

# Corporate Governance Report

**The goal of corporate governance** is to guarantee that the company is managed as efficiently as possible for the shareholders. This entails establishing an effective organisational structure, systems for internal control and risk management, and transparent internal and external reporting.

**Munters Group AB** (Munters, or “the Company”) is a Swedish public company listed on Nasdaq Stockholm Large Cap. Corporate governance is primarily regulated by the Swedish Companies Act and other Swedish legislation, the Nasdaq Stockholm rulebook for Issuers, and the Swedish Corporate Governance Code (“the Code”). Munters has applied the Code starting from May 19, 2017, when the company’s shares were admitted for trade on Nasdaq Stockholm, and hereby submits its Corporate Governance Report for fiscal year 2018.

## COMPLIANCE WITH RULES

### External governance systems

The external governance systems that constitute the framework for Munters’ corporate governance consist primarily of the Swedish Companies Act, the Swedish Annual Accounts Act, the Nasdaq Stockholm rulebook for Issuers and the Code, as well as other applicable regulations and relevant legislation.

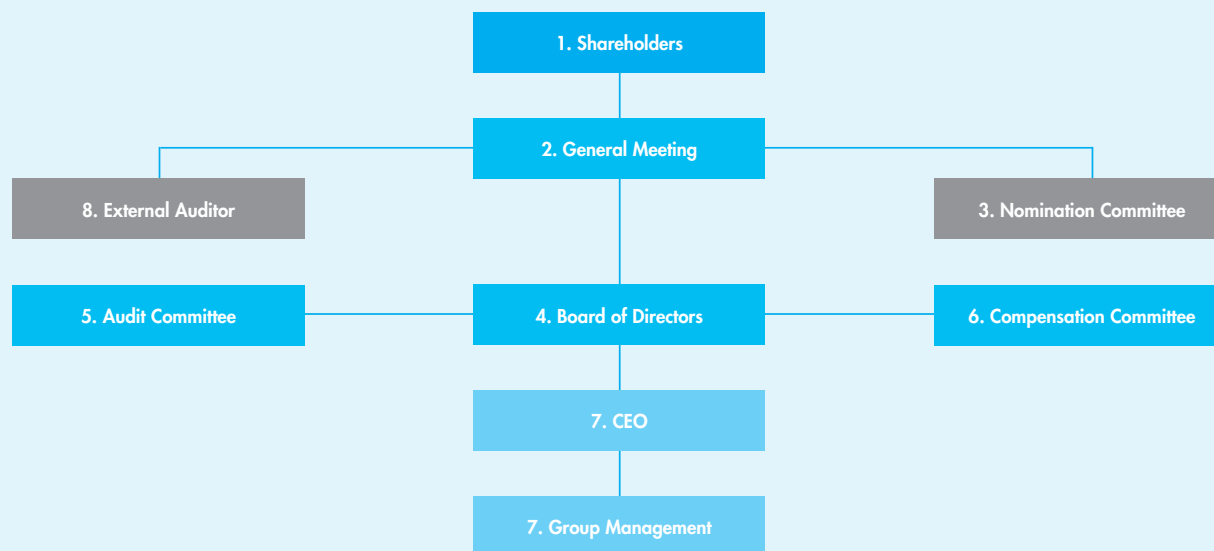
### Internal governance systems

The Articles of Association adopted by the Annual General Meeting (AGM), the Munters Board Rules of Procedure adopted by the Board, the instructions for the CEO and the instructions for the Compensation and Audit Committees constitute the key internal governance systems.

In addition to this, the Group has a number of policies and instructions with rules and principles for the Group’s operations and employees. In 2018, the Munters Board of Directors passed resolutions on the following policies and instructions:

- Rules of Procedure for the Board of Directors
- Instructions for the CEO
- Rules of Procedure and instructions for the Audit Committee
- Rules of Procedure and instructions for the Compensation Committee
- Code of Conduct
- Steering documents
- Certification and Authorization rules
- Treasury policy
- Anti-corruption and bribery policy
- Purchasing policy
- Communication policy
- Insider Policy
- Policy for internal control
- IT policy
- Risk management policy
- Whistleblower policy
- Policy for gifts
- Policy for conflicts of interest
- Sanctions policy

## CORPORATE GOVERNANCE STRUCTURE



### Deviations from the Code

The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden. The Code indicates a norm for good corporate governance at a higher level of ambition than the minimum requirements of the Swedish Companies Act and other rules.

The Code is built on the “comply or explain” principle. This means that the company does not have to observe every rule in the Code at all times, but can choose other solutions deemed to better address the circumstances in the individual case provided that the company openly reports every such deviation, describes the solution chosen instead and indicates the reasons for this in the corporate governance report.

Munters deviates from Rule 9.7 in the Code with respect to the warrant programme introduced in connection with listing the company’s shares on Nasdaq Stockholm. Pursuant to the terms of one of the two warrant series, participants may exercise such warrants to subscribe for shares after a two-year period, a shorter period than the minimum three years prescribed by the Code. The other warrant series entitles participants to exercise the warrants to subscribe for shares after a three-year period. The offering of warrants with terms of exercise after two and three years, respectively, is considered to be in line with Munters’ long-term business plan, strategy, and financial targets. In future, Munters intends to implement only three-year programs.

In 2018, Munters deviated from Rule 9.8 of the Code in that former CEO John Peter Leesi’s fixed salary during the notice period and severance pay upon the company’s termination of his employment amounts to three years’ fixed salary, which exceeds the two years’ fixed salary prescribed by the Code. During the notice period (12 months) and the period when severance pay is paid (24 months), the CEO is subject to a non-competition undertaking, which the company considers to be in the interest of the company and its shareholders, and thus justified the deviation from Rule 9.8 of the Code.

In 2018, Munters deviated from Rule 1.2 in the Code in that Christopher Curtis, former Chairman of the Board of Munters, did not attend the Extraordinary General Meeting on December 18, 2018 which is a requirement under the Code. The deviation was justified for cost reasons, as the Board did not consider it

necessary or motivated for Christopher Curtis to travel from the US to Sweden to attend the General Meeting where it was proposed he be replaced by Magnus Lindquist as Board member and Chairman of the Board.

