

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 organizational 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. 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 since May 19, 2017, when the company’s shares were admitted for trading on Nasdaq Stockholm, and hereby submits its Corporate Governance Report for the financial year 2019.

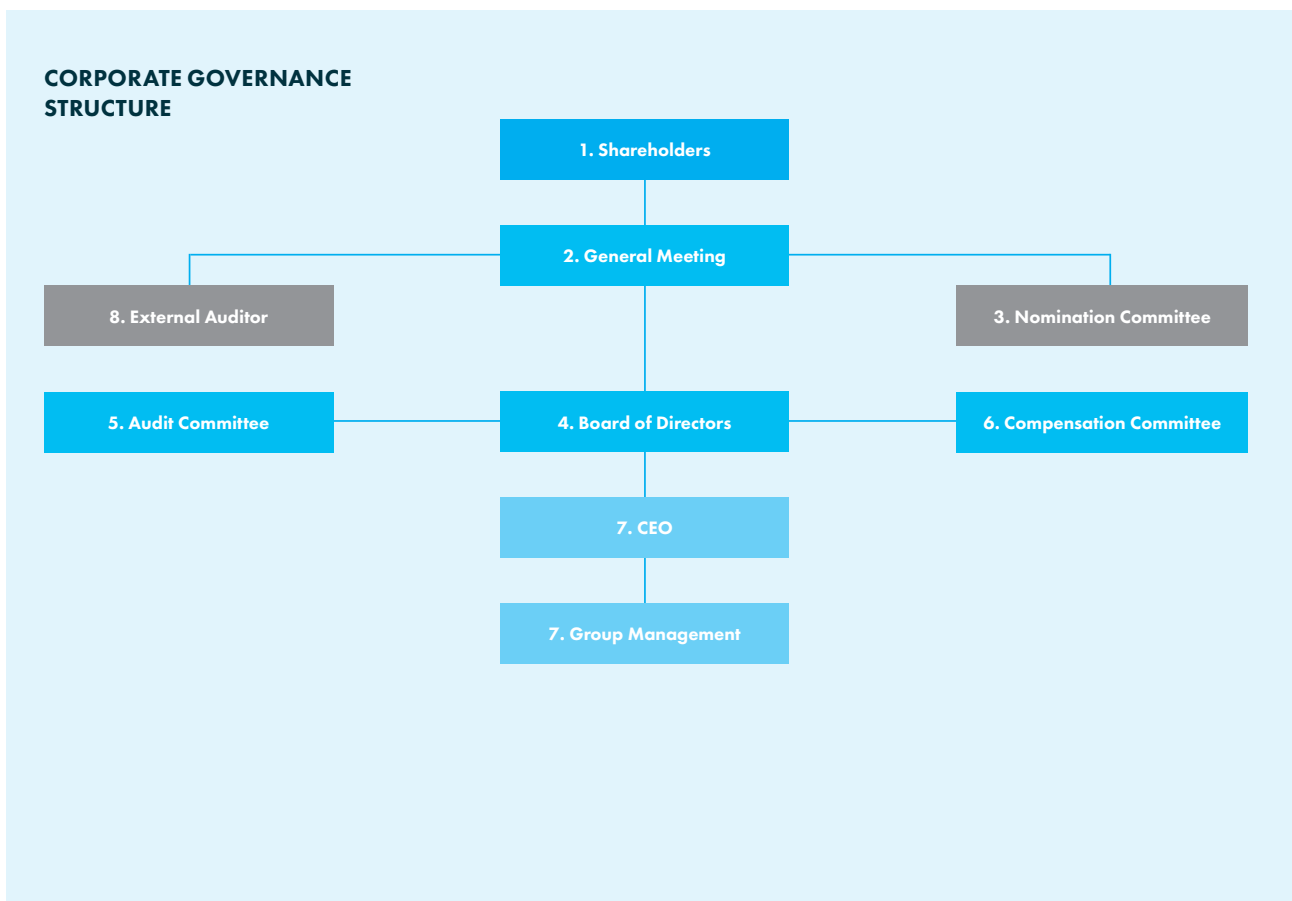
COMPLIANCE

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, the Group has a number of policies and instructions with rules and principles for the Group's operations and employees. In 2019, 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 Compensation Committee
- Rules of Procedure and instructions for the Audit Committee
- Code of Conduct
- Steering documents
- Finance policy
- Sustainability policy
- Communication policy
- Insider policy
- Internal control policy
- Information security policy

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 program 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, through November 19, 2019, 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 that can be exercised after two and three years is considered to be in line with Munters' long-term business plan, strategy and financial targets. In the future, Munters intends to implement only three-year programs.

