

Sustainability report 2019

Sustainability is a broad concept that comprises many different elements. For Munters, it means that everything we do has to be sustainable for all our stakeholders and the environment. Our medium-term financial targets are important to create room for investments in the future. As we work toward these targets, we take various decisions and act in the best way to achieve our ambitions. These ambitions contain priorities on resource efficiency, responsible business practices and people & society. These three parts today constitute the framework for Munters' sustainability agenda. The following pages describe the three areas in detail, the opportunities and challenges we see, activities conducted during the year and our plans going forward.

Munters is covered by the requirements of the Annual Accounts Act for sustainability reporting. This report is an integral part of the Annual Report, see pages 46-55; Risks and risk management, pages 56-59; and diversity, page 67. These pages also constitute our Communication on Progress under the UN Global Compact.

With this Sustainability Report, we want to create transparency around our priorities, activities, challenges and goals in the field of sustainability. The report covers the operations of the entire Group.

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Sustainability affects every strategic priority as Munters goes forward

Sustainability is one of the most important drivers for Munters' strategy today and in the future. In 2019, the company conducted a strategic analysis of its sustainability work. This included a review of all priority areas and their goals. The management of Munters is firmly convinced that more ambitious goals must be set for the sustainability work going forward. In 2020, intensive work will be done to lay the foundation for this.

To ensure that Munters sets the right strategic priorities in terms of sustainability, an ongoing dialogue is maintained with various stakeholders. In addition, we monitor global trends in light of our strategic direction. Sustainability is fully integrated in Munters' operations. For us, sustainability means conducting our business sustainably in every way, i.e., we have to create profitable growth, generate value for all our stakeholders and contribute to a better world. In the fall of 2019, management conducted a strategic analysis of where Munters stands at present and which strategic and financial targets we want to reach in the short and long term. This resulted in a decision to prioritize sustainability issues to a greater extent than before and to set more, and more ambitious, goals. In 2020, the analysis work will continue to ensure a solid base from which Munters can set ambitious goals for its continued sustainability efforts.

Organization and governance

Munters' sustainability agenda is part of the company's strategy. The President and CEO bears ultimate responsibility for integrating the sustainability agenda in the strategy and for meeting the company's various goals. The management team is responsible for proposing sustainability priorities, coordinating and planning Group-wide sustainability efforts, monitoring established goals and regularly communicating results and outcomes to the Board of Directors and affected parts of the organization. For each of the prioritized sustainability areas, an individual is assigned responsibility for the work in their area and for reporting the goals and results.

The Group's basic approach to sustainability issues is described in a number of policies and governing documents. The two most important documents are the Code of Conduct and the special Code of Conduct for suppliers. In addition, the work is governed by several different documents, e.g., HR policy, environmental policy, occupational health & safety policy and the rules on business travel.

The Board of Directors adopts Munters' Code of Conduct and sustainability report

Sustainability risks are surveyed and evaluated as part of the yearly risk assessment process. For more information on the material risks in the area of sustainability and how we manage them, see pages 56–59.

Global Compact and Agenda 2030

Munters has committed since 2018 to report in accordance with the ten principles of the UN Global Compact's on human rights, labor, the environment and anti-corruption. The Code of Conduct and the special Code of Conduct for suppliers are based on these ten principles and describe Munters' view on issues such as the environment, social responsibility, business ethics and human rights. Compliance with these policies is monitored each year and reported to the Board of Directors. In addition to the Global Compact, Munters has chosen to embrace the Carbon Disclosure Project (CDP) and reported to it in 2019.

In 2019, we did not conduct the same employee survey that had been done in previous years, although at the end of the year an employee and brand survey was conducted. It showed that most employees are proud to work at Munters and felt that it is a good company to work for and has a culture they see as positive. In 2020, Munters will again conduct an employee survey similar to the ones in 2017 and 2018.

Based on the priority sustainability areas and the opportunities to make a difference, Munters has chosen to focus on nine of the UN Sustainable Development Goals, see next page. They are also linked to Munters' strategic goals.

THE SUSTAINABLE DEVELOPMENT GOALS



Goal 2. Zero hunger

Munters' products contribute to greater resource efficiency in food production. By increasing efficiency, we can help to reduce the load on the Earth's resources and promote sustainable agriculture.



Goal 4. Quality education

Munters regularly holds activities in its local workplaces to promote education, including mentorships.