### MUNTERS’ ARTICLES OF ASSOCIATION

Munters’ Articles of Association were adopted at an Extraordinary General Meeting on May 7, 2017 and contain no particular provisions on the appointment and dismissal of Board members or on changes to the Articles of Association. For the complete Articles of Association, refer to the Munters website.

#### 1. Shareholders

Shares in Munters have been listed on Nasdaq Stockholm Large Cap since May 19, 2017. At year-end, share capital totalled SEK 5,507,934.06 distributed among 183,597,802 shares. All shares are of the same type, and have equal rights in every respect. On December 31, 2018, Munters had 6,673 shareholders (compared with 6,514 on December 31, 2017). The largest shareholders were Nordic Capital (50.1 percent of votes) and FAM (11.4 percent of votes). Additional information on the share and shareholders can be found in the section on the Munters share and on the Munters website.

#### *Buy-back of own shares*

For the purpose of guaranteeing delivery of shares to participants in the long-term incentive programme resolved at the 2018 AGM, the Board of Directors was authorised by the AGM to decide on the acquisition of at most 1,467,000 own shares for the period up to the next AGM. The Board of Directors decided to make use of the buy-back authorisation on May 17, 2018, and the buy-back was conducted between 22 and 28 August 2018. In total, 1,467,000 shares were bought back at an average share price of SEK 40.27, which is the total number of own shares Munters holds and is approximately 0.8 per cent of the share capital.

#### 2. General Meeting

The right of the shareholders to decide on matters concerning Munters is exercised at the General Meeting (GM). Shareholders

who are recorded in the share register on the record date and have registered for the GM within the time period indicated in the notice to attend have the right to participate in the GM, either in person or by proxy.

Decisions at the GM are normally taken by simple majority. On certain issues, however, the Swedish Companies Act prescribes a qualified majority of votes, and in certain individual cases a certain portion of shareholders present, as well, in order to achieve a quorum.

The AGM must be held within six months from the end of the financial year. Munters AGMs are held in Stockholm, Sweden, every calendar year before the end of June.

Under the Articles of Association, notices convening General Meetings are issued through announcement in Post- och Inrikes Tidningar (the Swedish Official Gazette) as well as on the Munters website. Announcement to the effect that a notice convening a GM has been issued shall be made in Svenska Dagbladet.

Apart from the AGM, Extraordinary General Meetings may be held if the Board considers it to be necessary, or if Munters’ auditor or owners of at least 10 percent of total shares in the company requests one.

All shareholders who are directly recorded in the share register maintained by Euroclear Sweden five weekdays (Saturdays included) prior to the AGM and who have notified the company of their intention to participate in the AGM not later than the date indicated in the notice of the AGM, are entitled to attend the AGM and vote for the number of shares they hold. In addition to notifying the company, shareholders whose shares are nominee registered through a bank or other nominee must request that their shares be temporarily registered in their own names in the register maintained by Euroclear Sweden, in order to be entitled to participate in the AGM. Shareholders should inform their nominees well in advance of the record date.

Shareholders who wish to have an issue brought before the General Meeting must submit a request in writing to the Board of Directors. The request should normally be submitted to the Board of Directors seven weeks before the General Meeting at the latest.

### 2018 Annual General Meeting

At the AGM on May 17, 2018 at the Clarion Hotel Sign in Stockholm 95 shareholders were represented corresponding to 87.3 per cent of the share capital. The meeting was held in Swedish with simultaneous interpretation into English. All Board members, and the Group's auditor in charge, were in attendance.

The AGM resolved on issues including the following:

- Dividend of SEK 0.30 per share for fiscal year 2017
- Re-election of Board members Christopher Curtis, Helen Fasth Gillstedt, Per Hallius, Joakim Karlsson, John Peter Leesi, Andreas Näsvisk, Lena Olving, Kristian Sildeby and Joachim Zetterlund
- Re-election of Christopher Curtis as Chairman of the Board
- Fees to the Board of Directors
- Guidelines for remuneration to senior executives
- Long-term incentive programme for Group Management and certain other key employees, containing resolutions on issuance of employee stock options and hedging measures in connection with it
- Authorisation for the Board of Directors on one or more occasions, up to the time of the next Annual General Meeting, to decide on issuance of shares and/or convertible instruments and/or warrants totalling 18,359,780 shares that can be issued, as convertible instruments that can be converted to shares and be subscribed to through the utilisation of warrants.

### 2018 Extraordinary General Meeting

At an extraordinary General Meeting on December 18, 2018, Magnus Lindquist and Johan Ek were elected as ordinary Board members for the period up to the end of the next AGM to replace Christopher Curtis and Joakim Karlsson. In addition, Magnus Lindquist was elected as the new Chairman of the Board.

### 2019 Annual General Meeting

The 2019 Annual General Meeting will be held on May 8, 2019, in Stockholm, Sweden. For further information, refer to the Munters website.

### 3. Nomination Committee

#### Nomination Committee activities

The Nomination Committee is charged with preparing and

submitting proposals on behalf of the shareholders for electing the Chairman of the AGM and electing a Chairman of the Board and other Board members, in addition to a reasoned statement, election of auditors, decisions on fees to auditors and to the Board (divided between the Chairman and the other members, as well as remuneration for committee work) and, where necessary, proposing changes to the appointment of the Nomination Committee. In addition, the Nomination Committee also assesses the independence of Board members in relation to the company and its major shareholders. The company's Audit Committee assists the Nomination Committee in its work on proposing the election of auditors; the Nomination Committee's proposals to the GM regarding the election of auditors must contain the recommendation of the Audit Committee.

Prior to submitting its proposals to the Board, the Nomination Committee may read through the evaluation of the activities of the Board and its members and inform itself in general of the Board's activities through interviews with the company's CEO and selected committees and Board members.

Shareholders who wish to submit proposals to the Nomination Committee may do so via the Committee's e-mail: [valberedningen@munters.se](mailto:valberedningen@munters.se) or by post: Munters Group AB, Nomination Committee, Box 1188, SE-164 26 Kista, Sweden.

#### Composition of the Nomination Committee

Under the Nomination Committee instructions adopted by the 2017 AGM, which are in force until further notice, the Nomination Committee shall be composed of representatives from the four largest shareholders in terms of voting rights listed in the share register maintained by Euroclear Sweden AB as of August 31, each year. The Nomination Committee also includes the Chairman of the Board, who also convenes the first Nomination Committee meeting.