Munters has 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-compete clause, 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.

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 since May 19, 2017. At year-end, share capital totaled SEK 5,507,934.06, distributed among 183,597,802 shares. All shares are of the same class and have equal rights in every respect. On December 31, 2019, Munters had 5,988 shareholders (compared with 6,673 on December 31, 2018). The largest shareholders were FAM (21.1 percent of the votes) and Nordic Capital (14.7 percent of the votes). Additional information on the share and shareholders can be found in the section on the Munters share and on the Munters website.

Share buy-back

For the purpose of guaranteeing delivery of shares to participants in the long-term incentive program resolved at the 2019 AGM, the Board of Directors was authorized by the AGM to decide on the acquisition of at most 385,000 own shares for the period up to the next AGM. The Board of Directors decided to utilize of the buy-back authorization on July 17, 2019, and shares were repurchased between August 5 and August 13, 2019. In total, 385,000 shares were repurchased at an average share price of SEK 40.98. The total number of own shares Munters holds is 1,852,000, corresponding to approximately 1 percent 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 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 specific cases a certain portion of shareholders must be present for a quorum.

The AGM must be held within six months of 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 by announcement in Post- och Inrikes Tidningar (the Swedish Official Gazette) as well as on the Munters website. Announcement 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 necessary, or if Munters' auditor or owners of at least 10 percent of total shares in the company request 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 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.

2019 Annual General Meeting

The AGM on May 8, 2019 at Kista Entré Konferens in Stockholm was attended by 64 shareholders representing 80.2 percent of the share capital. The meeting was held in Swedish. All Board members and the Group's current auditor in charge were present.

The issues resolved by the AGM including the following:

- That no dividend be distributed for the financial year 2018
- Re-election of Board members Magnus Lindquist, Johan Ek, Helen Fasth Gillstedt, Per Hallius, Andreas Näsvik, Lena Olving and Kristian Sildeby and election of Juan Vargues as a new Board member
- Re-election of Magnus Lindquist as Chairman of the Board
- Fees to the Board of Directors
- Compensation guidelines for senior executives
- Long-term incentive program for Group Management and certain other key employees, including the issuance of employee stock options and hedging arrangements in respect of the program
- Authorization of the Board of Directors, until the next AGM, to resolve to issue, on one or more occasions, new shares and/or convertible bonds and/or warrants up to a total of 18,359,780 shares that can be issued, the convertible bonds that can be converted to, and that can be subscribed for by exercising warrants.

2020 Annual General Meeting

The 2020 Annual General Meeting will be held on May 7, 2020 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 election of the Chairman of the AGM and election of 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 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 General Meeting 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 review the evaluation of the activities of the Board and its members and familiarize itself in general with the Board's activities through interviews with the company's CEO and selected committee 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 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 votes listed in the share register maintained by Euroclear Sweden AB as of August 31 of each year. According to this instruction, the Chairman of the

Nomination Committee shall appoint the member representing the largest shareholder by votes. The Nomination Committee also includes the Chairman of the Board, who also convenes the first Nomination Committee meeting.

The composition of the Nomination Committee 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 2020 AGM

The composition of the Nomination Committee was published through a press release and on the Munters website on September 24, 2019. Due to Nordic Capital's sale of shares in Munters on November 6, 2019, Lars Wedenborn was appointed Chairman of the Nomination Committee to replace Robert Furuhejm. The Nomination Committee for the 2020 AGM consists of Lars Wedenborn (FAM AB), Robert Furuhejm (Nordic Capital), Jan Dworsky (Swedbank Robur Fonder), Johan Grip (First Swedish National Pension Fund) and Magnus Lindquist (Chairman of the Board of Munters). From the time it was constituted up until the submission of the Annual Report, the Nomination Committee has held seven meetings.

4. The 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, 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 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, managing risks, and setting policies and guidelines. The Board is also required to follow economic developments, 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 responsible for appointing the CEO as well. Finally, the Board of Directors decides on major investments and organizational and operational changes.

