

# TCFD & Marel's climate-related disclosure journey

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# Thorsteinn Kari Jonsson

## Director of Sustainability and Community Engagement

Thorsteinn Kari took up the position as Director of Sustainability and Community Engagement in 2020. He is responsible for sustainability strategy, ESG reporting, multilateral co-operation and community engagement. Prior to his current position, he was Project Manager at CEO's Office since joining the company in 2015. Before joining Marel, Jonsson held various roles in consulting and academia.

### **Education**

MSc, Strategy, Organization and Leadership, CBS, Denmark

BSc, Business Administration and Philosophy, CBS, Denmark

**6 years with Marel / 7 years in Industry**

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# Firms ignoring climate crisis will go bankrupt, says Mark Carney\*

Climate change presents financial risk to the global economy

Floods



Droughts



Storms



Wildfires



Climate migration



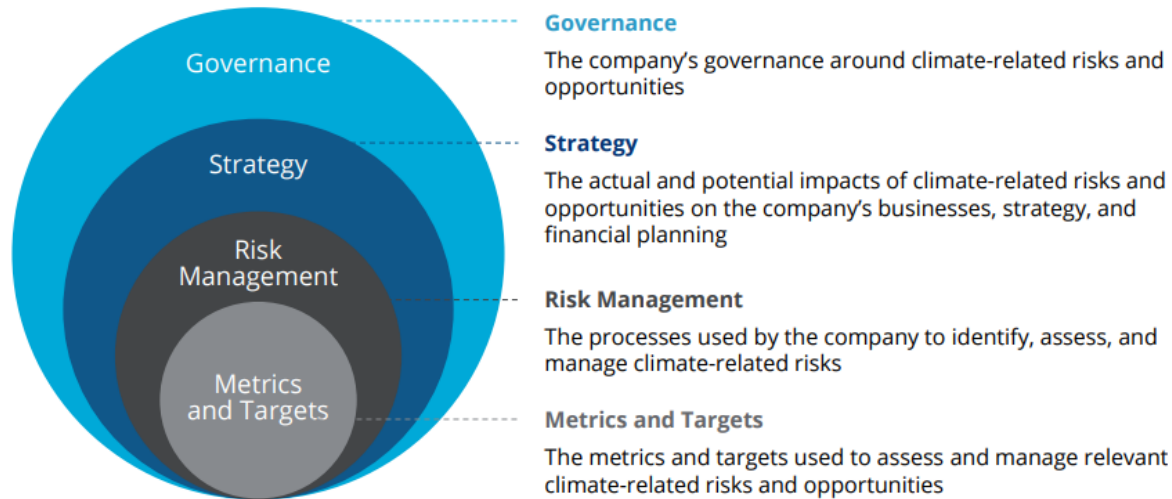
The Financial Stability Board established the Task Force on climate-related Financial Disclosures (TCFD) to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions.

While at the same time allow stakeholders to understand better their exposure to climate-related asset concentrations and climate-related risks.

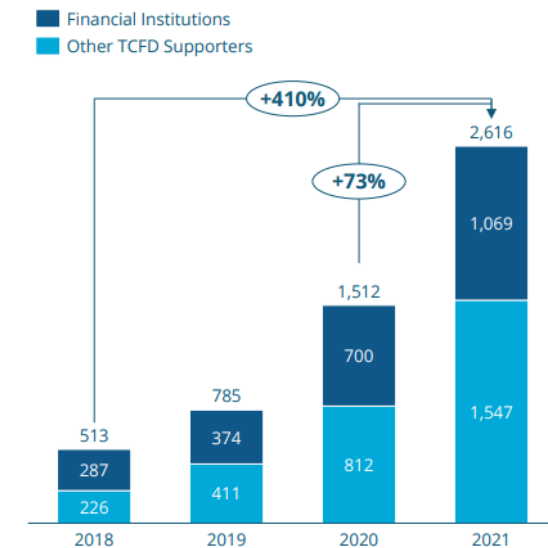
# Task Force on Climate-Related Financial Disclosures

A framework to assist companies effectively disclosing climate-related risks and opportunities through their existing reporting processes

