



## MINUTES

### 35<sup>th</sup> Annual General Meeting 2018 of Marel hf.

The Annual General Meeting 2018 of Marel hf. was held at the Company's headquarters, Austurhraun 9, 210 Garðabær, Iceland on Tuesday, 6<sup>th</sup> March, 2018 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. 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.
  8. Elections of Board of Directors.
  9. Election of an auditor or auditing firm.
  10. Proposal on an authorisation for the Company to buy treasury shares.
  11. 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 to be elected to Chair the Meeting. The proposal was unanimously agreed. The Chair proposed that Kristjan Thorsteinsson to be elected Secretary of the meeting to keep the Records of Minutes. The proposal was unanimously agreed.

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 576,724,762 outstanding shares attended the meeting, equal to 84.3% of the Company's voting share.

The Annual Report for 2017 was formally released in an interactive form and is available on the Company's website: <http://ar2017.marel.com/>

The Consolidated Financial Statements, 31 December 2017 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/aggm>

"We are proud of the achievements of the Marel team in 2017. It was a great year with strong financial results. Significant investments were made in strengthening Marel's foundation and important progress made towards our growth targets, benefitting both customers and shareholders.

This year, Marel celebrated the 25th anniversary of its listing on NASDAQ Iceland and 2018 will mark the 35th anniversary of its founding. Marel has created excellent value for its shareholders since its listing in 1992 and progressed from a startup to a leading global provider of advanced food processing systems for poultry, meat and fish.

The listing on Nasdaq Iceland has served Marel well but we have growing concerns about the relative size of the company on the Icelandic stock market. To further advance the global vision and drive continued shareholder returns Marel has engaged STJ Advisors, a leading independent capital markets advisory firm, to evaluate potential listing alternatives. We are committed to responsible growth and long-term value creation for Marel and all of our shareholders." said the Chairman.

The Chairman thanked her fellow Board members, 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 2017.

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

“Marel is a global leader in a dynamic growth industry with over EUR 1 billion in revenues. Revenues are up by 6% year-on-year and we have now been operating at an EBIT level of around 15% for eight consecutive quarters. In transforming the way food is processed, we have also been growing and advancing Marel as a company. Our revenues are well balanced geographically, consisting of a healthy mix of greenfield projects, modernization and extension projects with steady recurring revenues coming from our maintenance business. With an innovative portfolio and continued good partnerships with our customers, orders received were a record EUR 1,144 million in 2017, up 13% over last year.

The outlook is promising and in 2017 we introduced an ambitious growth plan for the next ten years with a target of 12% average annual growth, both organic and acquired. United under one vision and one set of values, our dedicated team of 5,400 employees is firmly committed to delivering increased value to our society, customers and shareholders by enhancing safe and sustainable food processing.“ said the CEO.

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

The Chair submitted Marel hf audited Consolidated Financial Statements of 2017, for approval of the meeting. He drew the attendants' attention to that by approving the Consolidated Financial Statements the meeting is also approving the Parent Company's Financial Statements for 2017.

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 2017, including the Company's Financial Statements, is available on the Company's website in an interactive format: <http://ar2017.marel.com>

The Consolidated Financial Statements for 2017 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 dividend for the year 2017 was brought before the Meeting:

*The Board of Directors proposes that a dividend of 4.19 euro cents per share be paid for the operational year 2017. The estimated total dividend payment, based on outstanding*

*shares on 7 February 2018, will be 29 million euro corresponding to approximately 30% of profits for the year, which amounted to 96.9 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 7 March 2018 (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 8 March 2018, which is the proposed record date. The Board will propose that payment date of the dividend is 27 March 2018.*

*The Board of Directors otherwise refers to the annual accounts as regards how to address the profit for the year 2017 and proposes that the profit will be carried over to the following year.*

The above 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 two years ago – in line with our ambition to provide increased transparency in remuneration matters.

Let us 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.

Like most growth companies – in particular, companies founded on knowledge and intellectual capital – Marel has identified access to qualified employees as a key risk when it comes to realizing its ambitious growth strategy.

Which brings us to the core of Marel's Remuneration Policy, **designed to attract, motivate and retain exceptional employees in a competitive and international market.**

Our 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

We acquire benchmarking information from internationally recognized compensation consultancies for each of these components, comparing information from companies of similar size and complexity as Marel in Northern Europe, with particular focus on the Nordic Countries. For the last couple of years, we have been working with Mercer, one of the world's leading human resource consulting firms.