Goal 5. Gender equality

We are convinced that diversity leads to greater innovation and higher profitability. Munters currently has a relatively low proportion of female employees. We have therefore decided to focus on gender equality mainly in our diversity work.



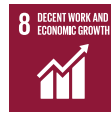
Goal 6. Clean water and sanitation

Munters' products contribute to increased resource efficiency, which also includes less use of water in the processes where Munters' products are installed.



Goal 7. Affordable and clean energy

Through our energy-efficient products, we can ensure that our customers will consume less energy and that their environmental impact will be lower.



Goal 8. Decent work and economic growth

In every country and area where Munters works, it is essential that we have an inclusive workplace with decent conditions for all.



Goal 9. Industry, innovation and infrastructure

We are working to reduce our own environmental impact through energy- and resource-efficient production facilities. We also contribute with innovative solutions for our customers, so they can reduce their impact.



Goal 12. Responsible consumption and production

We work continuously to limit the environmental impact of the transportation methods we use.



Goal 16. Peace, justice and strong institutions

Munters has zero tolerance for all forms of corruption and bribery.



THE GLOBAL GOALS
For Sustainable Development



Stakeholder dialogue

BUSINESS PARTNERS	CHANNELS FOR DIALOGUE	IMPORTANT ISSUES
Business partners Customers Resellers Suppliers	Continuous dialogue with customers and resellers. Munters also conducts regular customer surveys and supplier summits to ensure a positive dialogue.	Delivery reliability, quality and continuous suggestions for improvements Compliance in environment, business ethics and social issues such as labor laws and human rights.
Employees Current employees Potential employees	Employee surveys Conferences and employee meetings Employment interviews Participation in job fairs at various universities Partner in various projects that promote collaborations between businesses and the academic sector.	Inclusion and diversity Health and safety Discrimination and harassment
Capital market Shareholders Analysts Lenders	Individual meetings and continuous dialogue with various investors Participation in investor conferences Continuous dialogue with the analysts who cover Munters Individual meetings and continuous dialogue with Munters' lenders.	Sustainability agenda and focus areas Innovation with a focus on energy efficiency Compliance

Resource efficiency

FOCUS AREAS

1. Sustainable products and offerings

We strive to offer our customers energy- and resource-efficient solutions so that they can reduce their environmental impact.

Resource efficiency, and energy efficiency in particular, have been watchwords for Munters' product development since the company was founded. Energy-efficient

products and solutions are not only necessary for the environment and the climate, but also result in lower operating costs for the customer. Our success in providing the most energy-efficient solutions gives us a big competitive advantage. More of our customers are also producing their own sustainability agendas with a focus on energy efficiency and lower emissions,

which gives us with new business opportunities.

The challenges revolve around prioritizing which projects to pursue to make our products even more energy-efficient but also more sustainable from a broader perspective. Choice of materials and eco-design, for example, are something customers will likely demand more going forward.

In addition, it is becoming more important to always follow products through their entire lifecycle and offer services to optimize service life and utilization. The products also have to be taken care of after they are no longer being used. Offering complete product lifecycle service is an aim of Munters' in the future.



GOALS AND OUTCOMES

Energy efficiency

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

Outcome 2019

1.05 %

Outcome 2018: 1.11 %
Outcome 2017: 1.15 %

Green electricity

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

Outcome 2019

40 %

Outcome 2018: 31 %
Outcome 2017: 29 %

Recycling rate

The proportion of waste reused or recycled out of the total amount of waste will continually increase.

Outcome 2019

53 %

Outcome 2018: 59 %
Outcome 2017: 57 %



In 2019, more production facilities in Europe signed green electricity contracts. A total of six of 18 facilities today have green electricity contracts

2. Sustainable production

We reduce our own environmental impact through energy- and resource-efficient production units.

Climate change is something we all must confront, and at Munters we want to minimize the environmental and climate impact of our operations. The Group has 18 production facilities in 11 countries. If we succeed in making production more energy efficient, it also means lower costs. We receive many questions from customers regarding how we work on environmental and safety issues. In addition, we have many committed employees who want to make a difference and be involved in implementing the sustainability agenda. Taken together, all this creates a natural internal focus on the issues.

Among the challenges, we see that access to electricity from renewable sources such as water and the sun is limited in most areas where we have production.

