotland. The investment in hatcheries creates value and employment in our local economies and supports the core principles of our sustainable procurement policy.

We contribute to the local economies through CAPEX expenditure as well as through significant investment in maintenance and upgrades. Equipping sites with up-to-date tools as part of our 2023 plan, including centralised feeding and introducing AI, predator-proof netting on all sites, and jump nets where required, with the introduction of our new well boat Bakkafossur, other hybrid well boats, and new barges for Ardyne and Portree were installed. Further investment has been made to add new support boats to work alongside our farming service vessels.

It is essential for us to drive and participate in sustainable development in our local communities through innovative projects. In 2023, we partnered up with Faroese energy provider Effo to launch an advanced project aimed at significantly boosting renewable energy production. The project involves establishing the largest wind farm in the Faroe Islands, capable of generating power equivalent to 10% of the collective oil consumption across the islands—both on land and at sea. Initially, the project will supply renewable energy to Bakkafrost's feed department, Havsbrún, in Fuglafjørður, Faroe Islands. The project is expected to be complete in 2026, pending necessary approvals. Should all necessary authorisation be given, then the wind farm will significantly reduce Bakkafrost's greenhouse gas emissions.

In the Faroes we support around 45 sporting organisations spanning from grassroots to national level. We have been the proud main sponsor of the Faroese men's national football team since 2012. We have provided support to clubs and organisations in 19 municipalities, giving them the possibility to finance their operations, maintain their equipment, and improve opportunities for participation. A benefit to the community as a whole.

We continue to support various local and national initiatives through our Healthy Living Fund both in the Faroe Islands and in Scotland. We support causes that align with our values and focus on sports, arts and culture, education, environment, and social inclusion.

Among projects in the Faroe Islands, which we have supported, is the Faroese participation at the 2023 Island

Games in Guernsey. Around 200 athletes, coaches, assistants and others were a part of the Faroese delegation.

One of our key investments is a five year partnership agreement with the University of the Faroe Islands to support natural sciences, specifically supporting the establishment of the University Centre for Ocean Modelling. The project aims to improve knowledge of the ecosystems in the Faroese fjords and wider marine environment to support the development of the aquaculture industry in the Faroes. The collaboration will also improve understanding of the potential impact that climate change can have on the ecosystems of the fjords and Faroese aquaculture. We also have a partnership with the Faroese men's national football team. The Faroese national team is very important to the Faroese people, and their performance reminds us that even though we are small, with diligence and skill we can accomplish great things.

Other fund investments in the Faroe Islands included:

- Establishing a statue of the first Norse settler in the Faroe Islands, Grímur Kamban
- Humanitarian organisations such as the Red Cross
- Team Rynkeby Faroe Islands, a cycling team raising funds for children with serious health conditions and their families
- Annual children's football event "Summar Cup"

We continue to invest in local economies in Scotland. We have commissioned the building of three bespoke boats with Macduff Shipyards, Aberdeenshire, supporting several local jobs.

Bakkafrost Scotland offers community groups and charities across Scotland the opportunity to apply directly to support local causes in their area.

In 2023, we supported over 20 local community groups in our local areas through our Community Fund and programme of sponsorship and events. Since starting the fund, over 165 community groups have received financial support from the fund, including; pipe bands, shinty and a 'Boat Bus' mobile education center for primary children to reconnect local communities with maritime heritage through the arts, as well as groups that organised beach cleans.

Following the success of the scheme, the Company extended the Community Fund to include external applications, allowing communities near the company's 60 sites on Scotland's west coast to bid for financial support for projects that promote health and wellbeing, stewardship of the natural environment or economic development.

In Denmark, Munkebo Seafood mainly sponsors local initiatives, sports clubs and their local football club.

In 2023, we:

- Paid DKK 587 million in salaries and employee taxes in the Faroe Islands from DKK 545 in 2022
- Paid £ 26.3 million in salaries and employee taxes in
- Scotland
- Our operation generated 527 million DKK in corporate, revenue and dividend taxes
- Contributed DKK 3.7 million in the Faroe Islands and £95.000 in Scotland through our Healthy Living Fund to local causes including sport, arts and culture, education, environment and social inclusion.

Kyles Athletic Under 14 Shinty team

Contribution to Local Communities

Salaries and employee taxes

Group
863 MDKK

Corporate, revenue and dividend taxes

Around 527 MDKK

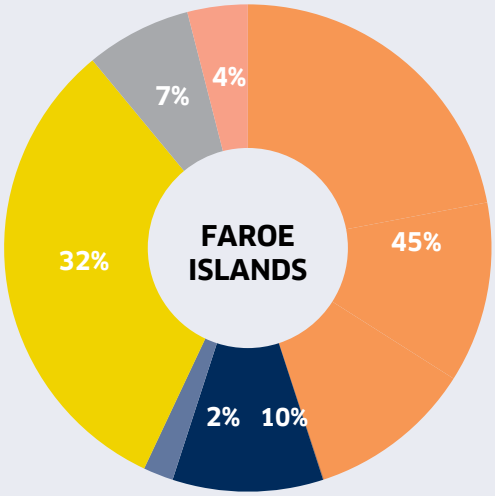
Initiatives supported

4.5 MDKK

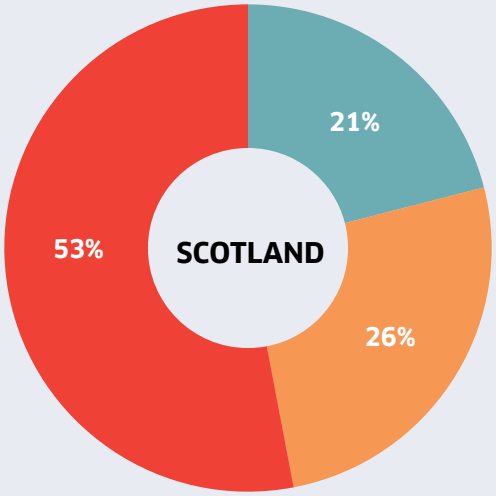
Locally sourced products and services

70%

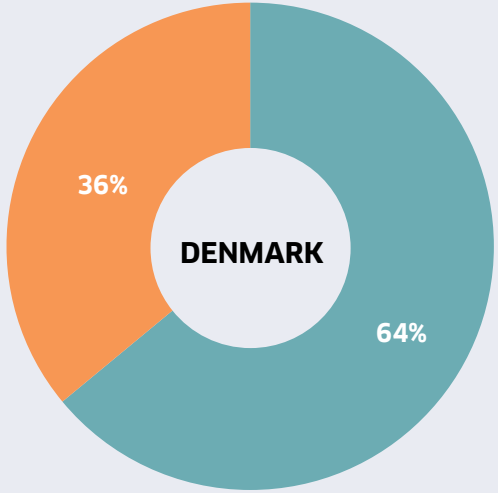
INITIATIVES SUPPORTED



- Local sports clubs 45%
- Arts and culture 10%
- Social inclusion of the elderly or the disabled 2%
- Environment and biodiversity 32%
- Other local giving 7%
- Emergency relief 4%



- Arts and culture 21%
- Local sports clubs 26%
- Environment and biodiversity (incl. Salmon Scotland Wild Salmonid Fund) 53%



- Munkebo Football Club 64%
- Local sports clubs 36%

Community Engagement

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

Community events in the Faroe Islands

In January Bakkafrost hosted a reception at the headquarters at Glyvrar with the Bakkafrost board members and senior management, Aksel V. Johannesen, prime minister of the Faroe Islands and other government representatives welcomed the ship and its crew members. There were speeches, music performances and presentations about Bakkafrost. Attendees had the opportunity to explore our new ship Bakkafossur and visit our headquartes, were food was served for the occasion. The event was very succesful with over 2500 people attending.

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

At the local "Salmon Market" at Glyvrar, Bakkafrost contributes to the community culture by offering free salmon for all participants. Bakkafrost had activities for children and invited people to visit our headquartes. Bakkafrost also hosted a public debate regarding the future vision for the Faroese salmon industry, with participation from relevant ministers and politicians. Over 2000 people attended the Salmon Market.

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

We also took part in Seafarer Day (Sjómannadegnum) in Klaksvík, where we invited people to board our ship Róland and participate in the annual water battle. Additionally, we served salmon to over 3,000 participants. At the Cultural Days in Fuglafjørður we participated with a booth at the event, where we talked to visitors and handed out free salmon meals.

As the biggest private employer in the Faroe Islands, we are aware of our responsibility and motivated by our impact on local communities.

We are very proud of our talented and diverse workforce, which consists of employees with different skills and different backgrounds. To ensure all employees are included in society, we offer employees to join classes in Faroese language, and moreover through induction courses, we aim to support employees in general matters regarding living in the Faroe Islands.

Community Engagement in Scotland

In 2023, Bakkafrost Scotland partnered on a range of sponsorship activities supporting and celebrating sport, culture and tradition.

Bakkafrost Scotland also continued the long-term association with two of the west coast of Scotland's highest profile community gatherings and Highland Games events at the Cowal Gathering and Lochcarron Highland Games. Both events attract thousands of visitors from far and wide every year, and the mix of tradition and competition is a major attraction for all who attend.

The investments made by Bakkafrost Scotland in 2023 will be significant for the business, and importantly supported by sound business practice, based on sustainability for long-term success, in a sector that still delivers for the often fragile communities in which it operates as well as for Scotland.

Native Hebridean Salmon was one of the sponsors of the Tiree Wave Classic which is a thrilling celebration of windsurfing, uniting athletes from around the world on the stunning Hebridean Isle of Tiree. It is the oldest established windsurfing competition.

After a community beach clean of one of Tiree's stunning sandy beaches, MasterChef Champion, Thomas Frake, prepared a beach BBQ using our world-class Smoked and Fresh salmon.

The Mull Feis festival was held in Bunessan, Isle of Mull, on the weekend of 3 to 5 February. The event was well attended, with 45 children visiting the Fèis while 15 adults participated in the Gaelic singing and drumming classes.

The Fèis kicked off with a Ceilidh in the Argyll Arms on Friday night, and for the remainder of the weekend people came from across Mull for music lessons, shinty and arts and crafts. The weekend closed with the children who performed the 'Thoir mo shoraidh thar Ghunaidh'.

Bakkafrost Scotland supported the Festival of the Sea in Glasgow. During the event various activities were made available including art workshops, live cooking demonstrations, free tasters and many local artists stands. Our salmon was used in cooking demonstrations and public tasting sessions.

In July, we continued our long-standing sponsorship of the Western Isles Games Association's participation at the NatWest International Island Games – held in Guernsey. The biennial event attracts island teams from around the world and this year over 110 athletes flew out of Stornoway to represent the Western Isles. As the largest private employer in the Outer Hebrides in Scotland, we were pleased to have the opportunity to support the valuable community which also aligns well with our efforts to promote a healthy lifestyle.

Examples of Initiatives in Scotland

SKYE HALF MARATHON

The 2023 events included the Isle of Skye Half Marathon, where runners enjoyed breath-taking views of the world-famous local landscape throughout the 13.1mile closed-road course.
The event is also important for local businesses, with runners keen to experience all the island has to offer.

COWAL HIGHLAND GATHERING

Bakkafrost Scotland also celebrated the company's tenth year as headline sponsor of the Cowal Highland Gathering which took place in August.
The event described as "all of Scotland in one week" welcomed more than 23,000 visitors from across the globe who enjoyed the unique atmosphere and watched the world's best pipe bands, highland dancers, and athletes as they competed in Dunoon's Cowal Stadium.
As part of our sponsorship, we had kitchen trailer demonstrations and tasters in the top field, which provided a high-profile opportunity to promote our brands locally.

LOCHCARRON HIGHLAND GAMES (2023)

WESTERN ISLES ISLAND GAMES ASSOCIATION (WIIGA)

Bakkafrost Scotland extended its relationship with WIIGA for the twenty-fifth year. The 2023 event saw the largest WIIGA squad yet, with 110 athletes and support team members travelling to Guernsey. They competed in sports including football, indoor bowls, golf, badminton, cycling, shooting, swimming and athletics. WIIGA also competed in women's golf and archery for the first time this year.

The Mull Marine team actively participated in the cleanup activities organised by "The Scottish Coastal Clean Up Project" in September 2023, playing a key role in the restoration of the local environment around Ulva Ferry.

BEACH CLEANS ON THE SCOTTISH COAST

We are committed to preserving the natural environment in the rural areas in which we operate. In Scotland, we have a tradition of facilitating regular beach clean ups, and in 2023 we carried out 7 beach cleans across Scotland, providing both manpower as well as equipment.

KIRN PRIMARY SCHOOL 1 (2023)

Bakkafrost Scotland has provided Kirn Primary School with funding towards outdoor facilities through its Community Fund.

Examples of Initiatives in the Faroe Islands

ANNUAL CLEAN UP WEEK

For several years, Bakkafrost has arranged a clean-up week where Bakkafrost staff cleans coasts in the areas in which we operate. In mid-June 2023, Bakkafrost staff set the day off to clean a large area around Strond hatchery, the Haraldssund dam and Bakkafrost terminal nearby. Around 60 employees participated and 23 tonnes of waste was cleaned up.

VISITS

We have hosted many visits from local schools and high schools at our headquarters during the year. The students get a tour of the facility in Glyvrar and a presentation focusing on the value chain, who we are as a company and on sustainability and future career opportunities. It has been a delight to experience how the students have been interested in Bakkafrost as a company and how Bakkafrost, as a listed international company, is impacted by geopolitical development, market fluctuations and stakeholders' increasing interest in sustainability.

Seafarer Day in Klaksvík – 2023. Photo: nordlysid.fo

We make sure our employees connect by organizing company-wide events. These gatherings are all about recognizing their hard work. Our annual Company Day is a mix of business updates, training sessions, and fun entertainment. Organized company hikes provide networking opportunities, natur and exercises. Finally, our annual Christmas celebration for employees and their families is a very popular event with gifts and entertainment.

SALMON MARKET

On the 22rd of July, as part of the local "Salmon Market" at Glyvrar, we opened 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 a tour and insight into our corporate and sustainability strategy and had the opportunity to ask our employees questions.

Transparency

Bakkafrost plays an important role in the rural communities in which we operate, and we aim to engage with our community about the sector and our business. By conducting regular materiality assessments, we ensure that we provide transparency on the sustainability issues which our stakeholders find the most material.

We regularly host many different groups of visitors to our headquarters, production plants and marine sites, these include; prime ministers, ambassadors, customers, investors and school groups.

In 2023, we expanded our participation at the annual "Salmon Market" at Glyvrar to include presentations from CEO at Bakkafrost, Regin Jacobsen, and Minister of Industry, Høgni Hoydal, about the future of salmon farming in the Faroe Islands. In addition, we hosted a political debate the same day at the event, where local and national politicians participated alongside Regin Jacobsen, CEO.

A key part of our Group alignment programme is the communication of the five-year business strategy and investment plan. On the 6th of June in 2023, Bakkafrost held its Capital Markets Day for the first time in Inverness, Scotland. The day marked the announcement of a new five-year 6.3bn DKK investment plan for 2024-2028. The investments will enable a transformation of the operation in Scotland and provide sustainable growth in the Faroe Islands. Over 100 stakeholders participated in the Capital Markets Day, which included several site visits with presentations giving insight to Bakkafrost operations and opportunities to speak with group management.

In January 2023, a reception was held in Glyvrar to welcome our new 109-metre hybrid well boat Bakkafossur. The public, invited stakeholders, including business partners, the Prime Minister, politicians, Faroese media and other key stakeholders participated in the reception.

We are committed to educating community stakeholders on our sustainable operations as well as the benefits and the role of aquaculture in future sustainable food systems. As part of this work, we provide insight and support for students to use Bakkafrost as a case study. In addition, staff from Bakkafrost are involved in lecturing on sustainability at various educational institutions, e.g. at the University of the Faroe Islands and at the vocational education for the aquaculture industry. Farming and sustainability practices at Bakkafrost have been used as case studies, increasing the students' knowledge of our operations.

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

We ensure there is open dialogue with stakeholders local to our farming sites and update them on our sustainability initiatives and ensure there is an opportunity to raise any concerns.

To ensure we understand any potential negative impacts from our operations that we our stakeholders may experience, we have grievance mechanisms, including a form on our website enabling all stakeholders can raise concerns. As part of our work to update our Human Rights policy, we will start to regularly review the grievance processes, including reviewing the knowledge of and the availability of the form as well as an assessment of the effectiveness of these mechanisms. We are committed to remediating any potential negative impacts we might have caused, and our grievance policy states that response should be given to the complainant within four weeks.

As members of Salmon Scotland, the salmon sector organisation in Scotland, we report key information in line with requirements. We also recognise our broader responsibility to engage, support and work collaboratively with stakeholders in our wider environment in key geographical areas. We are involved in various local wild fishery projects, including research and habitat.

To provide further and topic-specific insight into our sustainability management and performance, we disclose against various sustainability disclosures, including CDP Climate Change, Water and Forest, Coller FAIRR, S&P Global Corporate Sustainability Assessment and more.

In 2023, we:

- Hosted visits from key stakeholders, including ambassadors, investors, students as well as politicians.
- Arranged our Capital Markets Day in Scotland, where we communicated our five-year business strategy and investment plan to over 100 stakeholders.
- Increased transparency on sustainability issues through reporting against various sustainability frameworks.

The ambassador of Ukraine to Denmark, Vydoinyk Mykhailo, at our headquarters in Glyvrar. Ambassador Mykhailo also met five fellow Ukrainians that work for Bakkafrost.

Healthy Communities
Bakkafrost Sponsored Western Isles and Faroe Islands at the 2023 Islands Games

Swimming athletes from the Faroe Islands and Western Isles, Scotland

Once every two years, thousands of athletes representing different island communities from around the world come together to compete in the NatWest International Island Games.

The Island Games 2023 - held in Guernsey, allowed us to unify Bakkafrost, Western Isles, and Faroe Islands in one single event.

As the largest private employer in the Faroe Islands and the Outer Hebrides in Scotland, we were pleased to have the opportunity to support these two valuable communities which also aligns well with our efforts to promote a healthy lifestyle.

As a main sponsor of the Faroe Islands and the Western Isles, Scotland teams of over 200 athletes, we were pleased with their great results competing in different sports such as football, golf, cycling, athletics and swimming. The teams were successful in bringing home 17 gold, 25 silver and 27 bronze medals in total from the Games.

Although cultural differences shape both communities, the Island Games offered a rare opportunity for Bakkafrost to make it even more visible that we are committed to several local communities and proud of our heritage.

Furthermore, the Island Games are an important chance for talented athletes to compete at an elite international sporting event, mix with other islanders from around the world and learn about different cultures.

Photo: Jens Kr. Vang

ESG General Information

ESG Index 2023

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
Energy Consumption					
Direct energy consumption (Scope 1)	tCO2	489,241,073	358,094,311	37%	E1-5, 35
Indirect energy consumption (Scope 2)	tCO2	102,596,482	89,775,154	14%	E1-5, 35
Total Scope 1 & 2 energy consumption	kWh	591,837,554	447,869,466	32%	E1-5, 35
ENERGY PRODUCTION					
Electricity (share which is sold to the Faroese grid)	kWh	4,035,596	5,438,140	-26%	
District Heating	kWh	2,947,700	3,893,000	-24%	
Total energy production	**kWh**	**6,983,296**	**9,331,140**	**-25%**	
GHG Emissions					
Gross direct GHG emissions (Scope 1) (tCO2e)	tCO2e	129,294	94,547	37%	E1-6, 44a
Gross location-based Scope 2 GHG emissions (Scope 2) (tCO2e)	tCO2e	32,860	27,332	20%	E1-6, 44b
Total GHG emissions - Scope 1 and 2 (tCO2)	**tCO2e**	**162,155**	**121,841**	**33%**	
Indirect GHG emissions (Scope 3, excl, Capital Goods) (tCO2e)	tCO2e	437,884	429,565	2%	E1-6, 44c
Total GHG emissions - Scope 1, 2 and 3 (tCO2e)	**tCO2e**	**600,038**	**551,406**	**9%**	**E1-6, 44d**
GHG Intensity					
Tonnes of product sold	Tonnes	156,646	135,810	15%	
tCO2e emitted per tonne of product sold - Scope 1 and 2	tCO2e/product sold	1.04	0.90	16%	
tCO2e emitted per tonne of product sold - Scope 3	tCO2e/product sold	2.80	3.16	-11%	
tCO2e emitted per tonne of product sold - Total Scope 1, 2 and 3:	tCO2e/product sold	3.83	4.06	-6%	
Total GHG emissions per net revenue (incl, production of fishmeal and oil)	tCO2e/million EUR net revenue	626,34	576,00	9%	E1-6 53

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
Resource Inflows					
Tonnes of biological materials (and biofuels used for non-energy purposes) used to manufacture the undertaking's products and services (including packaging) that is sustainably sourced, with the information on the certification scheme used and on the application of the cascading principle	Tonnes (FSC certified)	1,002,44	1,236		E5-4, 31b
The percentage of biological materials (and biofuels used for non-energy purposes) used to manufacture the undertaking's products and services (including packaging) that is sustainably sourced, with the information on the certification scheme used and on the application of the cascading principle	Percentage	28%	24%	4%p	E5-4, 31b
Weight in absolute value of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	Tonnes	648,59	N/A		E5-4, 31c
Weight in percentage of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture products and services (including packaging)	Percentage	18%	N/A		E5-4 ,31c
Resource Outflows					
Volumes of recyclable content in products and their packaging,	tonnes	3,044	4,116		E5-5, 36c
The rates of recyclable content in products and their packaging,	Percentage	84%	80%	4%p	E5-5,36c
Total weight of packaging materials	tonnes	3,638	5,166	-30%	

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
Waste*					
DIVERTED FROM DISPOSAL		**17,913,04**			
Hazardous		**0**			**E5-5, 37b**
Preperation for reuse	Tonnes	0			E5-5, 37b i
Recycling	Tonnes	230			E5-5, 37b ii
Other recovery	Tonnes	0			E5-5, 37b iii
Total hazardous waste diverted from disposal	**Tonnes**	**230**	**257**	**-11%**	**E5-5, 37b**
Non-Hazardous					**E5-5, 37b i**
Preperation for reuse	Tonnes	2,519			E5-5, 37b ii
Recycling	Tonnes	1,483			E5-5, 37b iii
Other recovery	Tonnes	13,681			E5-5, 37b
Total non-hazardous waste diverted from disposal	**Tonnes**	**17,683**	**19,827**	**-11%**	**E5-5, 37b**
DIVERTED TO DISPOSAL		**7,089**			
Hazardous					**E5-5, 37c**
Incineration	Tonnes	1			E5-5, 37c i
Landfill	Tonnes	0			E5-5, 37c ii
Other disposal moperations	Tonnes	0			E5-5, 37c iii
Total hazardous waste diverted to disposal	**Tonnes**	**1**	**1**	**0%**	**E5-5, 37c**
Non-Hazardous		**0**			**E5-5, 37c**
Incineration	Tonnes	2,924	0		E5-5, 37c i
Landfill	Tonnes	4,164			E5-5, 37c ii
Other disposal methods	Tonnes	0			E5-5, 37c iii
Total non-hazardous waste diverted to disposal	**Tonnes**	**7,087**	**5,279**	**34%**	**E5-5, 37c**

* Disaggregated 2022 figures are not available due to new categorisation from previous years.

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
Total amount of non-recycled waste	Tonnes	7,089	N/A		E5-5, 37d
Total amount of non-recycled waste	Percentage	28%	N/A		E5-5, 37d
Total amount of recycled waste	Tonnes	17,907	N/A		
Total amount of recycled waste	Percentage	72%	N/A		
Hazardous waste generated	Tonnes	231	258	-10%	E5-5, 39
Radioactive waste generated	Tonnes	0	0		E5-5, 39
Total waste generated	**Tonnes**	**25,002**	**25,364**		**E5-5, 37a**
Pollution - Emissions to air**					
Carbon monoxide (CO)	tonnes	9.98	1.6	524%	E2-2, 28a
Nitrous oxide (N20)	tonnes	0.35	0.77	-55%	E2-2, 28a
Ammonia	tonnes	0.14	0.03	367%	E2-2, 28a
Nitrogen oxides (Nox/NO2)	tonnes	307	126	144%	E2-2, 28a
Pollution - Emissions to water					
Total nitrogen	tonnes	377	365.0	3%	E2-2, 28a
Total phosphorus	tonnes	1,525	142	8%	E2-2, 28a
Copper and compounds (Cu)	tonnes	0.20	0.20	0%	E2-2, 28a
Zinc and compounds (as Zn)	tonnes	4.6	4.4	5%	E2-2, 28a
Chlorides (as total Cl)	tonnes	37.5	39.6	-5%	E2-2, 28a

** Data based on very limited data sampling

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
Water					
Freshwater withdrawal, by source					
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	m^3	14,232,623	14,679,588	-3%	
Groundwater - non renewable	m^3	282,863	271,859	4%	
Produced/entrained water	m^3	0	15,680	-100%	
Third party	m^3	66,169	63,027	5%	
Total	**m^3**	**14,581,655**	**15,030,154**	**-3%**	
Water withdrawals by water stress (as per the "Overall Water Risk" in the WRI Water Risk Atlas at date of reporting)					
Low	m^3	14,581,655	15,013,324		
Low-medium	m^3		16,830		
Medium-high	m^3				
High	m^3				
Extremely high	m^3				
Water consumption					
Total water consumption	m^3	184,343	48,184		E3-4, 28a
Areas at water risk, including areas of high-water stress	Number	0	0		E3-4, 28b
Water discharges, by destination	**m^3**				
Brackish surface water/seawater	m^3	10,830,232	11,069,178	-2%	
Third party destination	m^3	69,041	79,853	-14%	
Fresh surface water	m^3	3,498,039	3,643,520	-4%	
Total	**m^3**	**14,397,312**	**14,792,551**	**-3%**	

Water-related OPEX & CAPEX					
Water-related OPEX	mDKK	1,252	2,169	-42%	
Total water-related CAPEX	mDKK	51,475	26,930	91%	

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
Bentich Impact - Faroe Islands					
% of frames - Using MOM-B scoring system, measured at peak biomass,measured within one month of 75% of peak biomass					
Low/medium impact (no measures needed or taken)	Percentage	97%	85%	12%p	
High organic loading (measures taken to minimise impact)	Percentage	3%	15%	-12%p	
Bentich Impact - Scotland					
% of frames - Using the SEPA benthic monitoring scoring system, measured within one month of 75% of peak biomass					
Low/medium impact (no measures needed or taken)	Percentage	100%	100%	0%p	
High impact (measures taken to minimise impact)	Percentage	0%	0%	0%p	
Escape Prevention					
Number of escape incidents - Group	Number	1	0		
Number of escaped fish - Group	Number	251,344	0		
Fallow Time Between Production Cycles					
Fallow time - Faroe Islands	Weeks	20.08	18.50	9%	
Fallow time - Scotland	Weeks	17.90	12.80	40%	
Feed Conversion Ratio					
Biological Feed Conversion Ratio - Faroe Islands	bFCR	1.10	1.06	3%	
Biological Feed Conversion Ratio - Scotland	bFCR	1.18	1.26	-6%	

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
Feed Composition (Havsbrún)					
Non-GMO Soy	Tonnes	19,979	13,261	51%	
Algae oil	Tonnes	80	0		
Wheat products	Tonnes	23,129	28,162	-18%	
Plant oil	Tonnes	17,701	17,843	-1%	
Marine proteins	Tonnes	49,008	50,630	-3%	
Fish oil	Tonnes	17,602	18,068	-3%	
Others	Tonnes	4,061	4,384	-7%	
Total	**Tonnes**	**131,560**	**132,348**	**-1%**	
Feed sources (excl, marine resources) by water stress category (WRI Aqueduct Country Rankings)					
Low	Percentage	17.5%	N/A		
Low-medium	Percentage	72.4%	N/A		
Medium-high	Percentage	5.5%	N/A		
High	Percentage	1.9%	N/A		
Extremely-high	Percentage	0.2%	N/A		
Undefined	Percentage	2.5%	N/A		
Fish Welfare					
Survival rate, Faroe Islands (%)	Percentage	92.7%	95.1%	-2.4%p	
Annual survival rate, Scotland (%)	Percentage	79.4%	76.8%	2.6%p	
Monthly survival rate - Faroe Islands	Percentage	99.39%	99.60%	-0.21%p	
Monthly survival rate - Scotland	Percentage	98.29%	98.20%	0.09%p	
Average annual stocking density, Faroe Islands	kg/m^3	7.59	7.19	6%	
Average annual stocking density, Scotland	kg/m^3	8.14			
Bulk oxygen uptake during transport		Never below 70%	Never below 70%		

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
Sea Lice Management					
Sea lice levels, Faroe Islands	Sea lice count	0.28	0.28	0%	
Sea lice levels, Scotland	Sea lice count	0.22	0.22	0%	
Medicine use in feed, Faroe Islands	Grams active pharmaceutical ingredients per tonne of live weight produced	0.47	5.52	-91%	
Medicine use in feed, Scotland	Grams active pharmaceutical ingredients per tonne of live weight produced	0.43	0.49	-12%	
Medicine in bath treatment, Faroe Islands	Grams active pharmaceutical ingredients per tonne of live weight produced	3.27	2.7	21%	
Medicine in bath treatment, Scotland	Grams active pharmaceutical ingredients per tonne of live weight produced	0.03	0.389	-92%	
Sustainability Certifications					
Number of ASC sites certified (Group)	Number of sites	34	20	70%	
% of total harvested volume in the Faroe Islands which was ASC certified	Percentage	100%	100%	0%	
Number of BAP sites certified	Number of sites	48	39	23%	
% of total harvested volume in Scotland which was BAP certified	Percentage	100%	100%	0%	
USE OF MARINE INGREDIENTS IN FEED					
Forage Fish Dependency Ratio - meal (FFDRm), weighted average, Group	FFDRm	0.751	0.91	-17%	
Forage Fish Dependency Ratio - oil (FFDRo), weighted average, Group	FFDRo	0.433	0.72	-40%	

