

MAREL BOARD OF DIRECTORS' REPORT ON THE EXECUTION OF THE REMUNERATION POLICY IN 2019

Introduction

Marel's Remuneration Policy is designed to attract, motivate and retain exceptional employees in a competitive and international market. The Policy applies to the Company's senior management, including the Executive Team and the Board of Directors.

The aim is to offer the Executive Team 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.

Benchmarking information is acquired from internationally recognized compensation advisors for each of the remuneration components, comparing information from North European companies of similar size and scope as Marel, with particular focus on the Nordic Countries.

Marel's Remuneration Policy for 2019 can be found at the Company's website, [here](#).

The Board of Directors will propose to the Annual General Meeting on 18 March 2020 that an amendment is made to the Remuneration Policy from 2019, adding the following sentence to the section on long-term incentives: "The value of stock options, based on the option pricing model of Black-Scholes, granted to an employee in any given year shall not exceed 60% of annual fixed base salary".

Benchmarking

Marel's Remuneration Committee initiated detailed remuneration benchmarking in 2019, covering: i) the CEO and CFO based on detailed analysis of a pre-defined group of Northern European peer companies in the capital goods industry, of similar size as Marel; ii) other members of the Executive Team based on a larger dataset of Northern European companies of similar size and scope as Marel; iii) the Board of Directors based on analysis of board remuneration of the same pre-defined group of peer companies as mentioned above, a report on the development of board remuneration in Scandinavia in 2018 and remuneration for other listed companies on Nasdaq Iceland.

Fixed annual base salaries

Annual base salaries of the Executive Team increased by 3.8% on average in 2019, based on benchmarking and performance assessment. The annual base salary of the CEO increased by 6%.

Annual base salaries for the Executive Team are in line with benchmarks.

Short-term incentives

Marel's short-term incentive program awards an annual cash bonus when a number of pre-defined financial and

non-financial strategic targets, set by the Board of Directors, are achieved.

In 2019, financial targets accounted for 2/3 and strategic non-financial targets for 1/3 of the short-term incentives, at target. The structure of the short-term incentive program was unchanged from 2018.

Financial targets for 2019 were based on consolidated company performance and are common for all members of the Executive Team. They included parameters measuring profitability (EBIT), working capital (operational cash flow as % of EBIT) and a forward-looking indicator of future revenues (orders received).

Non-financial targets included both common targets, for all members of the Executive Team, as well as individual targets. These reflected the strategic focus areas for the year within the perspective of the long-term value creation objectives of the Company.

No annual bonuses are awarded to the Executive Team if EBIT attainment is below 90% (neither financial nor non-financial).

Taking into consideration that Marel does not publish detailed earnings guidance and furthermore, operates in a highly competitive environment, the Company does not publish further details on short-term incentive targets or achievement of these.

Marel has three levels of short-term incentives: i) 50% of annual base salary at target for the CEO, with a maximum of 70% if EBIT attainment is at 110% or higher; ii) 45% at target and 60% at maximum for level 2 executives; and iii) 30% at target and 40% at maximum for level 3 executives.

Short-term incentives for the Executive Team are in line with benchmarks.

Annual bonuses are paid out in April of the following year. Incentive payments presented in the Company's Consolidated Financial Statements for 2019 are those awarded for achievement of the previous year's targets.

Overview of short-term incentive structure

Total bonus at target, % of annual base salary	Level 1 (CEO): 50%
	Level 2: 45%
	Level 3: 30%
If EBIT 10% or more above target:	
Total bonus maximum, % of annual base salary	Level 1 (CEO): 70%
	Level 2: 60%
	Level 3: 40%
Linear from target to max	
Bonus split at target	Financial targets: 2/3
	Common non-financial targets: 1/6
	Personal non-financial targets: 1/6
Bonus cut-off	EBIT < 90% of target

In 2019, the Executive Team was awarded a cash bonus of EUR 1,510 thousand for achievement of 2018 targets, corresponding to approximately 40% of total annual base salaries. Thereof, the CEO was awarded a cash bonus of EUR 379 thousand, corresponding to 60% of annual base salary.

The Board of Directors is currently in the process of determining the bonuses for 2019, which will be paid in April 2020. They are estimated to be below target level due to operational results for the year being below targets.

Short-term incentives are subject to recovery, provided that they have been based on data, which proved to be manifestly misstated, wrong or misleading.

