



Remuneration Report 2020 (Munters Group AB)

Introduction

This remuneration report provides an overview of how Munters' guidelines for remuneration of senior executives, adopted by the Annual General Meeting 2020, were implemented in 2020. The report also provides specific information on the remuneration to Munters' CEO as well as a summary of Munters' outstanding share-related and share price-related incentive programs. The report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Remuneration to the board of directors resolved by the Annual General Meeting is not covered by this report. Such remuneration is reported in note 31 on page 116 in the company's annual report 2020 ("Annual Report 2020").

The information required according to Chapter 5, sections 40 – 44 of the Annual Accounts Act is disclosed in note 31 on pages 114 - 116 in the Annual Report 2020.

For information on the compensation committee's work in 2020, see the corporate governance report on pages 62 – 64 in the Annual Report 2020.

Munters development in 2020

President and CEO Klas Forsström summarises the past year and the company's overall performance in his statement on pages 6 – 7 in the Annual Report 2020.

Munters' remuneration guidelines: Area of application, purpose and deviations

Munters business strategy is to be a global leader in energy-efficient and sustainable climate solutions. Our solutions enable energy-efficient production processes with reduced carbon dioxide emissions for our customers. Using innovative technologies, Munters creates the perfect climate for demanding and sophisticated industrial applications and processes.

For further information regarding the company's business strategy, see the company's website, www.munters.com

A prerequisite for the successful implementation of Munters business strategy and safeguarding of the company's long-term interests, including its sustainability as well as delivery on the ambitions the company has, is that the company is able to recruit and retain qualified personnel. In order to do so, Munters must be able to offer a competitive total remuneration based on market terms, which Munters' remuneration guidelines enable. The remuneration shall be on market terms and may consist of the following components: fixed annual cash salary, variable annual cash salary, pension and other benefits.

The variable cash salary shall be linked to predetermined and measurable financial criteria, such as operating result and working capital. By linking the remuneration of the senior executives to the company's earnings and financing of its operating activities, the criteria promote the implementation of the company's business strategy and long-term interests, including its sustainability. Furthermore, the criteria for variable cash salary shall be designed not to encourage excessive risk-taking.

The guidelines in full are found on pages 75 – 77 in the Annual Report 2020. During 2020, Munters complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been made and no derogations from the procedure for implementation of the guidelines have been made. The

auditor's report regarding the company's compliance with the guidelines is available on the company's website, www.munters.com. No remuneration has been reclaimed.

In addition to the remuneration covered by the remuneration guidelines, the company's general meetings have resolved to implement long-term share-related incentive programs. These programs are summarised in this report and are reported in detail in note 32 on pages 117 – 118 in the Annual Report 2020.

Total remuneration to CEO Klas Forsström in 2020 (kSEK)¹

		Base Salary ²	Variable Cash Remuneration	Share-related Remuneration ³	Benefits	Pension ⁴	Other Remuneration ⁵	Total Remuneration
Klas Forsström (CEO)	kSEK	6,568	6,399	0	180	2,280	1,500	16,927
	Share of total remuneration	39%	38%	0%	1%	13%	9%	100%

1. Includes remuneration earned in 2020.
2. Includes holiday pay of kSEK 104.
3. Share-related remuneration is reported in the table to the extent it was vested in 2020, and in that sense, earned. Note 31 in the Annual Report 2020 reports share-related remuneration in accordance with IFRS.
4. The pension is defined contribution with contributions amounting to 35% of base salary (excluding holiday pay).
5. Portion of remuneration agreed to when hired in 2019.

In spring 2020, the group management and the CEO collectively decided to reduce their base salary for three months (April-June) due to the market uncertainty. During this period, the base salary were reduced by 10%.

Share-based remuneration: Outstanding share-related and share price-related incentive programs

The company's Annual General Meetings 2018, 2019, and 2020 have resolved to implement long-term share-related incentive programs, employee stock option programs (LTIP 2018, LTIP 2019, and LTIP 2020), in which Munters group management and the CEO participate. The employee stock options have been granted free of charge, are subject to three-year vesting periods, and can be exercised for a period of one year after the end of the vesting period.

Exercise of the options in LTIP 2018 presupposes, as a general rule, that the participant has been employed by the Munters group during the three-year vesting period. The exercise price for exercising the employee stock options amounts to SEK 55. The current CEO does not participate in this program.

The employee stock options in LTIP 2019 are divided into three series. Exercise of all option series presupposes, as a general rule, that the participant has been employed by the Munters group during the three-year vesting period. Exercise of employee stock options of series A (relative weighting 50%) and series B (relative weighting 20%) is also dependent on the extent to which performance targets linked to the average annual growth in adjusted EBITA for Munters and the average annual growth in Munters' net sales are met during the financial years 2019–2021. The exercise price for exercising the employee stock options amounts to 110% of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during a period of ten trading days immediately after the Annual General Meeting 2019 (i.e. SEK 50.27).