The composition of the Nomination Committee for the AGM shall normally be announced no later than six months before that meeting. Remuneration shall not be paid to the members of the Nomination Committee. Changes in the composition of the Nomination Committee shall be made public immediately.

#### Nomination Committee prior to the 2019 AGM

The composition of the Nomination Committee was published on the Munters website on September 19, 2018. The Nomination Committee for the 2019 AGM consists of Robert Furuholm (Nordic Capital), Lars Wedenborn (FAM AB), Tomas Risbecker (AMF Försäkringar och Fonder), Johan Grip (First Swedish

National Pension Fund) and Magnus Lindquist (Chairman of the Board of Munters). Magnus Lindquist was appointed as a member of the Nomination Committee in conjunction with his replacement of Christopher Curtis as Chairman of the Board of Munters at the Extraordinary General Meeting on December 18, 2018. Prior to this, Christopher Curtis was a member of the Nomination Committee. From the time it was constituted up until the submission of the Annual Report, the Nomination Committee held five meetings.

### 4. Board of Directors

#### Board activities

The duties of the Board of Directors are primarily set forth in the Swedish Companies Act and the Code. In addition to this, Board activities are guided by formal rules of procedure that the Board adopts every year. The rules of procedure govern the division of work and of responsibility among the members of the Board, its committees, its Chairman and the CEO. The instructions for the CEO also contain instructions for financial reporting. The tasks of the Board of Directors include adopting strategies, business plans and targets, and issuing interim reports and year-end financial statements and managing risks, as well as setting policies and guidelines. The Board is also required to follow economic developments and ensure the quality of financial reporting and the internal controls, and evaluate the Group's operations based on the objectives and guidelines set by the Board of Directors. The Board is also responsible for appointing the CEO. Finally, the Board of Directors decides on major investments and changes in organization and activities.

#### NOMINATION COMMITTEE PRIOR TO THE 2019 AGM

Name	Appointed by	Holdings/votes
Robert Furuholm, Chairman, Nomination Committee	Nordic Capital	50.1%
Lars Wedenborn	FAM AB	11.4%
Tomas Risbecker	AMF Försäkringar och Fonder	7.9%
Johan Ek	First Swedish National Pension Fund	6.2%
Magnus Lindquist	Chairman of the Board, Munters	

## COMPOSITION OF THE BOARD OF DIRECTORS

Name	Elected in	Fee, SEK <sup>1</sup>	Committee fees	Independent	Present		
					Board Meetings	Audit Committee	Compensation Committee
Christopher Curtis, chairman <sup>2)</sup>	2015	618,493	45,833 <sup>3)</sup>	Yes	14/14	-	3/3
Helen Fasth Gillstedt	2017	400,000	150,000 <sup>4)</sup>	Yes	14/15	5/5	-
Per Hallius	2013	400,000		Yes <sup>5)</sup>	15/15	-	-
Joakim Karlsson <sup>6)</sup>	2010	241,573		No	10/14	-	-
John Peter Leesi, President and CEO <sup>16)</sup>	2011	-		No <sup>7)</sup>	15/15	-	-
Andreas Näsvik	2011	400,000	150,000 <sup>3) 4)</sup>	No <sup>8)</sup>	15/15	5/5	4/4
Lena Olving	2017	400,000	100,000 <sup>4)</sup>	Yes	14/15	4/5	-
Kristian Sildeby	2017	400,000		No <sup>8)</sup>	15/15	-	-
Joachim Zetterlund	2012	400,000	100,000 <sup>3)</sup>	Yes	15/15	-	4/4
Magnus Lindquist, Chairman <sup>9)</sup>	2018	431,507	4,167 <sup>3)</sup>	Yes	1/1	-	1/1
Johan Ek, interim President and CEO <sup>10)</sup>	2018	-		No <sup>11)</sup>	1/1	-	-
Pia Nordqvist <sup>12)</sup>	2004	-		-	15/15		
Robin Hedén <sup>12) 13)</sup>	2017	-		-	10/11		
Simon Henriksson <sup>14) 15)</sup>	2017	-		-	14/15		
Robert Wahlgren <sup>14)</sup>	2009	-		-	13/15		

1) Remuneration determined regarding work from the 2018 AGM to the 2019 AGM.

2) Christopher Curtis left the Board of Directors on December 18, 2018. Received pro rata Board fees as of the 2018 AGM up through December 18, 2018.

3) Compensation Committee fee.

4) Audit Committee fee.

5) Per Hallius has a consulting agreement with Nordic Capital Limited and Nordic Capitals Fonder.

6) Joakim Karlsson left the Board of Directors on December 18, 2018. Received pro rata Board fees as of the 2018 AGM up through December 18, 2018.

7) Independent in relation to the company's major shareholders, but not to the company and Group Management.

8) Independent in relation to the company and Group Management, but not to the company's major shareholders.

9) Magnus Lindquist elected to the Board of Directors at the Extraordinary General Meeting on December 18, 2018.

Receiving pro rata Board fees as of 18 December 2018 up through the 2019 AGM.

10) Johan Ek elected to the Board of Directors at the Extraordinary General Meeting on December 18, 2018.

Appointed interim CEO on the same day; will receive no Board fees while he is interim CEO.

11) Not independent in relation to the company and Group Management, or in relation to the company's major shareholders.

12) Employee representative.

13) Robin Hedén left the Board of Directors as ordinary employee representative on November 1, 2018.

14) Employee representative, deputy.

15) Simon Henriksson elected ordinary employee representative on November 1, 2018.

16) President and CEO until December 18, 2018.

### Composition of the Board of Directors

Under the company's Articles of Association, Munters' Board of Directors shall consist of at least three and no more than ten members elected by the AGM for a term of office until the end of the next AGM. At the 2018 AGM, all nine Board members were re-elected. Under Swedish law, the trade unions have the right to representation on the Board; in 2018 they were represented by two members and two deputies. A presentation of the Board members can be found in the section on the Board of Directors on pages 78–79.

The CEO of Munters is part of the Board of Directors, and the CFO participates as a presenter at Board meetings. Lawyer Johan Lekholm serves as the Board's secretary. Other company officers participate in Board meetings to provide presentations on specific issues.