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 2019 AGM, all seven Board members were re-elected and one new member was elected. Under Swedish law, the trade unions have the right to representation on the Board; in 2019 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

The CEO and CFO of Munters participate as presenters at Board meetings. Attorney Johan Lekholm serves as the Board's secretary. Other officers participate in Board meetings to present specific issues.

NOMINATION COMMITTEE PRIOR TO THE 2019 AGM

Name	Appointed by	Holdings/ votes at December 31, 2019
Lars Wedenborn	FAM AB	21.1 %
Robert Furuholm	Nordic Capital	14.7 %
Jan Dworsky	Swedbank Robur Fonder	9.0 %
Johan Grip	Första AP-fonden	8.6 %
Magnus Lindquist	Chairman, Munters	-

The reasoned statement of the Nomination Committee for the 2019 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, given the company's operations, stage 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 to promote gender parity. The 2019 AGM resolved to elect Board members in accordance with the proposal of the Nomination

Committee. The Nomination Committee's aim is to achieve greater diversity on the Board of Directors, primarily through the goal of improving gender equality. In the process of finding a new Board member, the Nomination Committee therefore sought a female candidate who met the requirements and criteria that the Nomination Committee had set with respect to the new member's qualifications. After weighing the desired competences, however, it was decided that Juan Vargues was the best choice. Eight members were elected at the 2019 AGM: two women and six men.

COMPOSITION OF THE BOARD OF DIRECTORS

Name	Elected in	Fee, SEK ¹⁾	Committee fees	Independent	Attendance		
					Board meetings	Audit Committee	Compensation Committee
Magnus Lindquist, ordförande	2018	1,050,000	100,000 ²⁾	Yes	21/21	-	8/8
Helen Fasth Gillstedt	2017	400,000	150,000 ³⁾	Yes	21/21	7/7	-
Per Hallius	2013	400,000	-	Yes ⁴⁾	21/21	-	-
Andreas Näsvik	2011	400,000	150,000 ^{2), 3)}	No ⁵⁾	19/21	5/7	8/8
Lena Olving	2017	400,000	100,000 ³⁾	Yes	18/21	7/7	-
Kristian Sildeby	2017	400,000	50,000 ²⁾	No ⁵⁾	21/21	-	5/5
Juan Vargues ⁶⁾	2019	400,000	-	Yes	6/10	-	-
Johan Ek, interim President and CEO ⁷⁾	2018	400,000	-	No ⁵⁾	21/21	-	-
Pia Nordqvist ⁸⁾	2004	-	-	-	19/21	-	-
Simon Henriksson ⁹⁾	2017	-	-	-	21/21	-	-
Tor Jansson ⁹⁾	2019	-	-	-	8/13	-	-
Robert Wahlgren ⁹⁾	2019	-	-	-	17/21	-	-

¹⁾ Compensation determined for work from the 2019 AGM to the 2020 AGM.

²⁾ Compensation Committee fee.

³⁾ Audit Committee fee.

⁴⁾ Per Hallius has a consulting agreement with Nordic Capital Limited and Nordic Capital Funds.

⁵⁾ Independent in relation to the company and Group Management, but not to the company's major shareholders.

⁶⁾ Juan Vargues was elected to the Board of Directors at the AGM on May 8, 2019.

⁷⁾ Interim President and CEO through August 12, 2019. During the time he served as interim President and CEO, Johan Ek did not receive any Board fees.

⁸⁾ Johan Ek returned to his role as a member of Munters' Board and received Board fees on a pro rata basis as of August 12, 2019.

⁹⁾ Employee representative.

⁹⁾ Employee representative, deputy.

Changes to the composition of the Board in 2019

In connection with the 2019 AGM, Joakim Zetterlund stepped down as a member of the Board of Directors, while Juan Vargues was elected as a new Board member. On February 26, the trade union IF Metall elected Tor Jansson as an employee representative.

Independence of the Board

The company meets the requirements in the Code as a majority of the members elected by the AGM are 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 of this report is shown in the table, "Composition of the Board of Directors."

2019 Board meetings

In 2019, the Board of Directors held 21 meetings. Following is an overview of the most important issues addressed at these meetings.

February

- Decision on Munters Full Potential Program.
- Decision on dividend proposal for the financial year 2018.
- Approval and release of the year-end report (Q4).

April

- Approval of the annual report for 2018.
- Appointment of Klas Forsström as the new President and CEO.
- Approval and release of the Q1 report.