## Core elements of the TCFD recommendations



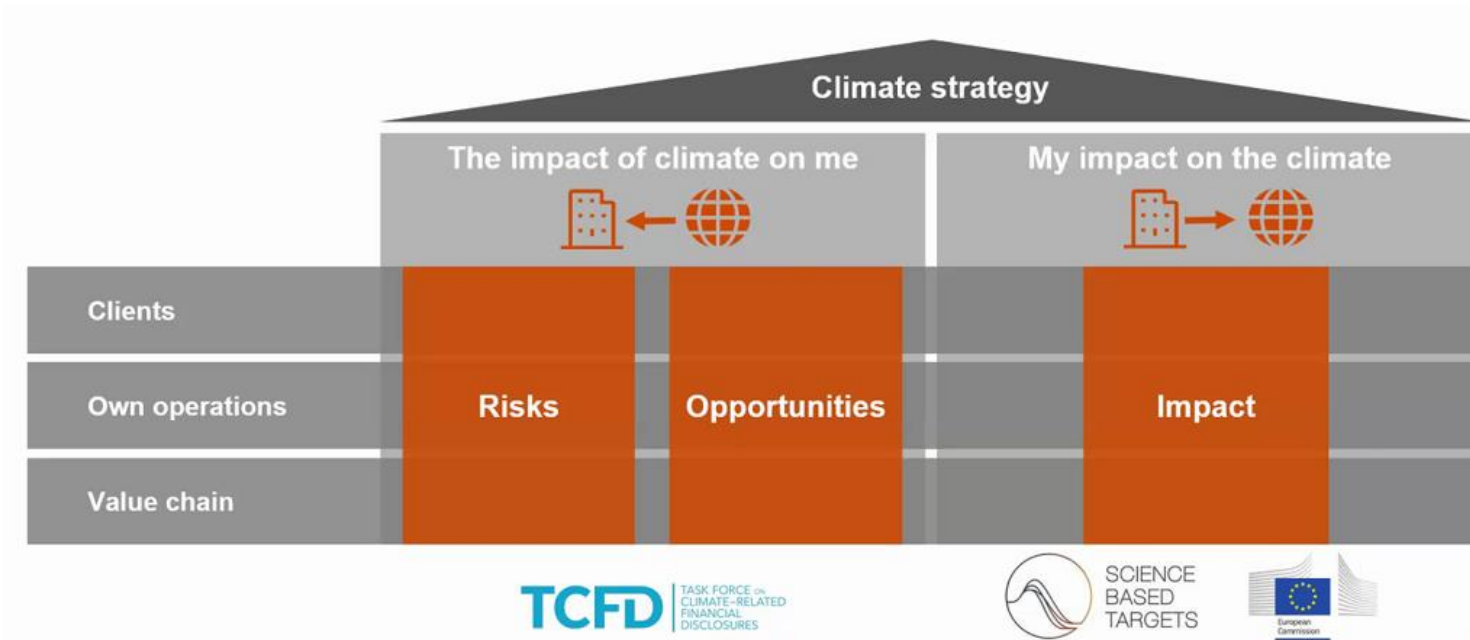
## Number of TCFD Supporters





# Climate-related risks and opportunities

Climate change has the potential to materially impact a company's revenue streams, while that company's business has an impact on the climate

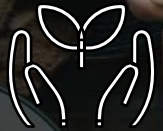


**Key questions for companies:**  
 How resilient is my business model?  
 What is my adaptive capacity?

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**Marel's has committed to integrating the  
TCFD recommendations into its 2021  
climate-related reporting**





# Sustainability at the heart of everything we do

From incorporation, Marel has been fully committed to protecting our planet and preserving its resources.

We embrace our role as a critical infrastructure company in the global food industry, sustaining one of the most important value chains.

We support social development and ensure food safety, security and sustainability, thereby creating value and promoting economic growth.