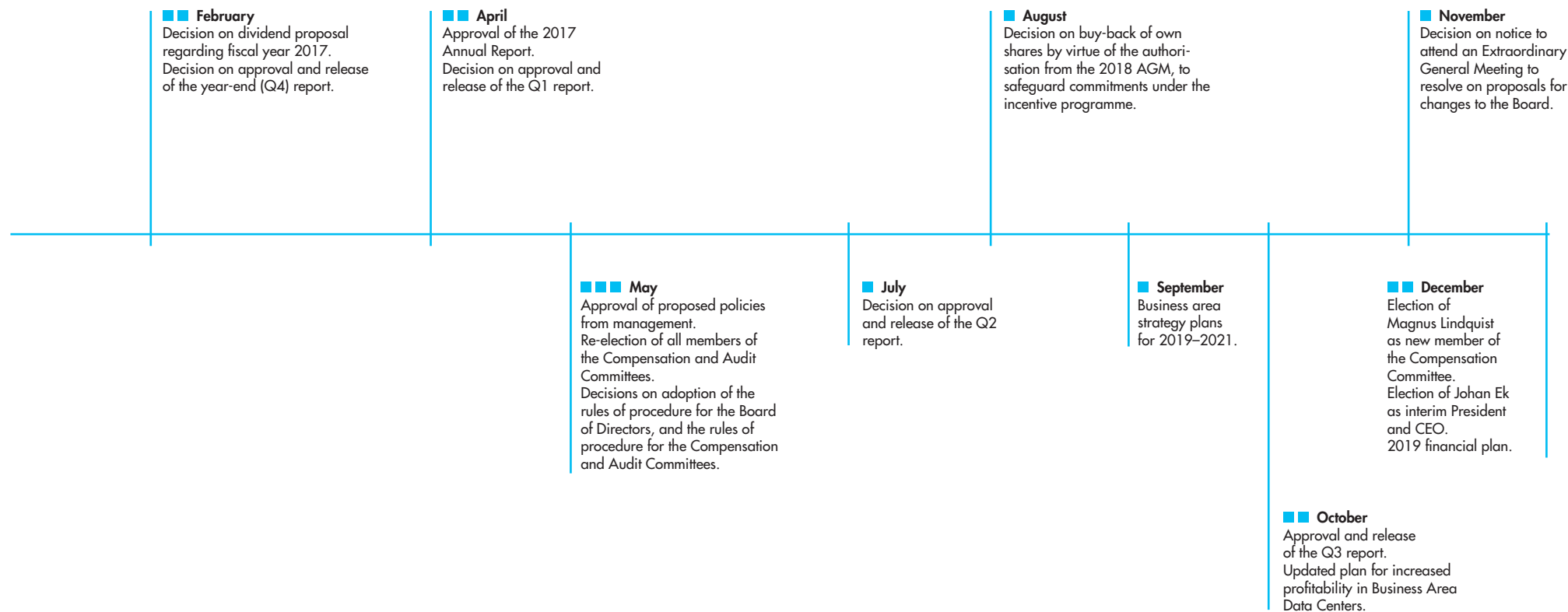
The reasoned statement of the Nomination Committee for the 2018 AGM states that the Nomination Committee applied Rule 4.1 of the Code as its diversity policy in drawing up its proposal for the Board of Directors. The goal of the policy is for the Board, in consideration of the company's operations, phase of development and conditions in general, to have a suitable composition marked by diversity and breadth as regards the competence, experience and background of the members elected by the GM, and that an equitable gender distribution is desirable. The 2018 AGM resolved to elect Board members in accordance with the proposal of the Nomination Committee. In preparing its proposal, the Nomination Committee stated that the gender distribution of the proposed Board was not satisfactory. In the opinion of the Committee, however, continuity in the Board's activities was of great importance for the time being and in this light proposed the re-election of all members. In its reasoned statement, the Committee emphasized the importance of future committees continuing to work actively to achieve greater diversity in the Board, striving in particular for an equitable gender distribution among its members. Nine members were elected at the 2018 AGM: two women and seven men.

### Changes to the composition of the Board in 2018

At an Extraordinary General Meeting on December 18, 2018 Magnus Lindquist and Johan Ek were elected as ordinary Board members for the period up to the end of the next AGM to replace Christopher Curtis and Joakim Karlsson. In addition, Magnus Lindquist was elected as the new Chairman of the Board. In a press release dated December 18, 2018 the Board of Directors of Munters announced that John Peter Leesi was leaving his

**2018 BOARD MEETINGS**

During 2018, the Board of Directors held 15 meetings. Below is an overview of the most important issues addressed at these meetings.



■ Number of meetings

role as President and CEO. In conjunction with this, John Peter Leesi was also leaving his assignment as Board member. On November 1, 2018 Robin Hedén left the position as ordinary employee representative on the Board. In conjunction with this, the IF Metall trade union elected Simon Henriksson, former deputy employee representative, as the new ordinary employee representative.

#### *Independence of the Board*

The company meets the requirements in the Code through a majority of the members elected by the AGM being independent of the company and company management, and that at least two of them are independent of the major shareholders. The independence of the Board members at the time of publication for this report is shown in the table, "Composition of the Board of Directors", on page 73.

#### *Responsibilities of the Chairman of the Board*

The Chairman of the Board of Directors leads and governs the work on the Board, ensuring that its activities are conducted efficiently. The Chairman also ensures that the Swedish Companies Act and other applicable laws and regulations are observed, and that the Board is given the training required and that it improves its knowledge of Munters. The Chairman follows operations in close dialogue with the CEO, conveys opinions from shareholders to the other Board members, and serves as spokesperson for the Board. The Chairman of the Board is responsible for other Board members receiving sufficient information to perform their work effectively, and for ensuring that the decisions of the Board are implemented. The Chairman of the Board is also responsible for the Board evaluating its work on a yearly basis.

#### *Board fees*

At the 2018 AGM, it was resolved that fees of SEK 1,050,000 would be paid to the Chairman and of SEK 400,000 each to the other members elected at the meeting. It was further resolved that fees of SEK 150,000 would be paid to the chair of the Audit Committee, with SEK 50,000 to each of the other members of the Committee; and SEK 100,000 to the chair of the Compensation Committee, with SEK 50,000 to each of the other members of the Committee.

