



Remuneration Report 2021 (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 2021, were implemented in 2021. 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 31 on page 119 of the company's annual report 2021 ("Annual Report 2021").

The information required according to Chapter 5, sections 40 – 44 of the Annual Accounts Act is disclosed in note 31 on pages 117 - 120 in the Annual Report 2021.

For information on the remuneration committee's work in 2021, see the corporate governance report on pages 62 – 69 in the Annual Report 2021.

Munters development in 2021

President and CEO Klas Forsström summarises the past year and the company's overall performance in his statement on pages 8 – 9 in the Annual Report 2021.

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 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 result 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 criteria for variable cash remuneration shall be designed not to encourage excessive risk-taking.

The guidelines in full are found on pages 77 – 79 in the Annual Report 2021. During 2021, 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. 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 32 on pages 120 – 121 in the Annual Report 2021.

Total remuneration to CEO Klas Forsström in 2021 (kSEK)¹

Name and position	Fixed remuneration		Variable remuneration		Other remuneration ⁵	Pension ⁶	Total remuneration	Proportion of fixed and variable part of Total remuneration
	Base salary ²	Benefits ³	Variable cash remuneration	Share-related remuneration ⁴				
Klas Forsström, CEO	7,152	285	3,539	0	1,500	2,344	14,820	76% / 24%
Proportion of Total remuneration	48%	2%	24%	0%	10%	16%	100%	100%

1. Includes paid and earned remuneration in 2021.
2. Includes holiday pay of kSEK 23.
3. Car allowance as well as health and life insurance.
4. Share-related remuneration is reported in the table to the extent it was vested in 2021, and in that sense, earned. Note 31 in the Annual Report 2021 reports share-related remuneration in accordance with IFRS.
5. Portion of remuneration agreed to when hired in 2019.
6. The pension is defined contribution with fixed contributions amounting to 35% of base salary (excluding holiday pay), and has thus been counted entirely as fixed remuneration.

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. During the year, the employee stock option program LTIP 2018 has been vested in its entirety and has thus expired.

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 2019–2021. 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 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 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 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 Program ¹	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	2020-06-30	2023-06-30	2023-06-30	Q2-2023 - Q2-2024	45.82	150,000	-	-	150,000	-	-
LTIP 2019	2019-2021	2019-08-16	2022-07-19	2022-07-19	Q2-2022 - Q2-2023	50.27	150,000	-	-	105,000	45,000	-
Total							300,000	-	-	255,000	45,000	-

1. In 2021, there were no changes in the LTIP 2019 or the LTIP 2020.
2. The options can be exercised during a one-year period after 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 exercise 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 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 has participated in the program in 2021, which has included measurable financial criteria that have been linked to the Group's earnings and performance for the 2021 financial year.

In 2021, 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 2021 was accumulated to a total of kSEK 3,539 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%	909 mSEK	2,109 kSEK
	Operating working capital (as a percentage of net sales)	20%	12.9%	1,430 kSEK

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.

Long-term variable cash remuneration

During 2021, the Board has resolved on the implementation of a program for long-term variable cash remuneration (LTIP 2021), 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. No part of the remuneration under LTIP 2021 was earned during 2021.

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)

	RR 2019	RR 2020	RR 2021	RR2020 / RR 2021
Klas Forsström, CEO	15,235	16,927	14,820	-12.45%
Adjusted EBITA as regards the Group (mSEK)	871	906	909	0.33%
Average remuneration based on the number of full-time equivalents employed in the Group ^{2, 3}	545	568	596	4.93%

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 2021, 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.