Proposal regarding the implementation of a long-term incentive programme including resolutions on issuance of employee stock options in accordance with (a) and hedging arrangements in respect of the programme in accordance with (b) or (c)

Background and reasons for the proposal
The Board of Directors proposes that the annual general meeting resolve to implement a long-term incentive programme in the form of an employee stock option program for members of the group management and certain other key employees ("**LTIP 2018**" or the "**Programme**").

The Board of Directors is of the opinion that share-related long-term incentive programmes for members of the group management and certain other key employees are of essential importance for the company's development. The overall purpose of the Programme is to attract and retain talent over time, to drive increased engagement and performance among the participants of the Programme, and to align the interests of the participants of the Programme with those of the shareholders in the company. The Board of Directors is of the opinion that the proposed Programme is well-balanced and that it will benefit the company and its shareholders.

The Programme is a complement to the incentive program implemented in connection with company's IPO in 2017, which was directed only to members of the group management at that point in time (for further information, please see note 29 of the annual report for the financial year 2017 and page 171 in the IPO prospectus). The Programme now proposed will include members of the group management as well as certain other key employees of the company.

(a) Issuance of employee stock options
The Board of Directors proposes that the annual general meeting resolve on the issuance of employee stock options on the following principal terms.

1. The Programme shall comprise no more than 1,257,000 employee stock options, of which no more than 112,000 employee stock options may be cash-settled. The employee stock options shall be granted free of charge. The employee stock options shall not be deemed securities and shall be non-transferable.

2. The employee stock options shall be granted to members of the group management and certain other key employees (approximately 75 employees in total) according to the following:

- Category 1. No more than 11 employees of group management, in total no more than 249,500 employee stock options for the category, with allotment as set forth below:
    a) Jonas Ågrup, Scott Haynes, Neil Yule, Peter Gisel-Ekdahl, Sebastien Leichtnam, Paul Dinnage, Wolf-Markus Frank, Johannes Fabó and Sara Punkki, 17,810 employee stock options each.

b) Katarina Lindström, President Global Operations, 53,440 employee stock options. Katarina will commence her employment on 1 May 2018.
c) Any person newly employed in group management during 2018, 35,770 employee stock options.

- Category 2. No more than 38 employees with own regional or local responsibility for income statements, or with responsibility for programmes or activities having a substantial impact on global or regional income statements, in total no more than 676,780 employee stock options for the category, with allotment of 17,810 employee stock options per employee.

- Category 3. No more than 26 employees with deep and critical skills for the group in a technical or functional area, or employees with potential significant impact on financial results of the group, including factory managers for the 5 largest factories and country/business unit managers for the 7 largest countries/business units in terms of turnover, in total no more than 330,720 employee stock options for the category, with allotment of 12,720 employee stock options per employee.

3. The employee stock options shall be allotted as soon as possible after the 2018 annual general meeting. For new employees allotment may take place at a later point in time but prior to the 2019 annual general meeting.

4. Cash-settled employee stock options may only be allotted to Programme participants in such countries where the granting of employee stock options is not possible or suitable for legal or tax reasons.

5. Each employee stock option that is not cash settled shall entitle the holder to acquire one new share in the company at an exercise price equivalent to the higher of (i) 100% of the volume-weighted average price paid for the company's shares at Nasdaq Stockholm during a period of ten business days immediately following the date of the 2018 annual general meeting, and (ii) SEK 55. The exercise price calculated according to (i) above shall be rounded to the nearest SEK 0.01, whereby SEK 0.005 shall be rounded upwards. The exercise price and the number of shares that may be acquired for each employee stock option held shall be re-calculated in the event of intervening bonus issues, splits, rights issues or other similar corporate events.

6. Each cash-settled employee stock option shall entitle the holder to a cash amount equivalent to the value of one share in the company, calculated as the volume-weighted average price paid for the company's shares at Nasdaq Stockholm during a period of ten business days immediately prior to the exercise of the option, with deduction of an exercise price determined according to paragraph 5. above. Re-calculation in the event of intervening bonus issues, splits, rights issues or other similar corporate events shall also be made for cash-settled employee stock options.

7. The Programme participants shall be able to exercise the employee stock options as from the third anniversary of the allotment, up to and including the fourth anniversary of the allotment. In accordance with customary terms and conditions, it shall be possible to exercise the employee stock options prematurely in the event of, *inter alia*, compulsory redemption of shares, liquidation or merger. Exercise of the employee stock options shall as a principal rule be conditional upon the Programme participant still being employed with the group.

8. Participation in the Programme requires that such participation is legally possible, and that the administrative costs and financial efforts for the company are reasonable in the opinion of the company.

9. If the Board of Directors, considering the group's result and financial position, the conditions on the stock market and other circumstances, would consider the number of employee stock options subject to exercise to be clearly unreasonable, the Board of Directors shall be able to reduce the number of employee stock options subject to exercise. Such reduction may result in the number of employee stock options subject to exercise being reduced to zero.