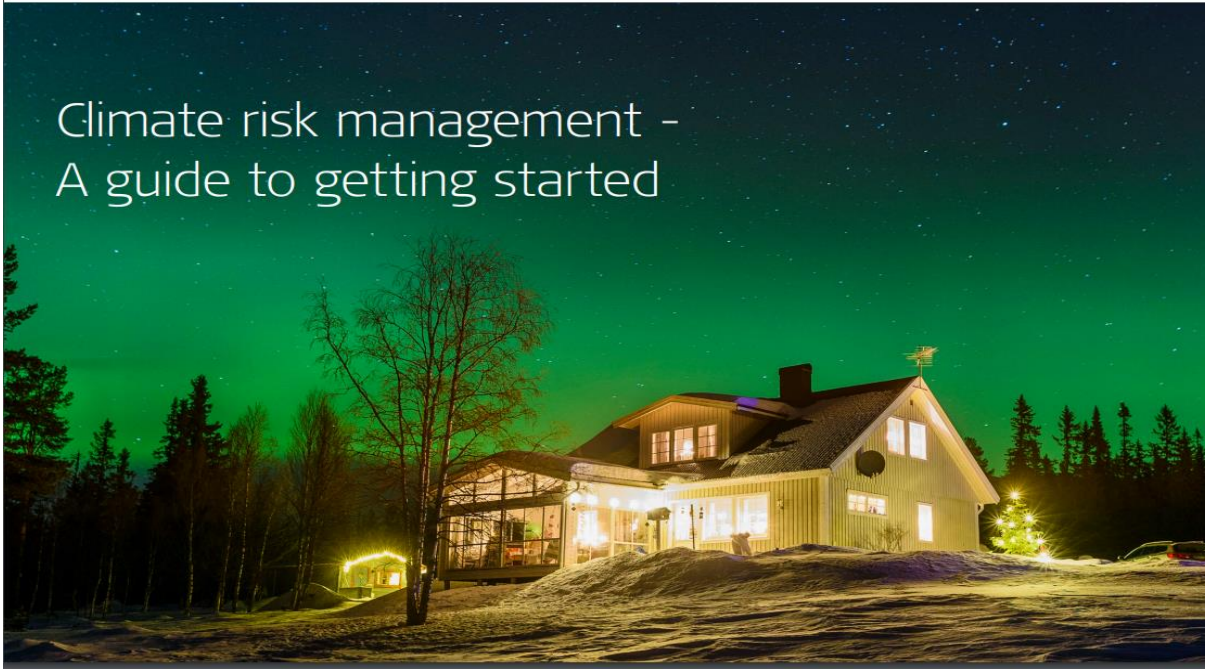
To us, that is the true meaning of success.



## Marel is a founding member of the Nordic CEOs for a sustainable future coalition

NORDIC  
CEOs FOR A  
SUSTAINABLE  
FUTURE

### Climate risk management - A guide to getting started



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*"Our vision is of a world where quality food is produced sustainably and affordably. As part of our sustainability journey, we are implementing TCFD recommendations into Marel's risk management process. This will ensure the transparency of Marel's climate-related financial information and support how we incorporate climate-related risks and opportunities into our strategic planning."*

Árni Oddur Þórðarsson, CEO – Marel,  
Co-lead for climate working group in the Nordic CEOs for a Sustainable Future

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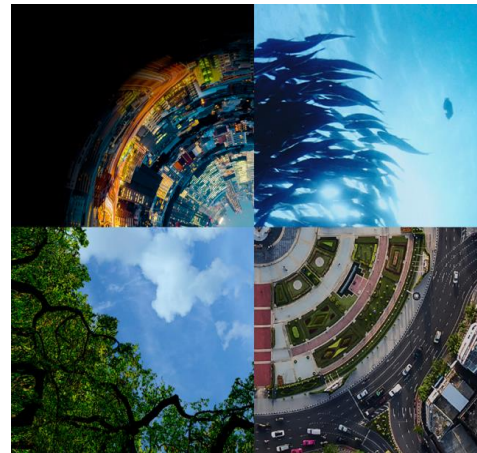


# Fully committed to corporate sustainability reporting

Marel's key stakeholders are increasingly interested in ESG data disclosure & transparency.