July

- Approval and release of the Q2 report.
- Decision to repurchase shares by virtue of the authorization from the 2019 AGM to safeguard commitments under the incentive program.

October

- Approval and release of the Q3 report.
- Review of ongoing strategy work and management changes.

January

- Recruiting process for the new President and CEO.

March

- Priority issues and organizational structure.

May

- Approval of revised policies proposed by management.
- Reelection of Compensation and Audit Committee members and election of new members.
- Decision to adopt the rules of procedure for the Board of Directors and the rules of procedure for the Compensation and Audit Committees.

September

- Decision to close Munters' European data center in Dison, Belgium.

November

- Strategy and organizational plans.

December

- Financial plan for 2020.

Responsibilities of the Chairman of the Board

The Chairman of the Board of Directors leads and oversees 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, that the Board receives 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

The 2019 AGM resolved that fees of SEK 1,050,000 would be paid to the Chairman and 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 100,000 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

An evaluation is conducted each year to ensure the quality of the Board's work and to identify any need for additional competence or experience. The Chairman of the Board is responsible for conducting this evaluation and providing it to the Nomination Committee. Upon request of the Nomination Committee, the Board members must participate in interviews with the Nomination Committee to facilitate the evaluation.

In 2019, the Chairman of the Board conducted an evaluation of the Board's work by holding individual discussions and follow-ups with every member of the Board. The Chairman has reported the results of the Board evaluation to the Nomination Committee.

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 guidelines 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 main tasks of the Audit Committee are to ensure that the Board of Directors fulfills its supervisory duty in relation to internal control, auditing, 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 also reviews procedures and routines for the aforementioned areas. The Audit Committee submits recommendations and proposals to ensure the reliability of the financial reporting and its compliance with generally accepted accounting principles, continually discusses the company's accounting principles and financial control with the auditors and Group Management, and considers recommended improvements to internal control. In addition, the Audit Committee monitors the impartiality and independence of the auditor, evaluates the audit work, and discusses the collaboration between the auditor and the company's internal control function. The Audit Committee also assists the Nomination Committee in preparing nominations

for auditor and proposals in respect of audit fees by submitting recommendations to the Nomination Committee.

During the period between two consecutive AGMs, the Audit Committee is required to hold at least five meetings, normally in conjunction with the ordinary meetings of the Board of Directors.

In 2019, 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 seven meetings in 2019. Board member attendance is shown in the table, "Composition of the Board of Directors."

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 distribution 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 senior executives. Furthermore, the Compensation Committee monitors and evaluates the outcome of variable compensation schemes and the company's compliance with compensation guidelines adopted by the Annual General Meeting.

In 2019, the Compensation Committee consisted of Magnus Lindquist (Chair), Andreas Näsvisk, Joachim Zetterlund (through May 8, 2019) and Kristian Sildeby (as of May 8, 2019). The Compensation Committee held eight meetings in 2019. Board member attendance is shown in the table, "Composition of the Board of Directors."

7. Group Management and CEO

Apart from the President and CEO, Group Management in 2019 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. Group Management changed in 2019, after which it consists, apart from the President and CEO, of two business area Vice Presidents and the CFO, and two Group Vice Presidents responsible for the central functions Global Operations and HR & Communications & Sustainability.

The CEO is responsible for day-to-day management in accordance with the guidelines and instructions of the Board of Directors. The CEO's responsibilities include taking all measures necessary to ensure that the organization and control of the company's accounting comply with current rules and regulations. The CEO also prepares all necessary information and supporting documentation for Board meetings and, if requested by the Chairman of the Board, summons the meeting. The CEO reports at the Board meetings and submits motivated proposals for decision to the Board of Directors.

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

Changes to Group Management in 2019

In conjunction with the publication of the Q4 2018 report, Munters announced that CFO Jonas Ågrup 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. Klas Forsström took over as the new President and CEO on August 12, 2019. Johan Ek, interim President and CEO since December 2018, returned to his role as a Board member. Annette Kumlien took over as CFO and Group Vice President on August 12, 2019. She succeeded Jonas Ågrup, who left the company at the end of December 2019. Peter Gisel-Ekdahl took over as President of the business area AirTech on November 1, 2019. He succeeded Peter Lindquist, who will remain in his interim roles as President of Mist Elimination and Senior Strategic Advisor. Johan Ekeström was named interim President of the business area FoodTech as of November 1, 2019. He succeeded Peter Gisel-Ekdahl.

