

## 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. In 2015, Marel launched an external audit of its corporate governance structure and procedures, followed by a certification of the same. In 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, which are accessible on the website of the Iceland [Chamber of Commerce](#).

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

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 possess the relevant knowledge, experience and skills to perform the Board's tasks and responsibilities in the company's best interest. The Board has taken the initiative in discussing with the company's largest shareholders the composition of the Board of Directors and long-term succession planning.

## 2. 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 to which the company may be exposed. Material risks are discussed in the 2018 Consolidated Financial Statements.

### INTERNAL AUDIT AND CONTROL

The company's risk management and internal controls for financial processes are designed to minimize effectively the risk of material misstatements in financial reporting. The internal auditor 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 annual accounts 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 6 March 2018. Auditors on KPMG's behalf are Sæmundur Valdimarsson and Hrafnhildur Helgadóttir, both Certified Public Accountants (CPAs). They have audited and endorsed without reservation Marel's consolidated financial statements for the year 2018.

## 3. THE COMPANY'S VALUES, CODE OF CONDUCT AND SOCIAL RESPONSIBILITY POLICY

### VALUES

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.

#### **CORPORATE SOCIAL RESPONSIBILITY AND DIVERSITY**

Marel's corporate social responsibility (CSR) guidelines were approved by the Board of Directors and Marel's Executive Team in 2016.

Further information on CSR and diversity policies is provided in the section on CSR in Marel's Annual Report and in the chapter on Corporate Social Responsibility starting on page 5 here below.

#### **CODE OF CONDUCT**

Marel's Board of Directors approved a Code of Conduct with global application in October 2012, which was revised in July 2016. 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.

Marel's Code of Conduct can be found on the company's website:  
<https://marel.com/about/governance/#reports-documents>

#### **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 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 **Annual General Meeting** 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 seven directors who were elected at the company's AGM on 6 March 2018.

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 publication of financial results, two off-site strategy sessions and an operational planning meeting for the coming year. A number of on-site visits to company locations as well as to customers are conducted each year. In addition, the Board of Directors meets at least once a year without management to structure its own agenda and conduct a self-assessment. Additional meetings are convened as needed. All matters dealt with at Board meetings are decided by 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 taken unless all directors have been given an opportunity to discuss the matter.

The Board of Directors convened 14 times in 2018, with an average attendance of 95.9%.

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

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.

Profiles of the Board members can be found here:

<https://marel.com/about/governance/our-leadership/#board-of-directors>

The Rules of Procedure for the Board of Directors as well as for the Board's sub-committees are accessible here:

<https://marel.com/about/governance/#reports-documents>

### **SUB-COMMITTEES**

A major share of the Board's work is carried out in its sub-committees, the Remuneration Committee and Audit 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 four members to the Remuneration Committee as of March 2018: Asthildur Margret Otharsdottir (Chair), Ann Elizabeth Savage, Arnar Thor Masson and Olafur S. Gudmundsson.

The Remuneration Committee met 3 times in 2018. All meetings were fully attended.

### **AUDIT COMMITTEE**

The Audit Committee is composed of three or four Board directors 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 its 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 2018 are Arnar Thor Masson (Chairman), Astvaldur Johannsson, Margret Jonsdottir and Helgi Magnusson. All members are independent of the company and its auditors, while Arnar, Astvaldur and Helgi are independent of large shareholders.

The Audit Committee convened 7 times in 2018. All meetings were fully attended.

### **CHIEF EXECUTIVE OFFICER**

Arni Oddur Thordarson assumed the position of CEO of Marel in November 2013. An Icelandic citizen, born in 1969, Thordarson has extensive international business experience within the industrial sector. 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 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 131,869 shares in Marel. He is a major shareholder of Eyrir Invest, which on 6 February 2019 held 190,366,838 shares in Marel hf. (27.89% of total issued shares).

- I. 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 which are unusual or extraordinary. The CEO may only take such measures if specifically authorized by the Board or unless it 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.

