

UN GLOBAL COMPACT – COMMUNICATION ON PROGRESS

Since 2018, Munters has committed to report in accordance with the ten principles of the UN Global Compact's on human rights, labor, the environment and anti-corruption. We believe that progress in these areas is crucial to our continued existence and a sustainable future for all.

In 2020, we started to integrate sustainability into our strategic priorities with the ambition that sustainability should be part of everything we do.

The management of Munters remains firmly convinced that more ambitious targets must be set for sustainability work going forward. The ambition is to set clearer targets for several areas in 2021.

On the following pages, we highlight the activities we have implemented in 2020 and some of the initiatives we have planned for 2021.

HUMAN RIGHTS

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** make sure that they are not complicit in human rights abuses.

»At Munters, we strive to build a diverse and inclusive culture that encompasses learning and promotes trust. We believe that we can achieve business success if we all live by our core values (sustainable value creation, team spirit, there is always a better way and passion for results) every day. Everyone at Munters has a responsibility to know and act in accordance with the principles of our code of conduct. It is also the responsibility of each individual to raise concerns about possible violations of our policy.«

PROGRESS FROM LAST REPORTING

- All suppliers are expected to live up to Munters' ethical guidelines. By 2020, 100 percent of our suppliers* had signed the revised code of conduct. Compliance with the Code of Conduct is monitored through visits and audits performed by Munters or by third parties. In cases where the supplier does not comply with the requirements, an action plan must be drawn up and if the schedule is not followed, the relationship will be terminated.
- The whistleblower policy was updated in 2020, after which training was created and rolled out for HR employees. The HR organization will launch training on the whistleblower policy for all employees.
- During the year, the Munters Code of Conduct for employees will be updated, after which training will be launched for all employees.
- In 2020, the HR organization introduced training on "Human Trafficking Awareness & Reporting Obligations" for employees in HR, procurement and Strategic Operations.
- In 2020, we conducted our employee survey. Some of the key takeaways from the survey were that 90% of Munters employees considered themselves free of discrimination at work, 84% thought that Munters was dedicated to ethical conduct and 82% that Munters was a sustainable company.
- Munters strive for a workplace that is free from discrimination, harassment or bullying. Managers and HR will take actions and follow-up with the ambition that all employees will consider Munters free from discrimination, harassment and bullying.

Code of Conduct for suppliers

The goal for 2020 was to have all our major suppliers of both direct and indirect materials sign the Code of Conduct.

2020: 100%

2019: 92%

In 2019, we reported only how large a share of major suppliers of direct materials had signed the Munters Code of Conduct for suppliers. In 2020, major suppliers of indirect material was added, thus increasing the amount of suppliers required to sign our Code of Conduct.

Number of whistleblower complaints

Number of whistleblower complaints through the external reporting channel.

2020: 12

2019: 7

*All direct material suppliers with an annual spend >10kSEK, >1,000USD, >1,000EUR for products and goods supplied to Munters locations, and all larger None Product Related (NPR) suppliers

LABOUR

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** the elimination of all forms of forced and compulsory labour;
- **Principle 5:** the effective abolition of child labour; and
- **Principle 6:** the elimination of discrimination in respect of employment and occupation.

»Munters suppliers or partners shall not tolerate any form of forced labour and will need to take measures to verify, evaluate and address the risks of forced labour and human trafficking among their staff and supply chains. Munters expect suppliers to demonstrate the steps that they take to identify key areas of vulnerability and risk in relation to forced labour and human trafficking.«