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. 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%.

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 development of key strategic projects as well as organizational health.

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.

In addition to aligning interests, a healthy structure of fixed and variable components provides financial flexibility and a decrease in operating leverage, which is important through economic cycles.

### **Changes last year**

Last year, the Board proposed changes to the Remuneration Policy and introduced a separate proposal for stock options. Both of these were explained in detail at the meeting before they were approved by shareholders and registered in the minutes of the 2017 AGM.

To recap, we reported to you that the results of our extended benchmarking studies confirmed that we were below median market practice, particularly on the variable components for the most senior executives. The proposed changes partially addressed these concerns as well as concerns voiced by shareholders regarding complexity and lack of transparency of our previous stock option program.

We proposed different levels of short-term bonuses 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 long-term incentives component, we proposed an authorization to issue up to 13.5 million stock options according to a simplified structure: changing from a 5 year tranching term to a 3 year term and eliminating the hurdle rate, both in line with market practice. We also proposed a requirement for all share-based agreements and schemes to be separately submitted to a shareholders' meeting for approval. By this change, we were addressing shareholders' concerns of the lack of full transparency on the Board's authorization to issue stock options.

Other general terms and conditions remained 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.

**The Board of Directors has proposed that the Remuneration Policy is approved without further amendments for 2018.**

Now, let's look at the execution in 2017.

Annual bonuses are paid out in April of the following year. So in our 2017 financial statements, you can see the bonus amounts awarded for achievements in 2016. I mentioned to you at the last AGM that we expected these to be close to target level or 30% of base salaries, which was indeed the case.

We are currently in the process of determining the final bonuses for 2017 and they are estimated to be around target level as well. Considering the great results we had in 2017, I hope that gives you confidence that the Board's target setting is ambitious.

In March 2017, we granted a total of 3.2 million stock options to the CEO and other members of the executive team, corresponding to 0.4% of share capital and with an estimated cost of EUR 1.7 million over the next 3 years. At the end of 2017, the total of outstanding stock options amounted to 9.9 million, corresponding to 1.3% of total issued shares.

I want to give you a quick example of the development of the CEO's compensation in 2017. The base salary was increased by 10%, reflecting development towards the median of our benchmarking results. Short-term bonus was set at 50% at target, in accordance with the Remuneration Policy and in line with benchmarks. Long-term incentives, in the form of stock options were set at slightly above 50% of base salary, calculated according to Black & Scholes, the internationally accepted method for calculating the value of stock options. Long-term incentives **are lower than median** according to our benchmarks, resulting in an overall compensation package below benchmarks.

Other members of the Executive team have a larger portion of fixed salary and smaller variable.

### **Compensation of the Board of Directors**

Finally, briefly regarding **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 have fallen short in international comparison and been more in line with other listed companies in Iceland. Taking into consideration responsibilities and expected time commitment in 2018, the Board's proposal for this year's board fee is EUR 3.500 and committee fee EUR 900, representing a 16.7% increase and 12.5% increase from last year, respectively.

We have been very reluctant to discuss Marel's Remuneration Policy in any relation to developments in the Icelandic krona or the Icelandic wage index, which are both highly volatile. The company's financial statements are in euros and executive remuneration is dominated in euro. Marel is an international company with executives and board members residing in various countries. Three of seven board members reside outside of Iceland. However, as we have received an amendment proposal, referring to developments of the

ISK and the Icelandic wage index it should be noted that over a period of five years, from March 2013 to March 2018, **including the Board's proposed increase today**, the board fee measured in ISK has increased by 6.3% while the Icelandic salary index has increased by 40%. A similar situation is applicable to members of the company's executive team residing in Iceland.

I hope this has given you further insights into the remuneration items. As already mentioned, the Board is committed to ensuring the remuneration structure is competitive and prudent, following **international market practices**.

I welcome any questions you may have and like last year, the highlights of this report will be provided in the minutes for this Annual General Meeting”.

