

Corporate Governance Statement

MAREL HF. - CORPORATE GOVERNANCE STATEMENT

Marel hf. (also referred to as the “company”) is committed to the general principles of good corporate governance. Icelandic law and the company’s corporate governance framework determine the duties of the various bodies within the company. Corporate governance defines and dictates the way in which the company is directed and controlled – it involves the broader inter-workings of the CEO, responsible for the day-to-day management, the Board of Directors, the shareholders at large, regulators and other stakeholders.

In 2015, Marel initiated an external audit of its corporate governance structure and procedures, followed by a certification of the same. January 2016, the company received recognition as “Exemplary in Corporate Governance” from the Center for Corporate Governance at the University of Iceland.

1. 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 June 2015 by the Iceland Chamber of Commerce, NASDAQ Iceland and the Confederation of Icelandic Employers, accessible on the website of the Iceland Chamber of Commerce,

http://vi.is/%C3%BAtg%C3%A1fa/sk%C3%BDrslur/Corporate_Governance_Guidelines_5th_edition.pdf

In general, the company is in compliance with the Guidelines on Corporate Governance, with the following exemptions:

The company does not have a nomination committee. Marel’s Board of Directors regularly evaluates its work, composition and directors’ independence to ensure the members of the Board jointly have the relevant knowledge, experience and skills to fulfill the Board’s roles and responsibilities in the best interest of the company. The Board initiates discussions with the company’s largest shareholders on board composition and long term succession planning.

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

The CEO is responsible for ensuring sufficient internal control and risk management in connection with financial reporting. The Board of Directors has an ongoing dialogue with the CEO on the identification, description and handling of the business risks to which the company may be exposed. Material risks are discussed in the Consolidated Financial Statements 2016.

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. The company's internal auditor reports to the Board's Audit Committee and plays a key role in relation to 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 shall examine the company's annual accounts in accordance with generally accepted auditing standards, and shall for this purpose inspect 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 any significant 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 2 March 2016. Auditors on KPMG's behalf are Sæmundur Valdimarsson and Hrafnhildur Helgadóttir, both State Authorized Public Accountants. They have audited and signed without reservation Marel's consolidated financial statements for the year 2016.

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

Values

Marel's company values are shared ideals and standards that provide direction in day to day operations. The company's employees played a role in defining the values, which are: unity, excellence and innovation. The values are continuously promoted in daily operations.

Code of Conduct

The Board of Directors of Marel approved a Code of Conduct with global application in October 2012, which was revised in July 2016. 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/governance/corporate-governance>

Social responsibility and diversity

A specific social responsibility guidance policy for the company was approved by Marel's board of Directors and Marel's Executive team in 2016 and is now being implemented.

In 2016 important steps were taken in order to formalize Marel's diversity policy with the aim of introducing the first results of this work in Marel's annual report for the year 2016.

Further information on Marel's Social responsibility and Diversity policies are provided in the chapter on Corporate Social Responsibility on page 9 here below.

4. Composition and activities of the Board of Directors, its sub-committees, the CEO and Executive Team

The company has a two-tier management structure consisting of the Board of Directors and Executive Team, led by the CEO. The two bodies are separate, and no person serves as a member of both.

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 applicable Icelandic law and regulation, the company's Articles of Association and the Board's Rules of Procedure. The Board currently comprises seven Board members who were elected at the company's AGM on 2 March 2016.

The Board of Directors is responsible for the organization of the company, for promoting the development of its long-term performance and 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, as defined by the decision making authorities and division of responsibilities between the Board, the CEO and the Executive Team. 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 financial results meetings, a two day strategy session, a two day human resource and remuneration session and a next-year operational planning meeting. Company site visits as well as visits to customers are conducted each year. In addition, the Board of Directors meets at least once a year without the management to structure the Board's agenda and conduct a self-assessment. 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.

The Board of Directors convened 12 times in 2016, with a weighted average attendance of 95%.

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

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, which is consistent with the established goals. The Board discusses the results of the assessment and decides which actions are to be taken, if any.

Profiles of the Board members can be found on the company's website:

<http://marel.com/corporate/about-marel/corporate-profile/board-of-directors>

The rules of procedures for the Board of Directors as well as for the Board's sub-committees can be found on the company's website:

<http://marel.com/corporate/about-marel/corporate-profile/corporate-governance/rules-of-procedures>

Sub-committees

The Board's work is supported by its working sub-committees: Remuneration Committee and Audit Committee. Sub-committee members are elected by the Board of Directors for a term of one year, in accordance with the rules of each sub-committee adopted by the Board.

Remuneration Committee

The Remuneration Committee is composed of three 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. The Remuneration Committee shall 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 Board's and CEO's performance is evaluated annually and that succession planning is conducted.

Members of the Remuneration Committee are Asthildur Margret Otharsdottir (Chairman), Ann Elizabeth Savage and Arnar Thor Masson.

