ESG REPORTING **GUIDE**

For businesses operating in the Faroe Islands

BURÐARDYGT VINNULÍV 2022

FOREWORD

Burðardygt Vinnulív has partnered with Januar to create this voluntary reporting guide for businesses in the Faroe Islands. Its key purpose is to support organisations as they increase their focus on issues which could affect their ability to create value into the future.

The Faroe Islands are at a critical point in the green transition and businesses have an opportunity to establish their role in this, both nationally and internationally. We hope that improving transparency on ESG (environmental, social and governance) issues, such as climate change, will be one way to prompt and accelerate meaningful action.

Johannes Jensen, Chairman of Burðardygt Vinnulív

ESG reporting, is an effective means for companies to answer increasing numbers of questions from stakeholders about their extra-financial performance.

Creating such a report can be challenging, as it must satisfy the needs of different groups while following a reporting methodology which ensures the reporting of relevant performance indicators. As co-authors of this document, Januar seeks to create a reporting framework and initiate a set of boundaries which companies operating in the Faroe Islands can use to report within.

ESG reporting should receive the same independent third-party assurance to give readers confidence and to ensure the same reliability and accuracy as financial reporting. This requirement will become more relevant as new international reporting standards are introduced across capital markets.

Hans Laksá, state authorised public accountant, CEO, P/F Januar
Óli Joensen, state authorised public accountant

P/F Januar
Løggilt grannskoðanarvirki

The Faroe Islands make an important contribution to international markets. Increasing performance data on topics of growing interest to international customers is crucial in order to remain competitive in these markets. We already see new reporting regulation in the EU which will affect value chains, as well as a growing national interest, so we must be prepared.

Niels Winther, Managing Director, House of Industry, Faroe Islands

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It is hard to overestimate the importance of a proactive and responsible industry that sets tangible goals for a better environment. The ESG report highlights important measures for sustainability that are not visible in traditional accounting. Measures with growing importance for local and international customers.

Thus, ESG reporting is a tool to create a both sustainable and globally competitive industry, and I hope that many more, small and large, companies, will follow in the footsteps of Burðardygt Vinnulív.

Magnus Rasmussen, Minister of Environment, Industry and Trade, Faroe Islands

1. ABOUT THE GUIDE

1. ABOUT THE **GUIDE**

1. WHAT IS ESG REPORTING?

ESG is the abbreviation for Environmental, Social and Governance. The ESG performance of a business is of significant and growing interest to its stakeholders, as their understanding of this, in the context of financial risk, develops and comes more sharply into focus. There is a subsequent growing expectation of the private sector to improve the standard of, and transparency in, its reporting of ESG issues.

These voluntary guidelines aim to support Faroese businesses in taking the **first step** to meeting international reporting expectations, specifically from capital markets, with the ultimate aim of improving their ESG performance and long-term financial, environmental and social sustainability.

2. WHO IS THIS GUIDE FOR?

This guide has been developed for private small, medium, and large organisations operating in the Faroe Islands. It is intended to help businesses who are at **the start** of their extra-financial reporting journey to identify, prioritise, manage, and report performance on their material ESG risks and opportunities.

This document includes guidelines on how to prepare a report, as well as a list of voluntary ESG indicators which have been assessed as material for most, if not all, businesses operating in the Faroe Islands.

Organisations can use this guide to prepare a sustainability report with key ESG indicators, which can be used as a communication tool with key stakeholders.

Please note that larger organisations at a more mature stage of their reporting journey will distinguish between a sustainability report – typically a stand-alone document, or a section in an integrated annual report, with a broad audience, which will include ESG indicators as well as a broad narrative account; and an ESG report – sometimes a stand-alone document, or a section of a sustainability or annual report, specifically targeted to investors, which will be made up mainly of ESG performance indicators to meet stakeholder requirements. This guide proposes a hybrid document which can be presented using channels according to stakeholder requirements.

3. WHY REPORT ON ESG ISSUES?

The business case for ESG reporting is stronger than ever. While reporting the ESG indicators proposed in this report is still voluntary for businesses operating in the Faroe Islands, those taking a lead will see advantages in doing so and be better prepared for potential future regulation in this area.