## 2021 Annual Report



*Includes a detailed sustainability chapter and climate-related report, to be published in March 2022*

## CMD Sustainability session



[Online](#)



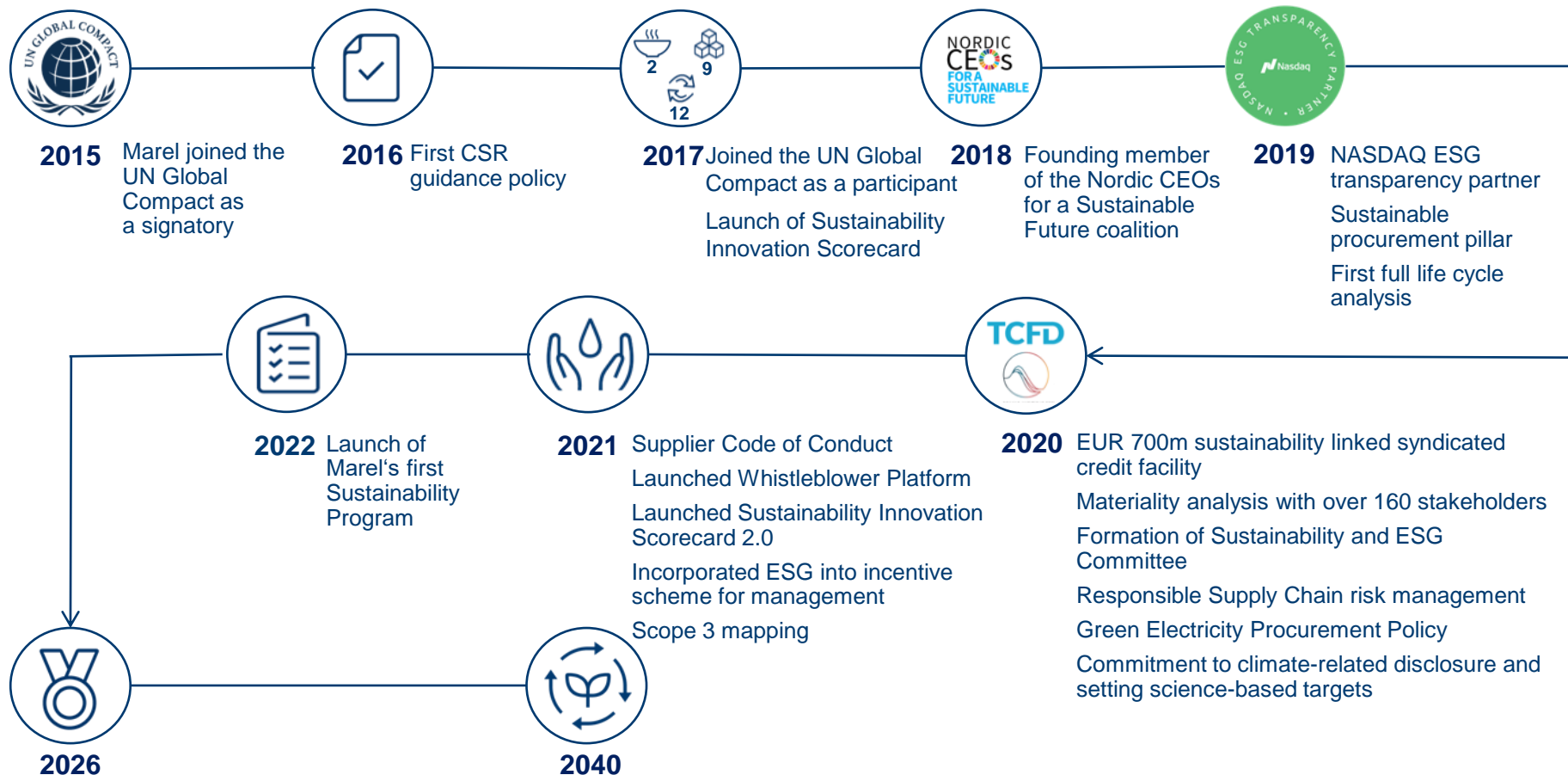
## 2021 Nasdaq ESG metrics



[Online](#)



# Marel is setting leading standards in the food processing industry for its customers, suppliers, employees and retail consumers



**Marel has steadily been improving its ESG profile since 2015. Working toward becoming a part of the solution.**

# Governance

- a) Board's oversight of climate-related risks and opportunities
- b) Management's role in assessing and managing climate-related risks and opportunities



