



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 Executive Team, responsible for the day-to-day management, the Board of Directors, the shareholders at large, regulators and other stakeholders.

1. Corporate governance framework

The company’s corporate governance consists of a framework of principles and rules, including its Articles of Association and 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 (accessible on the website of the Iceland Chamber of Commerce, www.chamber.is/english).

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 a policy is under development.

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 Annual Report.

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 accounting 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 hf. was elected as the company’s auditor at the company’s AGM held on 5 March 2014. Auditors on KPMG’s behalf are Kristrun H. Ingolfsdottir and Hrafnhildur Helgadóttir, both State Authorized Public Accountants. They have audited and signed without reservation Marel’s consolidated financial statements for the year 2014.

3. 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. The company’s employees had a direct hand in defining the values, which are: commitment, partnerships with customers, diversity, teamwork, learning and excellence, open communication, humour and fun, and success. 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. 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 the company is currently under development. 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: <http://marel.com/ar2013>.

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 5 March 2014.

The Board of Directors is responsible for the organization 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, including major borrowing requiring pledging of properties or assets of the company. 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 13 times in 2014, 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 Johannesson 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 Johannesson.

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 here:

<http://marel.com/corporate/aboutmarel/governance/board-of-directors>.

The rules of procedures for the Board of Directors can be found on the company's website:

<http://marel.com/corporate/about-marel/governance>

Sub-committees

The Board's work is supported by its working sub-committees: Remuneration Committee and Auditing Committee.

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

<http://marel.com/corporate/about-marel/governance>

Remuneration Committee

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. Its field of work involves negotiating wages and other benefits for the CEO, oversee and approve setting of management performance targets and framing the company's remuneration policy, including wage incentives and stock option rights for company shares.

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

The Remuneration Committee convened 4 times in 2014. The meetings were all fully attended except for one where two of the three members attended.

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 statutory auditors.

Members of the Auditing Committee are Arnar Thor Masson, Helgi Magnusson and Margret Jonsdottir. All members are independent of the company and its auditors, Arnar and Helgi are independent of large shareholders.

The Audit Committee convened 5 times in 2014. The meetings were all fully attended.

CEO

Arni Oddur Thordarson 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 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. He serves as non-executive Board Member in Fokker Technologies in the Netherlands.

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 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.
- 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 12 members: Arni Oddur Thordarson, Chief Executive Officer (CEO), Linda Jonsdottir, Chief Financial Officer (CFO), Sigsteinn P. Gretarsson, Chief Operating Officer (COO), Anton de Weerd, Managing Director of Poultry, David Wilson, Managing Director of Meat, David Freyr Oddsson, Corporate Director of Human Resources, Gerrit den Bok, Managing Director of Further Processing, Sigurdur Olason, Managing Director of Fish, Petur Gudjonsson, Managing Director of the Sales and Service Network, Paul van Warmerdam, Head of Global Supply Chain, Vidar Erlingsson, Head of Global Innovation and Arni Sigurdsson, Head of Strategy and Business Development.

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

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

The Icelandic Financial Surveillance Authority (FME) launched an inquiry of the alleged leakage of insider information regarding proposed change of Marel's CEO on 1 November 2013. The company fully cooperated with FME during that process.

FME's position was that Marel should have disclosed information on aforesaid matter without delay when learning of the leakage and/or rumor. Immediate suspension of transactions in Stock Exchange of the company's shares for less than two hours, requested by the company, until the disclosure of the announcement was not considered sufficient in this respect. Thus, it was FME's opinion that Marel violated the Act on Securities Transactions and other regulations concerning immediate disclosure of insider information and immediate reactions in case of leakage or rumors on the market.

Nevertheless, as the violation was not considered significant by FME, Marel was offered to make a settlement to finalize the matter resulting in a lower fine of ISK 3,300,000 (approximately EUR 20,000), which the company agreed to.

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 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>

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