

MAREL HF - CORPORATE GOVERNANCE

Icelandic law and Marel's corporate governance framework determine the duties of the various bodies within the company. Corporate governance defines the way in which the company is directed and controlled – it involves the broader inter-workings of the day-to-day management, the Board of Directors, the shareholders at large, and other interested parties to formulate and implement corporate strategy.

1. Rules on corporate governance which the company follows

The company's corporate governance policy is based on the Guidelines on Corporate Governance issued in March 2012 by the Iceland Chamber of Commerce, NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers, in accordance with Clause 2.26 in the Rules for issuers of financial instruments on NASDAQ OMX Iceland issued in December 2013. The Guidelines can be found and accessed on the website of the Iceland Chamber of Commerce, www.chamber.is/english.

2. Departures from the Guidelines on Corporate Governance

In general, the company is in compliance with the Guidelines on Corporate Governance. The Board of Directors evaluates at least once a year the performance of the CEO, but not specifically the performance of other members of the Executive Team. The CEO is responsible to the Board of Directors for the performance of the Executive Team.

The Board of Directors has not established a nomination committee. The Rules of Procedure for the Board of Directors clearly stipulate what items shall be taken into consideration when preparing the nomination of Directors. The Board of Directors has not issued a specific social responsibility policy for the company but such policy is being prepared.

3. Main aspects of internal controls and the company's risk management in connection with the preparation of financial statements

External audit

An independent auditing firm is elected at the Annual General Meeting (AGM) for a term of one year. The auditor shall examine the company's annual accounts in accordance with generally accepted accounting standards, and shall for this purpose inspect account records and other material relating to the operation and financial position of the company. KPMG hf. was elected as the company's auditor at the AGM on 6 March 2013. Auditors on its behalf are Saemundur Valdimarsson and Kristrun H. Ingolfsdottir, both State Authorized Public Accountants. They have audited and signed without reservation Marel's consolidated financial statements for the year 2013.

Internal audit and control

The company's risk management and internal controls, in relation to financial processes, are designed with the purpose of effectively controlling the risk of material misstatements in financial reporting. Marel's internal auditor plays a key role in relation to internal control along with the external auditors, as applicable.

4. The company's values, code of conduct and social responsibility policy

Values

Marel's company values are shared ideals and standards that provide direction in day to day operations. As part of the integration process in 2010, employees had a direct hand in defining the values that the company will henceforth embrace. The outcome was a set of eight values: commitment, partnerships with customers, diversity, teamwork, learning and excellence, open communication, humour and fun, and success. The values are regularly promoted in daily operations.

Code of Conduct

The Board of Directors of Marel approved a Code of Conduct with global application in October 2012. It is closely linked with Marel's company values and is built on four pillars, i.e. Employees' (including officers and directors) commitment to: (i) each other; (ii) customers and marketplace; (iii) shareholders; and (iv) partners, communities and the environment. Marel's Code of Conduct can be found on the Company's website: <http://marel.com/corporate/about-marel>.

Corporate social responsibility

Being a responsible corporate citizen means going beyond statutory legal requirements to aligning all business operations with socially accepted principles and contributing to society in a positive way. Marel acknowledges its social responsibility and as stated above, a specific social responsibility policy for Marel is currently being prepared.

5. Composition and activities of the Board of Directors, Executive Team and sub-committees of the Board of Directors

Board of Directors

The company's Board of Directors is the supreme authority in the affairs of the company between shareholders' meetings. It is elected by shareholders at the AGM for a term of one year and operates in accordance with the company's Articles of Association and the Board's Rules of Procedure. The Board currently comprises five members after resignation of two members in November 2013 out of the seven who were elected at the company's AGM on 6 March 2013.

The Board is responsible for the organisation of the company and for ensuring the proper conduct of its operation at all times. The Board of Directors shall decide on all matters regarded as extraordinary or of major consequence. The same applies to major borrowing requiring pledging of the company's property and assets. The Board shall establish goals for the company in accordance with the company's objectives and shall formulate the policy and strategy required to achieve these goals.

Regular board meetings are held with management over the course of the year, including quarterly results meetings, a strategy meeting in autumn and a next-year budget meeting in December. In addition, the Board of Directors meets twice a year without the management. Additional meetings are convened as needed. All matters brought before a Board meeting shall be decided by majority vote, provided that the Board meeting has been lawfully convened. In the event of a tie vote, the Chairman of the Board casts the deciding vote. However, important decisions shall not be taken unless all members of the Board have had the opportunity to discuss the matter, if possible.

Profiles of the Board members can be found here: <http://marel.com/corporate/about-marel/governance/board-of-directors>.

Board sub-committees

The Board's work is supported by its working committees: Remuneration Committee and Auditing Committee. Members of the Remuneration Committee are Asthildur Margret Otharsdottir, Ann Elizabeth Savage and Arnar Thor Masson. Its field of work involves negotiating wages and other benefits for the CEO and senior management, and framing the company's remuneration policy, including wage incentives and stock option rights for company shares. Members of the Auditing Committee are Arnar Thor Masson, Helgi Magnusson and Margret Jonsdottir. Its field of 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 statutory auditors.