# Best-in-class sustainability governance structure

Responsible governance with the clear objective of ingraining ESG into all of Marel's business planning and operations



## Guided by Marel's vision, values & policies

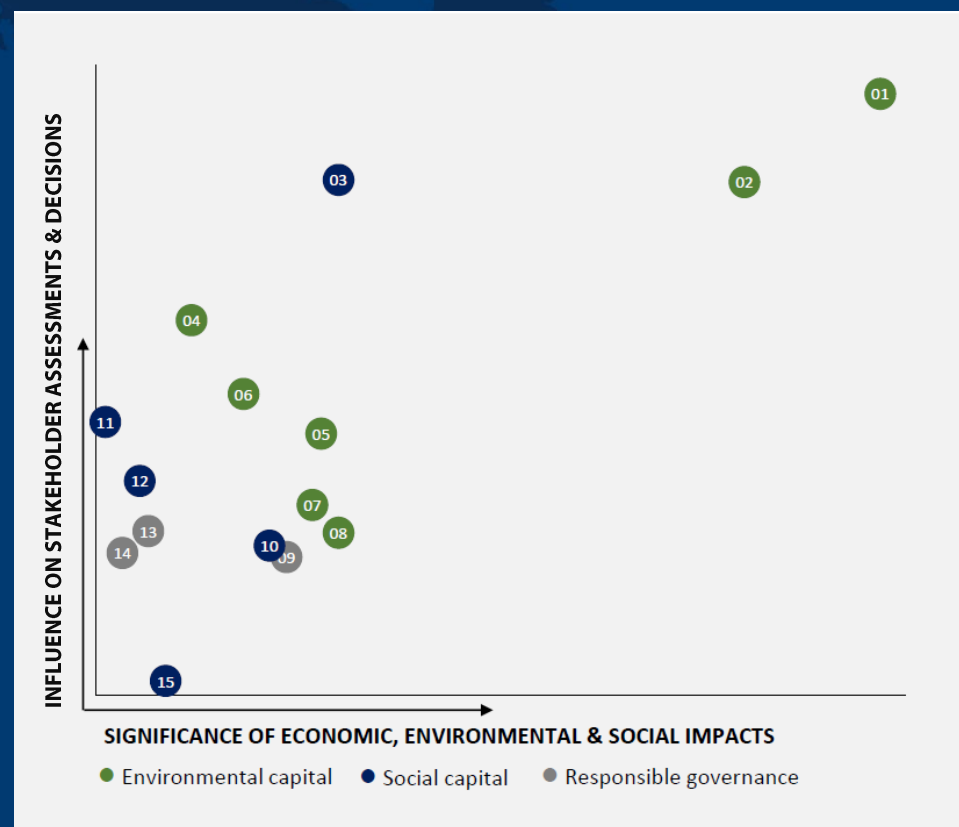
Our policies guide and govern how we conduct our operations, how we engage with customers and potential customers, how we work with colleagues, and how we work with society in general

# Strategy

- a) Identify climate-related risks and opportunities over the short, medium, and long term
- b) Describe the impact on the organization's businesses, strategy, and financial planning
- c) Consider different climate-related scenarios, including a 2°C or lower scenario to test resilience

