



UNIVERSITY OF  
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INSTITUTE FOR  
SUSTAINABILITY LEADERSHIP

# Navigating choppy waters: working with nature to produce sustainable salmon

**A discussion with Bakkafrost**  
November 2020

This interview was conducted by CISL's Director of Strategy Programmes, Paul Begley, with Bakkafrost's Chief Executive Officer, Regin Jacobsen and the Group Sustainability Lead, Ana Holden-Peters.

Each year, Bakkafrost produces c.57,000 tonnes of gutted salmon, making it one of the world's largest salmon farmers. It is the largest private employer and one of the largest companies in the Faroe Islands, responsible for more than a third of the country's exports.

This conversation builds on a long-standing relationship between CISL and Bakkafrost, which included the delivery of a one-day workshop for the Board of Directors and the Management Team in 2018. Since this programme, Bakkafrost bought the Scottish Salmon Company. The focus of this conversation is on the operations in the Faroe Islands.

**Paul Begley (PB):** Thanks for finding the time for this conversation. Our team were delighted to come to the Faroe Islands to deliver the Board programme. It is hard to describe, but the people we met seemed to have a strong sense of community and an openness to new ideas. What is it like doing business there?

**Regin Jacobsen (RJ):** The Faroe Islands are at the end of the world. The history of our islands has shaped much of our culture: we have an ingrained spirit of resourcefulness and our connection to nature is very strong. We are at Nature's mercy.

About 100 – 150 years ago, we swapped from agriculture to fishing, but it was a hard life. Up here, the weather is severe and men going out in boats is dangerous. In the morning, you don't know what weather you'll have in the afternoon. Before good weather forecasts existed, salmon fishing was a very difficult livelihood. This culture influenced Bakkafrost from the beginning.

When my father, Hans, had the vision for the company he wanted it to create value for the society. This remains the case today. We not only want to produce good, safe jobs, but we want to invest in the community.

**PB: Has salmon always been a successful industry in the Faroes?**

**RJ:** No. In the 1980s, there were a lot of small companies, but these were not very successful. Salmon fishing was really seen as a way to distribute jobs across the islands and it struggled to sustain our living. Even against Norwegian salmon, the Faroese fish was seen as inferior. With the economic crises which came in the late 90s and in 2000, they took pretty much the whole industry down. By 2003 – 05, no-one really believed salmon would survive.

But the industry has transformed. In 1989, there were 60 or so farming companies but now there are only three. This has seen a real professionalisation of the business and enabled us to compete globally.

We realised that we needed to create sustainable value. Everyone in the Faroes now knows that they need to be proactive, to be efficient, to focus on new opportunities, invest in R&D. In the 1990s, a lot of people moved out of the Faroes but the successes of our businesses and our hard work is attracting these people back.

**Ana Holden-Peters (AHP):** Collaborations between the three businesses have been incredibly important for the industry. It has made it easier to coordinate biological improvement, ensure effective cooperation with the authorities, and share knowledge to address risks such as sea lice and disease.

**PB: What was the moment when things started to fall into place?**

**RJ:** At Bakkafrost, we realised we had to set a goal to become the best in the world. In about 2005, we set high goals. You have to set the right targets as you don't usually achieve better than your goals. Even in 2005, 06 and 07, nobody believed in us and we could not secure capital to become a larger salmon company.

**“We realised we had to set a goal to become the best in the world. In about 2005, we set high goals. You have to set the right targets as you don't usually achieve better than your goals.”** Regin Jacobsen

**PB: Are you finding it easier to access capital now?**

**AHP:** Since we listed on the Oslo Stock Exchange in 2010, we have seen a growing interest from investors and customers, which has prompted greater focus and communication of our sustainability efforts.

As well as an increase in the value of shares, we have also seen a shift in the types of investors we're attracting. We also have interest from impact investors now.

**PB: That's interesting and a reward for your hard work. What have been the other drivers for Bakkafrost to act on sustainability?**

**RJ:** It is always good to be on the winner's team. We want the whole team to take credit. That makes it much easier to do the next thing.

