



Remuneration Report 2023 (Munters Group AB)

Introduction

This remuneration report provides an overview of how Munters' guidelines for remuneration of senior executives, adopted by the annual general meeting 2023, were implemented in 2023. The report also provides specific information on the remuneration to Munters' CEO, Klas Forsström, as well as a summary of Munters' outstanding and during the year completed share-related and share price-related incentive programs. The report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes of the Swedish Stock Market Self-Regulation Committee.

This report does not cover remuneration to the board of directors resolved by the annual general meeting. Such remuneration is reported in note **33** on page **145** of Munters' annual and sustainability report 2023 ("Annual and sustainability report 2023").

Information required by Chapter 5, sections 40 – 44 of the Swedish Annual Accounts Act is available in note **33** on pages **145 - 147** in the Annual and sustainability report 2023.

For information on the remuneration committee's work during 2023, see the corporate governance report on pages **98 - 101** in the Annual and sustainability report 2023.

Munters' development in 2023

CEO Klas Forsström summarises the past year and Munters' overall performance in his statement on pages **7 - 8** in the Annual and sustainability report 2023.

Munters' remuneration guidelines: Area of application, purpose, and deviations

Munters' business strategy is to be a global leader in energy-efficient and sustainable climate solutions. Our solutions enable energy-efficient production processes with reduced carbon dioxide emissions for our customers. Using innovative technologies, Munters creates the perfect climate for demanding and sophisticated industrial applications and processes.

For further information regarding Munters' business strategy, see the company's website, www.munters.com.

A prerequisite for the successful implementation of Munters' business strategy and safeguarding of the company's long-term interests, including its sustainability, as well as delivery on the ambitions the company has, is that the company is able to recruit and retain qualified personnel. In order to do so, Munters must be able to offer a competitive total remuneration based on market terms, which Munters' remuneration guidelines enable.

The remuneration shall be on market terms and may consist of the following components: fixed annual cash salary, variable cash remuneration, pension, and other benefits. Additionally, the general meeting may – irrespective of Munters' guidelines for remuneration – resolve on, for example, share and share price-related remuneration.

The annual variable cash remuneration shall be linked to predetermined and measurable financial criteria, such as operating result and working capital. The long-term variable cash remuneration shall be linked to predetermined and measurable financial criteria (for example, adjusted EBITA and operating working capital) and non-financial criteria (for example, weighted sustainability goals). By linking the remuneration of the senior executives to the company's earnings and financing of its operating activities, as well as sustainability, the criteria promote the implementation of the company's business strategy and long-term interests, including its sustainability. Furthermore, the criteria for variable cash remuneration shall be designed so as not to encourage excessive risk-taking.

The guidelines in full are found on pages **145 - 146** in the Annual and sustainability report 2023. During 2023, Munters complied with the applicable guidelines adopted by the general meeting. No deviations from the guidelines have been made, and no derogations from the procedure which should be applied according to the guidelines to determine the remuneration have been made. The auditor's report regarding Munters' compliance with the guidelines is available on the company's website, www.munters.com. No remuneration has been reclaimed.

In addition to the remuneration covered by the guidelines, the company's annual general meetings 2019 and 2020 resolved to implement long-term share-related incentive programs. These programs are summarised in this report and are reported in detail in **note 34** on pages **148** in the Annual and sustainability report 2023.

Total remuneration to CEO Klas Forsström in 2023 (kSEK)¹

Table 1

Name, position		Fixed Remuneration		Variable Remuneration				Pension ⁴	Total remuneration	Portion of fixed and variable part of Total remuneration
		Fixed annual Salary	Other Benefits ²	Annual Cash	Long-Term Cash ³	Share-related ³	Extra-ordinary items			
Klas Forsström CEO	kSEK	8,137	385	3,255	2,906	5,100	0	2,578	22,361	49.6% / 50.4%
	Portion of Total remuneration	36.4%	1.7%	14.6%	13.0%	22.8%	0.0%	11.5%	100%	

1. Includes paid and earned remuneration in 2023.
2. Includes car allowance, health and life insurance, as well as holiday pay of kSEK 135.
3. Long-term cash variable remuneration and share-related remuneration are reported in the table to the extent that it has been subject to so-called vesting in 2023, and in that sense, earned. Share-related remuneration is reported in accordance with IFRS in note 33 in the Annual and sustainability report 2023.
4. The pension is defined contribution with a fixed contribution amounting to 35% of the base salary (excluding holiday pay), and has thus been reported entirely as fixed remuneration.

Share-based remuneration: Outstanding and during the year completed share-related and share price-related incentive programs

The company's annual general meetings 2019 and 2020 resolved to implement long-term share-related incentive programs, in the form of employee stock option programs (LTIP 2019 and LTIP 2020), in which the group management and the CEO have participated and participate. The employee stock options were granted free of charge, were subject to three-year vesting periods, and could and can be exercised for a period of one year after the end of the vesting period.