3. Sustainable transportation

We limit the environmental impact of the transportation we use by choosing low-emission alternatives and through logistics planning.

Munters has customers and suppliers in large parts of the world, and shipping materials and products — as well as our business travel — has a significant environmental impact. For business travel, new improved technology for virtual meetings allows us to meet without traveling. We continued working in this area in 2019, and our goal is to reduce carbon emissions from business travel going forward. For shipping, we have identified opportunities to improve our internal processes and oversight and ensure, for example, that we minimize the amount of goods transported by air.

One challenge we see is that electric and hybrid vehicle technology has to improve before switching completely to these vehicles makes sense. Since the battery range is still fairly short, it is difficult to find models that suit our service technicians and vendors. Material and product shipping is procured from various companies, and we have to place clear requirements on these suppliers concerning the environmental impact. This is an area we can work on more.

Governance

■ Policy for the environment, health and safety: Munters' commitments for environmentally friendly and safe production.

■ ISO 14001: Twelve of eighteen facilities are certified under ISO 14001.

■ Review process: Governance to achieve Munters' sustainability goals, see page 48.

■ Code of Conduct for suppliers: Describes the requirements Munters imposes on its partners (e.g. suppliers and distributors) in the areas of environmental and social responsibility, as well as business ethics.

Activities completed in 2019

■ The work on CO2 measurements and the possibility of setting relevant goals continued during the year.

■ Several facilities continued to focus on renewable energy during the year and switched to green electricity.

■ A review of the policy on the environment, health and safety (EHS) was conducted.

Planned activities 2020

■ Continue working on CO2 measurements and prepare to set relevant goals.

■ Increased focus on recycling the materials used in production processes.

■ Increase the share of facilities with green electricity contracts.

■ Continue the analysis of the priority areas started in late 2019. As part of this, the formulations of the various priorities will be reviewed.

Sustainable Development Goals (SDG)

The activities that Munters carries out in the area of resource efficiency support the following areas in the UN's 2030 Agenda for Sustainable Development.



Renewable electricity in Italy

As of January 1, 2019, Munters in Italy (Munters Italy S.P.A.) has only consumed electricity from renewable sources. Shown below is the certification issued by Egea S.r.l.



Environmental fines

Fines received owing to non-compliance with environmental laws and regulations. The goal is not to receive any fines. An environmental audit in Mexico found one area of non-compliance regarding waste management administration. The issue was addressed immediately, but unfortunately resulted in a fine of SEK 50,000. A follow-up audit found no non-compliance.

Outcome 2019, SEK

50,000

Outcome 2018: 0 SEK
Outcome 2017: 0 SEK

Responsible business practices

FOCUS AREAS

4. Sustainable, profitable operations

We create value for our stakeholders, such as shareholders and employees, by carrying out sustainable and profitable operations.

The exhaustive debate on climate change and ethical issues is here to stay and presents Munters with major opportunities, but challenges as well.

In the fall of 2019, management worked intensely on a review of Munters' strategic priorities. This resulted in an updated strategy with clearer ambitions for our sustainability work. Munters' vision and strategy both reflect the job that has been done to ensure that Munters becomes an even more sustainable business and can offer customers solutions with a stronger sustainability focus than before.

Operating sustainably usually requires a longer perspective on many issues, which can be challenging both internally and externally. This places high demands on uniform, clear communication concerning the value of a sustainable business.

5. Business ethics

We conduct our operations ethically, honestly and in abidance with the law. Through sound decisions and ethical choices in our daily work, we gain trust in each other, as well as among our customers and collaborating partners.

Complying with laws and regulations is the foundation of an ethical and sustainable business. Acting ethically builds credibility and strong relationships that create opportunities for fruitful collaboration and profitable business.

Munters conducts operations in many countries, and the views on what is moral and ethical differ in various cultures. A number of countries in which Munters operates rank relatively low on Transparency International's annual Corruption Perception Index. In these countries, we place higher requirements on having an effective process for ensuring compliance with laws and regulations and that human rights are not put at risk.

6. Collaborations and partnerships

We require our collaborating partners, such as suppliers and distributors, to observe the same ethical guidelines that we have pledged ourselves to.