Remuneration guidelines for senior executives

Guidelines for remuneration to senior executives are evaluated and put forward for approval at the AGM by the Board of Directors. Compensation for the CEO 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 endeavors 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 member and enables Munters to recruit and retain the senior executives needed for the company to reach its short- and long-term targets.

Compensation can consist of:

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

The Board of Directors will annually evaluate whether or not to propose a long-term incentive program to the AGM. The 2019 AGM resolved to introduce a long-term incentive program in the form of an employee stock option program for Group Management and certain other key employees.

For additional information on compensation to senior executives, long-term incentive programs and pension benefits, refer to Notes 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. During 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.

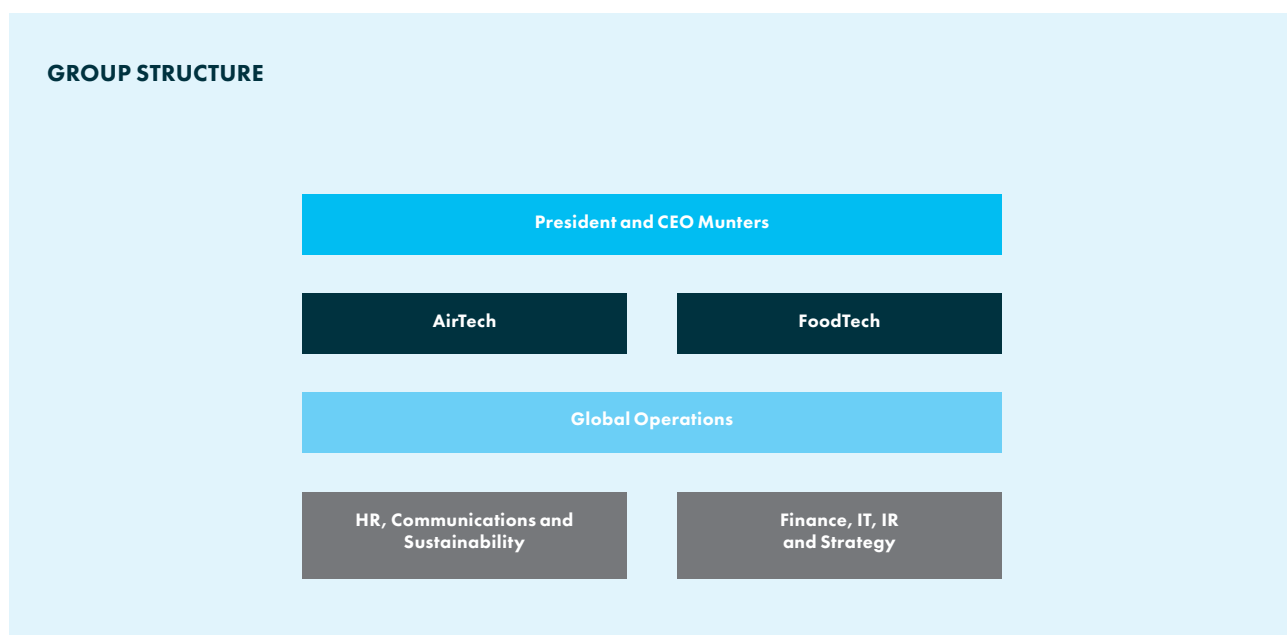
The auditor’s fee for their audit work is paid on a continual basis according to approved invoices. Apart from audit work, Munters’ audit firm EY provided other services during the year, primarily in acquisitions and tax-related issues. For information on remuneration to EY, refer to Note 33.

EY has been Munters auditor since 2010, and Rickard Andersson, authorized public accountant and member of FAR (the professional institute for authorized public accountants in Sweden), has been auditor-in-charge since 2019. At Munters’ AGM in 2016, EY was re-elected as auditor for a term of four years, through the 2020 AGM.

INTERNAL CONTROL OF FINANCIAL REPORTING

Internal control concerns clarity, order and ensuring that what has to be done is done as 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 main areas: control environment, risk assessment, control activities, information and communication, and monitoring.



Control environment

Internal control is shaped by the overall control environment. The Board of Directors is responsible for establishing an effective system of internal control and supervising the work through the CEO. Group Management sets the tone for the business and improved employees' awareness of control. One condition for a strong control environment is that there are clearly defined values in terms of ethics and integrity, and that they are communicated through policy documents such as policies, guidelines, manuals and codes. For financial reporting, Group Management issues policies and guidelines to all subsidiaries, which are followed up with newsletters, telephone conferences and direct control activities. Courses are also conducted for many accounting areas and internal reporting requirements/systems.