- **Long-term sustainability.** Understanding and acting strategically on material ESG issues will increase resilience against potential risks, including the failure to capitalise on the opportunities presented by the foreseeable transition to a low-carbon circular economy.

- **Improved risk identification and mitigation.** Carrying out a materiality analysis may improve an organisation's approach to risk management in general, or at least see the incorporation of new risks, such as physical and transitional climate change risks, into a company's enterprise risk management framework.

- **Improved efficiency and business performance.** Introducing the measurement of ESG issues will improve internal reporting systems and increase focus on their management. In many cases this helps a business identify opportunities for improved efficiency which result in financial savings over time.

- **Improved engagement.** Communicating with stakeholders through ESG reporting can improve awareness, understanding and a commitment to long-term-thinking within a business, and even with some of its external stakeholders.

- **Competitiveness.** As it is largely an export economy, it is in the interest of the Faroe Islands to not fall behind trends in international markets and become uncompetitive. Those in international capital markets may be able to secure a lower cost of capital if able to demonstrate lower risk in their business. Smaller businesses, or those only servicing a local market, could also benefit from the competitive advantage of starting a dialogue with local consumers on these issues.

- **Development of data capital.** Gathering and using ESG data can inform better decision-making, increasing intangible capital at both an organisational and national level in the Faroe Islands.

4. ALIGNMENT WITH INTERNATIONAL STANDARDS

Globally, organisations are operating in a fast-changing reporting landscape. Significant announcements by the European Union, including the 2019 European Green Deal, have triggered growing reporting regulation such as the EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD), aimed initially at large and listed businesses. While this guide does not prepare organisations to report in accordance with these, following them, and reporting the proposed ESG indicators, will give businesses an advantage if required to provide information to value chain partners who have reporting obligations for contractors and sub-contractors.

This guide has been prepared with reference to the Euronext ESG Reporting Guide: Target 1.5 degrees Celsius and Global Reporting Initiative Standards. It is advised that the GRI Standards are referenced specifically to understand the relevance of reporting indicators, later in this document.

Organisations can also refer to the below list of widely used international reporting standards, frameworks, and principles:

- The Global Reporting Initiative (GRI) is the independent, international organisation that helps businesses and other organisations take responsibility for their impacts, by providing them with the global common language to communicate those impacts. They provide the world's most widely used standards for sustainability reporting – the GRI Standards.

- The United Nations Sustainable Development Goals (SDG) are a collection of 17 goals adopted by the UN member states to achieve the 2030 Agenda for Sustainable Development. They reflect the three dimensions of sustainable development which are the economic, social and ecological aspects. The goals have been broken down into objectives and indicators. Hagstova Føroya has a project to develop reporting of indicators for the Faroe Islands.

- The Greenhouse Gas Protocol provides accounting and reporting standards to measure and manage the greenhouse gas (GHG) emissions from private and public sectors, value chains, products, cities and policies. GHGs are typically categorised into Scopes 1, 2, and 3 based on the source of the emissions. It is the most widely used tool to track GHG emissions.

- The Science-Based Targets initiative (SBTi) is a joint project which encourages companies to set reduction targets for greenhouse gas (GHG) emissions in line with scientific recommendations. It aims to promote strategies aligned with the level of decarbonisation required to keep the increase in global temperatures in accordance with the recommendations of the Intergovernmental Panel on Climate Change (IPCC) and the Paris Climate Agreement.

- The Task Force on Climate-Related Financial Disclosures (TCFD) is an industry-led group set up by the G20's Financial Stability Board (FSB). It helps investors understand their financial exposure to climate risk and works with companies to disclose this information in a clear and consistent way.

- The Taskforce on Nature-related Financial Disclosures (TNFD) is an industry-led group which is developing and delivering a risk management and disclosure framework for organisations to report and act on evolving nature-related risks.

- The Future-Fit Foundation is a charity which has published a benchmark to guide businesses to measure and report on progress against the UN SDGs. This can be used as a useful internal tool for small, medium and large companies who want to take a system-based approach to their ESG strategy and reporting.