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
EMPLOYEES & FTE		**Group 2023**			
Heads total	Heads	1960		0%	ESRS 2, 40a
FTE total	Full time equivalent	1,686	1,778	-5%	S1-6, 50
Employees, permanent	Full time equivalent	1680	1,770	-8%	S1-6, 50b i
Employees, temporary	Full time equivalent	6	7	-56%	S1-6, 50b ii
Employees, part-time	Full time equivalent	300	307	-2%	S1-6, 52b
Employees, full-time	Full time equivalent	1,386	1,470	-6%	S1-6, 52 a
Employees, female (%)	Percentage	25%	25%	0%	S1-6, 50
Employees, male (%)	Percentage	75%	75%	0%	S1-6, 50
Employees, younger than 30 (%)	Percentage	22%	24%	-2%p	S1-9, 66b
Employees, aged 30-50 (%)	Percentage	48%	47%	1%p	S1-9, 66b
Employees, older than 50 (%)	Percentage	30%	29%	1%p	S1-9, 66b
Non-guaranteed hours employees	FTE	656	734	-11%	
Non-guaranteed hours employees - Female	FTE	252	246	3%	
Non-guaranteed hours employees - Male	FTE	403	488	-17%	
Workers who are not employees	Heads	1	3	-33%	S1-7, 55a
Employees by geographical areas	Heads	1960	1,778	10%	SBM-1, 40a iii
Employees by geographical areas: 1960 Faroe Islands: 1274 Scotland: 546 USA: 73 Denmark: 63 France: 4					
Employees, male	Heads	1411		0%	S1, S1-5 51a
Employees, female	Heads	549		0%	S1, S1-5 51a

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
TURNOVER		**Group 2023**			
Number of employees who left	Heads	528	534	-1%	S1-6, 50c
Number of employees who left, female	Heads	160	135	19%	S1-6, 50c
Number of employees who left, male	Heads	368	399	-8%	S1-6, 50c
Number of employees who left, younger than 30	Heads	221	274	-19%	S1-6, 50c
Number of employees who left, aged 30-50	Heads	188	170	11%	S1-6, 50c
Number of employees who left, older than 50	Heads	120	90	33%	S1-6, 50c
Rate of total employee turnover	Rate	27%			S1-6, 50c
Turnover rate by level of seniority, Senior Leadership Team	Rate	7.69%			
Turnover rate by level of seniority, Line Manager	Rate	11%			
Turnover rate by level of seniority, Employees	Rate	29%			

NEW HIRES		Group 2023			
New hires total	Heads	319	597	-47%	
New hires, female	Heads	98	144	-32%	
New hires, male	Heads	221	453	-51%	
New hires, younger than 30	Heads	170	299	-43%	
New hires, aged 30-50	Heads	111	207	-46%	
New hires, older than 50	Heads	38	91	-58%	

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
OCCUPATIONAL HEALTH & SAFETY		**Group 2023**			
Absence rate in % of total hours worked	Percentage	3.93%	4.53%	-0.6%p	
Lost Time Injuries	Number of accidents	44	49	-10%	S1-14, 88e
Lost days rate	Average number of absence days per injury	26.55	56.77	-53%	S1-14, 88e
Lost Time Injury Rate (LTIR) per million hours worked	Number of accidents divided with total hours worked	13.98	14.88	-6%	S1-14, 88c
Fatalities	Number	0	0	0	S1-14, 88b
Employees covered by the health and management system	Percentage	100%			S1-4, 88a
Work-related accidents	Number	44	49	-10%	S1-14, 88c
Work-related ill-health	Number	19	N/A		S1-14, 88d
Employees entiteled to family-related leave	Percentage	100%	N/A		S1-15, 93a
Family-related leave, female	Percentage	11%	N/A		S1-1, 93b
Family-related leave, male	Percentage	7%	N/A		S1-15, 93b

TRAINING AND FURTHER EDUCATION		Group 2023			
Total average hours of training (Faroe Islands and Scotland)	Hours	23.72	17.89	33%	
Average hours of training, female	Hours	10.80	10.00	8%	S1-13, 83b
Average hours of training, male	Hours	27.89	19.58	42%	S1-13, 83b

WHISTLEBLOWING		Group 2023			
Internal whistleblowing cases	Number	1	2	-50%	S1-17 103b
Whistleblowing cases related to human rights, discrimination, or forced/child labour	Number	0	0	0%	S1-17 103a
Compensation for damages from violations regarding social and human rights factors	DKK	0	0	0%	S1-17, 104b

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
ANNUAL TOTAL COMPENSATION RATIO - HIGHEST PAID RATIO TO THE MEDIAN SALARY OF ALL EMPLOYEES					
Annual total compensation ratio, Faroe Islands	Ratio	8.6	7.24	19%	S1-16, 97b
Annual total compensation ratio, Scotland	Ratio	9.22	8.77	5%	S1-16, 97b
Percentage increase, highest-paid vs, Median Faroe Islands	Percentage	28.01 Highest paid/ 9.84% Median Employee	0 highest paid / 9.43% median employee		
Percentage increase, highest-paid vs, Median, Scotland	Percentage	18.36% Highest paid/ 4.43% Median Employee	N/A		
Gender pay gap , Faroe Islands	Pay gap	18.25%	N/A		S1-16, 97a
Gender pay gap, Scotland	Pay gap	-3.70%	N/A		S1-16, 97a

EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS		Group 2023			
Employees covered by collective bargaining agreements	Percentage	63%	N/A		S1-8, 60
Conditions based on similar agreements	Percentage	37%	N/A		S1-8, 61
The global percentage of employees covered by workers' representatives, reported at the country level for each EEA country in which the undertaking has significant employment	Percentage	96%	N/A		S1-8, 60b&c

EMPLOYEES RECEIVING PERFORMANCE REVIEWS BY GENDER		Group 2023			
Employees participated in regular performance and career development reviews - Female	Percentage	1%	2%	-1%p	S1-13, 80a
Employees participated in regular performance and career development reviews - Male	Percentage	10%	13%	-3%p	S1-13, 80a

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES - FTE BY END OF REPORTING PERIOD		**Group 2023**			
Board of Directors - Female	Number	2	2	0%	S1-9, 66a
Board of Directors - Female	Percentage	33%	33%	0%p	
Board of Directors - Male	Number	4	4	0%	S1-9, 66a
Board of Directors - Male	Percentage	67%	67%	0%p	S1-9, 66a
Board of Directors - Average ratio of female to male	Percentage	33%	33%	0%p	GOV-2, 21d
Directors reporting to the CEO - Female	Percentage	15%	25%	-10%p	
Directors reporting to the CEO - Male	Percentage	85%	75%	10%p	
All Line Management (inclusive SLT) - Female	Percentage	19%	20%	-1%p	
All Line Management (inclusive SLT) - Male	Percentage	81%	80%	1%p	
Independent board members	Percentage	83%	83%	0%	GOV-2, 21e

Governance		Group 2023			
Number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws	Number and DKK	0	0	0%	G1-4, 24a
Confirmed incidents of corruption or bribery	Number	0	0	0%	G1-4, 25a
Confirmed incidents in which own workers were dismissed or disciplined for corruption or bribery-related incidents	Number	0	0	0%	G1-4, 25b
Confirmed incidents relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery	Number	0	0	0%	G1-4, 25c
Financial and in-kind political contributions made directly and indirectly by the undertaking aggregated by country or geographical area where relevant, as well as type of recipient/beneficiary	Value	0	N/A		G1-5, 29b i
Average days to pay invoices from the invoice date	Number of days	37	36	3%	G1-6, 33a
Legal proceedings currently outstanding for late payments;	Number	0	N/A	0%	G1-6, 33c

BAKKAFROST GROUP	UNIT OF MEASURE	2023	2022	%	ESRS REFERENCE
MEMBERSHIP OF ASSOCIATIONS					
SEDEX					
Global Gap					
Aquaculture Forums					
CIPD					
NEBOSH					
Mental Health Forum					
DYW					
SAIC					
Lantra					
IOSH					
IEMA					
The Faroese Fish Farmers Association					
Salmon Scotland					
Dansk Industri					

General Basis for Preparation of the Sustainability Statement

This is Bakkafrost's first integrated sustainability statement covering the reporting period 1 January to 31 December 2023.

The sustainability statement is prepared with reference to the European Sustainability Reporting Standards (ESRS) issued by European Financial Reporting Advisory Group (EFRAG).

Calculations and reporting of greenhouse gas emissions is prepared in accordance with the Greenhouse Gas Protocol, following the 'operational control' consolidation approach where the company accounts for 100 percent of the GHG emissions from operations over which it has control.

The sustainability statement is prepared on a consolidated basis which follows the Scope of the company's financial statement. The consolidated sustainability statement includes P/F Bakkafrost and the subsidiaries over which P/F Bakkafrost has a controlling influence either by shareholding or by agreement. A controlling interest is normally deemed to exist when ownership directly or indirectly exceeds 50% of the voting rights.

The sustainability statement covers Bakkafrost's full upstream and downstream value chain.

This statement includes or mentions sustainability-related policies, actions and targets that apply to the organisation's upstream value chain where they are relevant, such as policies, actions and targets related to sourcing sustainably from suppliers, human rights, health and safety and reducing carbon emissions.

Upstream and downstream value chain data is included in parts of the reported metrics, e.g. Scope 3 GHG emissions and reported grievances from 3rd party stakeholders.

Information subject to confidentiality due to national legislation has been omitted.

Accounting estimates

Across our ESG reporting, value chain-related proxies/sector-average data is only applied in the calculations of our Scope 3 greenhouse gas emissions.

We are committed to measuring and reporting our greenhouse gas emissions in accordance with the Greenhouse Gas Protocol, and we seek to apply specific data wherever we can. However, we acknowledge that in some cases we do not have access to activity data.

Currently we apply proxy data/sector-average data to the calculation of emissions of our upstream and downstream activities (Scope 3). This includes using emission factors deriving from databases for the calculation of GHG emissions within the categories:

- Purchased good and services (excluding quantities of soy, where we apply a supplier-specific emission factor)
- Capital goods (currently excluded from the reported inventory due to high annual volatility)
- Fuel and energy-related activities
- Transportation and distribution (excluding transport of feed from Havsbrún to our Scottish operations where we have activity data)
- Waste generated in operations
- Business travel
- Employee commuting
- Leased assets
- Processing of sold product
- Use of sold product
- End of life treatment of sold products

Since we apply proxy data to the calculation of Scope 3 GHG emissions, we estimate that the level of accuracy of the reported Scope 3 GHG emissions for 2022 is 69%.

The calculation of level of accuracy is based on an assessment of the data quality of the collected raw data such as volumes or amount spend combined with an assessment of the data quality of the GHG factor applied to calculate the total GHG emissions.

We are currently in a dialogue with some of our most significant stakeholders in relation to Scope 3 to have activity data into our calculations and we expect to improve the accuracy and completeness of our data collection and reporting processes over time.

Preparation of the sustainability statements involves the use of estimates and assumptions. Use and changes in estimates and estimated assumptions are accounted for when they occur. Descriptions about the various estimates applied are given in the notes to the accounts where relevant.

Time horizons applied

Bakkafrost applies its own time horizons for reporting purposes and risk assessments. Bakkafrost has a short-term time horizon on 3 years, a medium-term horizon at 3-8 years, and a long-term horizon at 8 years and more.

Bakkafrost has a short-term time horizon of 3 years corresponding to the life cycle of one generation of salmon. Salmon farming is a long-term business requiring significant infrastructure, equipment, and personnel investment. It takes approximately 3 years for salmon to grow from eggs to harvestable size. Therefore, Bakkafrost's short-term plans and production strategy are designed to maximize efficiency and profitability while ensuring the long-term sustainability of the company's operations.

The applied definitions of medium- and long-term time horizons are a direct result of the definition of a short-term time horizon.

Changes in preparation of sustainability information

For the reporting of sustainability information for 2023, we have decided to adopt an integrated reporting approach that combines our financial and sustainability information in a single report. This reflects our commitment to creating value for our stakeholders and society in a holistic and transparent manner.

Due to the adoption of CSRD, some of the ESG metrics previously reported might have been replaced or revised to reflect CSRD requirements. For example, we have revised the reporting structure of waste generated in operations to reflect the structure suggested in CSRD. Thus, volumes can only be compared to previous years on an aggregated level, as it has been found impracticable to generate the figures following two different reporting structures.

Disclosure stemming from other sustainability reporting standards

As the sector agnostic ESRS standards are the only reporting standards that have been released yet as a result of the EU Corporate Sustainability Reporting Directive (CSRD), we continue to apply other reporting standards as we have done in previous years to support the transparency in our reporting. These include calculation methodologies which have been prepared and decided by members of the Global Salmon Initiative (GSI) and methodologies as stated in certifications and national legislation.

Metrics that have been prepared with reference to the Global Salmon Initiative methodology handbook include:

- Fish escapes
- Fish mortality
- Antibiotic use
- Medicinal in-bath treatments
- Medicinal in-feed treatments
- Use of hydrogen peroxide

Metrics which are reported with reference to the Aquaculture Stewardship Certification (ASC) include:

- Wildlife interactions
- Forage fish dependency ratio (FFDr)

Metrics which are reported with reference to national regulatory standards are:

- Sea lice levels
- Organic loading of seabed (scored with reference to the MOM-B system for the Faroe Islands and SEPA for Scotland)

External review

All quantitative data included in the sustainability statement is covered by limited assurance performed by our auditor Januar - Løggilt Grannskoðanarvirki. An independent assurance report can be found at the end of the report.

Double Materiality Assessment Methodology

To identify which disclosure requirements are relevant for Bakkafrost to report on, we have carried out a double materiality assessment which considers the sustainability-related impacts that Bakkafrost has on its surroundings and the risks and opportunities which Bakkafrost faces from its surroundings

The Corporate Sustainability Reporting Directive (CSRD) requires that Bakkafrost reports on sustainability matters based on a double materiality assessment.

Bakkafrost's double materiality assessment has been carried out from October 2023 to January 2024.

Overview of the process to identify material impacts, risks and opportunities (IRO's)

The Double Materiality Assessment (DMA) was performed through 4 general phases. Phase 1 and 2 covered both identification and assessment of impacts as well as financial risks and opportunities. Differences in the process are described in sections covering Phase 3 and Phase 4.

Phase 1: Understanding the context

To ensure we included all relevant topics in our assessment, we performed an analysis of our current ESG activities, our current legal and regulatory landscape, a review of selected competitors' and suppliers' ESG reporting and activities, we conducted interviews with selected internal and external stakeholders, and we mapped our value chain and stakeholders.

It is important that actual and potential IRO's that arise through Bakkafrost's network of suppliers are considered. We have identified these through a risk assessment that we did using desk research based on Bakkafrost-specific data regarding sourcing of raw materials. The assessment focuses on raw materials used for feed production at our feed facility at Havsbrún, as the sourcing of raw materials for feed production was identified as giving rise to a heightened risk of adverse impacts.

As part of understanding the context, we considered both direct impacts as well as potential impacts through business relationships. We particularly focused on relationships which are likely to be associated with material impacts, including actors associated with 'hot spots' that are exposed to the likelihood of actual and potential impacts (e.g. natural resource sourcing from areas with high deforestation rates or production in countries with poor working conditions). We also focused on actors with whom we have key dependencies.

We used the following factors to differentiate actors:

a) Proximity to business (e.g. tier 1, tier 2, tier 3 etc.)
b) Connection to adverse impacts
c) Degree of leverage or influence of value chain actor over the undertaking or vice-versa

The most important factor is b, and the determination should not be primarily based on either a or c.

The analysis showed that Havsbrún sources several raw materials in the production of fish feed, which are documented to have a high climate change-, biodiversity-, social- or governance impact, including soy and rapeseed oil.

Phase 2: Identification of potential material impacts

We created an ESG long list with potential material impacts based on the findings from Phase 1.

ESRS 1 states that the sustainability matters presented in Article 16 (subdivided into topic, sub-topic and sub-sub-topic level) shall be considered. Thus, the sustainability matters identified in Phase 1 were categorised according to the categories listed in ESRS 1 and supplemented with identified entity-specific topics for Bakkafrost.

The ESG long list included topical matters which were presented slightly differently. All matters that could reasonably be aggregated, e.g. as they represented the same or close to the same matter but with a different wording, were aggregated. Formulations of the different impacts within each sustainability topic were included to assist the assessment of potential materiality.

Phase 3: Rating of potential material sustainability matters and IROs

Phase 3 focused on assessing the materiality to inform the consolidation of results in Phase 4. This was done through two ratings.

The first rating, which was performed via an online survey, included engagement with affected stakeholders. The purpose of the survey was to: potentially delimit the amount of potential material matters planned for more detailed assessment in the second rating; directly involve and include stakeholder perspectives to inform the management's consolidation of results; and provide insights for future actions, i.e. from gaining inputs from stakeholders on specific concerns or expectation to Bakkafrost.

66 approved sustainability matters were assessed by the stakeholders.

The impact-related stakeholder groups who received the survey were:

- Employees
- Customers
- Industry associations
- Local communities
- Authorities

The financial stakeholder groups were:

- The Bakkafrost management
- Banks
- Financial and ESG analysts
- Investors

In total, 144 stakeholders received the survey.

Suppliers were not engaged as the risk of them providing biased feedback was too high. Instead, we have emphasised the importance of considering IROs arising from the supply chain in the assessment, especially in the second rating.

Each respondent was asked to rate the materiality of the identified sustainability matters in relation to Bakkafrost on a scale from 1-5 as follows:

- 5 is crucial
- 4 is important
- 3 is neutral
- 2 is less important
- 1 is not important

To further narrow down the number of potential material sustainability matters, a first level cut-off at an average score of 3 or higher was anticipated. Matters with an average score above 3 would be included in the second rating.

However, the results showed that all topics were rated high, and no matter was given an impact or financial score below 3.5.

Due to the high scores, all 66 topical matters were included in the second rating, and it was decided that the first rating stage could not form the basis for delimiting the number of sustainability matters in the second rating. However, the first rating stage provided relevant information, which was included alongside the rating results for the second rating.

For the second rating stage, we involved subject matter experts (SME) within the company to perform a detailed impacts, risk and opportunities rating. The results from this rating served as the foundation for the final consolidation of results.

The task of performing the rating of the impact-related topics was delegated to the relevant SMEs, while the task of assessing the financial materiality was delegated to our CFO.

Assessment of impact materiality

The process of assessing the impact materiality followed the methodology stated in ESRS. Impacts were firstly assessed to be either negative or positive, then actual or potential, and for actual negative impacts, the topics were rated in terms of severity of the impact, and for potential negative impacts, the factor of likelihood was added along with severity. For actual positive impacts, only severity was considered, and for potential positive impacts, the likelihood was assessed.

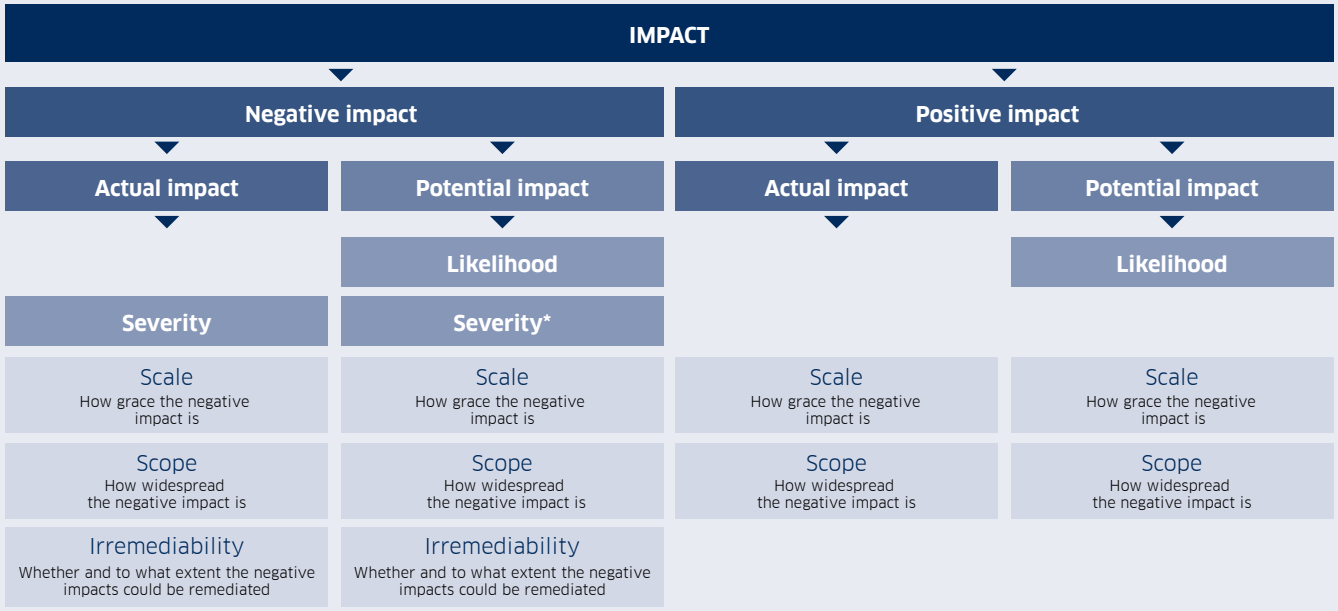
The process is illustrated in the figure below:

Assessment of financial materiality (risks and opportunities)

The assessment of financial materiality was based on a combination of the likelihood of occurrence (0%-100%) and the potential magnitude of financial effects, and all matters were considered from a short-, medium- and long-term perspective.

For the assessment of the magnitude of financial effects, the following quantitative thresholds were applied:

Magnitude of financial effects	From mDKK (lower limit)	To mDKK (upper limit)
0	0	10
1	10	30
2	30	100
3	100	200
4	200	500
5	500	99999



The ISA 320 standard was used as a guiding instrument for defining the cut-off level, as it stipulates 1% for revenue and costs, and 5% for profit before tax as relevant materiality levels in the context of financial reporting.
When defining financial materiality in accounting processes, companies therefore typically work with a threshold of between 1-3% of annual revenue.

Bakkafrost's annual revenue for 2022 constituted 7,300 mDKK, and the threshold of 1% is therefore equal to roughly 73 mDKK.

Based on this, the estimated financial risk/opportunity for each topical matter is therefore calculated by multiplying the maximum exposure of each scoring level cf. the table above with the likelihood of occurrence.

Example: A topical matter received a magnitude of financial effects rating of 4, which is equal to a maximum exposure of 500 mDKK. The likelihood was estimated to 30%, and the total estimated financial opportunity was therefore calculated at 500 mDKK * 30 % = 150 mDKK.

To guide the definition of financial materiality in the context of the double materiality assessment, the Pareto principle is further applied to understand the total identified risks or opportunities. This principle is used to guide financial decisions, as it is estimated that around 80% of consequences often come from 20% of the causes.

By applying the Pareto principle, it is estimated that topical matters with individual maximum risk exposures of 50 mDKK or above constitute 67.1% of the total identified risks for Bakkafrost. At this level (50 mDKK), the risk exposure of each topical matter represents approximately 0.7% of Bakkafrost's annual revenue. This is defined as the threshold for material financial risk.

For opportunities, the materiality threshold applied was 0.8% of Bakkafrost's annual revenue.

Phase 4: Consolidation of the DMA results

In order to consolidate the double materiality assessment for Bakkafrost, a final workshop was held Bakkafrost management to review the materiality assessment and determine if the materiality of any topical matters should be adjusted.

To establish the best possible foundation for the workshop, all relevant information from the first and second ratings was presented in a table, which was used as the basis for the consolidation of materiality by Bakkafrost management.

Individual tables were prepared for the financial and impact ratings respectively. The tables were divided into topical matters which were defined as material in the second rating, and topical matters which were not defined as material in the second rating. The scoring of the second rating thus constituted the basis for assessing materiality of the topical matters, while the information from the first rating served as additional information, to include the broader stakeholder perspective and support the consolidation process of materiality at the workshop.

If a topical matter had been identified as material from either an impact or financial perspective, Bakkafrost management still had the possibility to reevaluate this assessment during the final workshop. This would, however, require that they provide solid argumentation as to why they believe that the topical matter should not be defined as material, to justify their decision to reevaluate the assessment.

The management also had the opportunity to include topics which had been assessed immaterial.

As a result of the discussions at the final consolidation workshop, 47 topical matters were identified as material from an impact perspective and 36 topical matters were identified as material from a financial perspective, which resulted in a list of 49 material sustainability matters, which will guide future sustainability reporting at Bakkafrost.

Basis for preparation of the double materiality assessment

This is the first time we have performed a double materiality assessment. We have previously performed standard materiality assessments. No sustainability matters have been excluded as a result of the double materiality assessment compared to previous materiality assessments.

The double materiality assessment has been performed on a consolidated basis which follows the Scope of the company's financial and sustainability statement.

The double materiality assessment covers Bakkafrost's full upstream and downstream value chain.

The following four sections of ESRS 2 along with the EFRAG Implementation guidance for value chain (VCIG) has been used to frame the methodology and process concerning the supply chain analysis and stakeholder mapping:

ESRS 2, IRO-1: Description of the process to identify and assess material impacts, risks and opportunities.

ESRS 2, SBM-1: Disclosure requirement on Strategy, business model and value chain.

ESRS 2, SBM-2: Disclosure requirement on interests and views of stakeholders

ESRS 2, SBM-3: Disclosure requirement on material impacts, risks and opportunities and their interaction with strategy and business model (including value chain)

Sources of information used

- Bakkafrost Annual report 2022, Bakkafrost Healthy Living Sustainability Report 2022 and, information provided to investors (Capital Market Day 2023).
- Existing ESG data: Healthy Business data and GRI Standards Content Index 2022
- ESG baseline assessment via ESRS due diligence scheme (Appendix A3)1
- Bakkafrost Sustainability Governance Framework
- Bakkafrost Corporate Responsibility and Sustainability Policy Statement
- Bakkafrost Feed Policy Statement
- Bakkafrost Freshwater Use Policy
- Materiality Assessment Research (2021, prepared by Buchanan)
- Materiality Review, Desktop Research (2023, prepared by Buchanan)
- Previous materiality assessment (2019, internally prepared)
- TCFD Scenario Analysis (2023, prepared by Verco)
- Bakkafrost Plastics Recycling landscapes Report (2019, prepared by 3keel)
- Packaging Portfolio Audit (2019 prepared by 3keel)

TCFD Report

Climate change is the long-term alteration of Earth's climate patterns due to various factors. The accumulation of greenhouse gases in the atmosphere leads to a warming effect, causing shifts in weather patterns, rising sea levels, and more frequent extreme events like heatwaves, storms, and droughts. Addressing climate change requires global cooperation, sustainable practices, and efforts to reduce emissions and adapt to the changing environment.

Bakkafrost has verified SBTI targets consistent with reductions required to keep global warming to 1.5°C. We have committed to reducing absolute Scope 1 and 2 greenhouse gas emissions by 50% by 2030 and to reduce Scope 3 GHG emissions by 52% per tonne of product sold within the same timeframe. Bakkafrost has been working toward consistency with the Task Force on Climate-related Financial Disclosures (TCFD) recommended disclosures since 2019. The TCFD has consolidated its recommendations into a structured framework. This framework aims to facilitate the disclosure of transparent, comparable, and harmonised information regarding the risks and opportunities associated with climate change.

In this report, we have briefly outlined the risks and opportunities stemming from climate change, our strategic approach toward a low-carbon economy, and our corporate targets. Our CDP report also contains more information regarding Bakkafrost's greenhouse gas emissions and climate change strategies.

Transition Risks	
Regulation	Bakkafrost's fish feed subsidiary Havsbrún procures substantial quantities of agricultural commities in order to produce feed for the farming segment. This is an essential business function and is vital for the business growth strategy. These commodities include soy protein concentrate, plant oil (primarily rapseed), and wheat products.
Technology	Bakkafrost is vulnerable to electricity price rise due to its increasing electricity demand over time (driven by process automation, electrification of thermal, and production growth). Potential future volatility in the energy market could result in increased exposure and increased operating costs. Bakkafrost is also dependent on air transportation to distribute products to key overseas markets. Under some scenarios, decarbonisation of the global economy will result in large tariffs being placed on air travel and transport, something which will particularly impact businesses directly dependent on air freight logistics.
Market	As global economies transition to a low-carbon world, it is increasingly likely that some form of carbon pricing will be enforced across markets where Bakkafrost operates. While not certain what form this pricing will take, it can be calculated as a variable £X/tonne CO_2e emissions per year (or per kg product sold with regional variation). Given Bakkafrost's growth projections this risk is expected to increase under some climate scenarios.
Physical Risks	
Acute	In a warming climate, there is much uncertainty over how meteorological ocean/atmospheric interactions will change. Extreme weather events such as storms, coastal surges, high winds and intense precipitation are current a high risk for Bakkafrost given the exposed locations where marine operations are often located. Potential impact from extreme weather could be salmon escapes, injury, mortality of salmon, impact on workforce and capital assets. Marine farming depends on seawater quality in fjords where the business holds licenses to rear salmon. Climate-related drivers can put pressure on the state of this environment in a number of ways. These potential impacts could be harmful algal blooms, de-oxygenation, sea lice, pathogens and so on.
Chronic	Bakkafrost is unique in the industry in having full control of the feed production process through ownership of the Havsbrún FOF subsidiary company. This facility currently supplies bespoke fish feed for all Bakkafrost farming operations. Key inputs into the fish feed production process include soy protein, rapeseed oil, wheat products, and marine caught fish inputs (various pelagic species processed to create fishmeal and fish oil). Given that these are wild caught from surrounding waters by Faroese fishing vessels, there is a risk that Bakkafrost will not be able to maintain the required Havsbrún output levels should climate change impact these fisheries. A warming climate could come with increasing storm activities, as in the expectation that as Bakkafrost grows, more exposed locations will be used. In order to maintain access to skilled labour, Bakkafrost will need to raise labour costs faster under high physical risk scenarios.
Oppurtunities	
Energy Sources	Bakkafrost's biogas plant FØRKA uses biological waste from hatcheries to generate electricity, heat and fertiliser. These three production streams are sold to the grid/heat network /customers respectively and is an opportunity to revenue generation. As the business continues to grow it is assumed that the biological waste quantities will increase and FØRKA production can increase the Financial impact of the increased production will be assessed.
Resilience	Bakkafrost may have the ability to self-generate a proportion of the electricity onsite, using renewable energy technologies. This reduces exposure to electricity/ fossil fuel prices and reduces risk of energy supply / security constraints. The financial benefit of self-generation is assessed under these three climate scenarios.

