



## MINUTES

### 34<sup>th</sup> Annual General Meeting 2017 of Marel hf.

The Annual General Meeting 2017 of Marel hf. was held at the Company's headquarters, Austurhraun 9, 210 Garðabær, Iceland on Thursday, 2<sup>nd</sup> March, 2017 at 16:00.

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#### Agenda

1. The report of the Board of Directors on the activities of the Company during the preceding year of operation.
  2. CEO's operational report.
  3. Submission of the annual accounts of the Company for the preceding year for confirmation.
  4. Decision on how to address the profit or loss from the Company's operations for the year.
  5. Report on the execution of the Company's remuneration policy.
  6. Proposal on the Company's remuneration policy.
  7. Proposal on the Company's Share-Based Incentive Scheme.
  8. Decision on remuneration to the members of the Board of Directors for the next year of operation and of the Auditor for the preceding year of operation.
  9. Elections of Board of Directors.
  10. Election of an auditor or auditing firm.
  11. Proposal on an authorisation for the Company to buy treasury shares.
  12. Any other business, lawfully presented.
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The Chairman of Marel's Board of Directors, Asthildur Margret Otharsdottir, announced the Annual General Meeting open. She welcomed the shareholders to the meeting.

The Chairman proposed that Arni Sigurjonsson be elected to Chair the Meeting. The proposal was agreed unanimously. The Chair proposed that Kristjan Thorsteinsson be elected Secretary of the meeting to keep the Records of Minutes. The proposal was agreed unanimously.

The Chair reviewed the meeting's calling and announced the meeting to be in accordance with the Company's Articles of Association.

The meeting was announced according to rules.

According to received ballots shareholders holding shares of 546,511,162 outstanding shares attended the meeting, equal to 76.5% of the Company's voting share.

The Annual Report for 2016 was formally released in an interactive form and is available on the Company's website: <http://ar2016.marel.com/>

The Consolidated Financial Statements, 31 December 2016 was available at the meeting. The agenda and all proposals presented to the meeting were also available to the attendants in Icelandic. The meeting was conducted in English.

Passing to the Agenda.

## **1. The report of the Board of Directors on the activities of the Company during the preceding year of operation**

The Chairman of the Board of Directors, Asthildur Margret Otharsdottir addressed the meeting. A recording of the Chairman's speech is available on the following webpage: <http://marel.com/agm>

The Chairman said "2016 was yet another good year for Marel. It was a year of strategic growth and a further strengthening of our foundations. Amidst significant shifts in the world's geopolitical landscape – resulting in both political and economic uncertainty – the strategic drivers in our industry remained intact. The immense social challenge of how to feed the world's population in the future continues to present Marel with opportunities for sustainable value creation by advancing the way food is processed."

The Chairman presented the proposal to pay out dividend, corresponding to 20% of net profits for the operational year 2016. "The Board of Directors is pleased to propose to the Annual General Meeting today that a dividend of 15.3 million is paid to shareholders, corresponding to approximately 20% of net profits. This is fully in line with our dividend policy" she said. In addition, the Board of Directors has authorized management to purchase own shares in 2017 for up to a value of 15 million to be used as payment for potential future acquisitions, she said.

Asthildur also talked about the challenges that face Marel, consumers and companies worldwide today. “During the year, significant progress was made in developing and executing a formal approach to Marel’s corporate social responsibility. Guiding principles for the approach to people, the planet and profit were introduced throughout the organization and Marel became a signatory to the UN’s Global Compact” she said.

The Chairman thanked the management team and other employees for their good performance and the shareholders for the support through the years.

## **2. CEO’s operational report**

Marel’s CEO, Arni Oddur Thordarson presented and discussed the operational results 2016.

A recording of the CEO’s speech and his presentation is available on the following webpage: <http://marel.com/aggm>

“The year 2016 was a great year for Marel and we are at the center point of prevailing trends which are driving global economic development. Our vision and strategy are clear and we are in the position to advance food processing at a global level” said the CEO.