The Remuneration Committee convened 6 times in 2016, with a weighted average attendance of 94%

Audit Committee

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. 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 internal and statutory auditors.

Members of the Audit Committee are Arnar Thor Masson (Chairman), Astvaldur Johannsson, Margret Jonsdottir and Helgi Magnusson from March 2016. All members are independent of the company and its auditors, Arnar, Astvaldur and Helgi are independent of large shareholders.

The Audit Committee convened 8 times in 2016, with a weighted average attendance of 97%.

CEO

Arni Oddur Thordarson assumed the position of CEO of Marel in November 2013. He has extensive international business experience within the industrial sector. Thordarson has served on the Board of Directors of 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.

Thordarson is an Icelandic citizen, born in 1969. Thordarson and related parties hold 131,869 shares in Marel. He is a major shareholder of Eyrir Invest, which on 8 February 2017 held 215,366,838 shares in Marel hf. (29.28% of total issued shares).

The principal duties of the CEO are as follows:

- I. 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 authorized 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.
- II. 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.
- III. The CEO is responsible for the work and results of the Executive Team.
- IV. The CEO shall ensure that the accounts of the company conform to law and accepted practices and that the treatment of company assets is secure. The CEO shall provide any information that may be requested by the company's Auditors.

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.

Executive Team

The company's Executive Team is composed of 11 members: Arni Oddur Thordarson, Chief Executive Officer (CEO), Linda Jonsdottir, Chief Financial Officer (CFO), Arni Sigurdsson, EVP Strategy and Corporate Development, Anton de Weerd, Managing Director (EVP) of Poultry, Remko Rosman, Managing Director (EVP) of Meat, David Wilson, Managing Director (EVP) of Further Processing, Sigurdur Olason, Managing Director (EVP) of Fish, Petur Gudjonsson, EVP Commercial, Paul van Warmerdam, EVP Supply Chain, Vidar Erlingsson, EVP Innovation and David Freyr Oddsson, EVP Human Resources.

Profiles of the Executive Team members can be found on the company's webpage:

<http://marel.com/corporate/about-marel/corporate-profile/management>

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

On 13 May 2016, the Financial Supervisory Authority of Iceland ("FME") notified Marel of its decision to levy an administrative fine of ISK 1,500,000 on Marel for being in breach of Article 87(1) of Act no. 108/2007 on Securities Transactions, by not publishing a notification regarding changes in significant proportions of voting rights. The notification was sent from the relevant shareholder to Marel on 29 October 2014 through a general email address which was not specifically monitored or intended to receive this kind of notification. Thus, the notification was not timely identified by Marel and the respective shareholder did not communicate any further information to the company. Two days later, FME sent an inquiry to the company concerning the said notification and why it had not been published, which then led to immediate publishing of it. In accordance with Article 87 of the Act, Marel as issuer shall, as soon as practicable after receipt of notification and no later than at 12:00 hours on the trading day immediately following its receipt of the notification, make public all the information contained in the notification. As Marel was not aware of the notification timely, the notification was not disclosed to the NASDAQ Iceland stock exchange news system until 31 October 2014, as prior stated. Following both verbal and written communications to FME, the case was concluded with the administrative fine decision.

6. Communication 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 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.

The Chairman is the authorized spokesperson for the Board of Directors. The Board of Directors does not engage in communication regarding details of the company's operational matters and financial results, which is the responsibility of authorized members of management. The Chairman initiates communication with the company's largest shareholders on an annual basis with the objective of

establishing trust and understanding. All communication with shareholders is governed by rules and regulations on price sensitive and non-public information (insider information) and other sensitive business information, which may compromise the company's competitive position.

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

<http://marel.com/corporate/investor-relations>

Corporate Social Responsibility

Marel puts pride in going beyond statutory legal requirements to aligning all business operations with socially accepted principles and strives to contribute to society in a positive way. A specific social responsibility guidance policy for the company was approved by Marel's board of Directors and Marel's Executive team in 2016 and is now being implemented. This is the first time Marel reports on its activities regarding its corporate social responsibility.

The corporate social responsibility guidance policy can be split into three separate focus areas based on the triple bottom line approach; People, Planet and Profits. Marel's guidance policy on corporate responsibility makes use of the ISO 26000 guidelines as well as the company being a signatory to the United Nations Global Compact. Marel will report, in more detail, on the progress of key projects set forth by the Global Compact; environmental concerns, labor practices, human rights and anti-corruption, as well as Marel's other corporate social responsibility activities in its Annual report.

Social Responsibility

Marel is dedicated in providing a safe and healthy working environment and equal opportunities for all its employees. Marel takes pride in making sure the company fosters individual and team development and ensures the right to freedom of association for all employees. Marel engages with local communities, where innovation and education serve as the main areas of social participation. Human rights violations, including forced labor and under-age labor as well as illegal labor conditions, are not tolerated under any circumstances.