TCFD Index 2023

The Task Force on Climate-related Disclosures (TCFD) published its recommendations on information regarding climate change for companies in June 2017.

The table below identifies the actions taken by Bakkafrost in response to these recommendations.

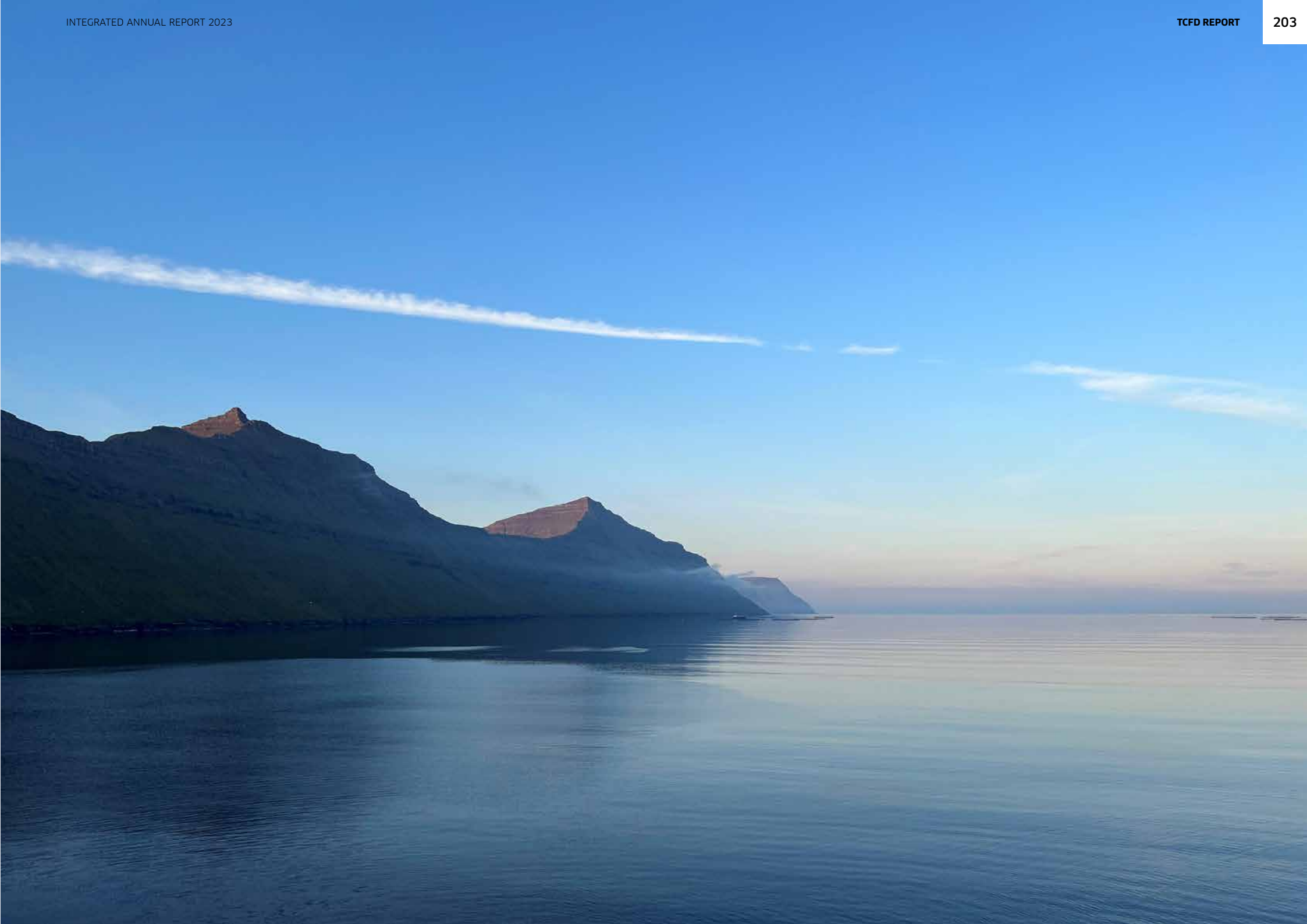
TCFD recommended disclosure	Response	Location (section, page reference) and notes
Governance: Disclose the organisation's governance around climate-related risks and opportunities.		
a. Describe the board's oversight of climate-related risks and opportunities.	The Board of Directors has delegated the day-to-day responsibility for managing the organization's sustainability-related impacts to the CEO. However, major decisions and investments into climate and energy transition above DKK 5M are to be approved by the Board of Directors. The CEO is responsible for reporting back to the Board of Directors on sustainability topics, including material impacts, risks and opportunities at every board meeting. The Board of Directors meets at least four times a year in addition to the annual general meeting.	For more information, see page 204-212, ESRS2, GOV 2- 26
b. Describe management's role in assessing and managing climate-related risks and opportunities.	The responsibility for maintaining effective controls and risk management systems rests with the Board of Directors and the Executive Board. The operational responsibility for the internal control and risk management systems is carried out by several levels of management in the group. To ensure effective sustainability management in the organisation, including effective due diligence processes and risk management, external independent audits and performance reviews are carried out annually at several levels in the organisation. Sustainability-related policies are reviewed and approved by the CEO. The Group Sustainability Director is responsible for reporting results and effectiveness of sustainability-related policies, actions, metrics and targets to the board, which is done for every board meeting. It is also via input from the Group Sustainability Director and the CFO that the board considers impacts, risks and opportunities when overseeing the company's general strategy. Due to Bakkafrost having set science based targets for reducing carbon emissions from operations by 2030, the strategy and derivative investments are affected directly by this commitment. The risk management process is continuously reviewed to reflect the increasing requirements on the ability to identify, assess and react to new risks, including climate-related risks.	For more information, see page 204-212, ESRS2, GOV 2,26 and GOV 5,36

TCFD recommended disclosure	Response	Location (section, page reference) and notes
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material.		
a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	See "Bakkafrost climate-related risks and opportunities" table presented above. Bakkafrost is most exposed to the risk of a carbon tax on emissions in the short term, with the risk further rising unless decarbonisation continues following the achievement of the current near-term target. Medium and long-term risks such as extreme weather, ocean temperature, and technological transition risks are also mentioned.	
b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Identification of climate-related risks and opportunities has motivated investments over the short term, such as investing in the biogas plant, renewable energy, renewable heat, new hybrid well boat and electrification of hatcheries. Regarding indirect costs, 100% of our energy supplied was from renewable sources in in Scotland when in contract. In the Faroe Islands we have a commitment to have 100% sustainable electricity production by 2030. Identification of climate-related risks and opportunities has motivated the following investments over the short, medium and long term: Invested in new Farming Service Vessels 'Bakkanes' and Ronja Star for Scottish operations to mitigate biological risks, e.g. algae blooming due to rising temperatures.	
c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Bakkafrost has committed to taking the green road (RCP1.9) pathway and has verified science-based targets for Scope 1, 2 & 3 aligned with the 1.5°C target. These targets are always in mind when setting strategies and decision-making for Bakkafrost. Bakkafrost strives to reach the RCP1.9 early transition scenario. In the process, Bakkafrost also calculated the impact of the 2° and 4° scenarios. It is important for Bakkafrost to be resilient in its business strategy. Even though Bakkafrost strives to manage the 1.5° target, mitigation of risks implied by the other scenarios will also be done.	See page 204-212 ESRS 2, SBM-3 for more information See above for more information about Bakkafrost climate-related scenarios.

TCFD recommended disclosure	Response	Location (section, page reference) and notes
Risk management: Disclose how the organisation identifies, assesses, and manages climate-related risks.		
a. Describe the organization's processes for identifying and assessing climate-related risks	The Board of Directors has the final responsibility for the risk management of the Group. The Board of Directors determines the framework for identifying and mitigating risks. The Audit Committee supervises risk management. Risks and opportunities are both identified through annual workshops and weekly meetings. Risks are continuously monitored by all departments for their specific area of operation and identified and relevant risks are tabled at weekly executive meetings, where executives from all departments participate, e.g. executives from IT, Quality/Biology, Feed division, Finance, HR, Sales, Procurement etc, ensuring the risk management process is a multi-disciplinary and company-wide process. Extensive risk analysis for the whole Group is carried out by the end of each year and reported to the Group Management.	For more information, see page 204-212, ESRS 2, IRO-1
b. Describe the organization's processes for managing climate-related risks.	Risks and opportunities are both identified through annual workshops and weekly meetings. Our Quality Department arranges annual workshops to review current risks, including potential re-prioritising of risks and opportunities, making new assessments as well as potentially suggesting new actions to mitigate risks. New risks and opportunities are also considered and added to the register. This process considers both short-term, medium-term and long-term risks. Assessment and decision-making as response to the results of the Quality Department's risk assessment are done primarily by the Group Management, which has the overall responsibility for the daily compliance with the risk management framework. When assessing the potential impact of climate-related risks to Bakkafrost, we consider all stages of the value chain, from our suppliers to customers, and responses to risk are appropriately determined.	For more information, see page 204-212, ESRS 2, IRO-1
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	The process of identifying, assessing and managing sustainability-related impacts and risks is part of the overall management process through the sustainability governance framework, which stipulates that the board has delegated the responsibility of managing sustainability-related impacts and risks to the CEO, who has further delegated the responsibility of monitoring and reporting sustainability-related impacts and risks to the Group directors. Also, the Group directors delivered key input to the double materiality assessment. The process of identifying, assessing and managing sustainability-related impacts and risks feeds into our overall risk profile, which our CFO is responsible for monitoring and reviewing,	For more information, see page 204-212, ESRS 2, IRO-1

TCFD recommended disclosure	Response	Location (section, page reference) and notes
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	The following are the priority risks at 2050. **Souring feed inputs for Havsbrún** The risk of wild fishery collapse is difficult to model as it may be due to a number of climate- and non-climate-related factors. However, the impacts of ocean acidification are known to be increasing globally. As OA primarily impacts organisms at the base of the marine nutrient chains, there is a risk that pelagic fisheries surrounding the Faroe Islands may be impacted as well. The model parameter is the availability of feed ingredients, e.g. rising cost of sourcing marine protein feed input. This is calculated by the quantity of feed needed to meet projected future demand. The quantity of marine protein and the cost of procurement needed to produce this much feed is calculated. Then we identify the "worst case scenario" factor increase for the cost of marine protein, to be scaled by scenario in proportion to the relevant RCP. At last the financial impact in calculated as the difference between the baseline cost of feed, and the increased cost of feed for each scenario (increased cost to be applied to % of catch identified as most vulnerable to ocean acidification).	See page 204-212, ESRS 2, IRO-1 53. For more description of the risks, see "Bakkafrost climate-related risks and opportunities" above.
	Increased electricity costs Bakkafrost's vulnerability to electricity price rises is modeled by considering the electricity price. The baseline for this analysis is the total electricity consumption for both Faroese and Scottish operations in 2021, as reported in the 2021 sustainability report. To forecast electricity usage, Bakkafrost's production growth rates are projected out to 2026. Beyond that, the period from 2026 to 2050 is estimated using population growth scenarios. Electricity forecasts for all three scenarios are calculated using datasets from the NGFS Phase 3 Scenario Explorer. Specifically, a UK-specific dataset is used for Scotland operations, while a world dataset is used for the Faroese operations. By combining the predicted energy usage and anticipated prices, the yearly expenditure on electricity can be determined. The financial impact is then calculated as the difference between the electricity spend in the year of calculation and the 2020 electricity spend. This approach allows Bakkafrost to assess its exposure to potential price fluctuations and make informed decisions regarding energy management.	
	Carbon pricing Given Bakkafrost's growth projections the carbon pricing risk is expected to increase under some climate scenarios. The modelled parameter for this is carbon emissions or carbon price forecasts. First the total carbon emissions for both Faroe Islands and Scotland operations in 2021 were calculated. There are two methodologies used for furture emissions projections. The first shows emission reduction in line with Bakkafrost's science based targets commitments, corresponding to a 50% reduction in absolute Scope 1 and 2 and a 52% reduction in intensity of Scope 3. The second uses Bakkafrost's production growth rates in order to forecast emissions. A UK Carbon price dataset from NGFS Phase 3 scenario explorer was applied to Scotland emissions and a World carbon price dataset from NGFS was applied to Faroese based emissions. Financial impact was calculated by multiplying the predicted carbon price for a particular year/ scenario (DKK/tCO_2e) by the total emission for the year.	

TCFD recommended disclosure	Response	Location (section, page reference) and notes
	Harmful algal blooms For the calculation of the risk of harmful algal blooms, the modelled parameter predicted algal bloom events, increasing due to increased temperature. There was created a proxy impact factor based on mean average temperature change for Faroe Islands and Scotland (IPCC). Scaled per RCP scenario. We moddelled recent farming losses (approximately) based on % mortality by farming site both for Faroe Islands and Scotland. We assumed that this equated to a 1-in-5 year event by 2017 (RCP8.5). Linear-phase-in of impact from 2020 to 2070, scaled by scenario. Impact of mortality losses calculated as total lost product using projected FPI salmon costs per kg.	
	Extreme weather risk The modelled parameter of the extreme weather risk is the magnitude of future extratropical cyclones (ETCs) AKA "European winter storms" (resulting in fish escapes and damage to equipment). This is calculated by the average annual losses from storm events calculated based on the period from 2017 to 2021 (including the Storm Jorge case study event in 2020). This calculation based on combination of publicly reported fish escapes data, known impact of the case study event, and data on annual mortality rates for farming segment (assumption that storm events are responsible for 10% of total mortality on average). Calculated the insurance discount for storm losses based on the inherent impact, i.e. cost price of case study event (1mn lost fish at 2.1kg each on average) vs the residual impact i.e. (five-year average market value of lost salmon). Applied this to three average weight scenarios for checking sensitivity (0.5 kg; 2.1kg; 5.5kg). Applied an increase in storm damage factor for RCP8.5 scenario based on Severio et al (2019) and scaled this impact in proportion to other scenarios as appropriate. The loss is calculated as a % of total production (tgw) for future production scenarios.	
	Use of air transportation The modelled parameter for the risk of dependence on air transport is by electricity price. Carbon emissions from downstream air freight for both Scotland and Faroese operations in 2020 was used as a baseline figure for a CORSIA style scheme where all forward growth in air freight emissions from 2020 must be offset. Emissions from air freight were forecasted up to 2026 using Bakkafrost's production growth rates. Emissions from 2026-2050 were forecasted using population growth rates under the three scenarios. An offset value for 2020 was provided by the CORSIA scheme and price of offsetting was forecast using a carbon price index from NGFS phase 3 scenario explorer. The financial impact was reached by multiplying the emissions required to be offset by the offsetting costs for that particular year.	
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	Emission Scope — Group GHG emissions (tCO_2e) 2023: Scope 1 — 129,294 Scope 2 — 32,860 Scope 3 — 437,884	For more information, see Annual report specifically Healthy environment
c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Bakkafrost has verified science-based targets aligned with the 1.5°C target. From a 2020 base year we target a 50% reduction on Scope 1 and 2. Bakkafrost also commits to reduce Scope 3 GHG emissions from purchased goods and services, fuel and energy related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, downstream transportation and distribution and end-of-lifetreatment of sold products, 52% per tonne of product sold within the same timeframe.	



Disclosure Requirements and Incorporation by Reference

Disclosure requirements			Section / Report	Page	Bakkafrost respond
ESRS 2	¶	General disclosures			
BP-1		**General basis for preparation of the sustainability statement**			
	5	General basis for preparation of the sustainability statement	General basis for preparation of sustainability statement	190	
BP-2		**Disclosures in relation to specific circumstances**			
	9	Time Horizons	General basis for preparation of sustainability statement		
	10	Value chain estimation	General basis for preparation of sustainability statement		
	11	Sources of estimation and outcome uncertainty	General basis for preparation of sustainability statement		
	13	Changes in preparation or presentation of sustainability information	General basis for preparation of sustainability statement		
	14	Reporting error in prior errors	General basis for preparation of sustainability statement		
	15	Dislosures stemming from other legislation or generally accepted sustainability reporting pronouncements	General basis for preparation of sustainability statement		
GOV-1		**The role of the administrative, management and supervisory bodies**			
	21	Composition and diversity of the members of the undertaking's administrative, management and supervisory bodies	Sustainability governance framework	29	
	22	Information about the roles and responsibilities of the administrative, management and supervisory bodies	Sustainability governance framework		
	23	Description of how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to oversee sustainability matters	Sustainability governance framework		

Disclosure requirements			Section / Report	Page	Bakkafrost respond
GOV-2		**Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies**			
	26	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	Bakkafrost Sustainability framework	29	
GOV-3		**Integration of sustainability-related performance in incentive schemes**			
	29	Information about the incentive schemes and remuneration policies linked to sustainability matters	-		Our remuneration policy for Board members does currently not incorporate any key performance indicators linked to sustainability. We recognize the importance of such a tool for driving sustainable development and are exploring how to implement it.
GOV-4		**Statement on sustainability due diligence**			
	32	Mapping of the information provided in its sustainability statement about the due diligence process	-		No disclosure
GOV-5		**Risk management and internal controls over sustainability reporting**			
	36	Main features of the organisation's risk management and internal control system in relation to the sustainability reporting process	Governance & Strategy, Sustainability Governance Framework, Risk & Impact management.	29	
SBM-1		**Interests and views of stakeholders**			
	40ai	Strategy, business model and value chain (products and services offered)	Governance & Strategy, Strategy	23	
	40aii	Strategy, business model and value chain (markets served)	Healthy Business, Markets Served	68	
	40aiii	Strategy, business model and value chain (headcount by country)	Healthy People, ESG index	176	
	40b	Strategy, business model and value chain (Total revenue)	Note 2.3 Operating segment information	228	
	40e	Strategy, business model and value chain (Description of sustainability-related goals in terms of significant groups of products and services, customer categories, geographical areas and relationships with stakeholders)	Governance & Strategy, Bakkafrost's Healthy Living Plan	26	
	40f	Strategy, business model and value chain (Disclosure of assessment of current significant products and (or) services, and significant markets and customer groups, in relation to sustainability-related goals)	Healthy Business, The Importance of Aquaculture and Salmon Farming	51	
	40g	Strategy, business model and value chain (Disclosure of elements of strategy that relate to or impact sustainability matters)	Governance & Strategy, Strategy	23	
	42	Strategy, business model and value chain (Description of business model and value chain)	Business model	14	

Disclosure requirements			Section / Report	Page	Bakkafrost respond
SBM-2		**Interests and views of stakeholders**	**Stakeholder engagement**		
	45	The undertaking shall disclose a summarised description of its stakeholder engagement	Stakeholder engagement	32	
SBM-3		**Material impacts, risks and opportunities and their interaction with strategy and business model**			
	48	A brief description of the organisation's material impacts, risks and opportunities resulting from its materiality assessment	Double Materiality Outcome; Risk Management	25 and 38	
	48b	The current and anticipated effects of its material impacts, risks and opportunities on its business model, value chain, strategy and decision-making, and how it has responded or plans to respond to these effects	Risk Management	38	
	48c	Description of impacts	-		
	48d	Current financial effects of the undertaking's material risks and opportunities	-		
	48e	Anticipated financial effects of the undertaking's material risks and opportunities	-		
	48f	Information about the resilience of the undertaking's strategy and business model regarding its capacity to address its material impacts and risks and to take advantage of its material opportunities.	-		
	48g	Changes to the material impacts, risks and opportunities compared to the previous reporting period	-		This is the first disclosure after performing a double materiality assessment
IRO-1		**Description of the process to identify and assess material impacts, risks and opportunities**			
	53a	Description of the process to identify and assess material impacts, risks and opportunities	Double Materiality assessment methodology	192	
	53b	Description of process to identify, assess, prioritise and monitor potential and actual impacts on people and environment, informed by due diligence process	Double materiality assessment methodology, Phase 1	192	
	53bi	Description of how process focuses on specific activities, business relationships, geographies or other factors that give rise to heightened risk of adverse impacts	Double materiality assessment methodology, Phase 1	192	
	53bii & vi	Description of how process considers impacts with which undertaking is involved through own operations or as result of business relationships	Double materiality assessment methodology, Phase 3	192	
	53c	Overview of the process to identify, assess, priorities and monitor risks and opportunities that have or may have financial effects	Double materiality assessment methodology, Phase 3		

Disclosure requirements		Section / Report	Page	Bakkafrost respond
53d	Description of the decision-making process and the related internal control procedures	Double materiality assessment methodology	192	
53e	The extent to which and how the process to identify, assess and manage impacts and risks is integrated into the undertaking's overall risk management process and used to evaluate the undertaking's overall risk profile and risk management processes	-	192	
53f	The extent to which and how the process to identify, assess and manage opportunities is integrated into the undertaking's overall management process	-		
53g	The input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions)	Double Materiality assessment methodology, Basis for preparation of the double materiality assessment	192	
53h	Whether and how the process has changed compared to the prior reporting period, when the process was modified for the last time and future revision dates of the materiality assessment			The last time Bakkafrost performed a materiality assessment was in 2019. The assessment only covered inside-out impacts, whereas this time, we performed a double materiality assessment, which also covered outside-in risks and opportunities. The 2023 double materiality assessment was revised by an auditor prior to the launch of the integrated annual report in March 2024. We look to update the double materiality assessment every three to five years or when assessed as necessary due to major organisational changes.

Disclosure requirements		Section / Report	Page	Bakkafrost respond
IRO-2	**Disclosure requirements in ESRS covered by the undertaking's sustainability statement**			
58	If any topics are found not material and thus disclosures for this topic are omitted, provide a brief explanation for why topics have been left out	Governence & Strategy, Double Materiality Assessment Outcome	25	
59	Explanation of how material information to be disclosed in relation to material impacts, risks and opportunities has been determined	ESG General Information, Double Materiality Assessment Methodology	192	
ESRS E1	**Climate change**			
ESRS 2, GOV 3	Integration of sustainability-related performance in incentive schemes	Climate action, Our approach	125	
E1-1	Transition plan for climate change mitigation	Climate action, Our approach	125	
ESRS 2, SMB-3	Material impacts, risks and opportunities, and their interaction with strategy and business model	Governence & Strategy, Double Materiality Assessment Outcome	25	
ESRS 2, IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	-		
E1-2	Policies related to climate change mitigation and adaptation	Climate action, Our approach	125	
E1-3	Actions and resources in relation to climate change policies	Climate action, Carbon reduction initiatives	125	
E1-4	Targets related to climate change mitigation and adaptation	Climate action, Targets	125	
E1-5	Energy consumption and mix	Climate action, Performance	125	
E1-6	Gross Scopes 1, 2, 3 and total GHG emissions	Climate action, Performance	125	
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	Climate action, Carbon reduction initiatives	125	
E1-8	Internal carbon pricing	-		
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	ESG General Information, TCFD Report	96	
ESRS E2	**Pollution**			
ESRS 2, SBM-3	Material impacts, risks and opportunities, and their interaction with strategy and business model	Governence & Strategy, Double Materiality Assessment Outcome	25	
ESRS 2, IRO-1	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	Healthy Environment, Pollution, Our approach	135	
E2-1	Policies related to pollution	Healthy Environment, Pollution, Our approach	135	
E2-2	Actions and resources related to pollution	Healthy Environment, Pollution, Visual, noise and smell-related pollution	135	
E2-3	Targets related to pollution	Healthy Environment, Pollution	135	
E2-4	Pollution of air, water and soil	Healthy Environment, Performance	135	

Disclosure requirements		Section / Report	Page	Bakkafrost respond
E2-5	Substances of concern and substances of very high concern	Healthy Environment, Pollution	135	
E2-6	Anticipated financial effects from pollution-related impacts, risks and opportunities	-		
ESRS E3	**Water and Marine Resources**			
(ESRS 2, SBM-3)	Material impacts, risks and opportunities, and their interaction with strategy and business model	Governence & Strategy, Double Materiality Assessment Outcome	25	
ESRS 2, IRO-1	Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities	-		
E3-1	Policies related to water and marine resources	Healthy Environment, Water, Our approach	138	
E3-2	Actions and resources related to water and marine resources	Healthy Environment, Water reduction initiatives	138	
E3-3	Targets related to water and marine resources	Healthy Environment, Targets	138	
E3-4	Water consumption	Healthy Environment, Water	138	
E3-5	Anticipated financial effects from water and marine resources-related impacts, risks and opportunities	-		
ESRS E4	**Biodiversity and Ecosystems**			
E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy and business model	-		
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Governence & Strategy, Double Materiality Assessment Outcome	25	
ESRS 2, IRO-1	Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	Healthy Environment, Biodiversity, Our approach	141	
E4-2	Policies related to biodiversity and ecosystems	Healthy Environment, Biodiversity, Our approach	141	
E4-3	Actions and resources related to biodiversity and ecosystems	Healthy Environment, Biodiversity, Performance	141	
E4-4	Targets related to biodiversity and ecosystems	Healthy Environment, Biodiversity, Targets	141	
E4-5	Impact metrics related to biodiversity and ecosystems change	Healthy Environment, Biodiversity	141	
E4-6	Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities	-		
ESRS E5	**Resource use and circular economy**			
ESRS 2, IRO-1	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	-		
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Governence & Strategy, Double Materiality Assessment Outcome	25	
E5-1	Policies related to resource use and circular economy	Healthy Environment, Resouce Use & Circular Economy, Our approach	145	

Disclosure requirements		Section / Report	Page	Bakkafrost respond
E5-2	Actions and resources related to resource use and circular economy	Healthy Environment, Resouce Use & Circular Economy, Circular economy initiatives	145	
E5-3	Targets related to resource use and circular economy	Healthy Environment, Resouce Use & Circular Economy, Targets	145	
E5-4	Resource inflows	Healthy Environment, Resouce Use & Circular Economy, Performance	145	
E5-5	Resource outflows	Healthy Environment, Resouce Use & Circular Economy, Performance	145	
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	-	145	
ESRS S1	**Own workforce**			
ESRS 2, SBM-2	Interests and views of stakeholders	Governance &Strategy, Stakeholder engagement	32	
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Governence & Strategy, Double Materiality Assessment Outcome	25	
S1-1	Policies related to own workforce	Healthy People, Our Workforce, Our approach	83	
S1-2	Processes for engaging with own workers and workers' representatives about impacts	Healthy People, Our Workforce, Our approach; Double Materiality Assessment Methodology; Stakeholder engagement	83, 192 and 32	
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	Healthy People, Human Rights, Our approach	87	
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	Healthy People, Our Workforce/Health & Safety/ Human Rights/Diversity, Equity & Inclusion/ Training and Development	83, 85, 87, 92, 93	Descriptions of actions taken can be found in various sub-sections across our Healthy People section
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Healthy People, Targets	83, 85, 87, 92, 93	Descriptions of targets can be found in the ‚Targets'-sections across all sub-section in the Healthy People section
S1-6	Characteristics of the undertaking's employees	ESG General Information, ESG Index	176	
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	ESG General Information, ESG Index	76	
S1-8	Collective bargaining coverage and social dialogue	Healthy People, Human rights, Human rights in our own workforce	87	
S1-9	Diversity metrics	Healthy People, Our Workforce, Workforce update	83	
S-10	Adequate wages	Healthy People, Our Workforce, Adequate wages	83	

Disclosure requirements		Section / Report	Page	Bakkafrost respond
S1-11	Social protection	Healthy People, Our Workforce, Our approach	83	
S1-12	Persons with disabilities	Healthy People, Diversity, Equity & Inclusion, Performance	92	
S1-13	Training and skills development metrics	Healthy People, Training and Development	93	
S1-14	Health and safety metrics	Healthy People, Health & Safety, Performance	85	
S1-15	Work-life balance metrics	ESG General Information, ESG Index	176	
S1-16	Compensation metrics (pay gap and total compensation)	Healthy People, Diversity, Equity & inclusion, Performance	92	
S1-17	Incidents, complaints and severe human rights impacts	Healthy People, Human rights, Our approach	87	
ESRS S2	**Workers in the value chain**			
ESRS 2, SBM-2	Interests and views of stakeholders	Governance &Strategy, Stakeholder engagement	32	
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Governence & Strategy, Double Materiality Assessment Outcome	25	
S2-1	Policies related to value chain workers	Healthy People, Human Rights, Human Right in our supply chain an our communities	87	
S2-2	Processes for engaging with value chain workers about impacts	-		
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	-		
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	Healthy People, Human Rights, Human Right in our supply chain an our communities	87	
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	-		
ESRS S3	**Affected communities**			
S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Healthy Communities, 2023 Commitments & 2026 Targets	161	
ESRS S4	**Consumer and end-users**			
S4-1	Policies related to consumers and end-users	Healthy People, Human Rights; Governance & Strategy, Stakeholder engagement	32	
S4-2	Processes for engaging with consumers and end-users about impacts	Governance & Strategy, Stakeholder engagement	32	
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	-		

Disclosure requirements		Section / Report	Page	Bakkafrost respond
S4-4	Taking action on material impacts on consumers and end- users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	Governance & Strategy, Risk Management, Market Risks	38	
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Healthy Business, 2023 Commitments and 2026 Targets	49	
ESRS G1	**Business conduct**			
ESRS 2, GOV 1	The role of the administrative, supervisory and management bodies	Governance & Strategy, Corporate Governance	27	
ESRS 2, IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	-		
G1-1	Business conduct policies and corporate culture	Governance & Strategy, Government Regulation and Compliance, Ethical conduct	35	
G1-2	Management of relationships with suppliers	Governance & Strategy, Risk Manamgenet; Healthy People, Human Rights; Governance & Strategy, Stakeholder engagement	32	
G1-3	Prevention and detection of corruption and bribery	Governance & Strategy, Government Regulation and Compliance, Ethical conduct	35	
G1-4	Incidents of corruption or bribery	ESG General information, ESG index	176	
G1-5	Political influence and lobbying activites	Governance & Strategy, Government Regulation and Compliance, Ethical conduct	35	
G1-6	Payment practices	ESG General information, ESG index	176	