Arni Oddur Thordarson talked about Marel’s growth story, a story filled with strategic acquisitions and strong organic growth. He took the audience back to the year 2005, when Marel’s revenue was 129 million and EBIT 10 million and when Marel’s main focus was on the fish industry. That same year a growth strategy of becoming a global leader and a full line provider to the poultry, meat and fish industries was introduced. Arni then went through the several strategic acquisitions that later took place, the latest one being MPS Meat processing systems in January 2016. “Marel acquired MPS without issuing new shares and managed to stay within targeted capital structure of between x2-3 net debt/EBITDA. Net leverage was at x2.9 net debt/EBITDA after the acquisition and solid operational performance and strong cash flow has now driven it down to x2.25”. Since 2006, Marel’s revenue has grown around 20% per year on average, one-third through organic growth and two-thirds through acquisitions. This has brought Marel to its current situation; global leader in providing advanced equipment and services for the poultry, meat and fish industries with pro forma revenue close to 1 billion and 143 million in EBIT.

Arni Oddur then covered the business and financial highlights of the year 2016.

“Pro forma revenue was 983 million, compared to 819 million in the previous year for Marel stand alone. We have gradually increased the operational performance in recent years and delivered a solid operational performance with 14.6% EBIT in 2016. Earnings per share increased by 34% between years due to an improved operational performance and a better utilization of the balance sheet” he added.

Throughout the year, the modernization and maintenance business remained strong while we saw some softness in the Greenfield and expansion projects at the beginning of the year. However, in Q4 we saw the order intake at an all-time high with landmark projects secured for the poultry, meat and fish industries around the globe, resulting in a strong order book entering 2017. These Greenfield projects will now go into engineering phase

and will start to deliver revenue in Q2 2017 and onwards. Our product portfolio is strong and we introduced several revolutionary products to the market in 2016,” he added. Significant investments were also made in advancing Marel’s business, upgrading manufacturing equipment as well as improving facilities and IT platforms.

Arni talked about Marel’s business model that consists of three main revenue streams; Greenfields, modernization and standard equipment and service and spare parts. Recurring revenue from service and spare parts are now 36% of total revenue, compared with 7% in 2005. “Our Greenfield projects are Marel’s future revenue as they continue to deliver recurring service revenue and modernization revenue going forward.”

Finally Arni Oddur introduced Marel’s outlook and strategy. Marel is targeting 12% average annual revenue growth in the next 10 years. Marel’s management expects 4 - 6% average market growth in the long term and the target continues to be set at growing faster than the market organically driven by innovation and market penetration. Strong financials and an experienced and united team make Marel well equipped to take on further growth through strategic acquisitions. By maintaining solid operational performance and strong cash flow a 5 – 7% annual revenue growth by acquisition can be pursued. Organic and acquisition growth will not be linear but based on opportunities, economic fluctuations and general economic conditions. “We are firmly committed to delivering increased value to the society, customers and shareholders by enhancing safe and sustainable food processing. We will continue to drive the growth forward with passion and discipline,” said Arni Oddur.

### **3. Submission of the annual accounts of Marel for the preceding year for confirmation**

The Chair submitted Marel hf audited Consolidated Financial Statements of 2016, for approval of the meeting.

The attendants were invited to speak about the address of the Chairman, the CEO’s presentation and the Company’s Financial Statements. No one commented.

The Annual Report 2016 is available on the Company’s website in an interactive format: <http://ar2016.marel.com>

The Consolidated Financial Statements for 2016 and the proposal to carry over the Company’s net profit of the year to the following year were subsequently approved with all casted votes.

### **4. Decision on how to address the profit or loss from the Company’s operations for the year.**

The following proposal on payment of dividends for the year 2016 was brought before the Meeting:

*The Board of Directors proposes that a dividend of 2.14 euro cents per share be paid for the operational year 2016. The estimated total dividend payment, based on outstanding shares on 8 February 2017, will be 15.3 million euro corresponding to approximately*

*20% of profits for the year, which amounted to 75.8 million euro. The proposed dividend is in line with Marel's targeted capital allocation and dividend policy.*

*If approved by Marel's shareholders, the Company's shares traded on and after 3 March 2017 (Ex-date) will be ex-dividend and the right to a dividend will be constricted to shareholders identified in the Company's shareholders registry at the end of 6 March 2017, which is the proposed record date. The board will propose that payment date of the dividend is 23 March 2017.*

*The Board of Directors otherwise refers to the annual accounts as regards how to address the profit for the year 2016 and proposes that the profit will be carried over to the following year.*

The proposal was agreed by all casted votes.