An overview of total remuneration to the Executive Team in 2019 can be found in Note 29 on page 70 of the Company's Consolidated Financial Statements for 2019.

Long-term incentives

Marel's long-term incentive program is designed to promote a balance between short-term achievements and long-term thinking. The objective is to align the interests of the Executive Management and shareholders.

In addition to aligning interests, a healthy structure of fixed and variable components provides operational flexibility through economic cycles.

At the end of 2019, the total number of outstanding stock options amounted to 19.2 million, corresponding to 2.5% of total issued shares.

In February 2019, 3.75m stock options were granted to members of the Executive Team and key employees, in accordance with the Company's stock option program approved at the 2017 Annual General Meeting. Thereof, 650 thousand stock options were granted to the CEO. Exercise price was EUR 3.25 per share with the estimated total cost of EUR 2 million over the three-year vesting period. The value of the options granted to the CEO, calculated according to Black & Scholes, was approximately 50% of the CEO's annual base salary in 2019.

At the Company's Annual General Meeting on 6 March 2019, shareholders approved a new Share-Based Incentive program, authorizing the Board of Directors to issue up to 25 million share options to members of the Executive Team and selected employees in strategic positions. In line with the Company's previous program, the new options shall have a three-year vesting period and an exercise price of the EUR equivalent of the closing price of Marel shares at Nasdaq Iceland on the date of granting. The exercise price shall be adjusted for future dividend payments.

Marel's Executive Team members are required to hold shares, corresponding to the net profit gained from the options (after tax) until the following holding requirements are reached, measured in total share value

owned as a multiple of annual base salary: CEO three times; other members of the Executive Team two times.

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.

The Company shall not grant any loans or guarantees to participants in connection with the share options.

In May 2019 the Board of Directors authorized expansion of the Company's stock option beneficiary pool. Employee selection criteria was based on performance and potential as well as ensuring a healthy balance between industries, functions, geography and gender. The number of options per beneficiary was based on job grade and performance. In June 2019, granting of 4.1m options to 97 employees was announced. Exercise price was EUR 3.70 per share (equal to the Amsterdam IPO price) with the estimated total cost of EUR 2.5 million over the three-year vesting period.

In 2019, a total of 7,814 thousand stock options were granted to the CEO, other members of the Executive Team as well as 97 other key employees, corresponding to approximately 1% of share capital and with an estimated cost of EUR 4.5 million over the three year vesting period.

Development of the number of outstanding stock options

	Issued during year (thousands)	Outstanding end of year (thousands)	Outstanding % of total issued shares
2015	2,200	10,549	1.4%
2016	2,160	8,796	1.2%
2017	3,200	9,884	1.3%
2018	4,100	11,910	1.7%
2019	7,814	19,218	2.5%

Long-term incentives for the Executive Team are in line with benchmarks.

An overview of stock options can be found in Notes 22 on page 53 and 29 on page 70 of the Company's Consolidated Financial Accounts for 2019.

Board of Directors Remuneration

The Board of Directors submits 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 scope are similar to Marel.

At the Company's Annual General Meeting on 6 March 2019, shareholders approved the Board of Directors'

proposal for board remuneration for the upcoming year. Directors' fee was EUR 43,200 per annum (2018: 42,000) and committee fee EUR 11,160 per annum (2018: 10,800). The Chairman of the Board of Directors receives triple the annual fee and the Chairman of the Audit Committee double the annual fee. Fees are paid in fixed, monthly payments.

An overview of total fees to the Board of Directors in 2019 can be found in Note 29 on page 70 of the Company's Consolidated Financial Accounts for 2019.

The Board of Directors will propose to the Annual General Meeting on 18 March 2020 that the director's fee for the upcoming year will be EUR 44,400 per annum

(2019: 43,200), and that the Chairman of the Board of Directors will receive triple the annual fee and the Vice Chairman of the Board of Directors 1.5 times the annual fee. Furthermore, The Chairman of the Audit Committee will additionally receive EUR 22,200 per annum and other members of the Audit Committee EUR 12,000 per annum (2019: 11,160). Members of the Remuneration Committee will receive EUR 8,400 per annum (2019: 11,160) and members of the Nomination Committee EUR 3,600 per annum (2019: 0). According to the proposal, total board and committee fees will increase by 2.8% from 2019 to 2020.