If our partners do not act in abidance with the law and in an ethical manner, it could affect Munters negatively in many ways, e.g., the quality of our products and services could suffer and or it result in negative publicity. This is why we place clear demands on our partners in the Code of Conduct, requiring them to read through it and affirm that they understand and will comply with its content. Routine dialogue with our partners on these issues yields several advantages and opportunities for in-depth, long-term relationships and prevents risk.

Munters uses a large number of suppliers spread among many countries in which the cultures and attitudes toward issues concerning human rights and the environment differ widely. This requires effective tools, a clear procedure and training by the organization to verify that suppliers are meeting our very strict requirements. We have come a long way, but the work on refining the process and the tools is still in progress.

GOALS AND OUTCOMES

Code of Conduct for suppliers

Our largest suppliers account for 80 percent of purchases. The target for 2020 is that all of them will have signed the Code of Conduct.

Outcome 2019

92%

Outcome 2018: 66%

Whistleblower cases

Number of whistleblower cases via the external reporting channel. In 2019, the cases mainly related to suspected cases of discrimination and harassment.

Outcome 2019

9

Outcome 2018: 7

Sustainable Development Goals (SDG)

The activities that Munters carries involving responsible business practices support the following areas in the UN's 2030 Agenda for Sustainable Development.





Munters started reporting to the Carbon Disclosure Project (CDP) in 2019

Governance

- Code of Conduct: Defines Munters' basic view on issues in the areas of the environment, ethics and human rights.
- Code of Conduct for suppliers: See description in the section Resource efficiency.
- Anti-corruption policy: Munters' commitment that employees and partners will comply with anti-corruption laws and regulations.
- Review process: Governance for achieving Munters sustainability goals, see page 48.
- Data protection policy: Provides guidance on how personal data is handled correctly, in compliance with the law.
- Compliance with competition rules: Explains the fundamentals of competition law to prevent violations.
- Whistleblower policy: See description in the section People & society.
- Compliance with sanction regulations: Defines the checks that employees have to carry out in conjunction with movement of goods, services and technology across national borders to ensure that we do not violate any sanctions.
- Insider policy: Provides guidance for employees on insider regulations, with the aim of reducing the risk of insider trading.

Activities 2019

- Further development of the procedure for supplier self-assessments as well as on-site evaluations at suppliers of the areas covered by the Code of Conduct. The goal has been to implement a process that facilitates and automates this work and to produce a checklist that can be used when our purchasers are out on visits to suppliers.
- Initiated an evaluation of annual sustainability checks. The areas concerned included business principles, discrimination, harassment, competition laws and bribes.
- The sourcing function continued the work to get all our most important suppliers to affirm their compliance with the Code of Conduct for suppliers.

Planned activities 2020

- All our most important suppliers will affirm that they are in compliance with the Code of Conduct for suppliers.
- Continue the sustainability evaluations through various checks.
- Continue the analysis of the priority areas started in late 2019. As part of this, the formulations of the various priorities will be reviewed.



People & Society

FOCUS AREAS

7. Equal and inclusive work environment

We offer a fair, safe, and inclusive workplace to a workforce marked by diversity.

Ensuring we deliver on our values requires that all employees are engaged, enjoy their work and can develop professionally. We are convinced that diversity provides us with different perspectives and valuable insights that improve our company and our offering. A few years ago, Munters set a goal that 30 percent of both employees

and managers will be women by 2025. All aspects of diversity are equally important, but since we ascertained that the proportion of women in the company was low (only 16 percent when measurements began in 2016), management chose to focus on gender equality first.

Safety work at our production facilities has been a more important focus in recent years. All accidents have been routinely reported to Group Management since the end of 2018 with a clear

analysis of the accident itself, what caused it and what needs to change to ensure that the same type of accident is not repeated.