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

The Board of Directors proposed that the Remuneration Policy for the year 2017 should be approved unchanged for the year 2018. The proposed Policy 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.*

An amendment proposal was submitted by Brú pension fund before this Annual General Meeting. This amendment was regarding the long-term incentives, where the following should replace the proposal from the Board of Directors in this respect:

*“Long-term incentives in the form of stock options. Marel has adopted a stock option scheme aimed at linking the interests of its executives and selected employees in key positions with the long-term objectives of the company and its shareholders. The exercise price of stock options shall increase by 6% annually from the date the options are granted with the initial exercise price based on the closing price of shares in Marel in EUR on NASDAQ Iceland on the date of allocation (based on the mid-rate quoted by the Central Bank of Iceland). The principal features of the stock option scheme and option contracts shall be submitted to a shareholders' meeting for approval.”*

The Chair invited the attendees to speak about the proposals.

Svandís Ríkarðsdóttir from Brú pension fund discussed the amendment proposal and explained the main rationales for adding the hurdle rate.

The Chairman of the Board commented on the above amendment proposal from Brú pension fund and said: “We benchmark on the expected value of long-term incentives, which becomes the basis for calculation of the number of options to grant. So, if this expected value is fixed – that is the 25% slice of the pie we saw earlier – then introducing a hurdle rate will only result in a larger number of options which need to be granted to achieve that expected value”.

The amendment proposal from Brú pension fund was then voted on with a written ballot. The conclusion was that the proposal was rejected with 62.35% (346,050,903) votes against and 33.08% (183,606,463) votes in favour. 4.57% (25,344,436) abstained.

There were no further discussions or proposals about the remuneration policy. The proposal as submitted by the Board of Directors was approved by all casted votes.

## **7. 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 proposes that the remuneration to Board members for the year 2018 will be €3,500 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 €900 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.*

An amendment proposal from Brú pension fund had been submitted before this Annual

General Meeting regarding the remuneration of the Board members. The first sentence in the above proposal should be changed to; *“Remuneration to directors for the year 2018 will be EUR 3,250 per month.”*

The Chair invited the attendees to speak about the proposals.

Svandís Ríkarðsdóttir from Brú pension fund discussed the amendment proposal and explained the main rationales for it.

No further discussions took place.

The amendment proposal from Brú pension fund was then voted on with a written ballot. The conclusion was that the proposal was rejected with 64.58% (366,892,387) votes against 33.15% (188,330,441) votes in favour. 2.26% (12,860,186) abstained.

No further proposals were made or requests to comment on the Board of Directors’ proposal and subsequently the proposal was agreed by all casted votes.

## **8. Elections of Board of Directors.**

The deadline for submitting valid candidacy declarations for the Board of Directors to be elected on the AGM 2018 expired on 1 March 2018 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, London, England*

*Asthildur Margret Otharsdottir, Reykjavik*

*Astvaldur Johannsson, Seltjarnarnes*

*Helgi Magnusson, Seltjarnarnes*

*Margret Jonsdottir, Seltjarnarnes*

*Olafur S. Gudmundsson, Princeton, New Jersey, USA*

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, congratulated them on the election, and continued success.

## **9. 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.

## **10. 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.*

An amendment proposal from Gildi pension fund had been submitted before this Annual General Meeting regarding the above Board of Directors' proposal.

The amendment proposal from Gildi is as follows (the underlined text represents the proposed text amending of the Board of Directors' proposal):

*The Company is authorized to acquire up to 10 % of its own shares on the basis of formal share repurchase programs. 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. Shares currently or in the future held by the Company may only be (i) used to lower issued share capital. (ii) used as payment in potential future acquisitions, or (iii) used to fulfil the Company's obligations under share incentive programs.*

*This authorization is effective for the next 18 months from approval. Earlier authorization shall be withdrawn.*

The Chair invited the representative from Gildi Pension fund to speak about the proposals.

Árni Gunnarsson from Gildi pension fund discussed the amendment proposal and explained the main rationale for it.

The Chairman of the Board commented on the amendment proposal of Gildi.

The proposal from Gildi pension fund was then voted on with a written ballot. The conclusion was that the proposal was rejected with 63.10% (357,896,574) votes against 35.65% (202,230,829) votes in favour. 1.25% (7,082,881) abstained.

Since no further comments or proposals were made on the above Board of Directors' proposal it was put forward and subsequently the proposal was agreed.

## 11. 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 Annual General Meeting.

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

The Meeting was adjourned at 18:40.


Garðabær, 7<sup>th</sup> March 2018

Chair:



Árni Sigurjónsson

Secretary:



Kristján Þorsteinsson