#### *Evaluation of Board activities*

Every year, an evaluation must be conducted to ensure the quality of Board activities and to survey the need, if any, for additional competence or experience. The Chairman of the Board is responsible for conducting this evaluation and for providing it to the Nomination Committee. Upon request of the Nomination Committee, the Board members must participate in interviews with the Nomination Committee so as to facilitate the evaluation.

In 2018, the Board conducted a Board evaluation in which the members of the Board had to respond to a comprehensive questionnaire concerning issues such as strategies and objectives, investments, reporting and control, organization and directors, the forms of the Board's work, the composition and overall function of the Board of Directors, and their competence and their own work on the Board. The Nomination Committee was notified of the outcome of the Board evaluation in December 2018.

#### *Board Committees*

The Board of Directors has two committees: the Audit Committee and the Compensation Committee. Reports to the Board on issues addressed during the meetings of the Committees are either in writing or given orally. The work of each committee is performed in accordance with written policies and the rules of procedure stipulated by the Board of Directors. Minutes of committee meetings are provided to all Board members.

### **5. Audit Committee**

The overall task of the Audit Committee is to ensure fulfilment of the Board of Directors' supervisory duty in relation to internal control, audit, financial risk management, accounting and financial reporting; to prepare matters regarding the procurement of audit and other services provided by the auditor; and to prepare certain accounting and auditing matters to be resolved by the Board.

The Audit Committee must review procedures and routines for the aforementioned areas. The Audit Committee shall submit recommendations and proposals to ensure the reliability of the financial reporting and its compliance with generally accepted accounting principles, and continually discuss the efficiency of the company's accounting principles and financial control with the auditors and Group Management, and consider any recommendations regarding improvements to internal control. In addition, the Audit Committee shall monitor the impartiality and independence of the auditor, evaluate the audit work and discuss collaboration between the auditor and the company's

internal control function. The Audit Committee shall also assist the Nomination Committee in preparing nominations for auditor and proposals in respect of audit fees by submitting recommendations to the Nomination Committee.

The Audit Committee shall, during the period between two consecutive AGMs, hold at least five meetings, normally in conjunction with ordinary meetings of the Board of Directors.

In 2018, the Audit Committee consisted of Helen Fasth Gillstedt (chair), Andreas Näsvisk and Lena Olving. The Audit Committee fulfills the requirement in respect of accounting and auditing competence as set forth in the Swedish Companies Act. The Audit Committee had five meetings during 2018. Board member attendance is shown in the table, "Composition of the Board of Directors", on page 73.

### **6. Compensation Committee**

The task of the Compensation Committee is to prepare issues relating to compensation for the CEO and Munters' other senior management. The Compensation Committee proposes guidelines for, among other things, the relationship between fixed and variable compensation, the principal conditions for bonuses and incentive schemes, conditions for non-monetary benefits, pensions, termination and severance pay. The Committee also makes proposals on individual compensation packages for the CEO and other executives in the company's senior management. Furthermore, the Compensation Committee shall monitor and evaluate the outcome of variable compensation schemes and the company's compliance with compensation guidelines adopted by the Annual General Meeting.

In 2018, the Compensation Committee consisted of: Joachim Zetterlund (chair), Christopher Curtis (until December 18, 2018), Andreas Näsvisk and Magnus Lindquist (as of December 18, 2018). The Compensation Committee held four meetings in 2018. Board member attendance is shown in the table, "Composition of the Board of Directors", on page 73.

### **7. Group Management and CEO**

Apart from the President and CEO, Group Management in 2018 consisted of four business area Vice Presidents and the CFO, and seven Group Vice Presidents responsible for the following central functions: Global Operations, Global Services, Innovation and Technology, HR & Communications, Strategy & Business Development, CSR and Investor Relations.

The CEO is responsible for day-to-day management in accordance with the guidelines and instructions of the Board of

## CORPORATE GOVERNANCE

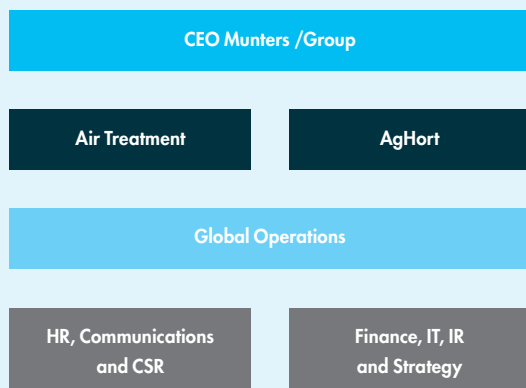
Directors. The CEO's responsibilities include taking all measures necessary to ensure that the organization and control of the company's accounting takes place in accordance with current rules and regulations. The CEO shall also prepare all necessary information and supporting documentation for Board meetings and, if requested by the Chairman of the Board, to summon the meeting. The CEO reports at the Board meetings and shall submit motivated proposals for decision to the Board of Directors.

The CEO shall ensure that the Board members continually receive all information necessary to assess the company's financial situation. The quality of the report shall be such that it permits the Board of Directors to make a well-grounded assessment.

### Changes to Group Management in 2018

Katarina Lindström took office as Group Vice President Global Operations in May 2018. Sofia Gellar was appointed Group Vice President HR & Communication in October 2018. She replaced Per-Arne Håkansson, who retired. Michael Gantert was appointed Group Vice President Data Centers in October 2018. He replaced Neil Yule, who will be leaving the company in June 2019. Johan Ek was appointed interim President and CEO for Munters in December 2018; previously, John Peter Leesi had been President and CEO.

### GROUP STRUCTURE



### Changes to Group Management in 2019

In conjunction with the publication of the Q4 2018 report, Munters announced that Jonas Ågrup, CFO, would be leaving Munters at the end of 2019 and that recruitment of a new CFO had begun. Additionally, it was announced that Peter Lindquist had been appointed interim Group Vice President Air Treatment as of February 13, 2019, replacing Scott Haynes. It was also announced that, as a result of certain structural changes in Munters, Group Management would consist of six members compared with the previous 13. The new Group Management will consist of the President and CEO, Group Vice President and CFO, Group Vice President Air Treatment, Group Vice President AgHort, Group Vice President Global Operations and Group Vice President HR, Communications and CSR.

