

## Remuneration Report 2022 (Munters Group AB)

### Introduction

This remuneration report provides an overview of how Munters' guidelines for the remuneration of senior executives, adopted by the Annual General Meeting 2022, were implemented in 2022. 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.

This report does not cover remuneration to the Board of Directors resolved by the Annual General Meeting. Such remuneration is reported in note **33** on page **135** of the company's Annual and sustainability report 2022 ("Annual and sustainability report 2022").

The information required according to Chapter 5, sections 40 – 44 of the Annual Accounts Act is disclosed in note **33** on pages **134 - 136** in the Annual and sustainability report 2022.

For information on the remuneration committee's work in 2022, see the corporate governance report on pages **84 – 88** in the Annual and sustainability report 2022.

### Munters development in 2022

President and CEO Klas Forsström summarise the past year and the company's overall performance in his statement on pages **7 – 8** in the Annual and sustainability report 2022.

### 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](http://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 cash remuneration, pension, and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, for example, share and share price-related remuneration.

The annual variable cash remuneration shall be linked to predetermined and measurable financial criteria, such as operating results and working capital. The long-term variable cash remuneration shall be linked to predetermined and measurable financial criteria (for example, adjusted EBITA and operating working capital) and non-financial criteria (for example, weighted sustainability goals). By linking the remuneration of the senior executives to the company's earnings and financing of its operating activities, as well as sustainability, the criteria promote the implementation of the company's business strategy and long-term interests, including its

sustainability. Furthermore, the variable cash remuneration criteria shall not be designed to encourage excessive risk-taking.

The guidelines in full are found on pages 134 – 135 in the Annual and sustainability report 2022. During 2022, Munters complied with the applicable 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](http://www.munters.com). No remuneration has been reclaimed.

In addition to the remuneration covered by the 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 34 on pages 136 – 137 in the Annual and sustainability report 2022.

### Total remuneration to CEO Klas Forsström in 2022 (kSEK)<sup>1</sup>

Table 1

Name, position		Fixed Remuneration		Variable Remuneration				Pension	Total remuneration	Proportion of fixed and variable part of Total remuneration
		Base Salary	Benefits <sup>2</sup>	Annual Variable Cash	Long-Term Variable Cash <sup>3</sup>	Share-related <sup>3</sup>	Extra-ordinary Variable Cash <sup>5</sup>			
Klas Forsström CEO	kSEK	7,900	330	1,100	372	2,121	329	2,526	14,678	73% / 27%
	Proportion of Total remuneration	54%	2%	7%	3%	14%	2%	17%	100%	

1. Includes compensation paid and earned in 2022.
2. Includes car allowance, health, and life insurance, and holiday allowance of kSEK 124.
3. Long-term cash variable remuneration and share-related remuneration are reported in the table to the extent that it has been subject to so-called vesting in 2022 and, in that sense, earned. In note 33 in the Annual and sustainability report 2022, share-related remuneration is reported in accordance with IFRS.
4. The pension is defined contribution with a fixed fee of 35% of the basic salary (excluding holiday pay), and has thus been fully reported as fixed compensation.
5. Compensation for extraordinary work efforts in addition to the person's regular duties amounting to 0.5 monthly salary.

### Share-based remuneration: Outstanding and expired 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 Group management and the CEO participate/have participated. 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 presupposed, as a general rule, that the participant had been employed by the Group during the three-year vesting period. The exercise price for exercising the employee stock options amounted to SEK 55. The current CEO did 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 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 2019–2022. 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 2019 (i.e. SEK 50.27). During the year, the employee stock option program LTIP 2019 has been vested in its entirety and has thus expired.

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 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 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 remuneration

The CEO participates in an employee stock option program, LTIP 2020, which means he holds 150,000 employee stock options. All employee stock options are subject to performance requirements. Exercising the employee stock options also requires continued employment in the Munters Group during the three-year vesting period and up to the time of exercising the employee stock options. In 2022, the employee stock options in LTIP 2019 were vested, in which the CEO also participated. The CEO chose to use all vested employee stock options (71,025) in LTIP 2019 in 2022.