Organisations can also reference recent developments in reporting regulation, including the 2021 Corporate Sustainability Reporting Directive (CSRD); the 2019 Sustainable Finance Disclosure Regulation (SFDR); and the EU taxonomy for sustainable activities. The next edition of this guide will include further recommendations with these regulations in mind.

2.
HOW TO PREPARE AN **ESG REPORT**

2. HOW TO PREPARE AN **ESG REPORT**

1. CARRY OUT A MATERIALITY ANALYSIS

There are many different positive and negative impacts an organisation can have on society as a result of its activities. These can be and are often interrelated and can cause trade-offs. The degree to which an activity has an impact on the economy, the environment and people, can be controlled by an organisation. It is important also to consider and understand external forces or conditions which will have an impact on the organisation, for example climate change. Understanding, managing and planning for these impacts responsibly can enable a business to create value sustainably over time.

To prepare an ESG report, an organisation should prioritise the issues that represent its most significant or material impacts. It must therefore first carry out an analysis to identify these, so it can then mitigate or grow these strategically.

Employees within the organisation could start by doing desk research to draw up a long-list of ESG issues informed by a mixture of sources such as international frameworks or standards, media reviews, ESG indices etc. Examples of material issues could be climate change, occupational health and safety or board diversity.

To get input into this long-list, the organisation can identify and engage internal and external stakeholders and experts with an interest in its activities, to understand their expectations of the business. These might include its employees, unions, owners, investors, regulators, authorities, customers, suppliers, NGOs, and local community or interest group representatives. It is important to consider whether these stakeholders have sufficient knowledge before engaging them, as they should inform the assessment of impacts.

Prioritisation of this list will then need to be carried out both with input from stakeholders and experts, and an internal assessment of their materiality, which could be done together with the Board of Directors. This should consider on the one hand the significance to the company's stakeholders, and on the other the significance for the company's economic, social and environmental impacts which enable it to continue creating value sustainably, over time. This can be plotted on a matrix and should produce a short-list of issues to be prioritised by the business. This is a challenging task.

2. DEVELOP A STRATEGY

An organisation must then develop a strategy to mitigate these risks and capitalise on opportunities, either reducing or growing these potential impacts.

A good question to begin with is: to what degree do these issues affect my business and its ability to create value sustainably over time? You may conclude that you need to review your business model or corporate strategy, or at least incorporate these material risks and opportunities into the day-to-day management of your business. Setting long-term goals and defining shorter term targets to support them, if possible, in line with national or international expectations, is an important part of the process. This will require you to identify specific indicators to track and demonstrate your performance.

3. PREPARE A PERFORMANCE REPORT

When preparing a report, it is important to develop an appropriate structure which includes all the necessary elements for the reader to understand both your approach to managing material ESG, and its progress over the reporting period. The report should include relevant and standard indicators, be presented in context, and be presented through the most appropriate communications channel.

STRUCTURE

An ESG report could include:

- The results of a materiality analysis, including a high-level description of the material issues or topics.
- An ESG or sustainability strategy, supported by medium and long-term targets, where possible aligned with scientific recommendations.
- An action plan and description of policies to support its implementation.
- A report on annual performance using relevant indicators, to communicate progress with the strategy (and other relevant topics of particular interest to stakeholders).

Larger organisations could also include:

- A risk analysis.
- A climate scenario analysis in line with TCFD recommendations.
- A presentation of performance in line with the EU Taxonomy framework.

2. HOW TO PREPARE AN ESG REPORT

INDICATORS

This guide includes a list of commonly-used ESG indicators corresponding to material issues for organisations to report their performance on. With some exceptions, the majority of ESG indicators are assessed as material for most, if not all, organisations. However, depending on the nature of the business, some may not be relevant. Following the materiality assessment in step 2.1, an organisation can decide to report further specific and relevant indicators, such as gender pay ratio, or other industry specific indicators. The GRI Universal, Sector and Topic Standards may be useful here.