The employee stock options in LTIP 2019 were divided into three series. Exercise of all employee stock option series presupposed, as a general rule, that the participant had been employed by the Munters group during the three-year vesting period. Exercise of employee stock options of series A (relative weighting 50%) and series B (relative weighting 20%) was also dependent on the extent to which performance targets linked to the average annual growth in adjusted EBITA for Munters and the average annual growth in Munters' net sales, respectively, were met during the financial years 2019–2021. The exercise price for exercising the employee stock options amounted to 110% of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during a period of ten trading days immediately after the annual general meeting 2019 (i.e. SEK 50.27). During 2022, the employee stock option program LTIP 2019 vested in its entirety and the performance conditions determined the extent to which the employee stock options could be exercised. The employee stock option program was completed during 2023.

The employee stock options in LTIP 2020 are divided into three series. Exercise of all employee stock option series presupposes, as a general rule, that the participant has been employed by the Munters group during the three-year vesting period. Exercise

of employee stock options of series A (relative weighting 50%) and series B (relative weighting 20%) is also dependent on the extent to which performance targets linked to the average annual growth in adjusted EBITA for Munters and the average annual growth in Munters' net sales respectively, were met during the financial years 2020-2022, while the exercise of employee stock options of series C (relative weighting 30%) is dependent on the fulfilment of a weighted sustainability goal consisting of three sub-components; (i) the portion of green electricity (from solar, water or wind energy) that was consumed by the group's production units in relation to the total electricity consumption of these units during the financial year 2022; (ii) the portion of female leaders (salary setting managers) within the Munters group at the expiry of the three-year performance period and (iii) the portion of the group's suppliers that complied with Munters' supplier code of conduct at the end of the financial year 2022. The exercise price for exercising the employee stock options amounts to 110% of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during a period of ten trading days immediately after the annual general meeting 2020 (i.e. SEK 45.82). During 2023, the employee stock option program LTIP 2020 vested in its entirety and the performance conditions determined the extent to which the employee stock options could be exercised.

The CEO's performance during the reported financial year: Share-related remuneration

The CEO participated in the employee stock option program LTIP 2020 and held in total 150,000 employee stock options. All employee stock options were subject to performance requirements, and exercise of the employee stock options also presupposed continued employment in the Munters group during the three-year vesting period and up to the time of exercising the employee stock options. During 2023, the employee stock option program LTIP 2020 vested in its entirety and the CEO chose to exercise all vested employee stock options (62,460) in LTIP 2020.

Table 2

Principal terms for stock option programs							Opening Balance	During the Year (number)		Closing Balance (number)		
Name of Program	Performance period	Allocation Date	Vesting Date	End of retention period	Exercise Period ¹	Exercise Price (SEK)	Start of the Year (number)	Allocated	Vested	Subject to performance conditions	Allocated (not vested)	Subject to retention period
LTIP 2020	2020-2022	2020-06-30	2023-06-30	2023-06-30	Q2-2023-Q2-2024	45.82 ²	150,000	-	62,460	-	-	-
Total							150,000	-	62,460	-	-	-

1. The employee stock options can be exercised during a one-year period after the date of expiry of the vesting period.
2. The aggregate market value of the underlying shares at the time of vesting was kSEK 7,639, and the aggregate exercise price at the time of vesting was kSEK 2,862.

Table 3

LTIP 2020 – description of the criteria linked to the remuneration component	Relative weighting of the performance criteria	Achieved Performance	Achieved performance per criterion (%)	Weighted Outcome %	Number of vested employee options
Average annual growth (CAGR) in adjusted EBITA¹	50%	7.1%	1.5%	0.7%	1,110
Average annual growth (CAGR) in Net sales¹	20%	13.2%	100%	20.0%	30,000
Weighted sustainability goal (total) consisting of three sub-components in accordance with (i)-(iii) below	30%		69.67%	20.9%	31,350
<i>(i) The portion of green electricity that is consumed by the group's production units</i>	10%	61.8%	109%	10.9%	16,350
<i>(ii) The portion of female leaders within the group</i>	10%	22.6%	0%	0.0%	-
<i>(iii) The portion of the group's suppliers that comply with Munters' supplier code of conduct</i>	10%	100%	100%	10.0%	15,000
				41.6%	62,460

1. Includes adjustment for non-recurring costs, acquisitions, and divestitures.

Application of performance criteria

The performance criteria for the CEO's variable remuneration have been selected to deliver Munters' strategy and to encourage actions that serve the long-term interests of the company. In the selection of performance criteria, the strategic objectives and short-term and long-term business priorities have been taken into account.

Performance of the CEO during the reported financial year: Variable cash remuneration

Annual variable cash remuneration

Munters' annual program for variable cash remuneration (Performance Pay) is based on the principle "reward for performance" and is aimed at senior executives, as well as other managers within the group. The program is based on predetermined and measurable financial criteria that are measured during the financial year.

The CEO has participated in the program during 2023, which has included measurable financial criteria that have been linked to the group's earnings and performance for the 2023 financial year.

In 2023, the measurable financial criteria for Performance Pay have been related to the group's adjusted EBITA (relative weighting 80%) and to operating working capital as a percentage of net sales (relative weighting 20%). The criteria have been strongly linked to Munters' medium-term goals and the needs that the company believes are essential to pursue during the year.

