

Marel hf. Corporate Governance Statement 2021

From Appendix to Marel's Consolidated
Financial Statements for 2021

Appendices

1 Marel hf. Corporate Governance Statement

Icelandic law and the company's corporate governance framework determine the duties of the various bodies within the company. They define and dictate how the company is governed and controlled – including the interaction between the CEO, who is responsible for day-to-day management, the Board of Directors, shareholders, regulators, and other stakeholders. Marel hf. is committed to recognized general principles aimed at ensuring good corporate governance.

Corporate Governance Framework and Compliance

Marel's corporate governance consists of a framework of principles and rules, including its Articles of Association and the Guidelines on Corporate Governance issued in July 2021 by the Iceland Chamber of Commerce, Nasdaq OMX Nordic Iceland and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce.

In general, the company complies with the Guidelines on Corporate Governance, apart from the following exceptions:

Article 1.3

Of the Guidelines concerning Share Registry: Marel is listed in ISK on Nasdaq Iceland and in EUR on Euronext in Amsterdam. In the Netherlands, shares are registered in the account-based electronic securities system operated by Euroclear Nederland, a central securities depository and clearing organization authorized under the Securities Bank Giro Transactions Act. All securities in its depository are registered in the name of Euroclear Nederland. Under Dutch property law governing Euroclear Nederland, the legal title to the shares registered in the name of Euroclear Nederland are owned by all investors collectively, each in proportion to their percentage shareholding. Dutch law further regulates how Euroclear Nederland must afford the investors the rights to the securities in its custody, such as voting rights and rights to dividends. For this reason, Marel is unable to keep a shareholder registry for the EUR shares listed on Euronext in Amsterdam. Marel keeps a shareholder registry for the ISK shares listed on Nasdaq Iceland.

Article 1.5.1

Of the Guidelines concerning the appointment of a Nomination Committee: According to the Guidelines, the shareholders' meeting shall appoint members to the Nomination Committee or decide how they should be appointed. Marel deviates from this provision as the Nomination Committee is a sub-committee of the Board of Directors, and the Board appoints its members. This is in line with the Dutch corporate governance code.

Article 1.5.3

Of the Guidelines concerning the appointment of Board members in the Nomination Committee: as the Nomination Committee is a sub-committee of the Board of Directors, the members of the Nomination Committee are all also members of the Board of Directors. This is in line with the Dutch corporate governance code.

Article 1.5.6

Of the Guidelines stating that Shareholders' meetings should determine the role of the Nomination Committee and the manner in which its operation shall be carried out. Marel's Nomination Committee is a sub-committee of the Board of Directors and therefore the Board determines its role and the manner in which its operation is carried out.

Article 1.5.10

Of the Guidelines concerning the Nomination Committee's request for proposals from shareholders before the company's AGM: The Nomination Committee consults with the company's major shareholders on the nomination process as well as engaging professional firms, but does not formally request proposals from shareholders. Information on how to contact the Nomination Committee is however publicly available on the Committee's [website](#). This is in line with the Dutch corporate governance code.

Main Aspects of Internal Controls and the Company's Risk Management in Connection with Preparation of Financial Statements

The CEO is responsible for ensuring adequate internal controls and risk management in connection with financial reporting. The Board of Directors maintains an ongoing dialogue with the CEO to identify, describe and manage the business risks that the company may be exposed to. Significant risks are discussed in the 2021 Consolidated Financial Statements.

Internal Audit and Control

The company's risk management and internal controls for financial processes are designed to minimize the

risk of material misstatements in financial reporting effectively. The Director of Internal Audit reports to the Board's Audit Committee and plays a key role in internal control.

External Audit

An independent auditing firm is elected at the Annual General Meeting (AGM) for a term of one year. The external auditors examine the company's Consolidated Financial Statements in accordance with generally recognized auditing standards and, for this purpose, inspect its accounting records and other material relating to the operation and financial position of the company. The external auditors report any significant findings regarding accounting matters and internal control deficiencies via the Audit Committee to the Board of Directors.

KPMG ehf. was elected as the company's auditor at the company's AGM held on 17 March 2021. Auditors on KPMG's behalf are Saemundur Valdimarsson and Audur Thorisdottir, both Certified Public Accountants (CPAs). They have audited and endorsed Marel's Consolidated Financial Statements for the year 2021.

In 2027 the provisions of EU Regulation no. 537/2014, on specific requirements regarding statutory audit of public-interest entities, concerning the maximum duration of audit engagements, will enter into force for Marel, cf. Article 55(2) of the Icelandic Act on Auditors no. 94/2019. The Board of Directors will organize a tender process in due time, in line with the requirements of Article 16 of EU Regulation no. 537/2014.

Composition and Activities of the Board of Directors, its Sub-committees, the CEO and Executive Team

The company's management structure consists of the Board of Directors and the Executive Team, led by the Chief Executive Officer. The two bodies are separate, and no person serves as a member of both.

Board of Directors

The Board of Directors has supreme authority in company affairs between shareholders' meetings. It is elected by shareholders at the AGM for a one-year term and operates in accordance with applicable Icelandic laws and regulations, the company's Articles of Association and the Board's Rules of Procedure. The Board currently comprises of seven directors who were elected at the company's AGM on 17 March 2021. In line with Icelandic law, the Board of Directors convenes immediately following the AGM in which it is elected to allocate responsibilities between the board members. The Board of Directors elects a Chairman and Vice-Chairman, as well as the Chairmen and members of its committees.

The Board of Directors is responsible for the company's organization, for setting the objectives for long-term performance and business development and ensuring proper conduct of its operations at all times. The Board decides all matters regarded as extraordinary or of major consequence in accordance with the statutory division of responsibilities between the Board, CEO and Executive Team. The Board defines strategic objectives for the company and sets targets aimed at achieving these goals.

Regular board meetings are held with management over the course of the year, including quarterly meetings coinciding with the publication of financial results, two strategy sessions and an operational planning meeting for the coming year. The Board of Directors meets at least once a year without management to structure its agenda and conduct a self-assessment. Additional meetings are convened as needed. The Board of Directors has a number of on-site visits to company locations and to customers during the year but due to travel restrictions all visits in 2020 and 2021 were postponed to a later date. All matters dealt with at Board meetings are decided by a majority vote, provided that the meeting has been lawfully convened. In the event of a tie vote, the Chairman casts the deciding vote. However, important decisions are not made unless all directors have been given an opportunity to discuss the matter.

At the company's AGM on 17 March 2021 Svafa Grönfeldt was elected to the Board of Directors. After serving on the Board of Directors for 11 years, thereof 8 years as Chairman and 1 year as Vice-Chairman, Asthildur Margret Otharsdottir did not declare candidature.

The Board of Directors convened 21 times in 2021, with an average attendance of 96%.

The Board of Directors has assessed which directors are independent according to the Icelandic Guidelines on Corporate Governance. All seven directors: Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Olafur S. Gudmundsson, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company's major shareholders. According to the Guidelines, the tenure of a director does not affect the independency assessment.

Once a year, the Board of Directors evaluates the work, results, size and composition of the Board and the Board's sub-committees. Furthermore, the Board evaluates the work and results of the CEO according to previously established criteria, including whether the CEO has prepared and carried out a business strategy

consistent with the company's established goals. The Board discusses the results of the evaluation and decides on any actions to be taken.

See marel.com for profiles of the Board members, the rules of procedure for the Board of Directors and for the Board's sub-committees.

Sub-committees

A major share of the Board's work is carried out in its sub-committees: the Remuneration Committee, the Audit Committee and the Nomination Committee. Sub-committee members are appointed by the Board of Directors for a term of one year, in accordance with the rules set for each sub-committee by the Board.

Remuneration Committee

The Remuneration Committee is composed of three Board members unless the Board decides otherwise. The majority of the Remuneration Committee shall be independent of the company and possess the knowledge and expertise needed to perform the Committee's tasks. The Remuneration Committee is intended to assist the Board in ensuring that compensation arrangements support the strategic aims of the company and enable the recruitment, motivation and retention of senior executives while also complying with legal and regulatory requirements. The Committee is responsible for ensuring that the performance of the Board and CEO is evaluated annually, and that succession planning is conducted.

The current Board decided to appoint three members to the Remuneration Committee as of March 2021: Arnar Thor Masson (Chair), Lillie Li Valeur and Olafur S. Gudmundsson.

The Remuneration Committee convened four times in 2021, attendance was 100%.

Audit Committee

The Audit Committee is composed of three or four Board members unless the Board decides otherwise. The majority of the Audit Committee shall be independent of the company, and its external auditors and at least one member shall be independent of shareholders holding 10% or more of the company's total share capital. Members of the Audit Committee must possess the knowledge and expertise needed to perform their tasks. At least one member needs to have solid knowledge and experience of financial statements or auditing. Its work includes monitoring Marel's financial status and evaluating the company's internal monitoring and risk management systems, management reporting on finances, whether laws and regulations are followed, and the work of the company's internal and statutory auditors.

Members of the Audit Committee since March 2021 are: Svafa Grönfeldt (Chair), Astvaldur Johannsson, Ann Elizabeth Savage and Ton van der Laan. All members are independent of the company, its auditors and of large shareholders.

The Audit Committee convened eight times in 2021, with an average attendance of 91%.

Nomination Committee

The Nomination Committee is composed of three members elected by the Board. The Nomination Committee was established in 2019. The main objective of the Committee is to assist the Company's shareholders in a structured and transparent way with ensuring that the Board and its Committees consist of Directors with the appropriate balance of skills, experience, diversity, independence and knowledge, enabling effective execution of duties and responsibilities. The Nomination Committee identifies and nominates candidates for the Board, and members of the Board's committees, who can fulfill these requirements. The majority of the members of the Nomination Committee shall be independent of the Company.

The Board has taken a balanced view of Corporate Governance Principles in Iceland and the Netherlands when structuring the framework for the Nomination Committee. Members of the Nomination Committee since March 2021 are: Lillie Li Valeur (Chair), Arnar Thor Masson and Olafur S. Gudmundsson.

The Nomination Committee convened five times in 2021, attendance was 100%.

Attendance in meetings of the Board of Directors and sub-committees in 2021:

		Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee¹
		21 meetings		8 meetings		5 meetings		4 meetings
		Attendance		Attendance		Attendance		Attendance
2021		(%)		(%)		(%)		(%)
Arnar Thor Masson ²	Chairman	100.0	(Chair)	100.0	√	100.0	Chair	100.0
Olafur S. Gudmundsson	Vice-Chairman	95.2			√	100.0	√	100.0
Ann Elizabeth Savage ³	Director	90.5	√	75.0			(√)	100.0
Astvaldur Johannsson	Director	100.0	√	87.5				
Lillie Li Valeur ⁴	Director	100.0			Chair	100.0	√	100.0
Svafa Grönfeldt ⁵	Director	100.0	Chair	100.0				
Ton van der Laan	Director	85.7	√	100.0				
Asthildur Margret Otharsdottir ⁶	(Chairman)	100.0			(√)	100.0	(Chair)	100.0

¹ After 17 March 2021 members of the Remuneration Committee went from four to three.

² Chair of the Audit Committee until 17 March 2021, while two Audit Committee meetings were held.

³ Member of the Remuneration Committee until 17 March 2021, while one Remuneration Committee meeting was held.

⁴ Chair of the Nomination Committee and member of the Remuneration Committee from 17 March 2021, after which three Nomination meetings and three Remuneration Committee meetings were held.

⁵ Board director and Chair of the Audit Committee from 17 March 2021, after which fifteen Board meetings and six Audit Committee meetings were held.

⁶ Chairman of the Board of Directors, Chair of the Remuneration Committee and member of the Nomination Committee until 17 March 2021, while there were six Board meetings, one Remuneration Committee meeting and two Nomination Committee meetings were held.

Chief Executive Officer

Arni Oddur Thordarson assumed the position of CEO of Marel in November 2013. An Icelandic citizen, born in 1969, Mr. Thordarson has extensive international business experience within the industrial sector. He has an MBA degree from IMD Business School in Switzerland and a Cand. oecón. degree in Business Administration from the University of Iceland. Mr. Thordarson served on the Board of Directors of Marel from 2005-2013, for most of that time as Chairman.

Together with related parties, his direct holding is 237,644 shares in Marel. He is a major shareholder of Eyrir Invest, which on 2 February 2022, held 190,366,838 shares in Marel hf. (24.7% of total issued shares).

1. The CEO is responsible for daily operations and is obliged to follow the Board's policy and instructions in that regard. Daily operations do not include measures that are unusual or extraordinary. The CEO may only take such measures if specifically authorized by the Board or unless it was impossible to wait for the Board's decision without substantial disadvantage to the company's operations. In such an event, the CEO must inform the Board of his/her actions without delay.
2. The CEO is responsible for the work and results of the Executive Team.
3. The CEO shall ensure that the accounts of the company comply with the law and accepted financial reporting practices and that the treatment of company assets is secure. The CEO shall provide any information requested by the company's auditors.
4. At least once a year, the CEO shall evaluate the work and results of the Executive Team that he heads according to previously established criteria. The CEO

shall discuss the results of his evaluation with each member of the Executive Team and decide on any actions to be taken.

At least once a year, the Chairman and the CEO will meet to discuss the results of the Board's evaluation of the CEO's work and performance and any proposed actions in response. The CEO reviews with the Chairman the results of his/her evaluation of the Executive Team and what actions may be needed, if any. The Chairman reports to the Board of Directors on discussions with the CEO as he/she deems necessary and appropriate.

Executive Team

Marel's Executive Team has nine members with clear accountability. The company's Executive Team is composed of:

Executive

- Arni Oddur Thordarson, Chief Executive Officer
- Linda Jonsdottir, Chief Financial Officer
- Arni Sigurdsson, Chief Strategy Officer and EVP of Strategic Business Units

Business Units

- Roger Claessens, EVP Marel Poultry
- David Wilson, EVP Marel Meat
- Gudbjorg Heida Gudmundsdottir, EVP Marel Fish

Operations

- Ulrika Lindberg, EVP Global Markets and Service
- Folkert Bölger, EVP Global Supply Chain
- Anna Kristin Palsdottir, EVP Innovation

See marel.com for profiles of the Executive Team.

Diversity

Marel's Diversity and Inclusion policy, accessible on marel.com, guides and ensures commitment to fostering, cultivating and preserving a culture of diversity and inclusion within the company. The policy applies to all employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Team.

The Nomination Committee has the role of reviewing and evaluating the structure and composition of the Board of Directors, in order to ensure balance of skills, knowledge, experience, diversity, tenure and independence. The Board as a whole should also encompass desirable diversity in aspects such as nationality, gender, age, education and different perspectives. Marel's Board of Director's skills matrix is used in the yearly evaluation and nomination process, see further in the Nomination Committee's report.

The Board of Directors and the CEO are responsible for reviewing and evaluating the structure and composition of the Executive Team, based on the same principles of diversity as apply to the Board of Directors in addition to Marel's diversity and inclusion policy.

Gender diversity within the Board of Directors remained stable at 43% (2020: 43%) following the election of Svafa Grönfeldt at the AGM on 17 March 2021. Following the consolidation within the Executive Team in March 2020 gender diversity rose to 44% (2019: 17%).

Gender diversity (female/male ratio)	2021	2020
Board of Directors	43/57	43/57
Executive Team	44/56	44/56
Total enterprise	17/83	16/84

Code of Conduct and Social Responsibility

Values and Social Responsibility

Marel's company values are its shared ideals and standards, providing direction in its everyday operations. The company's employees took part in defining these values, which are Unity, Excellence and Innovation. The values are continuously promoted in the company's daily operations.

Marel places great emphasis on corporate and social responsibility with detailed information available in Marel's 2021 ESG report.

Code of Conduct

Marel's Board of Directors initially approved a Code of Conduct with a global application in October 2012, which was thoroughly revised and updated in 2021. It is closely linked to Marel's company values and rests on four pillars, i.e., the commitment of employees (including

officers and directors) to: (i) each other; (ii) customers and the marketplace; (iii) shareholders; and (iv) partners, communities and the environment.

See marel.com for the company's Code of Conduct.

Communication Between Shareholders and the Board of Directors

Shareholders' meetings, within limits established by the company's Articles of Association and statutory law, are the supreme authority in Marel's affairs as well as the primary means of communication between shareholders and the Board of Directors. The AGM is held each year before the end of August, and other shareholders' meetings are convened as needed. The AGM is advertised publicly with at least three weeks' notice in accordance with Icelandic law and the company's Articles of Association.

The Chairman is the Board's authorized spokesperson. The Board of Directors does not engage in communication regarding the details of the company's operational matters and financial results, which is the responsibility of authorized members of management.

The Chairman communicates with the company's largest shareholders on an annual basis to exchange views on matters related to corporate governance and to maintain trust and understanding. All communication with shareholders is governed by rules and regulations on price-sensitive and non-public information (insider information) and on other sensitive business information, which could compromise the company's competitive position.

Further information on communication with shareholders can be found in the company's Investor Relations Policy on marel.com.