CONTEXT

It is important to present ESG indicators in context to make it useful for readers and analysts when read as a stand-alone document. A reader should be able to easily benchmark the data with other reports.

Narrative should put the data into perspective, and where relevant in the context of financial information for example its relevance to growth targets, earnings, investments, and financing.

WHERE TO REPORT

Unless you are bound by reporting requirements which demand otherwise, the ESG report can be published either as a stand-alone document or as part of an annual report. It can also be published online. The report should not replace dialogue with stakeholders, for example investors and lenders, but rather encourage it.

REPORTING PRINCIPLES

An ESG report should follow the reporting principles found in the GRI 1: Foundation 2021, which include: accuracy; balance; clarity; comparability; completeness; sustainability context; timeliness; and verifiability.

The ESG data reported must be as reliable as financial data. In addition to the principles above, it is recommended that companies follow the basic principles in ESG reporting, which are:

- **Reporting boundaries.** Use the same reporting boundaries as for the financial statement.
- **Consolidation.** Follow the financial accounting principles for consolidating data.
- **Period.** Follow the periods of the financial statement.
- **Accounting policies.** Describe the methods used to calculate ESG data in the annual report under accounting policies or in a separate note.
- **Performance and trends.** Clearly explain and put the historical performance in perspective for 3-5 years.

REPORTING EXAMPLES

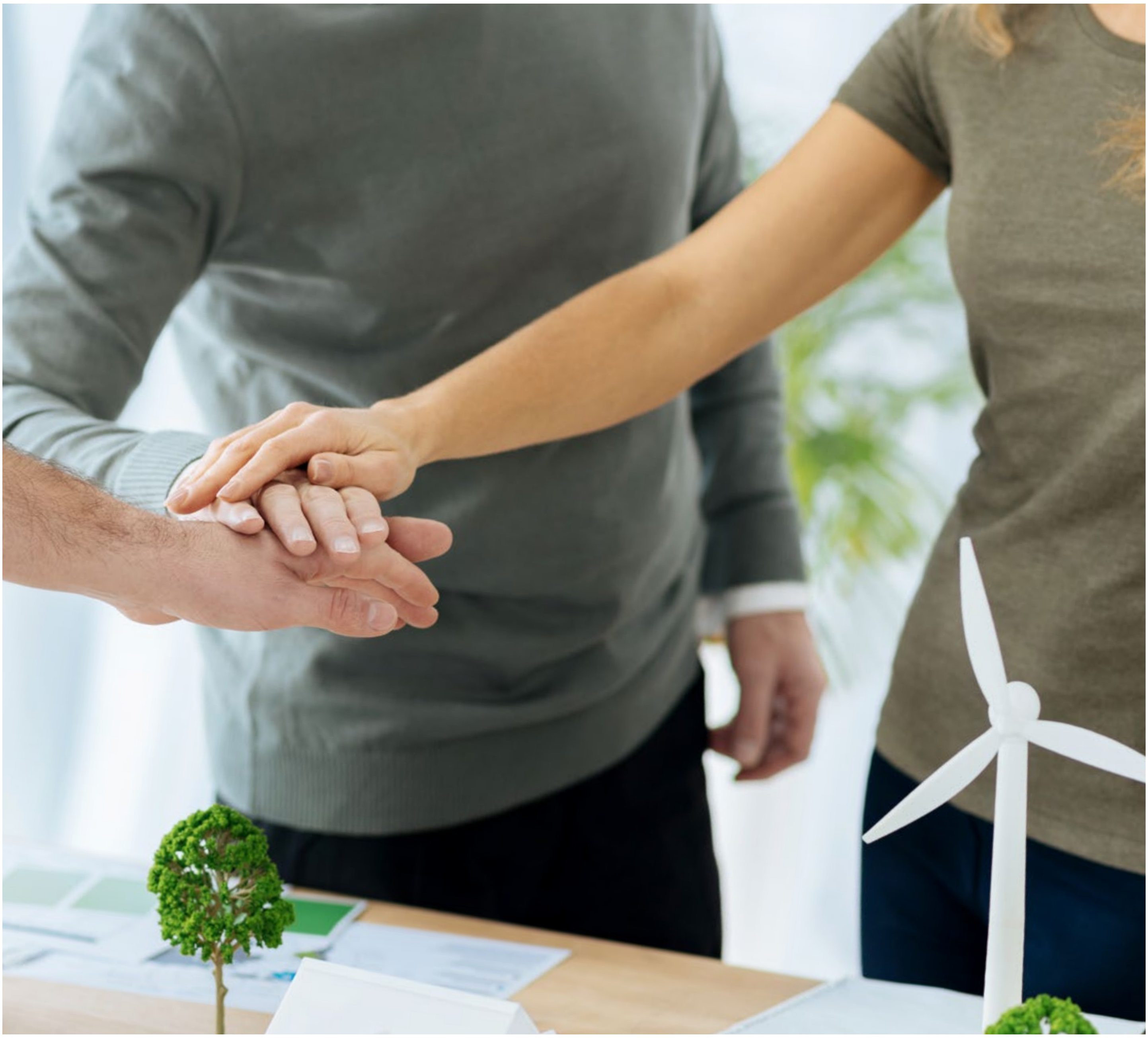
Example (from the Faroe Islands) of a report prepared in accordance with the GRI:
Bakkafrost Healthy Living Report 2021