**AHP:** We did an employee engagement survey last year and we asked everyone to rate the performance of Bakkafrost on sustainability. The scores were very good, and were the highest in the survey, along with scores on senior leadership which were higher than average for the sector in the Nordic region. It showed that people across the business – including the farmers – understood the sustainability agenda and that felt like a huge win that people felt they were part of something bigger.

**PB: Bakkafrost was recently featured on the BBC for its response to COVID-19. Could you explain a bit about the origins of that article?**

**RJ:** Yes, the Faroes had very few infections but then we had another outbreak – today there are around 120 people infected. With our population, that's a significant percentage. Within 10 days, we managed to test 50 – 60% of the population and now there are only one or two more people affected each day. We hope that by the end of August, we are back to zero.

We have offered tests to all employees every two weeks, but none of our employees have been tested positive. Our employees have been really positive we know it has also enabled the health authorities to deal with additional volume so that more people can be tested and get results quickly.

The BBC approached us and we are generally quite open. If people are interested to come to the end of the world, then that is quite interesting for us.

**PB: What are the guiding principles which keep the business innovating?**

**RJ:** We have always been trying to create a business where our values are in the driving seat. This comes from our vulnerability to nature, our approach to resources and our role in the community.

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**Ana Holden-Peters**

We have always been keen to use resources efficiently. My father built the first hatchery, I think all of what we used had been used previously in our factory. It was then rebuilt for different purposes. Even when we’d have things delivered to Bakkafrøst, my grandfather would come and recover the nails so they could be used elsewhere.

One of the criticisms of my father was that they used to keep everything: nothing was thrown away! Waste was outside, but it needs to be nice outside.

Over the past 15 years, we have become a big company and we cannot think like that. We need to keep the same spirit to create shared value to the local society but grow and professionalise. We are maintaining our focus on reusing things – not like my grandfather, now on a much larger scale.

**AHP:** We have announced our multi-million investment into a new biogas plant and we’re working with dairy farmers to turn their waste and ours into liquid fertiliser and renewable energy. This makes a lot of sense – it will prevent more than 11,000 tonnes of CO<sub>2</sub> being emitted each year, support the national target to have 100% renewable electricity by 2030, and it also minimises the risk of run-off causing pollution in the fjords. Plus, the energy is sold back into the local community and everyone is benefiting.

We are also keen to collaborate and maintain our value in society. When we became a founding member of the Global Salmon Initiative in 2013, it helped us increase our learning and enabled us to reassess some of our thinking.

We are also looking at ways to restore nature. We have spoken a little about capturing carbon in the oceans, but our focus is currently reforestation. We cannot see any trees from the office so we handed out 2,000 saplings on the last World Environment Day and we will look at other projects in the Faroes.

**PB It feels like Bakkafrøst have a range of great approaches. What are your intentions for the future?**

**RJ:** We are trying to create a clear picture for the future. In 2013, we started some five-year plans, sharing those with our investors and ensuring we keep a long-term commitment. In 2018, we launched our Healthy Living Plan and we have just produced our third sustainability report with our second phase of the plan.

**AHP:** Yes, the first Healthy Living Plan accelerated our progress on material sustainability issues and radically increased our transparency.

We are already producing one of the lowest-carbon animal proteins for key markets around the world, but we know we need to do more. Our latest report presents our new commitment to halve our carbon emissions while doubling growth. We're not sure how we'll do that, but we are already beginning to invest in new technologies.

**“Having a team is incredibly important. You want people who can play in with their ideas and views about what they see: this has been crucial. Being open to these ideas – and having a team has been critical to grow Bakkafrost to the scale we’re operating at now.”** Regin Jacobsen

**RJ:** One of our examples is our new well-boat. It will be one of the largest well-boats in the world, 108 metres in length – three times larger than the boat we built in 2015. This boat will be driven with hybrid power which will decouple our growth from our carbon footprint. It has been prepared to easily move to hydrogen or ammonia when the technology is available.

**AHP:** The Cambridge course certainly helped us think about some of these longer-term investments and that was a game-changer.