## **5. Report on the execution of the Company's remuneration policy**

The Chairman of the Board of Directors reported on the main topics regarding execution of the remuneration policy.

The Remuneration Policy is presented at Marel's web page.

The Chairman said: "We introduced this item on our AGM agenda last year as a result of a good dialogue with shareholders and our ambition to provide transparency in remuneration matters.

Last year, we went through a detailed description of the complete Remuneration Policy. Rather than repeating that today, I want to focus on the execution of the policy in 2016 and the proposed changes for this year.

Let's keep in mind that the Remuneration Policy is applicable to the CEO and other members of the Executive Team as well as the Board of Directors."

Marel's Remuneration Policy is designed to attract, motivate and retain exceptional employees in a competitive and international market.

Marel's aim is to offer competitive but not excessive remuneration, composed of:

- A fixed annual base salary;
- A short term incentive in the form of an annual cash bonus when predefined targets are met;
- A long term incentive in the form of stock options

Marel acquires benchmarking information from internationally recognized compensation consultancies for each of these components, comparing information from companies of similar size and complexity as Marel.

Then the Chairman said:

"Our short-term incentive program – which we call our bonus program – is based on the achievement of a number of pre-defined financial and non-financial strategic targets,

which are approved by the Board of Directors. According to last years' structure, a bonus amounting to 30% of fixed annual salaries was awarded if all targets were met and the bonus could reach a maximum of 40% if, specific financial targets are exceeded by 20% or more.

Taking into consideration that we operate in a highly competitive environment, we do not publish our targets or achievements. However, to give you some insights for last year, financial targets accounted for 2/3 and strategic non-financial targets for 1/3 of the bonus at target. Financial targets were based on overall company performance and were common for all members of the executive team. They included parameters measuring profitability, working capital and development of the order book.

The non-financial targets included both common targets for the whole team and individual targets. These reflected the strategic focus areas for the year within the perspective of the long-term objectives of the Company. Common targets last year related to organizational health and employee satisfaction as well as execution of key strategic projects.

Annual bonuses are paid out in April of the following year. So in our 2016 financial statements, you can see the bonus amounts awarded for achievements in 2015. 2015 was a great year with results beyond expectations, which is reflected in the bonus being around 38% of 2015 annual base salaries. Looking at the previous year, you will see a much lower amount, based on achievements in 2014. We are currently in the process of determining the final bonuses for 2016 but they are estimated to be closer to the target level, or slightly above 30% of annual base salaries. We will report the final results for 2016 at our 2018 AGM.

Our long-term incentives, which have been the form of stock options, are designed to promote a balance between short-term achievements and long term thinking with the objective of aligning the interests of the executive management and the shareholders.

Last year, we issued a total 2.2 million options to the CEO and members of the executive team, corresponding to 0.29% of share capital.”

The Chairman then discussed the changes proposed for this year.

“We mentioned to you at the AGM last year that there were indications that we were falling behind in comparison with our benchmarking group, particularly regarding the incentive programs.

In this respect, it is important to keep in mind the significant growth of Marel in recent years and the future growth agenda that both Árne and I presented earlier in this meeting. We are building tomorrow's team, not yesterday's.

So in 2016, the Remuneration Committee and HR expanded the benchmarking studies and made a more extensive research of market practices and trends in executive compensation, with the assistance of a global remuneration consultancy.

The results of this research confirmed that we were below market practice, particularly on the variable components for the most senior executives. The proposed changes for 2017

address these concerns as well as concerns voiced by shareholders regarding complexity and lack of transparency of our previous stock option program.

What we have proposed regarding the short-term bonus program is introducing different bonus levels within the Executive Team and an increase in the percentage of annual base salary, which can be reached for some of these levels. For the CEO, the proposed bonus is 50% at target, reaching a maximum of 70% if financial targets are exceeded. For other members of the executive team the proposed percentage at target can be up to 45% and reach a maximum of 60%.