Example (from the Faroe Islands) of a report presenting a selection of ESG indicators:
Føroya Tele Others also exist.

Example (from Denmark) of a report prepared in accordance with numerous best-practice frameworks, standards, and initiatives:

Orsted ESG performance report 2021
Orsted Sustainability report 2021

3.
PROPOSED **INDICATORS**



3. PROPOSED **INDICATORS**

3.1 ARE ALL THESE INDICATORS RELEVANT FOR ME?

Not all the voluntary ESG indicators proposed in this guide will be relevant for all organisations. However, many, if not the majority, will be. Developing a consistent set of indicators will enable analysis and benchmarking across companies and sectors. These should be used in addition to any of the indicators identified as part of the materiality assessment, and/or used by the sector the organisation is part of.

3.2 HOW HAVE THESE INDICATORS BEEN SELECTED?

There is currently no legislation in the Faroe Islands relating to the indicators proposed in this document. These have been selected from sources such as 2019 Finans Foreningen: ESG key figure in the annual report, the GRI, and other reporting standards listed above. A number of organisations in the Faroe Islands have been consulted on the suitability of these indicators.

3. PROPOSED INDICATORS

3.3 PROPOSED INDICATORS	Unit	Target	2021	2020	2019	2018	2017
ENVIRONMENTAL							
CO_2e Scope 1	t	1.000	1.000	1.000	1.000	1.000	1.000
CO_2e Scope 2	t	1.000	1.000	1.000	1.000	1.000	1.000
Energy consumption	GJ	1.000	1.000	1.000	1.000	1.000	1.000
Renewable energy share	%	100	100	100	100	100	100
Water discharged	Ml	100	100	100	100	100	100
Waste generated	t	1.000	1.000	1.000	1.000	1.000	1.000
Waste diverted from disposal	t	100	100	100	100	100	100
Waste directed to disposal	t	1.000	1.000	1.000	1.000	1.000	1.000
Operational sites in areas of high biodiversity	Various	1.000	1.000	1.000	1.000	1.000	1.000
Significant impacts on biodiversity	Specific	1.000	1.000	1.000	1.000	1.000	1.000
SOCIAL							
Full time Workforce	FTE	1.000	1.000	1.000	1.000	1.000	1.000
EMPLOYEES							
Permanent	Number	1.000	1.000	1.000	1.000	1.000	1.000
Temporary	Number	1.000	1.000	1.000	1.000	1.000	1.000
Non-guaranteed	Number	1.000	1.000	1.000	1.000	1.000	1.000
Full-time	Number	1.000	1.000	1.000	1.000	1.000	1.000
Part-time	Number	1.000	1.000	1.000	1.000	1.000	1.000
DIVERSITY							
Female	%	50	50	50	50	50	50
Age	Average	1.000	1.000	1.000	1.000	1.000	1.000
Other	optional	1.000	1.000	1.000	1.000	1.000	1.000
Gender diversity in management (female)	%	1.000	1.000	1.000	1.000	1.000	1.000
Employee turnover	%	1.000	1.000	1.000	1.000	1.000	1.000
Sickness absence rate	Days/FTE	1.000	1.000	1.000	1.000	1.000	1.000
Customer Retention Ratio (or NPS)	% or number	1.000	1.000	1.000	1.000	1.000	1.000
GOVERNANCE							
Gender diversity board (female)	%	50	50	50	50	50	50
Board meeting attendance	%	50	50	50	50	50	50
Nationality of the board (foreign)	%	50	15	15	15	15	15