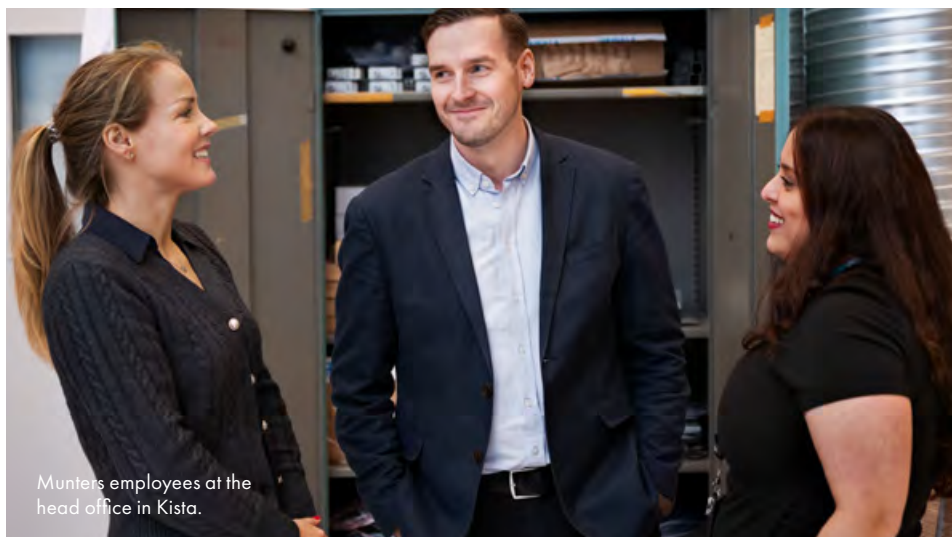
Diversity and safety are both never-ending jobs, and the challenge lies in staying focused on the issue by routinely conducting various kinds of activities to ensure that the subject remains top of mind.

8. Community involvement

We dialogue with our stakeholders and with the local communities where we operate.

Our collaboration with other actors in the locations where we operate is important for us to attract both customers and workers. In addition, many of the projects create a sense of community and pride among our employees, which also creates value for Munters. Examples of activities that are routinely conducted at our facilities include participation in various type of job fairs arranged by schools, collaboration with schools where we offer benefits such as mentoring and project work, open houses for members' families and various forms of support for sports clubs and relief organizations

Currently there is no central governance for the activities in this area. It is up to each facility to decide what is right there. It can be a challenge to find projects that are not simply charities but also contribute positively to Munters from a business perspective.



Munters employees at the head office in Kista.

GOALS AND OUTCOMES

Proportion of women

Our aim is to increase the proportion of women in our workforce. The target is 23 percent by 2020 and 30 percent by 2025.

Outcome 2019

21 %

Outcome 2018: 20 %
Outcome 2017: 18 %

Proportion of women in management

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

Outcome 2019

25 %

Outcome 2018: 20 %
Outcome 2017: 17 %

Total Recordable Incident Rate* (TRIR)

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

Outcome 2019

2.7 %

Outcome 2018: 3.4 %
Outcome 2017: 3.5 %

Sustainable Development Goals (SDG)

The activities that Munters carries out in the area of People & society support the following areas in the UN's 2030 Agenda for Sustainable Development.



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



In 2019, we further strengthened safety efforts in the workplace

Governance

- Policy for the environment, health and safety: Munters' commitment to environmentally friendly and safe production.
- Policy for diversity and inclusion: Munters' commitment to an equitable, inclusive and collaborative workplace marked by diversity.
- Review process: Governance for achieving Munters sustainability goals, see page 48.
- Anti-discrimination and harassment policy: Munters' commitment to protect its employees against discrimination, harassment and bullying in the workplace.
- Flex work policy: Encouragement to managers at Munters, where possible, to offer employees the opportunity to work flexibly.
- Whistleblower policy: Defines Munters' view on mismanagement and improprieties and the procedure employees can use to make Group Management and the Board of Directors aware of similar situations.

Activities completed in 2019

- Follow-up of local equality plans. This has been a standard item on the agenda at local companies' board meetings.
- Revision of the global management training guidelines on discrimination and harassment. Ensured a uniform Group message and continued to spread the message about the whistleblower channel in pursuit of the goal of a 100% discrimination- and harassment-free workplace.
- Further strengthened safety efforts in the workplace and increased the focus on the number of healthy employees, e.g., introduced regular measurements.

Planned activities 2020

- Actively work to increase the proportion of female employees and managers.
- Continue the analysis of the priority areas started in late 2019. As part of this, the formulations of the various priorities will be reviewed.



TOP to TOP Global Climate Expedition

In 2019, Munters sponsored the global climate expedition TOP to TOP, a Swiss NGO whose aim is to inspire young people to help save our planet. On the journey aboard the sailboat Pachamama, they have visited more than 100 countries. Along the way, they have made presentations on climate change to over 100,000 students. Munters has supplied a model MG90 dehumidifier that has helped them to maintain the right moisture level and temperature on the ship.