### Guidelines for remuneration to senior executives

Guidelines for remuneration to senior executives are evaluated and put forward for approval on a yearly basis at the AGM by the Board of Directors. Compensation for the CEO and CFO is prepared by the Compensation Committee and decided by the Board of Directors. Compensation for other senior executives is prepared by the CEO and decided by the Compensation Committee.

Munters will endeavour to offer total compensation that is reasonable and competitive in relation to what applies in the country or region of employment for the respective Group Management members and enables Munters to recruit and retain the senior executives needed for the company to reach its short-term and long-term targets.

### Compensation can consist of:

- Fixed salary
- Variable salary
- Other benefits such as pension and insurance

The Board of Directors will evaluate annually whether or not a long-term incentive programme is to be proposed to the AGM. The 2018 AGM resolved to introduce a long-term incentive programme in the form of an employee stock option programme for Group Management and certain other key employees.

For additional information on compensation to senior executives, long-term incentive programmes and pension benefits, refer to Note 31 and 32.

## 8. External Auditor

Munters external auditor is appointed by the AGM. The auditor reviews the Annual Report and the consolidated financial statements, as well as management by the Board of Directors and the CEO. The audit is conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit is reported on a continual basis over the year to the company's Audit Committee. Over the year, the auditor participated in all Audit Committee meetings and in the Board meeting where the annual accounts were addressed. The auditor participates in the AGM, describing the audit work and the observations made in the audit report there.

The fee for the auditor for their audit work is paid out on a continual basis according to approved invoices. Apart from audit work, Munters audit firm EY provided other services during the year, primarily in acquisitions and tax-related issues. For information on remuneration to EY, refer to Note 30.

EY has been Munters auditor since 2010, and Erik Sandström, authorized public accountant and member of FAR (the professional institute for authorized public accountants in Sweden), has been auditor-in-charge since 2012. At Munters AGM in 2016, EY was re-elected as auditor for a term of office of four years, up through the 2020 AGM.



Erik Sandström  
auktoriserad revisor, EY

## INTERNAL CONTROL OF FINANCIAL REPORTING

Internal control deals with clarity and order, as well as with ensuring that what is to be done is done the way it was intended. Internal control is the collective term for the organization and the systems, processes, and routines that enable this.

Munters' internal control of its financial reporting is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework covers five different main areas: control environment, risk assessment, control activities, information and communication, and monitoring.

### Control environment

Internal control is formed by the overall control environment. The Board of Directors is responsible for adopting an efficient system of internal control and governing the work through the CEO. Group Management sets the tone for the operation, influencing employees' awareness regarding control. One precondition for a strong control environment is that there are clearly defined values in terms of ethics and integrity, and that these are communicated through policy documents such as policies, guidelines, manuals and codes. For financial reporting, Group Management in Munters issues policies and guidelines to all its subsidiaries, which are followed up with newsletters, telephone conferences, and direct control activities. Courses are also conducted for many areas of accounting, internal reporting requirements and systems.

### Risk assessment

Risk assessment is conducted on a yearly basis pursuant to the Group's risk management policy. The purpose is to identify, document and quantify the consequences and likelihood of events occurring that prevent Munters from achieving its objectives. Risk assessments comprises identifying and evaluating strategic, operational, financial, legal and regulatory risks. Furthermore, an action plan for the most material risks is prepared. For more information on Munters' risk assessment efforts, refer to pages 64–67.

### Control activities

Controls have been designed based on the risks identified to detect, prevent and correct errors and discrepancies. Controls can take place at the transaction level, as Group level controls and as IT general controls. Control activities are carried out

in the entire organization, at all levels, and for all functions. Transaction-based controls, which can be either manual or automatic, are performed to manage the risk of errors in financial reporting. Reconciliation and analysis are examples of this type of control. Company-wide controls pertain to such actions as guaranteeing compliance with instructions for payment approval rights, authorisations and responsibilities in credit granting. Examples of general IT controls are change management, back-up routines and authorisations. The company's CFO is responsible for ensuring that identified risks relating to financial reporting at Group level are addressed. In each legal entity, the accounting staff is responsible for having the necessary control activities in place, and that accounting and the financial statements are fair and correct. Global controllers, as well as financial directors, in each legal entity update forecasts and conduct outcome analyses. All business areas present their financial results in written reports on a monthly basis to the CFO, who in turn presents these to Group Management.

### Information and communication

Munters has informational and communications channels that aim at ensuring that information is identified, collected, and communicated in a way and within a time frame that enables employees and directors to perform their tasks. Instructions for reporting and accounting guidelines are conveyed to the employees concerned through monthly newsletters and quarterly telephone conferences. The Group uses a shared system for reporting and consolidation of financial information. Governing documents – in the form of policies, guidelines, and manuals for financial reporting – are communicated primarily via the intranet and the Group's financial handbook, which is updated as needed. Information for external parties is communicated on Munters' website together with other news and press releases. Quarterly reports are published and supplemented with presentations and investor meetings. The Annual Report is provided to shareholders and other stakeholders through publication on Munters' website, and in print upon request.

### Monitoring

Monitoring and testing of control activities are routinely conducted throughout the year to ensure that risk has been taken into account and satisfactorily managed. Testing is carried out by employees who are independent of the performance of the control and possess the competence to evaluate the performance of

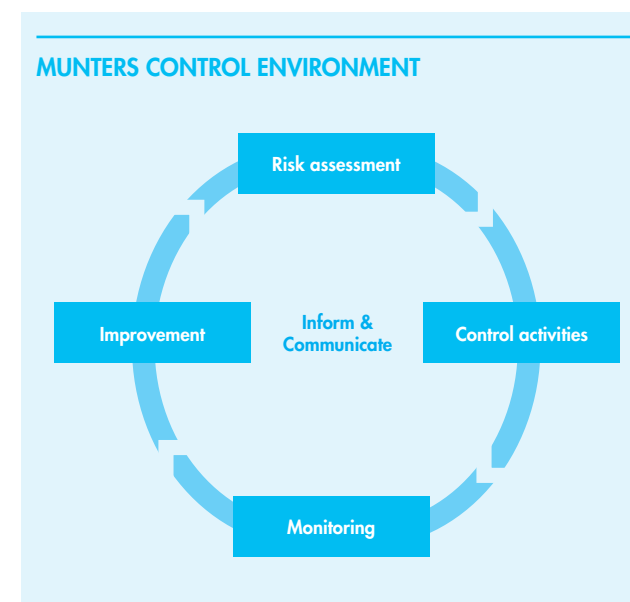
the controls. Failed controls must be mitigated, which means that actions must be taken and implemented to correct deficiencies. Reports are presented to the Audit Committee twice yearly.