3.4 CONTEXT, DEFINITION AND FORMULA

CO_2E SCOPE 1

Context and Definition

Direct emissions resulting from the company's own combustion of fuels and materials. Most often CO_2e are not measured but calculated, based on quantitative data on combusted fuels/materials, such as: oil, gas, diesel, gasoline, and others. The amount of combusted fuels/materials are multiplied with convertors for emissions of the 7 Kyoto gases/GHG's: carbon dioxide (CO_2e), methane (CH4), Nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6), and nitrogen trifluoride (NF3). Since these gases have different Global Warning Potential (GWP), each gas is subsequently normalised to CO_2 equivalents (CO_2e) by multiplying each gas with their individual GWP factor.

In future, this data can be benchmarked against Hagstova Føroya data.

Formula

Green House Gas (GHG) emissions are calculated for each combusted material – e.g.: CH4 = (combusted fuel type (t) * CH4 conversion factor per fuel type). Unit: Metric Tonnes

When all emissions are calculated (tonnes), they are normalised to tonnes of CO_2 equivalents (t CO_2e).

Reference: GRI 305: Emissions 2016

CO_2E SCOPE 2

Context and Definition

Indirect emissions resulting from the energy used to produce electricity, district heating, or district cooling, which the company has purchased for its use. The scope 2 emissions are in principle, calculated as scope 1 emissions, though typically not covering all Kyoto gases / GHGs. Be aware, the use of electricity, district healing, and district cooling must be collected per country (if the organisation has activities outside of the Faroe Islands), as there are significant differences in the emissions of CO_2e, therefore, the converters are different per country.

For companies with operations outside of the Faroe Islands, it is worth considering that if it is buying renewable energy (wind, solar, geothermal, etc.), then, in principle, there are no emissions from these sources. Thus, these should not impact on scope 2 – but should be included in Energy Consumption (cf. Following definitions). If the company is selling electricity, this should not be deducted from the bought electricity, but can be reported additionally. In the Faroe Islands electricity is provided by SEV, so the same conversion factor (according to the mix of renewable energy sources for the reporting year) will be used by every organisation purchasing electricity from SEV.

In future, this data can be benchmarked against Hagstova Føroya data.

Formula

Scope 2 emissions are calculated per country per bought MWh of electricity, and/or GJ of district heating/cooling – e.g.: CH4 = (bought MWh or GJ * CH4 conversion factor per country). When all emissions are calculated, they are normalised to CO_2e.
Unit: Metric Tonnes.

Reference: GRI 305: Emissions 2016

ENERGY CONSUMPTION

Context and Definition

An organisation can consume energy in various forms, such as fuel, electricity, heating etc. Using energy more efficiently and increasing the mix of renewable energy sources is essential for combating climate change and for lowering an organisation's CO_2 footprint.

Energy is, as emissions, typically calculated based on consumptions multiplied with convertors. The consumed energy must be added from both scope 1 and scope 2 (cf. Previous definitions) sources but must additionally also contain energy from renewable energies.

In future, this data can be benchmarked against Hagstova Føroya data.