# ESG materiality matrix

Top15 ESG topics based on a comprehensive stakeholder materiality analysis\*



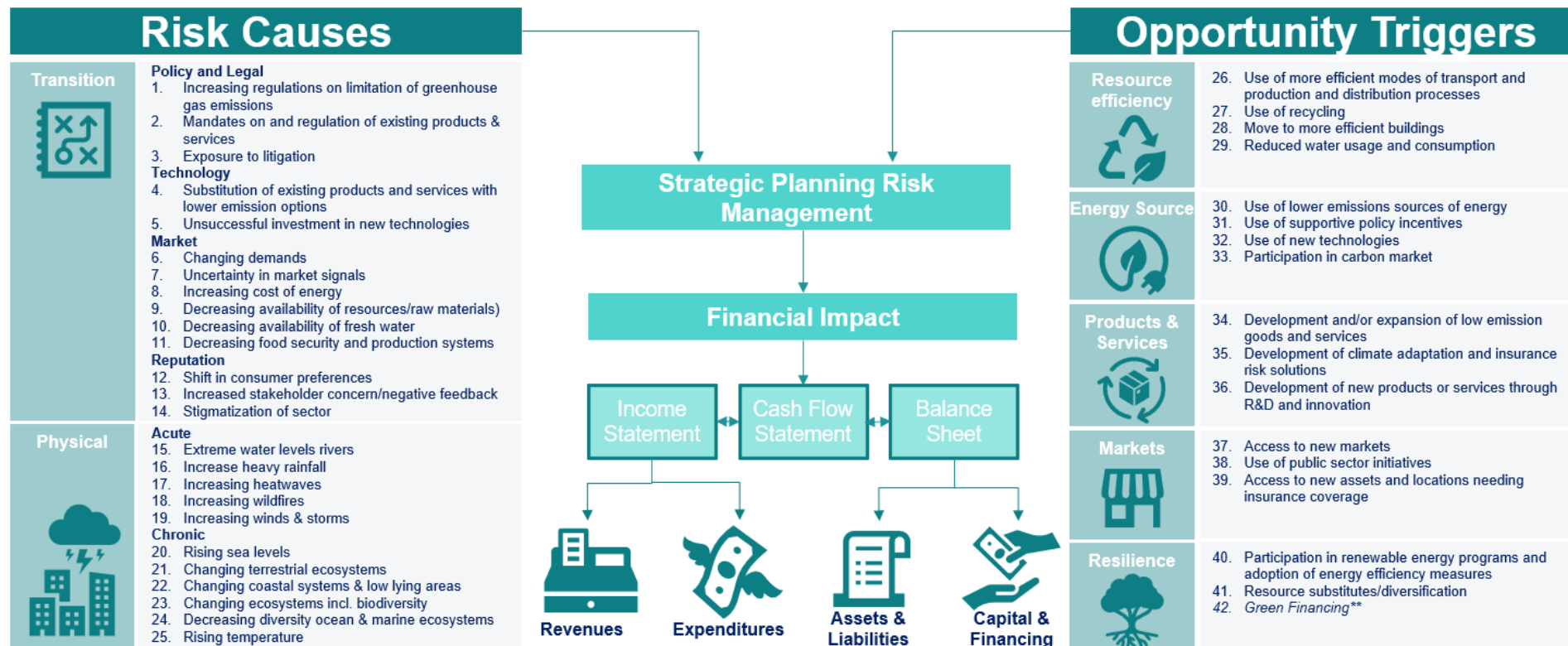
Rank	Material topics
01	Food waste reduction
02	Traceability & food safety
03	Animal wellbeing
04	Circular products & solutions
05	Environmental & safety impact
06	Emission, energy use & water
07	Sustainable protein
08	Sustainable innovation
09	Localized customer service
10	Responsible supply chain
11	Occupational health & safety
12	Talent attraction and retention
13	Flexibility & economic performance
14	Compliance & risk management
15	Diversity & inclusion

Notes: \*Company information. Stakeholder materiality analysis conducted among more than 160 individual stakeholders in 2020. Conclusions on the top15 ESG topics is considered valid for 2021 and reflective of current materiality when it comes to the main ESG topics relevant for Marel (x-axis) and its stakeholders (y-axis).



# Risk causes and opportunity triggers

Assessing risk causes and opportunity triggers on impact and likelihood to determine which ones are most relevant for your organization



# Risk and opportunity heatmap

Assessing risk causes and opportunity triggers on impact and likelihood to determine which ones are most relevant for your organization

Impact		Likelihood				
		very unlikely	unlikely	possible	likely	very likely
		1	2	3	4	5
Positive impact	big positive impact 5	Green	Green	Green	Green	Green
	substantial positive impact 4	Yellow	Yellow	Green	Green	Green
	medium positive impact 3	Yellow	Yellow	Yellow	Green	Green
	small positive impact 2	Yellow	Yellow	Yellow	Yellow	Yellow
	almost no positive impact 1	Orange	Orange	Orange	Orange	Orange
Negative impact	almost no negative impact 1	Orange	Orange	Orange	Orange	Orange
	small negative impact 2	Orange	Orange	Orange	Orange	Orange
	medium negative impact 3	Orange	Orange	Orange	Red	Red
	substantial negative impact 4	Orange	Orange	Red	Red	Red
	big negative impact 5	Red	Red	Red	Red	Red