Financial Statements

BAKKAFROST GROUP

Content

BAKKAFROST GROUP

Consolidated Income Statement

For the Year Ended 31 December

DKK 1,000	Note	2023	2022
Operating revenue		**7,140,849**	**7,129,967**
Purchase of goods		-2,401,063	-2,756,273
Change in inventory and biological assets (at cost)		141,200	666,550
Salary and personnel expenses	2.4	-862,670	-831,679
Other operating expenses	2.5	-1,875,239	-1,990,299
Depreciation	3.1/3.2/3.3	-637,209	-537,480
Other income	2.5	37,942	24,379
Operational EBIT*		**1,543,810**	**1,705,165**
Fair value adjustments of biological assets	3.7	-141,665	278,392
Income from associates		70,652	57,597
Revenue tax		-152,836	-215,001
Earnings before interest and taxes (EBIT)		**1,319,961**	**1,826,153**
Financial income	2.7	20,811	7,000
Net interest expenses	2.7	-184,680	-65,039
Net currency effects	2.7	2,784	-69,066
Other financial expenses	2.7	-10,525	-8,713
Earnings before taxes (EBT)		**1,148,351**	**1,690,335**
Taxes	2.8	-193,135	-346,005
Profit or loss for the period continuing operations		**955,216**	**1,344,330**
Profit or loss for the year attributable to			
Non-controlling interests		-358	-780
Owners of P/F Bakkafrost		955,574	1,345,110
		955,216	**1,344,330**
Earnings/Diluted earnings per share (DKK)	4.3	16.14	22.75

*Operational EBIT is EBIT before fair value of biomass, onerous contracts and income from associates and revenue tax

Consolidated Statement of Other Comprehensive Income

For the Year Ended 31 December

DKK 1,000	2023	2022
Profit for the year	**955,216**	**1,344,330**
Changes on financial derivatives	-6,400	11,102
Hereof income tax effect	976	-1,103
Reserve to share based payment	1,068	12,760
Currency translation differences	58,653	-28,490
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**54,297**	**-5,731**
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**0**	**0**
Other comprehensive income	**54,297**	**-5,731**
Total comprehensive income for the year net tax	**1,009,513**	**1,338,599**
Total comprehensive income attributable to		
Non-controlling interests	-358	-780
Owners of P/F Bakkafrost	1,009,871	1,339,379

Consolidated Statement of Financial Position

As at 31 December

DKK 1,000	Note	2023	2022
ASSETS			
Non-current assets			
Intangible assets	3.1	4,509,334	4,508,704
Total intangible assets		**4,509,334**	**4,508,704**
Property, plant, and equipment	3.2	6,220,481	5,647,161
Right of use assets	3.3	413,277	438,545
Total property, plant, and equipment		**6,633,758**	**6,085,706**
Non-current financial assets			
Investments in associated companies	3.4	287,718	233,276
Investments in stocks and shares	3.5	983	933
Deferred tax assets	2.8	512,485	336,020
Total non-current financial assets		**801,186**	**570,229**
TOTAL NON-CURRENT ASSETS		**11,944,278**	**11,164,639**
Current assets			
Biological assets (biomass)	3.7	3,335,570	2,938,485
Inventory	3.6	1,148,788	1,074,344
Total inventory		**4,484,358**	**4,012,829**
Derivatives	3.13	374	7,474
Accounts receivables	3.8	850,338	808,755
Tax receivables	3.8	56,112	65,822
Other receivables	3.8	94,027	102,450
Total receivables		**1,000,851**	**984,501**
Cash and cash equivalents	3.9	411,674	719,603
TOTAL CURRENT ASSETS		**5,896,883**	**5,716,933**
TOTAL ASSETS		**17,841,161**	**16,881,572**

DKK 1,000	Note	2023	2022
EQUITY AND LIABILITIES			
Equity			
Share capital	3.10	59,228	59,143
Other equity		10,803,571	10,333,259
Non-controlling interest		3,055	3,411
Total equity		**10,865,854**	**10,395,813**
Non-current liabilities			
Deferred taxes	2.8	1,952,668	1,825,873
Long-term interest-bearing debt	3.11	3,944,498	3,383,289
Long-term leasing debt	3.3	331,115	353,355
Total non-current liabilities		**6,228,281**	**5,562,517**
Current liabilities			
Trade payables		387,615	478,750
Current tax liabilities	2.8	210,367	237,780
Short-term leasing debt	3.3	65,848	106,215
Other current liabilities		83,196	100,497
Total current liabilities		**747,026**	**923,242**
Total liabilities		**6,975,307**	**6,485,759**
TOTAL EQUITY AND LIABILITIES		**17,841,161**	**16,881,572**

Consolidated Cash Flow Statement

For the Year Ended 31 December

Accounting Policies

The Group's statement of cash flow shows a breakdown of the Group's overall cash flow into operating, investing, and financing activities. The cash flow statement is prepared according to the indirect method. The statement shows the individual activity's impact on cash and cash equivalents. The cash flow deriving from the acquisition and sale of businesses is presented under investing activities.

DKK 1,000	Note	2023	2022
Cash flow from operations			
EBIT		**1,319,961**	**1,826,153**
Adjustments for write-downs and depreciation	3.1/3.2/3.3	637,209	537,480
Adjustments for fair value adjustments on biomass	3.7	141,665	-278,392
Adjustments for income from associates		-70,652	-57,597
Adjustments for currency effects		46,414	-145,495
Taxes paid		-196,993	-170,748
Change in inventory		-613,194	-576,841
Change in receivables		113,955	-208,951
Change in current debts		-355,643	276,247
Cash flow from operations		**1,022,722**	**1,201,856**
Cash flow from investments			
Proceeds from sale of fixed assets		2,085	368
Payments made for purchase of fixed assets	3.2	-1,062,091	-1,235,680
Purchase of shares and other investments		16,160	-27,387
Change in long-term receivables		0	8,102
Cash flow from investments		**-1,043,846**	**-1,254,597**
Cash flow from financing			
Change in revolving credit facilities		546,241	735,352
Financial income		21,788	4,310
Financial expenses		-186,630	-68,255
Lease payment		-130,740	-117,022
Proceeds/Acquisition of treasury shares		13,435	12,797
Proceeds from share capital increases		40,531	0
Dividend paid		-591,430	-303,995
Cash flow from financing		**-286,805**	**263,187**
Net change in cash and cash equivalents in period		**-307,929**	**210,446**
Cash and cash equivalents – opening balance		719,603	509,157
Cash and cash equivalents – closing balance total		**411,674**	**719,603**

Consolidated Statement of Changes in Equity

As at 31 December

Restricted equity comprises equity in which distribution to the shareholders may only take place adhering to specific procedures prescribed by the Faroese Limited Companies Act. Restricted equity consists of Equity Recognition Surplus and Fair Value Adjustments of Biomass. Free equity may be readily distributed to the shareholders, or otherwise disposed of, after due approval by the AGM. The composition of equity may be specified as follows:

DKK 1,000	Share Capital	Share Premium Reserve	Treasury Shares	Share-Based Payment	Currency translation differences	Derivatives	Dividend	Biomass Fair value adjustments	Retained Earnings	Non controlling interest	Total Equity
Equity 01.01.2023	**59,143**	**4,027,375**	**-18,512**	**20,559**	**17,742**	**6,126**	**591,430**	**883,099**	**4,805,438**	**3,413**	**10,395,813**
Consolidated profit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-141,665**	**1,097,239**	**-358**	**955,216**
Changes in financial derivatives	0	0	0	0	0	-6,400	0	0	0	0	-6,400
Hereof tax effect	0	0	0	0	0	976	0	0	0	0	976
Share-based payment	0	0	0	1,068	0	0	0	0	0	0	1,068
Currency translation differences	0	0	0	0	58,653	0	0	0	0	0	58,653
Total other comprehensive income	**0**	**0**	**0**	**1,068**	**58,653**	**-5,424**	**0**	**0**	**0**	**0**	**54,297**
Total comprehensive income	**0**	**0**	**0**	**1,068**	**58,653**	**-5,424**	**0**	**-141,665**	**1,097,239**	**-358**	**1,009,513**
Treasury shares	0	0	10,034	0	0	0	0	0	1,102	0	11,136
Share capital increase	85	0	0	0	0	0	0	0	40,446	0	40,531
Paid-out dividend	0	0	0	0	0	0	-591,430	0	291	0	-591,139
Proposed dividend	0	0	0	0	0	0	515,284	0	-515,284	0	0
Total transaction with owners	**85**	**0**	**10,034**	**0**	**0**	**0**	**-76,146**	**0**	**-473,445**	**0**	**-539,472**
Total changes in equity	**85**	**0**	**10,034**	**1,068**	**58,653**	**-5,424**	**-76,146**	**-141,665**	**623,794**	**-358**	**470,041**
Total equity 31.12.2023	**59,228**	**4,027,375**	**-8,478**	**21,627**	**76,395**	**702**	**515,284**	**741,434**	**5,429,232**	**3,055**	**10,865,854**

DKK 1,000											
Equity 01.01.2022	**59,143**	**4,027,375**	**-26,767**	**7,799**	**46,232**	**-3,873**	**303,995**	**604,707**	**4,328,801**	**133**	**9,347,545**
Consolidated profit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**278,392**	**1,066,718**	**-780**	**1,344,330**
Changes in financial derivatives	0	0	0	0	0	11,102	0	0	0	0	11,102
Hereof tax effect	0	0	0	0	0	-1,103	0	0	0	0	-1,103
Share-based payment	0	0	0	12,760	0	0	0	0	0	0	12,760
Currency translation differences	0	0	0	0	-28,490	0	0	0	0	0	-28,490
Total other comprehensive income	**0**	**0**	**0**	**12,760**	**-28,490**	**9,999**	**0**	**0**	**0**	**0**	**-5,731**
Total comprehensive income	**0**	**0**	**0**	**12,760**	**-28,490**	**9,999**	**0**	**278,392**	**1,066,718**	**-780**	**1,338,599**
Treasury shares	0	0	8,255	0	0	0	0	0	1,349	0	9,604
Addition of non-controlling interests	0	0	0	0	0	0	0	0	0	4,060	4,060
Paid-out dividend	0	0	0	0	0	0	-303,995	0	0	0	-303,995
Proposed dividend	0	0	0	0	0	0	591,430	0	-591,430	0	0
Total transaction with owners	**0**	**0**	**8,255**	**0**	**0**	**0**	**287,435**	**0**	**-590,081**	**4,060**	**-290,331**
Total changes in equity	**0**	**0**	**8,255**	**12,760**	**-28,490**	**9,999**	**287,435**	**278,392**	**476,637**	**3,280**	**1,048,268**
Total equity 31.12.2022	**59,143**	**4,027,375**	**-18,512**	**20,559**	**17,742**	**6,126**	**591,430**	**883,099**	**4,805,438**	**3,413**	**10,395,813**

Notes to the Consolidated Financial Statements

BAKKAFROST GROUP

NOTES - SECTION 1

Basis of Preparation

This section gives an overview of the financial accounting policies in general and an overview of the management's key accounting estimates.

NOTE 1. GENERAL INFORMATION

P/F Bakkafrost ("company") is a public limited company domiciled in the Faroe Islands at Bakkavegur 9, Glyvrar.

P/F Bakkafrost was listed on Oslo Stock Exchange in 2010 with the ticker code: BAKKA.

NOTE 1.1 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

NOTE 1.2 BASIS OF PRESENTATION

The consolidated financial statements comprises the income statement, statement of comprehensive income, statement of financial position, specification of changes in equity, cash flow statement and note disclosures for the Group. The accounting year equals the calendar year. The financial statements were formally drawn up in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Accounting Standards Board as approved by the European Community and the additional requirements in the Faroese Financial Reporting act.

The consolidated financial statements for the period 1 January to 31 December 2023 comprises both the Consolidated Annual Report and Accounts for P/F Bakkafrost and its subsidiaries (Group) and the separate Annual Accounts for the parent company.

The financial statements were formally authorized for issue by the Board of Directors on 27 March 2024.

The financial statements have been prepared on a historical cost basis except for where IFRS requires recognition at fair value, mainly valuation of licences, which are acquired by business combinations, and of biomass.

Preparation of the financial statements involves the use of estimates and assumptions. Changes in estimates and estimated assumptions are accounted for when they occur. Descriptions about the various estimates applied are given in the notes to the accounts where relevant.

NOTE 1.3 CONSOLIDATION PRINCIPLES

The consolidated financial statements include P/F Bakkafrost and the subsidiaries over which P/F Bakkafrost has a controlling influence either by shareholding or by agreement. A controlling interest is normally deemed to exist when ownership directly or indirectly exceeds 50% of the voting rights. Controlling interest may also exist by nature of agreement. Similarly, limitations in voting rights by agreement may impede exercise of control, and the investment concerned will be considered an associate.

Newly acquired subsidiaries are included from the date on which a controlling interest is secured, and divested subsidiaries are included up until the date of divestment. The consolidated accounts have been prepared in accordance with uniform accounting principles for similar transactions in all companies included in the consolidated accounts.

All material transactions and balances between Group Companies have been eliminated.

Shares in subsidiaries have been eliminated in the consolidated financial statements in accordance with the acquisition method. This means that the acquired company's assets and liabilities are reported at fair value at the date of acquisition, with any excess value being classified as goodwill. Where the fair value of the assets acquired exceeds the payment made, the difference is treated as negative goodwill in the Income Statement.

When shares are acquired in stages, the value basis of the assets and liabilities is the date, the Group was formed. Later acquisition of assets in existing subsidiaries will not affect the value of assets or liabilities, except for goodwill, which is calculated with each acquisition.

Investments in companies in which the Group has a significant influence (associated companies) are treated in accordance with the equity method in the consolidated accounts. A considerable influence is normally deemed to exist when the Group owns 20–50% of the voting capital. The Group's share of the profits in such companies is based on profit after tax, less internal gains, and depreciation on excess value due to the cost price of the shares being higher than the acquired portion of book equity. In the Income Statement, the profit share is presented on a separate line, while the assets are presented in the statement of financial position as non-current financial assets. The accounting principles used by associated companies have been changed where necessary to achieve consistency with the principles used by the Group.

NOTE 1.4 TRANSLATION OF FOREIGN CURRENCIES

For each individual entity, which is recognized in the consolidated accounts, a functional currency is determined in which the entity measures its results and financial position. The functional currency is the currency of the primary economic environment in which the entity operates. Transactions in other currencies than the functional currency are transactions in a foreign currency.

A foreign currency transaction is, on initial recognition, recorded in the functional currency at the spot exchange rate between the functional currency and the foreign currency on the date of the transaction.

At each balance sheet date, receivables, payables, and other monetary items in foreign currency are translated to the functional currency using the closing rate. Exchange differences arising on the settlement of monetary items or on translating monetary items, at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, shall be recognized in the income statement under financial revenues and expenses.

On consolidation, the results and financial position of the Group's individual entities with different functional currencies than the Group's presentation currency (DKK) are translated into the Group's presentation currency using the following procedure:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet.
- Income and expenses are translated at exchange rates at the dates of the transactions.
- All resulting exchange differences are recognized directly in equity as a separate component of equity. For practical reasons an average rate for the period that approximates the exchange rates at the dates of the transactions is used.

NOTE 1.5 CLASSIFICATION PRINCIPLES

Biomass is recognized at fair value in the Statement of Financial Position. Changes in biomass and inventory measured at cost are presented as a one-line item in the Income Statement. Biomass at cost consists of all production costs. The biomass is then adjusted to fair value, i.e., market value less finishing costs, by adding or subtracting an IFRS adjustment. The IFRS adjustment is the difference between biomass measured at cost and measured at fair value.

Cash and cash equivalents consist of cash in hand and bank deposits. Assets, which form part of the production cycle or fall due for payment within 12 months, are classified as current assets. Other assets are classified as non-current assets. Liabilities, which form part of the production cycle or fall due for payment within 12 months, are classified as current liabilities. Other liabilities are classified as non-current liabilities.

Dividend proposals are not classified as liabilities until the parent company has assumed an irrevocable obligation to pay the dividend, normally when dividend proposals have been approved by the Annual General Meeting.

Next year's instalments on long-term debts are classified as current liabilities.

Changes in the fair value of biological assets are presented on a line item separately from biomass changes measured at cost under operating profit/loss. This allows the reader of the Financial Report to determine both production efficiency and biomass at fair value.

NOTE 1.6 FUNCTIONAL CURRENCY

The consolidated accounts are presented in Danish Kroner (DKK), which is the Group's functional and presentation currency. All transactions in foreign currencies are translated into DKK at the time of transaction. In the statement of financial position, monetary items in foreign currencies are translated at the exchange rate in effect on the statement of financial position date.

NOTE 1.7 NEW STANDARDS

Standards and interpretations, which are issued at the date of the Group's Financial statements, but will become effective later, are disclosed below. The disclosures contain standards including amendments, which may influence recognition or measurements in the Financial statements, alter existing disclosures or require additional disclosures when effective at a future date. The standards are implemented as they become effective.

New standards, regulating issues not relevant to the Group or with insignificant impact on the Group, are omitted from this narrative.

New standards effective from 1 January 2023

Only minor adjustments have been made in standards and interpretations (IFRIC) which are effective for the financial year 2023. Neither are new standards nor amendments to these from 2023 and forth expected to have any impact on the Bakkafrost Group.

NOTE 1.8 ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires the management to make judgement estimates and assumptions that affect the application of accounting principles and carrying amounts of assets and liabilities, income, and expenses. The estimates and underlying assumptions are based on experience and other factors perceived to be relevant and probable when the judgements were made.

Estimates are reviewed on an on-going basis, and actual values and results may deviate from the initial estimates. Revision to accounting estimates is recognized in the period in which the estimates are revised. The evaluations and estimates, deemed to be of greatest significance for Bakkafrost Group's Financial Statements, are described in the notes.

NOTE 1.9 IXBRL REPORTING

We are required to file our annual report in the European Single Electronic Format ('ESEF') using the XHTML format and to tag the primary consolidated financial statements using Inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. The annual report submitted to the Faroese Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a ZIP file named 2138007LH7OP4V112978-2023-12-31-en.

NOTES - SECTION 2

Results for the Year

This section gives more details on the results for the year, including operating segments, taxes, and employee costs.

NOTE 2.1 REVENUE

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is recognized net of discounts, VAT and other sales related taxes.

The revenue of the Group is mainly from sales of salmon, fishmeal, fish oil and fish feed. Sales revenue is recognized when the goods are delivered, and both title and risk have passed to the customer. This will normally be upon delivery.

NOTE 2.2 MAJOR CUSTOMERS

In 2023, there were no major customers - as defined in IFRS 8.34, compared to no major customer in 2022.

NOTE 2.3 OPERATING SEGMENT INFORMATION

2023 – DKK 1,000	Fishmeal, oil and feed	Freshwater Faroe Islands	Freshwater Scotland	Farming Faroe Islands	Farming Scotland	Services	Sales and other	Eliminations	Group
External operating revenues	1,576,435	1,211	0	581	1,138	44,176	5,517,308	0	7,140,849
Internal operating revenues	1,912,300	585,177	141,803	3,311,033	1,451,514	738,689	3,755,509	-11,896,025	0
Total operating revenues	**3,488,735**	**586,388**	**141,803**	**3,311,614**	**1,452,652**	**782,865**	**9,272,817**	**-11,896,025**	**7,140,849**
Depreciation and amortization	-26,490	-86,926	-15,533	-123,511	-257,028	-98,822	-28,899	0	-637,209
Change in internal margin	0	0	0	0	0	0	0	-63,197	-63,197
Operating expenses	-2,670,785	-342,732	-117,096	-2,637,311	-1,388,658	-640,494	-9,033,525	11,896,026	-4,934,575
Other income	0	0	0	0	37,942	0	0	0	37,942
Operational EBIT	**791,460**	**156,730**	**9,174**	**550,792**	**-155,092**	**43,549**	**210,393**	**-63,196**	**1,543,810**
Fair value adjustments on biological assets	0	0	0	-53,750	-87,915	0	0	0	-141,665
Income from associates	70,685	0	0	0	0	0	-33	0	70,652
Revenue tax	0	0	0	-137,066	-15,770	0	0	0	-152,836
EBIT	**862,145**	**156,730**	**9,174**	**359,976**	**-258,777**	**43,549**	**210,360**	**-63,196**	**1,319,961**
Operational EBITDA	**817,950**	**243,656**	**24,707**	**674,303**	**101,936**	**142,371**	**239,292**	**-63,196**	**2,181,019**
INVESTMENTS in property, plant, and equipment	**172,194**	**203,386**	**183,136**	**105,831**	**124,324**	**63,328**	**188,504**		**1,040,703**

2022 – DKK 1,000									
External operating revenues	742,695	1,632	134	940	6,123	34,113	6,344,330	0	7,129,967
Internal operating revenues	1,690,798	478,428	123,724	4,949,635	1,463,701	759,383	4,245,114	-13,710,783	0
Total operating revenues	**2,433,493**	**480,060**	**123,858**	**4,950,575**	**1,469,824**	**793,496**	**10,589,444**	**-13,710,783**	**7,129,967**
Depreciation and amortization	-25,382	-77,146	-13,239	-100,024	-187,832	-89,157	-44,700	0	-537,480
Change in internal margin	0	0	0	0	0	0	0	-1,202	-1,202
Operating expenses	-1,996,824	-214,671	-134,453	-3,335,846	-1,532,560	-689,654	-10,717,274	13,710,783	-4,910,499
Other income	0	0	0	0	24,379	0	0	0	24,379
Operational EBIT	**411,287**	**188,243**	**-23,834**	**1,514,705**	**-226,189**	**14,685**	**-172,530**	**-1,202**	**1,705,165**
Fair value adjustments on biological assets	0	0	0	168,705	109,687	0	0	0	278,392
Income from associates	57,354	0	0	160	0	27	56	0	57,597
Revenue tax	0	0	0	-215,001	0	0	0	0	-215,001
EBIT	**468,641**	**188,243**	**-23,834**	**1,468,569**	**-116,502**	**14,712**	**-172,474**	**-1,202**	**1,826,153**
Operational EBITDA	**436,669**	**265,389**	**-10,595**	**1,614,729**	**-38,357**	**103,842**	**-127,830**	**-1,202**	**2,242,645**
INVESTMENTS in property, plant, and equipment	**140,624**	**255,349**	**261,240**	**97,967**	**174,627**	**309,581**	**27,668**		**1,267,056**

	2023		2022	
FARMING FO – DISTRIBUTION OF HARVESTED VOLUMES	**tgw**	**%**	**tgw**	**%**
Harvested FO volume used in VAP production	22,787	43.5%	26,401	39.6%
Harvested FO volume sold fresh/frozen	29,621	56.5%	40,285	60.4%
Total harvested volumes	**52,408**	**100.0%**	**66,686**	**100.0%**

FOF SEGMENT – DISTRIBUTION OF FEED	**tonnes**	**%**	**tonnes**	**%**
Volumes used internally	124,321	97.3%	123,118	96.3%
External sold	3,454	2.7%	4,722	3.7%
Sold volumes	**127,775**	**100.0%**	**127,840**	**100.0%**

PRODUCTION OF FISHMEAL AND FISH OIL	**tonnes**	**%**	**tonnes**	**%**
Fishmeal	101,976	74.6%	65,395	73.3%
Fish oil	34,786	25.4%	23,862	26.7%
Total production	**136,762**	**100.0%**	**89,257**	**100.0%**

FARMING SCT – DISTRIBUTION OF HARVESTED VOLUMES	**tgw**	**%**	**tgw**	**%**
Harvested volume sold fresh/frozen	20,598	100.0%	23,917	100.0%
Total harvested volumes	**20,598**	**100.0%**	**23,917**	**100.0%**

GEOGRAPHIC BREAKDOWN OF SALES REVENUES BASED ON SEGMENTS AND CUSTOMER LOCATION

2023 – DKK 1,000	Fishmeal, oil and feed	Freshwater FO	Freshwater SCT	Farming FO	Farming SCT	Services	Sales & Other	Total
Western Europe	1,576,435	1,211	0	581	1,138	44,176	3,268,230	4,891,771
North America	0	0	0	0	0	0	1,358,253	1,358,253
Asia	0	0	0	0	0	0	643,602	643,602
Eastern Europe	0	0	0	0	0	0	215,663	215,663
Rest of the World	0	0	0	0	0	0	31,560	31,560
Total	**1,576,435**	**1,211**	**0**	**581**	**1,138**	**44,176**	**5,517,308**	**7,140,849**
2022 – DKK 1,000								
Western Europe	742,695	1,632	134	940	6,123	34,113	3,948,632	4,734,269
North America	0	0	0	0	0	0	1,352,381	1,352,381
Asia	0	0	0	0	0	0	711,785	711,785
Eastern Europe	0	0	0	0	0	0	270,622	270,622
Rest of the World	0	0	0	0	0	0	60,910	60,910
Total	**742,695**	**1,632**	**134**	**940**	**6,123**	**34,113**	**6,344,330**	**7,129,967**

The Group has seven reportable segments in accordance with IFRS 8, Operating Segments. A new segmentation was implemented in the third quarter of 2023, resulting in the transformation of the previous four segments into seven segments. Comparative figures have been adjusted in accordance with the new segmentation. The main purpose of the new segment structure is to derive to a clear definition of how the value creation is split across the value chain. The Group's main strategic business area is aquaculture, which now consists of the following seven segments: fishmeal, fish oil and fish Feed (FOF), freshwater Faroe Islands, freshwater Scotland, farming Faroe Islands, farming Scotland, services, and sales & other.

The same accounting principles, as described to the consolidated financial statements, have been applied for the segment reporting. Intersegment transfers or transactions are entered into under normal commercial terms and conditions, and the measurement used in the segment reporting is the same as used for third-party transactions. The pricing principle between the segments is based on market reference prices for spot sale.

ACCOUNTING POLICIES SEGMENT REPORTING

Fishmeal, fish oil and fish feed (FOF)

Fishmeal, fish oil and fish feed involve the production and sale of fishmeal, fish oil and fish feed. The production of fishmeal, fish oil and fish feed are operated by Bakkafrost's subsidiary Havsbrún, located in Fuglafjørður. Intersegment transfers follow standard commercial terms and are measured using the same criteria as transactions with third parties. The pricing principle between the FOF and the Farming segments is based on quarterly contracts.

Freshwater Faroe Islands and Freshwater Scotland

The two Freshwater segments both include broodstock and smolt production in hatcheries on land. In the broodstock operation, eggs are produced from breeding self-owned salmon strains. Eggs are sold to the hatcheries who in turn produce from egg to smolt, which are sold to the Farming operations in the Faroe Islands and Scotland. The pricing principle between the freshwater segments and farming segments is based on estimates of prevailing market prices, ensuring fair and transparent pricing and transactions.

Farming Faroe Islands og Farming Scotland

Fish farming involves the on-growing of salmon, nurturing them in the marine environment from smolt to harvest-ready salmon. The Group holds marine farming licenses around the Faroe Islands and Scotland, which are reported as two separate segments (farming Faroe Islands and farming Scotland). The pricing principle between, the farming segments and the sales & other segment is determined by market reference prices for spot sales.

Services

The services segment offers various services to the Group. It manages a fleet of farming service vessels, providing fish transportation, treatments, net cleaning, heavy marine

support services, and it also converts organic waste into biogas, heating, electricity, and fertilizer for external sale. Furthermore, this segment provides harvesting services to both the Scottish and Faroese farming operations, along with producing styrofoam boxes to the Faroese operation. Intersegmental transfers and transactions are priced based on direct market prices, if possible, or estimates derived from market pricing and external pricing approaches.

Sales & Other

The sales & other segment optimizes the value creation and retention from the harvested fish and provides freight & logistical services. The segment strategically utilizes processing capacities located in key regions such as the Faroe Islands, Scotland, Denmark, and the United States to enhance the production of value-added products (VAP). The pricing approach for sales administration is based on benchmarking analysis from external sources as well as pricing contracts.

Remuneration to corporate management

The total remuneration to the corporate management consists of basic salary (main element), benefits in-kind and pension schemes, but varies from person to person. The Group's Chief Executive Officer determines the remunerations to other management in agreement with the Chairman of the Board of Directors. The total remuneration is determined based on the need to offer competitive terms in the various business areas. The remunerations should promote the Group's competitiveness in the relevant labour market.

The total remuneration must neither pose a threat to Bakkafrost's reputation nor be market leading but should ensure that Bakkafrost attracts and retains senior executives with the desired skills and experience. The basic salary is subject to an annual evaluation and is determined based on general salary levels in the labour market.

Notice of Termination and Severance Payment

Bakkafrost may terminate employment by giving Group Management Executives a notice period. The company's period of notice for the Group's Chief Executive Officer is

NOTE 2.4 SALARIES AND OTHER PERSONNEL EXPENSES

DKK 1,000	2023	2022
Wages and salaries	686,998	673,986
Share based payment	43,678	30,610
Social security taxes	48,485	50,809
Pension expenses	59,104	54,850
Other benefits	24,405	21,424
Total payroll expenses	**862,670**	**831,679**
Average number of full-time employees	1,686	1,778

Fees paid to the Board of Directors

DKK 1,000		2023	2022
Rúni M. Hansen**	Chairman of the Board	489	487
Johannes Jensen***	Deputy Chairman of the Board	0	90
Guðrið Højgaard****	Member of the Board	222	147
Annika Frederiksberg*	Member of the Board	222	221
Einar Wathne	Member of the Board	260	240
Teitur Samuelsen **	Member of the Board	282	266
Øystein Sandvik**	Member of the Board	310	289
Total remuneration		**1,785**	**1,740**

* Annika Frederiksberg is also an employee in the Bakkafrost Group. For this, she received DKK 670 thousand (2022: DKK 661 thousand).
** Member of the audit committee. Salary includes fee to the audit committee
*** Member of the Board of Directors until May 2022
**** Member of the Board of Directors from Mai 2022

REMUNERATION TO CORPORATE MANAGEMENT

2023	Fixed remuneration DKK 1,000				Variable remuneration number shares			
Salary and other benefits paid	**Salary**	**Pension**	**Other**	**Total tDKK**	**RSU 1***	**RSU 2****	**Share saving plan**	**Total number**
Chief Executive Officer	2,571	233	89	2,893	1,136	1,136	316	2,588
Managing Director	1,789	162	0	1,951	790	790	197	1,777
Chief Financial Officer	1,789	162	89	2,040	790	790	253	1,833
Total remuneration	**6,149**	**557**	**178**	**6,884**	**2,716**	**2,716**	**766**	**6,198**

2022								
Salary and other benefits paid								
Chief Executive Officer	2,048	195	89	2,332	402	402	136	940
Managing Director	1,485	141	0	1,626	292	292	93	677
Chief Financial Officer	1,485	141	89	1,715	292	292	61	645
Total remuneration	**5,018**	**477**	**178**	**5,673**	**986**	**986**	**290**	**2,262**

* Restricted Stock Units 1 will be released out as shares if the AGM 2024 pays out a dividend
** Restricted Stock Units 2 will be released in shares in 2026 if the AGM pays out a dividend and the employee still is hired

Movements in RSU number of shares

	Outstanding per 01.01.23	Addition RSU	Released RSU	Outstanding per 31.12.23
Chief Executive Officer	2,294	2,272	-1,147	3,419
Managing Director	1,664	1,580	-832	2,412
Chief Financial Officer	1,664	1,580	-832	2,412
Total remuneration	**5,622**	**5,432**	**-2,811**	**8,243**

	Outstanding per 01.01.22	Addition RSU	Released RSU	Outstanding per 31.12.22
Chief Executive Officer	0	2,294	0	2,294
Managing Director	0	1,664	0	1,664
Chief Financial Officer	0	1,664	0	1,664
Total remuneration	**0**	**5,622**	**0**	**5,622**

24 months. The company's period of notice for other Group Management Executives covers a period from 6 to 12 months.