Formula

Energy consumption = (Combusted fuel type (t) * power factor per fuel type) + (used electricity (incl. Renewable energy) (MWh) * 3,6) + (used district heating/cooling including renewable sources of heating/cooling (GJ)).
Unit: GJ

Reference: GRI 302: Energy 2016

3. PROPOSED INDICATORS

RENEWABLE ENERGY SHARE

Context and Definition

This indicator will indicate how much of the total energy consumed is from renewable energy sources. Sometimes this is also measured as renewable energy vs. non-renewable energy, but then the intensity is impossible to measure for those companies with full renewable energy sources. In the Faroe Islands, this will be determined by SEV's energy mix.

Formula

Renewable Energy Share = (Renewable energy / Total Energy) * 100.
Unit: %

Reference: GRI 302: Energy 2016

WATER DISCHARGE

Context and Definition

The Sustainable Development Goals, adopted by the UN as part of the 2030 Agenda for Sustainable Development, include key targets related to sustainable water management under Goal 6: Ensure availability and sustainable management of water and sanitation for all. The principle is to achieve universal access to safe and affordable drinking water, improve water quality, and address water scarcity. An organisation's activities can impact this in many ways.

Formula

Total water discharge to all areas in megalitres, and a breakdown of this total by the following types of destination.
Unit: Ml

Reference: GRI 303: Water and Effluents 2018

WASTE GENERATED

Context and Definition

Waste generated by an organisation's own activity, for example in the production of its products. Waste can have significant negative impact on the environment, and human health when inadequately managed. Unnecessary waste can be considered a form of economic waste.

Formula

Total weight of waste generated in metric tonnes broken down by category and waste treatment method.
Unit: Metric Tonnes

Reference: GRI 306: Waste 2020

WASTE DIRECTED TO DISPOSAL

Context and Definition

As above.

Formula:

Total weight of waste directed to disposal in metric tonnes broken down by category and waste treatment method.
Unit: Metric Tonnes

Reference: GRI 306: Waste 2020

WASTE DIVERTED FROM DISPOSAL

Context and Definition

As above.

Formula:

Total weight of waste diverted from disposal in metric tonnes broken down by category and waste treatment method.
Unit: Metric Tonnes

Reference: GRI 306: Waste 2020

OPERATIONAL SITES IN AREAS OF HIGH BIODIVERSITY

Context and Definition

Impacts of activities, products and services on biodiversity will vary from company to company, depending on a number of factors. It is recommended that organisations should identify key impacts on natural systems using guidelines such as SBTN Guidance to be able to assess these and report on them.
Formula: N/A

Reference: GRI 304 Biodiversity 2016

SIGNIFICANT IMPACTS ON BIODIVERSITY

Context and Definition

Impacts of activities, products and services on biodiversity will vary from company to company, depending on a number of factors. It is recommended that organisations should identify key impacts on natural systems using guidelines such as SBTN Guidance to be able to assess these and report on them.

Formula: N/A

Reference: GRI 304 Biodiversity 2016

3. PROPOSED INDICATORS

FULL TIME WORKFORCE

Context and Definition

To be able to measure the full-time workforce, both directly-hired FTEs and temporary workers need to be considered. This demands the legislative calculation and average full-time employees (FTEs) (meaning full-time employees + compensated overtime + FTE-calculated hourly-salaried employees) plus FTE-calculated temporary workers.

In future it is hoped this data can be benchmarked against Hagstova Føroya data.

Formula

Full-time Workforce = FTEs + temporary workers
Unit: Full-time Equivalents

Reference: ÁRL, GRI 2 General Disclosures 2021

EMPLOYEES

Context and Definition

This breakdown gives insight into the organisation's approach to employment.

Formula

The organisation will report the total number of permanent, temporary, non-guaranteed hours, full-time and part-time employees and a breakdown of this total by gender and by region.
Unit: Number

Reference: ÁRL, GRI 2 General Disclosures 2021

DIVERSITY

Context and Definition

Ensuring diversity and equality at work can generate shared benefits for both an organisation and society in general, as equality supports economic development.

In future, this data can be benchmarked against Hagstova Føroya data.