PROGRESS FROM LAST REPORTING

- To ensure that all employees have knowledge of the processes we follow, we regularly hold training for all employees in our code of conduct. In 2021, an updated version of our code of conduct will be rolled out globally. We constantly train key people within the organization about working conditions and diversity.
- In early 2020, Munters conducted a safety study developed by DuPont Sustainable Solutions (DSS) with the aim of better understanding the safety culture. This resulted in the rollout of the Safety Observation Program (STOP), which is designed to change habits and improve safety. Despite the ongoing pandemic in 2020, we succeeded in holding training in several locations, and the results are already evident in the form of the number of accidents as measured by the Total Recordable Incident Rate (TRIR), which was 1.2 in 2020, compared with 2.7 in 2019. The roll-out of our STOP program will continue in 2021.
- In 2020, we have launched the Gender Bias Recruitment Training for managers and HR. All HR professionals have been trained and are expected to deliver training to managers. In this training, we discuss the bias that play out for women in the recruitment process. Raising the awareness for managers and HR is key to disturbing these biases. We also joined various professional networks such as Women in HVAC and the Society of Women Engineers in the US to proactively contact female candidates for various positions.
- We continue to strive to increase the proportion of women in the workplace and female managers. The goal is to have 30 per cent women in both categories by 2025.
- In 2020, MTech Systems (a Munters company) established a paid maternity leave policy. This means that women will receive a maximum of six

weeks of paid maternity leave per natural birth, or when adopting a child/children. For cesarean births, eligible employees will receive a maximum of eight weeks of paid maternity leave.

- Two proposals for global paid paternal leave are currently being drafted and will be proposed to Group Management during 2021 to help support working parents.

Percentage of women

Our aim is to increase the percentage of women in our workforce. The target is 30 percent by 2025

2020: 21%
2019: 21%

Percentage of women in management

Our aim is to increase the percentage of women in management. The target is 30 percent by 2025.

2020: 22%
2019: 21%*

* In 2020, we made a comprehensive analysis of how we report the key figures for sustainability. This has led to the figure for the proportion of female managers being revised from 25 percent to 21 percent in 2019.

Total Recordable Incident Rate* (TRIR)

Munters strives to continually reduce the number of accidents in production, which we measure by Total Recordable Incident Rate (TRIR).

2020: 1.2
2019: 2.7*

*Number of accidents where the employee sought medical treatment multiplied by 200,000 and divided by the number of hours worked.

ENVIRONMENT

- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

»Our products and solutions reduce the customers' climate and environmental impact through lower resource consumption and contribute in the process to cleaner air, higher efficiency and reduced carbon dioxide emissions«.

PROGRESS FROM LAST REPORTING

- In 2020, a major global customer survey was initiated that will be valuable and work to raise quality and create greater value generation for our customers. For us, the collaboration with our customers is central and we attach great importance to contributing to the customers achieving their sustainability goals in, among other things, resource efficiency of, for example, water and energy as well as animal health in food production
- Climate control systems often account for a large part of energy consumption in many of the customers' operations. Through an optimal climate system, we can help customers become more efficient with energy or water resources. In 2020, Munters invested 4.1 percent (3.8) of total net sales in research and development.
- At Munters, we are constantly working to improve how we work in all areas, which is a leading theme in all parts of the business. We base our production processes on the Munters Production System (MPS), which is based on Lean principles. MPS increases quality and production efficiency, which means less waste and rework. This translates to decreased consumption of resources like electricity, water and natural gas and reduced scrap. In 2020, we saw continued improvements in the production processes in for example our Mexico and Amesbury facilities, resulting in significantly reduced waste and improved energy efficiency. The goal is for all units to work according to MPS by the end of 2021.
- We work with a systematic risk assessment of the production units in order to prevent environmental damage and ensure that there's a high focus on health and safety. Fire protection, waste and chemical management and overhaul of electrical installations are also included in the assessment. All production units are assessed on a rolling three-year basis. In 2020, risk assessments were performed at seven factories. Due to the pandemic, these were performed interactively at a distance for increased safety. However, the quality of the evaluations is judged to be good as participating parties have experience from previous visits to the factories.
- In 2020, GHG emissions from our manufacturing plants were measured according to Scope 1* emissions from fossil fuel combustion and Scope 2* from electricity consumption. Quarterly reporting of GHG emissions is now included as part of the plants' ongoing reporting. The overwhelming share of GHG emissions from production comes from electricity consumption, which is why the efforts to reduce GHG emissions are closely tied to increased use of electricity from renewable sources whenever available, as well as improved energy efficiency. In these areas, Munters has clearly stated goals and reported progress in 2020.
- Several facilities continued focus on renewable energy goals and switched to electricity contracts with renewable energy. At the end of 2019, we reported 40% of electricity used came from renewable sources. By end of 2020, the number had increased to 50%.
- Improved virtual meeting technology has enabled us to meet without having to travel. In 2020, we were successful in maintaining our operations with drastically reduced business travel, as travel was severely restricted due to the COVID pandemic. Our ambition is to reduce emissions from business travel in the future compared to the pre-COVID level (2019). For freight, we have continued to improve our internal processes and management to ensure that we minimize the amount of goods transported by air.
- In 2020, we completed a global mapping of GHG emissions for all vehicles used in our