- II. The CEO is responsible for the work and results of the Executive Team.
- III. The CEO shall act as Chairman of the Board in the company's significant subsidiaries connected with its sales and manufacturing activities or other core activities of the company, unless the Board decides otherwise.
- IV. The CEO shall ensure that the accounts of the company comply with law and accepted financial reporting practice and that the treatment of company assets is secure. The CEO shall provide any information requested by the company's auditors.
- V. At least once a year the CEO shall evaluate the work and results of the Executive Team which 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 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**

The company's Executive Team is composed of twelve members:

#### **EXECUTIVE**

- Arni Oddur Thordarson, *Chief Executive Officer*
- Linda Jonsdottir, *Chief Financial Officer*
- Arni Sigurdsson, *EVP Strategy and Corporate Development*

#### **OPERATIONS**

- Einar Einarsson, *EVP Global Markets*
- Ulrika Lindberg, *EVP Service*
- Folkert Bölger, *EVP Global Supply Chain*
- Vidar Erlingsson, *EVP Innovation*

- David Freyr Oddsson, *EVP Human Resources*

#### **BUSINESS UNITS**

- Anton de Weerd, *Managing Director (EVP) of Marel Poultry*
- David Wilson, *Managing Director (EVP) of Marel Meat*
- Sigurdur Olason, *Managing Director (EVP) of Marel Fish*
- Jesper Hjortshøj, *Managing Director (EVP) of Further Processing*

**Profiles of the Executive Team members can be found here:**

<https://marel.com/about/governance/our-leadership/#executive-team>

## **5. 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 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 when necessary. The AGM is advertised publicly with at least three weeks' notice in accordance with Icelandic law.

The Chairman is the Board's authorized spokesperson. 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 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: <https://marel.com/media/65974/investor-relations-policy.pdf>

## Corporate Social Responsibility

Being a responsible corporate citizen is a top priority for Marel. We take great pride in exceeding statutory legal requirements to align our business operations with socially accepted principles, while striving to contribute to society in a positive way. To

guide our organization on our responsible conduct, Marel has established a policy on Corporate Social Responsibility that focuses on three separate areas: people, planet and profits. It implements the ISO 26000 standard and guides us when it comes to fulfilling the UN's sustainability goals. Marel has been a signatory to the United Nations Global Compact since 2015 and a participant since 2017.

In 2017, we were a part of the NASDAQ Sustainable Markets Initiative for the first time, following NASDAQ's ESG reporting guidelines. In 2018 serious steps were taken towards a more comprehensive collection of data to fulfill these guidelines and to provide a more detailed overview of our sustainability profile. More information about the NASDAQ ESG project can be found here.

		2018	2017
<b>E1</b>	<b>Direct &amp; Indirect GhG Emissions</b>	31,475 tCO <sub>2</sub> e	28,193* tCO <sub>2</sub> e
<b>E2</b>	<b>Emission Intensity</b>	26.27 kgCO <sub>2</sub> e Per 1000€	27.10* kgCO <sub>2</sub> e Per 1000€
<b>E3</b>	<b>Energy Usage</b>	62.9 GWh	61.6* GWh
<b>E4</b>	<b>Energy Intensity</b>	253 KWh per m <sup>2</sup> 10.86 MWh per FTE	244* KWh per m <sup>2</sup> 12.54* MWh per FTE
<b>E5</b>	<b>Energy Mix</b>	Renewables	Natural Gas
<b>E6</b>	<b>Water Usage</b>	35,292 m <sup>3</sup> 4,982 m <sup>3</sup> reclaimed	- -
<b>E7</b>	<b>Environmental operations</b>	<u>Yes</u>	<u>Yes</u>
<b>E8</b>	<b>Climate Related Risk Oversight</b>	No	No
<b>E9</b>	<b>Sustainability Issue Oversight</b>	Yes	Yes
<b>E10</b>	<b>Climate Risk Mitigation</b>	-	-
<b>S1</b>	<b>CEO Pay Ratio</b>	12.5:1	15.2:1
<b>S2</b>	<b>Gender Pay Ratio</b>	1.1:1	-
<b>S3</b>	<b>Employee Turnover Ratio</b>	11,9%	12,2%
<b>S4</b>	<b>Gender Diversity</b>	15.4/84.6	15.4/84.6
<b>S5</b>	<b>Contractors/Part-Time Worker Ratio</b>	16%	16%
<b>S6</b>	<b>Non-Discrimination Policy</b>	Yes	Yes
<b>S7</b>	<b>Injury Rate</b>	3.2	-
<b>S8</b>	<b>Global Health &amp; Safety Policy</b>	Yes	Yes
<b>S9</b>	<b>Child &amp; Forced Labor Policy</b>	Yes	Yes
<b>S10</b>	<b>Human Rights Policy</b>	Yes	Yes
<b>G1</b>	<b>Board Diversity</b>	42.1/57.9 <i>All independent of Marel</i>	42.1/57.9 <i>All independent of Marel</i>
<b>G2</b>	<b>Board Independence</b>	Yes	Yes
<b>G3</b>	<b>Incentivized Pay</b>	No	No
<b>G4</b>	<b>Collective Bargaining</b>	Yes	Yes
<b>G5</b>	<b>Supplier Code of Conduct</b>	<u>Yes</u>	<u>Yes</u>

<b>G6</b>	<b>Ethics &amp; Anti-Corruption</b>	<u>Yes</u>	<u>Yes</u>
<b>G7</b>	<b>Data Privacy</b>	<u>Yes</u>	<u>Yes</u>
<b>G8</b>	<b>Sustainability Report</b>	Yes	<u>Yes</u>
<b>G9</b>	<b>Disclosure Practices</b>	UN's SDG's	-
<b>G10</b>	<b>External Validation Assurance</b>	Partial	Partial

\* Restated due to improved data accuracy

## Social Responsibility

At Marel, our food processing solutions are developed to help feed the needs of a growing world more safely and efficiently while minimizing the environmental impact. To meet these objectives, we need to act responsibly towards society, our employees, our customers and their social environment. Making social responsibility a priority of our corporate culture means we are dedicated to providing a safe and healthy working environment, which fosters diversity and inclusion for all of our employees. We feel it is important to support individual and team development and to ensure the right of freedom of association for all our employees.

One aspect of our **social responsibility** is to engage with the local communities and stakeholders where we operate to seek local participation and insights. We are investing in these locations for the long term. This is not only good for our business, it helps spur innovation and education among our current and future employees. Naturally, human rights violations, including any forced labor, under-age labor or illegal labor conditions, are not tolerated under any circumstances.

### Human Resources

Our Human Resources mission is to engage competent employees and to provide them with a supportive and ambitious work environment that motivates and encourages them to make Marel's vision their own. To do this, we provide excellent training and opportunities for further education and job development. We work hard to promote a spirit of teamwork and co-operation throughout the whole organization.

We recognize the value of cultural diversity, while at the same time encourage and strengthen our values of Unity, Innovation and Excellence. A policy of open communication, as well as promoting a culture that seeks a healthy balance between work

and personal life is important to us, and we believe it is no less valuable for our employees. We believe this will not only help our employees maintain a creative and stimulating work environment, but also foster innovation and employee satisfaction that will benefit our company in the long run.

	2018	2017	2016
<b>Average number of full-time employees during the year</b>	5,794	4,912	4,599

In order to deal with seasonal fluctuations in order processing and other variances in project load Marel employs a number of temporary workers. In 2018 the ratio for full time temporary workers was 16% of the total workforce.

### HR country numbers

	Total	Share
<b>Netherlands</b>	1,874	27%
<b>U.S.</b>	711	13%
<b>Iceland</b>	697	12%
<b>Brazil</b>	599	11%
<b>Denmark</b>	602	11%
<b>Other countries</b>	1,311	26%
<b>Average FTEs in 2018</b>	5,794	-
<b>FTEs at year-end 2018</b>	6,134	-

### Health, Safety and Environment

Providing a healthy and safe working environment for our employees, contractors and visitors is **important to us** and we take pride in doing it well. Health, safety and the environment concern everybody, and we do our utmost to make sure our employees have the necessary competence, tools and instructions to perform their work professionally and safely.

Safety is a personal commitment that everyone is responsible for at Marel. Local management of all Marel entities are responsible for assuring that processes and procedures are established within their entity that comply with Marel’s health, safety and environment policy and local laws.

A Global HSE team (Health, Safety & Environment) monitors compliance with the Marel HSE Policy and facilitates the process for improvement.

### Diversity

Marel’s Diversity and Inclusion policy is our guidance to ensure our commitment to fostering, cultivating and preserving a culture of diversity and inclusion within the company and increasing job satisfaction as well as well-being in the workplace. The policy supports Marel in becoming a work environment where diversity and inclusion are recognized and valued and all employees are treated with respect and dignity.

We believe this policy will help make Marel a more desirable and responsible workplace that will, in turn, attract and keep the most qualified employees. Our global diversity policy applies to all

Marel employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Team. The diversity policy rests on the four following pillars, each equally important:

1. Ensuring equal opportunity
2. Promoting a company culture of tolerance, diversity and inclusion
3. Acting strong and decisively against any bullying, violence or harassment
4. Increasing the visibility of Marel as a an employer of choice

Marel’s diversity and inclusion committee is appointed biannually, and its members must represent the diversity of our employees and the communities in which we work. The presentation of Marel’s Diversity and Inclusion policy is the responsibility of the CEO, while its execution is the responsibility of the Human Resources Director, company’s management and all of Marel’s employees.

*Composition of governance bodies and breakdown of employees according to gender*

	2018			2017		
	Female	Male	Total	Female	Male	Total
<b>Board of Directors</b>	43%	57%	<b>7</b>	43%	57%	<b>7</b>
<b>Executive team</b>	17%	83%	<b>12</b>	9%	91%	<b>11</b>
<b>Employees</b>	15.4%	84.6%	<b>5,794</b>	15.4%	84.6%	<b>4,912</b>

### Forced Labor and Under-age Workers

We have a zero-tolerance policy at Marel where human rights violations are concerned, including child labor and/or illegal labor conditions. All our employees must have reached the legal working age in the country where they work. None of our facilities shall be associated with illegal labor conditions or forced labor. Since 2017, all new

suppliers have been required to comply with the same standards as Marel does on issues related to human rights and labor, as described in our Code of Conduct.

No human rights violations were reported in 2018.

#### *Freedom of Association*

We are committed to respecting all employees’ freedom of association and right to collective

bargaining without discrimination, as established in the Freedom of Association and Protection of the Right to Organize Convention (C.87), and the Right to Organize and Collective Bargaining Convention (C.98). We ensure that these rights can be exercised by all our employees and those of our business partners directly associated with Marel's services, products and operations.

### **Engagement with Local Communities**

Our main involvement in local communities occurs through our operations in the countries where we work. We focus mainly on educational outreach in collaboration with local educational institutions, and through continuing education of our own employees. Many of our production facilities have internship and trainee programs to assist talented

### **Environmental Responsibility**

Throughout our value-chain, we encourage and promote the most efficient use of resources to minimize environmental impact and prioritize environmental protection. Innovation is at the core of this strategy. We continuously focus on creating new methods for improving yields and minimizing waste in food production by reducing the use of scarce resources such as energy and water while promoting food safety, traceability and animal wellbeing.

One of our goals toward sustainability is to help our customers use less natural resources while minimizing their CO<sup>2</sup> footprint during production. A number of projects have been implemented in order to support precautionary approaches to environmental challenges and to promote greater environmental responsibility along our entire value chain.

In 2017 a Sustainability Scorecard was added to the product development process, which encourages inclusion of sustainable features of products from the beginning of the product development process.

In 2018, all new innovation projects approved for further development were rated with the sustainability scorecard in the feasibility stage.

young professionals entering the workforce in developing their skills in a professional and safe environment.

Another aspect of engaging with local communities is our commitment to fast-track economic development in underdeveloped countries. By introducing new food processing technologies to these locales, we have immediate and radical effects on production capabilities, worker safety and food traceability. One of the main growth sectors for us is the creation of shared value through partnerships in new markets. We intend to deliver market-altering solutions that increase both general well-being and economic progress in all the markets where we operate.

### **Waste Management**

Waste management is an environmental factor in our processes that we take seriously at Marel. In 2018, a full-scale analysis of all our waste-streams was carried out to provide us with a comprehensive overview of our waste footprint, how much of our waste ends in landfills, and how much is either reused or recycled. In 2018, we recycled or reused 75% of our total waste volume.

### **Energy**

Projects that we have instituted to minimize energy consumption at Marel include installing car-charging points for employees and visitors who own electric cars, replacing regular light bulbs with LED lighting where feasible and installing energy management systems in our largest facilities. We are also constantly upgrading our own manufacturing equipment to increase its energy efficiency along with other capabilities.

#### *Energy consumption & intensity*

	<b>Total GWh</b>	<b>KWh per m<sup>2</sup></b>	<b>MWh per employee</b>
<b>2018</b>	62.9	253	10.86
<b>2017</b>	61.6	244	12.54

Our primary energy sources are natural gas with around 46% of all energy consumed by Marel produced by renewables and 40% made by burning natural gas.

#### Electricity consumed by Marel by origin

Origin	Total energy consumed in 2018	Total energy consumed in 2017
Coal	14%	13%
Gas	30%	47%
Oil	<1%	<1%
Renewables	56%	40%

#### Carbon Emissions

Despite our efforts to continually minimize our environmental footprint, overall carbon emissions have been rising steadily, simply due to the fact that the company continues to expand. The two largest contributors to our carbon footprint are energy consumption in Marel facilities and employee air travel. In order to better understand the carbon footprint of the energy we consume, all facilities now report on the generation source of energy used to produce the electricity and heating used in our facilities. This data is then processed by our collaborators from [Circular Solutions](#) who verify our carbon footprint.

- Scope 1 emissions are very limited because no *Stationary Combustion* occurs in facilities controlled by Marel. *Mobile Combustion* emissions from the ca. 1,000 vehicles operated by the company are calculated for the first time in 2018
- Scope 2 emissions are from the electricity and heating used in our offices and manufacturing facilities.
- Scope 3 emissions are mainly the result of employee air travel. Logistics are not included.

#### Scope 1 – Mobile combustion

Carbon emissions	Fossil Fuels	Hybrid or Electricity	Total
Number of Cars	1,015	5	1,020
tCO2e	4,748	8,9	4,757

#### Scope 2 – Heating and electricity

Carbon emissions	tCO2e from Electricity	tCO2e from Heating	Total tCO2e
2018	7,567	5,804	13,371
2017	7,127	6,570	13,697

#### Scope 3 – Employee air travel

	tCO2e
2018	12,880
2017	10,317*
2016	7,654

\*Restated due to improved data accuracy

In order to understand and minimize our indirect carbon footprint, all our larger facilities are installing an energy monitoring system from [eTactica](#). Locations undergoing renovations are also installing solar cells on their roofs to generate locally some of the energy consumed on site.

Because Marel's company network spans the globe, air travel by Marel employees has a negative impact on the environment. As carbon emissions from the aviation industry are considered a leading contributor to global warming, and we feel it is important to understand our role and what we can do about it.

In 2016, we established a new travel platform to monitor the environmental impact caused by employee travel. By collecting and visualizing this data we have already seen improvements and possibilities for reducing our carbon footprint when it comes to employee travel.

Through our travel policy, we will try to continuously lower our carbon footprint by actively encouraging employees to use alternative means of meeting and communicating with each other and our customers.

#### Total carbon emission & intensity

	Total tCO2e	KgCO2e per FTE	kgCO2e per 1000 € of revenues
2018	31,475	5,432	26.27
2017	28,193	5,040	27.10

Marel is currently not participating in any carbon offsetting programs or green energy certification. We will continue to increase the prevalence of renewable energy used by procuring cleaner energy wherever possible as well as improving efficiency in our production processes, employee travel and other operations.

### ***Animal Wellbeing***

Our commitment toward social responsibility extends beyond our employees and customers. Because we are in the food processing business, animal wellbeing is high on our agenda particularly in research and development. In 2017, a sustainability scorecard was introduced within the company's innovation process, where a number of sustainability indicators play a role in deciding the feasibility of taking projects into further development, including animal wellbeing. By highlighting animal wellbeing in the sustainability scorecard we are ensuring environmental and economic responsibility in the most crucial stages of the lifecycle of the product. By instituting good animal wellbeing practices in general, we can increase the quality of products and production while simultaneously reducing the carbon footprint of food processors using Marel solutions.

## **Economic Responsibility**

Throughout our company we promote good business practices along our value-chain through transparency, innovation and collaboration with all our partners. Long-term profitability and fair trade are vital aspects of how we want to conduct our business. Continuous improvements are made to make sure that our partners, our customers, suppliers and we are compliant with international law, anti-corruption rules and compliance regulations. We believe that all parties must contribute fairly towards the societies in which they operate.

### ***Economic Value Generated***

We operate a global network of sales and service units and produce a range of products that are manufactured in the Netherlands, the United States of America, Iceland, Denmark, England and Slovakia.

The economic value generated by our operations in 2018 amounted to EUR 1,198 million, consisting of sales and gains on sales of assets. Furthermore, we directly employed an average of 5,794 full-time employees in 2018. Salaries paid during the year, excluding related expenses, amounted to EUR 344 million, or 28.7% of the economic value generated.

The contributions we make to the societies in which we operate consist of many different elements, including salaries paid to employees and goods and services purchased from local suppliers.

### ***Tax footprint***

Taxes paid by Marel in 2018 amounted to €72.9 million (2017: €63.2m) or 6.1% of the economic value generated. Employment taxes represent 43.5% of the levies during the period and 42.8% are corporate income taxes. In addition to the direct taxes, Marel collects and pays various taxes and duties on behalf of governments. Total taxes and duties collected in 2018 amounted to €91.7 million (2017: €77.2m). In 2018, the total tax footprint amounted to €164.6 million (2017: €140.4m).

### ***Bribery/Anti-Corruption***

We know that our company's reputation is crucial to our success. Therefore, compliance with global anti-bribery and anti-corruption laws and

regulations are taken very seriously. The anti-bribery and anti-corruption policy adopted in January 2016 reinforces our commitment. It applies to all employees, officers and directors, and any contractors, consultants, agents and other business partners engaged in business on behalf of Marel. As an international company, we adhere to the anti-bribery and anti-corruption laws of all the countries in which we operate around the world.

Further information about our anti-bribery and anti-corruption can be found here:

<https://marel.com/about/governance/#reports-documents>