Formula

Gender diversity = ((Women FTEs + Women Temporary workers)/(full time workforce)) * 100
Average age: (Total age) / (FTEs)
Other: Needs defining
Unit %

Reference: GRI 405 Diversity and Equal Opportunity 2016

EMPLOYEE TURNOVER

Context and Definition

Employee Turnover Ratio is calculated both for voluntary and involuntary leavers. Retirees are included as involuntary leavers. Note, this is only calculated for own FTEs.

Formula

Employee turnover ratio = ((Voluntary + Involuntary Leavers)/FTEs) * 100
Unit: %

Reference: GRI 401 Employment 2016

SICKNESS ABSENCE RATE

Context and Definition

Number of full days all own employees are sick and not on job, compared to number of FTEs. Maternity / Paternity leave not to be included.

Formula

Sickness Absence = (No of sick days for all FTEs for the period)/(Total FTEs).
Unit: %

Reference: OECD Health Statistics, 2020, Definitions, Sources and Methods

CUSTOMER RETENTION RATE AND/OR CUSTOMER NET PROMOTION SCORE

Context and Definition

Customer retention rate shows an organisation's share of customers retained from on period to the next. Be aware, this ratio is only useful for companies with returning known customers and short buy cycle.

Customer Net-Promoter Score (NPS) may be more relevant for some organisations who do not measure returning customers. NPS measures the loyalty of customers to a company.

Formula - Customer Retention Rate

Customer Retention Rate: (No. Of customers at the end of the period) – (New customer acquired during the period)/(No. Of customers at the beginning of the period) * 100
Unit: %

Reference: Farris et al (2017) Key Marketing Metrics – the 50+ metrics every manager needs to know, Pearson Education Ltd., Harlow, UK.

Formula - Customer Net Promoter Score (NPS)

NPS scores are measured with a single-question survey and reported with a number from the range -100 to +100, a higher score is desirable.

Refence: Qualtrics

3. PROPOSED INDICATORS

GENDER DIVERSITY BOARD

Context and Definition

When an organisation actively promotes diversity and equality at work, it can generate shared benefits for both the organisation and society in general, as equality supports economic development. Gender diversity for the board elected at the Annual General Meeting (AGM) calculated on the balance sheet date. Be aware, that for companies reporting according to the Executive Order for Financial Companies, the diversity is measured for the full board including employee- elected members but excluding politically appointed members.

In future, this data can be benchmarked against Hagstova Føroya data.

Formula

Gender Diversity, Board = ((Female board members elected at the AGM)/ (All AGM elected board members)) * 100
Unit: %

Reference: GRI 405 Diversity and Equal Opportunity 2016. Danish Recommendations on corporate Governance (2020).

BOARD MEETING ATTENDANCE

Context and Definition

Measures the activity level of the board members.

Formula

Board Meeting Attendance Rate = ((number of board meetings attended per board member)/ (Number of board meetings* Number of board members))*100
Unit: %

Reference: Danish recommendations on Corporate Governance (2020)

NATIONALITY OF THE BOARD

Context and Definition

Measures inclusion of foreign board members. A foreigner, in this instance, is anyone who does not have Faroese as a primary language. An indicator as to whether the company has international ambitions, and as to developing performance measurement skills.

Formula

Nationality of the Board = (number of foreign board members / number of board members) * 100
Unit: %

Reference: GRI 2 General Disclosures 2021

AUDIT AND ASSURANCE

An auditor's report ensures credibility and promotes trust for the reader. The assurance of ESG data is becoming mandatory for certain businesses, in certain markets. The reliability of the ESG data can be assured at various levels. A company can ask an independent third party to audit it, like an audit report on financial data.

An auditor's report can be submitted with or without assurance. An audit report without assurance is typically a statement that the auditor has provided assistance in preparing some or all of the information in the annual report. Such report is not without significance for the credibility of ESG data. In addition, an auditor's report can be obtained with limited assurance or reasonable assurance according to standards that exist in the area.

A condition for validation of ESG data is that the company has, or obtains, control of the internal processes for collecting, checking, and documenting the underlying statements of the key figures. It requires allocation of resources to establish, but it pays off in the long run.

Getting expert advice on the preparation and assurance of an ESG report is highly recommended, particularly for those reporting for the first time.