The employee stock options for LTIP 2020 are divided into three series. Exercise of all option series presupposes, as a general rule, that the participant has been employed by the Munters group during the three-year vesting period. Exercise of employee stock options of series A (relative weighting 50%) and series B (relative weighting 20%) is also dependent on the extent to which performance targets linked to the average annual growth in adjusted EBITA for Munters and the average annual growth in Munters' net sales are met during

the financial years 2020-2022, while the exercise of employee stock options of series C (relative weighting 30%) is dependent on the fulfillment of a weighted sustainability target consisting of three sub-components; (i) the proportion of green electricity (from solar, water or wind energy) that is consumed by the group's production units in relation to the total electricity consumption of these units during the financial year 2022; (ii) the portion of female leaders (salary setting managers) within the group at the expiry of the three-year performance period and (iii) the portion of the Munters group's suppliers that comply with Munters' supplier code of conduct at the end of the financial year 2022. The exercise price for exercising the employee stock options amounts to 110% of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during a period of ten trading days immediately after the Annual General Meeting 2020 (i.e. SEK 45.82).

The CEO's performance during the reported financial year: Share-related Remuneration¹

The CEO participates in two employee stock option programs, LTIP 2019 and LTIP 2020, and holds a total of 300,000 options, of which 255,000 options are subject to performance requirements, and exercise of all options presupposes sustained employment in the Munters group during the three-year vesting period for each program.

Principal terms for stock option programs							Opening Balance	During the Year (number)		Closing Balance (number)		
Name of Programme	Performance period	Allocation Date	Vesting Date	End of retention period	Exercise Period ²	Exercise Price (SEK) ³	Start of the Year (number)	Allocated	Vested	Subject to performance conditions	Allocated (not vested)	Subject to retention period
LTIP 2020	2020-2022	20-06-30	23-06-30	23-06-30	Q2-2023 - Q2-2024	45.82	-	150,000	-	150,000	-	-
LTIP 2019	2019-2021	19-08-16	22-07-19	22-07-19	Q2-2022 - Q2-2023	50.27	150,000	-	-	105,000	45,000	-
Total							150,000	150,000	-	255,000	45,000	-

1. In 2020, there were no changes in the LTIP 2019, in which the CEO holds 150,000 options. In 2020, the CEO was granted 150,000 options in the LTIP 2020.
2. The options can be exercised during a one year period as from and including the date of expiry of the vesting period.
3. The aggregate market value of the underlying shares at the time of allocation is kSEK 13,473, and the aggregate redemption price is kSEK 14,414.

Application of performance criteria

The performance criteria for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage actions which serve the long-term interests of the company. In the selection of performance criteria, the strategic objectives and short-term and long-term business priorities have been taken into account.

Performance of the CEO during the reported financial year: Variable cash remuneration

Munters' annual program for variable cash remuneration (Performance Pay) is based on the principle "reward for performance" and is aimed at senior executives, as well as other managers within the group. The program is based on predetermined and measurable financial criteria that are measured during the financial year.

The CEO has participated in the program in 2020, which has included measurable and financial criteria that have been linked to the group's earnings and performance for the 2020 financial year.

In 2020, the measurable and financial criteria were related to the group's adjusted EBITA (relative weighting 80%) and to operating working capital as a percentage of net sales (relative weighting 20%). The criteria have been

strongly linked to Munters' medium-term goals and the needs the company sees as essential to pursue during the year.

The outcome of the program for 2020 accumulated to a total of kSEK 6,399 for the CEO.

	Performance Criteria	Relative weighting of Performance Criteria	Measured Performance ¹	Remuneration Outcome
Klas Forsström (CEO)	Group's EBITA (adjusted for items affecting comparability and exchange rate effects)	80%	mSEK 946	kSEK 4,543
	Operating working capital (as a percentage of net sales)	20%	13.2%	kSEK 1,856

1. Measured performance is based on the exchange rate when the target was set and is thus neither negatively nor positively affected by exchange rate effects.

Comparative information on changes in remuneration and the company's performance

Changes in remuneration and the company's performance over the last two reported financial years (kSEK if nothing else is stated)

	2019	2020	RR 2019 / RR 2020
Klas Forsström (CEO)	15,235	16,927	+11%
Group's Adjusted EBITA (mSEK)	871	906	+4%
Average remuneration based on the number of full-time equivalents employed in the group ²	545	568	+4%

1. The current CEO took up his position during 2019, and the remuneration for the CEO has therefore been recalculated on an annual basis for 2019.
2. Since Munters Group AB (the parent company) only had three employees in 2020, including the CEO, and all were senior executives, the calculation includes all Swedish companies with salaried employees, both white and blue-collar employees (i.e. Munters Europe AB, Munters AB, and ProFlute AB). Remuneration to senior executives is excluded.

The change in remuneration to other employees refers to the change in the sum of the corresponding remuneration components as for the CEO in Table 1.