# Material opportunities and risks from climate change

Selected risk causes and opportunity triggers deemed most relevant for Marel

Identifier	Primary climate-related risk driver	Time horizon*	Likelihood	Magnitude of impact**	Likely potential financial impact**
Policy and Legal (Transition risk)	Emerging regulations on limitation of greenhouse gas emissions	Short-term	Likely	Medium	Increased operating/compliance costs
Market (Transition risk)	Increased cost of raw materials	Short-term	Likely	Medium	Reduced profitability
Energy sources (Opportunity)	Use of new technologies	Medium-term	Very likely	High	Increased revenues and increased profits
Products and services (Opportunity)	Development of new products or services through R&D and innovation	Medium-term	Very likely	High	Increased revenues and increased profitability
Market (Opportunity)	Access to new markets	Medium-term	Likely	High	Higher revenues

**Based on a multi-disciplinary working group at Marel a number of risk causes, and opportunity triggers have been reviewed.**

Notes: Company information. \*Short-term < 3yrs, Medium-term 3-10yrs, Long-term >10yrs. \*\*Potential financial impact both positive and negative cannot yet be fully assessed and is likely to be integrated into Marel's day-to-day operations. Mitigating actions are being assessed and will be used going forward to align with Marel's business strategy to minimize negative effects and maximize the opportunities, where possible from climate change on Marel's operations.



# Risk management

- a) Organization's process for identifying and assessing climate-related risks
- b) Process for managing climate-related risks
- c) Integration into the organization's overall risk management

# Expanded risk framework

In 2020, Marel started incorporating climate risk as part of its internal control framework

Marel has a five-step risk management process



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**Taking risks is an integral part of any business activity. By carefully balancing our objectives against the risks we are prepared to take, we strive to conduct business operations in a socially responsible and sustainable manner.**

**Sustainability is a newly defined risk category that we've established as part of our commitment to integrating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).**

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## Risks management categories



# Metrics and targets

- a) Metrics used by the organization to assess climate-related risks and opportunities
- b) Disclose scope 1, scope 2, if appropriate scope 3 greenhouse gas emissions
- c) Targets to manage climate-related risks and opportunities and performance against targets



# Marel's carbon footprint

Continued focus on responsible supply chain management, procurement and purposeful travel enabled us to preserve CO<sub>2</sub> reductions achieved in 2020 for 2021, while Marel grew by 10% in revenues

## GHG emissions\*

In tCO <sub>2</sub> e	2021	2020	Δ YoY
Scope 1: direct GHG emissions	7,563	6,041	25%
Scope 2: indirect (market-based)	7,328	9,371	-22%
Scope 2: indirect (location-based)	8,755	8,887	-1%
Scope 3: other indirect emissions	3,738	3,717	1%
Total tCO <sub>2</sub> e	18,629	19,129	-3%**

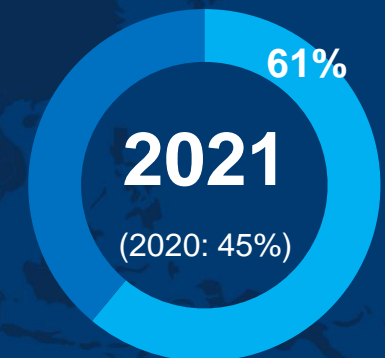
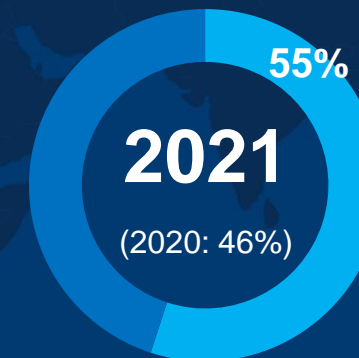
## Carbon emission intensity\*

	2021	2020	Δ YoY
Kg CO <sub>2</sub> e per average FTE	2,636	3,007	-12%
Kg CO <sub>2</sub> e per EUR 1,000 of revenues	13.8	15.7	-12%