Risk assessment

A 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 probability of events occurring that would prevent Munters from achieving its objectives. The risk assessment 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 work, refer to pages 56–59.

Control activities

Controls have been designed based on identified risks 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, authorizations and responsibilities in credit granting. Examples of general IT controls are change management, back-up routines and authorizations. 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 monthly reports to the CFO, who in turn presents them to Group Management.

During the year, Munters invested in an Internal Control system, where the subsidiaries report that key controls are performed on a quarterly basis, in accordance with Munters Risk and Control framework.

Information and communication

Munters has information and communications channels that aim at ensuring that information is identified, collected and communicated in a way and within a timeframe 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 teleconferences. 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, and updated

as needed. Information for external parties is communicated on the 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 the Munters website, and in print upon request.

Monitoring

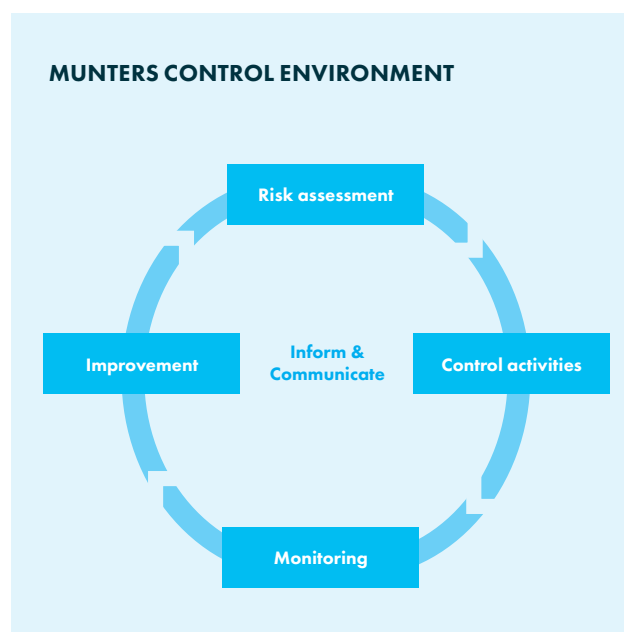
Monitoring and testing of control activities are routinely conducted throughout the year to ensure that risk has been taken into account and satisfactorily managed. Testing is carried out by employees who are independent of the controls and possess the competence to evaluate the performance of the controls.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

Every head of a division is ultimately responsible for the financial information for their division. The information is followed up at the business area level by Group Management and, lastly, 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 includes ensuring that measures are taken to address any deficiencies and following up on proposed 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, outside expertise can also be sought.



Board of Directors



Magnus Lindquist

Chairman of the Board since December 2018.

Education and professional experience:

MBA, Stockholm School of Economics. More than 20 years of experience from senior positions in global industrial companies, mainly as Group Vice President at Autoliv and Perstorp Group. Many years of experience as a Senior Partner of Triton.

Current assignments/positions: Chairman of the Board of Ryds Bilglas. Partner of CORDET Capital Partners.

Selected previous assignments: Chairman of Norma, Ambea, Alimak and Polygon, and a board member of Bravida, Mycronic and Ovako.

Holding in Munters Group AB: 3,000,000 call options. Independent in relation to the Company and Group management as well as the company's major shareholders.

Kristian Sildeby

Board member since 2017.

Education and professional experience: BSc in Business Administration, Stockholm School of Economics. Investment Manager and CFO at FAM AB. Former Vice President, Head of Finance and Risk Management at Investor AB.

Other current assignments/positions: Chairman of 82an Invest AB, Board member of Höganäs AB, Kivra AB, Nefab Holding AB, Spendrups Bryggeri AB and QuNano AB.

Selected previous assignments: Chairman of Blasieholmen 54 Restaurang AB. Board member of Lindström & Göthberg Executive Development AB and Power Wind Partners AB.

Holding in Munters Group AB: 6,000 shares. Independent in relation to the Company and Group management, but not the company's major shareholders.

Helen Fasth Gillstedt

Board member since 2017. Chairman of the Audit Committee.