ENVIRONMENT CONTINUED

»We have high ambitions for our future and want to reduce our direct emissions and secure low negative impact in our whole value chain. That is why we have started our journey that aim to reduce our direct emissions, increase our focus on innovation to secure high resource efficiency, increase material with low negative environmental impact, increase the life-time of products and work to strengthen impact across our value chain.«

operations; this information is now included as a significant part of the company's database of leased and owned vehicles. On the basis of this information, along with user information we have gathered, we can now estimate emissions from our vehicles and set concrete targets to reduce them by switching to greener vehicles. As part of this, a global car policy was launched for the entire Group where the goal is to reduce emissions from Munters joint car fleet by 30% by 2023 from today's level by transitioning the car fleet towards lower emission models, including electrical and hybrid vehicles.

- In addition, we took some steps to enable employees to charge their electric or hybrid vehicles at work. In Amesbury, USA, for example, five charging posts were introduced at the end of 2020.
- In 2020, we had the following certifications: 13 manufacturing plants have ISO:9001:2015 certification, 5 have ISO 14001 certification and 3 have ISO 45001 certification. Our ambition is to certify more plants in coming years. In 2021, two additional sites will pursuing ISO 14001 and ISO 45001.
- In addition to the Global Compact, Munters has chosen to embrace the Carbon Disclosure Project (CDP) and reported to it in 2019 and 2020. In 2020, Munters reached a CDP rating of C, which was an improvement from D- the year before. Our ambition is to improve step-by-step and clarify our external reporting of sustainability work in coming years.

Energy efficiency

Electricity consumption in our production facilities will continually decrease. (MWh/production value SEK 000).

2020: 0.96
2019: 1.05

Green electricity

The share of electricity from renewable sources in our production facilities will continually increase.

2020: 50%
2019: 40%

Recycling rate

Reused or recycled waste as a percentage of the total amount of waste will continually increase.

2020: 47%
2019: 53%

In general, we succeeded in significantly increasing the recycling rate in many of our production facilities in 2020. We also conducted several major cleanups of non-recyclable materials during the year, which led to a lower recycling rate.

Environmental fines

Fines received owing to non-compliance with environmental laws and regulations. The goal is not to receive any fines.

2020: SEK 5 000
2019: SEK 50 000

The fine for 2020 was due to delayed reporting to the Swedish Chemicals Agency.

ANTI-CORRUPTION

- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

»At Munters we strive to conduct business ethically, honestly and in full compliance with applicable laws and regulations. Making good decisions and ethical choices in our work builds trust in each other and with our customers and partners.«

PROGRESS FROM LAST REPORTING

- We have absolute zero tolerance for corruption and bribery. To ensure that all employees have knowledge of which processes we follow, we regularly hold training for all employees in our code of conduct. In 2021, an updated version of our code of conduct will be rolled out globally.
 - An Ethics Advisory Board was created to manage various ethical questions. The forum consists of people from Munters Group Management.
 - We have established a Global Ethics Committee. The committee consist of representatives from Finance, Strategic Operations and Human Resources. The role of the Committee is to swiftly and objectively investigate questions and issues that may arise in this area.
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Follow our journey at www.munters.com