SHARE-BASED PAYMENT

In 2021, Bakkafrost implemented a share-based bonus scheme for all employees in the Group. According to the scheme, all employees are awarded free bonus shares dependent on achieved performance against certain KPIs and Bakkafrost Group's adjusted earnings per share being above a certain threshold. The bonus shares are awarded quarterly as restricted shares units which are released pursuant only to the Annual General Meeting resolution to pay dividends to the shareholders. Employees still employed two calendar years after being awarded bonus shares, will additionally receive free loyalty shares.

Each quarter, the Board reviews and determines the parameters used in the bonus scheme – e.g. overall size of bonus pool, KPIs and thresholds. The Board has the right to decide, in its sole discretion, whether the bonus scheme will be continued in the following quarter, and the terms of the plan.

SHARE SAVING PLAN

Bakkafrost has established a share saving plan for its employees in the Faroe Islands. In 2022, the savings plan was extended to all employees of the Group. It is the Board's intention that the plan shall be a continuing part of the company's employee incentive scheme. The Board shall, however, have the right to decide, in its sole discretion, whether the plan will be extended in the future, and the terms of the plan.

Employees may invest up to 5% of their base salary in Bakkafrost shares. The saved amount is deducted from the monthly net salary and used to purchase Bakkafrost shares on behalf of the employees. The purchase will be made from Bakkafrost's treasury shares or on the market. An employee may not change the savings amount during the year, but an employee may cancel the subscription during the year. The purchase price and the number of shares acquired by the company will be reported in accordance with the applicable regulations.

After a lock-in period of two calendar years, one extra matching share will be awarded for each share purchased. Shares transferred to employees are acquired by the company on the market.

LOANS TO EMPLOYEES

As at 31.12.2023, there are no loans to employees.

ACCOUNTING POLICIES SHARE-BASED PAYMENTS

The share saving plan liabilities and payroll expense have been allocated over the employees' contribution period. The contribution period is from when the employee signed the share saving plan and until the shares are granted. The fair value of these liabilities will be determined using the number of shares contracted at the start of the share saving plan, using the share price on the date of the employee signature, adjustment is made for estimated leavers of the share saving plan. The difference between the fair value and the share price, when the shares are granted, will be booked as a financial item in the income statement. The liability is recognized in other equity reserves within equity.

NOTE 2.5 OTHER OPERATING EXPENSES AND OTHER INCOME

DKK 1,000	2023	2022
Maintenance	-261,200	-239,362
Operating expenses	-433,964	-418,158
Health	-206,507	-183,070
Freight	-507,973	-686,183
Energy	-427,611	-364,513
Other costs	-37,984	-99,013
Other operating expenses total	**-1,875,239**	**-1,990,299**
R&D Expenditure tax credit	37,942	24,379
Other income	**37,942**	**24,379**

PENSIONS

The Group operates a defined contribution pension scheme. Pension premiums are charged to the Income Statement as they accrue. The Group has no additional pension liabilities towards the employees, apart from these periodical payments.

NOTE 2.6 RESEARCH AND DEVELOPMENT EXPENSES

R&D expenditure occurs throughout the value chain. R&D is built in the Bakkafrost business model DNA.

Bakkafrost is continually developing its entire value chain. This is not seen as R&D expenditures but rather as R&D-related activities, thus being an integrated part of other operating expenses and salaries.

The focus of Bakkafrost's R&D efforts has been evaluated and improved in recent years. Lice abatement, biomass control, and smolt quality remain high priorities, and the development and improvement of vaccines, nutrition and feeding, as well as operating technologies, are equally topical. In addition, Bakkafrost continuously assesses its own operating practices.

Bakkafrost continues to expand its R&D activities in feed and feeding and sees the need for greater focus on the valuable

knowledge of how fish are fed and how we can maintain a healthy salmon. We are convinced that our adaption of the mix of raw materials has resulted in better nutritional quality in the feed. Bakkafrost's clearly expressed goal is to continuously initiate better and more comprehensive research into these issues under large-scale conditions.

Bakkafrost continuously focuses on reducing biological risk and has made several new investments and procedures to diminish this risk. Bakkafrost focuses on using non-medical methods in treatments against sea lice and has invested in new technology to follow this strategy.

Bakkafrost has a large-smolt strategy and aims to increase the smolt size to around 500 grams smolts in 2023 in the Faroe Islands. The strategy is also pivotal to the turnaround of the operation in Scotland. The benefits are shorter production time at sea and reduced biological risk. The hatchery at Strond, Klaksvík, is an essential part of this plan for the Faroe Islands. This fully operational hatchery can produce 8 million smolts at 500g. In addition, Bakkafrost is expanding the Faroese hatchery capacity of the hatcheries at Glyvradal and Viðareiði. Furthermore, Bakkafrost announced a new hatchery to be built in Skálavík, which will be operational in late 2026. In Scotland, three large hatcheries will be built, the first being the hatchery at Applecross. All Bakkafrost's hatcheries will be based on state-of-the-art technology and advanced RAS (water recirculation) systems. These investments are crucial for achieving the volume growth strategy.

In 2023, Bakkafrost had R&D-related activities on the following projects (but not limited to):

- Native Faroese and Hebridean broodstock programme
- Optimising nutritional quality
- Fish welfare related to lice and other risks
- Freshwater treatment optimisation
- Robust smolt strategy

R&D-related activities are large-scale developments and experiments that reflect the nature of Bakkafrost's business. Examples of large-scale activities are (but not limited to):

- Large batch smolt related to development and optimisation of freshwater treatment
- Batches on broodstock programmes and development
- Large-scale developments on fish welfare in sea farming operation

SECTION 2

NOTE 2.7 NET FINANCIAL ITEMS

DKK 1,000	2023	2022
Realised profit on financial derivatives	2,199	4,889
Other financial income	18,612	2,111
Financial income	**20,811**	**7,000**
Interest expenses on long-term loans	-160,158	-53,135
Loss on financial derivatives	-2,891	-3,088
Interest expenses on credit lines	-502	-470
Interest expenses on IFRS 16 (leases)	-10,118	-7,197
Interest expenses on accounts payable	-11,011	-1,149
Financial expenses	**-184,680**	**-65,039**
Other exchange differences	2,784	-69,066
Net currency effects	**2,784**	**-69,066**
Other financial expenses	-10,525	-8,713
Other financial items	**-10,525**	**-8,713**
Net financial items	**-171,610**	**-135,818**

ACCOUNTING POLICIES FINANCIAL INCOME

Interest income is recognized on an accrual basis. Dividend income is recognized, when the shareholders' right to receive a dividend has been approved by the Annual General Meeting.

BORROWING COSTS

Borrowings is recognized initially at fair value, net of transaction costs incurred. Borrowings is subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings. Borrowings is classified as a current liability, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTE 2.8 TAX

The tax expense for the year breaks down as follows:

DKK 1,000	2023	2022
Tax payable	210,367	240,529
Change in deferred tax	-16,964	105,476
Tax on treasury shares	-268	0
Tax expense on ordinary profit	**193,135**	**346,005**
Tax payable	210,367	237,780
Tax payable in the statement of financial position	**210,367**	**237,780**

Specifications of temporary differences and deferred tax

DKK 1,000	2023		2022	
Deferred tax assets	**Temporary Differences**	**Deferred tax**	**Temporary Differences**	**Deferred tax**
Property, plant, and equipment	0	0	21,083	5,271
Biomass	0	0	135,655	24,418
Receivables	1,245	224	1,245	224
Currency effects	114,781	20,661	0	0
Derivatives (Equity posted)	2,398	432	0	0
Losses carried forward	1,793,983	446,298	1,228,522	305,805
Other differances	179,483	44,870	1,207	302
Total temporary differences		**512,485**		**336,020**

DKK 1,000		2023		2022
Deferred tax assets	**Temporary Differences**	**Deferred tax**	**Temporary Differences**	**Deferred tax**
Licences	3,690,658	896,427	3,690,715	896,381
Goodwill	11,592	2,039	11,592	2,039
Research and development	541	119	541	119
Property, plant, and equipment	2,753,957	560,282	2,463,339	491,927
Financial assets	220,117	39,621	149,582	26,925
Biomass	2,277,229	453,928	2,234,515	407,074
Derivatives (Equity posted)	0	0	7,474	1,346
Other differances	1,260	252	289	62
Total temporary differences		**1,952,668**		**1,825,873**
Deferred tax assets		-512,485		-336,020
Deferred tax liabilities		1,952,668		1,825,873
Deferred tax liabilities (+) / assets (-)		**1,440,183**		**1,489,853**

Reconciliation from nominal to actual tax rate

DKK 1,000	2023	2022
Profit before tax	1,148,351	1,148,351
Expected tax at nominal tax rate	206,703	198,760
Permanent differences	-13,568	147,245
Calculated tax expense	**193,135**	**346,005**
Effective tax rate excl. equity entries	16.82%	30.13%

Normal tax rate for countries in the Group:

- Faroe Islands 18%
- UK/Scotland 25% (25% from April 2023)
- USA 21% + New Jersey 11.5%
- Denmark 22%
- France 25%

ACCOUNTING POLICIES

The tax expense is matched against the profit or loss before tax, as it appears in the accounts. Tax ascribable to equity transactions is taken to equity. The tax expense comprises tax payable (tax on the year's direct taxable income) and changes in net deferred taxes. Deferred tax liabilities and deferred tax assets are presented net in the statement of financial position to the extent that tax assets and liabilities can be netted against each other.

Deferred tax in the statement of financial position is a nominal amount calculated based on temporary differences between accounting and tax values at their intended use, as well as the taxable loss carried forward at the end of the financial year.

SIGNIFICANT ASSUMPTION ACCOUNTING FOR DEFERRED TAX LIABILITIES

The accounting of deferred taxes reflects tax rates and tax laws that have been enacted or substantively enacted by the date of the statement of financial position. The recognition of a deferred tax asset is based on expectations of profitability in the future. In addition, there are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain.

Deferred taxes are calculated using the nominal tax rate according to IAS 12.

SIGNIFICANT ASSUMPTION ACCOUNTING FOR DEFERRED TAX ASSETS

Deferred tax assets, including tax loss carry forwards, are assessed once a year. Losses are recognized if it is likely that they will be utilized in the foreseeable future.

NOTES - SECTION 3

Assets and Liabilities

This section gives more details on the assets that form the basis for the activities of Bakkafrost and the related liabilities.

NOTE 3.1 INTANGIBLE ASSETS

DKK 1,000	Goodwill	Licences	Brands	Total
Acquisitions costs as at 01.01.23	580,421	3,819,883	108,400	4,508,704
Currency translation differences	1,134	0	0	1,134
Acquisitions costs as at 31.12.23	**581,555**	**3,819,883**	**108,400**	**4,509,838**
Depreciation during the year	-504	0	0	-504
Accumulated impairments/depreciation and write-downs as at 31.12.23	**-504**	**0**	**0**	**-504**
Net book value as at 31.12.23	**581,051**	**3,819,883**	**108,400**	**4,509,334**
Acquisitions costs as at 01.01.22	669,319	3,720,158	108,400	4,497,877
Reclassification	-99,725	99,725	0	0
Additions in the year	12,136	0	0	12,136
Currency translation differences	-1,309	0	0	-1,309
Acquisitions costs as at 31.12.22	**580,421**	**3,819,883**	**108,400**	**4,508,704**
Depreciations and impairments 01.01.22	-2,151	0	0	-2,151
Depreciation during the year	2,151	0	0	2,151
Accumulated impairments/depreciation and write-downs as at 31.12.22	**0**	**0**	**0**	**0**
Net book value as at 31.12.22	**580,421**	**3,819,883**	**108,400**	**4,508,704**

In the Faroe Islands, Bakkafrost operates its sea farming activity in 14 identifiable CGUs based on single or groups of sea farming licenses, seven out of which are issued by the government without consideration, and hence are not capitalized. These belong to the North region.

The other seven CGUs were acquired as part of business combinations. Respectively, when acquiring the Vestlax Group, Havsbrún Group and Faroe Farming, hence three groups of CGUs. These belong to the West region. These are considered as significant in comparison to the total carrying amount of goodwill and intangible assets with indefinite useful lives.

In Scotland, Bakkafrost has chosen to include all the farming in Scotland into one CGU.

Impairment testing

The Group tests intangible assets annually for impairment or more frequently if there are indications that the assets are impaired. The annual impairment test is performed at year-end. The Group has substantial assets with indefinite lives in the form of licenses. The licenses are subject to impairment testing in combination with goodwill in the annual test. The Group identifies each farming zone, which may contain one or several licences or farming sites, as one cash-generating unit.

The procedure of impairment testing

Impairment testing is carried out by calculating the net present value of estimated future cash flows (value in use) for the cash-generating unit in line with IAS 36 and comparing the net present value of the cash flow towards the carrying amount of net assets held by the cash-generating unit (CGU). The cash flow used in the calculations represents the management's best estimate at the time of reporting. If the carrying amount is higher than the calculated value in use, the assets are considered impaired. The estimated cash flow is based on an assumption of continued operation. The basis for the estimated cash flow is the strategic plan for the following years. The strategic plans have been reviewed and the targets approved by the Group management.

The considered operating conditions are costs of feed, smolt, harvest, packaging, transport, and other costs. Other operating conditions considered the same are mortality, production time, fallowing and harvest weight. CAPEX is also assumed to be the same for all CGUs over the calculated period. All CGUs are calculated with the same WACC. If there will be variances between the assumptions for the different CGUs in the future, this will be incorporated into the impairment test.

Indications of impairment

The impairment testing at year-end did not result in identification of impairment losses. Intangible assets were tested for impairment to evaluate if the cash flow from a conservative estimate was sufficient to support the carrying amount of net assets. The test confirmed the asset values.

The key assumptions

The key assumptions in the calculations of value in use are harvest volume, prices, and costs, hence EBIDTA and WACC. Amongst other assumptions are inflation, CAPEX, and terminal growth.

In general, the value in use has been determined based on future strategic plans considering the expected development in both macroeconomic and company-related conditions.

The assumptions used, rest on uncertainty regarding product prices, input prices, biological performance, and future regulatory frameworks. Costs can normally be estimated with more accuracy than income. As profitability in the salmon farming industry historically has been very volatile, depending on developments in the prices of salmon. Bakkafrost uses budgets and long-term plans for the first five years of the analysis but returns to long- term historic averages for profitability in the sixth year and terminal period.

The key assumptions used in determining the value in use are:

- Harvested volume is based on the current stocking plans for each unit, and forecasted figures for growth, assumed harvest weight and mortality, based on historical figures.
- The costs are based on the Groups own assumptions, based on historical costs and expectations. The costs are expected to remain stable but are calculated to increase with an inflation rate of FO: 3.0% (2022: 2.6%) and SCT: 2.0% (2022: 2.0%)
- The forward prices are based on the Fish Pool index – which is a part of Oslo Børs ASA – at the day of the calculation. The long-term forward prices are based on third-parties' sources with adjustments to local conditions.
- The WACC is FO: 9.2% (2022: 9.6%) and SCT 9.8% (2022: 9.8%) pre-tax and calculated in accordance with IAS 36. The WACC model is used for estimating the discount rate. The input data for the model is updated each year for the annual impairment test. The choice of input data for the model significantly influences the outcome of the model, and to ensure that there is as little uncertainty as possible with regards to the calculation of the WACC, third-party sources are used where available (interest, inflation, beta). The discount rate is based on a five-year average for ten-year bonds issued by the Danish government, with an adjustment margin for the food industry in the EU.
- The inflation is set to FO: 3.0% (2022: 2.6%) and SCT: 2.0% (2022: 2.0%) for the budget period. This is done based on third-parties' sources. The terminal growth is set to 0%.
- Capital expenditure (CAPEX). In the 5-year forecast period, the capital expenditure necessary to meet the expected growth in revenue and profit is taken into consideration. Capital expenditures are aligned with the growth and replacement plans. Capital expenditure to comply with current laws and regulations has been included. Capex related to committed and approved efficiency improvement programmes has also been included to support the inclusion of the benefits in the applied margin. Changes in applicable laws and regulations may affect future estimated capital expenditure needs; this is not reflected in the figures used in the impairment test. Beyond the forecast period, capital expenditure will in general equal depreciation and relate to maintenance investments.

Sensitivity

In connection with the impairment testing of intangible assets, a sensitivity analysis has been carried out. Sensitivity analysis has been performed for each of the defined cash generating units. With the assumptions used, the headroom is DKK 14,774 million (DKK 22,632 million).

ACCOUNTING POLICIES

Intangible assets that are purchased individually are capitalized at acquisition cost. Intangible assets acquired in connection with the purchase of a business entity are capitalized at acquisition cost when the criteria for separate recognition are met.

Intangible assets with a limited economic lifespan are depreciated systematically. Intangible assets are written down to the recoverable amount if the expected financial benefits do not cover their carrying amount.

Costs relating to research and development are charged as expenses as they accrue. R&D costs are capitalized in the statement of financial position, when it can be demonstrated that the relevant R&D projects carry economic benefits, that they can be technically finalized, and that the company intends to and is financially able to reap the economic benefits.

Sea farming licences, which are purchased either as part of an acquisition or business combination according to IFRS 3, are capitalized at cost less accumulated write-downs according to a PPA analysis. Sea farming licences in the Faroe Islands and Scotland are considered perpetual, given that certain preconditions regarding environmental protection and animal welfare are met. Consequently, sea farming licences are not depreciated systematically, but are subject to an annual impairment test. If the carrying amount exceeds the recoverable amount, licences are considered impaired, and write-downs are entered and charged to the Income Statement.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be appropriate. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Licenses with indefinite useful lives

The sea farming licenses in the Faroe Islands are defined as the right to utilize a given area of fjords for farming fish. There are no provisions as to the maximum allowed biomass at the given site, but the legislation has imposed strict measures to regulate the farming activity to be environmentally sustainable.

The sea farming licenses in the Faroes are issued with a nominal lifespan of 12 years. Licenses are renewed, unless there is a specific reason against renewal, based on failure to fulfil the veterinary conditions set by the authorities. With regard to the renewal of licenses, authorities may only decline renewal if specific legislation on area planning, animal welfare or environmental protection conflicts with renewal of the licenses. Special emphasis is to be placed on the fact that it is renewals of existing licenses. This means that sea farming licenses are operated in a 12-year rolling lifespan system, where the licenses are renewed every 12th year. In the very rare cases, where the authorities have declined to renew licenses to use locations for other purposes, the farmers have obtained licenses from the authorities at other locations.

The sea farming licenses in Scotland are perpetual if certain environmental, operational, and biological conditions specified in the licenses continue to be met.

The Group has therefore decided to account for sea farming licenses, which are capitalized, following the provisions for intangible rights with indefinite useful lives.

GOODWILL

When the company assumes control over a separate business entity for a consideration that exceeds the fair value of the individual assets, the difference is entered as goodwill in the statement of financial position.

Goodwill deriving from purchases of subsidiaries and associates is presented under intangible assets. Goodwill is not depreciated but is tested for impairment annually or more often if there are indications that its value is lower than the carrying amount. When assessing the need to write-down goodwill, this is assigned to relevant cash flow generating units or groups, which are expected to benefit from the acquisition.

Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash-flow generating units to which the goodwill is assigned. To identify the Group's cash-flow generating units, the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated based on value in use. This is arrived at by estimating future cash flows.

If the calculated value in use is less than the carrying amount of the cash-flow generating unit, goodwill is written down first, and then other assets as required.

Sensitivity analyses and booked value per CGU:

CGUs (1,000)	Licenses	Other assets*****	booked value tested	WACC pre tax	EBITDA change of +/-1%	WACC change of -1%	WACC change of +1%
31/12/2023							
Scottish Salmon Company acquistion****	4,006,820	1,956,140	5,962,960	9.60%	483,596	2,306,173	-1,633,774
Vestlax acquisition*	132,708	1,649,475	1,782,183	9.20%	98,343	674,658	-452,683
Havsbrún acquisition**	157,430	398,567	555,997	9.20%	325,625	2,233,868	-1,498,883
Faroe Farming acquisition***	82,000	1,146,032	1,228,032	9.20%	187,945	1,289,346	-865,127
TOTAL	**4,378,958**	**5,150,214**	**9,529,172**		**1,095,509**	**6,504,045**	**-4,450,467**
31/12/2022							
Scottish Salmon Company acquistion****	4,006,820	2,082,123	6,088,943	9.60%	455,069	2,213,869	-1,567,700
Vestlax acquisition*	132,708	1,623,586	1,756,294	9.60%	92,103	876,396	-597,990
Havsbrún acquisition**	157,430	390,749	548,179	9.60%	304,962	2,901,845	-1,980,012
Faroe Farming acquisition***	82,000	1,131,089	1,213,089	9.60%	176,018	1,674,891	-1,142,825
TOTAL	**4,378,958**	**5,227,547**	**9,606,505**		**1,028,152**	**7,667,001**	**-5,288,527**

* 4 CGUs in 7 licenses. Acquired in 2010.
** 2 CGUs in 2 licenses. Acquired in 2011.
*** 1 CGU in 2 licenses A-92. Acquired in 2016.
**** 7 CGUs in 44 licenses. Acquired in 2019.
***** Other assets consist of goodwill, PP&E, inventory, receivables, etc., which can be allocated to CGUs or are directly attributable to CGUs.

NOTE 3.2 PROPERTY, PLANT, AND EQUIPMENT

DKK 1,000	Land and buildings	Plant, machinery, operating equipment, fixtures etc.	Other operating equipment	Vessels	Assets under construction	Total
Acquisition costs as at 01.01.23	2,111,945	3,373,098	548,106	1,175,064	1,114,870	8,323,083
Reclassification	134,269	204,685	4,033	49,126	-390,988	1,125
Acquisitions during the year	237,008	291,809	20,143	42,948	468,993	1,060,901
Disposals and scrapping during the year	-419	-99,983	-5,291	-1,925	-1,555	-109,173
Currency translation differences	1,191	16,011	342	4,202	9,275	31,021
Acquisition costs as at 31.12.23	**2,483,994**	**3,785,620**	**567,333**	**1,269,415**	**1,200,595**	**9,306,957**
Accumulated depreciations and write-downs as at 01.01.23	-551,327	-1,582,617	-320,324	-221,654	0	-2,675,922
Reclassification	0	1	-2,720	0	0	-2,719
Depreciations during the year	-78,772	-322,060	-33,846	-67,596	0	-502,274
Accumulated deprecations and write-downs on disposals and scrapping	419	87,812	4,376	1,541	0	94,148
Currency translation differences	1,378	-2,591	1,082	422	0	291
Accumulated depreciations and write-downs as at 31.12.23	**-628,302**	**-1,819,455**	**-351,432**	**-287,287**	**0**	**-3,086,476**
Net book value as at 31.12.23	**1,855,692**	**1,966,165**	**215,901**	**982,128**	**1,200,595**	**6,220,481**
Acquisition costs as at 01.01.22	2,119,115	3,229,596	449,031	642,653	782,545	7,222,940
Reclassification	-7,409	78,750	76,650	47,418	-201,554	-6,145
Acquisitions during the year	28,092	176,326	23,856	495,140	543,642	1,267,056
Disposals and scrapping during the year	-25,096	-73,359	-922	-3,120	0	-102,497
Currency translation differences	-2,757	-38,215	-509	-7,027	-9,763	-58,271
Acquisition costs as at 31.12.22	**2,111,945**	**3,373,098**	**548,106**	**1,175,064**	**1,114,870**	**8,323,083**
Accumulated depreciations and write-downs as at 01.01.22	-517,934	-1,443,109	-222,921	-150,199	0	-2,334,163
Reclassification	18,118	38,087	-38,498	-28,346	0	-10,639
Depreciations during the year	-77,220	-252,802	-58,987	-47,168	0	-436,177
Accumulated deprecations and write-downs on disposals and scrapping	24,926	67,661	73	3,053	0	95,713
Currency translation differences	783	7,546	9	1,006	0	9,344
Accumulated depreciations and write-downs as at 31.12.22	**-551,327**	**-1,582,617**	**-320,324**	**-221,654**	**0**	**-2,675,922**
Net book value as at 31.12.22	**1,560,618**	**1,790,481**	**227,782**	**953,410**	**1,114,870**	**5,647,161**

ACCOUNTING POLICIES

Property, plant, and equipment is capitalized at acquisition cost, less accumulated depreciation and write downs. When assets are sold, or divested, the book value is deducted, and any loss or gain entered to the Income Statement. Ordinary depreciation commences from the date on which the asset goes into normal operation and is calculated based on its economic lifespan. Depreciation is assigned in a straight line over the expected economic lifespan of the assets, taking into consideration the estimated residual value.

If an asset comprises significant components with varying lifespan, these components are depreciated separately. The scrap value of the property, plant, and equipment as well as the depreciation period and depreciation method employed are reassessed annually.

Facilities under construction are not depreciated. Depreciation is charged to expenses when the facilities are ready for use. If the situation or circumstances indicate that the carrying amount of an asset cannot be recovered, an assessment is made about whether to write-down its value. If the recoverable value of the assets is less than the carrying amount and the impairment is not expected to be temporary, the assets are written down to the recoverable value. The recoverable value is the greater of net sales price or value in use. Value in use is the present value of the future cash flows, which the asset will generate.

NOTE 3.3 LEASING

Right of use	Land and buildings & properties	Ships, and other equipment	TOTAL
Beginning balance 01.01.23	120,280	318,265	438,545
Additions	4,700	90,069	94,769
Adjustments	1,197	5,094	6,291
Depreciation	-8,906	-125,525	-134,431
Effect of changes in currency exchange rate	771	7,332	8,103
Ending balance 31.12.23	**118,042**	**295,235**	**413,277**
Lease liability			
Beginning balance 01.01.23	-145,021	-314,549	-459,570
Additions	-3,209	-92,628	-95,837
Adjustments	-252	-4,053	-4,305
Lease payments	13,551	117,993	131,544
Interests	-2,450	-7,243	-9,693
Effect of changes in currency exchange rate	-8,199	49,097	40,898
Ending balance 31.12.23	**-145,580**	**-251,383**	**-396,963**
Current lease liability	-9,464	-56,384	-65,848
Non-current lease liability	-136,116	-194,999	-331,115
Maturity analysis, undiscounted cash flow			
Up to 1 year			118,989
1-2 years			112,557
2-3 years			51,654
3-4 years			38,215
4-5 years			10,547
More than 5 years			100,985

Right of use	Land and buldings & properties	Ships, and other equipment	TOTAL
Beginning balance 01.01.22	126,861	175,244	302,105
Additions	0	253,383	253,383
Adjustments	4,184	-1,012	3,172
Depreciation	-8,384	-95,070	-103,454
Effect of changes in currency exchange rate	-2,381	-14,280	-16,661
Ending balance 31.12.22	**120,280**	**318,265**	**438,545**
Lease liability			
Beginning balance 01.01.22	-153,043	-180,378	-333,421
Additions	0	-244,898	-244,898
Adjustments	-2,531	15,261	12,730
Lease payments	13,001	97,833	110,834
Interests	-2,448	-4,132	-6,580
Effect of changes in currency exchange rate	0	1,765	1,765
Ending balance 31.12.22	**-145,021**	**-314,549**	**-459,570**
Current lease liability	-12,682	-93,533	-106,215
Non-current lease liability	-132,339	-221,016	-353,355
Maturity analysis, undiscounted cash flow			
Up to 1 year			106,215
1-2 years			96,670
2-3 years			90,716
3-4 years			53,167
4-5 years			39,090
More than 5 years			73,712

Bakkafrost has applied the rules for short-term leases and leases with low value leasing assets and has expensed these in the Income Statement. The amount is not material to the Group.

Accounting policies

Based on the accounting policy applied, Bakkafrost recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases, conveying the right to control the use of an identified asset for a period. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right of use assets is recognized at cost. The cost of the asset consists of the total discounted lease payments (the lease obligation), plus lease payments paid at contract of the agreement (e.g., upfront payments) less any lease incentives received, plus any costs directly related to the conclusion of the agreement and the obligation to demolish or restore the asset after use.

Subsequent measurement of the leasing asset is done according to the same practice as for similar assets, that is owned by the company. This means that leased assets are classified as tangible fixed assets, even if it is legally a right of use asset.

The lease obligation is recognized at the present value of the lease payments obtained by discounting the lease payments, using the company's marginal borrowing rate, since the internal rate cannot be reasonably defined.

The lease payments consist of the fixed lease payments, guaranteed residual values and payment for exercise of purchase option or payment for cancellation of lease when considered reasonably certain that the options are exercised. In addition, variable lease payments which are adjusted, based on an index, whereas consumption-based leasing payments are not recognized as part of the cost of the lease asset and liability.