The Board of Directors has final responsibility for all decisions regarding compliance within Munters. The Board reviews and approves internal control policies on a yearly basis. If needed, review and approval are conducted more frequently.

Every head of division is ultimately responsible for the financial information for their respective divisions. The information is further followed up at the business area level, by Group Management and, finally, by the Board of Directors. Munters' financial position, strategies, and investments are discussed at every Board meeting. The Board is also responsible for monitoring internal control. This effort encompasses tasks such as ensuring that measures are taken to manage any deficiencies, and following up on proposals for measures that were pointed out in conjunction with the external audit.

### Assessment of the need for a separate internal audit function

Munters has no internal audit function, as it is the Board's opinion that the company's internal organization and processes for monitoring fulfill this function in a satisfactory manner. For certain special audits, external efforts can also be conducted. ■





# Board of Directors

## MAGNUS LINDQUIST



Born 1963. Chairman of the Board since December 2018.<sup>1</sup>

**Principal education and professional experience:**

Bachelor in Economics and Business Administration, Stockholm School of Economics. More than 20 years of experience in executive positions with global industrial companies, primarily as Group Vice President at Autoliv and the Perstorp Group. Many years of experience as Senior Partner at Triton.

**Current assignments/positions:** Chairman of the Board of Ryds Bilglas.

**Selected previous assignments:** Chairman of the Board of Norma, Ambea, Alimak and Polygon, and Board member at Bravida, Mycronic and Ovako.

**Holding in Munters Group AB:** 3,000,000 call options.<sup>3</sup>

<sup>1</sup> Chris Curtis was Chairman of the Board until 18 December 2018.

## JOHAN EK



Born 1968. Interim President and CEO.<sup>2</sup> Board member since December 2018.

**Principal education and professional experience:**

M.Sc. in Economics from Hanken School of Economics, Helsinki, Finland. Broad experience in both executive positions and Board activities. President and CEO of Realcom; President of Powerwave Technologies Inc. and LGP Allgon.

**Current assignments/positions:** Chairman of the Board of Sunrise Medical. Board member of Handicare.

**Selected previous assignments:** Chairman of the Board of Handicare, Saferoad and Corob Engineering; board member of Acino and Ramirent.

**Holding in Munters Group AB:** 3,000,000 call options.<sup>3</sup>

<sup>2</sup> Since 18 December 2018, John Peter Leesi was President and CEO until 18 December 2018.

## PER HALLIUS



Born 1962. Board member since 2013.

**Principal education and professional experience:**

MBA, Harvard Business School. M.Sc. in Economics and Business Administration, Stockholm School of Economics. Independent adviser, Board member and investor. Nearly 25 years of experience in the management consulting industry, most recently as Senior Partner of the Boston Consulting Group.

**Current assignments/positions:** Chairman of the Board of Nefab Group AB. Vice Chairman of the Board of Ruukki Construction Oy. Board member of PMH Affärsutveckling AB, Kemetyl Holding AB, Beowulf AB and Quant AB. Industrial adviser to the Nordic Capital Funds. Adviser to senior executives of large industrial multinationals.

**Selected previous assignments:** Chairman of the Board of United Minds Samhällsanalys AB and My Academy Sweden AB.

**Holding in Munters Group AB:** 84,031 shares.<sup>3</sup>

## HELEN FASTH GILLSTEDT



Born 1962. Board member since 2017. Chairman of the Audit Committee.

**Principal education and professional experience:**

M.Sc. in Finance & Control and International Business, Stockholm School of Economics. Studies in Sustainable Development at Stockholm Resilience Center, Stockholm University and KTH Royal Institute of Technology. Over twenty years of experience in executive positions at Statoil and SAS Group.

**Current assignments/positions:** Board member of Handelsbanken Fonder AB, Samhall AB, Humana AB and PowerCell AB; CEO of Blong AB.

**Selected previous assignments:** Board member of AcadeMedia AB, Lindorff Group AS, Intrum Justitia AB, Swedesurvey AB and Svefa Holding AB.

**Holding in Munters Group AB:** 3,000 shares.<sup>3</sup>

## ANDREAS NÄSVIK



Born 1975. Board member since 2011. Member of the Audit Committee and the Compensation Committee.

**Principal education and professional experience:**

M.Sc. in Economics and Business Administration, Stockholm School of Economics. Work with corporate finance, private equity, mezzanine investing and debt restructuring at Deutsche Bank, Goldman Sachs Investment Banking and Goldman Sachs Capital Partners.

**Current assignments/positions:** Board member of Ryds Bilglas, partner of NC Advisory AB, adviser to the Nordic Capital Funds, and Board member of Intrum AB.

**Selected previous assignments:** Board member of Lindorff AB.

**Holding in Munters Group AB:** <sup>3</sup>

## KRISTIAN SILDEBY



Born 1976. Board member since 2017.

**Principal education and professional experience:**

M.Sc. in Economics and Business Administration, Stockholm School of Economics. Investment Manager and CFO in FAM AB. Former Vice President, Head of Finance and Risk Management at Investor AB.

**Current assignments/positions:** Chairman of the Board of 82an Invest AB; Board member of Höganäs AB, Nefab Holding AB, Sol Voltaics AB, QuNano AB and Kivra AB.

**Selected previous assignments:** Chairman of the Board of Blasieholmen 54 Restaurang AB. Board member of Lindström & Göthberg Executive Development AB, Power Wind Partners AB, Elk Holding AB and Mathias Dahlgren Innovations AB.

**Holding in Munters Group AB:** 6,000 shares.<sup>3</sup>

<sup>3</sup> No indirect holdings.

## LENA OLVING



Born 1956. Board member since 2017. Member of the Audit Committee.

**Principal education and professional experience:**

M.Sc. in Mechanical Engineering, Chalmers University of Technology. President and CEO of Mycronic AB (publ). Several executive positions, including Group Management for Volvo Cars. COO and Deputy CEO of Saab AB (publ) and CEO of Samhall Högland AB.