**PB: Interesting. What other impacts did the CISL course bring?**

**AHP:** The CISL course was important to help the Board of Directors and our Management Team understand the systemic nature of sustainability and really to become familiar with the issues. We think this is critical if we are to be fit for the future.

**RJ:** Sustainability is woven throughout the culture of the Faroes and our business. The course was motivating, especially the examples from other businesses. Sometimes you need experts to help you see the wood from the trees.

**PB: What do you think has enabled such rapid growth at Bakkafrost?**

**AHP:** It's been important to maintain our focus on doing the right thing. As Regin said, the culture is different in the Faroes: the connection with nature is incredibly strong and there is an island community. The business has a strong purpose and this has helped us focus on creating a clear picture of the future.

**RJ:** I worked alongside my father for 30 years. He created the company with his brother. One thing you learn from theory, but what you learn from living is important. This combination is a good combination.

Having a team is incredibly important. You want people who can play in with their ideas and views about what they see: this has been crucial. Being open to these ideas – and having a team has been critical to grow Bakkafrost to the scale we’re operating at now.

**PB: Regin, you've been working with Bakkafrost for over thirty years. What advice would you offer for future generations?**

**RJ:** I would always be careful to offer advice to future generations. They will live in a very different world. My father would not understand what I have gone through.

The key thing is to remain open. Open to creating shared value. Open to innovation. Open to new solutions. Always look for new possibilities.

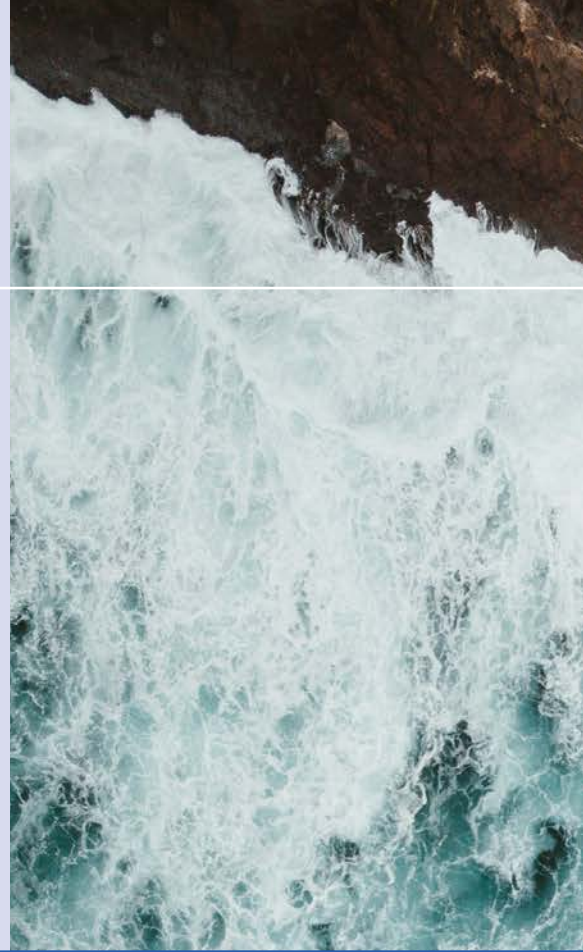
## **PB: How will you move forward into the next phase?**

**AHP:** We know from the Food and Agricultural Organisation (FAO) that population growth will result in a demand for 70% more protein than is available by 2050. This is a significant opportunity for us and it will require the agriculture and fishery sectors to considerably increase production.

We have committed to obtain 100% Aquaculture Stewardship Council certification by the end of 2020 – and I think we are possibly one of the few companies who will achieve that (for our Faroese operations). Alongside that, a priority is to align our sustainability approach with our new colleagues in Scotland (Bakkafrost bought the Scottish Salmon Company in 2019) in order to make sure we are all pulling in the same direction.

We think we are in a good position. Salmon aquaculture has one of the most efficient feed-to-food conversion ratios, low CO2 emissions and low use of fresh water. It is the world's fastest growing food production system and we see lots of opportunities to continue to deliver a successful business, especially if we work with suppliers, across industries and geographies. But achieving this will require new partnership and collaboration.

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