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

Other current assignments/positions: Board member of Handelsbanken Fonder AB and its representative on nomination committees, Storytel AB, PowerCall AB, Samhall AB, and CEO of Blong AB.

Selected previous assignments: Board member of Humana AB, AcadeMedia AB, Lindorff Group AS, Swedesurvey AB, Svefa Holding AB (publ), Intrum AB

Holding in Munters Group AB: 4,000 shares. Independent in relation to the Company and Group management as well as the company's major shareholders.

Johan Ek

Board member since 2018.

Education and professional experience: M.Sc. in Economics, Hanken School of Economics in Helsinki, Finland. Extensive experience from management positions and board work. Interim President and CEO of Relacom and President of Powerwave Technologies Inc and LGP Allgon. Interim President and CEO of Munters from January to mid-August 2019.

Current assignments/positions: Chairman of the Board of Sunrise Medical and GHD GmbH, board member of Handicare.

Selected previous assignments: Chairman of Handicare, Saferoad and CPS Color, board member of Acino and Ramirent.

Holding in Munters Group AB: 3,000,000 call options. Independent in relation to the Company and Group management, but not the company's major shareholders.

Pia Nordqvist

Board member since 2010. Employee representative appointed by Unionen.

Position at Munters: Senior Business Application Specialist, Munters AB.

Holding in Munters Group AB: -



Simon Henriksson

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

Position at Munters: Material supplier, Tobo plant.

Holding in Munters Group AB: 350 shares.

Juan Vargues

Board member since 2019.

Education and professional experience: Management education IMD Lausanne (CH); Executive MBA, Lund University (EFL); and high school degree in Mechanical Engineering, Tekniska Vuxengymnasiet, Gothenburg. Many years of experience from senior positions with global manufacturers, including ASSA ABLOY and Besam.

Current assignments/positions: President and CEO of Dometic Group AB.

Selected previous assignments: Head of Entrance Systems at ASSA ABLOY, President and CEO of the Besam Group, various positions within the SKF Group.

Holding in Munters Group AB: Independent in relation to the Company and Group management as well as the company's major shareholders.

Andreas Näsvik

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

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 in Deutsche Bank, Goldman Sachs Investment Banking and Goldman Sachs Capital Partners.

Other current assignments/positions: Board member of Ryds Bilglas. Partner of NC Advisory AB, advisor to the Nordic Capital Funds, and board member of Intrum AB.

Selected previous assignments: Board member of Lindorff AB.

Holding in Munters Group AB: Independent in relation to the Company and Group management, but not in relation to the Company's major shareholders

Per Hallius

Board member since 2013.

Education and professional experience: MBA, Harvard Business School. M.Sc. in Economics and Business Administration, Stockholm School of Economics. Independent advisor, board representative and investor. Almost 25 years in management consulting, most recently as Senior Partner at the Boston Consulting Group.

Other current assignments/positions: Chairman of Nefab Group AB. Deputy Chairman of Ruukki Construction Oy. Board member of PMH Affärsutveckling AB, Beowulf AB and Quant AB. Industrial advisor to Nordic Capital Funds. Advisor to senior executives in 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. Independent in relation to the Company and Group management as well as the company's major shareholders. Per Hallius has a consultancy arrangement with Nordic Capital Limited and the Nordic Capital Funds.

Lena Olving

Board member since 2017. Member of the Audit Committee.

Education and professional experience: M.Sc. in Mechanical Engineering, Chalmers University of Technology. Various senior positions at Volvo Cars, including 5 years in Asia and 7 years in Group Management. Former President and CEO of Mycronic AB (publ.), Samhall Highland AB, and COO and deputy CEO of Saab AB (publ.).

Other current assignments/positions: Partner and founder of Olving & Ohberg AB, Chairman of Academic Work Holding AB, Chairman of the Swedish Royal Opera. Board member of Assa Abloy AB (publ.), Investment AB Latour (publ.), NXP (publ) and IVA's Business Executives Council (Näringslivsrådet).

Selected previous assignments: Board member of Alfa Laval (publ.), Gunnebo AB (publ.), Norsk Hydro (publ.) Novozymes AS (publ.) and SJ AB.

Holding in Munters Group AB: 500 shares Independent in relation to the Company and Group management as well as the company's major shareholders.

Robert Wahlgren

Deputy member since 2010. Employee representative appointed by Unionen.

Position at Munters: Customized Project Engineering Coordinator, Munters Europe AB.