The outcome of Performance Pay for 2023 was accumulated to a total of kSEK 3,255 for the CEO.

Table 4

Performance Pay	Description of the criteria linked to the remuneration component	Relative weighting of Performance Criteria	Measured Performance ²	Remuneration Outcome (kSEK)
Klas Forsström CEO	The group's EBITA (adjusted for items affecting comparability and exchange rate effects)	80%	1,859 MSEK	3,255
	Operating working capital (as a percentage of net sales)	20%	13.83%	-

1. Includes adjustment for non-recurring costs, acquisitions, and divestitures.
2. Measured performance is based on the exchange rate when the target was set and is thus neither negatively nor positively affected by exchange rate effects.

Long-term variable cash remuneration

As instructed by the board of directors, Munters has during 2021, 2022 and 2023 implemented a program for long-term variable cash remuneration in which the CEO, the other executives in the group management and approximately 70 additional employees within the group participate. A certain part of the net amount after tax of the paid long-term variable cash remuneration is expected to be invested in Munters shares, according to the share ownership policy that the board of directors has adopted. For the CEO, the entire net amount after tax is expected to be invested in Munters shares until the holding in value corresponds to 200 percent of the gross annual fixed cash salary.

The program has a three-year vesting period and includes measurable financial criteria linked to adjusted EBITA and operating working capital (total weighting 70%), and non-financial criteria linked to weighted sustainability goals (weighting 30%). The criteria are strongly linked to Munters' long-term goals and the needs that the company believes are essential to pursue during the term of the program.

During 2023, the first part of three in LTIP 2022 and the second part of three in LTIP 2021 vested. The outcomes are presented in the tables below based on the respective performance targets for the first and second measurement period, respectively (12 and 24 months, respectively). A total of kSEK 2,906 was earned and a portion of the net pay out was invested in Munters shares in accordance with the program's guidelines.

Table 5 (LTIP 2021)

Name, position	Description of the criteria linked to the remuneration component	Relative weighting of the performance criteria	Achieved Performance	Remuneration-outcome (kSEK)
Klas Forsström CEO	The group's EBITA ¹ (average annual growth)	40%	10.8%	519
	Operating working capital ¹ (as a percentage of net sales)	30%	12.7%	387
	Weighted sustainability goals (total)	30%	22.0%	442
Description of sustainability goals:				
	Green electricity of the group's total electricity consumption (from sun, water, wind, geothermal heat and biomass)	10%	80.7%	241
	Share of female leaders within the group	10%	22.8%	0
	Share of the group's suppliers that comply with Munters' supplier code of conduct	10%	100%	201

1. Includes adjustment for non-recurring costs, acquisitions, and divestitures.

Table 6 (LTIP 2022)

Name, position	Description of the criteria linked to the remuneration component	Relative weighting of the performance criteria	Achieved Performance	Remuneration-outcome (kSEK)
Klas Forsström CEO	The group's EBITA ¹ (average annual growth)	40%	6.4%	0
	Operating working capital ¹ (as a percentage of net sales)	30%	12.7%	609
	Weighted sustainability goals (total)	30%	24.0%	948
Description of sustainability goals:				
	Share of renewable electricity in the group's production facilities	10%	72.4%	474
	Share of female leaders within the group	10%	22.6%	0
	Service growth within business area AirTech	10%	13.8%	474

1. Includes adjustment for non-recurring costs, acquisitions, and divestitures.

Comparative information on changes in remuneration and the company's performance

Changes in remuneration and the company's performance over the last five reported financial years (RR) (kSEK if nothing else is stated)

The change in total remuneration of the CEO Klas Forsström is primarily attributable to an increase in his annual variable cash remuneration and to that one additional program for long-term variable cash remuneration, in which he has participated since before, began vesting during the year. A portion of the net pay out from the program for long-term variable cash remuneration was invested in Munters shares. The change in total remuneration is also attributable to the market value of the

underlying Munters shares in the employee stock option program LTIP 2020 in which Klas Forsström participated.

Table 7

	RR 2019	RR 2020	RR 2021	RR 2022	RR 2023	RR 2022 / RR 2023
Klas Forsström, CEO	15,235 ¹	16,927	14,820	14,678	22,361	52.3%
Adjusted EBITA as regards the group (MSEK)	871	906	909	949	1,859	95.8%
Average remuneration based on the number of full-time equivalents employed in the group ^{2,3}	545	568	596	628	748	19.1%

1. The current CEO took up his position during 2019, and the remuneration of the CEO has therefore been recalculated on an annual basis for 2019.
2. Since Munters Group AB (the parent company) only had seven employees in 2023, including the CEO, and all were senior executives, the calculation includes all Swedish companies with salaried employees, both white and blue-collar employees (i.e. Munters Europe AB, Munters AB, and ProFlute AB). Remuneration to senior executives is excluded.
3. The change in remuneration to other employees refers to the change in the sum of the corresponding remuneration components as for the CEO in Table 1.