The lease payments are distributed between an instalment portion and an interest portion. The lease obligation is recalculated at a constant interest rate, corresponding to the discount rate used. At initial recognition, the value of the leased asset corresponds to the value of the lease obligation, unless upfront payments and/or there are recovery obligations regarding the asset.

The Group chose to apply the two practical exceptions in IFRS 16 regarding short term leases and low value assets. Short term leases represent lease agreements shorter than 12 months from the date of the contract, and low value assets represent lease agreements that are lower than DKK 35,000 each.

NOTE 3.4 COMPANIES IN THE GROUP

The consolidated accounts for 2023 include the following subsidiaries and associates:

Subsidiary Companies	Currency	Nature of Business	Head Office	Ownership	Nominal share capital
Bakkafrost Farming P/F	DKK	Salmon farming	Glyvrar	100%	19,762,181
Bakkafrost FSV P/F	DKK	Farming Service Vesselss	Glyvrar	100%	500,000
Bakkafrost Freshwater P/F	DKK	Smolt farming	Glyvrar	100%	500,000
Bakkafrost Processing P/F	DKK	Value adding of salmon (VAP)	Glyvrar	100%	150,000,000
Bakkafrost Sales P/F	DKK	Sales of salmon and VAP products	Glyvrar	100%	667,000
Bakkafrost Packaging P/F*	DKK	Production of styrofoam boxes	Glyvrar	100%	N/A
Havsbrún P/F	DKK	Production and sales of fishmeal, fish oil and fish feed	Fuglafjørður	100%	2,000,000
Bakkafrost UK Ltd.	GBP	Sales of salmon	Grimsby	100%	2 GBP
Bakkafrost USA LLC	USD	Sales of salmon	Clifton, New Jersey	100%	2,000,000 USD
Förka P/F	DKK	Production of biogas and fertilizer	Glyvrar	100%	5,000,000
Bakkafrost Scotland Limited	GBP	Salmon Farming	Edinburgh	100%	20,000,000 GBP
Svínoyar rognkelsisstøð Sp/f	DKK	Lumpfish farming	Svínoy	100%	8,102,222
Faroe Seafood 2011 P/F	DKK	Trading fish	Glyvrar	100%	2,000,000
Bakkafrost France SARL	EUR	Trading fish	Boulogne, France	100%	160,000 EUR
Munkebo Seafood A/S	DKK	Production and sales of canned fish	Munkebo	90%	1,800,000
FarCargo P/F	DKK	Freight transportation of goods	Glyvrar	70%	4,666,667

*Bakkafrost Packaging P/F merged into Bakkafrost Processing P/F

Associated Companies DKK 1,000	Head Office	Ownership	Net Additions	Share of the result	Carrying value 2023	Carrying value 2022
Pelagos P/F	Fuglafjørður	30%	-12,029	7,864	94,569	98,734
Salmon Proteins P/F *	Eiði	79%	0	0	5,176	5,176
FF Skagen A/S	Skagen	25%	-4,064	62,671	187,973	129,366
Total					**287,718**	**233,276**

	Total assets 2023	Total assets 2022	Equity 2023	Equity 2022	Result 2023	Result 2022
Pelagos P/F **	499,642	499,642	325,967	325,967	79,500	79,500
Salmon Proteins P/F */**	9,489	9,489	6,577	6,577	393	393
FF Skagen A/S**	1,410,514	1,410,514	566,490	566,490	128,494	128,494

*Voting rights 30%. The voting rights are limited in the Articles of Association of P/f Salmon Proteins.
**Information from 2022

NOTE 3.5 SHARES AND HOLDINGS IN OTHER COMPANIES

DKK 1,000	2023	2022
Companies		
Others	983	933
Total	**983**	**933**

ACCOUNTING POLICIES

Investments in other companies are classified as available for sale. Shares and holdings in which the Group does not have significant influence are valued at cost as fair value cannot be measured reliably.

NOTE 3.6 INVENTORY

DKK 1,000	2023	2022
Raw materials and goods in-progress	911,369	843,909
Finished goods	237,419	230,435
Total inventory	**1,148,788**	**1,074,344**

Raw materials primarily consist of raw material to produce fishmeal, fish oil and fish feed and packaging materials used in processing.

Goods in-progress include semi-finished products and spare parts.

Finished products include all products ready for sale, such as fish feed, fresh and frozen whole salmon, as well as processed salmon products.

Inventories are measured at full cost price.

ACCOUNTING POLICIES

Inventories consist of inventories in the Farming FO segment, Farming SCT segment, Freshwater FO segment, Freshwater SCT segment, Sales & Other segment and the FOF segment.

Farming FO, Farming SCT and Freshwater FO, Freshwater SCT

Inventories include mainly packaging materials and finished goods. Inventories of goods are stated at the lower of cost and net realizable value.

The cost of processed goods is a full production cost that includes direct material and personnel costs, and a percentage of indirect processing costs. Interest costs are not included in the value of inventory.

The cost price of purchased goods is the acquisition price. Cost is based on the FIFO principle.

Net realizable value is estimated sales price less selling expenses.

Services, and Sales & Other

Inventories consist of raw material, additives, packaging material and finished goods. Raw material in the VAP unit consists basically of processed salmonids. Raw material is measured at fair value at the time of harvesting.

Packaging material and additives are valued at the lesser of cost or expected sales price less sales costs. The FIFO principle is used concerning the periodic assignment of inventory costs.

Finished goods in inventory, fresh or frozen, are measured at the lesser of cost or the expected sales price less sales costs. In a case, where the cost price exceeds the sales price less sales cost, impairment is entered and charged to the Income Statement.

The cost price of goods produced in-house is the full production cost, including production costs, which can be only indirectly allocated to produce goods, less general administration costs.

FOF

Raw materials and purchased commodities are valued at the lower of historical cost and net realizable value in accordance with the FIFO principle.

Finished goods are fishmeal, oil and feed ready for delivery to customer, valued at the lower of cost and net realizable value. The cost of finished goods includes any processing costs that have incurred. Processing costs consist of logistics, handling and storage costs.

The cost price of goods produced in-house is the full production cost, including production costs, which can be only indirectly allocated to produce goods, less general administration costs.

NOTE 3.7 BIOLOGICAL ASSETS

DKK 1,000	2023	2022
Biological assets carrying amount 01.01.	2,938,485	2,448,289
Increase due to production or purchases	4,198,900	3,917,146
Reduction due to harvesting or sale (costs of goods sold)	-3,288,597	-3,363,747
Reduction due to mortality (costs of incidents based mortality)	-328,168	-282,768
Fair value adjustment at the beginning of the period reversed	-883,099	-604,707
Fair value adjustments at the end of the period	741,433	883,099
Reversal of elimination at the beginning of the period	368,918	134,193
Eliminations	-434,167	-135,650
Currency translation differences	21,865	-57,370
Biological assets carrying amount 31.12.	**3,335,570**	**2,938,485**
Cost price biological assets	3,006,439	2,248,406
Fair value adjustments at the end of the period	741,433	883,099
Eliminations	-434,167	-135,650
Currency translation differences	21,865	-57,370
Biological assets carrying amount	**3,335,570**	**2,938,485**
Volume of biomass at sea (tonnes)		
< 1 kg	4,201	4,737
1 < 2 kg	7,926	6,811
2 < 3 kg	10,480	8,608
3 < 4 kg	9,377	9,589
4 kg <	28,705	18,566
Volume of biomass at sea	**60,689**	**48,311**
Number of fish (thousand)		
< 1 kg	7,765	11,043
1 < 2 kg	5,472	4,595
2 < 3 kg	4,251	3,520
3 < 4 kg	2,731	2,717
4 kg <	5,638	3,877
Total number of fish at sea	**25,857**	**25,752**

	2023	2022
Harvested volumes (TGW)	**73,006**	**90,603**
Number of smolts released (thousand)		
Q1	4,988	4,237
Q2	7,107	6,166
Q3	2,076	6,563
Q4	8,993	8,459
Total number of smolts released	**23,164**	**25,425**
Sensitivity analysis of biomass DKK 1,000		
Change in discount rate +1%	-182,631	-212,686
Change in discount rate -1%	200,368	238,534
Change in sales price +5 DKK	406,582	353,080
Change in sales price -5 DKK	-406,582	-353,080
Change in biomass volume +1%	11,196	18,217
Change in biomass volume -1%	-11,196	-18,217
One year forward prices in EUR FCA Oslo*		
At year end	7.90	7.50
Q1 (forward)	9.54	8.58
Q2 (forward)	10.08	8.96
Q3 (forward)	7.47	7.16
Q4 (forward)	7.69	7.31

* Source Fish Pool

VALUATION OF BIOLOGICAL ASSETS

IAS 41 requires biomass to be accounted for at the estimated fair value net of sales costs and harvesting costs. The calculation of the estimated fair value is based on market prices for harvested fish. In the accounts, the change in estimated fair value is entered to the Income Statement on a continuous basis.

The Group's biological assets are salmon at all stages of the life cycle. The fish is divided into two main groups, depending on the stage of the life cycle. The first group is fish produced on land in fresh water. The second is, when the fish are released to sea.

For the first group, historical cost is deemed a reasonable approach to fair value, as there is little biological transformation. This assessment must be seen in the light of the fact that smolts are currently released to sea at a stage when their weight is still relatively low.

For the second group, the fair value is calculated by applying a present value model at level 3 in the fair value hierarchy in IFRS 13. In accordance with the principle in IFRS 13 for highest and best use, the Group considers optimal harvest weight to be for Farming FO 5.2 kg gutted weight (6.3 kg live weight) and for Farming SCT 4.9 kg gutted weight (6.0 kg live weight).

The valuation model

The valuation model calculates the net present value of expected cash flow from biological assets.

Changes to estimated fair value of biological assets are presented on the line Fair value adjustments of biological assets in the Income Statement.

The measurement unit is the individual fish. However, for practical reasons, cash flows and estimates are carried out per locality.

Main components in the model are:

- Volume
- Production costs
- Sales price
- Discount rate
- Volume

Estimated harvest volume is based on the actual number of fish in the sea on the balance sheet date, minus estimated future mortality from balance sheet date and multiplied by optimal harvest weight per fish.

Future monthly mortality is estimated to be for Farming FO 0.9% (2022: 0.9%) and for Farming SCT 2.0% (2022: 2.0%) of the number of incoming fish per month.

Cost

Estimated future costs are based on the Group´s prognoses per locality. Cost comprises mainly feed, production, harvest, and transport costs.

Price

Estimated sales prices are based on externally quoted prices from Fish Pool with adjustments to local conditions.

Fish Pool is a marketplace for financial purchase and sale agreements for superior Norwegian salmon size 3-6 kg gutted weight. The volume on Fish Pool is, however, limited. This market may therefore be considered insufficiently active and effective. Despite this, Bakkafrost's opinion is that the observable forward prices are the best approach to a price for the sale of salmon.

The prices are reduced for harvesting costs, freight costs to market to arrive at a net value back-to-farm and for Farming FO also revenue tax. The valuation also reflects the expected quality grading.

Discounts

The estimated future cash flow is discounted monthly. The monthly discount rate on 31 December 2021 is 6.0% (2022: 6.0%) per month for Farming FO and 4.0% (2022: 4.0%) per month for Farming SCT. The discount rate considers a risk adjustment and time value. The risk adjustment considers the volatility in volume, cost, and price.

Mortality

Mortality above normal will be accounted for when a farming site either experiences elevated mortality over time or mortality due to an incident.

Costs related to abnormal mortality will be recognized in the Income Statement and presented on the line for changes in inventory, while normal mortality is classified as part of production costs.

Bakkafrost uses a common indicator and threshold for all farming sites to assess normal and abnormal mortality. Indication of abnormal mortality is when a farming site in a month registers mortality exceeding 1.5% (2022: 1.5%) for Farming FO and 4.0% (2022: 4.0%) for Farming SCT of the incoming number of fish. A more detailed assessment is then carried out to evaluate, whether mortality is abnormal. These assessments consider the cause of mortality and the size of the fish.

SIGNIFICANT ASSUMPTIONS SENSITIVITY

The estimate of fair value of biomass will always be based on uncertain assumptions, even though the company has built substantial expertise in assessing these factors.

The Group considers three components to be key parameters for valuation. These are: average price, monthly discount rate and estimated biomass volume. In the table above a simulated sensitivity analysis to changes in fair value of the biological assets is portrayed in the event of changes in these parameters.

NOTE 3.8. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

DKK 1,000	2023	2022
Accounts receivables	850,450	808,806
Provisions for bad debts	-112	-51
Net accounts receivables	**850,338**	**808,755**
VAT	94,027	75,973
Other	0	26,477
Tax receivables	56,112	65,822
Other receivables	**150,139**	**168,272**
Total short-term receivables	**1,000,477**	**977,027**

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLES

DKK 1,000	2023	2022
Receivables not overdue	686,106	614,760
Overdue 0–6 months	161,407	190,538
Overdue more than 6 months	2,825	3,508
Total	**850,338**	**808,806**

The Group's exposure to credit risks related to accounts receivable is disclosed in Note 4.1.

CURRENCY EXPOSURE TO ACCOUNTS RECEIVABLE

The Group holds accounts receivable in foreign currencies amounting to DKK 718 million at year-end 2023 (2022: DKK 672 million).

Below is presented the book value of receivables specified in currency, translated into DKK employing the currency value at 31.12.

CURRENCY DISTRIBUTION OF ACCOUNTS RECEIVABLES

DKK 1,000	2023	2022
DKK	131,972	137,009
EUR	406,849	398,970
USD	234,836	105,135
GBP	57,967	73,511
JPY	331	5,730
NOK	18,384	88,451
Total	**850,338**	**808,806**

ACCOUNTING POLICIES

Accounts receivable and other receivables are presented at face value less provisions for bad debts. Provisions for bad debts are made based on an individual assessment of the receivables concerned. Due to insignificant cost and the short credit period, amortized cost is equivalent to face value less foreseeable losses.

NOTE 3.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of short-term bank deposits and were DKK 412 million at year-end 2023, compared to DKK 720 million at year-end 2022.

NOTE 3.10 SHARE CAPITAL AND MAJOR SHAREHOLDERS

Share capital:

DKK 1,000	2023	2022
Share capital at 1 January	59,143	59,143
Increase in the year	85	0
Share capital at 31 December	**59,228**	**59,143**

The parent company's share capital comprises:

	No. of Shares	No. of Shares
Ordinary shares	59,143,000	59,143,000
Increase in the year	84,607	0
Total share capital	**59,227,607**	**59,143,000**

Reconciliation of outstanding shares:	2023	2022
Outstanding shares at 1 January	59,098,481	59,075,165
Sale of own shares to cover the employee bonus program	28,474	23,316
Issuing new shares	84,607	0
Outstanding shares at 31 December	**59,211,562**	**59,098,481**
Treasury shares at 31 December	16,045	44,519

SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2023: Folketrygdfondet, Regin Jacobsen, and Oddvør Jacobsen.

Shares owned directly and indirectly by the members of the Board of Directors and Group Management:

Name	Position	No. of shares	Shareholding
Rúni M. Hansen	Chairman of the Board	10,761	0.02%
Guðrið Højgaard	Member of the Board	0	0.00%
Teitur Samuelsen	Member of the Board	100	0.00%
Annika Frederiksberg	Member of the Board	16,781	0.03%
Øystein Sandvik	Member of the Board	0	0.00%
Einar Wathne	Member of the Board	0	0.00%
Regin Jacobsen	Chief Executive Officer	4,640,281	7.84%
Odd Eliasen	Managing Director	185,391	0.31%
Høgni D. Jakobsen	Chief Financial Officer	76,636	0.13%

Dividend

The Board has proposed a dividend per share of DKK 8.70 for 2023. DKK 591 million were paid out for 2022. The dividends proposed are to be approved at the Annual General Meeting and if approved, the total dividend payment will amount to DKK 515 million. The dividend proposal has not been recognized as a liability on 31 December 2023 but is presented as an item within equity.

NOTE 3.11 INTEREST-BEARING DEBT

DKK 1,000	2023	2022
Long-term interest-bearing debt	3,944,498	3,383,289
Total long-term interest-bearing debt 31.12.	**3,944,498**	**3,383,289**
Total interest-bearing debt	3,944,498	3,383,289
Cash and cash equivalents	-411,674	-719,603
Net interest-bearing debt	**3,532,824**	**2,663,686**

The maturity structure of the Group's financial commitments is based on undiscounted contractual payments. As the credit limit is not necessarily in the same currency of debt drawn, currency fluctuations affect the amount available under the facilities at any time.

The maturity plan of the Group's interest-bearing debt is as follows

	2023		2022	
DKK 1,000	**Carrying amount**	**Contractual payments**	**Carrying amount**	**Contractual payments**
Long-term interest-bearing debt	-3,944,498	-3,968,705	-3,383,289	-3,408,576
Gross interest-bearing debt	**-3,944,498**	**-3,968,705**	**-3,383,289**	**-3,408,576**
Credit line	5,380,144		5,205,550	
Long-term interest-bearing debt	-3,944,498		-3,383,289	
Cash and cash equivalents	411,674		719,603	
Total available credit lines	**1,847,320**		**2,541,864**	

REMAINING PERIOD

31.12.2023	**1–3 months**	**3–12 months**	**1–5 years**	**> 5 years**	**Total**
Interest-bearing bank loans	0	0	0	3,944,498	3,944,498
Accounts payable and other debt	470,811	210,367	0	0	681,178

31.12.2022	**1–3 months**	**3–12 months**	**1–5 years**	**> 5 years**	**Total**
Interest-bearing bank loans	0	0	0	3,383,289	3,383,289
Accounts payable and other debt	579,247	237,780	0	0	817,027

The difference between the carrying amount and the total expected payments in the table above is due to upfront arrangement and legal fees incurred in connection with the refinancing of the credit facilities. One long-term bank borrowing is drawn from a revolving credit facility, under which the Group may draw and pay down any amount. The contractual payments illustrated in the table above do not reflect rollover dates of loans drawn but are based on the maturity date of the credit facilities.

INTEREST-BEARING DEBT IN MORE DETAIL

Financing of the Bakkafrost Group is mainly executed by the parent company. Subsidiaries can only enter external financing if it is seen favourable for the whole Bakkafrost Group.

Sustainability-linked financing

In March 2022 the Group signed a five-year EUR 700 million multicurrency sustainability-linked revolving credit facility with Coöperatieve Rabobank U.A, DNB Bank ASA and Nordea Bank ABPm (Filial i Norge). The Facility includes flexibility for the parties to agree an additional amount of up to EUR 150 million during the tenor. In January 2024 the Group made use of the second and final extension option and extended the Facility with 12 months until February 2029.

The purpose of the Facility was to refinance Bakkafrost's existing bank facilities as well as general corporate purposes including acquisitions. The Facility will serve as a robust and flexible financial framework for the Group's investment plans aimed at organic growth for the Group and structural cost reductions in Scotland, as described at the Capital Markets Day 2023.

As The Facility is sustainability-linked means that the margin payable will be linked to Bakkafrost's performance against certain sustainability KPIs, consistent with the Group's overall ESG targets and ambitions. The principal financial covenants of the Facility are: (1) an equity ratio of no less than 35% and (2) an interest coverage ratio (EBITDA to net interest payable) of no less than 2x. The Bakkafrost Group complied with these covenants at the end of 2023.

At the end of 2023, the Group had unused committed credit facilities of DKK 1,851 million (DKK 2,542 million). In addition, the Group has an accordion of EUR 150 million.

Maturity analysis - contractual payments

DKK 1,000	2024	2025	2026	2027	2028
Long-term credit facilities	0	0	0	0	3,944,498
Gross interest-bearing debt	**0**	**0**	**0**	**0**	**3,944,498**

Reconciliation of development in interest-bearing debt

	2022	Cash flows	2023
Long term interest-bearing debt	3,383,289	561,209	3,944,498
Total interest-bearing debt	**3,383,289**	**561,209**	**3,944,498**

	2021	Cash flows	2022
Long term interest-bearing debt	2,634,968	748,321	3,383,289
Total interest-bearing debt	**2,634,968**	**748,321**	**3,383,289**

NOTE 3.12 MORTGAGES AND GUARANTEES

Carrying amount of debt secured by mortgages and pledges

The Bakkafrost Group has a group financing. The Group companies are liable jointly and severely for the balance without limitations for each other.

As part of the guarantees are also any insurance refunds. In addition, the shares in larger subsidiaries have been pledged to the bank syndicate.

DKK 1,000	2023	2022
Long-term debt to financial institutions	**3,944,498**	**3,383,289**
Carrying amount of assets pledged as security for recognized debt		
Licences	3,819,883	3,819,883
Property, plant, and equipment	1,580,604	1,046,827
Biological assets (biomass)	3,335,570	2,938,485
Inventory	138,171	131,770
Total	**8,874,228**	**7,936,965**

NOTE 3.13 DERIVATIVES

DKK 1,000	2023	2022
Currency derivatives	-374	-7,474
Derivatives total	**-374**	**-7,474**

The fair value of derivatives held at the balance sheet date can be allocated as follows:

	Fair Value 2023	Recognized in the Income Statement 2023	Recognized in equity 2023	Fair Value 2022	Recognized in the Income Statement 2022	Recognized in equity 2022
Currency derivatives	-374	0	-374	-7,474	0	-7,474
Total	**-374**	**0**	**-374**	**-7,474**	**0**	**-7,474**

The expected timing of the effect on the income statement is as follows:

	Currency derivatives	Interest and currency derivatives	Total 2023	Currency derivatives	Interest and currency derivatives	Total 2022
Within one year	-374	0	-374	-7,474	0	-7,474
Between one and five years	0	0	0	0	0	0
After five years	0	0	0	0	0	0
Total	**-374**	**0**	**-374**	**-7,474**	**0**	**-7,474**

FINANCIAL INSTRUMENTS

In accordance with IFRS 9, financial instruments falling within its remit are classified into the following categories: fair value with changes in value entered to the Income Statement, hold until maturity, loans and receivables, available for sale, and other liabilities.

Financial instruments at fair value with changes in value entered to the Income Statement

Financial instruments, which are held primarily for buying or selling in the short term, are classified as being held for trading purposes. These instruments are included in the category of financial instruments recognized at fair value with changes in value entered to the Income Statement alongside forward currency contracts, which are recognized at fair value with changes in value, entered to the Income Statement.

Hedge accounting

Interest rate swaps and forward currency settlement contracts are used as hedges of its exposure to foreign currency risk, interest expenses and instalment payments in foreign currencies. The hedges are cash flow hedges.

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve.

Amounts recognized as other comprehensive income are transferred to the Income Statement, when the hedged transaction affects profit or loss, and when financial liabilities are settled, such as when the hedged financial income or financial expense is recognized.

If the forecast transactions or commitments are no longer expected to occur, the cumulative gain or loss, previously recognized in equity, is transferred to the Income Statement. If the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss, previously recognized in other comprehensive income, remain in other comprehensive income until firm commitment affects profit or loss, or settlement payments are made.

NOTE 3.14 PROVISIONS

A provision is recognized when, and only when, the company has a valid liability (legal or self-imposed) deriving from an event which has occurred, and when it is probable (more likely than not) that a financial settlement will take place because of that liability, and when the amount in question can be reliably quantified. Provisions are reviewed on each closing date, and the level reflects the best estimate for the liability. The Group has no provisions as per 31 December 2023, compared to no provisions as per 31 December 2022.

PROVISIONS FOR ONEROUS CONTRACTS

ACCOUNTING POLICIES

The Group enters sales contracts for value added salmon products (VAP) on an on-going basis. The contracts involve physical settlement, and deliveries associated with the contracts form part of the Group's normal business activities. The contracts contain no built-in derivative elements.

With respect to fixed-price contracts, which result in the Group being obligated to sell salmon products at a price less than production cost (including fair value adjustment of raw materials at the point of harvesting), the contracts are considered onerous, and provisions are calculated and entered to the statement of financial position. The provision is charged to the Income Statement.

SIGNIFICANT ASSUMPTION

The company holds long-term sale contracts related to salmon products. These contracts do not contain any elements of embedded derivatives and are therefore not treated as financial instruments. The contracts are settled, based exclusively on the assumption that delivery of salmon products should take place. The contracts are not tradable, nor do they contain a clause for settlement in cash or cash equivalents.

Provisions are made for estimated onerous contracts that oblige the Group to sell fish at a price less than calculated production costs including raw materials, biomass, measured at fair value.

NOTES - SECTION 4

Capital Structure and Financing Items

This section gives an insight into the capital structure and financing items.

NOTE 4.1 FINANCIAL RISK MANAGEMENT

CAPITAL MANAGEMENT

The Group's objective, when managing capital, is to maintain a capital structure able to support the operations and maximize shareholder value. The farming business is characterized by price volatility and challenging production dynamics. The Group must be financially solid to be able to cope with fluctuations in profits and financial position, and the consolidated equity ratio shall at no time be lower than 35%. On 31 December 2023, the Group's equity ratio was 61% (62%).

The Group manages the capital structure and adjusts corresponding to changes in the underlying economic conditions. In December Bakkafrost entered a term sheet for a sustainability-linked EUR 700 million multicurrency revolving credit facility with a tenor of five years. The facility agreement was signed in March 2022. In January 2024, the Group made use of the second extension option and extended the Facility for 12 months until February 2029.

According to the Group's dividend policy, under normal circumstances, average dividends over several years should be 30 to 50% of the adjusted net profit. The Board has proposed a dividend of DKK 8.70 per share for the financial year 2023, corresponding to a distribution to shareholders of DKK 515 million (DKK 591 million).

On 31 December 2023, net interest-bearing debt amounted to DKK 3,533 million (DKK 2,664 million). Note 3.11 provides an overview of the debt's maturity profile and information on the debt's financial covenants. Bakkafrost complied with the covenants loan agreements at the end of 2023.

FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: market risk, liquidity risk and credit risk. This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies, and procedures for measuring and managing risks.

Further quantitative disclosures are included throughout these consolidated financial statements.

The main objective of Bakkafrost's financial risk management policies is to ensure the ongoing liquidity of the Group, defined as being always in a position to meet the liabilities of the Group as they fall due. This also includes being able to meet financial covenants on Group debt under normal circumstances.

Concerning insurance coverage, the Group insures against material risks, where the insurance is economically viable. The balance between the amount covered by insurance and what is left to own risk varies, depending on the nature of the risk, the value of the assets and prospective liabilities and the cost, actual coverage, and the availability of insurance.

The Board of Directors believe that the most important measure against any risk is to have a strong financial position. On 31 December 2023, the Group's equity ratio was 61% (62%).

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

FINANCIAL RISK

Financial risk can be defined as the risk that the Group will not be able to meet its financial obligations.

In addition to bank loans, the Group has financial instruments such as accounts receivable, cash, shares, accounts payable, etc., which are ascribable directly to day-to-day business operations.

The Group uses financial derivatives, mainly currency forward contracts. The purpose of these instruments is to manage the currency risks arising from the Group's operations.

The Group does not employ financial instruments, including financial derivatives, for the purpose of arbitrage.

The most important financial risks to which the company is exposed are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The management monitors these risks on an on-going basis and draws up guidelines for how these should be managed.

MARKET RISK

Market risk can be defined as the risk that the Group's income and expenses, future cash flows or fair value of financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rates risk and other price risk (such as commodity prices and salmon spot prices).

Market risk is monitored and actively managed by the Group. Exposure to these risks is reduced by diversification, suitable controls, and business tactics. In some cases, market risks are transferred to third parties via contractual price adjustment clauses, but rarely by means of financial derivatives.

Foreign exchange risk

Because of the international nature of its operations, the Group is exposed to fluctuations of foreign currency rates. For risk management purposes, three types of currency exposure have been identified: Translational exposure, Transactional exposure, and Economic currency exposure.

Translational exposure

Bakkafrost has subsidiaries abroad in Scotland, England, USA, France, and Denmark. Thus, Bakkafrost faces currency risks arising from the translation of subsidiaries whose functional currency differs from the presentation currency of the Group. The exposure related to the equity of foreign subsidiaries is generally not hedged.

Transactional exposure

Most of the operating companies in the Group are exposed to changes in the value received or paid under foreign currency denominated committed transactions. For the sales & other segment, exposure arises mainly from export sales, while for the FOF segment, exposure results from the sourcing of raw materials in the international commodities markets.

The Group normally has a net positive cash flow exposure from USD and EUR and a net negative cash flow exposure from DKK, GBP, and NOK. The predominant exposure comes from the USD. The Group has therefore a policy of a 12-month layered hedging programme for USD/DKK.

The table below summarizes the foreign currency exposure to the net monetary position of all Group entities against their functional currency. The exposure of translating the financial statements of subsidiaries into the presentation currency is not included in the analysis.

Exposure to currency risk			Currency		
DKK 1,000					
2023	**EUR/DKK**	**GBP/DKK**	**USD/DKK**	**NOK/DKK**	**JPY/DKK**
Cash and cash equivalents	76,273	0	142,583	0	20,884
Accounts receivables	406,849	57,967	234,836	18,384	331
Trade payables	-31,568	-21,444	-4,016	-12,431	0
Interest-bearing debt	-866,355	-727,554	0	-29,578	0
Forward contracts	0	0	-58,238	0	0
Net exposure	**-414,801**	**-691,031**	**315,165**	**-23,625**	**21,215**

2022	**EUR/DKK**	**GBP/DKK**	**USD/DKK**	**NOK/DKK**	**JPY/DKK**
Cash and cash equivalents	358,978	0	219,246	24,031	2,324
Accounts receivables	398,970	73,511	105,135	88,451	5,730
Trade payables	0	-55,642	-22,555	-8,772	0
Interest-bearing debt	-706,467	-628,838	0	0	0
Forward contracts	0	0	-331,250	0	0
Net exposure	**51,481**	**-610,969**	**-29,424**	**103,710**	**8,054**

Sensitivity analysis			**Currency**			
DKK 1,000						
2023	**EUR/DKK**	**GBP/DKK**	**USD/DKK**	**NOK/DKK**	**JPY/DKK**	**Result**
Net exposure	-414,801	-691,031	315,165	-23,625	21,215	
Historical volatility for the last 5 years	0.27%	7.05%	7.41%	10.48%	8.59%	
Total effect on Profit of +movements	-1,120	-48,718	23,354	-2,476	1,822	-27,137
Total effect on Profit of -movements	**1,120**	**48,718**	**-23,354**	**2,476**	**-1,822**	**27,137**

2022	**EUR/DKK**	**GBP/DKK**	**USD/DKK**	**NOK/DKK**	**JPY/DKK**	**Result**
Net exposure	51,481	-610,969	-29,424	103,710	8,054	
Historical volatility for the last 5 years	0.28%	7.24%	7.35%	9.98%	8.34%	
Total effect on Profit of +movements	**144**	**-44,234**	**-2,163**	**10,350**	**672**	**-35,231**
Total effect on Profit of -movements	**-144**	**44,234**	**2,163**	**-10,350**	**-672**	**35,231**

The analysis is based on the currencies that the Group is most exposed to at the end of 2023. The reasonable shifts in exchange rates in the table above are based on 5 years of historical volatility.

If the relevant cross foreign exchange rates moved by the amounts showed in the table above, the effect on the Group's net income would be DKK -27 million (2021: DKK -35 million).

Currency forward contracts as of 31 December 2023

Bakkafrost Group buys		Bakkafrost Group sells	
DKK 1,000			
DKK	58,238	USD	8,618

Currency forward contracts as at 31 December 2022

Bakkafrost Group buys		Bakkafrost Group sells	
DKK 1,000			
DKK	331,250	USD	46,957

Significant exchange rates (average) during the year	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK
2023	745.29	857.59	674.47	66.30	4.77
2022	743.96	872.59	708.30	73.69	5.40

Interest rate risk

The Group is exposed to increase in interest rates as a result of having debt with floating interest rate terms. An increased cost of borrowing might adversely affect the Group's profitability. The Group does not have fixed interest rate debt.

According to the Group's finance policy, the main objective of interest rate risk management activities should be to minimize the risk of breach of the Group's debt covenants and to avoid situations of financial distress that might jeopardize strategic flexibility. Trading in interest rate derivatives is undertaken to cover existing exposures. Purely speculative transactions are not allowed.

The Group has no fixed rate liabilities and is therefore not exposed to the risk that changes in interest rates might drive changes in market value of outstanding debt.

A 100 basis points increase in interest rate at the reporting date would have a negative impact on the income statement amounting to DKK 35 million (2022: DKK 27 million), based on NIBD.

Price risk

The farming segments are sensitive to fluctuations in the spot prices of salmon, which are determined by global supply and demand. The impact of changes in salmon spot prices is partly mitigated by long-term contracts at fixed prices in the VAP segment and financial contracts, however, due to long production cycles, it is difficult to respond quickly to global trends in market prices. Salmon is to a large extent traded based on spot prices, although this would vary with different markets and with the market position of the Group.

Other price risk

The Group's FOF segment is active in the international commodity markets. A large portion of raw materials needed in production is contracted in advance of periodic sales price regulations, this way the risk associated with increases in commodity prices is effectively transferred to feed customers, mainly inside the Group. Constraints in the availability of certain raw materials might result in increased sourcing costs in those cases, where an unexpected surge in sales volume makes it necessary to purchase raw materials outside of previously negotiated purchase agreements. Under these circumstances, it might not be possible to charge the customers with the increased cost, and profitability would thus be impacted.

Liquidity risk

Liquidity risk arises from the Group's potential inability to meet its financial obligations towards suppliers and debt capital providers. The Group's liquidity situation is closely monitored and rolling forecasts of cash flows and cash holdings are prepared regularly.

Liquidity risk is managed through maintaining flexibility in funding by securing available committed credit lines, provided by our bank, and through maintaining sufficient liquid assets with the same relationship bank.

The Group seeks to maintain committed facilities to cover forecast borrowings for the next 24 months, plus financial headroom to cover the planned investments and unforeseen movements in cash requirements. Please also refer to Note 3.11 for information on committed credit facilities, available credit lines, and maturity of interest-bearing debt.

In addition to the above-described sources of liquidity, Bakkafrost monitors funding options available in the capital markets as well as trends in the availability and cost of such funding with a view to maintain financial flexibility and limiting refinancing risk. Bakkafrost's overall liquidity as at 31 December 2023 included DKK 412 million (2022: DKK

720 million) (see Note 3.11) of cash and cash equivalents held in various currencies.

Credit risk

Credit risk represents the accounting loss that would have to be recognized if other parties failed to perform as contracted and is related to financial instruments such as cash and cash equivalents, receivables, and derivative financial instruments.

Bakkafrost has a Group-wide credit management policy, governed by Bakkafrost's credit committee. The committee is responsible for granting credits to the Groups customers. In general, Bakkafrost uses credit insurance, bank guarantees, parent company guarantees, or other securities such as pledges on biological assets, thus reducing the actual risk on outstanding receivables significantly. Historically, losses due to bad debts have been low in Bakkafrost. Recoverable Tax and VAT, included in the balance, also reduces the risk. In addition to such risk mitigating measures, the Group focuses on detailed credit management in operating companies, supported by regular follow up by central functions.

The concentration of credit risk is at the outset not considered significant, since the Group's customers represent various industries and geographic areas. Counterparty risk against financial institutions is not considered significant, due to limited liquid assets and low traded volumes in derivatives. For these transactions, the Group relies upon Nordic relationship banks, other relationship banks or widely recognized commodity exchanges.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date consists of accounts receivables, other receivables, tax receivables and cash and cash equivalents and amounts to DKK 1,412 million as at 31 December 2023 (2022: DKK 1,697 million). For the age distribution of accounts receivable, please refer to Note 3.8.

Credit Risk	2023	2022
Accounts receivables	850,338	808,755
Other receivables	94,027	102,450
Tax receivables	56,112	65,822
Cash and Cash equivalents	411,674	719,603
Total	**1,412,151**	**1,696,630**

Bakkafrost has implemented a Group-wide cash management policy with the overall objective of minimizing cash holdings, while ensuring sufficient liquidity to meet business needs, avoid shortage of cash and limit the need for borrowing. The cash management is carried out from the Group's head office.

NOTE 4.2 CATEGORIES AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

All assets/liabilities, for which fair value is recognized or disclosed, are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For biological assets, the fair value calculation is done using a valuation model (level 3 in the valuation hierarchy), where the value is estimated based on observable market prices per period end. For more information on these calculations, refer to Note 3.7.

For assets/liabilities that are recognized at fair value on a recurring basis, the Group determines, whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement).

There have been no transfers into or out of Level 3 fair value measurements.

As at December 31st the Group held the following classes of assets/liabilities measured at fair value:

DKK 1,000

Assets and liabilities measured at fair value	Fair value	Cost amount	Level 1	Level 2	Level 3
Biological assets (biomass)	3,335,570	2,594,137	0	0	3,335,570
Assets measured at fair value 31-12-23	**3,335,570**	**2,594,137**	**0**	**0**	**3,335,570**
Liabilities measured at fair value 31-12-23	**0**	**0**	**0**	**0**	**0**
Biological assets (biomass)	2,938,485	2,055,386	0	0	2,938,485
Assets measured at fair value 31-12-22	**2,938,485**	**2,055,386**	**0**	**0**	**2,938,485**
Liabilities measured at fair value 31-12-22	**0**	**0**	**0**	**0**	**0**

NOTE 4.3 EARNINGS PER SHARE

DKK 1,000	2023	2022
Profit for the year to the shareholders of P/F Bakkafrost	955,216	1,344,330
Fair value adjustment of biomass (IAS 41)	141,665	-278,392
Tax on fair value adjustment	-64,216	57,682
Adjusted profit for the year to shareholders of P/F Bakkafrost	**1,032,665**	**1,123,620**
Ordinary shares as at 01.01.	59,227,607	59,143,000
Ordinary shares as at 31.12.	**59,227,607**	**59,143,000**
Time-weighted average number of shares outstanding through the year	**59,174,265**	**59,090,186**

Earnings per share	2023	2022
Basic (DKK)	16.14	22.75
Diluted (DKK)	16.14	22.75
Adjusted earnings per share (before fair value adjustments of biomass and provision for onerous contracts) (adjusted EPS)		
Basic (DKK)	17.45	19.02
Diluted (DKK)	17.45	19.02

Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share

Diluted earnings per share are adjusted for the dilution effect of issued share options. Bakkafrost has no share options outstanding.

Adjusted earnings per share

Adjusted EPS is based on the reversal of certain fair value adjustments shown in the table above, as it is Bakkafrost's view that this figure provides a more reliable measure of the underlying performance.

NOTES - SECTION 5

Other Disclosures

This section gives more details on the statutory notes that have secondary importance from the perspective of Bakkafrost.

NOTE 5.1. CAPITAL COMMITMENTS

2023	2024	2025	2026	Total
Total contractual new Hatchery stations in the Faroe Islands	246,157	202,486	101,976	550,619
Total contractual new marine sites and development of an existing freshwater site in Scotland	189,966	0	0	189,966
Total contractual other PPE investments	180,123	16,490	34,002	230,615
Total	**616,246**	**218,976**	**135,978**	**971,200**

2022	2023	2024	Total
Total contractual new Hatchery stations in the Faroe Islands	57,077	26,294	83,371
Total contractual new marine sites and development of an existing freshwater site in Scotland	233,900	0	233,900
Total contractual other PPE investments	336,700	0	336,700
Total	**627,677**	**26,294**	**653,971**

NOTE 5.2 RELATED-PARTY TRANSACTIONS

Related parties are in this respect considered as persons or legal entities, which directly or indirectly possess significant influence on the Bakkafrost Group through shareholding or position and vice versa. Related party transactions are at arm's length terms.

DKK 1,000	2023	2022
Based on key personnel		
Revenues - Betri Trygging P/F	6,765	368
Purchase - Betri Trygging P/F	27,712	36,948
Accounts receivables - Betri Trygging P/F	6,665	143
Accounts payable - Betri Trygging P/F	6,148	2,344
Revenues - Tjaldur P/F	153	108
Purchase - Tjaldur P/F	190,445	161,289
Accounts receivables - Tjaldur P/F	74	0
Accounts payable - Tjaldur P/F	16,436	12,211
Purchase - Eystur- og Sandoyartunlar P/F	1,306	813
Accounts payable - Eystur- og Sandoyartunlar P/F	58	27
Revenues - Kjølbro Heilsøla P/F	0	2
Purchase - Posta P/F	1,316	7,652
Accounts receivables - Posta P/F	2	0
Accounts payable - Posta P/F	44	9
Revenues - P/F J.F. Kjølbro Heilsøla	484	N/A
Purchase - P/F J.F. Kjølbro Heilsøla	3,150	N/A
Accounts receivables - P/F J.F. Kjølbro Heilsøla	271	N/A
Accounts payable - P/F J.F. Kjølbro Heilsøla	1,336	N/A
Based on association		
Revenues - FF Skagen A/S	89,363	49,242
Purchase - FF Skagen A/S	2,228	15,973
Accounts payable - FF Skagen A/S	1,690	6,099
Revenues - Pelagos P/F	102	0
Purchase - Pelagos P/F	121,217	144,702
Accounts receivables - Pelagos P/F	63,180	0
Accounts payable - Pelagos P/F	2,505	46
Revenues - Salmon Proteins P/F	15,386	9,558
Purchase - Salmon Proteins P/F	221	1,794
Accounts receivables - Salmon Proteins P/F	4,417	0
Accounts payable - Salmon Proteins P/F	0	342

NOTE 5.3 BUSINESS COMBINATIONS

2023:

There have not been any new business combinations in 2023.

2022:

In a transaction closed on 1 January 2022, Bakkafrost has acquired 90% of the shares in Munkebo Seafood A/S. The deal was jointly made with the General Manager of Munkebo Seafood. The shares were acquired from Paul Lybech, who has been engaged with Munkebo Seafood for almost 25 years. Following the transaction, the General Manager holds 10% of the shares in Munkebo Seafood A/S while Bakkafrost holds 90% of the shares.

Munkebo Seafood A/S was founded in 1974 and has since the formation been engaged in production of canned fish at the factory in the city of Munkebo in Denmark. Today, the company operates a modern canning facility and offers a wide range of products, of which a larger share is based on salmon. Bakkafrost has been one of the largest suppliers of raw materials for Munkebo Seafood for the past few years, making Munkebo Seafood a great extension of Bakkafrost's value chain. With a planned increase in production of salmon over the coming years, from Bakkafrost's farms in the Faroe Islands and in Scotland, Munkebo Seafood will have a strengthened raw material base and Bakkafrost will strengthen the ability to further increase the value derived from its salmon by-products.

The operations of Munkebo Seafood will remain unchanged. Munkebo Seafood has around 40 employees, and the products are currently sold mainly within the EU market to retail customers. The key employees of Munkebo AS will continue.

There is considerable spare production capacity for future growth within the current facility.

DKK 1,000	Book value 31/12/2021	Fair value adjustments	Fair value
Goodwill	0	9,726	9,726
Intangible assets	600	0	600
Property, plant, and equipment - incl. IFRS 16	13,106	0	13,106
Accounts receivables	11,310	0	11,310
Inventories	21,264	0	21,264
Other current assets, excluding cash and bank	2,739	0	2,739
Total assets	**49,019**	**9,726**	**58,745**
Deferred taxes and other taxes	1,511	1,754	3,265
Long-term liabilities, interest-bearing	8,797	0	8,797
Accounts payable	17,634	0	17,634
Other payable	3,660	0	3,660
Liabilities	**31,602**	**1,754**	**33,356**
Net assets	**17,417**	**7,972**	**25,389**

With the acquisition of Munkebo Seafood, Bakkafrost can now offer a wider range of products. Bakkafrost offers fresh, frozen, and smoked salmon products, and now canned food is added. Bakkafrost has a global sales network, and Munkebo Seafood's products will now be offered in a wider market as a supplement to Bakkafrost's other consumer packaged products.

The fair value of intangible assets has been determined on an estimated fair value. Fair value has been identified in customer relationship employing generally accepted valuation techniques. The market value of the customer relationship is measured to DKK 6.2 million.

The fair value of property, plant, and equipment has been determined based a 3rd party valuation.

The fair value of receivables has been determined based an estimate of an age-distributed debtor list and historical figures on doubtful debtors.

The fair value of the inventory has been determined based on inventory lists, historical sales data, and subtraction of obsolete goods.

There have been no other new material business combinations in 2022 and there were no new material business combinations in 2021.

NOTE 5.4 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

This is regarding new information regarding the company's financial position on the statement of financial position, which is received after the date of the statement of financial position, has been recognized in the annual accounts. Events after the date of the statement of financial position, which do not affect the company's financial position on the statement of financial position date, but which will affect the company's future financial position, are disclosed if material.

NOTE 5.5 AUDITOR'S FEES

Fees paid to auditors (ex. VAT) break down as follows:

DKK 1,000	2023	2022
Statutory auditing	1,358	1,366
Other assurance engagements	203	201
Tax advisory services	138	9
Other services	141	160
Total auditor's fees	**1,840**	**1,736**

NOTE 5.6 GOING CONCERN

With reference to the Group's profits, financial strength, and long-term forecasts for the years ahead, it is confirmed that the financial statements for 2023 are based on the assumption that Bakkafrost is a going concern. In the opinion of the Board, the Group's financial position is good.

NOTE 5.7 ALTERNATIVE PERFORMANCE MEASURES

The Groups financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, the management's intention is to provide alternative performance measures, which are regularly reviewed by the management to enhance the understanding of the company's performance, but not replacing the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. Bakkafrost's experience is that these APM's are frequently used by analysts, investors and other parties.

These APM's are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the company where relevant.

NIBD

Net interest-bearing debt consists of both current and non-current interest-bearing liabilities, less related current and non-current hedging instruments, financial instruments, such as debt instruments and derivatives, and cash and cash equivalents. The net interest-bearing debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate interest-bearing liabilities (both current and non-current) and cash and cash equivalents. A reconciliation from these to net debt is provided below.

DKK 1,000	2023	2022
Cash and cash equivalents	411,674	719,603
Long- and short-term interest-bearing debt	-3,944,498	-3,383,289
Net interest-bearing debt	**-3,532,824**	**-2,663,686**

Operational EBIT

Operational EBIT is EBIT aligned for fair value adjustments, onerous contracts provisions, income from associates and revenue tax.

Operational EBIT is a major alternative performance measure in the salmon farming industry. A reconciliation from EBIT to Operational EBIT is provided below.

DKK 1,000	2023	2022
EBIT	1,319,961	1,826,153
Fair value adjustments of biological assets	141,665	-278,392
Income from associates	-70,652	-57,597
Revenue tax	152,836	215,001
Operational EBIT	**1,543,810**	**1,705,165**

EBITDA

Earnings before interest, tax, depreciations and amortizations (EBITDA) is a key financial parameter for Bakkafrost's FOF segment. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of fixed assets and operations and is reconciled in the section Group overview. This measure is useful to users of Bakkafrost's financial information in evaluating operating profitability on a more variable cost basis, as it excludes depreciations and amortization expenses related primarily to capital expenditures and acquisitions, which occurred in the past, nonrecurring items, as well as evaluating operating performance in relation to Bakkafrost's FOF segments competitors. The EBITDA margin presented is defined as EBITDA before other income and other expenses divided by total revenues.

Operational EBIT per kg:

Freshwater FO Segment: Operational EBIT Freshwater	**Freshwater SCT Segment:** Operational EBIT Freshwater	**Farming FO Segment:** Operational EBIT Farming	**Farming SCT Segment:** Operational EBIT Farming	**Services segment:** Operational EBIT	**Sales & Other segment:** Operational EBIT
Total released smolt (kg)	Total released smolt (kg)	Total harvested volumes (gw)	Total harvested volumes (gw)	Total harvested volumes (gw)	Total harvested volumes (gw)

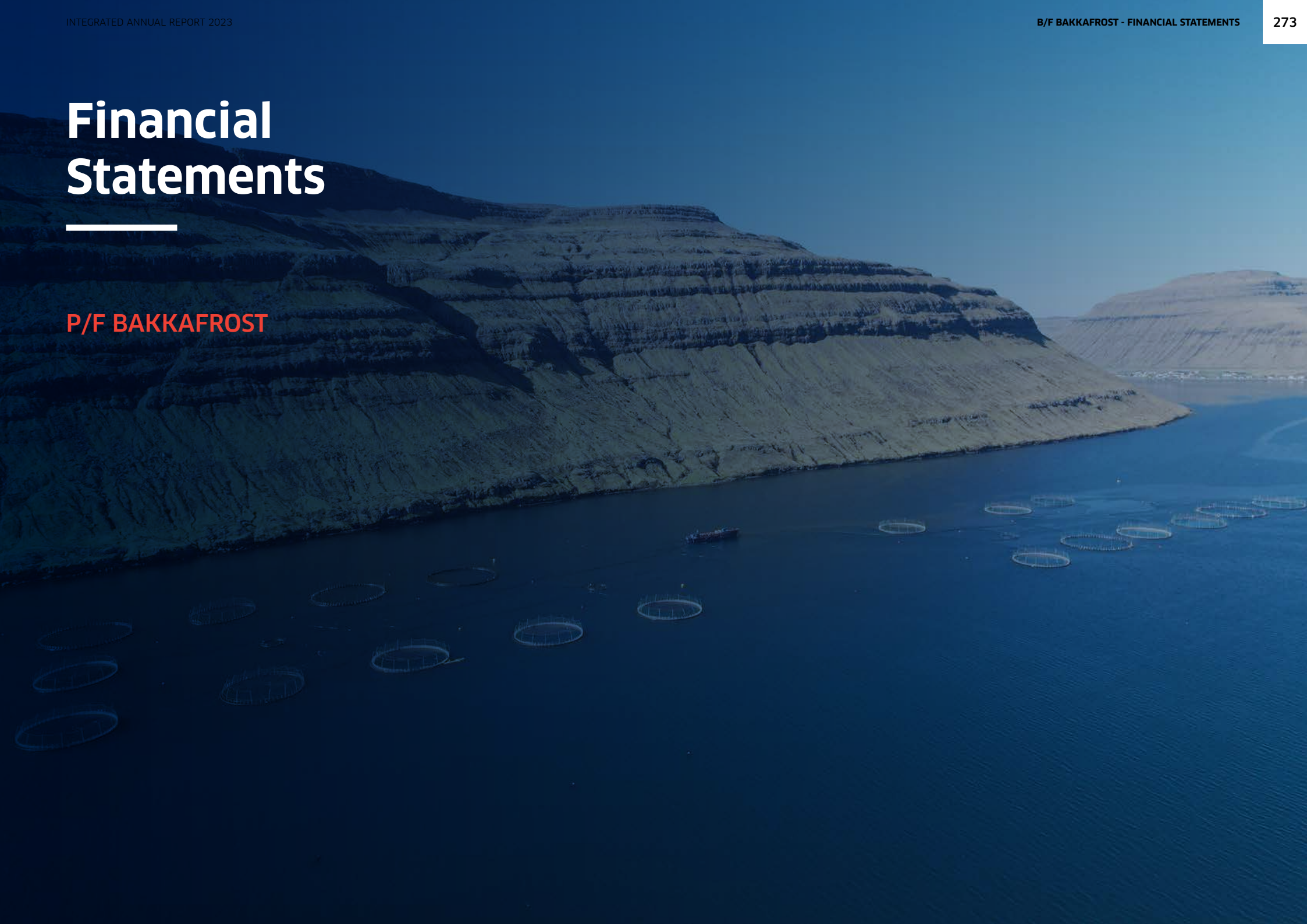
DKK 1,000	2023	2022
Profit for the period to the shareholders of P/F Bakkafrost	955,216	1,344,330
Fair value adjustment of biomass	141,665	-278,392
Tax on fair value adjustment and onerous contracts provisions	-64,216	57,682
Adjusted profit for the period to shareholders of P/F Bakkafrost	**1,032,665**	**1,123,620**
Time-weighted average number of shares outstanding through the period	**59,174,265**	**59,090,186**
Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts) (adjusted EPS)	**17.45**	**19.02**

Adjusted EPS

Adjusted EPS is based on the reversal of certain fair value adjustments shown in the table above, as it is Bakkafrost's view that this figure provides a more reliable measure of the underlying performance.

Financial Statements

P/F BAKKAFROST



P/F BAKKAFROST

Content

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Income Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2023	2022
Operating revenue		213,165	196,657
Salary and personnel expenses	2	-56,705	-49,050
Other operating expenses		-141,404	-132,592
Depreciation	4	-29,681	-29,433
Earnings before interest and taxes (EBIT)		**-14,625**	**-14,418**
Dividends from subsidiaries	5	1,518,764	880,409
Income from other investments in shares		-33	42
Financial income	3	203,199	84,358
Net interest expenses	3	-161,774	-57,634
Net currency effects	3	-11,795	-149,523
Other financial expenses	3	-6,755	-6,509
Earnings before taxes (EBT)		**1,526,981**	**736,725**
Taxes	8	4,184	19,743
Profit to shareholders of P/F Bakkafrost		**1,531,165**	**756,468**
Distribution of profit			
Dividend proposed		515,284	591,430
Retained earnings		1,015,881	165,038
Distribution in total		**1,531,165**	**756,468**

P/F BAKKAFROST -

Statement of Financial Position

AS AT 31 DECEMBER

DKK 1,000	Note	2023	2022
ASSETS			
Non-current assets			
Intangible assets		1,000	1,000
Total intangible assets		**1,000**	**1,000**
Property, plant, and equipment			
Land, buildings and other real estate	4	202,497	208,757
Plant, machinery and other operating equipment	4	56,706	73,761
Total property plant and equipment		**259,203**	**282,518**
Non-current financial assets			
Investments in subsidiaries	5	6,052,499	5,623,754
Investments in stocks and shares	6	790	790
Deferred tax assets	8	10,026	0
Total non-current financial assets		**6,063,315**	**5,624,544**
TOTAL NON-CURRENT ASSETS		**6,323,518**	**5,908,062**
Inventory		43,771	49,635
Total inventory		**43,771**	**49,635**
Receivables from Group companies		9,879,273	8,342,539
Derivatives	3.13*	373	7,474
Accounts receivables		992,278	1,413
Other receivables		0	28,756
Total receivables		**10,871,924**	**8,380,182**
Cash and cash equivalents		251,454	588,639
TOTAL CURRENT ASSETS		**11,167,149**	**9,018,456**
TOTAL ASSETS		**17,490,667**	**14,926,518**

*Group note 3.13

P/F BAKKAFROST -

Statement of Financial Position

AS AT 31 DECEMBER

DKK 1,000	Note	2023	2022
EQUITY AND LIABILITIES			
Equity			
Share capital	7	59,228	59,143
Other equity		10,604,365	9,618,988
Total equity		**10,663,593**	**9,678,131**
Non-current liabilities			
Long-term interest-bearing debt	9	3,771,861	3,353,892
Deferred taxes	8	0	12,173
Total non-current liabilities		**3,771,861**	**3,366,065**
Current liabilities			
Derivatives	3.13*	0	0
Payables to Group companies		3,042,403	1,854,811
Current tax liabilities		4,494	0
Accounts payable		4,338	10,979
Other short-term liabilities		3,978	16,532
Total current liabilities		**3,055,213**	**1,882,322**
Total liabilities		**6,827,074**	**5,248,387**
TOTAL EQUITY AND LIABILITIES		**17,490,667**	**14,926,518**

*Group note 3.13

P/F BAKKAFROST -

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2023	2022
Cash flow from operations			
EBIT		**-14,625**	**-14,418**
Adjustments for write-downs and depreciation	4	29,681	29,433
Adjustments for net currency effects	3	-11,795	-149,523
Adjustments for share-based payment	2	5,125	3,316
Taxes paid	8	19,605	-6,737
Change in inventory		5,864	-18,576
Change in receivables		-955,008	17,863
Change in current debts		-56,344	5,248
Cash flow from operations		**-977,497**	**-133,394**
Cash flow from investments			
Increase of share capital in subsidiaries, etc., net	5	-428,745	-48,541
Payments made for purchase of fixed assets	4	-6,366	-1,611
Cash flow from investments		**-435,111**	**-50,152**
Cash flow from financing			
Changes in interest-bearing debt (short and long)		412,147	717,334
Financial income	3	203,199	84,358
Financial expenses	3	-168,529	-64,143
Financing of associates/subsidiaries		-349,142	-950,626
Acquisition/sale treasury shares		9,625	8,703
Dividend from subsidiaries		1,518,731	880,409
Emission - increase of share capital		40,531	0
Dividend paid		-591,139	-303,995
Cash flow from financing		**1,075,423**	**372,040**
Net change in cash and cash equivalents		**-337,185**	**188,494**
Cash and cash equivalents – opening balance		588,639	400,145
Cash and cash equivalents – closing balance total		**251,454**	**588,639**

P/F BAKKAFROST –

Statement of Changes in Equity

AS AT 31 DECEMBER

DKK 1,000	Share capital	Share premium account	Treasury shares	Share-based payment	Derivatives	Proposed dividends	Retained earnings	Total
1 January 2023	**59,143**	**3,838,206**	**-18,512**	**1,783**	**6,128**	**591,430**	**5,199,953**	**9,678,131**
Net annual profit	**0**	**0**	**0**	**0**	**0**	**0**	**1,531,165**	**1,531,165**
Fair value adjustment on financial derivatives	0	0	0	0	-7,100	0	0	-7,100
Income tax effect	0	0	0	0	1,278	0	0	1,278
Total other comprehensive income	**0**	**0**	**0**	**0**	**-5,822**	**0**	**0**	**-5,822**
Total comprehensive income	**0**	**0**	**0**	**0**	**-5,822**	**0**	**1,531,165**	**1,525,343**
Emission - increase sharecapital	85	0	0	0	0	0	40,446	40,531
Treasury shares	0	0	10,034	0	0	0	1,102	11,136
Share-based payment	0	0	0	-409	0	0	0	-409
Dividend treasury shares	0	0	0	0	0	0	291	291
Paid-out dividends	0	0	0	0	0	-591,430	0	-591,430
Proposed dividends	0	0	0	0	0	515,284	-515,284	0
Total transaction with owners	**85**	**0**	**10,034**	**-409**	**0**	**-76,146**	**-473,445**	**-539,881**
Total changes in equity	**85**	**0**	**10,034**	**-409**	**-5,822**	**-76,146**	**1,057,720**	**985,462**
31 December 2023	**59,228**	**3,838,206**	**-8,478**	**1,374**	**306**	**515,284**	**6,257,673**	**10,663,593**
1 January 2022	**59,143**	**3,838,206**	**-26,727**	**1,571**	**-3,871**	**303,995**	**5,032,991**	**9,205,308**
Net annual profit	**0**	**0**	**0**	**0**	**0**	**0**	**756,767**	**756,767**
Fair value adjustment on financial derivatives	0	0	0	0	11,102	0	0	11,102
Income tax effect	0	0	0	0	-1,103	0	0	-1,103
Total other comprehensive income	**0**	**0**	**0**	**0**	**9,999**	**0**	**0**	**9,999**
Total comprehensive income	**0**	**0**	**0**	**0**	**9,999**	**0**	**756,767**	**766,766**
Treasury shares	0	0	8,215	0	0	0	1,349	9,564
Share-based payment	0	0	0	212	0	0	0	212
Dividend treasury shares	0	0	0	0	0	0	276	276
Paid-out dividends	0	0	0	0	0	-303,995	0	-303,995
Proposed dividends	0	0	0	0	0	591,430	-591,430	0
Total transaction with owners	**0**	**0**	**8,215**	**212**	**0**	**287,435**	**-589,805**	**-293,943**
Total changes in equity	**0**	**0**	**8,215**	**212**	**9,999**	**287,435**	**166,962**	**472,823**
31 December 2022	**59,143**	**3,838,206**	**-18,512**	**1,783**	**6,128**	**591,430**	**5,199,953**	**9,678,131**

P/F BAKKAFROST –

Notes to the Financial Statements

NOTE 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), endorsed by the European Union (EU), and the additional requirements according to the Faroese Financial Reporting Act. The accounting policies applied to the consolidated accounts have also been applied to the parent company, P/F Bakkafrost. The notes to the consolidated accounts provide additional information to the parent company's accounts, which is not presented here separately. The company's financial statements are presented in DKK. Investments in subsidiaries are measured at historic cost unless there is any indication of impairment. In case of impairment, an investment is written down to fair value.

NOTE 2. SALARIES AND OTHER PERSONNEL EXPENSES

DKK 1,000	2023	2022
Wages and salaries	39,315	34,551
Share based payments	5,125	3,316
Social security taxes	1,562	1,476
Pension expenses	3,325	2,603
Other benefits	7,378	7,104
Total payroll expenses	**56,705**	**49,050**
Average number of full-time employees	53	46

REMUNERATION TO SENIOR EXECUTIVES AND AUDITORS

For details of remuneration paid to senior executives, see notes to the consolidated financial statements.

NOTE 3. NET FINANCIAL ITEMS

DKK 1,000	2023	2022
Interests received deposit	16,388	0
Interests received from Group companies	186,811	77,966
Realized profit on financial derivatives	0	4,889
Other financial income	0	1,503
Financial income	**203,199**	**84,358**
Interest expenses on long- and short-term loans	-159,241	-57,624
Interests expences from Group companies	-2,533	0
Interest expenses on accounts payable	0	-10
Financial expenses	**-161,774**	**-57,634**
Other exchange differences	-11,795	-149,523
Net currency effects	**-11,795**	**-149,523**
Other financial expenses	-6,755	-6,509
Other financial items	**-6,755**	**-6,509**
Net financial items	**22,875**	**-129,308**

NOTE 4. PROPERTY, PLANT, AND EQUIPMENT

DKK 1,000	Land and buildings	Other equipment	Total
Acquisition cost as at 01.01.23	294,772	180,183	474,955
Acquisitions during the year	5,346	1,020	6,366
Acquisition cost as at 31.12.23	**300,118**	**181,203**	**481,321**
Accumulated depreciation and write-down as at 01.01.23	-86,015	-106,422	-192,437
Depreciations during the year	-11,606	-18,075	-29,681
Accumulated depreciation and write-down as at 31.12.23	**-97,621**	**-124,497**	**-222,118**
Net book value as at 31.12.23	**202,497**	**56,706**	**259,203**
Acquisition cost as at 01.01.22	294,411	179,183	473,594
Disposals and scrapping during the year	0	-600	-600
Acquisitions during the year	361	1,600	1,961
Acquisition cost as at 31.12.22	**294,772**	**180,183**	**474,955**
Accumulated depreciation and write-down as at 01.01.22	-74,547	-88,707	-163,254
Depreciations during the year related to disposals	0	250	250
Depreciations during the year	-11,468	-17,965	-29,433
Accumulated depreciation and write-down as at 31.12.22	**-86,015**	**-106,422**	**-192,437**
Net book value as at 31.12.22	**208,757**	**73,761**	**282,518**

A significant part of Bakkafrost's buildings is located on rented land.

	Estimated lifetime	Depreciation method	Scrap value
Land and buildings	15-25 years	linear	10%
Other operating equipment	3-8 years	linear	0%

NOTE 5. SUBSIDIARIES AND ASSOCIATES

DKK 1,000	2023	2022
Acquisition cost as at 01.01.	5,626,520	5,578,019
Additions during the year	428,745	48,501
Acquisition cost as at 31.12.	**6,055,265**	**5,626,520**
Re-evaluations as at 01.01.	-2,766	-2,766
Re-evaluations as at 31.12.	**-2,766**	**-2,766**
Net book value as at 31.12.	**6,052,499**	**5,623,754**

DKK 1,000 Company	Cost Method Yes/No	Head Office	Ownership	Voting share	Carrying amount in P/F Bakkafrost 2023	Carrying amount in P/F Bakkafrost 2022
Bakkafrost Processing P/F	Yes	Glyvrar	100%	100%	266,372	258,591
Bakkafrost Sales P/F	Yes	Glyvrar	100%	100%	879	879
Bakkafrost Packaging P/F*	Yes	Glyvrar	N/A	100%	N/A	7,781
Bakkafrost Farming P/F	Yes	Glyvrar	100%	100%	313,887	314,887
Bakkafrost FSV P/F	Yes	Glyvrar	100%	100%	500	N/A
Bakkafrost Freshwater P/F	Yes	Glyvrar	100%	100%	500	N/A
Havsbrún P/F	Yes	Glyvrar	100%	100%	908,884	908,884
Bakkafrost UK Ltd	Yes	Grimsby	100%	100%	4,649	4,649
Bakkafrost Danmark ApS	Yes	Glyvrar	100%	100%	N/A	50
Bakkafrost Scotland Ltd	Yes	Edinburgh	100%	100%	4,502,977	4,074,182
Förka P/F	Yes	Glyvrar	100%	100%	5,000	5,000
Faroe Seafood 2011 P/F	Yes	Glyvrar	100%	100%	14,000	14,000
Munkebo Seafood A/S	Yes	Munkebo	90%	90%	22,851	22,851
FarCargo P/F	Yes	Glyvrar	70%	70%	12,000	12,000
Total subsidiaries					**6,052,499**	**5,623,754**

* Bakkafrost Packaging P/F is merged into Bakkafrost Processing P/F
** Bakkafrost Danmark ApS termination date January 2024
P/F Bakkafrost and subsidiaries, the Group, own a total of 78.7% in P/F Salmon Proteins, which is an associated company on the Group level.
P/F Bakkafrost owns 14.23% in P/F Salmon Proteins and this is classed in investment in stocks and shares.

DKK 1,000	Dividends*	Excess dividends on result	Result 2023	Result 2022
Bakkafrost Farming P/F	1,010,177	-481,129	529,048	1,010,337
Bakkafrost FSV P/F	0	61,689	61,689	N/A
Bakkafrost Freshwater P/F	0	136,725	136,725	N/A
Bakkafrost Sales P/F	207,769	-154,828	52,941	207,782
Bakkafrost Packaging P/F	5,023	0	N/A	5,050
Bakkafrost Processing P/F	0	75,833	75,833	-95,111
Havsbrún P/F	295,796	398,013	693,808	353,076
Bakkafrost UK Ltd.	0	3,244	3,244	6,285
Bakkafrost Danmark APS**	0	0	0	-6
Bakkafrost Scotland Ltd	0	-262,618	-262,618	-274,334
Förka P/F	0	-2,011	-2,011	2,430
Faroe Seafood P/F	0	0	0	915
Munkebo Seafood A/S	0	-155	-155	1,425
FarCargo P/F	0	-6,834	-6,834	-3,155
Total revenue Group contribution	**1,518,764**	**-232,070**	**1,281,672**	**1,214,694**

NOTE 6. INVESTMENTS IN STOCKS AND SHARES

DKK 1,000	2023	2022
Acquisition cost as at 01.01.	183	183
Acquisition cost as at 31.12.	**183**	**183**
Re-evaluations as at 01.01.	607	567
Re-evaluations during the year	0	40
Re-evaluations as at 31.12.	**607**	**607**
Net book value as at 31.12.	**790**	**790**

Shares and holdings, in which the Group does not have significant influence. These are valued using the equity method or at cost since fair value cannot be measured reliably.

NOTE 7. SHARE CAPITAL AND MAJOR SHAREHOLDERS

DKK 1,000	2023	2022
Share capital at 31.12.	59,143	59,143
Emission - increase of share capital	85	0
Share capital at 31.12.	**59,228**	**59,143**

The share capital is distributed into shares of DKK 1 and multiples thereof. For shareholders holding more than 5% in the Company as at 31 December 2023, see Group Accounts.

NOTE 8. TAX

The tax expense for the year breaks down as follows:

DKK 1,000	2023	2022
Tax payable	-4,253	19,605
Change in deferred tax	8,437	138
Tax expense on ordinary profit	**4,184**	**19,743**
Tax in the statement of financial position		
Deferred tax liabilities (+) / assets (-)	**-10,026**	**12,173**
Reconciliation from nominal to actual tax rate		
Profit before tax	**1,526,981**	**736,725**
Expected tax at nominal tax rate (18%)	-274,857	-132,611
Permanent differences, including Group contribution without tax effect (18%)	273,378	158,474
Other permanent differences (18%)	5,905	-6,120
Calculated tax expense	**4,184**	**19,743**
Effective tax rate	0.27%	2.68%

As Parent company in the Bakkafrost Group, Bakkafrost P/F is the administrating company in a Faroese Group Joint Taxation and is liable towards the Faroese Tax Authorities for taxes payable on behalf of the Faroese subsidiaries included in the Faroese Group Joint Taxation.

NOTE 9. SECURITY PLEDGES AND CONTINGENT LIABILITIES

Carrying amount of debt secured by mortgages and pledges:

DKK 1,000	2023	2022
Long-term debt to financial institutions	3,771,861	3,353,892
Total	**3,771,861**	**3,353,892**
Carrying amount of assets pledged as security for recognized debt		
Land and buildings	0	0
Total	**0**	**0**

The company participates in a Group financing for the Bakkafrost Group. In relation to this matter, the company has together with other Group companies pledged licenses, property, plant, and equipment, shareholdings, inventory and receivables as surety for the Group's total debt to the banks. In addition, the Group companies have guaranteed severally and jointly for the balance without limitations for each other. As part of the guarantees are also any insurance refunds.

In addition, the shares in larger subsidiaries have been pledged to the bank syndicate.

NOTE 10. RELATED-PARTY TRANSACTIONS

The company operates cash pooling arrangements in the Group. Further, the company extends loans to subsidiaries and associates at terms and conditions reflecting prevailing market conditions for corresponding services, allowing a margin to cover administration and risk. The company allocates costs for corporate staff services and shared services to subsidiaries and renting of buildings.

The total amounts for rent are DKK 21.4 million (2022: DKK 21.2 million), allocation of administration etc. DKK 102.2 million (2022: DKK 83.3 million), financial incomes of DKK 186.8 million (2022: DKK 77.9 million) and financial expenses amounting to DKK 0.0 million (2022: DKK 0.0 million). The principle of arm's length is used in all transactions with related parties.

NOTE 11. AUDITOR'S FEE

The company paid DKK 695,000 (641,500) for audit service, DKK 138,500 (9,000) for tax advisory and DKK 132,400 (155,500) for other service. Please also see note 5.5 in the consolidated financial statements.

Quarterly Financial Figures 2021-2023

DKK 1,000	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Operating revenue	**1,175,637**	**1,617,534**	**1,272,362**	**1,488,316**	**1,639,345**	**1,683,824**	**1,866,989**	**1,939,809**	**2,049,881**	**1,669,658**	**1,859,408**	**1,561,902**
Purchase of goods	-288,602	-399,307	-496,680	-507,912	-559,267	-565,508	-1,048,355	-583,143	-542,707	-606,363	-1,004,249	-247,744
Change in inventory and biological assets (at cost)	-7,375	-79,924	30,181	-120,942	126,319	271,592	361,840	-93,201	-32,396	104,922	211,407	-142,733
Salary and personnel expenses	-167,570	-184,782	-177,607	-198,464	-201,234	-186,279	-203,935	-240,231	-224,361	-201,942	-219,271	-217,096
Other operating expenses	-357,934	-419,751	-434,744	-419,685	-455,576	-485,020	-525,902	-523,801	-540,966	-464,001	-432,287	-437,985
Depreciation	-130,655	-126,281	-122,967	-150,531	-136,194	-137,112	-136,428	-127,746	-148,450	-154,248	-155,127	-179,384
Other income	0	0	0	28,877	4,496	5,081	10,478	4,324	4,287	5,314	9,109	19,232
Operational EBIT	**223,501**	**407,489**	**70,545**	**119,659**	**417,889**	**586,578**	**324,687**	**376,011**	**565,288**	**353,340**	**268,990**	**356,192**
Fair value adjustments on biological assets	284,622	176,486	113,713	-139,953	177,338	575,911	-48,803	-426,054	53,530	-432,065	55,236	181,634
Onerous contracts	0	0	0	0	-30,709	-33,606	64,315	0	0	0	0	0
Income from associates	1,317	3,081	7,963	17,751	3,345	-3,902	10,265	47,889	23,933	-3,384	10,713	39,390
Revenue tax	-20,363	-41,152	-30,645	-49,329	-57,750	-62,838	-43,393	-51,020	-38,040	-30,002	-57,305	-27,489
Earnings before interest and taxes (EBIT)	**489,077**	**545,904**	**161,576**	**-51,872**	**510,113**	**1,062,143**	**307,071**	**-53,174**	**604,711**	**-112,111**	**277,634**	**549,727**
Net interest revenue	120	2,239	1,073	110	1,787	0	242	4,971	2,665	2,737	3,538	11,871
Net interest expenses	-7,605	-10,908	-7,784	-10,566	-7,704	-9,545	-8,065	-39,725	-32,266	-37,672	-48,550	-66,192
Net currency effects	18,901	-1,992	6,552	22,401	-8,506	10,266	-8,427	-62,399	13,669	-1,193	4,506	-14,198
Other financial expenses	-7,025	-5,438	-3,319	-3,782	-3,851	-5,961	-8,508	9,607	-2,428	-4,792	-1,223	-2,082
Earnings before taxes (EBT)	**493,468**	**529,805**	**158,098**	**-43,709**	**491,839**	**1,056,903**	**282,313**	**-140,720**	**586,351**	**-153,031**	**235,905**	**479,126**
Taxes	-85,736	-101,678	-26,796	40,584	-87,082	-212,300	-33,293	-13,330	-119,467	30,491	-17,061	-87,098
Profit or loss for the period	**407,732**	**428,127**	**131,302**	**-3,125**	**404,757**	**844,603**	**249,020**	**-154,050**	**466,884**	**-122,540**	**218,844**	**392,028**
Earnings per share (DKK)	6.90	7.25	2.22	-0.05	6.85	14.29	4.21	-2.61	7.90	-2.07	3.70	6.61
Diluted earnings per share (DKK)	6.90	7.25	2.22	-0.05	6.85	14.29	4.21	-2.61	7.90	-2.07	3.70	6.61

DKK 1,000	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
ASSETS												
Non-current assets												
Intangible assets	4,493,081	4,494,960	4,495,225	4,495,726	4,506,873	4,507,443	4,507,691	4,508,704	4,508,712	4,512,179	4,511,663	4,509,334
Property, plant, and equipment	4,405,542	4,549,575	4,742,180	4,888,778	4,942,556	5,091,194	5,213,364	5,647,161	5,737,923	5,950,975	6,062,698	6,220,481
Right of use assets	337,739	314,509	308,919	302,105	279,128	280,234	468,106	438,545	503,681	480,573	448,376	413,277
Financial assets	123,204	124,225	132,313	149,225	154,467	139,162	149,188	234,209	258,010	238,911	249,545	288,701
Long-term receivables	8,202	8,101	8,204	8,102	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	215,248	133,801	120,191	155,208	336,020	336,297	354,015	428,873	512,485
Total non-current assets	**9,367,768**	**9,491,370**	**9,686,841**	**10,059,184**	**10,016,825**	**10,138,224**	**10,493,557**	**11,164,639**	**11,344,623**	**11,536,653**	**11,701,155**	**11,944,278**
Current assets												
Biological assets (biomass)	2,441,083	2,489,210	2,703,268	2,448,290	2,636,644	3,300,603	3,268,658	2,938,485	3,035,517	2,776,846	2,765,951	3,335,570
Inventory	772,024	809,443	690,251	709,306	794,294	923,113	1,236,507	1,074,344	1,127,713	1,049,933	1,291,521	1,148,788
Total inventory	**3,213,107**	**3,298,653**	**3,393,519**	**3,157,596**	**3,430,938**	**4,223,716**	**4,505,165**	**4,012,829**	**4,163,230**	**3,826,779**	**4,057,472**	**4,484,358**
Financial derivatives	0	6,805	6,412	0	0	0	0	7,474	5,966	0	0	374
Accounts receivable	548,537	618,859	645,983	824,004	871,925	691,690	729,041	808,755	787,204	782,329	951,483	850,338
Other receivables	61,171	84,598	152,506	78,227	72,691	151,812	148,988	168,272	172,785	145,813	171,170	150,139
Total receivables	**609,708**	**710,262**	**804,901**	**902,231**	**944,616**	**843,502**	**878,029**	**984,501**	**965,955**	**928,142**	**1,122,653**	**1,000,851**
Cash and cash equivalents	373,706	552,981	373,318	509,157	445,079	508,193	568,165	719,603	570,056	543,793	370,397	411,674
Total current assets	**4,196,521**	**4,561,896**	**4,571,738**	**4,568,984**	**4,820,633**	**5,575,411**	**5,951,359**	**5,716,933**	**5,699,241**	**5,298,714**	**5,550,522**	**5,896,883**
TOTAL ASSETS	**13,564,289**	**14,053,266**	**14,258,579**	**14,628,168**	**14,837,458**	**15,713,635**	**16,444,916**	**16,881,572**	**17,043,864**	**16,835,367**	**17,251,677**	**17,841,161**

DKK 1,000	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
EQUITY AND LIABILITIES												
Equity												
Share capital	59,143	59,143	59,143	59,143	59,143	59,143	59,143	59,143	59,143	59,228	59,228	59,228
Other equity	9,120,850	9,336,906	9,464,500	9,288,269	9,388,880	10,219,538	10,455,923	10,333,259	10,820,551	10,213,926	10,420,244	10,803,571
Non-controlling interests	0	0	0	133	2,722	-17	2,025	3,411	4,514	5,104	4,577	3,055
Total equity	**9,179,993**	**9,396,049**	**9,523,643**	**9,347,545**	**9,450,745**	**10,278,664**	**10,517,091**	**10,395,813**	**10,884,208**	**10,278,258**	**10,484,049**	**10,865,854**
Non-current liabilities												
Deferred and other taxes	1,288,242	1,367,759	1,409,473	1,590,034	1,598,438	1,798,404	1,867,840	1,825,873	1,931,241	1,914,371	2,005,450	1,952,668
Long-term interest-bearing debt	2,312,487	2,456,065	2,359,589	2,634,968	2,636,926	2,774,792	2,994,760	3,383,289	2,927,265	3,454,307	3,415,259	3,944,498
Long-term leasing debt	235,552	249,024	247,076	245,753	232,735	235,739	427,270	353,355	415,744	389,391	359,768	331,115
Financial derivatives	0	0	0	3,207	0	0	0	0	0	0	0	0
Total non-current liabilities	**3,836,281**	**4,072,848**	**4,016,138**	**4,473,962**	**4,468,099**	**4,808,935**	**5,289,870**	**5,562,517**	**5,274,250**	**5,758,069**	**5,780,477**	**6,228,281**
Current liabilities												
Financial derivatives	4,649	2,251	2,994	4,602	8,675	7,302	15,233	0	0	2,435	9,767	0
Short-term leasing debt	143,271	97,669	93,487	87,668	76,902	70,423	52,647	106,215	76,745	65,656	81,068	65,848
Accounts payable and other debt	400,095	484,449	622,317	714,391	833,037	548,311	570,075	817,027	808,661	730,949	896,316	681,178
Total current liabilities	**548,015**	**584,369**	**718,798**	**806,661**	**918,614**	**626,036**	**637,955**	**923,242**	**885,406**	**799,040**	**987,151**	**747,026**
Total liabilities	**4,384,296**	**4,657,217**	**4,734,936**	**5,280,623**	**5,386,713**	**5,434,971**	**5,927,825**	**6,485,759**	**6,159,656**	**6,557,109**	**6,767,628**	**6,975,307**
TOTAL EQUITY AND LIABILITIES	**13,564,289**	**14,053,266**	**14,258,579**	**14,628,168**	**14,837,458**	**15,713,635**	**16,444,916**	**16,881,572**	**17,043,864**	**16,835,367**	**17,251,677**	**17,841,161**

Key Figures – 5 Year Overview

(DKK 1,000) Income Statement	2023	2022	2021	2020	2019
Operating revenues	7,140,849	7,129,967	5,553,849	4,651,892	4,511,107
Operational EBIT *	1,543,810	1,705,165	821,194	621,158	1,325,100
Operational EBITDA *	2,181,019	2,242,645	1,351,628	1,067,923	1,635,215
Earnings before interest and taxes (EBIT)	1,319,961	1,826,153	1,144,685	691,123	1,019,217
Earnings before taxes (EBT)	1,148,351	1,690,335	1,137,662	625,984	981,916
Net earnings	**955,216**	**1,344,330**	**964,036**	**462,845**	**801,885**
Earnings per share before fair value adjustments of biomass and provision for onerous contracts (DKK)	17.45	19.02	10.28	6.20	19.04
Earnings per share after fair value adjustments of biomass and provision for onerous contracts (DKK)	16.14	22.75	16.32	7.83	15.53
Statement of Financial Position					
Total non-current assets	11,944,278	11,164,639	10,059,184	9,224,680	8,670,109
Total current assets	5,896,883	5,716,933	4,568,984	3,983,644	4,431,296
TOTAL ASSETS	**17,841,161**	**16,881,572**	**14,628,168**	**13,208,324**	**13,101,405**
Total equity	10,865,854	10,395,813	9,347,545	8,729,487	8,496,875
Total liabilities	6,975,307	6,485,759	5,280,623	4,478,837	4,604,530
TOTAL EQUITY AND LIABILITIES	**17,841,161**	**16,881,572**	**14,628,168**	**13,208,324**	**13,101,405**
Net interest-bearing debt	3,532,824	2,663,686	2,125,811	1,752,751	1,018,686
Equity ratio	61%	62%	64%	66%	65%

Statement by the Management and the Board of Directors on the Annual Report

Today, the Management and the Board of Directors have considered and approved the Integrated Annual Report and Consolidated Report and Accounts of P/F Bakkafrost for the financial year 1 January 2023 to 31 December 2023.

The Integrated Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the Integrated Annual and Consolidated Report and Accounts gives a true and fair view of the Group's and parent company's financial positions at 31 December 2023, as well as the results of the Group's and the parent company's activities and cash flows for the financial year 1 January 2023 to 31 December 2023.

In our opinion, the management's review provides a true and fair account of the development in the Group's and the parent company's operations and financial circumstances, of the results for the year and of the overall financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company.

In our opinion, the Sustainability statements included in the Management's Report represent a reasonable, fair, and balanced representation of the Group's sustainability performance and are prepared in accordance with the stated accounting policies. In our opinion, the Integrated Annual Report of Bakkafrost P/F for the financial year 1 January – 31 December 2023 with the file name: 2138007LH7OP4V112978-2023-12-31-zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Integated Annual Report be adopted at the annual general meeting.

Glyvrar, 27 March 2024

Management

Regin Jacobsen
CEO

The Board of Directors of P/F Bakkafrost

Rúni M. Hansen
Chairman of the Board

Guðrið Højgaard
Board Member

Øystein Sandvik
Board Member

Annika Frederiksberg
Board Member

Teitur Samuelsen
Board Member

Einar Wathne
Board Member

Independent Auditor's Report

To the Shareholders of P/F Bakkafrost
Report on the Audit of the Consolidated financial statements and parent company financial statements

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2023 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Faroese Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2023 and of the results of the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with the Faroese Financial Statements Act.

Our opinion is consistent with our auditor's long-form report to the audit committee and the board of directors.

What we have audited

The Consolidated Financial Statements of P/F Bakkafrost for the financial year 1 January to 31 December 2023, pages 214-272 and 292, comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements, including material accounting policy information.

The Parent Company Financial Statements of P/F Bakkafrost for the financial year 1 January to 31 December 2023, pages 273-287, comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity, and the notes, including material accounting policy information.

Collectively referred to as the 'Financial Statements'.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in the Faroe Islands. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the audit of the Consolidated financial statements and parent company financial statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in the Faroe Islands. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in article 5(1) of Regulation (EU) no 537/2014 were not provided.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Appointment

P/F Januar was first appointed auditors of P/F Bakkafrost on 18 April 2013 for the financial year 2013. We have been reappointed annually by shareholders on AGMs for an annual engagement every year since.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit matter	Our response to the matter during our audit
Biomass at cost Biomass at marine sites is not accurately ascertainable prior to harvest and material accounting estimates are applied at the balance sheet date regarding existence and valuation. Estimates are based on information on the number at launch, feeding, sea temperature, exposure to daylight and treatment for lice and other health issues, and knowledge about how salmon responds to these factors in terms of growth rate, mortality, feed consumption ratio, and liability to stress and decease. Material inherent risk is related to biomass at sea.	**Summary of the audit approach** • During our audit, we: • Applied our experience and knowledge about the characteristics of the salmon production process when considering the accounting estimates. • Assured ourselves, that the estimates are based on factual data and data which can be supported empirically. • Assured ourselves, that management is applying estimates in a way consistent with knowledge of the production process, and that the estimates are performed consistently, and that the estimates are free from bias. • Assured ourselves of the ability of management to perform these estimates by examining estimates made by management at prior balance sheet dates on a back-end basis.
Biomass at Fair Value according to IAS 41 Measuring biomass at fair value includes present value calculations based on complex inputs regarding the properties of existing biomass and forecast regarding growth and mortality rates from the balance sheet date to harvest, quality distributions, as well as market conditions at expected harvest date.	**Summary of the audit approach** • During our audit, we: • Reviewed and reconciled the company-specific characteristics of inputs into the valuation models • Reconciled inputs into the calculations model to observable market conditions at the balance sheet date. • Reviewed the calculation model and ascertained that it is comparable to industry standards. • On a sample bases reperformed net present value calculation
Valuation of licenses and goodwill The group has acquired production licenses at significant amounts as part of business combinations where the group is identified as acquiree according to IFRS 3. During the Purchase Price Allocation process, licenses and goodwill at material amounts were identified. Carrying amounts are calculated using generally accepted valuation models, based on unobservable inputs according to level 3 inputs in IFRS13.	**During our audit, we:** • Reviewed impairment model, and ascertained that it is built on observable assumptions • Aligned inputs to board approved plans and budgets, and historical performance of the individual licenses • Reviewed valuation models for mathematical coherence and reperformed calculations on a test basis. • Reviewed and challenged the indefinite useful life assumptions

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Faroese Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Faroese Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in the Faroe Islands, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and parent company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the Financial Statements does not cover the management's review, and we do not express any kind of assurance opinion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or whether it otherwise appears to be materially misstated.

Further, it is our responsibility to consider whether the management's review provides the information required by the Faroe Islands financial statements act.

Based on the work we have performed, we believe that the management's review is in accordance with the Financial Statements and that it has been prepared in accordance with the requirements in the Faroe Islands financial statements act.

We did not identify any material misstatement in the management's review.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements, we performed procedures to express an opinion on whether the Consolidated Financial Statements of P/F Bakkafrost for the financial year 1 January to 31 December 2023 with the filename [bakkafrost-2023-12-31-zip] is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing a consolidated financial statement that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format.
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary.
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and

- For such internal control as Management determines necessary to enable the preparation of a consolidated financial statement that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the Consolidated Financial Statement is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the Consolidated Financial Statement is prepared in XHTML format.
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process.
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements.
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified.
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the Consolidated Financial Report of P/F Bakkafrost for the financial year 1 January to 31 December 2023 with the file name [2138007LH7OP4V112978-2023-12-31-en.zip] is prepared, in all material respects, in compliance with the ESEF Regulation.

Tórshavn, 27. March 2024

Januar P/F
løggilt grannskoðanarvirki
State Authorised Public Accountants
Company reg.no. 5821

Fróði Sivertsen
State Authorised Public Accountant

John Michal Petersen
State Authorised Public Accountant

Independent Limited Assurance Report on Selected ESG Data in the Sustainability Statements

To The Stakeholders Of P/F Bakkafrost

P/F Bakkafrost has engaged us to provide limited assurance on selected ESG data as described below for the period 1 January - 31 December 2023 as stated on pages 175-189 (the "Selected ESG Data").

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing came to our attention that causes us not to believe, that the Selected ESG data for the period 1 January – 31 December 2023 for Bakkafrost are prepared, in all material respects, in accordance with the applied accounting policies developed by Bakkafrost as stated on pages 190-191 (the "Accounting policies").

Our conclusion is to be read in the context of what we state in the remainder of our report.

What we are assuring

The scope of our work was limited to assurance over the Selected ESG Data as defined in the first paragraph of our report.

We express limited assurance in our conclusion.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with international standard on assurance engagements 3000 (revised) "Assurance Engagements Other than Audits and Reviews of Historical Financial Information" and in respect of the greenhouse gas emissions, in accordance with the International Standard on Assurance Engagements 3410 "Assurance engagements on greenhouse gas statements". The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks, consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior and ethical requirements applicable in Faroe Islands.

P/F Januar applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or 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 and assurance.

Understanding reporting and measurement methodologies

The Selected ESG Data needs to be read and understood together with the accounting policies.

The accounting policies used for the preparation of the Selected ESG Data are the applied accounting policies developed by Bakkafrost which Management is solely responsible for selecting and applying.

The absence of a significant body of established practice on which to draw to evaluate and measure ESG Data 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 Selected ESG Data. In doing so, and based on our professional judgement, we:

- Evaluated the appropriateness of the accounting policies used, their consistent application and related disclosures
- Made inquiries and conducted interviews with Group functions with responsibility for management and reporting of the Selected ESG Data to assess reporting and consolidation processes, use of company-wide systems, and controls performed
- Checked the Selected ESG Data on a sample basis to underlying documentation and evaluated the appropriateness of the quantification methods and compliance with the accounting policies for preparing the Selected ESG Data
- Performed analytical review and trend explanation of the Selected ESG Data
- Considered the disclosure and presentation of the Selected ESG Data
- Evaluated the obtained evidence.

Management responsibilities

Management of P/F Bakkafrost is responsible for:

- Designing, implementing and maintaining internal control over information relevant to the preparation of the Selected ESG Data are free from material misstatement, whether due to fraud of error;
- Establishing objective accounting principles for preparing the Selected ESG Data;
- Measuring and reporting the information in the Selected ESG Data based on the accounting principles; and
- The content of the Selected ESG Data for the period January 1 – December 31 2023.

Our Responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Selected ESG Data for the period 1 January – 31 December 2023 are prepared, in all material respects, in accordance with the accounting 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, 27. March 2024

Januar P/F
Løggilt grannskoðanarvirki
State Authorised Public Accountants
Company reg.no. 5821

Fróði Sivertsen
State Authorised Public Accountant

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State Authorised Public Accountant

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