Holding in Munters Group AB: -

Tor Jansson
Deputy Board member and employee representative appointed by IF Metall is not shown in the photo.

Group Management

In February 2020, Munters announced that an organizational change has been done. The previous role “Global Operations”, part of the Group Management Team, has been changed into “Strategic Operations” with focus to drive continuous improvements, including production processes, tools and processes in the operations to be used by both business areas and an optimization of the different factories. Two new roles has been added to the Group Management Team:

Innovation, with focus on driving the research and development process, which includes coordination of shared technology between the business areas and the product development process. The role of Commercial Excellence has also been added, with a focus on coordinating the development and training of the sales process, driving

the development of pricing strategies and Munters different go-to market methods. Recruitment is ongoing for these roles.

Katarina Lindström, Group Vice President, Global Operations, has decided to leave Munters during 2020 due to the change of the role Global Operations, after securing a good transition. Stefan Mähl, has been appointed as interim Vice President of Strategic Operations.

In February 2020 it was announced that Pia Brantgärde Linder, currently Business Unit Manager of High Voltage Products in Northern Europe at ABB, has been appointed President of Business Area FoodTech as of August 16, 2020. Johan Ekeström will continue in his dual roles as interim President of FoodTech and Vice President Finance at FoodTech until Pia takes on her new position.



Annette Kumlien

Group Vice President and CFO since August 12, 2019

Education: Bachelor of Science in Business Administration from Stockholm School of Economics.

Previous assignments and professional experience: SVP and COO of Diaverum and prior to that CFO. Former CFO of a several listed companies such as Höganäs and Pergo as well as business controller at Perstorp and Sandvik.

Holding in Munters Group AB: 4,000 shares

Klas Forsström

President and CEO since August 12, 2019

Education: M.Sc. in Materials Physics and an MBA from Uppsala University as well as advanced management studies at INSEAD.

Previous assignments and professional experience: Former President of Sandvik Machining Solutions. Over 20 years of senior management positions at Sandvik, including as President of Sandvik Hard Materials and Sandvik Coromant.

Holding in Munters Group AB: 14,200 shares

Katarina Lindström

Group Vice President Global Operations since 2018

Education: M.Sc. Material Science, KTH Royal Institute of Technology, Stockholm.

Professional experience: Various management positions at Volvo since 1988, such as Senior Vice President International Manufacturing, Volvo Group Trucks Operation and Senior Vice President, Operations and Supply Chain Management at Volvo Group Trucks Operation. Board member of Gränges and elected member of the Swedish Royal Engineering Academy.

Holding in Munters Group AB: 10,000 shares.

Johan Ekeström

Interim President of FoodTech since November 1, 2019

Education: M.Sc. in Economics and Business from the Stockholm School of Economics, MBA courses at Carlson School of Management, University of Minnesota.

Previous assignments and professional experience: Johan has been with Munters since 2011 in several management positions within Finance, Product Marketing and Business Development. Prior to this, he held positions at McKinsey & Company and Procter & Gamble.

Holding: –

Sofia Gellar

Group Vice President HR, Communications and Sustainability since 2018

Education: Bachelor of Science in Human Resources Development and Labor Relations, Stockholm University.

Professional experience: More than 20 years of experience within Human Resources, including as Head of Corporate HR and Head of HR Support at Scania, Head of Talent Management at SSAB EMEA and VP Human Resources Ruukki Construction.

Holding in Munters Group AB: –

Peter Gisel-Ekdahl

Group Vice President of AirTech since November 1, 2019

Education: M.Sc. in Chemical Engineering, KTH Royal Institute of Technology. M.Sc. in Business Administration, Copenhagen Business School.

Previous assignments and professional experience: Group Vice President of FoodTech from 2011 through October 2019, various positions at Wedholms and Hackman. Deputy board member of Drivec AB.

Other current assignments: Board member of ABECE AB and Wedcooling AB.

Holding in Munters Group AB: 191,176 shares and 295,000 warrants

Auditor's report

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY STATEMENT

To the general meeting of the shareholders of Munters Group AB (publ.), corporate identity number 556819-2321

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2019-01-01 – 2019-12-31, for which the extent is presented on page 46, 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 20 March 2020
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders of Munters Group AB (publ.) corporate identity number 556819-2321

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2019-01-01 – 2019-12-31 on pages 64-71 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 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 20 March 2020
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant