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# Explanatory note

## Reporting scope and principles

Marel follows the Nasdaq ESG reporting guidelines and has been a Nasdaq ESG transparency partner since 2019. The [Nasdaq ESG guidelines](#) are aligned in most cases with the [Global Reporting Initiative](#), the [UN Global Compact](#), the [Task Force on Climate Related Financial Disclosures](#) and the [Sustainability Accounting Standards Board](#). This approach offers flexibility to represent Marel's sustainability performance as best as possible until the global sustainability reporting landscape transitions towards homogenization of the various standards. Entities that Marel has financial control over are included in its ESG data. Marel does not account for sustainability performance from the operations it owns an interest in but has no control. Acquisitions are included in environmental and social metrics to the extent that the integration process has been finalized. Marel aims for a one year time frame to include newly acquired entities into its sustainability disclosures.

Marel's ESG data covers the reporting year from January until December, with the exception of the emission data from business air travel (scope 3) where we have opted to report the December until November period to provide full year information as December data is only available after publication of Marel's ESG disclosure. As we become more mature in our ESG data journey we have more and better data quality available for 2022 compared to prior years, capturing all manufacturing and office locations. In selective office locations data constraints remain in 2022, though these have been accounted for by using regional benchmarks. The environmental metrics have been calculated in close consultation with our sustainability advisor Sustainalize, part of the ERM Group.

There was a large decrease in Marel's scope 2 market-based electricity emissions in the year. This decrease has been achieved by signing several green energy contracts for some of Marel's largest manufacturing locations in Europe. 2022 is the first time we are reporting on carbon emissions from two significant scope 3 categories (i) purchased goods and services and (ii) use of sold products. This will support Marel in further engaging in its value chain and promoting environmental responsibility not just in own operations but also amongst our suppliers and customers.

In accordance with the Science Based Targets Initiative, 2021 greenhouse gas inventory was updated along with 2022 to take into account changes in company structure and coverage. This was done to improve consistency between figures for transparent reporting on science-based targets.

## Definitions and abbreviations

### Average full-time employee

Average of employees at end of each month.

### CEO pay ratio

CEO total compensation to median Icelandic FTE compensation. CEO long-term incentives based on Black-Scholes. CEO pay ratio has been restated for 2021, from 18.2:1 to 17.6:1. Restatement was done due to improved 2021 data quality.

### Contingent workers ratio

Percentage of total headcount held by contingent workers. Contingent workers are workers not on Marel payroll. Also referred to as Third Party Workers.

### CSR

Corporate Social Responsibility

### Emissions from purchased goods and services

This emission category includes upstream emissions from the production of all the products purchased by Marel in a reporting year.

### Emissions from use of sold products

This emission category includes emissions from the use of all the equipment and parts sold by Marel in a reporting year.

**Emission intensity**

Emission intensity is represented by three metrics, (i) Volume of carbon emissions per 1,000 Euros of revenue, expressed in tonnes CO<sub>2</sub>e (carbon dioxide equivalent), (ii) emissions per square meter of all Marel facilities globally and, (iii) emissions per average full-time employee. The emission intensity metrics have been restated for 2021 to account for the expanded scope 3 disclosure in 2022, the metrics were also converted from Kg CO<sub>2</sub>e to tonnes CO<sub>2</sub>e.

**Employee turnover ratio**

Percentage of employee turnover per average employee headcount.

**Energy intensity**

Total energy usage in megawatt hours (MWH) per average full time employee.

**Energy usage (Direct)**

Total amount of energy directly consumed by Marel in gigawatt hours (GWH). This includes combustion of gasses, petrol and diesel.

**Energy usage (Indirect)**

Total amount of energy indirectly consumed by Marel in gigawatt hours (GWH). This includes purchased electricity and heat.

**ESG**

Environmental, Social, and Governance

**Overall female ratio**

Percentage of total enterprise headcount held by women.

**Gender pay ratio**

Male median annual base salary to female median annual base salary of employees at Marel at year-end. Salaries of part-time employees are annualized to full-time.

**GHG Protocol**

Greenhouse Gas Protocol

**GDPR**

General Data Protection Regulation

**Headcount**

Person with an employment agreement for an (un)limited period, either full-time or part-time and being paid directly by Marel. The words employee and headcount are used interchangeably.

**HSE**

Health, safety, and the environment

**Independent Board Directors**

The Board of Directors has assessed which directors are independent according to the Icelandic Guidelines on Corporate Governance. All seven directors: Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Olafur S. Gudmundsson, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company's major shareholders. According to the Guidelines, the tenure of a director does not affect the independency assessment.



### **Injury rate**

Total reportable incident rate (TRIR) measured as total reportable injuries (fatality, lost time incident or restricted work) per 100 employees. A metric for measuring safety in terms of hours worked by all employees within a given year.

### **Market-based and location-based**

Marel reports both a market-based and location-based scope 2 emissions figure, in line with the recommendation of the GHG protocol. The market-based figure reflects emissions resulting from the specific electricity mix and other contractual instruments that Marel has purposefully purchased. The location-based approach reflects the average emissions intensity of grids on which energy consumption occurs, using mostly grid-average emission factor data. In instances where the energy mix is unknown the location-based approach is used to calculate the carbon emissions based on the average kgCO<sub>2</sub>e/kWh that applies in the country of that facility. These country specific energy mixes are derived from the International Energy Agency.

### **Non-renewable energy**

Includes natural gas, coal, oil, and nuclear.

### **Renewable energy**

Includes hydro, solar, wind, and biomass. Renewable energy number has been updated for 2021 due to the availability of better quality data.

### **SBTi**

Science Based Target initiative. Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals. Marel's near-term target has been validated by the SBTi in 2022.

### **Scope 1, 2 & 3**

We report our scope 1, 2 and 3 emissions according to the Greenhouse Gas Protocol.

#### **Scope 1**

All direct GHG emissions that occur from sources directly controlled by the company. Marel's scope 1 is composed of the emissions from the combustion of natural gas in controlled boilers and the emissions from fuel combustion in vehicles operated by Marel such as company cars. Leased vehicles are operational leases and are reported under scope 1 based on their tank-to-wheel emissions.

#### **Scope 2**

All indirect GHG emissions that are associated with the purchase of electricity, steam, heat, or cooling. For Marel, scope 2 is composed of the emissions resulting from generating electricity purchased or used by Marel in offices and manufacturing facilities. Additionally, the emissions resulting from generating district heating is included in scope 2.

#### **Scope 1 and 2 data**

Data is collected from all entities on a quarterly basis and consolidated at the corporate level. Appropriate emission factors are applied to consumption data to calculate CO<sub>2</sub>e emissions. In cases where data is not (timely) available, we extrapolate emissions based on previous year consumption and local benchmarking.

#### **Scope 3**

All indirect emissions (not included in scope 2) that occur in Marel's value chain including both upstream and downstream emissions. Marel currently reports on business travel by air (downstream), waste generated in operations (downstream) from its manufacturing facilities, purchased goods and services and use of sold products.

### **Scope 3 data**

Data is collected on scope 3 emission categories on a quarterly basis. Emissions from purchased goods and services and use of sold products make up a large part of Marel's reported emissions in 2022.

#### **Purchased goods and services**

Emissions from purchased goods and services are calculated by analyzing purchase orders and invoiced spend data as retrieved from Marel's manufacturing locations for purchased goods and services related to the production of products and spare parts. As such this includes raw materials, components, and/or outsourcing of production processes.

The purchase order data analyzed includes the material type, volume and weight purchased. The material type is used to assign corresponding emission factors from the Ecoinvent database. This allows for automated calculation of total emission on the basis of the sum of all orders placed with suppliers by manufacturing sites. Where data quality is lacking to use purchase order data, invoiced spend data is used to determine the value of residual goods & services that could not be calculated. This is used to estimate remaining emissions based on extrapolation which is added to the total calculation.

#### **Use of sold products**

Emissions from use of sold products are calculated by analyzing electrical power of machines installed by Marel at customer sites in different geographical locations. Emissions are calculated by estimating an average usage time of the machines, multiplied by the electricity consumption which is then multiplied by the emission factor for the applicable geographic location as derived from International Financial Institutions (IFI) default grid factors database.

#### **Waste generated from operations**

This category accounts for total carbon footprint of the waste Marel generates with its operations. Manufacturing locations track whether a batch of waste is recycled or incinerated/landfilled. The total amount of waste per category is multiplied with emission factors to calculate the emissions. The final number is the sum of all categories and is reported in tonnes CO<sub>2</sub>e.

#### **Business travel by air**

Carbon emissions from air travel are provided to Marel directly from the external travel agency. These are based on all the short, medium, and long-haul flights taken over the year.

Marel is constantly working on improving data quality across scope 3 categories by putting stronger processes in place to reduce dependency on assumptions and extrapolations. The reported scope 3 emissions in 2022 may require restatement if improvements in data quality provides deeper insights into the reported figures.

#### **TCFD**

Task Force on Climate-Related Financial Disclosures. Marel's 2022 climate-related report will be published at the same time as Consolidated Financial Statements in February 2023.