Table 2

Principal terms for stock option programs							Opening Balance	During the Year (number)		Closing Balance (number)		
Name of Program <sup>1</sup>	Performance period	Allocation Date	Vesting Date	End of retention period	Exercise Period <sup>2</sup>	Exercise Price (SEK) <sup>3</sup>	Start of the Year (number)	Allocated	Vested	Subject to performance conditions	Allocated (not vested)	Subject to retention period
LTIP 2020	2020-2022	2020-06-30	2023-06-30	2023-06-30	Q2-2023 - Q2-2024	45.82 <sup>3</sup>	150,000	-	-	150,000	-	-
LTIP 2019	2019-2022	2019-08-16	2022-07-19	2022-07-19	Q2-2022 - Q2-2023	50.27 <sup>4</sup>	150,000	-	71,025	-	-	-
Total							300,000	-	71,025	150,000	-	-

1. During 2022, there were no changes regarding LTIP 2020.
2. Exercising of the employee stock options can take place during a one-year period after the end of the vesting period.
3. The total market value of the underlying shares at the time of allocation was kSEK 7,800, and the total redemption price was kSEK 6,877.
4. The total market value of the underlying shares at the time of vesting was kSEK 9,165, and the total exercise price at the time of vesting was kSEK 7,540.5

Table 3

LTIP 2019 – description of the criteria linked to the remuneration component	Relative weighting of the performance criteria	Achieved Performance	Achieved performance per criterion (%)	Weighted Outcome %	Number of vested employee options
Average annual growth (CAGR) in adjusted EBITA <sup>1</sup>	50%	7.06%	0.78%	0.39%	588
Average annual growth (CAGR) in Net sales <sup>1</sup>	20%	4.62%	85%	16.96%	25,437
Not subject to performance conditions	30%		100%	30.00%	45,000
				47.35%	71,025

1. Includes adjustment for non-recurring costs, acquisitions, and divestitures.

## 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 that 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

### Annual 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 participated in the program in 2022, which has included measurable financial criteria that have been linked to the Group's earnings and performance for the 2022 financial year.

In 2022, the measurable financial criteria for Performance Pay 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 that the company believes are essential to pursue during the year.

The outcome of Performance Pay for 2022 was accumulated to a total of kSEK 1,100 for the CEO.

	Performance Criteria	Relative weighting of Performance Criteria	Measured Performance <sup>2</sup>	Remuneration Outcome
Klas Forsström CEO	Munters Group's EBITA (adjusted for items affecting comparability and exchange rate effects)	80%	949.2 <sup>1</sup> MSEK	307
	Munters Group's Operating working capital (as a percentage of net sales)	20%	12.26% <sup>1</sup>	803

1. Includes adjustment for non-recurring costs, acquisitions, and divestitures

2. 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

### Long-term variable cash remuneration

During 2022, the Board has resolved on the implementation of a program for long-term variable cash remuneration (LTIP 2022), in which the CEO, the other executives in the Group management and more than 60 additional employees within the Group participate. A certain part of the net amount after tax of the paid long-term variable cash remuneration, is expected to be invested in Munters shares, according to the share ownership policy that the Board has adopted. As regards the CEO, the entire net amount after tax is expected to be invested in Munters shares until the holding in value corresponds to 200 percent of the gross annual fixed cash salary.

The program has a three-year vesting period and includes measurable financial criteria linked to adjusted EBITA and operating working capital (total weighting 70%), and non-financial criteria linked to weighted sustainability goals (weighting 30%). The criteria are strongly linked to Munters' long-term goals and the needs that the company believes are essential to pursue during the term of the program.

In 2022, the first part of three in LTIP 2021 was earned; the outcome is presented in the table below based on the respective performance targets for the first measurement period (12 months). A total of kSEK 372 was earned, where the net payout was invested in Munters shares.

Table 5

Name, position	Description of the criteria linked to the compensation component	Relative weighting of the performance criteria	Achieved Performance	Remuneration-outcome (kSEK)
Klas Forsström CEO	Munters Group's EBITA (adjusted for items affecting comparability and exchange rate effects)	40%	1.20%	0
	Munters Group's Operating working capital (as a percentage of net sales)	30%	13.09%	122
	Compounded sustainability targets (total)	30%	21.00%	250
	<b>Sustainability targets:</b>			
	Green electricity of the group's total electricity consumption (from sun, water, wind, geothermal and biomass)	10%	62.00%	131
	Proportion of female leaders within the group (managers who set salaries)	10%	22.80%	0
	Proportion of the group's suppliers that follow Munter's code of conduct for suppliers	10%	100%	119

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

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

Table 6	RR 2019	RR 2020	RR 2021	RR 2022	RR 2021 / RR 2022
Klas Forsström, CEO	15,235 <sup>1</sup>	16,927	14,820	14,678	-0.96%
Adjusted EBITA as regards the Group (mSEK)	871	906	909	949	4.42%
Average remuneration based on the number of full-time equivalents employed in the Group <sup>2, 3</sup>	545	568	596	628	5.29%

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 five employees in 2022, 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.
3. 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.