**Current assignments/positions:**

Chairman of the Board of Kungliga Operan AB. Board member of ASSA ABLOY AB (publ), Investment AB Latour (publ), IVA:s Näringslivsråd, the Association of Swedish Engineering Industries and the Swedish Corporate Governance Board.

**Selected previous assignments:**

Board member of Alfa Laval AB (publ), Gunnebo AB (publ), Norsk Hydro A/S (publ) and Novozymes A/S (publ).

**Holding in Munters Group AB:**  
500 shares.<sup>3</sup>

## JOACHIM ZETTERLUND



Born 1963. Board member since 2012. Chairman of the Compensation Committee.

**Principal education and professional experience:**

Executive Vice President Europe Corechange, Managing Director Preferred Accounts Division Dell UK, Vice President Northern Europe Cambridge Technology Partners and Business Area Manager Expressen Digitala Medier.

**Current assignments/positions:**

Chairman of the Board of One Agency AB and FörlagsSystem AB. Board member of MHI Investments AB, JZ Business Development AB, Quant AB and Xpeedio Support Solutions AB.

**Selected previous assignments:**

Chairman of the Board of Office IT-Partner i Sverige AB. Board member of Basset AB and Tailor-made Consulting Group Sweden AB.

**Holding in Munters Group AB:**  
84,031 shares.<sup>3</sup>

## PIA NORDQVIST



Born 1973. Board member since 2004. Employee representative appointed by Unionen.

**Position at Munters:**

Senior Business Application Specialist, Munters AB.

**Holding in Munters Group AB:** –<sup>3</sup>

## ROBERT WAHLGREN



Born 1969. Deputy member since 2009. Employee representative appointed by Unionen.

**Position at Munters:**

Customized Project Engineering Coordinator, Munters Europe AB.

**Holding in Munters Group AB:** –<sup>3</sup>

## SIMON HENRIKSSON



Born 1984. Deputy member since 2017. Employee representative appointed by IF Metall.

**Position at Munters:**

Material supplier, Tobo plant.

**Holding in Munters Group AB:**  
350 shares.<sup>3</sup>

<sup>3</sup> No indirect holdings.

# Group Management

JOHAN EK



Born 1968. Interim President and CEO since December 2018.<sup>1</sup>

**Principal education and professional experience:**

M.Sc. in Economics from Hanken School of Economics, Helsinki, Finland. Broad experience in both executive positions and Board activities. President and CEO of Realcom; President of Powerwave Technologies Inc. and LGP Allgon.

**Current assignments:**

Chairman of the Board of Sunrise Medical. Board member of Handicare.

**Selected previous assignments:**

Chairman of the Board of Handicare, Saferoad and Corob Engineering; Board member of Acino and Ramirent.

**Holding in Munters Group AB:**

3,000,000 call options.<sup>2</sup>

<sup>1</sup> John Peter Leesi was President and CEO until 18 December 2018.

JONAS ÅGRUP



Born 1960. Group Vice President and Chief Financial Officer since 2011.

**Principal education and professional experience:**

BA in Business and Economics, Stockholm University. Various positions in ÅF, WM-data, Cardo and Atlas Copco.

**Current assignments:**

Board member of Handelsbanken Kista.

**Holding in Munters Group AB:**

319,035 shares and 415,000 warrants.

SOFIA GELLAR



Born 1971. Group Vice President HR, Communications and CSR since 2018.

**Principal education and professional experience:**

B.Sc. in Human Resources Development and Labor Relations from Stockholm University. More than 20 years of experience in the HR field, including as Head of Corporate HR and Head of HR Support at Scania, Head of Talent Management at SSAB EMEA, and VP Human Resources at Ruukki Construction.

**Holding in Munters Group AB:**

35,770 warrants.

PETER GISEL-EKDAHL



Born 1970. Group Vice President AgHort since 2011.

**Principal education and professional experience:**

M.Sc. in Chemical Engineering, KTH Royal Institute of Technology. MBA, Copenhagen Business School. Various positions at Wedholms and Hackman.

**Current assignments:**

Board member of ABECE AB and Wedcooling AB.

**Previous assignments:**

Deputy Board member of Drivec AB.

**Holding in Munters Group AB:**

191,176 shares and 295,000 warrants.

PETER LINDQVIST



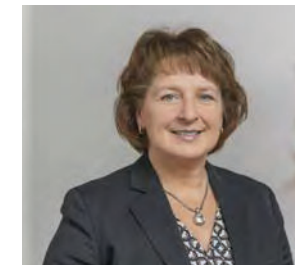
Born 1961. Interim Group Vice President Air Treatment since February 2019.

**Principal education and professional experience:**

BA in Finance from Schiller University, London. More than 25 years of experience in executive positions, including as Executive Vice President of Handicare AB, Sales & Marketing; President & CEO of AxIndustries AB and Human Care HC AB. Experience as Board member in several companies.

**Holding in Munters Group AB: –**

KATARINA LINDSTRÖM



Born 1965. Group Vice President Global Operations since 2018.

**Principal education and professional experience:**

M.Sc. in Materials Science, KTH Royal Institute of Technology in Stockholm. Various executive positions at Volvo since 1988, including Senior Vice President International Manufacturing, Volvo Group Trucks Operations; and SVP Operations and Supply Chain Management at Volvo Group Trucks Operations.

**Current assignments:**

Board member of Gränges and member of the Royal Swedish Academy of Engineering Sciences.

**Holding in Munters Group AB:**

10,000 shares.

<sup>2</sup> No indirect holdings.

# Auditor's report

## AUDITOR'S STATEMENT ON THE STATUTORY SUSTAINABILITY REPORT

To the Annual General Meeting of the shareholders of Munters Group AB (publ.), corporate registration number 556819-2321

### Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year, for which the extent is presented on page 52 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12, the auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A statutory sustainability statement has been prepared.

Stockholm, 12 April 2019  
Ernst & Young AB

Erik Sandström  
Authorized Public Accountant

## AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of the shareholders of Munters Group AB (publ.), corporate registration number 556819-2321

### Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2018-01-01–2018-12-31 on pages 70–77 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16, the auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, Points 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in agreement with the Annual Accounts Act.

Stockholm, 12 April 2019  
Ernst & Young AB

Erik Sandström  
Authorized Public Accountant