Executive Team

In December 2013 The Board of Management was expanded from three to ten members and is now called the Executive Team. Thus, the new Executive Team replaces the Board of Management. The Executive Team is composed of: Arni Oddur Thordarson, Chief Executive Officer (CEO), Erik Kaman, Chief Financial Officer (CFO), Sigsteinn P. Gretarsson, Chief Operating Officer (COO), Anton de Weerd, Managing Director of IC Poultry, David Wilson, Managing Director of IC Meat, David Freyr Oddsson, Corporate Director of Human Resources, Gerrit den Bok, Managing Director of IC Further Processing, Jon Birgir Gunnarsson, Managing Director of IC Fish, Petur Gudjonsson, Managing Director of the Sales and Service Network and Paul van Warmerdam, Head of Global Supply Chain.

Profiles of the Executive Team members can be found here: <http://marel.com/corporate/about-marel/governance/management>

6. Arrangement of the appointment of sub-committee members

Sub-committee members are appointed by the Board of Directors for a term of one year, in accordance with the rules of each sub-committee adopted by the Board.

The Audit Committee is composed of either three or four members of the Board of Directors, unless the Board decides otherwise. The majority of the Audit Committee shall be independent of the company and its external auditors. At least one member of the Audit Committee shall be independent of shareholders that hold 10% or more of the total share capital of the company. The members of the Audit Committee shall possess the knowledge and expertise needed to perform the tasks of the Audit Committee. At least one Member of the Audit Committee shall have solid knowledge and experience in the field of financial statements or auditing.

The Remuneration Committee is composed of either three or four members of the Board of Directors, unless the Board decides otherwise. The majority of the Remuneration Committee shall be independent of the company. The members of the Remuneration Committee shall possess the knowledge and expertise needed to perform the tasks of the Committee.

7. Information on the number of Board Meetings and sub-committee meetings as well as their attendance

The Board of Directors convened 11 times in 2013, with a weighted average attendance of 95%. The sub-committees of the Board of Directors, the Audit Committee and Remuneration Committee, convened 5 and 4 times respectively in 2013. They were all fully attended.

8. Access information for the written rules of procedure for the Board of Directors and its sub-committees

The rules of procedures for the Board of Directors and its sub-committees can be found on the company's website: <http://marel.com/corporate/about-marel/governance>

9. Members of the Board of Directors

Profiles of the members of the Board of Directors are provided here: <http://marel.com/corporate/about-marel/governance/board-of-directors>.

10. Information on which Board Members are independent of the company and its major shareholders

The Board of Directors has made an assessment on which Board members are independent according to the Guidelines on Corporate Governance. All five Board members are considered independent of the company: Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Helgi Magnusson and Margret Jonsdottir. Furthermore, four of five Board members are considered independent of the company's major shareholders; Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir and Helgi Magnusson.

11. Principal aspects in the Board of Directors' performance assessment

At least once a year, the Board of Directors evaluates the work, results, size and composition of the Board, as well as the work and results of individual Board members 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 which is consistent with the established goals. The Board shall discuss the results of the assessment and decide which actions are to be taken, if any.

At least once a year the CEO shall evaluate the work and results of the Executive Team, for which he is responsible, according to previously established criteria. The CEO shall discuss the results of the assessment with each member of the Executive Team and decide which actions shall be taken, if any.

At least once a year, the Chairman and the CEO shall have a meeting to discuss the results of the Board's assessment of the CEO's work and results and the proposed actions to be taken, if any. The CEO shall inform the Chairman of the results of his/her evaluation of the Executive Team and which actions will be taken, if any. The Chairman shall inform the Board of Directors of the discussions with the CEO as he/she deems necessary and appropriate.

12. Information on the company's CEO and a description of his main duties

Arni Oddur Thordarson, is the CEO of Marel. He took over as CEO of Marel in November 2013. He has extensive international business experience within the industrial sector. Thordarson has served on the Board of Directors in Marel since 2005, majority of the time as Chairman. He has an MBA degree from IMD Business School in Switzerland and a Cand.Oecon degree in Business Administration from the University of Iceland.

The principal duties of the CEO are as follows:

1. The CEO is responsible for daily operations and is obliged to follow the Board's policy and instructions in that regard. The daily operations do not include measures which are unusual or extraordinary. The CEO may only take such measures if specially authorised by the Board, unless

it impossible to wait for the Board's decision without substantial disadvantage to the company's operations. In such an event, the CEO shall inform the Board of his/her measures, without delay.

2. The CEO shall act as chairman in the company's material subsidiaries which are connected with the sales and manufacturing activities and/or the core activities of the company, unless the Board decides otherwise.
3. The CEO is responsible for the work and results of the Executive Team. See further information of this part of his duties in item no. 11 above.
4. The CEO shall ensure that the accounts of the company conform to the law and accepted practices and that the treatment of the property of the company is secure. The CEO shall provide any information that may be requested by the company's Auditors.

13. Information on violations of laws and regulations that the appropriate supervisory or ruling body has determined

No violations of laws and regulations have been determined in 2013 by supervisory or ruling body.

14. Arrangement of communications between shareholders and the Board of Directors

Shareholders' meetings, within the 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 communication between shareholders and the Board of Directors. The Annual General Meeting (AGM) is scheduled once a year, before the end of August, and other shareholders' meetings are convened when necessary. The AGM is advertised publicly with at least three-week's notice in accordance with Icelandic law.

Additionally, Marel's communication to shareholders and furthermore to the market shall be in compliance with relevant regulatory bodies at all times and disseminated via recognised distribution channels.

15. Analysis of environmental factors and social factors

The company's Annual Report contains analysis of environmental factors and social factors that help to understand the development, success and position of the company. The Annual Report is available on the company's website.

5 February 2014