Safety, Health and Environment

Marel provides a safe and healthy working environment for all its employees as well as contractors working within Marel facilities. Safety, health and environment concern everybody, so it is an obligation towards Marel's employees and the environment to care about this.

Although every Marel employee is accountable for his or her safety, local management of all Marel entities is responsible to make sure that processes within their entity comply with Marel's safety, health and environment Policy. A Marel Corporate SHE (Safety, health and environment) Support Team monitors the compliance processes with the Marel SHE Policy and facilitates process improvement possibilities.

Diversity

In 2016 important steps were taken in order to formalize Marel's diversity policy with the aim of introducing the first results of this work in Marel's annual report for the year 2016. The objective is to ensure equality and diversity within Marel as well as increasing job satisfaction and well-being in the workplace. The policy will apply to all Marel employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Team. The diversity policy also states that discrimination is not tolerated within Marel under any circumstances.

Data and statistics on equality and diversity at Marel will be systematically collected to ensure the successful implementation of the policy and results will be conveyed in a clear and organized manner.

Human Rights

Human rights violations including child-labor, forced labor or illegal labor conditions are not tolerated by Marel. All Marel employees are required to have reached legal working age in the country they work in and no Marel facilities are associated with illegal labor conditions or forced labor. In 2017 all new suppliers will be required to comply with the same standards as Marel does on issues related to human rights and labor issues. No human rights violations were reported in 2016.

For further information about Marel's stance on human rights the company's [Code of Conduct can be found here](#).

Freedom of Association

Marel commits to respecting all employees' right to freedom of association and collective bargaining free from discrimination, as established in the Freedom of Association and Protection of the Right to Organise Convention (C. 87), and the Right to Organise and Collective Bargaining Convention (C.98). Marel will make sure that these rights can be exercised by all its employees as well as business partners directly associated with Marel's services, products and operations.

Engagement with Local Communities

Marel's main way of engaging with local communities is through the company's operations in the countries Marel operates in. Marel focuses on supporting education and science both through direct support with local educational institutions as well as through training and further education of its own employees. Many of Marel's production facilities have internship and trainee programs that help young professionals enter the workforce and develop their skills in a professional and safe environment.

Marel is active in fast tracking economic development in underdeveloped countries by bringing in food processing technologies that have instant effects on production capabilities, worker safety, food traceability and a number of other socially benefitting factors.

Environmental Responsibility

Marel encourages efficient use of resources in its value chain and promotes positive environmental impact and environmental protection. Innovation is at the core of Marel's strategy, where the focus is on continuously creating new methods for improving yields and minimizing waste in food production, reducing the use of scarce resources such as energy and water, and promoting food safety, traceability

and animal welfare. A number of projects have been put into actions in order to support precautionary approaches to environmental challenges and undertake initiatives to promote greater environmental responsibility in the company's value chain.

Energy

Among projects that have been put into action to minimize energy consumption at Marel is to install car charging points for employees and visitors that own electric cars, replace regular light bulbs with LED lighting where it is possible as well as running a number of local projects prioritizing issues regarding increasing energy efficiency in production.

In 2016 a new travel platform was put into use by Marel to monitor and coordinate, amongst other, the CO2 emission caused by employee traveling.

Through the company's travel policy, Marel will strive to continuously lower emission levels by actively encouraging employees to use alternative ways of meeting and communicating with each other and customers.

Animal Welfare

Animal welfare is high on the agenda when it comes to research and development in the company. Focus on animal welfare in product development adds to promoting environmental and economic responsibility in Marel's value chain. At the same time, good animal welfare practices in general increase quality and productivity while reducing carbon footprint.

Marel is determined to continue to stay ahead of the market and focuses on developing solutions which respect the highest standards of animal welfare.

Economic Responsibility

Marel promotes good business practices in its value chain through transparency, innovation and collaboration with all its partners. Long term profitability and fair trade are key aspects of how Marel wants to do business and continuous steps are taken in order to make sure Marel, its partners, customers and suppliers are compliant with international laws anti-bribery and compliance laws as well as contributing fairly towards the societies they operate in.

Bribery/Anti-Corruption

Marel's reputation is critical to the company's success; therefore, compliance with global anti-bribery and anti-corruption laws is taken very seriously. The anti-bribery and anti-corruption policy adopted in January 2016 to reinforce that commitment. It applies to Marel's employees, officers and directors, and any contractors, consultants, agents and other business partners that are engaged in business on behalf of Marel. As a global company, Marel is subject to the anti-bribery and anti-corruption laws of all countries in which it operates around the world.

For further information about anti-bribery and anti-corruption Marel's [Code of Conduct can be found here](#).

Innovation

Marel invested over €63 million in creating and delivering new value for its customers through innovation in 2016, with over 25 new or upgraded products launched. Marel's innovation efforts focus on creating breakthrough innovations as well as creating product upgrades and incremental additions to existing machines and systems to make sure Marel's equipment stays competitive.