## Share of renewable electricity

All Marel locations

Manufacturing facilities only



Renewables Non-renewables

# First sustainability program

Our medium-term sustainability program complements Marel's long-term climate ambitions as we set a science-based target in 2022 in line with the Paris Agreement

## Environmental targets

Reduce carbon emissions<sup>1</sup> by 20% by 2026

Increase recycling of waste to 90% by 2026

Powering >85% manufacturing facilities on renewable electricity by 2026

## Social targets

Gender diversity in management levels L1-L3 > 25%

All managers create annual engagement improvement action plans with their teams<sup>2</sup>

Total recordable incident rate < 0.5

## Governance targets

Increase proportion of ESG incentivized pay throughout the organization

Continuously improve supply chain sustainability<sup>3</sup>

All new innovations need to improve at least one sustainability aspect

## Marel's long-term commitment to a sustainable future

- Setting long-term science-based targets
- Becoming net zero by 2040
- Focused on supporting three UN Sustainable Development Goals:



Notes: <sup>1</sup> Includes Scope 1, Scope 2 and business air travel from Scope 3 emission intensity. Environmental targets are set against base year 2019. <sup>2</sup> As measured by Gallup. <sup>3</sup> As measured by EcoVadis.

## Update on Marel's TCFD journey

Marel has committed to integrating the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) into its 2021 climate-risk reporting

	2021 achievements	Short term priorities*	Longer term goals*
<b>Governance</b>	<ul style="list-style-type: none"> <li>Internal awareness building at all levels ranging from half-yearly board strategy sessions, audit committee briefings, quarterly business review meetings with the Executive Team and global training sessions for ESG KPI owners</li> </ul>	<ul style="list-style-type: none"> <li>Increase structural attention to climate related impacts within the Board of Directors including structured decision-making and follow up on identified climate issues</li> <li>Internal Audit to begin auditing non-financial disclosures</li> </ul>	<ul style="list-style-type: none"> <li>Further integrate the impact of climate change in corporate governance and oversight</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>Developed climate scenarios and performed first stress tests to assess potential business implications of climate-related risks and opportunities</li> <li>Started monitoring carbon dioxide emissions from product related purchased goods as well as assessed the emission impact of different transportation modes, to support Marel's journey in reducing emissions related to goods purchased</li> <li>Implemented processes for integrating ESG data from newly acquired companies</li> </ul>	<ul style="list-style-type: none"> <li>Further assess potential business implications of climate related risks and opportunities on Marel's operations, testing the resilience of our business, by using climate scenario analysis</li> </ul>	<ul style="list-style-type: none"> <li>Further integrate climate impact into Marel's strategy and operations by improving the view on climate risks and opportunities and aiming to minimize climate impact with the majority of Marel's equipment solutions</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>Sustainability is one of five <u>risk categories</u> at Marel</li> <li>Identified and prioritized the most material risks and opportunities to future-proof Marel</li> </ul>	<ul style="list-style-type: none"> <li>Establish climate risk into Marel's overall risk framework</li> <li>Continue initial analysis on climate related risk causes and opportunity triggers with the aim to externally disclose the most material ones</li> </ul>	<ul style="list-style-type: none"> <li>Further integrate climate risk into the overall risk management framework</li> </ul>
<b>Metric &amp; Targets</b>	<ul style="list-style-type: none"> <li>Launch of first Sustainability Program, including three environmental targets related to: carbon emissions, recycling of waste and use of renewable electricity</li> <li>Extended scope of the innovation scorecard to further elevate sustainability in new software and equipment developments</li> </ul>	<ul style="list-style-type: none"> <li>Embed periodic reporting on material risks and opportunities</li> <li>Improve disclosure on our Scope 3 greenhouse gas emissions (GHG) and targets to reduce GHG</li> <li>Further improve Marel's innovation scorecard to further elevate sustainability in new developments</li> </ul>	<ul style="list-style-type: none"> <li>Disclose and report on forward-looking climate related metrics, actual performance against goals</li> </ul>

Notes: Marel's 2021 climate-related report will be published as part of the 2021 Annual Report. \*As published in the [2020 Annual Report](#).

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# Thank you

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