Hedging and dilution

The Board of Directors has considered different methods to secure the delivery of shares upon exercise of employee stock options that are not cash-settled, as well as to cover the cash-flow effects associated with the Programme (primarily social security charges and cash-settled employee stock options), in order to implement the Programme in a cost-effective and flexible manner. The Board of Directors has found the most cost-effective alternative to be, and thus proposes that the annual general meeting as a main alternative resolve on, repurchase and transfer of own shares (see item (b) below).

Prior to expiry of the Programme, the Board of Directors intends to propose to the annual general meeting 2021 that transfers be made of own shares on a regulated market in order to cover the cash-flow effects associated with the Programme.

Should the majority required under item (b) below not be reached, the Board of Directors proposes that Munters shall be able to enter into an equity swap agreement with a third party, in accordance with item (c) below.

Neither of the hedging alternatives referred to above give rise to an increase of the number of shares in the company and, accordingly, no dilutive effect in terms of shares issued will occur for existing shareholders.

Costs etc.

The employee stock options are expected to incur costs for the group in the form of social security charges upon exercise, as well as accounting costs during the period the employee stock options remain outstanding. These costs are estimated to amount to approximately SEK 11.8 million. The calculation of the costs has been carried out based on, *inter alia*, the following: (i) the price of the company's shares at Nasdaq Stockholm amounting to SEK 50 per share at the time of the allotment and to SEK 65 per share at the third anniversary of the allotment, (ii) the exercise price determined in accordance with paragraph 5. above amounting to SEK 55, (iii) 93% of employee stock options allotted in the Programme are exercised, and (iv) the risk-free interest rate is 0.0% and volatility amounts to 26% during the period from the time of the allotment to the third anniversary of the allotment.

Based on the above basis for the cost calculation and the assumption of an average share price during the last 12 months before the employee stock options may be exercised amounting to SEK 62.5, the dilutive effect on earnings per share would amount to 0.0% throughout the duration of the Programme, provided that the number of outstanding shares in the company is unchanged throughout the duration of the Programme.

(b) Repurchase and transfer of own shares
(i) The Board of Directors proposes that the annual general meeting resolve to authorise the Board of Directors to resolve on repurchase of shares in the company in relation to LTIP 2018 according to the following:

- Acquisitions may be made of no more than 1,467,000 shares in order to secure the delivery obligations of shares to participants in the Programme and for subsequent transfers on a regulated market to cover cash-flow effects associated with the Programme, primarily social security charges and cash-settled employee stock options.

- The shares may only be acquired on Nasdaq Stockholm.

- The authorisation may be exercised on one or more occasions, until the 2019 annual general meeting.

- The shares may only be acquired at a price per share within the from time to time registered trading interval.

(ii) The Board of Directors proposes that the annual general meeting resolve to transfer shares in the company in relation to LTIP 2018 according to the following:

- No more than 1,257,000 shares may be transferred. Right to acquire shares shall, with deviation from the shareholders' preferential rights, be granted the persons participating in LTIP 2018, with a right for each participant to acquire the maximum number of shares as set out in the terms and conditions of the Programme. In addition, subsidiaries of the company shall, with deviation from the shareholders' preferential rights, be entitled to acquire shares free of charge, whereupon such subsidiary shall be obliged to, in accordance with the terms and conditions of LTIP 2018, immediately transfer the shares to the participants in the Programme.

- Transfer to the participants of LTIP 2018 shall be made at the time, to the price and on the other terms and conditions of LTIP 2018 at which participants of the Programme are entitled to acquire shares.

- The number of shares that may be transferred shall be re-calculated in the event of intervening bonus issues, splits, rights issues or other similar corporate events.

The transfer of own shares is a part of the proposed LTIP 2018 and the Board of Directors considers it to be of benefit for the company and its shareholders that the participants of the Programme are offered the opportunity to become shareholders in the company on the terms and conditions of LTIP 2018.

(c) Equity swap agreement with a third party
Should the majority required under item (b) above not be reached, the Board of Directors proposes that the annual general meeting resolve that the expected financial exposure of the Programme shall be hedged by Munters being able to enter into an equity swap agreement with a third party on terms in accordance with market practice, whereby the third party in its own name shall be entitled to acquire and transfer shares in Munters to the Programme participants.

Conditions
The annual general meeting's resolution according to item (a) above is conditional upon the meeting either resolving in accordance with the Board of Directors' proposal under item (b) above or in accordance with the Board of Directors' proposal under item (c) above.

Majority requirements
The annual general meeting's resolution according to item (a) above requires a simple majority among the votes cast. A valid resolution under item (b) above requires that shareholders representing not less than nine-tenths of the votes cast as well as of the shares represented at the meeting approve the resolution. A valid resolution under item (c) above requires a simple majority among the votes cast.

Preparation of the proposal
The company's Compensation Committee has prepared the general guidelines for the proposed Programme. These guidelines have been presented to and adopted by the Board of Directors. The Board of Directors has subsequently decided that the Programme shall be proposed to the annual general meeting.

Stockholm, April 2018

Munters Group AB

The Board of Directors