The conceptual structure of the short-term incentives is otherwise unchanged.

For the long-term incentives component, we propose a simplified structure. The proposed change to the Remuneration Policy involves a requirement to separately submit any share-based agreements and schemes to a shareholders' meeting for approval. By this change, we are addressing shareholders' concerns of the lack of full transparency on the Board's authorization to issue stock options. Furthermore, the stock option scheme we propose today is a simplified version of our previous program. The maximum number of options the Board is authorized to grant is specified at 13.5 million, the vesting time is changed from a 5 year term with 3 tranches to one 3 years vesting period. The hurdle rate is eliminated. Other general terms and conditions remain materially unchanged, including the requirement to hold shares corresponding to the after tax and cost gain of the options at exercise. We believe that the holding requirement further aligns interest of shareholders and executive management."

Then the Chairman finally discussed briefly the **compensation of the Board of Directors**. "We state in the Remuneration Policy that our proposal to you takes into account the extent of responsibilities and time commitment, the results of the Company and benchmark data on fees paid by European peer companies, which are similar to Marel in terms of size and complexity. We fall short in international comparison and are more in line with our Icelandic listed company peers. The Board's proposal for this year's fees represents a 9% increase in board fee and 7% increase in committee fees from last year. Last year, board fees remained unchanged but the committee fees were introduced for the first time."

The Chairman welcomed any questions now or later in the meeting, regarding the remuneration policy.

## **6. Proposal on the Company's remuneration policy**

The Board of Directors proposed that the Remuneration Policy for the year 2017 will be approved with certain amendments to the current policy, related to short- and long-term incentives which have been adjusted towards international benchmarking. The proposed revised Remuneration Policy for the year 2017 is as follows:

### ***Marel Remuneration Policy***

*The Remuneration Policy of Marel hf. and its subsidiaries (the "Company"), is designed to attract, motivate and retain exceptional employees in a competitive and international*

market. The policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for shareholders.

The Remuneration Policy applies to the Company's senior management, including its Executive Team and Board of Directors.

### **Executive Team Remuneration**

The remuneration of Marel's Executive Team is proposed by the Remuneration Committee and subsequently approved by the Board of Directors. It is evaluated annually against performance and a benchmark of international companies, which in size and complexity are similar to Marel. Benchmark information is obtained from internationally recognized compensation service consultancies.

Total remuneration shall be comprised as follows:

- **A fixed base salary**, set at a level aimed at attracting and retaining executives with professional and personal competences required to drive the Company's performance.
- **Short-term incentives**, based on the achievement of a number of pre-defined financial and non-financial strategic business targets approved by the Board of Directors. Short-term incentives for the CEO amount to 50% of annual base salary at target and can reach a maximum of 70%. Short-term incentives for other members of the Executive Team can amount to up to 45% of the annual fixed base salary at target and reach a maximum of 60%. Short-term incentive payments are subject to recovery, provided that they have been based on data, which proved to be manifestly misstated, false or misleading.
- **Long-term incentives in the form of stock options**. Marel has implemented stock option programs with the objective of aligning interests of executive management and selected employees in strategic positions with the long-term goals of the Company and its shareholders. The key terms of share-based incentive agreements and programs shall be submitted to a Shareholders' Meeting for approval.
- **Pension contributions**, made in accordance with applicable laws and employment agreements.
- **Severance payments** in accordance with termination clauses in employment agreements. Severance payments shall comply with local legal framework.

### **Board of Directors**

Members of the Board of Directors shall receive a fixed, monthly payment in accordance with the decision of the Annual General Meeting of the Company. The Board shall submit a proposal on the fee for the upcoming operating year, taking into account the extent of responsibilities and time commitment, the results of the Company and benchmark data on

*fees paid by European peer companies, which in size and complexity are similar to Marel.*

*Board members are not offered stock options or participation in incentive schemes.*

*Individual board members may take on specific ad hoc tasks outside their normal duties assigned by the Board. In each such case, the Board may determine a fixed fee for the work carried out related to those tasks, which shall be disclosed in the Company's annual financial statements.*

### ***Disclosure of Information***

*Information on the total remuneration of members of the Company's Board of Directors, Executive Team and senior management accountable for more than 10% of the assets or earnings of the Company, shall be disclosed in the Company's annual financial statements. This includes any deferred payments and extraordinary contracts during the preceding financial year.*

### ***Approval of the Remuneration Policy***

*This Remuneration Policy shall apply to all future employment agreements with members of Company's Executive Team and Board of Directors.*

*The Remuneration Policy is binding for the Board of Directors as regards its provisions on stock options. In other respects, the Remuneration Policy shall be of guidance for the Board. Any departure from the policy shall be recorded and reasoned in the Board's minutes.*

*This Remuneration Policy has been approved by the Board of Directors of Marel hf. in accordance with article 79a of the Icelandic Companies Act No. 2/1995, taking into consideration the NASDAQ Iceland Rules for Issuers of Financial Instruments and the Icelandic Guidelines on Corporate Governance. The Remuneration Policy is reviewed annually and shall be approved by the Company's Annual General Meeting, with or without amendments. The Company's Remuneration Policy shall be published on its website.*

Árni H. Gunnarsson, a representative for Gildi pension fund congratulated the Board of Directors, the management and the staff on the results in 2016. He also congratulated on the presentation of the annual results and report for 2016. Árni welcomed the addition of the Share Based Incentive Scheme as an item on the agenda of this AGM as such scheme is a matter that is relevant for discussion and voting for by the shareholders.

Árni stated that Gildi pension fund will abstain from voting on the remuneration policy in item 6 on the agenda, abstain from voting on the Company's Share-Based Incentive Scheme in item 7 on the agenda, and abstain from voting on the authorization for the Company to buy treasury shares in item 11 on the agenda.

Then Árni asked the following questions:

1. Under the current remuneration policy short-term incentives cannot exceed 40% of the fixed based salary. It is proposed at this meeting that this percentage based

- cap is increased to the range of 50-70% for the CEO and 45-60% for other members of management. Would it be possible to explain further the underlying reasons for these increases being proposed and are they necessary to enable Marel to attain its goals?
2. Under the current remuneration policy long-term incentives cannot exceed 20% of the annual base salary at the date of issue. It seems this cap is no longer a part of the remuneration policy and not a part of the proposed share-based incentive scheme. If this is correct, does this indicate a change in policy in the distribution and size of long-term incentives granted to management and would it be possible to explain further the underlying reasons for these proposed changes?
  3. In addition, the current remuneration policy states that the exercise price of options is adjusted annually with a hurdle rate as well as for future dividend payments. It seems the hurdle rate is not included in the proposed remuneration policy or the proposed share based incentive scheme. If correct, would it be possible to explain further the reason for this change?

The Chairman thanked good words and the questions. She then responded to the above questions and mostly referred to her earlier report on the execution of the Company's remuneration policy.

There were no further discussions about the remuneration policy. The proposal was agreed by all casted votes. Gildi pension fund abstained from voting.

## **7. Proposal on the Company's Share-Based Incentive Scheme**

On the basis of the proposed revised Remuneration Policy the Board of Directors further proposed the following share-based incentive scheme to be approved:

***Type of share incentive program:*** *Stock options.*

***Participants:*** *The CEO and selected employees in strategic positions.*

***Total number of share options:*** *Up to 13.5 million shares may be granted as options and be in effect at each time under the program. If any stock options lapse prior to their vesting date, new stock options may be granted instead.*

***Granting time:*** *The stock options shall be granted periodically. No more than 5 million shares shall be granted as options and be in effect under the program in 2017.*

***Vesting time:*** *3 years from the grant date.*

***Exercise period:*** *Immediately after the stock options are vested and/or within 1 year thereafter (within selected exercise periods).*

***Exercise price:*** *The EUR equivalent of the closing rate of Marel shares at NASDAQ Iceland on granting date (calculated with the Central Bank of Iceland midrate EUR/ISK). The exercise price shall be adjusted for future dividend payments (cent against cent).*

**Other key terms and conditions:**

- *Participants are required to hold shares, corresponding to the net profit gained of the share options after deduction of taxes, until their employment with the Company is terminated.*
- *In general, any unvested share options will lapse if the participants are no longer employed with the Company. The Company may decide to waive this condition, including if a participant becomes disabled or dies.*
- *If a change of control occurs, as provided for in Article 100 of the Icelandic Securities Transactions Act No. 108/2007, any outstanding stock options shall vest (accelerated vesting) in the proportion of the relevant applicable vesting period (from granting date until accelerated vesting date).*
- *The Company shall not grant any loans or guarantees to participants in connection with the share options.*

No requests to comment on the proposal were put forward.

The proposal was agreed by all casted votes. Gildi pension fund abstained from voting.

**8. Decision on remuneration to the members of the Board of Directors for the next year of operation and of the Auditor for the preceding year of operation.**

*The Board of Directors proposed that the remuneration to Board members for the year 2017 will be €3,000 per month. The Chairman of the Board receives triple monthly remuneration and the Chairman of the Audit Committee receives double monthly remuneration. Members of sub-committees of the Board will further receive remuneration in the amount of €800 per month. The remuneration will be paid on the 15th day of each month. Furthermore, the Board of Directors proposes that the Auditor's fees will be paid against their invoices approved by the Company.*

No requests to comment on the proposal were put forward and subsequently the proposal was agreed by all casted votes.

**9. Elections of Board of Directors.**

The deadline for submitting valid candidacy declarations for the Board of Directors to be elected on the AGM 2017 expired on 25 February 2017 at 16:00 (GMT), in accordance to Marel's Articles of Association.

*The Board of Directors proposed that the Company's shareholders elect seven Directors to serve on the Board of Directors.*

The proposal was agreed by all casted votes.

Following candidacy had been declared before the above deadline:

*Ann Elizabeth Savage, Spalding, Englandi*

*Arnar Thor Masson, Reykjavik*  
*Asthildur Margret Otharsdottir, Reykjavik*  
*Astvaldur Johannsson, Seltjarnarnes*  
*Helgi Magnusson, Seltjarnarnes*  
*Margret Jonsdottir, Seltjarnarnes*  
*Olafur S. Gudmundsson, Reykjavik*

No further proposals to Board of Directors were submitted, resulting in the above-mentioned candidates chosen without election. The condition stipulated in Article 5.2 of the Articles of Association regarding gender ratio of Directors was satisfied as the new Board consists of four males and three females. The Chair declared them rightfully elected to the Board of Directors of Marel hf. for the next twelve months and congratulated them on the election and continued success.

#### **10. Election of an auditor or auditing firm**

The following proposal on auditor was presented before the Meeting:

*The Board of Directors proposes that the auditors KPMG ehf. will be the Company's auditors.*

No requests to comment on the proposal were put forward and subsequently the proposal was agreed by all casted votes.

#### **11. Proposal on an authorisation for the Company to buy treasury shares.**

*The Board of Directors proposed that the Company is authorized to acquire up to 10% of its own shares. Requirements pursuant to Article 55 of the Icelandic Companies Act No. 2/1995 shall be taken into consideration when own shares are purchased on the basis of this authorization. It is furthermore proposed, that this authorization is effective for the next 18 months from approval. Earlier authorization shall be withdrawn.*

No requests to comment on the proposal were put forward. The proposal was agreed by all casted votes. Gildi pension fund abstained from voting.

#### **12. Any other business, lawfully presented**

The Chair informed that no other matters had been rightfully proposed to the Company's Board of Directors before the Meeting but invited attendants to speak about the Company's matters or bring forward questions. There were no further discussions.

The Meeting approved that the Chair and the Secretary will conclude the minutes of this AGM. The Meeting was adjourned at 17:35.

Asthildur Margret Otharsdottir thanked the shareholders for the attendance to the meeting.

Garðabær, 2<sup>nd</sup> March 2017

Chair:



Árni Sigurjónsson

Secretary:



Kristján Þorsteinsson